



SOCIAL SOLUTIONS

Enabling grass-roots charities to tackle poverty

THE CENTRE FOR
SOCIAL
JUSTICE

Executive summary

This is the Executive Summary of *Social Solutions: Enabling grass-roots charities to tackle poverty*. To download the full report and complete list of recommendations, visit: www.centreforsocialjustice.org.uk.

Introduction

Over ten years of research the CSJ has been consistently impressed by the unique role of the social sector to transform the lives of the most vulnerable. Our Alliance of 350 grassroots organisations informs and inspires our policy work, showing us both what is happening in some of the most deprived communities, and their innovative solutions to ingrained poverty.

This Parliament has seen many interesting and important developments for the sector, including the establishment of the social investment bank Big Society Capital; support for community building through Community First and the Community Organisers Programme; and the establishment of the Commissioning Academy. However as we showed in *Something's Got to Give*, our interim report into voluntary and community organisations, the full potential of the sector is not being realised.

Further reform is needed to unleash the power of the social sector to transform lives. This report is a practical manifesto for government to make the most of the social sector in our future fight against poverty. We aim to:

- Increase the role of the social sector in providing public services, helping the most innovative interventions to develop their impact and evidence base so they can be commissioned, and removing barriers for the smallest organisations;
- Rebalance the distribution of charities and charitable resources throughout the country, tackling cold spots where there are organisations and less funding for charities; and
- Extend the vital role the public and businesses have in resourcing the sector and ensuring that the smallest organisations are able to make the most of these opportunities.

Unlocking innovation

With less money to deal with social problems and greater demand for services than ever, government urgently needs to find innovative ways of delivering public services, managing demand and focussing on prevention. With knowledge of their communities' needs the social sector has a unique role to play in generating innovation.

However, funding available to the social sector – whether from grants, government capacity building programmes or social investment – tends to support the delivery of services rather than helping organisations to develop and refine their practice. Whereas government invests in business innovation through Research and Development Tax Reliefs and the Innovation Investment Fund, there is little equivalent funding for the social sector.¹

In the US the Social Innovation Fund, established by the Obama administration, has been a highly successful model for investing in innovation. It works by making grants to philanthropic intermediaries, who match the Government's contribution, select high potential organisations and provide them with support to evaluate and grow their work.² The fund has translated \$177.6 million dollars of government grants into \$600 million of support for 221 of most innovative organisations, who are currently conducting 86 highly rigorous evaluations.³

We recommend that the Cabinet Office looks to establish a UK Social Innovation Fund focussed on taking the most innovative ideas in the UK and developing them into commissionable public services that can make a real difference to the lives of the most vulnerable people across the country.

The Social Innovation Fund should be funded through dormant life insurance and pension pots which estimates suggest amount to approximately £400 million.⁴ The Irish Government successfully unlocked funds from insurance pots, initially transferring €20 million, which have been used towards projects such as growing social innovation and social enterprise.⁵

Better commissioning

The way public services are commissioned is vital, determining how limited resources translate into services on the ground. Our consultation found that, despite important examples of good practice, the process of commissioning is largely unsatisfactory for the social sector, excluding small providers and failing to make use of the sector's skills and expertise.

1 HM Revenue and Customs, *Research and Development (R&D) Relief for Corporation Tax* [accessed: <http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm> (24/08/14)]; CEEDR, *Early Assessments of the UK Innovation Investment Fund*, London: Department for Business Innovation and Skills, 2012

2 Corporation for National and Community Service, *Social Innovation Fund Fact Sheet* [accessed: <http://www.nationalservice.gov/sites/default/files/upload/SIFGeneralFactSheetJan2014.pdf> (28/08/14)]

3 Ibid

4 Unclaimed Assets Register, *About Lost Assets* [accessed: <https://www.uarco.uk/Help/AboutLostAssets> (24/08/14)]

5 House of Commons Treasury Committee, *Unclaimed assets within the financial system, Eleventh Report of the Session 2006–2007*, London: House of Commons, 2007; Environment Community and Local Government, *Dormant Accounts Asset Plan 2014*, Ireland: Environment Community and Local Government: 2014

- 91 per cent of our Alliance members told us they did not feel there was a level playing field for small organisations providing public services;
- 67 per cent told us they were not consulted about the design of services relevant to their work; and
- We were consistently told by specialist providers, working in intensive and holistic provision, that there is little opportunity to be commissioned.

