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Standing apart, working together

A study of the myths and realities of voluntary and community sector independence

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Foreword

The Compact, which was agreed between the voluntary and community sector (VCS) and government in 1998, explicitly includes recognition of the sector's independence in its first undertaking:

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, and to determine and manage its own affairs.

And yet over the past ten years there has been ongoing concern about whether or not the sector's independence is under threat. Indeed, some have cited the Compact itself as evidence of a threat to independence – the mere fact of its existence demonstrating that parts of the sector are too close to government.

Much of the debate is predicated on a number of assumptions. Firstly, that there was some sort of ideal (and unchanging) relationship between the state and the voluntary and community sector that we have moved away from and should try to get back to; secondly, that voluntary and community organisations (VCOs) can be divided into those that have a relationship with government and those that do not; and thirdly, and perhaps most importantly, that independence is only an issue in the relationship between the sector and the state.

This report was first published by NCVO in February 2004. The aim of the report, as implied by the title, was to investigate the extent to which these views had any basis in the sector's experience, whether they were myth or reality. The intention was also to move the debate on. To think more widely about who and what could impact on the independence of an organisation, why it mattered, and what VCOs, individually and collectively, should do to protect it.

Four years on and the debate still resonates. Since 2004 there has been even greater emphasis from all three main political parties on the contribution that VCOs make to improving public services and strengthening communities. And all talk of the importance of the sector's independence. Yet concerns over the relationship are if anything stronger. This is why NCVO has decided to revisit some of the issues that we first set out in this report – and why it seems timely to reissue the report itself in full.

Over the coming year we intend to develop our thinking in this area in a way that helps make the issues relevant to all in the voluntary and community sector. We welcome comments on any of the issues raised in this report to help in this process.

Ann Blackmore
Head of Policy, NCVO
June 2008

Introduction

Independence is fundamental to most people's understanding of the voluntary and community sector (VCS or 'the sector'). It is perhaps therefore inevitable that most policy debates about the role of the sector, or the activities it undertakes, will turn at some point to the independence of the VCS. Indeed this has regularly been the case over the last hundred years or more: every time there is a shift in the balance between the three sectors (private, statutory and voluntary), there are debates within the sector about what this might mean for voluntary and community organisations (VCOs).

Over recent years the issue of independence has again come to the fore because of the Government's enthusiasm for working with the sector, and the resulting growth in both partnership working and contractual arrangements. In recent months the debate has become even more pertinent with the publication of the Government's Cross Cutting Review of the role of the voluntary sector in public service delivery[1], the Government's response to the Strategy Unit's report on the legal and regulatory framework governing charities and the voluntary sector[2], and proposals to change lottery funding mechanisms[3]. NCVO's Voluntary Sector Almanac 2004 shows that government funding now accounts for 37% of VCS income[4].

The independence debate

In most cases the debate centres on two presumptions:

- **it is important that the sector remains independent; and**
- **the sector's independence is under threat or weakened, usually because of its relationship with government.**

There is universal agreement on the first point – across the sector and within government. Most of the debate centres on the second: to what extent does closer working with government impact upon the sector's independence? And most of that debate builds upon two core myths:

- **the myth of the golden age, a time when the sector and government operated in different spheres, and when the sector's independence was not in question;**

- **the myth that there exist within the sector two separate types of organisation, the true, independent voluntary and community organisations who have little or no relationship with government, and the professionalised, service delivery organisations who have compromised their independent role in order to gain income and/or influence.**

These two presumptions and two myths demonstrate that almost invariably the debate on independence is limited to a discussion about the sector's relationship with government, and more often than not with central (rather than local or regional) government. And it is often narrowed down even further than that; when talking about independence from government what is primarily meant is that there should be financial independence.

The relationship between the sector and government is unquestionably important, and one that will be addressed in this report. However it is equally important to remember that VCOs individually and the sector as a whole have a variety of relationships with many different stakeholders – for example other funders, the media, users, donors and the private sector. All of these relationships have implications for the way in which an individual organisation operates and the extent to which it both can be and be seen (or be thought) to be independent.

But there is also a growing realisation that these relationships do not just impact on the organisation concerned, but on the sector as a whole. Individual VCOs are of course independent of other organisations within the sector. But to what extent can the actions of one (or a few organisations) undermine the position of the sector as a whole?

[1] The role of the Voluntary and Community Sector in Service Delivery: A Cross Cutting Review, HM Treasury September 2002

[2] Private Action, Public Benefit: A Review of Charities and the Wider Not-For-Profit Sector, Strategy Unit Report September 2002; Charities and Not-for-Profits: A Modern Legal Framework, The Government's Response to 'Private Action, Public Benefit', Home Office July 2003

[3] National Lottery Licensing and Regulation Decision Document, Department for Culture, Media and Sport, July 2003

[4] The UK Voluntary Sector Almanac, Karl Wilding et al, NCVO 2004

And to what extent can (or should) an individual organisation have a responsibility towards the broader interests of the sector as a whole? Previous discussions about independence make interchangeable references to the sector as a whole or a particular organisation. But there is a difference, and we need to be clear about the distinction between the independence of a particular organisation and the independence of the sector.

In many respects the subtle difference between the idea of an independent sector, and threats to the independence of individual organisations can best be taken into account by looking at some of the key operational issues for VCOs and considering the ways in which they can result in threats to independence, or offer valuable protection. These operational issues include funding (e.g. contracting and service delivery), partnerships, legal and regulatory requirements (particularly those of charity law), public expectations and perceptions and the reality of the political, environmental and economic circumstances in which organisations operate.

In considering the realities of our operating environment, rather than focussing on the possible inequities (or iniquities) in certain of our relationships, we are forced to question whether our concern with protecting the independence of the sector is realistic, or whether the independence of the sector should perhaps be viewed as some sort of mythical ideal. Is it really possible for an organisation, regardless of which sector it operates in, to be genuinely independent? Are we really arguing for degrees of independence?

Which leads us to the question, to whom does the independence of the VCS matter? This question is clearly one which excites at least part of the voluntary sector and academics. But does it matter more widely

than that? Government has said that it values the independence of the sector, but is that really the case? And if so, why? What is the value to it of an independent sector? This question is perhaps even more pertinent at a local level.

Perhaps this question should really only matter in relation to the beneficiaries of an organisation. If those who engage with the sector do so because it is independent of government or the private sector, then independence clearly has an important role to play. But if the sector is perceived only as another service provider, and not valued for the many and various other roles it performs in society, and all that matters for the public at large is what services are available, how they are provided and the fact that the sector meets their needs in the ways they want, then our responsibility is to be clear whether independence adds to those abilities or is irrelevant.

Finally, the debate about independence also raises concerns about reputation, and about public trust and confidence. Independence and public trust are interdependent. It is the support of members, users and the wider public which gives many VCOs their legitimacy to act independently. But the reason they have that support is because they are perceived to be independent organisations. Does it matter that the sector is perceived by some to have lost independence and become an agent of the state if those directly involved do not consider it to be an issue? Does it matter if public perception differs from reality?

NCVO has made regular reference to the relationship between the state and the sector and the issue of independence. In particular, it was discussed in *The Voluntary Sector in a Changing Welfare State*[5] and *Voluntary Organisations and the Welfare State: New Boundaries?*[6] Most recently it was the subject of a

lecture by Stuart Etherington at London Metropolitan University.[7] This report aims to build on our previous work, but to extend it beyond a consideration of the relationship with government and look more widely at what impacts on the independence of the sector, by taking a step back to ask some very basic questions:

- **What do we actually mean when we talk about the independence of the sector?**
- **Can the sector really be independent?**
- **Is there any evidence that the sector is becoming less independent?**
- **Does it really matter?**
- **If it does matter, how do we preserve and enhance it?**

This report aims to enable us to be clearer about whether and why the independence of the sector is important, and what exactly we mean when we talk about independence.

[5] Ann Blackmore, NCVO 1999

[6] Stuart Etherington, VOLPROF 2001 (originally delivered as a VOLPROF Charity Talks lecture in February 2000).

[7] Is the voluntary sector too close to government? lecture by Stuart Etherington to London Metropolitan University, May 2003

The myth of the golden age?
# The political and social context

It is worth starting by considering the political and social context in which this debate is taking place. It is this context which helps create or dispel myths that it was somehow different in the past. Or, since it was inevitably "different" in the past, that things were somehow better.

Voluntary sector space

Many argue independence in the context of the space for action available to the voluntary and community sector. Golden age myths are predicated on a belief that the space occupied by the sector has changed for the worse – although whether the negative change is described as an increase or decrease in space can depend upon the political persuasion of the commentator drawing attention to the issue. It may be argued that government (and occasionally the private sector) is encroaching on the space that properly belongs to the VCS. Alternatively, it may be argued that the sector is moving (or being moved) into the space that should be occupied by government.

However, the space occupied by the VCS is not, and never has been, fixed. This was recognised in Nicholas Deakin's report of the Commission on the Future of the Voluntary Sector[8], which described this space in the context of a civil society triangle. The three points of the triangle are the state sector, the market sector and the informal sector (personal and family relations). Each of these three sectors has its own rationales and values. The three sectors create a triangular force field, with a public space at its centre which is occupied by voluntary and community organisations.

The space occupied by the sector is dynamic. It changes as the activities and objectives of the other three sectors expand, contract or change – that is the space available to the sector can be influenced by the activities of other sectors. But it can also promote change itself, by persuading those in the other sectors to do more or less or something different.

State Sector

**Voluntary Sector**

Market Sector   **Informal Sector**
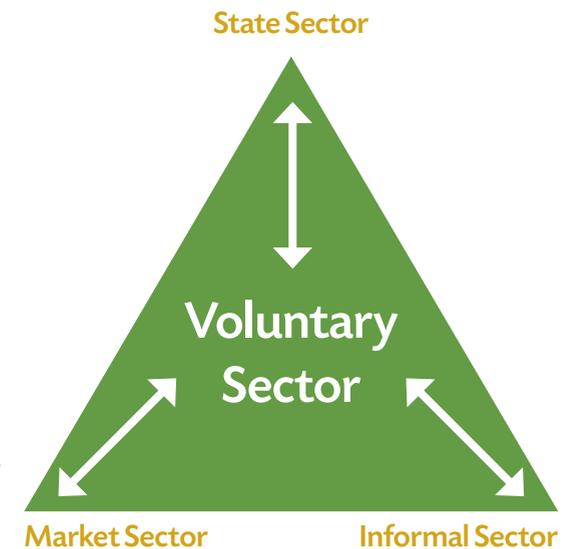
Problems, or concerns, arise when shifts occur in the balance of the relationship between the various sectors. Such shifts result in new relationships and may end old relationships. They inevitably create tension and uncertainty for those operating at the margins where these shifts occur. However, if we accept that the relationship between the sectors has always been fluid, then attempts to refer back to a past age, or to freeze the relationship between sectors at a single point in time, become meaningless.

