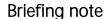# The Baring Foundation's STVS – independence grants programme
Summary

1. The Baring Foundation is an independent grant making trust. In 1996, the Foundation launched the Strengthening the Voluntary Sector (STVS) grants programme. This programme reflects the Foundation's belief in the value to society of an independent and effective voluntary sector.

2. William Beveridge argued that voluntary organisations can be allies *with* government, but not servants *of* government. The Baring Foundation believes that it is desirable and possible for the third sector to work with government. Government and the sector need to find ways of working together that allow the experience and resources of both to flourish.

3. The growth in government funding to the sector is welcome. However, current mechanisms for transferring funding to the third sector, in particular commissioning, form a significant threat to the sector's independence.

4. In 2006, the Foundation launched the STVS – independence grants programme. This helps organisations to establish and manage productive relationships with government. It does this by supporting them to demonstrate their *legitimacy* and increase their *confidence*. The programme was vastly oversubscribed, receiving 515 applications for just 22 grants.

5 To accompany the grantmaking, the Foundation is carrying out additional research on the topic of independence. In January 2007 we published 'Sources of Strength' an analysis of applications to the programme.

6. This found that third sector organisations feel most under threat when shifts in government policy result in budgets cuts or changes that jeopardise core services. 92% of applicants to STVS – independence said that their ability to provide core services was under threat. 69% said that their organisation or their project risked closure. The commissioning relationship creates a paradox: the third sector is viewed by government as an important partner, but organisations feel unable to influence government when they believe change will result in poorer services to the people they support. Threats to independence are being felt across the sector.

7. There are practical measures that third sector organisations and government can take to make the relationship more productive. For sector organisations this is about strengthening their legitimacy and building their confidence. For government, this is about genuinely understanding and valuing the contributions made by those outside government.

Section 1: The STVS – independence grants programme

1.1   The third sector has its roots in the spirit of voluntary action. This is the spirit that inspires individuals to seek to improve conditions for themselves and for others. Activity in the public and private sectors may contribute to this, but the fundamental characteristic of voluntary action is its independence from public control. It is action that has, in the words of William Beveridge, 'a will and a life of its own.'[1] Like this, voluntary action can be an ally of government's but not its servant.

1.2   The Foundation believes that it is possible and desirable for voluntary action to work with government to tackle society's most intractable problems. Indeed many of society's proudest achievements are the result of collaboration between voluntary action and the state. Of prime importance is to manage the relationships between the sector and government in ways that maximise the contributions of both and allow the experience and resources of both to flourish. Preserving and nurturing the independence of the third sector is fundamental to achieving this.

1.3   The government knows well the benefits that the third sector can contribute. HM Treasury recently listed the following attributes:

- A strong focus on the needs of services users;
- Knowledge and expertise to meet complex personal needs and tackle difficult social issues;
- An ability to be flexible and offer joined-up service delivery;
- The capacity to build users' trust;
- The experience and independence to innovate;
- An ability to involve local people to build community 'ownership';
- An approach that builds the skills and experience of volunteers; and
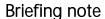- An ability to increase trust within and across communities, thereby building social capital.[2]

This is a good list, but it might also include:

- An ability to provide independent advocacy for services users engaging with statutory authorities.
- An ability to represent the needs of service users to government;

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[1] Beveridge W (1948) Voluntary Action: a report on methods of social advance. George Allen and Unwin. London p. 8.
[2] HM Treasury (2006) Improving financial relationships with the third sector: guidance to funders and purchasers. HM Treasury: London. p. 14

- The knowledge and local networks to engage people that government finds hard to reach;
- An ability to identify new and emerging needs more quickly than government;
- An ability to address people's needs in a more holistic way;
- A commitment to support service users to become volunteers and workers and thereby deliver services that are non-stigmatising and appropriate.

1.4   Since 1996, the Baring Foundation's Strengthening the Voluntary Sector (STVS) grants programme has supported organisations to strengthen the core strategies, structures, systems and skills that all organisations need in order to operate efficiently and effectively.

1.5   In 2006 the Foundation added a focus the STVS programme. The trustees had noted the increasing reliance of third sector organisations on funding from government, in particular through the 'contract culture'. Whilst the increase in government funding has been welcomed by the third sector, the Foundation recognised that the ability of organisations to maintain these freedoms at the same time as receiving government funding varied considerably. Of special interest was the impact of these relationships on the independence of third sector organisations. 'Independence' is not taken to mean existing in isolation. This is simplistic, unrealistic and undesirable. Rather, independence is about how, in the course of managing complex sets of relationships, organisations can establish and maintain a set of important freedoms. The freedom to:

- agree their own values;
- carry out work that delivers the stated purpose of the organisation;
- negotiate robustly; and
- challenge others and engage in public debate.

