

Breakthrough Britain 2015



# SOCIAL SOLUTIONS

Enabling grass-roots charities to tackle poverty

September 2014



THE CENTRE FOR  
**SOCIAL  
JUSTICE**

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Social Solutions: Enabling grass-roots charities to tackle poverty

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# 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

# Preface

For decades politicians on both the Left and the Right have struggled to utilise the best of the charities and social enterprises delivering so much remarkable work in the poorest parts of our country. Some Governments have sought to use these men and women to help people but have failed to trust local leaders and commissioners to do what they do best. This has, at times, meant the relationship between Whitehall and the social sector has become dependent and dictatorial. Other administrations have side-lined charities in favour of clunky but easier to control State programmes leaving many facing an existential threat. Some have chosen to release the 'mega-charities' but overlooked the smaller grassroots organisations who have much to give too. During the last ten years the Centre for Social Justice (CSJ) has sought to find ways for those in power to find a better balance: to make the most of this exceptional group of men and women thereby unlocking their capacity to reverse disadvantage in people's lives. It was therefore welcome that a number of our recommendations from Breakthrough Britain were introduced in 2010 to seek to move in a more productive direction.

The current Government has faced a very difficult position during its time in office: it has been perhaps the most open philosophically to the social sector but the most constrained in terms of how it can release its potential thanks to a perilous economic climate. There have been setbacks, undoubtedly, and many charities are feeling more strain than they ever have. We unpack much of that in this paper. Yet the Coalition deserves enormous credit for some of the strides it has taken in this context – many of which are featured in this report and our interim paper *Something's Got to Give*. And in view of the innovations won, it was particularly disappointing to see the impressive Nick Hurd, a passionate and knowledgeable Minister for Civil Society, removed from post in the pre-summer 2014 reshuffle. He will be missed by those who work in and follow the sector. But we look forward to working with his successor Rob Wilson – placed in charge at a crucial moment in time. We hope this report will be helpful to him and to the other political parties weighing up how they would use power to make the most of the social sector after May 2015.

This report, *Social Solutions*, sets a new course for the future of the social sector. We argue that there is a much greater role the sector can take in our public services. Unleashing this potential means looking at encouraging more sensitive commissioning, as well as removing some of the regulatory barriers which prevent smaller organisations taking part.

Helping organisations simply to deliver services, however, is not enough. Getting the most out of the social sector also means drawing on their knowledge, expertise and innovation in service design. It is for this reason we recommend a substantial Innovation Fund, commensurate with the magnitude of the challenge – and opportunity – facing the nation. By channelling assets that are currently sitting in dormant accounts, we can establish a war chest for social action that can help to develop and scale the most effective ideas that are being developed in communities. Throughout the CSJ's work we consistently see inspiring examples on the ground, which are not being spread or commissioned, a sizeable Innovation Fund would take an important step forward to harnessing this knowledge.

It is also crucial that we ensure charities, voluntary organisations and social enterprises exist where they are most needed. Still we find areas of the country, often with the greatest needs, where there are fewer charities and philanthropic resources. This imbalance must end. We make recommendations, ranging from better data, to long-term coordination for community building, to help achieve this.

Finally, the beating heart of the sector is in the communities that surround it. It is for this reason that we make recommendations to grow the social sector's relationships with businesses and the public, looking both at how we can support traditional means of giving, as well as looking at new ways the public can participate, such as through Social Investment.

I want to express my sincere thanks to a number of people who have made this publication possible. The process has been led with passion and dedication by Danny Kruger, who has balanced outstanding work running his charity Only Connect with this project. We have benefited from his outlook and values tremendously. Danny has worked with three researchers at the CSJ: Dr James Mumford, Annette Pereira and Caitlin Devereux who have served the project and our organisation superbly. My thanks to each of them. The CSJ is also indebted to the Working Group whose members have given their time and energies brilliantly – many of them also engaged in front-line poverty fighting in different parts of the UK. Their authenticity and experience has enriched this process immeasurably.

The next Government needs to enter office with a considered, coherent and creative plan for the social sector. There is an army of people out there already making a stunning difference to their neighbourhoods; they could be released to do more. With a stubborn multi-billion pound deficit and growing national debt we recognise the challenge is now to work out how we ask them to do more with less. This report offers a way forward. But let us be in no doubt: the return on our investment could change this country and our people.

**Christian Guy**

Director: the Centre for Social Justice

# Members of the CSJ Working Group



**Danny Kruger (Chairman),  
Chief Executive, Only Connect**

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Danny leads crime prevention charity, Only Connect, which he founded with his wife Emma. Only Connect works across London with prisoners, ex-offenders and young people at risk of offending, delivering a range of programmes and services to break the cycle of crime. Its work has been independently evaluated and shown to reduce the re-offending rate by more than 50 per cent.

Danny was formerly Director of Studies at the Centre for Policy Studies, Chief Leader Writer at The Daily Telegraph, and Special Adviser and Chief Speech-writer for David Cameron. He has a DPhil in History from the University of Oxford.



**Caitlin Devereux,  
Author and researcher**

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Caitlin is the lead researcher for the social sector at the CSJ. Caitlin joined the CSJ in August 2013 and has authored two reports about looked after children and care leavers: *Survival of the Fittest?* and *I Never Left Care, Care Left Me*.

Before joining the CSJ Caitlin worked for an education charity in Hong Kong. Caitlin holds a First Class degree in Philosophy from the University of Cambridge.



**Andrew Barnett,**  
**Director of the UK Branch of the Calouste Gulbenkian Foundation**

Andrew joined the Calouste Gulbenkian Foundation in 2007 from the Joseph Rowntree Foundation where he held the post of Director of Policy Development and Communications. Prior to this, he was Director of Communications at the UK Sports Council and, before that, Head of Public Affairs at the National Consumer Council. Andrew previously held posts at the then Midland Bank and then HSBC Group HQ, the Arts Council of England, and the Foyer Federation for Youth, as well as working for the Chair of the All-Party Parliamentary Group on Homelessness and Housing Need.

Andrew is chair of DV8 Physical Theatre, a trustee of Addaction, a director of SIX (the international social innovation exchange), and a Council member of the Collaborate Institute, based at London South Bank University, whose aim is to promote collaboration between the business, social and public sectors.

He has previously served voluntarily in a variety of capacities, as chair of trustees for People Can, a charity and social enterprise, chair of the trustees of SPACE Studios, a London-based arts and education charity, and a Director of Yorkshire Metropolitan Housing.



**Andy Winter,**  
**Chief Executive, Brighton Housing Trust**

Andy has worked for Brighton Housing Trust since 1985 and has been Chief Executive since 2003. For many years he had overall responsibility for the Trust's alcohol, drug and mental health work, and published research into suicide and drug related deaths. He has a passion for continuous improvement in services, and has enthusiastically embraced social media as a means for exploring ideas, receiving feedback, and for engaging with new people.

He has a Post Graduate Diploma in Management Development and is a Fellow of the Royal Society of Arts. South African by birth, he was a conscientious objector, moving to England in 1979 to avoid conscription into the apartheid army.



**Gina Miller,**  
**Miller Philanthropy and SCM Private**

Gina is a philanthropist and business woman who has founded five businesses since 1992, all of which have operated with a profit for purpose model where a percentage of profits are granted to community projects and charities.



In 2009 Gina formalised her support for small charities by founding Miller Philanthropy which focuses on community charities doing transformational work; primarily in the UK. Over her working career, Gina has supported over 45 charities in 23 countries. She is also a passionate advocate of smarter giving and a more strategic business-like approach to charity and the Third Sector.

In 2012 Gina started the True and Fair Campaign calling for radical reform in the investment and savings industry via transparency on all fees and holdings; as well as a more ethical culture leading to the eradication of many of the opaque anti-consumer practises occurring in the UK savings and investment industry.

Gina also co-founded SCM Private in 2009 which embodies what she is calling for in her True and Fair Campaign.



**Luke Fletcher,**  
**Partner, Bates Wells Braithwaite**

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Luke is a Partner in the Charity and Social Enterprise Department of Bates Wells and Braithwaite, a leading firm of solicitors. He carries out general commercial work for a wide range of clients and has a particular interest in social enterprise and social investment.

Luke has advised on some of the formative developments in the social investment market in the UK, including the structuring and establishment of Big Society Capital and the development of a template contract for social impact bonds. He is Company Secretary to the Social Stock Exchange and a Social Investment Adviser to the City of London Corporation.

Luke is also a trustee of the Wales Millennium Centre, Wales' premier performing arts venue, and a trustee of Stewardship, a charity which promotes giving and generosity. With his wife Rachel, he helps to co-ordinate a small local visiting scheme for older people.



**Nancy Doyle,**  
**Chief Executive, Aquila Way**

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Nancy has led Aquila Way since 2010. Aquila Way is a charity in the North-East which provides support and accommodation to young people, families who are homeless and women escaping domestic violence situations.

Previously Nancy led two young people's supported housing services in London. Before that, in 2008, she was Team Director of Faithworks, a national network of faith-based organisations where she oversaw the implementation and delivery of a Big Lottery Fund project working with faith groups across the country.

Nancy is a Visiting Fellow at St John's College, Durham, a Fellow of the Royal Society of the Arts, and a Trustee of umbrella organisation Voluntary Organisations Network North East.



**Robin Millar,  
Director, Millar Consulting**

Robin is a Fellow and former Programmes Director of the CSJ. He runs his own management consultancy practice for transforming local government. Current work includes the public sector's role in a London Borough affected by the August 2011 riots and a response to health inequalities in Manchester.

He holds the portfolio for Families and Communities in Forest Heath District Council and is a former Mayor of Newmarket. He founded The Newmarket July Festival Community Interest Company (CIC) in 2007 which launched its 'Let's Read!' campaign for Newmarket in 2013.



**Sarah Webster,  
Corporate Relations and Employment Manager, City Gateway**

Sarah has worked at London-based charity, City Gateway, for four years, leading the team responsible for creating 500 jobs for young people in Tower Hamlets through the Evening Standard's 'Ladder for London' campaign.

Sarah is also an alumnae of the Uprising community leadership programme where she set up a sexual health and relationships programme for young women, particularly Muslim women from disadvantaged backgrounds. Prior to that she spent two years working in the private sector.



**Tom Jackson,  
Founder and Chief Executive, The Resurgo Trust**

Tom is the Founder and Chief Executive of Resurgo Trust, the social venture organisation behind Spear – an award-winning programme which has helped over 2,000 unemployed young people from disadvantaged backgrounds in London into work.

Tom is a former lawyer who has worked in neighbourhood transformation over the last 15 years. He is a Trustee and Founder of the St. Paul's Money Advice Centre and a former Trustee of Prison Fellowship UK. He co-founded the Centre for Social Justice in 2004 and was Secretary to the Griffiths Commission on Personal Debt in 2005.

# Special thanks

The CSJ would like to thank the many people and organisations who have kindly given their time to contribute evidence during the course of this review. Our thanks also go to the Working Group for their time and valuable expertise, particularly to the Group's Chairman, Danny Kruger, for his commitment and leadership. Special thanks also to CSJ staff Alex Burghart, Director of Policy, and Samantha Callan, Associate Director for Families and Mental Health, for their guidance and help with the report.

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FOUNDATION

*The Calouste Gulbenkian Foundation is committed to encouraging and fostering greater collaboration within and between sectors as a key element in tackling increasingly complex societal problems. The role of the voluntary sector is pivotal but a greater understanding of the barriers and opportunities involved is necessary if its value is to be fully realised and a stronger partnership with Government and the wider public, and private, sectors is to be forged. The Foundation is delighted to have supported this report and we look forward to seeing some of the excellent recommendations that are made here taken up. The Calouste Gulbenkian Foundation is an international charitable foundation with cultural, educational, social and scientific interests, based in Lisbon with branches in London and Paris. The purpose of the UK Branch, based in London, is to help enrich and connect the experiences of people in the UK and Ireland and secure lasting, beneficial change. [www.gulbenkian.org.uk](http://www.gulbenkian.org.uk)*

# Chairman's foreword

Three things make this the time for 'social solutions'.

First, the old model of public service delivery is increasingly redundant. Large central monopolies in education, health and welfare were never ideally designed to deliver a flexible, personalised service which empowered its users and enabled professional freedom for its workers. In an age of austerity they are even less able to achieve comprehensive, universal high quality.

Second, the principal alternative to public monopoly is private oligopoly, and this isn't the right alternative. Vast plc's, beholden to shareholders, might be able to deliver a more economically well-managed service than a Whitehall department, though this is not certain. What is certain is that the motives and interests of the people delivering and receiving the service are often out of step with those of the investors and directors who control the plc.

The task of mediating these motives falls on the commissioner, who specifies the service which the staff will deliver and which the plc will be paid for. Hence the phenomenon of highly prescriptive contracts, written by civil servants often without reference to the people the services will support or the professionals and volunteers who will deliver them. When this happens, it diminishes local innovation and reduces the complex business of social service to a clunking and mechanical focus on quantifiable metrics.

The third reason we need social solutions is that the right alternative to the public monopoly – an invigorated, diverse, local social sector – is now emerging. It is part of a revolution in social organisation which seems both highly nostalgic and very modern. As I explained in the foreword to the preceding report *Something's Got To Give*,

*'There is, I believe, a great subterranean shift going on in our culture, a turning away from the brashly new, from the quick and modern, from the solely individualistic measure of personal fulfillment. We are reaching once again for connection, belonging, and a sense of meaning which goes beyond our own immediate gratification. This yearning is, perhaps paradoxically, fired by the thrilling possibilities of technology, and the democratisation of power which enables a teenager with a laptop to change the world.'*

This is the context for our recommendations. A world in which, in the space of a few weeks this summer, two million people have nominated each other to pour cold water over their

heads for charity and post the video online, is a world where communities of generosity – the essence of the social sector – are thriving.

The modern age is quirky, relational and committed. I sometimes wonder if the current fashion for enormous Victorian beards isn't a subconscious acknowledgement that we are living through a new Victorian age, where people take their responsibilities to the community seriously, and build projects of a scale and ambition to match.

Across Britain – as ever a pioneer and world leader in social innovation – new forms of community are challenging both public and commercial giants for control of the civic space, and creating hybrid models of social finance to enable change.

My own charity feels both very traditional (we support people at risk of offending to build a better life, mostly by involving them in a positive community of peers, volunteers and staff) and very innovative (we involve our members in the design and delivery of services, and focus on their assets – their potential to make a contribution – rather than on their needs and failings).

There is a new wind blowing through the world of charities, reinventing what social action looks like and how people can be helped, help themselves and help others.

And yet all this energy and enterprise isn't always making it to some of the most deprived places all over Britain – where both public and social sectors feel terrifyingly underfunded and the social sector is itself a pale shadow of the vibrant civic society we find in richer areas.

The working group which has put this report together – charity leaders representing very different organisations and with very different personal perspectives – has spent two years meeting other sector colleagues, visiting projects across the country, and most of all discussing our experiences of working with beneficiaries, funders, government and others. For me at least it has been both a challenging and a rewarding experience, and I am very grateful to my colleagues and to our researchers at the CSJ, James Mumford, Annette Pereira and Caitlin Devereux, for all that they have taught me.

In this report we make recommendations intended to stimulate and harness the new entrepreneurialism of the social sector, and to protect and promote social action in places where it is threatened or almost absent. We hope that the sector, the public and the Government – of whatever stripe(s) that turns out to be – will adopt our suggestions and help make a social sector worthy of Britain.

# Breakthrough Britain 2015

The Centre for Social Justice shone a light on the shocking levels of deprivation that blight communities across the UK in 2007 in our report *Breakthrough Britain*. The project transformed the British political landscape, reinvigorated a tired debate on how to tackle poverty and was hailed as a definitive research paper on social problems in modern Britain.

This unprecedented diagnosis of deprivation led us to identify five interlinked 'pathways to poverty'. These were:

- Family breakdown,
- Economic dependency and worklessness,
- Educational failure,
- Drug and alcohol addiction, and
- Serious personal debt.

Alongside this, we made recommendations about unlocking the potential of the voluntary sector to reverse social breakdown.

These reports revealed how, despite the longest period of continuous economic growth in modern history – more than 60 quarters – and unparalleled levels of government spending, a large proportion of British society remained cut off from the mainstream. We argued that what was trapping people was not necessarily the economy but their exposure to long-term worklessness, family breakdown, poor education, addiction and serious debt, and that too often government intervention was focused on trying to alleviate the symptoms of poverty, rather than these causes.

Seven years on, the UK is in a radically different political and economic position – but the need to give a voice to the most disadvantaged people could not be greater. For this reason we have spent the past two years researching *Breakthrough Britain 2015* – a fresh assessment of how the five pathways are continuing to hold people, families and communities back.

Following on from our six 'state of the nation' reports last year, we have now published recommendations to all political parties, again showing how people can be helped back to

work, families kept together, educational achievement improved, addiction and personal debt relieved. The work is an exciting and radical programme for any Government in 2015.

These six policy reports are the culmination of an extraordinary process. Our team has travelled tens of thousands of miles around the country, visiting our most deprived communities – from Rhyl to Rochdale, from Margate to parts of Manchester, from Great Yarmouth to Glasgow – to discover first-hand what is fuelling poverty. We have carried out extensive public polling, conducted several thousand meetings with charities, front-line workers and policy experts, and heard from huge numbers of people struggling to get their lives back on track. For further inspiration we have looked abroad, taking evidence from successful projects around the world including those in Australia, the Netherlands, various parts of the USA, Ireland, and Singapore.

As well as our own committed staff, the CSJ has recruited well-known specialists in each of the six areas to be on Working Groups who have met regularly to take evidence from those who understand the problems best. These dedicated individuals have used their extensive knowledge and contacts to ensure our research is relevant, focussed and influential.

Throughout this process we have constantly been given heart by the remarkable work people are doing to help rebuild the lives of those who have become trapped in poverty. The practical solutions presented in these reports are grounded in their experiences and they are a call to politicians to ensure that the next government continues the fight against poverty by tackling it at its roots.

# Executive summary

## Introduction

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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

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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.<sup>1</sup>

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.<sup>2</sup> 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.<sup>3</sup>

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.<sup>4</sup> 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.<sup>5</sup>

## Better commissioning

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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.

- 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.

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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.uar.co.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

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.<sup>6</sup> 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.<sup>7</sup> It has had important effects including better service delivery, improved relationships with communities and, in many cases, financial savings.<sup>8</sup> 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.

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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)]

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

## 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;<sup>9</sup>
- 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;<sup>10</sup>
- One-third of giving from the top 418 companies goes to charities based in London; and<sup>11</sup>
- Charities in the West Midlands receive just one per cent of corporate donations.<sup>12</sup>

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.

### 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:

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

- 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.<sup>13</sup> 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.<sup>14</sup> Between 2012 and 2013 Community Foundations in deprived areas increased their endowments by 13 per cent.<sup>15</sup>

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.

## Helping the public to invest

Although charitable giving increased marginally in 2013, it still remains relatively weak.<sup>16</sup>

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

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

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

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

<sup>15</sup> UK Community Foundations, in evidence to the CSJ

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

<sup>17</sup> Cabinet Office, *Encouraging Social Action*, London: HM Government, 2013

<sup>18</sup> 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.

## 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.<sup>19</sup> International comparisons suggest the UK lags behind countries like Canada and the US when it comes to Payroll Giving.<sup>20</sup>

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.<sup>21</sup> Polling suggests that almost one-third of people would be likely to give through Payroll Giving if offered the chance.<sup>22</sup> 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.<sup>23</sup>

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.<sup>24</sup>

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.<sup>25</sup> Experiments show that simple prompts during the will-writing process can greatly grow the amount of money raised – by five times in one study.<sup>26</sup>

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

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

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

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.<sup>27</sup>

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.<sup>28</sup> Despite this, small charities are much less likely to take advantage of online fundraising.<sup>29</sup>

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.<sup>30</sup> 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.

## 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.<sup>31</sup>

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.<sup>32</sup>

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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](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

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

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.<sup>33</sup>

However, there is a significant opportunity 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 and engagement is often short term and unstrategic.<sup>34</sup> 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 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

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



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.

# Introduction

The CSJ has consistently argued for the power of the voluntary organisations and social enterprises working across the UK to transform lives and tackle social breakdown. For over ten years our research has showcased the vital work of our Alliance of 350 grass-roots charities dedicated to tackling the root causes of poverty. We have looked to these organisations for their experiences of the social problems that blight Britain's most deprived communities, as well as their knowledge of what works in tackling them. The purpose of this report is to put forward a vision for the future of the social sector and to make practical recommendations about how this could be realised.

## What is the social sector?

Whilst our previous work has referred to the *voluntary sector*, this paper is primarily concerned with the *social sector*. The 'social sector' includes all organisations that exist to tackle social breakdown and create a better society. These may be registered charities, community interest companies, social enterprises, voluntary organisations, community organisations or informal groups. Whilst many of the recommendations in this paper will be important to the future of the wider voluntary sector – which includes medical research charities, animal charities and those that exist exclusively to promote the arts – the main focus is the needs and opportunities for the social sector.<sup>35</sup>

## Why the social sector matters

Through our work we have identified unique features of the social sector that make it so effective at transforming lives and tackling ingrained poverty.

### Reaching communities

Charities across the country stand a better chance of engaging the hardest-to-reach because their independence and situation within the community fosters trust. In *Fractured Families* we noted the unique role the sector has as a trusted member of the community when it comes to supporting the most vulnerable families.<sup>36</sup>

<sup>35</sup> N.B. Whilst this paper focusses on the role of the social sector, the nature of figures available means that figures quoted are usually for the wider voluntary sector

<sup>36</sup> Centre for Social Justice, *Fractured Families*, London: Centre for Social Justice, 2013

*'Voluntary sector organisations can find it easier to get through the door, since they are perceived as less of a threat. Statutory services can be perceived as threatening in terms of taking children away.'*

Ian Langley, Hampshire County Council, in evidence to the CSJ

Similarly, in *Completing the Revolution* we noted that voluntary and community mental health provision had a unique role to play in engaging hard to reach groups such as young people.<sup>37</sup>

### ■ Working through relationships

Very often people within the social sector will work with people over a longer time period and in a more intense way than staff from many statutory agencies. In *Survival of the Fittest*, our report into support for care leavers, we noted how the social sector could play a transformative role building relationships with these very vulnerable young people.

