

The Baring Foundation

Mission, Money, Mandate

report of the Independence Summit, held at the
Baring Foundation, Wednesday 8 July 2009.

Matthew Smerdon, Baring Foundation
Strengthening the Voluntary Sector – independence

The Baring Foundation

The Baring Foundation was set up in 1969 to give money to charities and voluntary organisations pursuing charitable purposes. In 40 years we have given over £98 million in grants. Our budget for grant-making in 2009 is £2.2 million.

The Foundation believes in the fundamental value to society of an independent and effective voluntary sector. It uses its funds to strengthen voluntary sector organisations, responding flexibly, creatively and pragmatically to their needs. The Foundation puts a high value on learning from organisations and their beneficiaries and seeks to add value to grants by encouraging the sharing of knowledge through a variety of means.

Strengthening the Voluntary Sector

In 1996, the Baring Foundation launched the Strengthening the Voluntary Sector grants programme. This programme funds organisational development work aimed at supporting organisations to be efficient and effective. The programme has supported 712 organisations, giving a total of £14.5 million.

Strengthening the Voluntary Sector – independence

In 2006, the trustees added a focus to the grants programme inviting organisations to apply for work that would help them to maintain or increase their independence from government. In 2008 the programme was focused further to support the independence of advice and advocacy organisations. This paper forms part of a series of papers designed to share information and lessons from this grants programme. Please see the back cover for details of other papers in the series. These are available on our web-site.

www.baringfoundation.org.uk

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Part 1 – Summit communiqué

Drawing threads together

On 8th July 2009, the Baring Foundation hosted the Independence Summit. The event brought together 70 practitioners, policy makers, funders and academics interested in how to advance the independence of the voluntary sector from government.

The aims of the Summit were to:

- join up the range of current activity to promote independence – what is being done, what is being learnt?
- look forward – what are the future challenges to independence, what are the gaps, what are the priorities for action?
- help the Baring Foundation to develop priorities for the fifth year of the STVS independence grants programme.

What is being done, what is being learnt?

Independence was universally regarded by participants as fundamental to voluntary action and that it is more challenged than at any other time. Independence ensures voluntary action has the freedom to uphold its purpose and values. Also, public trust and confidence in charities hinges fundamentally on the independence of charities. A range of work is underway to protect independence:

Sector-led initiatives – developing alternative funding approaches, developing alternative approaches to designing and delivering services, improving evidence of needs and impact, taking control over who defines ‘quality,’ strengthening organisational skills, systems and structures for independence, reasserting the distinctiveness of voluntary action, collaborating with others, campaigning and protesting, boosting social policy work, developing alternative sources of income and carrying out research.

The Compact – researching into how central Government perceives and gives effect to its Compact commitments on independence, publishing guidance e.g. *Independence Matters*, leading the Compact Refresh.

Government-led work – three ways in which government is promoting independence were outlined: championing the sector’s right to campaign for change; developing sustainable and empowering approaches to funding; and ensuring fair terms of engagement in service delivery.

The challenges to independence

There are many challenges to independence:

- The view that talking about independence is an arcane debate, at best getting in the way of doing the job, at worst, self indulgent;
- The view that we ought to simply sink differences with the public sector for the common good;
- The view that the voluntary sector is so close to public service that it is hard to see any distinction;
- The dominance of top-down funding arrangements and the market model;
- The approaches to monitoring and evaluation that position public funders as the main stakeholders;

- The apparent willingness of organisations within the sector to sacrifice their independence;
- The challenge of preserving the voluntary sector's role as an alternative to mainstream public provision;
- The loss of capacity to campaign.

The priorities for action

Participants identified the following five priorities:

- Challenging the market model and commissioning;
- Increasing the scale and quality of campaigning;
- Ensuring independence is to the fore in the public perception of charities;
- Ensuring independence through governance;
- Making use of the Compact.

These might be summarised by the headings:

Mission – organisations obsessively focused on mission with absolute clarity of purpose;

Money – an attitude that recognises that money is a tool for mission, with a willingness to take decisions, and then find the cash;

Mandate – the source of the mandate is central to this challenge. Any uncertainty about mandate will be exploited by those unconcerned for independence.

