

Community Futures
*Policies on the Voluntary Sector
and Volunteering*

Policy Paper 98



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Executive Summary

Our vision is a future in which strong, independent voluntary and citizen-led community organisations, working in partnership with national and local government and the private sector, build safe, sustainable communities in which individuals and communities thrive. Community and voluntary organisations, by virtue of their independence and their close understanding of their members, volunteers and beneficiaries, are a powerful means by which citizens can shape and change society. Social Enterprise, although in its infancy and in many respects as yet untested, has stimulated new thinking about social issues and the extent to which they might benefit by the application of business discipline.

Community and voluntary organisations unite people who are passionate about particular causes. In doing so they not only foster a sense of community and empower people to challenge the state and large corporations, but also counteract the disconnection and atomisation of today's society. Therefore it is vital that local government supports small community organisations which enrich social, environmental and economic well-being. National governments also must use their influence to support larger voluntary organisations to research, advocate and meet the needs of groups within society; and to deliver public services.

To build a strong, sustainable voluntary and community sector we make the following key proposals:

Modernisation

In order to capitalise on the wealth of experience in the voluntary sector and build vibrant community organisations which engage the next generation:

- We will fund a modernisation programme designed to enable voluntary organisations large and small, working locally, nationally and internationally, to update their infrastructure.
- We will fund a programme to enable charities to update their IT, management information and business development skills.
- We will fund a programme of social networking skills, to be delivered in conjunction with leading private sector companies, to enable charities to develop digital campaigning, fundraising and service delivery.
- We will work with leading research bodies to develop impact and evaluation measures for charities, including properly conducted controlled trials. We will commission and disseminate further research on the development of early intervention services.
- We will develop a new definition of what constitutes 'a socially motivated organisation' in order to facilitate investment in charities and social enterprises.
- We will draw together existing best practice and commission research into new toolkits which will enable voluntary organisations to measure and demonstrate their impact.
- We will co-ordinate a programme of deregulation for charities. In particular we will bring together a range of funders and regulators to standardise administrative and reporting requirements. We recommend that the Charity Commission should be the sole regulator for both incorporated and unincorporated charities, including charitable

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companies, industrial and provident societies and housing associations using the *charitable incorporated organisation (CIO)*, as envisaged in the Charities Act 2006.

- In future we will require all legislative proposals to include a voluntary sector impact statement.

Infrastructure Development

As the single largest funder of the voluntary and community sector, Government is uniquely able to influence the capacity of charities and social enterprises to shape and change society.

- We will not set up any new organisations to deliver government programmes for the voluntary sector. In future all new funding programmes will be put out to tender, and we will expect participating organisations, where appropriate, to submit bids jointly with statutory or private sector partners.
- We will also encourage the Charity Commission to develop joint programmes with other infrastructure organisations in order to ensure that all charities have access to good practice.
- We will work with the Small Charities Coalition, National Association for Voluntary and Community Action (NAVCA), and Local Authorities to improve support to local community organisations and volunteers in statutory organisations such as school governors.

Corporate Social Responsibility

Although Corporate Social Responsibility (CSR) is a voluntary undertaking by companies to manage business processes to produce an overall positive impact on society, government can, and should where appropriate, assist companies and voluntary organisations to design, set and maintain standards of good ethical, environmental and social practice.

- We will a pilot programme to modernise Corporate Social Responsibility. We will seek to extend CSR by developing a network of Professional Services Working Groups across the country, so that voluntary organisations have access to services such as lawyers, accountants and architects.
- We will work with a range of organisations to develop a new Community Benefit Index in which companies are encouraged to maximise their 'community footprint'.

Green Community Development

Government alone cannot bring about the fundamental changes which are necessary to achieve environmental sustainability. In acknowledgement of the crucial part played by voluntary and community organisations in convincing policy-makers and the public of the need to adopt sustainable policies and technologies:

- We will encourage local authorities to provide advice and resources to schools, residents and tenants associations and other community groups to enable them to take an active role in managing open spaces to make them as attractive for people and wildlife as possible.
- We will work with Environmental NGOs to promote individual and community actions which take forward the green agenda in practical ways such as the update of Green Deal packages, or small-scale renewable installations, or the purchase of energy-efficient products.

- We will work with international partner organisations throughout the EU and globally, environmental NGOs to support effective international action on issues including climate change targets, low-carbon product standards, biodiversity or illegal logging.

Community Economics – Strengthening Democratic Localism

We believe that voluntary organisations should be able to compete for public service contracts on equal terms with statutory and private sector providers. However, in order to ensure that services are sustainable and serve the best interests of local communities, the commissioning process has to improve radically.

