

# CIVIL SOCIETY STRATEGY 2018: CONSULTATION RESPONSE FROM NEW PHILANTHROPY CAPITAL

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In 2018, the UK government launched [a consultation on its strategy for civil society](#). 'We want to have an open conversation about civil society, what is working well, and what government can do to strengthen it further,' read the call for contributions. What follows is NPC's submission.

[New Philanthropy Capital \(NPC\)](#) is the leading think tank and consultancy for civil society and the wider social sector.<sup>1</sup> We are committed to inspiring new thinking and promoting the importance of impact, adding rigour and analysis to a sector rightly dominated by passion and a sense of mission.

In both our think tank and consultancy activity we work with a wide variety of charities—in all areas and of all sizes—as well as with many funders and philanthropists. This gives us a very good feel for the barriers that hold charities, social enterprises and other voluntary organisations back, and we work with them to co-design and develop solutions to overcome them. Unlike many other bodies in the sector, we have no axe to grind—only our own charitable mission of helping the whole sector achieve greater impact.

At their best, charities play an important part in bringing communities together to achieve social change, delivering effective public services, and providing expertise on—and giving voice to—the causes and beneficiaries they exist to serve. So, we are very pleased that the government is committed to a new civil society strategy, the first real advance in this area since the launch of the Big Society strategy in June 2010.

We hope that this new strategy enshrines the independence of the sector and reaffirms government's commitment to working with all sections of civil society to help foster the environment we need to flourish. We also urge government to be bold and use the process as an opportunity to put the sector at the heart of the ongoing debate about national renewal post-Brexit.

In this context, **NPC challenges government to take up our ideas and think creatively in five specific areas:**

- governance regulation and improvement;
- place, public services and commissioning;
- infrastructural support;
- campaigning; and

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<sup>1</sup> [www.thinknpc.org/about-npc](http://www.thinknpc.org/about-npc)

- funders, philanthropists and impact investment.

We preface everything by saying that while we make some ‘asks’ of government, the sector itself has a duty to get its own house in order. This applies to its governance, its behaviours, and its efforts to be as socially impactful as it can be, including looking at merger and other collaboration options. Before we make too many demands of government we must commit to improving ourselves. However, government can make a difference and we have several proposals that could help here.

## Improving the impact of the sector: governance, regulation and impact

1. A significant amount of civil society activity is devoted to the creation of some sort of outcome. This is especially true of registered charities, many of which exist to improve the lives of a specific community or group of people. As best it can, the sector needs to ensure that it uses the resources at its disposal, eg, donations, volunteer time, to the best effect in order to achieve what it wants. Of course, the effectiveness of the sector is not something that government should interfere in—charities and wider civil society organisations are independent, after all. But **through its actions and support, government can encourage moves towards greater improvement.**
2. The sector has already come forward with a number of initiatives to help charities think about and measure their impact, share learning gained through this and then invest that knowledge into the way that they work, including the [Inspiring Impact programme](#) that NPC runs with a group of others.<sup>2</sup> **The government has signalled support for such initiatives in the past, which has been very important, and it would be powerful if it did so again.**
3. **Charities need to feel comfortable using data. Better access to government data sources would provide invaluable sources of information and would help upskill charities to use data to be more effective.** Government should clarify the way data can be used, consistent with new data laws, to reduce risk aversion amongst charities. It should also make its own administrative data more user friendly, along the lines of the [Justice Data Lab](#)—and there is no reason not to adopt a similar approach in health, employment and education.<sup>3</sup>
4. The actions of the regulator are important in promoting impact. We think that it is worth restating **our support for the Charity Commission as a tough regulator of the sector, not as a cheerleader for it.** The Commission exists to uphold public confidence in the sector—an ever-pressing concern in the age of charity scandals and falling trust. The current focus of regulation is on financial stability and organisational survival. **If charities and the wider social sector are ever to work in new ways to deliver greater impact, regulation must also encourage a greater focus on the impact delivered.** We have made various proposals to nudge charities towards a focus on impact, including being tougher on reporting requirements, and proposing an annual consideration of the case for merger, as set out in our recent report, [Let’s talk mission and merger](#)<sup>4</sup>.
5. **The Charity Commission could do more to encourage charities to utilise its own data more strategically.** For example, many charities are set up with good intentions but without the necessarily understanding of the local charitable landscape. Of course, people should be free to set up charitable organisations, but there is a danger that the sector ends up duplicating efforts and working in an unfocused way. If, when someone wants to set up a charity, they were sent the details (and published accounts) of organisations doing similar work in the same area it would provide start-ups with a better idea of their

