

Next steps in voluntary action

*An analysis of five years of
developments in the voluntary sector
in England, Northern Ireland,
Scotland and Wales*



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1 Overview

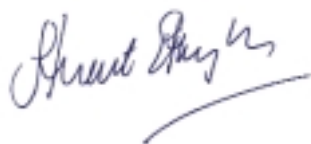
In 1996 the Report on the Commission of the Voluntary Sector stated, “The time is ripe for a review of voluntary action in England A whole series of fundamental issues are arising around what the respective roles, rights and responsibilities of the state, the market, voluntary bodies and ordinary citizens should be.’ These words seem as relevant now as they did then, and it is for this reason that we have undertaken to produce this report.

With the current government undertaken reviews of charity law and the role of voluntary organisations in the delivery of public services, it seems appropriate to review the many changes that have occurred since Professor Deakin and Arnold Kemp surveyed the voluntary sector five years ago.

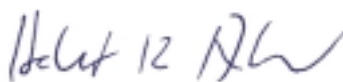
Much has changed over the past five years—changes which clearly affected the political context in which voluntary organisations operate. Devolution and proportional representation in Northern Ireland, Scotland and Wales and regionalism in England are just some of the developments that make it necessary, and indeed paramount, to take a renewed look at the voluntary sector in Britain. This time, however, we decided to look at what had happened and what might happen to the voluntary sector in each of the four countries in the United Kingdom to seek out similarities and differences, and the policy implication they might have.

NCVO and the Centre for Civil Society at the LSE are extremely pleased that Joseph Rowntree Foundation has agreed to fund this report (as it did the original Commission in England in 1996). We are also grateful to the various authors of this report for taking part in the project, and for writing this report under great time pressure. Professor Deakin’s support and advice throughout this project has, as always, been invaluable.

At a time of change for the voluntary sector, we hope that this review of recent developments and current challenges will help many in and outside the voluntary and community sector to gain insights into what the next five years and beyond might hold.



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2 Five years after: a brief commentary

Nicholas Deakin

No question about it; the voluntary sector, in the UK, however we choose to define it, has travelled a long distance since 1996. So has the world in which it operates. Viewed from the vantage point of the beginning of a second term of Labour government, the political context is very different – though perhaps not quite as much as we might have imagined it would be, five years ago. The economic situation remains more benign than even the most optimistic would have dared suppose; though for how long remains uncertain. As a result, some of the apparently intractable problems that persisted throughout the early nineties around employment and social services have proved capable of being tackled – though they are far from being resolved. Voluntary organisations have played a significant part here, as elsewhere. But many of the presenting issues we identified have been joined by new ones – the inequalities of wealth accentuated, not diminished; an ugly new rash of racism at the expense of stigmatised asylum seekers.

When it comes to solutions, many of the questions we addressed in 1996 remain unresolved. The relationship that much of the voluntary sector has with the state still occupies centre stage. The adoption of the compact device, of which the 1996 Commission was the progenitor, has thrown these issues into sharper relief and underlined the differences between those who see engagement with the ‘compact authorities’ (a puzzling term) as a surrender to the encroaching state and its agenda, as against those who see it as necessary or even desirable to keep the sector at the cutting edge of policy developments – and obtain security in funding. But two qualifications are needed here. First, that despite their prominence in debate these are questions that do not concern large numbers of organisations, which are either too small or preoccupied with activities that lie outside the remit of the state. And, second, that the key issue may increasingly be not so much one of relations between state and voluntary organisations as one of tensions between centre and locality with local authorities joining with ‘their’ voluntary bodies to resist further encroachments. How this would be affected, in England, by the appearance on the scene of fully-fledged regional government, if that did in fact materialise, is one of the questions that our successors in another five years may be able to answer.

Issues around cultural change have been another area of continued debate: how to tweak the national psyche so as to encourage giving in its various manifestations: time, first of all, but money above all. This debate rumbles on: the most recent evidence suggests that trends in charitable donation are at last turning up again. Five years further on, we will be able to observe whether the systematic attempt to promote increased giving, to which the Treasury under Gordon Brown is now committed, was a realistic proposition.

One feature of these discussions has been the persistent desire to import the American model of philanthropy, which runs alongside a wider preoccupation among ministers and the New Labour policy community with transatlantic approaches to social policy. This is puzzling. As Mark Rosenman of the Union Institute showed in his contribution to discussions on drafts of this report, this approach to philanthropy draws on an altogether different dynamic – an endemic mistrust of the state and a view of welfare that stigmatises rather than supports those that need it. Lionel Jospin has offered an alternative European model of association that extends into areas of co-operation and economic development excluded from Anglo-Saxon notions of voluntarism, which he will invite the EU to develop. A moment of choice between the two may arrive, perhaps sooner than we now expect.

Concern with the development of enterprise would fit well into this pattern; and the Government's decision to mount a review of the legal and regulatory context provides a useful opportunity to consider these issues in a wider context. If this review produces new measures that support and enhance the innovatory role of voluntary and community organisations that must be good news, even though the significance of this role is sometimes overstated. So encouragement of entrepreneurial behaviour should not be at the expense of those organisations that are making a solid contribution based on well tried procedures in diverse areas of human services. What's needed there is not so much novelty but measures that will ensure that government – at all levels – provides what it has promised to deliver on a consistent basis. At the moment diversity in funding practices makes planning unnecessarily difficult – a perennial problem facing voluntary organisations of all sizes and purposes.

Leadership in the sector is an issue that still hardly dares to speak its name. Behaviour that attracts the admiration of the public and politicians and brings in the donations can too often be a nightmare to manage, breeding destructive internal conflicts. Squaring that circle – promoting high profile visible personalities against delivering the quiet care that's another part of the charitable tradition – remains as awkward a task as ever. The case for examining these questions and some other problems of organisation and management still had to be argued in 1996. My perception is that it is now largely conceded: the obligation to deliver is accepted, above all because recipients clearly have the right to the best quality services. The continued rise of self help organisations has helped to seal this commitment. But there is still confusion about the interaction between efficiency and mission, compounded in many cases by the pressure from outside to show results in ways that stack up with the targets that have become an obsession within central government.

Peering into the crystal ball, it may be the form rather than the fact of involvement with the state that presents the real hazard: incorporation into the universe of performance measures and those limp parodies of commercial practice that seek a surrogate bottom line to stand in for the role of profits in business. So rhetoric about 'replacing the heavy hand with a light touch' must identify ways in which terms and conditions of support can recognise the distinctiveness of voluntary action. This is especially relevant to those smaller community based groups said to operate 'below the radar screen' (actually beam), whose future is quite rightly seen as crucial to the continued health of civil society.

Of the making of reports on voluntary action there is never likely to be an end – if only because the issues raised are central to the functioning of a democratic society. Fortunately, the welcome growth of academic capacity is providing the means by which detailed (and where appropriate critical) analyses of the various developments that this document, among others, has charted can be carried out. There are many useful, practical jobs to do: mapping the size and extent of voluntary activity, identifying strengths and weaknesses. For my part, I feel fortunate to have had the opportunity of providing one stepping stone in a process which seems certain to continue. I wish my successors good fortune with the next steps.

3 Next steps in voluntary action: five years after Deakin

William Plowden
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Acknowledgements

I am grateful to all those who found time to talk to me about this study and especially to the following who talked to me at a length far beyond the call of duty and/or let me have comments on earlier drafts – Helmut Anheier, Rodney Buse, Nicholas Deakin, Stuart Etherington, Richard Fries, Richard Gutch, Jeremy Kendall, Alun Michael, Nigel Siederer, Christopher Spence. They have certainly saved me from some errors of fact, and have at least mitigated errors of judgement. Errors of either kind that remain are, of course, mine alone.

3.1 Introduction

The context of the Deakin report

This paper is intended to provide a brief review of the distance travelled by the VCS¹ over the past five years, to describe some of the most important developments that have taken place during that period and to identify some of the main areas where further changes seem likely or necessary.

The starting point is the publication in July 1996 of the report of the Independent Commission on the Future of the Voluntary Sector in England, which was set up by National Council Voluntary Organisations with support from the Joseph Rowntree Foundation and the Esmé Fairbairn Trust.

In the early 1990s the Conservative government had been in power for well over a decade. They had seen the VCS as an instrument in their long-running and increasingly determined campaign to roll back the frontiers of the state and to reduce the breadth and depth of state provision of public services. The VCS became leading agents in providing what had previously been public services. To qualify for this role VOs had to demonstrate their efficiency and management skills, in implicit competition with the private sector.

But this relationship generated much concern about the terms of engagement between government at all levels and the 'voluntary sector'. Much of this concern was focussed on issues around resources. This involved both questions of the quantity of resources and the terms on which resources were being provided – the evolution of the so-called 'contract culture'. Both parties to the relationship had expressed anxieties. The efficiency scrutiny undertaken by the Home Office in 1990 underlined government's concerns that the voluntary sector might not be able to measure up to its new responsibilities. Concerns in the sector that the terms on which funding was provided might compromise its critical role and permanently change values were crystallised in the report prepared by a former HO special adviser, Barry Knight, and published in 1993². However, the very pertinent questions raised in that report failed to receive the attention they deserved, for political reasons; Knight's agenda did not fit that of either government or the larger voluntary organisations.

Pressure from the VCS for a traditional Royal Commission to look at the field produced no result. The gap was therefore filled by an independent commission, resourced with foundation money. The commission took just over a year to produce its report. It engaged in extensive consultations and public meetings, and took oral and written evidence. A separate exercise was mounted in Scotland (the 'Kemp Commission'). This paper first describes the initial response to the report (hereafter 'Deakin') and then identifies the main developments that have taken place since, both in the sector itself and the environment within which it operates.

The Deakin report summarised

Deakin summarised its own recommendations under 61 heads, addressing them to the major stakeholders. In the light of events – or, in some cases, the lack of events – since then, the most significant seem to be the following:

- a) There should be in Whitehall a strengthened, single source of coherent thought and expertise about voluntary sector issues and activities, responsible for 'raising the voltage' within government at all levels;
- b) A concordat between central government and the sector should be drawn up as a code of good practice for future relations;
- c) The definition of charity should be reformed with a single definition based on a new concept of public benefit; there should be an independent 'Charity Appeal Tribunal' to review decisions by the Charity Commission on the registration of charities;
- d) Business/VCS collaboration should be encouraged through a demonstration programme through which VCS leaders would be placed on business boards as non-executive directors;
- e) Companies should develop long-term relationships with VOs based on commonly identified goals; VOs should make a clearer case to business for mutual benefit based on an understanding of business and what their organisation offered;
- f) All funders should recognise the independence of VOs;
- g) Funders should support VOs' infrastructure and core costs;
- h) VOs should be explicit about standards and should develop quality measures which fit the organisation and which funders need to know are in place. Users should be involved in this process wherever possible.

Continuity and change

Since 1996 there has been both continuity and change. As pointed out below, it is important not to think that the space occupied by the VCS is simply whatever may be left to it by central government – not least because in terms of finance and working contacts local authorities are more significant than Whitehall. But there is no doubt that central governments largely determine the context in which the VCS operates at different times. They also, to an increasing extent, try to prescribe the role which a large part, though not all, of the VCS can play in relation to the public sector as a whole. Whether Conservative or Labour governments have been in power in Westminster has, therefore, been highly relevant. There has, nonetheless, been a degree of continuity between them. Consequently some themes, already prominent at the time of Deakin, remain so today.

The most important continuing themes have included the government's reliance on the VCS, in parallel with the private sector, as an essential instrument in implementing government policies and delivering public services, and a parallel emphasis on volunteering as a means of enhancing social cohesion; concerns in the VCS about resources in general and, in particular, about levels of public sector funding and the manner in which this is provided, about the difficulty of increasing business support and about a lack of buoyancy in giving by the public – perhaps linked to decreasing public trust in the VCS. The VCS continues to be concerned at the weakness and incoherence of central government's own organisation for managing its relationships with the VCS. There are concerns, more broadly felt, about the need to modernise charitable law and regulatory processes more generally, and about the management and governance of VOs (including the characteristics and responsibilities of trustees).

To these themes have been added some new ones, in some cases due to Deakin's own work. Under the Labour government the VCS is being taken more seriously than ever before; the 'voltage' has undeniably been vastly increased. The government has placed much greater emphasis on the role of the VCS in service delivery (especially services aimed at reducing 'social exclusion'), on volunteering and on encouraging 'civil' (or 'civic') society, though without seeming fully to recognise the connections and tensions between these or the implications for the VCS of being thus co-opted. The Compact between central government and the VCS, and the supporting 'codes' (including a code for relationships between VOs and local authorities) are on the table and could open the way to much better mutual understanding. The government has acted to try to increase the incentives to public giving. The National Lottery is now fully established as both a competitor for the public's money and as a major source of funds, though the effects of both are not yet fully understood. There is much discussion of new forms of organisation to mobilise resources, of entrepreneurship in voluntary activity and of the involvement of the VCS in quasi-commercial activities. The VCS is increasingly being challenged to measure its performance and to think, and report, in terms of 'outcomes'. New technology is starting to alter the relationships between VOs and the public.

3.2 Recent history

Reactions and responses to Deakin

Reactions to the Deakin report, at the time and subsequently, have ranged from those who admired its broad sweep, measured prose and politically shrewd moderation, to those who found it conservative, inward-looking or even timid. An academic comment at the time was that 'it fails most sharply...to offer a sense that the sector's oppositional role can be as significant as its supportive role'³. A Home Office official later described his attitude at the time: the report was not very important in principle, disappointing in practice, and did not impress Ministers – perhaps because it was not outward-looking, more a matter of the voluntary sector talking to itself⁴. A leading voluntary sector manager commented 'While it's an exceedingly good writing up of the situation where we are now, it's not necessarily what it set out to be...a vision for the future.'⁵ Another remarked 'I prefer one or two individuals stirring things up, rather than trying to reconcile a range of interests in a commission.'⁶

More positive was another researcher/practitioner. He sympathised with the disappointment and frustration caused by the report among 'dyed-in-the-wool VCS veterans', but concluded that the commission had made an invaluable contribution to the process of educating the wider interests who needed to know about the VCS – politicians, civil servants, local government and health service purchasers, key people in the private sector and the increasing numbers of 'new' supporters and trustees which VOs needed to attract⁷. A later summary judgement was 'deferential, statesmanlike, consensual'⁸, and a researcher not known for his admiration for the report noted that the committee had done a good political job, and had had a very positive effect in getting recognition for the voluntary sector from government⁹. A VCS leader commented that the Commission's report had led to a 'much more mature' relationship between government and VCS, in which the latter was, at last, taken seriously¹⁰.

Proof of this last point were the remarks of Virginia Bottomley, the Conservative Minister then responsible for relations with the voluntary sector, who in the government's official response published a few months later described the report as 'important... , thoughtful, considered' and suggested that her department was well placed to 'raise the voltage' within Whitehall.¹¹

But welcome though this positive and formal response was, it was, in practice, the last major involvement of the Conservative government with the VCS. Within the year Labour were in power and the whole context had changed. Labour has been in power for four-fifths of the elapsed time since Deakin was published. In policy terms, the gap between opposition and government – a gap into which, all too easily, grand aspirations and promises can vanish without trace – was bridged almost seamlessly. One personality was particularly significant. Alun Michael, who had himself been active in the VCS, led a two-year review (1994-96) for the Labour party of the relationship between government and the voluntary sector. He instigated and opened a major House of Commons debate on the VCS in July 1996¹². The outcome of his review, published two months before the general election of May 1997, was a key document setting out Labour's policies towards the VCS. Building the future together marked the beginning of a new stage in government/VCS relations¹³. It described the Deakin report as 'an invaluable

contribution to debate' with many of whose conclusions the party agreed, most notably the establishment of a 'compact' between government and the voluntary sector. When the new Labour government was formed Michael himself became Minister of State at the Home Office, responsible for oversight of the VCS.

Deakin's recommendations and subsequent work

It is not the purpose of this note to review developments across the whole range of Deakin's recommendations. Inevitably, some have been implemented more enthusiastically and effectively than others. The most striking and significant developments have been in three areas in particular.

The 'Compact'

This was the outcome of Deakin's proposal for a 'concordat'. It was formally launched in November 1998¹⁴. The history of the Compact is being studied in a separate project supported by the Active Community Unit in the Home Office, and is not therefore considered in detail here. With its subsidiary 'codes' – on funding, consultation, black and ethnic minorities (plus the local compact guidelines) and (still in draft) volunteering and community groups (and the supplementary partnership guidance) – it touches in principle on some of the most active and sometimes contentious areas of engagement between government and the voluntary sector. Its true significance will emerge only over time as it becomes clear whether or not its existence makes an important difference to specific outcomes about which either or both parties feel strongly. There is a short discussion of the Compact in Relations with government – the Compact below.

Charity Appeal Tribunal

Though Deakin's proposal for a Charity Appeal Tribunal was not accepted, discussion of the subject, including the government's response *Raising the Voltage*, was helpful to the Charity Commission in pursuing its current aim of revising the register. On the definition of charity, nothing happened until, two years later, NCVO set up a 'Charity Law Reform Advisory Group'. The report of this group took the form of a consultative document published earlier this year, to be followed by a period of consultation ending on 31 July. (The document favoured applying the 'public benefit' test to charities of all kinds.) During this period the Institute of Philanthropy at University College, London, let it be known that it proposed to set up a 'Commission on the Regulation of Charities', to be chaired by a retired senior judge, Lord Browne-Wilkinson. Before this body had started work the government announced, immediately after the June general election, that the Performance and Innovation Unit in the Cabinet Office would be conducting a 'broad-ranging review of the legal and regulatory framework for charities and the voluntary sector'. A staff member of NCVO was to be seconded to the PIU to help with the enquiry.

Standards

A separate working group was set up following the commission's report, funded by the Joseph Rowntree Foundation. In 1997 NCVO set up a Quality Standards Task Group (QSTG), chaired by a member of the Commission, Rodney Buse. The group has seen its

role as helping VOs to increase their effectiveness by raising awareness of quality systems, providing information and advice, encouraging the development of relevant ways of improving both quality and quality standards. It has published regular newsletters and a first report¹⁵ in March 2000. At the time of writing the group is awaiting the outcome of its application for funding for a further two years work.

Developments in the VCS since Deakin

The VCS itself has, in essentials, changed little since Deakin. The same is true of the problems of quantifying the field. Best estimates suggest that there may be some 300,000 organisations, large and small, which might realistically be labelled 'voluntary'. (Gordon Brown, for some reason, speaks of '400,000'.)¹⁶ But since this is, frankly, a guess it provides no basis at all for further statistical analysis or comparisons. These have to rely on rather different databases. Thus, taking as a rather crude surrogate for 'VOs' the number of charities on the Charity Commission register, these remain at much the same level at just under 160,000 (December 2000). NCVO uses the definition 'general charities', which excludes quangos, housing associations, universities and colleges and churches: there are some 136,000 general charities thus defined. About 5,600 new charities were registered with the Charity Commission last year. Observation and anecdotal evidence suggest changes over time in the issues of concern to new VOs, with an emphasis on, for example, the environment, animal rights, globalisation. But there are no reliable data for such judgements.

As ever, there is a vast imbalance between the size and financial significance of the few larger bodies and the many smaller ones: two-thirds of registered charities account for less than two per cent of total income, while at the other end of the scale the largest six per cent have 89 per cent of the income. The register contains 336 charities with annual income over £10 million, over 100,000 with income between zero and £10,000. On the one hand, as has been pointed out, 'By their nature, the larger organisations dominate in terms of their clout, full-time paid staffing and by their ability to sit on proliferating task-forces.'¹⁷ On the other, fewer than a quarter of charities employ any paid staff at all. The New Economics Foundation has recently suggested that there may be nearly a million small community organisations in the UK – mostly 'flying below the official radar screen'¹⁸[sic].

What is 'the VCS'?

These figures show why many, if not most, generalisations about 'the VCS' are close to meaningless. Basic to much of the continued confusion in thinking about the VCS, its characteristics and its roles in society is the very existence of this convenient collective noun. Things are, if anything, made worse by the false precision of today's preferred term – the 'voluntary and community sector'. This purports to link together at one end of the spectrum the massive professionalised non-profit bureaucracies, often performing quasi-public services and, at the other, the much more numerous mass of small local, often volunteer-based organisations. 'What is the community sector?' a local government official asked this writer.

In speaking of 'the VS' or the 'VCS' it is easy, but totally misleading, to assume or to imply the existence of an identifiable network of organisations linked together by some

significant community of purpose, to which other bodies – such as ‘central government’ – can relate and with which purposeful communication is possible. An independent researcher wrote in a CAF publication that

‘...[M]any policy-makers do not understand the structure and character of the VCS, its sources of legitimacy, its variety and lack of uniformity. At worst, they treat Barnado’s, local playgroups, CSV, a local Age Concern and grant-making charitable trusts, for example, as if they were all one kind of organisation, evenly distributed around the country.’¹⁹

But even this statement implicitly defines the VCS as being engaged in ‘social welfare’ activities. In fact there are other large sub-sectors, comprising many thousands of organisations of all sizes, engaged in the arts, science, sports, museums, parks, and so on. Many of these are not concerned primarily, if at all, with the ‘socially excluded’ whom the present government is trying to help. They tend to attract funding from different groups of sources.

It is probably helpful to distinguish between (at least) the large professionalised bureaucracies (increasingly involved in public services), the ‘mutuals’ which bring together a number of people collaborating to solve a problem of direct interest to them, the group of important and professionally run small- to medium-sized VOs and the many very small local charities run disinterestedly by volunteers in their own time. One problem for anyone concerned to plan and manage policies for the VCS as a whole is that very little is known about either the substantive activities of the smaller bodies nor about how they secure and use their resources.

As mentioned below, many observers see another distinction, which they would like recognised and embodied in law, between VOs which accept public funds in return for providing public services, and those which remain wholly independent of government. Finally it cannot be repeated too often that one crucial distinction is obscured by using the term ‘voluntary’: that between non-profit organisations which rely largely or wholly on paid staff, and those activities carried out wholly or largely by unpaid volunteers. By NCVO’s calculations paid workers in the VCS are equivalent to some 500,000 full-time equivalent (FTE) workers, volunteers to 770,000 FTE.

Black and minority ethnic organisations

Possibly the extreme case of a label on a package whose contents are largely unknown are the so-called ‘Black and Minority Ethnic’ (BME) organisations. Searches by NCVO have turned up little literature on these. A recent survey by the Joseph Rowntree Foundation suggested that there might be some 5500 of them in England and Wales²⁰. But this figure (and other aspects of the survey report) have been challenged by the Council of Ethnic Minority Voluntary Sector Organisations (CEMVO), which has about twice this number on its own database. BME organisations fall into three main groups: those providing assistance and advice on topics such as immigration, asylum, access to public services; associations for people linked by race and/or language; those campaigning against discrimination and so on (probably the least effective group). Though ethnic minorities now make up six per cent of the population, they have secured only 2.3 per cent of lottery grants. The government’s response to this has

been to switch £20 million from the New Opportunities Fund to the millennium commission, explicitly to fund projects led by black and Asian groups.

There is now a Code, under the Compact, on relationships with the BME organisations. Production of this was delayed when the leading BME intermediary organisation, Sia, riven by internal conflicts, lost its Home Office funding and collapsed in 1999. Funding is now provided for a new umbrella organisation, CEMVO.

Some of the problems faced by BME organisations derive from a continuing characteristic of the VCS as a whole – its lack of diversity, in the sense of being representative of all sectors of society. The same is true of funding bodies of all kinds. A survey published last year found that 40 per cent of charities had no black volunteers at all; of those that did, only two per cent of their volunteers were black. Of 95 VOs surveyed, nearly half had no black trustees²¹. This fact, plus undeniable failures on the part of BME organisations to satisfy the particular conditions required by grant-makers, seems to have contributed to a mutual lack of rapport. CEMVO has now embarked on an ambitious capacity-building programme for BME organisations in London. Meanwhile, some private foundations have agreed to channel funds through CEMVO, which also offers to provide organisation support for groups which might be deemed too informal to qualify for funding. On the other side of the relationship, the diversity problem remains to be tackled.

On diversity, it is worth noting that the position is little better for women. There are few female chief executives in the big charities, and there seem to be few women trustees.

Intermediary/umbrella bodies

Deakin discussed the role and inter-relationships of what it called 'intermediary' bodies. A better term might be 'umbrella' bodies, and this is used hereafter in this paper. Deakin walked delicately round the issue of the number of umbrella bodies and the relationships between them. The report stopped short of suggesting that there might be too many of them or that they duplicated each other's functions; it recommended the creation of an additional body which could act as 'a forum for all intermediaries', for which NCVO might provide the secretariat. This might meet twice a year.

Several meetings took place in 1996/1997 to discuss the proposed forum. NCVO convened a large seminar of generalist umbrella bodies in mid-1997. There was disagreement as to whether or not to involve a broader range of 'second-tier' bodies with a generalist role, such as Directory of Social Change or National Council for Voluntary Childcare Organisations. The outcome was two further seminars in 1998 and 1999. A list of 100 eligible organisations was drawn up. Today there are still several bodies in at least partial competition for members and for the ear of government, among others: the National Council for Voluntary Organisations, the National Association of Councils for Voluntary Service, the National Association of Volunteer Bureaux. Several of them receive 'strategic funding' from the Home Office. A further seminar took place in July 2001. Representatives of some 25 bodies attended – some of them, according to an observer, clearly having no previous knowledge of each other's existence. The meeting agreed to set up a 'forum' which should meet twice a year.

Finance

Total

Total VCS income is at best stable, possibly falling: CAF calculates that the income of the top 500 charities decreased in real terms in 1999, compared with a rise of nine per cent the year before²².

The data in this area is extremely unreliable. Little or nothing is known about the finances of most non-charitable VOs, especially the smallest of these. The most apparently authoritative statistics are those published by NCVO in its Almanac. But these apply only to NCVO's category of 'general charities'. They can, however, be used to indicate some relativities and broad orders of magnitude, and in this spirit are presented below.

There are several ways of slicing VCS income. The most significant distinctions are between earned and donated income, and between the different sources of income:

- a) donated/earned. Of total 'general charity' income, just under 50 per cent is made up of grants and donations. Just over 33 per cent is earned or comes from the sale of goods and services.
- b) income sources A third of the income from grants and donations comes from the public (two-thirds of whom give), and the same proportion from the public sector, a fifth from foundations and other non-profit sources, a twentieth from business. The proportion of the public who give seems to have stabilised after a decline since the early 1990s, although the total donated has increased slightly after an earlier decline. However, many individual VOs report a continuing decline in public donations. Opinions vary as to whether the coming of the national lottery has affected public giving. The most striking feature here is the significance of public sector income of all types. Of earned income, the share derived from the public sector grew from 35 per cent of total income in 1990 to 45 per cent in 1995.²³ It seems safe to assume that this growth has continued.

Distribution

The main issues have remained the same since Deakin. A small unchanging group of top charities dominates the market. Public charitable giving is heavily skewed towards a limited number of attractive causes, and has remained concentrated on the same causes over time. The same charities always top the list of the biggest beneficiaries – Oxfam, National Trust, cancer research – while AIDS, youth, mental health and hearing impairment come lowest²⁴. Business giving, as discussed below, is equally selective and conservative.

Equally important is the bias in the expenditure deemed eligible for funding. Most funders greatly prefer to support projects, not the ongoing cost of running an organisation. Thus government grants and service fees typically will cover project costs but not core costs. Businesses often take the same line. The National Lottery Charities Board funds new overhead costs resulting from a project but not, at present, existing overheads. Many such overhead costs are an essential element for the management of

any organisation, and thus for the specific projects which funders are glad to support: premises, communications services, insurance, a chief executive or a director of finance. Research and development is even harder to finance. Even VOs receiving massive fees from the public sector for specific services provided may find themselves under continuing pressure in relation to the costs of other less favoured services or of administration. The much-respected Family Policy Studies Centre was wound up this year partly for this reason.

The problems do not end here. The ways in which funding, once agreed, is provided are unsatisfactory. The processes of applying for funding can be impossibly burdensome for small organisations. Many funders now work on, at longest, a three-year cycle, with no certainty of continuation beyond this; notification or, indeed, the funds themselves often comes after the beginning of the period ('Often you don't know whether you've got the funding until you've spent it', as one VO director said). Contracts or grants are often of low value and the related overheads proportionately high. Correspondingly, decisions to terminate funding come equally late in the cycle at a point when commitments may well be irreversible. The process of following available funds can distract a VO from its chosen mission and its own priorities and involve it in unnecessary competition. Additional funds can create new management burdens while not contributing to overhead costs nor to the costs of other services which do not attract similar funding.

Central government has intervened to increase incentives to personal and corporate giving: Gift Aid, payroll giving (the aim is to double contributions from £39m in 1998-99 to £60m by 2003), donations of shares, fundraising events, plus a £1 million grant to publicise new measures and encourage people to give. A CAF/NCVO survey shows a 12-fold increase in donors using Gift Aid²⁵. In November 2000 NCVO and CAF launched 'The Giving Campaign', supported with £1 million of government money and a seconded official. The aim was exceedingly ambitious: to change the national culture in such a way as to make giving to charity more instinctive and more widespread. The campaign will focus attention on the opportunities for increased giving resulting from the tax incentives announced by the Chancellor the previous year. The literature is larded with marketing-speak ('an overarching generic brand for giving to charity'... 'detailed segmented marketing...')²⁶. Closely related to this is a project, 'Promoting New Philanthropy', run by the Association of Charitable Foundations and supported by foundation money. This is aimed squarely at the upper end of the market, the new rich who are so puzzlingly unphilanthropic with their fortunes: how can those who might want to follow the examples of the Carnegies and the Nuffields find the information and guidance that they need to help them 'follow through their enthusiasm and make best use of their funds'?²⁷ What can the rest of us, in turn, find out about their motives and their attitudes?

