



Civil Society Strategy Engagement Exercise

What are the strengths of civil society today? You might consider its mission and motivation, services for the public, difference to quality of life or economic and/or social impact.

Charities, voluntary and community groups and organisations, and social enterprises establish in response to an unmet need, tackling problems that others have not yet recognised or developing new solutions to entrenched issues. **Operating on a not-for-profit basis for public benefit**, these organisations play a vital role in our communities and society more broadly; they are driven by their mission and ethical values that place them in a **unique position in society to tackle some of our toughest problems**.

As such, they do things others can't or won't. Typically these organisations are the safety net for people that other services have failed to reach, providing a lifeline to individuals and communities. There is a critical distinction between mission-driven, not-for-profit organisations and those that are driven by their market share or profit because they remain totally committed to the individuals they support:

"Many clients fall outside of the criteria of projects we are funded to work on, however in many cases the level of vulnerability and the lack of alternative services mean we intervene to support these clients" [small and local charity in the East of England]

Yet these organisations are not just focused on delivering services. A core part of their strength is their ability to raise the voices of those they support, shining a spotlight on injustice and seeking to stem problems, not just respond to them. Their expertise and understanding of problems and solutions should be a key source of information informing government decision making. It will be particularly important in light of Brexit – government cannot successfully tackle the burning injustices that blight our society without harnessing the knowledge, experience and embeddedness of small and local charities.

Civil society brings economic benefits too. The voluntary sector spends 97% of its £47.8bn income (2015/16), leveraging support from a range of sources. It contributed £15.3bn to the UK economy in 2015/16. This is in addition to the £22.5bn estimated value of volunteering in 2015.¹

It is not only *what* these organisations do but *how* they operate which bring advantages. They provide a way for individuals and communities to come together and take action, building bridges between individuals, communities and government.

While a broader range of organisations have a role to play in contributing to civil society, the unique strengths of charities, voluntary and community groups and organisations, and social enterprises which operate on a not-for-profit basis are unrivalled. The breadth and depth of the sector is part of this strength, ensuring there are different structures, approaches and scales to tackle different problems.

Lloyds Bank Foundation for England & Wales has been a funder of small and local charities for more than 30 years. As such, the Foundation has a particular understanding of the value of these small and local charities. This submission draws on:

¹ [Civil Society Almanac](#), 2018, NCVO

- The views and voices of the 700+ charities funded by the Foundation, collected through grant monitoring reports
- Research conducted by and for the Foundation
- Discussions with 9 groups of grant holders in different locations across the country specifically focused on the new Strategy
- Our experience as a corporate foundation that provides core funding, capacity building support and policy work.

This submission primarily focuses on small and local charities, that is, those with an income under £1m which make up 97% of the sector. Their particular strengths 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.

These characteristics are reflected in the literature, as IPPR North's literature review makes clear.²

Their intimate knowledge of local areas' needs and assets allow small and local charities to be **experts and effective advocates on key social problems**. This expertise can and 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 work with communities that have been 'left behind' and are the organisations that will help 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. This helps to contribute to their **long term value for money**. A helpful illustration of the benefits of charities' earlier intervention is illustrated in Women's Aid online journeys – see Sarah's, Katrina's and Yasmin's stories at: www.womensaid.org.uk/our-approach-change-that-lasts/

The economic value brought by small and local charities comes through a variety of ways including:

- **Their use of volunteers**. Small and local charities typically have a higher volunteer to staff ratio. Forthcoming research, funded by Lloyds Bank Foundation for England & Wales shows that for charities with an income between £25,000 and £100,000, this stands at 3 volunteers per £1 of income. For charities funded by the Foundation, there are typically 3 volunteers per paid member of staff. Recent research by Local Giving estimates that across the sector, the annual financial value of volunteers in the local voluntary sector lies between £7.5bn and £10.5bn per year.³
- **Their ability to leverage in funds and other support from different sources**. Many of the charities supported by the Foundation receive some form of statutory income which is

² [Too Small to Fail: How small and medium-sized charities are adapting to change and challenges](#), IPPR North, 2016

³ [Local Charity and Community Group Sustainability Report 2017/18](#), 2018, Local Giving

‘topped-up’ by independent funders, and individual and corporate donations for example. As a result, these charities not only provide the service funded through statutory sources, but they are able to provide additional, wrap-around support. These additional services in turn increase the effectiveness of those funded through statutory sources.

Small and local charities have a critical role in achieving a fairer society that works for everyone. Built on tackling the burning injustices across the country, **many of the Government’s aims cannot be achieved with small and local charities.** However, research consistently shows that these organisations are under threat, both in terms of their financial sustainability and the space in which they operate. As NCVO’s latest Almanac data shows, small and medium-sized charities are continuing to feel the squeeze, while super-major charities reap the benefits of increased giving from individuals and large statutory contracts.⁴ **It is critical that the new Civil Society Strategy supports and enables small and local charities to achieve our shared vision of a strong and effective civil society that is able to reach its potential.**

How can government help to increase the impact of civil society?

Government has a pivotal role in enabling small and local charities to maximise their impact so that they not only survive, but thrive. To properly assess how government can enable civil society to increase its impact, it is important to first consider the challenges or ‘blockers’ that are currently evident.

Successive reports have shown that small and local charities are under ever increasing strain, with demand rising and becoming more complex while funding is increasingly difficult to secure. Research by nfpSynergy for Lloyds Bank Foundation for England and Wales at the end of 2017 showed that of a sample of 629 small and local charities, 84% had found it increasingly difficult to access the funding needed to meet demand over the previous 12 months. This is from an already high base – in 2015 the Foundation published research which identified funding as one of the biggest challenges faced by 72% of charities.⁵ Local Giving’s latest research further shows that 56% of local organisations consider ‘generating income and achieving financial sustainability’ their greatest concern, with only 47% confident that will survive the next 5 years.⁶

This trend is particularly concerning due to the vital role that small and local charities play in society. They are recognised for their ability to support people who have fallen through the gaps in other services – and this is an increasingly important role given that 76% of small and local charities surveyed identified rising thresholds for public services and 86% identified the closure of other public services as key factors driving up the demand for their own support.⁷

The resultant capacity crunch facing the sector is at such an extent that charities raise their awareness of a **growing crisis bias**, whereby individuals have to be pushed further into despair before they can access services because there is simply not enough funding to meet the growing demand. Monitoring reports from charities funded by the Foundation indicate growing concern for those individuals who charities no longer have the means to support, with more than half of the charities surveyed by nfpSynergy for the Foundation reporting growing waiting lists. One charity funded by the Foundation is only able to help one in 25 of the women that seeks their support as a

⁴ [Civil Society Almanac](#), 2018, NCVO

⁵ [Expert Yet Undervalued and on the Frontline: The views and voices of small and medium-sized charities](#), 2015, Lloyds Bank Foundation for England & Wales

⁶ [Local Charity and Community Group Sustainability Report 2017/18](#), 2018, Local Giving

⁷ Research for Lloyds Bank Foundation for England & Wales by nfpSynergy, 2017

result of the incredibly high demand on already stretched resources. In another not-uncommon example a grant holder has seen more than a 300% growth in demand from people experiencing homelessness between 2012 and 2017.

To tackle these challenges, the government could have the most significant impact on small and local charities by firstly delivering commissioning reform at both a central and local government level.

The challenges brought by current commissioning practices are well known, not least as evidenced in the Foundations' Commissioning in Crisis⁸ report. Poor commissioning practice is widespread and presents one of the biggest threats to small and local charities. In 2015, research among 800 small and local charities showed that half of those bidding for contracts found the experience 'difficult' or 'impossible'.⁹ This experience is reflected in financial data too, with small and medium-sized charities worst affected by the shift to competitive tendering at scale. Between 2008/09 and 2012/13 charities with an income of between £100,000 and £1m saw their income from government decline by 38%. At the same time, charities with an income over £100m saw their income from government increase by 38%.¹⁰ More recently, research among 629 small and local charities showed that 61% had seen the size and complexity of contracting get worse still over the previous 12 months.¹¹ The Foundation continues to receive examples from grant holders of commissioning practices that disadvantage smaller providers and too often see small and local charities lose services that have proven successful over many years. **It is critical that reforming commissioning becomes a priority** and includes action at both a central and local government level.

While the pressures on spending are widely recognised, government can help to increase the value of civil society by making sure that **what money is available is spent in the most effective way that promotes long term value**. It is widely accepted that earlier intervention and prevention work has lower costs than crisis work, yet current systems are forcing charities to become increasingly crisis-referral-led and constrained in their activities by statutory contracts. This is contributing to a crisis-bias whereby people have to fall within specific thresholds in order to access support. As a result charities are having to be more reactive rather than proactive.

Commissioning reform needs to bring together two core elements:

- Change at a central government level both as a commissioner and in terms of providing a framework and expectations for government at different levels
- Change at a local level, with commissioners, procurement and leaders working towards a more sustainable system.

Centrally, government needs to:

- **Challenge poor commissioning practice**, encouraging good practice and holding commissioners to account
- **Introducing a measureable target for commissioners to work with small and local charities**
- **Strengthen the Public Services (Social Value) Act** so it can fulfil its potential to increase social good

⁸ [Commissioning in Crisis: How current contracting and procurement processes threaten the survival of small charities](#), 2016, Lloyds Bank Foundation for England & Wales

⁹ [Expert Yet Undervalued and on the Frontline: The views and voices of small and medium-sized charities](#), 2015, Lloyds Bank Foundation for England & Wales

¹⁰ [Navigating Change: An analysis of financial trends for small and medium-sized charities](#), 2016, NCVO

¹¹ Research for Lloyds Bank Foundation for England & Wales by nfpSynergy, 2017

- **Ensure a clear, fair and stable funding agreement is available for local government.**

At a local level, commissioners need to:

- **Increase their understanding** through a more collaborative approach to commissioning, engaging in meaningful consultation, working with experts and learning from past and present funding agreements to co-produce services
- **Take a proportionate approach** to all stages of commissioning, both in terms of what they ask of services, how they are funded and how agreements are made, and in particular making more use of simpler, grant funding arrangements
- **Place more emphasis on the social and long term value** achieved through commissioning.

