

Civil Society Strategy Consultation Response

About ACEVO

ACEVO is the Association of Chief Executives of Voluntary Organisations. Our vision is to see civil society leaders making the biggest possible difference. Together with our network we inspire and support civil society leaders by providing connections, advocacy and skills.

For over 30 years ACEVO has provided support, development and an inspiring, collective campaigning voice for our members. ACEVO's network of over 1,100 individuals includes leaders of small community based groups, ambitious medium-sized organisations, and well known, well-loved national and international not-for-profits.

Our leaders drive positive change in their organisations and in their communities, and our peer-to-peer network supports and encourages them at every step of their career.

This document is ACEVO's response to the Civil Strategy Strategy launched by the Tracey Crouch, Minister for Civil Society, in February 2018. Consultation questions are written in red and ACEVO's response is in black.

Our civil society

This section is about the big questions of what civil society is, what is working well, and what needs to change to strengthen it further. It also explores how public trust in civil society can be strengthened, and how we can ensure a strong role and voice for civil society in developing government policy and practice.

Civil society has traditionally been seen as the action of organisations, individuals and community groups that sit between the state, the private sector and private or home life. This includes the work of charities, community groups and youth organisations. However, in recent years a growing numbers of profit-making businesses have been set up primarily to do good, such as social enterprises* and mission-led businesses. In addition, the wider businesses community and private investors are making a positive contribution to communities. For the purpose of this strategy, we interpret civil society to be 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. This mission-based interpretation will encompass individuals, movements, groups, organisations and businesses.

1. 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.

- **Civil society organisations are established in response to an unmet need. They are created, driven, sustained and, sometimes, funded by the public.**

They exist solely for public benefit, deriving no profit, in order to make the world fairer, healthier or to give people wider access to arts, sports or culture.

There are more than 168,000 registered charities in England and Wales, and this number is continuing to rise. According to evidence given by Helen Stephenson, CEO of the Charity Commission, to the DCMS select committee, the Charity Commission is dealing with 8,000 registration requests per year. There is often discussion about whether there are too many charities, but numbers alone do not indicate anything about the role, health or impact of the sector. The more important question is whether charities are meeting a need and delivering public good. If they are then the sector is being successful.

- **Civil society organisations support positive change in their own communities and build local social action with invaluable knowledge and expertise.**

Many civil society organisations act as community anchors, helping members of their community to access vital support, resources or advocacy. They drive up quality of life regionally, nationally and across the globe.

- **Civil society is working to address structural inequality**

Individual campaigners, community groups and more formal civil society organisations are addressing some of the most difficult challenges that exist in our society. Charities like the [Zahid Mubarek Trust](#) are addressing inequality in the prison system, and the [Moving On Up initiative's](#) aim is to improve employment outcomes for black men. Charities also work to end harmful traditional practices like female genital mutilation, and endemic problems like domestic abuse and sexual assault. Civil society is tackling the problems that will improve the quality of life of all of everyone.

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

- **The strategy should focus both on how government can better enable the sector and provide a blueprint for sustainable cross-government engagement.**

Local and national government should commit to a shared framework of engagement with civil society, especially in respect to policy developments. Civil society organisations have expertise that it is often overlooked by government departments that do not engage with civil society, many of whom are actively trying to engage with government.

- **The strategy should enable a stronger environment for advocacy and campaigning.**

Charities must be allowed and encouraged to campaign in order to further their charitable objectives. In the short term we would like to see a cross-government agreement (between DCMS,

the Charity Commission and Electoral Commission) stating that if charities are following their obligations under charity law and the Charity Commission's *Campaigning and political activity guidance for charities (CC9)*, they are unlikely to be in breach of Charity or Electoral Commission regulation. Longer term we urge the Cabinet Office and DCMS to reopen the conversation on amending the Lobbying Act, and agree to implement Lord Hodgson of Astley Abbotts' recommendations. This will be discussed further in question 4.

We would also like to see a universal ban of gagging clauses in government grants. Gagging clauses, which prevent government funding from being used for advocacy or campaigning, only allow charities to provide support when a problem has occurred rather than campaigning to address the underlying cause of the problem or using their frontline experience and learning to suggest alternative solutions.

- **The strategy should recognise the ongoing crisis in social care, and commit to fairer commissioning practices as well as working with the sector to find solutions to recruitment problems.**

In a [report](#) published earlier in 2018, the National Audit Office estimated that the social care workforce will need to grow by 2.6% every year until 2035. But the turnover rate of care staff has been increasing since 2012/13 reaching 27.8% in 2016/17. Feedback from ACEVO's members has consistently told us that low pay plays a huge role in the current care sector recruitment crisis. However voluntary sector organisations are often making a loss on statutory contracts, so are unable to pay their staff the real living wage.

- **The commissioning model should be reworked so that the focus is on delivering social value and impact.**

Local government must ensure that the contracts offered are fair, and that they put people and services at the forefront of their commissioning practices. The interests of local communities and service users should be built into commissioning processes, preventing the public services market becoming a race to the bottom line. This will be discussed in more detail later in the consultation.

