

# INDEPENDENCE PANEL

Panel on the Independence of the Voluntary Sector

## VOLUNTARY SECTOR INDEPENDENCE

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# Foreword

Voluntary sector organisations are - rightly - highly valued for their connection and commitment to the people and communities they serve. This allows them to meet real and sometimes previously hidden needs, to speak up without fear or favour and to deliver services in original and effective ways. This independence - of purpose, voice and action - is what makes the voluntary sector special and enables it to serve the interests of those who might otherwise be left without support or a voice because they lack power or influence.

The Panel on the Independence of the Voluntary Sector has been established by the Baring Foundation because of continued concerns about that independence. Over the next five years, we aim to shed light on how far there is a problem and what can be done about it.

We will be looking at independence in general, not just from central and local government, but also from other vested interests, such as private sector corporations or grant-making foundations. Over a number of years, concerns have focused on the potential impact of government funding, as the voluntary sector has delivered more public services and increasingly been funded through tightly drawn contracts. There is the risk that voluntary bodies become mere delivery agents, lacking independence of action or voice and being diverted from their purpose. This requires a sustained commitment to independence when contracts are tendered and funding is offered and accepted.

More recently, the impact of deep cuts in state funding has been of concern. Cuts may leave gaps in vital services, especially for the most vulnerable, and threaten the sector's ability to play the more active, independent role the Government appears to envisage in its "Big Society" initiative. We will also be considering the impact and implementation of changes in government tendering and will be looking specifically at the Work Programme in our first annual statement.

The first responsibility for upholding independence lies with the voluntary sector itself. However, government and all of those who work with the sector also have an important role in respecting independence and providing a supportive regulatory, tax and financial environment. Ultimately, this leads to stronger services and a healthy democracy.

This consultation document invites views and evidence to feed into our report on the state of independence later this year - the first of five annual reports we will publish. To help us in this task, we have drawn up a "Barometer" of independence which asks questions to help us judge how far independence is being maintained and achieved. Please look at these and other points in the report and give us your views by **21 September at [info@independencepanel.org.uk](mailto:info@independencepanel.org.uk)**



A handwritten signature in black ink that reads "Anne Owers". The signature is fluid and cursive.

**Dame Anne Owers**

Chair of the Panel on the Independence of the Voluntary Sector

July 2011

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# Introduction

This is the first publication of the new Panel on the Independence of the Voluntary Sector, which has been established by the Baring Foundation to consider the state of independence of the sector over the next five years.

We will be looking closely at the evidence in order to shed light on this important issue and make recommendations. This consultation document defines independence, explains why we think it is so important and flags up issues that have already been raised as concerns. These include the potential negative impact of government commissioning and funding arrangements, as voluntary sector bodies deliver more services, and the effect of recent cuts in government support for voluntary sector bodies. We also want to hear from you about the challenges as you see them and the current state of voluntary sector independence to help us prepare our first annual report later this year.

# Independence

Voluntary sector activity is alive in every street and in every community in the land. Voluntary organisations, small and large, reflect the things that communities and individuals care about and meet social need. They help us connect with others and enable us to shape our surroundings. They lie at the heart of our society.

At best, the voluntary sector is connected to people at a local and a personal level. It can empower people to fulfil their potential, as well as creating active communities, adding to the quality of life. This is reflected in the values that define, support and sustain voluntary organisations. The sector is not part of our formal democracy but it enriches democratic life through engagement with communities and participation of trustees and volunteers.

Its independence - of purpose, voice and action - is what makes the voluntary sector special and sets it apart from government. Just as its focus on the creation of social wealth - rather than profits for distribution - distinguishes it from the private sector.

## **Independence of purpose**

Committed individuals and communities add value to people's lives by setting up voluntary organisations that address some of the most pressing and difficult issues in our society. That strength of purpose will only be upheld if voluntary organisations, and those with whom they work, value independence and respect it in everything they do. That independence can be undermined, for example, if voluntary organisations seek funding that does not match their mission and values, perhaps to keep the organisation afloat, or if they lose touch with the views of those they serve. This can also occur when funders try to impose a different vision of what is needed.

## **Independence of voice**

The ability to speak up independently on behalf of sometimes unpopular causes or marginalised groups is critical to a healthy democracy. But this freedom can be threatened if voluntary organisations believe that they may face retribution - whether losing influence, or funding - or if contractual arrangements make it impossible to carry out the work to the quality or deliver the outcome that they believe is right and necessary. Independence is also undermined if they fail to base their views on proper evidence and are out of touch with the real concerns of those with whom they work. Sometimes timidity and lack of skills may play a part. Freedom from received opinion may be as important as freedom from funders. The right environment is important too: voices may be muted if it becomes clear that government or other key partners are unwilling to listen.