*'I wake up for The Big House now. It means everything to me. When they took my kids off me I couldn't get out of bed. [The Big House] are my world and [they] make me feel that life is worth living.'*

Care leaver and participant at the Big House Theatre Project<sup>38</sup>

In *Enough is Enough* our review of child protection, we again pointed to the vital way the voluntary sector builds relationships with families in the child protection process, providing critical support and acting as a bridge.<sup>39</sup> Whilst in *The Forgotten Age* we noted the unique power of the sector to tackle loneliness and social isolation.<sup>40</sup>

### ■ Taking risks and innovating

We have also been consistently impressed by the unique role of the social sector to innovate and try new things to turn around lives. For instance, in *Signed On, Written Off*, we showcased Recycling Lives a charity which bypasses Job Centre Plus, providing intensive support over a six month period to get vulnerable people into work.<sup>41</sup> Whilst in *The New Probation Landscape* we argued that the small size and lack of hierarchical structure of the social sector means they are less constrained and better able to find new ways to tackle reoffending.<sup>42</sup>

## Something's Got to Give: a sector under pressure

In December 2013 the CSJ published *Something's Got to Give* which gave an analysis of the state of voluntary and community organisations in the UK. It found the development of a number of positive policies and important opportunities for the social sector since 2010, including the

37 Centre for Social Justice, *Completing the Revolution*, London: Centre for Social Justice, 2011

38 Centre for Social Justice, *Survival of the Fittest*, London: Centre for Social Justice, 2013

39 Centre for Social Justice, *Enough is Enough*, London: Centre for Social Justice, 2014

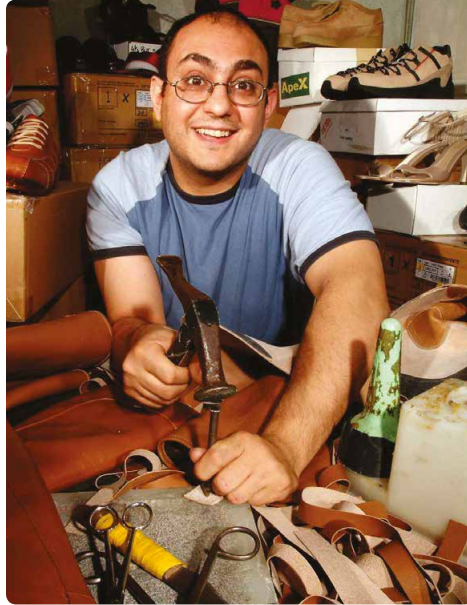
40 Centre for Social Justice, *The Forgotten Age*, London: Centre for Social Justice, 2010

41 Centre for Social Justice, *Signed On Written Off*, London: Centre for Social Justice, 2013

42 Centre for Social Justice, *The New Probation Landscape*, London: Centre for Social Justice, 2013

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, it also found a number of challenges facing the sector. In particular we highlighted:

- A skewing of the sector towards larger charities. Charities with an income of over £5 million – 1.2 per cent of charities – hold almost 70 per cent of the sector's wealth.<sup>43</sup> By contrast, small charities with an income of under £100,000 get just 3.5 per cent of overall funding, down from 5.4 per cent in 2006;<sup>44</sup>
- Weak charitable giving, with 60 per cent of UK residents giving less than £1 per week to charity and with gross individual contributions just 1.55 per cent of household expenditure;<sup>45</sup>
- Parts of the UK, often the most deprived areas, where there are fewer registered charities and philanthropic resources.<sup>46</sup> Blackpool has just 0.8 registered charities per 1000 people in the area, compared to 6.9 in the relatively affluent Cotswolds;<sup>47</sup>
- A complex commissioning process, with contract sizes growing and becoming increasingly complex and difficult to manage, and burdensome employment regulations such as TUPE holding back small and effective organisations from bidding for contracts,<sup>48</sup> and
- Obstacles to realising the potential of social investment, including regulatory barriers to growing supply of available capital and issues with the capacity of the social sector to undertake investment.<sup>49</sup>



43 Charity Commission, *Sector Facts and Figures*, 30th June 2014 [accessed: <http://www.charitycommission.gov.uk/about-charities/sector-facts-and-figures/> (24/08/14)]

44 Ibid; Charity Commission, *Facts and Figures*, 2005, quoted in Centre for Social Justice, *Breakdown Britain: Denying the vulnerable a second chance*, London: Centre for Social Justice, 2006, p68

45 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; Cabinet Office, *Encouraging Social Action*, London: HM Government, November 2013

46 Mohan, J, *Mapping the Big Society: Perspectives from the Third Sector Research Centre*, Working Paper no. 62, July 2011, Southampton: The Third Sector Research Centre; Lindsay R, *Centre for Charitable Giving and Philanthropy (CGAP) Working Paper: Exploring Local Hot Spots and Deserts*, London: CGAP, 2012, p11

47 National Council for Voluntary Organisations, UK *Civil Society Almanac 2013*, 'Are there more voluntary organisations in some parts of the UK than in others?' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/scope/are-there-more-voluntary-organisations-in-someparts-of-the-uk-than-in-others-2/> (14/08/14)]

48 Centre for Social Justice, *Something's Got to Give*, London: Centre for Social Justice, 2013

49 Ibid

## Now is the time to act: a challenge to government

In our interim report we concluded that something has got to give: we must act if we are to unlock the unique powers of the social sector to tackle poverty. The need to do this has never been greater. A government in 2015 will face the huge challenge of providing services with less money available. Local authorities face a £14.4 billion deficit in funding, with expenditure rising by £7.4bn due to rising demand for services and budgets being cut by £7 billion between 2010 and 2020.<sup>50</sup> Tackling this challenge means unleashing the capacity of the social sector to find new and innovative ways of working, to reach communities and build the relationships that transform lives.

As Nick Hurd, former Minister for Civil Society put it:

*'We have yet to unlock the full value that they [the social sector] can add in helping us tackle some of the most stubborn social challenges that undermine the country. It is hard to see us meeting the challenge of delivering "better with less" without our social economy fully engaged.'*<sup>51</sup>

This paper provides a practical manifesto for an incoming government in 2015, to create an environment which can finally unlock the value of grass-roots, poverty fighting organisations and put them at the heart of the solution to the most acute and pressing social issues facing our society.

### Grow the social sector's role within public services

We believe there is a much more significant role the social sector could play in providing public services. We have identified two areas that must be a priority to a government in 2015:

- Making better use of the knowledge, expertise and innovation of the social sector in the design of services; and
- Levelling the playing field, making it easier for small organisations to compete to provide services.

In Chapter One we suggest how the sector can be supported to develop its most innovative ideas so that they have the impact and evidence base needed to be commissionable as a public service. In Chapter Two we suggest how government could commission the sector better, making practical recommendations for improving regulations and achieving better education of commissioners.

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50 Local Government Association, *Rewiring Public Services*, London: Local Government Association, 2013

51 Nick Hurd MP letter to Prime Minister David Cameron, London: Cabinet Office, 15th July 2014 [accessed: <http://www.nickhurd.com/wp-content/uploads/2014/07/Nicks-resignation-letter.pdf> (24/08/14)]

## Tackle cold spots

We argue that government must take action to help build the social sector in parts of the country with the fewest organisations and resources. One stumbling block of the Big Society is that a flourishing social sector does not exist in all areas of the country. Chapter Three puts forward a three stage plan for building the sector in these areas: starting by mapping the sector; growing grass-roots action and helping social entrepreneurs gain support to start new organisations; and finally building the resilience of Community Foundations to provide long-term sustainability.

## Build new relationships

Long term sustainability for the sector depends upon building strong links with the public and businesses. Chapters Four and Five make recommendations to further unlock the potential of these relationships – particularly focussing on the smallest organisations. Chapter Four considers the role of the public – the life blood of the sector – targeting ways to increase public giving to grass-roots, poverty fighting organisations. Chapter Five looks at the role of business as a severely underexploited resource for the sector and makes suggestions for increasing partnerships – both via facilitating better links between local organisations and carefully placed incentives to businesses.

However, it is not just the Government that must take action. This paper is also a call to the sector; to rise to the challenges it faces – whether this is adapting to changing funding, making new relationships with businesses and the public, or building their impact – and continue to strive to transform lives and tackle social breakdown.



# chapter one

## Unlocking innovation

'The bottom line is clear: solutions to America's challenges are being developed every day at the grass roots – and government shouldn't be supplanting these efforts, it should be supporting these efforts... government should be seeking out creative, results-orientated programs... and helping them replicate their efforts across America.'

President Obama, Launch of Social Innovation Fund<sup>52</sup>

### Introduction

Throughout ten years of research into tackling the root causes of poverty, the CSJ has been consistently impressed by the innovative ways charities and social enterprises have found to tackle our most pressing social issues. Many of the solutions to the toughest challenges facing society are being developed in communities throughout the UK, but are rarely translated for wider use. This chapter makes the case that a government in 2015 should invest in growing the capacity of the highest potential interventions to generate a pipeline of highly developed innovative ideas that can translate into real changes in public services.

We recommend the development of a fund, drawn from dormant insurance money and based on the highly successful US Social Innovation Fund to help build the capacity and evidence base of the best interventions from the social sector.

### 1.1 The need for social sector innovation

In the introduction to this report we set out the extreme challenges facing a government in 2015. With less money to deal with social problems and greater demand for services than ever;

52 Speech by President Obama, *Remarks by the President on Community Solutions Agenda*, 30th June 2009 [accessed: [http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-The-President-on-Community-Solutions-Agenda-6-30-09](http://www.whitehouse.gov/the_press_office/Remarks-by-The-President-on-Community-Solutions-Agenda-6-30-09) (24/08/2014)]



government urgently needs to find innovative ways of delivering public services. In particular, there is a need to reduce demand for acute interventions for preventable social problems:

- Alcohol-related harm costs the NHS £3.5 billion every year;<sup>53</sup>
- Family breakdown costs £46 billion every year, more than the size of the defence budget;<sup>54</sup> and
- There are currently around half a million young people, available and looking for work, who are not in education, training or employment (NEET). The estimated public finance cost, over the course of their life-time, of a young person who is NEET is around £56,000.<sup>55</sup>

Government has signalled the importance of looking to other sectors, including the social sector, to find innovative solutions to social problems through their commitment to Open Public Services. New 'black box' contracting mechanisms such as 'payment by results' signal the Government's intention to look to providers for innovation, with the Open Public Services White Paper stating: '[we are] linking payment to results so that providers are free to innovate and eliminate waste.'<sup>56</sup> Money to scale effective ideas through Social Investment stands ready in Big Society Capital, the Social Investment Bank with £600 million in loans to back investable ideas.<sup>57</sup>

The social sector has an important role to play in generating innovation, drawing knowledge of their communities' needs, driven to find solutions that work and utilising independent funding from grants and donations to allow them to test new ideas. Our work showcases voluntary organisations providing innovative interventions with significant cost savings to the state by doing things differently. We often recommend that government looks to take these ideas and use them on a wider scale.

## MAC-UK

In *Completing the Revolution*, the CSJ's major review into mental health, we recommended the expansion of young person focussed mental health provision, showcasing MAC-UK as an example of innovation.<sup>58</sup>

MAC-UK provides mental health support to some of the most marginalised and hard to reach young people in the most deprived areas of London, targeting the five per cent of young people who commit 50 per cent of all youth crime. Through their Integrate model, MAC-UK works intensively with young people through a flexible form of 'Streetherapy', which takes place on buses, in stairwells or while waiting for court. An evaluation of MAC-UK's model found strong results: 90 per cent of young people took action towards employment (including creating a CV or developing professional skills), whilst 40 per cent exited either into other services or employment.<sup>59</sup>

53 Public Health England, *Alcohol treatment in England 2012–2013*, London: Public Health England, 2013 [accessed: <http://www.nta.nhs.uk/uploads/alcohol2012-13.pdf> (24/08/14)]

54 Relationships Foundation, *Counting the Cost of Family Failure*, 2014 update, Cambridge: Relationships Foundation, 2014

55 Office for National Statistics, 'Young People not in Education, Employment or Training (NEETs), August 2014', August 2014 [accessed: <http://www.ons.gov.uk/ons/rel/lms/young-people-not-in-education--employment-or-training--neets-/may-2014/index.html> (24/08/14)]; Coles B, et al. *Estimating the Life-Time Cost of NEET*, York: University of York, 2010 [accessed: [http://www.york.ac.uk/media/spsw/documents/research-and-publications/NEET\\_Executive\\_Summary\\_July\\_2010\\_York.pdf](http://www.york.ac.uk/media/spsw/documents/research-and-publications/NEET_Executive_Summary_July_2010_York.pdf) (24/08/14)]

56 HM Government, *Open Public Services White Paper*, London: HM Government, 2011, p29

57 HM Government, *Policy: Growing the Social Investment Market* [accessed: <https://www.gov.uk/government/policies/growing-the-social-investment-market/supporting-pages/big-society-capital> (24/08/14)]

58 Centre for Social Justice, *Completing the Revolution*, London: Centre for Social Justice, 2011

59 MAC-UK, *Taking it to the streets, Annual Report 2011–2012*, London: MAC-UK, 2012

Tackling the social problems facing our society requires harnessing the innovation that is developed at a grass-roots level throughout the country and applying it to our most challenging issues. The sector has a vital role to play in helping the most disadvantaged members of society.

## 1.2 A good idea is not enough: developing innovation

Throughout the country there are excellent solutions to social problems that never make their way to being spread or commissioned more widely. Part of the reason for this comes down to the process of commissioning, which we will discuss further in Chapter Two. However there is also an issue around organisations being able to demonstrate that what they do works.

When public finances are tighter than ever, there is less capacity for government to cope with risks from social sector innovations that do not get results. This is because there is always an inherent risk in new ways of working, in particular where they aim to manage demand. If cashable savings are not realised and acute interventions are still needed, then government pays twice. Roger Bullen, former Head of Partnership at Essex County Council and a commissioner of the Essex Social Impact Bond, which provided multi-systemic therapy to children on the edge of care, explained to the CSJ the need for rigorous evidence when commissioning new interventions:

*'When we began work in Essex Children's Services, a lot of money had already been spent on preventative measures that hadn't resulted in improved outcomes or cashable savings. When we came to commissioning the Social Impact Bond we had to choose an intervention we could be really sure would work and bring about both.'*

Taking a good idea that might gain small amounts of philanthropic or grant funding to something which can be commissioned at a wider scale as a new form of public service, requires an organisation to be able to demonstrate highly developed impact. Impact is the ability of an organisation to change the lives of those it works with and get results. We heard that high impact charities had several key qualities:

- **Robust evidence base:** Being able to measure the outcomes of an intervention and demonstrate the impact it makes, including the return on investment;
- **Effective intervention:** Having the best possible intervention, using evidence gathered to continuously improve the model; and
- **Strong governance and organisational capacity:** Being able to run in the most cost effective and efficient way, with the systems in place to track outcomes.

## Chance UK

Chance UK is an award-winning CSJ Alliance charity that pairs at risk children aged 5–11 with long-term mentors. Their model is innovative in terms of their focus on early intervention and the intensive nature of their mentoring relationships.

Chance UK has a strong focus on continuously demonstrating and developing the impact of their work. As Gracia McGrath OBE, CEO of Chance UK, told the CSJ: 'our service isn't cheap, so it is vitally important that we are able to show that it makes a difference, especially when it comes to asking government to commission us.'

In 2008 an evaluation showed that boys with low pro-social skills did better when paired with female mentors, despite conventional wisdom at the time suggesting boys always did better with male mentors. As a result of the evaluation Chance UK changed their assignment practices to take this into account. Through continuous improvements like these, Chance UK has increased the number of children graduating from the one year mentoring programme with normal behavioural scores from 51 per cent to 70 per cent.<sup>60</sup>

Talking to the CSJ about investing in developing their impact, McGrath explained: 'it hasn't always been easy to get funders to invest in helping us develop our impact. It took us almost three years to get the £20,000 we needed to fully evaluate our model.' Recently Chance UK has been awarded funding as part of Big Lottery's Realising Ambition programme, to run a full Randomised Control Trial of their programme. McGrath told the CSJ: 'This will help us hugely to demonstrate our impact and use our model to help more children.'

Impact measurement and evidencing, a key aspect of developed impact, are becoming more prevalent amongst social sector organisations. A survey in 2012 found that the majority of charities (three-quarters) do undertake some activity to measure their impact, although there remains a significant minority who do not.<sup>61</sup> *Inspiring Impact* – a cross sector, international initiative aiming to develop and promote shared standards of impact measurement – is an important step forward here.<sup>62</sup>

Yet, we also heard that the level of impact measurement being undertaken by many organisations is not strong enough to allow commissioners to take on new ideas. Jenny North, director of policy at Impetus-PEF, told the CSJ:

*'Much of the impact measurement the sector is currently undertaking is not sufficiently robust to demonstrate real savings in the long-term. Neither is what charities measure routinely used to help them manage resources and improve outcomes for beneficiaries.'*

60 Smith P et al., *An analysis of the impact of ChanceUK*, London: Goldsmiths, 2008; 70 per cent is an internal Chance UK figure given in evidence to CSJ

61 New Philanthropy Capital, *Making an Impact*, London: New Philanthropy Capital, 2012

62 See: [Inspiringimpact.org](http://Inspiringimpact.org)

For many organisations, fairly low level impact measurement is appropriate. It wouldn't be necessary, for instance, for a community group to do much more than a survey of service users. However, when it comes to taking innovative ideas and commissioning them on a wider scale it is crucial that evidence is robust.

There is a need for a more honest conversation between government and the social sector about what level of evidence is expected for an intervention to be commissioned. In order to help organisations develop their impact, we recommend that all Government departments and local authorities involved in commissioning the social sector, publish guidance on the levels of evidence and evaluation they expect the services they commission to meet.

### 1.3 Investing in impact

At present not enough innovative interventions are able to demonstrate the evidence and impact necessary to be commissioned more widely. Big Lottery Fund, in the evaluation of their Realising Ambition programme, which is helping evidence-based programmes replicate across the UK, noted:

*'There are not enough evidence-based programmes available for funders and commissioners to choose from. Less than four per cent of the initial 240 applications to the Realising Ambition programme met the highest standards of evidence. There is a need to better support "the innovation to proven impact pipeline" (i.e. the process of moving a programme from an idea to something that we can evidence has a positive impact on people's lives) in the UK by increasing investment in the refinement and rigorous evaluation of the most promising interventions.'*<sup>63</sup>

Whilst ultimately the responsibility for developing and evidencing the impact of their work is the sector's – and there is much that can be done in terms of developing impact at a very low cost – the funding environment at present largely does not support organisations to invest in developing innovative ideas. The most commonly stated barrier to impact measurement by the social sector is not having the funding and resources.<sup>64</sup>

Through our evidence gathering we were impressed by a number of programmes that were investing in high potential, innovative ventures to develop the evidence base and capacity needed to take their ideas further. Realising Ambition, mentioned above, is providing support to already strongly evidenced criminal justice interventions, 'nudging promising innovations towards becoming more tightly defined and ready for replication and rigorous evaluation.'<sup>65</sup>

Another model we were impressed with was Impetus-PEF, a 'venture philanthropy' organisation which provides intensive support and investment in the highest potential charities to help

63 Social Research Unit Darlington, *Realising Ambition Lessons on replication and evidence-based interventions one year in*, London: Big Lottery Fund, 2014

64 New Philanthropy Capital, *Making an Impact*, London: New Philanthropy Capital, 2012

65 Social Research Unit Darlington, *Realising Ambition Lessons on replication and evidence-based interventions one year in*, London: Big Lottery Fund, 2014

them build their impact and expand their reach. Impetus-PEF offers high-potential charities unrestricted funding, hands-on management support and pro-bono expertise from the private sector.<sup>66</sup> In 2011/12, charities invested in by Impetus (before their merger with the Private Equity Foundation) achieved an average annual growth rate in income of 19 per cent, and the compound annual growth rate in people helped was 39 per cent.<sup>67</sup> Impetus-PEF currently invest in 26 high potential charities and social enterprises, all focusing on young people and youth unemployment.<sup>68</sup> One of these charities is Teens and Toddlers, an innovative mentoring programme that has been supported to undertake a Department for Work and Pensions Social Impact Bond.

### Teens and Toddlers

Teens and Toddlers provides support to at-risk teenagers and toddlers through an innovative mentoring programme, which combines work experience for young people in nurseries with classroom learning. At the end of the programme only four per cent of young people (16–18 year olds) are not in education training and employment (NEET), compared to teachers' predictions of 56 per cent.

Although always strong on tracking their outcomes and evidencing their work, investment from Impetus-PEF in 2009 enabled Teens and Toddlers to refine their model and grow their impact. Since gaining investment, Teens and Toddlers have been supported by Impetus-PEF for an independent social return on investment study (the SROI Network) showing a £6 saving for every £1 spent.<sup>69</sup> As well as further evidencing for their work, Teens and Toddlers have also improved their governance, organisational structure and business plan. A Director of Finance was appointed to refine the model and help cut wastage without compromising impact.

Recently Teens and Toddlers were commissioned by the Department for Work and Pensions to deliver a Social Impact Bond, preventing young people from becoming NEET. This has enabled the roll out of its programme across five local authorities in the North West, reaching an additional 1,152 disadvantaged young people. Lady Diana Whitmore, CEO of Teens and Toddlers, told the CSJ:

*'The support we received from Impetus-PEF to build our impact, establish new networks and develop our infrastructure was very important for us. We would never have won funding from the Innovation Fund if we had not had this kind of support; ultimately it has helped us to fulfill our heartfelt mission to transform the lives of more vulnerable young people.'*

### 1.3.1 Funding development

Despite these examples of good practice, support for developing innovative ideas remains limited, both in terms of scale and scope. Growing the pipeline of innovative interventions which can be used by government to transform public services will require significant investment. Looking at the key sources of funding available to the social sector, few allow for this kind of activity.

66 Impetus-PEF, *Our package of support* [accessed: <http://www.impetus-pef.org.uk> (24/08/14)]

67 Impetus Trust, *Report and Financial Statement, 30 June 2012*, London: Impetus Trust, 2012

68 Impetus-PEF, *Current Portfolio* [accessed: <http://www.impetus-pef.org.uk/portfolio-charities/portfolio/#> (24/08/14)]

69 Teens and Toddlers, *Teens and Toddlers Infographic* [accessed: <http://www.teensandtoddlers.org/news/263.html> (28/08/14)]

## ■ Government funding

The majority of government funding received by the social sector is for contract delivery, following a trend that has gradually moved away from the giving of grants.<sup>70</sup> Contracts are delivered to tight margins with little flexibility to use this funding for building impact. Existing capacity building programmes tend to either focus on developing financial capacity to bid for specific contracts – for example the Investment and Contract Readiness Fund – or look at investing at a very early stage – as the Social Incubator Fund does.<sup>71</sup>

Existing government programmes that focus on Innovation – such as the DWP Innovation Fund – whilst extremely important, tend to focus on commissioning an already developed model rather than developing new ideas. Indeed two of the ten DWP Innovation Fund participants received intensive support from the venture philanthropists Impetus-PEF prior to achieving these funds, demonstrating how this investment in developing impact can lead to innovative interventions being ready to be commissioned.<sup>72</sup> Other funds such as the Centre for Social Action Innovation Fund, which does focus on developing innovative ideas, whilst extremely positive, are limited in their scale and scope.

## ■ Other sources of grant funding

Traditional grant funders are excellent at providing start-up capital for innovative ideas, however, they tend to be less supportive in terms of helping organisations develop their impact and measurement. Funders are becoming better at recognising the importance of impact, with 87 per cent stating that evidence of impact it is either ‘extremely’ or ‘somewhat’ important to their funding decision.<sup>73</sup> However, only about one-third of charities (36 per cent) report receiving support for impact measurement.<sup>74</sup>

## ■ Social investment

Whilst social investment may have potential for developing the impact of some social ventures, in particular social enterprises with high revenue potential, it is unlikely to provide an answer for the majority of the social sector. This is because even the most successful interventions are unlikely to make high returns for investors, in order to mitigate the risks of investing. The ‘venture philanthropists’ who invest in developing the social sector, do so with grant money rather than loans.