[8] Meeting the challenge of change: voluntary action into the 21st century, Commission on the future of the voluntary sector, NCVO 1996

[9] Taken from section 2 of the Strategy Unit report *Private Action, Public Benefit: A review of charities and the wider not for profit sector*, September 2002

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Venn diagram:

Public Sector

Private Sector

Voluntary and community Sector
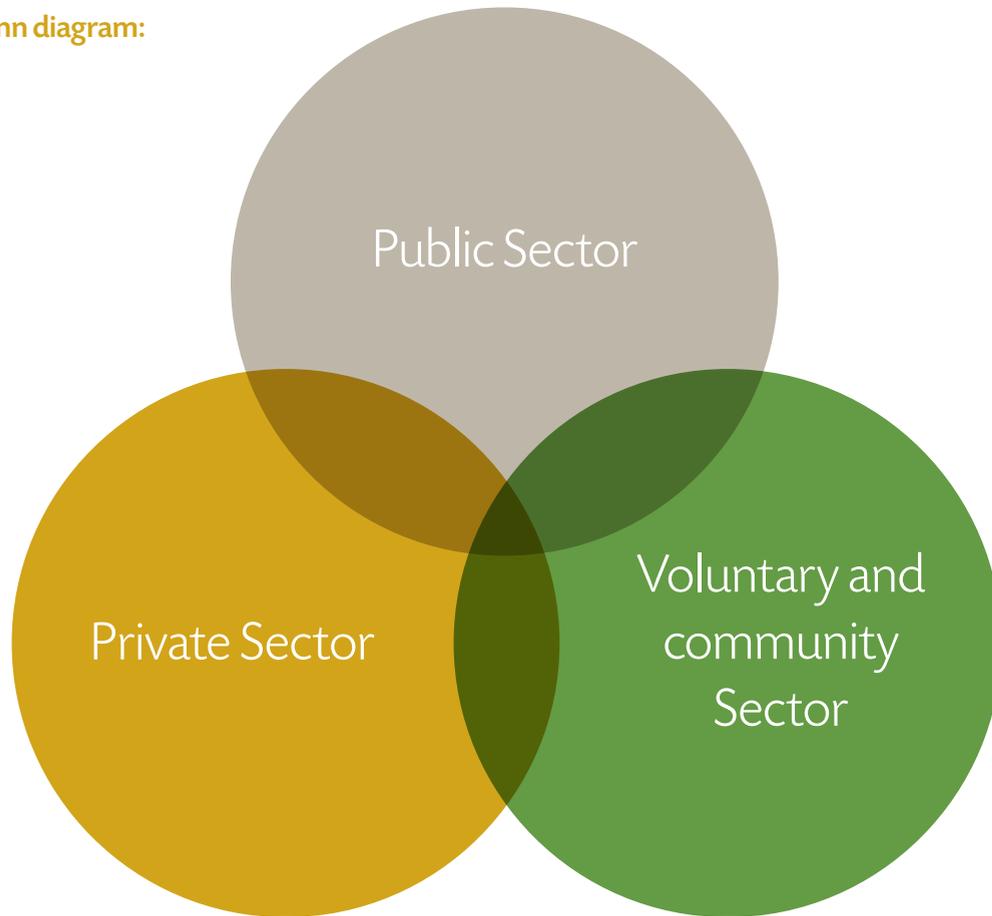
Another way to view the relationship – and the space – between the VCS and the private and public sectors, is as a Venn diagram: three interlocking circles[9]. Each sector (or circle) has its own space, but there are also areas where it overlaps with one of the other sectors, and some part of its space overlaps with both the other sectors.

The reality is that any organisation – or for that matter any individual – can only operate in response to the conditions of their time. It makes no more sense to ask whether the VCS is more or less independent now than it was in the 1970s or 1940s than it does to ask whether Serena Williams is a better tennis player than Chris Evert or Suzanne Lenglen. What matters is that each performed to their best in their era. The same is surely true of VCOs.

So, if we want to understand the current issues in relation to VCS independence, and in particular why so much concern is expressed about this issue in some quarters, then we need to understand the current political and social context: to consider what recent shifts there have been in the sector's operating space that have created present concerns about the role of the sector and its independence.

The political context:

In the last six years, since the election of the Labour government in 1997, there has unquestionably been a shift in the sector's relationship with government. After many years of being marginalised or ignored the VCS has become central to government thinking in certain policy areas. The Government has argued that it sees a clear role for the sector in relation to much of its agenda, in particular:

- **regeneration policy, particularly neighbourhood renewal;**
- **tackling social exclusion;**
- **improving public services.**

The last of these, improving public service delivery, is at the heart of the Government's second term objectives. The Government wants greater involvement of the voluntary and community sector in public service delivery because it recognises that the sector can bring a whole range of benefits, in terms of specialist knowledge and skills, its ability to reach communities that government cannot, and its ability to develop innovative responses to new issues. However, the Government does not simply see the sector as another potential contractor but as a potential partner that can help it achieve its objectives of greater social cohesion and improved public services by helping to identify problems, devise solutions and implement those solutions.

The practical experience of this closer relationship has been evident at two levels. Firstly, significantly more resources are available to VCOs to deliver public services – either in a partnership role or as a contractor. And secondly, the VCS has played a much more direct role at the policy level in helping to develop as well as deliver certain government programmes. Voluntary and community sector organisations are increasingly consulted on policy issues that will impact on them; staff and trustees have been invited onto advisory groups, steering groups and partnership boards; and many VCS staff have been seconded in to government to help develop policies. Whilst this much closer relationship between the two sectors has been driven by central government at the national level, it is also taking place at the local level (largely in response to central government policy drivers such as Local Strategic Partnerships or Connexions partnerships) and to a lesser extent at the regional level.

VCS engagement in public policy debates and in public service delivery is not new: government contracted with charities to deliver public services as far back as the eighteenth century, and health and social care have moved from the voluntary sector to

the state and back again during the twentieth century. But the current emphasis on voluntary and community sector engagement and the scale of the sector's role in public service delivery is greater than ever before, and it is likely to continue and increase: all three of the major political parties have a clear interest in working with the voluntary and community sector to deliver public services and improve local communities. But inevitably this changing relationship – and indeed sometimes the way in which this relationship is discussed – has raised concerns.

The Government articulated its commitment to working with the sector early in its first term and has continued to do so on a regular basis through ministerial statements and speeches, including speeches by the Prime Minister and the Chancellor of the Exchequer. Nevertheless, the concern most frequently expressed is that the Government has an "instrumentalist" approach to the sector: that it is only interested in the voluntary and community sector to the extent that it can directly contribute towards meeting government targets and that there is little genuine commitment to, or interest in, the wider contribution the sector makes to civil society.

There is a feeling in some quarters that the Government is at best co-opting the sector and at worst neutering it[10]. The Compact[11] and its codes are intended to address these concerns by helping to manage and ensure an effective relationship between government and the sector. A key point of the Compact is the explicit recognition of the sector's independence and the responsibility of government not to undermine that independence, regardless of any funding relationship. But there are those who consider that the existence of the Compact is in itself evidence of the problems of the current relationship.

The social context

There have also been significant changes in the social context within which the VCS operates. It is widely accepted that we have moved into a consumer society; the public are no longer recipients of public services, but consumers or clients. It is no longer possible (if it ever was) for any provider of services to simply decide what is in the best interests of a particular community or user. There is now a much greater expectation that services will reflect the needs and preferences of users, and that there should be user engagement (not just consultation) in the development and delivery of services. There is some public opposition to certain aspects of this cultural shift, in particular the language: it is common to hear people complain that they want train companies to treat them as passengers or hospitals to treat them as patients, not as customers or clients. But in practice these patients and passengers behave more like customers: they have expectations about the information they should be given, the quality of service they should receive, their right to choice, and the right to compensation when something goes wrong.

The VCS is not immune to this change in public attitudes. Those who make use of services provided by VCOs (whether or not they are funded by the public purse) have a right to expect high quality services, and that those who provide them will be open and accountable in the way they operate. In large part it is this shift to a consumer society that is compelling VCOs to adopt more formal and professional approaches to their work: the services of a well meaning but unskilled amateur are increasingly unacceptable to the user, or too risky in a more litigious society. This shift to consumerism creates two potential problems for VCOs. Firstly, they have to cope with contradictory expectations in that whilst the public expect high quality, professional services, there is a widespread belief that VCO staff should be committed amateurs or volunteers, not properly paid professionals. Secondly, as yet VCOs have not experienced the levels of public and media criticism that statutory agencies face when something goes wrong, but there is a growing realisation that this situation is unlikely to last.

The issues of consumerism are important to our understanding of and development of voluntary sector services, and in particular publicly funded services. We need to understand whether VCOs are valued by the consumer/public because they are part of an independent voluntary and community sector, or simply because of the type and quality of service they provide. To be able to respond to our users and the wider public we need to understand what they want from the sector (or perhaps from public services more generally) and be able to articulate clearly what an independent VCO can do to help address that need (and perhaps also, what it cannot do). The sector also needs to be clear – internally and externally – about what makes a service provided by an independent VCO distinctive: in what ways it is different from a similar service provided by the public or private sectors.

This growing consumerist approach is also evident in other relationships the sector has. Public sector agencies who commission services from VCOs, or who are encouraged to work in partnership with them, have increasingly different expectations; for example, there is a growing pressure on VCOs to demonstrate how they are representative of and accountable to the users and communities on whose behalf they speak. And VCOs are expected to be accountable not just to service users but also to donors. Accountability is no bad thing and it does not undermine the independence of an organisation. But an emphasis on accountability can change the nature of an organisation's relationships with its stakeholders and the ways in which it feels able to operate.