Full commissioning reform also needs to address the underlying issue of short-term approaches. One year budgets and a high turnover of civil servants can stymie the effectiveness of both government and civil society. Introducing the new Civil Society Strategy as a long-term strategy is the first step but it must be accompanied by action across government to work towards long term goals. We believe long term thinking will help to facilitate improved relationships and an ability to continue to build on progress rather than the instability and inaction that comes from shifting priorities and personnel.

Government would enable the impact of the sector to grow by protecting the space for civil society, particularly in terms of small and local charities' voice.

That is, ensuring small and local charities can share their expertise with government at all levels and that they are involved in decision making so that their knowledge and experience can be used to inform government policy and practice. Research by the Sheila McKechnie Foundation in 2017 found that 90% of survey respondents feel that campaigning by the voluntary, community and social enterprise sector is under threat, with 87% citing government measures such as the Lobbying Act threatening the legitimacy of campaigning.¹²

Campaigning is an important aspect of small and local charities raising not only their voice but the voices of those they support. Charities never have nor never will be solely about delivering services. Established to improve society, charities and community organisations have a strong history of leading social change. They have a responsibility to use their expertise, speak up and campaign on injustices so that problems can be solved, not only patched up; and government has a responsibility to listen. Government would go some way to helping to protect this space and encourage charities to share their expertise by **ensuring that funding agreements do not restrict charities from sharing their experience and knowledge**. Similarly, Government should **act on Lord Hodgson's recommendations** and implement key changes to the Lobbying Act to ensure it does not stifle the sector's ability to engage in key debates.

Government could further support the long term impact of small and local charities by taking a more strategic approach to funding.

The House of Lords Select Committee on Charities identified financial sustainability as a key focus for their 2017 report¹³ and we endorse the recommendations included in the publication. Over recent years government has used one-off pots of money to allocate new funding to particular charities. While this funding is of course welcomed by those charities, government could be much

¹² [Campaigner Survey](#), 2017, Sheila McKechnie Foundation

¹³ [Stronger Charities for a Stronger Society](#), 2017, House of Lords Select Committee on Charities

more strategic in its approach to better support the long term sustainability of small and local charities, ultimately enabling them to increase the impact of civil society. This strategic approach would help to ensure maximum long term value is catalysed which is particularly important at a time of significant spending pressures.

The forthcoming use of dormant assets provides a real opportunity here. There are a number of suggestions of ways money could be distributed to achieve long term value, whether through specifically supporting the sector to build its capacity and capabilities through local infrastructure or endowing local community foundations so that they can continue to support the strengthening of the sector, for example. **Government should engage with the sector to establish how such funds may be best distributed.** This should include more engagement with locally embedded knowledge, such as local infrastructure or funders – organisations which understand the local context are well placed to support small and local charities and have a wealth of experience in distributing funds effectively.

Whatever the specific focus of the funding, grants paid up front should be central to the funding's distribution which should be part of renewed government encouragement of grants as an effective means of distributing funding across government more broadly. As an independent funder with over thirty years of providing grant funding, the Foundation can attest for the value brought by grant making, as highlighted by the **Grants for Good**.¹⁴

Within this context, government also needs to recognise the need for a diverse approach to the sustainability of the sector, recognising not only that different charities have different strengths and needs but that different sources of income will be appropriate for different charities. Small and local charities are vocal about the **irrelevance of social investment** for their work. The complexity and focus on payment by results is not normally suitable for the scale or types of complex cases that small and local charities tackling complex social problems address. There is a strong feeling that **the money government has invested in continuing to try and push social investment could have been much more effectively spent if it focused on strategically supporting the sustainability of the sector more broadly.**

The reform of government's relationship with civil society needs to extend across government departments and levels.

The principles of engagement and support throughout this submission need to extend beyond the Department for Digital, Culture, Media and Sport. While the Minister for Civil Society and Sport and the Crown Representative of the Voluntary, Community and Social Enterprise Sector have critical roles in **championing the importance and role of charities across government** for the new Civil Society Strategy to have the impact needed, it is imperative that the new strategy prompts action across different departments and government at different levels. Issues that affect small and local charities do not only stem from the Department for Digital, Culture, Media and Sport and the strategy needs to replicate the reach of the sector.

To support this work, government should commit to meeting the 360Giving data standard, so that government data is:

- Open data driven
- Easy to use

¹⁴ Grants for Good: www.dsc.org.uk/grantsforgood

- Comprehensive.¹⁵

A number of funders have already signed up to share their data to this standard, which is already delivering dividends in the ability of funders to adopt a more informed and strategic approach to funding. Government sits on a wealth of data that could be used to increase the impact of civil society but government has to share it in an accessible format.

How can public trust in civil society be built and maintained?

Trust is central to the operation of small and local charities. Whether it is their trusted nature in the community so that individuals facing complex social problems engage with their support, public trust to encourage donations and civic action, trust between organisations to facilitate partnerships or trust from commissioners in their expertise.

Central to trust is understanding, both of what charities do and how they work. Increasing awareness and understanding of charities is central to building these levels of trust. While there are many steps that can be taken to try and build trust, the role of the funding environment should not be overlooked. Good governance and leadership help to build trust and charities need to be able to invest in this accordingly. When faced with a capacity crunch, growing difficulty to access funding and a lack of full cost recovery even where statutory funds are available, **the funding environment is inadvertently reducing the sector's capacity to invest in the governance and leadership needed to build trust**. Forcing charities to cut corners due to contracts that do not fully cover costs can only lead to a growth in challenges and threatens the ability of charities to raise levels of public trust.

Encouraging more people to learn about, support and engage with charities would help to increase the public's understanding of what small and local charities do and how they work. Only a third of people can name a local charity, despite charities with an income under £1m representing 97% of the charity sector.¹⁶ While these charities are able to reach the people they support, awareness of them at a population level remains stubbornly low. Charities funded by the Foundation have identified a key role for the Charity Commission here. The Charity Commission is already the most comprehensive database of charities in England and Wales but it does not help people to find charities in their local area or to search for charities supporting a certain cause. **Improving the search function and information available on the Charity Commission website would go some way to help the public find out about local charities**. Similarly, growing links between the charity and technology sectors could help to develop new solutions to the low rates of awareness of small and local charities.

How can civil society be supported to have a stronger role in shaping government policy now and/or in the future?

The expertise held within charities is of immense value to government – in terms of understanding issues and how to meet them, not least their ability to identify and respond to emerging issues. Too often this expertise is not utilised to its full potential. Reasons for this include:

- Those involved in commissioning services being reluctant to engage with small and local charities for (largely unwarranted) fears of anti-competition rule.
- Restrictions within funding agreements that prevent charities from raising their voice

¹⁵ The 360Giving Standard: www.threesixtygiving.org/support/standard

¹⁶ [Small but Vital: Small Charities Matter](#), 2016, TSB

- A reluctance within charities to raise their voice for fear of retribution in the way of discontinued funding from statutory sources:

“We also want to campaign against injustice, inequality and the causes of our clients’ problems, but some people think that charities should not do this. We think, if we don’t, no one else will, and that it is part of our duty to do so. This gets us into trouble with statutory bodies where they perceive we are criticising them and their policies, which means they threaten and bully charities to shut up.” [small and local charity in the East Midlands]

There are a number of ways that government can ensure charities are better able to help shape government policy including by:

- **Ensuring charities are not restricted from raising their voices** or the voices of those they support in all funding agreements from government. Similarly, government needs to re-iterate the level of engagement that is already permitted within existing procurement legislation.
- **Encouraging structures and accountability for government working with small and local charities** - some charities funded by the Foundation identify the role of local issue-specific Partnership Boards or Forums in helping to share their expertise and influence policy. This is an opportunity both for small and local charities to help influence the agenda and also provides an opportunity for them to raise their profile and access decision-makers. However, it is important that these are not simply organised as part of a ‘tick-box’ exercise or faux consultation. Such boards/forums are most effective where they include many voices – one charity should not be invited to ‘represent the sector’ in these local discussions. Instead, they should **involve a broad range of voices to help promote better coordination and partnership**. The local authority has a key role in bringing these voices together – not just for charities to coordinate their work, but for better working between the local authority and local charities. It is not effective where the local authority splits board/forums between commissioners and service deliverers, as has happened to a sexual violence forum in the North East. Instead they should look across the system, with the local authority acting on the issues that are raised within the boards/forum. The boards/forums are more effective where they are required to **create action plans**; that is, promises about what will be achieved. Such promises can then be used to hold the board/forum and the authority to account. Accountability is key, with local implementation groups feeding into these discussions as a further level of accountability and also enabling service users to feed in their experiences.

Charities highlight the existence of many of these sorts of boards/forums, although the impact of them can vary, dependent as they are on personal relationships and drive. **By developing a framework to encourage these boards/forums based on action and accountability, government could go some way to improving the use of small and local charities’ expertise in policy making.**

- **Enabling the voices of service users to be heard by decision makers** is a key avenue to ensure services meet the needs of local people. There is a growing interest in supporting service users to join these conversations but charities funded by the Foundation challenge the emphasis on making service users fit into the needs of the authority. Instead, senior decision makers should be trained in how to engage with and listen to a diverse range of people. This needs to be aimed at senior policy and decision makers rather than facilitation through front line staff who already understand the problems but lack voice within statutory

bodies to influence upwards. Similarly, consultation with service users needs to be undertaken in service users' spaces – not in council offices for example. The Thames Valley Partnership describe a good consultation exercise carried out by their local PCC which worked largely because the PCC went to speak to people in their own spaces, not the PCC's office. Doing so helps to ensure diverse voices are heard – rather than the most confident few who are happy to go to the commissioner. Across this, it is critical to recognise that **there is value in consulting and engaging with a range of stakeholders, whether service users, charities or infrastructure organisations as each will bring a valuable and complementary perspective.**

- **Enacting Lord Hodgson's recommendations** to improve the Lobbying Act
- **Working more closely with infrastructure organisations** – where commissioners are concerned about consulting with small and local charities because of perceived competition issues, there are still ways to engage with the sector and to harness its experience by working with second tier and infrastructure organisations. For example, Lloyds Bank Foundation for England & Wales is funding Imkaan and Women's Aid Federation of England to support local violence against women and girls commissioners and specialist services around commissioning. As second tier organisations, Imkaan and Women's Aid are able to work with commissioners to share their expertise of domestic abuse, needs of victims and survivors and an understanding of services in the area, without endangering anti-competition rules. Local infrastructure organisations can play a similar role. **Engaging with second tier and infrastructure organisations can help the sector to shape government policy.**
- **Making better use of existing information** - government across all levels hold large numbers of funding agreements with small and local charities, whether as grants or contracts. Yet charities report that the level of learning in government from this funding remains low. Despite demanding incredibly complex reporting information, there is a lack of learning in government about the services and needs that are being funded. At Lloyds Bank Foundation for England and Wales we use funding reports to learn from the charities we support, not only as a means of ensuring they are carrying out the work they are funded to do. By asking charities to share information about what is happening to demand and the challenges they face we are able to track changes which informs our work more broadly. Similarly, we can learn from approaches about what works in supporting people facing complex problems.
- **Securing the role of small and local charities in devolution deals** – devolution should offer many opportunities for government to work more closely with small and local charities. However, to date their involvement has been limited. Devolution deals should set out how small and local charities will be engaged in decision making.

