

# DIRECTORY OF SOCIAL CHANGE

INFORMATION AND TRAINING FOR THE VOLUNTARY SECTOR

DSC response to OCS consultation 'Supporting a Stronger Civil Society'

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## About the Directory of Social Change

The Directory of Social Change has a vision of a better society through independent voluntary action. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society.

Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide.

We are not a membership body. Our public commentary and the policy positions we take are based on clear principles, and are informed by the contact we have with these organisations. We also undertake campaigns on issues that affect them or which evolve out of our research.

We view our role as that of a 'concerned citizen', acting as a champion on behalf of the voluntary sector in its widest sense. We ask critical questions, challenge the prevailing view, and try to promote debate on issues we consider to be important.

### 1. Introduction and overview

We are unable to respond directly to the questions posed in the consultation, mainly because we feel that this paper shows an insufficient understanding both of the support needs of civil society and of recent and ongoing work undertaken to support those needs. That must be clearly demonstrated before specific questions can be properly considered.

The *Supporting a Stronger Civil Society* consultation paper very thinly outlines some potential priorities for future investment from central government to support frontline organisations:

- **Easier access to advice** (online support is all that is mentioned here)
- **Accessing wider sources of support** (private sector partnerships, volunteering pro bono skills)
- **Direct support to build skills of frontline organisations** (discussion of bursaries)
- **Consolidation of infrastructure** (arguing that infrastructure groups need to merge)
- **Encouraging better public sector partnerships** (not much said at all, and no mention even of the Compact)
- **Central Government partnerships with national infrastructure** (discussion of strategic partners; but no acknowledgment of providers not funded under this programme)

*Supporting a Stronger Civil Society* does also include a 'market analysis' in pp 12-13 which canters over some relevant evidence. However, the discussion is simply too cursory; it does not

delve into the available evidence in any depth, let alone offer a rigorous analysis or critique of it. Nor is it very clearly connected to the outline proposals listed above.

Reading this paper there is little discussion of what the sector's 'infrastructure' needs are, and how they might be changing. Rightly or wrongly, many years and tens of millions of pounds have already been spent identifying and addressing these, but there is little sense of that information and knowledge having been taken on board here. What did ChangeUp / Capacitybuilders get wrong? What did it get right? Just because the NAO could not determine if the programme was 'value for money', why does that seem to preclude an exploration of the learning about what worked and what didn't? It's crucial that we really learn from the programme, before we do something else.

Broadly speaking, for most of civil society the core support needs remain relatively constant; these were broadly reflected in the original ChangeUp priorities, and in different ways in the subsequent Capacitybuilders workstreams also:

- Volunteering
- Fundraising / funding / generating income
- Governance
- Information and Communications Technology
- Campaigning

There are other support needs which affect most charities, and which arguably have never been properly recognised, such as legal advice (compliance with regulations and Charity Commission etc) or financial / investment advice (managing assets etc).

OCS should demonstrate it has considered some of the root issues and first principles before proceeding further. Different, far more fundamental questions need to be asked to arrive at a functional policy and sensible spending of public money in future. For example:

- What have we learned from previous work?
- What are the support needs (as above? different now? different in future?)
- Why do they arise?
- How are those needs currently being met (or not)?
- What organisations are meeting them?
- How are those activities provided?
- How are those activities funded? (not entirely by the state)
- Is there an acceptable or agreed level of support? Should there be?
- To what extent should government provide funds to meet that level of support?
- What should the balance between central and local government be in doing so?

It is only after asking such questions and examining the answers that we can have a sensible discussion about how support should be provided and funded, and the role that government should play.

We were highly critical of the ChangeUp programme, not because it addressed the wrong needs, but because it was too theoretical in its design, and it sought to impose artificial structures on the voluntary sector which were never going to work very well and which too often did not take full account of the support networks that already existed. However, that does not mean that we should be ignoring everything which came out of ChangeUp and starting over from scratch. Doing so will only amplify the waste of the previous programme.

## **2. Some core issues to consider before developing a new programme**

### **2.1 There are potentially infinite needs for help and support, but resources are finite**

How much fundraising help is enough? How much governance advice do charities need? How clear an understanding of health and safety policy is required?

No amount of help and support is ever likely to be satisfactory, even before we get to questions about what can be afforded, and who pays for it. There will always be more organisations which need help than can access it; there will always be more issues that individual organisations need help with than they are realistically able to receive.