Summit report

This report provides summaries of the speeches and working group discussions. A separate Annex to this report provides the full text of all the speeches. This is available at www.baringfoundation.org.uk

Part 2 – Summit speeches

What is being done, what is being learnt?

This part of the report presents summaries of speeches made at the Summit by the following participants:¹

Professor Nicholas Deakin, Vice Chair, Baring Foundation

Andrew Hind, Chief Executive, Charity Commission

Sir Bert Massie, Commissioner for the Compact

Sarah Benioff, Deputy Director, Office of the Third Sector

Matthew Smerdon, Deputy Director, Baring Foundation

Julia Unwin, Chief Executive, Joseph Rowntree Foundation

Professor Nicholas Deakin, Vice Chair, Baring Foundation

Professor Nicholas Deakin opened the Summit by reflecting that the independence of civil society and civil actors, and their relationships with the state in its various forms, is a theme with a very long pedigree. Over that time, relationships have ebbed and flowed. What government takes on, it can later relinquish.

Nicholas recalled an essay he wrote 16 years ago called *The Perils of Partnership*. He still thinks that partnership with the state (and also the market) is a perilous enterprise – but also a necessary one. What really matters is negotiating the terms of engagement that respect and secure the legitimate interests of both parties without distorting their respective roles. That thinking led to the proposal in 1996 for the Compact.

Now, as a trustee of the Baring Foundation, Nicholas reflected on the development of the Strengthening the Voluntary Sector (STVS) programme to look at how it might support independence from government. This was not anti-government – rather it has sought to use organisational development to strengthen independence and in so doing secure more effective services. The programme is now concentrating on helping this to happen amongst advice and advocacy organisations.

The purpose of the Summit is to draw together the growing discussion and activity on independence – what is being done, what is being learnt? And then to look forward to future challenges to independence, where are the gaps, what are the priorities for action and for the 5th year of the STVS programme. What is certain is the continuing importance of the independence debate, not just in its own right but for the future of society.

Andrew Hind, Chief Executive, Charity Commission

Andrew began by noting that, of course, charity law states that trustees must act independently in the interests of their beneficiaries, but that the issue of independence is even more profound than that. Public trust in, and support for, charities is predicated on a belief that they take their own independent decisions about how their beneficiaries' interests can best be advanced, and that they do not operate as the tools of any other agency or interest group – statutory or otherwise.

1) The full text of all the speeches is available in an Annex to this report.

Trust in so many aspects of society is in freefall – banks, politicians, social care – and yet a Charity Commission survey in 2008 actually revealed an increase in the public's trust and confidence in charities. The sector continues to represent something intrinsically trustworthy. Meanwhile, in terms of accountability, not knowing how a charity spends its money is the top factor making people less likely to trust charities.

Charities' independence unequivocally goes to the heart of the relationship between them and the public. The public may be more or less impressed with how charities use their funds; in other words, their efficiency. But any hint of 'capture' – be it by political parties or statutory funders – is the ultimate no-no. This issue of independence has become more fraught in the public's perception as the incidence of charities being solely or mainly funded by government has increased. This will only become a more pressing issue as the squeeze on public funding gets underway. Independence and accountability for these charities will come under the spotlight as never before. The Commission's recent report about new perspectives on the charity / beneficiary relationship showed that only 29% of the charities surveyed said they had a complaints or beneficiary feedback procedure in place. This actually represents a slight worsening of the situation since 2006. Andrew explained how it was unclear to him, in that context, how 79% of the charities surveyed for this year's report said they evaluated whether their services met the needs of their beneficiaries. Not having a complaints or feedback system in place, begs two questions. Firstly, how do you know? And secondly, how on earth do you prove it – whether to funders or to beneficiaries? Charities that do not have the evidence base to show the level and nature of beneficiary need *and* to demonstrate that they are meeting these needs are in a vulnerable position when it comes to maintaining their independence. If a charity cannot justify its own agenda in times of tightened funding, it lacks a clear anchor point if it becomes pressured to take on someone else's agenda.

There is recognition across all political parties of the need to protect the independence of the charity regulator. In its work on cases such as Interpal, the Smith Institute, the DEC's Gaza Appeal and assessments of public benefit, the Commission has not had any hint of political interference in its decisions. However as money gets tight and expectations increase it would be a rare breed of politician who didn't try and get service providers to cut their cloth according to funding, rather than beneficiary, priorities.