We call for a revolution in commissioning to unleash the important role the social sector can have in delivering public services.

Up skill and empower commissioners

'You shouldn't underestimate the complexity of the commissioning process, the power a commissioner has to unintentionally disrupt a market and close organisations is huge. I see my job as a tremendous responsibility and I'm always learning.'

Local Authority commissioner in evidence to CSJ

Improving commissioning requires commissioners with the skills, capacity and motivation to commission the best possible services. Commissioning is an extremely complex job, balancing immediate financial demands and the benefits of economies of scale with the need for long-term investment and involvement of local organisations, all within the context of complex procurement regulations.

We applaud the Government's initiation of the Commissioning Academy as an important step forward in developing commissioners. However, to effect change that reaches all levels of commissioning and procurement, more is needed. We recommend:

- **Better commissioning networks:** Cross sector networks in areas such as Children's Services and Adults Social Care commissioning, to spread learning and examples of good practice through events, seminars and masterclasses. An example of where this is already working well is in the Academy for Justice Commissioning, which is run by senior commissioners and open to everyone involved in Justice Commissioning from commissioners to academics and voluntary organisations.
- **An accredited qualification for commissioners:** To develop commissioning as a profession and mirror the Chartered Institute of Purchasing and Supply (CIPS) available to those in procurement, we should develop an accredited qualification for commissioners. This could work through drawing together existing training and courses as credits towards the qualification, whilst also involving practical commissioning projects.

Accountability

The majority (56 per cent) of our Alliance members involved in commissioning would not know who to contact if they felt a commissioner was acting contrary to best practice. We support the Cabinet Office's successful Mystery Shopper initiative, which allows small and medium-sized enterprises (including charities and social enterprises) to report instances where they have experienced poor practice in commissioning.

However, whilst aimed at all small and medium enterprises (SMEs) only 15 voluntary sector organisations have applied to the mystery shopper out of over 600 investigations.⁶ We therefore recommend that the details of the Mystery Shopper service are advertised within all relevant tender documents.

TUPE Reform

46 per cent of our Alliance members involved in commissioning told us that employment regulations had prevented them from taking on public service contracts. TUPE (Transfer of Undertaking [Protection of Employment]) regulations mean that when a social sector organisation bids to take over a service, the staff currently working in that service automatically become employees of the new provider under the same terms. However, because the current service provider does not have to disclose the current terms of employment any organisation bidding to take on the service is being asked to bid without knowing what liability it is taking on. Similarly, new providers can often be forced to take on significant pensions risks from TUPE'd staff where contracting authorities do not operate 'pass-through' procedures to limit providers' exposure to risk.

We therefore suggest two changes to regulations surrounding TUPE:

- Regulation should be amended to ensure that employment liability information is provided at the point of tender in cases of public sector contracts. This will ensure that small providers are not deterred from bidding for a contract due to undisclosed risks they would be unable to bear.
- Government should review guidance surrounding pension contributions during staff transfers to stop contracting authorities placing unfair risk on providers.

Commission a 'two years on' review of the Social Value Act

The Social Value Act is an extremely important piece of legislation that encourages commissioners to think beyond price and financial value when commissioning; and clarifies the legal status of prioritising social value within procurement law.⁷ It has had important

⁶ Information provided to the CSJ by the Cabinet Office, June 2014

⁷ For a discussion of overly cautious approaches to procurement legislation see: Communities and Local Government Committee, *Local government procurement, Sixth Report*, London: The Stationary Office Limited, 2014 [accessed: <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomloc/712/712.pdf> (24/08/14)]

effects including better service delivery, improved relationships with communities and, in many cases, financial savings.⁸ However, as a Private Members Bill, rather than government-backed legislation, the Act is understandably modest in its scope. We therefore recommend a 'two years on' review of the Social Value Act to increase its impact, focussing on:

- Extending the scope of the Act, including the types of contracts it covers and how it applies to national government; and
- Identifying mechanisms to ensure the Act is consistently implemented.