- We will take forward the Total Place and Total Neighbourhood programmes to ensure that local communities are empowered to design and commission services which meet long term needs and aspirations.
- We will review the implementation of the European Commission Directive 2004/18/EC which was brought into effect under English law in the Public Contracts Regulations 2006 and the Public Contracts (Scotland) Regulations 2006, to ensure that small charities are not being unfairly excluded and that the rules are being implemented with the flexibility which member states are entitled to determine.
- We will encourage the development of public sector contracts which require bidders to demonstrate how they will develop social capital.
- We will ensure that public sector commissioners are democratically accountable to elected representatives, and to avoid conflicts of interest we will retain commissioning itself as a publicly provided function.
- We will bring commissioning under local democratic oversight by encouraging local authorities to set out a vision of the future of public services – with the help of local people – that can shape joint strategic needs assessments in the future.
- We will ensure that the delivery of services is free from unjustified discrimination against employee or service user, regardless of the nature of the provider, by amending the equality laws and in the interim by requiring non-discriminatory contractual undertakings.

Funding

Liberal Democrats want to see the voluntary and community sector not only grow, but also retain its independence. Therefore we propose to support a number of initiatives which will encourage a range of different forms of charitable giving, and make it easier for charities to raise and earn income.

- We will set up a series of initiatives, in partnership with the private sector, to promote digital giving.
- We will modernise Gift Aid, by enabling online declarations and reclaims. We would also retain the higher tax rate for Gift Aid in order to maximise income to charities.
- We would consider the development of remainder trusts in order to stimulate greater giving by High Net Worth Donors.

Social Investment

- We would promote the development of a community banking sector.

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- We would pilot programmes under which Local Authorities could act as guarantors for new local investment instruments, up to a specified limit.
- We would establish, in partnership with private investors, a high risk investment fund to enable innovative projects with the potential to transform the voluntary and community sector to be supported through early stage research and development.
- We will review the legislation which governs programme related investment so that foundations would be able to invest in social good rather than always investing for return.
- We will review the Financial Services and Markets Act 2000 in respect of collective investment schemes to increase social investment by groups of individuals. We will consider the introduction of tax incentives to encourage this type of investment similar to those available for Enterprise Investment Schemes and Venture Capital Trusts.

Volunteering

We wish to encourage volunteering, especially on the part of younger people, and to increase active citizenship. We reject the notion of compulsory volunteering, but we recognise that volunteering has to be redesigned in order to engage a new generation. We regard volunteering as a welcome addition to, rather than a substitute for, statutory service provision.

- We will commission research into social networking and volunteering. In particular, we will engage young people in designing new systems to give incentives which stimulate volunteering.
- We will encourage statutory organisations to develop volunteer programmes so that social action thrives within communities.
- We will also reform the 'vetting and barring' scheme to enable more people to volunteer whilst ensuring that children remain safe and secure.
- We recognise simple mutual support is as important as more formal volunteering, and it may sometimes be necessary for the government to get out of the way of this – so that databases and regulation do not corrode neighbours providing each other with support.

Introduction

1.1 The Liberal Democrats exist to:

- Build societies in which individuals exercise their rights as active citizens.
- Promote and sustain cohesive communities.
- Enable all members of society to live dignified lives.
- Reduce poverty and inequality.

1.2 Liberal Democrats are committed to reducing disadvantage, increasing social mobility and decreasing poverty. Our aim is to build sustainable societies in which in which all citizens, irrespective of their backgrounds, are secure and thrive. We have long acknowledged the importance of local government in assessing the long-term economic and social needs of communities and stewarding resources accordingly. We also acknowledge that government alone cannot meet the needs of citizens and relies extensively upon others, working in partnership, to bring about economic health and well-being.

1.3 Voluntary and community organisations have a long and proud history of bringing about change. Whether by advocacy, research, or design and delivery of innovative services, voluntary and community organisations challenge government and harness the power of citizens to enhance well-being. Voluntary groups reach individuals and communities whose needs would otherwise go unrecognised. Voluntary and community organisations are at their most powerful when they work in partnership with other voluntary organisations, statutory authorities or private companies to achieve common good. It is for these reasons that Liberal Democrats believe that government has a duty to support a vibrant, innovative voluntary and community sector. The private sector also has an increasingly important part to play in the development of sustainable communities.