Independence of the charity sector is one of the key elements – probably the key element – which still makes it unique, valued and, above all, trusted. Public trust can be swiftly lost. There have already been many casualties of these difficult times. Whatever the coming months and years bring, the independence of charities must not become one of them.

Sir Bert Massie, Commissioner for the Compact

Sir Bert said he had not come across anyone in government who would refuse to sign up to the idea that the independence of voluntary action is important and must be safeguarded. However, there are almost daily examples of actions by people in government who say they are signed up to the idea but then do things which seem, at least to voluntary organisations, to contradict that. Sir Bert does not detect any giant conspiracy in Government to undermine independence. Most examples involve people in government who have not understood what independence means to a voluntary organisation, nor why it is important, nor what motivates the people who run the organisation. Nor are they conscious of the huge imbalance of power between themselves and the voluntary organisations they deal with, and the effect that their word or action from a position of power can have on a small voluntary organisation. It is not a one-way street, however.

There is too little understanding within voluntary organisations of the processes of government and of the things that officials have to do to satisfy accountability requirements. When working as Disability Rights Commissioner, Sir Bert was careful to work constructively with politicians and officials. These relationships were respectful and were ultimately more effective because of this, and consequently preserved independence. Sir Bert mentioned three pieces of work recently undertaken by the Commission for the Compact:

- Commissioned research into how eight central Government departments perceive and give effect to their Compact commitments to safeguard the independence of the voluntary sector. (*The State of Independence* available at www.thecompact.org.uk);
- Produced guidance called *Independence Matters* which describes five dilemmas in the relationship between government and sector organisations and discusses the issues at play in each case, both from the government and from the voluntary sector side;
- Redrafting the Compact (along with the Office of the Third Sector, Compact Voice and the Local Government Association), to shorten it, remove repetition and duplication, and bring it up to date with current law, policy and practice. This will go out for consultation at the end of July 2009.

The Compact rarely gets a good press but there is no doubt in Sir Bert's mind that it has changed things for the better since 1998. The most important lesson on independence is that we need to improve the capacity of people working in government and people working in voluntary organisations to understand how the world looks through the others' eyes, and to change their own behaviour and expectations accordingly. That is essentially what the Compact is about: improving mutual understanding, and thereby making it easier for the state and voluntary action to combine forces, where appropriate, for the better service of citizens.

Sarah Benioff, Deputy Director, Office of the Third Sector

Sarah shared her belief that independence is central to the strength and power of the third sector. In campaigning for change, providing a voice for the voiceless, building community cohesion, or providing services – the reason that the sector can do all that is because it has the trust of communities, members, beneficiaries and users.

She went on to highlight three measures that the Office of the Third Sector (OTS) is taking forward to create the right environment to preserve the independence of the third sector.

1. Championing the sector's right to campaign for change

- The government has launched a £750K action research programme into innovative campaigning approaches;
- The government provides strategic, long-term funding to 44 umbrella body third sector organisations to advocate on behalf of their members back to Government, helping to shape and make better policy.

2. Sustainable and empowering approaches to funding

- Government investment into third sector organisations has more than doubled from £5 billion to £11.5 billion over the last decade and a range of funding models have been made available that have sustainability and empowerment at their core;
- £30m has been invested in enabling the asset transfer of 38 community buildings from local authorities into the ownership of local community groups. This investment will be built on through the joint OTS and Department for

- Communities and Local Government £70m Communitybuilders fund;
- The Grassroots Grants programme will provide £80m in small grants to local groups, where grants are awarded by local panels. A £50m endowment match fund will provide a source of small grants funding for local groups for many years to come.

3. Fair terms of engagement in service delivery

Some people have concerns about partnership working between the state and the sector and feel that a contractual relationship inhibits the independence of the sector. It is vital that the OTS continues to work across central and local Government to make sure this doesn't happen. The OTS continues to work with the Commission for the Compact to uphold the principles of fairness in funding and contractual relationships between the state and the sector, and to champion this message across Government. Sarah described the challenge of explaining to other Government departments why the sector's independence is so important, but departments such as the Department of Health and the Department for Children, Schools and Families are building strong relationships with the sector and recognising that they are actually integral to the achievement of their own objectives.