## Independence of action

Independence of action enables the voluntary sector to design and deliver activities that best meet the needs of the people they serve; and it helps foster the innovation that leads to better services and solutions. It can be threatened when funders or other partners constrain freedom of action through unnecessary rules, under-funding, or try to tell voluntary organisations how to do their job. It can also be undermined if voluntary organisations fail to check that they are continuing to meet the needs of the people they serve. That's when action starts to deviate from the purpose for which the organisation exists.

A supportive environment is important here too: if voluntary organisations cannot access funding because of hidden entry barriers or if funding is withdrawn without consultation or proper notice, independence of action can also be undermined.

## Voluntary sector responsibility for upholding independence

The prime responsibility for maintaining independence lies with voluntary organisations themselves - trustees, staff and the people and communities they serve. Above all, independence has to be asserted.

Independence creates the freedom that voluntary organisations need to determine and pursue their purpose, mission and values, free from interference. But that does not mean they are free from responsibilities, or the deep connections that should bind organisations to their beneficiaries, members and supporters.

Indeed, voluntary organisations can only remain truly independent if they actively engage with the people and communities they serve and genuinely reflect their interests and views. It's the source of their legitimacy. They must also be transparent and accountable for their activities and comply with contractual, financial and regulatory obligations. Otherwise, they risk becoming introverted and self-serving.

Furthermore, independence does not mean avoiding partnership with others or not accepting funding from others. It's true that some voluntary sector organisations, especially small community based groups, are entirely self-reliant financially. But many voluntary organisations have always, and will always, depend on external funding. The ability to bring in these resources is part of their success, although diversity of funding is always valuable. Some are funded mostly through the generosity of individual donors. A significant proportion, however, rely on resources from major funders - central or local government, the EU, the Big Lottery, charitable foundations, corporate sponsors and rich individual donors.

## The importance of a supportive environment

However they are funded, the wider environment in which they work can have a critical impact on the independence of voluntary organisations. It's not just a question of funding or of how they conduct themselves. There are many forces at work.

Responsibility for helping to maintain the sector's independence is shared by the Government and everyone who works with the sector, who know how important the independence of the sector is. They want voluntary organisations to continue to succeed and know that services that involve people, and which are shaped by beneficiaries, are more effective. Government also believes the relationship between people and the state cannot continue as it has in the past. It could achieve so much more in partnership with a fully independent sector.

### 1. Our first priority: Do no harm

'The most important relationship for the voluntary sector is not that with Government, but between people themselves when they come together to take action. A Conservative Government will always have in mind that the voluntary sector must be free to develop according to the ambitions and energies of the people who participate in it, and the needs of the people they help.

"Our first priority, like the doctors' Hippocratic Oath, is "first, do no harm".

A Stronger Society: Voluntary Action in the 21st Century, Responsibility Agenda, Conservative Policy Green Paper No 5, June 2008

However, to achieve independence in practice, amongst other things, the detail of the structures and processes governing relationships between funder and provider have to be aligned with these aspirations. So often, they can undermine the best of intentions.

It's also important that the Government as a whole sets the right regulatory and financial and tax environment for an independent sector to thrive, just as it does for the private sector. This ensures, for example, that charities work for the public benefit and in return are helped to be financially independent through reduced taxation and government support for infrastructure. Equally, government needs to ensure that it is transparent, open and fair in the way it works with the voluntary sector, avoiding unnecessary burdens and being responsive to feedback.

Whether or not they receive funding from external bodies, voluntary organisations can add immense value to government and others by working closely with them, bringing vital expertise and knowledge about social needs and what works - what has been called "cultural competence". As well as helping to shape the wider agenda, voluntary bodies can also have an important role in delivering public services in innovative ways. They are often well placed to join up different organisations and government agencies by working between or alongside them.

What is important, particularly when funding is involved, is the quality and clarity of the relationship. In a truly independent relationship, voluntary organisations would be trusted and respected partners, helping to shape the services and policies funded, not simply becoming deliverers of services to a specification determined by others. The way in which funding is given can make a huge difference: funding and commissioning arrangements should allow independence of purpose, action and voice to flourish. The receipt of government funding should never be used as an excuse to stifle political criticism.

## The impact of independence

Ultimately - as taxpayers, voters, beneficiaries and donors - it's important that everyone understands the value of the independence of the voluntary sector. Greater awareness of the impact it creates will help to ensure that it will be preserved.

When independence is weak it prevents the voluntary sector from stepping in where need is greatest; it leaves vulnerable people without advocates; and can lead to gaps in the provision of public services. If the voluntary sector becomes little more than another delivery partner, then it can lose the very quality that enables it to respond effectively to need. Wider society is also damaged, as voluntary organisations will not be able to use their specialist knowledge to help shape the Government's agenda.

When the independence of voluntary sector organisations is strong, its impact is huge. A robustly independent voluntary sector makes a strong contribution to the development of public policy and services and creates awareness of emerging issues. But independence can be undermined and, when it is, the process is often gradual and imperceptible. It is often only missed when it is too late.