Government also needs to recognise that the longer-term nature of much civil society work cannot be achieved through short term contracts – that longer term, preferably grant-based funding is required to deliver sustainable change. Systemic and deep-rooted problems will not be solved in a 12 month period and government grants should acknowledge this by encouraging charities to set reasonable, incremental targets over a sustained period of time.

In order to enable civil society leaders to engage effectively with commissioners to achieve their joint aims, training, resources and support should be made available to leaders to increase their understanding and confidence when bidding for tenders.

- **The Charity Commission must be resourced in order to ensure robust support and regulation of the charity sector.**

Since the collapse of Kids Company there has been increased scrutiny on charity governance and calls for more support for the estimated 700,000 trustees in England and Wales. This has happened in the same period that the Charity Commission has had to deal with a 50% reduction in its funding. In evidence given to the DCMS committee in November 2017, the Charity Commission's then chair, William Shawcross, and CEO Helen Stephenson estimated that £29 million would be a reasonable cost to fund the Commission; this would be a near 50% increase on the Commission's current budget.

A fully funded Charity Commission would be able to provide shepherding as well as enforcement services, especially in respect to governance and trusteeship. In the long-term, well trained and informed boards will be less likely to make mistakes which will reduce the amount of enforcement work undertaken by the Commission.

- **DCMS must work with civil society to overcome the risk and barriers to digital transformation, as well as support civil society to scale up best practice that already exists.**

Digital transformation is a very real challenge for civil society and there is a wide range of ability and engagement with digital across civil society. Some charities are further ahead on realising the potential of digital, for example using virtual reality to assist with training or awareness raising work. However, many other groups, especially very small charities have not yet begun their digital transformation. The latest Lloyds Bank [UK Business Digital Index](#) revealed that 50% of charity leaders lack confidence in introducing digital change, with an increasing number of charities seeing funding as their biggest obstacle to digital progress.

Although a few ad hoc resources exist to help charities with digital conduct, there is not yet a consistent framework to help ensure good practice. ACEVO has joined with a group of organisations (including NCVO, Small Charities Coalition, the Office for Civil Society and the Charity Commission) to produce a digital code of practice for charities. This will be a free resource that aims to develop charities' digital skills, improve take up of digital activity and create a level playing field for all organisations by increasing digital motivation and confidence. The government should commit to supporting and promoting this resource, as well as other helpful initiatives aimed at upskilling charity leaders in making the most of digital and technology. Alongside this DCMS should work with civil society groups already using digital technology to see how best practice can be replicated or scaled up.

- **Investment in leadership development will create a strong, sustainable civil society that creates greater impact.**

To deliver the greatest impact in a continually changing environment, civil society leaders must constantly develop and apply new skills. Supporting current and future leaders through capacity building, investment in leadership development opportunities and more assistance with reinforcing

leaders' mental health and resilience would be an effective way of both protecting and increasing the impact of civil society.

3. How can public trust in civil society be build and maintained?

- **Charities need to work together to better explain to the public how they operate and the government needs to be consistent in its narrative about the sector.**

[Research](#) published by the Charity Commission in 2017 showed that there had been an improvement in trust in the charity sector compared to 2015. However, in Tina Stowell's [speech](#) at the NCVO annual conference on 16 April 2018, she referenced more recent research which suggested that charities were now as trusted as 'a stranger they meet in the street'.

Cross-sector projects like www.howcharitieswork.com have been helpful but the message is still not permeating the public consciousness. Charities need to get better at communicating impact; however, it would be helpful if there was a consistency of narrative, with government highlighting good practice within the sector as well as bad.

- **The civil society strategy should set out how the Charity Commission and the government will take steps to strengthen the real and perceived independence of the regulator**

The Charity Commission must also retain the confidence of charity sector and the public. Independence from the government and political parties, as well as the sector it regulates is critical to this. However, the independence of the Charity Commission has been criticised in recent years. The Charity Commission must take steps to strengthen its real and perceived independence from government and party politics, reinforce its accountability to parliament, and improve the diversity of its board.

In a [paper](#) put forward in 2015 and given as [written evidence](#) in May 2018, NCVO recommended a number of ways a more impartial appointment process can be achieved. We would like these recommendations to be implemented. One way of achieving this would be to make changes to the appointments process for the chair and board members, such as giving parliament an effective power of veto at the pre-appointment hearing.

- **Addressing safeguarding concerns is a priority for strengthening public trust.**

In response to the reports of poor safeguarding practice, ACEVO is working with members, government and regulatory bodies to promote good leadership in building a safe workplace culture. Many civil society organisations, like NSPCC and the Scouts, have excellent safeguarding knowledge and practice that has been used to inform work in other sectors. However, not all charities are at the same level and the multi-agency work that has begun in the last three months needs to continue long-term in order to ensure all charities reach the same high level and to embed good practice in organisational culture. Resource will be required to under-pin this important stream of work.