The success of all of these steps of course also depends on securing an effective funding environment which supports the sustainability of small and local charities to engage in these activities.

We interpret civil society as inclusive of all those outside of the public sector, who share the mission of building a stronger society and improving lives, regardless of traditional sector boundaries such as charity or private and for profit or not. What are the advantages of using this interpretation in developing this Strategy?

We define civil society as those **individuals who come together, and the charities, voluntary and community groups and organisations, and social enterprises who establish in response to a need. They seek to raise the voices of those they support and operate on a not-for-profit basis for public benefit.** These actors play a vital role in our communities and society more broadly; they are driven by their mission and ethical values that place them in a **unique position in society to tackle some of our toughest problems.** It is essential that the Civil Society Strategy acknowledges this unique role and sets out clearly how it will work with these organisations which are **at the heart of shaping a country that works for everyone.**

What are the disadvantages of using this interpretation in developing this Strategy?

Broadening the definition of civil society makes the term unwieldy and meaningless, failing to acknowledge the unique role of charities, voluntary and community sector groups and organisations, and social enterprises which establish in response to an unmet need, operating on a not-for-profit basis and for the public benefit. While a broader range of organisations have a role to play in contributing to civil society, **it is vital that the Civil Society Strategy recognises the unique role of these charities, voluntary and community sector groups and organisations and social enterprises.**

People

Enabling more people to play an active role in society

Reflecting on your own experience or examples you are aware of in the UK or abroad, how have people successfully taken action to improve things for themselves and their communities? Please tell us why it has worked well.

Most charities have developed in response to local needs and gaps in services. Central to supporting them to deliver services has been the **availability of grant funding**, particularly to support the resilience of small and local charities. Grant funding encompasses the flexibility needed for emerging services but the drive to shift to strict contracts restricts local organisations' ability to develop these services which are critical to supporting strong communities, as highlighted by the Grants for Good campaign.¹⁷

Small and local charities that are user-led have a particularly important role in helping people to take action to improve things for themselves and their communities. Many small and local charities are driven by people who have first-hand experience of the challenges the charity's clients face. In a number of cases, volunteering with the charity can help them to move on with their lives. However, there is worrying evidence of small and **local user-led charities that are being forced to close or reduce their services due to commissioning practices that do not recognise the importance of specialist and user-led services.** The drive to commission more generic services at a larger scale is done so to the detriment of small and local charities. Given the higher proportion of volunteers

¹⁷ Grants for Good: www.dsc.org.uk/grantsforgood

supporting small and local charities mentioned earlier, this move away from funding small and local charities reduces the ability of local people to engage in social action.

Which of the following changes are the most important in enabling more people to take action on issues that matter to them? (Please rank **up to three choices** in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 1 - Give citizens more opportunities to be part of the decision-making processes on local and national issues
- 2 - Empowering people or giving them permission so that they think that they do have a say and are able to take action

Are there any additional changes that would enable more people to take action on issues that matter to them?

At the most basic level, people need to have the resilience to be able to engage in social action and this requires looking beyond the work of charities specifically. Monitoring reports from charities funded by Lloyds Bank Foundation for England & Wales indicate that **welfare reform is having a significantly detrimental impact on the clients charities are supporting and it is largely attributed for driving up the volume and complexity of demand**. Over a 12 month period until November 2017, 77% of charities identified growing issues from the introduction of Universal Credit with 74% indicating that problems surrounding benefit sanctions have increased.¹⁸ Small and local charities describe growing destitution among their clients and growing numbers of people who are unable to get the support they need given the reduction in access to public services.

Welfare reform is also limiting people's ability to engage in volunteering. Job Seekers' Allowance requirements demand that people spend all of their time job hunting or at mandatory JSA workshops, even if they are not ready to return to the workplace and where volunteering would be an effective route back to work. This demonstrates the **need to look right across the government policy agenda, not just policy directly about how charities operate**, because each of these different policy areas can have a significant impact on the work of small and local charities, and the lives of the people they support.

Looking specifically at charities, much of the rhetoric around social action focuses on volunteering as a way of engaging more people. There is often an assumption that attracting more volunteers will help small and local charities to cope with rising demand and reducing funding. Yet this overlooks a number of factors:

- **Volunteering is not free.** It requires a considerable charity resource to coordinate, train and manage volunteers. Whether this is a local infrastructure organisation connecting people to opportunities or a charity coordinating and managing volunteers, there are resource implications that need to be recognised and funded accordingly.
- **Volunteers cannot carry out all roles**, especially where charities are supporting people with complex problems – in these situations, volunteers' roles must supplement frontline staff rather than replace them

¹⁸ Research for Lloyds Bank Foundation for England & Wales by nfpSynergy, 2017

- While there is a growing emphasis on the role of peer mentoring volunteer programmes, charities have to protect their clients in the first instance and make sure they are far enough into their recovery for the peer mentoring not to have a detrimental impact.

Sufficient funding needs to be allocated to supporting volunteering if this is to be promoted as a way to engage more people in social action.

Government can help to encourage more people to take social action by facilitating an environment that enables charities and those they support to raise their voices. Government has the ability to set the tone for this. It is widely accepted that the Lobbying Act has had a chilling effect on campaigning in the sector. Actively promoting an environment in which diverse voices are welcomed would go some way to encouraging more people to engage in social action.

Considering all the changes you discussed in this section, how could these be implemented now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Volunteering

Businesses also have a role to play in encouraging social action through meaningful volunteering, as will be discussed later in this submission.

Trusteeship is a core aspect of social action yet charities have reflected on the growing pressures placed on trustees, as more and more governance issues arise. This can lead to a reluctance to become a trustee at a time when many charities have a real need to both increase and diversify their Boards. This is accentuated by the Charity Commission being unable to provide guidance to support and nurture trustees. The recently published guidance for new trustees is welcomed, but that alone will not reassure trustees who are put off getting involved following scandals reported in the media and a hostile atmosphere for charities. For the Charity Commission to be able to fulfil this role, government must ensure it is fully-funded; and done so without placing yet more costs on charities themselves.

Media

The media also has a role here. Although the media scandals surrounding charities over recent years have focused on large charities, small and local charities feel that they have been tarnished by the same brush. The wide-reaching impact of these media campaigns should not be underestimated. Government should be more active in speaking up in support of charities, championing their vital role in society and acknowledging that the scandals highlighted in the media draw on the behaviour of a minority of people and organisations. Using media to promote their social good could have a significant impact on the reach and perception of charities amid the wider public. We have already seen that where media reporting highlights specific issues that charities are supporting, this media interest can be helpful. Refugee charities report increased support and volunteers as a result of the refugee crisis; a small positive on the back of a terrible crisis that is destroying too many lives.

Postcode lottery

More broadly, addressing key challenges in local government funding will be essential in avoiding a postcode lottery of engagement. The government's move away from wealth redistribution at a local level, to encourage local areas to generate their own income, risks some areas falling further behind both in terms of the services available and organisations' ability to nurture local social action.

Research into small and medium-sized social enterprises by Social Enterprise UK, funded by Lloyds Bank Foundation for England & Wales, highlighted the challenge of local areas generating their own income, with indications that:

*“running a business is becoming more difficult in deprived areas – ... smaller social enterprises operating in the most deprived areas are most likely to be reliant on grants and on public sector trading for their income. Put simply, **market-based solutions are more difficult in areas of market failure.**”¹⁹*

If small and local charities operating in more deprived areas are left behind because of a lack of wealth re-distribution across the country, this is likely to limit the ability of people in more deprived areas to engage in local social action. This again highlights the cross-cutting nature of policies that impact upon small and local charities’ ability to support individuals and communities and subsequently the **need for the new Civil Society Strategy to hold weight across government and different policy areas.**

Partnership

Working in partnership

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are partnerships across sectors improving outcomes or realising new potential?

Charities have long recognised the value that can come from effective partnership working but in many ways **partnership working has been destroyed by commissioning.** Where local charities used to work together effectively, commissioning processes have forced them to compete against each other. Given that effective partnership working is based on trust, it is very difficult for charities to rebuild these partnerships in an environment that is still pushing them to compete against each other.

Good partnerships are based on co-production values, such as a local CCG and Foundation-funded brain injury charity in the South Central area of England working together to look at what they could do together to meet their shared aims. While this is a good example, it is not common. Partnerships rely upon good relationships and a conscious effort on the part of the authority for meaningful engagement. Too often statutory agencies are not willing to engage in real co-production, which can be attributed to a ‘lock down’ because they know they do not have the funds to meet local needs.

The importance of local infrastructure

A strong local CVS can help to build the relationships needed for local partnerships, whether through consortia, coordinating meetings, producing fortnightly bulletins, providing training or feeding in the sector’s views to consultations. Newcastle CVS has been highlighted as one such effective infrastructure organisations which is pulling together evidence about the problems of commissioning in the area for the lead Councillor, a piece of work that brings organisations together around shared aims which is often the first step in better partnership working. However, the decimation of local infrastructure funding is leaving gaps in this area. The lack of CVS funding has forced some CVSs to close or to compete for service delivery contracts, against the charities they are there to support. This again links back to commissioning destroying partnership working. **Core funding needs to be made available to local infrastructure organisations** so they can fulfil this important role.