The relationship with business

The third point in the civil society triangle is the private sector. Much less attention is focussed on how the changing nature of business and the roles it performs may impact on the sector, or indeed on considering what relationship the sector already has with business. In fact there are three significant spheres where these two sectors interact:

- **where business is a supporter or funder;**
- **where the sector campaigns or lobbies against the actions of a particular business; and**
- **where business and VCOs compete for contracts.**

It is primarily in the case of the third that the relationship between the two sectors has developed, or at least significantly increased. The VCS and the private sector are increasingly in competition for public service delivery contracts. This is in part a result of the sector taking on a greater role in public service delivery – and with more of this role funded through contracts than grant. But it is at least, if not more, a result of the growth in public service contracts awarded to the private sector, particularly in the fields of health and social care which have more traditionally been voluntary and community sector arenas. If the sector is to compete effectively – and not just as the cheap option – it increasingly needs to be able to operate in a business like manner. But there is growing concern that the sector is becoming too professionalised and too business like in its approach: we need to ensure that

[10] Involuntary Action: How Voluntary is the "Voluntary" Sector? Robert Whelan, 1999

[11] The Compact on relations between government and the Voluntary Sector, Home Office 1998

VCOs retain what makes them distinctive from both the public and the private sectors.

The other two relationships are of longstanding, although there has been a shift in the way these relationships are operating. For example, whilst many businesses have a long history of charitable support and giving, the means of giving is itself showing a change in approach: increasingly business is giving for specific purposes rather than making general donations; is giving via cause related marketing; or is giving support in kind. Added to this, the fact that corporate giving accounts for less than 3% of voluntary and community sector income[12], has led to a growing emphasis on promoting corporate social responsibility, and corporate giving. Both these trends mean that where business does give there can often be a much closer relationship between the VCO and the business. This may be a positive shift, increasing understanding in the business world of the issues facing particular VCOs and their beneficiaries. But there are also concerns that the sector is being co-opted for public relations purposes by parts of the private sector.

There are also shifts in the campaigning and lobbying relationship. In some cases businesses are fighting back and challenging VCOs to justify the position they take. This trend can be expected to continue, with the possibility that organisations that adopt strong campaigning roles may find themselves subject to attacks by the private sector on their integrity and the quality of their work. This is part of the increasing trend towards expecting VCOs to be accountable for their actions.

[12] UK Voluntary Sector Almanac,
Wilding et al, NCVO 2004

What do we mean when we talk about independence?

A debate about the loss of independence, or an erosion of independence, in the voluntary sector presupposes that we have clear answers to some fundamental questions:

- **what is the voluntary sector?**
- **why do we need an independent voluntary sector ?**
- **what do we actually mean when we talk about loss of independence?**

The difficulty is that there are no agreed answers to any of these questions. Indeed this may well be at the root of the problem. If you ask any academic specialising in voluntary sector studies, or anyone who works in the voluntary and community sector (trustee, volunteer or paid staff) these questions you will receive a variety of different answers. If we cannot agree on our core purpose and core values, it is perhaps not surprising that the debate about whether or not they are under threat keeps being raised.

At the risk of provoking further dissension, this report aims to answer these questions by outlining some of the core attributes and key concerns which can be applied broadly across the sector.

What is the voluntary sector?

If nothing else the VCS embodies the right of every individual to independence of action and the right to freely associate (within the law). At its most basic level voluntary action is a group of individuals coming together to undertake an activity in which they all have a shared interest. That might be a group of people who want to play cricket each week, or swap gardening tips, or campaign for a pedestrian crossing outside their local school, or lobby for the release of political prisoners in another part of the world.

Many voluntary and community organisations are, and will remain, small, locally based, informal. They will form, disband and reform as participants move on or discover new interests. Some choose to formally constitute themselves. Some grow and extend far beyond the original membership. Some, that can demonstrate that their objectives provide a public benefit, receive recognition in law as charities.

There can be a tendency to make any definition of the sector in oppositional terms: to define the sector by what it is not. For example, Robert Whelan describes the VCS as 'neither politics nor commerce'[13]. Whilst initially attractive, this statement, and others like it, has dangers. Some will take the oppositional definition to the extent of arguing that VCOs should share no characteristics or activities with either of the other two sectors. This is not reasonable: as the previous chapter demonstrated, there have always been overlaps between the activities undertaken by all three sectors. Moreover, this approach also highlights one of the major problems that arises when too much attention is focussed on the independence debate: it means that in parts of the sector there is more concern about defining what we should not be doing, or criticising those who are doing certain things, rather than having a positive focus on what the sector does.

It is preferable – albeit perhaps harder – to try to define a voluntary and community organisation by what it is, rather than what it is not. Barry Knight and Nicholas Deakin have both offered the following features which might be said to characterise voluntary organisations[14]:

- **independent beginnings**
- **self-governing structures**
- **independence from other agencies**
- **independent funding**
- **use of volunteers**
- **distribution of surpluses but not for profit**

But even these characteristics provoke disagreement. How do you define independent beginnings? Some VCOs are founded on a mutual basis by like-minded individuals, others are driven by one philanthropic individual, some have been founded by private sector companies, others by public sector organisations, such as local authorities. The key here is less the independent beginnings, than that once set up they become independent from other organisations (particularly parent or founding organisations) and that they have clear structures for self governance.

This leads straight to the question: what do we mean by independence from other agencies? Many VCOs will choose to work closely with, or in partnership with, other organisations. Would we wish to suggest that any such organisation automatically falls out of the definition of a voluntary organisation? Similarly, how do you interpret independent funding? Does independent funding mean only grant or donated income? What level of contract income impacts on independent funding? Is an organisation more or less independent if it sources its income from ten different contractors rather than one single grant? Similar questions of definition and relative proportions arise in relation to volunteering. Most voluntary organisations have unpaid, volunteer trustee boards. But debates abound about whether an organisation must also have volunteer workers as well as trustees. It is these aspects of independence which tend to be at the core of the debate.

The two items on this list which have tended to provoke less debate are the independent governance arrangements (which differentiates the VCS from the public sector) and not-for-profit (i.e. not shareholder driven, which differentiates the VCS from the private sector); although even these principles are now being challenged. There are those in the sector who are beginning to argue that trustees should be paid, and even that chief executives should be a member of the trustee boards. And the growing interest in social enterprise activity and government programmes to encourage social enterprise may serve to blur the boundary between the not-for-profit and the commercial sectors: the current proposals for a new legal form of Community Interest Company include an asset lock to protect the assets for community benefit, but the proposals also allow for some limited return on share capital.

Despite these areas of debate, there are a number of fundamental principles that define voluntary action and voluntary and community organisations. A voluntary or community organisation is a group of individuals freely coming together:

- **to take forward a shared interest or concern;**
- **which, whilst it may bring in income, is not set up to make money for shareholders or owners and does not distribute any profits it makes to shareholders, owners or trustees; and**
- **has an independent governance structure made up of volunteer trustees.**

What even this limited definition makes clear is that a principle of independence, based on the capacity for independent decision making and action, is at the heart of the creation and structure of a voluntary and community organisation.

What do we need an independent voluntary sector for?

It is not enough to argue that we need organisations that, whilst they might carry out similar activities to the state or the public sector, are structurally different from the other two sectors. We also need to consider whether the VCS has a different role to play. We need to understand what independent voluntary and community organisations are for. Without clarity of the sector's purpose it may be that when worrying about independence (or indeed distinctiveness) we are doing little more than trying to ensure separateness for its own sake.

It is widely accepted that an important feature of any effective democracy is a vibrant and thriving civil society. Civil society is important because it occupies the space between the state and the private sector. The state cannot, and should not, do everything. Democratic governments allow the space for civil society to develop, for free association by their citizens and for independent action.

The voluntary and community sector is a key component of civil society. Through voluntary association we see people coming together because they have shared interests and concerns – local history groups, hobby clubs, Sunday league football teams, residents groups. At an LSE seminar in May 2003[15] Lord Dahrendorf described these as the parts of civil society which are neither for nor against government – that these are the parts that have nothing to do with government.

But civil society is about more than those organisations that are wholly separate from the other two sectors. We also need civil society, and an independent vibrant voluntary sector, to promote a healthy democracy and operate as a counterpoint to government and the market. Voluntary and community organisations can help give people a voice, and can provide a challenge or a counter balance to political institutions and private sector organisations. VCOs play a key role as advocates for particular individuals or communities, ensuring that the needs and concerns of those they represent are properly taken into account. Many voluntary and community organisations are also set up for the purpose of campaigning on a particular issue.

Voluntary and community organisations also have a legitimate interest in service delivery. Large parts of the voluntary and community sector grew up in response to the needs or concerns of particular communities (of interest or geography) which were not being met by the state or the private sector, or were not being met well or effectively by other sectors. These organisations start by providing services to their members, but in many cases will also campaign for the state to accept at least some responsibility to provide or fund those very services. Where the state does accept that a service, which in the past had been provided by a voluntary or community organisation, should be publicly funded, the voluntary and community organisation may continue to deliver the service under contract to the public sector.

There are very sound reasons for the sector moving from the role of providing independently funded services to providing publicly funded services: the organisation will have a history of experience and expertise in the field that the public sector lacks; the VCS is likely to have the trust and confidence of clients who access their services; and the VCS can ensure that publicly funded services are designed and delivered in ways which best meet the needs of users and potential users.

What do we mean when we talk about loss of independence?

If we accept that there are such a broad range of roles for the sector, some of which cause the sector to operate in isolation, others for it to operate alongside other sectors, we come back to the question, what do we understand by loss of independence?

The first point to make absolutely clear is that whilst it is true to say that there are large parts of the sector who have no relationship with government or business (and may never have any significant relationship), it is not true to argue that these are the only truly independent parts of the sector. If an organisation exists with no relationship to others then the debate about independence is irrelevant, in effect they are neutral on the subject. If you were to accept the argument that these were the only truly independent parts of the sector, then the obvious case to make would be that the voluntary and community sector should not engage with other sectors, and particularly not government. This would be arguing that the sector should operate in isolation, not that it should operate independently.

In practice, concern about the sector's independence is focussed on those areas of our operating space which overlap with, or touch upon, those of other sectors. What we need to consider are the ways in which a relationship with another sector could undermine the independence of the sector.

Osborne and Ross[16] describe two risks:

- **incorporatism – that is, that the sector becomes an arm of the state; and**

- **isomorphism – whereby VCOs lose their distinctiveness because they start to mirror the characteristics of those with whom they work, that is the sector becomes more like government or business.**

Kate McClaughlan has more recently added to these a third 'i': incapacitating independence[17]. By which she means specific actions or activities that incapacitate or limit an organisation's ability to act independently.