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

- **The government must seek out and listen to the expertise of charities and community-led organisations.**

Civil society groups have expertise informed by lived experience that will help government to address shared problems; however that expertise is infrequently sought. The government relies too heavily on talking to a small number of large charities, where a range of organisations of various sizes could generate a more rounded and informed picture.

Civil society leaders are willing and open to sharing their skills and knowledge but politicians must get better at listening when they are asked to, and seek out the knowledge of those with lived experiences.

- **The current political and operating environment does not enable civil society to fully participate in the process of policy making and legislative development.**

“The greatest social and political changes in our history have come about because independent people formed associations to press for change. If that means respectful criticism of government, so be it.”

Matt Hancock in his speech at the DCMS conference ‘civil society in the 21st century’, 16 May.

Campaigning is a fundamental part of civil society, whether individuals, communities or organisations. In the speech referenced above, Matt Hancock stated that he wanted ‘to see civil society recover its confidence to speak into our public life’. In recent years the introduction of the Lobbying Act, the continued use of ‘gagging clauses’ in government contracts and confused guidance for charities wishing to campaign ahead of the EU referendum, has caused some civil society organisations to reduce their campaigning activity.

Recognition of the value of civic participation in the democratic process, a ban on gagging clauses in government contracts and grants, and implementing the recommendations made by Lord Hodgson of Astley Abbots in his review of the Lobbying Act, would give more charities, especially small charities, the confidence to campaign. A further call to implement Lord Hodgson’s recommendations was included as recommendation 35 in the recent House of Lords select committee on citizenship and civic engagement [report](#), published April 2018.

We understand that the Electoral Commission is creating some new guidance to make it easier for third party campaigners to understand the rules on campaigning. The Electoral Commission is currently working with ACEVO, NCVO and Bond to improve this guidance. We would like the Commission to continue to engage with the sector on developing this and future accessible guidance.

5. 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?

- **An inclusive definition will enable more people to feel part of civil society but doesn't recognise the uniqueness of civil society organisations**

The benefit of using a definition of civil society that attempts to capture all activity that does good is that more people will feel a part of civil society. Small local businesses can act as an anchor in local communities and can work closely with civil society in their own communities. Partnerships between business and civil society organisations can increase impact and drive social good. However, there remain significant differences between civil society organisations driven by public benefit and not for profit that this definition does not recognise.

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

- **Civil society is values and mission driven for public benefit and not for profit. Even businesses that do social good must report to shareholders which will fundamentally influence decision making and purpose.**

ACEVO's membership is made up of senior leaders and CEOs from a range of not-for-profit organisations. We recognise that the legal construct of a charity is not the only way to do good or the only way to deliver public benefit. However, we believe that any organisation that generates income for the benefit of shareholders is different to the ethical, moral and mission driven values which underpin not-for-profit organisations (see question 1). Even socially driven businesses must consider the impact of their decisions on the shareholders. Civil society should only include those mission driven individuals and organisations that work for public benefit, and do not generate a profit for company directors or shareholders, and are not primarily funded by government (i.e. the public sector).

People

This section explores how more people can be supported to play an active role in building a stronger society. This can be through social action*, which includes anything from simple acts of neighbourliness through to charitable giving, volunteering, community asset ownership, civic engagement* or running groups/organisations with a social mission.

We want to understand the potential to enable all citizens to be fully engaged, active and with the skills and self-confidence to change the world they live in for the better - no matter what their background.

Enabling more people to play an active role in society

1. 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.

- **Shared objectives and belief systems can help connect marginalised or disengaged people and give them a sense of positive agency.**

Civil society groups exist to address a specific need, and working towards meeting this need creates a sense of community. The community may be defined by its geography or built around a shared belief or experience, but those in the community will share a common unifying goal. Shared objectives and belief systems can help connect marginalised or disengaged people and give them a sense of positive agency.

- **Co-creation focused on impact and facilitated by generous leadership will achieve the best outcomes.**

Civil society groups are able to best achieve their mission when they co-create their programmes, campaigns and policies with their supporters and/or beneficiaries. This requires committed teams and strong, generous leadership which focuses on, and prioritises, achieving the best outcomes for beneficiaries. These outcomes may not always be the quickest to achieve or the cheapest to run in the short term, but focusing on impact - and therefore the people, not the price - has to be the priority.

- **Diverse and inclusive organisations that reflect the communities they serve will be the most successful.**

Civil society groups are able to best achieve their mission when they co-create their programmes, campaigns and policies with their supporters and/or beneficiaries. This requires committed teams and strong, generous leadership which focuses on, and prioritises achieving the best outcomes for beneficiaries. These outcomes may not always be the quickest to achieve or the cheapest to run in the short term, but focusing on impact and therefore the people, not the price, has to be the priority, and will in many cases lead to long-term cost-saving.