¹⁹ [Trading for Good: A report on small and medium-sized social enterprises](#), 2018, Social Enterprise UK

Different types of partnerships

Too often mergers are put forward as the centre piece of partnerships. Mergers bring with them their own challenges, not least the reduction in grant funding that can result – for example, one small charity in the North East is working closely with another with both of them independently securing money from foundations such as Lloyds Bank Foundation, but if they were to merge they could only access this funding once. Furthermore, merging can lead to their annual income surpassing the threshold to apply for many trusts' funding.

Mergers are only one form of partnership, and more information / support is needed about other forms of partnership working. Monitoring reports received by the Foundation indicate that small and local charities are engaged in a broad range of partnerships. For example, some include more coordination around referral pathways or the development of hub-based models such as the Exeter CoLab which brings a number of different services into one space where people can seamlessly move between services in a way that suits them. The coordinated approach to complex needs in Plymouth is often heralded as an effective new way of working that encourages small and local charities to work better together and with statutory agencies. There are a number of effective partnership approaches that are being tested and implemented across the country – but key to their success is that they are developed with regard to the individual local context.

Lloyds Bank Foundation for England & Wales is playing an integral role in another new partnership that brings together sector organisations and statutory agencies to tackle domestic abuse through the Drive Perpetrator Programme.²⁰ This initiative brings together Social Finance, Respect and SafeLives to lead the partnership, working closely with small and local charities in three pilot areas and local statutory services, with activity primarily paid for locally by Police and Crime Commissioners and local authorities. Lloyds Bank Foundation for England and Wales is investing £1m in the pilot, primarily to cover set up and innovation costs as well as a thorough evaluation by the University of Bristol.

Context and local relationships are everything

While there are important lessons to be learnt from these examples, perhaps the strongest word of warning from these initiatives is the inability to simply 'lift and shift' approaches to new areas: local context is key and time and resource needs to be dedicated to building trust and new ways of working. Such partnerships cannot be forced. Too often charities are forced towards partnerships by commissioners, despite the widely accepted evidence that partnerships work best where they are based on trust which again, takes time and resource to build. The importance of this resource cannot be overlooked, and is often most effectively achieved through partnership coordination by an independent organisation. The Esmée Fairbairn Foundation is funding Women's Resource Centre to provide this independent coordination for a women's consortium in the North East which has been critical for the consortium's development. Even with this support, it has taken 18 months for the consortium to be in a position to bid for funding together, which demonstrates the time needed to make these partnerships effective. A similar successful approach was found in the Education Business Partnership models in the North East, again where an independent organisation was able to coordinate better partnership working.

²⁰ [Drive Project: www.driveproject.org.uk](http://www.driveproject.org.uk)

Which of the following factors are the most important to enable more impactful partnership working across sectors? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 2 Making it easier to identify and access funding opportunities to support partnership working
- 1 A common agenda / shared vision and strategy

Are there any additional factors that would enable more impactful partnerships across sectors?

The key factors for enabling more impactful partnerships are:

- **Funding dedicated resource to drive coordination between partners.** This is particularly important in light of the capacity crunch facing small and local charities – where resources are already stretched, there is limited space to build and engage in partnerships. While the detail of this resourcing will vary by partnership, there is evidence that independent coordination can be a key driver of success for many. **Investing in local infrastructure** can help to facilitate this.
- **Recognising the time and money needed to establish and maintain partnerships.** Partnerships that bring stakeholders together around values have been found to be more successful, and this is a process that takes time. Commissioners need to bear this in mind when looking to encourage more partnership working.

Considering all of the factors you have discussed in this section, how could these be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Once again, reforming commissioning is a key step in improving partnership working, such as through:

- **Making more use of grants.** Mechanisms already exist within procurement legislation which allow for grant making, particularly for smaller pieces of work. A move away from competitive contracting would help to re-build an environment that is more conducive to partnership working.
- **Where partnership working is encouraged, allow the time and the resource for them to be developed.** Investing in local infrastructure would help to ensure the structures and support are available to drive forward partnership working.
- **Where partnerships are funded, ensure that commissioners meet with all members** as a way of ensuring that the partnership is working effectively, rather than only engaging with the lead partner which can give a false sense of security about the relationships and effectiveness of the collaboration.

The funding and financing environment

Reflecting on your own experience, or examples you are aware of in the UK or abroad, what does an effective pool of funding and financing as well as income opportunities for the voluntary and community sector look like?

Core, long-term funding

Small and local charities need core, long term funding in order to survive. Monitoring reports collected by the Foundation show this almost ubiquitous response from charities when asked what support is needed to help them address the challenges they face. The short term, project-focused funding that is more often provided places charities in a precarious position, not only because their full costs aren't met but also because it fails to give them space or opportunity to plan for the future. Short term funding leads to uncertainty around the future of services and job insecurity for staff. Small and local charities rely on skilled, dedicated staff who are under growing pressure as demand for services rise and they are faced with ever more complex cases. It risks forcing these staff to look elsewhere for employment so that they can have some security of their ability to pay their bills.

Funders, whether independent or statutory need to be encouraged to provide more core, long term funding.

Grant funding

Grants are an essential part of an effective funding pool. As the **Grants for Good** campaign highlights, grants bring a wide range of benefits:

- **Adapting to Change:** Grants give organisations freedom to respond to changing priorities, conditions and beneficiary needs. They reduce the risk of tying organisations down into services that aren't working, and can allow organisations to redeploy resources where they are most needed.
- **Investing Locally:** Because grants can be targeted at local organisations, investment can be kept within the local economy. Grants can also help bring in other resources to support services and add value, for example volunteer time, or donations from companies or the public.
- **Supporting Community:** Grants are especially good for small organisations which succeed by drawing on resources in the community to deliver their project. By engaging the understanding and skills of the area's people, the needs and capacity of the community are more likely to be met and sustained.
- **Empowering People:** Where a contract imposes an already-made scheme on the people who need help, a grant puts trust in individuals – professionals, volunteers and service users – to respond to local realities with people-centred ideas and ways of working that fit people's lives.
- **Sustaining Services:** Rather than reinventing the wheel with disruptive tendering exercises, grant funding can sustain vital services which are known to be effective. This stability provides important continuity for service users, and enhances the capacity of voluntary and community organisations under pressure from increasing demand.
- **Saving Time, Effort and Resources:** Grants are more cost effective, less complex, and faster to implement than other forms of commissioning. They avoid the bureaucracy of EU tendering requirements, saving overhead costs. This benefits commissioners, deliverers and ultimately service users.
- **Nurturing Innovation:** Whereas contracts dictate how a service is to be delivered and are increasingly awarded on a payment by results basis, grants are flexible and give charities the space to explore new ideas to find the best solutions for their beneficiaries and, importantly, without fear of losing income.

Income diversification

An effective pool of funding is also a diverse pool of funding: diverse both in terms of individual charities not being reliant on one source of income and diverse in that different charities will secure income in different ways. Charities funded by the Foundation are seeking to diversify their income in a number of ways such as:

- Using their skills to provide paid-for training or consultancy in businesses or for private clients such as private counselling, or helping businesses how to understand and work with people facing different challenges
- Developing a social letting agency to both help provide accommodation for clients and as an additional source of income
- Building relationships with corporates to benefit from the growing waste agenda, with businesses providing goods-in-kind that the charity can use and sometimes paying the charity to take those goods away
- Providing cooking and cleaning services as a means for employment for clients.

Yet for many charities, such income diversification is an aspiration that they do not have the resources to make a reality.

A diverse funding pool brings in a diverse range of funders yet this does not remove the need for statutory funding for small and local charities. Most of the charities supported by the Foundation also receive some form of funding from statutory sources which underpins their core work. This funding has a multiplier effect, helping to bring in other sources and enabling additional wrap-around services to be developed. Where government funding to small and local charities withdraws (most frequently because government has pursued large generic contracting for local services) this can decimate the additional funding that was brought into the area. For example, a domestic abuse charity in the South West funded by the Foundation returned its grant after losing out in the statutory commissioning process when the council introduced large contracts for all domestic abuse services rather than funding local provision. By losing the contract, the service could no longer run – the funding from the Foundation would have provided add-on support to the contract but instead this was lost for the area. **Independent funders cannot step in and simply replace statutory funding.**

What is abundantly clear is the need for a diverse approach, recognising not only that different charities have different strengths and needs but also that pushing all charities into the same type of income generation will only saturate the market. For example, a domestic abuse charity in the East Midlands is anticipating problems with continuing to grow their retail income because more and more charities are moving into this space. Similarly, small and local charities are vocal about the **irrelevance of social investment** for their work. The complexity and focus on payment by results is not normally suitable for the scale or types of complex cases that small and local charities tackling complex social problems address. There is a strong feeling that **the money government has invested in continuing to try and push social investment could have been much more effectively spent if it focused on strategically supporting the sustainability of the sector more broadly**, with a more diverse approach to funding.

Costs of fundraising

It needs to be recognised that exploring new income streams comes at a cost. For most small and local charities funding is an additional part of the chief executive's or support worker's role, often done outside of work hours. While some training is available to help small charities think about income diversification, such as that run by Middlesbrough CVS, too often charities lack the resources to implement new ideas and approaches. This is in part because of the challenge of securing core,

long term funding. An effective pool of funding **needs to see more funders prepared to pay for fundraising**, again strengthening the call for more **core funding**, and more support from funders to build the skills and capacity of small and local charities to fundraise.

In-kind support

Lloyds Bank Foundation for England & Wales' Enhance programme²¹ offers non-financial support to charities already receiving funding. Through this programme the Foundation is able to provide consultancy support to help charities to develop a fundraising strategy and to think through how they could start to generate new income streams. This programme is driven by the needs of the charity, rather than being imposed by the funder and has seen high proportion of charities request support with fundraising. It would be **helpful if more funders offered such fundraising support to small and local charities** alongside core funding.

