

Paper weight

The voluntary sector has been more accommodating than most of the increasing regulatory burden – many have even welcomed it. But that's all the more reason for the government to listen to legitimate concerns that red tape has gone too far and is stifling the sector's ability to work, says Stuart Anderson

If some of our politicians and public servants are to be believed, the nation is in the grip of an unprecedented crisis. Children are leaving school illiterate, young adults are turning to alcohol and the streets are unsafe to walk. And what's to blame: Economic disenfranchisement? The breakdown of extended family ties? The decline of mainstream religion? No, it's paperwork. Free our teachers and police officers from the yoke of red tape and all will be well once again.

But the disease is not restricted to the public sector; the private sector, too, has long complained of the increasing regulatory burden. The British Chamber of Commerce argues that since 1997 the cost to British firms of complying with regulation has almost tripled to £30 billion. "British business cannot compete with a £30 billion millstone around its neck," its director general David Frost has said.

Thankfully, it seems UK charities are immune. While nobody likes having to fill in regulatory returns there seems to be broad support for regulation in the sector. Despite facing many of the same regulations as business and an increase in the number of charities incorporating, bringing them within the scope of company law, a report published by

NCVO at the end of last year entitled *The Impact of Regulation on Voluntary Organisations* found

that many said regulation had produced tangible benefits.

"Many voluntary and community organisations recognise that appropriate regulation

is both necessary and beneficial," read the report's foreword. "Not only does it provide a level of protection to their organisation and to their users or beneficiaries, it also promotes public confidence in the sector." The report pointed to examples such as Leonard Cheshire, which lobbied for higher care standards than originally proposed by the government – in spite of the fact that it knew it would struggle to raise the funding to meet the new standards.

Nor is it alone. The view of Giles Pegram, director of fundraising at the NSPCC, when asked about increasing regulation is fairly typical: "The introduction of the standard information return will add to the burden, as has each new SORP, but not in a way that's disproportionate to the benefit in terms of transparency to donors and clarity about how their money is spent."

Turkeys for Christmas?

Not everyone is convinced that the mounting pile of paperwork is good news for the sector, though. Some smaller charities, particularly, complain that they struggle to cope, and the Association of Chief Executives of Voluntary Organisations (Acevo) has taken up their cause. "Charities are getting a very raw deal at the moment in terms of regulation," says Acevo spokesman Nick Aldridge.

Charities tend to identify two major regulatory bugbears: duplication of reporting and the disproportionate burden that compliance places on small charities.

In fact, say the critics, the latter burden is more serious than that suffered by small businesses. "I may be doing the commercial sector a disservice," says CFDG's deputy chief executive David Membrey, "but I don't think most small businesses are as complicated to run as large ones, whereas small charities can often be just as complex as their larger counterparts."

One such organisation is Ataxia UK, a support body for sufferers of the neurological disorder which also funds research into its treatments. An incorporated charity, it is large enough to be caught by the relevant regulation. By

and large its chief executive, Alastair Macdougall, has few complaints: "Most of the legislation is there for a clear purpose and, whether you are a large or small organisation, in my view you have the same responsibilities.

"But the regime doesn't make life easy for small charities; larger ones have a company secretary who deals with legislation and compliance issues, but smaller organisations such as ourselves have to rely on their chief executive and other staff. The biggest problem for us is keeping up-to-date with the various changes." Macdougall reckons the charity spends a day a week on compliance issues. "We outsource accountancy and fundraising; I just wish there was some kind of organisation to whom we could do the same for compliance," he says.

The problem has not gone unnoticed by the Charity Commission. It recently announced changes to its reporting regime that will significantly simplify the returns that smaller charities (those with annual incomes below £250,000 – representing one third of all UK non-profits) have to produce. This has been widely welcomed, although Shirley Scott, the CFDG's chief executive, believes the definition of a "small" charity should be extended to encompass all those with incomes below £1 million.

Yet, as Acevo has pointed out, the Charity Commission is just one of the many regulators to whom non-profits have to report, and most of the complaints are about public service regulators. In particular, those charities dealing with government or local authority funders complain that they have to report the same information separately to each individual body – often in very different formats. Acevo's Aldridge points to the example of small drug treatment agencies: "These might have to make four separate sets of reports every month to different government departments."

Regulating the regulators

Things are looking up, though. The last government, in response to the recommendations of the recent Joint Scrutiny Committee on the Draft Charities Bill, instructed the Better

Regulation Taskforce to carry out a review of the impact of regulation on the Charity Sector. This is, at the time of going to press, due to begin sometime in the near future.

The National Audit Office, meanwhile, is carrying out a study into the progress of government departments in implementing the recommendations of the Treasury's 2002 cross-cutting review. This covers a number of issues including streamlining access to multiple funding streams and full cost recovery. Its findings are scheduled for publication this summer.

The most encouraging move, however, comes from the Home Office, and its regional pilots of what it terms the Lead Funder scheme, under which charities that receive funding from a number of government departments only have to make reports to their primary funder. This funder is then solely responsible for oversight of the project in question and for sharing information with the other departments concerned.

This method, if widely adopted, could make a big difference to the sector. The regional pilot is set to run in London, the South West and Yorkshire and Humber until summer 2006, but how long it will be before the scheme rolls out across the country remains unclear.

What is clear, though, is that charities are being expected to take on a massively-increased share of work that used to be the direct responsibility of local and central government. There is also a political consensus to place even those without a direct governmental mandate at the heart of community development strategies. It is therefore to the sector's credit that most not-for-profits have taken with good grace – and even welcomed – the need for more rigorous scrutiny and regulation of their activities.

Now it seems it is the funding bodies' turn to show willing and to recognise the resources wasted by charities on needless duplication and unfair bidding processes. Despite some positive signs it still remains to be seen whether the sector will get any more satisfaction than the private sector has.