Incorporatism
For some VCOs incorporation into the state is a legitimate objective. The welfare state was created in large part in the first half of the twentieth century by incorporating into the state (or nationalising) the roles of many VCOs. For example, most charitable hospitals were fully incorporated into the National Health Service. And there are still many VCOs providing a service specifically because the state does not, but who argue that the state should take over that responsibility.

Concerns about incorporatism are largely driven by the growth in contracting between the state and the VCS. Contracting in itself is not new, but in the past it has often been at the margins of the public sector: VCOs contracting to deliver additional services, or specialist services that the state could not or did not want to provide. The Government's new public service delivery agenda means that increasingly the delivery of entire service areas (for example children's service, or mental health care) is being contracted to VCOs. Whilst those organisations taking on these contracts may be very clear about the distinction between their organisation and the state, that same distinction is not necessarily clear to either the user or government.

[15] An Independent Sector? Conference at the London School of Economics, 7th April 2003

[16] Regeneration: The Role and Impact of Local Development Agencies, Stephen P Osborne and Kathleen Ross, in Voluntary Organisations and Social Policy, edited by Margaret Harris and Colin Rochester, 2001

[17] presentation to a seminar at Voluntary Sector Studies Network, Birmingham, 5th November 2003

Incorporatism is evident in the Government's approach to the sector in a number of ways. Despite all its rhetoric, government often sees the sector in a very instrumental way. It wants to encourage the role of the sector in public service delivery, but this can lead government to talk as though the sector has a responsibility to take on such a partnership role, rather than that an opportunity exists for some organisations to engage in partnerships. There is also a tendency to understand the sector only insofar as it provides services: those organisations who are primarily concerned with campaigning and advocacy can be cut out of the loop, whilst those that campaign as well as deliver services can be viewed with suspicion.

This instrumental approach to the sector and the focus on public service delivery also means that, again despite the rhetoric, understanding of the sector as independent is often limited. In parts of government it is argued that high levels of regulation and mechanisms for accountability are necessary where the sector is spending public money, in a way that would not be applied to the private sector. There is a risk that government will try to incorporate VCOs delivering public services into statutory systems of regulation and accountability as part of its instinctive tendency to control processes rather than contract for specified outcomes. There is also a risk that, as the sector delivers more publicly funded services, or works more in partnership with government, government will in turn move into areas around the governance of the sector as a whole, such as performance management, accounting and even governance structures.

The housing sector provides a useful warning signal here. Many would argue that the independent, voluntary housing sector is now part of the state. Housing associations are funded and regulated strictly by government. And few residents of social housing distinguish between social housing managed directly by the local authority, and that managed by a housing association or registered social landlord which they have been allocated via the local authority housing list.

Isomorphism

Isomorphism can operate in two ways. Firstly, where VCOs develop relationships with organisations from other sectors – be they partnerships or contracts – then the VCS may start to adopt the values or approaches of that other sector. Sometimes these changes may be deliberate or enforced (for example the VCO may decide that it must use new approaches as it seeks to win contracts or gain influence within a partnership, or the contracting organisation may impose specific requirements). But such changes may also be an unplanned consequence of expansion of activities, or exposure to different ways of working. This is not necessarily a bad thing: it would be wrong to assume that the VCS can learn nothing from other sectors and would not want to adopt any of their practices or approaches.

Isomorphism will also occur if government or business starts to adopt some of the practices and values of the VCS: if the state or the private sector starts to appear and operate more like the voluntary sector, then it could be argued that the VCS has 'won'. It has achieved what it wants: public services that are more responsive to the needs of the users, democratic structures that are more responsive and accountable, and the needs of all members of a community properly taken into account. But it also means that the sector may lose its distinctiveness.

Mark Rosenman[18] poses the following question: if on one side of the street corner is a private sector nursery delivering on behalf of the state and on the other corner a voluntary sector nursery delivering the same service, what makes the voluntary sector provider different? And if it is not different, why should it expect to be treated differently? Perhaps the real concern with greater engagement with other sectors is not losing real operational independence, but that greater partnership working, or contracting, or becoming more professionalised (or businesslike) will cause the sector to lose its ethos and values. There is a concern that the chaotic, enthusiastic, amateur, volunteer approach will disappear, and along with it all the merits of such an approach, such as innovation, flexibility, local involvement and ownership, and the sense that something is done because the people involved care or believe passionately in something. It is argued that this is what is special or distinctive about the sector – what some refer to as 'the magic of charity'.

Incapacity

Concerns about the loss of the sector's independence may also be a way of expressing concern about the sector's perceived lack of strength. There is a concern that other players/partners have greater strength, normally financial strength, and that if we enter into a relationship with them we will inevitably 'lose' independence to them. This is the argument of incapacitating independence: that the stipulations of government contracts, auditing and accounting procedures, and the fear of losing funding, prevent the sector from operating independently. And in particular the concern is that because of its relationship with government the sector loses its independent voice: its capacity to challenge and criticise.

There are unquestionably real risks here. But these can be overplayed or misunderstood. The VCS may not be as weak as it thinks. A greater problem, however, is that in some cases those arguing that the sector's capacity for independent action is being undermined are in fact confusing regulation with dependency. When an organisation talks about its loss of independence it may in fact be talking about a reduced ability to take risk, or a perfectly legitimate expectation on the part of a funder that it should account for how it has spent its resources. Independence can equal irresponsibility: in some cases checks and balances are needed. As Nicholas Deakin has rightly pointed out, we should not presume that independence trumps accountability[19].

[18] presentation to NCVO's 9th
Researching the Voluntary Sector
Conference September 2003

[19] Presentation by Professor Nicholas
Deakin at London School of Economic
conference *An Independent Sector?*
7th April 2003

Who is independence constrained by and how?

The previous two chapters described how shifting relationships between the voluntary and community sector, government, business and the informal sector can create tensions and raise concerns that the independence of the VCS is under threat. The last chapter described in abstract terms how other sectors might impact on the independence of the VCS. This chapter moves on to consider in more detail exactly who it is that might impact upon independence of the sector and, perhaps more importantly, what specific aspects of the sector's relationships with others can impact on independence.

Who impacts on the independence of the sector?

The voluntary and community sector has a large number of disparate stakeholders, all of whom can, to greater or lesser extents, constrain a particular organisation's freedom to act, or direct an organisation in a particular way. The significance of any particular stakeholder group will vary for different organisations, but most VCOs will need to take account of the following:

- **government (central, regional or local)**
- **funders, including donors**
- **beneficiaries, including users and/or members**
- **staff, trustees and volunteers**
- **the general public**
- **the media**
- **business**
- **other voluntary organisations**

Government

The preceding chapters have talked about the fact that the debate about voluntary sector independence is largely framed in terms of the sector's relationship with government. And the primary concern arises from the funding relationship. Government funds the VCS through a combination of grants and contracts. In recent years there has been a shift from grant funding towards contract funding; this is in line with government policy to increase the role of the sector in public service delivery. Government funding now accounts for 37% of the sector's income, as compared to 27% in 1991[20].

Government is also important because it sets the policy environment in which the sector operates. This may be through specific policies in relation to the sector (for example, reform of charity law, charity taxation, the promotion of civil society and volunteering) or policy programmes in areas in which certain sub-sectors or organisations operate (for example, environmental policies, regeneration, children's services). Inevitably, if government has a substantial range of policy proposals directly relating to the sector, or its wider social policies and programmes impact on areas in which the sector operates, then much of the work of the sector will need to be responsive to those policies.

Finally, government also plays a key role as a regulator of the VCS. Voluntary and community organisations that are charities are subject to charity law and regulation. But many organisations will also be subject to a plethora of other regulatory regimes. For example, a charity providing children's care services will be subject to charity law; it is probably a company limited by guarantee and therefore subject to company law; as an employer it must comply with employment law and regulation; health and safety regulation will apply; if it makes use of volunteers then it must check them with the Criminal Records Bureau; there are a variety of regulatory regimes in relation to care standards and residential homes; and finally it will also be governed by The Children's Act.

There is a tendency when talking about the relationship between the sector and government to focus on central government. However for the vast majority of VCOs the only direct relationship they have with government is at a local level, and the experience locally can be very different from stated national policy in relation to the sector. Whilst serious problems can arise at the national level, they are rare, and when they do happen they tend to attract a lot of publicity. This is because the Government has made very public commitments to working with the voluntary sector. It has also made very public statements about recognising and preserving the

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[20] UK Voluntary Sector Almanac, Wilding et al, NCVO 2004

independence of the sector. The same is not always true at a local level. Some parts of local government have a very positive and supportive attitude towards their local voluntary and community sector, others are indifferent, and in some cases there is hostility. It is at a local level that VCOs are most likely to complain that they are either not part of a local partnership, or that if they are there it is tokenism to meet the requirements of central government funders. Locally based VCOs are more likely to believe that if they receive funding from (local) government, then they will not be able to speak out or campaign on behalf of the local community.

Other funders

However significant it may be, government is not the only funder of the VCS. There are many organisations who receive little or no funding from statutory bodies. Other funding comes from a wide variety of sources, including: charitable trusts and endowments; the National Lottery distributors; corporate donors; individual donations; and fees and charges. Whilst some of this income will be free – that is, it is given unconditionally for the organisation to use as it sees fit – in most cases the bulk will be provided for a specific purpose. Individual donors tend to support particular organisations, but philanthropic trusts, corporate donors and the Lottery fund specific projects rather than specific organisations. As with government, other funders may affect the activities an organisation undertakes, the way it delivers them, and may require it to be accountable for its actions.

Beneficiaries

Most VCOs operate to promote or support the interests of a particular community – that may be a community of interest or a geographic community. The community may be members of the organisation, or users or beneficiaries of its activities. The rise of the consumer society, described in chapter 3, has meant that organisations have to place the needs and preferences of users and members more than ever at the heart of what they do. Funders increasingly expect organisations to be able to demonstrate how the work they undertake meets the needs of the community it exists for, and how their concerns and preferences are taken into account. In many cases users or members provide an organisation with its legitimacy to act or to campaign, and they can help to reinforce its independence: demonstrating the extent to which you are user led can strengthen a case when lobbying government or seeking funding.

This focus on users and members can impact on the traditional independence of the trustees and staff of a voluntary organisation to determine the purposes and activities of their organisations as they see fit. This has been particularly evident in the field of disability, where there has been a growing movement away from organisations set up 'for' a particular interest group towards organisations 'of' the users or members, and where those organisations that do not include the users or members on their board or amongst their staff face criticism, or even public opposition, from users or potential users. The growing role of members, users or beneficiaries in directing an organisation can also create problems if the members do not agree on the best means of achieving their objectives. The RSPCA provides an example of an organisation where different groupings of members interpret the remit towards animals as beneficiaries in radically different ways.

