

**Liberal Democrats Policy Consultation**

**Voluntary Sector and  
Volunteering**

**Consultation Paper 99**



# Background

This consultation paper is presented as the first stage in the development of new Party policy on the voluntary sector and volunteering. It does not represent agreed Party policy. It is designed to stimulate debate and discussion within the Party and outside; based on the response generated and on the deliberations of the working group a full policy paper will be drawn up and presented to Conference for debate.

The paper has been drawn up by a working group appointed by the Federal Policy Committee and chaired by Baroness Barker. Members of the group are prepared to speak on the paper to outside bodies and to discussion meetings organised within the Party.

Comments on the paper, and requests for speakers, should be addressed to: Christian Moon, Voluntary Sector Working Group, Policy Unit, Liberal Democrats, 4 Cowley Street, London SW1P 3NB. Email: [c.moon@libdems.org.uk](mailto:c.moon@libdems.org.uk).

Comments should reach us as soon as possible, and no later than 31<sup>st</sup> October 2010.

***Federal Policy Consultation Paper No. 99 © August 2010***

*Published by the Policy Unit, Liberal Democrats, 4 Cowley Street, London SW1P 3NB.*

*Layout and Design by Debbie Enever*

ISBN: 978-1-907046-23-0

Printed by Contract Printing, Rear of CMS Building, Unit 11, Whittle Road, Corby, NN17 5DX.

Printed on 100% Recycled Paper

# Contents

Introduction ..... 4

Vision ..... 6

Modernisation – The next generation of voluntary organisations ..... 9

Infrastructure Support ..... 10

Governance, Structure and Regulation ..... 11

Funding & Finance ..... 12

Corporate Social Responsibility (CSR) ..... 14

Localism ..... 15

Volunteering ..... 16

# Introduction

1.0.1 This is a time of unprecedented change; political, social, financial and organisational, for the voluntary sector.

1.0.2 Following several years of growth from funding programmes such as the Big Lottery and public service contracts, from 2011 the pressure on public finances will have an enormous impact on the many charities which depend heavily on income from government, both local and national. At the same time funding from trusts and the private sector seems, at best, unlikely to increase at rates comparable to those experienced in the last decade, and may possibly decline. The coincidence of a decline in traditional funding and a large-scale transfer of public services from the statutory sector is prompting a debate about what the role of the voluntary sector should be. This consultative paper raises a series of questions about how a Liberal Democrat government would enable the voluntary sector to meet the needs of its users and supporters and play an effective part in supporting communities and changing society.

## 1.1 Background

1.1.1 The Labour Government's support for the voluntary sector was driven largely by its desire to increase the sector's capacity to compete for delivery of public service contracts. The Coalition Government is similarly committed, via the Big Society, to turning over large parts of public service delivery, including the NHS, to social enterprises and local community groups.

1.1.2 While many charities look more and more businesslike, so businesses increasingly lay claim to traditionally charitable territory. This has given people the opportunity to express their values not just by giving or volunteering but through lifestyle changes and by purchasing explicitly ethical, environmentally friendly or socially responsible goods and services. Major mainstream companies and public institutions have taken the idea of 'corporate responsibility' beyond mere legal compliance and even traditional philanthropic giving and community involvement into cause-related marketing and self-conscious ethical philosophies that claim to reach the very core of their businesses. Terminology and forms of organisation that blur the boundary between business and traditional voluntary sector values have also grown in usage and importance: social enterprise, social investment, philanthropy capital, community interest companies<sup>1</sup>, community entrepreneurs. This trend (along with the latest 'crisis of capitalism') has rekindled interest and attention on longer-established alternative forms of organisation such as mutuals, co-operatives and employee-owned companies.

1.1.3 Although the previous government put a lot of money into support for voluntary sector infrastructure, and funded the development of social enterprise, there is a widely held view around the voluntary sector that support, and investment, is at best fragmented and at worst, dysfunctional. The Coalition Government has signalled an intention to rationalise government funding of infrastructure bodies.