Getting charities to where they are most needed

Charities and charitable resources are not evenly spread across the country or necessarily distributed according to need:

- Deprived parts of Britain tend to have both fewer registered charities and less philanthropic resource than more affluent areas: nine per cent of the population of England and Wales (4.55 million people) live in areas with just 1.6 per cent of the total number of charities;⁹
- Areas with similar levels of deprivation can have vastly different social sector responses: whilst Hackney has 3.9 charities per 1,000 people operating in the area, Blackpool has just 1.7; and¹⁰
- One-third of giving from the top 418 companies goes to charities based in London;¹¹
- Charities in the West Midlands receive just one per cent of corporate donations.¹²

We propose a three-part plan to tackle charity cold spots around the country:

Better data

Whilst we know that charitable resources are distributed unevenly, our knowledge of exactly where these areas are is surprisingly limited. The result of this is that money is spent less strategically and inequalities in resourcing are perpetuated.

We recommend that the Cabinet Office, starting with pilot areas, commissions online mapping of social sector activity and resourcing, to gain a full picture of areas with fewer charities and to help funders, commissioners and the sector to work more strategically.

8 Social Enterprise UK, *Communities Count: The Four Steps to Unlocking Social Value*, London: Social Enterprise UK, 2014

9 Mohan J, *Mapping the Big Society: Perspectives from the Third Sector Research Centre*, Southampton: The Third Sector Research Centre, 2011; Lindsay R, *Centre for Charitable Giving and Philanthropy (CGAP) Working Paper: Exploring Local Hot Spots and Deserts*, London: CGAP, 2012, p11; Upcoming Third Sector Research Centre work by John Mohan

10 Charity Commission, *Find Charities* [accessed: <http://www.charitycommission.gov.uk/find-charities/> (24/08/14)]; Hackney Council, *Facts and Figures Leaflet*, July 2014 [accessed: <http://www.hackney.gov.uk/Assets/Documents/Facts-and-Figures.pdf> (24/08/14)]; Charity Commission, *Find Charities* [accessed: <http://www.charitycommission.gov.uk/find-charities/> (24/08/14)]

11 Walker C, *Company Giving Almanac 2013*, London: Directory of Social Change, 2013

12 Ibid

Support for community building

Once we have reliable mapping of the social sector, there is a need to ensure it is able to grow in identified cold spots. With community-based action and serving local needs at its heart, Big Lottery Fund, could have an important role in taking strategic oversight for bringing more charities to cold spots. Building on the work of the Neighbourhood Matched Fund and the Community Organisers Programme, as well as important Lottery initiatives such as Big Local and Fair Share, we recommend that the Big Lottery Fund incorporates the task of building the social sector in cold spots into its long-term strategy. We make two suggestions about how this could be done:

- A dedicated fund for making grants to community building projects in cold spots; and
- Support for community groups and individuals in identified cold spots to gain mentoring from successful organisations, take on social franchises or gain the technical assistance needed to get new organisations started.

Strengthening Community Foundations

A full approach to tackling cold spots must aim to grow the long-term philanthropic resources available in these communities. An important means of doing this is through Community Foundations, which make locally focussed grants and have strong knowledge of community needs.