1.4 Voluntary and community organisations derive their strength and authority from their expertise in their field and the extent to which they galvanise support from the public. Many organisations are highly effective within their specific localities and their chosen field of activity, whilst others thrive because they are national networks. As Liberal Democrats we believe that it is important that government support for the voluntary sector reflects the diversity of the sector itself. Small organisations which choose not to assume responsibility for provision of statutory services, but nonetheless enrich civic society, should not be excluded from government support. Therefore, our policies are built around the following key aims:

- Enabling individuals to be active citizens, shaping their communities, by working with community groups.
- Supporting small local charities as the focal point for community involvement.
- Assisting larger charities to bring innovation to public services and contribute to social capital and the development of green technology.
- Resourcing national charities to provide effective, modern infrastructure support for the voluntary and community sector.
- Requiring local authorities, to co-ordinate a mixed-economy of private, public and voluntary service providers, to meet the long term needs of their communities.

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- Encouraging and enabling the private sector to invest skills, time and money in voluntary and community organisations.

1.6 This is a time of unprecedented change; political, social, financial and organisational, for the voluntary and community sector. 170,000 charities and 62,000 social enterprises, for profit companies which promote social purposes, employ around 730,000 people. Total income of charities in 2006/7 was £33bn, of which £12bn was voluntary income, however 75% of that income is earned by only 2.5% of charities. Over 50% of charities have annual income of less than £10,000.

1.7 Following several years of growth from funding programmes such as the Big Lottery and public service contracts, from 2011 the pressure on public finances will have an enormous impact on the many charities which depend heavily on income from government, both local and national. At the same time funding from trusts and the private sector seems, at best, unlikely to increase at rates comparable to those experienced in the last decade, and may possibly decline. The coincidence of a decline in traditional funding and a large-scale transfer of public services from the statutory sector is prompting a debate about what the role of the voluntary sector should be.

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

1.9 While many charities look more and more businesslike, so businesses increasingly lay claim to traditionally charitable territory. This has given people the opportunity to express their values not just by giving or volunteering but through lifestyle changes and by purchasing explicitly ethical, environmentally friendly or socially responsible goods and services. Major mainstream companies and public institutions have taken the idea of 'corporate responsibility' beyond mere legal compliance and even traditional philanthropic giving and community involvement into cause-related marketing and self-conscious ethical philosophies that claim to reach the very core of their businesses. Terminology and forms of organisation that blur the boundary between business and traditional voluntary sector values have also grown in usage and importance: social enterprise, social investment, philanthropy capital, community interest companies¹, community entrepreneurs. This trend has rekindled interest and attention on longer-established alternative forms of organisation such as mutuals, co-operatives and employee-owned companies.

1.10 Although the previous government put a lot of money into support for voluntary sector infrastructure, and funded the development of social enterprise, there is a widely held view in the voluntary sector that support, and investment, is fragmented and inefficient.

1.11 Several research studies over the last decade have shown that regular support, in particular charitable giving, is strong amongst people aged over 50. However, people aged under 50, although they care passionately about issues, do not give regularly to, or engage with, charities. The voluntary sector has a tremendous opportunity to benefit from the potential of social networking, but as yet few charities have done so successfully. A new generation of charities such as SeeTheDifference.org and AliveandGiving are pioneering new ways to engage younger people in supporting charities.

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

1.12 From all of this it can be concluded that the voluntary sector is at a point of change, and the actions of government will have a significant impact on the way in which the voluntary sector, and therefore society as a whole, develops.

Modernisation

2.1 Unlike Labour and the Conservatives, Liberal Democrats believe that government support for the voluntary and community sector should not be determined solely by the extent to which it can deliver public services. We believe that government has a duty to create an environment in which investment in voluntary organisations and philanthropy enhances their capacity to shape communities by research, advocacy and campaigning as well as service delivery. Now, more than ever, charities need help to update their work and engage the interest and active support of a new generation of supporters.

2.2 Traditionally voluntary organisations have been expected to not make profits. Indeed, for years many charities have subsidised public services by accepting underfunded contracts. Consequently financing business development is difficult. Therefore, government, national and local, has a responsibility to ensure that voluntary and community organisations, of whatever size, have access to high quality advice, support and training on issues such as charity law, human resources, management information, business development and evaluation.

2.3 As the overall situation of the public finances improves, Liberal Democrats will seek to identify funding for modernisation programmes to update the sector's capacity in the areas of IT, management information, social networking and fundraising. We will also seek to fund business development programmes so that voluntary and community organisations, of all sizes, are able to become financially self-sustaining.