<sup>2</sup> [www.inspiringimpact.org](http://www.inspiringimpact.org) The current partners behind the programme are: Association of Charitable Funders (ACF), Building Change Trust, NCVO CES, Evaluation Support Scotland, Substance, Wales Council for Voluntary Action and NPC

<sup>3</sup> [www.thinknpc.org/our-work/projects/data-labs/justice-data-lab](http://www.thinknpc.org/our-work/projects/data-labs/justice-data-lab)

<sup>4</sup> [www.thinknpc.org/publications/lets-talk-mission-and-merger](http://www.thinknpc.org/publications/lets-talk-mission-and-merger)

prospects and/or which organisations to engage with. The Commission holds this information and could use it in this way to nudge people/new charities to reduce duplication.

6. In most sectors—especially in the non-profit and public sectors—there is need for both regulation and the promotion of improvement and best practice. In the social sector, both roles are undertaken by the Charity Commission—which is problematic. **We would welcome an investigation into the case for establishing an independent organisation to champion sector-led improvement and advice.** We set out our thoughts more fully in our 2017 paper [The ‘Shared Society’ needs a strong civil society](#)<sup>5</sup>, but the main tasks that any such social sector improvement agency might include:
  - a) **Support for improvement at individual organisation level**—with a focus on achieving mission and making an impact, including good governance, appropriate risk-taking, sensible financial management, and worthwhile use of theories of change and data;
  - b) **Support for improvement at sector level**—with a focus on mapping the infrastructural needs of the sector across different geographies and subject areas, and promoting greater collaboration amongst charities and funders, eg, using common approaches to metrics; sharing knowledge and evaluation findings etc; and
  - c) **Promotion of a more coherent sector**—with a focus on providing advice and support to encourage more rational decisions with regards to, for example, setting up new charities, charities working together, and the thorny issues of mergers.

## Enabling civil society to help create good places and great public services: place, public services and commissioning

7. The concept of ‘place’ as the central organising principle of economic and social change—that is, a shift away from centrally-dictated policy, operated in siloes, towards a greater emphasis on holistic solutions, generated and delivered locally—has gained significant traction in recent years for a variety of reasons.<sup>6</sup> We believe that the social sector has a major role to play in this agenda: **the shape and scope of local public services, and the way decent communities are created, need to be radically re-thought and success will be dependent upon a new form of partnership between the public, private and social sectors.**
8. Such an agenda will only work if local areas are able to pool and integrate public sector budgets and determine their own objectives and KPIs (albeit subject to minimum standards determined nationally). **As such, increased devolution across all of Whitehall—especially the devolution of budgets—is a necessary condition for a more impactful civil society.** Whilst delivery of this agenda will be up to local partners, the civil society strategy should commit to helping understand and spread best practice, and to unpicking unhelpful practice in public services that make this difficult.
9. **Government needs to act on the unintended consequences of current public service procurement processes; the dangers they pose to the integrity of many social organisations engaged in them; and set out its emerging thoughts are on how to rectify them.** Our [State of the Sector](#) research highlighted the problems faced by charities engaged in delivering public sector contracts.<sup>7</sup> 36% of all charities we spoke to said they were involved in government contracting of one form or another, including 20% of small charities. Of these, 64% said they had to use other sources of income to cross-subsidise and help deliver them. Moreover, 57% of charities told us that they had turned down public sector contracts because the risks