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### Question for consultation:

Do you agree with the definition of independence and the factors which affect it, as explored in the 'Independence' section ?

If not, what other points would you highlight?



# The Work of the Panel

Because independence is so vital, the Panel on the Independence of the Voluntary Sector has been created with the support of the Baring Foundation. Over the next five years, the Panel has an ambitious aim to push independence to the top of the agenda and to shed light on where there are problems and what can be done to avoid them. We will produce evidence. We will make practical recommendations. We will not step back from challenging existing practice and attitudes both among funders and partners, including government and the voluntary sector itself.

At the heart of the Panel's work is the recognition that a collaborative relationship - a collective approach to shared goals - is one that works best. Ours is a constructive mission.

Successive governments, including the current government, have committed to working with the sector in transformative ways. At the same time, the impact of recent and future cuts in funding cannot be underestimated and affect those who depend upon the voluntary sector, including the most vulnerable, as well as voluntary organisations themselves. There have been many concerns expressed, not just about the scale of cuts but also about the way in which they have been implemented. There is no doubt that there are huge challenges ahead. We shall be considering the impact of these changes on independence in our future reports.

As well as exploring these and other immediate issues, we intend to take a long-term, strategic look at how voluntary organisations can best help to shape society and achieve the benefits for those they serve that come when independence flourishes.

At the end of this year, we will publish an Annual Statement that looks at the state of independence and we will return to this every year up to and including November 2015. We hope our Annual Statement will become an annual fixture in the voluntary sector's calendar that:

- increases understanding of the nature of independence and the factors that promote it;
- raises awareness of the importance of independence and the benefits it brings; and
- generates positive changes in practice and improvements in monitoring.

We will be focusing primarily on registered charities but will also be drawing lessons from the voluntary sector in its widest sense, including social enterprises and community groups. Our Terms of Reference and members are listed in the Annex.

## The role and funding of the voluntary sector

The voluntary sector has been flourishing in this country for centuries and helped create and deliver many of the services which we now regard as essential to the quality of our lives, from education to health to child protection. Throughout that period, its role has been evolving and it will continue to do so in the years ahead.

The creation of the welfare state led to the state taking over much of the work then carried out by the voluntary sector. But voluntary organisations continued to adapt their purpose and respond to changing needs, helping some of the most disadvantaged and marginalised people in our society.

Today, many of the larger voluntary sector organisations are so long-standing and professionally staffed, they're almost seen as part of the establishment.

However, independence of voice and action as well as purpose has always been a hallmark of the sector. Indeed, a significant part of the voluntary sector has always been outspoken, challenging and sometimes angry, speaking up in innovative ways about controversial issues, pushing at the boundaries of received opinion.

Sometimes tiny groups of committed people have been able to create significant changes in public policy and practice. For example, long before legal changes ensured disabled access to public buildings and vehicles, groups of disabled people led the calls for change, through a mix of direct action, lobbying and advocacy work. Many of the changes they argued for have now been enshrined in law, and the groups continue to advocate for the rights of their service users and others. Some of those groups have developed into major charities. Others have remained as part of a wider and still active sector.

The last decades have seen a further shift in the roles and relationships between people and the state, with central and local government increasingly funding the voluntary sector to carry out services to help meet wider social goals: for example, helping unemployed people into work or rehabilitating drug users or offenders. The voluntary sector has also been more involved in helping to shape government policies at national and local level.

Over the last few decades the voluntary sector has grown enormously. There are now around 170,000 voluntary sector organisations, most of them small. In addition, there are some 4,600 co-operatives and 22,700 not for profit social enterprises (of which some are also charities).