2. 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)

_____ Developing more opportunities for individuals to get involved

___1___ Give citizens more opportunities to be part of the decision-making processes on local and national issues

___2___ Increasing awareness of the range of opportunities for individuals to get involved in civil society

_____ Empowering people or giving them permission so that they think that they do have a say and are able to take action

_____ Developing a better understanding of how social action* can build the networks and relationships among people as well as the confidence and skills of the disadvantaged and disengaged
__3__ Supporting employers and businesses to promote active citizenship, such as volunteering, becoming a school governor or charity trusteeship

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

- **Individuals need access to people, networks and resources that will enable them to achieve their goals.**

Local and national government need to actively listen and respond to civil society groups in order to provide them with the resources they need to progress their aims.

- **Invite civil society groups to participate at development stage in order to build higher impact, more cost effective programmes and policies.**

Individuals, groups and more formal civil society organisations should be invited to contribute to the development of policy and services at the very start of development. Money could be saved and better services produced if policymakers and government listened and acted on the expertise offered by civil society groups and individual campaigners.

- **Supporting and investing in leadership development will strengthen civil society and enable more people to take action on what matters to them.**

Leadership courses are provided by some organisations, such as ACEVO, but many small charities and community volunteers do not have the resource to access these. Funding for leadership development would help civil society groups to learn how to create greater impact and make the biggest possible change.

- **Strong boards are needed in order for charities to succeed.**

Charity chief executives need to be supported by strong, expert boards in order to deliver their mission. We appreciate that the Commission has recently introduced a welcome pack for new trustees, and would like to see the introduction of other resources with a similar supportive tone to encourage trustees from more diverse backgrounds to join boards. It's crucial that trustees and potential trustees feel confident to join a board, and that the messaging from the Commission is encouraging and enabling.

4. 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.

- **All government departments need to publicly support the vital role of charitable campaigning and remove obstacles to participating in campaigning activity.**

Charities are at the forefront of social change, of pushing society towards a fairer, safer, cleaner, more equitable world. This sometimes means that civil society is pushing society in directions that it does not want to go now, but will become the norm in the future – for example the smoking ban, laws about wearing seatbelts and the introduction of equality legislation.

Recent words of support for charity campaigning and for an independent voice from the Secretary of State for Digital, Culture, Media and Sport are welcome but there remain significant differences between how government departments view campaigning activity by charities. There needs to be a consistency of narrative about campaigning, and its importance in a healthy democracy.

The government must remove obstacles to participating in campaigning activity by banning gagging clauses in all grants and reforming the Lobbying Act by implementing the changes proposed by Lord Hodgson of Astley Abbotts.

- **Greater impact could be generated if the government adopted a more strategic approach to funding civil society.**

A strong and effective civil society needs to be built on a funding system that enables the sector to deliver long-term value. The strategic use of funds is central to this. The distribution of the Libor fund is an example of where large amounts of money benefited individual charities but could have strengthened the sector as a whole.

Dormant assets are an opportunity for the introduction of a new funding model which focuses on investing in projects that would benefit the whole sector. In 2017 ACEVO, NCVO and UKCF [wrote to](#) the Chancellor of the Exchequer ahead of the Autumn budget proposing that dormant assets should also be used to strengthen communities by creating a successor to the European Social Fund (ESF) after Brexit and to encourage local philanthropy by making grants to local charities based on their expertise of what is needed locally.

- **Support underrepresented groups to join the voluntary sector**

In order to encourage diversity within the sector consideration should also be given as to how the Office for Civil Society can work with the Department for Education to promote the voluntary sector as a career choice. We would also like to see funding from dormant assets used to provide leadership programmes for underrepresented groups in the voluntary sector workforce, including people from a BAME background and those with a disability.

Partnerships

This section explores the best ways to work in partnership across sectors. We are particularly interested in unlocking the full potential of the private and public sector to work with civil society, to create social good and have a positive impact across society.

By working towards shared goals and pooling knowledge and resources, partnerships, old and new, can help to improve outcomes for those in need and grow or replicate solutions that work. At the

same time partnerships can help realise efficiencies and unlock new, more innovative delivery models.

Working in partnership

1. 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 and private sector companies must share values, respect each other's expertise, and develop a sustained relationship in order to deliver the best outcomes.**

The best partnerships across sectors are when there are shared values between the organisations and a genuine commitment to the charity/voluntary group's mission. This will often involve a sustained relationship rather than a single donation or gift-in-kind, although we recognise that these can both be very helpful in particular circumstances. [Business in the Community](#) has many examples of how 'fully engaged' partnerships between businesses and charities can produce high value results.

A partnership need not be a financial donation but could be resources or expertise, for example free office space or the secondment of a staff member that can help a civil society organisation address a need. Public and private organisations should also promote volunteering and trusteeship by giving staff paid time off for volunteering. Support such as this will help charities to increase their reach, develop or maintain a service, or cover overheads which can be difficult to fund.

The benefits for private and public sector of working with charities include a better understanding of their community or client group, developing new ways of thinking, and strong connections with local communities which will improve staff morale and motivation.

- **Civil society groups and organisations should also be better supported to work in partnership in order to deliver the best outcomes.**

There are many ways that civil society groups can work together, for example through shared use of space, skill sharing and mentoring. The Charity Commission should work with infrastructure and membership bodies to provide guidance on how charities can share resources.