The general public and the media

The support of the general public – demonstrated in the much higher levels of trust and confidence that the public have in voluntary organisations than most public institutions, and in practice through popular support, donations and volunteering – provide voluntary and community organisations with their legitimacy. Public support is important to most VCOs. However, that is not necessarily the same as saying that the sector only operates in those fields that are popular. There is a fine balance to be achieved between public support for the sector as a whole, and the fact that a significant number of VCOs deal with issues that are unpopular or misunderstood – drug abuse and support for refugees are recent cases in point.

The media can also play a crucial role here. At its best, the media can help to explain difficult issues and educate the public, creating additional support for VCOs working in difficult fields. But at its worst the media, in a self-appointed (and self defined) role of guardian of the public interest, can impact on the ability of the sector to act independently, for example recent press stories have resulted in Charity Commission investigations into particular charities. Inaccurate stories can cause an organisation to lose popular support and hence donations and volunteers, and popular opinion supported by the local media may prevent an organisation from being able to operate in a local area (a problem regularly experienced by those trying to run hostels or support services for the homeless or those with drug or alcohol problems). The organisation may retain its independence, but its ability to act in the best interests of its beneficiaries and to meet its objectives can be severely compromised if it cannot win understanding or support from the public or the media.

It is also important to remember that what interests or concerns the public and the media is ever changing. At present the 'unpopular' causes as identified by the tabloid press are immigration and asylum. However during the 1980s the tabloids focussed their opposition on groups supporting single parents. Whilst the support of the public and the media can be important, it is also fickle. An organisation may be 'popular' or 'unpopular' at any given time, but the vast majority operate out of the limelight.

Business

The second section of this report talked about the changing nature of the relationship between the voluntary and community sector and business. It also pointed out that it is the relationship to which least attention is paid. And yet, in his response to Robert Whelan, Nicholas Deakin pointed out that:

'while it is perfectly true that there are real dangers of inappropriate relationships developing [with government], the risks lie almost as much in the voluntary and community sector's relationships with the market.' [21]

VCOs who might be cynical about the reasons that government wants to fund them or enter into partnerships, may be far less cautious about the private sector. A further problem is that the sector often sells itself short: the private sector may want to ally itself to a particular VCO because the Chief Executive or Board of Directors has a genuine philanthropic impulse, but it is as likely that they will do so because they see a marketing advantage. A partnership with a charity may buy an organisation credibility, it may help it win over particular segments of the market, or it may be part of a PR strategy responding to criticism of its corporate behaviour. There is not necessarily anything wrong in this – provided the VCO involved fully understands the reasons for its partnership and any implications it may have for its own credibility and public image and that it ensures that it benefits at least as much from the relationship.

[21] commentary by Nicholas Deakin in Involuntary Action: How Voluntary is the Voluntary Sector? Robert Whelan, 1999.

'while it is perfectly true that there are real dangers of inappropriate relationships developing [with government], the risks lie almost as much in the voluntary and community sector's relationships with the market.' Nicholas Deakin

There is also a strong possibility that the business sector may become increasingly aggressive towards the VCS. Many multi-nationals have been subject to high profile VCS campaigns. As yet it is rare for the commercial sector to fight back. And even where the private sector has fought back, it has done little to damage the credibility of the VCO directly involved, for example in the case of Shell and Greenpeace over the sinking of Brent Spar. However the sector should not count on that remaining the case. There is more evidence of the private sector being prepared to act on commercial grounds where it is in competition with a charity, particularly in the USA. The most high profile recent example is the lawsuit brought by an American doll manufacturer against the Diana Fund.

Other voluntary organisations
The final relationship to bear in mind is the internal one: how different parts of the sector work together, and how the behaviour of one organisation, or one part of the sector, can impact on others.

The VCS has not always been good at working in partnership. As much as any other sector, it can be riven by internal differences and rivalries. And the reality is that different sector organisations have always been in competition for public support and funding – be that from individual donors, large trusts or the statutory sector. However, the last few years has seen a strong emphasis on partnership working. The sector regularly calls on different statutory agencies to become more effective at working in together and at working in partnership with the sector. A common criticism in return, which is often dismissed, is that external agencies find it hard to work with the VCS because the sector has no cohesion and is incapable of speaking with one voice.

The actions of a single organisation, or several organisations, can also impact on the way the wider sector is understood or perceived. A high profile media case about a fraudulent charity can impact on the income of the whole sector. However such cases are relatively rare. A bigger concern for many is how some organisations may operate in a way which is of direct benefit to themselves and entirely legitimate, but with little appreciation or concern for the possible longer term consequences their actions may have for the sector as a whole. Fundraising methods are a case in point: whilst some VCOs consider "chugging" (a term derived from charity mugging, where agency staff sign donors up to direct debits on the street) to be highly effective, others believe it can undermine public support for the sector, put off potential donors, and increase the risk of additional external regulation of the sector by government.

VCOs may need to give some thought to how in the legitimate pursuit of their primary purpose they should give greater consideration to the long term consequences of their actions. The sector needs to get better at working together: in order to do so it needs to get better at balancing the interests of independent organisations with the wider interests of the sector, their beneficiaries and the public.

Myth or reality: what is the impact of those constraints?

The previous chapter demonstrated that a variety of different stakeholders impact on VCS independence. But the means by which each can threaten or challenge the sector's independence are very similar. Perhaps the more important question is, what are the nature of the relationships that VCOs have with the various stakeholders? And do those different relationships in practice impact on the way an individual organisation (or indeed the sector as a whole) operates or is perceived?

Whilst there is much talk about a reduction in the sector's independence, or threats to the sector's independence, there is very little evidence to suggest that VCOs really are being neutered by contracts, or that the sector is losing its voice and its willingness to speak out. This chapter will consider how the funding relationships and partnerships the sector has developed, the legal and regulatory framework it must abide by and the social and political context it operates in have impacted on the VCS and what that means for public trust and confidence in the sector.

Campaigning, lobbying, advocacy

For many, funding is the key issue in the independence debate. When Whelan argued that parts of the voluntary sector are 'muzzled by contract and neutered by subsidy' [22], he was not alone in this view. In Whelans's case he is not arguing that VCOs should not accept government funding in order to be able to maintain their campaigning role, he believes that such a role is also inappropriate because in doing so charities 'augment the political sector at the expense of civil society' [23]. But in this his opinion is in stark contrast to the most commonly expressed concern: that a powerful funder (such as, but not only, government) can prevent an organisation from a

legitimate campaigning and lobbying role: criticising government policy; opposing the actions of the corporate sector; or lobbying on certain issues.

We have a Government that claims it expects the sector to bite the hand that feeds it. A commitment to ensuring that the funding relationship between the sector and government does not prevent voluntary and community organisations from criticising government or campaigning against government policy is enshrined in the Compact, and in particular the compact code on funding. The question is, to what extent do most voluntary organisations have the confidence to make use of the Compact and to bite the hand that feeds them?

There may be good grounds for caution. Many doubt how comfortable the Government really is with criticism from the sector. Though they were strongly denied, there were allegations from the homelessness sector that civil servants made it clear that they expected organisations in receipt of funding to follow the government policy line and similar allegations have been made in respect of funding for the Refugee Council. The major constraint for the Government is the bad publicity that a breach of the Compact would create, but where the Compact does not rule, they have stepped in sharply (for example, the Community Fund grant to the National Coalition of Anti–Deportation Campaigns). And it is not clear that all parts of government are prepared to accept that their hand should be bitten. There is anecdotal evidence to suggest that the real risk to funding of speaking out is at the local level.

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[22] Involuntary Action: How Voluntary is the 'Voluntary' Sector? Robert Whelan, 1999
[23] Involuntary Action, 1999

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But is there any real evidence in either direction? As the Baring Foundation commented,

'it is hard to identify any organisations actually losing funding as a result of criticising either policy or programmes. It is more likely that organisations censor themselves, in fear of reprisal, without any hard evidence that this would be the effect.' [24]

In research undertaken by NCVO and Ashridge Centre for Business and Society in 2002, a significant number of VCOs surveyed indicated that they would prefer the balance between service delivery and campaigning work to be better than it is. However, whilst those surveyed cited contracts with government as the second biggest constraint on their ability to influence and campaign, it was cited by less than 10% of respondents, compared to the 70% who gave the major constraint as cost [25].

Fear of losing funding is not the only constraint. Increasingly the sector is campaigning, or negotiating and developing certain policies with government on a partnership basis. Representatives from VCOs are to be found on public sector steering groups, partnership boards, working groups, or on secondment to government projects. As voluntary organisations take on new roles in partnerships, helping to identify problems, develop policy solutions and implement them, then they need to accept a degree of shared responsibility for both the processes and the outcome.

Most would agree that the purpose of the VCS is to ensure that policies and services are developed in the best interests of users/communities and not to be a critic for the sake of it. It may be that in some partnerships VCOs trade their ability to criticise or lobby in order to increase their actual influence and

ensure better outcomes overall for users or members. However, there is a risk that some organisations may feel that their membership of a partnership prevents any criticism of the actions of other partners, even where those actions are outside the scope of the partnership. This is something to guard against.

But VCOs, particularly the larger and more influential organisations, do need to think carefully about the implications of adopting insider, rather than outsider strategies [26]. The decision to take an insider strategy – to negotiate behind closed doors – can create problems for the sector as a whole. Some

'If a charity has a large amount of public funding, there is a tendency to lobby in private and not put ideas into the public domain for others to use, which is detrimental to debate.' [27]

organisations are well versed in negotiating with and influencing government, but if they do so behind closed doors, it may weaken others in the sector.

The biggest difficulty with such a pragmatic approach is not that the independence of the particular organisation is necessarily comprised, but that the

'it is hard to identify any organisations actually losing funding as a result of criticising either policy or programmes. It is more likely that organisations censor themselves, in fear of reprisal, without any hard evidence that this would be the effect.'

close relationship they have with government may create the perception amongst those looking on that it has been. A secondary concern is to be sure that an organisation negotiating in private does not hold a public position on an issue that differs from (or appears to differ from) the line taken in private lobbying. And finally, the sector needs to bear in mind that some VCOs, or some parts of the sector, may increasingly be perceived to be part of the establishment. All of these issues can undermine trust and confidence within the sector, and it is unlikely to help maintain trust and confidence with the statutory partner agency either. It will also call into question the extent to which that organisation is able to act as an independent voice.