Coordination of funders

Funders themselves would better support charities if they themselves were more coordinated, contributing to the overall running of charities rather than forcing charities to shoe horn work into specific projects to fit with funders' priorities. Similarly, reporting needs to be simplified so that it complements charities' work as opposed to being an administrative burden.

Where is there the potential for changes to the funding and financing environment to better support the work of the voluntary and community sector, for example increasing the use of new models of funding, use of technology and/or changes to current funding practice?

Commissioning

The biggest potential for change which would have a significant impact on small and local charities would be to reform commissioning at both a central and local government level. The challenges brought by current commissioning practices are well known, not least as evidenced in Commissioning in Crisis.²² Poor commissioning practice is widespread and presents one of the biggest threats to small and local charities. In 2015, research among 800 small and local charities showed that half of those bidding for contracts found the experience 'difficult' or 'impossible'.²³ More recently, research among 629 small and local charities showed that 61% had seen the size and complexity of contracting get worse still over the previous 12 months.²⁴ **It is critical that reforming commissioning becomes a priority** and includes:

- Commissioners at a local level:
 - **Increase their understanding** through a more collaborative approach to commissioning, engaging in meaningful consultation, working with experts and learning from past and present contracts to co-produce services
 - **Take a proportionate approach** to all stages of commissioning, both in terms of what they ask of services, how they are funded and how agreements are made, and in particular making more use of simpler, grant funding arrangements
 - **Place more emphasis on the social and long term value** that can be achieved through commissioning.

²¹ Enhance programme: www.lloydsbankfoundation.org.uk/our-programmes/enhance

²² [Commissioning in Crisis: How current contracting and procurement processes threaten the survival of small charities](#), 2016, Lloyds Bank Foundation for England & Wales

²³ [Expert Yet Undervalued and on the Frontline: The views and voices of small and medium-sized charities](#), 2015, Lloyds Bank Foundation for England & Wales

²⁴ Research for Lloyds Bank Foundation for England & Wales by nfpSynergy, 2017

- At a central government level, **a framework is needed to guide, support, empower and challenge commissioners** to take decisions locally in a way that does not shut out local expertise and existing services through:
 - **Challenging poor commissioning practice**, encouraging good practice and holding commissioners to account
 - **Introducing a measureable target for commissioners to work with small and local charities**
 - **Strengthen the Public Services (Social Value) Act** so it can fulfil its potential to increase social good
 - **Ensure a clear, fair and stable funding agreement is available for local government.**

The **Public Services (Social Value) Act** should provide the means for more effective commissioning processes and decision making but to date it has failed to fulfil its potential. Key changes that could help to strengthen the role of social value include:

- **Extending the Act to all public spending, and also to decision making**
- **Requiring commissioners to ‘account for’, not just ‘consider’ social value**
- **Ensuring social value is included in devolution deals**
- **Central government producing clearer statutory guidance**
- **A biennial State of Social Value Audit conducted independently but with support of the government.**²⁵

Placing more emphasis on social value helps to make the best long term use of government funding and moves away from decision-making grounded in lowest unit cost. We know that this can be done within existing procurement rules – an example from Wales saw decisions being made on a 90% quality and 10% cost basis. It also helps to address the ‘scale fail’ that has been highlighted by Locality’s work.²⁶ Social value is a key aspect of Locality’s recently launched *Keep it Local Network*²⁷ in partnership with Lloyds Bank Foundation for England & Wales. This campaign is aimed at turning the tide on large scale outsourcing to instead *Keep it Local* by:

- **Starting with the place and the person** - rather than commissioning individual services in isolation, seeking to co-ordinate services at the neighbourhood level and utilise the full range of local assets to support the ‘whole person’
- **Maximising local social value** - using social value legislation ambitiously and effectively to ensure commissioning maximises the additional long-term social value that community organisations generate for the local area.
- **Building community capacity** - proactively supporting the development of a thriving network of innovative and sustainable small local providers, who work collaboratively and have the capacity to deliver high-quality services.
- **Simplifying processes and creating a level playing field** - moving away from large contracts and bureaucratic commissioning processes, which prioritise short-term cost and drive competition that favours larger organisations with greater resources. Instead, funding in simple and proportionate ways that enable community organisations to participate fully in

²⁵ [Our Money, Our Future](#), 2017, Social Enterprise UK

²⁶ [Saving Money by Doing the Right Thing: Why ‘local by default’ must replace ‘diseconomies of scale’](#), 2014, Locality

²⁷ [Keep it Local Network: www.locality.org.uk/policy-campaigns/keep-it-local/join-the-keep-it-local-network](http://www.locality.org.uk/policy-campaigns/keep-it-local/join-the-keep-it-local-network)

commissioning and work together to achieve long-term value.

- **Involving local people through co-design** - working in partnership with local community organisations and service users throughout commissioning, using co-design to ensure that the experience of the user and the expertise of the professional combine to create the most effective services possible

Corporate funding

Many of the charities funded by the Foundation reference a desire to access more funding from corporate donors, but they face many challenges in doing so. While there are examples of small and local charities securing goods and funding from large corporates (such as a local charity in South Wales which receives funding and goods from John Lewis nationally and IKEA in Birmingham and Cardiff), many small and local charities struggle to engage businesses. Work to encourage more corporate giving is discussed more fully under the responsible business section.

Digital

Charities recognise that the development of digital technology may offer many opportunities both in terms of fundraising and service delivery. However, many face access problems, whether that is lacking the skills or resources for example – particularly in more rural areas where opportunities to go online are more limited and low internet speeds make it difficult to use some technologies. Small and local charities need more training on how to use digital together with updates which reflect the speed of change. Some training has been made available, such as through Google, but these are felt to have been pitched at too high a level, assuming too many skills from the outset which make it more difficult to engage. There is a role for government to help build more connections between the technology and charity sectors to harness the innovation and development in digital technology so that it helps to tackle some of the most entrenched social issues, working with small and local charities to bring together the different areas of expertise rather than the different sectors acting in competition.

The drive to shift everything to the digital sphere is most problematic for charities in terms of service delivery, primarily because it typically further excludes those people who are already facing the most disadvantage. For some small charities it can prompt questions about their long term sustainability which is particularly problematic given the ongoing need for human interaction and support when tackling complex social problems.

Which of the following factors are the most important in strengthening the funding and financing environment in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 2 More skills training for civil society
- 3 Stronger collaboration between funders
- 1 Improved funding practices by funders

Are there any additional changes that would improve the funding and financing environment for the voluntary and community sector?

Approaches to decision-making

Improving the funding environment needs funders to look at their processes. Experience of grant making at Lloyds Bank Foundation for England & Wales demonstrates the importance of

relationships. Research conducted by nfpSynergy into perceptions of the Foundation by grant applicants (both successful and unsuccessful) identified the value that is drawn from having a dedicated regional grant manager to meet and discuss ideas and procedures with, making a real difference to the application process. For the Foundation, benefits include a much deeper understanding of the charity, stronger relationships built on trust and better use of time by making sure those that are invited to make a full application have the best chance of success. A more relationship-based approach facilitates the best of grant making, taking close care and attention with due diligence but also recognising the charity as the expert in their work and providing the tools to help them flourish.

Each funder, whether independent or statutory is of course required to carry out due diligence. While each funder may ask for this information in a different way, there are commonalities in the information required. Given the capacity crunch facing the sector, funders could take small steps to make application processes more simple by asking for due diligence to be shared in similar ways or sharing more information between funders about the due diligence already undertaken.

Strategic use of funds

While it is acknowledged that the Civil Society Strategy is not about investing new funds into the sector, it should look at how government makes the best use of funds that are available. For example, government should seek to ensure the strategic use of funds, such as Dormant Assets, to support the long-term sustainability of the sector. Funding system reform should look at building long term sustainability, reducing long term costs, complexity and bureaucracy, with greater use of grants to enable flexibility and innovation. In doing so, government should ensure that funding is able to reach the areas that need it most. The Shared Prosperity Fund provides an opportunity for government to demonstrate how funding can be used strategically to achieve shared objectives but doing so will need ongoing engagement with the sector to help shape how the Fund can be developed and implemented.

Building the capacity of the sector

Charities funded by the Foundation describe the significant value that they receive from additional support when already receiving a grant and reference at length the importance of Enhance support²⁸ from Lloyds Bank Foundation for England & Wales. This is additional non-financial support such as consultancy around governance, marketing or fundraising. The focus is on building the strength of the charity for the long term, as opposed to providing additional capacity for a time limited period. The critical factor of this support's success is that it is received alongside core grant funding rather than in lieu of funding that allows the charity to continue running its services. Where it is done well, charities believe that this support is worth more than its monetary value because of the long term benefits that come from the support. It is felt that Enhance is particularly effective because it is not compulsory, is led by the charity and evolves out of a trusting relationship with a grant manager. The funding environment could be further supported by more funders taking on such a capacity building role.

Local infrastructure also plays an important role in building the sector's capacity. That is, where the CVS is not being forced to compete with local charities for funding but can instead concentrate on alerting charities to funding opportunities, providing training and opportunities to network and build partnerships. **Strategic use of government funds needs to explore how local infrastructure can be better supported.**

²⁸ Enhance programme: www.lloydsbankfoundation.org.uk/our-programmes/enhance

Considering all the changes you discussed in this section, how could these changes be implemented now and/or in the future? You may want to think about the role of different parties, for example central and local government, independent funders, charities, businesses, yourself / your organisation and others.

Dormant assets offer real potential to support the long term sustainability of the sector, whether specifically supporting the sector to build its capacity and capabilities or endowing local community foundations so that they can continue to support the strengthening of the sector. **Government should engage with the sector to establish how such funds may be best distributed to achieve long term, strategic value.** This should include more engagement with locally embedded knowledge, such as local infrastructure or funders – organisations which understand the local context, are well placed to support small and local charities and have a wealth of experience in distributing funds effectively.

New investment models

Where is there the greatest potential for the future development of investment models for civil society?

