

RELEASING THE POTENTIAL IN IRELAND'S COMMUNITY, VOLUNTARY AND CHARITABLE SECTOR

Pre-Budget Submission to Department of Finance for Budget 2019

September 2018

1. INTRODUCTION

Ireland's community and voluntary sector is a priceless national asset that's kept its blazing light under a bushel for far too long.

The sector is present in every aspect of Irish life and is a major player in the economy and a very significant employer. The sector mobilizes millions of volunteers, delivers a large component of our social and community services (to which it contributes over half the cost) and makes a huge contribution to our national life. Charities in Ireland play a vital role in society – they make a difference to millions of lives here and across the world. Despite a huge variance in the size, structure and composition of organisations in the sector, they all share two things in common: they are all run by volunteers and they all work for the public benefit (with no private gain for directors or owners).

Many would say that it is our strong community spirit that defines the Irish experience – and it's through participating in our thriving community and voluntary sector that people give expression to that spirit. Think of all the community and voluntary groups at work in each of our communities right now. Think of the groups we have each volunteered with, or supported over the years. Irish people care for one another, and our community and voluntary sector is the evidence of that.

The true significance of the sector has started to come to light in recent years thanks to developments in charity regulation and a recognition by the state of the importance of the sector and that it was time to appreciate and value the work of this great national movement. We think the conditions are now in place for government to develop policies to fully realise the immense potential in the community and voluntary sector to make Ireland the best place in the world to live – and for Ireland to become *the world leader* in quality of life, for all.

There is much that is positive to build on. The *Programme for Partnership Government* (page 131) contains key commitments to develop a strategy to support the sector and to ensure that it is funded in a supportive manner.

Programme for Partnership Government Commitments (page 131):

- “We want to affirm the contribution of the community and voluntary sector to building a more just and prosperous society, and its strong focus on urban and rural regeneration. Community and voluntary organisations provide the human, social and community services in all key areas of our national life. In this work they contribute to the economy as well as create value for Irish society.”
- “We will increase funding levels to support the sector, and develop a multi-annual funding model that focuses on quality, effectiveness and efficiency. We will produce a coherent policy framework and develop a strategy to support the community and voluntary sector and encourage a cooperative approach between public bodies and the community and voluntary sector.”
- “We will also ensure that all commissioning for human, social and community services takes place in a societal value framework (targeted at maximising the value for society)”.

In line with these commitments the lead department for the sector (the Department of Rural and Community Development) is developing a new strategy to support the sector, a new policy to support volunteering, and a new strategy for social enterprise, all of which, if coherent, integrated and resourced well, have the potential to realise the transformative potential of the sector.

The Department of Health is conducting a review of the role of voluntary providers in health and personal social services, and this too has the potential to improve the funding and regulatory environment that community, voluntary and charitable organisations operate in. Tusla and the HSE are embarked on new approaches to ‘commissioning’ services, which if done well could improve the operating environment for funded organisations, but which if designed or implemented poorly could result in increased insecurity and eroded autonomy for organisations.

The Charity Regulator is developing a new governance code for charities, again a positive development, and one which will support improved governance in charities (and one which should be accompanied by increased resources to support same). Additionally, Government introduced a VAT Compensation Scheme for charities in Budget 2018 which indicates renewed interest in and support for the work of the charity sector by Government. All of these are positive developments that provide a very positive platform to build on.

The Wheel is Ireland’s support and representative body for community, voluntary and charitable organisations and social enterprises in Ireland, and we look forward to working with Government and other stakeholders to raise awareness of the significance of the sector and to implement the recommendations and proposals regarding budget 2019 itemised below that will release the transformative potential in the sector.

2. Ireland's Community and Voluntary Sector, its nature, extent and significance

At work across all sectors of society

Ireland's 29,000 community, voluntary and charitable organisations work day in and day out in every community in the country. They are supporting people to live independent lives, supporting people with disabilities and medical conditions and supporting older people, children and young people to realise their potential. Think of all the home help-services and the respite services for carers. Think of all the youth clubs and guide and scout groups and active retirement clubs. Right now community and voluntary organisations are advocating for environmental causes, campaigning for social justice and rights, supporting people experiencing poverty, supporting migrants, promoting the arts and cultural activities and working overseas for fair trade and climate justice.

