

Civil Society Covenant

NCVO/ACEVO Survey Questions – Lloyds Bank Foundation’s response (Dec 2024)

Lloyds Bank Foundation for England & Wales (LBFEW) partners with small and local charities, people and communities, changing lives and working towards a more just and compassionate society. The Foundation is an independent charitable foundation funded by Lloyds Banking Group. Through unrestricted funding, support to develop, and influencing policy and practice, the Foundation helps small and local charities thrive, communities grow stronger, and people overcome complex issues and barriers in their lives.

Over the past 40 years, the Foundation has supported thousands of small grass-roots charities, including in our nation’s most-deprived communities. In 2023, for example, we awarded grants totalling £20.5 million to 706 small charities. We estimate that this funding directly supported half a million people. Alongside this direct support, we support small charities to contribute to the public and political debates about the changes that are needed to ensure their work has even more positive impact. For example, following the pandemic, we published [The Value of small in a big crisis](#), which showed how small charities “showed up” and then “stuck around”.

The charities we support are rooted within local communities, helping people overcome complex issues like homelessness, domestic abuse or addiction. Many deliver public service contracts directly – such as for survivors of abuse or support for people experiencing homelessness. Even where they are not directly receiving public sector funding, small charities are often providing support to people who do not meet the threshold to access statutory services, or which will prevent them from having to access statutory support at a later date.

Given this, LBFEW feels civil society organisations are one of the engines for the Government’s ambition of a decade of national renewal. Small charities are also well-placed to support the Government’s five ‘missions’. For example, some of those we partner with are already providing support for people with mental health problems, helping those struggling with addiction, working with ex-offenders and providing opportunities for young people. That is why we welcome the Prime Minister’s recognition that a partnership between government, communities and civil society is essential to the delivery of these missions and others that may follow.



1) What supports an effective relationship between civil society organisations and public bodies?

An effective relationship between civil society organisations and public bodies has to be based on honesty and respect. Some parts of civil society have not felt those values have been evident from government in recent years. And it is probably also true that those in government have not understood the pressures and challenges charities face themselves. Whatever the reason, it is clear that relationships between civil society and government at a national level at least are not as good as they once were and so this consultation is right to describe the relationship as “strained”.

Dialogue

Given this, the Foundation was pleased to support the civil society conference earlier this year at which Keir Starmer pledged to reset the relationship between government and civil society, so that both are better placed to ensure the delivery of the Labour Party’s five missions. We were especially pleased that leaders from some small charities we support were invited to join that session and engage with Shadow Ministers, sometimes for the first time. In the spring, LBFEW supported the NCVO/ACEVO manifesto before the General Election and the specific call within it for a new Civil Society ‘Charter’.

LBFEW also supports the call for an engagement strategy to support the new Covenant. It was worrying to us how quickly the need for Labour Party frontbenchers to engage with charities dropped back off their radar after January’s civil society summit. In the early summer, we actually began a series of discussions with the Future Governance Forum to try to devise ways to encourage Shadow Ministers to sit down with small charities working in their area. This was overtaken by the announcement of the snap General Election, but we have continued to explore options for how this might be done now that shadow spokespeople are ministers.

Infrastructure

For us as a funder, it is clear that one of the essential components of a positive relationship between the public sector and civil society is an infrastructure to facilitate dialogue. We fund individual projects led by NCVO and NAVCA as national sector leaders, but have [invested much more](#) in trying to support civil society infrastructure at a local level. For example, we have supported the work of individual CVSs post pandemic and the development of the regional Black and racially minoritised-led organisations under the Phoenix Way project. However, we are aware that austerity has meant many areas no longer have a CVS and some of those that still do are not always as effective as they once were.

This needs to change. Under the last Labour Government and its Office of the Third Sector, significant additional funding was channelled to civil society organisations, through a plethora of national and especially local funding programmes. Some of this additional funding was used to provide a major boost for local VCSE infrastructure organisations. While we appreciate that the economic situation is different now than it was in the late-1990s and early-2000s, we hope that over time, government at all levels will see the value of increasing investment in bodies bringing together local charities to engage with decision-makers.