<sup>5</sup> [www.thinknpc.org/publications/the-shared-society-needs-a-strong-civil-society](http://www.thinknpc.org/publications/the-shared-society-needs-a-strong-civil-society)

<sup>6</sup> NPC’s own work on this include a discussion of the benefits of place ([www.thinknpc.org/blog/the-past-and-potential-of-place](http://www.thinknpc.org/blog/the-past-and-potential-of-place)), countered by a look at some of the potential pitfalls associated with place-based approaches ([www.thinknpc.org/blog/some-problems-with-place](http://www.thinknpc.org/blog/some-problems-with-place)), and the thoughts of an outgoing senior councillor on the need for better collaboration at a local level ([www.thinknpc.org/blog/what-is-changed-by-collaboration-in-a-place](http://www.thinknpc.org/blog/what-is-changed-by-collaboration-in-a-place)).

<sup>7</sup> [www.thinknpc.org/our-work/projects/state-of-the-sector](http://www.thinknpc.org/our-work/projects/state-of-the-sector)

associated with them were too great.<sup>8</sup> Since the publication of our research, the collapse of employment charity Tomorrow's People—coming fast on the heels of private sector outsourcing giant Carillion—has added urgency to the need to pause and reflect on the efficacy of the current system.

10. As a minimum, government itself should think through the consequences of any large procurement project it has, including the use of payment by results, to ensure that it is not by its nature discriminating against civil society. **At the local level, government should move further on the Social Value Act, not least in making sure it can be used to favour social organisations that create long term value (and not just to favour local labour).** We set out our thoughts in full in our [response to the Social Value Act Review in 2014](#).<sup>9</sup>
11. More broadly, **NPC would welcome the beginnings of a sector-wide conversation about new, sustainable models of public service funding, design, production and delivery**, eg, how can we ensure that the public sector increases the amount of services commissioned from charities and other social organisations, thereby enshrining greater social value? How might we affect a shift towards longer contracts and outcome-based commissioning as the norm across the public sector?

## Promoting a healthy civil society everywhere: infrastructural support

12. Civil society is strong in some parts of the country, and amongst some communities, but is less so in and amongst others. **We want to see a better overall spread of activity and engagement, and policy should focus on putting resources into areas that need it.** As we set out in [Boldness in times of change](#), effective social sector infrastructure can support civil society activity by brokering collaboration and partnerships; providing a voice for the sector with local government and other local public services; promoting best practice; and giving smaller organisations space to plan and think.<sup>10</sup>
13. **The government should therefore look to target grants to support and enable local CVS-type bodies to adequately nurture, represent and champion their constituent social organisations, particularly in communities where social capital is less visible.** The cost of this would be trivial relative to the benefits but, if necessary, funding could come from the Dormant Assets Fund. We would also urge the independent review of the taxation of charities to consider whether the existing tax breaks available to charities could be better targeted to help achieve this, and for the government to look carefully at the review's final recommendations when delivered.
14. [Boldness in times of change](#) also contained NPC's thoughts on how advances in digital technology might enable a more networked sector, allowing organisations to share knowledge and ideas on an open source, peer-to-peer basis rather than the top-down 'broadcast' model (ie, where one organisation takes in the knowledge and sends it out to members).<sup>11</sup> **Government should also use its convening power to enable charities to work together and with major suppliers to provide shared platforms and other products that keep costs to charities down.**

## Creating a pluralist society: campaigning

15. Charities have an important role to play in speaking up for, and with, the causes and beneficiaries they exist to serve and support. Whilst we understand and respect the need to avoid overt political activity, a strong civil society requires that charities and community groups are able to speak out on the things they believe in. **The Lobbying Act, the 'gagging clause' added to grants agreements and the EU referendum guidance**

<sup>8</sup> [www.thinknpc.org/our-work/projects/state-of-the-sector](http://www.thinknpc.org/our-work/projects/state-of-the-sector)

<sup>9</sup> [www.thinknpc.org/publications/social-value-act-review](http://www.thinknpc.org/publications/social-value-act-review)