2. 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)

- _____ Better knowledge of potential partners
- _____ Better understanding of the benefits of partnerships
- _____ Better knowledge of opportunities to work in partnership
- _____ Better understanding of other sectors
- 3 Greater leadership around partnership working
- _____ Ability to prove impact of partnership working

___2___ Making it easier to identify and access funding opportunities to support partnership working

___1___ A common agenda / shared vision and strategy

___ Shared values

___ Shared measurement practice

___ Better skills (e.g. commercial skills, collaborative commissioning practice and social value*) and capacity (e.g. time, resource) to form partnerships

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

- **Leadership training that builds skills and knowledge in partnership working would generate a greater impact.**

Partnership working can produce some of the most effective outcomes however it often requires significant levels of time and resource to get to that point. More knowledge about managing this process would be beneficial including training for civil society leaders covering topics like: writing memorandums of understanding, navigating challenges, resolving conflict and measuring impact. There is also the need for effective dispute escalation procedures for organisations experiencing challenges in the collaboration process, this could include access to mediation services.

- **Promote the free flow of talent between the public, private and voluntary sector.**

More could be done to promote free flow of talent between the public, private and voluntary sector so that there are more people working who understand the strengths, challenges, purpose and vision of each sector. Business in the Community's ['Business Connectors'](#) programme is a good example of a successful secondment programme.

- **Harnessing digital to connect potential partners and promote best practice.**

DCMS could develop a digital resource that connects potential partners, promotes best practice and provides template documents (e.g. template memorandums of understanding). Funding should be made available to help local infrastructure bodies, like community voluntary services (CVS) and umbrella groups to link up businesses that are interested in partnerships with a charity that matches its values and ethos.

- **Standardised, open, systematic data sharing could improve services in all sectors.**

Partnerships would be stronger between the public, private and voluntary sector if there was more coordinated data sharing. There needs to be a systematic, standardised sharing of insight in order to build and deliver the most impactful services that interact with each other. This would enable the creation of a more holistic service for individuals and communities.

4. 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.

- **Infrastructure bodies, such as ACEVO, have a role to play in brokering relationships between businesses and charities.**

In order to achieve this there needs to be better recognition of the role of umbrella and infrastructure bodies in this process, including funding to provide such services.

- **The Office for Civil Society should provide coordination and support for the development of a robust, multi-agency digital data sharing platform.**

Such a platform could host best practice case studies, template documents, and impact data. It could also connect civil society groups with potential partners in the public or private sectors.

- **The government should make it easier for people to volunteer.**

The law should be amended to provide those volunteering as a trustee the same right to take reasonable time off work as is currently afforded to magistrates and school governors. In the short term a campaign promoting and encouraging secondment opportunities and volunteering days for private sector staff would be beneficial.

The funding and finance environment

The funding and financing environment that supports the work of the voluntary and community sector has changed significantly in recent times. For example charities' income from government in the form of grants has declined, whilst contract income has increased. For some parts of civil society income from trading is playing a much greater role. Technology is also making it possible to find funding in new ways, for example crowdfunding, online fundraising platforms and tools that seek to bring together funders with projects.

(Please note we have included separate questions on new investment models later in this section, such as social investment, and on public services in the 'Place' section, which covers views on public service commissioning)

1. 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?

- **The commissioning model is unsustainable and exclusionary to the majority of charities.**

Statutory contracts can diversify an organisation's income streams and help ensure that support in local areas remains consistent. However, a model based on statutory (often short-term) contracts is in many cases unsustainable, especially in a climate of ongoing cuts within local authorities.

In 2017 the Charity Finance Group's benchmarking tracker tool found that the 11 participating service delivery charities with annual income above £50m were making on average an 11 per cent loss on their public sector contracts

These low contracts also make it difficult for organisations to pay staff properly, and recruiting social care staff is becoming particularly challenging. The use of certain funding mechanisms, such as payment by results for supporting those with complex needs, can be inappropriate and sometimes disruptive to service delivery.

- **The needs and interests of local communities and service users should be prioritised in the commissioning process.**

Recommendation 37 of the House of Lords select committee on citizenship and civic engagement [report](#) stated that 'the Government should use the Public Services (Social Value) Act 2012 to include public engagement in the contracts of public service providers'. Focus on the public benefit and social value of communities would prevent commissioning public services becoming a race to the bottom line. Financial and practical investment must be made to ensure that contracts are fair and that voluntary organisations are able to accept them. Doing so would start to reverse the recruitment crisis in social care.

NHS England has committed to partnership working between care providers and commissioners in local areas through Sustainability and Transformation Partnerships set out in NHS England's recent Five Year Forward strategy. Feedback from our members frequently tells us that civil society organisations are eager to be involved in this partnership working, and would like to be part of the conversation on improving and shaping the health and care sector and its practices. We would like to see government commitment to enabling this, given that the voluntary sector is taking on more and more of the statutory contracts for health and care.