---

<sup>1</sup> Community Interest Companies (CICs) are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by a "community interest test" and "asset lock", which ensure that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. Registration of a company as a CIC has to be approved by the Regulator who also has a continuing monitoring and enforcement role (<http://www.cicregulator.gov.uk/>)

1.1.4 The Charity Commission is the main charities regulator. Charitable companies must also register with The Registrar of Companies. Industrial and provident societies (co-ops) register with the Registrar of Friendly Societies (now part of the FSA). The Cabinet Office also has a department, the Office of the Civil Society (formerly Third Sector) which oversees charity law, social enterprise and the Compact.

1.1.5 The Labour Government pursued a policy of structural change, most notably the encouragement of social enterprise and widened definition of charitable purposes in the Charity Act 2006. The Conservatives in their manifesto promised five year contracts for public services in order to give charities greater certainty of funding. In June 2010 the Chair of the Charity Commission advised charities to cooperate closely in order to operate more efficiently and economically. Several charities which were federations have moved to a national branch structure.

1.1.6 Several research studies over the last decade have shown that regular support, in particular charitable giving, is strong amongst people aged over 50. However, people aged under 50, although they care passionately about issues, do not give regularly to, or engage with, charities in the same way. The voluntary sector has a tremendous opportunity to benefit from the potential of social networking, but as yet few charities have done so successfully.

1.1.7 From all of this it can be concluded that the voluntary sector is at a point of change, and the actions of government will have a significant impact on the way in which the voluntary sector, and therefore society as a whole, develops. Therefore, this paper raises a number of wide-ranging questions. The working group would welcome responses from individuals, constituency parties and SAOs.

## Vision

2.0.1 The voluntary sector is very diverse, encompassing thousands of organisations – from highly localised, entirely voluntary charities to global federations employing thousands of staff. Their values range from the intensely practical to the religious and spiritual to the campaigning and political – and every possible combination of these. Funding is equally varied - from voluntary and private donations to trading and commercial income streams to statutory funding and contracts for services. Liberal Democrats feel a natural affinity with the sector's diversity and its independence from the state control but also warm to its reforming, compassionate ethos. But some of the trends described above pose real challenges for the sector, its relationship both to the state and to business, the value it places on professionalism and/or voluntary involvement and its future in a world where social values are increasingly expressed in different ways.

2.0.2 The Social Enterprise Coalition define social enterprises as:

*"businesses trading for social and environmental purposes. Social enterprises are businesses which compete with statutory, private and charitable bodies in order to generate profits with which to fund their social and environmental aims. Social Enterprises are subject to fewer legal constraints than charities or statutory bodies. Obligations e.g. on level of service provision, or accountability, are usually determined by terms of contracts ... Social enterprises are businesses. They need to make a profit to compete in the market, to ensure their continued survival and to invest in their social or environmental aims ... For many social enterprises, being sustainable - in every sense of the word - enables them to become more independent and to reduce any dependency on public grants. It also ensures they can continue to help provide a solution for a social or environmental problem."*

2.0.3 One definition of the role of a charity is that it is a body that exists independently of government and private interests to:

- Discover emerging or existing needs and the causes behind them,
- Identify and develop innovative ways of meeting those needs,
- Build on this experience to campaign and influence opinion and decision-making in society.

### Questions:

1. *What is our vision for the voluntary sector in this changing world?*
2. *How should we now define the voluntary sector?*
3. *Does it still have a unique role and purpose? If so, what?*
4. *What should its relationship be to the state, to business and to local communities? Should government seek to influence this?*
5. *Is this a definition of the role of a charity which we can support? If so, how best should government support each of these functions? At the same time, how can government safeguard the independence of the voluntary sector.*