Mobilising an army of volunteers and active citizens

Over a million people actively volunteer every year and the Central Statistics Office estimates that the value of this volunteering is over 2Bn Euro per year. Additionally, over 50,000 unpaid 'active citizens' sit on the boards and management committees of these organisations, giving their time voluntarily to oversee and guide the work of the causes they are passionate about, accepting unpaid and voluntary responsibility for the work in the process. The Charity Regulator estimates that there are over 300,000 people volunteering for registered charities alone, with an economic value of the volunteering for charities of €649 million per year (based on the minimum wage).

A very significant player in Ireland's economy

Indecon Economic Consultants estimate (in a [report](#) published by the Charities Regulator in 2018) that total direct, indirect and induced value of the work of Ireland's charities exceeds €24bn and supports 289,197 employees. Indecon estimates that the overall *direct expenditure* of charitable organisations may be as high as €16 billion (equal to 5.8% of GDP). Of the estimated 189,000 employees *directly employed* in registered charities, approximately 100,000 of these jobs are directly supported by public expenditure.

A core component in our public services infrastructure

Many of Ireland's 10,000 charities are part-funded by the state to provide health, social and community services, and they form a critical part of Ireland's social infrastructure, supporting people and communities the length and breadth of the country. Many community and voluntary organisations now find themselves subject to commissioning approaches to allocating public funds. If the community and voluntary sector is to continue playing its key role in health, community and social services, then Government needs to ensure that future funding and commissioning models fully support the community-based, nonprofit approach, and that they value the major financial contribution made by charities to meeting the cost of Ireland's social and community services.

Making a massive contribution to the costs of public services

While about 50% of the funding for the work of the community, voluntary and charitable sector comes from Government, 50% is raised by organisations themselves towards the cost of the services they deliver. If income from Government and public funding is discounted, Indecon estimate the total independent expenditure of the sector to be €11.72 billion with 135,941 employees being directly supported through independently raised and earned funds - *this is the huge “added financial value” contributed by the sector.* While these figures reflect the importance of government and public funding to these organisations, *they also reflect the immense and completely under-appreciated financial contribution the sector makes to Ireland’s public service provision.* Additionally, Indecon estimates that Irish households contributed charitable donations of €350m in 2018.

A hotbed of innovation and a huge non-financial contribution to state services

But the sector contributes much more than this already huge financial and voluntary contribution. The non-financial contributions of the community and voluntary approach includes: the energy, endeavour, and commitment of all involved; the pride and sense of belonging the best organisations inspire; and all the other additional resources contributed (like premises, equipment, and voluntarily available expertise) – none of which would otherwise be available to the state. Our very social-fabric and vibrant community life, which we prize as one of our greatest national assets, is driven by the community groups, clubs, voluntary organisations, charities, associations and social enterprises that exist in all parts of the country. This activity creates an enormous **social value** (sometimes called ‘social capital’) for our country, and, quite simply, it sustains communities, builds a sense of common purpose and creates trust and willingness to work together in our society. Characteristics and attributes that are observable in the way that charities and community & voluntary groups do their work (when working at their best) include:

- responsive, tailored and holistic approaches to identifying and meeting needs
- flexibility, innovation, integration and collaboration in delivery
- ownership, involvement and empowerment of service-beneficiaries and the wider community in shaping services and supports
- contributions to building social capital and social cohesion

The cement that holds our “civil society” together

Irish society is a great community of “active citizens”, whose common bonds are created by sharing our interests and taking action collectively in “civil society”, the association of people in pursuit of common interests and values through formal and informal voluntary organisations. That collective, voluntary activity includes much of what sustains Ireland’s cultural and social wellbeing, including: arts, culture, media, recreation, sports, education, research, philanthropy, voluntarism, health, social services, environment, local development, housing, advocacy, law, politics, international affairs, religion, professions and vocations. Every single one of us has been positively affected by the work of our community and voluntary sector over the years.