Government does recognise the need to stimulate investment in innovation in the case of business and offers a host of reliefs and support funds for research and development (R&D), including:

70 NCVO, *Civil Society Almanac*, ‘How has the funding mix changed?’ [accessed: <http://data.ncvo.org.uk/a/almanac/14/how-has-the-funding-mix-changed/> (24/08/14)]

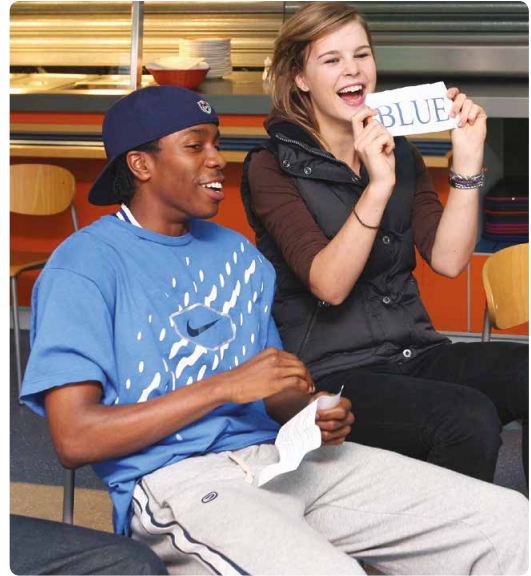
71 See: Be Investment Ready, *About the fund* [accessed: <http://www.beinvestmentready.org.uk/about/> (26/08/14)]; Big Lottery, *Social Incubator Fund* [accessed: <http://www.biglotteryfund.org.uk/socialincubatorfund> (26/08/14)]

72 Impetus-PEF, *Portfolio Charities* [accessed: <http://impetus-pef.org.uk/portfolio-charities/> (24/08/14)]; Big Society Capital, *DWP Innovation Fund* [accessed: <http://www.bigsocietycapital.com/how-we-invest/dwp-innovation-fund> (24/08/14)]

73 New Philanthropy Capital, *Funding Impact Measurement*, London: New Philanthropy Capital, 2013

74 Ibid

- R&D Tax Relief: SMEs can write off up to 225 per cent of their costs, meaning that on £100 spent on R&D the full value of the spend can be recovered and an additional £125 may be written off from tax receipts. Large companies can write off 130 per cent of their R&D spend;<sup>75</sup>
- UK Innovation Investment Fund (UKIFF): UKIFF supports a small number of specialist Venture Capital Funds that invest in important areas such as digital technologies, clean technology and life sciences.<sup>76</sup>



In the social sector the case to provide support for investment in R&D is even more acute than in the case of business. After all, the government will be the ultimate purchaser of these interventions and stands to benefit from them being as effective as possible.

### 1.3.2 The US Social Innovation Fund

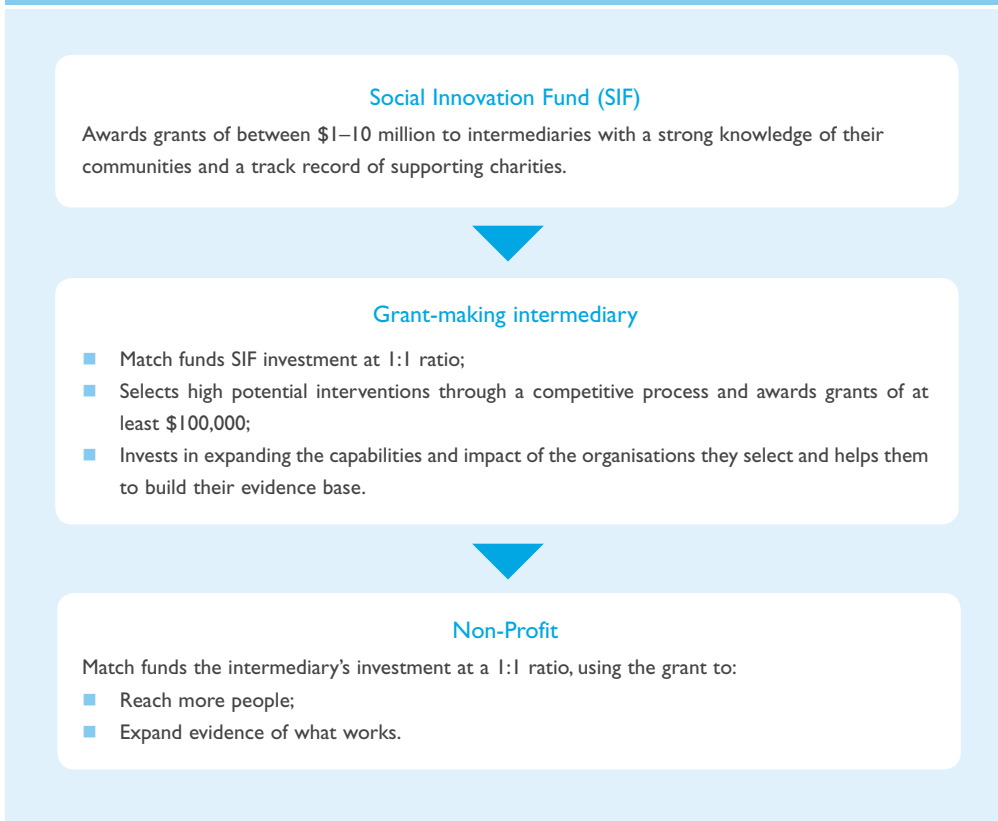
One place where government is providing extensive backing for social sector innovation is in the US, through their Social Innovation Fund. The Social Innovation Fund was established in 2009 by President Obama, with the aim of harnessing and developing innovation happening at grass-roots level. The fund works by using government contributions to leverage support and resources from grant funders and the private sector. The fund makes grants to philanthropic intermediaries, who match the Government contribution and then make direct grants to promising social sector organisations with high potential interventions. As well as investing financially, the intermediaries offer support to non-profits.

Grants made by the Social Innovation Fund have been used in a number of ways, from funding pilots of successful ventures to demonstrate further proof of their concept to spreading the reach of successful interventions. So far the fund has translated \$177.6 million dollars of government grants into \$600 million of support for 221 of the most innovative organisations, who with support of intermediaries are currently conducting 86 highly rigorous evaluations.<sup>77</sup>

<sup>75</sup> 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)]

<sup>76</sup> CEEDR, *Early Assessments of the UK Innovation Investment Fund*, London: Department for Business Innovation and Skills, 2012

<sup>77</sup> 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)]

Figure 1: US Social Innovation Fund<sup>78</sup>

There are several key aspects of the US Social Innovation Fund:

- **Match Funding:** By asking intermediaries to match fund government grants, the Social Innovation Fund ensures that intermediaries have a strong stake in the success of the venture, as well as increasing the amount of funding available to help grow them. So far, \$177.6 million in government grants has generated \$423 million in matched grant contributions.<sup>79</sup>
- **Support as well as funding for projects:** Intermediaries in the Social Innovation Fund provide the charities they invest in with both financial and non-financial support in order to increase their social impact, usually via in-house management advice and technical assistance. Venture philanthropy, a form of philanthropy that includes a high amount of advice and assistance, has been shown to be highly effective. One study found that 40 per cent of organisations undertaking venture philanthropy saw the advice and support as of greater or equal value to the financial contributions.<sup>80</sup>

78 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)]

79 Corporation for National and Community Service, *Social Innovation Fund* [accessed: <http://www.nationalservice.gov/programs/social-innovation-fund> (24/08/14)]

80 Grossman A, et al., *Venture Philanthropy: Its Evolution and Its Future*, Harvard: Harvard Business School, 2013 [accessed: <http://impetus-pef.org.uk/wp-content/uploads/2013/05/Venture-Philanthropy-Its-Evolution-and-Its-Future.pdf> (14/08/14)]



- **Focus on building evidence:** Funding from the Social Innovation Fund is only given on the basis that funding intermediaries will help organisations to develop a rigorous evidence base about their programme's effectiveness. As Michael D. Smith, Director of the Social Innovation Fund, explains: 'As a result of this exhaustive and rigorous approach, grant makers and non-profits are increasing their capacity and developing a practical body of knowledge about what it takes to scale innovation and impact—the ups and downs.'<sup>81</sup>

## The Social Innovation Fund in Action

### PACE Centre for Girls

*'I think I got a lot more done than in a regular school setting... It was less students... I was more focused. I love the way the teachers work with us one-on-one.'*

Jordon, PACE participant<sup>82</sup>

PACE provides alternative education and holistic support for middle and high schools girls at risk of offending. PACE has an excellent track record of work, with 92 per cent of girls having no involvement with the criminal justice system one year after leaving PACE and 93 per cent of girls had either completed their high school diploma or were back in education or employment.<sup>83</sup>

The Social Innovation Fund is offering PACE the opportunity to expand and grow their work. Backed by the Social Innovation Fund, the Edna McConnell Clark Foundation have invested \$3.5 million in PACE. The funding will be used to improve their organisational capacity, implement a randomized control study of their work and serve an additional 519 girls through new centres.<sup>84</sup>

### Buckelew Programme

*'I've learned responsibility and how to work with others. It's a good work environment and I like the effort it takes... I feel useful – a part of something – and that makes me feel good.'*

Josh, Buckelew Programme Participant<sup>85</sup>

The Buckelew Programme works to help people suffering from mental health problems, through combining traditional clinical services with work experience in one of their social enterprises. The programme aims to promote holistic recovery and build the personal and professional skills needed to maintain steady employment.

Through the Social Innovation Fund and the support of the intermediary REDF, Buckelew are expanding their programme by creating, creating more jobs in their social enterprises. REDF are also supporting Buckelew to assess the outcomes of their social enterprise programme as well as helping them to grow the programme.<sup>86</sup>

81 Smith M, 'Innovation to Impact: Obama's Social Innovation Fund at Four', *Stanford Social Innovation Review*, 3rd March 2014 [accessed: [http://www.ssireview.org/blog/entry/innovation\\_to\\_impact\\_obamas\\_social\\_innovation\\_fund\\_at\\_four](http://www.ssireview.org/blog/entry/innovation_to_impact_obamas_social_innovation_fund_at_four) (24/08/14)]

82 Edna McConnell Clark Foundation, *Grantees in action, PACE Centre for Girls*, New York: Edna McConnell Clark Foundation, 2014 [accessed: <http://www.emcf.org/fileadmin/media/Grantees/PACE/Grantees-in-Action-PACE.pdf> (24/08/14)]

83 Edna McConnell Clark Foundation, *PACE Centre for Girls, Performance* [accessed: <http://www.emcf.org/our-grantees/our-grantee-portfolio/pace-center-for-girls/performance/> (28/08/14)]

84 Edna McConnell Clark Foundation, *A Summary of EMCF's 2012-2013 Grants Competition and Awarding of EMCF SIF Grants*, New York: Edna McConnell Clark Foundation, 2013

85 Corporation for National and Community Service, *Getting Results, Transforming Lives*, Washington: Corporate for National and Community Service, 2013

86 Ibid

## 1.4 A UK Social Innovation Fund

Building on the lessons of the Social Innovation Fund in the US, we recommend that the Cabinet Office looks to establish a UK Social Innovation Fund – drawn from dormant assets – 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.

We suggest that the design of the fund takes the key aspects of the US Social Innovation Fund. For instance, the use of a centralised fund that makes grants to philanthropic intermediaries which then match fund the investment, select high potential charities and social enterprises and provide some type of support to those organisations as well as funding. This would have significant benefits over a centralised government fund directly awarding grants to charities, both increasing the value of the fund and making use of the knowledge and experience of existing funders with experience of the sector on the ground.

The success of the fund will depend upon strong intermediaries who are both effective at choosing and supporting innovative ventures, as well as being willing to invest in a match fund. The venture philanthropy movement, which formed an important part of the US Social Innovation Fund, is significantly less developed in the UK, with a much smaller pool of existing organisations. An important risk that the establishment of the fund would have to mitigate is a lack of high quality intermediaries. Before implementing the fund it would be important to assess the capacity and interest of existing funders to ensure the highest quality results.

We also suggest several key differences between the US fund and a UK fund:

### ■ Grantee matching

First, the US version of the programme asks for matching from social sector organisations themselves who participate, in order to increase the value of the capital available. However, we believe that a match would not be appropriate in the UK, as the amount of philanthropic money available is far lower and this would exclude many excellent organisations without significant reserves. Moreover even in the US some non-profits, particularly in the most deprived areas, are struggling to raise the required match.<sup>87</sup>

### ■ A focus on potential

Second, many of the grantees of the Social Innovation Fund are already quite large, significantly developed organisations. Reflecting on the scheme, Michael D Smith notes the difficulties choosing between supporting high potential interventions and those with the strongest evidence base, stating: ‘we’ve also struggled with the tension between innovation and evidence as we search for organizations with evidence of impact and those with potentially

<sup>87</sup> Smith M, ‘Innovation to Impact: Obama’s Social Innovation Fund at Four’, *Stanford Social Innovation Review*, 3rd March 2014 [accessed: [http://www.ssireview.org/blog/entry/innovation\\_to\\_impact\\_obamas\\_social\\_innovation\\_fund\\_at\\_four](http://www.ssireview.org/blog/entry/innovation_to_impact_obamas_social_innovation_fund_at_four) (24/08/14)]

game-changing, fresh approaches.<sup>88</sup> Whilst it is important that organisations have already taken significant actions to develop their model, it is also crucial that the focus of the fund is on those organisations that have the highest potential rather than those that necessarily demonstrate the most rigorous evidence base. Doing this may not be easy for funders, the evaluation of Big Lottery's Realising Ambition programme notes: 'identifying tightly defined evidence based interventions is easy, but identifying the home-grown interventions is harder: we need to get better at spotting the most promising interventions and supporting their development.'<sup>89</sup> Investors in the fund should accept an aspect of well-managed risk, looking for the potential to make big changes to public services.

#### ■ Involving commissioners

Third, we believe a UK version of the scheme should involve the would-be commissioner, who might eventually fund the intervention, in the process. As the potential buyer, commissioners must be engaged if the investment is going to be sustainable. The commissioner could, for example: help to identify the target group for developing the intervention; provide knowledge and expertise in terms of what would make the intervention suitable to commission; track cashable savings to the commissioning body during the grant period and help with outcomes tracking. Although this process would need to be worked out carefully to ensure it did not conflict with competition law, changes in EU procurement directives that allow 'innovation partnerships' should make this easier.<sup>90</sup>

Whilst we acknowledge this would require commissioners to have the capacity and inclination to engage – something we will discuss further in Chapter Three – there would be significant benefits to commissioning bodies in participating. They would gain an innovative high potential intervention being funded and expanded in their area, with the potential of continuing to commission it after the programme.

We believe that a fund that builds on the success of the US model, whilst making these changes would have some key advantages:

- **Incentivising more funding for developing innovation:** In this chapter we noted a funding gap for organisations to develop innovative ideas. By working through match funding, a Social Innovation Fund would incentivise more grant funders to focus on this area.
- **Sustainability:** By involving commissioners in the grant making process and ensuring grants are made around commissioner priorities, there is a wide scope for the interventions that prove successful to be directly commissioned after the grant period of the programme.
- **Building evidence:** Beyond building capacity in the social sector, a Social Innovation Fund will also compile evidence across a range of areas that can then be used in future. It will

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88 Ibid

89 Social Research Unit Darlington, *Realising Ambition Lessons on replication and evidence-based interventions one year in*, London: Big Lottery Fund, 2014

90 European Commission, *Public Procurement Reform, Fact Sheet No. 9 Innovation*, Brussels: European Commission, 2014 [accessed: [http://ec.europa.eu/internal\\_market/publicprocurement/docs/modernising\\_rules/reform/fact-sheets/fact-sheet-09-innovation\\_en.pdf](http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/reform/fact-sheets/fact-sheet-09-innovation_en.pdf) (24/08/14)]

also provide significant amounts of evidence for What Works networks and other social sector organisations working in the same area.

- **Growing the pipeline for social investment:** In *Something's Got to Give*, we argued that there was a strong need to grow the demand for Social Investment to ensure the social sector is able to take advantage of high levels of finance available through Big Society Capital. The US Social Innovation Fund has been linked to growing investment readiness amongst participating organisations.<sup>91</sup> A UK scheme could have similar positive effects.

## 1.5 Funding a UK Social Innovation Fund

We believe that a Social Innovation Fund could be funded using dormant assets from insurance pots. The establishment of Big Society Capital, the UK social investment bank, was made possible by the unlocking of £400 million from dormant bank accounts, via the Dormant Bank and Building Society Accounts Act 2008.<sup>92</sup> However, dormant bank account money is only the beginning of dormant assets that could be used for social purposes, with an estimated £15 billion in other assets currently lying dormant.<sup>93</sup>

The most promising assets which could be used to fund a Social Innovation Fund are dormant insurance policies: although there is little definite information on the exact amount of this money, estimates put the value of dormant life insurance policies and pension funds at £400 million.<sup>94</sup> Using the knowledge and experience gained from the dormant bank accounts legislation, money from insurance pots could be unlocked more easily, as was the case in Ireland.

### Irish Life Insurance

Following successful legislation in 2001 to unlock unclaimed bank account money, the Irish Government passed the Unclaimed Life Assurance Act 2003, which enabled insurance policies dormant for a period of 15 years to be dispersed for social purposes. In Ireland the scheme initially drew down €20 million.<sup>95</sup> Money from both dormant bank accounts and insurance policies has been used to fund a variety of programmes, including money to grow social innovation and develop social enterprises.<sup>96</sup>

During the initial consultation for the Dormant Bank and Building Society Act 2008, the House of Commons Treasury Committee did consider insurance pots, rejecting them for the initial legislation due to uncertainty about the amount of assets available. However, they

91 Impetus, *From Social Innovation to Social Investment: Lessons from the US*, London: Impetus, 2013

92 HM Government, *Policy, Promoting social action: encouraging and enabling people to play a more active part in society*, Big Society Capital [accessed: <https://www.gov.uk/government/policies/promoting-social-action-encouraging-and-enabling-people-to-play-a-more-active-part-in-society/supporting-pages/big-society-capital--2> (28/08/14)]

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

94 Ibid

95 House of Commons Treasury Committee, *Unclaimed assets within the financial system, Eleventh Report of the Session 2006–2007*, London: House of Commons, 2007

96 Environment Community and Local Government, *Dormant Accounts Asset Plan 2014*, Ireland: Environment Community and Local Government: 2014

did conclude: 'the eventual expansion of the scheme to incorporate other asset classes is fertile ground for discussion. To this end, we recommend that Government consults with the insurance industry about the possibility of its involvement in the scheme at some stage in the future.'<sup>97</sup>

Yet since the successful unlocking of dormant bank accounts, the Government has announced no further action on unlocking unclaimed insurance pots, thus leaving potentially large sums of money, that could be employed to excellent purpose, unused. We recommend the Government conducts a review of unclaimed insurance assets, in consultation with the insurance industry, with a view to using the funds available for developing the most innovative social ventures. Whilst this process is being undertaken, the Government may wish to provide seed money to begin developing the fund, in anticipation of future money released from dormant insurance accounts.

## Conclusion

Finding new ways of delivering public services with less money will be a challenge to any new government in 2015. If we are to achieve these savings and tackle social breakdown, developing the highest potential, most innovative interventions from the social sector is vital. As this chapter demonstrates, there is currently little support to help the best ideas develop into interventions that can be commissioned widely or access social investment. A Social Innovation Fund, using dormant assets, would represent a significant investment in the future of public services.

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<sup>97</sup> House of Commons Treasury Committee, *Unclaimed assets within the financial system, Eleventh Report of the Session 2006–2007*, London: House of Commons, 2007

# chapter two

## Better commissioning

### Introduction

With a united mission to tackle social problems, the state and the social sector are natural partners. For the state, the social sector provides the knowledge, capacity and links to communities that are invaluable when trying to tackle social problems. Similarly, for charities and social enterprises, partnerships with the state offer opportunities to expand their mission far beyond what would be possible from working in isolation. In 2011, David Cameron declared his intention to increase opportunities for the social sector to provide public services even further:

*'We are in the process of opening up billions of pounds' worth of government contracts so charities and social enterprises can compete for the first time. The scale of this opportunity dwarfs anything they've ever had before.'*<sup>98</sup>

We applaud the Government's intention to open up public services to charities and social enterprises. Yet, as we reported in *Something's Got to Give*, the experience of government commissioning processes has not always been positive for the social sector, particularly for smaller, locally-based organisations. This chapter makes recommendations to level the playing field for these organisations and to spread existing good practice in commissioning.

### 2.1 The case for improving commissioning

The way that public services are commissioned is one of the most important factors in determining the quality of services the public receive, comparable to the available budget or standard of professionals. Commissioners identify needs in their community, design services and determine the best providers, all within limited resources. Whilst government tends to set the direction of policy, what it looks like on the ground is often a result of how the service is commissioned. As Localism and the Open Public Services agenda gives state

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<sup>98</sup> The Guardian, *David Cameron: Have no doubt the big society is on its way*, 12th February 2011 [accessed: <http://www.theguardian.com/commentisfree/2011/feb/12/david-cameron-big-society-good> (24/08/14)]

bodies more scope to use external providers and to decide how to deliver services, and the amount of money to do so with reduces, the role of commissioning is becoming even more important.

Despite its clear importance, the quality of commissioning is seldom a topic of political or public debate. The overwhelming response from our consultation is that although there are many good examples of practice, there is significant room for improvement.

We believe there is an important role for the social sector in the delivery of public services, especially when it comes to providing specialist support for the most vulnerable members of society – whether this is supporting families with children on the edge of care, helping young people return to work, or helping addicts achieve recovery. If we are to get the most they have to offer then we need to improve the commissioning process. We make three broad recommendations for improving commissioning of the social sector:

- **Remove barriers for small providers:** 91 per cent of our Alliance members involved in commissioning told us they did not feel there was a level playing field for small organisations providing public services.<sup>99</sup> Barriers range from prohibitively large contracts; burdensome employment regulations; complex and high risk contracts; and a lack of up front capital.<sup>100</sup> The result of these barriers is that the public are missing out on some of the most effective providers; it also represents poor value for the tax payer with the National Audit Office noting the importance of local supply chains to ensure value for money.<sup>101</sup>
- **Engage with the social sector in design of services:** Too often social sector organisations are seen purely as service deliverers, rather than experts with vast experience of those they work with. 65 per cent of our Alliance of small charities told us that contracts were not designed in a way that allowed them to utilise their knowledge and experience, whilst 67 per cent told us they were not consulted about the design of relevant services.<sup>102</sup> Commissioners, although more optimistic, still report low levels of engagement: with 44 per cent stating they either never or only occasionally seek provider input when designing a tender.<sup>103</sup>
- **Commission holistic and specialist services:** At its best the social sector offers intensive, holistic, relationship focussed interventions that go beyond a transactional service and have the potential to transform lives in the long-term. Yet it is often exactly these groups, who work outside of traditional service delivery models, who have little opportunity to gain government funding. In Chapter One we noted the responsibility of interventions to develop their evidence base and effectiveness, in order to give commissioners the

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99 Survey of CSJ Alliance, June 2014

100 For evidence see: Centre for Social Justice, *Something's Got to Give*, London: Centre for Social Justice, 2013; Locality, *Diseconomies of Scale*, London: Locality, 2014; Collaborate, *Beyond Big Contracts*, London: Collaborate

101 National Audit Office, *Deciding prices in public service markets*, London: National Audit Office, 2013, p22

102 Survey of CSJ Alliance, June 2014, for similar findings see Collaborate, *Beyond Big Contracts*

103 Localis, *Commission Impossible*, 2011

assurance they need to be able to commission. However, there is also a responsibility on commissioners to be willing to try new things, go beyond traditional models of service delivery and look to share savings that fall across departments.