2.4 Voluntary organisations address complex, long term, issues such as poverty, criminal justice or homelessness. While most charities can demonstrate that their activities are worthwhile and are accountable for monies received, it is often very difficult to demonstrate fully client benefit. For example, it may be difficult to prove causality between the existence of a preventative service and the absence of a social harm. Nevertheless, voluntary organisations need to demonstrate the efficacy of what they do, to potential clients and investors. Therefore, we will work with leading research bodies, and organisations such as Community Links to encourage properly conducted controlled trials of interventions, and develop impact and evaluation systems for charities of all sizes.

2.5 The term 'social enterprise' has become widespread over the last decade. Social enterprises are businesses trading for social and environmental purposes.² The application of business disciplines to charitable activities does enable voluntary organisations to be client-focused and use their resources efficiently. However, the term 'social enterprise' has been interpreted so widely that it is unclear which organisations should be included and which should not. We believe that in future, a definition based upon charitable purposes - as defined in the Charities Act 2006 - coupled with an asset lock, would lead to the creation of organisations which would attract social investment and command public confidence in their primary purpose.

2.6 A Liberal Democrat Government would not set up new organisations to deliver voluntary sector programmes. We would put any future programmes out to tender and we would welcome bids from providers from any sector, preferably voluntary/private joint bids.

2.7 We support the intention of the Coalition Government to decrease the burden of regulation on small charities. However, in order to maintain the integrity of charities and the level of public confidence which they enjoy, we would work with the Charity Commission to set basic

² Social Enterprise Coalition

levels of legal compliance and accountability to which charities, of different sizes must subscribe in order to maintain their charitable status. We recommend that the Charity Commission should be the sole regulator for both incorporated and unincorporated charities, including charitable companies, industrial and provident societies and housing associations using the *charitable incorporated organisation (CIO)*, as envisaged in the Charities Act 2006, as a preferred model³. Re-registration as a CIO should be made as easy as possible for both unincorporated and incorporated charities.

2.8 We believe that much of the burden which falls upon charities stems from the fact that they have to report to several different funding bodies and regulators. Much of the information which charities have to supply is, in practice, the same. However, the form in which the information has to be supplied varies. For example, charities which are companies have to make separate returns to the Charity Commission and Companies House. In addition, a great deal of time and resources could be saved if different authorities were to use common application forms. We would conduct a review of reporting requirements with the aim of standardising information requirements across public bodies.

2.9 The Charity Commission should have an explicit duty to encourage good governance within charities and other voluntary organisations, at a level appropriate to their size. The Commission should encourage and facilitate training for trustees, especially of smaller and medium-sized charities in governance, finance, employment law (where appropriate) and other relevant business skills.

³ The Charitable Incorporated Organisation is only available to charities, who will be registered with the Charity Commission (rather than with Companies House as is currently the case with Companies Limited by Guarantee). It is due to be introduced in 2011

Strong Active Communities

3.1 We believe that society is enriched by community organisations and charities, large and small, playing their part within a framework of democratic localism. Voluntary and community organisations, local authorities and private companies working together have the power to transform communities. The strongest societies are those in which the different sectors each play their unique part, but do so in partnership with each other.

3.2 We also recognise that small charities depend upon the generosity and passionate commitment of volunteers and trustees. That said, many small charities find it difficult to access management skills and resources and some struggle to meet management burdens and raise funds. Their continued existence has been despite the kind of regulation which has been such a feature of the New Labour years, and any programme that seeks to bolster the independence of the voluntary sector needs to support them in ways which are tangible and efficient.

3.3 We would encourage new associations by providing very small pots of funding which can be drawn down by groups of people who are able to work together enough to make the case for it. We would encourage the extension of the Community Foundation Network. Community foundations manage funds donated by individuals and organisations, building endowment and acting as a link between donors and local needs.

3.4 We would also negotiate a UK-wide insurance package, available from major insurers, which provides comprehensive coverage for the vast majority of volunteering, local activity and celebrations.

3.5 To ensure that in each locality there is a strong voluntary sector, we would expect each local authority to support key voluntary sector support organisations such as Councils for Voluntary Service (CVS) and Citizen's Advice Bureaux. We would provide funding to extend the Professional Services Working Group model, developed in Stockton, in which the skills of local professional firms, such as accountancy, legal services and IT are co-ordinated and made available at low cost to the voluntary sector.

3.6 Some local authorities have started to pilot Total Place accounting schemes, under which all the diverse sources of funding going into an area are calculated. At the same time the value of the work carried out by statutory and voluntary organisations, which may accrue to other bodies, such as the NHS, are also calculated. This method of working out both the immediate cost, and the long-term value of work, is particularly helpful when assessing the impact of preventative schemes, or small projects such as lunch clubs which enable older people to maintain their independence. We would continue to support Total Place. Furthermore we would fund a series of pilots of the Total Neighbourhood model, in which a similar analysis is conducted on a more localised basis, in order to make the case for greater devolution of decision-making powers.