Whilst there may be little evidence of a real threat at present, we perhaps need to be mindful of what is happening in the USA. The last few years have seen far more explicit government efforts to only fund those organisations that support government policy and to withdraw funding from those who oppose government policy. This has been particularly marked in the aid sector, where USA aid charities have been required to make clear that the aid they provide is from the United States government [28]. And during the autumn of 2003 there were suggestions (denied) that the USA branch of the Red Cross attempted to

influence policy positions of the UK Red Cross that were critical of US government policy. At the same time, right wing organisations in the USA, such as NGO Watch, attempt to blacklist charities that speak out against government policy. These organisations are turning their attention to UK organisations. For example, in 2003 Interpal (a charity set up to provide relief and development aid to the poor and needy of Palestine) had its assets frozen whilst the Charity Commission undertook an investigation into its activities in response to representations made to the UK government by the USA; in September 2003 the Charity Commission found no wrong doing on the part of Interpal.

Mission drift

Funding relationships and partnership working can also lead to mission drift in VCOs. Whilst general grant funding allows an organisation to deliver against its core purposes in the way it considers most appropriate, funders are increasingly specifying what purposes resources are for and how those purposes should be delivered. Trusts, foundations, corporate funders and the government, all fund purposes and activities that are of concern to themselves or help to meet their objectives. As a result an organisation may become diverted to delivering the funder's priorities and away from its own mission and core purposes.

A funder can also impact on an organisation's ability to deliver against its mission where it is providing funding for a core activity. If that funding does not cover full costs, or where it requires match funding, then the VCO can only deliver by committing some of its own resources to the project. In some cases this is not a problem – it may be a decision to work in partnership and for both sides to invest. But in other cases it

[24] Speaking Truth to Power, The Baring Foundation, 2000

[25] The Third Sector: *Vision for the Future*, Chris Gribben, Campbell Robb and Karl Wilding, NCVO 2002

[26] Insider and outsider strategies discussed in Willing Partners? Voluntary and Community Associations in the Democratic Process, Craig,G; Warburton, D; Monro, S; and Taylor, M, 2001

[27] Neil Churchill, Director of Communications, Age Concern, quoted in Third Sector, 13th March 2002

[28] Naomi Klein, The Guardian, 23rd June 2003; Abigail Fielding-Smith, The Guardian, 9th January 2004

[29] Colin Rochester, presentation to Charityfair 1999, quoted in The Guardian Society finance, 28th April 1999

> 'The challenge is to recognise the genesis of the idea and retain some credit for it, while not losing the capacity to question the direction of the policy.'

means the VCO is effectively compelled to subsidise the project – and puts undue emphasis on one part of an organisation's mission – at the expense of activities the organisation would otherwise have undertaken. Similarly, the amount of time and energy committed to a major partnership project may mean that an organisation focuses on a limited number of its objectives, which it shares with its other partners, but leaves it little if any time and resources to devote to other aspects of its mission which do not form part of the partnership.

'I don't think there is a huge problem about losing the freedom to campaign if you are taking government money. What I do say is that producing the programmes the government wants occupies time which would otherwise be spent on other kinds of activities. It freezes out those activities. It is not a question of being censored; its a question of your energy being put into delivering services.' [29]

From the point of view of the funder, this is not unreasonable: he who pays the piper calls the tune. The danger is that, in an environment where funding is hard to come by, VCOs become too focussed on chasing the funding, without giving enough consideration as to whether or not the funding is appropriate. It is easy to say, and difficult to do, but if the VCS wants to preserve its integrity and its independence, then organisations need to negotiate the terms and conditions of a contract and be prepared to walk away from funding or partnerships that do not help to meet their core purposes. The sector needs to remember that it does not have to dance to another person's tune. This can be difficult; and in walking away there is no guarantee that resources will be available from other sources for the work an organisation wants to do. But the sector and

individual VCOs have to accept a responsibility for ensuring that we focus on our own objectives.

There are many instances when the objectives of the sector and government are sufficiently close that mission drift is not an issue. However, it can still be perceived as a problem because it can be difficult to identify the role the sector has played when it shares the objectives of the Government. There is often an assumption that the sector is reacting to government policy when in fact it may have initiated it. For example, ideas developed by the Development Trusts Association about asset based community regeneration were adopted in the Government's Neighbourhood Renewal Strategy. Charity law reform is another case in point: this work was recommended by the Deakin Commission in 1996, and NCVO published a consultation paper on proposals for reform six months before the Cabinet Office began its review, yet it is now talked of as the government review of charity law.

'The challenge is to recognise the genesis of the idea and retain some credit for it, while not losing the capacity to question the direction of the policy.' [30]

Is it enough that the sector is achieving the changes it wants and having its policies adopted by government, or should we perhaps be more concerned to ensure recognition for the policies we develop? We may need to give more thought to how the sector preserves

both the appearance of and understanding of its independence when its objectives and activities are in accord with those of government.

Financial dependency or sustainability?

Funding relationships can threaten the independence of an organisation in a variety of ways. The earlier part of this chapter discussed how funders can influence the activities of an organisation. However issues of dependency and sustainability are also important.

Problems mainly arise where an organisation depends on a single funder for a substantial majority of its income. This closeness to a particular funder may not be a matter of choice; it may be the only source of funding available; but it does make an organisation vulnerable. If funding from any one funder accounts for only a limited proportion of an organisation's income, then loss of that particular funding stream may only result in the loss of a specific service or activity. But if an organisation is dependent on only one funder, or upon a major funder, then withdrawal of funding could result in the closure of the organisation. Such a relationship will increase the likelihood that the VCO feels unwilling or unable to criticise the actions of its funder: the threat of the loss of funding will be so much greater where it has no other resources to fall back on.

However, when considering the influence that a single funder can have, it may be important to distinguish between a single contract or grant, and multiple contracts. An organisation which receives 60% of its funding from a single government contract and the remainder from a dozen different sources, may be more vulnerable than an organisation which initially appears to receive 90% of its funding from government, but on closer investigation that funding

is made up of nine or ten different contracts with different parts of government – for example, a number of large charities have high levels of public sector income made up from multiple local authority contracts. Whilst the high percentage of government funding may cause some to see them as little more than public sector agents, the large number of different contracts means that the organisation can walk away from any one contract if the terms are not right.

Dependency on one major funder may also weaken the ability of a VCO to fundraise from other sources, particularly through donations from the public. It may become associated so strongly with the funder that it is perceived as part of the funding organisation, or as an agent of it. This is a concern normally expressed about the impact of government funding: but it could equally apply to corporate funding in certain fields.

Regulation

VCOs are regulated through legislation, audit and accounting requirements and by contract. It is a frequently expressed concern that regulatory and audit controls and the specifications of contracts can move VCOs away from their mission, give them less scope to be innovative and responsive and could ultimately make some sector organisations indistinguishable from the public sector.

There is no case for saying that the VCS be exempt from normal regulatory requirements, such as employment legislation and health and safety law. It is of course essential that any organisation providing care or services to those that are vulnerable is properly governed and properly regulated. However there is some concern about the extent to which some parts of the sector are subject to regulation, and whether

[30] Speaking Truth to Power, The Baring Foundation, 2000

[31] This subject will be addressed in more detail in a separate piece of work being undertaken by NCVO to be published in spring 2004.

that regulation is proportionate to the risk involved. It has been suggested that there is a dangerous disconnection between funding and regulation. This in itself is clearly not a matter for the voluntary sector alone. The public and private sectors are also subject to much of this regulation.[31]

However, regulation and contracts can also operate as important protections, both for the organisations themselves and also for the communities they work for and with. For example, a charity can only operate in accordance with its charitable objects and the constraints of charity law. This can provide an important protection to the independence of many charities. It is simply not possible for other organisations to redirect the activities or mission of such organisations.

Many government funded services are highly centralised and are driven by the need to meet performance and output targets. As a result partnership agreements or contract funding can constrain or direct the way in which a service will be provided rather than allow the voluntary organisation to use its discretion and experience to provide a service in the ways it considers most appropriate. However contracts are two way agreements: it is for each VCO to negotiate the terms on which it is prepared to enter into a contract. The weakness of the sector is that all too often it believes it has to sign the contract it is offered, rather than negotiate the terms. In some cases walking away may mean the contract is lost, but in many cases it may be that there is no one else who can deliver that service, and the funder is forced to renegotiate.

But for many the greater concern is over the growing audit and performance measurement culture. Government easily moves beyond regulation and contract to audit, monitoring and evaluation in ways that are often heavy handed and limiting. The Government's response to the Strategy Unit report on charity law and regulation indicates an increased interest within government and the Charity Commission in promoting (or requiring) greater levels of reporting and accounting. The justification for greater government interest in the reporting, accounting and performance management procedures of the independent voluntary and community sector is that government has a responsibility to protect public money, public trust and public interest. And this interest in guarding the public interest is used as a justification by local as well as central government – indeed many in local government would argue this role more strongly because of their role as community leader and their duty to act in the community interest.

'the importance of local government in securing local accountability by acting as the guardian of the public interest ... and by ensuring that appropriate processes are followed' [32]

This is true, but only to a certain point. The VCS is not like the private sector, and it is not necessarily in our interests that it should be given the same freedom as the private sector: charitable income should be properly protected. But it is equally true that the VCS is not the same as the public sector, it is an independent sector and should be treated as such. If the VCS is over-regulated it stands in danger of becoming like the public sector, weighed down by the same constraints and limitations. It means that what made the sector distinctive in the first place, and the reasons that government often wants to work with it, can be diluted or suffocated.

'the importance of local government in securing local accountability by acting as the guardian of the public interest ... and by ensuring that appropriate processes are followed'

[32] Helen Sullivan, New Forms of Local Accountability: Coming to Terms with Many Hands? Policy and Politics, July 2003

However, it is worth noting that in the NCVO/Ashridge study most VCOs recorded that the greatest pressure to demonstrate effectiveness and accountability (in respect of both their service delivery role and their campaigning and advocacy role) came not from government but from their own members[33]. This reinforces the point quoted earlier from Nicholas Deakin, that independence does not mean that VCOs should not be accountable. Funders, and government as a regulator of the public interest, do have a legitimate right to expect certain levels of audit and accountability. What is important it to make sure that those requirements do not impose a disproportionate burden. More importantly, VCOs have a responsibility to ensure that they are open and accountable in their dealings with their members, users and donors.