Charitable foundations

Nearly 9000 grant-making foundations are currently giving away in the region of £1.25 billion a year. A recent study by CAF warns that the sheer diversity of origins, objectives and activities of these makes generalisation a perilous and misleading activity. The study distinguishes between endowed foundations, fund-raising organisations, independent foundations set up by corporations (e.g. Baring), corporate foundations closely linked to their parent companies, religious foundations, local branches of

international foundations (e.g. Gulbenkian), large medical/scientific trusts, medical research-operating charities (e.g. Cancer Research Campaign), internationally operating charities (e.g. Oxfam)²⁸. One cause for worry – as the New Philanthropy project implicitly recognises – is an apparent fall-off in the rate of formation of new foundations. The figures for recent decades are as follows:

1950s	270
1960s	824
1970s	829,
1980s	663
1991-94	113 [five years] ²⁹

These figures should be used with caution, being highly selective, but they do probably indicate broad trends. In Germany, by contrast, it is estimated that since 1992 some 200 foundations have been created every year.³⁰ There seems to have been a slight decline in UK foundations' grants and assets.

A major new player on the scene, whose influence goes beyond that of its individual grants, is The National Lottery Charities Board (now relabelled the Community Fund). This is in effect a grant-making foundation although funded by the public. Up till 2000 this gave away an average of £350 million a year (about a sixth of total independent trust grant-making); this is due to drop to £287 million this year and to £215 million by 2003/4. Working with a well-defined set of priorities, the Board/Fund has by its own well-publicised activities drawn attention to the act of giving and to some of the causes which it supports, and thus to the VCS as a whole. It has been praised as constituting a model of good practice in grant-making. Through its regional network, it has tried to reach out to smaller and locally-based groups, to support 'unpopular' causes (gay and lesbian organisations, alcoholics, AIDS sufferers) and to encourage (not altogether successfully) applications for grants for capacity-building. The Public Accounts Committee said this spring that socially deprived areas of the country were failing to get a fair share of NLCB grants. They were also critical of the proportion of projects that, they felt, had gone 'off track'.³¹ A broader critique of the Board is the view that its grants may have a negative effect on public donations; NCVO plans to research this.

Community Foundations (CFs) are a special and interesting case. They are in practice an exception to the rule that most substantial grant-making bodies function at national level. Following a well-developed US model, the first CFs appeared here in the 1970s. There are now 30 or 40 of them. They work in specific geographical areas (Greater Manchester, Kensington and Chelsea, Bedfordshire and Luton, Scotland). They help to identify local community needs and promote and support charitable activity, by encouraging local philanthropy and by building a permanent endowment fund for local grant-making. They have a national Association. In 2000 their total endowments were worth £100m, grants £21m.

A recent estimate of the breakdown of foundation grant-making by sector is as follows:

Subject area	per cent of total
Social care	25
Health	19
Education	17
Arts/culture/recreation	10
Religious activities	8
Development/housing	5
Environment/animals	3
Philanthropy/volunteering	3
Science and technology	3
Civil society/law and advocacy	3
International	2
Social science	2 ³²

Human resources

As mentioned above, the VCS employs as paid staff the equivalent of some 500,000 full-time workers. In general, one consequence of the 'voluntary sector ethos' is that material rewards are relatively slight compared with those of the public, let alone the private, sector. The median salary of chief executives of the largest VOs (with incomes over £10 million) is £63,000³³. Benefit packages are equally modest compared to other sectors. The VCS ethos undeniably embraces the notion – true up to a point – that working in the VCS should be its own reward. Partly because of this, partly because many VOs are both small organisations and permanently short of resources, human resource skills are relatively undeveloped.

Low salary levels may inhibit moves towards professionalisation, and the development of a cohort of better trained, more effective managers. A side-effect of this tendency is a gap in competence between managers and trustees – at a time when the latter's characteristics and skills are under debate, as their responsibilities are becoming more sharply defined. Deakin had little to say about trustees. The characteristics of trustees remain, as far as is known, largely the same as when NCVO gathered data on them in 1995: then they were largely male, middle-class, middle-aged to elderly, white, and all unpaid³⁴. Recently, housing associations – sharply criticised by the National Audit Office for failing to provide adequate information about their compliance with service standards – have published plans to pay board members.³⁵ The Charity Commission, after a year-long review, decided that trustees should in general remain unpaid, but indicated that it might be willing to accept the case for paid trustees where this looked likely to increase diversity³⁶. There has been much more discussion of the case for involving users as trustees – a topic treated rather cautiously by Deakin.

New developments

There is growing interest in the contribution of 'social entrepreneurs', who work for community objectives through a combination of commercial and non-commercial activities. Michael Young's Institute for Community Studies has set up a 'school' to train such people. Some feel that they represent the future of the VCS, the form in which it

needs to reinvent itself to work effectively in a 21st century environment. At the same time many charities have invested in trading ventures, which now bring in substantial income. A task force set up by the Treasury reported in October 2000 that developments of this kind were inhibited by a blend of culture and regulation. 'Entrepreneurial behaviour in the VS tends to be fettered by its traditions, laws and established practices', while confusion about when community development finance is or is not 'charitable' has reinforced trustees' inherent conservatism and has deterred them from supporting community development finance³⁷. The recommendations of the task force were broadly accepted by the Chancellor. The Charity Commission has now agreed that charities can make low-interest, 'programme-related' loans to causes that are compatible with their objectives, and also that promoting 'community capacity building in relation to communities which are socially and economically disadvantaged' is an acceptable charitable purpose.³⁸ It is in relation to these new types of activities, verging on the commercial, that the existing definitions of 'charity' and the regulatory structure are felt to be most constraining and in need of reform.

External Relations

It is too easy to assume that the VCS is in some sense defined by its relationship with central government. This is true, up to a point, in several ways. First, the administration in power, through its rhetoric as well as by its actions, can affect the general status and public esteem of the VCS. Secondly, VOs, like all other individual and corporate citizens, have to act within legal, fiscal and other frameworks largely shaped by government and of which government is the custodian. Thirdly, government in recent years has played a large, and still growing, part in funding the VCS, both through grants and through contracts (often with local authorities) for service in programmes overseen by central government. Fourthly, under all three of these heads central government both influences and sometimes prescribes relationships between the VCS and other parts of the public sector, including local government.

But it is essential to recall the opening words of the Deakin report:

'[T]he voluntary coming together of individuals to engage in mutual undertakings for the common good...predate[s] the appearance of the state, in any form that would be recognisable to a modern observer'

Even, and perhaps especially, when the state has been at its most powerful and its ambitions and its reach most far-reaching, people have continued to come together for their own purposes quite independently of the state and of those who control the state apparatus. The vast majority of VOs have no connection of any kind with government, central or local. They set their own objectives and manage their own activities as they think fit. Even where VOs are required to provide services to minimum standards, or are subject to inspection, this relationship does not differ, in essentials, from that of the individual citizen taking a driving test, applying for a driving license and driving according to the Highway Code. In many cases there is less to the relationship even than this, since government is unaware of their existence or their activities – or of the impact on them of existing official rules and practices.

It is also worth remembering that, even when the state is involved, in practice a major part of the VCS interaction with the public sector is with local government. Of VCS earned income, 41 per cent comes from local authorities, 24 per cent from central government. 40 per cent of VCS grant income is from local government.

Relations with government – general

As mentioned above, the general attitude and policy stance of government clearly influences the environment in which VOs have to operate. The environment can be more or less conducive to the formation of relationships with government, and can determine the general spirit of such relationships. Although in some ways there has been a lot of continuity in the essentials of the relationships between government and the VCS between the 1990s and the present, there has since the arrival of Labour in 1997 been such a change in the rhetoric and the attitudes which inform these relationships that the climate is widely felt to have been transformed.

On the government side this has been very deliberately done. Chronologically first, and crucial in setting the scene for future relationships, was the document published by the then Labour opposition in March 1997, *Building the Future Together*. As already mentioned, this spoke positively of the Deakin report and, in distinction to the Conservative government's response, promised to 'establish a Compact with the Voluntary Sector' [original italics]. It undertook to replace a 'contract' culture with a 'partnership' culture, and guaranteed the independence of the voluntary sector. (The Labour party had already, in October 1996, proposed a scheme of 'millennium volunteers' aiming to attract 100,000 young volunteers.)

Other developments have subsequently been punctuated by several major, set-piece speeches, particularly by the Prime Minister Tony Blair and the Chancellor of the Exchequer, Gordon Brown. These have apparently been aimed at redefining the relationship between government and VCS and, in a sense, apologising for the wrong definition made in previous eras.

The Prime Minister spoke to the NCVO annual conference in January 1999 and tried to float the idea of a 'Giving Age'³⁹. A year later Mr Brown told the NCVO about 'the case for a new and stronger relationship between individual, community and government – for the renewal of British civic society.'⁴⁰ In a speech in March 2000 the Prime Minister issued several 'challenges' to different stakeholders, which have subsequently led to new initiatives with dedicated government funding:

- Employers, to encourage employee volunteering
- Older people to volunteer, and to form a 'national experience corps'
- The public sector – including central government – to involve volunteers
- The voluntary sector to 'diversify' its own workforce
- The media, to promote volunteering.⁴¹

In July 2000, in the Goodman lecture, Mr Brown looked back apologetically to a past era when left as well as right 'seemed to operate with too simple a dichotomy of individual and state – the one seeking to empower the individual versus the state, the other making the state overpowerful in relation to the individual. Both lost sight of civic society.'⁴²

In January this year Mr Brown, announcing new funds to encourage volunteering, said that 'centralising government' was at an end, and that a new era was at hand – 'the age of active citizenship and the enabling state'. Then, once again, the apology: 'In the past...the old Left, looking to entitlements and a central State, offered too simplistic a view, a dichotomy between the State and the individual. ...[N]either side gave sufficient attention to the great potential for change when individuals join together in voluntary and community action.' He went on 'I do not believe that the gains in equality from central state provision need be sacrificed for the gains in diversity in voluntary action – it is getting the balance right between the two that matters.'⁴³

Relations with government – the Compact

The Compact is intended to operate at a less philosophical level. Its aim is to regulate various aspects of the working relationship between the several parts of government and individual VOs. It is still, in practice, provisional and in many ways theoretical. That is to say, it exists as a broad framework, but one which has yet to be implemented in any specific way in relation to any issue which either party feels important. Its development and application have been overseen on the VCS side by a working group chaired by Sir Kenneth Stowe, based at and serviced by NCVO but not acting as an agent of NCVO. A larger 'reference group' and network of 'consulting' VOs have given the group broad and effective access to a range of VCS opinion. The Compact has given rise to subsidiary 'codes', on funding, consultation and black and ethnic minorities. A code on volunteering has been making slow progress through central government and is due to be launched in October. A further draft code for community groups has been circulated for consultation before November this year. These codes touch on major dimensions of the relationship but equally await practical interpretation and application. There is also an active programme of efforts to develop local compacts, between VOs and local authorities.

Relations with government – partnerships

A second major change in the context in which the VCS operates has been the emphasis on 'partnerships'. The opening words of Labour's March 1997 document were:

'Partnership with the voluntary sector is central to Labour's policy of achieving social cohesion in a one-nation society.'

The partnership approach was developed under Conservative governments in the 1990s, but since 1997 the use of cross-sectoral 'partnerships' as a vehicle for delivering public policy has mushroomed. The Labour government has expressed, and acted on, the belief that these are the best mechanisms for tackling complex social problems. The term has become a modern cliché. Demos noted that in 1989 it was used 38 times in House of Commons debates, ten years later over 6000 times⁴⁴. This growth is reflected in the number of partnership initiatives listed in Annex: Current government initiatives on page 87. NCVO has illustrated the growth in partnerships with the following examples (numbers of partnerships per programme in brackets):

- New Deal for the unemployed (144)
- Education Action Zones (25)
- Health Action Zones (26)
- New Start (54)
- New Deal for Communities (39)
- New Commitment to Regeneration (22)
- Sure Start (129) [500 planned].⁴⁵

All these initiatives aim to involve the VCS in some way. NCVO has produced a report on the implications for VOs of local partnerships⁴⁶, and a further consultation document on guidelines for local partnerships was issued in July 2001⁴⁷. This summer two closely related documents were produced by NCVO and the Improvement and Development Agency for Local Government, setting out some principles – with practical examples – for joint working between VOs and local authorities, in the context of the latter's obligation to seek 'best value' in modernising their services⁴⁸.

The regions

A further, as yet unexplored, dimension is the possible future role in these processes of regional bodies. Almost unnoticed by most citizens, and in parallel to devolution to Scotland and Wales, the government has created the framework for a regional structure of government. Regional Development Agencies are responsible for developing long-term strategies for economic development, social and physical regeneration and skill-raising in their areas. They will play an important part in distributing government budgets for economic development and regeneration, and European funds. By mid-2001, Local Strategic Partnerships, being developed as part of the government's neighbourhood renewal strategy, will be overseen by Government Offices for the Regions. Each region has produced a Regional Economic Strategy; so far, though these have quite a lot to say about the potential contribution of small and medium sized (business) enterprises, they do not hint at much of a role for local VOs. Nor have they much to say about the area in which the VCS is thought to have most to contribute, social exclusion.

The government has urged national VOs to think strategically and to organise themselves so as 'to engage in local, regional and national level partnerships'⁴⁹. ACEVO, which has produced guidelines for VOs on how to respond to devolution and regionalisation, has appointed nine volunteer regional co-ordinators in England and Wales.

Relations with government – volunteering

Deakin focussed on volunteering only quite late in its discussions. It warned that although the numbers of volunteers seemed to be increasing over the long term, there were worrying signs of declining numbers in some areas. It added that government intervention in this area, where personal motivation is critical, might well be counter-productive.

The Conservatives had tried to encourage volunteering through programmes such as 'Make a Difference Day' – 'Not a complete success...', said a commentator, 'its failures were due to a combination of insufficient resourcing, lack of strategic thinking and an inability to translate high strategy into workable solutions on the ground.'⁵⁰ For Labour,

volunteering has been high on the political agenda and has attracted a lot of new investment by government. Millennium Volunteers was launched in 1997 with an exhaustive consultative process. The outcome of this was a strong consensus in the VCS that responsibility for managing MV would be best placed outside government, in the VCS. However, in the event it has been run by the Department for Education and Employment. (VCS volunteer leaders consider that it has been much less effective than the VCS-run schemes in Scotland and Wales, and has spent £48 million to little purpose.)

Tony Blair's initial efforts to stimulate interest in the idea of a 'Giving Age', produced little action on the ground. To get things moving a working group was set up by the Home Office later in 1999, chaired by Lord Warner, a close associate of the then Home Secretary. Its report *Giving Time, Getting Involved*, published in November, proposed a number of ways of developing 'active community involvement' (including abandoning the term 'Giving Age'). It proposed a more coherent strategy to convince people to get involved in their communities, support for the capacity of organisations to create and sustain 'community opportunities', a stronger government infrastructure to support community involvement, and many other steps.

TimeBank, set up with government funding, runs a media campaign to promote volunteering in partnership with the BBC. It works through local 'TimePartners' – usually Volunteer Bureaux – to link 'TimeGivers' with a local volunteering opportunity of their choice. It thus uses the name, though not the precise techniques, of existing 'time banks' developed in different localities. There are some 40 of these around the UK. They act almost literally as banks in that they enable people to volunteer and 'deposit' units of time, in terms of their own skills, and to 'withdraw' units of the time of others taking part. The 'Active Communities Challenge' launched by ACU and BiTC encourages employers to give employees a day's paid time for voluntary or community work.

Gordon Brown's speeches have often focussed on the importance of volunteering. His Goodman Lecture of July 2000 followed Norman Warner in trying to encourage the giving of both time and money. He announced in January 2001 an extra £180m boost for volunteering and promised that 'by the end of the decade thousands of new centres of initiative and action will light up Britain'.⁵¹

Meanwhile, as in so much of the field of voluntary activity, new government initiatives have been launched on top of existing programmes. The government has put a lot of money into TimeBank, but seems less keen on sustaining existing organisations. Though volunteers are, and long have been, crucial to the functioning of the NHS, a 1997/98 survey showed that there was no consistency in approaches by NHS Trusts, that most kept no accurate records of their use of volunteers (and are not required to do so) and that the numbers of volunteers (and the time they spend) had gone down in the previous two years.⁵² More generally, it is also argued that government does not understand that volunteers need training and managing and that this costs money. (Some of these points are addressed in the draft code on volunteering.)

Organisationally, the picture is confused on both sides of the relationship: on the government side Falconer, Brown, Blunkett and Boateng were all involved in encouraging volunteering. In the VCS, the chief executives of both the National Centre for Volunteering and TimeBank have agreed that the existence of overlapping organisations encouraging volunteering has generated confusion and pointless competition for funds.

Relations with government – funding

The funding relationship with government is, in many ways, basic to relationships between the VCS and government at all levels, and also to the activities, health and orientation of many VOs.

Earned income

Labour has continued the Conservative policy of extending the welfare state at arm's length by incorporating the activities of VOs – or rather, of adding to existing welfare programmes, still provided by public authorities, new ones in which VOs are intimately involved. VOs are now involved in implementing a wide range of government programmes, at both national and sub-national level. This shows up in the funding figures. Still using NCVO's category of 'general charities', nearly 30 per cent of their total income in 1999 came from government, divided roughly in half between fees for service and grants⁵³. Of their earned income, 45 per cent was from government, with health services and local authorities accounting for 41 per cent and 22 per cent of this figure respectively. Nearly three per cent of all LA spending is on the VCS. Contract income rose rapidly under the Conservatives, by some 50 per cent in real terms in the first half of the 1990s, but has virtually levelled off since.

Grants

Central government also still provides significant sums in grants to VOs. Different departments have their own grant-making programmes. The Active Community Unit in the Home Office has its programme of strategic grants: an annual total of over £12 million is spread over 55 organisations, at levels ranging from £10,000 to £4.5 million (see Annex: Active Community grants: strategic grants 2001-2002).

Central government's own figures show that total government funding of VOs (other than housing associations) reached an all-time high in 1987/88. By 1993/94 it had fallen by a third, to a level at which, despite a slight increase last year, it remains⁵⁴.

A distinctive feature of several schemes launched under Labour has been their national scope and their focus on local, community schemes which are also funded from local budgets. Thus the centrally planned Sure Start aims to have some 500 projects, funded from the centre but managed locally, established by 2004.

In many cases the ratio of total government to 'voluntary' income has increased vastly during the 1990s. As with so many generalisations about the VCS, this is true mainly of the (relatively few) largest VOs. The average share of individual VOs' income earned from government, by VOs worth between £100,000 and £10 million plus, is between 14 and 18 per cent. For the many VOs worth less than £100,000, the share is just under five per cent. Some of the larger organisations have become overwhelmingly dependent on the state for their income. By 1999 some major VOs were receiving well over 50 per cent from government sources: Catholic Children, Children's Society, Shaftesbury Homes. In some cases the proportion was over 75 per cent: Mencap, National Autistic Society, National Schizophrenia Society, Marie Stopes, Turning Point⁵⁵.

Government funding is subject to all the problems mentioned above about funding from any source, but with other constraints peculiar to the public sector. Public expenditure planning horizons are too short, especially when a VO is making decisions with long-term implications – for example about employment (where current legislation affords job security after a year) or about investment in buildings. Even when funds are committed, delays in payment are common, often as the result of poor planning. Once a VO has entered into commitments based on the availability of funds, it happens all too often that the money arrives so late in the financial year that the VO runs into cash-flow problems and may actually incur debt servicing costs. Later on, funding may for whatever reason be terminated at such short notice that a VO is hard put to take adequate corrective action.

Relations with government – machinery of government

Deakin criticised the then Voluntary and Community Department, in the then Department of National Heritage, as being understaffed, underpowered and ineffective. The Commission wanted to see a strengthened, single source of coherent thought and expertise in Whitehall about VCS issues and activities, which could also 'raise the voltage' on VCS issues within all parts of government. Since then the unit has been renamed (Active Community Unit), greatly enlarged (to some 60 people, including several – though not the head – from the VCS, working in ten teams) and, following a bargain between the Prime Minister and Alun Michael, returned to the Home Office.

These changes have not solved the problems. The term most frequently used by people in the VCS to describe the ACU, in interviews for this paper, was 'a disaster'. This may be too strong. The ACU has, after all, been the leading actor on the government side in developing the Compact, and in securing the agreement to it of other parts of Whitehall; and it would be unfair to blame the ACU for other departments' lack of interest in the VCS. But it must take its share of the blame for the continuing incoherence of government policy towards the VCS as a whole. It has been criticised both for its internal and for its external activities. Internally, for lacking any sense of its own priorities: critics point to the list of 55 'strategically funded' organisations – 'whose separate existence results in confusion, duplication and competition and in less effective support to organisations at local level', said one⁵⁶. It is criticised for inefficiency in handling routine business, perhaps as the result of its rapid expansion. Its working processes are said to be 'opaque'. Externally, the Unit has been criticised for launching new projects and programmes without adequate consultation, clearly defined objectives or an agreed process for management and evaluation. The Active Communities Demonstration projects are cited, in which, with inadequate support from ACU, large sums of money are said to have been wasted in duplicated research and analysis.

Internally, within Whitehall as a whole, the Unit has also plainly proved incapable of enforcing any kind of consistency in the multifarious relationships between different parts of Whitehall and the VCS. So-called Voluntary Sector Liaison Officers (VSLOs) in departments vary widely in grade, location and impact, and there seems to be no effective oversight of the ways in which different departments (and their agencies) relate to the VCS. 'Nobody has ever seen a VSLO', said a VCS leader. The ACU has been criticised for its 'failure to win confidence – across government, with the VCS and at the UK level' and for having failed to develop a 'coherent mechanism for dialogue' with the VCS⁵⁷. Indeed for some purposes, especially developing the Compact, it is arguable that

the VCS, working through Sir Kenneth Stowe's group, is now more effectively set up to consult and to represent its constituents than government is to consult internally.

Clarity about the government's aims during Labour's first term has not been helped by a largely inexplicable division of responsibility for policy towards the VCS in general and volunteering in particular, between the junior Minister in the Home Office, Paul Boateng, and the all-purpose Minister of State at the Cabinet Office, Lord Falconer (whose imprimatur appeared, for example, on the Warner Report). Gordon Brown has taken a leading part in expressing the government's philosophy towards volunteering and voluntary action and has been at pains to show that the Treasury has an institutional interest in this. The Secretary of State for Education and Employment, David Blunkett, with a long-standing interest in voluntary activity, has also featured as the sponsor or patron of some major schemes.

These weaknesses are important in relation to managing the day-to-day relationships between departments and the VCS. They will be equally important when questions arise of interpreting the Compact and its codes, and of ensuring some minimum level of consistent good practice between different parts of Whitehall in dealing with the VCS.

Following the June general election, all but one of the main relevant personalities (other than the Prime Minister) on the government side have changed. The survivor is Gordon Brown. The Home Secretary, the Home Office Minister responsible for VCS relations, the Cabinet Office minister and the head of the ACU have all changed. At the time of writing the ACU remains in the Home Office, one of the few exceptions to the latter's new negative orientation as a Department of Crime and Punishment.

Relations with government – current government initiatives

It may be helpful, if somewhat daunting, to glance at the list of the numerous government policy initiatives now current, mostly launched since 1997. This gives some idea of the dramatic expansion of the terrain on which VOs are now involved with government. The list is in Annex: Current government initiatives on page 87.

The list comprises part of the context for two other current developments. In June the Treasury announced that one of the 'cross-departmental reviews' to be set up as part of the 2002 Spending Review would focus on 'the role of the voluntary sector in providing services'. It would

'analyse the current contribution of the voluntary sector in service delivery, the necessary instruments to improve this contribution, and possibilities for improving the range and quality of services offered by the voluntary sector.'⁵⁸

Shortly afterwards the PIU study, mentioned above, was announced. The aims of this were stated to be

'to enable existing and new not-for-profit organisations to thrive and grow; to encourage the development of new types of organisation; and to ensure public confidence in the sector. This will help to secure a strong, independent and diverse sector, capable both of challenging Government and working with it where appropriate.'⁵⁹

Relations with business

One result of the Deakin report was the establishment of the BiTC (Business in the Community)-NCVO Taskforce 2002. Apart from a report, this seems to have had few concrete outcomes. Five years later business involvement with the VCS remains patchy and a cause for concern. The issues are seen as both quantitative and qualitative.

The Taskforce 2002 report recognised that successful business/VCS partnerships required that each sector should bring to the other 'identifiable practical advantages'.⁶⁰ The problem is that neither side, in general, is yet convinced that this would be the result from working with the other. Business' total contribution of £315 million a year is a mere five per cent of VS donated income, and reflects an average 0.2 per cent of company pre-tax profits – compared with one per cent in the USA. Moreover, 97 per cent of the total comes from 400 companies, and almost half (46 per cent) from the top 25. As Nicholas Deakin has put it, 'There is no significant tradition of corporate philanthropy to draw upon: ...the concept of social responsibility in business is still far from being established.'⁶¹ Two-thirds of respondents polled feel that business does too little for charity. Stuart Etherington of NCVO has been active in a continuing campaign to persuade British business to increase its giving to charity.⁶²

Within these figures other trends are at work which seem to reflect a shift from altruism to investment – from straight cash donations towards support for activities which promise some benefit to the company – for example, employee volunteering or 'cause-related marketing' (computers for schools) or the arrangements between Centrica (formerly British Gas) and Help the Aged which aims to improve the access of vulnerable older people to gas and electricity. The same principles seem to underlie the burgeoning staff mentoring schemes. BT, for example, is on record as saying that 'only money that supports staff giving, or time, through matched give-as-you-earn and staff awards is now classified as charitable donations.'⁶³ Paradoxically, firms now seem both more interested in community investment but more self-interested in the causes they will support.

Understandable though these tendencies may be, their downside is that business is becoming more, not less, choosy about the kinds of causes it will support. It has always been relatively easy to persuade firms to put cash and/or staff time into schools, for example, for the obvious reason that these are relatively stable organisations and ones which, if effective, offer real benefits to employers. Firms are more reluctant to be publicly associated with 'unpopular' causes such as campaigns against HIV/AIDS or drugs. Moreover, in such areas and more generally, many firms see the main responsibility for action as being with government; they believe, not unreasonably, that any funding by them will simply displace, not supplement, public expenditure.

A negative influence at work may be globalisation. This is weakening the links between some firms and the areas or cities in which they originally developed. As a growing number of formerly local enterprises become absorbed into global conglomerates whose headquarters may be in another continent, there is evidence of some lessening of an instinctive feeling of local responsibility for the well-being of the local community. An example is Pilkington's, once often cited as the model local corporate citizen, whose new multi-national ambitions are felt to be incompatible with continuing concern for the welfare of St Helen's.

On the positive side, Business in the Community (BiTC) points to the findings of its 2000 survey which aimed to identify the attitudes of small and medium-sized enterprises (SMEs) to social responsibility and to measure their involvement. This found that over 60 per cent of SMEs were involved in local community activities 'a great deal' or 'a fair amount'.⁶⁴ BiTC has also launched a campaign Business Action on Homelessness, seeking to persuade firms that this typically unpopular cause should be on their agenda – because 'the UK population (your customer pool) considers homelessness the second most important issue (after children) for business to address.'⁶⁵

Relationships between business and VOs are inhibited by differences in culture and style. Firms which deal regularly with VOs have come to respect their values and their management competence. But working alongside voluntary and public sector organisations in local partnerships does not come easily to business. As an NCVO report suggests, many private sector managers do not recognise the 'business case' for involvement in partnership-based programmes⁶⁶. Once involved, and usually heavily outnumbered by public sector and VCS representatives on steering groups, they resent the amount of time spent in meetings and discussion. The 1998 CAF survey was surprised to find that the role of business in regeneration partnerships was often smaller even than that of the VCS.⁶⁷

Relations with Europe

Europe is the dog that is not barking – yet. Few people in the VCS, interviewed for this paper, mentioned Europe at all, in any context. Many are believed to be uninterested in EU issues. The VCS does not fit well into EC philosophy, given the wide differences in approaches to the VCS in different member-states. Responsibility for the VCS in Brussels was for a while in DG XXIII, widely believed to be one of the weaker directorates, as part of its general oversight over 'Co-operatives, Mutuals and Associations'. When DG XXIII was abolished, the VCS moved to DG Enterprise, which has not so far seriously addressed the issues.

However, things may be changing. At the launch in Paris in July 2001 of the French equivalent of the Compact (*Charte d'engagements reciproque entre l'Etat et les associations*) the Prime Minister, Lionel Jospin, announced his intention of acting to ensure that the rights of voluntary bodies acquired a European dimension. With that in mind, he said, he would be pressing the Belgian presidency to move rapidly towards adopting a European statute of associations.⁶⁸

Meanwhile, some of the larger VOs have long been active in European and, indeed, global issues. The design of Euro-currency has been heavily influenced by the Royal National Institute for the Blind. The RNIB and other bodies regularly lobby in Brussels and Strasbourg. It seems inevitable that, sooner or later, other issues will become prominent. A draft European Association Statute has been for some time stranded in committee; it would enable any EU citizen to bypass national legislation and register in Brussels as a 'European Association' (provided only that its aims and activities were cross-national). At some stage this will probably become law. In addition, to the extent that VOs are increasingly being seen, in other EU states as in Britain, as providers of public welfare services, the law regulating their activities will in effect be harmonised by judgements relating to cross-border transfers of social services.

At a global level, some VOs with interests in either manufacturing and marketing products for their clienteles (e.g. people with disabilities), or in design standards for such products, find themselves increasingly drawn into global discussions and alliances. This trend seems certain to intensify.