Matthew Smerdon, Deputy Director, Baring Foundation

Matthew argued that independence is not about a negative or defensive state of separation, but rather about the positive ability of voluntary organisations in their relationships with government to pursue and secure a set of freedoms: to uphold purpose and values; to negotiate robustly with funders without fear of sanction; and to engage in public debate. These freedoms are good for society. Furthermore, they are of pivotal importance to voluntary organisations – to what we do, how we do it and how well we do it.

Matthew gave a brief summary of activities, some funded by the Foundation, some happening separately, that are direct responses to concerns about independence (see the full text of the speech in the Annex for examples under these headings):

- developing alternative forms of contracting;
- developing alternative approaches to designing and delivering services;
- developing better evidence of needs and impact;
- gaining more control over who defines quality and value for money;
- using organisational development to strengthen governance and relevant internal systems and skills;
- focusing on reasserting what we do, why and how it is distinctive, and resisting efforts to be changed;
- collaborating to strengthen voice;
- making use of the Compact and Public Law;
- raising the profile and quality of campaigning;
- reasserting work on social policy;
- carrying out research.

Some of the pressures on independence from government arise for legitimate reasons – pressure on limited public budgets (which is sure to intensify) and the desire to secure value for money and ensure accountability for taxpayers. But, at a certain point measures cross from being about enabling and encouraging and appropriately managing public finances into measures to exert control. In this, these debates reflect centuries of shifting power between state and citizen action. The Baring Foundation has been trying to support the voluntary sector side of that power relationship to maximise the sector's room for manoeuvre, its capacity to act and its ability to fulfil its important roles. Not because it is better than government, but because it's different.

Keynote speech

Julia Unwin, Chief Executive, Joseph Rowntree Foundation

Julia reflected that ten years ago leaders of the voluntary sector gathered to share experiences of the early months of the New Labour government. That event sought to distinguish between 'access' and 'influence,' recognising that while access to policy makers and decision makers was enormously valuable, it could not be confused with real and lasting influence. The meeting also explored the obligations on the sector to stand aside from government, challenging and questioning, and weighed these in the balance against the undoubted alternative obligations to work for social change and becoming engaged in the messy business of policy making. That event led Julia to write *Speaking Truth to Power* in 2002, and revised in 2004 (see <http://www.baringfoundation.org.uk/STTP.pdf>).

Julia argued that independence is more challenged now than at any time, and yet is much more important now than ever. The financial crisis, a discredited political class, our ageing population and climate change, all call us to a different sort of ingenuity, innovation, inspiration and leadership. Civil society needs now – and urgently – to take its place as organisers and promoters of social capital, not instead of the political class, and the market, but alongside it, arguing for those distinctive values of solidarity and mutual benefit.

But this is not a technical issue. This is about the inalienable right and duty of the sector to set its own course. Julia's approach to independence is shaped by the concepts of:

- Heresy and dissent;
- Anger and power;
- Diversity and difference.

In this approach, civil society is the platform for the dispossessed to howl their protest. It is not a channel through which government can speak to people who are poor. In this approach, independence is not optional but is central to mission, and without which mission can never be achieved.

Challenges

Independence is by no means unchallenged. There are views that:

1. It is an arcane debate, that the beneficiary does not care, and that independence is a luxurious concept with no meaning for those who receive services.
2. The common good is so obviously paramount, and its nature so completely clear, that we ought to simply sink our differences, abandon our separate identities and harness all our energies.
3. The voluntary sector is so close to the public service that it is hard to see any distinction.

Each of these challenges is very dangerous to the sector. Julia noted that only this week London and Quadrant Housing Trust was deemed by the courts to be a public body. The precious independence that enabled housing associations to grow, to define their own mission and to determine their own approaches has been eroded, and this court judgement reverses decades of UK government desire to describe them as independent.

Dealing with each challenge to independence in turn.