Professionalism and managerialism

The greater dependence on earned income, the growing concern of funders to monitor the way in which funding is used, and the growth of consumerist attitudes have all created an environment in which there is ever greater emphasis on contract negotiation and management, auditing, accounting and performance reporting. There is a feeling that VCOs need to move away from well meaning amateurism and become more professional in the ways in which they operate in order to ensure that they are making the best possible use of their limited resources and operating as efficiently as possible in pursuit of their objectives. In itself this is no bad thing. But there are concerns that perhaps the sector, or parts of the sector, is placing too great an emphasis on becoming more business-like and in consequence undervaluing the different values and approaches that have traditionally applied in the voluntary and community sector.

The pressure to be efficient, to focus on performance improvement and to win contracts may cause organisations to employ people with professional and business skills rather than those who are more focussed on the actual mission of the organisation. At its most extreme, this can lead to managerialism at the top of charities: managers usurping the role of trustee boards; boards and volunteers becoming less influential than professional staff; and charities, driven by the concerns of their professional staff rather than the unpaid trustees, focusing on funding and targets rather than the core mission. And yet in this focus on professionally skilled staff VCOs are struggling with a contradiction, because all too often the funders and members of the public who call most loudly for professional, properly delivered services, are also those who expect the VCOs to be run by amateurs who are either volunteers or poorly paid, and who invest little or nothing in skills and training.

In 1994 Stuart Etherington expressed concern at the Charities Aid Foundation conference about the sector using tools that were meant for business – in this instance quality tools – and argued that we should have our own tools *developed by us and for us*[34]. The sector has since developed its own approaches to quality standards, and we are now doing the same for performance management and measurement; there are arguments in favour of the inclusion of Chief Executives on trustee boards and the payment of trustees, because this is what happens on private sector boards; and there are calls for a voluntary sector equivalent of the Private Finance Initiative to encourage the sector's role in contracting. But do we need to step back further and ask whether the practices are appropriate, regardless of sector specific tools? It may be that we have been too quick to accept that becoming more business-like is always good,

when we should perhaps question in some cases whether or not business-like approaches are necessarily appropriate for the VCS.

Efficiency and performance improvement is to be encouraged – but the processes employed can make organisations more formal, less flexible and less responsive. If we allow this to happen, those in the sector may start to look like yet another set of bureaucrats – the civil service of the voluntary sector. VCOs must not lose a willingness to take risks and challenge convention. Ultimately the sector needs to recognise, understand and preserve what makes it different from the public and private sectors. It is that difference that provides a value for users, members and communities, and is the reason that government wants to contract with VCOs or include them in partnerships.

Public trust and confidence

Ultimately the real test of whether or not the sector is too close to government, or becoming too much like the private or public sectors, depends on whether or not it impacts on the levels of public trust and confidence in the sector. Public support provides the corner stone of VCOs legitimacy; but it also provides valuable independent resources through donations and volunteer time.

Many service users prefer to use the services of an independent voluntary organisation rather than state or private sector welfare services because VCOs are trusted more. They are also perceived to have less stigma attached to them than state welfare. If VCOs are to continue to meet the needs of these people it is essential that they are perceived to be part of an independent sector and not as agents of the state; and that independent VCOs are perceived as different

from the independent private sector.

It is at least as important that VCOs are clearly seen to be independent by the wider public who are our donors and volunteers. Donors and volunteers are far less likely to support organisations that they perceive to be public sector agencies, and there may be an even greater negative effect if donors become concerned that their time and donations are being used to subsidise those services that they feel should properly be paid for by the state.

There is evidence that trust and confidence in the VCS is being maintained at high levels – and significantly higher than most public sector and private sector organisations. The value of donations by the public and of volunteering is also being maintained. However there are worrying suggestions that the same value of donations and volunteering time is being maintained by a smaller pool of donors and volunteers (i.e. that fewer people are now giving time and money but that those who are giving are giving more). VCOs need to ensure not just that they operate independently, but that they are perceived and treated as independent organisations by the government and the public.

[33] pp21-22, The Third Sector: Vision for the Future, Chris Gribben, Campbell Robb and Karl Wilding, 2002

[34] Looking to the Millennium: CAF Conference 10th November 1994, Redefining Charity: Speech by Stuart Etherington, NCVO 1994

The way forward: how can the sector protect its independence?

Independence is at the heart of what voluntary and community organisations are and what they do. Many of the concerns about threats to VCS independence are accepted as truths, without sufficient questioning. There is little real evidence to suggest that the sector has become an arm of state, or that it is starting to function more like government agencies, or that it has lost its voice.

Public trust and confidence in the VCS remains high. This is important because public support plays a major role in the sector being able to assert its independence. Public support through volunteering and donations enable organisations to take forward their work. And public support and engagement with the sector provides us with the legitimacy for what we do. In many cases the reason that government wants to work with the sector, to include it in a particular partnership, is the recognition that voluntary organisations have higher levels of trust from the general public, and are better able to access and address the needs of particular communities.

Maintaining public trust and confidence does not mean that VCOs always work in areas which have high levels of support from the public. The aims and purposes of some VCOs may not accord with the popular opinions of large parts of the public. But it is important that the independence of VCOs to act in the interests of a minority group or issue is protected. The VCO or sub-sector concerned clearly has a role to play in explaining its aims and activities clearly, to ensure that supporters and donors are clear about its work. But government and the media also have an important role to play in ensuring that the work of VCOs, often with the most vulnerable in society, is not misrepresented for political or ideological reasons.

There is a very real risk that if the sector is perceived to have lost its independence, to have become an agent of the state, then, regardless of the reality, this will have an impact on the ways in which organisations are able to operate. And there are undeniably risks for the independence of individual organisations in all of a VCOs relationships, if they are not properly managed. Voluntary and community organisations must ensure that they operate in ways which merit the public putting their trust in them: they must avoid actions or behaviours which could undermine public trust and confidence either in their own organisation, or in the sector as a whole.

Mechanisms for ensuring our independence

It is important that the independence of the sector is understood and valued not just by our many and varied stakeholders, but by VCOs themselves. At the heart of the issue of independence is the need for VCOs to ensure and assert their independence. A variety of tools already exist which help define and protect the independence of the sector. Some of these tools and the ways in which they can be used are described below. We need to make sure that we make effective use of these tools, and develop new ones where necessary.

Governance

One of the most important tools available to VCOs is our governance structures. The independence of the voluntary sector is enshrined in the fact that voluntary organisations are governed by independent, unpaid boards of trustees. Suggestions have been made to allow for payment of trustees (beyond the circumstances currently allowed for by the Charity Commission) and for the inclusion of the Chief Executive on the board of a charity. NCVO does not support these proposals. Private sector models do not necessarily provide an appropriate route for the VCS to follow. Very careful thought should be given to the implications for the sector of any moves in this direction.

VCOs should ensure that all of their trustees are independent and act at all times in the best interest of the organisation. Problems can arise where a major funder seeks to nominate one or more people to the

board of an independent VCO. Funders should not be entitled to nominate a representative to the board of an independent organisation. It may, however, be appropriate for a funder to attend board meetings as an observer. This issue tends to arise most at the local level. Many local councillors are also active in the local VCS. However, a clear distinction needs to be made between a local authority appointment to a board, and an independent trustee who also happens to be a local councillor.

Trustee boards need to take a clear responsibility for:

- **determining the role of their organisation;**
- **being clear about objectives, actions to support and promote those objectives and preventing mission drift;**
- **rejecting proposals for funding and partnership where they run counter to the organisation's objectives, or direct it away from agreed core priorities and values; and**
- **ensuring that the organisation is transparent and accountable for its actions.**

There is unquestionably scope for strengthening and improving the sector's governance structures. NCVO's Trustee and Governance team works to help voluntary organisations improve their governance structures and develop the skills and expertise of trustees. The Active Community Directorate are investing additional resources in the sector's governance as part of their strategy for voluntary and community sector infrastructure. This needs to build on and develop existing good practice.

Improved transparency and accountability

Voluntary and community organisations need to operate in open, transparent and accountable ways. Information about an organisation's purposes and activities and the outcomes of its work should be easily accessible not just for funders, but for donors, beneficiaries, members and the wider public[35]. VCOs should aim for high standards in transparency and accountability as a matter of best practice, because it is in the interests of their beneficiaries and their organisation, not because regulators and funders are increasingly expecting this of them.

All registered charities should ensure that they file their annual report and accounts promptly with the Charity Commission. All VCOs should ensure that their annual report and accounts are publicly available in an accessible format. If a VCO has a website, it should include at least a summary of the annual report and accounts and information about how to obtain the full report. Ideally the full report and accounts should be made available on the website. New tools are likely to be available in the near future, including GuideStar, a national database containing information on organisations' aims, activities and outcomes, which VCOs should make full use of.

The VCS has taken forward significant work programmes to develop quality standards for VCOs. More recently impact reporting has been introduced in parts of the sector. All VCOs should make a commitment to continuously improving their services and other activities. In doing this they should consider the potential benefits to their organisation, their beneficiaries and other stakeholders of using a variety of performance improvement approaches including quality standards, benchmarking and the assessing the outcomes and impact of their work.

Charity law and regulation

Charity law can provide an important protection for the independent mission and activities of a charity. The trustees of a charity must ensure that the charity complies with the requirements of charity law and regulation, and that the charity acts in a manner to further its charitable objectives.

The Strategy Unit review of charity law and regulation recommended that the Charity Commission should distinguish more clearly between its role as a regulator and the advice it gives to charities. It is essential that where the Charity Commission gives advice about the administration of a charity (for example the extent to which an organisation can engage in political activities and campaigning, or best practice in performance management and monitoring) it clearly distinguishes between legal and regulatory requirements that a charity must comply with, and advice and opinion which the charity should take account of but which it may choose to disregard.

It is right that VCOs should be bound by the same legal and regulatory requirements as any other organisation. However, government has a responsibility to review regulation on a regular basis to ensure that it is proportionate and appropriate. Government should not seek to extend regulatory or audit controls into areas which are properly the matter for the independent governance structures of the organisation. Government should not seek to regulate, monitor or audit the VCS as if it were part of the public sector, regardless of the funding relationship: individual public sector contracts or grants may be the subject of audit and monitoring, but this should not extend to the entire organisation and any of its activities which are beyond the scope of the grant or contract.

Funding

The voluntary and community sector needs to improve its skills in negotiating and managing funding. When seeking funding, VCOs need to be clear about their mission and the activities they wish to undertake, and seek funding accordingly. The trustees of VCOs have a responsibility to ensure that their organisation is driven by their mission, not by the demands of a funder.