For new investment models to be effective for small and local charities, they **need to be simple and allow the flexibility required for them to respond to local needs.** To date, the focus on social impact bonds has been unhelpful for small and local charities tackling complex social problems. The system is too complex for organisations that do not have specific fundraising or investment departments. More importantly, the focus on payment by results is unhelpful where individuals' progress is not linear and where charities are supporting people facing the most complex problems. For example, a charity that is funded to support people to progress towards an employment may be working with someone with complex mental health problems. For them, progress to make eye contact or even to get on a bus may be a significant outcome that is meaningful progression towards employment but it would not necessarily be enough to receive funding through a payments by results model which tend to be too restrictive to allow for varying outcomes depending on the level of support needed. **Investment models should not encourage charities to only work with the easiest cases – it is the most complex cases that are typically in most need of support.**

As outlined elsewhere in this response, grants offer many benefits for supporting charities and **grants have proven over many years to be an effective means of investing in small and local charities.** There is a wealth of experience among independent funders about how to do good grant making, not least in following the Grants for Good Principles of Good Grant Making:²⁹

- **Consultation:** Speaking to charities, funders and other relevant stakeholders leads to better understanding of the market, need and gaps.
- **Objectives:** Setting clear objectives enables audiences to be targeted and relevant outcomes to be decided.
- **Criteria:** Clear criteria should produce a better pool of applicants and avoid wasted time with ineligible applications. Clarity over who can apply (including organisation size, location, track record), as well as any exclusions, aids transparency and should sit alongside clear

²⁹ [Principles of Good Grant Making](#), 2016, Grants for Good Campaign

communications and guidance.

- **Communication:** All communications need to be clear and targeted effectively so as to reach relevant audiences and support understanding. Make all application information available online and avoid complicated jargon.
- **Proportionality:** All applications and reporting should be proportionate to the grant requested/awarded – information should only be asked for where it will be used.
- **Resources:** The level of resources available to the grant maker needs to be considered. This will inform the grant process, such as the level of applications that can be dealt with, the opportunity for questions, feedback and frequency of payments. Experts should be brought in to support assessments where the skills/in depth subject knowledge are not available in-house.
- **Timescales:** All timescales need to be realistic both for the grant maker and the applicant. Appropriate time for planning, lead-in, application and spending the grant will all impact on the success of the grant programme.
- **Flexibility:** Effective grant processes respond to need so have to be flexible to adapt to this.
- **Monitoring and Evaluation:** Monitoring and evaluation need to be built in from the start. It needs to be recognised that failure can happen but that doesn't mean a grant has been wasted. Where monitoring goes beyond a financial audit, there should be opportunities to use the information and share learning.
- **Payments:** Payments should be made up-front (not in arrears). This helps the organisation's viability and ability to deliver (especially smaller ones). Ensure payment systems will not prevent some charities from applying.

Government should engage with independent funders to learn from their experience of investing in small and local charities.

Are there any additional factors that could enable new investment models to grow in the future?

As mentioned previously, there will never be one approach that revolutionises funding to the sector – **the answer lies in a funding mix whereby different charities have the opportunity and capacity to pursue different funding approaches.** Furthermore, new investment models shouldn't be pursued at the expense of funding models which have been proven to work. Grants have been used effectively for many years to support the sector. **A renewed emphasis on the importance of grant funding within government would be a positive and effective step to better support the sector.** As mentioned previously grants offer a number of benefits:

- **Adapting to Change:** Grants give organisations freedom to respond to changing priorities, conditions and beneficiary needs. They reduce the risk of tying organisations down into services that aren't working, and can allow organisations to redeploy resources where they are most needed.
- **Investing Locally:** Because grants can be targeted at local organisations, investment can be kept within the local economy. Grants can also help bring in other resources to support

services and add value, for example volunteer time, or donations from companies or the public.

- **Supporting Community:** Grants are especially good for small organisations which succeed by drawing on resources in the community to deliver their project. By engaging the understanding and skills of the area's people, the needs and capacity of the community are more likely to be met and sustained.
- **Empowering People:** Where a contract imposes an already-made scheme on the people who need help, a grant puts trust in individuals – professionals, volunteers and service users – to respond to local realities with people-centred ideas and ways of working that fit people's lives.
- **Sustaining Services:** Rather than reinventing the wheel with disruptive tendering exercises, grant funding can sustain vital services which are known to be effective. This stability provides important continuity for service users, and enhances the capacity of voluntary and community organisations under pressure from increasing demand.
- **Saving Time, Effort and Resources:** Grants are more cost effective, less complex, and faster to implement than other forms of commissioning. They avoid the bureaucracy of EU tendering requirements, saving overhead costs. This benefits commissioners, deliverers and ultimately service users.
- **Nurturing Innovation:** Whereas contracts dictate how a service is to be delivered and are increasingly awarded on a payment by results basis, grants are flexible and give charities the space to explore new ideas to find the best solutions for their beneficiaries and, importantly, without fear of losing income.³⁰

Considering all the factors you discussed in this section, how could these factors be addressed now and in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Government has already invested significant funds in trying to promote social investment, with a number of organisations also trying to promote and embed the approach. **We strongly encourage government not to commit further funds to promoting social investment but instead to work with the sector to develop more strategic use of funds.**

Responsible business

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are businesses unlocking new partnerships and potential within civil society? Please tell us how this is different to other types of organisations.

Through Lloyds Bank Foundation for England & Wales' work with Lloyds Banking Group and the experiences of grant holders, there are many examples of how businesses are effectively supporting civil society, both to better support small and local charities but also to help tackle key social problems.

³⁰ Grants for Good: www.dsc.org.uk/grantsforgood

The role of corporate foundations

Lloyds Bank Foundation for England & Wales in itself is an example of how a corporate can effectively support small and local charities, providing funding to an independent foundation which has the resources and experience to work with charities which are lifelines in communities. The knowledge gained through grant holders can then be funnelled through the Foundation to directly influence the bank's activities, and through the bank, the finance industry more widely. An example of this is Lloyds Banking Group's work with the Foundation and its grant holders to improve its response to domestic abuse for colleagues and customers. Using the expertise gained from specialist domestic abuse services, the bank is looking at how it can raise awareness of domestic abuse amongst its staff and ensure that policies and procedures ensure people affected by domestic abuse get the support they need. Following this, the Foundation has been invited to sit on the Expert Panel informing UK Finance's forthcoming Code on Financial Abuse, enabling the knowledge and expertise of small and local charities to influence the wider banking sector.

Skilled volunteering

The Foundation's relationship with Lloyds Banking Group has also enabled additional support to be provided to small and local charities by **leveraging the expertise of staff at the bank to become Charity Mentors**. This is an example of **meaningful, skills-based volunteering** that brings benefits to both the charity and company. To date, more than 430 Lloyds Banking Group employees have been matched with charities funded by the Foundation. The success of this scheme is **dependent on dedicated personnel to coordinate the skills-matching** between mentor and mentee and continuing to hone the process, recognising that not all relationships will grow.

Lloyds Banking Group has further explored new ways to support small and local charities with the Foundation through the Re-Connect programme that is being piloted in the Midlands. This programme links grant holders whose service users are seeking employment to local bank branches which offer workshops and coaching to help them on their way to employment. It includes attendance at an employability skills workshop together with a two week part-time unpaid work experience placement where individuals can gain experience alongside interview practice and CV reviews. This programme sees members of staff from a large corporate use their skills to directly support local charities and the people who are being supported by the charity. There is a need for more businesses to offer employment support and opportunities for charities' clients – not only does it help to achieve corporate social responsibility commitments but it can help to build the workforce needed for their business.

In-kind support

Charities funded by the Foundation provide further examples of how businesses can support small and local charities. For example, a Housing Association in North East allows staff to go into frontline organisations for one week per year. For one charity this had enabled them to get a house decorated for free which otherwise would have been a costly expense. In response to the housing and homelessness problem in Manchester some small and local charities have also developed relationships with Housing Associations in an attempt to address the challenges. For example, a refugee charity is renting out a property from a local Housing Association which they in turn can let out to three or four single adult refugees, with housing benefit covering the rent. Similarly, a drug charity in the North East has set up a partnership with a Housing Association involving a service level agreement which sees the housing association keep 20% of properties available for the charity's clients. This helps to ensure people accessing the charity's services can have suitable

accommodation while the housing association is able to secure more reliable tenants because they know the tenants are receiving additional support through the charity. Again, the housing is paid for through housing benefit. Across both these schemes, there is a major threat due to the proposed changes to supported housing payments. Charities frequently cite the problems of accessing housing which prevents people from moving on. If schemes such as this cannot continue because supported housing benefit will no longer follow individuals, the housing crisis will only continue to worsen.

A number of charities are benefiting from the growing 'waste' agenda – i.e. where businesses are increasingly trying to reduce their waste. For example, for one charity this has led to donations of food for a People's Fridge and resources to start cooking classes for clients. These are win-win relationships as the business is able to off-load excess products and the charity is able to use the unwanted resources to support their work. Exploring other agendas where charities can 'help' businesses in this way could help to un-tap further resources from business.

Connect small and local charities to businesses

These examples demonstrate that opportunities can be available with businesses: the difficulty comes in finding them. **Small and local charities need support to build links with businesses** and to identify which businesses may be willing and able to help. Larger businesses could play a useful role if they were to help charities reach other businesses by facilitating networking / marketing with their own supply chains and business customers. The benefits of such connections are not one directional either. Charities can offer many benefits to businesses, whether through staff development from volunteering or services such as training for staff or counselling. There are currently limited opportunities for building these connections which needs to be addressed, particularly given the challenges previously mentioned where small and local charities do not have the resources to be able to go out and find opportunities from scratch.

Which of the following factors are the most important in enabling more businesses to have a social purpose or positively increase their social impact in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 1 Improved data on the "business case" for social purpose
- 2 Advice or tools to help businesses adopt, show and set value on social purpose
- 3 Increasing demand for products, services, businesses that have a social purpose or a positive social impact

Are there any additional factors that could enable more businesses to have a social purpose in the future?