One of the aspects of LBF EW's grant-making is that it is accompanied by an offer of development support. This is available throughout the lifetime of our partnership. Our team works with charities to learn about their most pressing organisational challenges and identify experts who can help charity leaders overcome them. Our charity partners have full ownership of their development agenda and journey. Our role is to listen to what they are already good at and what's going well and help to build on that. Lloyds Bank Foundation would be keen to be involved in discussions how this kind of funding for organisational development could be made more widely available.

People & Communities

Over the last decade, we have seen funding and availability of local statutory public services decline. This includes vital services that are there to help people in crisis like refuges, shelters, and counselling, as well as support that helps people, so they don't end up in crisis. Small community-led organisations often deliver these services, many of which have seen their own income squeezed at a time when more and more people are turning to charities for help as public services retrench. The impact and consequence of these decisions on people and wider communities have worsened following the pandemic and cost of living crisis.

In 2019 we started to look at how we could work locally to change how we collectively design, resource and deliver essential local services that can improve people's lives. Recognising that it is often the small community-led organisations that provide vital services, our focus was to strengthen these organisations and change how local organisations design, resource, and deliver services. We have committed to working with six communities across England and Wales over the longer term: Bolsover, Great Yarmouth, Halton, Merthyr Tydfil, Redcar & Cleveland, and Telford & Wrekin. Through this work we've brought together:



- People who deliver services such as small local charities and community-based organisations
- People who fund services in the broadest sense including trusts and foundations and statutory funders
- The local private sector
- People who use those services and live locally

Using a range of approaches, we have developed and strengthened relationships with people, organisations and sectors and engagement with this way of working. From this we have worked closely within the six communities to agree on shared ambitions and collectively identify a focal issue for each. We feel this work demonstrates the value additional infrastructure can bring to small civil society organisations. It also suggests there is an important role for independent facilitators to act as an honest broker between organisations and with statutory authorities.

For example, in Redcar and Cleveland we are partnering with many organisations and groups from the voluntary and community sector. Those involved decided they want to focus on helping people in the rural areas to thrive, with access to suitable and fulfilling employment that enables them to be financially secure and independent. At the beginning of 2024, local partners and people came together to map out the root causes of in-work poverty. Our next step is to examine these interconnecting factors and identify the ones we feel we can tackle together to have the most impact. This will be the starting point of collaboratively redesigning services to ensure people get the support they need to be in employment and thrive.

2) What actions should public bodies take to improve the relationship with civil society organisations?

Over the past decade or so, the relationship between government and much of civil society at a national level has soured. While some government departments, like the Ministry of Justice have continued to engage constructively with charities working in this sector, others have not. For example, the Department for Work & Pensions (DWP) refused to engage with charities raising concerns about the roll-out of Universal Credit or the numbers of disabled people wrongly denied disability benefits through its new assessment regimes. The Home Office was similarly hostile to charities serving refugees and asylum seekers.

In our view, it will take time to rebuild trust and relationships between charities and some government departments. However, in our observation, there is a sense of optimism amongst the charities we support that a new Government will lead to better relationship. While they understand that government won't always agree with them, let alone do what they want, the larger charities we support are

already reporting a greater willingness on the part of ministers and officials to meet and to listen to their concerns and ideas.

In our view, this new approach should be built on in several ways in the months ahead. Firstly, government must always remember that the overwhelming majority (97 per cent) of charities are small. While their size often means they are locally focussed, that doesn't mean their experience shouldn't contribute to policy making and they too should be proactively engaged so that their views are not overshadowed by larger charities. As mentioned above, LBF EW has been supporting Future Governance Forum to find ways to ensure small charities are proactively engaged in the development of government policy.