Serious problems can arise where an organisation is heavily dependent on a single funder. If voluntary organisations can diversify their sources of funding, including earned income, it will help to ensure their ability to act independently and protect the long term sustainability of the organisation. In order to achieve this we need to consider new mechanisms for funding the sector. One option that government, and in particular local government, should consider is asset transfer from the public sector to the VCS. This could be a very positive step forward for many local and community based groups. The VCS also needs to be open to alternative funding models, rather than assuming that grant funding is always the most desirable option. The Futurebuilders fund has proposed making available loan funding and investment capital. Other funders have also considered this route. Loans and investment capital will not be suitable for all VCOs, but they will for some; it should not be assumed that these are inappropriate funding vehicles for the sector.

Contracts for the delivery of public services account for a significant proportion of VCS income. The VCS needs to make better use of contracts. Both the sector and government (as a contractor) must recognise that a contract is a two way negotiation. Terms should be negotiated and agreed; changes

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[35] NCVO will be publishing a report looking in more detail at the issues of transparency and accountability in spring 2004.

should not be imposed part way through a contract; and contracts should be calculated on a full cost recovery basis. The VCS needs to develop its ability to demonstrate (and cost) the added value it brings to a service and include that added value in contract negotiations.

Government at all levels should implement in full the recommendations of the Treasury Cross Cutting review in relation to funding, particularly to full cost recovery. It should ensure that in its relationships with the VCS it operates in accordance with the recent Treasury guidance to funders; to guidance on full cost recovery issued by ACEVO; and to the commitments of the Compact and its associated funding code. The VCS should ensure it makes use of these documents in its relationships with government, and should encourage other funders also to be mindful of them.

VCOs should be prepared to walk away from a grant or contract if the terms on which it is offered are inappropriate. The sector needs to recognise that it may often be the stronger partner in a negotiation – it may be the only potential service provider – and be prepared to say a little more often, this is the service we are interested in providing, this is the cost, take it or leave it.

Partnership working
Working collaboratively, or more formally in a partnership, can be extremely beneficial to voluntary and community organisations. A partnership may be with others in the sector, with a private sector organisation, or with statutory bodies.

Voluntary and community organisations need to be clear about the reasons that they enter into partnerships with other organisations and the possible impact that those relationships may have. Joining a

partnership should be an active decision. Before joining a VCO should weigh up the risks and benefits, and be clear what its strengths are and contribution it will be making to the partnership.

For some organisations it is important – to their beneficiaries, their members or their funders – that they not only are independent, but that they appear so. Partnership working may therefore be inappropriate. However other organisations may reasonably conclude that they will achieve greater benefit for their community by working in partnership with other sectors and influencing the process and outcomes. Where a VCO does work in partnership it has a responsibility towards its partners. It should consider the extent to which it is reasonable to criticise the actions of other members of the partnership, or the outcomes of the partnership. Equally, VCOs who join a partnership should be treated with respect by the other partners: the sector should not be invited on to a partnership simply to meet funding requirements, and then be disregarded.

The Compact
Many of the tools needed to assert and protect the independence of the VCS – at least in its relationship with government – are set out in the Compact and its various codes. There are some who talk of the 'Compact sector' as opposed to the 'true' voluntary sector. This is normally an attempt to suggest that those organisations that deliver public services or take part in partnerships with the statutory sector are in some way separate or distinct from other voluntary organisations. This premise is false for two fundamental reasons. Firstly, it is almost impossible to separate the sector into those that deliver services and those that provide advice and advocacy: most organisations undertake a mix of activities. And

secondly, the Compact is not specific to service delivery organisations. The Compact is designed to cover the full range of relationships that VCOs have with government at all levels.

The point of the Compact and its associated codes is not that these documents were developed and agreed five years ago, but that they should continue to inform and influence the sector's relationship with government. Far from being a static document, the Compact gives us a firm basis on which to review and improve the relationship between sectors. The aim is not to achieve a Compact, a written document, but to achieve a Compact way of working, which demonstrates mutual respect and understanding.

It remains the case that, five years on, commitment to and implementation of the Compact across Whitehall is variable. Government has recognised this and, as part of the Cross Cutting review, they have committed themselves to full and effective implementation, including at a local level. However it remains to be seen whether all parts of government, and particularly local and regional government, will fully implement the Compact. If the Compact is to have real effect VCOs also have a responsibility to use it: to hold their statutory partners to account through the Compact and the mechanisms that have been set up to enforce its use. In 2003 NCVO set up the Compact Advocacy Programme to take forward cases of breach of the Compact on behalf of VCOs.

Recognise and assert our own value
Many of the levers or mechanisms for protecting the sector's independence are already in place. The issue is less what additional levers are needed but more about encouraging and enabling the sector to have greater confidence in itself.

The point has already been made that the VCS is different from the private sector. But it might be worth considering why the VCS reacts so differently to the private sector to similar issues. Private sector organisations do not express concern that if they have too many contracts with government their independence or credibility will be undermined. Government regulation, accounting, reporting and auditing requirements are not described as impinging on independence, but as burdens which impact on economic efficiency. Part of the problem that needs to be addressed by the sector in the debate on independence is not the impact that others (and in particular government) can have on the sector, but the way in which the sector can react: all too often the VCS adopts a position of weakness, and argues that others should take action to protect its independence, rather than asserting that independence and protecting it itself.

VCOs have a tendency to accept the role of junior partner when perhaps they should have been prepared to make their case more strongly. VCOs also have a tendency to undervalue themselves and their value to potential partners. The sector fails to recognise the value of its intellectual property; the fact that it has knowledge and skills that others do not, but which are valued and needed by potential partners. As a result some VCOs assume that they have a weak negotiating position. In some cases this is true, but in many cases the sector is in a strong position: it may be hard to walk away from a potential contract, but not if the organisation realises that there is no one else for the funder to contract with.

'Voluntary sector voices often have responded to government within the latter's terms of reference… government has to respect voluntary sector difference, but the voluntary sector also has to find a more effective voice in the policy making process.'

Another issue is that the sector has, to an extent, allowed others to dictate the debate on independence. It is largely those outside the sector – government, academics, politicians and think tanks – who argue that the independence of the VCS is under threat. VCOs only engage in the debate when they experience a problem; but a greater majority remain silent because these are not issues which reflect their experience.

It may be that the sector needs to flex its muscles a little more. It is for infrastructure and support bodies to provide the material to help organisations do this: if the sector is better able to articulate its role, to demonstrate that it has effective governance mechanisms and that it is open and transparent, and to demonstrate the outcomes and added value of working with it, then it will be in a stronger negotiating position and less likely to have inappropriate regulation and controls imposed on it.

Shared values and shared responsibilities?
And this leads neatly to the issue of the responsibility of the sector to accept a degree of collective responsibility for its actions. Earlier in the report it was pointed out that the actions of one organisation or one part of the sector might serve to undermine the sector as whole. VCOs need to think carefully about the extent to which, whilst each organisation is undoubtedly independent, there are times when the direct benefit of the organisation needs to be tempered with the wider issue of the impact that an action might have on trust and confidence in the sector as whole.

VCOs also need to consider the extent to which trust and confidence, and the independence of the sector as a whole, can be undermined by internal rivalries.

There can be endless debates about what the sector is called, how it is defined and what is and is not part of the sector. But to what end? Neither the private nor the public sectors are a homogenous whole, yet only the voluntary sector insists on emphasising differences and divisions rather than identifying the issues, concerns and strengths we share.

Conclusions

In many respects independence is a myth. As this report shows, voluntary organisations individually and the sector as a whole are dependent upon many different groups. Their independence of action is constrained in a variety of different ways by different bodies. This has always been the case: there never was a golden age when the relationship between the VCS and other sectors was perfect.

Independence is undoubtedly an important and valuable concept for the VCS, but we need to remember that independence is not an absolute. Whilst many people talk in absolute terms, in reality it is a relative concept. It is not necessarily what relationships you have, or how close you are to government, that undermines independence, but how you manage those relationships.

This is an important point, because independence is also not absolute in the sense that its importance as a concept will vary depending on what it is an organisation does and how its trustees believe it should go about achieving its objectives. It is for the sector to make those decisions about the circumstances in which it wants to work with government and the ways it wants to negotiate the relationship. For many VCOs the real issue is that of interdependence, and the real question is for each organisation to determine the level of interdependence with which it feels comfortable.

We should not allow others to interpret our willingness to be collaborative and to work in partnership with government as a lack of independence. What is very clear to many VCOs is that you can have independence without always having to assert it. But equally the problem remains as to how to preserve an appearance of independence when your objectives and activities are in accord with those of government. Jane Lewis suggests that in part the problem is of the sector's own making:

'Voluntary sector voices often have responded to government within the latter's terms of reference… government has to respect voluntary sector difference, but the voluntary sector also has to find a more effective voice in the policy making process.' [36]

The reality is that as the boundaries shift between the various sectors, the VCS does need to be assertive at times about its own place in society and its proper role. Kendall and Knapp[37] suggested that what the sector needed to do was to 'beat the bounds' a little harder and more often. But in many respects another analogy seems more appropriate: it often feels more like the sector needs to put up signs saying 'keep of the grass'. Government in particular has a tendency to

stray into territory that is not theirs: it is our responsibility to keep them in check and remind them where the boundary between our respective territories lies.

At the end of the day, decisions clearly taken to work collaboratively, or to compromise on certain issues in order to deliver on other of our objectives, is not evidence of a loss of independence in the sector. If anything it is evidence of pragmatism and taking advantage of an environment where others, and particularly government, want to work with us. Being too close to government is not good for the sector; but neither is being oppositional for the sake of it. A leader column in Charity Finance in February 2003 summed the need for balance up neatly:

'There will always be a need for organisations which can serve those beneficiaries without reference to the latest government fad, and increasingly these will have to accept that they are not going to enjoy the encouragement showered on those more willing to toe the state line.'

'They will see that as a price worth paying, because to them independence is both desirable and important. But does it have to be the top priority for all voluntary organisations? A charity's obligation is to its beneficiaries, not to itself. If those needs are better served by going along with the government agenda, we should be thankful that there are organisations willing to do that too.'

[36] Reviewing the relationship between the voluntary sector and the state in Britain in the 1990s, Jane Lewis, Voluntas Vol 10, No 3, 1999
[37] Voluntary Means, Social Ends, Jeremy Kendall and Martin Knapp, 1995