The working environment: trust, standards, regulation and governance

Public confidence in VOs could certainly be higher than it is. When, for the first time, the Henley Centre in 1996 asked people how far they trusted charities, along with other bodies, to be 'honest and fair', 56 per cent said that they trusted charities 'a great deal' or 'mostly', compared with 74 per cent for school teachers, 67 per cent for the local police and 59 per cent for the BBC.⁶⁹ A 1996 Gallup poll asking about 'confidence' in institutions found 33 per cent of people having 'a great deal or quite a lot of confidence' in charities, lower than the armed forces, the police, the banks and the NHS. However, in 1999 over 60 per cent expressed confidence in community groups. These figures may well have shifted in the past five years, but the relativities, even if not the orders of magnitude, deserve some attention. (It is somewhat disturbing to find VOs ranked lower than the banks or the police.)

Confidence will not have been enhanced by comments which many in the VCS feel to be opportunistic and unfair. In March 1998 the Public Accounts Committee criticised the Charity Commission for poor management, noting that a third of charities had filed no accounts the previous year (and ignoring the fact that the Charities Act requires only a third of charities – those above a given turnover threshold – to submit accounts)⁷⁰. There was critical media discussion of the NSPCC for spending nearly a third of its £75 million expenditure on 'public education' and campaigning, of the Diana Princess of Wales Memorial Fund for its 1997-98 expenditure on legal fees, and of some senior salaries in VOs. Research shows that the public thinks that charities spend more on administration than they do in fact. (The current figures are, on average, four per cent on management and administration, 9.3 per cent on fund-raising and publicity.)⁷¹

There have been developments throughout this area since Deakin. The QSTG has been in operation for three years. In 2000 it published *In Pursuit of Excellence: Measuring Quality in the Voluntary Sector*. The group has applied for lottery funding for a further, final two years work. It sees its next tasks as being, first, to work with funders to develop a shared approach to measuring and assessing performance in the VCS; secondly, to commission evaluation of the quality systems most commonly used in the VCS; thirdly, to encourage 'credit sharing' between the major quality systems, to avoid duplication of effort⁷².

There has been some tightening up of the regulatory process, typified by the gate-keeping activities of the Charity Commission. The Commission has put out a new statement of recommended practice (SORP), which came into force on 1 January this year. This puts more emphasis on reporting, in non-technical terms, on the general strategy and running of a charity and on how the charity is performing in different categories. The Commission claims that it now rejects one in three applications for registration as a charity, compared with one in ten a few years ago. It requires aspirant charities to define, in advance of registration, all their future activities, under every heading. It also requires groups to demonstrate that they have 'the competences and

resources actually to deliver the proposed charitable objectives⁷⁰. The Commission secured a 20 per cent increase in funding this year and will increase its investigations of charities by 25 per cent. It also plans to draw up comparisons of good and bad practice, as one way of allaying public concerns about fundraising costs and accountability. In an interesting and potentially significant use of new technology the Commission has put on line the reports which it receives, thus enabling immediate remote access by members of the public. The website is now getting 500,000 to 750,000 hits a year.

One response to the problem of donors' misgivings has been the establishment of the 'Giving with Confidence' project, launched jointly by CAF, ICFM, NCVO. The aim is to develop ethical standards in fund-raising. It envisages a 'donors' charter', stating what donors can reasonably expect. It will also review the management of effectiveness, competition between charities and the possibility of collaboration. While NCVO was consulting the field about its working group's suggestion of a 'public interest' test for charities, the Scottish charity law review commission proposed that such a test should be introduced in Scotland – a move which would inevitably increase pressure for England to follow suit⁷¹.

Non-verbal advocacy

A development of recent years which is of potential concern to the VCS as a whole is the spread of what might be called 'non-verbal' advocacy. The growing resort to demonstrations, sit-ins, direct action of all kinds as an alternative and complement to using the ballot box obviously goes far wider than the VCS. But the VCS, like other interests, has to weigh the possible effectiveness of this form of campaigning against the possible impact of using it on public and indeed governmental trust in the sector. Direct action is by now a familiar tactic of certain parts of the VCS, notably environmental and 'anti-capitalist' interests, and has become almost customary in the context of road-building schemes or G8 summits. One so far virtually unique example in the social welfare field was the demonstration a few years ago outside Downing Street by disabled protesters. Direct action has been used in more extreme forms, i.e. accompanied by deliberate violence, by animal rights activists. It is perhaps worth adding that against these trends may be set the unprecedented success of the single-issue candidate, campaigning against a proposed hospital closure, in the Wyre Forest constituency in this year's general election.

3.3 Summary and retrospect

There can be no doubt that the five years since the publication of Deakin and, especially, the four years since the general election of May 1997, have been one of the most important periods in the modern history of the VCS in England (and indeed in other countries of the UK). This is true both of what has already happened, and of what might happen in future. Relations with central government, already close, have been enormously enhanced by several major developments: Labour's explicit welcome to the VCS as a potential partner in its social welfare programme, the launching of new programmes and expansion of existing ones in which the VCS has acted as partner, contractor and recipient of public funds; the encouragement by the most senior members of the government of volunteering and voluntary activity, backed up by changes to the legal and fiscal framework. Leaders of VOs have, not unreasonably, welcomed the chance to

use public money and public rhetoric to help them to achieve their objectives. The emphasis on local and community projects has meant a parallel intensification of the VCS' relationships with local government. Government's acceptance of the principle of the Compact has been rapidly followed by agreement on the Compact itself and on its detailed codes – a framework of guidelines for good practice in working relationships between the public and voluntary sectors that has, rightly, excited interest world-wide.

Meanwhile, partly as a result of the stone flung into the pond by Deakin, there has been an outburst of constructive – if not always conclusive – thinking about every important aspect of the VCS and its relationships with other players. Examples are the work of the QSTG, the slow but steady process of reviewing the future of charitable status, the gradual evolution of the role of the Charity Commission. The PIU study and the Treasury's cross-cutting review should be further useful contributions. Factual publications such as NCVO's Almanac and Findings, and CAF's Dimensions, now provide the beginnings of a much-needed database available to the public and the media. The significance of these and other data sources is being greatly enhanced by the development of the internet and the spread of access to it.

Thinking is indeed needed about the role of voluntary action in modern England, and about further changes to help ensure the continued vitality of the VCS. The VCS has the chance to exploit its current place in the sun to secure from central government any concessions that it needs. Working relationships with the public sector should be planned and managed so as to fit the needs and the long-term aims of the VCS as well as the shorter-term objectives of government. The same is true of modifications to the legal, fiscal and regulatory frameworks. Conversely, in a small country with few effective checks and balances to central government power, continual vigilance is needed to ensure that the VCS is not exploited nor abused by government.

At the same time, the agenda of the VCS is, or should be, far broader in scope than the programme of the government of the day. This is partly because the vast majority of VOs have nothing to do with any level of government. Even where VOs are involved with the government's programme, there can be no guarantee of continuity in that programme or in the role in it given by government to the VCS. Moreover, any individual VO has a clearer and 'purer' view of its own aims (which often means those of the clients for whom it works and whom it represents) than has an elected government, which has to trade off sectional interests against each other, against its own view of the national interest and against its desire to be re-elected.

The next section of this paper reviews some of the issues that seem likely to need attention in the coming years.

3.4 Discussion

Few, if any, of the major issues arising in this field were unknown to Deakin, and the commission grappled with some of them. But they have been given a new urgency and a sharper focus by the changed intensity of the public discourse about the VCS and its contributions to society. Government's attitude to the VCS is now more welcoming than in the past; many VOs have entered into contractual relations to deliver public services, many prominent VS leaders have accepted the lure of invitations to sit on task

forces and become part of the policy process. But that attitude is also more demanding; the VCS, hailed as a partner but under greater pressure than ever before to deliver, risks being held responsible if programmes fail in their ambitious aims. At the same time, government's effusive welcome for voluntary activity of all kinds often seems to be combined with a lack of comprehension of the essential nature of such activity. Neither of these points has diminished the force of a more fundamental argument, raised on left and right alike: namely, that the new status is undesirable in principle, or at least is incompatible with the original purposes of the VCS, and should be relinquished – at least by those organisations which wish to claim the privileges associated with charitable status. For similar reasons the Compact and its supporting Codes (funding, consultation, BMEs, local compact guidelines) have been criticised, as being 'defensive' attempts to systematise and regulate relationships into which VOs should never have been drawn.

Volunteering

Confusion begins with the use of language. In many government statements 'VOs' tend to be equated with 'volunteering'. This is unhelpful to both. Moreover, this basic confusion between volunteering and the voluntary sector leads to a profound ambiguity at the heart of current policy. The government wants to co-opt highly professional VOs into providing services so as to help achieve government objectives. It also wants to encourage volunteering, as a way both of mobilising community resources and, apparently, of accumulating 'social capital'. Volunteers are crucial to some professionalised VOs, to others not at all. (In the same way they are sometimes crucial to the performance of what are basically public services, most notably the NHS, and sometimes not.) Much of the emphasis of recent policy, as expressed by the ACU, Gordon Brown, Lord Falconer and others has been on volunteering, which was also the focus of the Warner report. An official interviewed referred to Ministers' 'mistaken belief that volunteering could be increased without dealing with the sector.'

The belief that a voluntary organisation is by definition an organisation of volunteers simply reflects ignorance, which can presumably be dispelled. As for the conviction that there is a convenient congruence between individuals' willingness to volunteer and the availability of additional resources for the government's current objectives, one way of squaring the circle is to adopt a highly instrumental view of volunteering, as the ACU has done, and to claim that volunteering is a means of enlisting ordinary citizens in government programmes, for example, urban regeneration. There are two difficulties about thus trying to use volunteering as a tool of public policy, and especially as a tool for tackling social exclusion. The first is, of course, that most people volunteer to do what they want to do, which may be helping to mentor a schoolchild but is just as likely to be seven-a-side rugby, wine-tasting or music-making. These are not trivial, let alone disreputable activities but they are often ends in themselves, not means to other ends. The point was neatly put in the interim report of the parliamentary hearings for the International Year of Volunteers:

'The challenge for government is to differentiate between:

- support given to volunteering because it is an expression of active citizenship...
- support given to volunteering to achieve government policy objectives.¹⁷⁵

But even this distinction begged the question in assuming that volunteering expressed 'active citizenship' rather than a (possibly inactive and selfish) interest in wine, football or music.

The second difficulty in directly using volunteering to tackle social exclusion is that the disadvantaged don't volunteer. Ralf Dahrendorf has said, 'Volunteering is an expression, not an instrument, of inclusion.'⁷⁶ Members of lower socio-economic groups, the unemployed and the less educated are persistently under-represented in voluntary activities, and during the 1990s their participation rates fell disproportionately fast.⁷⁷ So it is not an unfortunate accident that so many volunteers are middle-class: that is the class from which volunteers are normally drawn. For exactly the same reason, it should not be surprising that so many volunteers in mainstream organisations are white.

This discussion can be taken a stage further. Several points are closely linked. First, as pointed out above, much voluntary action is, by its nature, undirected and its effects unprogrammable. People get together to do what they want, how they want. If, as is now often the case, there is public money on offer, VOs or individual citizens are likely to want some discretion in how they spend it. This can and often will take them in any of three directions uncongenial to public authorities. VOs with an eye to local needs and wishes, and wanting to fill gaps in provision, may want to take risks – to spend money on activities too risky for public or private bodies to be willing to support. This means accepting the chance that some or all of the money will be lost without trace. They may wish to do other things that the authorities have refused them in the past: put up signs indicating the homes of paedophiles or serial house-breakers. Neither of these approaches necessarily fits neatly into an official scheme for community development. Finally, when Gordon Brown in his Goodman lecture spoke of 'devolving power to communities and neighbourhoods', this should in principle endorse the possibility of quite sharp variations in practice between one neighbourhood and another. The present government's record over its first term does not suggest that the acceptable range of variations will be very wide.

In addition, by many accounts even undirected and unprogrammable voluntary action is of social value. This is not the place for a discussion of 'social capital', but the Blair government has implicitly accepted much of the social capital argument, not least by its apparent endorsement of Robert Putnam. Putnam's basic thesis was first set out in his more scholarly book about Italy, *Making Democracy Work*. It is important to remember what he said there about voluntary associations: in a phrase, that they contribute to forming social capital and strengthening civil society and, ultimately, effective local democracy regardless of their content. To select and compress brutally:

'Some regions of Italy have many choral societies and soccer teams and bird-watching clubs and Rotary clubs...[I]n these regions... government works. Small wonder that people in these regions are content!⁷⁸

The same thesis informs the later, far more influential, *Bowling Alone* – that, conversely, it is a sign of and a contribution to social disintegration when people stop getting together for any purpose including, in this instance, going to bowling alleys. In other words, voluntary activity is desirable whether or not it provides a service. It does not

even need to have an explicitly 'citizenship' dimension. What people do together is irrelevant, provided that they do something; for this purpose a choral society which specialises in Nazi marching songs is as virtuous, and contributes as much to social solidarity, as a children's play group.

In fact we do not know if the facts supporting Putnam's basic thesis, that there is an overall decline in voluntary activity, are true of contemporary Britain or not. Certainly the fact that some organisations are losing their appeal does not necessarily matter. If membership of the Boy Scouts is decreasing, that may relate to the distance between Mafeking and modern urban society; the increase in membership of the National Trust is probably more significant.

If voluntary activity is of value in itself, it matters less whether different activities overlap or even compete for public attention and funds. Redundancy and competition are not necessarily to be condemned. Most activities are local in any case, and thus do not effectively compete even with identical bodies elsewhere. There is, however, no virtue in wilful blindness to the activities of others, especially when there is direct competition. Some people in the field feel that charities are more prone to operate in 'silos' even than government organisations. It is also hard to justify government support for several competing activities. The head of the Charity Commission has spoken of the need to take account of real public concern about possible duplication and inefficiency, and the virtues of co-operation and joint ventures. A joint study of the case for developing a central source of advice on such questions is now being undertaken by several umbrella bodies at the Commission's suggestion. It could be helpful.

Performance and its measurement

This apparently innocent topic goes to the heart of thinking about the VCS' contribution to the wider society. Lester Salamon has listed the positive contributions of the non-profit sector as the service function; innovation; advocacy; social change; expressive/leadership development; community building and democratisation⁷⁹. How far are these realised in practice? Answers are not easy to come by. Despite the activities of the QSTG, the VCS has remained remarkably little touched by one of the major current movements in the public sector, the emphasis on evaluation. A sympathetic observer commented on the VCS 'deep-seated reluctance to assess its own effectiveness, given its members' certainty of the rightness of their own motives.' (He added that a secondary argument often used against evaluation was that the resources would be more effectively used in service provision rather than in internal navel-gazing.) A less sympathetic observer commented that many of the larger, quasi-professional VOs, secure in their belief in their own altruism, had become somewhat complacent, not to say paternalistic – 'doing good to people whether they like it or not.' More critical still is a view expressed from within the VCS itself:

'Some of the most influential bodies in the sector look frighteningly out of touch, defensive and resistant to change... Many of the larger bodies must address the issues of their accountability and representativeness...'⁸⁰

Pressure for change is likely to arise from the VOs' involvement in service provision. It seems inevitable that, before long, the VCS will be challenged by outsiders nettled by claims that its performance is superior to that of the private sector. There may be prima facie evidence of ineffectiveness or even of failure. At the very least, in the next few years some current contracts for public services will come up for scrutiny and/or renewal.

For any of these reasons the QSTG must be right in arguing that 'we are...likely to see an increasing focus on outcomes and impact.'⁸¹ VOs will come under pressure to produce convincing performance measures and evidence that these are being met. VOs will be pressed for evidence in terms of outcomes: what difference did their activities make? The discussion will doubtless proceed through the stages all too familiar in the public sector in the recent past. Evidence will be offered in terms of inputs: how many volunteer-hours were contributed in a week/year? And then, reluctantly, in terms of outputs: how many meals were served, patients visited, young people trained? Finally, and only after repeated rejoinders that these facts on their own mean little, in terms of outcomes. How was the world different as a result of these activities? Were the clients happier or in some way better off? At the margins some of these measures will be qualitative and soft-edged: how can anyone assess the unique contribution of a hospice volunteer to a peaceful final illness and death?

Public service organisations for long resisted requests for evidence that they were doing an adequate job. But in the end their arguments were unavailing. Deakin raised these issues but it was probably too soon to do so; this part of the report had little impact on debate. But times have moved on: there is no reason to suppose that VOs, ultimately, will be exempt from this kind of scrutiny. It will, of course, be especially likely where VOs are receiving funds from public bodies. A review of the development of 'Best Value' has suggested that at some stage every VO in a financial relationship with local government will find the principles of Best Value applied⁸². It is argued that far too little in-house research and analysis is done in the VCS – partly because these are the kinds of central overheads which are particularly hard to fund. This issue is a good example of one where such work is needed; the larger VOs, and umbrella organisations on behalf of the smaller ones, should start to anticipate the coming debate and ways of contributing to it. This is the field in which the QSTG – which has been active in thinking about 'Best Value' and the VCS – hopes to make a contribution if it can secure the funds needed to extend its life. Within individual VOs, there is probably a role here for trustees, as being ultimately responsible for their organisation's performance but arguably more objective than managers.

But, as with any kind of organisation, it will be critically important to choose the right ways of measuring performance. The QSTG's project manager has encouraged VOs to address 'the danger of being funder-led in terms of which quality systems are recognised'.⁸³ There is also the danger of being 'output-led' – focussing exclusively on the numbers of meals served, and so on. This can lead to an emphasis on mere quantity at the expense of quality. Closely related to this is the basic point that what should be distinctive about voluntary activity is not only product but also process and, in turn, the values that underlie that process. To Salamon's list above might be added enthusiasm, dedication, responsiveness, flexibility, accountability – qualities not necessarily associated with the public or private sectors. As an NCVO official has pointed out, 'VOs will need to

demonstrate [to local authorities] that they really do provide a voice for certain parts of the community.⁸⁴ Process may often be all that there is to a VO. Voluntary activity, as already stated, can be its own justification; involving people in putting on *The Pirates of Penzance* can have a social value regardless of whether anybody else comes to see the performance. There must be means of measuring this dimension.

Partnerships

The partnership phenomenon is vastly different in scale from anything seen before. It promises an enormous expansion of the VCS' already-extensive working relationships with local government. But this extraordinary outburst of intended collaboration raises a number of issues. First, can central government really oversee or evaluate so many initiatives at once? 'Half-baked projects, launched at short notice by civil servants who have never managed anything', said one VCS leader. A truly collaborative programme, open in principle to any organisation to take the lead, is difficult both to plan and to manage. Moreover, partnerships have to be managed in a policy environment which the Joseph Rowntree Foundation, in a discussion of local Compacts, warned is becoming 'increasingly crowded', with the result that early initiatives can be marginalised by newer ones⁸⁵. The picture can only be further complicated by the government's efforts to give a reality to regional government through encouraging the establishment of regional compacts.

Secondly, how realistic is it to expect that VOs will be as well placed as statutory bodies to take the lead? Under the 'Best Value' programme local authorities are required to ensure the most effective mix of providers of local services, drawing from the voluntary and private sectors where appropriate. In 1999 96 per cent of local authorities said that the VCS would be 'a key strategic partner' in the coming five years⁸⁶. But senior partner or junior partner? A useful hierarchy of relationships is suggested in an NCVO report on the implications of partnerships for VOs, embracing (from bottom to top) support, agent, advise[r], junior member, joint owner, community ownership.⁸⁷ Attempts to involve VOs are so hedged about with formal rules that power inevitably still lies with the public authorities who are the custodians of the rules.

In general, much still needs to be done to create a congenial climate for effective joint working at local level. There is a degree of mutual suspicion, sometimes hostility, between LAs and VOs. A senior local government official said:

'We can see that some VOs are very efficient and influential lobbyists and have government's ear, and have been given direct responsibility for handling grants – which we would have liked. Some VS people are rather hostile to local government – mainly because they see local government as not supportive of the VS, sometimes with justification. Constant sniping was and remains a feature of the relationship.'⁸⁸

On the VCS side there is a widespread feeling that local government, hoping to come in from the cold, will inevitably exploit its new authority under the Local Government Act 2000 to promote the well-being of the communities it represents, and will be reluctant to cede the lead to VOs. The Local Government Association (LGA) keeps reminding

the government of the primary role of democratically elected councillors. The LGA Chairman has said that 'Community leadership is ultimately about councils creating opportunities for citizens to exercise more control over their own lives...' [italics added]⁸⁹. (The attitudes of business are discussed below.)

Thirdly, how genuine is collaboration, and in any case collaboration for what? The CAF survey concluded that 'there is little evidence of the [VS] playing a serious part in the design, business management or finance of partnerships.'⁹⁰ It is widely acknowledged that it is hard managerially to handle interaction between formal and informal organisations. 'Local authorities, the NHS, the police aren't well described by fuzzy words', said a participant. 'Chief executives and chief constables like to be obeyed, not networked.' It can also be hard constitutionally to handle complex questions of shared accountability and attitudes to risk. There is felt still to be too much central control and over-prescription of performance. 'The government wants us [the VCS] to take the kinds of risks that officials can't', said a VCS leader, 'but funding mechanisms are designed to reassure the National Audit Office that there are no real risks.' The spread of the 'audit culture' imposes new burdens on participants on the VCS side. Performance in the New Deal is measured by 67 mandatory indicators. 'The government seems totally unaware of how its processes exclude possible partners', said an academic.

Analysis both of local compacts and of partnerships have shown that practices vary widely among LAs, and often depend on personalities. In some LAs the designated officials have been described as 'marginal'. On the VCS side, the same 'stage army' of the larger VOs (and individuals) turns up repeatedly, while smaller VOs and BMEs are disproportionately under-involved. Though 130 local Sure Start projects are said to be headed by VOs, there have been few VS- or community-led bids for partnership funds under the SRB or NDC (and fewer still led by BMEs). 'Local authorities are in the driving seat', concluded the CAF review⁹¹. Some in the VCS fear that the benefits of partnership will flow mainly to the public sector rather than the VCS partner. Others argue that, if the VCS is to be involved, VOs should be more actively engaged in the policy-making process, not just in service delivery. It has been suggested that there is, potentially, a major role for the VCS umbrella organisations in comparative information-sharing. So far, however, they seem to be playing little part either in overseeing the management or evaluating the effectiveness of partnership working. This may, of course, be because most VOs, while keen to be consulted about problems in their area, do not want the responsibility and burden of having to manage the processes for solving these.

Within partnerships, arrangements for consultation are said to be poor; VOs complain about the unrealistic shortage of lead-times, and LAs about the time taken by VOs to consult their members. Few local authorities have any kind of over-arching corporate strategy for structuring their several relationships with VOs, with the result that different departments within the same authority have different kinds of relationships with VOs. (This diversity can be multiplied where a large VO finds itself involved with several different local authorities.)

Many of the same complaints have been heard about central government. In addition, some VCS people feel that central government is interested in partnerships simply as service-delivery mechanisms, regardless of the impact of the relationship on the 'VCS ethos'. Widely cited is a remark by the head of Sure Start: 'I don't care what effect

[partnership work] has on the voluntary sector, I just care about the impact on children, the effect on end-users.⁹² And there are, inevitably, well-informed voices claiming that the only practical value of the partnership approach is that it is the main current channel for obtaining public funds. (The CAF study found that 90 per cent of VOs held this view.)⁹³ A less dismissive but still negative view was that of the VCS leader who said the term partnership was being 'grossly misused'. It is striking, and depressing, to find how many of the comments made about partnerships in the past two or three months are mirrored by those reported in the CAF survey, carried out three years ago.

There is one theme which might develop from effective partnerships between VOs and LAs, which might define a common interest, and one distinct from that of central government. The theme is 'local solutions for local problems'. It would represent a challenge to the centralisation, and the quest for uniformity, which has characterised Labour as much as the Conservatives.

As for the regions, and the possibility of regional partnerships, it is not yet clear whether or not the government is serious. History and realism prompt a great deal of doubt about the freedom of action, or the degree of local variation, that central government will allow to the regional tier. VOs will have to take a chance on this: they will need to decide on the potential significance of the regional level of government, and on whether they themselves need to be organised to relate to it effectively.

Campaigning

Part of the strength of the VCS is that many VOs directly represent an enormous range of different groups in society. Their role includes representing the interests of these groups when need arises – and, on their behalf, expressing dissent. If the government could come to understand and appreciate the case for voluntary action as an end in itself, rather than simply as a means of service delivery, this might help to put into perspective the role of VOs in expressing views in public even when these are critical of official policy and whether or not a VO is in a contractual relationship with a government agency.

The tension is familiar. Deakin recognised it, and had a clear view: 'Voluntary bodies even when they have become 'partners' must be free to act as advocates, providing a 'voice for the voiceless' and campaigning on issues of public concern.' What is new since Deakin is the unequivocal undertaking by government in the Compact

'to recognise and support the independence of the sector, including its right within the law to campaign, to comment on Government policy, and to challenge that policy, irrespective of any funding relationship that might exist...'⁹⁴

The same point is repeated in the Funding Code. It is also interesting that the official background note for the PIU study explicitly states that 'the sector's capacity to challenge Government also helps to create policy debates, promote a pluralist society and strengthen society.'

However, no administration will lightly accept criticism of its policies where it sees a means of inhibiting this. The Blair administration has shown itself more reluctant to allow dissent even than its predecessors. Officials follow (or anticipate) the lead of ministers, and some in the VCS have been all too sensitive to both. The existence of the Compact has not prevented actions, on both sides of the relationship, in flagrant breach of the principles above. There have been several cases in the past year in which VOs in receipt of government funding have expressed public criticisms of government and have been reproached and, indeed, warned by officials that Ministers might not regard this as consistent with their contractual status. A letter-writer in *The Guardian* recently claimed that Louise Casey, the 'homelessness czar', had in effect told the VCS that 'any agency not toeing the party line should not expect funding' – and that agencies' 'meek acceptance of this was disappointing'. The case was taken up by the head of NCVO who received written guarantees from the homeless czar that this not true. However the claims were reasserted by an anonymous head of a homelessness agency a week later – '...Mr Etherington, do please...listen carefully before starting to fly the flag for compacts...' ⁹⁵ Possibly more pernicious have been one or two incidents in which leading VOs, once again in contractual relationships with government, have declined to subscribe to campaigns critical of government or indeed to make public statements about controversial issues on the grounds (sometimes explicit) that it would be impolitic for them to take such a stand ⁹⁶. (The fact that 50, 60 or 70 per cent of their income comes from government may not justify such behaviour, but it certainly helps to explain it.) A right-wing critic of the 'politicisation' of the VS has written

'How much can we now expect from a VS which is muzzled by contract and neutered by subsidy?' ⁹⁷

It is not unfair to regard as 'muzzling' the cautious behaviour described above.

Governments which dislike public criticism are unlikely to look with greater favour on public demonstrations or direct action of other kinds. Taking to the streets can catch public attention, but may need to be buttressed by reasoned argument.

These issues are not new, but the scope of government's relationships with the VCS and the increasing co-optation of the latter (and its leaders) as collaborators with the state, added to the sensitivity of the Blair administration to criticism, make them more important than in the past. Of course the mere existence of the Compact cannot guarantee that government will always observe its own undertaking. Threats do not need to be verbalised to be real, and a VO's loss of a contract or its director's non-reappointment to a prestigious government task force would act as a powerful warning to other VOs tempted to – as ministers and officials might see it – rock the boat. But the Compact and supporting codes does at least provide the basis for resisting improper pressures. To encourage VOs to resist, solidarity and specificity will be crucial. There is potentially a virtuous circle in which the existence and significance of the Compact is made known to a much wider range of interests both in the VCS and in government, the Compact is effectively prayed in aid in specific cases, a body of 'case law' is built up, the case law is communicated to those who need to know so that the practical relevance of the Compact becomes clear to all and more attention is paid to it. Case law should not be simply a catalogue of misdemeanours. It should comprise examples of good practice as well as of bad – that is, where the Compact has acted as

an effective guide to behaviour. The accumulation and publicising of a body of case law will help to make real what is, so far, more a statement of aspirations than a guide to everyday behaviour. Without this, the Compact will remain on the books as little more than a statement of good intentions.

Voluntary Action and Public Services

The involvement of VOs in service provision is not a new development. Five years ago Deakin spoke of concern expressed to it 'that the VCS is at risk of being captured by the state's fiscal, regulatory and policy agenda'. In retrospect, this seems improbable, given how slight was the natural affinity between the values of the Thatcher and Major administrations and those of the VCS. Today, however, the welcome into the Blair 'big tent' is much more seductive. Moreover, VCS involvement in service provision is on such a scale, supported by so much official rhetoric about partnership, that it should be kept under review. For all the government's enthusiasm about volunteering as such, the VCS seems to be mainly esteemed for the services it can provide. At least during the first Blair administration, there has undoubtedly been an ideological dimension to this: provision by the voluntary, as by the private, sector is valued as a means of reducing dependence on the public sector. (It may also be cheaper.)

The process is still evolving, as witness the proposed 'cross-departmental review', on the role of the VCS in providing services. In this context both government and the VCS need to ask some very basic questions. What precisely is the distinctive value that VOs add? And what are the costs of being on the inside? Should there be any limits to VCS involvement in service provision, or constraints on this?

These questions relate closely to those raised above about performance measurement. In theory VOs should make two contributions in particular to service provision. First should be innovation, in principle (though not always in reality) the ideal contribution of the VO – perceiving and meeting a need, and providing a service that others cannot or will not provide. This could be in a situation where the state does not yet exist and where there are no public services, so that citizen action is the only way to get anything done. A more familiar scenario is where, for whatever reason, the state has not yet thought it appropriate to fund and provide a service which a number of people think desirable, and where there is as a result a niche which a VO can fill – without the presumption, as with many state services, that all such niches should be filled nationwide, to national standards. Hospices are a nice example of this, in that they are still entirely the product of voluntary action and are disproportionately found in middle-class areas, yet in many cases receive public funds as a kind of adjunct service to the NHS. Linked to this is the relative expertise that derives from unique activities and networks.