6. *Should Government seek to manage the market, for example by setting minimum levels of accountability for all providers, or not?*
7. *What should be the role of a Liberal Democrat government vis-a-vis the voluntary sector? Should we encourage it, as others have done, as an alternative vehicle for delivering public services, or do we see other roles which the voluntary sector can, and should, play. Is there a particular role which government, rather than the private sector or charitable institutions, should play in supporting charities.*
8. *The Charities Act 2006 raised the issue of public benefit, particularly in relation to religious and private educational institutions. Liberal Democrats pressed for a tougher test in England and Wales, on the Scottish model. Arguably, the Charities Commission have gone beyond the modest terms of the Act in any case. Should we continue to press for a more rigorous test? Is this issue of sufficient significance that we should address it in this policy paper?*

## 2.1 The Compact

2.1.1 The Labour Government spent a lot of time and money developing the compact – a policy intended to improve the relationship between government and charities. It was intended as a means of safeguarding the voluntary sector against sudden changes in policy and funding. Although much is made of it, particularly by politicians, local authority staff will state openly that the Compact is policy, not law, and therefore cannot be enforced. Since the initial setting up of the Compact, case law has developed and there have been several judgments regarding competition law and public services. Charities routinely tender for contracts which have to comply with EU Competition Law. Some would argue that the Compact has hindered the development of a mature commissioner/supplier relationship between local authorities and the voluntary sector.

### Questions:

9. *Is there evidence which supports the view that the Compact is beneficial to charities, or, conversely, that it is not?*
10. *Should the Compact be revised so there are equal rights and obligations on both sides with sanctions applying if they are or would the relationship between statutory authorities and charities be cleaner and simpler if it were to be purely contractual?*
11. *Would charities be better served by the discipline of having to compete with the private sector on a commercial basis?*

## 2.2 Third sector as a provider

2.2.1 Currently the third sector, both nationally and locally, is commissioned to provide important services to communities. Often that is because third sector bodies can deliver better outcomes than state provision. The risk is that such provision is commissioned because it is cheaper rather than better.

**Questions:**

12. *How should the balance between direct state provision and services commissioned from the third sector be determined?*
13. *Is further regulation of social enterprises required to ensure they are truly charitable and not simply commercial enterprises in the guise of charities?*



# Modernisation – The next generation of voluntary organisations

3.0.1 Several research studies show a marked difference between generations in their charitable giving. Generally speaking, people over the age of 50 give regularly to charity; people aged under 50 care about issues and causes, but do not engage in regular charitable giving. Only one in three trustees is under the age of 50 and just one in every 50 is under the age of 30. One in 20 is from a black or ethnic minority background.

## Questions:

14. *What could, or should, a Liberal Democrat Government do to promote engagement of younger people in voluntary organisations?*
15. *Is part of the solution likely to be increasing the element of reciprocity and mutualism in the voluntary sector?*
16. *In the age of social networking what role could the internet and IT play?*
17. *How might deeper reforms of the way that philanthropy works – either in the way they people invest their money or in the kind of payback they might expect – make the sector more effective and more inclusive?*

## 3.1 Innovation and Risk

3.1.1 The voluntary sector is rightly regarded as the home of innovation. Significant developments in social policy and action have originated in the voluntary sector, often at local level. However, investment funding for ventures which are innovative but risky is often hard to find. Funders can be risk averse.

## Question:

18. *Should government set up a fund which will provide investment for high risk innovation in the knowledge that some projects will fail?*

## Infrastructure Support

4.0.1 Current government funding of voluntary sector infrastructure bodies needs to be reformed. There are a number of voluntary sector infrastructure bodies: NCVO, Directory of Social Change, ACEVO, the Institute of Fundraising, Charities Aid Foundation, amongst others. There is considerable confusion about who does what, and in some cases there is duplication. That was increased by the establishment of the Office of the Third Sector and FutureBuilders, now abolished by the Coalition Government and replaced by The Office of Civil Society and the Big Society Bank. CapacityBuilders has had its funding reduced.

4.0.2 Lots of support, advice and funding available, but spread across various and competing organisations and government departments which makes it difficult for third sector bodies to access that support.