Secondly, ministers and officials have to be willing to engage directly with those who are outspoken critics of their policy and practice. We recognise that this isn't easy. But genuine engagement has to stretch across the full range of opinions and experiences, civil society organisations represent. And the election of a new Government provides an opportunity to hear voices that have been excluded for too long. There are some signs that this is happening already, which is encouraging.

Finally, government must engage meaningfully with evidence, not just disregard it. We recognise that political parties are elected with a mandate and have a right to deliver the pledges made in their manifesto. However, there are often unexpected or unintended consequences of policies, and this should be taken into account by political decision-makers before policy is pursued and implemented. In addition, Whitehall must do much more to proactively obtain feed-back from those with lived experience of its decisions as this will make for better policy making and services.

3) What actions should civil society organisations take to improve the relationship with public bodies?

Looking back at the versions of the previous 'Compact' agreed in 2009 and then revised following the Coalition Government's formation in 2010, there is a discernible shift in tone around the issue of 'evidence'. We were particularly struck by the following obligations on civil society organisations in the 2010 Compact.

“When campaigning or advocating, ensure that robust evidence is provided, including information about the source and range of people and communities represented.”

“Seek the views of service users, clients, beneficiaries, members, volunteers, and trustees when making representation to government. Be

clear on who is being represented, in what capacity, and on what basis that representation is being made.”

LBF EW fully supports the need for evidence. However, we would argue that this was what charities provided in the decade or so that followed the 2010 Compact and that it wasn't the poor quality of the evidence against policies that meant they were pursued regardless. That said, we would accept that individual anecdotal case studies do not always speak to the wider experience of the whole population. As a funder, we require rigour in the research carried out by the charities we fund and so we agree that government has a right to demand that too. The *quid pro quo*, is that any such objective research is engaged with and not just ignored or disparaged.

Civil society organisations should also seize the opportunity of this national Covenant to strengthen their relationships with other local and regional public bodies, such as Police & Crime Commissioners, NHS Integrated Care Boards and local authorities. We know many have retained good connections or are even continuing to provide commissioned services at this level of government, but against a difficult economic backdrop, it remains necessary to strive for productive partnerships to help meet the challenges communities are facing. This will also help ensure renewal happens at a local level as well as nationally.

4) What supports civil society to innovate and find solutions to societal problems?

The 2009 Compact acknowledged that VCSE organisations have expertise in some areas that government does not because of the work that they do in communities on the ground. Lloyds Bank Foundation's focus is on supporting small and local charities and almost all those we fund currently have an income of less than £1 million a year. Their particular strengths often lie in:

- Their embeddedness in local areas means they have an intimate knowledge and understanding of the area's assets and needs
- They can build and nurture effective social networks, catalysing relationships between local people, communities and other networks, including government
- They support people which other agencies fail to reach and raise the voices of those who are too often overlooked, working holistically and in ways that are responsive to different contexts.
- They are able to leverage additional economic and social benefits to the local area by attracting external funding which is subsequently spent in the area, and by generating volunteering opportunities which can often be the first step towards employment.



Their intimate knowledge of local areas' needs and assets allow small charities to be experts and effective advocates on key social problems. This expertise should be garnered by decision makers, such as local commissioners so that they are better able to understand needs and how to meet them. Furthermore, these charities often work with communities that are facing serious challenges or who are helping to build bridges between communities thanks to their trusted position. Their understanding of issues also helps them to be well placed to lead preventative work, driving down both human and economic costs by tackling issues at source.

The regular feed-back LBF EW receives from the charities we support reveals the intense pressures many are under. These constraints of funding and capacity pose a real challenge to the hopes and aspirations that they will be able to engage meaningfully in the Government's agenda. Charity leaders need space away from day-to-day pressures in order to think more strategically and innovate further. LBF EW's own offer to charities we fund includes full remuneration of charities that contribute to our own strategic thinking and development support across a range of activities, such as IT, HR, governance and strategy development.

5) Do we need a Covenant to improve the relationship between civil society organisations and government?