A variant of this is the role of VOs as pilot – trying out experimental approaches, which may well be of wider interest to government and others, but which, if they fail, can often do so without excessive political fall-out.

The second distinctive value is that derived from personal enthusiasm. This may be the enthusiasm or dedication of, to follow the hospice example, the founders and managers and/or of the volunteers who are an essential element in the workforce. Beyond these categories it is harder to identify the unique contribution made by a VO – except perhaps,

in some cases, the values and organisational culture related to being not-for-profit, though this probably overlaps largely with the second category above. As suggested in the discussion above about performance measurement, it seems probable that many VOs, and those who favour their role as service-providers, could not demonstrate how their contribution is different or better from that of other types of organisation; they would not score very highly on the scales that ought to measure the VCS' peculiar strengths. They may simply be a bureaucracy like any other.

This problem is intensified by those who support VOs' claim to deliver public services by arguing that VOs are really no different from private or public sector organisations. This abandons the VCS' claim to be unique. For this reason, there was some unease in the VCS at the boast of the director of ACEVO that 'The sector these days is led by professional staff whose entrepreneurship and talent can outshine the public and private sectors.'⁹⁸ Statements of this kind risk entering the VS in a competition which it is unlikely to win.

A second issue here is whether 'professionalisation', a process which some see as basic to acceptance of the VCS as an equal partner by government (and by business), threatens the 'ethos' of the VCS and the values for which it stands (or should stand). It can be argued that the importation of management techniques from the business sector, and excessive concentration on budgets, human resources and general organisational rectitude, will distort the distinctive ethos of the VCS and will substitute managerialism for passion and commitment. A report written for the Royal Society of Arts commented:

'Under their own style of management VOs have been extremely successful. There is a real danger that, in rushing uncritically towards management methods of other actors, they will lose the benefit of their own practices and miss the target completely: they will neither emulate the private sector...nor satisfy their service users.'⁹⁹

For example, if more efficient VOs require better managers, and if the VCS has to compete for such people with other employers, will that not imply much higher salaries? Would that be compatible with the spirit of the VCS? And what would be the effect on public trust? On the other hand, if more VOs yield to the widespread pressure to give more weight to users in the management of their affairs, may not that be incompatible with more professional governance?

But the larger question still remains. Should VOs be engaged in providing mainstream public services at all? The downside of accepting public funds in return for service provision is that this inevitably enmeshes the VS in the formal mechanisms and burdens of public accountability, and the informal mechanisms of political accountability. Perceived association with government may also diminish public trust. A survey for NCVO's *Third Sector Foresight* project found that 76 per cent of respondents thought it very important/ important that charities should be independent of government¹⁰⁰. As the head of the Directory of Social Change said recently 'If changes continue the current emphasis on service provision at the expense of other roles such as campaigning, the public will become disaffected and donations will tail off even faster.'¹⁰¹ As for VOs themselves, the same survey found that 72 per cent of local and 67 per cent of national organisations felt that government priorities would distort the missions of

VOs¹⁰². With this in mind, some VOs deliberately reject offers of public funding precisely so that they can retain their independence.

Service-based relationships were sharply criticised by Lord Dahrendorf in the Goodman lecture in July this year. He suggested that the VOs involved had become QUAGOs – quasi-governmental organisations – and ‘to all intents and purposes nationalised’. Referring to the Compact, he said that there was ‘a compact sector, which benefits from organised relations with government, and a non-compact sector which does not need such relations’. He argued that the boundary between VOs and government should be clearer and less permeable¹⁰³.

It seems clear that a VO should not tender for a public service unless doing so is consistent with its mission, and unless it brings some distinctive skills and knowledge to the task. It should also beware of cross-subsidising its bid price from its voluntary income, and of becoming over-dependent upon a single client/funder. But the decision to bid should not rest solely on how good a service a VO could provide. The critical point is what would not be done, or not done well. Would involvement in service provision distract a VO from, or prevent it from performing at all, what can be seen as its proper tasks – experimenting, innovating, piloting, campaigning, and doing so with public support? Would the opportunity cost – the value of the activities thus foregone – be worth paying?

A further question which follows from this is whether VCS leaders have, or should develop, a long-term strategic view about engagement with government – or, indeed, about the VCS’ response to any unilateral decision by a future government to disengage. Buried in the small print of the Funding Code is the advice that any VO funded by government should have an ‘exit strategy’ in the event that a particular source of funding should cease¹⁰⁴. It is advice that has a much wider application. It deserves highlighting.

Trust, standards, regulation and governance

These topics are inextricably linked in a virtuous or vicious circle. Public trust in VOs will be maintained as long as they are seen to meet acceptable standards of personal and institutional behaviour and to use their resources and privileges to achieve their stated objectives in reasonably efficient and effective ways. They must achieve standards in terms of process (inputs) and of performance (outputs and outcomes). This requires, internally, both appropriate values and levels of skills and, externally, a system of rules and regulations to which VOs are required to conform. There must be some accountability (which also means some transparency) so that departures from any norms, formal or informal, are evident and must be explained. At the same time, any regulatory system must not become inflexible or so burdensome, as either to deter voluntary activity in the first place or to inhibit innovation, creativity or even the continued existence of existing VOs. The burden will clearly be greatest for smaller organisations. How they raise funds may affect public perceptions of them; as already discussed, the sources of those funds may limit their freedom of action.

Deakin pointed out that the public was entitled to be confident that VOs were well run, especially when they received public money or other benefits derived from their

charitable status. Internally to the sector, the work of the OSTG has followed from this. In addition, since 1996 periodic scandals and a general mistrust of institutions of all kinds have helped to drive an external process which some observers fear could smother voluntary action. Mainly at issue here is the regime and activities of the Charity Commission – whose responsibilities cover only the minority of VOs which are (or would like to be) registered charities. The Charity Commission declares that its aim is ‘to give the public confidence in the integrity of charity’; it states its objectives as relating to charities’ legal, accounting and governance framework, to their governance, accountability, efficiency and effectiveness, and to abuse and poor practices¹⁰⁵.

The Directory of Social Change (DSC) has deplored the Charity Commission’s new rigour towards applicants for charitable status, especially its demands that they provide a comprehensive plan of their future activities. DSC points out that most groups start with one activity and build up as their work enables local needs, wishes and resources to become apparent – and that it is at the initial stage that charitable status is so important as a basis for attracting people and resources¹⁰⁶. The same objections have been expressed in relation to new philanthropists: legally bound to register any organisation established for charitable purposes with an income of more than £1000, the new dot.com millionaire is equally liable to be interrogated about details of intentions and plans and may, it is argued, be deterred from proceeding.

The justification given for the Charity Commission’s new rigour is public unease about the numbers and the fund-raising activities of charities. But, suggests DSC, this unease often relates to the big VOs who are not seriously affected by the new approach. There is, as ever, a real danger that excessive regulation will stifle smaller and newer organisations and, with them, a large part of the VCS’ capacity to tap new enthusiasms and to innovate.

Two sets of issues intersect here. The first is the spectrum of activities that ranges from policing legal compliance at one end through advising on good and bad practice to ensuring effective performance at the other. How closely regulated should VOs be, given the burden which compliance can impose upon the smaller organisations in particular? How can they be helped to use their resources to best effect? The second issue concerns the range of possible participants in these activities: who should do what? It has long been argued by critics that all the roles cannot and should not be played by the same body, and that the Charity Commission should stick to the first of these, leaving the ‘support’ role to others. One alternative would be to locate the ‘support’ function somewhere in Whitehall, for example in the ACU, in the same way that other parts of central government ‘sponsor’ outside activities such as business or agriculture. In addition or alternatively, the task of promoting efficiency and effectiveness could be given to an external body on the lines of the Audit Commission.

But there is not necessarily a role for government right across the spectrum. It seems reasonable for government to ask questions about the integrity, efficiency and effectiveness of VOs when these are either seeking privileged status as charities or are bidding for public grants or contracts. But it is hard to see that in any other context these questions are the business of government. Who is to define and draw up general standards for ‘efficiency’ and, still more problematical, ‘effectiveness’? Why should promoting these qualities not be left to VOs themselves? If public trust is the issue

here, the most suitable judge may be the public whose trust, and money, is being sought. The essential basic requirement would then be for enough information to enable the public to make up their own minds. What information this should be, and how and where provided, could be worked out in agreement between the umbrella bodies and the 'support' function, wherever located. There could be agreed codes of practice. Funders could possibly have a role in helping to ensure that such codes or standards are observed by VOs funded by them.

In general, there is a strong case for the VCS to jump before it is pushed, as it has been doing for several years in the quality standards field. The New Economics Foundation and ACEVO have argued for a voluntary 'social audit'¹⁰⁷. In this process, larger organisations would do more than simply comply with minimum reporting standards. They would publish independently-verified reports of their 'social' performance, based on the views of their stakeholders. New technology could be helpful here, by enhancing public access to information of all kinds about VOs and their activities, and thus increasing transparency and the scope for self-regulation. The Charity Commission is showing the way by putting charities' annual reports on its web-site.

Moves like these seem desirable simply as representing good practice in a democratic society. In conclusion, though, it is far from obvious what ought to be done to increase public confidence in the VCS in general or in charities in particular. The survey material is patchy and demonstrates few unambiguous causal relationships between events and public opinion. Views expressed in the media may or may not be significant. It is arguable that public lack of confidence in VOs reflects a loss of confidence in established institutions generally. As for charities, it is at least equally probable that the public do not in fact know which non-profit, fund-raising bodies are technically charities and which are not, and that dodgy practices by semi-legal bodies will continue to damage the reputation of mainstream charities.

Finance and sources of finance

The VCS' heavy dependence on public funds raises questions of principle. It also raises some familiar questions of practice. The problems which VOs often face when working with public sector funders were outlined earlier.

Problems of different kinds are intermixed here, and different responses are appropriate. In practice, one major sign of a mature relationship between the public sector and the VCS would be that the former would cease to display the breathtaking blend of incompetence, carelessness and insouciance that has allowed so many organisations to get away with such sloppy and inconsiderate funding behaviour for so long. It is hard not to conclude that government funders are often simply lazily taking advantage of their status as banker by forcing VOs to absorb the externalities of their own poor administration. The Funding Code of Practice covers much of this but has yet to be tested in practice. This is an area where the umbrella bodies could play a significant role in encouraging their members to communicate case examples and in communicating these forcefully to the public bodies concerned.

As for the principle of core funding, 65 per cent of VOs polled would like to see a government commitment to this¹⁰⁸. The Compact Code on funding addresses this issue

as well. Drawing on a 1999 report by ACENVO (Who pays for core costs?), the Code invites government (and implicitly other) funders to adopt one of three main models:

1. full project funding in which all reasonable associated costs are built in;
2. development funding through which infrastructure costs are met for a limited time so as to enable a service provider to grow and develop;
3. strategic funding, in which the funder invests in a charity so as to meet the funder's objectives.

The Director for England of the Community Fund (formerly the National Lottery Charities Board) has said that he would be willing to consider funding core costs in appropriate cases and is informally sounding out leading VCS figures on this matter¹⁰⁹. 'Core costs' should also cover the other activities sometimes labelled 'capacity building', enabling a VO to make a step change in its own management competence. 'Teaching to fish, rather than giving a fish', as it were. In an excellent consultation paper on funding community groups, published in May, the Active Community Unit stated that 'the size and nature of most community groups are such that it is generally unhelpful and artificial to make any distinction between core costs and project costs.'¹¹⁰

Five possible main sources of funds, alternative to government, and which should be able to operate under other rules, are as follows.

Business

It is argued that VOs are not proactive enough in their attitudes to business, and that a more sophisticated approach is needed, taking account both of firms' changing attitudes to charity and the developing view that donations should be treated as investments. Many firms are now looking for mutually beneficial links with VOs. All this calls for a more entrepreneurial style on the VO side. The Charity Commission has launched a pilot study on charities and commercial partnerships. What is missing here is a willingness on the business side to back unpopular causes and/or to take some calculated risks. This route, like that of government funding, has its dangers: 67 per cent of those surveyed by NCVO felt that it was important/very important that charities should be independent of business¹¹¹. Some caution about increased dependence on business funding is reasonable. Of all possible sources of funds business seems likely to be (using the term quite neutrally) the least dependable. A firm with profits plummeting, or undergoing a change of ownership and/or total reconstruction, or even a change of chief executive, and putting its obligations to shareholders up front, may well feel entitled to pull the plug on its VCS partners with little or no notice.

Foundations

Given the selective conservatism of public preferences, while government support increasingly focuses on VOs that can help it to achieve its own objectives, there remains in principle a major role for independent foundations. They can take risks, support unpopular causes, innovate in grant-making, in ways difficult for public or private sector funders to do. Only recently have the first systematic efforts been made to map and

quantify the activities of foundations; a report on this topic concluded that 'funding policy could gain enormously from better collective information on the contribution of trusts and foundations.'¹¹²

The Lottery

The relabelled Community Fund will inevitably be a major player in volume terms. It has the potential, if it can keep its distance from government, to do more than this and also to be a major player qualitatively – as to some extent it has been doing. It could follow the lines suggested for foundations above, and act as a major offset to any other established tendency that its board think worth offsetting. The ACU paper quoted above accepts that 'if innovation and initiative is to be encouraged, then it is important to accept risks and trust communities'. It may be hard to extend this principle beyond local level; the National Audit Office may never be willing to accept the degree of risk that ought to be present if a VO is doing its proper job of innovating, launching, experimenting, piloting. It would clearly be helpful if the National Audit Office and the Public Accounts Committee could accept that Community Fund expenditure is necessarily risky, rather than investments the loss of any of which is a proper subject for reproach. (The Ford Foundation is said to accept that up to 25 per cent of its grants may fail to produce a return.)

Other sources

Ways need to be found to give VOs access to funds other than from grants and donations. Loans on easy terms are an obvious way of funding capital development and medium-term growth. CAF is once again exploring the scope for a charity bank, trying to find a middle way between the constraints of the Charity Commission and the Financial Services Authority. The former is considering whether it would be possible to relax the rules governing charities making soft loans to, or investing in, businesses run for community benefit by social entrepreneurs.

Public giving

As already suggested, the aims of the Giving Campaign are immensely ambitious. Doubts have been expressed as to whether a generic giving campaign can work. It has been suggested that it might be more effective for individual charities to improve their own arrangements and communications with supporters. The problem is that so little is known about why individual citizens do or do not give; that being so, the Giving Campaign's cart may have come before the New Philanthropy's horse. The research done for that project may help us to understand whether an individual, moved to contribute to the Spitalfields Music Festival, might also be a soft touch for Oxfam, the Terrence Higgins Trust or lifeboats. A preliminary, intuitive, view might be that there is little or no connection between the separate mental compartments in which such causes are severally pondered.

Government organisation and competence

Government is directly involved, or has an indirect interest, in virtually all of the major post-Deakin developments. This fact inevitably raises questions about government's ability to manage, monitor and evaluate the whole range of its own activities, or to think through the long-term strategic issues facing the VCS. At the practical level it is hard not to conclude that the rhetoric, central and local, has far outrun reality. Evidence from other fronts is not reassuring. Norman Warner's ambitious report *Giving Time, Getting Involved*, was published in November 1999, with an effusive foreword by Lord Falconer, the Minister of State in the Cabinet Office. Eighteen months later the head of a national volunteering organisation wrote somewhat despairingly to Lord Falconer that, in effect, nothing had happened: there was no clear national strategy to drive forward this initiative, no coherent mechanism for dialogue between the government and the VCS, and the status of the Warner report was unclear.¹¹³ Others closely involved, including a Minister, agreed with this analysis.

The case for an effective central unit was strong enough at the time of the Deakin report. Today, with no end in sight to central government involvement with the VCS, and with the whole apparatus of the Compact on the verge either of being implemented or of simply becoming a well-meant dead letter, Whitehall desperately needs what Deakin advocated five years ago. Tasks relating to the government/VCS relationship include, for example, ensuring that the Compact is a) known about and b) taken account of in all departments that have dealings with the VCS; monitoring government's burgeoning relationships with different parts of the VCS, and promoting some consistency and coherence in different departments' dealings with the VCS, including promulgating job descriptions of VSLOs and ensuring that these officials are more influential than at present; developing some strategic thinking about how government should support the VCS and for what, including reviewing the ACU's list of 55 'strategic grants'.

But the interests of the VCS go far beyond the government's current agenda, and far beyond a role, however important, as service-provider. Government, like anybody else concerned for the future well-being of the VCS, must be capable of thinking long-term about the VCS and its role in a modern society, and about how far government's current uses of the VCS are compatible with whatever the vision may be. It should encourage the VCS itself to engage in some strategic thinking so that there is scope for a dialogue. Somebody within government ought to be just as concerned as are outside observers at, for example, attempts to suppress dissent on the part of VOs.

The need for some continuity at official level is greater today than it was when work was started on this paper, given that – as mentioned above – following the election in June most of the principal government players concerned with the VCS have moved on. Their places have been filled by others in whose portfolios the VCS will probably not bulk very large, and who will have gradually to be educated to understand how important these issues are, how completely the ACU has failed to deliver the goods, and how greatly better arrangements are now needed, in the interests both of the VCS and of the government. The replacement of the head of the ACU may open the way to brief Ministers on these lines, though it is not obvious who will do this.

3.5 Conclusions: the next five years

In the next five years the VCS needs to consolidate the advances that it has made in the last five years, to work through in greater detail some of the positions established in general principle, to continue to push for some necessary changes and, more generally, to ensure that its proper role is fully understood by all concerned. There are wishes, there are expectations, and there should be an agenda.

Wishes

Before this year's general election, some VCS leaders were asked what they wished to see realised under the next government. Their responses fell under a few main headings.

- Tax: intensify and publicise the recently enacted tax incentives to individual giving; allow VAT rebates; simplify VAT.
- Finance: introduce long-term, multi-year funding, including funding of core activities; fund VOs (where relevant) to organise volunteers; simplify grant-making procedures; enable charities to borrow to realise their objectives.
- Public attitudes: the government should show confidence in charities, should promote public trust in them and should raise the profile of charities' role in developing civil society.
- Other demands: for reform of charity law, better consultation of the VCS before legislation, mainstreaming the Compact, appointing a Cabinet Minister for the VCS¹¹⁴.

Expectations

Questions about expectations not surprisingly elicit a different list. One respondent to the poll above expected a return to old-style, late nineteenth or early twentieth century-type philanthropy. Others, participating in NCVO's Foresight exercise, envisaged a growth in self-help and mutual organisations, more alliances and mergers within the VCS, more cross-sector working and partnerships with business. It was felt that users would exercise more influence, and would be more demanding of value for money¹¹⁵. Possible challenges, wrote an independent consultant, included a loss of 'bite' by the VCS resulting from too cosy a relationship with government, the need to introduce greater diversity and the importance of nurturing and encouraging smaller VOs – perhaps with the help of the larger ones¹¹⁶.

An agenda

Introduction

Contemplating the next five years, the VCS – and individual VOs – needs to have a view of the main items that should be on its agenda, whether these require action or simply need to be kept under review.

Starting from where we are now, at the beginning of a second term of the Blair administration, the agenda is bound to be dominated by the concerns of government and by the VCS' relationships with government. Nonetheless, it must not be assumed that these are the only issues that matter – that the agenda should be dictated by

government. In the diverse VCS, there are bound to be concerns and objectives which differ greatly from those of any government, however benevolent. There will also continue to be many VOs for which government and its activities are no more than part of the environment in which they work.

The VCS as independent player

High on the list of priority tasks, therefore, is the need to preserve the concept of the VCS as independent player, rather than merely as service-provider and arm of government. This will require a continuing process of re-education, of government and wider public. The basic message should be that while the many VOs involved welcome their closer relationships with the public sector, and the chance of collaboration for the benefit their 'constituents' and their own objectives, the VCS and its objectives go much wider than this. Voluntary activity is desirable and should be welcomed whether or not it serves the purposes of others. Dissent can be as constructive as collaboration. To support this argument, the 'civil society' case for voluntary action will need to be articulated. If 'activities' are as important as 'services', how can they be encouraged, or at least not discouraged? Is there any role at all here for government?

The secondary message is similar, and almost as important. It relates to volunteering. Volunteering can be seen as a means to an end, and volunteering organisations may reasonably welcome the chance to work with government – as many have done for years – where their aims coincide. But volunteering should also be seen as an end in itself: as Deakin pointed out, too instrumental an approach to volunteers risks demotivating them altogether.

There is an immediate chance to develop both these messages, in the form of the current PIU enquiry and the cross-departmental Treasury review. As mentioned above, the terms of reference of the first refer to the independent, possibly dissenting, role of the VCS; this is encouraging. But in practice both enquiries will give the government yet another opportunity to define the VCS, and its role in society, by reference to government. Flattering things may well be said about the importance of the VCS as partner in achieving the aims of public programmes. VCS leaders will be invited to endorse these sentiments by appearing on platforms with Cabinet ministers. There would, of course, be nothing wrong with either of these. It will be up to people in the VCS to ensure that they are not taken to imply any form of limits to voluntary action.

Relations with government

Recognition that there is a world beyond government should be the background for thinking about all other aspects of the VCS, including its relationships with the public sector. Those VOs now locked into partnerships and contractual relationships with different parts of the public sector should, in the next five years, think through the implications of these relationships, devise ways of controlling any unintended consequences and start planning how to cope with any major changes in them. Such thinking need not wait on government nor on events: VOs will do best if they start thinking in their own time, and about the issues that they think important.

VOs need to think hard about the costs and benefits of continuing or entering a contractual relationship with any part of the public sector, to provide a service. As

suggested above, the key questions should be 'What are the opportunity costs of being in this relationship?', 'How can we exploit it to our own longer-term advantage?', 'In what circumstances might the relationship be terminated by either party?' and 'If it should be terminated, have we an exit strategy?' These are questions which can best be answered by individual VOs; but guidance in thinking about them should be offered by umbrella organisations. The VCS should note the terms of reference of the government's current cross-departmental review, and its aim of 'improving the range and quality of services offered by the voluntary sector'; VOs are not obliged to accept either the apparent premise that the purpose of the VCS is to provide services, or government's judgements as to what is or is not a quality service.

An additional question might be 'What are public sector funders entitled to demand from VOs?' Not silent acceptance of government policies with which they disagree: but is that the extreme exception which proves the rule? What if government were tempted to use the leverage provided by its use of taxpayers' money to require for example, service standards that VOs find inappropriate? Or to insist on structural changes in the VCS, or on rationalisation of the umbrella organisations or even of individual VOs where these appear to be competing 'wastefully' for clients, funds and public attention? Thought is also needed about the optimal balance between efficiency, professionalisation and a focus on results on the one hand, and participation, spontaneity and a focus on process on the other: on what dimensions should VOs try to compete with public and private sector providers? What performance measures are appropriate?

Partnerships

Partnerships are one important manifestation of the VCS' involvement in service delivery. Their recent expansion raises three issues. First, whether organisations and individuals in the VCS are capable of taking part in such demanding arrangements on such a scale or whether, at least in some functional and geographical areas, the time may not have come to call a halt. Secondly, whether those VOs which are involved are playing a sufficiently important role in all aspects – in policy-planning as well as in service delivery. Thirdly, whether an effective learning process is going on which will ensure that the lessons learnt in earlier partnerships are fed into later ones.

Relationships with all levels of government could, in principle, be greatly influenced by the Compact and its supporting codes. The most urgent task in practice is to put some teeth into these. The two leading actors in this process will be, on the VCS side, Sir Kenneth Stowe's working group on government relations (whose network and reach, incidentally, go wider than those of NCVO) and, on the government side, the ACU or any successor to it. It will be clear, from what is said earlier in this report about the ACU, that major changes will be needed in the latter if there is to be any real progress in giving the Compact practical force.

State of the economy

One circumstance which might threaten the whole range of existing VCS/public sector relationships, or at least existing levels and patterns of service provision, would be an economic downturn. New pressures on public expenditure would affect grants to VOs,

the fees paid to them for services and direct public spending on the causes in which they are interested. The pressure on VOs to deliver services economically and efficiently would increase. At the same time, VOs representing clients affected by spending cuts might feel the need to protest on their behalf against such cuts.

Especially if a downturn led to substantial spending cuts, it would be important to ensure that public sector bodies did not either try to offload on to their VCS partners an unfair share of the burden of economising, or to make cuts in a disorderly and damaging way. The Funding Code should be helpful here. Its provisions are probably even more important in hard times than in easy, and VOs should not hesitate to appeal to them whenever they seemed relevant.

Government organisation

Whatever happens to the economy, the VCS is entitled to insist that central government, so influential in its direct relationships with the VCS, in conditioning the relationships of other parts of the public sector, and in helping to create the context in which the VCS must function, should get its own act together. Even to achieve its own objectives the government must have the capacity to monitor, and help to promote, the health and welfare of the VCS. Much more effective thinking and action relating to the VCS is needed within government, at several different levels. The ACU is generally agreed to have failed in such tasks. An agenda item common to VCS and to government is to ensure that the current ACU is replaced by something more effective.

There is a case for putting responsibility for the VCS, as many have argued, in the Cabinet Office, though it should not be supposed that any location will guarantee senior ministerial attention. More important than this will be selecting a head, preferably from within the VCS itself, and giving this person a civil service rank/status that at least qualifies them, *prima facie*, for the serious attention of their colleagues. As the examples of Alun Michael and, to a lesser extent, Paul Boateng show, there is value in having a competent minister (though not necessarily a Cabinet minister) whose responsibilities include oversight of the VCS. Putting the ACU in the Cabinet Office would avoid the curious division of roles, under Blair Mark I, between Boateng and Falconer.

There is also a case for setting up a parliamentary committee, whether of one or both Houses, to keep the field under review and to maintain some external pressure on government and, indeed, on the VCS. The influence of such a committee on policy will be only indirect and may, at different times, be minimal, but it should be able to scrutinise both the public services provided by VOs and the welfare of that large part of the VCS which is not involved in service provision.

Internal issues

There are some issues internal to the VCS on which action or thought is needed:

- *human relations*: the VCS needs to pay as much attention to all aspects of working conditions and people management, as the public sector has been doing in recent years, so as to increase its appeal to the best possible potential staff. One element

in this is pay: how important are relative pay levels in encouraging people to make careers in the VCS? What would be the effect of raising levels and would this harm public esteem?

- *capacity*: closely related to HR, how and by whom can the VCS' capacity be enhanced – whether by bringing on leaders, by training more generally, by encouraging thinking and research into ways of maximising the VCS' impact?
- *diversity*: as argued above, a basic point about voluntary activity is that it can add value of itself, regardless of what it actually achieves; process is as important as output. It follows that getting the process right is more important even than in the public and private sectors. The VCS, whose constituent parts spring organically from the community, should, more than any other group of institutions, represent the full diversity of the community. The objective of achieving diversity, in all senses and at all levels, in VOs should be pursued even if the cost were some reduction in operational efficiency.
- *research*: more and more reliable data is needed about the smaller voluntary and community organisations, their activities and their needs; and also about numbers and characteristics of new entrants to and any departures from the VCS
- *'non-verbal advocacy'*: should campaigning VOs regard direct action as a normal extension of their methods, or should it be avoided in all except extreme circumstances?
- *umbrella organisations*: what is their role and how can they best add value to their members' activities?

External relationships

There are some issues relevant to VOs' external relationships:

- *Information technology (IT) and its applications*. Can the greater transparency which IT makes possible be applied to enhance self-regulation as an alternative to government regulation? Will it have differential impacts on large and wealthy VOs (able to afford and exploit the best technical advice) and on the smaller ones (which might on the other hand be equally able to exploit new techniques as their prices fall, and so to compete more effectively for public attention and for funds)?
- *intra-UK comparisons*: Deakin (and this paper) focussed exclusively on England. In voluntary action, as in virtually every other aspect of public life, far more could be done than at present to look beyond the borders of England, and to pay far more attention to developments in Scotland, Wales and Northern Ireland. Especially as devolution takes hold, these may have useful examples to offer in any sphere of VCS activity.
- *communication*: can more be done to compile and publish user-friendly information about the VCS so as to inform public and media understanding, maintain public confidence, prevent donor fatigue?
- *local choice and variation*: Can VOs, commended by Labour Ministers for their role in expressing community preferences, ally with elected local authorities in insisting that locally-derived policies are likely to, and indeed logically should, differ from policies developed in other localities and from those prescribed by the centre?
- *competition*: In the service field, how should the sector respond to any future challenges from commercial, for-profit providers?