- **More funding needs to be made available for innovation and scaling**

There needs to be more funding for what civil society groups know works, this includes funding that takes a risk on innovation and funding for scaling up projects that have been proved to succeed. One off grants and discrete short-term projects create uncertainty and inconsistency which can be harmful to vulnerable beneficiaries.

2. 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.

- **Small and medium sized charities are suffering disproportionately in the current funding and contracting environment.**

It is important to understand the diversity of the sector across the UK in terms of scale. There are over 168,000 charities in the UK and 50% of those have an income of less than £10,000 per year

(83% have an income below £100,000). Only 3% of charities have an income of more than £1m. For small charities, access to discounted or free financial training and support is crucial to enable them to access the resources they need to help manage their finances effectively. The government could offer leadership courses or signpost to leadership resources to help financial management.

- **Local commissioners should commit to offering fairer contracts in which all staff are paid the real living wage.**

The recruitment crisis in social care, which is underpinned by lack of pay, could be significantly improved by a commitment from local authorities to offer fairer contracts (following the Social Value Act 2012). In order to encourage more local authorities to offer contracts which allow for the real living wage to be paid to employees, the Living Wage Foundation has put together a [document](#) explaining its benefits. This includes increased productivity and improved staff retention, long-term savings in training costs, recruitment, and better outcomes.

- **The government should consult on the key areas that should benefit from dormant assets**

In January 2018, the government announced that £330 million from dormant accounts would be distributed to initiatives tackling issues such as homelessness, disadvantaged young people and debt. We are still waiting to see what will happen to the remaining £2 billion from dormant accounts, and would welcome a government consultation to identify key areas which would benefit from this investment. Investment in initiatives such as capacity building, support for digital transformation, grants to community led organisations and professional development courses would be a helpful alternative to investing in specific societal issues.

Between 2007 and 2013 the UK benefited from approximately £7.7bn in funding from the European Social Fund, which goes towards charities and others working in disadvantaged communities. A further £3 billion has been allocated to the UK for 2014-2020. This includes support for disabled people, prison leavers, the long-term unemployed and people with multiple barriers to work. On 28 March, the House of Commons DWP committee published its eighth report of session 2017-19, which recommended that 'the government proceed urgently with detailed design of a successor to the European Social Fund so that there is no gap between existing and new funding streams'. We echo this urgency to ensure there is no disruption or interruption to funding streams.

In December 2017, NCVO published a paper entitled *Future employment and skills training for disadvantaged groups: a successor to the ESF*, which outlines the six principles the government should follow when designing any successor fund and calls for an emphasis on grant funding. ACEVO endorses this report and would like to see these principles considered in any future design.

3. 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)

_____ Making it easier to bring together civil society with potential funders

- ___2___ More skills training for civil society
- ___3___ Raising awareness of new funding models
- ___ Stronger collaboration between funders
- ___1___ Improved funding practices by funders
- ___ Increased use of technology to support fundraising

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

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

- **Extend the Social Value Act so that local authorities have to account for social value in their procurement, rather than just ‘consider it.’**

The introduction of the Social Value Act was a positive step in ensuring that commissioners think about how to achieve social, economic and environmental benefits. But due to existing commissioning challenges, little has changed five years after the Act was implemented. We recommend extending the Social Value Act so that local authorities have to account for social value in their procurement, rather than just ‘consider it’. We also recommend that the government publishes best practice guidance for commissioners, particularly recognising the value of upfront payment within contracts to encourage delivery from smaller organisations.

We also recommend that local government provides opportunities for civil society leaders and commissioners to interact in a meaningful way to improve the communication between both groups.

- **The government should fund more civil society projects through grants.**

Governments are increasingly using commercial contracts as a means to achieve results. It’s harder for civil society organisations to compete because of the risk of non-delivery and their ability to pre-finance. In his speech at ‘civil society in the 21st century’, Matt Hancock stated that DCMS is looking closely at whether they can deliver a new era of public sector grants. We’d encourage Government to continue to provide grants through institutional funding mechanisms as compared to commercial contracts; they provide flexibility, encourage innovation and ensure that smaller niche organisations, which have the skills and can offer value for money, are able to apply.

5. 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.

- **The Social Value Act should be reviewed and its reach extended to ensure commissioners are factoring it into their practice.**

DCMS should also ensure that it is advocating for civil society in discussions over the ESF replacement fund. As mentioned in the previous question, the Cabinet Office and its dormant assets commission should launch a consultation on the dormant assets fund as soon as possible.

At local level, metro mayors could be doing more to encourage local commissioners to offer fairer contracts and to promote best practice. Local authorities must consider what is best for public services in their commissioning practices.

New Investment Models

Over recent years, a range of new and innovative models have developed to fund investment into addressing social challenges. These have included the rise of venture philanthropy*, social investment, and the development of social enterprises* and mission-led businesses that are able to fund their activities through revenue generation. Increasingly, there has been growing interest in social impact in the mainstream financial services industry.

1. Reflecting on your own experience or examples you are aware of in the UK or abroad, how are new investment models unlocking new potential and partnerships?