### Questions:

19. *How best can central government support the development of the voluntary sector?*
20. *Are there matters, such as business development or access to information technology, in which there is a clear role for government to play?*
21. *Is there a role for government in assisting small charities which have developed successful innovative ideas to scale up? If so, what should that role be?*
22. *Is it better to maintain the current diversity of supports available or would it be more effective to consolidate such support?*

4.0.3 Many voluntary organisations struggle to provide evidence of their effectiveness and impact. That is hardly surprising when much of what charities set out to do is qualitative rather than quantitative. Furthermore, many charities are engaged in preventative activities e.g. preventing crime, ill health. It is often hard to prove that something did not happen because of a specific intervention. However, organisations such as New Philanthropy Capital, have begun to show how business disciplines can be used by charities.

### Question:

23. *Is this something which government should support further, and if so how?*

## Governance, Structure and Regulation

5.0.1 The previous government pushed social enterprise as a new solution to many of the voluntary sector's issues, for example income generation. The Coalition Government in its initial statements on the Big Society has adopted a similar policy. As social enterprises are businesses, the question arises whether the traditional structure of a board of trustees responsible for strategy and governance is a suitable structure for voluntary organisations engaged in large scale service delivery?

5.0.2 There is little if any comparative analysis available on the effectiveness and efficiency of charities and their level of public donations, grants and contracts. This could be useful to funders, individual donors, beneficiaries and commissioners. Information on a sector basis could be particularly valuable.

### Questions:

24. *Should there be different governance structures for charities engaged in trading their services?*
25. *Charities engaged in service provision are increasingly being required to accept tenders which are for generic services across all adult client groups. Should government encourage the development of legal structures which enable charities and social enterprises to work more collaboratively? Or should charities be encouraged to form joint venture companies?*
26. *What can we do to encourage the recruitment of trustees, volunteers, employees and managers from a wider and more diverse background which actively encourages participation from people from different ethnic groups, social groups and sexual orientation and from people with disabilities?*
27. *Is there a need for an independent body to look at and report on value for money, efficiency, effectiveness in the larger charities and also advise them on best practice?*
28. *Should the government promote greater accountability of charities to their various stakeholders (e.g. funders, donors, volunteers and beneficiaries) by requiring larger charities to set up representative internal structures to review and scrutinise the decisions of the trustee board and management? This includes issues such as charitable expenditure, fundraising, amounts spent on advertising and promotion and pay of senior management?*

## Funding & Finance

6.0.1 National and local funding streams are multifarious, overly complex and often difficult and bureaucratic for third sector bodies to access, particularly smaller bodies. They are often short-term and withdrawn after a few years as political priorities change even when third sector bodies deliver successful outcomes. Grants are the easiest form of funding for charities, but desired outcomes are often ill-defined. Commissioning can offer clearer desired outcomes, but is often poorly implemented creating unnecessary and bureaucratic hurdles particularly for smaller third sector bodies.

### Questions:

29. *How could national and local funding streams be streamlined and become more accessible?*
30. *How can commissioning be reformed to enable smaller third sector bodies to participate effectively?*
31. *Should Trusts be incentivised to work collaboratively to fund new charitable ventures? If so, how?*
32. *Trusts in the UK do not have to make a minimum level of grants in any one year. In Canada and the US trusts do have to make a minimum annual level of disbursements in order to maintain their charitable status. As a consequence trustees are required to ensure that funds are carefully invested in order to maintain asset levels. Furthermore, beneficiaries enjoy a fairly constant flow of support. Should trusts in the UK be under a similar discipline?*
33. *Reform of Gift Aid has been on the agenda for sometime, although the treasury appears to have put it on a back burner. Do we want to see Gift Aid reformed? If so, in what way?*
34. *Are there any further ways in which the tax system could be reformed in order to stimulate further charitable giving?*