3.7 We would review the implementation of the EU Public Contracts Directive (2004/18) in order to ensure that voluntary organisations are not unfairly excluded from competing to provide public services. We would also review the use of social clauses in order to enable Local Authorities to be approved providers within their area.

3.8 It is important that public services are provided without discrimination – against either employee or service-user – except where there is a genuine basis for this (such as women-only swimming sessions, outreach sexual health services for gay men, etc). Liberal Democrats are committed to amending equalities legislation to remove the broad exemption that exists for organisations with a religious ethos to discriminate against users of public services on grounds of

religion; and to narrow the exemption whereby they can discriminate against employees on grounds of religion and sexual orientation to only those jobs where there is a genuine occupational requirement (eg. priests).

3.9 In the interim, in order to ensure that public services which are provided under contract by voluntary and community groups remain available and accessible to communities as a whole, we would require any organisation bidding for a public service tender to agree a contract that requires non-discrimination against service users and protects any employees transferred from a prior supplier against religious or sexual orientation discrimination.

3.10 Public services often serve vulnerable and occasionally captive populations. We believe that faith-based organisations, like other voluntary sector bodies, have much to offer in the provision of public services and should not be excluded from providing services. However we would ensure that any contract between a commissioning authority and a service provider stipulates that no organisation uses the delivery of public services to promote religious (or political) views to service users.

3.11 Liberal Democrat led local authorities, such as Leeds, have shown how, by adopting and implementing The Compact – the agreement that sets out shared principles and guidelines for effective partnership working between government and the voluntary and community sector in England – statutory authorities and voluntary organisations can maximize benefits to citizens in good times and in bad. While we would not continue to support the Compact as a separate national organisation, we would continue to support the development of good practice and standards against which government performance to be assessed. In recognition that actions of government have the most significant impact on the voluntary sector, we would ensure that all proposed legislation would be accompanied by a voluntary sector impact statement when it is introduced in Parliament.

Corporate Social Responsibility

4.1 Although Corporate Social Responsibility (CSR) is a voluntary undertaking by companies to manage business processes to produce an overall positive impact on society, government can and should, where appropriate, assist companies and voluntary organisations to design, set and maintain standards of good ethical, environmental and social practice. Indeed many large companies now see the commercial value of conducting their businesses with regard to the social and environmental impact they have on communities. However, CSR is still in many respects limited. It is largely confined to large companies and London-centric. Moreover, CSR is often based not on partnership, but on an old-fashioned idea of corporate philanthropy. We wish to see a new framework for CSR, one in which companies and charities jointly determine what the community impact of a CSR relationship should be. To this end:

- We will identify funding for a pilot programme to modernise Corporate Responsibility by piloting a programme of regional CSR next generation programmes, in which voluntary organisations and companies of all sizes will be enabled to produce new CSR programmes and impact measures.
- We will work with a range of organisations to develop a new Community Benefit Index in which companies are encouraged to maximise their 'community footprint'.
- We will seek to extend the work of In-Kind, which matches charities with needs to companies able to donate resources.

Green Community Development

5.1 Environmental NGOs form some of the largest and most active organisations in the voluntary sector. They range from the big organisations such as Greenpeace, WWF, Friends of the Earth and RSPB (which has over a million members – considerably more than all political parties combined) to a host of small local groups concerned with nature conservation and local quality of life. Along with most other NGOs, they have a better record of communication and trust with their own members, and the wider public, than government generally achieves.

5.2 Government alone cannot bring about the fundamental changes which are necessary to achieve environmental sustainability. There is an important role for voluntary groups managing public open spaces, including parks, allotments, playing fields and other public areas. Local people have a vested interest in making and keeping these attractive and useful to the community and are often better able to achieve this than a distant local authority. Through initiatives such as the Friends of Parks community engagement project we will encourage local authorities to provide advice and resources to schools, residents and tenants associations and other community groups to enable them to take an active role in managing open spaces to make them as attractive for people and wildlife as possible.

5.3 The benefits from involving the local community in running open spaces are at their greatest in areas of deprivation which often feature some of the most degraded environments: the poorest people are 10 times less likely to live in green areas than those who are well off⁴. Opportunities to turn bleak open areas and disused or under-used spaces into attractive – and possibly productive – assets for the community should be taken. We will encourage local councils to provide advice and encouragement for local people to grow some of their own food, helping both the environment, their purses and health – modelled on the best practice in places like Middlesbrough and Camden – and to consider the use of urban spaces for food growing such as schools, parks, commons, pavements and churchyards.