1. The view that service users don't mind, ignores the real and risky innovation that a truly independent sector is able to pioneer. Voluntary bodies need to be genuinely independent of vested interests, of current government priorities, of accepted ways of doing things, to pioneer new and different ways of operating. So of course it matters to beneficiaries.
2. The identification of the common good as absorbing all difference is a risky one for our sector. The articulation of the common good is a vital role for the voluntary sector, and mediating different aspects of it is probably always going to be a central role for representative democracy, but the notion that a shared vision of the common good allows us to sink our differences of perspective, belief and origin, is dangerous.
3. And finally the description of the voluntary sector as a sector that adds value, rather than one that has intrinsic value, allows it to be seen as an adjunct, complementary to the state and therefore vulnerable to all the challenges that the state, and the market, so readily face.

These challenges are not ones that can be overcome by government fiat – they are instead ones to which we must repeatedly respond, guarding the essence of a sector that is separate from both the state and the market – and not better, just different.

The Joseph Rowntree Foundation and independence

The Joseph Rowntree Foundation, and its sister organisation the Joseph Rowntree Housing Trust, has as its first core value, enshrined in its statement of purpose, the assertion of independence.

Together these two organisations with a shared purpose – to search, to demonstrate, in order to influence – rely on independence for effectiveness and impact. And in each of these functions independence is imperilled. *Searching for evidence* can be done in a way that constrains findings, can be based on assumptions, and can be done in a way which pre determines outcomes. *Demonstrating solutions* can be captured by regulators, overly influenced by the experience of others, and done in a way that does not focus on mission. Protecting independence provides the most secure platform for *lasting credible influence* But we need to be clear about what independence is not.

- It is not detached. Julia describes JRF as independent but not neutral and true independence allows you to get your hands dirty, to get involved explicitly in shaping policy, in challenging discussion. Independent voluntary organisations can be passionate advocates, they are never passive scrutineers;
- It is not static. Independent organisations are up to date, they are not followers of fashion. They recognise that the common good is contested territory. They know that there is rarely a single truth, and never a single way, and they will be willing to rearrange, reshape, re-imagine. And critically it is not remote. Independent organisations are well connected. They understand the environment acutely, they pay attention to what is happening, and then they set their course;
- But finally independence is not about campaigning. The right to campaign is not somehow a guarantee of independence. Voluntary organisations have an absolute obligation to articulate the views of their service users, and amplify that experience to the highest places in the lands. But the truly independent sector knows that it is in services that you provide, in the activities you engage with, that true independence lies.

What is needed to protect independence?

Mission

A strong trustee board, obsessively focused on mission, owing nothing to anyone, in the words of the great Archbishop Templeton 'unpurchaseable', with absolute clarity of purpose.

Money

But money helps too. Voluntary organisations need money of their own – earned, or given – but they also need an attitude to money that recognises that it is a tool for mission, not the only thing.

Mandate

Certainty about the source of the mandate seems to be central to this challenge. We need to understand the distinction between the democratic mandate – which is vital – and the charity mandate which may come from the evidence, or may come from the service user experience, but does not come from the views of staff, or ill informed conjecture. Some of the threat to independence is self generated. Self censorship is an important and easy way to undermine independence.

What can government do better?

Government too has a role to play: It can:

- see civil society as valuable in its own right;
- recognise that the Charity Commission, as the guardians of the charity framework, is itself independent, and uses its regulatory muscle to reassert this value;
- recognise that the assertion of the common good, does not require consistent common action. Voluntary organisations will express messy, divided, and contradictory views – that is their right, just as it is the state's right, and duty, to hear those voices and then take action.

In *Speaking Truth to Power* Julia argued that it was not a question of whether or not charities should speak up. Failure to do so was betrayal of mission and of those whose needs must be met. Now, there are many truths, and there are many seats of power. Strong civil society, with independence as its organising principle, is the only way in which we can achieve social change, and rebuild trust and confidence which is at the heart of social capital. That will be messy, disorganised and contradictory. But the prize is immense.

Part 3 – The working group discussions

The majority of the day was spent in small working group discussions. In some cases comments may reflect different opinions expressed by participants and are reported to reflect the diversity of views.

The working groups discussed three sets of questions:

1. What are the existing pressures on independence? How are these changing?
2. What are the priorities for action?
3. What should be the priorities for the 5th year of the STVS – independence programme?