The Endowment Match Challenge, which builds on the recommendation made by the CSJ in *Breakthrough Britain*, is a very positive policy.¹³ It has gone a long way to building the endowments of Community Foundations in the most deprived areas, through offering a 50 per cent match to donations.¹⁴ Between 2012 and 2013 Community Foundations in deprived areas increased their endowments by 13 per cent.¹⁵

We recommend that the Endowment Match Challenge is re-commissioned, but targeted specifically to build long term sustainability in areas with fewer charitable resources. Whilst the matches available to Community Foundations in the original Endowment Match Challenge were allocated according to levels of deprivation, we feel a retargeted Match Challenge should also take into account the level of charitable activity and other sources of funding to the area. Money put forward in matches would be complemented by a modest amount of support to help Community Foundations build their fundraising capacity.

¹³ Centre for Social Justice, *Breakthrough Britain, Volume 6: The Third Sector*, London: Centre for Social Justice, 2007

¹⁴ Community Development Foundation, *Endowment Match Challenge* [accessed: <http://cdf.org.uk/content/funding-programmes/community-first/endowment-match-challenge> (28/08/14)]

¹⁵ UK Community Foundations, in evidence to the CSJ

Helping the public to invest

Although charitable giving increased marginally in 2013, it still remains relatively weak.¹⁶

- Gross individual contributions stand at just 1.55 per cent of total household expenditure;¹⁷ and
- 60 per cent of UK residents give, on average, less than £1 per week to charity.¹⁸

A strong future for the sector means supporting and encouraging giving.

Payroll Giving

Payroll Giving is the most efficient way for the public to give to charity. Yet, only four per cent of donors use Payroll Giving compared to 31 per cent who use direct debit.¹⁹ International comparisons suggest the UK lags behind countries like Canada and the US when it comes to Payroll Giving.²⁰

Access to Payroll Giving is poor: only around 10,000 employers are enrolled in payroll giving, a low rate considering there are 1.2 million businesses in the UK that employ staff.²¹ Polling suggests that almost one-third of people would be likely to give through Payroll Giving if offered the chance.²² Opening up Payroll Giving to just eight per cent of this group (those who say they would be 'very likely' to give) would represent an increase in charitable giving of over £177 million every year.²³

Starting with a trial of larger employers, we recommend the Government look to instate a right for employees to request access to payroll giving.

Legacy giving

Like Payroll Giving, legacy giving (leaving a gift to charity in one's will) is extremely tax efficient. Whilst over half of people in the UK give regularly during their lives, only six per cent of people currently leave money to charity in their will.²⁴

16 Charities Aid Foundation, *UK Giving 2012/2013 – an update...*, London: Charities Aid Foundation, March 2014

17 Cabinet Office, *Encouraging Social Action*, London: HM Government, 2013

18 Calculated from figures cited in NPC, *Money for Good UK*, London: NPC, 2013, p87. The NPC study found that 39 per cent of respondents with household incomes under £150,000 and 67 per cent of respondents with a personal income of over £150,000 had donated more than £50 in the preceding 12 month period. The inverse percentages were then applied to the UK adult population from the 2011 Census using the NPC's conservative weighting of a 99/1 percent split between the two income groups. This results in a total of 30,182,282 who answered that they did not donate more than £50 in the preceding 12 months, which is less than £1 per week.

19 Charities Aid Foundation, *UK Giving 2012/2013 – an update...*, London: Charities Aid Foundation, March 2014

20 Payroll Giving in Action, *Employer information* [accessed: <http://www.payrollgiving.co.uk/?getID=4&getTitle=Employer> (24/08/14)]; PWC, *The Giving Business*, Australia: PWC, 2009

21 Payroll Giving in Action, *Employer information* [accessed via: <http://www.payrollgiving.co.uk/?getID=4&getTitle=Employer> (24/08/14)]; Department for Business Innovation and Skills, *Business population estimates for the UK and regions 2013*, London: Business Innovation and Skills, 2013

22 ComRes, *Employee Giving Survey*, London: Charities Aid Foundation, 2013

23 Ibid

24 Charities Aid Foundation, *UK Giving 2012/2013 – an update...*, London: Charities Aid Foundation, March 2014; Legacy Foresight, *Legacy Market Snapshot*, Summary report 2013, London: Legacy Foresight, 2013

Knowledge of legacy giving is poor: polling shows that 70 per cent of people state they either would leave a legacy or would be open minded to doing so once they have been informed about the possibility and the new tax benefits.²⁵ Experiments show that simple prompts during the will-writing process can greatly grow the amount of money raised – by five times in one study.²⁶

The Law Society should look at how it can support and encourage solicitors to mention the possibility of legacy giving to their clients, in particular looking at how education about legacy giving could be incorporated into mandatory training for relevant Quality Schemes.