5.4 Liberal Democrats always have worked closely with environmental NGOs and will continue to do so. One of the most important challenges we face is the wholesale transformation of the economy to a low-carbon sustainable model, which drastically reduces carbon emissions while at the same time delivering international energy security and positioning the UK to compete in the new markets for low-carbon technologies. This will involve a very wide range of measures, including a major programme of domestic energy efficiency investment and the reconstruction of much of the UK's energy infrastructure with renewable power (including small-scale and community generation).

5.5 Government can set the parameters within which energy markets operate, through instruments such as electricity market regulation. In addition, our Green Deal programme for energy efficiency, green tax reform, and sustainable public procurement can all promote sustainability, and government can stimulate private investment into the sector, for example through the Green Investment Bank. However, none of these will have sufficient impact unless individual householders and energy consumers respond appropriately.

5.6 None of this will be easy; we will face opposition from climate change deniers (including those in the Conservative Party), much of the right-wing press, and vested interests both in industry (particularly in energy-intensive sectors) and government. Public understanding of climate change and its implications, and of the impacts of the policies necessary to tackle it –

⁴ Urban Green Nation , Building The Evidence. CABE Report 22.3.2010

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which include, for example, higher prices for fossil fuels – is broad but not deep. Environmental NGOs therefore are crucial to this success of this programme, not only in lobbying and campaigning for more ambitious governmental action, but in communicating the justification for it to their members and the wider public, and in promoting individual action – for example in the uptake of Green Deal packages, or small-scale renewable installations, or the purchase of energy-efficient products. They can both create the space for government to act, arguing against counteracting influences, and promote the individual behavioural change that lies at the heart of much of this programme.

5.7 In partnership with local authorities, we will:

- Encourage the setting up of local re-use charities that enable residents to dispose of surplus furniture, white goods for sale and re-use.
- Promote organisations, including private sector, charities or social enterprises, that develop markets for recycled materials.
- Encourage and help charities to promote recycling as a way of fundraising.

5.8 Through working with international partner organisations throughout the EU and globally, environmental NGOs can also help create support for effective international action, on issues including climate change targets, low-carbon product standards, biodiversity or illegal logging.

Funding

6.1 Over the last decade the income of the voluntary sector has increased by £10bn largely through contracts for public services. Whilst that has enabled charities to do more, it has also compromised their independence, and given the state of public finances income is unlikely to grow at a time when demands for services will increase.

6.2 Today the British people are now the second most generous givers to charity in the world, but charities face many problems. So the task for government is to enable charities to generate unrestricted and restricted income from a range of sources.

6.3 There is a great deal of research into charitable giving and philanthropy. A common finding is that people over fifty give to charity, often because they regard it as a duty. Many people do so privately. Patterns of individual giving also vary by gender and age. Looking at both gender and age, women aged 45 – 64 are the group most likely to give (68%) and in 2009/10 they also gave the largest median amount (£15 compared to £12 for all adults). Younger men aged 16 – 24 were least likely to give in 2009/10 (31%) and gave the smallest typical amount (median £5).⁵ However research conducted for SeeTheDifference.org in 2009 showed that there are a generation of 'frustrated givers', people aged 20-45 who would support charities if they could do so easily and be certain that their money did go to the intended purpose.

6.4 Whilst a new generation of social enterprises are using social networking, many charities have yet to understand the potential of the current stage of internet development to engage a new generation of funders, volunteers and supporters. Moreover, charities, on the whole, have struggled to adopt new technologies such as PayPal and phone apps.

6.5 We accept the finding of Respublica⁶ that promoting digital giving, specifically making the processing of Gift Aid digital, would be worth £750m to UK charities

6.6 We would support with government funding a 'social networking school for charities, to be delivered by a national voluntary sector organisation in partnership with a market leader in the field of social networking.

⁵ UK Giving December 200, Charities Aid Foundation and NCVO

⁶ Digital Giving: Modernising Gift Aid, October 2010

Social Investment

7.1 There remains huge under-investment in research and development in developing innovation in the voluntary sector. There are small grants available to innovate, but very little in the way of investment to take those innovations further once they are successful. All too often, the organizations involved – and those who are benefiting from their projects – are forced to close down and develop something else that looks innovative that might have some chance of raising money. This is the source of so much ‘innovation exhaustion’, especially among those who are supposed to be benefiting.

7.2 We will provide better, more local sources of finance for start-ups, but – even more importantly – we will provide a better spread of available finance to take successful voluntary sector innovations and social enterprises to scale.