3.6 Annex: Active Community grants: strategic grants 2001–2002

	£ allocated
African Families Association	50,000
Association for Research in the VCS	40,000
Association of Charity Officers	10,000
Association of Chief Executives of VOs	59,050
Black Training & Enterprise Group*	60,000
Bright Red Dot Foundation	100,000
British Association of Settlements & Social Action Centres	76,000
Centre for Effective Dispute Resolution	10,000
Charities Evaluation Service	60,975
Charities Information Bureau	50,000
Charity Trustee Networks	50,000
Chinese in Britain Forum	41,285
Churches Community Work Alliance	44,500
Community Development Foundation	937,000
Community Foundation Network	25,000
Community Matters	227,850
Community Network	35,000
Community Sector Coalition	28,650
Community Service Volunteers	653,000
CSV Retired & Senior Volunteering Programme	105,595
Confederation of Indian Organisations	50,000
Consortium of Bengali Associations	50,000
Consortium of Lesbian, Gay & Bi-Sexual Organisations	30,000
Council of Ethnic Minority Voluntary Organisations	225,460
Cranfield Trust	13,800
Development Trusts Association*	110,000
Directory of Social Change	35,000
Federation of City Farms and Community Gardens	50,000
Federation of Community Work Training Groups	180,000
Federation of Irish Societies	34,231
Federation of Stadium Communities	25,800

	£ allocated
Foyer Federation*	50,000
Interlink Foundation	50,000
League of British Muslims	41,450
London Voluntary Services Council	50,000
Mediation UK*	120,000
National Association of Councils for Voluntary Service	230,934
National Association of Volunteer Bureaux	172,000
National Centre for Volunteering	885,000
NCVO	831,000
National Playbus Association	30,230
National Youth Agency	184,133
Neighbourhood Initiative Foundation	50,000
Project Fullemploy	50,000
Retired Executives Action Clearing House	85,000
Scarman Trust	50,000
School for Social Entrepreneurs	50,000
Standing Conference on Community Development	131,850
Student Volunteering UK	98,000
Telephone Helplines Association	44,881
TimeBank	710,000
Women's Resource Centre	45,000
Women's Royal Voluntary Service	4,548,000
Working for a Charity	20,000
Youthnet	275,000
Total allocated	12,270,754

*Cross-government funded under Spending Review 2000 ACS infrastructure

3.7 Annex: Current government initiatives

Partnerships

New Commitment to Regeneration (DETR)
Sure Start (Treasury)
New Deal for Young People (DfEE, 1998).
New Deal for Communities (DETR, 1998)
Sure Start (DfEE, DoH, HO, 1999)
Health Action Zones (DoH)
New Commitment to Regeneration (Local Govt Association)
Connexions (DfEE)
Education Action Zones (DfEE)
Employment Action Teams (DfEE)
Community Legal Partnerships (LCD)
Healthy Living Centres (DoH)
Single Regeneration Budget (DETR)
Crime Reduction Partnerships ((HO)
Early Years Development and Childcare Partnerships (DfEE)
New Start (DfEE)
National Strategy for Neighbourhood Renewal (DETR)
Local Strategic Partnerships (DETR)
Connexions – a universal youth support service (DfEE)

Volunteering

Timebank February 2000
Millennium Volunteers
Consultation document, 1997
DfEE-based programme announced, January 1999
Spending review 2000 includes £450 million for Children's Fund for VOs providing services for children in difficulty
Experience Corps to increase volunteering by over-50s, March 2001

Giving

Gift Aid 2000 scheme provides tax relief on donations to development charities. Incentives to giving include Gift Aid tax relief to apply to all donations from April 2000, abolition of £1200 ceiling on payroll giving, tax relief on gifts to charity of listed shares and securities, and so on.

Getting Britain Giving campaign launched by Treasury in partnership with CAF, NCVO, to reverse decline in public donations, November 2000.

General

The Warner report was welcomed by the government; five 'active community demonstration projects' were launched at the time of its publication.

3.8 End notes

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4 The voluntary and community sector in Northern Ireland: developments since 1995/96

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4.1 Background

This paper reviews the most significant developments that have taken place over the past five years in the relationship between Government and the voluntary and community sector in Northern Ireland and identifies a number of emerging issues. Unlike England, Wales and Scotland, an independent review of the future of the voluntary sector was not carried out in Northern Ireland. Instead, the sector undertook a wide-ranging Millennium Debate, facilitated by the Northern Ireland Council for Voluntary Action (NICVA). This involved self-reflection, preparation for change and visioning for the future. Some thirty key issues were distilled in three themes: values, governance and sustainability. Within Government, the Voluntary Activity Unit continued to play a crucial role in the interface with the sector. It had lead responsibility for preparing two key documents, the 1998 *Compact Between Government and the Voluntary And Community Sector in Northern Ireland*¹ and the supporting document *Partners for Change. Government's Strategy for Support of the Voluntary and Community Sector 2001-2004 A Consultation Document*² issued on 26 June 2001.

4.2 Developments

Overview

In Northern Ireland, the past five years were ones of momentous change in the constitutional, institutional and funding environment in which the voluntary and community sector operates. The prospect of the ending of civil unrest was heralded through The Belfast (Good Friday) Agreement³ endorsed in a referendum in May 1998. In June 1998, members were elected to the New Northern Ireland Assembly, which agreed the functions of 11 new Departments in February 1999. Direct Rule by Westminster ended on 2 December 1999 when power was devolved to the Northern Ireland Assembly and its Executive Committee of Ministers. The Secretary of State for Northern Ireland remained responsible for Northern Ireland Office matters such as policing, security policy and criminal justice, not devolved to the Assembly. A number of other new Institutions were set up, including the Civic Forum to act as a consultative mechanism on social, economic and cultural matters.

The voluntary and community sector experienced rapid change and substantial growth, including growth in the number and influence of networks and organisations promoting community development. The campaigning and promotion of civil rights activities of the sector influenced major developments such as the setting up of the Human Rights Commission and the Equality Commission. The sector has become a significant part of the social, economic, environmental and cultural life in Northern Ireland. This may be attributed to the increased availability of funding, for example, from EU Structural Funds 1994-1999, including the Peace Programme⁴ and from the National Lottery Charities Board (now Community Fund), as well as through demands which Government and funders placed on the sector. In the light of reforms of Government policies, the sector played a critical and expanding role in areas of service provision such as community care and the social housing field, where the new build programme is now the responsibility of the housing association sector. NICVA's publication *The State of the Sector II. Northern Ireland Voluntary Sector Almanac 1998*⁵ reported that there are approximately 5000 voluntary and community organisations in Northern Ireland and that the sector, with a gross annual income of approximately £514m, employs some 33,550 paid employees. The most recent analysis of Government funding of the sector⁶ found that a total of £189m was delivered through 58 different programmes in 1996/97. These included 30 European Structural Funds measures with a value of £64.6m, with £44m made available to the Peace Programme.

Relationships with central government continued to develop. They were further formalised in the 1998 Compact and strengthened in *'Partners for Change'* (2001). Work started to create relationships with the new Northern Ireland Assembly and with the 11 new Departments. The sector entered into new relationships with local government and with other sectors through its involvement in a range of partnership bodies and in the new Civic Forum discussed below. Within Government, the role of the Voluntary Activity Unit was reviewed and a new role, structure and remit devised in consultation with the sector.

The sector contributed to shaping the development of the next round of EU Structural Funds⁷ and on the arrangements which were introduced to deal with the crises facing many voluntary and community groups because of the gap between the ending of the last round in 1999 and the opening of the next round in 2001. The issue of sustainability loomed large as a result of the abolition and reduction in the budgets of some mainstream funding programmes and anticipated reductions in EU funding after 1999. The sector also influenced the content of the Northern Ireland Executive's first Programme for Government (Spring 2001).⁸

Volunteering and community participation continued to have a high policy profile, with an increase of 17 per cent in formal volunteering and nine per cent in informal volunteering since 1995. Government took a range of policy and legislative initiatives to promote equality of opportunity, to protect human rights and to promote social inclusion, all of them directly affecting the sector and the people and communities on whose behalf it works.

The sector entered the new millennium making a major contribution to partnership with other sectors in tackling fundamental problems in Northern Ireland caused by factors such as a divided society, poverty, urban and rural deprivation, disadvantage, inequalities and social exclusion and in shaping a peaceful, inclusive, prosperous, stable and fair society.

Developments in values, relationships and roles

During the years of civil unrest in Northern Ireland, the voluntary and community sector filled the democratic deficit and played a significant role in embedding the peace process. Relationships between the state and the sector have been formalised in Northern Ireland since 1993, with the publication of the Strategy for the Support of the Voluntary Sector and for Community Development in Northern Ireland.⁹ In 1998, the Compact between Government and the Voluntary and Community Sector in Northern Ireland – Building Real Partnerships was published. This set out the respective roles of both sectors, which were seen as complementary, interdependent and mutually supportive. It articulated the shared values and principles and the commitments that would underpin the further development of the relationship between both sectors. In some regards, it went further than the other Compacts in the UK, for example, in jointly recognising that advocacy and campaigning on behalf of individuals, groups and causes is a distinctive characteristic of the sector and in supporting the community development process. Through the Compact, the sector was able to reaffirm the values and principles discussed during the Millennium Debate and which lie at the heart of voluntary action in Northern Ireland, for example, equality, democracy, pluralism, social justice and participation.

Devolution of powers to the Northern Ireland Assembly in December 1999 had – and will continue to have – significant implications for the sector. The focus of the sector's relationships began to reconfigure from Westminster to Ministers in the Northern Ireland Executive and Members of the Legislative Assembly. Relationships had, however, to be maintained with the Northern Ireland Office, which remained responsible for functions not devolved to the Assembly. The sector will also have to maintain a focus on Westminster in relation to issues such as fiscal policies affecting the sector across the UK. Devolution had a particular impact on those UK-based voluntary organisations with a presence in Northern Ireland and this is being addressed. Early indications are that the possibility of a tension between representative and participative democracy has not been a major issue. On the contrary, the Northern Ireland Executive endorsed the Compact and 'Partners for Change' as the basis of its relationship with the sector and there is evidence of voluntary organisations campaigning effectively with Ministers and Members of the Legislative Assembly.

The key role of the sector and the importance of involving it in policies and programmes aimed at strengthening community well-being are clearly stated in the Northern Ireland Executive's first Programme for Government (Spring 2001) for the three years from April 2001. This also states the Executive's commitment to working in partnership with the social partners:

'In tackling many of the Programme for Government issues, we have the advantage of a vibrant and extensive community and voluntary sector which makes a significant and crucial contribution to many aspects of the social, economic, environmental and cultural life of Northern Ireland. We are committed to sustaining the work of the sector, building stronger partnerships with the voluntary and community sector and working together as social partners to maximise benefits to society'.

Actions to strengthen the partnership were cited. These included having in place by 2002 strategies for all eleven departments for the support of the sector that are consistent with the intentions of the Compact; issuing during 2001 a strategy for Government funding of the sector and also during 2001 announcing a new role, structure and remit for the Voluntary Activity Unit to better reflect the Executive's desire to work in partnership with the sector.

The importance of a formal mechanism for promoting dialogue between Government and the sector was recognised through the establishment in October 1998 of the Joint Government Voluntary and Community Sector Forum for Northern Ireland. An evaluation by the Centre for Voluntary Action Studies at the University of Ulster of the first two years of the Forum's operations found that it had achieved a considerable degree of success and had proved to be a successful mechanism for communication between both sectors.

The sector also developed relationships with other sectors and partners. NICVA worked with the Confederation of British Industry, the Irish Congress of Trade Unions, the Ulster Farmers Union and the Northern Ireland Agricultural Producers' Association. Coming together to form their own social partnership group, Concordia, they explored partnership issues arising from the EU Funding Programmes and cross cutting problems such as long-term unemployment. The social partners also lent their support to devolution and the implementation of the Good Friday Agreement.

The role of the sector and of civil society was also recognised through involvement in a range of partnerships and in the Civic Forum. Over the past five years, the sector has been involved in a range of partnerships delivering urban, rural and social and economic regeneration programmes. The sector was accorded a place as of right in the District Partnership arrangements set up under the EU Special Support Programme for Peace and Reconciliation in Northern Ireland 1995 – 1999 and will be involved in the new Local Strategy Partnerships being established under the successor Peace II Programme 2000-2004. The involvement of the Social Partners will be endorsed through Concordia and its member organisations. The Civic Forum held its first meeting in October 2000. More than one third of the seats are allocated to the sector, which itself organised the selection process.

The five year period under review ended with a key development affecting the relationship between Government and the sector – the publication on 26 June 2001 of a pioneering document *Partners for Change. Government's Strategy for Support of the Voluntary and Community Sector 2001-2004 A Consultation Document*. The Strategy fulfils the commitment in the Compact to produce a supporting document setting out how its principles and commitments would be put into practice and kept under review. It is intended also to contribute to the Programme for Government by promoting and supporting the development of innovative, consistent and value-creating relationships between both sectors. While it is a Government Strategy, it was produced in collaboration with representatives of the Joint Government Voluntary and Community Sector Forum for Northern Ireland. It commits the 11 Departments of the Northern Ireland Executive and the Northern Ireland Office to practical actions that will encourage greater partnership working, enable the sector to contribute more fully to policy making and build the capacity of the sector to strengthen its sustainability. The Strategy is intended

to be result-driven and for the first time a three-year programme of practical actions is set out, to be pursued across all Departments. To ensure coherence, each of the 12 individual strategies are underpinned by:

- four common aims: Shaping Policy Development, Building Communities, Promoting Active Citizenship and Tackling Disadvantage
- three common themes: Capacity Building, Working Together and Resourcing the Sector
- three Good Practice Guides on Community Development, Funding and Volunteering.

Four other important points should be mentioned. First, arrangements will be put in place to monitor and evaluate the Strategy and the results will be published. Second, the Strategy confirms that Departments have been strongly encouraged to ensure its implementation within their own Agencies and relevant Non-Departmental Public Bodies and also that it will be recommended to District Councils. Third, there are also responsibilities on the sector to take actions to support the implementation of the Strategy, which makes clear that Government considers it imperative that the sector itself continues to address questions of quality and cost-effectiveness. Fourth, for the first time, this document will provide the voluntary and community sector with comprehensive information on Government support and plans for the sector. As the funding environment in which the sector works becomes more demanding, the publication of Departmental Strategies will provide the opportunity for the sector to discuss, debate and challenge Government objectives and priorities. The final version of the Strategy is expected to be issued in December 2001.

Developments in governance

Governance of the sector was one of the key themes to emerge from the Millennium Debate. Northern Ireland has its own charity legislation and case law and there is no system for the compulsory registration of charities. Charities established in Northern Ireland may, however, apply to the Inland Revenue for charitable status for tax purposes. Following the enactment of new charity legislation in Great Britain in the early 1990s, Northern Ireland charity law was reviewed and a Consultation Paper issued in November 1995.¹⁰ This set out a series of proposals, including a key proposal to introduce a system for the registration of charities. In 1997, the Government announced that a decision on the content of proposed new legislation would be postponed. This would allow time to consider the implications for Northern Ireland of the Deakin recommendations on charity law and the indication in the Government Response (*Raising the Voltage*¹¹) that some of them would be seriously examined. At the time of writing, the Department for Social Development is reviewing developments in the rest of the UK and has it in mind to consider whether new legislation is needed. It is currently considering appropriate mechanisms to implement such a review. Any changes will be subject to the widest possible consultation. Such a review, if undertaken, would provide an opportunity to ensure a modern and enabling regulatory framework for charities in Northern Ireland.

A Trustee Bill, which will reform the powers and duties of trustees, was passed by the Northern Ireland Assembly in June 2001. It is based closely on the Trustee Act 2000.

On the good practice front, the Northern Ireland Council for Voluntary Action has issued a series of good practice guides on issues including management, governance, training delivery, employment, media and finances. Partners for Change contains Good Practice Guides on Community Development, Funding and Volunteering and a Northern Ireland Code on Consultation will also be issued. As the need arises, further Good Practice Guides will be developed for key issues.

The past five years have seen a marked increase in the importance of research, evaluation and performance measurement relating to the voluntary and community sector and to voluntary action and a number of significant developments have taken place. These include the setting up by NICVA of the Voluntary Sector Research Network which now has over 100 members; the establishment of the Centre for Voluntary Action Studies in the University of Ulster as an independent research centre that has undertaken reflective research in the work of the sector and related topics, and AVARI, the Association for Voluntary Action Research in Ireland which brings together researchers in this field from both parts of the Island. The Voluntary Activity Unit working with Community Evaluation Northern Ireland hopes shortly to test a model, based on social capital, to measure the outcomes of voluntary organisation activities. Essentially, this aims to provide a model of evaluation that assesses the service delivery, advocacy and governance functions of voluntary and community organisations.

Developments in community development and community infrastructure

For many years, the community development process has played an important role in Northern Ireland, which has been in the forefront of developments in this field, particularly over the past five years. Pioneering work by the Voluntary Activity Unit and the Scottish Centre for Community Development resulted in the launch in 1996 of a model for the measurement, monitoring and evaluation of community development.¹² This was followed by a related training initiative, Achieving Better Community Development¹³, developed on an UK/Republic of Ireland basis. Significant funding for community development and community infrastructure projects was provided through a range of programmes. Government's commitment to community development in the 1993 Strategy was expressed again in the Compact and in Partners for Change, which includes a Good Practice Guide on Community Development. Efforts continued to be made to mainstream community development within statutory programmes and policies, with particular emphasis given to mainstreaming within the Health and Personal Social Services.¹⁴

The Programme for Government commits Government to sustain and enhance local communities and to support community infrastructure. A number of community regeneration initiatives with additional resources have already been announced. These include a revised Community Support Programme under which District Councils will draw up community support plans and provide increased support for local advice centres and community groups. A programme is to be introduced to support community infrastructure and to strengthen those areas where it is weakest, with the objective of reducing social and economic disadvantage. Measures of the effectiveness of community and voluntary organisations in delivering community infrastructure will also be developed.

Developments in volunteering and community participation

As in other parts of the UK, the Millennium Volunteers Programme for young people between the age of 16 and 25 was launched and the Active Community Initiative is being implemented in Northern Ireland with the endorsement of the Northern Ireland Executive. A Northern Ireland Action Plan for the Initiative was published by the Department for Social Development in April 2001¹⁵ This sets out a range of action in the areas of research, promotion and publicity, policy and practice, volunteering infrastructure, demonstration projects and monitoring and evaluation. Good progress has already been made on the research front with the publication by the Volunteer Development Agency of the results of research on mentoring,¹⁶ the participation of black and minority ethnic people in volunteering and community activity¹⁷ and the nature and extent of volunteering in Northern Ireland¹⁸ and by Business in the Community on Employer Supported Volunteering.¹⁹ The baseline research revealed that there are in excess of 440,000 formal and 750,000 informal volunteers in Northern Ireland, an increase of 17 per cent and nine per cent respectively since the previous survey in 1995.

The importance of volunteering was endorsed in the Compact and in Partners for Change, in which it is the subject of a Good Practice Guide. The need to increase community activity and to broaden the volunteering base was recognised in the Programme for Government. This contains commitments from April 2001 to encourage and support greater community participation, particularly from those groups under-represented in volunteering activities, and to increase the number of active community groups and volunteers.

Developments in sustainability

While sustainability is an issue affecting the voluntary and community sector throughout the UK, it is a critical issue in Northern Ireland. Over the past five or six years, the sector experienced significant growth through access to a number of finite funding programmes. The ending of the EU Structural Funds Programmes in 1999, with the anticipated contraction in available resources in 2000 and beyond and the likelihood that Northern Ireland would lose Objective One status in the next round of Structural Funds, caused major concern. An interdepartmental review was commissioned to make recommendations for action by Government and the sector, jointly and separately. This resulted in the issue in April 2000 by the Department for Social Development of a *Consultation Document on Funding for the Voluntary and Community Sector*²⁰ The recommendations covered issues such as the need for action to ensure a more co-ordinated, strategic approach to funding of the sector; to establish a public, voluntary and private sector Task Force to consider the further diversification of funding sources; and to provide a clear definition of sustainability to ensure that it is considered not solely in terms of the ability of a project to continue in the absence of public funding, but also in economic, social and environmental terms, including its policy influence and potential for mainstreaming.

The recommendations have yet to be implemented. The Department for Social Development will be taking action to put in place structures such as the Task Force and a strategy on Government funding of the sector, to be issued during 2001. These

developments are keenly awaited by the sector, since they are crucial to its future health and sustainability. Many groups have, however, already embarked independently on ways to generate income through, for example, delivering services, sub-letting premises, amalgamating or restructuring. Partners for Change makes clear that Government will continue to look to the sector to provide leadership and to be prepared to examine new structures, funding approaches and methods of service delivery and this kind of pro-active approach by the sector will be one defining factor in the level of protection and development that can be achieved.

Developments in equality, human rights and social inclusion

The past five years have seen an unprecedented emphasis on promoting equality, protecting human rights, promoting inclusion and tackling social disadvantage, all issues of central concern to the voluntary and community sector. This is being achieved through new legislation, new structures and new policies. In effect, equality is now mainstreamed through the Northern Ireland Act 1998, Section 75 of which includes both an obligation on public bodies on equality of opportunity for nine defined equality groups and a requirement to have regard to the desirability of improving relations between persons of different religious belief, political opinion or racial group. Travellers were specifically recognised as an ethnic group facing racial discrimination in the Race Relations (Northern Ireland) Order 1997. The Human Rights Act 1998 came into force in October 2000. The remaining sections of the Disability Discrimination Act 1995 will be implemented during 2001. A new, unified Equality Commission and a Northern Ireland Human Rights Commission were established. The latter Commission has undertaken extensive consultative work on a Bill of Rights for Northern Ireland and the Northern Ireland Executive is to consult shortly on a proposed Single Equality Bill for Northern Ireland to harmonise existing legislation and take into account recent developments in European law.

Cohesion, inclusion and justice now underpin all the policies and programmes under the Programme for Government. Deprivation is being tackled through the Government's New Targeting Social Need policy. This recognises and seeks to reduce inequalities in the life experiences of citizens in terms of poverty, health, housing, educational and economic opportunity and disability and redirects resources and efforts towards people, groups and areas in greatest need. An integral part of New TSN is the Promoting Social Inclusion initiative. The first PSI priorities were issues of social exclusion relating to Travellers, ethnic minorities and teenage parenthood and consultation to identify further priorities has started. The sector will be watching closely the implementation and impact of the various initiatives outlined above.

4.3 Challenges and emerging issues for the next five years

Many of the key developments outlined above have just been or are yet to be implemented. There is, therefore, much unfinished business. A number of challenges and issues have been identified that will need to be addressed in the next five years, a period which is likely to involve radical change for the sector.

Putting partnership into practice

It will be essential that in working in a new, more dynamic, value-adding relationship with Government, as envisaged in Partners for Change, the sector should at the same time retain its independence, its right to engage in campaigning and advocacy on behalf of individuals, groups and causes, its diversity, its creativity and its flexibility. Safeguards are contained in the Compact, which includes among its shared values respecting the sector's right to comment on, to challenge and to seek to influence Government policies and understanding that advocacy and campaigning is a distinctive characteristic and an essential aspect of the mission and work of the sector. It is important that these are upheld.

The sector has gained significant experience of partnership working, in particular during the latter part of the 1990's, for example in District Partnerships established under the Peace Programme²¹. It is and will be further involved in a range of single issue and cross-sectoral partnerships and is already involved in the process of transition to the new Local Strategy Partnerships being established under the EU Peace II Programme. A number of issues arise here. It is important to ensure that community development principles and practices inform the setting-up and operation of partnerships. While the opportunities for involvement are welcome, the number and diversity of partnerships place significant demands on the sector, both in terms of workload and skills. It is important to recognise and acknowledge the sector's need for further capacity building, including the skills necessary for participation. Partnership also involves risks. Will, for example, partnerships become collusive? Will the sector's closer involvement in the formulation of policies, programmes and projects, as well as, in some instances, their delivery put at risk its traditional and distinctive features such as challenging, opposing, campaigning and advocacy? Can the very real issue of potential conflict of interest be accommodated?

Ensuring a more sustainable voluntary and community sector

It is essential that action is taken to implement the recommendations of the Report on Funding of the Voluntary and Community Sector. The next round of EU Structural Funds 2000-2006 will provide resources for the sector. These are, however, finite and the budget of the Community Fund, which is a major funder of the sector, is decreasing. Action will be required by Government and the sector and needs to be completed before the Peace II Programme ends in 2004. Three specific, but related tasks have already been identified. First, the publication for consultation of each Department's strategy for supporting the sector provides an opportunity, which must be grasped, to consider how services within each Department's area of responsibility can be mainstreamed and sustained. The forthcoming Strategy on Government Funding of the Sector will also be of crucial importance. Second, the development of comprehensive, accurate and up-to-date information on the totality of funding for the sector, for use by all funders. Third, a rigorous analysis by the sector itself is required of how it can work more efficiently. Moving to a more strategically focussed approach to funding of the sector will require adaptation and change for Departments and for the sector. It is essential that this process is managed.

Development of the social economy

Scope exists to maximise the contribution and potential of the social economy in Northern Ireland, not least in ensuring the longer-term sustainability of the sector and in building social capital. It will, therefore, be important that consideration is given to creating the right environment in which the social economy can be further promoted and developed. This should be facilitated by the Skilling and Building the Social Economy Measure (ESF) in the Peace II Operational Programme 2000-2004 and by the action which Departments are taking to determine ways in which the social economy will be developed.

Ensuring a robust and sustainable community infrastructure

Despite progress in recent years, a robust community infrastructure is not yet in place. This will be essential if community development and the activities of the voluntary and community sector are to be supported and if local people are to participate fully in addressing their own needs. A clear understanding needs to be promoted of the nature of community infrastructure, including its different forms and the different levels at which it operates. The actions identified in the Programme for Government to strengthen community infrastructure, particularly in areas where it is weak, need, therefore, to be implemented in a way that will ensure an infrastructure which is sustainable and comprehensive both geographically and in relation to special interest groups.

Potential for tension between the voluntary and community sector

The significant diversification of funding sources for the sector has created a substantial number of small, community-based organisations. This may have potential for tension between, and implications for, the future structure and profile of the voluntary and community sector.

Promoting community participation and developing social capital

The Northern Ireland Action Plan for the Active Community Initiative sets out an agenda for increasing volunteering and community involvement. The results of the baseline survey, noted above, show that volunteering is not yet an inclusive process. Volunteering is a means of ensuring more sustainable communities and a more inclusive, participative civil society in Northern Ireland. It is important, therefore, that the Active Community Initiative agenda is implemented fully and that the findings of the baseline study are taken into account in developing policies and practice.

An increase in volunteering, with other forms of associational life, will augment the available pool of social capital²². A particular challenge in the years ahead is to help communities that experience strong 'bonding' social capital to develop 'bridging' social capital and especially to encourage linkages between communities of different traditions.

'Joined up government' and the key role of the Voluntary Activity Unit

The Programme for Government emphasises strongly the need to develop a more joined up and strategic approach to policy making than has existed in the past and accords the voluntary and community sector a strong role as a social partner. There remains a need to promote a more cohesive, coherent and consistent approach across Government in its relationship with the sector. The Voluntary Activity Unit has a key

cross-cutting role in encouraging such an approach among Departments and in developing the dynamic partnership reflected in the Programme. With this in mind, the Unit's focus is to shift from a funding to a more strategic role. It is in the lead in taking forward many of the key actions outlined in this Paper, for example, the implementation of 'Partners for Change', the strategy on funding for the sector, the Active Community Initiative and the work on community infrastructure. It is essential that the Unit is properly resourced to discharge the functions.

Managing diversity

As noted above, significant progress has been made over the past five years in promoting equality of opportunity and improved relations between both communities and in acknowledging the multi-cultural and diverse nature of society in Northern Ireland. This diversity needs to be managed and to be reflected in policies, programmes and structures if society in Northern Ireland is to be truly inclusive.

Managing conflict

In the light of the political settlement and the benefits of the peace process which are evident, to what extent will the voluntary and community sector be involved in future in managing conflict? The sector has a long history of working with and campaigning on behalf of perpetrators and victims of, and communities most affected by, violent conflict. Based on this experience and their closeness to their communities, there would seem to be continuing scope for voluntary and community groups to work preventively with those who might still aspire to violence and conflict.

Consultation fatigue

Attention has been drawn to the burden placed on the sector by requirements for consultation on key issues, for example, the equality obligation to consult with groups who may be affected by policies. The sector has welcomed the opportunity to comment on Equality Schemes, policy development and so on, and continues to support the development of a participative democracy. Consultation can, however, only be meaningful if the groups involved have the necessary skills and expertise and staff resources and this has been identified as an issue that Government needs to consider.

Anti-poverty strategy

While the sector has welcomed the commitment in the Programme for Government to tackle poverty and social disadvantage, it has argued the need to draw all poverty policies together in an Anti-Poverty Strategy, which would involve Government and the social partners in a commitment to eradicate poverty with measurable and time-specific targets and arrangements for monitoring, such as exists in the Republic of Ireland.

Research

There is no evidence that the current focus in Northern Ireland on voluntary action, civil society, social capital and community development will diminish. On the contrary, it seems set to continue with the support of the Northern Ireland Assembly. From a very small baseline in the early 1990s, the output of university-based research on the sector has greatly increased. There is, however, much scope for mainstreaming such research

with the research agendas of a range of university departments. There is also a need to establish mechanisms for more effective dissemination of research and for collaboration between academics and practitioners. As policies are developed and implemented, it is essential that there is clarity in terms of their conceptual bases and an independent perspective on their effectiveness. Research into policy issues will continue to be needed and this is reflected in the proposed development of a dedicated policy and research function within the restructured Voluntary Activity Unit. There remains a need for greater sharing of information among researchers on the research carried out and for collaboration between the sector, Government and the universities' and other researchers to define a future research agenda on voluntary action.

Scope for further cross border co-operation

Government and the voluntary and community sector in Northern Ireland have redefined the nature of their relationship. In the Republic of Ireland, the formal interaction between the state and the sector was dealt with in a White Paper published in September 2000 (*White Paper on Supporting Voluntary Activity and for Developing the Relationship between the State and the Voluntary and Community Sector*)²³. Cross-border co-operation in a wide range of areas of voluntary action has been and will be supported through next round of EU Structural Funds and the Special European Union Programmes Body was one of the six new North/South Implementation Bodies, which came into being when power was devolved in December 1999. There is already networking and co-operation between voluntary and community groups North and South. In the light of these developments, it would appear timely to promote further co-operation and collaboration on voluntary and community action between both parts of Ireland.

4.4 Conclusion

The publication for consultation of *Partners for Change*, a document without precedent in the UK, has opened a new chapter in the relationship between Government and the voluntary and community sector in Northern Ireland. The more open and transparent relationship envisaged will be underpinned by the aims and shared principles of the Compact. Government has committed itself to build a stronger partnership with the sector, to work together as social partners in maximising benefits to society and in achieving shared objectives and to strengthen sustainability. The Strategy has been published in the context of a range of other key developments which affect the sector and the groups and communities with which it works, for example, the promotion of equality, human rights, tackling disadvantage and social exclusion and building an inclusive society.