### Case study: One25

One25 is a CSJ award winning Alliance member, helping vulnerable women in Bristol to exit sex work, but who struggle to be commissioned due to the holistic nature of their work. One25 builds relationships with women through approaching them on the street and working through its drop-in centre, supporting women into recovery, mental health treatment, or work. Gill Nowland, CEO of One25, explained to the CSJ why working in this way was important:

*'In order to achieve our overall aim – to support women to exit street sex work – we need to tackle the women's multiple and complex needs which include addiction, poor mental, physical and sexual health, abuse and trauma (both recent and historical), poverty, homelessness, criminal justice issues, lack of education and employment opportunities. All of these needs are interwoven in the women's lives and need to be tackled in the right order and often simultaneously by One25's team of skilled and experienced caseworkers.'*

Because of the holistic nature of their work, One25 is not commissioned through a single contract. Instead, it is forced to secure a large number of very small contracts and subcontracts, through a multitude of commissioners and prime providers. Gill Nowland explained:

*'it is exhausting and extremely time consuming dealing with so many different commissioners. It would be much easier to gain funding if we were just a mental health service, or just an addiction service, but it's so important that we work holistically with these women – even if it means our future is quite vulnerable.'*

There have been some important steps forward in the commissioning of public services. At a national government level there have been important initiatives such as the Social Value Act, the development of the Commissioning Academy, government support for public sector mutuals and support to develop innovative forms of commissioning such as Social Impact Bonds through the Commissioning Better Outcomes Fund.<sup>104</sup> At a local government level a notable group of local authorities are finding new and innovative ways of commissioning, from innovative implementation of the Social Value Act to the development of cooperative approaches to commissioning, which involve communities in the design and delivery of services.<sup>105</sup> As the box below demonstrates, good practice can range from large revolutionary funds to commission new types of services to more modest attempts to reduce levels of bureaucracy or support smaller providers.

<sup>104</sup> Big Lottery Fund, Commissioning Better Outcomes and Social Outcomes Fund [accessed: <http://www.biglotteryfund.org.uk/sioutcomesfunds> (28/08/14)]

<sup>105</sup> For discussion see: Shafique A, *Enterprise Solutions: New approaches to commissioning and public service*, London: RSA, 2013



## Examples of good practice

**Staffordshire Council:** On consulting with local providers Staffordshire Council found that organisations struggled with long tender documents. Through working with stakeholders they reduced the size of the 200 page document by two-thirds.<sup>106</sup>

**Hackney Council:** Hackney council were able to continue commissioning a variety of small local luncheon clubs for older people in Lambeth through Hackney Council for Voluntary Service playing an important role as a single contract holder and broker.<sup>107</sup>

**Department for Work and Pensions (DWP) Innovation Fund:** Through their £30 million Innovation Fund, the DWP has significantly grown the number of Social Impact Bonds currently working in the UK, with ten of the current 17 Social Impact Bonds in existence commissioned through the Social Innovation Fund.<sup>108</sup> Through a competitive process focussed on the ability to deliver outcomes, innovative providers – such as Teens and Toddlers profiled in Chapter One – have been commissioned to transform the lives of at risk young people in over 100 schools.<sup>109</sup>

**Youth Engagement and Fair Chance Fund:** Building on the success of the DWP Innovation Fund, these programmes are pooling budgets from the Cabinet Office, DWP, Ministry of Justice and Department for Communities and Local Government, to commission social impact bonds to help get young people (including homeless young people) into work.<sup>110</sup>

The challenge is translating notable examples of good practice into something more widespread that works across a multitude of different commissioners and commissioning bodies. As the box below makes clear, the social sector is commissioned by a vast number of separate commissioning bodies, each with its own departments and multiple commissioners within them. There is no obvious central lever through which better commissioning can be achieved.

## Who commissions the social sector?

154 Local Authorities make up 57 per cent of UK government spending on the social sector.<sup>111</sup> In some local authorities commissioners are based within departments, whilst in others they work in centralised commissioning 'hubs'.

211 Clinical Commissioning Groups (CCGs) led by GPs and supported by Commissioning Support Units, commission services relating to health – including those that are 'socially prescribed'.<sup>112</sup> CCGs tend to have low levels of engagement and less understanding of the social sector.<sup>113</sup>

106 Social Enterprise West Midlands, *The opportunity of the social value act*, West Midlands: Social Enterprise West Midlands, 2013

107 See: City and Hackney Together, *Membership Prospectus*, London: City and Hackney Together, 2012

108 Thomas A, et al., *The Innovation Fund pilots qualitative evaluation: Early implementation findings*, London: Department for Work and Pensions, 2014; HM Government, *Growing the Social Investment Market: 2014 progress update*, London: HM Government, 2014

109 Ibid

110 Press Release, *£30 million boost to improve the lives of Britain's most vulnerable young people*, 30th April 2014

111 NCVO, 'Where does the sector's income from government come from?' in *NCVO UK Civil Society Almanac*, London: NCVO, 2014 [accessed: <http://data.ncvo.org.uk/a/almanac/14/where-does-the-sectors-income-from-government-come-from-2/> (28/08/14)]

112 NHS England, *GP-led groups ready to take charge of NHS budgets in every community in England* [accessed: <http://www.england.nhs.uk/2013/03/14/wave4-auth/> (28/08/14)]

113 ACEVO, *The Social Sector Tracker Briefing Paper II: The Health and Social Care Survey 2013/14*, London: ACEVO, 2014

Key National Government departments such as Ministry of Justice, Department for Work and Pensions and the Home Office commission a significant amount from the social sector. This is often done through larger contracts that offer opportunities for smaller organisations through subcontracting, such as the Work Programme and Transforming Rehabilitation.

Other state authorities such as police forces and schools may also commission services from the social sector.

This chapter focuses on three areas where we feel there is real potential to change the commissioning landscape: a greater focus on commissioning as a profession with more opportunities for shared learning and professional development; improved accountability in the commissioning process; and a better regulatory environment. In particular we will recommend:

- Up-skilling and growing the capacity of commissioners via sector specific learning networks and the development of an accredited qualification for commissioners;
- Growing accountability of commissioners, including increasing social sector awareness of the 'Mystery Shopper', a Cabinet Office scheme to encourage SMEs to participate in government contracts;
- Reform of statutory guidance surrounding employment legislation (TUPE and COSOP) to make it easier for new, particularly smaller providers, to bid for contracts and remove unfair pensions liabilities that are a barrier to services;
- A 'two years on' review of the Social Value Act to build on excellent progress so far and strengthen its impact.

## 2.2 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, at its heart, requires commissioners with the skills, capacity and motivation to commission the best possible services. All commissioning bodies, whether local or national, are under significant pressure to achieve savings. How they react to this – whether they look to find innovative ways to transform how they deliver services or simply push to reduce costs – is hugely important as to whether quality public services are achieved. Two things were emphasised as important for improving commissioning:

## Culture

A 2011 survey of local authority commissioners found that 91 per cent said that culture was a barrier to a more strategic commissioning approach.<sup>114</sup> Good culture includes attitudes to leadership in terms of whether they promote new ways of working and the importance placed on the added value brought by the social sector.

The relationships between commissioners and procurement within local authorities are also key to improving commissioning culture. We consistently heard about a disconnect between commissioners and procurement officers, with overly legalistic interpretations of procurement legislation leading to new and innovative ways of commissioning being blocked – the Department for Communities and Local Government Select Committee report noted that procurement officers are often fearful of breaching EU procurement law and of being open to challenge.<sup>115</sup>

## Capacity, knowledge and skills of commissioners

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 legislation. Commissioners must be both specialists in the area they are commissioning – understanding the needs of the populations they are serving as well the interventions that work – as well as having a full commercial understanding of how to procure these services both at the right cost and in line with regulation. The competence of commissioners is thus crucial to the success of the commissioning process.

### 2.2.1 Good practice: The Commissioning Academy

‘We were very enthusiastic about supporting [the Commissioning Academy] when it started because it seemed to us that government hadn’t really invested in commissioning... we’ve never really found the opportunity to get together as the public sector and learn from each other. And that is exactly what we’ve had from here.’

Participant in the Commissioning Academy<sup>116</sup>

The Government has recognised both of the challenges above, and has implemented the Commissioning Academy: an eight-day programme taken over five months to allow commissioners to share practice with their peers. Commissioners follow themes such as

<sup>114</sup> White L, *Commission Impossible*, London: Localis, 2011

<sup>115</sup> 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)]

<sup>116</sup> Cabinet Office, *Commissioning Academy Case Studies* [accessed: <http://webarchive.nationalarchives.gov.uk/20130729000000/youtube.com/watch?v=UH-yw5LGyWk> (24/08/14)]

outcomes-based commissioning, working with the voluntary sector and social investment. After the academy, commissioners implement a 100-day plan to improve commissioning in their organisation.<sup>117</sup> The Commissioning Academy is an extremely positive initiative, aiming both to affect culture change by 'winning hearts and minds' of leaders, whilst providing commissioners with the practical skills they need to commission in new ways.

Evaluations of the pilot are positive in terms of the effect of the academy on influencing commissioners:

- 93.4 per cent of participants said the academy had been useful or very useful for improving strategic planning; and
- 71.9 per cent of participants said their 100-day plan had either had a tangible impact or they were confident it would lead to tangible outcomes in the future.<sup>118</sup>

Building on the success of the Commissioning Academy the Government has committed to doubling its size, with a target to reach 1500 participants by 2016.<sup>119</sup> They have also expressed intentions to set up regional Commissioning Academies, following successful work in Norfolk.<sup>120</sup>

The Commissioning Academy is an excellent start in improving the capacity of commissioners, however alone it is not enough to bring the revolution in commissioning that is needed if real changes are to be made.



First, the Commissioning Academy is quite narrow in terms of its participants: aimed at director and deputy director level commissioners. Whilst it tackles the issue of improving leadership it does not attack either cultural issues or knowledge gaps further down in the commissioning process. Crucially, it does not engage with procurement professionals, and so will not help to bridge divides between the two professions.

Second, the Commissioning Academy is quite wide in terms of the vastly different types of commissioners it involves – taking broad modules around social investment, working with the voluntary sector etc., rather than looking at the specific areas being commissioned. Whilst for top level leadership, getting the perspective of others is important, the evaluation of the academy also found that some participants felt that not all of the topics covered were relevant to their subject area.<sup>121</sup>

<sup>117</sup> HM Government, The Commissioning Academy [accessed: <https://www.gov.uk/the-commissioning-academy-information> (24/08/14)]

<sup>118</sup> Carr-West J, *Commissioning Academy, An evaluation by the LGIU into the impact of the Cabinet Office Commissioning Academy*, London: LGIU, 2014

<sup>119</sup> HM Government, Commissioning Academy helps to improve public service provision, 8th August 2014 [accessed: <https://www.gov.uk/government/news/commissioning-academy-helps-to-improve-public-service-provision> (24/08/14)]

<sup>120</sup> Ibid

<sup>121</sup> Carr-West J, *Commissioning Academy, An evaluation by the LGIU into the impact of the Cabinet Office Commissioning Academy*, London: LGIU, 2014

Building on the success of the Commissioning Academy the Government should look to go further in improving the culture, status and capacity of commissioners. We propose two recommendations to do this: establishing commissioning networks to complement the commissioning academy, encouraging the sharing of good practice across all levels of commissioning bodies and the establishment of an accredited qualification for commissioners to help raise the status of the profession.

### 2.2.2 Coordinating informal learning: 'Better commissioning' networks

The intensive nature of the Commissioning Academy could be complemented through informal shared learning opportunities for commissioners. We believe that building on the lessons of what has worked, both from the Commissioning Academy and through other commissioner development programmes, more informal 'better commissioning' networks should be established to help develop commissioning and share best practice.

Key elements rated by participants in the Commissioning Academy as important were:

- Learning from other participants, with 70 per cent finding this very useful;
- Expert speakers; and
- The Cabinet Office brand, bringing credibility and establishing support for the programme.<sup>122</sup>

During our consultation we were impressed by other approaches to commissioner development, such as the Academy for Justice Commissioning, which is run by senior commissioners across the justice sector and has open membership to the social sector, commissioners and academics.

#### The Academy for Justice Commissioning

The Academy for Justice Commissioning is a free service open to all those involved or interested in justice commissioning. It has over 2,000 cross sector members, including members from the Ministry of Justice, National Offender Management Service, Her Majesty's Prison Service, National Probation Service, other probation organisations, police, health, central government, local authorities, academics, providers and over 300 members from the voluntary sector. The Academy is led by a voluntary strategy group, all senior commissioners, whose purpose is to oversee the Academy's business and ensure objectives are set and delivered.

Janet Cullinan, Business Manager for the Academy, explained to the CSJ:

*'the Academy was set up seven years ago to address the need to develop commissioning skills for those involved in justice commissioning. As it has become more widely known, membership has grown to encompass other public service organisations and providers who have seen the value in its services. We are open to all sectors because we recognise the importance of bringing providers and commissioners together to share knowledge and best practice.'*

<sup>122</sup> Ibid

Academy services include an introduction to commissioning online learning tool; monthly seminars on justice commissioning topics; and peer learning groups focussing on justice commissioning topics and led by expert facilitators.

Feedback from Academy members, both voluntary sector and commissioners, is positive and typical comments include: 'This Academy is an excellent initiative and a much appreciated (potential) forum for the VCS (voluntary and community sector) to directly and informally engage with officials.' Others said: '[It was] informative and informal at the same time. The after work nature of the event really helps create an environment which makes people comfortable and engaged.'

Informal 'better commissioning' networks would build on the success of the Commissioning Academy and Academy for Justice Commissioning and would promote excellence in commissioning. These networks should cover specific commissioning sectors, such as Children's Services and Adult Social Care. They would target wider memberships, involving relevant commissioners, procurement officers and voluntary organisations, brought together for events, seminars and master-classes in different areas across the country.

The aims of the networks would be to provide skills sharing and education to all of those working within a particular sector. The networks should be tightly joined with What Works networks, and would give them opportunities to better disseminate their findings to commissioners and effect change. Networks should be backed by national government departments, to provide strong branding and authority, with leadership coming from senior commissioners within the relevant sectors. The Cabinet Office should help to coordinate the establishment of the networks.

These networks would be a low cost, light-touch way for government to implement change and help share and spread the good practice that is already happening in many areas.

### 2.2.3 Developing commissioning as a profession

'I've been a commissioner for 20 years, but I've got nothing to show for it – no qualifications, just my CV.'

Commissioner in evidence to the CSJ

As well as increasing the education opportunities available to commissioners, there is also a need to develop commissioning as a profession. Given the high demands on commissioners and huge significance of the work they do, it is surprising in many ways how undeveloped it is as a profession. The CSJ spoke to a number of commissioners in local authorities who explained how they 'fell into it' through another role. A similar culture exists within national government and the civil service, with a focus on the recruitment of 'generalists', who often rotate frequently.

Whilst procurement is a well-developed profession, with clear career structures and a commonly held accredited qualification – the Chartered Institute of Purchasing and Supply (CIPS) – there is no equivalent in commissioning. Training for commissioners is largely on the job and ad hoc. Whilst some universities do offer qualifications in commissioning, there is no centrally recognised qualification. Commissioning is an extremely skilled role and it should be treated in this way by government if it wants to attract and retain the best people.

We therefore recommend that government look to coordinate the development of an accredited qualification available to commissioners. Credits for the qualification could be drawn from established courses and diplomas already available, and could include participation in initiatives such as the Commissioning Academy, as well as practical delivery projects within the commissioner's own authority. This would require a central body to coordinate the qualification and ensure modules were sufficiently rigorous, as well as looking for gaps in available training. This could be undertaken by an existing academic body or a new body could be formed.

#### **Recommendations to improve the capacity of commissioners**

Establish 'better commissioning' networks involving all parties involved in commissioning – including the social sector; commissioners and procurement staff – to build on the success of the Commissioning Academy and increase informal learning.

Coordinate the development of an accredited qualification for commissioners, bringing together existing provision and focusing on developing practical expertise.

## **2.3 Accountability in the commissioning process**

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.

Survey of CSJ Alliance, June 2014

Better education and development is only one lever to try and bring better practice to commissioning, there is also a need for more accountability and oversight for how public services are commissioned. In *Something's Got to Give*, we highlighted the imbalance of power between commissioners and the social sector, with the social sector having very little power to influence the commissioning process or flag up poor practice.

For locally based organisations, who may have no other potential commissioners to work with (unlike national organisations which can choose not to work with poorly performing authorities), this lack of power can be extremely damaging. From a strategic level a lack of accountability across commissioning bodies makes it hard to tell whether national policies are being implemented.

### 2.3.1 Current policy: the Mystery Shopper

There have been developments in terms of empowering small organisations that experience poor practice. In 2012 the Government established the Procurement 'Mystery Shopper', which allows SMEs (including charities and social enterprises) to report instances where they have experienced poor practice in commissioning. The Mystery Shopper then investigates the issue and makes recommendations to the contracting authority about how to resolve the dispute.<sup>123</sup>

The Mystery Shopper has a strong rate of resolution of 79 per cent.<sup>124</sup> Beyond dispute resolution, the Mystery Shopper is also beginning to do 'spot-checks' to check implementation of the Social Value Act discussed later in the chapter, with 300 spot checks conducted between January and May 2014.<sup>125</sup> As Stephen Tokley, from the Cabinet Office Mystery Shopper, told the CSJ: 'it's not about punishing the commissioners, it's about helping to make sure the Act is being implemented and ensuring good practice.'

We strongly support the Mystery Shopper, as a way to give smaller providers a voice when they experience poor practice from commissioners. However, whilst aimed at all SME providers, the Mystery Shopper is not currently being well-utilised by the social sector, with only 15 voluntary sector organisations having applied to the Mystery Shopper out of over 600 investigations.<sup>126</sup> The problem appears to be that the majority of social sector organisations have not heard about the Mystery Shopper, largely because it is not being sufficiently advertised. Commissioning bodies have little incentive to advertise the scheme, as it will lead to increased complaints.

We therefore recommend that in order to increase knowledge of the Mystery Shopper amongst voluntary sector organisations, as well as SMEs more generally, that all commissioning bodies should be obliged to advertise the details of the Mystery Shopper within all tender documents. This would ensure better accountability for voluntary organisations that experience poor practice and ensure public money is spent according to best practice.

#### **Recommendation for better accountability**

Details of the Mystery Shopper Service to be advertised within all tender documents.

## 2.4 Better regulation

A further way government can affect better commissioning is through improving the regulatory framework that commissioners operate within – ensuring it both enables and encourages commissioning which takes into account the added value the social sector may

<sup>123</sup> HM Government, *Scope and remit of the mystery shopper scheme* [accessed: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/322558/Scope\\_and\\_Remmit\\_of\\_the\\_Mystery\\_Shopper\\_Scheme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/322558/Scope_and_Remmit_of_the_Mystery_Shopper_Scheme.pdf) (24/08/14)]

<sup>124</sup> Information provided directly to CSJ by Cabinet Office, July 2014

<sup>125</sup> Ibid

<sup>126</sup> Ibid



bring and removes barriers for smaller organisations. There have been some significant steps forward surrounding EU procurement regulation recently which have increased the flexibility for commissioners to reserve contracts for mutuals; improved the ability of commissioners to have dialogue with providers during procurement, and reduced bureaucracy for small providers.<sup>127</sup> These changes are significant and government should closely monitor how they are implemented on the ground, once they are brought into British Law. Another significant improvement has been the Social Value Act, which actively promotes commissioners to consider social value.

Yet, we believe that there is scope to improve the regulatory environment within which commissioners work. First, we recommend vital changes to the guidance and regulation surrounding TUPE transfers, which work as a severe barrier to the social sector. Second, we suggest a 'two years on' review of the Social Value Act to build on its success so far and increase its impact.

### 2.4.1 Reforming TUPE

46 per cent of our Alliance members involved in commissioning told us that employment regulations such as TUPE had prevented them from taking on public service contracts.

Survey of CSJ Alliance, June 2014

A crucial change needed to level the playing field for smaller providers is reform to employment regulations. TUPE (Transfer of Undertaking (Protection of Employment)) and COSOP (Cabinet Office Statement of Practice) together protect the employment terms and pension provisions of staff in services that are being outsourced or changing provider.<sup>128</sup> TUPE regulations mean that when a social sector organisation bids to take over a service, the staff that are currently working in that service will automatically become employees of the new provider under the same terms as their previous employment. COSOP guarantees other benefits are kept, particularly pensions.

The risk and expense of taking over employees who are TUPE'd has been one of the most persistently mentioned problems by social sector organisations consulted for this paper. This section takes two of the most problematic issues with TUPE and suggests vital reform.

<sup>127</sup> Press Release, EU to open up public procurement following UK government lobbying, 15th January 2014 [accessed: <https://www.gov.uk/government/news/eu-to-open-up-public-procurement-following-uk-government-lobbying> (24/08/14)]

<sup>128</sup> See: Transfer of Undertaking (Protection of Employment) Regulations 2006; HM Government, *Guidance, Statement of practice on staff transfers*, 1st May 2014 [accessed: <https://www.gov.uk/government/publications/staff-transfers-in-the-public-sector> (28/08/14)]

## Provision of employee liability information

‘We won a contract fairly through a tender process but commissioners failed to detail hidden TUPE risks... When we identified them the tender was withdrawn and unless we had gone to court we had no power over the situation.’

CSJ Alliance member in evidence to the CSJ

A significant part of the costs of taking over a government service – whether it is a children’s centre, a mental health provision or a drug service – is the cost of staff. In making a bid to provide a service, it is crucial that a charity is able to calculate the costs of staffing in order to avoid over-bidding and losing the contract for being uncompetitive or under-bidding and coming into significant financial difficulty. Therefore a key piece of information for any organisation bidding for a government service is the employment terms of the staff that will be transferred (i.e. their salary, contract terms and pension liability), in order to estimate how much to bid. This is especially true for small organisations without the reserves to cover any shortfalls in their estimations.

Despite liability information being a clear necessity at the point of bidding, at present current providers are only required to provide information about the staff to be transferred 28 days before the new contract is undertaken, many months after the bidding process takes place.<sup>129</sup> Whilst this represents a marginal improvement on the previous deadline, which was extended from 14 days following a recent consultation, unless the information is available at the point of bidding it will be very difficult for any small organisation to bid.<sup>130</sup> For small local providers, for whom a particular contract may be their only opportunity to win government funding, a lack of information during the bidding process can be extremely frustrating. This lack of transparency is also bad for the public, rendering the bidding process less competitive as smaller providers are unable to bid.

The providers who are currently providing the service have little incentive to provide information to organisations who enquire about employment liability as withholding the information increases their chances of winning the tender. It must, therefore, come down to the government body overseeing the process to ensure that the information is available to all bidding parties. This is a relatively simple process for commissioners, who must ensure there is a clause in all contracts stating the provider is obligated to provide employment liability information on request, and then requesting it during the tender – a process which already happens in many local authorities, but is not standard practice.