Increasing fundraising capacity of grass roots poverty fighting charities

Although more people say they prefer to give to smaller charities compared with larger charities (39 per cent, compared to 35 per cent), large and major charities dominate private donations, receiving 78 per cent of all voluntary income from private individuals whilst small and micro charities receive just seven per cent of all donations.²⁷

The CSJ has heard how small charities suffer from the high entry costs to fundraising and difficulty gaining visibility for poverty fighting causes. However, online fundraising offers them a significant opportunity as it raises around £10 for every £1 spent on direct costs, and has an average donation of £30 compared to £15 offline.²⁸ Despite this, small charities are much less likely to take advantage of online fundraising.²⁹

Part of the reason for this appears to be a lack of expertise amongst small organisations in both technology and fundraising. 70 per cent of small charities highlight skills for online fundraising as a major area of concern.³⁰ To support and incentivise small charities to grow their fundraising capacity we recommend:

- Grant funders (both government and trusts and foundations) should consider how they can both incentivise and support organisations to grow their public fundraising capacity, in particular with regards to their online presence. This could be done, for example, by reserving part of their grants to match fund online donations, as well as offering support to help develop general fundraising capacity; and
- Fundraising platforms such as Just Giving and Virgin Money Giving could support smaller organisations to invest in their online fundraising by offering reduced rates, or first-year discounts to small organisations enrolling in their sites.

25 ComRes, *Employee Giving Survey*, London: Charities Aid Foundation, 2013

26 Cabinet Office, *Behavioural Insights Unit, Applying behavioural insights to charitable giving*, London: Cabinet Office, 2013

27 Ipsos Mori, *Public Trust and Confidence in Charities*, London: Ipsos Mori, 2012, p29; NCVO, *Income in UK NCVO Civil Society Almanac* [accessed via: <http://data.ncvo.org.uk/a/almanac14/income-3/> (24/08/14)] n.b. figure includes donations and legacies

28 Race Online, *Survive and Thrive, The casebook of charity sustainability through technology*, London: Race Online, 2013 [accessed: http://www.go-on.co.uk/wp-content/uploads/2013/12/Survive__Thrive__Charity_sustainability_through_technology.pdf (24/08/14)]

29 Ibid

30 Foundation for Social Improvement, *UK Small Charity Skills Survey 12/13*, London: Foundation for Social Improvement, 2013

The public as investors

The role the public can play in supporting the social sector goes beyond what they can give as a donor; there are also unique possibilities emerging for the public to invest in charities. Just under half (48 per cent) of our Alliance told us they would consider raising investments from their community if the opportunity arose. Polling suggests that there are almost one million people with assets between £50k–£100k who are actively interested in social investment.³¹

Yet at present regulation often prevents the public investing in charities: financial promotion regulations generally require investees who are not authorised by the Financial Conduct Authority (FCA) to have their investment FCA approved, this can cost charities many tens of thousands of pounds.³²

We recommend that the Treasury instructs the FCA to undertake a review of the financial promotion regulations that apply to social investment with a view to creating a more appropriate regulatory regime that acknowledges the difference between charities, social enterprises and for-profit businesses as well as the difference between socially motivated investors and those investing for purely financial reasons.