1. What are the existing pressures on independence? How are these changing?

Funding arrangements

The dominant model is of top-down, command and control management by the state. The increasing use of contracts is damaging. Great concern was expressed about the court ruling that London and Quadrant Housing Association is an arm of the state. At what point does an organisation effectively become consolidated i.e. a *de facto* subsidiary of the state? Perhaps if you look like an arm of the state, you are one? In terms of 'proportionate financial dependency' – it matters less when most of your income is from the state and more when the perception exists in the eyes of the public and beneficiaries that you are dominated by state interests. Voluntary organisations continue to face the challenge of securing full costs recovery.

Commissioning

The whole approach is based on unproven assumptions that it is cheaper and the best way to improve quality. Many concerns were expressed over Compulsory Competitive Tendering leading to increased competition between organisations ("dog eat dog"), decline in quality and unsustainably low prices. Increasingly local authorities are taking services in-house with some cynicism that this is principally to protect jobs rather than focus on beneficiary outcomes. The difficulties for smaller groups to engage in commissioning were noted whilst large players get larger. This will perhaps lead to more consortia bidding, but this also takes up resources that organisations don't have. The increasing competition from the private sector was noted with its ability to manage short-term or loss-leader contracts. There was criticism that voluntary organisations are treated as identical to other suppliers. Some government action was seen as amounting to an abuse of power.

Forms of monitoring and evaluation

Public funders have positioned themselves as the main stakeholders regarding monitoring data. Monitoring to learn has been replaced by monitoring to satisfy accountability demands, which are rarely proportionate or matched by the resources available. Monitoring and evaluation *per se* does not put pressure on independence – there is huge potential for evaluation to support independence by building confidence and clarity of purpose.

Personalisation

This is a revolution away from collective solutions, allowing people to take complete control over spending on their care. The principles underpinning personalisation – meeting individual needs, giving people choice and power – speaks to the sector. It's right that the sector is challenged in the quality of its work with vulnerable people. However, there are some voluntary sector concerns – if there are no collective services, what happens to representing collective concerns and developing service user movements? What is the impact on planning where organisations are managing multiple micro contracts rather than a block grant? New issues are being raised too – Volunteering England is being contacted to ask if volunteers can provide services instead.

The threats from within the sector itself

Organisations are not sticking to their purposes and values. There is an 'imperialist' tendency in some organisations to expand which may be exacerbated by pressure on resources caused by the recession. Chasing funding causes mission drift in some organisations. Umbrella bodies are too close to government. Chief Executives of charities have pursued growth at all costs and not been questioned enough by Boards. Boards must act as guardians of the mission and values.

The challenge of preserving distinctiveness from government

Is it important that voluntary organisations should provide an *alternative* to mainstream public provision rather than deliver mainstream services? Which sector should carry out certain services? This may change over time. What happens when services developed by voluntary organisations are taken on by the state e.g. at the founding of the NHS?

In mental health advocacy, the development of Independent Mental Health Advocates and Independent Mental Capacity Advocates means that two functions to provide independent support to marginalised people are now a statutory duty, which must be provided by independent organisations. This curious situation highlights the need for a sophisticated and robust understanding of independence and how this can be safeguarded in practice.

Meanwhile, political parties are in rapid decline – leaving a role for voluntary organisations to fill? The sector can supplement, not take responsibility for, democratic renewal – representative and participative democracy go hand in hand.

Loss of capacity to campaign

Fear stops organisations from campaigning, as well as a lack of time and capacity within the requirements imposed by delivering contracts. Campaigning is also affected by what issues the media will pick up. The decimation of local press has reduced outlets for campaigning, though new media and on-line communications create new opportunities.

The impact of a possible Conservative government

The creation or expansion of "markets" for services provided by voluntary organisations may well increase despite the myths about its effectiveness (like other hardy perennials – efficiency savings and cutting quangos). There will be a tension for a new government over whose voice counts in making policy, possibly privileging faith-based organisations.

The shadow Chancellor's recent reference to "harnessing" the energies of charities had unhappy resonances.

The impacts of the recession

The increase in demand for services coupled with the squeeze on public spending will exacerbate existing pressures. Where will the cuts come? There is the possibility of the sector being drafted in to fill gaps.

Wider society

Does a less cohesive society, with greater social alienation corrode independence?