What of the future? A well-filled agenda has been set. It should, however, be noted that the implementation of the actions set out in the Strategy will take place over a period where resources for the sector, such as EU funding, will be substantially reduced and in an environment in which the sector and other sectors are also having to adjust to rapid and widespread change, socially, economically, culturally and politically, including changes in the practice of governance. Achieving the aims and targets in the Strategy will require an unprecedented degree of cross-Departmental working and the difficulty of this should not be under-estimated. It will require also a willingness on the part of the sector to work to identify and take actions to support the Strategy and participate in its implementation. The sector has the opportunity during the consultation process just begun to indicate if it will rise to the challenge.

4.5 End notes

- 1 Department of Health and Social Services (1998) Compact Between Government and the Voluntary and Community Sector in Northern Ireland, DHSS, Belfast.
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- 21 This experience is described in Williamson, Arthur, Scott, Duncan and Halfpenny, Peter, (2000) 'Rebuilding Civil Society in Northern Ireland: the community and voluntary sector's contribution to the European Union's Peace and Reconciliation District Partnership Programme', in Policy and Politics, vol.28, no.1,49-66.
- 22 The Consultation Document on Funding of the Voluntary and Community Sector adopted a working definition of social capital as 'the resource found in social organisation – links, relationships, collective processes, that enables communities to organise and utilise physical, human and financial resources to achieve social, economic, political and cultural objectives'.
- 23 Stationery Office (2000) Supporting Voluntary Activity. A White Paper on a Framework for Supporting Activity and for Developing the Relationship between the State and the Community and Voluntary Sector, Stationery Office, Dublin.

5 The voluntary sector in Scotland

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5.1 Introduction

This chapter focuses upon the recommendations made in *Head and Heart: the Report of the Commission on the Future of the Voluntary Sector in Scotland* (CFVSS) (1997). Chaired by Arnold Kemp, the Commission on the Future of the Voluntary Sector in Scotland followed the Commission on the Future of the Voluntary Sector in England (CFVSE), chaired by Nicholas Deakin in 1996. Although some broad parallels can be drawn between the two Commissions and the reports that they produced subsequently, the CFVSS was conducted independently of the CFVSE. The CFVSS was a direct acknowledgement of, and response to, the significant differences (fiscal, legislative, regulatory, economic, political, and organisational) that characterise and distinguish the Scottish voluntary sector from its English counterpart.

In this chapter

In 4.2 Evaluating progress, we consider the extent to which progress has been made in relation to the broad themes and recommendations made by the CFVSS. A number of the initiatives recommended by the CFVSS were on-going prior to its establishment. Others were set to occur without the intervention of the CFVSS. In evaluating progress,

we have not distinguished those initiatives that resulted directly from the intervention of the CFVSS from those that were on-going at the time of the CFVSS or that were set to occur without its intervention. This is not to diminish the work of the CFVSS in any respect. Overwhelmingly, it is believed within the policy community in Scotland that the CFVSS has added weight and dimension to these initiatives. Furthermore, the CFVSS has provided a significant insight into the voluntary sector in Scotland, the contribution that it makes to Scottish society, the polity, and the economy, and the challenges that it faces. In addition, it has provided a valuable set of reference points upon which subsequent reviews (for example, the Charity Law Commission Review) have built, and will continue to build. In 4.3 The future agenda we consider the future research and policy agenda for the voluntary sector in Scotland. We provide a list of documentary sources employed in the course of our research in the Bibliography. In the Annexes, we provide a 'checklist' of progress against the recommendations of the CFVSS. We indicate progress in the spirit of the recommendations made by the CFVSS, rather than in the precise detail of each recommendation or set of recommendations (Annex: Progress in the Scottish Voluntary Sector). We also provide a 'time-line' showing key stages in the process of enhancing the capability of the Scottish voluntary sector (Annex: Formal milestones for the Scottish Voluntary Sector, post 1997). Finally, we list those who generously agreed to be interviewed in the course of our research (Annex: List of contributors).

Objectives and methodology

In taking forward this report, our objective has been to identify which of the recommendations expressed by the CFVSS (whether or not these were already on-going or in the process of being initiated prior to the CFVSS) have been 'implemented'. We have looked for evidence of 'implementation' at two levels: namely, implementation in the form of an explicitly stated regulation or recommendation that a particular policy or practice be adopted, or implementation in practice. We have not sought, however, to evaluate the extent to which the recommendations have been implemented, or to gauge their impact upon the voluntary sector in Scotland or their impact upon individual organisations. The evidence that we bring forward in this report, must be considered in this light.

We have looked to key actors in and around the voluntary sector in Scotland, to identify which of the recommendations have been embraced in spirit or in practice. These actors were, largely, identified on the basis that they are members of institutions against which the CFVSS 'laid' specific recommendations. By virtue of the position that they hold within their institution, they were able to comment upon the extent to which the recommendations have been embraced. In the course of interviews, other actors that we might usefully approach and who were independent of the institutions against which specific recommendations were laid, were identified. Where appropriate, interviews have been supplemented by reviews of relevant documents. Some of these are confidential documents, for our information only. Others are publicly available.

5.2 Evaluating progress

Overview

The CFVSS was established with the aim of providing a set of reference points that would stimulate dialogue and further consultations post-devolution. In doing this, it has

lent additional momentum to an already dynamic Scottish voluntary sector. Post-devolution, The Scottish Executive and The Scottish Parliament are adding further momentum as they consider and take forward aspects of the recommendations made by the CFVSS. The inquiry by the Scottish Charity Law Review Commission into the legislative and regulatory infrastructure within which Scottish charities operate is one example of the priority that The Scottish Executive attaches both to the Scottish voluntary sector and to the report of the CFVSS. 'The Scottish Compact' (1998) and 'The Scottish Compact Good Practice Guides' (1999) also build directly upon the report of the CFVSS. (They also draw upon The CFVSE and the Labour Party's policy document 'Building the Future Together'). Both the report of the Scottish Charity Law Review Commission and 'The Scottish Compact' have wide-ranging and fundamental implications for the 'health' and continued development of the voluntary sector in Scotland; touching as they do upon issues as fundamental as the definition of 'charitable organisation', the participation of charities in the democratic polity, the establishment of a 'charity commission' for the Scottish voluntary sector, and relationships and the practice of mutual responsibility between government institutions and voluntary organisations. Other significant changes that are occurring alongside these include reviews of the funding infrastructure underpinning the Scottish voluntary sector. At the same time, efforts are being made to establish new sources of funding for Scottish voluntary organisations in the form of loans made by the recently established Social Investment Scotland, for example.

While there was general agreement on the part of those we interviewed during the compilation of this report that there is still much work to be done if the capacity of the Scottish voluntary sector is to be developed to its fullest, there was also broad agreement that the developments that have occurred are positive and that initiatives are moving in the right direction. Underlying this, and as fundamental as the formal policy developments that are being brought forward, appears to be a corresponding shift in the 'climate' of government and voluntary sector relationships. In particular, the evidence suggests enhanced communication between The Scottish Executive and The Scottish Parliament and the voluntary sector, and of a commitment, in practice, actively to involve voluntary organisations in relevant policy proofing and policy development processes. While the picture appears to be more variable throughout other spheres of government, our evidence indicates that change is also occurring here.

In summary, a number of developments is underway with potentially far-reaching consequences for the Scottish voluntary sector. Fundamental amongst these are:

- the development of 'The Scottish Compact' and the understandings, values, and commitments underpinning it;
- innovations in the legislative and regulatory framework within which Scottish charities operate, including proposals for a re-definition of charitable status and for the establishment of a Scottish 'charity commission';
- innovations in the funding infrastructure for the Scottish voluntary sector, including access to loan income through the Social Investment Fund;
- signs of a more liberal attitude to the participation of charities within the 'political' sphere, including acknowledgement that the engagement of charities within the democratic polity is not only acceptable, but vital within a healthy democracy;

- underpinning all of these above, are signs of a qualitative shift in the relationship between government and the voluntary sector characterised, for example, by increased transparency, and enhanced dialogue and consultation.

Creating the climate for change

Since the publication of the report of the CFVSS, two significant developments have occurred and lent their own momentum to the drive to enhance the capability of the Scottish voluntary sector. These are, firstly, devolution; and, secondly, the new political climate.

The Scottish Executive and The Scottish Parliament have devolved responsibilities for the voluntary sector in Scotland (A Guide to the Scotland Act, 1998), though they must defer to Westminster on certain issues related to the voluntary sector, for example, fiscal matters. As well as giving the Scottish voluntary sector increased prominence within government, devolution has brought new opportunities for dialogue between the Scottish voluntary sector and The Scottish Executive together with the increased awareness and understanding that flow from this.

Under a Labour administration that is committed at UK level to a broad 'modernisation' programme that both encompasses government institutions and extends beyond them to embrace the key agencies with which government works in partnership in the wider social economy, a new political climate is occurring. At the same time, the Labour administration has acknowledged the significant contribution that voluntary organisations make to the social economy and civic society, and it has acknowledged the need to consider how best to enable the voluntary sector to make that contribution. In Scotland, too, this new political climate has been given added impetus by the pivotal position of Labour within the administration and The Scottish Parliament. At the same time, our evidence indicates that there is a heightened awareness across all the political parties of the economic, social and political significance and value of the Scottish voluntary sector. Significantly, our evidence also indicates that the new political climate is extending beyond The Scottish Executive and The Scottish Parliament, to include institutions in the wider public sector such as Scottish Enterprise and CoSLA, for example.

Enhancing the capability of the Scottish voluntary sector

This section provides a broad, thematic overview of on-going and emergent developments within the Scottish voluntary sector. The report of the CFVSS provides the framework and a number of key reference points. Coverage of each specific recommendation brought forward by the CFVSS is captured in Annex: Progress in the Scottish Voluntary Sector.

The CFVSS looked at:

- roles and funding
- how the sector is organised
- the sector and the state
- charity law and regulation

- governance
- volunteers and volunteering
- black and ethnic minority organisations
- the Scottish Parliament

For consistency and to enable cross-referencing to the original report, this section is structured around the thematic headings employed in the report of the CFVSS. The numbered references used in the report of the CFVSS are bracketed in bold italics after each thematic heading. The original numbered references are also used in Annex: Progress in the Scottish Voluntary Sector.

Roles and funding (3.16.1 - 3.16.12)

Underfunding and uncertainty of funding are recurrent themes throughout the Scottish voluntary sector. The CFVSS endorsed the need to address the current situation on a number of fronts, with a view to achieving enhanced financial stability, to improving transparency on the part of funding bodies in relation to the granting of awards, and to identifying new sources of funding that Scottish voluntary organisations might draw upon. Our evidence indicates that while the situation in general is improving, the effect is variably experienced throughout the Scottish sector.

Underpinning the shifts which are occurring are a number of discrete initiatives. These include the development of 'The Scottish Compact' and the principles and practices that it endorses and advises. Specified within 'The Scottish Compact Good Practice Guides' are a number of key recommendations and acknowledgements, including that funding should be provided on a three year rolling-basis where appropriate, the direct acknowledgement that management and administrative costs are legitimate costs and must be supported, and the acknowledgement that costs associated with volunteer labour require support. 'The Scottish Compact' has been distributed widely throughout the public sector. Copies have also been distributed to voluntary organisations on a more limited basis. To the extent that the recommendations are embraced by funding bodies, 'The Scottish Compact' marks a significant opportunity to enhance the financial stability of the Scottish voluntary sector.

'The Scottish Compact' also goes some way towards encouraging increased openness and transparency on the part of funding bodies. It recommends, for example, that departments should publish information about their grant schemes, including information about associated policy objectives, selection criteria, timetables for application and decisions, and procedures for review and feedback. The CFVSS singled out the National Lottery Community Fund (previously the National Lottery Charity Board) in calling for enhanced transparency. The National Lottery Community Fund has taken steps to enhance its openness and transparency, including undertaking a 'transparency' review jointly with the Scottish Council for Voluntary Organisations (SCVO). It has placed information about the application and assessment process on its website, along with contact details for its assessors. To encourage unsuccessful applicants to submit further applications, it is now providing detailed feedback. It has also agreed with local Councils for Voluntary Service that unsuccessful applicants will be referred to them for additional support.

The CFVSE recommended that a 'charity bank' be established as a means of encouraging and enabling those organisations that wished to diversify their income sources and reduce their reliance on grant funding. This was endorsed by the CFVSS. 'Social Investment Scotland' will be launched in September 2001. This will ensure opportunities for voluntary organisations to access 'loan income'. Typically, voluntary organisations face significant barriers in accessing loan income from commercial banks and other similar financial institutions. The Scottish Charity Law Review Commission has recently recommended that legislation should be introduced that would give Scottish Charities access to 'common investment funds'. If implemented this would further ease the financial situation in Scotland.

As part of its policy to enhance the funding infrastructure for the Scottish voluntary sector, The Scottish Executive has undertaken two major reviews. Both the 'Review of Funding for the Voluntary Sector: Direct Funding from The Scottish Executive' and the 'Review of Funding for Black and Minority Ethnic Groups in the Voluntary Sector' have been issued for public consultation. The Finance Committee of The Scottish Parliament has also undertaken an independent review of funding. This review examines a number of wide-ranging issues including, for example, under-funding, the balance between project funding and core funding, the resources involved in competitive tendering, the process by which funding decisions are made, and the cost of auditing awards. After consideration by the Finance Committee, evidence from the review will be presented to The Scottish Executive as part of its consultation process.

How the sector is organised (4.7.1 - 4.7.6)

The CFVSS highlighted three fundamental issues in the organisation of the Scottish voluntary sector. The first and most sensitive issue related to the co-existence of the SCVO and Volunteer Development Scotland (VDS). The CFVSS questioned the rationale for co-existence and recommended that the duality be reviewed. Secondly, acknowledging that roles and responsibilities can become blurred and that charities must not be perceived to demonstrate party political tendencies or allegiances, the CFVSS called for greater clarity and mutual respect between government and the voluntary sector. Thirdly, recognising that local councils for voluntary service (CVS) are cornerstones of the voluntary sector, the CFVSS recommended that the Scottish network of local CVS be strengthened. Local CVS provide various forms of support to voluntary organisations operating within their community, in the form of, for example, information, advice, help in completing funding applications, and training and development opportunities.

The SCVO and Volunteer Development Scotland have jointly reviewed the rationale for co-existence, and will continue to review the situation on an annual basis. Signed by the respective governing boards, the review led to a 'Heads of Agreement' specifying the organisations' respective roles, expertise, and focus, and outlining the areas that each should lead in as well as the areas that will benefit from a co-operative approach.

The Scottish Compact is a significant step forward in outlining the respective roles and responsibilities of government and the voluntary sector. Crucially, The Scottish Compact does not commit the voluntary sector to a 'partnership' with government. It acknowledges the fundamentally important roles that voluntary organisations can play as service providers working in 'partnership' with government on the one hand, and as

independent (and potentially critical) participants in the democratic polity on the other hand. Furthermore, The Scottish Compact recognises that from time to time voluntary organisations may need to 'bite the hand that feeds them' – and, moreover, that it is not only acceptable, but vital in a healthy democracy that they do so. (The report of the Charity Law Review Commission reflects and lends added weight to this viewpoint.) The extent to which The Scottish Compact will make a difference in practice remains to be seen.

The network of local CVS has been completed, supported by a 100 per cent increase in funding from The Scottish Executive. At the same time, there has been an overall reduction in local authority funding to the CVS network.

The sector and the state (6.10.1- 6.10.7)

There is substantial overlap in the issues that arise in section three and section six of the report of the CFVSS, with funding a prominent theme in both sections. Here, we focus upon the second fundamental issue to emerge in section six of the CFVSS report: that is, the recommendation that the Voluntary Issues Co-ordinating Unit, located within the Social Work Services Department of the Scottish Office, be strengthened, with key responsibilities to include enhancing consultation with the voluntary sector as well as 'proofing' policies for their potential impact upon Scottish voluntary organisations.

The Voluntary Issues Co-ordinating Unit has been replaced by the Voluntary Issues Unit. Initially located within the Social Services Group of the Executive Secretariat, the Voluntary Issues Unit is now situated in the Development Department, within the Social Justice Group. The Minister for Social Justice has special responsibility for the voluntary sector.

The Voluntary Issues Unit is overseen by a cross-departmental Management Board, comprising senior civil servants and representatives from the voluntary sector, namely, Sir Neil McIntosh, Convenor of the SCVO, and Ian Ball, Chair of Volunteer Development Scotland. A secondment programme is further enhancing mutual understanding between government and the sector. Other initiatives emerging within The Scottish Executive include the establishment of a Ministerial level Voluntary Sector Forum, the appointment of 'voluntary sector reporters' within the Finance Committee and the Social Justice Committee, and invitations to the voluntary sector to give evidence to committees.

The Scottish Compact makes explicit the requirement to consult actively with the Scottish voluntary sector and to engage in policy 'proofing', with a view to evaluating the potential consequences that changes in policy or procedure may have for the sector. The evidence suggests that the consultation and 'proofing' processes are occurring.

Charity law and regulation (7.16.1 - 7.16.13)

Charity law and regulation is a particularly significant area for the Scottish voluntary sector, not least in terms of the achievement of transparency, accountability, and public trust. Equally significant, and underpinning these, is the potential or actual impact of the legislative and regulatory framework on the management and operation of charities (and potential charities), including the extent to which they may engage within the

democratic polity. The CFVSS responded to these challenges in a number of specific ways. Key recommendations included, firstly, that a new legal definition of charity be implemented, based upon the concept of 'public benefit'. Secondly, the CFVSS recommended that the Office of Scottish Charity Registrar be established independently of the Scottish Charities Office. The Scottish Charity Registrar would have various responsibilities, including responsibility to provide advice on legal and regulatory compliance. The Scottish Charities Office would retain its existing responsibilities for investigation and prosecution, under the Lord Advocate. Thirdly, in recognition of the vital contribution that charities can make within the democratic sphere, the CFVSS called for a more liberal interpretation of the rules on campaigning.

These themes have been given added weight by the report of the Scottish Charity Law Review Commission. The report – 'CharityScotland' – sets out a framework for the legislation and regulation of Scottish charities based upon a new legal definition of charity specific to Scotland. Voluntary organisations that are awarded charitable status under the new definition would be designated 'Scottish Charities', and their overriding purpose would be to serve the public benefit. Charitable status makes available to organisations a range of benefits, not least in terms of fiscal benefits and access to certain forms of funding. Currently, many Scottish organisations are denied these benefits either because they do not meet the 'public benefit' criterion or because they engage in particular forms of 'political activity' as 'defined' in English law and interpreted by the Inland Revenue in Scotland. Under the proposal of the Scottish Charity Law Review Commission, for fiscal purposes, voluntary organisations would need to continue to meet the requirements for the award of charitable status as laid out in English law, as taxation is a matter that is 'reserved' at UK level. However, organisations that met the criteria laid out by the Scottish Charity Law Review Commission would be awarded the status 'Scottish Charity' as distinct from 'charity', and these titular distinctions would have legal status within Scotland. The benefit of this proposal is that while some voluntary organisations would continue to be denied 'charitable' status by the Inland Revenue in Scotland, many organisations would qualify for the status of 'Scottish Charity' and would be able to enjoy at least some of the benefits of charitable status that they would otherwise have been denied.

In the spirit of the CFVSS – though differing in *modus operandi* – the Scottish Charity Law Review Commission has recommended that an equivalent institution to the Charity Commission for England and Wales be established for Scottish charities. This body would provide information, advice on legal matters, and compliance support to Scottish charities. It would also assume the investigative and regulatory powers that are currently the responsibility of the Scottish Charities Office, and the latter would be abolished. 'CharityScotland' – as it is proposed this body would be called – would also be charged with the development and maintenance of a register of Scottish charities.

Both 'CharityScotland' and 'The Scottish Compact' echo the call set out by the CFVSS, for a more liberalised interpretation of the rules surrounding the involvement of charities in the political sphere. The proposals put forward by the Scottish Charity Law Review Commission mean that voluntary organisations in Scotland that are currently denied 'charitable' status on the grounds that they engage in particular forms of 'political activity' as defined in English law, may nonetheless be registered as 'Scottish charities' by 'CharityScotland,' provided that they meet the criteria for registration as 'Scottish charities'.

Governance (8.7.1 - 8.8.7)

The quality of their internal governance is of fundamental significance to voluntary organisations. The CFVSS reinforced already existing momentum within the Scottish voluntary sector to enhance the quality of governance.

Responding to the need to enhance the quality of governance within the Scottish voluntary sector, the SCVO has implemented and publicised a code of practice together with a 'register of interests' to apply to its internal management committee structure. This has provided a template for adoption by other voluntary organisations. (If the recommendations of the Scottish Charity Law Review Commission are implemented, the membership of governing boards will become publicly available through the submission of charities' annual returns.) More widely, a number of training and development programmes together with associated publications are offered by Volunteer Development Scotland, the network of volunteer bureau and the SCVO. The SCVO has also run a successful series of 'repeat' conferences – 'Fish Rots from the Head' – aimed specifically at governing boards. Adopting an alternative approach, Volunteer Development Scotland has recently established a network of chairpersons of national voluntary organisations. The network, which meets three times per annum, provides a forum for information sharing and peer support. More specifically, many of the Local Enterprise Councils in Scotland offer encouragement and support to voluntary organisations operating in the social economy, and wishing to achieve Investors in People status. It is anticipated that all of the Scottish Local Enterprise Councils will offer support in the near future.

If implemented, the recommendation by the Scottish Charity Law Review Commission that Scotland have its own 'charity commission' will complement existing initiatives. The Scottish Charity Law Review Commission has called for such a body to work with other appropriate institutions to develop and make available guidance to charity trustees.

Volunteers and volunteering (9.9.1 - 9.9.5)

Volunteers and volunteering are the mainstay of the Scottish voluntary sector, although their reach and contribution extends to the public and private sectors also. Around 50 per cent of the adult population in Scotland is involved in volunteering (The Scottish Compact, 1998). In acknowledgement of their significance, the CFVSS called for the development of a 'code of practice' for volunteers. The CFVSS also called for funders to acknowledge and to fund the real costs underpinning the employment of volunteer labour.

The diversity and complexity that characterises the Scottish voluntary sector raises concerns about the appropriateness of a generic code of practice. Part of the remit of Volunteer Development Scotland is to work with individual organisations to help them to develop policies on volunteers and volunteering tailored to the unique circumstances and requirements of the organisation. A range of publications to guide good practice in the management and employment of volunteers has also been developed by Volunteer Development Scotland as part of its remit, and by the SCVO. Relevant training and development is offered by Volunteer Development Scotland and the SCVO, with certificated courses available. In calling for a 'code of practice' for volunteers, The CFVSS reinforced much that was already underway.

Funding bodies are becoming increasingly aware of the costs underpinning the employment of volunteer labour. The Scottish Executive and the National Lottery Community Fund are taking the costs of volunteer labour into account in supporting funding applications. Some funding bodies require volunteer labour costs to be explicitly acknowledged as part of their criteria for awarding funding. 'The Scottish Compact Good Practice Guides' issued by The Scottish Executive, advise funding departments to provide for the training and support of volunteers, where appropriate. The CFVSS drew particular attention to the costs associated with criminal records checks. The Scottish Executive has agreed that these checks will be free of charge where they relate to volunteers working with children and vulnerable adults. The Scottish Executive will also meet the costs of establishing and maintaining a central registration body.

Black and ethnic minority organisations (10.6.1 - 20.6.8)

Whether or not the issues and challenges faced by the Black and Ethnic Minorities voluntary 'sector' are qualitatively different from, or more acutely experienced than, the issues and challenges faced by the voluntary sector per se, remains open to debate. What is clear, is that, in multi-cultural Scottish society, Black and Ethnic Minority voluntary organisations have a fundamentally important role to play. The CFVSS recognised that to reach its potential the Black and Ethnic Minority voluntary sector must raise its profile relative to the wider Scottish voluntary sector, and that the necessary infrastructure must be developed to support and enhance its activities. Firstly, the CFVSS acknowledged the need for improved dialogue and consultation between The Scottish Office and the Black and Ethnic Minority voluntary sector. Secondly, it was recommended that a forum be established through which Black and Ethnic Minority voluntary organisations might represent their interests. Thirdly, the CFVSS acknowledged the need for a strategic approach to funding the Black and Ethnic Minority voluntary sector.

Currently, the Black and Ethnic Minority voluntary sector is undergoing a transitional stage. Key developments include the establishment of the Black and Ethnic Minority Infrastructure in Scotland (BEMIS). Funded by The Scottish Executive, BEMIS is an independent umbrella body led by representatives from Black and Ethnic Minority voluntary organisations. When fully established, it will provide capacity building services (for example, skills development and information technology capabilities) to the Black and Ethnic Minority Voluntary Sector. It will also provide a mechanism that will enable the interests of Black and Ethnic Minority organisations to be represented at strategic level within Government and the wider voluntary sector. Other significant developments include the establishment by The Scottish Executive of the Equalities Unit and the independent Race Equality Advisory Forum (REAF). The 'Review of Funding for Black and Minority Ethnic Groups in the Voluntary Sector' was referred to in Roles and funding (3.16.1 - 3.16.12) on page 87. The National Lottery Community Fund has also been considering how best to engage with the Black and Ethnic Minority Voluntary Sector, and has funded research that will look at its internal operations and the issues that these raise for Black and Ethnic Minority voluntary organisations. Overall, the evidence indicates that funding remains a critical issue throughout the Black and Ethnic Minority voluntary sector, with new organisations and small organisations experiencing particular difficulties in accessing both core and seedcorn funding. The problem is made more acute as the religious values underpinning a number of Black and Ethnic Minority organisations mean that they cannot apply for funding from bodies such as the National Lottery Community Fund.

Scottish parliament (11.4.1 - 11.4.4)

The CFVSS reported prior to the establishment of The Scottish Parliament. However, it was sensitive to the potential significance of a Scottish Parliament and a Scottish Executive for the future development of the voluntary sector in Scotland. At the same time, the CFVSS recognised that it would take time for The Scottish Parliament and The Scottish Executive to develop expertise in the voluntary sector. It was also understood that the potential significance of The Scottish Parliament would be mediated to the extent that it was given devolved responsibility for the sector.

Still in the early stages of developing expertise in the Scottish voluntary sector and of developing a dialogue with Scottish voluntary organisations, the signs are that positive steps are being taken. Many of the areas that we have touched on in this report bear this out. We will not reiterate these here.

5.3 The future agenda

The Scottish voluntary sector has witnessed a period of rapid and profound transition since the inception of The Scottish Parliament. Many of the recommendations brought forward by the CFVSS have been implemented, or are in the process of being implemented. Some recommendations have been taken further than the CFVSS envisaged. Against this backcloth, developing the future policy and research agenda for the Scottish voluntary sector represents a major challenge. There is a need on the one hand to consolidate existing policy and research, and on the other hand to move forward to embrace new challenges as these are identified, or arise.

Policy

Consultations on the future policy agenda for the Scottish voluntary sector are at an early stage, and no clear or comprehensive picture of the shape or content of the future policy agenda is evident at the time of writing. While it is anticipated that a number of new policy agendas will emerge in the short-term, in the longer-term it is important to maintain momentum behind those already underway. The following are indicative of the broad themes that were identified, and which this report has identified as underway to varying degrees:

- the implementation of a legislative and regulatory framework that will enhance the capability of the Scottish voluntary sector
- the development of a funding infrastructure that will enhance the capability of the Scottish voluntary sector
- ensuring the independence and autonomy of the Scottish voluntary sector – in particular the capability to identify and to respond to issues that sit outside the mainstream public policy agenda
- the enhancement of the organisational infrastructure supporting government and voluntary sector relationships within The Scottish Executive
- the need for an independent review of the Scottish voluntary sector infrastructure – looking in particular at the rationale for the co-existence of the SCVO and Volunteer Development Scotland, and the associated local Councils for Voluntary Service and the network of local volunteer bureaux
- the facilitation of social justice and social inclusion through volunteering
- the development of 'active citizenship' and education for active citizenship
- the building of 'capacity' within the Black and Ethnic Minorities sector

Research

The research agenda revolves around the monitoring and evaluation of existing policy and the projection of future trends based upon longitudinal analyses of the Scottish voluntary sector. At the same time, a number of new research areas and issues are emerging.

Monitoring and evaluating existing policy and projecting future trends

A fundamentally important aspect of the future research agenda will be the monitoring of existing policy and associated legislative and regulatory developments – such as the report of the Scottish Charity Law Review Commission – in order to evaluate the extent to which recommendations are implemented and achieve intended outcomes. At the same time, it will be important to identify unintended outcomes and to assess their consequences for Scottish voluntary organisations.

A second, significant, dimension to the future research agenda involves the continuation of existing longitudinal surveys as a basis for identifying and monitoring trends, and for forecasting future trends and scenarios. Examples of on-going studies include: the Scottish Council for Voluntary Organisation's local area mapping of the Scottish voluntary sector, local area mapping of the social economy by Local Enterprise Councils, the Scottish Council for Voluntary Organisation's panel study of voluntary sector funding, and the Scottish Council for Voluntary Organisation's workforce survey.

New research areas and issues

New areas and issues identified for future research span:

- a comprehensive strategic review of the funding infrastructure in the Scottish voluntary sector
- the development of baseline data on and mapping of the 'social economy' in Scotland
- the mapping of the support infrastructure for the 'social economy' – and relatedly, identifying interventions that have overcome barriers to helping organisations within the social economy
- the assessment of 'capacity' in Scottish voluntary organisations
- a comparative evaluation of the 'impact' of private sector, public sector, and voluntary organisations delivering similar services
- the profiling of specific fields of activity within the voluntary sector: for example, the education 'sector', the faith 'sector', the environmental 'sector'
- the development of qualitative methodologies for the voluntary sector, for example, social auditing
- conducting a baseline survey of volunteering in Scotland
- assessing the economic impact of volunteering on the social economy in Scotland
- assessing the significance of volunteering for democracy globally, nationally, and locally
- researching volunteer participation in the democratic process
- evaluating the capacity of the Black and Ethnic Minority voluntary sector to cater for the service provision needs of increasing numbers of refugees and asylum seekers

- evaluating the resource inequalities that exist between different racial and faith-based communities, and examining the reasons why these occur
- evaluating the contribution of faith groups to community development
- researching management issues and challenges in multi-faith organisations

5.4 Conclusion

Clearly, within the relatively short timescale since the CFVSS, a number of potentially significant developments has occurred in and around the Scottish voluntary sector. The report of the Scottish Charity Law Review Commission is particularly notable in this respect, as the recommendations that it brings forward cut to the very heart of what it is to be 'charitable' in Scotland. 'The Scottish Compact' is also of fundamental significance, providing, as it does, a framework for better understanding and the nurturing of mutual respect between public and voluntary sector.