Volunteering

Businesses should have a key role in facilitating volunteering. Volunteering offers opportunities for both businesses and charities, as is evidenced by the Charity Mentoring Scheme between Lloyds Banking Group staff and charities receiving grants from Lloyds Bank Foundation for England & Wales. For businesses it can support staff development and provide opportunities to better understand clients as just two examples. For charities it is an opportunity to access new skills and capacity as well as helping to raise the charity's profile in the business which could lead to other opportunities. It is particularly important now as charities report a reducing pool of volunteers to draw on.

Volunteering by professionals could be encouraged by **making volunteering part of professional development pathways**, such as for accountants, clinicians and lawyers. There are growing examples of this within some specialisms such as counselling where students have to complete a number of volunteering hours to gain their qualification. While there are inevitable challenges around potential exploitation and misaligned incentives for volunteering, it can also bring many advantages for both parties, particularly at a time when demand for services is rising in both complexity and numbers. Furthermore, it provides the student with a far better understanding of the role of local charities that they will carry with them in their career, potentially facilitating greater collaboration and making the most of potential opportunities in the future. **The critical factor here is that they are skilled volunteers.**

Links with businesses could be facilitated by introducing a policy which makes businesses **allow employees to take time off for volunteering**, as is already in place for magistrates. Ensuring employees can take up to three days off per year as paid time off that does not affect their holiday entitlement would further help to enable more people to volunteer. However, this needs to be *meaningful, skills-based* volunteering. Too often charities are expected to provide team building days at no / low cost as 'volunteering'. To counteract this, the policy could be introduced specifying that the **three days off are to be used for Trustee duties**. Not only would this help to encourage trusteeship but it could also help increase the diversity of skills on trustee boards, thus helping to improve governance. Charities reference the challenge some of their trustees face in carrying out their duties as a trustee because of paid work commitments and the value that would come from them being able to take paid leave without it affecting their annual holiday allowance. This policy could also be applied to statutory agencies.

Secondments

Charities reference the value of secondments from business and the public sector, not only for the additional resources but for the understanding and improved relationships that result. Examples were provided of both local authority staff and staff from John Lewis (through the John Lewis Partnership Trust) spending time (even part-time while part-time remaining in their old role), with much enthusiasm among charities for the benefits of these schemes. Sadly, none of the charities were aware of such secondments taking place since 2011. Government could seek to rekindle these secondments by providing incentives for businesses who allow employees to go on secondment to charities, such as providing tax breaks to offset some of the costs.

Promoting the links between charities and businesses

To help encourage more businesses to work with charities, work is needed to promote the benefits of giving money, in-kind support and facilitating volunteering. As an industry, solicitors are typically referred to as operating a good model whereby they often provide pro-bono support to charities but such an integrated approach to career development is not typically reflected in other industries. There are many benefits for companies of supporting charities, whether it is tax breaks for giving or the opportunities brought to employees from volunteering such as acquiring new skills, taking on greater responsibilities and gaining a deeper understanding of customers, particularly if employees become trustees of charities.

It would be helpful if Government could provide a fact sheet that helps to promote the benefits of such relationships to both sides, together with details of existing incentives. Small charities raised concerns that businesses often do not know about what may be tax-deductible when supporting charities and this can create barriers to engagement. It would be helpful if there was a resource businesses and charities could draw on which explains these incentives, together with identifying the wider benefits to the company and charity.

Local authorities also have an important role in connecting the business and charity communities. In the North East, one charity's trustee recruitment campaign was successful in part because of a helpful connection through the local authority. In this example the local authority was able to connect the charity into a local business network to help promote their trustee opportunities. Local authorities could play an important role in helping to facilitate such connections between sectors. Again, local infrastructure could also help to develop these links which **further emphasises the growing need to re-invest in local infrastructure.**

Considering all the factors you have discussed in this section, how could these factors be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Any work to promote businesses support to small and local charities needs to address the issue of awareness and connectivity. **Awareness of small and local charities beyond those who need support remains low** and it is difficult for these charities to build connections with both local and national businesses. **Encouraging those who have connections to local businesses to connect businesses to small and local charities would help to overcome this**, such as the example provided earlier of a local authority providing contact to a business network to help the charity find new trustees, and investing in local infrastructure.

Place

Devolution/localism

Reflecting on your own experience or examples in the UK or abroad, how have local people, businesses, voluntary and community organisations, and decision makers worked together successfully to break down barriers in our communities and build a common sense of shared identity, belonging and purpose?

Devolution should be a good opportunity for local involvement but experience to date in Manchester is that it is fraught with challenges. There has been a considerable amount of confusion and a lack of clarity about how local organisations will be involved. There is a particular danger that combined city regions will result in the rolling up of services into much bigger contracts which work against the small and local charities that are embedded in communities across the combined authority. Structures need to be developed which ensure devolution does not mean that small and local charities are shut out of decision making and service delivery. Proposed devolution areas' involvement of small and local charities should be a key consideration when selecting new areas for devolution deals. A charity reference group has been developed in Greater Manchester but this has been driven by the sector which has had to work hard to be included in discussions. Devolved areas' work with small and local charities should be integral to the city region's approach.

As mentioned previously, Plymouth's work towards developing a more coordinated response to people with complex needs is another example of how local areas can bring people together to improve services and coordination. Central to this has been a **shared vision of what can be achieved together** to better support people.

What are the most important changes that need to be made to enable more people to work together locally to break down barriers and build a common sense of shared identity, belonging and purpose in general? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 1 Communities having more or better support on how to mobilise themselves and take action
- 2 Institutions and organisations delivering public services involving communities in decision-making

Are there any additional changes that would enable more people working together to break down barriers in our communities and build a common sense of shared identity, belonging and purpose?

Lloyds Bank Foundation for England & Wales are working with Locality on ***Keep it Local***, an approach to turn the tide on large-scale outsourcing and to build new relationships locally for services that transform lives. As part of this, the *Keep it Local Network* was launched on 10th May 2018. It's a network for councillors, commissioners, community organisations, policy experts, procurement officers, consultants and others to come together to explore how services can be co-designed locally to achieve shared objectives and ensure funding is re-invested locally. The approach seeks to unlock the power of community, so that commissioning can create better, more responsive services that reduce long-term costs and invest in the local economy. **Promoting this approach across the country to encourage local areas to sign up to *Keep it Local* will be an important step in enabling local areas to identify local issues and work more effectively to address them.** The five steps to *Keep it Local* that this initiative is based on are included earlier in this response.³¹ It once again highlights how **reforming commissioning, with this improved approach that puts purpose before process, has the potential to have a radical impact on charities and individuals across the country.**

Considering all the changes you discussed in this section, how could these changes be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Reforming commissioning needs to be a priority. By looking at funding reform which builds long term sustainability, reduces long term costs, complexity and bureaucracy, with greater use of grants to enable flexibility and innovation, government can help to harness an environment that breeds collaboration and partnership. Small and local charities are central to bringing communities together, acting as the glue to bind service users to government and other agencies around shared objectives. These charities need to be enabled to play a much greater role in communities by ensuring they can access the funding needed, with their knowledge and experience used to drive decision making. There are a number of examples of new approaches that embrace these principles that are being developed in local areas. Lloyds Bank Foundation for England & Wales is exploring working with Locality in Bradford and Bristol to help the local authority adopt the *Keep it Local*

³¹ [Keep it Local: For services that transform lives](#), 2018, Locality & Lloyds Bank Foundation for England & Wales

approach, and Capacity: The Public Services Lab in the Wirral to support the local authority to work more collaboratively with small and local charities. Mechanisms are already available in place to enable commissioners and procurement teams to work in different ways,³² but steps need to be taken to encourage commissioners to prioritise purpose over process, starting with the need and using processes that are most effective to meet that need rather than using the same processes to procure everything from pencils to adult social care.

As mentioned elsewhere in this submission, **local forums and strategic reference groups that bring together small and local charities with the statutory sector can also help different sectors to work together in pursuit of shared ambitions.**

Public services

Reflecting on your own experience or examples you are aware of in the UK or abroad, how have local public services successfully responded to the needs of communities?

Small and local charities help to deliver both public services and additional wrap around services that complement statutory services. These small and local charities are flexible in their approach and are able to innovate quickly in response to changing needs. While access to statutory provision is severely restricted, small and local charities provide additional support, drawing on resources beyond any contract from the local authority. In this way, by supporting local charities to deliver public services, **individuals are able to benefit from more comprehensive services thanks to the additional resources that small and local charities leverage in beyond statutory funding.**

This work is only possible if charities can access the funding required to deliver the public services – in many cases statutory funding underpins the additional resources small and local charities leverage. In the North East we have seen examples of statutory funders withdrawing their funding because they feel the charity in question is successful enough at acquiring funding from other sources. This is problematic for a number of reasons, not least the threat it brings to specialist services when the independent funding runs out. Furthermore, by withdrawing the funding for the core public service activity, the charity is less able to provide the additional wrap around services which are so important to effectively tackling problems. **Independent funders' resources are directed to non-statutory services because this is where they can bring the added value. They cannot be relied upon to fund services that should be funded by government.**

What are the most important changes needed to enable local public services to respond further to the needs of communities? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

- 3 Service providers delivering more public services that have been designed and produced with their users
- 1 Changes to commissioning practices
- 2 Greater understanding of how to demonstrate and measure social value*

³² [The Art of the Possible in Public Procurement](#), 2016, Bates, Wells & Braithwaite

Are there any additional changes that would enable local public services to respond further to the needs of communities?

Charities need to access funding to be able to deliver these services. Charities are seeing referrals from statutory services grow exponentially, especially from community mental health services. Yet there is no funding following these referrals. Charities are having to pick up the pieces where statutory services fail, but they cannot provide these essential services on thin air. There are countless examples of contracts offered at below-market rates, which put small and local charities in a difficult position – do they accept the money even though they know it is not enough or do they lose funding for the service completely?

“We did not propose a costly service, indeed, we offered great value for money, as well as a safety net of already existing services and funding streams. However, the weight towards value for money was 30% - even where we scored highly on all the other categories, we could not have won. We were not prepared to offer a poor quality service.” [small and local charity]

The collapse of Carillon in early 2018 shone a spotlight on the dangers of offering contracts at below market rate. Indeed within the charity sector we have already seen the collapse of Lifeline Project and 4Children due to the chasing of contracts offered at below market rates. In 2016 Charity Finance Group found that *“charities are struggling to generate income from public service agreements and contracts, with many large charities making significant losses on contracts”*.³³ The following year research by NPC found that two thirds of charities are having to subsidise contracts to survive.³⁴ There is plenty of evidence to show that current systems are not sustainable. Given that small and local charities are supporting people facing some of the toughest problems, the implications of their collapse if funding systems do not reform cannot be underestimated.