Surely we have to look at why there are so many needs in the first place, and why they only seem to grow not reduce; expecting that ever-increasing needs can somehow be met with decreasing resources is simply irrational.

### **2.2 We need to think less about organisational 'capacity' and more about individual skills**

For most charities – especially the majority who depend on volunteers not paid staff – 'support needs' are largely about the skills, experience, and general 'know-how' of people who make them work – often trustees or management committee members. These skills won't ever be evenly or fairly spread amongst charities. The question really is how they can be developed, encouraged, maintained, shared, and increased.

Some organisations are able to attract people with very desirable skills as trustees and volunteers, others aren't. Are all those organisations which can't attract the skills they need entitled to support from somewhere to help them do so? It is perhaps an uncomfortable question but one that should be asked. There is competition for trustees and volunteers and the skills they bring to the table; that will not change, and in fact it is in a way a part of the natural market in how charities operate. The ability of a charity to attract useful people to its cause is a part of what determines its continued existence and its ability to succeed. No charity has a right

to exist simply for the sake of it; it starts with motivated people who must convince others of the need to serve a particular cause.

So fundamentally, the 'support' we are talking about here is not about organisations per se, but about the people who make them work. What are their skills? What resources do they have access to? What connections do they have? How do they make use of them? What could help preserve, develop and maximise those skills, resources, and connections? What could help transfer or share them with others? How can government, at different levels, invest in building, maintaining, sharing, and bringing in new skills to the sector? What is the best way to do this?

### **2.3 Language and terminology shape thinking**

The *a Supporting a Stronger Civil Society* paper persists with the term 'infrastructure'; this term is so ubiquitous that it is difficult to talk about the issues at hand without using it. However, it has never been a suitable way to think about how civil society organisations, and the individual citizens who make them function, can access support to help them succeed. Using a phrase which for most people connotes organised, physical networks – sewers, motorways, or the national grid – to think about the voluntary sector starts the policy conversation from the wrong place.

There is no structure to the voluntary sector or civil society – it is anarchic. It is like the connections between families in a neighbourhood, or even maybe even between 'communities of interest' on the internet; it is not like an organogram of the civil service structure for a government department. ChangeUp's main failure was assuming that the former could and should be more organised like the latter.

There are of course individual organisations which play a variety of roles for other organisations. They act within a marketplace of policy ideas and influence, service provision, cooperation and competition. There are common types of institutions – Councils for Voluntary Service for example – but even these vary from multi-million pound turnover urban charities which may employ 50 staff to small groups that mainly function with voluntary effort. The scope and scale of their activities, and the methods they use, vary hugely. Even though they may have arisen from a common 'movement' or historical period, they have evolved in their own localities to suit particular circumstances.

*Supporting a Stronger Civil Society* presents this diversity and irregularity as a problem; as inefficient, irregular. In so doing it repeats the fundamental misunderstanding of ChangeUp. In fact, the diversity of support providers is a result of the fact that these organisations at some point in the past grew up because they were needed. They grew up in areas with different capacities and needs, different levels of voluntary sector density and complexity, and different levels of resources.

### 3. Government actions create much of the ‘infrastructure problem’

A key point which goes missing from all the debates about ‘infrastructure’ is that government behaviour, regulation, legislation, and policy often create support needs for civil society.

Whether it is keeping abreast of the latest regulations on street fundraising, launching a campaign against changing regulations on surface water drainage, or trying to get to grips with what department you have to deal with following the latest cabinet reshuffle, government policy creates constant demands on civil society organisations. Admittedly sometimes these demands have their origins in the voluntary sector itself, or from parts of it. But a great deal does not even take any account of impact on charities or the voluntary sector at any stage.

At the same time, the majority of organisations that may be affected by such decisions have nothing to do with implementing a particular Government’s policy agenda. Even those organisations that are funded by the state, often seek that money to advance their own charitable objects, not because they genuinely believe the latest policy ideas of the current political leadership are the best solution.

Only a very narrow section of civil society will ever be directly engaged with government. Framing the provision of support needs in terms of ‘building the Big Society in England’ for example, is unlikely to be relevant to the majority of organisations (especially those in Scotland and Wales?!?). However, slashing the Charity Commission’s budget *will* have a knock-on effect in the infrastructure support it provides to tens of thousands of charities, for example.