Finally, those with whom we spoke in the compilation of this report expressed the view that events are moving broadly in the right direction, if not always as expeditiously as they might. There was consensus, too, that much remains to be done, and that the scale and scope of the challenges faced must not be underestimated by Government in particular.

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5.6 Annex: Progress in the Scottish Voluntary Sector

Note:

A number of the initiatives recommended by the Commission on the Future of the Voluntary Sector in Scotland were on-going prior to the establishment of the Commission. Others were set to occur without the intervention of the Commission. In evaluating progress, we have not distinguished those initiatives that resulted directly from the intervention of the Commission; those that were on-going at the time of the Commission; or those that were set to occur without the intervention of the Commission.

This indicates progress 'in the spirit' of the recommendations made by the Commission on the Future of the Voluntary Sector in Scotland, rather than in the precise detail of the recommendations.

This indicates that the recommendation has not been implemented 'in spirit', or in detail.

NRR. This indicates that no response is required.

The voluntary sector: roles and funding

Recommendation	Progress made
3.16.1 The commission recognises the need for flexibility in funding arrangements and in length of funding for particular projects. It also considers that trusts should become more open. There is an overriding need for more central information and guidance on good funding practice. We urge the Scottish Grant Making Trusts Group and SCVO to carry this work forward.	<input checked="" type="checkbox"/>
3.16.2 Uncertainty of funding is causing considerable damage to the sector. Wherever possible, the commission recommends that core and service or project funding should be for three years, annually reviewable. (See also 6.7.2.2 and 6.10.5)	<input checked="" type="checkbox"/>
3.16.3 Under-funding is causing major problems also. Special attention should be paid, by funders, to meeting voluntary organisations' core costs, and, especially by government, to promoting both individual and tax-efficient giving.	<input checked="" type="checkbox"/>
3.16.4 The process of decision-making by the NLCB, as it develops, should be opened up for greater scrutiny, for example, by giving information about assessors, naming the members of the advisory panels of particular lottery themes, publishing criteria for assessing applications, and giving feedback on why applications fail and succeed.	<input checked="" type="checkbox"/>
3.16.5 The commission agrees that the usefulness of the themed approach to awards is coming to an end. We urge the NLCB to move to open competition in the making of awards. We also acknowledge the board's efforts at consultation.	<input checked="" type="checkbox"/>
3.16.6 Within the review period of the legislation, the commission urges the NLCB to explore decentralising decision making through the development of secondary distribution agencies, and to look at the necessary safeguards that would need to be put in place.	<input type="checkbox"/>
3.16.7 The Millennium Fund will in due time be wound up. We believe that since the charities board receives many more applications than it can possibly meet, it should be given a larger share of the balance. SCVO's proposal, that the funds should be used to finance a charity bank, warrant further attention.	<input checked="" type="checkbox"/> ¹

Recommendation	Progress made
<p>3.16.8 We urge the UK grant-making trusts to keep their activities in Scotland under review, and to monitor the distribution of their grants to the different regions of the UK. We urge Scottish based trusts to act as helpful agents to UK trusts located outwith Scotland. R 3.16.9 We urge trusts to use their grant income and their expertise to best effect, and to consider working closely in, for example, implementing good practice guidelines and assessment procedures.</p>	<input checked="" type="checkbox"/>
<p>3.16.10 In the commission's view, an exploratory study is needed into new sources of finance for the sector, and we support the Deakin commission's recommendation of a task force to do this. This could include a charity bank (see 3.16.8) as proposed by the Charities Aid Foundation, or in the Demos report.</p>	<input checked="" type="checkbox"/>
<p>3.16.11 We urge SCVO to produce an information sheet on tax efficient giving.</p>	<input checked="" type="checkbox"/>
<p>3.16.12 There is a need for more on-going research and monitoring into the funding of Scotland's voluntary sector, and, in particular, into any changes in the proportion of funding available through grants and through contracts. SCVO has a central role in the collation of this information.</p>	<input checked="" type="checkbox"/>

How the sector is organised

Recommendation	Progress made
4.7.1 Government and SCVO must respect each other's roles. SCVO should monitor and speak for the sector: it should be a key player in the process of policy proofing and formulation; and it should help to develop codes of conduct and national standards on such matters as employment practice and contracting.	<input checked="" type="checkbox"/>
4.7.2 A strengthened CVS Scotland to represent the collective voice of CVS should be enabled and facilitated by SCVO with appropriate funding.	<input checked="" type="checkbox"/>
4.7.3 Local CVS should be funded wholly by local authorities and not directly by the Scottish Office. Using national guidelines developed by CVS Scotland in consultation with COSLA and SCVO, they should be expected to meet minimum standards to obtain such funding. (See 6.4.4)	<input type="checkbox"/>
4.7.4. Assistance, advice and compliance support (see chapter 7) should be delivered through the SCVO – CVS network, which could act as a gatekeeper for the Scottish Charity Registrar.	<input checked="" type="checkbox"/> ²
4.7.5 It was not clear to the commission why two national bodies, SCVO and VDS, both partly funded by the state, are necessary. We believe that this duality should be reviewed, and any emergent structure should retain the sector's ability to speak collectively.	<input checked="" type="checkbox"/>
4.7.6. Any future national volunteering initiatives should give greater consideration to questions of relationships between the volunteering initiative and the existing representative structures for the voluntary sector, local and national.	<input checked="" type="checkbox"/>

The sector and the state

Recommendation	Progress made
6.10.1 A larger and more active policy unit, with generic responsibility for the voluntary sector, should be created in the Scottish Office. Among its tasks would be strengthening of both consultation with the voluntary sector and policy proofing of Scottish Office policies for their impact on the sector. This can be assisted by the appointment of department liaison officers. (See.5.4.5)	☑
6.10.2 National monitoring of the effects of contracting on the local provision of care should be put in place as a matter of urgency. This should include analysis of levels of funding.	☑ ³
6.10.3 There is a need for more national guidance on contracting, and we urge COSLA to move this work forward.	☑
6.10.4 Smaller organisations need assistance to prepare them to bid for contracts from local authorities and public bodies. This role should lie with local CVS. (See chapter 4)	☑
6.10.5 There is a need for stable and long-term relationships with voluntary providers so that services can be developed over a long period of time. This can best be achieved through funding arrangements which strike a fair balance between continuity for the provider and management control for the council. For services where there is a long term need, three year funding, annually renewable should be the general rule (See 3.16.2).	☑
6.10.6 Through 'value for money' or other measures, particular attention should be paid to the quality of services provided and to the views of service users. R 6.10.7 Small council grants can be crucial as seed corn for new voluntary initiatives and should be maintained as more funding moves to a contract basis.	☑

Charity Law and Regulation

Recommendation	Progress made
7.16.1 The statutory framework affecting the legal status, taxation and accountancy obligations of charities, and the liability of their trustees, should be harmonised throughout the UK.	<input checked="" type="checkbox"/>
7.16.2 A new legal identity for use by charities on an optional basis should be created. We note that the government has welcomed the principle, set out in the Deakin Report, that there should be a new legal form for charities providing a legal personality, limited liability for trustees and, where appropriate, the ability to trade.	<input checked="" type="checkbox"/>
7.16.3 A new legal definition of charity should be based on the concept of public benefit. This should entrench on a UK basis, the concept of public interest already central to the approach of both jurisdictions but should not be narrowly codified. A new classification should reflect the range of charitable activity now.	<input checked="" type="checkbox"/>
7.16.4 The office of Scottish Charity registrar should be created. The Registrar would be appointed by the Secretary of State, and given adequate funding. The Registrar would keep an up-to-date register of bodies enjoying charitable status. Registration would be presumptive proof of charitable status, and would be so accepted by the Inland Revenue in Scotland.	<input checked="" type="checkbox"/> ⁴
7.16.5 A Scottish Charity Review Tribunal should be set up to enable organisations to appeal, without recourse to the civil courts, against decisions on eligibility for charitable status by the Registrar. The interpretation of rules on campaigning would therefore come within the ambit of this tribunal. Further appeals would revert to the courts. Appeals against removal from the register could also come before the tribunal.	<input checked="" type="checkbox"/>
7.16.6 The rules on campaigning on issues central to an organisation's purpose should be liberally interpreted in recognition of the sector's vital contribution to the health of local democracy.	<input checked="" type="checkbox"/>
7.16.7 The Register of Scottish Charities should be made available to the public by various methods, including the Internet. The Registrar should collaborate closely with the Charity Commission to allow rapid and easy access to both public registers.	<input checked="" type="checkbox"/>

Recommendation	Progress made
7.16.8 The requirements for lodgement of accounts should be harmonised with those applicable in England and Wales. Failure to lodge accounts should lead to administrative action by the Registrar. The accounts should include a statement of charitable purpose and a certificate from trustees that financial activities had been consistent with these.	<input checked="" type="checkbox"/>
7.16.9 The Registrar would give advice on legal matters and offer compliance support. Standard forms and, where desired, computer software should be made available to assist with the preparation of accounts. The aim should be to allow as much as possible to be completed by smaller charities without expensive professional help. Where appropriate the Registrar should act as a gateway to the support mechanisms of the Charity Commission. He or she should, in common with the Charity Commission, publish a regular newsletter for all charities.	<input checked="" type="checkbox"/>
7.16.10. The Scottish Charities Office should retain an unambiguous role as prosecuting and investigating authority under the Lord Advocate answerable to the courts.	<input checked="" type="checkbox"/> ⁵
7.16.11 Support and advice should otherwise lie within the voluntary sector itself. SCVO, with grant aid from the Scottish office, should develop its role of promoting codes of best practice within the sector. This advice could be delivered locally by the CVS network (See Chapter 4).	<input checked="" type="checkbox"/>
7.16.12 We believe our proposals would be applicable whether or not there were a Scottish Parliament, since taxation law is likely to remain a UK matter in all devolutionary schemes short of federalism or sovereign independence.	NRR
7.16.13 The VAT regime for charities should be reviewed with the purpose of reducing its complexity and, where possible, its burden.	<input type="checkbox"/>

Governance

Recommendation	Progress made
8.7.1 A register of the interests of all members of committees of management should be held and maintained by all voluntary organisations and open to public inspection. This would allow public scrutiny and deal with a wider range of potential conflicts of interest than just those discussed in Chapter 8.	<input checked="" type="checkbox"/> ⁶
8.7.2 SCVO should be funded to develop a code of practice for internal governance. The Scottish Code of Governance should cover human resource management, of both paid staff and volunteers, and remuneration.	<input checked="" type="checkbox"/>
8.7.3 The commission considers that charity law should not preclude good practice in the involvement of users on management committees. It believes that user involvement should be clearly permitted in the new statute (proposed in 7.16.2).	<input checked="" type="checkbox"/> ⁷
8.7.4 Voluntary organisations in similar sub-sectors should establish informal co-operation.	<input checked="" type="checkbox"/>
8.7.5 In relation to employment matters in the voluntary sector and pay, particular attention should be given to the issue of support for Investors in People. Scottish Enterprise should consider giving guidance to the LECS on encouraging and funding the award for local voluntary organisations.	<input checked="" type="checkbox"/>
8.7.6 Quality assurance standards for consultants working for the voluntary sector should be developed by the leading trusts in this field and the network support agencies.	<input checked="" type="checkbox"/>
8.8.7 Funders and management committees should be urged to devote more resources to the development of training initiatives aimed at committees of management. They should also consider funding research into the characteristics, needs and concerns of voluntary management committee members.	<input checked="" type="checkbox"/>

Volunteers and volunteering

Recommendation	Progress made
9.9.1 A code of practice for volunteers should be included in the proposed code of governance for the sector. (See 8.7.2)	<input checked="" type="checkbox"/>
9.9.2 The commission urges funders, especially those funding the provision of services under contract, to fund in full the costs of implementing best practice in the use of volunteers. All funders should cover the costs of volunteer expenses.	<input type="checkbox"/>
9.9.3 The commission supports Children in Scotland's call for a national strategy framework for children and young people.	<input checked="" type="checkbox"/>
9.9.4 We urge the Scottish Office to look sympathetically at giving organisations financial help in implementing the Cullen recommendations.	<input checked="" type="checkbox"/>
9.9.5 We urge trusts to consider funding international research into new ways to involve volunteers, through such ideas as an intermediate labour market scheme, and research to measure the social value of volunteering, through studies of the social economy	<input checked="" type="checkbox"/>

Black and ethnic minority organisations

Recommendation	Progress made
10.6.1 Scottish Office consultation with black and ethnic minority organisations should be reviewed and strengthened. Better internal mechanisms should be put in place to ensure that it builds links with Scotland's black and ethnic minority voluntary sector. These could include an up-to-date database of black and ethnic minority organisations and delegating responsibility for black and ethnic minority issues to named officers on a departmental basis.	<input checked="" type="checkbox"/>
10.6.2 As part of this, the Scottish Office should consider ways to replicate valuable programmes in England, such as the NHS Ethnic Health Unit.	<input type="checkbox"/>
10.6.3 There is a need for an overall funding strategy for black and ethnic minority groups, of which the Scottish Office Ethnic Minority Grant should be one part. This strategy should include publishing application criteria, and putting evaluation and monitoring mechanisms in place.	<input checked="" type="checkbox"/>

Recommendation	Progress made
10.6.4 We urge COSLA to develop an overview of black and ethnic minority issues, to measure the needs of ethnic minority communities, and to make recommendations on ethnically aware service provision, in both urban and rural areas.	<input checked="" type="checkbox"/> ⁸
10.6.5 More openness in funding decisions, from public bodies and from charitable trusts would be of particular assistance to small and more isolated voluntary organisations in applying for funding. We recommend that this be included in guidance on good funding practice. (See 3.1.6.1)	<input checked="" type="checkbox"/> ⁹
10.6.6 We urge charitable trusts to fund research into the best ways of meeting the needs of black and ethnic minority voluntary organisations. As a first stage, we recommend a pilot study into a possible task force.	<input checked="" type="checkbox"/>
10.6.7 We recommend that SCVO, through its racial equality officer, organises an annual conference for black and ethnic minority organisations.	<input type="checkbox"/>
10.6.8. We recommend that SCVO, through its racial equality officer, continues to explore ways of improving how ethnic minority groups represent themselves and their interests, including the setting up of a black and ethnic minority voluntary organisations' forum.	<input checked="" type="checkbox"/>

The voluntary sector and a Scottish Parliament

Recommendation	Progress made
11.4.1 If we are correct in our assumption that a Scottish parliament would have legislative power over charities, then we would commend to it our proposals in Chapter 7 for a Scottish Charity Registrar and a register; and for improved compliance support via the SCVO – CVS networks.	<input checked="" type="checkbox"/>
11.4.2 Since the fiscal environment will continue to develop on a UK basis, a Scottish parliament will make it more, not less, necessary for there to be a UK statutory definition of charitable status for the purposes of taxation.	NRR
11.4.3 It is expected that the VAT regime will continue to be harmonised on a European basis. If, as to be expected, zero rating is abolished, the UK government should compensate the sector.	NRR
11.4.4 We urge public funders of the voluntary sector to support the work of voluntary organisations in policy making.	<input checked="" type="checkbox"/>

5.7 Annex: Formal milestones for the Scottish Voluntary Sector, post 1997

1997	Report of The Commission on the Future of the Voluntary Sector in Scotland
October 1998	The Scottish Compact is presented to Parliament by The Secretary of State for Scotland
July 1999	The Scottish Parliament is officially opened by the Queen
September 1999	Launch of the Black and Ethnic Minorities Infrastructure System (BEMIS)
January 2001	Review of Funding for Black and Minority Ethnic Groups by The Scottish Executive
February 2001	The process of scrutinising the operation of The Scottish Compact is initiated by the Joint Monitoring Group, comprising members of The Scottish Executive and representatives from the Scottish voluntary sector.
April 2001	Review of Direct Funding by The Scottish Executive
May 2001	Report of the Charity Law Commission Review
September 2001	Launch of Social Investment Scotland

5.8 Annex: List of contributors

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5.9 End notes

- 1 See Roles and funding (3.16.1 - 3.16.12) on page 87.
- 2 See Charity law and regulation (7.16.1 - 7.16.13) on page 87.
- 3 Monitoring is in place. However, it is specific to community care.
- 4 See Charity law and regulation (7.16.1 - 7.16.13) on page 87.
- 5 At the time of writing, The Scottish Charities Office is still prosecuting and investigating authority under The Lord Advocate. If the recommendations of the Charity Law Review Commission are implemented, this role will be subsumed within the new 'charity commission' for Scotland.
- 6 The Charity Law Review Commission recommends that in the longer term CharityScotland should develop and maintain a register of trustees. No reference is made to a 'register of interests'. In the short-term, the names of trustees will be included in the annual returns of Scottish Charities.
- 7 The Charity Law Review Commission acknowledges that some management committee members may be beneficiaries or service users.
- 8 This is part of the more general shift that is occurring in relation to the Black and Ethnic Minority voluntary sector, rather than specific to CoSLA.
- 9 The pilot task force has not been established. However, the National Lottery Charities Board has funded a review of its internal processes with a view to looking at how best to support the Black and Ethnic Minorities Voluntary Sector. The Scottish Grant Making Trusts Group has also established a working party to look at how best to support Black and Ethnic Minority organisations.

6 The voluntary sector in Wales

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6.1 Introduction

Only five years on from the Deakin Commission, the most striking impression, which emerges from a review of voluntary sector developments in Wales, has to be just how much has changed in such a short period. While, as argued below, a series of the Commission's concerns remain relevant and the principles laid down by it continue to reflect the sector's core values, the landscape against which these issues and principles have to be put into practice has altered in fundamentally important ways.

This paper begins by tracing some of the most important contextual changes, which have influenced the voluntary sector in Wales since 1995. An account of policy development over the same period then follows. In doing so, particular attention is paid to some of the key themes of Deakin – funding, standards, relations with government and regulation. The middle section of the paper concentrates upon a brief survey of voluntary sector organisations and interests in Wales, reflecting upon the period since the Commission reported, analysing the current state of play and looking forward to the future. These latter observations lead to the final section of the paper in which an agenda for the sector over the coming years is sketched out.

Plowden (2001) draws attention to the mixed reactions, which characterised the reception of the Deakin Report. On the one hand, it received the approval of those who felt that the document properly reflected the political context into which it reported. Critics found it conservative and timid. In Wales, as later sections show, the impact of the Report was less significant than in England, for reasons which were both internal to the sector in Wales and located within the wider context within which it operated.

6.2 Contextual change

Deakin placed considerable emphasis upon the relationship between voluntary organisations and government, at both central and local level. It rightly drew attention to

the radical changes, which had been introduced during the 1980s and 1990s, as the Thatcherite ambitions to roll back the frontiers of the state were translated into policies of marketisation and welfare competition. Writing, however, toward the tail end of the long period of Conservative hegemony in central government, the Report was largely silent on the question of governmental and constitutional change. Even a careful reader will look in vain for any concerted discussion of the possibility of devolution. In Wales, the five years since Deakin have been very heavily influenced by such framework changes. Four need to be isolated here, without any attempt to suggest a hierarchical order of importance.

New Labour and May 1997

The election of a New Labour government in May 1997 produced a new high water mark for the Party in Wales, as elsewhere in Britain. Not a single Conservative candidate was returned to Westminster, while Labour was successful in 34 of the 40 seats available. In addition to the shift which the new administration brought to social policy generally, and to the voluntary sector in particular, the change produced two more specific changes for Wales. In the first place, the individual who had assumed greatest responsibility for designing Labour's policy towards the voluntary sector during the long years of opposition, Alun Michael (see Plowden 2001 for a more general discussion), was a Welsh politician who, in office, brought to that task a direct experience in the sector and an ideological preference for the politics of co-operation rather than competition. and significantly for Wales later, a knowledge of the unique circumstances of the sector in Wales. The second effect of Labour's victory was to bring into the Parliamentary arena a new rash of Welsh Members from outside its heartland areas. These Members were more likely to be women, and likely to be somewhat younger, than their longer-serving colleagues. Most importantly, in figures like Julie Morgan in the south, and Betty Williams in the north of Wales, they brought direct experience of the voluntary sector and a positive commitment to the sector which contrasted sharply with some of the more traditional and statist views of older Labour members.

Local government reorganisation

Once again, the Deakin Commission was in preparation during a period in which local government reorganisation was high on the Welsh agenda. While the history of these events remain controversial (Griffiths 1996), the conclusion which this paper draws is that, in the fields which matter most to the voluntary sector, the effect of replacing eight previous county councils with 22 new smaller unitary authorities, has been one of fragmentation and a loss of equity. In the social welfare field, in particular, concerns were expressed during the passage of the reforming legislation, that problems of co-ordination, destruction and disorientation would lead to a diminution in the service provided (Butler et al. 1998). Five years after reorganisation was instituted, the recovery process still continues. Voluntary sector bodies carry out their funding negotiations with councils, which, in some parts of Wales, are manifestly too small to carry out the range of functions properly required of local government and where, denied economies of scale, budgets are constantly under strain in meeting basic statutory obligations. On a day-to-day basis, these changes preoccupy the sector more than the higher-level changes of emphasis, which a new government at Westminster might have brought in its wake.

The creation of a new network of 21 county voluntary councils to replace the previous eight has, however, led to better and more accessible support services for local voluntary organisations

The Welsh language

After nearly a century of precipitate decline in usage and public significance, the Welsh language staged a revival in the latter period of the twentieth century in a way, which has been widely felt in the voluntary sector (Carter 1993). The investigations which led up to the Deakin report coincided with the passing of the 1993 Welsh Language Act, a statute which extended the prospects of Welsh speakers receiving services in the language of their choice by making the production of Welsh Language Schemes incumbent on a range of public and quasi-public organisations (see, for example, Welsh Language Board 1998). It is probably fair to suggest that the voluntary sector as a whole faced much the same picture as others, in attempting to respond to the requirements of the 1993 legislation. Some voluntary bodies – such as the Cymdeithas yr Iaeth Cymraeg – the Welsh Language Society – had been in forefront of pressing for change (Cymdeithas yr Iaeth Cymraeg 1998). Others, especially those whose primary base lay outside Wales, faced a greater struggle in coming to terms with the issues involved and the practical actions, which followed. While the quantum of energy and resource devoted to this area is difficult to assess, it is quite certain in that the past five years have required a greater attention to, and commitment towards, Welsh language questions than was envisaged by Deakin.

National Assembly for Wales

At the top of the scale for contextual change in Wales, however, must come the foundation of the National Assembly. The Assembly inherited a voluntary sector made up of some 23,000 organisations, involving one in three of the population (Pithouse et al. 2001). The 1999 Voluntary Sector Almanac, published by the Wales Council for Voluntary Action, estimated that there were some 25,000 voluntary groups in Wales. Its suggested that 'over 80 per cent of the adult population in Wales are volunteers, contributing nearly four hours per week of voluntary time. Of these, 1.1 million are formal volunteers, and 1.7 million are informal volunteers assisting neighbours and their communities outside of formal organisations. The value of this volunteering is estimated at 3.4 billion pounds for Wales.' These figures are particularly impressive when set against the WCVA's own assessment of the sector some fifteen years previously when Hunt (1984) had described a weak, fragmented, poorly resourced and indifferently regarded sector.

Even at this level, however, some important caveats need to be introduced from the outset. Plowden's summary of the imbalance within the English voluntary sector between the size and financial significance of the larger charities and the far greater number of much smaller bodies is reflected in Wales, although with the additional complexity that a number of the more substantially resourced bodies in Wales are themselves offshoots of English parent bodies. Chaney et al (2001) conclude their review of the relationship between the sector and the National Assembly by suggesting that the 'voluntary sector' as a whole is something of a notional construction. In reality, the sector is complex and differentiated. Similarly, marginalised groups themselves have diverse characters and interests. This basic reality will need to be recognised if

opportunities for partnership with government are to be open to all.' In other words, the very broad-brush approach to the 'sector', which this paper adopts needs to be treated with proper caution and recognition of the wide diversity which the term disguises.

In preparation for the Assembly, WCVA organised a range of consultative meetings across Wales to identify the sector's aspirations and concerns, and formulated a set of proposals, which were incorporated into the, the Government of Wales Act, which established the Assembly. This transferred the Welsh Compact into the more wide ranging duty on the new body to set up a scheme designed to promote the interest of voluntary organisations. This statutory requirement is unique in the UK.

If the new members of the 1997 House of Commons were drawn from a fresh strand in Labour thinking towards the voluntary sector, the same might be claimed on an enhanced scale for the National Assembly of 1999. In the run-up to the first devolved elections, the Cardiff based think-tank, the Institute of Welsh Affairs, published an influential handbook, *The National Assembly Agenda*, which aimed to cover all the main policy and sectoral interests in which the new body would have an interest. It is instructive to note that the chapter dealing with the Voluntary Sector was co-written by Jane Hutt who, since the Assembly's inception, has been its Minister for Health and Social Services and chair of its Voluntary Sector Partnership Council.

For voluntary bodies, and their members, the impact of the Assembly has been felt in the formal and informal accessibility, which the Welsh body has brought. Formally, the Voluntary Sector Partnership Council meets quarterly and provides an interface between all 21 voluntary sector networks, covering every aspect of voluntary sector activity in Wales and elected politicians. A brief consideration of the agendas of Council meetings suggests that the key Deakin themes have surfaced regularly in its considerations.

The Voluntary Sector Scheme, which underpins the work of the Council, sets out the Assembly's commitments as follows:

The Assembly:

- designates the First Secretary to have overall responsibility for the Voluntary Sector Scheme
- designates an Assembly Secretary to have specific responsibility for the interests of the voluntary sector
- expects every part of the Assembly – Cabinet, committees and officials – to promote the interests of the voluntary sector in its work and decision making
- will maintain:
 - a policy on working in partnership with the voluntary sector and measures to support this;
 - arrangements for consulting the voluntary sector;
 - a policy on volunteering and measures to promote volunteering;
 - promote it; and,
 - a Code of Practice for funding the voluntary sector which is published as separate document.

6.3 Policy change

In reviewing the policy imperatives of the Conservative years, the Deakin Report set out some of the advantages which had followed for voluntary bodies, as government sought to withdraw from the direct provision of services which had previously been regarded as integral to the welfare state. It noted as well, however, that this withdrawal had also produced real difficulties as 'value' for money became increasingly defined in narrowly quantitative terms, to the exclusion of questions of quality and as the contract culture threatened to erode some of the fundamental independence of the voluntary sector.

In Wales, during the years which have followed, the policy agenda has broadly followed the pattern which the 1995 Committee had set out. As important as the individual threads in that agenda, perhaps, has been the spirit in which relationships between the sector and the government in Wales has been conducted. The institutional relations now in place have been set out above. The implementation of those arrangements fell initially to the first First Minister of the National Assembly and his Health and Social Services colleague. The individuals concerned have already been mentioned in this paper – Alun Michael and Jane Hutt. Mr Michael, in an early speech, suggested that arrangements in Wales were the culmination of 'many years in which I have been seeking ways to overcome barriers – real and perceived – between government and the voluntary sector (National Assembly 1999). New arrangements would, he said, mean that 'the voluntary sector is assured a meaningful and important role in the development of the policies of the National Assembly (National Assembly 2000). Jane Hutt made the same point in more policy-applied way, when she spoke at the first all-Wales convention on volunteering on St David's Day, 2000:

'Volunteering, doing things for others, freely and by choice, is part of good citizenship, an essential ingredient of a healthy democracy and an indispensable part of creating an inclusive and supportive society. Strong communities are those, which help individuals to realise their full potential. It is therefore a key element of the Assembly's social inclusion policies.'

In the space available here, only a small selection of policy programmes generated by the Assembly can be considered in relation to their impact upon, and relationship with, the voluntary sector. The treatment which is provided sets out an analysis of the issues involved and an assessment, through focus group responses, of the likely impact of these questions upon the voluntary sector agenda in Wales over the next five years.

Objective One

If, for Plowden 'Europe is the dog that does not bark', the animal is quite certainly alive and vocal in Wales. The first year of the National Assembly was dominated, in political and policy terms, by the quest to obtain Objective One status for large parts of Wales. Objective One of the European Union allows for funds to be expended in areas where average GDP per head falls below 75 per cent of the national average. Large tracts of West Wales and the valley communities were agreed to fall within this lamentable category. Given the proposed expansion of the Union towards the East, it was widely

agreed that the £1.2 billion of additional expenditure, which followed, represented a once-only opportunity to lever up the performance of the Welsh economy. In all this, as was widely remarked in the immediate aftermath of securing the funding, however, getting the money was the easy part of this process – spending it to best effect would be far more difficult. It was at this point that the voluntary sector entered the picture.

The new programme gave greater priority to community regeneration, community capacity building and the social economy; and the complex decision-making process in respect of applications provided representation for the public sector, the voluntary sector and the social partners (employers and unions) on an equal basis. European funding cannot be released, under Objective One, unless accompanied by 'match' funding from a local source. Voluntary organisations represent one important strand from which such 'match' funding can be secured. As a result, the sector stands to be both a contributor to and a beneficiary from the single most important economic programme, which will operate in Wales over the next six years. At the time of writing, it remains too early to estimate the likely success, either of the whole Objective One enterprise, or the voluntary sector contribution to it. What is clear, however, is that participation in the project will form an essential new ingredient in the agenda of the sector during the years to come.