Grant funding

Evidence from charities funded by Lloyds Bank Foundation for England & Wales shows that needs are changing – primarily because they are becoming more complex, particularly as thresholds to access support elsewhere are rising. This is reaching extreme levels:

“We often refer back to statutory services were the suicide risk is high. Unfortunately these women are often not deemed high risk enough to access statutory support and therefore are ‘bounced back’ to [our charity]”
[small and local charity in the North West]

As a result charities are having to adapt their services so that they can continue to support clients effectively. A significant proportion of small and local charities tackling complex social problems that are not mental health specialists are developing new ways to support people with complex mental health problems in addition to their existing specialisms, with a need for new approaches to risk assessments in order to carry out this work safely. **Being able to adapt to changing needs in this way is dependent upon flexible funding that does not dictate what and how services need to be delivered.** Small and local charities would be better supported to adapt to do this if commissioners made more use of grant funding. Unlike strict contractual arrangements which see commissioners determine what services will be delivered and how, grant funding can be directed at meeting needs

³³ [Charities Struggling to Recover Costs When Delivering Public Services](#), 2016, Charity Finance Group

³⁴ [Charities Taking Charge](#), 2017, NPC

with the organisation that knows how to meet them able to decide how best to use the money in pursuit of that aim.

At a time of reduced public spending and civil service staffing, grants also offer a number of additional benefits to government, not least thanks to the **decreased complexity of grant funding and the increased ability to work with small and local charities** to increase understanding of how to tackle some of the toughest social problems.

Commissioners have flexibility in the payment approaches that are implemented – **there is no reason why payment by results have to be used**. Similarly, **for smaller contracts, there is no need to run a competitive tendering process**. Using a ‘simplest by default’ approach brings benefits to the commissioner and in turn would not prevent some organisations from receiving funding. Grants offer a far more simple solution and can be more effective when commissioning services for individuals with complex needs.³⁵

Procurement rules already have a clear provision within the EU directive for a simpler process to be used when commissioning services under a €750,000 threshold through the **light touch regime** for social, health and education services which includes grants. Under this regime, **commissioners have the freedom to choose the processes which are most appropriate for the service being commissioned as long as they follow the principles of transparency and equal treatment**.

Grants may seem more risky but with the right processes in place, they don’t have to be. Independent funders such as Lloyds Bank Foundation for England & Wales demonstrate this every day. These funders have a wealth of experience in grant making and can demonstrate how it can be discerning and risks can be minimised with sufficient levels of due diligence and controls in place. **Grants also have the added benefit of promoting collaboration** rather than competition and enable charities to work in a way that best meets the needs of the individuals they support:

“The vital ingredient to the future success of small, local charities is the need to maintain the freedom and flexibility of differing funding routes including grants that allow them to pilot schemes and offer new ideas without having to conform or subordinate to our main funders (commissioners or large national charities) that may stifle innovation that has been the mainstay of past success.” [small and local charity]

Using these funding agreements which promote innovation helps to provide a wealth of learning about what works, potentially leading to savings and better services. Through better feedback loops such as presentations for services to come together to share outcomes and experiences, commissioners are able to increase their understanding and ensure that they are funding the most effective services.

Whatever the contractual arrangement, **the principle of up-front payment is critical**. Agreements could still include a provision to pay back any money owed as a result of missed targets, but it would provide charities with the capital to pay for the up-front service delivery costs. Value for money could be further increased by taking a more strategic and long term approach through:

“Longer term commissioning that focuses on outcomes and genuine innovation for the benefit of the service users.” [small and local charity]

³⁵ [Commissioning in Crisis](#), 2016, Lloyds Bank Foundation for England & Wales

This would enable providers to better plan and provide consistency in support, rather than continually focusing efforts on securing the next contract. For commissioners themselves, it would reduce costs as they would not need to go through the resource-intensive commissioning process so frequently.

Investing in staff and volunteers

Given the strain on charities and the increasing demand both in numbers and complexity of cases, a **new focus needs to be given to the wellbeing of staff**. Where resources are stretched and funders are reluctant to cover core costs, it is difficult for charities to have the resources to prioritise staff wellbeing, yet these services cannot operate without the commitment of staff. There is a need both for charities to share advice about how best to support staff (again, through local infrastructure) but also a recognition from funders that covering these costs is essential to providing effective services. A proportion of such costs should be covered through full cost recovery.

Small and local charities are having to support people with much more complex needs, particularly more complex mental health needs, and support is needed to help them do this. For example, more training could be provided by NHS staff about how to work with people with such complex mental health needs, with advice and support on developing risk policies for working with people with increasingly challenging needs. Investing in staff is two-fold: both their skills so they are able to support people with more complex problems; and their mental and emotional wellbeing in terms of constantly supporting people with complex problems.

Government commissioning bodies should procure services based on the Living Wage as a minimum for delivery staff, by giving favourable 'weighting' to Living Wage bids as part of the procurement process. Commissioners have an important role as champions and should call for public services to be commissioned at the real Living Wage rate, using the Social Value Act as the legislative framework for doing so. The impact of Government cuts on the sector has led to intense competition for funding and has contributed to a 'race to the bottom' environment (causing organisations to squeeze staff wages) and funding that focuses on project work, neglecting core costs.

The real Living Wage is the only wage rate calculated annually, based on the real cost of living. It is currently £8.75 per hour across the UK and £10.20 in London, higher than the government's national living wage. These rates are voluntarily paid by over 4,000 UK employers who believe their staff deserve a fair day's pay for a hard day's work. Living Wage Employers pay the real Living Wage to directly employed and regular (sub)contracted staff. Of the non-profit organisations that have committed to pay staff a real Living Wage, 90% say it has had organisational benefits including improvements in organisational reputation (82%), levels of staff motivation (49%), the ability to recruit (45%) and the relationships between staff and managers (45%). Yet, one in four civil society employees earn less than the real Living Wage.

Considering all the changes you discussed in this section, how could these changes be implemented now and/or in the future? You may want to think about the role of different parties, for example central and local government, other public sector bodies, charities, businesses, yourself / your organisation and others.

Central Government needs to take decisive steps to improve commissioning both at a local and national level. While it is important for commissioners to be able to respond to need locally, expectations about the nature of commissioning need to be set centrally. Yet the power to change

does not solely rest in the hands of commissioners. Procurement teams, government departments and elected officials all have a role to play. That is why clear direction and support is needed from government centrally – this is a cross-governmental issue that is the pivot point for a thriving society. To gain traction, these changes must be championed at a ministerial level and through the new Crown Representative to ensure the message is embedded right across government, with specific, direct actions taken by Crown Commercial Service to support commissioners in running a fair and transparent process. To ensure these steps are acted upon, targets need to be introduced which can be reported on and measured. Specifically, central government needs to support these changes by:

- a) Providing guidance and sharing best practice which empowers commissioners to ensure they gain a thorough understanding of needs, assets and services and adopt ‘simplest by default’ payment approaches
- b) Championing changes to commissioning and ensuring the resources are in place to implement them
- c) In consultation with the sector, introducing a target for public spending with small and local charities
- d) Measuring against the target and reporting back to Parliament
- e) Strengthening the right to challenge
- f) Increasing the reach and scope of the Commissioning Academy
- g) Improving transparency

At a local level, commissioners need to:

- **Increasing understanding by:**
 - Engaging in meaningful consultation with existing providers and service users
 - Asking experts for advice to establish which services are needed, where and how
 - Making use of learning from existing services
 - Co-producing services with local communities
- **Taking a proportionate approach, with non-discriminatory specifications by:**
 - Allocating funding in smaller lots which are relevant to the service being commissioned, local market and geography
 - Adopting ‘simplest by default’ payment structures which are suitable for the service being commissioned, making more use of grants and non-competitive approaches
 - Increasing the accountability and transparency of subcontracting
 - Placing more emphasis on the social value that can be generated
 - Supporting small and local charities to prepare for the tender process
- **Placing more emphasis on social and long term value, using effective processes by:**
 - Taking a proportionate approach, using processes relevant to the size and nature of the service being commissioned
 - Being transparent about the processes and intended outcomes
 - Ensuring clarity in communications, particularly where there are changes
 - Allocating sufficient time for bids to be submitted, recognising the time taken for partnerships to be developed
 - Making use of longer term funding arrangements³⁶

³⁶ [Commissioning in Crisis](#), 2016, Lloyds Bank Foundation for England & Wales

The **Keep it Local Network** provides an opportunity to embed improved practice across the country. It provides an opportunity to build on emerging good practice and to encourage others to a new way of thinking, for services that transform lives. *Keep it Local* brings together independent resources to support local areas to improve their approach to local service delivery, building an army of councils that are committed to better supporting local communities and individual which need support whilst also testing new approaches local commissioning. Government making commissioning reform a priority will help to raise the profile of the importance of *Keep it Local* and would be a clear example of where government and the sector to work around shared objectives. A clear role for government here will include:

- **Openly challenging some of the perceived benefits of large scale commissioning**, using the existing evidence to highlight that economies of scale are not suitable for many services which support people facing complex problems and investing money locally helps more money to both stay in and come into the area – not least because of the additional funding that small and local charities are able to leverage from other funders
- **Acknowledging that working with a greater number of smaller provides brings reduced risk**, because the consequences of failure are lessened – the results of large scale contracting failure have already been brought to the fore by Carillon’s collapse

Civil society is ready and willing to work with government around shared objectives, but this can only be achieved if funding systems are reformed to ensure it supports the long term sustainability of services and communities. **Small and local charities have the skills, experience and connections needed to tackle the burning injustices facing society, able to simultaneously tackle our most intractable social issues and bridge divides.** The new Civil Society Strategy needs to provide the blueprint to enable their potential to be maximised.