#### 3.1 ‘Churn’

Government legislation, regulation and administrative / policy ‘churn’ has been increasing – this affects the support needs for civil society. More coherent and stable government would benefit civil society organisations, and reduce the demand for all kinds of ‘support’. Some examples of churn:

- **the number of Statutory Instruments has sharply increased** since the 1980s, as has the total number of pages of legislation passed in Parliament<sup>1</sup>
- **there have been 15 major structural changes to NHS organisations in the last 30 years**; with 'little evidence' that they produced 'much, if any, improvement'; now the Government is planning the greatest structural change to the NHS since it was founded<sup>2</sup>
- **Repeated government reorganisations cost time and money**, with entire departments reconfigured depending on personal requirements of particular Ministers and other short-term political needs. This can cause ‘up to two years of disruption’,<sup>3</sup>

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<sup>1</sup> source: House of Commons Library

<sup>2</sup> source: Kieran Walshe, professor of health policy and management at Manchester Business School, quoted in Daily Telegraph, 16 July 2010

<sup>3</sup> Source: Institute for Government: *Making and Breaking Whitehall Departments: A guide to machinery of government changes*

which affects not just government departments and their ability to sensibly implement policy, but civil society's ability to understand and adapt to the policy environment.

### **3.2 Lack of adequate understanding of charities and scrutiny of policy that affects them**

Despite politicians' regular rhetorical love-ins about charities, and despite the fact that many MPs and councillors have experience in the voluntary sector, there is often little consideration of their needs when implementing various policy agendas. Government policy decisions too often cost charities dearly, both in resources devoted to understanding them, complying with them, opposing them and/or developing alternatives. They also cost civil society in hard cash:

- **Criminal Records Bureau checks estimated to cost £220m** to the sector over the past 8 years<sup>4</sup> and this is a significant source of enquiries to the Charity Commission
- **Decreasing the basic rate of income tax in 2007** immediately caused a huge problem with charities who rely on Gift Aid – this clearly wasn't considered in advance by HM Treasury so the sector had to mount a campaign for temporary 'transitional relief'
- **Irrecoverable VAT burden could be as high as £1bn**; put simply, this is because many charities consume goods but do not charge for services so cannot reclaim VAT; the rise in VAT to 20% estimated to increase this burden by £100m by Charities Tax Group – incidentally the same value as the new £100m Transition Fund

### **3.3 Specific policy agendas, based on poor understanding of civil society, create support needs**

Public service reform is now dominated by an almost unchallengeable orthodoxy, which assumes that contestability and marketisation in delivery drives improvement in quality and efficiency. This trend accelerated under New Labour, and is now developing into a new even more radical phase under the Conservative / Liberal Democrat Coalition Government. It is now almost impossible to have a policy discussion outside of these assumptions, despite growing evidence that this approach holds real dangers for civil society organisation, has the potential to make services worse and even increases (typically unaccounted for) costs.

The drive towards commissioning public services has created huge and diverse 'support needs' for those organisations that have had a funding relationship with the state over the past decade. The theory of commissioning is in practice often procurement under contract, and its implementation has dovetailed with a decline in grant funding.

This shift has created the need for whole new skill sets to be developed and maintained in those voluntary sector organisations which have funding relationships with the state; this then in turn requires an 'infrastructure' to support those skills. It builds in additional needs and costs at every level of the system, and diverts energy away from carrying out charitable objectives and towards administrative and managerial functions, such as:

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<sup>4</sup> source: Manifesto Club, which campaigns against CRB

- contracting / negotiating skills
- marketing skills
- understanding procurement processes
- complying with certain employment regulations (e.g. TUPE)
- legal skills (e.g. understanding complex and poorly drafted contracts)

Yet the research from the National Survey of Third Sector Organisations, which is cited in the *Supporting a Stronger Civil Society* paper, highlights the importance of grant funding for the success of the voluntary sector. For example, when asked ‘Which source of funding is most important for your success?’ one quarter (25%) of ‘infrastructure organisations’ answered “Grants or core funding (including SLAs)”, which was the top answer, while one sixth (16%) answered “Earned income from contracts”.

#### 4. Government is reducing resources available to deal with these challenges

Local authorities are already cutting funding for local support and development organisations, and this will increase given their budget settlement. We expect cuts of course, but doing this means that organisations will have less help than they used to, at a time when things are changing rapidly and becoming more and more complex.