2. What are the priorities for action?

Participants prioritised five issues and these formed the topics for working groups in the afternoon session.

- 1. Challenging the market model and commissioning*
- 2. Increasing the scale and quality of campaigning*
- 3. Ensuring independence is to the fore in the public perception of charities*
- 4. Ensuring independence through governance*
- 5. Making use of the Compact*

1. Challenging the market model and commissioning

The whole commissioning process needs challenging – the theory and the practice. Evidence is needed that as commissioning is currently structured, it does not / will not deliver the desired outcomes. It is perhaps not intrinsically bad, but the focus on short-term targets and buying units of activity rather than outcomes is highly damaging, potentially even more so with the introduction of 'reverse internet auctions' (a tool used in business procurement where organisations compete in on-line auctions bidding less and less to win a contract with the primary objective being to drive down prices). The behaviour of commissioners means decent government policy is translated into poor funding decisions. Initiatives to educate commissioners are not having sufficient impact. There is ongoing confusion between procurement (just buying) and commissioning (much broader including looking at needs). Engaging in the commissioning process can be very costly for voluntary organisations. Novas Scarman, working with Vanguard, is researching the costs of tendering and the waste this approach generates. Remember that commissioning for human services is a relatively new field, starting with Community Care in the 1990s. Voluntary organisations need to be more prepared to walk away. Many government contracts contain 'perverse incentives' to maintain need and demand, for instance because payment is by unit / case e.g. legal aid funding. We must promote to public bodies the value of grant giving that allows those closest to beneficiaries to determine the detail of work to be done. What does good commissioning practice look like? We must help voluntary organisations to draw on this. N.B. Commissioning as a form of funding is only relevant for a small (but nevertheless significant) proportion of the sector.

2. Increasing the scale and quality of campaigning

When campaigning, organisations need to be clearer about a campaign for change vs. a fundraising campaign – sometimes they are linked but sometimes not. Good campaigning can be or become income generating. Do we have the values or evidence to back us up when campaigning? The loss of campaigning rights, voice, resources, combined with the economic downturn may mean that protest / direct action tactics increase. Organisations and the sector as a whole may need to reconsider the campaigning tactics they use and adapt for the future to make the biggest impact. We need to make sure there is clarity on the regulatory framework for charity campaigning. The sector needs to maintain or build good linkages 'within', to have a stronger voice. The sector has many models that mix delivery with campaigning, it mustn't be seen as one or the other.

3. Ensuring independence is to the fore in the public perception of charities

Does the public care about voluntary sector independence? It is important to have clarity of mission and to demonstrate that. Organisations need strong processes for gathering feedback and taking views into account. Organisations need to make more use of modern techniques to tap into public mood and take big thinking to the wider public. Public trust in charities is high. It is important to sustain this.

4. Ensuring independence through governance

CEOs are pursuing growth policies and Boards are not questioning these enough. Boards should stand back and review their work, as well as the need for continued existence. Organisations could have an independent trustee to keep the Chair / CEO relationship under review. The Board must focus on relationships with beneficiaries and build everything from there, to focus on the fact that it fills in where the market and state have failed and, unlike private business, not-for-profit agencies are there to reduce need rather than create it. Organisations must make sure that away days are used to interrogate what funding is being applied for and on what terms and conditions. Engaged funders should meet with trustees as part of the assessment process to ensure they have thought through the implications of funding, in the same way Futurebuilders did before offering a loan. Funders could bring together trustees from different organisations working in the same programme areas to discuss issues of common concern around the pursuit of independence.

5. Making use of the Compact

It is not enough for the Compact to outline the need for mutual respect – this should be a given. We need to focus on how to make it real across all tiers of government. It works best when it focuses on *principles* as a way of facilitating improved *practice* and when used to broker / frame good cross-sector relationships. It needs to be a mix of enforcement, facilitation, / awareness-raising and selling its mutual benefits. There is a worrying trend still of cynicism and ignorance in both sectors about its role and remit. Perhaps the best hope is making Compact compliance part of other enforceable initiatives e.g. in Birmingham, Compact implementation plans are written into the Local Area Agreement, thus obliging statutory partners to achieve this by a certain date. There should be a "multi-headed" effort across sectors to promote the Compact as a genuine tool for building mutually beneficial independence.