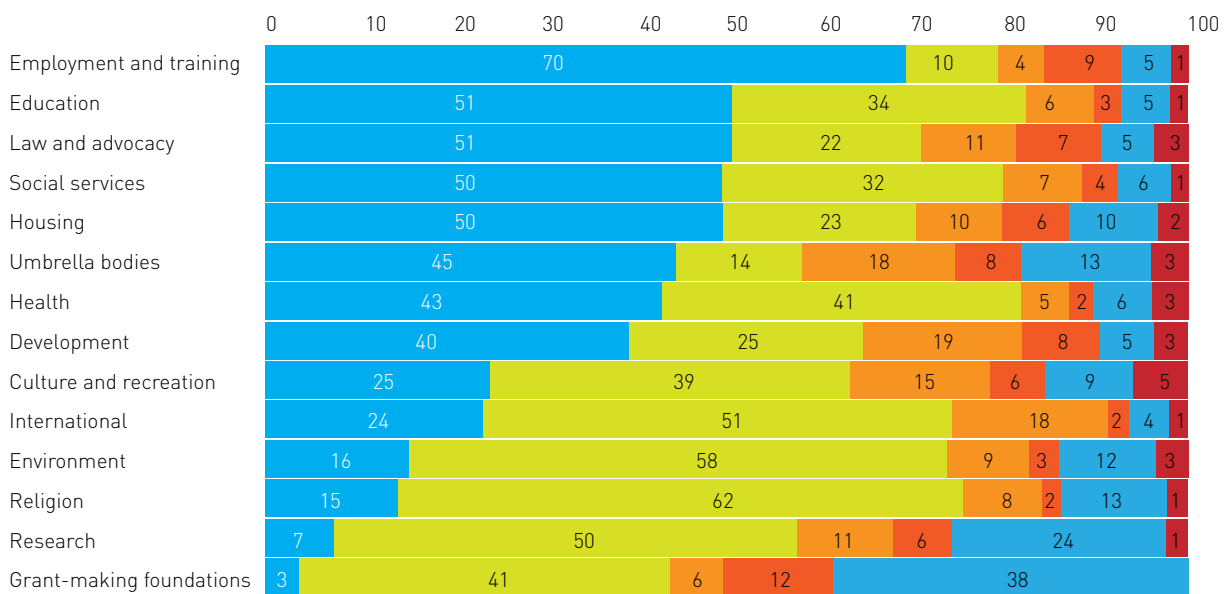
During the last government, state funding of the sector - whether from central or local government - increased dramatically. By 2007-08 (the latest available figures), statutory income totalled £12bn in 2006-07 out of total income of £33bn for the voluntary sector.

However, it is still the case that only a relatively small proportion of the sector receives government funding. Of 170,900 organisations in 2006-07 (the latest available figures), only 40,000 or 23% have a financial relationship with the state.

Approximately 27,000 voluntary sector bodies received over three-quarters of their income from statutory sources. Larger organisations received a higher proportion of funding from the state than small and micro organisations, as shown by Table 3 on the following pages.

There are strong sectoral differences, as shown in Table 1 below.

### Income sources by sub-sector 2006/7 (% of income)



Source: NCVO, *The UK Civil Society Almanac 2010*, [www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)

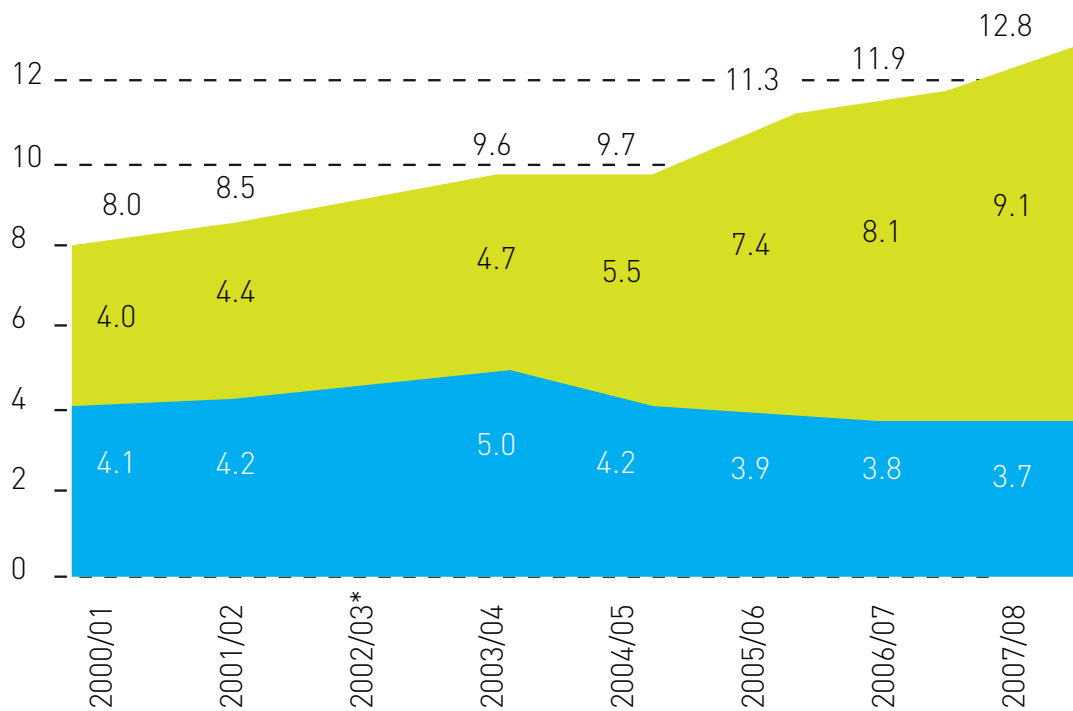
- Statutory sources
- Individuals
- Voluntary sector
- Private sector
- Internally generated
- National Lottery

Social enterprises are also highly dependent: 51% receive local statutory funding and 31% national funding (source: NCVO, *The State and the Voluntary Sector*, 2009).