A core part of who we are that embodies the best of what it is to be Irish

Everything from sports clubs, student groups and community associations through to trade unions, professional representative bodies and religious organisations is part of civil society, alongside traditional “charities”. Civil society organisations express the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations, and constitutes the very essence of our sense of Irishness.

3. Releasing the potential in Ireland’s Community and Voluntary Sector

As can be seen, Ireland’s charities and community and voluntary organisations make a big contribution to our national life, but they could do so much more if we had an environment that fully supported their work!

The Wheel works to create the conditions for a thriving community, voluntary and charitable sector in Ireland – one that enables the sector to maximise the contribution that it can make to our local, national, and international lives. There are many stakeholders that can play a part in ensuring a thriving sector, and this section outlines the challenges and the issues facing community, voluntary and charitable organisations and what needs to be done to shape positive policies to address the issues.

Charities face governance, managerial and operational challenges just like other types of enterprises, and we need to ensure that the business-supports that are available to commercial enterprises are also available to charitable enterprises. But charities also face additional, and increasingly intense, **regulatory and funding-compliance requirements**, and we need Government to review these regulatory and compliance frameworks to ensure they are as streamlined as possible, and to provide dedicated budgets in funding lines to enable funded-organisations to meet the increasing costs of compliance. And charities themselves need to demonstrate the highest governance standards in their work.

There is much that the state can do to support the sector to realise its full potential. The community, voluntary and charitable sector needs Government to produce a comprehensive development strategy for the sector that includes a sustainable funding model. Government is the biggest single funder of charities in Ireland, and as noted above, increasingly statutory funding is awarded through “commissioning” services – so we need to ensure that commissioning models support the community, voluntary and charitable approach.

Trustees face increasingly demanding governance requirements and are prepared to put their reputations on the line when they volunteer with a charity – so we need to do all we can to support them in their role with training, advice, guidance and dedicated resources to support good governance.

We outline below the policies that we believe, if implemented, will create an environment where our community, voluntary and charitable sector can deliver its maximum contribution to well-being in Ireland, and support Ireland to become the best place in the world to live.

3.1. A Development Strategy for the Community, Voluntary and Charitable Sector is needed

Ireland needs to fully recognise this “invisible” sector and value and appreciate the work of our charities and community and voluntary organizations. The Programme for Government’s acknowledgement of the significance and role of the sector was a very important starting point. But it needs to be built on. To this end, we need a national development strategy for the community and voluntary sector – one that acknowledges the huge financial and non-financial contribution the sector makes to our public services and to national life in general, as noted in this report, and in reports of the Charities Regulator and Benefacts. The Department of Rural and Community Development is currently developing a strategy in line with the commitments in the Programme for Government, and The Wheel will continue to work closely with the department to ensure an ambitious and well-resourced strategy. Nonetheless, we note below what that strategy needs to address and contain.

3.2 Sustainable Funding Strategy Needed

Many of Ireland’s 10,000 charities are funded by the state to provide health, social and community services, and as noted in this submission, they form a critical part of Ireland’s social infrastructure, supporting people and communities the length and breadth of the country. Many funding related issues arise from the fact that these organisations are doing essential work on behalf of the state. Some of the issues include:

- the inadequacy of the funds made available for this work
- the effort that organisations have to put into raising additional funds to supplement often inadequate statutory funding so that these essential public services can be continued
- the restrictions that often accompany statutory funds that prevent organisations from finding innovative solutions or from doing necessary advocacy to change the system
- the compliance demands that many organisations face when in receipt of statutory funds, and their effect of reducing the autonomy of the boards of organisations
- If charities are to fully realize their potential to make Ireland the best country in the world to live in then a new funding strategy is needed to ensure:
- funding provides for the full cost of services on a needs-based footing
- funding be provided on a full-cost-recovery basis - taking into account the need for organisations to fund core-costs, pay staff adequately, train and develop staff, and make provision for pension contributions where appropriate.
- multi-annual funding allocations as the default approach

3.3 Commissioning Models to Support the Sector’s Work

As noted above, many community and voluntary organisations are involved in delivering essential services for the state, and many now find themselves subject to commissioning approaches to allocating public funds. The HSE and Tusla are currently developing and implementing commissioning approaches to funding services provided by community and voluntary organisations. We are working closely with our agency-funded members to identify and communicate the issues that need to be addressed if Ireland is to benefit to the full from the role played by community and voluntary organisations in delivering public services and involving the people, and the communities they support, in the shaping of those services.