- **Civil society organisations should be supported to use a mixed model of income sources**

The greatest proportion of ACEVO members are charity CEOs, however we also represent CEOs of social enterprises and community interest companies. Operating through the legal structure of a charity is not the only way to do good and for many, funding their activities through revenue generation offers long-term sustainability and greater control of project development. However for other organisations, social investment is not a viable funding model. Charities need to be provided with the information and opportunity to make informed decision about the business model that will best suit their organisation and best enable them to achieve their goals.

Civil society organisations should be supported to use a mixed model of income sources and there is need for more flexible forms of funding, such as grants, alongside newer forms of investment. [Research](#) by nfpSynergy found that the average charity would trade in a £1m restricted grant to get half as much unrestricted income: this demonstrates that the funding model is as important as the amount funding provided.

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

- **An enthusiasm to roll out social investment should not eclipse the more pressing need to consider the funding needs of the sector as a whole and assess when each funding model would be best utilised**

Investment models will not be viable models of funding for all charities. DCMS and the charity sector should consider new models of funding and provide support for those wishing to engage in them. However, an enthusiasm to roll out social investment should not eclipse the more pressing need to consider the funding needs of the sector as a whole and assess when each funding model would be best utilised. This will mean that investment is only used when it is likely to create the most impact but other organisations, with differing needs, will not suffer as a result.

3. Which of the following factors are the most important in enabling the growth of new investment models 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)

- _____ The scaling of social impact bonds*
- 1 Knowledge of social impact investment* as a form of finance
- 2 Understanding of how to make / receive a social impact investment
- 3 Identifying suitable opportunities for social impact investment
- _____ Establishing a formal framework, such as the UN Sustainable Development Goals, to analyse social impact

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

- **There needs to be more support for civil society organisations who think that social investment could benefit their organisations and more awareness of ‘simpler’ social investment models.**

Trustees and leaders within charities need training to understand the benefits and risks of social investment models in order to utilise them appropriately and confidently.

More awareness of ‘simpler’ social investment models, such as loan finance, rather than a focus on more complex models such as social impact bonds could open this funding option up to more organisations.

5. 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.

- **A communication campaign based on highlighting positive social investment case studies.**
- **DCMS and the Office for Civil Society should provide training for trustees and senior leaders in social investment; however an appetite and understanding needs to be developed before training is offered or there will not be sufficient take up.**

Responsible business

1. 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.

Please see answer to the first set of questions in this section which considers responsible partnerships between charities and the private sector.

2. 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)

- ___3___ Celebration of best practice
- ___ ___ The legal and regulatory framework for businesses
- ___ ___ Consideration of the UN Sustainable Development Goals
- ___1___ Improved data on the “business case” for social purpose
- ___ ___ The legal and regulatory framework for investors
- ___2___ Advice or tools to help businesses adopt, show and set value on social purpose
- ___ ___ Increasing demand for products, services, businesses that have a social purpose or a positive social impact

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

Please see previous answer reflecting on supporting partnerships between businesses and civil society organisations.

4. 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.

Please see answers to previous question on partnership building between charity and private businesses.

Place

This section explores how to enable more people, service providers, voluntary and community organisations, businesses, including social enterprises*, and public sector institutions to work together to make the places they care about brilliant places to live and work in. In particular we are interested in exploring:

- how to break down barriers in our communities and build a common sense of shared identity, belonging and purpose
- how to build strong local public services that respond to the needs of communities and draw on the talents of diverse people and organisations from across different sectors

By focusing on the place as a starting point communities are better able to take charge of their own futures, speak for themselves and build social capital. This is about local and central government and other institutions responsibly moving from a ‘top down’ to a more ‘bottom up’ way of doing things -

devolving power and decision making to local people, without stepping away entirely and leaving communities to it without any support.

Questions relate to:

- Devolution/localism
- Public services
- Public service mutuals

Devolution/localism

1. 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?

- **The devolution agenda has the potential to empower communities to come together to find common narratives, as well as the opportunity to capture the expertise of local organisations in public service transformation.**

There has been a political commitment in recent years to decentralising power, encouraging and supporting people to take control of the places they live in. The Localism Act introduced powers that have helped communities take more control of service delivery and community development. The introduction of metro mayors in six of England's biggest city regions last May marked a huge shift towards decentralising our political system and putting more power in the hands of the regions.

Devolving resources and decision making to a local level could also be an opportunity for developing the local social economy. Metro mayors play an instrumental role in creating and improving community cohesion. Making sure there is funding allocated for community activity (possibly linked to physical and emotional wellbeing) will be a crucial part of this agenda. The idea of a 'regional renaissance' is useful to tap into, although we would need to be careful to be inclusive of all communities when using this narrative.

There have been examples of certain useful initiatives since the mayors were introduced last May. Just days after taking office in Manchester, Andy Burnham announced a new [fund](#) to tackle the region's homelessness problem. This is something that could be replicated by mayors in other regions. Andy Street has established a social economy taskforce which has brought together representatives from the West Midlands civil society sector to find solutions to local challenges. He has also committed to the idea of a West Midlands renaissance, introducing a 'Giving Day' similar to the existing 'Giving Day' in the city of London. We welcome the encouragement of local giving, but we would encourage the mayors to be committing to a more long-term and sustainable approach to funding, rather than just focusing on individual donations.