The increasing use of competitive tendering, with voluntary organisations often competing with the private sector, has also led to a different funding relationship – determined by the delivery of service standards, linked to a unit price, rather than through funding to deliver shared goals. Funding for contracts (£9.1bn in 2006-07) now far exceeds grants (£3.7bn).

Table 2 shows the picture.

### Voluntary sector grant and contract income from statutory sources (£billions) \*2002/03 figures are inferred



Source: NCVO, *The UK Civil Society Almanac 2010*, [www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)

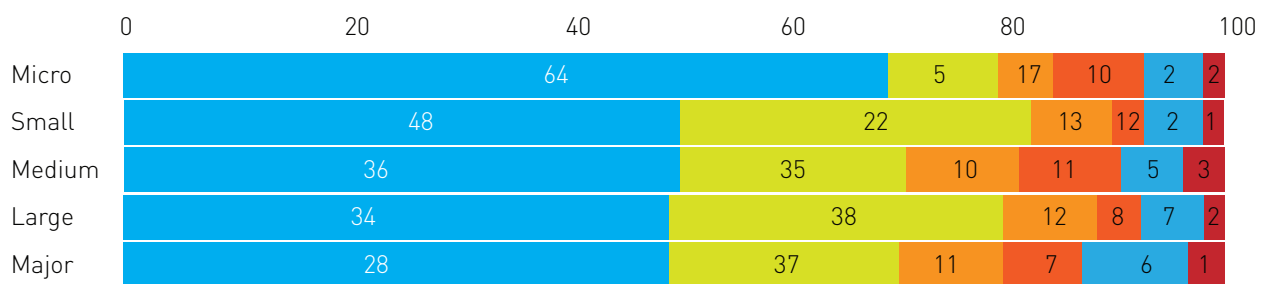
- Statutory contracts
- Statutory grants

A new trend is for large corporate private sector organisations to sub-contract with voluntary sector partners in the delivery of government contracts. Thus, in the recent Work Programme tender, of the 18 contracts let only 2 went to the voluntary sector. Many of the organisations that had formerly held contracts with the government became sub-contractors.

Other major funders, including grant-making foundations, the private sector (large corporations and major private donors) and the National Lottery, remain important, especially for micro and small organisations. It is likely they will become even more so, as cuts in government spending take effect.

**Table 3 shows the picture in 2007/08 by size of voluntary organisation, giving the latest figures available.**

### Source of income to voluntary organisations by size of organisation 2007/2008 (%)



Source: NCVO, *The UK Civil Society Almanac 2010*, [www.ncvo-vol.org.uk/almanac](http://www.ncvo-vol.org.uk/almanac)

- Statutory sources
- Individuals
- Voluntary sector
- Private sector
- Internally generated
- National Lottery

At the same time, society and the economy have also changed and trust as well as membership, has declined in political parties, at the same time as engagement with charities has increased.

**Table 4. The changing face of society: community engagement in 2008**

Membership of political parties	523,500
Membership of a selection of major voluntary organisations (National Trust; RSPB; RNIB; Salvation Army; Scout Association; Youth Hostels Association; British Legion)	5,774,552
Membership of the Co-operative Group	4,633,000
Membership of major unions (Unite; Unison; GMB; College of Nursing; Union of Teachers)	4,654,386

**Source: NCV0 Almanac 2010**

However, as the nature of community engagement is changing, some commentators detect a marked reduction in the influence and engagement of lower socio-economic groups.

Charities don't just have a lot of members, they are also good at engaging their client groups. A Charity Commission report, "A Balancing Act: New Perspectives on the Charity/Beneficiary Relationship," published in February 2009 concluded the relationship between charities and beneficiaries was "strong and deeply valued".

## The environment set by government

Recent governments have become increasingly interested in the voluntary sector as a deliverer of services and catalyst for wider social change and have made public commitments about the importance of its independence.

The Commission on the Future of the Voluntary Sector led by Professor Nicholas Deakin, which reported in 1996, led, amongst other things, to the formation of the Compact, the creation of the Office of the Third Sector and to improvements in the sector's relationship with local authorities.

The Coalition Government recently renewed the Compact in December 2010 and relaunched the Office as the Office for Civil Society. However, in the spring of 2011 it also abolished the Commission for the Compact, which had an important monitoring role, as part of the cull of quangos.

### 2. The Compact

"I see civil society as a strong and independent partner, helping to shape and improve people's lives not least through better informed and more responsive public services.... The Compact helps lay the foundation for what a stable and successful partnership will look like in order to deliver better outcomes for people and communities." **Nick Hurd, Foreword**

"An effective partnership between the Government and CSOs will help achieve the following outcomes:

1. A strong, diverse and independent civil society
2. Effective and transparent design and development of policies, programmes and services
3. Responsive and high-quality programmes and services
4. Clear arrangements for managing changes to programmes and services
5. An equal and fair society."