If the community and voluntary sector is to continue playing its key role in health, community and social services, then Government needs to ensure that future funding and commissioning models fully support the community-based, nonprofit approach by making sure that:

- commissioning is understood as a strategic approach to meeting identified needs and not understood as an instruction to competitively tender for all services
- the setting of the outputs/outcomes to be commissioned/procured is done very carefully; that outcomes procured value BOTH the financial and non-financial value delivered by the sector (as noted above); and that outcomes procured are developed in consultation with communities concerned.

3.4. Nationwide “Business Support Infrastructure” for Community and Voluntary Sector

Community and voluntary organisations face many of the same challenges that business organisations do. We are asking Government to work with the sector to ensure the availability of a nationwide ‘support-infrastructure’ so that our charities, community and voluntary organizations and social enterprises have available to them the full range of services and supports available to for-profit business.

3.5. New Framework for Collaborative/Partnership Working

As noted, many community and voluntary organisations deliver services on behalf of the state – and this demands trusting relationships, partnerships and shared understandings of need. Partnership working is complex and demanding, yet increasingly, partnership working approaches are changing towards contractual, commissioning-based approaches and the use of Service Level Agreements that can run contrary to the spirit of partnership-working approaches.

We are asking Government to develop a framework for collaborative/partnership working between voluntary organisations and their statutory counterparts when they work together for the benefit of communities.

3.6. Regulation should be proportional and support the Sector

Charities understand the importance of transparency in their work and worked for years to encourage the establishment of Ireland’s Charities Regulator. The sector welcomes regulation and is working to attain the highest standards of governance, but there is a risk now that the compliance and reporting burden associated with statutory funding and regulation is becoming increasingly demanding for charities, and that the interplay of the many separate, but related, regulatory and reporting requirements could begin to impede the work and advocacy of charities.

We are asking Government to review, and streamline compliance and regulatory requirements to ensure that regulation in all its forms, helps, and doesn’t over-burden, charities and community and voluntary organisations. We are also asking government to introduce a fund in budget 2019 to provide for the increased compliance costs that funded organisations new face.

3.7. Charities should be free to advocate their cause

A strong, active, diverse and independent community and voluntary sector forms an essential part of a healthy democracy. Independent community and voluntary organisations provide an essential ‘public’ space where, in addition to providing services and supports, private citizens can participate in shaping decisions by public authorities which affect them.

This advocacy role played by community and voluntary organisations is particularly important in underpinning participative democracy. Yet in the face of this acknowledged advocacy role,

statutory funding agreements sometimes stipulate that funds cannot be used to support activity designed to “obtain changes in the law or related government policies or to persuade people to adopt a particular view on a question of public policy”. In other words, these clauses have a constraining and limiting effect on an organisation’s ability to perform advocacy work.

Additionally, since the establishment of the Charities Regulator, and the application of the Electoral Acts which introduce restrictions on the use of donated funds for doing (what is very loosely defined as) “political activity”, there is uncertainty as to what all this means for organisations that advocate. In the background to all of this are a number of well-known cases where community and voluntary organisations have felt that their right to advocate using state funds has been questioned.

Charities are recognised as organisations that provide public benefit in pursuit of their charitable objectives. As such, charities are under an obligation to take appropriate action to advance their charitable purpose. All government regulators and agencies need to ensure that charities and public benefit organisations are free to advocate to advance their charitable purpose, and the Electoral Acts need to be amended to ensure charities are free to advocate for political causes irrespective of where their funds originate.

3.8. Maximise Active Citizenship

People engage in their communities through charities, community and voluntary organisations which support active citizenship. Irish people compare favourably with our peers in terms of the rate at which we volunteer, but we don’t compare so favourably in our participation in democratic decision-making processes. We are calling on Government to develop a strategy to maximise active citizenship and fully engage people in decision-making that shapes their lives, through adequately resourcing the Public Participation Networks and through ensuring that all state departments and agencies develop a *Participatory Governance Framework* that engages all citizens that wish to shape the development of public services.