- The National Survey of Civil Society Organisations claims that ‘overall 77% of users of infrastructure reported being very or fairly satisfied’ – what needs to be modernised, changed? (source: OCS: *Supporting a Stronger Civil Society*)
- ‘accessing infrastructure was associated with positive outcomes, including a substantially higher likelihood of success in grant applications and bidding for contracts: 52% of support users reported being very or fairly successful, compared to 22% of nonusers.’ (source: OCS: *Supporting a Stronger Civil Society*)

The Charity Commission provides ‘infrastructure’ support to hundreds of thousands of charities, even if it isn’t thought of that way. Accessible help and advice on basic aspects of being a charity are vital for tens of thousands of charities. Drastically cutting its budget threatens to reduce the capacity in the sector to manage with a whole range of problems.

- At least 50% of telephone calls to the Charity Commission are from charities with £100,000 or less annual income; only 17% are identifiable as coming from charities above £100,000 (source: Charity Commission: *Meeting the expectation of changing demand*)
- 70% of telephone calls to the Commission are from trustees (i.e. volunteers) (source: Charity Commission: *Meeting the expectation of changing demand*)



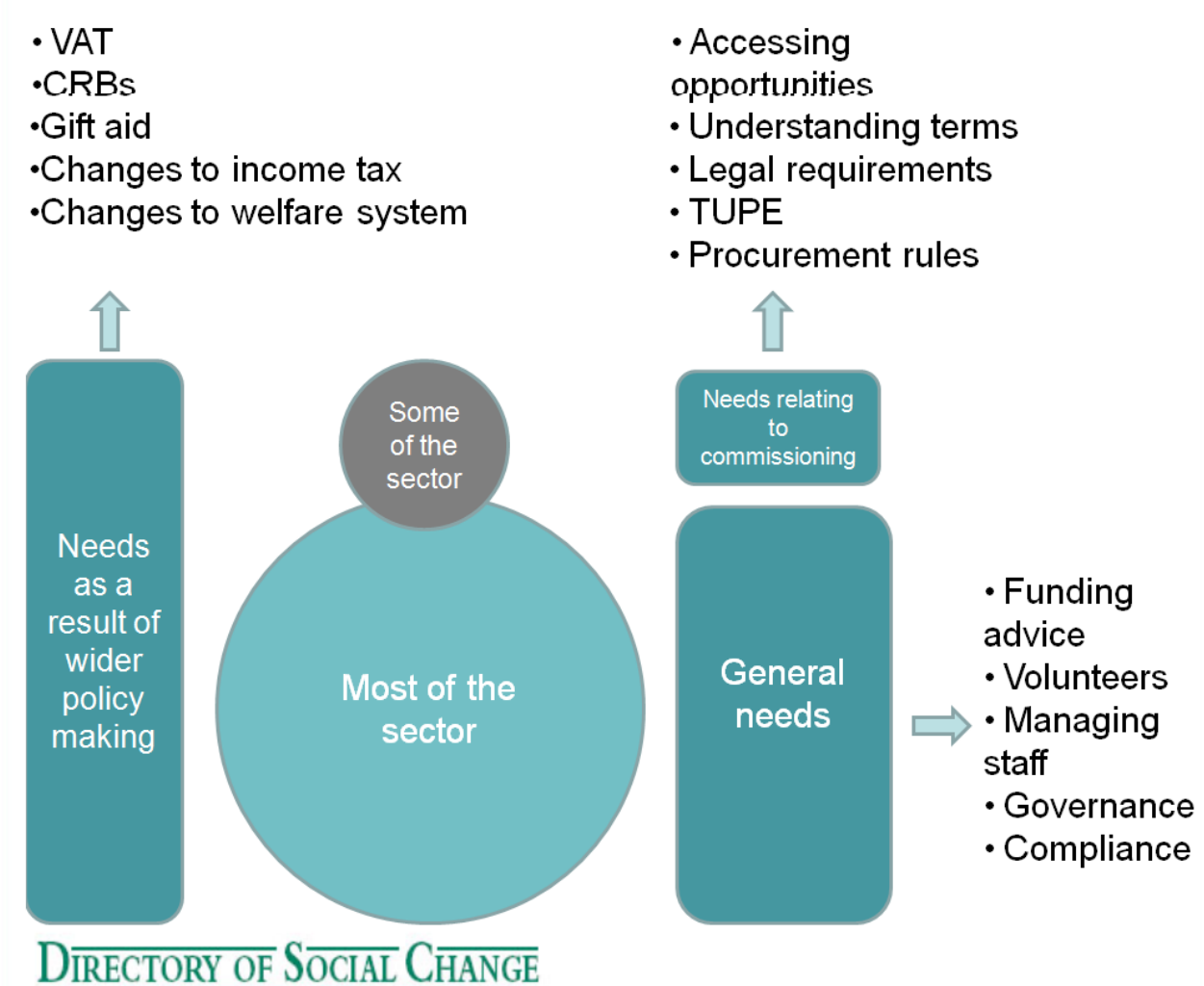
This help and advice is ‘infrastructure’ support – if they are not provided by the Commission, either there will be non-compliance or they will need to be met in some other way; the only other resources are the infrastructure bodies (which are experiencing cuts themselves), paid or pro-bono help from professional advisers and consultants, or the best interpretation that charity trustees and managers are able to make of the plethora of regulations and laws.