6.0.2 Charities and voluntary sector organisations are financed from a bewildering variety of sources, their degree of dependence on each one often a clue to their origins. So some are almost entirely dependent on public sector contracts, others on membership subscriptions, still on more gifts from companies or high net worth individuals. Others raise more money from events and sponsored activities or from grant funders. In the top 100, some have mass direct marketing programmes that rival large commercial advertisers, drawing in millions from standing orders, one-off donations and legacies and using every medium from Twitter to door-to-door canvassing. The endless combinations also include employee fundraising promotions pitched for with all the professionalism of corporate business presentations, chains of shops with both donated goods and commercial products and trading companies selling everything from generic outsourced Christmas cards to corporate sponsorship deals to highly specific medical aids.

6.0.3 Some donors, notably public sector and major grant funders, demand very high levels of accountability and reporting and often insist on earmarking their support to highly specific, budgeted projects. Many charities privately protest at such burdensome requirements while

expecting other donors such as charity shoppers, event sponsors and legators to give unrestricted funds almost entirely on trust. Predictably, some areas such as donated goods are so lightly policed that they have spawned scams and rip-offs. Initiatives like Fundratios, GuideStar and have tried to increase accountability and financial transparency across the sector. Statement of Recommended Practice (SORP) accounting rules have imposed a certain consistency on charity accounts but many complain they compare chalk with cheese.

6.0.4 Public support has rarely wavered – but has been tested by telephone and street canvassing which was further restricted in the Charities Act 2006. Further regulatory powers were included but have not been used. State support is expressed through concessions on local business rates for charity shops (to the fury of some of their commercial competition) and above all through the Gift Aid income tax refund scheme, originally designed to incentivise regular giving. Gift Aid is worth millions to the sector but millions are given back to the Treasury in irrecoverable VAT – and that bill is rising sharply under this government.

6.0.5 At one stage GiftAid discriminated in favour of regular gifts (a helpful incentive for charities promoting reliable income) and at another stage favoured overseas development charities. In debate on the Charities Act 2006, Liberal Democrats argued for a level playing field across the sector, including religious and private educational charities (now including state-funded Academies) while others argued for special concessions.

## Questions:

35. *Do we need further reform, regulation or deregulation?*
36. *Does the larger role envisaged for the sector by the new government merit further support or concessions, for instance the refund of some or all irrecoverable VAT? Or in these austere times, should charities share the burden?*
37. *Should new or existing support be offered equally to all charities, or should smaller or community-based or volunteer-led charities benefit more? Should religious or private educational institutions or Academies share all these benefits? Or should the principle of the level playing-field be preserved?*
38. *Can GiftAid be reformed, for instance by simply making all standing orders automatically tax-effective?*
39. *Are fundraising self-regulation and voluntary accountability initiatives enough? Or is there a real risk of cowboys running riot and big charities taking their donors for granted? Or would more rules and intervention just end up raising costs and reducing the funds raised for those ultimately in need?*
40. *Should Government provide new sources of local funding for small voluntary groups by splitting up the Big Lottery?*
41. *With the scaling down or phasing out of PCTs, how can PCT funding/commissioning, which is important for disability or health charities, best be preserved as part of the new commissioning arrangements for the NHS?*

## Corporate Social Responsibility (CSR)

7.0.1 Over the last decade large companies have developed a range of programmes which demonstrate their involvement in activities which improve the social, ecological and economic environment in which they trade. Large companies have developed programmes such as ethical sourcing, or staff volunteering designed to show their commitment to communities. Whilst much has been achieved through CSR it is not without its critics. Companies have been accused of greenwashing their achievements, and some charities are sceptical of the value of some employee volunteering schemes.

### Questions:

42. *Should Government endeavour to encourage and improve CSR. Could local government facilitate CSR, particularly for small and medium enterprises? Could government work with the private sector to establish Community Innovation Foundations in which charities are enabled to access and develop business skills?*
43. *Should there be a new approach to CSR which puts a stronger emphasis on both contributions in kind and risk sharing i.e. the private sponsor being prepared to underwrite the development of a new service in which they might a small return if it is successful but essentially take on the risk if it does not prove to be successful.*

# Localism

8.0.1 The current government has stated its intention to encourage localism and has stated that it will fund a new generation of community organisers. Liberal Democrats in local government have a long tradition of supporting and enabling community organisations to innovate and develop new ways of working.