3.9. Encourage and Support Collaborations and Mergers

It is important that community and voluntary organisations collaborate in their work where possible, and that charities avoid unnecessary competition and duplication of effort. But collaborative work involves costs and often isn’t incentivised in statutory funding schemes (because merged organisations can potentially lose funds as a result of merging). We believe that Government needs to provide additional and dedicated resources to support mergers, where appropriate, in the sector and collaborative work in general.

3.10. Strategies for Volunteering and Social Enterprise also needed

Every single charity or voluntary group is overseen by volunteers and as noted we have over 50,000 such ‘charity trustees’ running Ireland’s charities. Additionally, over 50% of charities are operated purely by volunteers in addition to the trustees – they employ no paid staff. We welcome Minister Ring’s stated intention to publish a national plan to support volunteering, in addition to the national strategy to support the community and voluntary sector, and the ‘infrastructure’ that sustains and nurtures it, during 2018. We ask Government to ensure that this is positioned and resourced as a critically important element of an integrated over-arching strategy for the sector.

Most charities are innovative at finding ways to fund their work. Many exchange goods or services for funding. Additionally, some organisations are set up from the get-go to be ‘social

enterprises' and they achieve their objectives as an organisation through trading on the open market in a nonprofit manner. Ireland needs a focused plan to strengthen and foster social enterprise activity and The Wheel welcomes Minister Ring's commitment to develop a plan, in partnership with charities and social enterprises. We ask Government to ensure that this is also positioned and resourced as a critically important element of an integrated over-arching strategy for the sector.

4. Priorities for Budget 2019

Our community and voluntary sector is very significant and an integral part of our social and economic infrastructure:

As can be seen, the Community, Voluntary and Charitable sector is nothing less than a national movement that makes a massive contribution to our society and economy (and is especially relevant in the context of the paper *Fiscal Policy in the Approach to Full Employment* discussed at the National Economic Dialogue as a pre-cursor to Budget 2019) as the non-profit sector enhances the resilience of the economy, and social enterprises in particular, boost economic growth.

Government's introduction in Budget 2018 of a VAT Compensation Scheme for Charities and the programme for Government commitments to the sector are positive developments that indicate that government appreciates the huge contribution made by Ireland's community and voluntary sector to social and economic life. All of this is good, but there are a few key issues that the sector urgently needs to see addressed in Budget 2019 if its potential contribution is to be fully realised:

The **demands of compliance** being experienced by charities are a really big issue.

For a sector which is so dependent on the passion, vigour and enthusiasm of volunteers, staff, trustees and board members, the ever-increasing bureaucracy around compliance is having a major negative impact. One volunteer board member from a charity supporting homeless people recently reported that she "found herself being consumed by 'red tape', unable to partake in providing the actual service which was the fundamental motivation for her joining of the organization". Compliance is sapping the energy of volunteer boards, who report that they are now spending a disproportionate amount of their valuable time on forms and form filling instead of providing strategic leadership of their organisations.

The state has made a huge investment in recent years in regulation and compliance processes, but there has been *no equivalent investment in charities to support their capacity to comply*. Charities, especially those funded in whole or in part by the state, now work to a whole range of quality standards and regulatory and reporting requirements.

Many charities have to prepare reports and comply with the complex requirements of funders like the HSE, Tusla, Pobal and the Housing Agency, in addition to making returns to, and complying with regulations set by, companies registration office, the charity regulator, the lobbying register - and that's before we mention complying with GDPR. Many charities find themselves reporting the same information to multiple funders and regulators over and over again. And some compliance frameworks are now so rigid that they are preventing organisations from innovating and being responsive to people's needs. Some of our members are reporting that they are at breaking point and having to divert time and energy from front-line services, or even suspend services completely, to meet these demands.

In short, organisations are finding themselves at risk of becoming “compliance driven” rather than “needs driven”.