The Compact sets out non-statutory guidelines for regulating the relationship between national government and the voluntary sector and is backed up by many similar agreements at local authority level.

Public law can also be used to regulate the relationship. There has been a recent growth in the number of cases taken to the courts linked to recent cuts in government funding of voluntary bodies.

### 3. Public Law

Public bodies have to act in accordance with public law principles. Briefly, this means that they have to observe the following rules:

**They must not do things without legal authority, act outside their powers, or use their powers for an improper purpose.**

**They must not take decisions 'irrationally'.**

**They must observe the 'rules of natural justice' i.e. fairness.**

**They must not breach the Human Rights Act.**

**They must not breach European Community Law.**

The Government has committed to improving the design of commissioning processes and to engaging the voluntary sector more at the outset in the design of what is commissioned. It plans to focus more commissioning on outcomes, with the aim of giving more freedom to organisations about how they carry out their work. However, if funding is withheld until outcomes are achieved, this can cause cash flow problems for the voluntary sector which finds it hard to access capital, threatening viability and making it more difficult for voluntary organisations to contract with government.



To help promote best practice, the best practice organisation, Local Government Improvement and Development (formerly known as IDEA) has been developing eight principles for good commissioning as set out below.

#### **4. Eight principles of commissioning from the Voluntary Sector (by Local Government Improvement and Development)**

1. Understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with the third sector organisations, as advocates, to access their specialist knowledge;
2. Consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;
3. Putting outcomes for users at the heart of the strategic planning process;
4. Mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;
5. Considering investing in the capacity of the provider base, particularly those working with hard-to-reach groups;
6. Ensuring contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;
7. Ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness; and
8. Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.

Central government also has a significant role in setting the wider regulatory, tax and financial environment for the voluntary sector, just as it does for the private sector. For example, charities are subject to regulation in England by the Charity Commission and, in return for demonstrating that they serve the public benefit, enjoy some tax concessions. Government also provides some tax incentives for donors and has been extending these as part of its Big Society initiative. The Big Lottery is a major funder of the voluntary sector and the Government is also creating the Big Society Bank.

Furthermore, the Compact says that “the Government collectively (through the Cabinet Office) recognises the need to resource national and local support and development organisations in order to assist civil society organisations with their capacity and capability to build positive outcomes”. It also commits to ensuring “equal treatment across sectors ... when tendering contracts” and to multi-year contracts where they would create value for money.

## The Big Society

The Government's commitment to the Big Society allows the involvement of the voluntary sector in the delivery of public services, started under the previous government, to continue. Although this can be positive, greater dependence on government funding brings the risk of a reduction of independence, for example, if the sector loses its capacity to challenge and its autonomy to deliver services in the way that meets real needs.

### 5. Big Society: what is it?

**Community empowerment:** Local people taking control of how things are done in their area and being helped to do this by local government and others.

**Opening up public services:** Public sector organisations and individuals demonstrating innovative ways of delivering public services and charities, social enterprises and private companies showing new ways of delivering public services.

**Social action:** People being, and being encouraged to be, more involved in their communities through giving time, money and other resources.

**Source: Government documents and websites**

The Big Society aspiration of "empowered communities" relies on the health of local voluntary and community based organisations. However, the cuts in government funding being pursued at local level may put these organisations at particular risk. Because they are so small, they can be especially vulnerable to cuts and may lack the resources and capacity to assert their independence when it is under threat, compared to larger organisations.

## The effect of cuts in government spending

Indeed, the immediate context of major cuts in public expenditure puts the relationship of the sector to government to a severe test. New Philanthropy Capital's best estimate is that the sector is losing £5.1bn - or 40% - of state funding. The voluntary sector may also find it hard to raise funding from donors at a time of economic stringency. Those that survive may find it hard to fund the capacity they need to maintain their independent voice.

Concerns have been raised about the impact of cuts, particularly by local authorities, on the ability of voluntary organisations to take forward the Big Society agenda. In response, the Secretary of State for Communities, Eric Pickles, has threatened intervention if the voluntary sector suffers disproportionately in comparison with the effect on the statutory sector.

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### Questions for consultation:

What do you think are the significant challenges or threats that are being faced by the sector in relation to independence? Are these new, or long-standing?

What initiatives and changes do you think could help to strengthen the independence of the sector?

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# A Barometer of Independence

Towards the end of this year, the Panel will review the available evidence on independence and give its views on how healthy independence is in the sector and what recommendations, if any, are needed to take it forward. Responses to this consultation document will help the Panel to do this and will form part of the evidence.

To help bring material together in an accessible format, the Panel intends to compile a “Barometer of Independence,” constructed around the key features of independence which were set out in the introduction to this report. These have been compiled after extensive analysis of literature in this area and the input of Panel members.

Two elements will be assessed by the Panel: the characteristics of independence and the underlying factors which contribute to it.