<sup>129</sup> Department for Business Innovation and Skills, *Transfer of Undertaking (Protection of Employment) Regulations 2006, Government Response to Consultation*, London: Department for Business Innovation and Skills, 2013

<sup>130</sup> Ibid

It is therefore crucial that the requirement for providers to disclose employment liability at the point of tender is built into regulation. Despite the obvious benefits to this, the Government has been resistant to amending TUPE regulations. In its response to a recent consultation the Government extended the period at which a previous provider must give liability information from 14 to 28 days, but resisted extending employment liability disclosure to the point of bidding: 'avoiding too much burden on transferors in having to update it'.<sup>131</sup>

The Government's wish to avoid further administrative burdens on business is understandable, especially because TUPE applies to all business purchases and outsourcing, rather than just within the public sector. However in the case of public service provision where the Government has a great interest in ensuring transparency and fair competition, the administrative burden on current providers to keep an up-to-date list of their employees' information is a small price to pay to ensure a transparent and open bidding process.

We therefore recommend that TUPE guidance is amended to state that in cases of public sector bodies outsourcing services, and where a TUPE liability is likely to occur, the authority has a duty to ensure employment liability information is provided by the current provider at the point of tender.<sup>132</sup> Regulation must also specify that contracting authorities must ensure a duty to provide this information is set out within all providers' contracts.

## Pensions

'No-one in their right mind would take on a contract that involved TUPE as the pension liability would be crippling.'

Alliance member in evidence to the CSJ

Even where TUPE liability is transparent at the point of bidding, the issue of pension liabilities makes provision of public services extremely difficult for the social sector. Current guidance about pension liabilities in the case of staff TUPE transfers states that new providers who take on staff should either continue to have access to their current pensions scheme (by the new provider becoming an admitted body) or that a broadly comparable pension should be provided.<sup>133</sup>

The main problem with government pensions is not that they are generous, as providers can factor contributions into the price of their bid, so long as correct employee liability information is given at the time of bidding. What is problematic is the risk government pensions very

<sup>131</sup> Ibid

<sup>132</sup> There will be a need to establish a definition of 'point of tender', this definition could be taken from the Public Services (Social Value) Act.

<sup>133</sup> The New Fair Deal (applicable to national government and NHS) specifies that staff who are transferred should continue to have access to their current government pension scheme, or in exceptional situations be given a comparable offer. The Best Value Authorities Staff Transfers (Pensions) Direction states that a pension should either be broadly comparable or better than the existing pension or that the new employer should become an admitted body to the existing local government pension scheme.

often put on service providers. As government pension schemes are usually defined-benefit rather than defined-contribution, entering into the current scheme or providing something comparable can put a huge financial risk on small organisations. Lord Hutton, in his enquiry on public sector pensions, explained how the nature of defined-benefit public sector pensions makes it difficult to innovate in public services:

*'By leaving almost all risks with employers, they [public sector pensions] can make it difficult to attract new providers to achieve gains in the efficiency and quality of services... Smaller private and voluntary sector employers are often unwilling to take on such risks.'*<sup>134</sup>

Liam Duffy, Director for Business Development at Barnardo's told the CSJ how the risk of taking on a pension scheme could be prohibitive and dangerous for small providers, forced to join local authority pension schemes.

*'We can get to the end of a contract and, because the local authority pension fund investments may have not performed, we might be liable to pay for the shortfall relating to transferred staff or indeed more. We would have had no say in the pension fund investment strategy yet be expected to make up deficits resulting from others' decisions. It is extremely difficult for us to manage this risk and it would be almost impossible for a small charity.'*

Pension liabilities mean that in the majority of cases, small providers simply do not bid for any contracts where staff may be TUPE'd over to them because of the pension liability. The result of this is that a huge portion of the outsourcing market for public services simply is in practice only open to the largest providers. If the Government is serious about open public services, guidance surrounding public sector pensions in staff transfers must be amended to stop organisations being given the risks of a pension scheme they have no control over.

One way to do this is would be to make mandatory the operation of a 'pass-through' system for providers entering Government pension schemes, ensuring providers of public services continue to pay a defined contribution towards the government's pensions scheme but undertake none of the risk, with any deficiencies in the pension pot at the end of the contract paid by the contracting authority, not the provider.

#### **Recommendation**

The Government should review and reform pension guidance surrounding TUPE transfers to ensure that pension risk is not a barrier for small providers.

<sup>134</sup> Independent Public Service Commission, *Independent Public Service Pensions Commission: Final Report*, London: Independent Public Service Commission, 2011

## 2.4.2 Commission a '2 years on' review of the Social Value Act

'I was inspired in part to do this following my experience as a district councilor in Warwick, where I saw firsthand how charities and voluntary organisations were losing out on contracts that they might have had won if the submissions and the contracts themselves had been better designed with social value in mind.'

Chris White MP, sponsor of the Social Value Act<sup>135</sup>

The Social Value Act, which came into force in January 2013, has been an extremely positive move for the social sector's role in commissioning. The Act requires commissioners to take wider social value into account at the pre-procurement stage of the commissioning process.

The Social Value Act is important in two ways. First it encourages commissioners to think beyond price and financial value when commissioning. Second, the Act clarifies the legal status of prioritising social value within procurement law, counterbalancing overly cautious approaches to procurement law.<sup>136</sup>

The CSJ strongly supports the Social Value Act as a way to take into account the wider value that the social sector brings to their areas. Evidence of its effects look to be positive – a survey of Housing Associations and senior local authority leaders by Social Enterprise UK found:

- 39 per cent said the Act had a high impact on how they acted, and those who reported a low impact mostly said they were already doing it;
- 78 per cent said focussing on social value had improved their relationship with the community;
- 71 per cent said it had led to better service delivery; and
- 52 per cent said focusing on social value had saved them money.<sup>137</sup>

<sup>135</sup> Ethos, Chris White, *Responsible capitalism*, April 2012. [accessed: <http://www.ethosjournal.com/topics/public-service-delivery/item/330-responsible-capitalism> (24/08/14)]

<sup>136</sup> 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)]

<sup>137</sup> Social Enterprise UK, *Communities Count: The Four Steps to Unlocking Social Value*, London: Social Enterprise UK, 2014; Institute of Local Government Studies, *Social Value Survey Report*, Birmingham: Institute of Local Government Studies, 2014 [accessed: <http://www.birmingham.ac.uk/Documents/college-social-sciences/government-society/inlogov/briefing-papers/2014/social-value-survey-report.pdf> (25/08/14)]

## The Social Value Act as a tool for improving commissioning

**Birmingham:** Business Charter for Social Responsibility, mandatory for all new providers, asks organisations with contracts above £200,000 to: 'Make accessible all sub-contracting opportunities to a diverse supply base including the third sector and local suppliers and provide mentoring and support to assist these organisations to tender for and deliver these supply opportunities where necessary.'<sup>138</sup>

**Leicester:** When tendering for their youth services contracts Leicester divided the tender into several lots and offered support to voluntary sector organisations and other providers prior to and during the tender period.<sup>139</sup>

However, as a Private Members Bill, rather than government backed legislation, the Act is understandably modest in its scope, both in terms of the contracts it applies to and the requirements it puts on commissioners, who must only 'have regard to' social value rather than, for instance, giving it priority. Commenting on the limited scope of the Act the House of Commons Communities and Local Government Committee stated:

*'We acknowledge Ministers' wish to ensure that the Public Services (Social Value) Act 2012 is given sufficient time to bed in and become fully effective. Nonetheless, it is clear that there are concerns that the limited range of contracts to which its provisions apply might be undermining the Act's impact. We recommend that DCLG undertakes comprehensive post-legislative analysis of the Act to ensure assessment of its effectiveness before the end of 2015.'*<sup>140</sup>

We agree with the conclusion of the Committee and recommend that the Government undertakes a full 'two years on' review of the Social Value Act. We believe a review should focus on the following areas:

### *Scope of the Social Value Act*

The Act currently only applies above EU procurement thresholds, which are currently set at around £175,000 for most local authority contracts, and are due to rise significantly to roughly £600,000.<sup>141</sup> This means the Act does not apply for many of the contracts within the reach of smaller organisations. A review of the Act should consider whether it should be extended to apply to all contract values. The review should also consider the types of contracts that the Act should apply to, at present it only applies to services, rather than goods and works. As we will discuss further in Chapter Five, the Act could also be usefully applied more widely to motivate business action within communities.

<sup>138</sup> Birmingham City Council, *Birmingham Business Charter for Social Responsibility* [accessed: [http://www.finditinbirmingham.com/Upload/Charter/BCSR\\_Charter\\_Principles.pdf](http://www.finditinbirmingham.com/Upload/Charter/BCSR_Charter_Principles.pdf) (28/08/14)]

<sup>139</sup> Provided to the CSJ by Leicester County Council

<sup>140</sup> 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)]

<sup>141</sup> Financial Ombudsman, *Procurement at the Financial Ombudsman Service* [accessed: <http://www.financial-ombudsman.org.uk/about/procurement.html> (28/08/14)]; Press Release, *Revision of public procurement Directives – Frequently Asked Questions*, 15th January 2014 [accessed: [http://europa.eu/rapid/press-release\\_MEMO-14-20\\_en.htm?locale=FR](http://europa.eu/rapid/press-release_MEMO-14-20_en.htm?locale=FR) (28/08/14)]

### *Application to National Government*

A review of the Act should clarify its application to national government departments. CSJ Freedom of Information Requests show inconsistent application between departments – for instance, whilst the Department for Work and Pensions and Department of Health have updated their procurement policies and frameworks, others such as the Home Office, Ministry of Defence and Business, Innovation Skills have taken either no action or have only distributed the short Cabinet Office procurement note.<sup>142</sup> Whilst the Act is likely to apply in different ways to national government when compared to local government – i.e. with less focus on generating 'local' value – this is an area in which national government ought to show leadership. A review of the Act should clarify expectations of national government.

### *Monitoring implementation*

As a piece of legislation, it is important to ensure that commissioning bodies are implementing the Social Value Act. At present the Act does not require any monitoring of how or when it is being applied, so it is very hard to know how it is working on the ground. It is estimated that only 65 per cent of local authorities have changed their processes and practices as a result of the Act.<sup>143</sup> The Cabinet Office is taking steps towards monitoring implementation, through the Mystery Shopper spot checks mentioned earlier in the chapter. However, a review of the Act should investigate whether minimum standards of monitoring should be attached to the Social Value Act. Some local authorities are already strategically monitoring implementation: for example, Northampton Council told us that they count all instances where a question had been added to a tender as a result of the act, whilst Medway council has set targets relating to social value commissioning (including a commitment to 40 per cent of locally controllable spend to be through local SMEs).

#### **Recommendations to improve commissioning regulations**

Reform to guidance surrounding TUPE transfers to remove barriers for small providers, including:

- TUPE guidance to be amended to state that in cases of public sector bodies outsourcing services and where a TUPE liability is likely to occur, the authority has a duty to ensure employment liability information is provided by the current provider at the point of tender;<sup>144</sup> and
- The Government to reform pension guidance surrounding TUPE transfers to reduce risks to small providers.

A 'two years on' review of the Social Value Act to strengthen its important progress so far, which should investigate:

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

<sup>142</sup> Freedom of Information Requests sent behalf of the CSJ to all national government departments, June 2014

<sup>143</sup> 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)]

<sup>144</sup> There will be a need to establish a definition of 'point of tender', this definition could be taken from the Public Services (Social Value) Act

## Conclusion

The way public services are commissioned is vital, determining how limited resources translate into services on the ground. Yet, at present, 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. We suggest pressing reforms to improve the quality of commissioning and remove barriers for small organisations, including better education for commissioners, more accountability and better regulation. Together these will represent an important step forward for commissioning of the social sector.





# chapter three

## Getting charities to where they are most needed

‘Charity almost always does too much or too little; it lavishes its bounty in one place and leaves people to starve in another.’

John Stewart Mill<sup>145</sup>

### Introduction

As the CSJ noted in *Something's Got to Give*, social action and the social sector 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 resources than more affluent areas: upcoming Third Sector Research Centre work by John Mohan shows that nine percent 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.<sup>146</sup>

As the case study below demonstrates, areas with similar social problems can evolve vastly different responses from the social sector. The result is that in many areas of the UK, the most vulnerable miss out on crucial interventions because their area lacks the vibrant social sector activity that exists in other parts of the country.

<sup>145</sup> Mill J S, *Principles of Political Economy with some of their Applications to Social Philosophy*, Book V, Chapter XI, London: Longmans, Green and Co, 1909

<sup>146</sup> 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, p 11; Upcoming TSRC research in evidence to the CSJ

## 'Hot spots' and 'cold spots'

Blackpool and Hackney are areas both notable by their high levels of deprivation. Hackney is the second most deprived area in the country, with 42 per cent of lower level super output areas (LSOAs) in the top ten per cent of the most deprived in the country.<sup>147</sup> Similarly, Blackpool is the sixth most deprived area in England, with the highest rate of looked after children and the second highest prevalence of opiate and/or crack usage in England.<sup>148</sup> However, despite comparable levels of deprivation, there are significant differences in the number of charities and voluntary sector organisations responding to the problem in these two areas.

### Hackney

Hackney has a thriving social sector, with 3.9 charities per thousand people operating in their local area.<sup>149</sup> In Hackney there are 449 charities working in the relief of poverty (almost half of the total), with a further 226 focusing on employment.<sup>150</sup> Charities in Hackney alone gain 11 times more in corporate donations than the whole of the county of Lancashire.<sup>151</sup>

### Blackpool

Blackpool has only 1.7 charities per thousand people operating in the area – two and a half times fewer than the number per person in Hackney. There are just 47 charities working in the relief of poverty and 36 focusing on employment.<sup>152</sup> In particular the CSJ was told about the severe lack of support for those in recovery, despite the significant problems the city has with addiction. Keith Stevenson, CEO of the charity the Mulberry Project told the CSJ: 'I started this charity because there was nowhere for those in recovery to go to get meaningful support. Now we're only scratching the surface in terms of what we're doing, we could expand by ten times with the amount of demand we see.'

In 2008 the Conservative Party published the policy document *Voluntary Action in the 21st Century*, with a key recommendation to 'support development work in "charity deserts" to establish new volunteer-led organisations where none previously existed.'<sup>153</sup> This work has been taken into government, with the establishment of some important initiatives to stimulate social action, such as Community First and the Community Organisers Programme.

Yet, whilst this Government has made an important start, in order to reverse long running inequalities in the distribution of charitable activity, a more far reaching and systematic approach must be taken. This chapter proposes a three part plan to ensure a more strategically placed social sector that is better able to meet the needs of those in some of our most deprived communities. We recommend:

147 HM Government, *English Indices of Deprivation 2010*, London: HM Government, 2011

148 Ibid; Department for Education, *Children looked after in England, including adoption, Local Authority Tables*, London: Department for Education, 2013; The National Treatment Agency for Substance Abuse, *National And Regional Estimates Of The Prevalence Of Opiate And/ Or Crack Cocaine Use 2010–11*, London: Department of Health, 2013 [accessed via: [http://www.nta.nhs.uk/uploads/prevalence\\_estimate\\_s\\_201011bylocalauthority\[0\].xsm](http://www.nta.nhs.uk/uploads/prevalence_estimate_s_201011bylocalauthority[0].xsm) (31/07/14)]

149 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)]

150 Charity Commission, *Find Charities* [accessed: <http://www.charitycommission.gov.uk/find-charities/> (24/08/14)]

151 Directory of Social Change, *Corporate Giving Almanac* quoted in The Guardian, *Big society: Bigger in some areas than others*, 3rd July 2013 [accessed: <http://www.theguardian.com/society/patrick-butler-cuts-blog/2013/jul/03/big-society-corporate-charity-donations-down-dsc> (24/08/14)]

152 Charity Commission, *Find Charities* [accessed: <http://www.charitycommission.gov.uk/find-charities/> (24/08/14)]; Lancashire County Council, *Lancashire's Mid Year Population Estimates* [accessed: <http://www.lancashire.gov.uk/corporate/web/?siteid=6120&pageid=35455&e=e> (28/08/14)]

153 The Conservative Party, *A Stronger Society: Voluntary Action in the 21st Century*, London: The Conservative Party, 2008, p21

- **Better data:** Mapping of social sector activity and resourcing, to gain a full picture of areas with fewer charities to help funders, commissioners and the sector to work more strategically;
- **Support for community building:** Big Lottery Fund to take a long term coordinating role in building the sector where it is most needed. This could be done through:
  1. A dedicated fund for community building projects in cold spots to create a pipeline of social action; and
  2. 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 a new organisation started.
- **Sustainability for deprived areas:** Extending the Endowment Match Challenge, with a greater focus on areas with the fewest charities, to bring greater long-term sustainability to organisations in deprived areas.

### 3.1 Mapping the social sector

Whilst we know that charitable resources are distributed unevenly, our knowledge of exactly where these areas are is surprisingly limited. The best quantitative data available at present is through NCVO's Civil Society Almanac, which maps the registered addresses of charities to the population of areas of the country.<sup>154</sup> However, this information is limited in telling us about the distribution of the social sector:

- It uses only the headquarters of charities rather than the areas they work in (thus skewing the distribution towards London);
- It only takes registered charities into account excluding social enterprises and small 'below the radar organisations'; and
- It includes organisations not relevant to solving social problems in their area, including charities that work internationally and animal charities.

Other projects do exist to try and map social sector activity, such as a variety of qualitative work by the Third Sector Research Centre, NCVO's work funded by Nesta to track 'below the radar' organisations, a youth social action map by Generation Change, and Grant Nav an application that maps the grant giving of 16 major grant makers.<sup>155</sup> However, there is no unified map which can tell us the scale of social action working in the UK.

This lack of knowledge about where the sector exists, what it does and how much funding it receives has several negative effects. First, money is spent less strategically by funders,

<sup>154</sup> National Council for Voluntary Organisations, *UK Civil Society Almanac 2013*, 'Are there more voluntary organisations in some parts of the UK than in others?' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/scope/are-there-more-voluntary-organisations-in-someparts-of-the-uk-than-in-others-2/> (14/08/14)]

<sup>155</sup> See: Third Sector Research Centre, *Publications* [accessed: <http://www.birmingham.ac.uk/generic/tsrc/publications/index.aspx> (28/08/14)]; NCVO, *Grant Funders a Call for Data*, 23rd April 2013 [accessed: <http://blogs.ncvo.org.uk/2014/04/23/grant-funders-a-call-for-data/> (28/08/14)]; Generation Change, *Social Action Map* [<http://www.generationchange.org.uk/social-action-map.html> (28/08/14)]; Grant Nav [accessed: <http://lin-360giving.apptivate.org/> (28/08/14)]

whether the public, trusts and foundations or local authorities. In some areas money is wasted duplicating services whilst cold spots persist where the most vulnerable have little access to transformative services. Emma Hanson, head of community commissioning at Kent County Council, explained to the CSJ how a lack of mapping could lead to poor provisions:

*'We recently undertook mapping of voluntary organisations providing older age independence support in Kent. The results were surprising in that we found that historic spend has been distributed unevenly, with generally organisations in East Kent gaining more funding than West Kent. Now we have a better idea of the geographical spread of the organisations we fund, we are able to commission more strategically.'*

Second, a lack of transparency makes it harder for the social sector to collaborate and means that for those starting new organisations there is limited information about existing services. Finally, a lack of mapping makes it difficult for statutory services to refer vulnerable people to voluntary organisations as they do not know what is available. As the case study below demonstrates, mapping of the sector, when integrated into professionals' working practice can be transformative in increasing referrals to the social sector:

### Bradford Community Health Maps

Community Health Maps is a unique initiative developed by Voluntary and Community infrastructure agencies and CCGs across Airedale, Wharfedale and Craven and Bradford. It aims to provide 'an online yellow pages' of community organisations tackling health problems across the area and currently lists 1,300 services. A link to the map is available within SystmOne, the Patient Records database used by all GPs in the area, allowing them to see the services available in their local areas and print out brief information sheets signposting the patient to support.

Rebecca Hewitt, from CVS Health Partnerships in Keighley, told the CSJ: 'the mapping has been really important in raising awareness amongst GPs and other clinicians about the range of community organisations doing work across the area. Often the lists of services provided by local authorities are limited, focusing on branches of national charities or Local Authority teams without including the full range of locally based community and voluntary services. In our view this database is able to be so comprehensive because it has been created and managed by Voluntary and Community organisations.'

GPs have welcomed the mapping as a means of improving their ability to refer to the voluntary sector. After attending training, one Holycroft GP explained, 'It is really helpful in knowing what is out there, to help patients properly who are currently inappropriately attending their GP'.

Much of the power of the social sector is that it springs up unprompted and uncoordinated, reacting to the local needs that people see on the ground. However without transparency as to where these organisations exist and the work they are doing, the sector will not have a strategic role in tackling social breakdown.

We therefore recommend that the Cabinet Office commissions online mapping of the social sector in the UK, showing organisations tackling social problems. The mapping should not be

limited to registered charities, but should include other social sector organisations including community projects and social enterprises. The foundations for the map could be built from a data capture of existing information from the Charity Commission, Community Interest Company regulator, local listings of community organisations and data from grants and foundations about funded organisations.

After the data capture, the map would then be able to be user edited, with organisations able to edit their listing, or add themselves to the map. The map would have filters allowing search functions for particular regions and organisations working in particular areas (for example, older age support or youth services). This project may best be achieved by an early stage pilot in a small area to work out the best ways of establishing the map.

An online map of the sector would be a revolutionary resource at a strategic level, showing funders both in and outside of government where the sector is not currently reaching. In order to facilitate this, it could be overlaid with other data about need for the social sector, such as the multiple indices of deprivation. The map would also be a practical resource to statutory bodies, the sector and individuals, showing them where other organisations exist. Piloting of the map should be done in collaboration with practitioners and commissioners such as GPs and social care departments, to investigate the practicalities of integrating the platform into referral systems as has been done in the case of Bradford Community Health Maps.

#### **Recommendation to increase transparency**

Pilot and then roll out an online map showing social sector activity in the UK, allowing a more strategic overview with regards to geographical spread of the sector and its resources, as well as providing a practical resource for practitioners, commissioners and the social sector itself.

## **3.2 Building community action**

Once we have reliable mapping of the social sector, there is a need to ensure it is able to grow in identified cold spots. It should be made clear that this is not something that can be achieved instantly. A big rush of funding to organisations in these areas will only result in disappointment when it runs out and organisations withdraw. Any successful strategy to tackle cold spots must have sustainability and a long-term focus at its heart.

### **3.2.1 Government community building programmes**

Building low level community action in the most deprived communities has been an important part of this Government's programme. Two of the most significant of these are the Neighbourhood Matched Fund and the Community Organisers Programme.