Looking at the sector in terms of its existing infrastructure and trying to determine how it could be improved has to date been largely unsuccessful, resulting in aspirations such “more effective” or “more joined up” or “more accessible” infrastructure. “More” has yet to be defined.

Infrastructure must be seen as a response to need, rather than a means to an end. In our view, there are three main groups of need/support/help that voluntary sector organisations have.

- 1) **General needs** – these are the skills, support and advice that all organisations need in order to function and meet their objectives. Generally speaking they are things like funding advice, how to recruit and manage staff and volunteers, governance, and how to comply with the requirements of the Charity Commission.
- 2) **Needs relating to commissioning** – this is where the majority of the previous (and current) government’s focus was, and resulted in ChangeUp and Capacitybuilders. It is a moderately new set of needs that have largely arisen out of the shift away from grant-funding, and towards the procurement of services under contract. Those charities involved in areas of support where commissioning is the only viable means of achieving their objectives have very specific and quite complex needs, arising from challenges of operating in a commissioning environment (including related governance issues), and from the legal elements of such relationships (around TUPE and contracting).
- 3) **Needs relating to changes in the wider policy environment** – the voluntary sector is of course affected by wider policy developments, and there are plenty of examples of decision making that have impacted negatively on charities, some of which we have cited above. More broadly, changes to the welfare system for example bring a whole host of new information needs to those organisations that are often the link between such decision making and the people whose lives are affected.

A way of illustrating or thinking about the ‘infrastructure needs’ of civil society:



## 5. Recommendations: what can government do to better support civil society organisations?

### Reform its own procedures and mechanisms

This is obviously a huge and complex issue, and 'reform' can mean different things to different people. We are not talking specifically about electoral reform, but rather reforming the processes by which the political system develops, scrutinises and implements policy. Broadly speaking, civil society's support needs could be reduced if the perspective of civil society organisations was more considered when looking at the way government does its business across the piece. In a way, what civil society needs is not 'government turned on its head', but rather 'government with a less confused and unpredictable head'.

- **Greater stability in Whitehall, arms-length agencies, and local government structures** would broadly benefit civil society. This is not necessarily about being more resistant to changes in policy, but being more resistant to arbitrary and repetitive changes in machinery (often resulting from cabinet reshuffles or media-driven political crises).
- **Better scrutiny of new legislation and regulation in general** – the Government's wider political reform agenda is relevant here, including the Wright reforms. Government should consider civil society's role in implementing its commitments to allow parliamentary debate on petitions with 100,000 signatures, and the 'public reading day' for bills, for example. OCS can play a role, together with its strategic partners, in facilitating use of these new mechanisms by civil society organisations.
- **Better scrutiny of new legislation and regulation for its specific impact on charities and other civil society organisations** – the proposed parliamentary Select Committee on Civil Society can clearly play a role here. This is a good idea - the Cabinet Office business plan says it will be in place by November 2010, but there is no mention of it on Parliament's website. Has it been set up? What is its composition? What is its remit and powers? How will it be setting its schedule?
- **Remove the whip from votes in Parliament on matters that primarily affect charities and other civil society organisations** – Lord Philips of Sudbury has suggested this. Why should legislative matters concerning the role of independent civil society organisations be about party politics?
- **Simplify the existing regulatory environment for charities** – the 'Red Tape Taskforce' is welcome but its recommendations need to be substantial, achievable, and taken seriously by the Government, with credible plans and backing to achieve them.
- **Improve consultation** – the previous Office for the Third Sector produced some excellent guidance for consultation, in partnership with the organisation Involve. This should be standard reading for anyone in a government department who carries out a consultation with the public at large or civil society organisations. Is it? Why not?