- **In order for devolution to be meaningful and positive for local communities, government must engage with the community sector and wider civil society.**

There is a risk that devolution becomes an exercise which shifts responsibilities between different parts of the public sector, adding layers of bureaucracy and actually hindering meaningful change or conversation. This may push resources and power away from the communities themselves. We urge government to create mechanisms for civil society leaders and organisations to engage meaningfully in the process of regionalising resources, such as the social economy taskforce in the West Midlands combined authority. These groups, or processes, ought to be standardised and mandatory to ensure these conversations are happening in each region and across the country.

2. 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)

- 2 Communities having a greater ability to set their own priorities
- Communities being more aware of issues facing them collectively
- 3 Workers in local public services taking greater control over how they operate
- People being more aware of physical assets, resources, skills and relevant organisations the community holds
- Communities having more or better support on how to mobilise themselves and take action
- Greater understanding of community shares
- 1 Institutions and organisations delivering public services involving communities in decision-making
- Institutions devolving more power to their local communities
- People having better skills, and access to learning opportunities to obtain the skills needed to mobilise themselves
- More opportunity for diverse groups of local people to meet to discuss local issues and what they think they could do to improve things

3. 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?

- **Local people should be given more input over the development and delivery of local services.**

This requires local and national government to meaningfully engage with local communities and to redistribute power among individuals rather than with local and national policy makers and politicians.

4. 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.

Giving local communities this control and power is not the same as abdicating state responsibility for community concerns. It means forming policy and service development in partnership with people that live in those places, and providing them with adequate resources, including funding. Communities hold many of the answers already and in many cases they are trying to get their voices heard, but it is government (locally and nationally) that is choosing not to actively listen and respond.

Central and local government should make a genuine commitment to engaging with civil society, as well as local communities, when planning and developing its devolution initiative. Utilising the networks of membership organisations such as ACEVO is one way of communicating with the wider sector, but the government also has a role in promoting the benefits of working in partnership with civil society organisations.

Public Services

Civil society is involved in our public services in a variety of ways - from delivering public services with or on behalf of public sector organisations, investing in solutions to complex public service problems, providing supplementary preventative services or when people have a say in shaping the type of services that they receive. Through its participation in public services, civil society is well-placed to create social value*, i.e. social, economic and environmental benefits to society.

1. 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?

- **Good public service development will draw on all the elements previously discussed in this consultation: user involvement at an early stage of development, strong leadership, effective data sharing between the public sector and charities, and sustainable funding models.**
- **Good public service development focuses on prevention as well as acute services**

2. 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)

- ___2___ People having more opportunities to shape and/or run the public services they use
 ___ Service providers delivering more public services that have been designed and produced with their users
 ___ Drawing on wider civil society networks to support services
 ___1___ Changes to commissioning practices
 ___3___ Greater understanding of how to demonstrate and measure social value*

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

- **Commissioning should be focused on public benefit and impact, not the lowest possible short-term cost**

It is impossible to provide the best services for the public when there appears to be a disproportionate focus on the short-term cost of delivering the service over the expertise of the organisation delivering it and more importantly the need of the person accessing the service. Lower immediate costs are also often not the most cost-effective solution in the long-term. Investment in holistic services that address complex need will create higher impact and be more cost effective in the long-term.

It is more common than not for local government contracts not to cover the full cost of delivering a public service. Research by Clinks, the representative body for voluntary sector organisations working with offenders, found that charities are subsidising the government's Transforming Rehabilitation programme with money from their own reserves and half of respondents to their survey said the transforming rehabilitation programme had a negative impact on their organisation.

Criminal justice is not the only sector to be impacted negatively by current commissioning practices which seem to focus on hitting government-created targets rather than meeting a specific beneficiary need. Short term contracts also reduce the ability for civil society organisations to plan for the medium and long term impacting sustainability and having a knock-on effect on the development of new programmes.

4. 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.

Our recommendations, as discussed in this section, for better commissioning can be summarised as follows:

- **Build the interests of local communities and service users into commissioning processes in order to prevent the public services market becoming a race to the bottom on price.**
- **Work with charity leaders to facilitate collaborative working, especially between leaders of very large and very small organisations.**
- **Social value should be prioritised in all public service contracts and must be accounted for at procurement stage.**
- **Allow for and encourage the use of budgeting for appropriate costs in the back office.**
- **Place an equal value on prevention as well as delivery of acute services.**

ACEVO submitted the following statement in response to the youth provision questions in the consultation:

We support the position of many charities working with and on behalf of young people, including Children England, that have responded to this consultation saying youth provision would be better addressed by a distinct and thoroughly resourced youth strategy. Children and young people, like adults, are not solely service users or potential volunteers, but rounded citizens who should be able to participate in civil society on their own terms with support that respects their rights and capability.