### Neighbourhood Matched Fund

The Neighbourhood Matched Fund is an innovative community based funding model targeted at the most deprived communities, match-funding local donations and volunteer time, which is then awarded to community based initiatives by a panel of local representatives who decide how funding should be given. Panels give small grants, ranging from £250 to a maximum of £2,500.<sup>156</sup> Money is specifically reserved for communities – rather than charities – to help build local participation.<sup>157</sup>

Since the beginning of the programme over 11,000 projects have received £18 million in funding, this has been matched by £70 million worth of community contributions, including £10 million in cash donations and almost four million hours of volunteering.<sup>158</sup> The project appears to have been successful in growing participation: over four in every five projects say their matched funded activity involved people who had not been involved in similar activities before, whilst two thirds of projects say their activity involved people running the activities who had not run similar activities before.<sup>159</sup>

One example of a project funded through the Neighbourhood Matched Funds was 'Living Life to the Full' in Wallsend, which received £824. The project was started by volunteers at a local Girls Brigade group who noticed that many of the children in the group were either from single parent families or were looked after. As a result of this many had missed out on quality family time and learning skills such as cooking. The 'Living Life to the Full' group gives them a place to learn to cook, as well as chat about issues they are facing.<sup>160</sup>

### Community Organisers Programme

The Community Organisers programme is a £15 million initiative which has recruited and trained 450 paid organisers.<sup>161</sup> Originally the programme trained organisers to work in communities for one year. However, recognising the need for organisers to remain in communities longer, the Cabinet Office released an extra £7.5 million to fund progression grants for organisers employed for a second year.<sup>162</sup>

One example of community organising we heard about was on an estate in Luton, where residents expressed concerns about a group of young people on the streets late at night. When the community organisers spoke to the young people they expressed a wish to make use of disused go karts previously run by the council.<sup>163</sup> With the help of the community organisers the young people approached the council to ask to take use of the karts, made them functional and have begun developing a financially sustainable social enterprise MF Karts.<sup>164</sup>

156 Community Development Foundation, *Community First Programme: Neighbourhood Matched Fund*, Guidance Notes, 2013, p8

157 Cabinet Office, Press Release, *Community Development Foundation to deliver £80 million Community First programme*, 22 June 2011 [accessed via: <https://www.gov.uk/government/news/community-development-foundation-to-deliver-the-80m-community-firstprogramme> (17/06/14)]

158 Cabinet Office, Nick Hurd Minister for Civil Society, letter to Neighborhood Matched Fund Panel Chairs, June 2014 [accessed: <http://cdf.org.uk/wp-content/uploads/2014/06/MCS-Letter-to-NMF-Panel-Chairs-June-2014.pdf> (24/08/14)]; Ipsos Mori, *Community first. Update from the evaluation team*, Spring 2014, London: Ipsos Mori, 2014 [accessed: [http://cdf.org.uk/wp-content/uploads/2014/01/Community-First-Evaluation\\_Spring-2014-bitesize-report\\_final.pdf](http://cdf.org.uk/wp-content/uploads/2014/01/Community-First-Evaluation_Spring-2014-bitesize-report_final.pdf) (24/08/14)] <http://cdf.org.uk/wp-content/uploads/2014/06/MCS-Letter-to-NMF-Panel-Chairs-June-2014.pdf>

159 Ipsos Mori, *Community First Programme Evaluation, Update from the evaluation team: Summer 2013*, [accessed: [http://cdf.org.uk/wp-content/uploads/2013/10/Community-First\\_Summer-2013.pdf](http://cdf.org.uk/wp-content/uploads/2013/10/Community-First_Summer-2013.pdf) (24/08/14)]

160 VODA, *Community First Neighbourhood Matched Funding Project Evaluation*, North Tyneside: VODA, 2013

161 Community Organisers, About [accessed via: <http://www.cocollaborative.org.uk/about> (20/06/13)]

162 Third Sector, *Cabinet Office to help Community Organisers with £7.5m of start-up grants*, 24th October 2012 [accessed: <http://www.thirdsector.co.uk/cabinet-office-help-community-organisers-75m-start-up-grants/finance/article/1156358> (24/08/14)]

163 Locality, *Stories of Community Organising*, London: Locality, 2014 [accessed: <http://www.cocollaborative.org.uk/sites/default/files/Community%20Organisers%20Stories.pdf> (24/08/14)]

164 See: Marsh Farm Outreach, *Projects* [accessed: <http://www.marshfarmoutreach.org.uk/projects/> (24/08/14)]

However, whilst these initiatives are an excellent start, both are ultimately short term in their focus. The Neighbourhood Match Fund ends in March 2015. After this point there will be no funding available and panels, although the Young Foundation and Community Development Foundation will continue to offer support. Without any funding or long-term strategy for income the significant resources of these panels, including their links and knowledge of their local communities, stands to be lost.<sup>165</sup>

Similarly the Community Organisers programme only provides full funding for one year of employment for training community organisers, with match funding required for second year community organisers. After the programme ends in 2014, organisers will have to find their own funding to continue working in communities.

Both of these programmes represent significant investment on the part of government worth over £50 million. Research consistently suggests that progress in community development takes time and is achieved over a long period of time. One survey of community development managers found that 'short-term funded projects had the negative impact of creating disappointment and a feeling of broken promises within communities'.<sup>166</sup> When programmes and initiatives come and go, community building programmes risk being counterproductive.

Whilst we applaud the efforts of the Government to put a focus on building community action in the most deprived communities, the inevitable short-termism of political cycles means that it is unlikely to be the appropriate approach in the long-term to tackling areas with less voluntary action.

### 3.2.2 A long-term coordinator for community building in social sector cold spots

One party which could have an important role in stimulating community action in the most deprived communities is Big Lottery Fund, which distributes 40 per cent of funds raised for good causes by the National Lottery, making over £670 million worth of grants last year.<sup>167</sup> Big Lottery Fund's work has community action at its heart, they state: 'our funding supports the aspirations of people who want to make life better for their communities'.<sup>168</sup>



<sup>165</sup> Community Development Foundation, *Community First* [accessed: <http://cdf.org.uk/content/funding-programmes/community-first> (24/08/14)]

<sup>166</sup> Community Development Foundation, *Report on survey of community development practitioners and managers*, London: Community Development Foundation, 2010 [accessed: <http://www.cdf.org.uk/wp-content/uploads/2011/12/FINAL-Report-on-survey-of-community-development-practitioners-and-managers-with-covers.pdf> (24/08/14)]

<sup>167</sup> Big Lottery Fund, *About the Big Lottery Fund* [accessed: <http://www.biglotteryfund.org.uk/Home/About%20BIG/Our%20approach/About%20Big%20Lottery%20Fund> (24/08/14)]

<sup>168</sup> Ibid



As the majority of Lottery Grants are made in some form of open competition, areas with fewer organisations and fewer high quality applications, may receive fewer grants and less funding, despite high levels of need. For example, Slough, which ranks in the top third of deprived local authorities in the UK, received almost three times fewer awards per capita (as well as a lower total value of funding) than Hinckley and Bosworth, one of the UK's most affluent areas, despite having a significantly larger population.<sup>169</sup>

Recognising the need to build capacity in areas with fewer charities, Big Lottery Fund has over the years funded several important community building programmes as separate trusts.

### Big Lottery Community Building Programmes

#### Fair Share

In 2001 Big Lottery set up Fair Share, a £50 million initiative in recognition of the fact certain areas with less charitable capacity had traditionally received less funding. 77 areas were targeted to receive prioritised grant making and an expendable endowment awarded by neighbourhood representatives according to local priorities.<sup>170</sup>

#### Big Local

Building on the lessons of Fair Share, Big Local is a £200 million initiative targeting 150 of the most deprived communities throughout the UK. Communities are given at least £1 million over at least ten years to spend on improving their local area. Residents form local partnerships and make plans based on their community's needs about to spend the money. So far Big Local is making important progress in involving residents in the communities it works within, 75 per cent of partnership members and 94 per cent of decision makers (members with voting rights) were residents.<sup>171</sup>

Whilst we applaud these initiatives, we believe there is a more strategic role Big Lottery Fund can also take, not just as a designer of its own community building programmes, but also as a funder of existing good activity. If Big Lottery Fund is to truly fulfil its mission of being a funder of community based action across the UK then it must look at how it can go further and take a more strategic role in building the social sector where it is most needed.

Big Lottery Fund is currently in the process of developing its future strategy for £4 billion of funding for 2015–2021.<sup>172</sup> We recommend it commits, as part of its strategy, to build a more vibrant sector in areas where there are currently fewer charities. We also make two suggestions as to how this could be delivered.

169 CSJ Analysis of Big Lottery Fund, *Open Data* [accessed: <http://www.biglotteryfund.org.uk/research/making-the-most-of-funding/open-data> (24/08/14)]

170 UK Community Foundations, *Impact, Capacity building, social capital, liveability and sustainability: understanding what's changed and why*. London: UK Community Foundations, 2013; Browning S, *Fair Share: findings from the second evaluation report*, London: Big Lottery Fund, 2008

171 Big Local Trust in evidence to the CSJ; for more information see: Local Trust, *Big Local* [accessed: <http://www.localtrust.org.uk/big-local/> (28/08/14)]

172 See: *Your Voice Our Vision* [accessed: <http://yourvoiceourvision.org.uk/> (28/08/14)]

### ■ Grants to community building initiatives

Big Lottery Fund should consider allocating a portion of its future budget specifically towards making grants to community building programmes in cold spots, in particular areas where it awards fewer other grants. Grants could be made to Community Organisers who are making strong progress in building community action, a successful Neighbourhood Match Panel that wishes to continue their work after funding ceases or any other community building projects that are effective at building participation. Grant decisions should be made to areas where there is demonstrable need for growing community action, and should be based on the ability of an initiative to build participation – i.e. a Neighbourhood Matched Panel's track record of involving community members who have not previously been involved in community action.

### ■ Supporting social entrepreneurs

As well as building community action, Big Lottery Fund could also help charities start where they are most needed. Whilst building community action is an important step towards sparking a social sector that is truly able to tackle social problems, this will not be enough on its own. For those people or groups who wish to go further, it is also important to help them form into a fully-fledged organisation providing more coordinated form of support to their community.

There are barriers to groups who wish to take action – in terms of forming a sustainable model. Organisations in cold spots find themselves in particularly challenging circumstance, with greater competition for government funding and less affluence in the area, so their sustainability is crucial.

Yet, many organisations throughout the country do manage to operate in harsh climates and exhibit sustainable funding models, either through harnessing a guaranteed form of state funding (for example, through the beneficiary's Housing Benefit or being a registered training provider), trading (for instance, through a social enterprises) or links with business.

These organisations, operating via sustainable models, are a vast untapped resource across the country with potentially transformative knowledge that could be harnessed in cold spots. Studies into franchising and replication have found that there are significant benefits to following a model of existing success when compared with starting an organisation from scratch including: financial efficiency, greater professionalism, better data collection and diversified income.<sup>173</sup> At the more formal end, replication can be done through franchises and social licence models: social franchises have been important in the growth of church social action, with 13 per cent using franchised materials.<sup>174</sup> However, replication can also work in less formal ways, though supporting a new organisation to form through mentoring, as the case study below demonstrates.

<sup>173</sup> Berelowitz D, Richardson M, Towner M, *Realising the potential of social replication*, London: ICSF, 2013

<sup>174</sup> Knott J, *Church and Community Involvement*, London: Jubilee Plus, 2012

## Replication through mentoring: Rotherfield St Martin

Rotherfield St Martin (RSM) are a CSJ Alliance member who provide support to 350 older members within their local area, leveraging the time of volunteers to provide services on an extremely modest budget of £65,000 per annum. In 2013 RSM won a CSJ award in recognition of the sustainability of their model and potential for replication.

RSM have been grant-funded by their district council Wealden to help replicate their model in other areas in the district. Jo Evans, CEO of RSM, told the CSJ:

*'We go to a village or organisation and bring together all of the people who are already doing things like visiting the older people and providing lunch clubs. There's often a lot already going on within communities but sometimes there's no coordination. We bring them together and talk to them about what we do, and get them to recognise where they can join up services and where there are gaps. Once we've got people on board we let them take over, and provide mentoring and advice to them.'*

*'The local authority gives us a grant to cover the costs for us, and we match it with volunteer time. We've already helped to set up one group which is doing really well and are currently working with two others. We have also given advice to a number of groups nationally. When you've got something that works you want to share it, you don't want to keep it to yourself.'*

A survey of CSJ Alliance members found that 93 per cent would be interested in mentoring an organisation who wished to duplicate their model in a deprived area.<sup>175</sup> Many expressed the wish to help those who would be able to further their cause:

*'We are passionate about helping vulnerable people, therefore would want to see new organisations succeed'*

*'There are 16,000+ children out of school in England each year as a result of severe bullying. We deal with just 83 of these (and rising). But there is a way to go. Anyone who would help get these kids an education and therapeutic support in order for them to return to school would be welcomed.'*

Yet at present only 17 per cent of our Alliance members provide any mentoring to other voluntary sector organisations, either through informal mentoring or social franchising.<sup>176</sup> The main barrier to doing this is capacity, with most organisations struggling to offer the kind of support a new group would need. 45 per cent told us they would only be able to mentor a new organisation if there was funding available to cover their time.<sup>177</sup>

*'I would hope that I have experience that I could pass on to someone else to help them develop their own organisation, but I can't afford to spend the time away from my own organisation without some compensation.'*

In order to bring much needed, sustainable poverty fighting organisations to areas of the country where they are most needed, we propose a Social Entrepreneurs Fund, to both

<sup>175</sup> Survey of CSJ Alliance, June 2014

<sup>176</sup> Ibid

<sup>177</sup> Ibid

encourage existing effective organisations to share their model and to support community groups or individuals to set up new, effective organisations where they are most needed.

The fund could work in a similar way to the Investment and Contract Readiness Fund (ICRF), which has been used to help organisations build capacity for social investment and to undertake government contracts. The ICRF makes grants to high potential organisations to help them purchase business support from a registered provider. Initial analyses of the scheme have shown it to be successful both in building the capacity of organisations that receive support and in developing a market of organisations able to provide support.<sup>178</sup>

Individuals and community groups could bid to the Social Entrepreneurs Fund to gain support for either purchasing a social franchise, obtaining mentoring from an existing charity to replicate their model or gaining technical assistance (for instance to become an exempt housing provider). The award would be given based on the need for the organisation in the area and the sustainability of the proposed model.

The fund would have the joint benefits of helping communities set up organisations where they are most needed and of incentivising existing charities to share their knowledge and model. A point that has become clear throughout our consultation is the large number of excellent models that work around the country in isolation, which could be very fruitfully replicated.

#### Recommendations for growing the social sector in cold spots

Big Lottery to commit to building a more vibrant sector in areas where there are currently fewer charities through:

- A dedicated fund making grants to successful community building projects in areas with fewer charities to stimulate social action; 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 started.

### 3.3 Strengthening community foundations

Efforts to grow new organisations in cold spots will only be successful if the background conditions exist in which they can flourish. Yet, the environment for organisations in cold spots is often very difficult to operate within.

- Charities in deprived areas tend to be more reliant on statutory funding, meaning that reductions in funding from government to charities, estimated to be worth over £1bn between 2010/11 and 2011/12, have fallen disproportionately on charities in deprived areas;<sup>179</sup>

<sup>178</sup> Boston Consulting Group, *Ready Willing and Able: An interim review of the investment and contract readiness fund*, London: Boston Consulting Group, 2014

<sup>179</sup> Mohan J, 'Charity and social redistribution: the question of "charity deserts"' in *Philanthropy and a better society*, London: Alliance Publishing Trust, 2012; NCVO, 'How have government spending cuts affected the voluntary sector?' in *NCVO UK Civil Society Almanac*, London: NCVO, 2014

- Due to less commercial infrastructure, charities in deprived areas may gain fewer resources both in terms of expertise and donations from local businesses; and
- Corporate giving is less likely to reach cold spots: research by the Directory of Social Change found that one-third of giving from the top 418 companies is focussed on London and that there are 28 counties in the UK, largely in the most deprived areas, that receive less than one per cent of total corporate charitable donations.<sup>180</sup>

A full approach to tackling cold spots must aim to bring more philanthropic resources into these communities. Whilst in the long term better mapping of where money flows in the sector is likely to help with this by informing funders and donors where their money is needed, more targeted approaches are also necessary.

### 3.3.1 Extending the endowment match challenge

'There is significant scope for a retargeted Endowment Match Challenge, with additional help for community foundations with the fewest resources and offering targeted fundraising support to make a real difference to communities in cold spots across the UK.'

Mark Greer, Philanthropy Director at UK Community Foundations in evidence to the CSJ

An important means of improving the long-term charitable assets of cold spots is to encourage and stimulate Community Foundations in these areas. As locally based institutions, with knowledge of their community and its needs, making small grants to local projects, Community Foundations have an extremely important role to play in tackling cold spots. An international study of Community Foundations found that grantees rank them very highly in terms of their ability to grow community assets (4.8/5), strengthen community groups (4.5/5) and build trust in the community (4.6/5).<sup>181</sup>

In particular, in the US, Community Foundations play an extremely important role in building philanthropy in the most deprived areas. The US has 750 community foundations, compared to 48 in the UK, holding assets of \$48 billion, compared to £426 million in the UK with a population roughly five times that of the UK).<sup>182</sup> There is significant scope to expand the reach and resources of Community Foundations in the UK.

<sup>180</sup> Walker C, *Company Giving Almanac 2013*, London: Directory of Social Change, 2013

<sup>181</sup> Hodgson J et al, *The New Generation of Community Foundations*, March 2012 [accessed: <http://www.coadystfx.ca/tinroom/assets/file/HodgsonKnightMathieNGCF.pdf> (24/08/14)]

<sup>182</sup> Worldwide initiatives for grant maker support, *2010 Community Foundation Global Status Report United States*, Brazil: WINGS, 2010; Council on Foundations, *Investing in Foundations* [accessed: <http://www.cof.org/foundation-type/community-foundations> (24/08/14)]; UK Community Foundations [accessed: <http://ukcommunityfoundations.org> (24/08/14)]

Noting the important role Community Foundations can play, in *Breakthrough Britain* we recommended a £50 million 'Community Foundation Challenge Fund' to boost the endowments of Community Foundations in Britain.<sup>183</sup> Since then, the Government has implemented the £50 million Endowment Match Challenge, a very similar idea, which aims to grow the endowments of Community Foundations, specifically targeted at the most deprived areas. The Endowment Match Challenge has allocated £50 million over the course of the Parliament to provide a 50 per cent match to donations to Community Foundations in deprived areas, aiming to raise a total of £150 million for the endowments.<sup>184</sup> So far the Endowment Match Challenge has raised £92.4 million, consisting of £58.8 million of donations and £33.6 million of government match funds.<sup>185</sup> As a result of this, the endowments of Community Foundations have increased by 13 per cent between 2012 and 2013, growing long-term philanthropic resources for the most deprived areas.<sup>186</sup>

Yet, even after the Endowment Match Challenge, philanthropic resources across the country differ widely. For instance, whilst Hertfordshire has a significantly smaller population than Lancashire, Hertfordshire Community Foundation has over twice the assets of Lancashire Community Foundation.<sup>187</sup> Moreover as money is allocated towards endowments rather than to direct donations, the trickle down to the sector will be gradual.

We therefore believe there is significant scope to continue the Endowment Match Challenge, using it specifically to target social sector cold spots. We recommend that the Endowment Match Challenge is re-commissioned but on a substantially more targeted basis. 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 look also take into account the level of charitable activity and other sources of funding available in the area, including the resources of the Community Foundation itself.

Alongside an extended and more targeted Endowment Match Challenge, we believe a small amount of money could be very usefully targeted to grow the fundraising ability of Community Foundations to ensure they are able to make best use of the match fund. Between 2001–2005 the Esmée Fairbairn Foundation gave UK Community Foundations a £1 million grant to support fundraising costs, under that programme they raised £20 million suggesting that fundraising support can be a strong catalyst to Endowment Growth.<sup>188</sup>

#### **Recommendation to support long-term sustainability for cold spots**

Extend the Endowment Match Challenge, with a greater focus on areas with the fewest charitable resources and with additional support to help Community Foundations build their fundraising capacity.

<sup>183</sup> Centre for Social Justice, *Breakthrough Britain, Volume 6, Third Sector*, London: Centre for Social Justice, 2007

<sup>184</sup> Community Development Foundation, *Endowment Match Challenge* [accessed: <http://cdf.org.uk/content/funding-programmes/community-first/endowment-match-challenge> (28/08/14)]

<sup>185</sup> Provided to the CSJ by UK Community Foundations

<sup>186</sup> Ibid

<sup>187</sup> Hertfordshire Community Foundation, *Annual review 2012/13*, Hertfordshire: Hertfordshire Community Foundation, 2013; Community Foundation for Lancashire, *Financial Statements Year Ended 31st March 2013*, Lancashire: Community Foundation for Lancashire, 2013

<sup>188</sup> Forrester C., *Evaluation Report: Time for Growth, findings on an endowment match challenge programme for ten UK community foundations*, London: Esmée Fairbairn Foundation, 2005

## Conclusion

Unlocking the power of the social sector means ensuring it is able to work according to local need, rather than local philanthropic conditions. This chapter has put forward a plan to bring charities where they are most needed: by increasing transparency through mapping, guaranteeing long-term funding for effective community building programmes, supporting individuals and communities to start sustainable organisations in areas of demand and finally growing locally based philanthropic resources through Community Foundations. Together these initiatives can bring vital community based interventions to our most deprived communities.

# chapter four

## Helping the public to invest

### Introduction

The public are an integral part of the social sector, contributing 44 per cent of its total income every year (£17.4 billion).<sup>189</sup> Flourishing charities and social enterprises depend on building relationships with the public. Yet as we reported in *Something's Got to Give*, charitable giving remains stagnant, with grass-roots poverty-fighting organisations in particular struggling to raise donations from the public. Moreover inappropriate financial regulation means that although the public can donate to charities it is very difficult for them to invest in them. This chapter examines how to best support the relationship between the public and the social sector. In particular, we recommend:

- Greater support to grow underutilised methods of giving, including:
  1. Payroll Giving available to all employees who request it;
  2. Law Society guidance and training to encourage solicitors to mention legacy giving to clients;
- Encourage and support small, poverty fighting organisations to invest in fundraising:
  1. Grant makers should consider how they can support and incentivise small organisations to invest in public fundraising, for instance by giving grants through match funds;
  2. Online platforms should offer reduced rates for smaller charities;
- A review of financial promotion regulations to make it easier for the public to invest in charities.

### 4.1 Increasing access to giving

As the CSJ reported in *Something's Got to Give*, charitable giving remains relatively weak. Gross individual contributions stand at just 1.55 per cent of total household expenditure and 60 per

<sup>189</sup> NCVO, 'What are the sector's different sources and types of income' in *NCVO UK Civil Society Almanac*, London: NCVO, 2014



cent of UK residents give less than £1 per week, on average, to charity.<sup>190</sup> Charitable giving has increased marginally, with 57 per cent of people giving to charity in a typical month, an increase from 55 per cent in 2012, although still below 2011 levels of 58 per cent.<sup>191</sup>

A strong future for the sector means looking to support and encourage giving. This section makes two suggestions to grow currently underutilised forms of giving: increasing access to Payroll Giving and encouraging more legacy giving.

#### 4.1.1 Payroll Giving

Payroll Giving is the most efficient way for the public to give to charity. Unlike standard donations, whereby Gift Aid above the standard rate must be claimed back via a tax return, Payroll Giving ensures that the full donation is tax free for both higher and standard rate taxpayers. As 16 per cent of people pay higher or top rate tax, and are likely to make the largest donations, there is a significant group of people for whom Payroll Giving is well suited.<sup>192</sup>

Yet, despite the clear benefits of Payroll Giving, it remains significantly under used, with only four per cent of donors using this method compared to 31 per cent who use direct debit.<sup>193</sup> International comparisons suggest the UK lags behind other countries such as Canada and the US when it comes to Payroll Giving.<sup>194</sup> A key problem appears to be a lack of access to the scheme. Polling suggests that almost one-third of employees would be likely to give through Payroll Giving if offered the chance.<sup>195</sup> 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.<sup>196</sup> Despite this, at present just over 10,000 employers are enrolled in Payroll Giving, a low rate considering there are over 1.2 million businesses in the UK that employ staff.<sup>197</sup>

A consistent issue in growing Payroll Giving has been a perception on the part of employers that enrolment is bureaucratic and burdensome. However, emerging technology and online platforms in this area are making it increasingly easy for employers to enrol.<sup>198</sup>

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190 Cabinet Office, *Encouraging Social Action*, London: HM Government, 2013; Calculated from figures cited in New Philanthropy Capital, *Money for Good UK*, London: New Philanthropy Capital, 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.