The characteristics of the three aspects – purpose, action and voice – are shown in Figure 1 below. These characteristics are important in their own right but are also mutually supportive, working together in a virtuous circle to ensure that the needs of the communities the sector serves are well met.

**Figure 1: The characteristics of independence**



It is clearly difficult to measure independence directly. Any evidence of that kind will be considered, but the focus will be primarily on determining whether supportive voluntary sector behaviours and environmental factors are in place that are explored in the 'Independence' section. They are set out in the proposed Barometer below in the form of questions.

The Panel will consider evidence in relation to the three types of independence, reach a view on each and then bring this together into an overall statement on the state of independence. The aim will be to reach a judgement in the light of the available evidence and the Panel's own expertise.

The value of considering the three aspects is that the picture may be patchy. For example, it would be possible for independence of purpose to remain relatively strong, whilst independence of voice was constrained. As far as possible, the Panel will seek to identify differences within the sector. The overall picture could be relatively healthy but certain parts of the sector might be experiencing some difficulties.

## The Barometer of Independence

DEFINITION OR CHARACTERISTIC OF INDEPENDENCE	RELATED VOLUNTARY SECTOR BEHAVIOURS	RELATED ENVIRONMENTAL FACTORS NB affecting all three characteristics
<p><b>Independence of PURPOSE</b></p> <ul style="list-style-type: none"> <li>To set and review purpose to match changing needs of the cause represented</li> <li>To maintain purpose, mission and values</li> </ul>	<p><b>How far is independence seen as important</b> and upheld by trustees, staff and people and communities served?</p> <p><b>How aware of and compliant with best practice are they</b> (eg national and local Compacts) in the overall management of relationships with funders?</p> <p><b>How independent are governing bodies</b>, representing the interests of the people and communities served?</p> <p><b>How consistent are funding and other relationships with purpose?</b></p>	<p><b>Is independence of sector seen as important</b> and upheld by regulatory bodies, funders and partners?</p> <p><b>Are funders and partners aware of and compliant with best practice</b> (eg national and local Compacts) and the law?</p> <p><b>Is the overall regime provided by Government supportive of independence eg:</b></p> <ul style="list-style-type: none"> <li>- Regulations and regulatory bodies</li> <li>- financial arrangements</li> <li>- the tax regime?</li> </ul> <p><b>Is the sector fully consulted and involved</b> by partners and funders in policy-making and relevant practices?</p>
<p><b>Independence of VOICE</b></p> <ul style="list-style-type: none"> <li>To protest, campaign and negotiate without fear of retribution</li> <li>To be assertive about independence, focusing on the cause represented</li> </ul>	<p><b>Is there capacity</b> to campaign, engage and negotiate in the organisation or through infrastructure bodies?</p> <p><b>Is there legitimacy</b> of voice – reflecting views and voices of people and communities served?</p> <p><b>Is there a clear mandate</b> through strong evidence base?</p> <p><b>Do funding and other relationships</b> support independence of voice?</p>	<p><b>Are there supportive commissioning, funding and contractual arrangements</b> which are compliant with the Compact and the Eight Principles of Good Commissioning and which:</p> <ul style="list-style-type: none"> <li>- respect independence of purpose, action and voice</li> <li>- promote good outcomes for users</li> <li>- ensure sector is supported and resourced in a reasonable and fair manner in delivery of joint objectives</li> </ul>
<p><b>Independence of ACTION</b></p> <ul style="list-style-type: none"> <li>To design and deliver activities that meet needs</li> <li>To innovate, respond creatively to needs and take risks</li> </ul>	<p><b>Is there engagement with people and communities</b> served to ensure activities match needs?</p> <p><b>Are funding and other relationships</b> supporting action to meet needs of people and community served?</p> <p><b>Is there good governance of funds</b> and compliance with contract/grant terms?</p>	<ul style="list-style-type: none"> <li>- are transparent and accessible, without unfair entry barriers to all or parts of the voluntary sector</li> <li>- are changed only after consultation and notice?</li> </ul>

It should be noted that the available evidence varies in the time periods to which it relates and in its coverage of the sector. There is a time lag in most cases, and there are likely to be significant gaps. As well as assessing the state of independence, the Panel will also make recommendations about how to improve the evidence base, where necessary.

Given the complexity of the task and the likely weaknesses in the available evidence, it is important to recognise that the Barometer will effectively be a “weather map” rather than a scorecard of independence. The aim is to allow the Panel to illuminate the state of independence rather than pin it down precisely and to map broad changes over a period of five years. Over time, it is hoped that a clear picture will emerge, not just about whether independence is being maintained, but also about where interventions or changes might add value.

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### Questions for consultation:

Does the Barometer capture all of the relevant factors and, if not, what is missing?

How would you assess your own organisation against the Barometer? Please give us some information on your organisation (size, cause, key relationships etc). However, given possible sensitivities, anonymous replies are welcome.

Do you have any examples of good or poor practice in any of these areas?