Growing links with business

Business is an extremely important potential partner for the social sector. Every year the top 418 UK companies contribute £603 million in support of charities and voluntary organisations, including financial donations and in-kind services.³³

However, there is a need to improve the engagement of SMEs with small and medium charities. At present only half (52 per cent) of SMEs work with charities or their local voluntary sector.³⁴ We recommend:

- **A web platform to build relationships:** Government should help businesses share spare capacity with their local communities by commissioning a web platform. Based on the model of successful sites such as Freecycle, but aimed at small businesses and charities, this would allow businesses to list spare stock, pro-bono support and anything else that might be of use to local social sector organisations; and
- **Using social sector infrastructure to broker relationships:** Throughout our consultation we saw numerous examples of Councils for Voluntary Service (CVSs) building relationships between businesses and charities. However at present they are struggling to do this on the

31 Office for National Statistics, *Wealth and Assets Survey 2010/2012*, London: Office for National Statistics, 2012; NESTA, *Investing for the Good of Society: Why and how ordinary individuals respond*, London: NESTA, 2011

32 Fletcher L, *Investing in Civil Society, A framework for a bespoke regulatory regime*, London: Nesta, 2013

33 Directory of Social Change, *Company Giving in the UK DSC Almanac 2013 infographic*, London: Directory of Social Change, 2013 [accessed: <http://www.dsc.org.uk/PolicyandResearch/policyandcampaigning/policypositions/companygiving> (24/08/14)]

34 Business in the Community, *Engaging SMEs in Community & Social Issues*, London: Business in the Community, 2011

scale required. We recommend that funders such as Big Lottery Fund look at how they can support CVSs to undertake this important activity.

We also note the need to incentivise and support businesses that make substantial contributions to their communities. We recommend:

- **Business Rates Relief:** local authorities should look at how they can stimulate the social engagement of businesses, both with their local social sector and the wider community, through rates relief. In order to work out the best levels of relief and conditions under which this should be given, government should look to support rates relief pilots.

Conclusion

In communities across the UK, charities, voluntary organisations and social enterprises are undertaking crucial work to tackle some of our most entrenched social problems. This Parliament has seen some important policies to support the social sector; however there is more to be done to unlock its potential.

This report is a challenge to government to take action to unleash the power of the social sector to tackle social breakdown. Our recommendations support a vibrant sector; with a greater role in public services, a better reach into the most deprived communities and stronger relationships with other parts of society such as the public and businesses.

By supporting the sector in its vital work, we can hope to unleash significant untapped potential towards combating the social problems which blight our most deprived communities.

The CSJ Working Group

Danny Kruger (Chairman)
Caitlin Devereux, author and researcher
Andrew Barnett
Andy Winter
Gina Miller
Luke Fletcher
Nancy Doyle
Robin Millar
Sarah Webster
Tom Jackson

It should be noted that the views expressed in the report are not necessarily the views of each member of the Working Group.



About the Centre for Social Justice

The Centre for Social Justice (CSJ) aims to put social justice at the heart of British politics.

Our policy development is rooted in the wisdom of those working to tackle Britain's deepest social problems and the experience of those whose lives have been affected by poverty. Our Working Groups are non-partisan, comprising prominent academics, practitioners and policy makers who have expertise in the relevant fields. We consult nationally and internationally, especially with charities and social enterprises, who are the champions of the welfare society.

In addition to policy development, the CSJ has built an alliance of poverty fighting organisations that reverse social breakdown and transform communities.

We believe that the surest way the Government can reverse social breakdown and poverty is to enable such individuals, communities and voluntary groups to help themselves.

The CSJ was founded by Iain Duncan Smith in 2004, as the fulfilment of a promise made to Janice Dobbie, whose son had recently died from a drug overdose just after he was released from prison.

Director: Christian Guy

THE CENTRE FOR
**SOCIAL
JUSTICE**

Published by the Centre for Social Justice,

4th Floor, Victoria Charity Centre, 11 Belgrave Road, SW1V 1RB

t: 020 7592 1160 | e: admin@centreforsocialjustice.org.uk

www.centreforsocialjustice.org.uk

[@CSJthinktank](https://twitter.com/CSJthinktank)

September 2014