1.6   Some organisations have successfully attracted government funding for services at the same time as preserving, or even extending, these freedoms, for example by using the funding relationship to influence policy design and contribute to service review. Others have not and fear that their values, their distinctive methods, their relationships with the people they exist to support and their ability to challenge government have been eroded. This is captured in the following quotation from an application to the STVS – independence grants programme:

> "We struggle to 'justify' full cost recovery to local funders, particularly if they think they can access a 'free' service elsewhere. We constantly have to justify our model and why we deliver (even though they really value the high quality of our work). We are under constant pressure to review and justify

costs…instead of…allowing us to get on with the job and to deliver results. With a focus on the short term, this leads to our inability to plan and operate strategically. In this new climate, we are in fire-fighting and short-term crisis mode, hindering the organisation's growth and development."[3]

1.7   There are things that sector organisations can do about this. In developing the grants programme, the Foundation looked at the characteristics of independent organisations and identified two: the ability to demonstrate their legitimacy and the ability to act with confidence.

As such, the practical activities which the grants programme will fund organisations include:

Demonstrating legitimacy:
- involving users or beneficiaries in organisational review, planning and management for the first time or in a significantly better ways;
- developing or improving ways of collecting evidence of the needs of users and beneficiaries or potential users and beneficiaries;
- introducing appropriate ways of assessing the quality and impact of the organisation's work;
- developing ways of listening to complaints and responding;
- introducing a new organisational or management structure;
- strengthening the governance of the organisation;
- reviewing the values of the organisation.

Building confidence:
- developing skills, capacity and confidence in negotiation, campaigning and communication;
- diversifying sources of restricted funding;
- developing systems and expertise in calculating full costs recovery and the pricing of services delivered under contract;
- making use of the Compacts with central and local government and other statutory bodies;
- improving skills or knowledge about how to work with the media;
- developing communicating with members, supporters, customers, the media or the wider public in significantly better ways.

1.8   There are a number of components to the new programme,

- grants to 22 organisations;

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[3] This quotation has been edited to preserve the anonymity of the applicant.

- a network that brings these organisations together to share experience and to collaborate;
- a programme of additional research and development including a series of Working Papers and seminars;
- external evaluation of the programme being carried out by CENTRIS, currently establishing base-line positions.

1.9   As part of the research activity, the Foundation commissioned Cathy Pharoah[4] to analyse the 515 applications to the programme. The findings of this research are summarised below.

Section 2: A summary of findings of 'Sources of Strength'

2.1   Threats to independence are being felt by organisations from right across the sector, rather than certain focused areas. Just over one third of applicants to the STVS – independence programme were working at local or community level and an almost equal proportion was providing specialist care. 58% of applicants were direct service providers representing a wide range of needs including older people, children, the environment, and many specialised groups including mental health, prisoners, learning disabilities, drugs and alcohol and women. 20% of the applicants were umbrella bodies.[5]

2.2   Third sector organisations feel most under threat when shifts in government policy result in budgets cuts or changes that jeopardise core services. Organisations are not opposed to change, their problem is dealing with the paradox created by the commissioning relationship: on one hand the third sector is viewed by government as an important partner because organisations have unique insights into the nature of needs and how to meet them, at the same time organisations feel unable to influence government when they believe change will result in poorer services to the people they support. Applicants to the programme had a range of relationships - with central government departments and local authorities.

2.3   Whether change was inevitable, forewarned or even valuable, the crucial issue is that, in spite of partnership rhetoric and the implementation of the Compact, voluntary-sector change or organisational development is still being triggered by external threats. It is not planned or strategic, and does not leave organisations, many of whom are providing for a high level of client need, in control of the

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[4] Former Head of Research at CAF and an expert on voluntary sector resource issues.
[5] Pharoah C (2007) Sources of Strength: an analysis of applications to the STVS grants programme. Baring Foundation: London p.8

agenda.

2.4   As well as undermining core services, threats to independence undermine organisations' growth and their effectiveness. 17% of applicants to the STVS – independence programme said that the organisation was unable to develop its skills for influencing others, 15% said they were unable to improve internal systems.

Section 3: Conclusion

3.1   Organisations have a responsibility to ensure their own independence. They can be helped, by independent funders, by the Compact Commissioner and by government through initiatives such as Capacitybuilders, but, in the end, no-one else will do it for them. There is a cohort of groups that have grown in confidence under the new commissioning arrangements. Anthony Lawton, Chief Executive of Centrepoint describes this as 'getting on the front foot' - for example by refusing to accept short term contracts, that do not provide full costs recovery. Other organisations need more evidence of their legitimacy and greater confidence to argue like this. Being able to challenge government is good for the relationship. It is what government says it wants from the sector.

3.2   Government can also act to make commissioning a valuable and effective process. It has to build on the expertise of the sector and maximise its contribution. This has to start with a genuine belief that the sector has attributes that will enhance the quality of public services. This means involving the sector in design, planning, delivery and review.

3.3   In this way the relationship will be productive and the users of public services will benefit.

For copies of Working Papers or more information about any aspects of the grants programme, please contact:

Matthew Smerdon
Deputy Director
Baring Foundation
60 London Wall
London EC2M 5TQ

T 020 7767 1136
E matthew.smerdon@uk.ing.com