## Questions:

44. *What role do we think a Liberal Democrat government, and councils, should take towards the voluntary sector. Whatever that role, what model of economic sustainability should accompany it?*
45. *Since the voluntary sector is diverse and rarely identical in different localities, it is frequently difficult for people not working in the sector to engage with individual organisations or the sector as a whole. Is there a role for government in enabling charities to use media, such as the internet, to facilitate engagement?*
46. *Much of the work of charities is preventative and it saves more costly use of statutory services, crime prevention, A&E diversion schemes etc. However the savings accrue to the statutory sector, but do not show up on budget sheets. Are there elements of the Total Place initiative which we would wish to see adopted and extended?*
47. *An issue which many charities face is how to scale up or replicate successful local projects. Is there a role for government in disseminating good practice, or is there a role for government in enabling charities to develop large scale business systems?*
48. *Should Government launch new financial instruments that allow money to be raised for preventative local action, to make charities more free of lottery funding?*

8.0.2 We should promote and strengthen local infrastructure bodies such as Councils for Voluntary Service (CVS) and volunteer bureaux. They can help new charities to start up and nurture the growth of local charities by providing support in volunteer recruitment, financial management, human resources, fundraising, grant applications and IT. Local charities (including infrastructure charities) rely on grants from local government and PCTs, which could be threatened by a squeeze on local councils and the abolition of PCTs.

## Question:

49. *How can we ensure that such funding is safeguarded?*

# Volunteering

9.0.1 Volunteering is a subject on which a great deal has already been written. There is a wealth of evidence which shows that young people volunteer in order to gain skills and experience which will help their employment chances. Older people volunteer more for social reasons and the need to have a sense of purpose. In addition, there is corporate volunteering – large companies allowing staff to undertake voluntary work. Quite how much this benefits the voluntary sector as opposed to the businesses is an interesting question.

9.0.2 Involvement in third sector activities benefits both the individual and the communities in which they live. It supports community cohesion and democratic empowerment as it expresses the priorities which people have for themselves, their family and community. It also engages people as active citizens, not merely passive recipients of state support.

9.0.3 There are few rewards or incentives for voluntary activity. In particular, young people will not be encouraged to become involved unless there is a clear benefit to them.

## Questions:

50. *What rewards or incentives would encourage people to become involved in third sector activities? For example, could certain volunteering activities count towards a formal qualification which people could use when applying for jobs?*
51. *Robust incentives for citizens to become involved in third sector activities is something we would want to encourage? What form should these take?*

## 9.1 Unemployment and volunteering

9.1.1 There is overwhelming evidence, particularly as it relates to younger people, that if someone is unemployed for longer than six months then their chances of becoming employed diminish exponentially.

9.1.2 JobCentre Plus (JCP) has several initiatives, many of which involve the third sector, focused on these groups, but outcomes are patchy.

9.1.3 Volunteering could potentially offer a route which would equip unemployed people with 'employment' experience, skills and possibly a qualification which could increase their chances of securing employment.

## Questions:

52. *Should JCP not simply allow unemployed people to volunteer, but to develop programmes to actively encourage it?*



53. *Liberal Democrats have always been committed to the values behind volunteering, because of the civilised society – and powerful neighbourhoods – that volunteering underpins. The current volunteering infrastructure is almost full to capacity, so how can we bring about a major increase in volunteering, both formal and informal?*
54. *What changes would this mean in the voluntary sector? Can we make the public sector a key player in the rise in volunteering, through a more mutual or reciprocal element in services? What does that mean for our public services? How can we increase the level of 'co-production' in the public sector? What is our attitude towards proposals for national voluntary service, along the lines of Americorps?*