In addition to these five themes, a number of others were raised but not discussed in a working group. These were:

Proving what distinguishes charities

How does the public tell the difference between, for example, a not-for-profit and for-profit childcare provider? Why should they be treated differently? For-profit enterprises create need and make money filling need. Not-for-profits should be about reducing need, this is the key distinction, doing this, for example, by engaging in policy change as well as service delivery. This requires models that combine service and policy advocacy, where users of services are not passive consumers. This requires a focus on values. This may marginalise some people – who is to say my values are better than yours? And some people are scared of ideology.

Improving evidence of impact

Organisations need to be able to provide better evidence of impact, including on the wider contribution of the sector to social capital and to be clear about the sector's full value. This is about demonstrating legitimacy, and doing so confidently. The sector has failed in many cases to do this, particularly worrying was the conclusion of the Public Administration Select Committee that it could find no evidence that the sector delivered services any better than the public or private sectors. We must take on the value for money agenda – define it and prove real value for money is not the same as cheaper. There is a link with a focus on proving the value of preventative work e.g. the Solihull Early Advice Project and Public Legal Education. Organisations must demonstrate the greater public benefit they generate but which is currently not taken into account by government funders / purchasers.

Improving organisational skills

Organisations must make more use of new forms of communication and media. We must ensure voluntary organisations are better able to engage with Local Area Agreements.

Designing and delivering services

Effort should be made to develop alternative approaches to designing and delivering services e.g. the "systems thinking" approach to assessing the demand and supply of advice services, making more use of co-production of services where users of services have greater say in how their needs can be met.

Developing independent sources of income

Developing other sources of income, particularly unrestricted, can help to sustain independence.

Building relationships with government

It is important to develop a sympathetic understanding between funders and delivery organisations. It is helpful to focus on improving relationships. Successful co-design takes time, trust and shared knowledge of local needs. Does a good relationship compromise ability to criticise? Some say no, some say probably.

Measuring the state of independence

It is important to measure independence as one element in a vibrant democracy. The organisation Democratic Audit uses a framework to measure democracy regularly over time. The concept of 'freedom from constraints' and 'freedom to act' could be an interesting way to develop thinking on measurement.

3. What should be the priorities for the 5th year of the STVS – independence programme?

Finally, participants were asked to reflect on what the Baring Foundation should focus on in the 5th year of the STVS – independence programme. The following suggestions were made:

- Challenge commissioning practice by supporting the development of new ways of defining needs, designing and funding services where the distinctive contributions of voluntary organisations can flourish – e.g. systems thinking (advice agencies in Nottingham and Coventry), co-production of services and public benefit commissioning / outcome-based commissioning / intelligent commissioning e.g. NEF, Camden Council and Thurrock. Build on HM Treasury's sensible guidelines but that are not currently reflected in local practice, ensuring commissioning encourages innovation, ensuring voluntary organisations are involved in commissioning processes at mapping stages e.g. Partners in Advocacy and East Lothian Council;
- Develop new and meaningful approaches to accountability with a greater focus on outcomes and less prescription regarding the means by which outcomes are achieved;
- Promote the nature and value of independence widely to ensure that the sector can enhance and safeguard the trust the public places in the sector;
- Create awareness of the importance of campaigning and using different tools to bring about change or stand up for certain principles. Ensure there are ways of showing tangible benefits of campaigning. Improve the practice of developing campaign strategies and tactics that are relevant and effective. Make more use of new technologies. Develop understanding of where to influence change – different levels of government, local, national, international;
- Support work to measure the state of independence over time and use this to stimulate regular debate. It is important to keep the theme in the front of people's minds in the face of constant urgent demands;
- Support the development of governance as it relates specifically to independence. Support the Charity Trustees Network, CVSs, Community Foundations and the Charity Commission to promote these behaviours. Go direct to trustees, rather than via Chief Executives.

The Baring Foundation would like to thank all the participants at the Summit. Guidance on the 5th year of the programme will be issued in March 2010.

If you would like more information about the Summit, or any other aspect of the STVS-independence programme, please do get in touch with us.

Strengthening the Voluntary Sector

STVS working paper series

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