## Maintain support for civil society organisations

There are a number of practical things that the OCS and the Government should do to help support civil society organisations in the future, as part of a successor programme to Capacitybuilders or as individual actions or pieces of work to support civil society organisations.

- **OCS should implement a 'knowledge audit' to ensure learning from ChangeUp / Capacitybuilders is retained and remains publicly accessible** – it is vital that previous investment is not wasted simply because the agency is being closed down. OCS should consult all relevant stakeholders, gather together information, and ensure that it remains publicly accessible and able to be added to / updated – creating a 'legacy' of knowledge from the programme. This should be viewed as part of a rigorous process of 'handover' between Capacitybuilders and whatever succeeds it.

- **Rescind or significantly reduce cuts to the Charity Commission’s budget** – the Commission, as the regulator of 170,000-odd charities, is arguably the single most important ‘support provider’ for a huge chunk of civil society. It has been under-funded in recent years, and the severe cuts announced in the CSR further risk effective charity regulation and may in fact lead to a ‘smaller society’, if it becomes harder to register a charity. Why risk this for the sake of something like £8m per annum? Far more money is spent every year on any number of programmes which are a total waste.
  
- **Provide central match funding to encourage local government grant funding for local support and development organisations** – councils are already cutting grants to local support and development organisations like CVSs and Volunteer Bureaux. This often supports free provision for the things like fundraising help or volunteer coordination for local charities. There is no easy way to reconcile the Government’s objective of less central control, with deep cuts in central funding for local authorities, removal of ringfenced budgets, and the new focus on local accountability. A matching strategy still uses a financial incentive to encourage local authorities to retain this money, does not ‘ring-fence’ as such, and remains optional. The decision to invest in local capacity building remains with the council. There are a number of caveats that would need to be considered, such as:
  - such a fund should be at pains to avoid the horrid complication characterised by EU match funding. It should be very lightly prescribed, and left to the local authority and local providers to determine priorities and activities.
  - There might need to be standard amounts on offer, or variable amounts based in some way on the local authority’s overall grant.
  - It would need to be considered whether funding should be prioritised for under-funded or deprived areas, or available equally to all areas.
  
- **Prioritise charity governance and voluntary trusteeship in any centrally delivered programmes** – (for example in the revised Strategic Partners programme). The vast majority of charities are run by voluntary trustees, often with no paid staff or a small number. Trustee skills are the ‘capacity’ for such organisations. Good governance is paramount to running them properly and effectively.
  
- **Use bursaries to develop, maintain and share relevant skills in the sector** – this is a huge challenge, especially trying to spread the learning within an organisation, and maintaining it when people move on. Skills have to be individually learned but also knowledge must be transferred within organisations. Priority skills for most charities are:
  - Fundraising
  - Managing volunteers
  - Writing annual reports and accounts
  - Trusteeship – esp. charring, CEO/Chair relationships
  - ICT and communications
  - Increasingly, trading or enterprise activity

## 6. Conclusion

In this paper and elsewhere DSC have presented strong views on this subject. This is not because we want to criticise for the sake of it, but because we care deeply about supporting charitable endeavour and voluntary action. We want programmes to address the real needs of the widest number and range of organisations, be as effective as possible, respect the independent nature of civil society, and deliver the most for whatever money that is available. DSC has been providing practical 'infrastructure' support and help to other charities for 35 years, on a self-sustaining basis. We know what charities and voluntary organisations need because to stay in business we have to provide what they need.

Civil society is by nature diverse, complicated, unpredictable and even conflicting. Seeking to rationalise and organise it is not really possible or even desirable – in fact, attempting to do so only makes parts of it behave more like the state. On the contrary, we have argued in this paper that a large part of the 'infrastructure' problem is in fact down to the policy decisions and behaviour of state institutions, and that real reductions in the support needs of civil society organisations could be achieved through better government decision-making and practice.

As the previous ChangeUp/Capacitybuilders programme showed, this is a hugely complex area of policy and finding effective solutions is not easy. Interactions between the state and civil society are not normally straightforward or simple, and there will be 'chafing'. We recognise the goodwill and efforts of all those involved in this the process. We hope that our critical points are taken in a constructive way, and that the practical ideas we have put forward are seriously considered in developing future policy.