Communities First

The National Assembly's Communities First initiative is a flag-ship programme of the Labour led administration. It aims to provide long-term funding to some of the most disadvantaged communities in Wales in a way which is genuinely community-led. The programme has been the subject of extensive consultation. The voluntary sector organisations have played a regular and prominent role in that process. The identification of those communities eligible to draw down Communities First money was concluded early in the Summer of 2001 where a list of some 120 communities, at Local Authority ward or sub-ward level was published. Some anxieties were expressed from the within the Voluntary Sector at the leading role apparently played by Local Authorities in proposing communities for inclusion on the list. In making the announcement, the Minister for Finance, Local Government and Communities at the National Assembly, Edwina Hart, attempted to re-assert the administration's determination that the operation of the programme would be genuinely mooted in the voluntary and community sector. In some ways, the jury must remain out on the success or otherwise with which this ambition is fulfilled. The Assembly now faces the, arguably, the more difficult task of allocating specific funds for specific Communities First purposes. In doing so it will wish to meet the criticisms made by the voluntary sector, graphically reported in the Report of the Welsh Affairs Select Committee of the House of Commons (2000) in which the treadmill of short-term, project driven funding was graphically set out.

The opportunities provided by the Communities First programme to the voluntary sector are considerable. There are financial opportunities. The programme itself involves direct expenditure of some 90 million pounds, with the explicit intention of binding existing funding streams within the identified communities to the regeneration purpose. There are, additionally, opportunities to demonstrate the effectiveness of the sector in bringing about the long-term re-generation of some highly depressed and

dispossessed communities. In all this, the Communities First programme will provide a particular challenge to both the sector and the National Assembly in Wales in moving to the third stage of Plowden's performance measurement framework. As it stands, discussion of a programme has focused largely on the first of Plowden's three tests with inputs – especially in terms of financial inputs to be provided by the National Assembly and high on the agenda. Communities in receipt of funding will be expected to report activity in terms of Plowden's second measure, that of outputs. How far simple activity will then be analysed in terms of Plowden's third measure – outcomes – is more problematic. Yet, for a programme which aims to tackle long-term, deep seated disadvantage the real test have to be in this final category. Success or otherwise will not depend upon, for example, the number of new park benches provided in a locality but on whether such outputs contribute to an outcome in which quality of life and collective capacity have been enhanced, both through the process and through the product.

Other papers in this post-Deakin sequence have rightly drawn attention to the potential conflict of interest which exists for the Voluntary Sector when both carrying out work on behalf of Government and attempting to remain at a critical distance from some of that same Government's actions and activities. There is ample evidence of this history in South Wales, in particular (Clark et al 2002) and especially from the community development field. Conflicts between entrenched representative democratic voices and the participative democracy of community development has produced a series of more-or less spectacular clashes in which more heat and light has often been generated. The Communities First programme will need to steer a more sophisticated course between participation in an Assembly-funded set of activities while remaining true to the authentic interests of localities, particularly when these interests dissent from the policy prescriptions of the centre.

More generally, Plowden draws attention to the role of dissent, which remains fundamental to the contribution, which the sector makes. Deakin spoke of the concern, which had been expressed, to his committee that the sector was 'at risk of being captured by the states fiscal, regulatory and policy agenda'. The partnership model, both in the funding-for-service model and in the participation-in-policy model brings with it what Plowden describes as the inevitable enmeshment 'in the formal mechanisms and burdens of public accountability, and the informal mechanisms of political accountability'. In this whole process a series of essential qualities are put at risk – innovation, advocacy, spontaneity, risk taking and challenge.

How far are such criticisms true of the sector in Wales? Quite certainly a long tradition exists in Wales in which dissent is expressed through collective campaigning involuntary associations. Over the past thirty years the most visible examples of such dissent have tended to coalesce around issues of language and identity. The National Assembly provides a paradoxical focus for such dissent because the political goal of devolution (or independence) has been closely associated with the same linguistic and cultural ends. In that sense the dissenters of the language movement are, in large number, to be found inside rather than outside the new political institution. On the other hand, voluntary organisations in the social welfare field have generally found some degree of political co-alignment with those left of centre forces, which have dominated

Welsh local government. The relationships maybe difficult and funding questions fraught but at an ideological level voluntary sector campaigns around issues such as homelessness, poverty and health improvement are more likely to find themselves shared by government in Wales that might be the case outside.

Contract culture

The Deakin paper was produced at a time when the dialect contract culture between Government on the one hand, and the Voluntary Sector on the other was at its height. As Plowden points out the post-Deakin period has seen a diminution in such directly contractual relationships. The mixture of opportunities and dangers for the Voluntary Sector within the mixed economy of social care have been well documented (for example, Drakeford 1999). To a certain extent, these issues were less salient in Wales and elsewhere. Local government, in particular, during the 1980s and 1990s was engaged in at least passive resistance to the break up of directly-provided public services. In this local Councils were very largely supported by local populations. A tiny handful of schools in Wales, for example, opted to become Grant Maintained under the post 1988 Education Reform Act mechanisms. Nevertheless, the terms of the 1990 National Health Service and Community Care Act provisions had an impact in Wales as elsewhere with the dilemma as Johnson (1999: 1940) puts it, 'contracts provide welcome funding, but can also 'constitute a form of regulation'.

The American experience of the Voluntary Sector contracting vividly illustrates the way in which such relationships are capable of declining into a set of managerial-driven, financially-policed set of mechanisms in which issues of innovation, quality and capacity to work in specialised and localised ways soon evaporates. Experience in Wales suggests that, at its best, the Voluntary Sector remains capable of providing services tailored to particular local needs, in which an element of user-choice can be preserved and in which the risk-adversity of mainstream social welfare can, at least to some extent, be countered.

6.4 Research method

This paper draws on three main research efforts. In the first place we draw on the existing body of knowledge and literature concerning the development of the Voluntary Sector in Wales over the past five years. To a large extent such literature has been produced either within the sector itself – in the form, for example, of WCVA documents and reports – or has been generated through the establishment of the National Assembly and its Voluntary Sector Scheme. There are, however, a number of other independent papers, which have also been made public during this period. We have, in particular, been afforded access to the published and unpublished papers of an ESRC research project into the relationship between the Welsh Assembly and the Voluntary Sector conducted by Pithouse et al in 1999/2000. In this literature field we have also attempted to pick up and respond to a number of relevant points in papers produced for the other three nations.

The second main research source, which we report upon here, lies in a questionnaire designed for the purposes of this paper and distributed amongst the Voluntary Sector in Wales. The discussion set out in the next main section, set out below, reports the

results of some fifty return questionnaires covering the whole of the strands within the Voluntary Sector represented at the National Assembly's Partnership Council and reflecting the geographical spread of Voluntary Sector organisations within Wales. Returns all include observations from voluntary bodies at the largest and more formal end of the Voluntary Sector spectrum, as well as some far smaller organisations. The questionnaire employed a semantic differential technique in which respondents were asked to locate themselves along a short Lickert-type scale between two contrasting propositions. Questions were designed to cover the main range of key issues identified by Deakin.

Finally, we report the result of a focus group discussion and a number of qualitative interviews conducted with leading Voluntary Sector actors in Wales. The purpose of the focus group and the individual interviews was to explore further some of the emerging findings of the questionnaire and, in particular, to draw out some view of the issues and challenges which lie ahead for the sector over the next five years.

6.5 How healthy are we? Response to questionnaire

In the experience of respondents to the Welsh questionnaire it seems clear that the original Deakin report was very little recognised or regarded as significant. In so far as the report had any influence it is now thought to be beyond its usefulness. In comparison with other parts of the questionnaire, these views were relatively strongly held. Respondents were definite in their assessment of the report's lack of impact or salience.

In terms of the sector's relationship with government in Wales, views reflect both a sense of positive opportunity and of some ambivalence. Respondents were highly positive in their assessment of the sector's strengthened influence upon government policy-making and in the engagement of the sector with policy makers. Indeed, answers to the question about influence of the sector in policy making returned one of the few unanimously positive assessments. It may be that at least part of this optimism might be traced to the establishment of the National Assembly for Wales which has provided a more accessible point of engagement between the voluntary sector and government. More generally it would need to be borne in mind that the political complexion of Wales has always, even during the 1980s, favoured parties of the left of centre. Respondents unanimously recorded the view that, in the five years since the publication of the Deakin Report, the voluntary sector in Wales now found itself more in tune with government policy.

The ambivalence attached to this positive sense of involvement and influence arises in relation to the perceived independence of the sector. It appears almost as a *quid pro quo* that, in the minds of Welsh respondents, greater proximity to policy-makers and politicians brings with it additional pressures to take on more public sector duties and to substitute for, rather than complement, public services themselves. In the majority of responses to the questionnaire, answers hovered around the mid-way point, with replies avoiding the extremes of being very strongly for or against any particular proposition. The sense of being closer to government but under pressure to act as part of the mainstream public service, however, elicited more strongly held views than almost any other aspects of the questionnaire. As part of this more direct relationship a price had

also been paid in terms of a higher degree of regulation, with a very clear majority assenting to the proposition that the sector was 'more tangled in regulation and red tape' than five years previously. In the process, too, a similar number believed that the sector had become more a creature of government than had previously been the case.

One of the most striking features of the questionnaire lies in the sense of optimism and confidence which the sector reports about its own internal health. Without exception the balance of opinion lay firmly in favour of propositions which suggested that the sector was better and more professionally managed, more effective in delivering key policies, more cohesive in its relationships with other sector members and better at involving users in a meaningful way. The same sense of confidence extended to reported relationships with the outside world. Over the past five years, the sector had become more successful at forming partnerships with others, succeeded in providing services to a higher standard and in commanding a higher degree of public confidence. Given the optimism of the voluntary sector in Wales in relation both to its own performance and to its reputation in the world outside, the cautionary notes struck by Plowden in both regards require us to raise the possibility that this self assessment is more complacent than critical and more a reflection of what Plowden describes as 'members certainty of the rightness of their own motives' and their own security 'in the belief in their own altruism'. We do not necessarily arrive at this conclusion ourselves, but the possibility does need to be raised and retained in the mind of the critical reader.

Only one question elicited a more uncertain view of position of voluntary organisations. Asked if the sector engaged with others as an equal player in partnership, or if voluntary bodies tended to be marginalised and overshadowed by more powerful partners, a small majority of respondents opted for the latter proposition. It is important not to over-interpret such a single question, but there may lie behind these answers a continuing feeling that, while the breadth of voluntary sector participation may have grown in recent years, the depth of acceptance of its contribution may not have developed to the same degree, or at the same pace.

Only in the area of finance was the picture as a whole more mixed. Respondents were, with few exceptions, of the view that the sector was better financially governed than hitherto. A majority, but a relatively slender one, agreed that the sector as a whole was in better financial health, itself a somewhat surprising finding. An earlier report by WCVA in 1999 found that, 'The voluntary sector in Wales has seen a steady decrease in its income through the 1990's.' but this decline primarily reflected reductions in individual giving and reduced income of housing associations. The modestly optimistic assessment of financial health provided by Welsh recipients needs also to be placed in the context of Plowden's findings that total VCS income is at best stable and possibly falling.

Substantial minorities, both in relation to the sector as a whole and in relation to specific organisations, continued to feel that the financial state was less robust now than five years previously. In a linked question, a similar ambivalence emerged in relation to sources of funding. On the whole, answers suggested that voluntary organisations in Wales are better able to draw on a diverse range of funding, rather than being over dependent on single sources. Again, however, a substantial minority dissented from this view.

The questionnaire ended with an overall assessment of comparative optimism. Were they, respondents were asked, more or less optimistic about the future of the sector,

and their own organisation, now, in comparison with the period of the Deakin report? Once again, and particularly in relation to respondents' own organisation, responses were very positive. Consolidating all answers, no reply reported a strong feeling of pessimism, 16 per cent reported feeling mildly pessimistic about the future, 63 per cent reported themselves as mildly optimistic and 21 per cent strongly optimistic.

6.6 Focus group and mapping the future agenda

The focus discussion aimed to explore the rationale around the responses to the questionnaire and consider the future agenda for the sector. The discussion was focussed around many of the areas for development identified by the Deakin Commission.

Structure of the voluntary sector in Wales

Pre Deakin a number of initiatives, which aimed to promote partnership working in Wales between local and central government were being undertaken. These included the documents *Working together in Wales* (WCVA 1993) and *Towards Shared Aims* (WCVA 1995) and the formation of the Voluntary Sector Forum which was a pre runner to the Partnership Council. These build ups led to four levels of working A Partnership Council, an Implementation Committee to meet with the voluntary sector, a specialist advisor and the Policy Voluntary Sector Unit. Unlike in England the Voluntary sector has a consistent, strong uniform infrastructure network through the WCVA, national specialist umbrella bodies and networks and the local intermediary bodies (CVCs), based in every unitary authority. This can facilitate dialogue with central government and co-ordinate action between agencies across the whole of Wales. The intermediaries are core funded by a grant from NAW, which ensures that the CVCs operate to common aims and objectives.

Independence

Independence has long been a fundamental principle dear to the hearts of the voluntary sector. The meaning of independence is perhaps less clear, particularly as the sector has engaged more with government contracts and taken on some statutory duties. Does command of one's own resources equal independence? This will only occur where a group raises its own money and is able to use this unrestricted by external demand. Independence has also be seen as the ability to criticise policy and campaign for changes, this aspect of the work of the sector may be less easy to practice where the sector is part of the policy making process and is therefore implicitly part of the policy setting agenda.

'The WCVA in particular faces the difficult task of working closely with the Assembly to achieve a shared agenda whilst simultaneously maintaining a sufficient critical distance from government to permit of genuine challenge and argument. (Pithouse et al, 2001:15)

The contract culture caused concern for organisations who were required to retarget their client group to departmental demand, which in some cases meant they were no longer able to offer a universal provision and felt themselves to be 'agents' of

government. The current partnership agenda has often proved to be similarly prescriptive with partnership funding being targeted to either specific client groups (Youth Access Initiative) and /or targeted geographical areas (Communities First Surestart) identified from government poverty indexes.

Quite certainly, the dangers for the sector in its closer relationship with the Assembly are well documented. Chaney et al (2001) put it in this way: 'Claiming partnership with the 'voluntary sector' as a whole, the Assembly may find it all too easy in fact to cherry-pick a (relatively) small number of organisations with which to work closely.' Were that to be the case then the previous relationship between parts of the sector and the former Welsh Office – cosy and exclusive according to Kendall and Knapp, (1999) – would be in danger of being recreated.

Partnership

The NAW' directives, which have increasingly required the involvement of the sector in both specific initiatives (Sure Start, CYP, EYDCP) and in more general strategic consultation, have undoubtedly been a major spur to the increased involvement of the sector. Partnerships exist for variety of reasons not necessarily mutually exclusive but as one member commented 'being at the table is no use unless you know why you are there'

The action of the first Minister Alun Michael in 1998, which devolved responsibility for the former Strategic Development Scheme monies to local government with a clear instruction to ' build on the progress made through the 'Achieving Shared Aims initiative [and to have] all local compacts in place by 1 September 1999 [and to maintain] at least the level required under previous arrangement' was a very significant step towards setting the voluntary sector on the local government agenda.

Compacts

A recent survey of Compacts across Wales (WCVA March 2001) showed that 19 of the 22 Authorities had an agreed Compact and joint liaison arrangements with the sector or a draft still subject to consultation. One was held up due to the long-term absence of the LA staff member and two were not known. Operating structures and involvement in policy making varies between LAs but the degree of progress and cohesion across Wales in pursuing the Compact arrangements can be seen as a reflection of the strength of the sector and the importance and influence of government policy allied to action.

Partnership to influence policy making

The VS role has vastly increased since Deakin given that government desire to alter large bureaucratic responses to service delivery saw 'the right policies offering markets competition and individual choice and the left offering strengthened democracy, participation and collective responsibility' (Hambleton 1994). The context and recommendations for much of the Deakin Commission was affected by the ability of the sector to engage with the contract culture, which necessitated the improvement of voluntary organisations' management, financial and legal controls to increase their capacity to deliver effective services.

Partnership is affected by the capacity of the sector to participate, which can be problematic given the evident imbalances of resources between the smaller organisations and larger established agencies. The composition of the partnership Council with its aim of covering all elements of voluntary sector activity in Wales draws on representatives from appropriate networks, to obtain a sector view, therefore, there is considerable reliance on individuals to develop and maintain links with a mass of organisations across Wales. This presents a mammoth task and resource challenge for the future.

A similar role is assigned to CVCs at the local level, where they are called on to either directly represent or organise the representation to a plethora (varying between 15 and 40) of multi-agency partnerships. This task rests for the main with the core-staffing element and often the 'political' demand is for the Chief Executive to take on the role particularly where a similar level of status exists from other partners. The funding to this part of the sector from the NAW has increased over the last five years with a recent small grant increase specifically to support partnership. It is however by no means keeping pace with the demand and yet if the involvement of the voluntary sector in this area is to be deemed worthwhile by both the constituent voluntary sector and local and central government, then representative organisations must be seen to be effective in this increased role.

Partners in strategic delivery of services

Some partnerships exist to deliver a strategic approach to the delivery of services. In these cases the organisations that directly deliver services (DAT) often sit at the table with other statutory providers for the VS it offers an increased opportunity for funding. The question of the term partnership will inevitably arise depending on the decision-making about the allocation of the money. Consistency even across the Principality will vary as the NAW channels much of its funding to local government with only limited guidance on targets and partnership process. Local Government response to partnership may vary with one respondent emphasising that LG will do 'as little as it thinks it can get away with'.

Partnerships and the legal context

There is a need for greater clarity over the role and remit for partnerships in general. Exactly what their purpose is and the degree of sovereignty, which they possess, is a consistent source of confusion and potential dissension among partners. This can be particularly apparent when funding decisions are to be made and the lead agent or budget holder is legally accountable. As one local authority Director said recently 'finance and legal departments are becoming increasingly twitchy over partnerships' There is an increased emphasis on developing some agreements between partners these can vary between informal understandings to highly prescriptive legal documents. This has imposed a real demand for the sector to make use of legal representation, where previously a trust relationship has been thought enough. This imposes resource and managerial demand sometimes disproportionate to the end product and for smaller organisations may simply not be fundable. The need for legal advice from someone 'who understands the sector' may not be available.

Other legal and regulatory

While partnership has brought a new dimension to the need for legal advice to organisations, the increased requirements to comply with legislation from both the UK and Europe together with the requirement for good practice policies from funders have increased the burden of red tape and bureaucracy onto all parts of the sector. As one funder put it 'We demand the same level of policies, practice, monitoring and target setting whether it's to fund a dumper truck for the local playgroup or a million pound project'.

Relations with the Charity Commission

The intentions of the Charity Commission to consider opening an office in Wales and speeding up the responses to queries using a contact centre and better access to a charity lawyer to support their help line have been welcomed as a way of improving communication. The Charity Commission have improved their profile in Wales over the last five years and their willingness to hold seminars and training sessions have proved positive though one respondent commented that there are still many groups unaware that the CC will come out and offer training for example to Trustees

Funding

The Deakin Commission outlined the potential importance of the NLCB as a source of funding for the sector. There is overwhelming evidence and agreement from the sector of the significant and vital role played by the WNLCB in supporting voluntary activity and providing a highly valued independent source of finance direct to the sector. The ability of the sector to lever in Lottery money has supported not only services but also allowed charitable agencies to bring a financial contribution to partnership working which supports the feeling of equality. The warning from the Community Fund of its anticipated reduction in giving has been regarded as a severe blow to the Charitable Sector. Other lottery cash such as NOF funding streams are not comparable given its bias towards statutory sector or partnership funding and the delivery from England where assessors fail to understand the Welsh context.

In Wales European money from Objective 2, 3 and 5b has also been statistically significant and the designation of West Wales and the Valley as an Objective 1 area will undoubtedly continue this trend. To date however the ease of access has been fraught with difficulties. The inevitable and well-documented cash flow problem associated with EU funding (Charity Finance June 27 2001) has been complicated by the application process, which now requires projects to be routed through local and regional partnerships. During the first rounds few voluntary sector projects were submitted as organisations struggled with highly sophisticated, complex application forms and procedures.

Just as partnership favours the larger better-resourced part of the sector so to does the increasingly complicated grant application processes that exist, many of which are also channelled and accessed through partnerships.

Funding from business has been low in Wales with a contribution of 0.1 per cent and that costing potentially a great deal more in effort. There is however scope for more innovative ways of working with business and potential for a more productive relationship based on in kind support and involvement.

Definition of the voluntary sector

The social inclusion agenda and new government funding initiatives have consistently sought to differentiate between voluntary organisations and community groups. Differences are not always apparent either to either group, particularly as small community groups with no constitution then go on to engage with Charity Registration and access money from common sources. The community regeneration agenda has also raised the issue of increasing crossover and joint working between community social businesses and the sector and resulted in a blurring of roles with funders unsure of appropriate targets for their grants. There is a need for greater direction from the Charity Commission in this arena and it is to be regretted that the Review of Charity Commission Register was not implemented during this time.

Volunteering and citizenship

Over the last five years the funding for volunteering from the NAW has steadily increased. This continues to be valuable in the endeavour to maintain a volunteer bureau in every UA. This area has also made valuable use of new technology with the development of a uniform national database of voluntary activity across Wales, which can be publicly accessed through a dedicated WCVA web site also supported from government funds.

Welfare to work New Deal 18-24

The welfare to work 18-24 New Deal agenda has engaged the sector in all parts of Wales. Though contracts may be held with one manager many smaller groups have participated by acting as placement agencies. The fears of New Deal and its impact on volunteering have been unfounded and in a number of cases the New Deal Voluntary Sector Option has resulted in hitherto disengaged young people continuing to volunteer, this is vital at a time when the numbers of young people volunteering had begun to fall. The engagement and partnerships with the Employment Service trainers and private partners has in most circumstances been of considerable mutual benefit as the sector has been given recognition for its role in informal lifelong learning and raised its own level of expertise and knowledge about its ability and strength as a provider of skills based learning.

The new Welfare to Work agenda due to start next year should begin to address the role and contribution that the sector can make in the engagement of disadvantaged youth as a plank for citizenship not simply as a way back to work. Over the period of New Deal targets for job outcomes have risen as value placed on personal development, confidence building and volunteering have fallen. Many organisations are unsure of their role in the Welfare to work Programme for the future even though the contribution of the sector to the social inclusion agenda is highly valued.

6.7 The future agenda: recommendations

The voluntary sector in Wales has been through some fundamental changes over the last five years and work for this paper has highlighted a number of themes, which need further research; action and debate within the sector itself and policy consideration from the public and private bodies with which the sector is engaged.

Areas for research

Working in partnership

Working in partnership has created a heavy demand on the resources of the sector and potentially skewed the role and notion of independence. Future research is needed around the following:

- The effect of increasing organised relationships with government and its impact on the sector's role in building civil society and its ability to express dissent
- No significant case study research exists on the value, impact and effect of partnership working on service delivery and this could make a significant contribution to the effectiveness of those that currently exist.
- The effectiveness and flexibility of the sector to be innovative, take risks and respond to the needs of service users as it is increasingly forced to conform to the regulation and monitoring which burdens public institutions.

Demand for representation and consultation

The increased demand for representation and consultation with the sector must be monitored in relation to:

- the capacity of the sector to respond
- the possible creation of a two tier voluntary sector between the larger voluntaries and the 'voluntary Voluntary sector' brought about due to inclusion/exclusion from the partnership
- the effect of consultation and representation overkill on all concerned.

Changing patterns of funding

The changing patterns of funding within Wales must be examined for their impact on support to the sector particularly

- Research on the effects of diminution of Community Fund grant giving
- Monitoring of the take up and effect of Objective 1 European funding

Contribution

The capacity and contribution of the voluntary sector and volunteering to the social inclusion and citizenship agenda should be examined.

Policy

Partnership

Much of the partnership agenda has been demand driven from central government. The positive impacts of this have been explored throughout this paper, what is significant is that the pace of growth has not paid enough attention to the following and there is a pressing need for:

- greater clarity about what is meant by partnership
- support for the sector on legal issues relating to partnership agreements and contracts
- training for both local and central government on working in partnership
- infrastructure support for the representation of processes

Charity registration

There needs to be a review of Charity Registration and definition of the voluntary sector taking into account the community development, regeneration and social economic sectors and initiatives.

Funding

Policy makers must look to a co-ordinated approach to funding the sector, which takes in the need for core funding if agencies are to continue to respond to the targeted funding approach to services, which is currently in vogue.

Volunteering

Policy needs to offer continued support for volunteering and citizenship.

Action by the sector

The voluntary sector in Wales must begin to develop its own agenda for action and rationale for partnership engagement. The period of the last five years has seen tremendous growth with a 30 per cent increase (WNLCB 2000) in staffing to the sector much of this has been driven by the government policy agenda. This has been welcomed in most cases and given the sector a role in setting policy agendas and funding for their service. The challenge for the sector will be whether it can produce a critical enough agenda of innovative ideas which can sustain its position at or near the centre of Welsh politics and life, and maintain its ability to dissent from Assembly policies when necessary.

6.8 Conclusion

The voluntary and community sector in Wales emerges from this survey as in a generally robust frame of mind as regards its own present and future prospects. In so far as the coming of the National Assembly has had the effect of reinvigorating a sense of civic culture in Wales, the voluntary sector is a major player in this revival.

The warnings signposted by Deakin, and noted in the papers of other countries, nevertheless remain relevant in the Welsh context. Closeness to government brings some areas of strain, as well as influence. A retained capacity to be critical and campaigning has to be pursued with even more vigilance when voluntary groups and organisations are working closely with government in some of its manifestations. Even in as small a country as Wales scope remains for tension between those voluntary sector organisations which appear to have the capacity and resource to mobilise effectively in the new democratic era, and those which remain on a smaller and, arguably, more peripheral scale.

Even when these reservations are drawn out, however, they have to be viewed against the prevailing spirit of positive optimism, which our researches uncovered in Wales. A belief in the importance and effectiveness of collective effort and an identification with locality remain close to the centre of political and community gravity in Wales – perhaps more so than in some other parts of the United Kingdom. This predisposition towards co-operative enterprise provides both a bedrock upon which the voluntary sector is able to secure its own legitimacy and a secure platform from which to take its place in the new pluralism which devolution provides. While the on-going struggles for funding, probity, creativity and widening participation will all be part of the daily agenda over the coming years, voluntary and community organisations in Wales are able to face that future with a confidence which has been hard won and ought to prove to be sustaining.

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6.10 Annex: Deakin research, voluntary sector questionnaire

Your Own Organisation

Please consider the statements below and circle **ONE** number only to represent your view:

A In Wales the Deakin Report is:

- | | | | | | | |
|--------------------------|--------------------------------------|---|---|---|---|---|
| <input type="checkbox"/> | widely recognised | 1 | 2 | 3 | 4 | hardly known |
| <input type="checkbox"/> | of little significance to the sector | 1 | 2 | 3 | 4 | highly influential in the development of the sector |
| <input type="checkbox"/> | enduring importance | 1 | 2 | 3 | 4 | past its usefulness |

B In the five years which have elapsed since the publication of the Deakin Report, the voluntary sector in Wales has become:

- | | | | | | | |
|--------------------------|--|---|---|---|---|---|
| <input type="checkbox"/> | less dependent on government | 1 | 2 | 3 | 4 | more a creature of government |
| <input type="checkbox"/> | more influential upon government policy-making | 1 | 2 | 3 | 4 | more marginalised in government policy-making |
| <input type="checkbox"/> | less engaged with key policy makers | 1 | 2 | 3 | 4 | more connected to key policymakers |
| <input type="checkbox"/> | better managed | 1 | 2 | 3 | 4 | worse managed |
| <input type="checkbox"/> | less financially robust | 1 | 2 | 3 | 4 | in better financial health |
| <input type="checkbox"/> | better financially governed | 1 | 2 | 3 | 4 | in greater financial disarray |
| <input type="checkbox"/> | more able to get on with the job | 1 | 2 | 3 | 4 | more tangled in regulation and red tape |
| <input type="checkbox"/> | providing services to a higher standard | 1 | 2 | 3 | 4 | slipping backwards in the standard of services provided |
| <input type="checkbox"/> | more in tune with government policy | 1 | 2 | 3 | 4 | more out of sympathy with government policy |
| <input type="checkbox"/> | higher in public confidence | 1 | 2 | 3 | 4 | lower in public confidence |
| <input type="checkbox"/> | better at involving users | 1 | 2 | 3 | 4 | treats users tokenistically |

<input type="checkbox"/>	successful at forming partnerships with others	1	2	3	4	poorer at cross boundary working
<input type="checkbox"/>	more cohesive across the sector	1	2	3	4	more disparate and uncoordinated
<input type="checkbox"/>	less likely to substitute for public sector services	1	2	3	4	more under pressure to take on public sector duties
<input type="checkbox"/>	more effective in delivery of key policies	1	2	3	4	less effective in achieving its aims
<input type="checkbox"/>	harder to raise funds from range of sources	1	2	3	4	easier to raise the money needed for its work
<input type="checkbox"/>	professionally managed	1	2	3	4	run in an amateurish way
<input type="checkbox"/>	over dependent on single source of funds	1	2	3	4	better able to draw on diverse funding sources
<input type="checkbox"/>	an equal player with others in partnership	1	2	3	4	marginalised and overshadowed by more powerful partners
<input type="checkbox"/>	more pessimistic about the future	1	2	3	4	more optimistic about the future

Name of respondent _____

Size of organisation by approx annual turnover _____

Geographical focus of your work _____

This questionnaire is available in Welsh. Please contact me and a copy will be sent to you.

Please return completed questionnaires to:

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