Yes, Lloyds Bank Foundation strongly supports the establishment of a new Covenant to guide the relationship between government and civil society. On its own, however, this new Covenant will not be enough to unleash civil society's power to contribute to national renewal. It must be accompanied by the money required to rebuild the infrastructure needed to support it at both a national and local level.

6) To what extent do these four principles support an effective relationship between civil society and public bodies?

LBF supports the four principles proposed in this consultation – recognition, partnership, participation and transparency. We believe these incorporate the principles established in the original compact in 1998 and restated in more detail in 2009.

In particular, given the challenges and criticism that charities have faced from governments in recent times, we welcome the clear statement that 'recognition' means the government must accept the value of a strong and independent civil society and that this means that they are allowed to speak out in-line with their

purpose. The specific joint commitment to civic rights, including the right to peaceful protest and legitimate campaigning is also very welcome. This might be further strengthened by using wording used in relation to the principle of ‘Independence’ in 2009:

“Independence: The independence of the third sector is recognised and supported. This includes its right within the law to campaign, to comment on and to challenge government policy And to determine and manage its own affairs.”

7) What changes or additions, if any, would you make to the draft principles?

In relation to the principle of participation and ensuring that people and communities can be heard and make a difference, we welcome the aim of supporting effective consultation processes. We recognise that consultations are not referenda, and that sometimes civil society groups will even have conflicting views. However, given the widespread scepticism about the way consultations are currently undertaken, we feel this could be clearer in setting out what “effective” really means in this context. For example, the ‘Gunning principles’ consisting of four rules to make consultation fair and a worthwhile exercise:

- that consultation must be at a time when proposals are still at a formative stage;
- that the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
- that adequate time is given for consideration and response; and
- that the product of consultation is conscientiously taken into account when finalising the decision.

Furthermore, as a funder we are committed to involving those with lived experience more directly in our own decision-making, for example through carrying out assessments or sitting on grant panels, and we seek to ensure the charities we support do this as well. The last government indicated its intention to listen to experts by experience more in the course of public consultations. In practice, however, little changed. We therefore think that this Covenant needs to make clear the need for public sector bodies to proactively seek the views of people directly if it is consulting on proposals affecting them.

Finally, we believe these principles should include a clearer commitment to Equity, Diversity and Inclusion by both government and civil society. The racist

riots earlier this summer following the murders in Southport were a sharp reminder of the structural inequalities and power imbalances in our society. Despite some recent progress, these issues remain within the voluntary sector itself as well as in government. This proposed Covenant is an opportunity to shift power so that minorities, particularly those from racially minoritised backgrounds are properly involved in decision-making.

8) How can we ensure civil society organisations and public bodies uphold these principles?

LBFEW understands that the Government is unwilling for the Covenant to be legally binding even if the VCSE sector itself wanted it to. In some places local compacts between local authorities and charities remain a strong and positive basis for partnership. And this does apply to some government departments too. On balance, however, the experience of the past decade makes it clear that good intentions alone are unlikely to be sufficient to ensure the Covenant's principles and commitments are adhered to, particularly where they relate to the involvement of small charities in policy making and allocating resources.

Although, the Foundation was not involved in this at the time, our understanding is that the 'Compact Voice' structure formed a strong basis to generate agreement within the third sector and promote and encourage good practice. We welcome NCVO/ACEVO's suggestion in the consultation paper that consideration is being given to who has responsibility for managing this new Covenant to ensure it is effective. We would be willing to discuss how we and other funders might contribute to the support needed to restore something akin to Compact Voice.

If ministers are not minded to support the recreation of this kind of formal body, we hope they will at least endorse the development of a community of practice in this area. In addition, just as we do with our own grant programmes, it is essential that the Covenant is supported by a package of monitoring and evaluation. This is the only way to ensure that government and civil society organisations themselves capture the learning from the implementation of the new Covenant and champion best practice. Again, LBFEW would be willing to discuss how we might support monitoring and evaluation of the Covenant.