# Consultation Questions

The Panel would very much like to hear from you in taking forward its work and hopes to engage as many people as possible in the coming months. Here are some key questions which we have asked throughout this report and on which we would appreciate feedback:

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Do you agree with the definition of independence and the factors which affect it, as explored in the 'Independence' section ?

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What do you think are the significant challenges or threats that are being faced by the sector in relation to independence? Are these new, or long-standing?

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What initiatives and changes do you think could help to strengthen the independence of the sector?

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Does the Barometer capture all of the relevant factors and, if not, what is missing?

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How would you assess your organisation against the Barometer? Give us as much information on your organisation as you can. However, given possible sensitivities, anonymous replies are welcome.

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Do you have any examples of good or poor practice in any of these areas?

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**Please send your comments to [info@independencepanel.org.uk](mailto:info@independencepanel.org.uk) by 21st September.**



# Annex

## Terms of Reference for the Panel on the Independence of the Voluntary Sector

### Vision and purpose

An independent voluntary sector is essential to a healthy democracy and a good quality of life in Britain. Independence is what makes the voluntary sector special. It gives individuals and communities the freedom to establish and run organisations to address some of the most pressing issues of our day. It enables them to speak up on behalf of sometimes unpopular causes and marginalized groups and make their voices heard, challenging received opinion. It gives voluntary organisations the freedom of action to innovate and deliver flexible and sensitive solutions to match real needs. It is the reason the sector adds so much value to people's lives.

However, with these freedoms comes responsibilities without which true independence cannot exist. That includes accountability by the voluntary sector to the communities they serve and good governance. A supportive environment is important too, including freedom from interference and arrangements which promote effective, independent relationships with partners, whether they be central and local government, the private sector, charitable foundations or others.

The impact of independence can be huge. However, it may come under threat only gradually, almost imperceptibly, with its loss only being noticed once it's too late.

That's why the Panel has been set up to ensure that independence is seen as a top priority by the voluntary sector and those with whom it works, to monitor changes and make recommendations affecting all those involved.

The Panel will stimulate reflection, debate and action and aims to:

- **increase understanding of the nature of independence and the factors that promote it;**
- **raise awareness of the importance of independence and the benefits it brings; and**
- **generate positive changes in practice and improvements in monitoring.**

The main focus of the Panel will be on registered charities but it will draw on lessons from the wider sector where it can and aim to make wide recommendations. It will be concentrating on England, although it will seek to draw on experience across the UK and some of its observations and recommendations may apply more widely.

## Members

The Panel consists of authoritative individuals who bring a mix of senior experience and knowledge. They will be acting in a personal capacity and are:

**Dame Anne Owers** (Chair), Chair of Christian Aid and Clinks and former Chief Inspector of Prisons.

**Nicholas Deakin CBE**, Emeritus Professor of Social Policy at Birmingham University and Chair of the Commission on the Future of the Voluntary Sector which reported in 1996.

**Andrew Hind CB**, Editor of Charity Finance and Trustee of the Baring Foundation, formerly Chief Executive of the Charity Commission.

**Lord Hodgson CBE**, President of the National Council for Voluntary Organisations and Chair of the Task Force which produced “Unshackling Good Neighbours” with proposals to cut red tape for small charities, voluntary organisations and social enterprises.

**Sir Bert Massie CBE**, formerly Commissioner on the Compact and of the Disability Rights Commission.

**Julia Unwin CBE**, Chief Executive of the Joseph Rowntree Foundation and an expert on voluntary sector independence.

**Louise Whitfield**, Associate Solicitor at Pierce Glynn and an expert in public law, specialising in judicial review cases on behalf of voluntary sector service-users.

**Nick Wilkie**, Chief Executive, London Youth.

## Adviser

**Matthew Smerdon**, Deputy Director, the Baring Foundation

## Activities

The Panel will make an annual public statement on the state of voluntary sector independence.

The Panel will review the best available evidence and deploy its own expertise in reaching a judgement on the state of independence. Where necessary, it will make recommendations to government, the voluntary sector and others to strengthen independence and to improve the evidence base.

The Panel will issue its first statement in late 2011 and will make an annual statement over the following four years.

To help achieve its aims, it will engage others in discussion, including leaders, funders, opinion formers and the public, and will aim to disseminate its annual statement to a wide audience, including front-line voluntary organisations, infrastructure bodies, politicians, funders, including charitable trusts, policy-makers and academics.

## Structure

The Panel will meet twice a year and be supported in its work by Civil Exchange, working in partnership with DHA.

The Panel is funded by the Baring Foundation, an independent charitable foundation established in 1969 with the purpose of improving the quality of life of people suffering disadvantage and discrimination. Funding will be subject to annual approval by the Foundation. Members of the Panel are unpaid but will be eligible for an honorarium of £500 each year to pay to a nominated charity.

**The Panel is independent and its statements will be its own.**

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