7.3 Liberal Democrats do not subscribe to the idea that this finance is somehow non-existent. There are large sums available doing nothing useful in the bank accounts of local authorities, quangos, government agencies, pension funds and philanthropic bodies. What is missing is the lending infrastructure to make them available as productive loans, which can give a reliable return without being risked on the money markets or stock exchanges.

7.4 We will encourage the setting up the following independent institutions:

- A much larger community banking and community development finance institution sector, funded – as it is in the USA – by the big banks in lieu of the loans which they find it difficult to make to small business and social enterprises themselves.
- Local government banks, set up to funnel local government savings into safe and productive loans that can help the local economy. These may also distribute available grant funding more locally.
- Philanthropic bodies practicing Mission Related Investment, as well as providing grants, which will be asked to state how their investment policies are related to their mission.

7.5 At present there is a dearth of high-risk, venture capital. Charities and social enterprises which seek to bring about change, particularly on a large scale, have difficulty raising start-up funding.

7.6 We would establish a business innovation fund, as a joint venture between established charitable funds and commercial investment funds which would invest in innovative, but high risk new charitable businesses, and to develop the social investment market. We would further encourage social investment by:

- Using the tax system to increase giving by High Net Worth Donors.
- Setting up a public-private investment fund to provide risk capital for infrastructure modernisation.
- Enabling local authorities to develop local investment funds and bonds.
- Developing fiscal incentives for companies to invest in voluntary sector development.
- Encouraging trusts and government departments to develop common/harmonised feedback systems.

Commissioning

8.1 There is no doubt that, despite all the rhetoric of New Labour and the efforts of the Coalition Government, that many voluntary organisations are being excluded from bidding to provide public services. Many of them are excluded by arbitrary requirements about turnover size, and by the trend towards commissioning on a bigger, more technocratic scale, whereby the decisions about the future of public services are handed upwards to specialist bodies covering more than one local authority area, and effectively beyond elected scrutiny.

8.2 This shift is a testament to the way the commissioning function has become captured by the finance function, often in search of economies of scale – like shared back offices services – that are often overwhelmed by the diseconomies of scale that result. As a result, public services are complicated, over-lapping and inflexible, when a more responsive and multi-skilled function, which was closer to democratically elected representatives and feedback from users, would have a better chance of shaping the flexible, efficient and effective services we need – and which rely on small civil society organisations to have the impact they do.

8.3 Part of the problem is the over-enthusiastic and unnecessary way that commissioners often use EU procurement regulations when they don't have to. Liberal Democrats would start by leading a European campaign for their simplification, and by publishing a clearer guide to how and when they apply.

8.4 We will also:

- Provide guidance to local authorities about how to use social clauses to encourage them to pre-approve small providers within their area.
- Encourage them also to issue contracts in more manageable units, and to build a local competitive market which would bring in smaller contractors as bidders – including voluntary organisations.
- Provide a means of legal redress to small, voluntary organisations which are prevented from competing for service contracts by unreasonable restrictions designed to prevent voluntary organisations or SMEs from bidding.
- Ask any contractor bidding to run public services to set out how they will build social capital, in order to reduce demand over the lifetime of the contract, and to contract with local voluntary organisations – running time banks and similar – in order to do so.
- Bring commissioning under local democratic oversight by encouraging local authorities to set out a vision of the future of public services – with the help of local people – that can shape joint strategic needs assessments in the future.
- Insist that commissioners don't just assess local needs, but they also assess local assets – including small voluntary organisations – so that needs are met informally, as far as possible, before bigger contracts are issued.
- Pioneer broader outcomes to guide public service contracts, rather than the narrow and necessarily bureaucratic outcomes used in systems of 'payment by results', to encourage innovation and reduce complex bureaucracy.
- Ensure that public sector commissioners are democratically accountable to elected representatives, and to avoid conflicts of interest we will retain commissioning itself as publicly provided function.

Community Futures

- Require that in commissioning arrangements contracts must provide that essential public services are not dependent on the efforts of unpaid volunteers.
- Until equalities protection is enhanced (see section 3.8), require that those who commission public services require providers to not to discriminate against service users and transferred employees and not to proselytise in the delivery of the service.

Charity VAT Reform

9.1 Irrecoverable VAT is a burden to many charities which, unlike most businesses, cannot recover the VAT they incur on goods and services they buy. The total cost is unclear but estimates range up to £1 billion.