191 Charities Aid Foundation, *UK Giving 2012/2013 – an update...*, London: Charities Aid Foundation, March 2014 – N.B Dates given for financial years

192 HM Government, National Statistics, *Table 2.1 Number of individuals income taxpayers*, London: HM Government, 2014

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

194 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

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

196 Ibid

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

198 During research for this report the CSJ enrolled in payroll giving through an online giving platform and can testify to the speed and ease of doing so.

## Giveall2Charity

Giveall2Charity (Giveall) is a registered HMRC approved Payroll Giving Agency (PGA) which provides an automated online Payroll Giving system. Unlike traditional PGAs that often use high cost Professional Fund Raising Organisations and paper-based, labour intensive systems, *Giveall* are able to offer Payroll Giving that is free for employers, employees and charities to use. Employers and employees can register with Giveall online. Employees are then able to set up their own Individual Donor Account online, deciding how much money they wish to donate and to which charity. Unlike other PGAs, money is transferred automatically to charities, arriving within 48 working hours (much faster than the statutory timeline of 35 days).

Tim Odell, CEO of *Giveall* told the CSJ:

*'There is a perception amongst employers that Payroll Giving is very burdensome to set up. However, our online system allows employers and employees to sign up within minutes, and completely automates the process of Payroll Giving. At the same time it minimises any exposure of personal data, as all information is kept confidential.'*

We should work towards a situation where Payroll Giving is available to all employees in the UK who wish to use it. The first step towards this aim should be to promote enrolment in Payroll Giving to employers, both through rewarding those who do enrol and in dispelling myths around administrative burdens of enrolment. Employer engagement is crucial in promoting the rates of enrolment amongst staff: one study found that 12 per cent of employees gave a day's salary to charity when they received personalised email requests from the CEO of a company, compared to just five per cent of those who received a non-personalised email.<sup>199</sup> Research also suggests that employers could increase enrolment by offering employees access to Payroll Giving when they sign their contracts.<sup>200</sup>

The Government has already signalled the importance of increasing employer engagement in their response to the recent Payroll Giving consultation, stating: 'Government wants to see greater recognition and reward for those companies that succeed, and will be looking at the best way of recognising success through, for example high profile business awards.'<sup>201</sup> The CSJ supports this intention, and recommends the Government looks to reward companies with high enrolment rates, whilst also promoting the benefits and dispelling myths around enrolment.

As well as building employer engagement in Payroll Giving, government should also look to give employees the power to grow their employer's enrolment, through a right to request access to Payroll Giving. So far government has resisted this, stating in a recent consultation response: 'we do not feel that a forced approach is appropriate, given the further demands it could place on businesses.'<sup>202</sup> Whilst the Government is right to avoid placing unreasonable burdens on businesses, given the low administrative burden of online Payroll Giving enrolment this should not be considered an unreasonable burden. Starting with a trial of larger

<sup>199</sup> Cabinet Office, *Behavioural Insights Unit, Applying behavioural insights to charitable giving*, London: Cabinet Office, 2013

<sup>200</sup> Ibid

<sup>201</sup> HM Government, *Payroll Giving: Summary of responses*, London: HM Government, September 2013

<sup>202</sup> Ibid

employers, we recommend the Government looks to instate a right for employees to request access to Payroll Giving.

#### 4.1.2 Legacy giving

A second high potential area for growing giving is through legacy giving – a way of giving to charity through one's will. Like Payroll Giving, legacy giving is extremely tax efficient: in the 2011 budget the Chancellor announced that anyone who leaves at least ten per cent of the value of their estate to charity will reduce their inheritance tax from 40 per cent down to 36 per cent.<sup>203</sup>



Legacy giving also offers a significant opportunity for small and medium charities. Whilst at present the legacy market is dominated by the 16 largest charities who gain 45 per cent of all legacy income, the highest growth areas have been amongst small (£400k–£1 million turnover) and medium (£1 million–£8 million turnover) charities.<sup>204</sup> As smaller charities often have strong relationships with their communities,

including frequent donors, legacy giving can be an excellent opportunity. For the top 216 small charities that engage in promoting legacy giving, it represents 19 per cent of their annual voluntary income.<sup>205</sup>

However, rates of legacy giving amongst the public remain low. Over half of people in the UK give regularly during their lives, whilst only six per cent of people currently leave a legacy.<sup>206</sup> One reason legacy giving is so low amongst the public appears to be because they do not know about it. 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.<sup>207</sup> 80 per cent of people polled were not aware of the tax benefits of legacy giving.<sup>208</sup> A further problem is a perception amongst the public that legacies are only for the rich, who have large amounts of money to give.<sup>209</sup>

Research by the Behavioural Insights Unit shows that legacy giving can be increased substantially through simple nudges at the point of making a will.<sup>210</sup> In one experiment they tracked three groups of people when making wills:

203 HM Treasury, *Budget 2011*, London: The Stationary Office, 2011

204 Data Provided by Legacy Foresight to the CSJ

205 Ibid

206 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

207 Charities Aid Foundation, *Growing Giving Parliamentary Enquiry, Part three: Going on Giving – Summary of Evidence*, London: Charities Aid Foundation, 2014

208 Ibid

209 Ibid

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

- Group one were not asked anything about leaving a legacy;
- Group two were asked 'would you like to leave any money to charity in your will'; and
- Group three were asked 'many of our customers like to leave money to charity in their will. Are there any causes you're passionate about?'

The results of the experiment were striking: amongst the first group 4.9 per cent of people chose to give, in the second 10.8 per cent chose to give and in the third 15.4 per cent of people gave. Moreover in the third group participants gave twice as much as in the first, meaning an overall increase of five times the amount raised just by asking a simple question.<sup>211</sup>

Through training and educating solicitors, as well as promoting positive public perceptions of legacy giving, Remember a Charity – a campaign to increase legacy giving – have already made significant inroads: polling now shows that 35 per cent of will-writers and solicitors 'always' prompt, an increase of ten per cent from two years ago.<sup>212</sup> Rob Cope, director of Remember a Charity, told the CSJ:

*'Legacy giving is an extremely high potential growth area and although we have made significant progress, more must be done to ensure discussing the possibility of leaving a legacy becomes best practice amongst solicitors and will writers.'*

There is more that can be done to move legacy giving into the main stream, in particular by working with professional bodies to ensure that informing clients of the option of making a charitable gift is an embedded part of good practice in will writing. One key part of this will be the Law Society, which represent solicitors across England and Wales, offering training and advice. The Law Society has recently introduced a Wills and Inheritance Quality Scheme, which is accompanied by mandatory training.<sup>213</sup> We believe that the Law Society, as it develops the quality mark, should look at how informing clients about the possibility of leaving a legacy, including the tax advantages, can be integrated into training.

#### **Recommendations to increase access to giving**

Starting with trial of larger employers, Government should look to instate a right for employees to request access to Payroll Giving.

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 accreditation schemes.

211 Ibid

212 SPA Future Thinking Research, quoted in Remember a Charity, *Impact Report 2013*, London: Remember a Charity, 2013

213 Law Society, *Wills and Inheritance Quality Scheme* [accessed: <http://www.lawsociety.org.uk/accreditation/specialist-schemes/wills-inheritance-quality/> (24/08/14)]

## 4.2 Supporting giving to community based, poverty fighting organisations

Growing giving on its own is not enough, it is also crucial to ensure that donations reach small, poverty fighting charities. A survey of our Alliance of small charities found that only 15 per cent raise a substantial proportion of money through charitable giving – 65 per cent told us they did not raise a significant amount of money and 20 per cent do not even attempt to raise donations from the public.<sup>214</sup>

Public donations ought to be a major form of support for grass-roots charities: polling suggests that more people prefer to give to smaller charities in their local community than large charities (39 per cent, compared to 35 per cent).<sup>215</sup> Despite this, large and major charities dominate private donations, receiving 78 per cent of all voluntary income from private individuals, with small and micro charities receiving just seven per cent of all donations.<sup>216</sup>

Moreover, only a minority of public donations go to poverty fighting charities: 34 per cent of the value of charitable donations go to hospitals, medical research and animal charities, compared to just six per cent of donations which go to charities helping the elderly and homeless people.<sup>217</sup>

There are a number of barriers to small, poverty fighting charities in terms of raising donations, including the high costs of fundraising and a lack of visibility of poverty fighting causes.

### 4.2.1 High costs of fundraising

Fundraising is an expensive activity, with many of the fundraising methods used by larger charities requiring high upfront payments which are far beyond the reach of smaller charities and can be hard for them to compete with:

- Charities typically pay between £80–£160 per donor that Private Fundraising Organisations sign up to a direct debit – on a donation of £10 per month it would take between eight and 16 months to break even;<sup>218</sup> and
- The CSJ has seen contracts requiring charities to pay the professional fundraising organisation, which promote Payroll Giving to employees within companies, the first seven and a half months of donations up-front.

Large and major charities spend a significant amount on generating funds – 12 and 14 per cent of overall spending respectively – compared to just four per cent for small organisations.<sup>219</sup>

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214 Survey of CSJ Alliance, June 2014

215 Ipsos Mori, *Public Trust and Confidence in Charities*, London: Ipsos Mori, 2012, p29

216 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

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

218 Public Fundraising Regulatory Association, 'The first year of your donation goes to the "chugger" organisation' [accessed: [http://www.pfra.org.uk/face-to-face\\_fundraising/do\\_you\\_object\\_to\\_chuggers/money\\_doesnt\\_go\\_to\\_charity/](http://www.pfra.org.uk/face-to-face_fundraising/do_you_object_to_chuggers/money_doesnt_go_to_charity/) (24/08/14)]

219 NCVO, 'Do spending patterns vary by size of organisation?', *NCVO UK Civil Society Almanac*, London: NCVO, 2014

As the table below demonstrates, the largest charities invest significant sums of money in generating income.

Charity	Spending on generating voluntary income (£ million)	Voluntary income (£ million)	Proportion of voluntary income spent on generating voluntary income
Cancer Research UK	79.99	372.71	21 per cent
The Royal National Lifeboat Institution	23.82	152.17	16 per cent
Macmillan Cancer Support	49.69	151.97	33 per cent
Royal Commonwealth Society for the Blind	8.74	148.33	6 per cent
The British Red Cross Society	49.40	128.30	39 per cent
Oxfam	23.20	111.50	21 per cent
The National Society for the Prevention of Cruelty to Children	20.77	110.71	19 per cent
The Save the Children Fund	28.43	103.70	27 per cent

Small charities by contrast, struggle with these high costs, which must often be paid up-front, especially as there is often no guarantee that money invested will be repaid: 86 per cent of CSJ Alliance charities told us that having the time and resources to raise money was a barrier to gaining public donations. We were told:

*'Much of our time is on delivering services so very little is left over for fundraising – it's a bit of chicken and egg – one can't survive without the other.'*

*'Raising small amounts of donations from the public is very expensive to set up for small charities and the return on investment of staff time, volunteers, etc... takes many years to really pay off.'*

#### 4.2.2 Visibility of poverty-related causes

'Cats, Children and Cancer. That's what people want to give money to. Work with young offenders – not so much!'

Alliance member in evidence to the CSJ

The dearth of donations to poverty related causes does not appear to be linked to causes the public think of as deserving of donations. Polling conducted by the CSJ revealed a mismatch between the causes people think are deserving and the causes they actually give

<sup>220</sup> Top charities by voluntary income drawn from Charities Aid Foundation data, quoted in The Guardian, *Britain's Top Charities Ranked by Donation*, 24th April 2012; Figures on voluntary income and spend via Charity Commission Database [accessed: <http://www.charitycommission.gov.uk/find-charities/> (28/08/14)]; N.B. Table includes all voluntary income – i.e. from foundations, corporate and public donors; International Finance Facility for Immunisation Company, The GAVI Fund Affiliate and Arts Council omitted from data.

to. The public rank charities that help elderly people as the third most deserving of donations of all causes, yet in terms of the causes people actually donate to they come much further down at 11th.<sup>221</sup> Similarly, whilst hospitals ranked relatively low in terms of causes people felt to deserve donations, they are the second most popular cause that people donate to.<sup>222</sup>

This is likely to be because donors are often motivated by 'taste-based' rather than 'needs-based' giving, choosing to give to things they are interested in or personally linked to – for instance the conservation of a favourite animal or a medical charity linked to an illness suffered by a friend or family member.<sup>223</sup> Much of the public have little experience of the realities of dealing with addiction, finding work as an ex-offender, overcoming serious debt or social isolation – and so whether or not they feel these causes are worthy of donations, they are less likely to give. Comments from our Alliance showed the difficulties they face in engaging the public in the areas they worked in.

#### Poverty fighting charities' experience of public donations

*'Our cause is not fluffy and we find this hard [when raising donations].'*

*'The type of people we serve are not a popular cause in the UK.'*

*'Our work is about prevention of harm. Most people seem to prefer to support charities that help those in trouble'*

*'Our work does not pull emotional levers in the way that many other charities' work does.'*

Both because of their size and the nature of their cause, raising public donations is difficult for community based, poverty fighting charities. Yet as other forms of funding – such as grants from government and trusts and foundations – become scarcer, the ability to raise funds from the public will become even more crucial. The current status quo is not inevitable: the public state both that they want to give to small charities and that they feel poverty related causes are worthy of donations.

### 4.2.3 Opportunities for fundraising

Technology is opening up the sphere of giving, making it easier and less costly for smaller charities to reach out to the public about their cause. Developments in giving technology are making fundraising increasingly accessible to smaller organisations, providing both lower overheads and greater capacity to raise donations. Online fundraising raises around £10 for every £1 spent on direct costs, with the average donation being £30 compared to £15 for offline giving.<sup>224</sup> One excellent example of a giving platform which is both looking to both encourage giving and make it easier for charities to raise funds is Givey.

221 CSJ polling quoted in Centre for Social Justice, *Something's Got to Give*, London: Centre for Social Justice, 2013; Charities Aid Foundation, *UK Giving 2012/2013 – an update...*, London: Charities Aid Foundation, March 2014

222 Ibid

223 Charitable Giving and Philanthropy, *How donors choose charities*, London: Charitable Giving and Philanthropy, 2010

224 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](http://www.go-on.co.uk/wp-content/uploads/2013/12/Survive__Thrive__Charity_sustainability_through_technology.pdf) (24/08/14)]

## Givey

Givey is an online platform, supported by Nesta's Innovation in Giving Fund, which uses social technologies such as Twitter and text messaging to encourage people to give and connect with others who are giving. Givey currently has 8000 charities registered with it and 10,000 users. The aim of Givey is to create a culture of giving, focussed around the frequency of donations rather than the amount given. Dave Erasmus, CEO of Givey, told the CSJ:

*'We wanted to build a powerful business model that could compete with some of the major companies that make it so easy for us to spend small amounts of money on say an app or an e-book, building a platform that made it fun and easy to give.'*

The platform is completely free for charities to register with and use, with the full value of every donation (including Gift Aid) going directly to the cause donated to. Givey supports its work through its business wing, which processes employer match funding for employee donations. One employer registered with Givey is London Midlands, who match 50p for every £1 donated by staff members. Since implementing the employer matching scheme London Midlands have seen an increase in employer engagement, with the number of employees reporting the company to be socially responsible almost doubling from 44 per cent to 84 per cent since beginning the scheme.

Despite the unique opportunities online fundraising offers small charities, they are much less likely to take advantage of it: 77 per cent of charities with an annual income of above £10 million take donations online compared with only 41 per cent of charities with income under £1 million.<sup>225</sup> Amongst community groups that do not have charitable status, online presence is likely to be even smaller. Part of the reason for this seems 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.<sup>226</sup>

Charities must themselves take responsibility for growing their expertise in this area. However, support, incentives and lowering initial costs can go a long way to help them get started, especially for the smallest organisations.

## Fundraising support in Yorkshire

Localgiving is a not-for-profit organisation which provides support, funding opportunities and advocacy for local charities and community groups. Through its online giving platform, it provides a place for groups – importantly including local charities to connect with supporters and maximise their online fundraising.

Localgiving is currently running a North Yorkshire based campaign funded by the Peter Sowerby Foundation, offering support, match funding and a free online membership for one year to small community groups and charities in the area.

<sup>225</sup> Ibid

<sup>226</sup> Foundation for Social Improvement, *UK Small Charity Skills Survey 12/13*, London: Foundation for Social Improvement, 2013



In a survey taken at the start of the programme, 59 per cent of the organisations involved said that they were not confident with online fundraising and the majority did not raise any money online. A year later, and the same survey revealed that 96 per cent now felt confident using the internet to fundraise, with 80 per cent renewing their Localgiving.com membership and choosing to invest in online fundraising after seeing the benefits it can bring. The first 12 months of the campaign saw 100 charities raise over £90,000 in donations.

Stephen Mallinson, Chief Executive of Localgiving told the CSJ:

*'As we can see from the results of the North Yorkshire campaign, helping the smallest voluntary and community groups to get online really does pay dividends in the long-term. When groups are able to take control of their online fundraising it opens up the power of public giving, enabling local organisations to become self-sustainable and ensuring that they can continue to make a real positive difference in their local communities.'*

The traditional funders of grass-roots poverty fighting charities, such as trusts and foundations as well as local authorities and other government bodies, have an important role to play in encouraging organisations to grow their capacity in fundraising. This is what happened in the sphere of impact measurement – something few organisations traditionally did – with the primary reason for uptake being that funders now require it.<sup>227</sup>

We recommend that grants funders (both government and charity sector) consider how they can both incentivise and support organisations to grow their public fundraising capacity, in particular with regards to their online presence. For example, funders could work with online giving platforms such as Local Giving to reserve a portion of their grant to be released as a match to public donations generated online, combining this with support to help develop their fundraising capacity. Using matching and support in this way could both grow the value of the funder's grant and help charities to build their fundraising capacity.

The most popular giving platforms could play a role in increasing access to online giving for small charities. Whilst some giving platforms do not charge charities for usage, many of the largest and most well known use fixed rate sign up fees and admin charges regardless of the size of an organisation, meaning the smallest charities may have to choose between which platforms they use. Fundraising platforms such as Just Giving and Virgin Money Giving could support smaller organisations to invest in their online fundraising by offering staggered rates, or first year discounts to small organisations enrolling with their site.

#### **Recommendations to grow the fundraising capacity of small organisations**

Funders in the sector should look at ways to encourage and support small, poverty fighting organisations to invest in fundraising.

- Grant makers should consider how they can support and incentivise small organisations to invest in public fundraising activities, for instance by giving grants through match funds; and
- Online platforms should offer reduced rates or first year discounts for smaller charities.

227 Pritchard D, et al., *Making an Impact*, London: New Philanthropy Capital, 2012.

## 4.3 The public as investors

'For a person to be able to walk past the local house they helped buy and see the difference that they are making to people in their community is beyond rewarding, it can be as life changing for the investor as it is for the service user.'

Hope into Action in evidence to CSJ

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. In particular, community investment – raising investment from local people – can offer an excellent proposition for organisations to gain finance from those with a stake in their organisation.

Although social investment is not suitable for all organisations (in particular those without a model that would allow for the repayment of investment) there are a significant number of charities who would benefit from this possibility. Just under half (48 per cent) of our Alliance told us they would consider raising investments from their community if the opportunity arose.<sup>228</sup> Where community investment works well – as in the case study below – it can be an excellent way for charities to gain significant resources and to engage with their local community in a new way.

### Case study: Community investment in action

#### Hope into Action

Hope into Action is a CSJ award winning charity, which harnesses local church communities to support homeless people and ex-offenders. Hope into Action asks members of their church either individually or as a group to purchase a house for a period of five years. During this time the house becomes a home to vulnerable people who are also then supported by their local church community. The home buyers lease the house to Hope into Action during the period and are paid a small return via a portion of the housing benefit/rent. At the end of the period they sell the house and recover their investment and any capital growth.

Ed Walker, CEO of Hope into Action, described the benefits of a model that allows local people to invest in their community: 'for a person to be able to walk past the local house they helped buy and see the difference that they are making to people in their community is beyond rewarding, it can be as life changing for the investor as it is for the service user.'

Nine per cent of British Households (2.38 million) have net financial wealth of between £50k and £100k, with the median income in this band at £70k.<sup>229</sup> Of this group 40 per cent say they would be actively interested in making social investments, whilst 33 per cent say they would

<sup>228</sup> Survey of CSJ Alliance, June 2014

<sup>229</sup> Office for National Statistics, *Wealth and Assets Survey 2010/2012*, London: Office for National Statistics, 2012

be passively interested.<sup>230</sup> This translates to almost one million actively interested investors with the assets to invest in their communities. With the recent introduction of the social investment tax relief, offering investors a tax-break of up to 30 per cent of the value of their investment, the potential to recruit individual social investors has increased.<sup>231</sup>

Yet, as the CSJ noted in *Something's Got to Give*, whilst it is very easy for the public to donate to charities, it is very difficult for them to lend money or make investments. This is because financial promotion regulations make the costs of setting up an investment scheme prohibitive for all but the largest charities and social enterprises, including the use of crowd funding sites which are becoming increasingly popular. Financial promotion regulations generally require that investees who are not FCA authorised need to have their investment (and all accompanying promotional materials) FCA approved. Anecdotal evidence suggests that this is likely to cost many tens of thousands of pounds in the majority of cases, far beyond the reach of all but the largest organisations.<sup>232</sup>

There are some ways around this for charities. For instance in the case of Hope into Action investors retain ownership of the house and lease it to the charity. Similarly, it is possible for a charity to change its legal form and become a charitable community benefit society (a form of membership organisation run for the wider benefit of society), which means the charity is then able to issue community shares. However this can be difficult and bureaucratic and is unlikely to be suitable for most organisations for a host of governance and other reasons.<sup>233</sup>

It is vital, if the full potential of the public as social investors is to be realised, that a more appropriate and proportionate regulatory regime for the social sector is developed. It is therefore critical that the financial promotion regime surrounding social investment is overhauled in order to enable the public to make investments in their communities and in wider social causes, whilst ensuring they have adequate protection. This could be through a bespoke regulatory regime, more appropriate to the nature of social investment, which could include the organisation seeking investment making standardised declarations and risk warnings.<sup>234</sup>

Simplifying the financial promotion regime could be a real game changer for the social sector, allowing organisations to develop new and deeper relationships with their investors. For instance, it would mean that if a charity wanted to raise money to refit a building, or start up a new social enterprise, it could look to their community to provide support, building deeper relationships than if simply asking for donations. As James Perry, social investment champion and chief executive of the foundation Panahpur, told the CSJ: 'When you make a grant that's usually the end of the relationship. Whereas if you make available repayable finance you're entering into a relationship.'<sup>235</sup>

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230 Nesta, *Investing for the Good of Society: Why and how ordinary individuals respond*, London: NESTA, 2011

231 HM Government, *Growing the Social Investment Market, Social Investment Tax Relief* [accessed: <https://www.gov.uk/government/policies/growing-the-social-investment-market/supporting-pages/social-investment-tax-relief> (24/08/14)]

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

233 For an example of a charity that has gone through this process see: Hastings Pier Charity, *About us* [accessed: <http://www.hpcharity.co.uk/our-organisation/hastings-pier-charity/> (24/08/14)]

234 For more detail see: Fletcher L, *Investing in Civil Society, A framework for a bespoke regulatory regime*, London: Nesta, 2013

235 Centre for Social Justice, *Something's Got to Give*, London: Centre for Social Justice, 2013

**Recommendation to allow the public to invest in the social sector**

The Treasury to instruct the Financial Conduct Authority (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 first the differences between charities, social enterprises and for-profit businesses and second the differences between socially motivated investors and investors who are investing for purely financial reasons.