In the context of Government’s stated priority to enhance the resilience of the economy and boost growth potential, we are calling for a few things in Budget 2019. Specifically we are calling on government to:

- 4.1** Prioritise and resource a process to **streamline, reduce and rationalise the compliance and reporting requirements** facing non-profits – this will free-up time and energy and resources in the sector to innovate and respond to need
- 4.2** Even when streamlined, compliance will still exact a cost, so we are also calling on government to **ensure that statutory funders make dedicated funds available as part of their funding lines to enable non-profits they work with to meet the costs-of-compliance they face**. The state currently funds the work of non-profits in Ireland to the value of over 5Bn euro per annum. A **Cost of Compliance funding line** spread across all line departments at 1% of the lowest current estimate of government funding for the sector (5Bn Euro per annum) would equate to 50Million being earmarked in the budgets of line departments towards providing for the costs of compliance of funded organisations. **We request that an additional €50m** budget header be created and spread across all relevant line departments (representing less than 1% of current funding levels).
- 4.3** Additionally, increasing overhead costs such as insurance and the legacy of meeting pent-up demand, has meant that many organizations have remained financially endangered. We are calling on government to **ensure statutory funders reverse the funding cuts initiated in 2008/2009 and ensure budgets are adequate to meet the costs of services**, and that funds are provided on a multi-annual basis to enable organisations to plan. We are also calling specifically on the Department of Health to ensure HSE budgets are increased to enable Section 39 organisations retain staff by achieving pay-parity with their section 38 counterparts. Equal pay for equal work should be the principle that applies.
- 4.4** With regard to insurance, we are calling on government to **urgently address the unsustainable rise in insurance premiums facing charities** which are causing some charities to withdraw badly needed services, or even close down in some cases. We are further calling on government to ensure that line departments that fund community and voluntary service providers provide for the increased cost of insurance premia in the interim.
- 4.5** Charities have a responsibility to collaborate whenever possible and should avoid un-necessary competition, and many charities actively consider merging following collaborative initiatives. There is however a significant cost associated with mergers. Merging can also present a risk that merged entities might subsequently lose funding they currently “separately” receive from statutory sources following a merger, with a resultant reduction in such organisations ability to deliver services and supports. Such a possibility acts as a significant disincentive to mergers. We are calling on Government to **incentivize mergers and cover the costs of mergers** by providing a dedicated budget in 2019 to support mergers for those charities that wish to enter into merger arrangements with other charities. **Budget ask: €2m**

4.6 As noted, the Department of Rural and Community Development is currently developing a strategy to support the community and voluntary sector, a strategy to support volunteering and a strategy to support social enterprise. These strategies will contain initiatives and objectives that relate to that department's own budget, but which also relate to the budgets of other line departments that fund the services that charities provide (often on behalf of the state). We are calling on Government to ensure that the Department's strategies are fully resourced, and that the implications of the strategies for the budgets of other line departments are provided for in Budget 2019 and in future budgets.

4.7 Community Employment and the Community Services Programme are vital supports for the work of the community and voluntary sector. Maintaining the core focus and resources of these programmes on supporting the work of, and jobs in, the sector is *essential* to maintaining the social and economic impact the sector makes.

4.8 Finally, as a society we need to accept that if we want charities to achieve excellence in governance, then there is a cost that goes with that. Yes, the sector needs to ensure it is as effective and efficient as possible, but we need government to play its part too and we are calling on government to **support a campaign to raise awareness of the significance of the work done by non-profits**, and to lead a change in public attitudes to recognise that good governance comes with a cost, a cost that should be regarded as legitimate – and provided for appropriately.

5. Conclusion

This submission contains a comprehensive developmental agenda to enable Ireland's community, voluntary and charitable sector to maximize its contribution to wellbeing in Ireland, and to our economic and social lives. It also contains specific proposals for priority attention in Budget 2019. We commend this submission to Government and look forward to engaging in the period ahead towards a thriving community, voluntary and charitable sector in Ireland.

Ends

**For further information on the content of this submission please contact Ivan Cooper,
Director of Public Policy.**

Email: ivan@wheel.ie

Tel: 086 8093083