9.2 A large proportion of this irrecoverable tax is due to charities making VAT exempt supplies. However, it is possible to refund VAT that cannot be recovered because it relates to the non-business activities of charities. The law already provides for a refund mechanism for this VAT in certain cases such as for public memorials, museums and listed places of worship. Previous governments have also been willing to grant one-off refunds for high profile events. In April 2011 a refund is being introduced for VAT incurred by academy schools which complements the existing comprehensive VAT refund arrangements for local authorities.

9.3 We believe that there is strong case for further extending VAT refunds for charities when funds allow. Even in the current financial climate there is a strong argument for allowing refunds for organisations that are publicly funded. In accordance with our last manifesto there should also be relief for charities which provide public rescue services such as mountain rescue organisations and lifeboats.

Volunteering

10.1 Liberal Democrats believe in community and neighbourhood activity as a central plank in a Liberal society. The freedom to engage, to organise things differently or just to do things yourself – or do things together – is a vital antidote to corporate or government tyranny, but it is also a method by which we can live deeper, more fulfilling and more successful lives.

10.2 That gives volunteering an important role in a Liberal vision of the future, and it is our intention to increase the local activity happening in places and communities. But by volunteering, we do not mean the tradition of noblesse oblige whereby the wealthy and well-educate minister to grateful and passive needy people. Nor do we accept the New Labour alternative, whereby semi-professional volunteers are subsumed and controlled as part of the apparatus of the state.

10.3 Liberal Democrats believe volunteering is something that can be shared equally by people in all sections of society, young and old. We believe that everyone, whatever their age, range of abilities and health deserves the right to feel they are making a useful contribution to those around them, to use their human skills – their time and ability to care – in the voluntary sector, but crucially also in the public sector. This means:

- Simple mutual support is as important as more formal volunteering, and it may sometimes be necessary for the government to get out of the way of this – so that databases and regulation do not corrode neighbours providing each other with support.
- The voluntary effort of parents, family and neighbours is the essential ingredient in the effective working of economy and democracy, and without it the work of public service professionals is impossible.
- The acceleration of mutual and voluntary activity is not an alternative to public sector provision, but an enhancement of it – and it requires a strong and flexible public sector to make it possible.

10.4 We will encourage a huge increase in voluntary activity in this way, through public services, so that public service units become – alongside their acute services – volunteering hubs and catalysts that find ways of using the resources that their users represent to stitch the local neighbourhood back together.

10.5 We are opposed to 'compulsory volunteering' however, we will support programmes which:

- Encourage people aged between the aged 16-24 to use volunteering as a way of enhancing their career prospects and we will seek to engage employers in all parts of the country in the programme.
- Enable young people to gain credits in work skills which can be included in their CVs.
- Demonstrate a health gain to people who volunteer.

We would also commission research into forms of public recognition and reward, particularly for young people who volunteer. We also recognise the scope to encourage volunteering among other groups such as returnees to work. We will reform the 'vetting and barring' scheme to enable more people to volunteer whilst ensuring that children remain safe and secure.

10.6 As with funding, we believe that there is, as yet, untapped potential for charities and voluntary organisations to use social media to encourage volunteering. We would seek to commission research from organisations such as YouthNet, Facebook and Orange to inform the development of new forms of volunteer engagement.

10.7 A number of large companies and local authorities run schemes which encourage employee volunteering. For example, staff are given two days per annum to spend volunteering. Companies and local authorities have given employees time to work on allotment projects with the local Mind association. We would encourage large companies to develop such schemes nationwide. We would also commission research to develop volunteering programmes within small and medium enterprises.

Policy Equality Impact Assessment

		Yes/No	Comments
1.	Will the outcomes from the policy paper affect one group less or more favourably than another on the basis of:		
	<ul style="list-style-type: none"> Race, Ethnic origins (including gypsies and travellers) and Nationality 	No	
	<ul style="list-style-type: none"> Gender 	No	
	<ul style="list-style-type: none"> Age 	No	
	<ul style="list-style-type: none"> Religion, Belief or Culture 	No	
	<ul style="list-style-type: none"> Disability – mental and physical disabilities 	No	
	<ul style="list-style-type: none"> Sexual orientation including lesbian, gay and bisexual people 	No	
2.	Is there any evidence that some groups are affected differently?	No	
3.	Is there a need for external or user consultation?	No	
4.	If you have identified potential discrimination, are any exceptions valid, legal and/or justifiable?	N/a	
5.	Is the impact of the policy/guidance likely to be negative?	No	
6.	If so can the impact be avoided?	N/a	
7.	Are there alternatives to achieving the policy/guidance without the impact?	N/a	
8.	Can we reduce the impact by taking different action?	N/a	

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This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.

Working Group on Voluntary Sector and Volunteering

Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.

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