## Conclusion

It is crucial for the future of the social sector that we support its relationship with the public. In particular it is important that we support grass-roots, poverty fighting organisations which may not traditionally have been successful at raising significant funds in this way. These three sets of recommendations: to grow new forms of giving, support grass-roots organisations to fundraise and to unlock the ability of the public to invest in charities, make an important start to further strengthening the relationship between the public and the social sector.



# chapter five

## Growing links with businesses

‘When a well run business applies its resources to problems it understands and in which it has a stake, it can have a greater positive impact on social good than any other institutions or philanthropic organization.’

Michael E. Porter and Mark R. Kramer<sup>236</sup>

### Introduction

Businesses are an 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.<sup>237</sup> Three quarters of CSJ Alliance members told us they received some form of support from businesses.<sup>238</sup> The potential contribution business can make towards transforming the work of the social sector is vast and goes far beyond financial resources. Businesses have huge resources as employers (employing 24.3 million people in the UK), as buyers and as experts across a wide range of areas.<sup>239</sup> Leveraging these assets towards social good could have monumental effects on resourcing and up-skilling the social sector. Businesses also gain from partnerships with the social sector, including improvements in the following:

- **Consumer engagement:** Nearly half of people (47 per cent) said they would be more likely to buy from companies that donated money to charity, and 53 per cent said they were more likely to buy from businesses that did good work in their local community.<sup>240</sup>

236 Porter M and Kramer M, ‘Strategy and Society’ in *Harvard Business Review*, Harvard: Harvard Business Review, 2006

237 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)]

238 Survey of CSJ Alliance, June 2014

239 Department for Business, Innovation and Skills, *Statistical Release: BUSINESS POPULATION ESTIMATES FOR THE UK AND REGIONS 2013*, London: BIS, 2013

240 Wrigglesworth Research commissioned by Forrester quotes in Third Sector, *Consumers favour companies that support charities says study*, 28th May 2013 [accessed: <http://www.thirdsector.co.uk/consumers-favour-companies-support-charities-says-study/fundraising/article/1183955> (24/08/14)]

- **Staff engagement:** Almost half of people state they would prefer to work for an organisation that engaged with charities.<sup>241</sup> Studies find that productivity increases by 20 per cent when employees know their work is linked to a charitable donation.<sup>242</sup>
- **Gaining skills and knowledge:** Approximately two-thirds (67 per cent) of companies cite innovation as a key reason for partnering with the social sector.<sup>243</sup> The social sector can help businesses engage with and understand their local community.

The subject of businesses' role in society is a topic of extreme importance, and not one that can be covered in sufficient depth in this paper. This chapter is limited to making practical recommendations as to how we can better support and incentivise businesses to partner with the social sector. We recommend:

- The development of an online platform to broker local links between SMEs and charities;
- CVs to take an active role in linking charities and local businesses, with future infrastructure funding considering how best to support and incentivise this;
- Local authorities to use discretion over business rates to encourage local businesses to partner with their local social sector; and
- A 'two years on' review of the Social Value Act – recommended in chapter three – to consider widening the Act to cover all government procurement, encouraging all of those that do business with government to engage in their local communities.

## 5.1 Taking a local focus

One area where there is high potential to grow partnerships between businesses and the social sector is at a local level. Although typically talk of businesses' social engagement is focussed around the largest organisations, 99.9 per cent of businesses are SMEs, employing 59.3 per cent of employees and contributing 48.1 per cent of private sector turnover.<sup>244</sup> Moreover, even larger companies with national Corporate Social Responsibility (CSR) policies can independently build local level relationships. For example, whilst McDonalds has a centralised CSR policy, Barkingside McDonalds offers free tea and coffee to older people during off-peak hours to help tackle social isolation.<sup>245</sup>

### 5.1.1 The extent of small business contributions

Businesses do already contribute to the social sector, with just over half (52 per cent) of SMEs working with charities or their local voluntary sector.<sup>246</sup> However, engagement tends to be ad hoc (e.g. giving raffle prizes, small cash donations), rather than building strong strategic

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

242 VOX, Do social incentives matter? [accessed: <http://www.voxeu.org/article/do-social-incentives-matter-evidence-online-experiment> (26/08/14)]

243 C&E Advisory, *Corporate NGO Partnerships Barometer 2013*, London: C&E Advisory, 2013

244 Department for Business Innovation and Skills, *Business population estimates for the UK and regions 2013*, London: Business Innovation and Skills, 2013

245 Bazalgette L et al., *Ageing Sociably*, London: Demos, 2012, p128

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

or long-term relationships.<sup>247</sup> Surveys of the sector also suggest that large charities are more likely to benefit from business income than small charities.<sup>248</sup>

There is significant potential for businesses and the social sector to grow both the extent and quality of their relationships at a local level. The recent Government consultation on Corporate Responsibility noted on the topic of local engagement: 'a disconnection between business and society, particularly at a local level which, if resolved, would be a powerful force for good.'<sup>249</sup> As the case study below demonstrates, where organisations build strong relationships with local businesses this can offer long-term sustainability for essential work.

### Nightwatch

Nightwatch is a CSJ Alliance member, who has been providing support and signposting to the local homeless population in Croydon for over 30 years. Having lost local authority, lottery and foundation grants during the recession, Nightwatch found itself in a 'perfect storm' in terms of funding. Looking for new means to support and sustain their work, Nightwatch decided to engage with local businesses in Croydon.

Jad Adams, chair of Nightwatch explained to the CSJ: 'We identified things that local businesses could help with rather than necessarily first asking for money, for example a local legal stationary printer was able to print our annual report for us and a local web-design company made our website'. Nightwatch now gain the majority of back office resources through support from local businesses, as well as financial donations.

Jad explained to the CSJ how their approach focusses on making relationships with the local business community: 'It's about building long-term relationships that work for both parties. We never turn down an opportunity to speak at local business events, we are constantly building relationships. We cast our net widely but always make sure we are local in our focus.'

### 5.1.2 Barriers to building relationships

A survey of our Alliance members showed that difficulty making first contact was the most commonly cited barrier to partnering with business. We were consistently told how time consuming it could be to find a business that was open to building a relationship, with charities often relying on cold-calling businesses to find out if they are interested:

*'Getting your first engagement is the barrier. I find them usually serendipitous – one sits next to someone on a train – meets someone at a dinner party – meets at another social /charity event. This means you have to kiss a lot of frogs to find the prince!'*

*'[The main barrier is] finding leads to warm businesses that might be interested. A lot of time can be wasted on meetings that go nowhere.'*

247 Tom Levitt, *The Social SME*, York: Joseph Rowntree Foundation, 2013

248 Bashir N, et al. *Local Business Giving: Between the raffle prize and a new source of funding*, Sheffield: Sheffield Hallam University, 2013

249 Department for Business Innovation and Skills, *Corporate Responsibility: Good for Business & Society: government response to call for views on corporate responsibility*, London: Department for Business Innovation and Skills, 2014



For businesses the first barrier to engaging socially is cost. It is therefore important that any strategy for helping SMEs make links with the sector looks at the numerous resources they can offer aside from financial donations, including spare capacity (unused stock, spare facilities and extra places on training courses), pro bono work and volunteer time.<sup>250</sup> The second stated barrier is time; without staff dedicated to CSR or community engagement and with the day-to-day pressures of running a business, building relationships with the local community can often be forgotten.<sup>251</sup> It is therefore important that we support and make it as easy as possible for SMEs that wish to engage with their local communities. Neither of these barriers is at all insurmountable; research suggests that businesses that do pursue social and community engagement do not see either points as barriers.<sup>252</sup> As the case study below demonstrates, support for local businesses to engage locally can have a significant impact.

### Making it easy for business: Tameside 4 Good

Tameside 4 Good was set up by Community and Voluntary Action Tameside (CVAT), to build better relationships with businesses amongst community charities in Tameside. They act as a broker between local businesses and local charitable organisations, offering businesses the opportunity to share time, money, skills and resources with local voluntary organisations. Tameside 4 Good do this through a number of methods: including organising team building days for businesses involving completing a community project, helping recycle any spare equipment unwanted by businesses to local community groups, filling skills gaps within charities with pro bono support donated by businesses and organising joint fundraising activities including a borough-wide 'Paint it Pink' day.

Naomi Sampson, Development Manager at CVAT, told the CSJ: 'we try to help businesses and charities build relationships and find what they are able to offer each other. It's about much more than money, often what organisations need and what businesses can give is practical help and skills.'

Tameside 4 Good have been successful in engaging over 60 local businesses to 'give' in Tameside, generating over £25,000 in cash donations and over £10,000 of donated time, skills and resources. Examples of successful results include a local health and safety firm offering free training to local organisations, a local accountant offering free financial reviews, and businesses helping with a charity shop makeovers. The '4 Good' model operates as a franchise and is now in six CVSs across England.

## 5.2 Brokering relationships between businesses and the social sector

Building relationships between the social sector and businesses at a local level requires us to make it as easy as possible for businesses to share whatever spare resources they may have with their local charities, voluntary organisations and social enterprises. To achieve this we make two recommendations: a web platform to help businesses share spare capacity and support for CVSs to broker relationships.

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

251 Ibid

252 Ibid

## A web platform for linking the social sector and businesses

In Chapter Four, we discussed how technology had been an important impetus in terms of opening up public fundraising for online donations to smaller organisations. There is similar potential to utilise the web to facilitate links between businesses and communities at a local level. There has been success in using web-platforms to help businesses promote their social contribution, however there has been little in terms of building relationships.

### Trading for Good

Trading for Good is a web platform established with a mixture of government, business and voluntary sector funds. It helps SMEs to advertise their social contributions, with members generating almost half a million pounds in donations and over 40,000 hours of pro bono work.<sup>253</sup>

Outside of the social sector, there have been very successful web platforms established to help share spare capacity. Freecycle, an online network which allows people to give away unwanted items has over seven million members worldwide, with over 32,000 items donated every day.<sup>254</sup>

There is scope to translate the success of websites like Freecycle, to help businesses share spare capacity with their local communities. This might be a local coffee shop donating its left-over food to a local project for homeless people or a company advertising unwanted computers or office furniture for local charities. A platform could also be used for companies to offer skills volunteering to their local community – an accountant offering a few hours accountancy – or to advertise spare places on training courses or unwanted office space.

### Elements

Elements is a pilot web platform proposed by Sector4Focus, NAVCA and Good People. It aims to help smaller businesses share their resources and spare capacity with their local social sector, as well as promoting tool kits and examples of good practice.

Tom Levitt, former chair of the APPG for Civil Society and Volunteering and director of Sector4Focus, told the CSJ: 'Such a platform would bring real value both to local businesses and local voluntary organisations, helping charities benefit from the spare capacity, skills and other resources that are in local businesses.'

The initial funding for developing a platform of this kind could come from a cross-sector basis, with a coordinating role taken by the Cabinet Office or a grant funder such as Big Lottery Fund or Nesta. Trading for Good, mentioned above, gained both grant funding through the Innovation in Giving Fund as well as corporate sponsorship.<sup>255</sup>

253 Trading for Good [accessed: <http://www.tradingforgood.co.uk/> (26/08/14)]

254 Freecycle [accessed: <https://www.freecycle.org/> (26/08/14)]; Freecycle via Pinterest [accessed: <http://www.pinterest.com/pin/470837336012937153/> (26/08/14)]

255 Nesta, *Innovation in Giving, Trading for Good* [accessed: <http://giving.nesta.org.uk/project/trading-for-good/> (27/08/14)]

A platform could provide a low cost and revolutionary way to enable charities to gain support from businesses and to make it easier for businesses to help their local community.

### Infrastructure brokering relationships

Whilst a web-platform would be an important first-step towards facilitating business links in communities, this cannot be the sole solution. Throughout our consultation the importance of the role both business bodies (such as Chambers of Commerce) and social sector infrastructure (such as Councils for Voluntary Service [CVSs]) could play in building relationships between businesses and charities was emphasised time and again. One excellent example we saw was Merton Means Business, which bridges the gap between the Chamber of Commerce and social sector infrastructure.

#### Merton Means Business

Merton Means Business is a joint project between Merton Voluntary Service Council and Merton Chamber of Commerce, which aims to build bridges between local businesses and the local voluntary and community sector in Merton. The project came about as a result of Transforming Local Infrastructure funding, through a wish to solidify an existing good relationship between the CVS and Chamber of Commerce and a need for the local voluntary sector to look at alternative sources of financial and other support.

Speaking to the CSJ Raymond Kinsella explained:

*'Businesses around Merton do give to charities, but generally not in a strategic way. Most businesses do not have a CSR policy and are very ad hoc in their giving. What we try to do is persuade businesses to think about how they help the community more strategically. It's easy for us to engage with businesses because of our links to the Chamber of Commerce – they know and trust us and there's already a good relationship in place. We approach businesses, find out what type of causes they would like to support, what they would like to offer and then match them with local causes/projects that fit their requirements or interest. It is important that the voluntary sector don't think not only about what it needs but what it has to offer. The relationship between business and the community needs to be two way if lasting relationships are to be developed.'*

Since its beginning in 2013, Merton Means Business has leveraged £70k in support for the sector and has directly facilitated links to local charities for 85 businesses.

For some CVSs this role as a cross sector coordinator within communities is becoming increasingly part of their identity. As Simon Bowkett, CEO of Exeter CVS, told the CSJ: 'We no longer see ourselves as exclusively VCSE infrastructure – but rather facilitators of the inter-sector and cross-sector relationships and collaborations that are needed to ensure our communities are resilient.' During our consultation we heard of instances of good practice where infrastructure bodies were taking a successful role in making links between business and the community.

Yet, despite these important instances of good practice, strategic relationships between CVSs and business infrastructure are not widespread. A survey of CVSs by the CSJ showed that only 11 per cent had a strategic relationship with their local Chamber of Commerce, whilst

63 per cent had either no or limited contact with it. Similarly 64 per cent of CVSs stated they had no or limited contact with their Local Enterprise Partnership.<sup>256</sup>

It is important that social sector infrastructure recognise the important role they have through making links with business bodies such as Chambers of Commerce. We recommend that as they consider their future role they look to build strategic relationships with business infrastructure, building on examples where this is already happening successfully.

Funders must also look to how they can support CVSs in this activity. Part of the reason more CVSs aren't undertaking this role is a lack of sustainable funding for this type of activity, as it generally generates little income for the CVS and can be labour intensive. We were told:

*'[We're] having some great success with brokering support for the local voluntary sector with local businesses. Sadly this has not yet brought in income for this organisation but it is pleasing to see success for local charities that we have put forward for support.'*

*'We used to have good informal relationships [with local chambers of commerce] whilst we had a Project Worker on our 'Companies & Communities' project, however since that ended and he left we have struggled to maintain contact due to lack of appropriate staff and management time.'*

The Transforming Local Infrastructure programme (TLI) – a £30 million programme from the Office for Civil Society to help infrastructure bodies grow their sustainability – was instrumental in many of the instances where CVSs are now engaging with local businesses. We believe it is crucial that future funding of infrastructure both supports and motivates better engagement with communities. We recommend that funders such as Big Lottery look at how they can support CVSs to act as a broker, building relationships between businesses and charities.

#### **Recommendations to grow local links**

The development of a web-platform to help local businesses share spare capacity with their local social sector:

Social sector infrastructure should look to make strategic links with local business bodies and other groups such as Chambers of Commerce and Local Enterprise Partnerships.

Funders such as Big Lottery, as they come to consider future funding for infrastructure, should look at how they can support CVSs to undertake business engagement.

## **5.3 Supporting business action**

Whilst facilitating links and engagement between businesses and charities at a local level is an extremely important first step, it is also important to look at ways government can incentivise business action. At present business contributions are extremely patchy, with 20

<sup>256</sup> Survey of 50 CVSs by CSJ, June 2014

per cent of businesses contributing 90 per cent of financial contributions to charities.<sup>257</sup> Some of the differences appear to be sectoral: the financial sector gives around half of all business donations to charity, with Lloyds Banking Group alone providing 25 per cent of the finance sector's donations.<sup>258</sup> The widely varying levels in business contributions at present show that there is significant scope to prompt and incentivise businesses to take a strong role in their communities.

There is a strong case for the Government to provide both recognition and financial incentives to businesses that make excellent contributions towards the social sector. Any financial incentives must be designed carefully so not as to experience a 'deadweight cost', for example a tax relief that might end up paying out a large amount for activities that are already happening. Moreover, research is clear that there are strong competitive benefits to business from engaging socially, including more innovation, improved customer perspective and increased financial performance.<sup>259</sup>

Incentives must therefore be carefully placed and calculated to provide a stimulus to action without attracting unnecessary costs. In this section we suggest two areas we believe there should be further investigation into incentives.

### 5.3.1 Rates relief

An important financial incentive that local government can use to stimulate business engagement with the social sector is through the use of rates relief. Every year, councils collect roughly £19 billion in business rates.<sup>260</sup> The principle of using rates relief as a way of helping pro-social action is well established: charities and community groups already gain mandatory rates reliefs of 80 per cent, with the Treasury meeting the cost. However the Localism Act in 2011 opened up new opportunities, giving local government further discretion over applying rates relief.

Already the discretionary rates relief is being used by local authorities to stimulate social action in their local area. For instance Shropshire Council has awarded 100 per cent discretionary rates relief to social enterprises meeting certain criteria.<sup>261</sup> In a similar vein, rates relief – of a more modest variety – could be applied by local authorities towards businesses who show significant engagement in their local community. This would provide both a strong financial incentive but also an important symbolic recognition of those businesses that make significant contributions.

In its work on business rates relief, Social Enterprise UK notes the importance of consistent policies in order to give certainty to business owners.<sup>262</sup> Local authorities should therefore

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257 Directory of Social Change, *Infographic, Company Giving in the UK DSC Almanac: 2013*, London: Directory of Social Change, 2013

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

259 European Competitiveness Report, *Overview of the links between Corporate Social Responsibility and Competitiveness*, London: 2008 [accessed: [http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/documents/csrreportv002\\_en.pdf](http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/documents/csrreportv002_en.pdf) (26/08/14)]

260 Hansard, Commons Debate, 18th July 2011, Column 662

261 Social Enterprise UK, *Business Rates, Economic and Social Value: A resource for local authorities*, London: Social Enterprise UK, p17

262 Ibid

look to implement standardised and transparent policies towards rates relief for businesses that make contributions to the local community, looking at where the most value could be added. This could work as a scoring system, looking, for example, at donations to local charities, policies to share spare resources and skills volunteering. It could also be offered to companies who pass certain existing social tests, such as companies that qualify as 'B Corps'.<sup>263</sup>



To identify the correct levels of rates relief and the eligibility criteria (i.e. only SMEs or larger businesses as well), as well as the anticipated cost-benefit ratio of such action, we recommend that the government supports piloting of discretionary business rates relief for businesses with strong community activity. During this pilot the government may also wish to look at encouraging rates relief for social enterprises.

Pilots could be supported by national government through sharing the cost of the relief: for instance the Treasury could cover a portion of the cost in the same way it does with discretionary charitable rates relief. On the basis of successful pilots, government should also consider supporting rates relief for responsible businesses in the long term. This could offer a powerful incentive that would move many businesses towards using their significant capacity towards contributing to their local communities.

### 5.3.2 Social value procurement

Another way government can motivate and stimulate better business engagement is to use its role as a purchaser. Every year the Government spends £117 billion procuring goods, works and services.<sup>264</sup> It therefore has significant power to shape the market in terms of who it chooses to buy from. This potential has already been recognised by government, through the Social Value Act, discussed in Chapter Three, which asks commissioners to consider social value when purchasing services.

Although the Social Value Act was primarily considered as a way to encourage commissioning of locally based charities, social enterprises and SMEs, it also has the potential to affect change in the behaviour of business. As Olof Jonsdottir, former Policy and Public Affairs Manager at Social Enterprise UK, told the CSJ: 'An unexpected consequence of the Social Value Act has been the buy-in from the private sector; many of whom have taken it as an opportunity to improve their social engagement.'

<sup>263</sup> See: B Corp, *How to become a B Corp* [accessed: <http://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp> (28/08/14)]

<sup>264</sup> HM Government, *Public Expenditure: Statistical Analyses 2013*, London: The Stationary Office, 2013

## The Social Value Act and Responsible Business in Birmingham

Birmingham City Council applies the Social Value Act to all contract values, and all types of contracts including goods and works as well as services. The Act is implemented through their Charter for Social Responsibility. Signing up to the charter is mandatory for all contracts taken since September 2013 (with some aspects of the charter only mandatory for contracts and grants over £200,000). So far 61 organisations have signed up.

The charter includes a range of commitments to generate value in Birmingham, including Living Wage for all employed staff. The charter also includes a community commitment asking all providers, for example, to 'build capacity by supporting community organisations with resources and expertise in areas with the greatest need.'<sup>265</sup>

In Chapter Three we recommended a 'two years on' review of the Social Value Act, to strengthen the progress it has made so far. As part of this review we strongly recommend that government considers widening the Social Value Act beyond services, to both goods and works to unleash the greatest proportion of the annual £117 billion government procurement budget towards incentivising business contributions to communities. This is something that is already being done in some local authorities and there is great scope to expand it.

### Recommendations to support business partnerships with the social sector

Piloting rates relief for businesses that contribute a significant amount of support for their communities.

A 'two years on' review of the Social Value Act to ensure all government procurement supports organisations who contribute towards their communities.

## Conclusion

Businesses already provide significant support towards the social sector. However there is significant potential to go further. By supporting businesses and charities to build relationships we can significantly increase the impact businesses can have on their local communities. Moreover, through providing modest rates relief and directing its procurement spend towards businesses that make a significant contribution to their community, government can provide a powerful incentive to take a greater role in tackling social breakdown.

<sup>265</sup> Birmingham City Council, *Birmingham Business Charter for Social Responsibility* [accessed: [http://www.finditinbirmingham.com/Upload/Charter/BCSR\\_Charter\\_Principles.pdf](http://www.finditinbirmingham.com/Upload/Charter/BCSR_Charter_Principles.pdf) (28/08/14)]

# chapter six

## Conclusion

In communities across Britain, charities, voluntary organisations and social enterprises are undertaking crucial work to tackle some of our most entrenched social problems. These organisations are the front line of tackling social breakdown.

This parliament has seen some important policies to help the social sector undertake this activity: from the establishment of Big Society Capital to grow the most effective organisations, to genuine attempts to improve commissioning. However, there is much more to be done to unlock the potential impact of the social sector, especially for grass-roots, community-based organisations who undertake some of the most important work.

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

To do this we must invest where needed: in developing the sector's most innovative ideas, and in the communities with the least charitable activity. We must address the regulatory barriers which stop the large parts of the sector providing of public services. Finally we must look at where we can catalyse action by helping businesses share spare capacity with local communities, and by mapping charity activity in all communities so investors, charities and the public can see where their efforts are most needed.

By supporting the sector in these ways, we can unleash the huge potential of the social sector to combat the social problems which blight our most deprived communities.



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