<sup>10</sup> [www.thinknpc.org/publications/boldness-in-times-of-change](http://www.thinknpc.org/publications/boldness-in-times-of-change)

<sup>11</sup> [www.thinknpc.org/publications/boldness-in-times-of-change](http://www.thinknpc.org/publications/boldness-in-times-of-change)

**make this role harder—all having had a clear, chilling effect on the sector. We urge the government to reconsider their position on these.** At the very least, we think that government should implement the main recommendations of Lord Hodgson’s 2016 review into the Lobbying Act, namely proposals to reduce the regulated period covered by the act to four months, changes to the rules on joint campaigning, and reducing the scope of the Act to include only activity intended to influence how members of the public vote.

16. Charities need to think hard about how effective their campaigning, influencing and behavioural change activities are—and to what extent they translate into meaningful change for their beneficiaries and service users. NPC has helped several significant charities through this process through the promotion of [theories of change](#).<sup>12</sup>

## Getting more money into the sector: funders, philanthropy and impact investment

17. **NPC has long argued that philanthropy is a force for good in British society, and we urge government to do more to publicise and champion the innovative work, and new policy initiatives, that are dependent upon grant-making trusts and philanthropists.** If the culture of philanthropy in the UK were to change, resulting in more giving, we estimate that £4bn of additional charitable funds could be unlocked.<sup>13</sup> Social entrepreneurs and charities trying to tackle some of today’s most pressing issues would be able to build a larger base of supporters and see more change; civil society would develop greater independence from government, freeing it to advocate for and initiate change; and more skills and resources would be invested in creating a better society. We set out our views on this in detail in our 2016 prescription for better philanthropy, [Giving more and better](#).<sup>14</sup>
18. Philanthropic bodies could reinforce this by becoming more strategic and impact-focused about the donations they make, for example by adopting a more coordinated approach to using their grant-making data to aid giving. Greater transparency with regards to where grants are going would undoubtedly help in making grant making more joined up and **we think the government should back the 360 Giving initiative**.<sup>15</sup> **It could also consider making it something that any grant maker who wants the tax break has to be part of. In addition, government must publish where all its grants go on the 360 Giving platform.**
19. In a similar vein, **government should create a requirement for grant-making trusts to be more transparent and publish the reasoning behind their payout ratio.** As foundations generally achieve their charitable objectives by making grants to other people, how much money they are giving away as a percentage of their assets—their payout ratio—goes right to the heart of their mission. And this denotes risk, because the more foundations give the more good they can do now, but the less money they will have in the future. It is right that the balance between preserving capital versus providing grants remains a matter for foundation boards, rather than a fixed payout ratio as adopted in the United States. But a more transparent system would encourage trustees to have a conversation about whether they are paying out the right amount.
20. Place-based philanthropy has much potential, and the Community Foundation already does a good job in many parts of the country. **Government should consider how to encourage this – including looking at the scope to part-fund local endowment schemes that could act as seed funds for future philanthropic activity at a local level.**

<sup>12</sup> [www.thinknpc.org/our-work/our-services/theory-of-change](http://www.thinknpc.org/our-work/our-services/theory-of-change)

<sup>13</sup> [www.thinknpc.org/publications/giving-more-and-better](http://www.thinknpc.org/publications/giving-more-and-better)

<sup>14</sup> [www.thinknpc.org/publications/giving-more-and-better](http://www.thinknpc.org/publications/giving-more-and-better)

<sup>15</sup> [www.threesixtygiving.org](http://www.threesixtygiving.org)

21. **Impact investment is a major new source of capital that could help achieve social impact at a major scale.** But this will only happen if we have metrics that ensure that so called impact investing really is creating social impact. [NPC recently put forward its own ideas on this subject](#), and would urge government to champion these and other, similar approaches.<sup>16</sup>

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<sup>16</sup> [www.thinknpc.org/publications/in-pursuit-of-deep-impact](http://www.thinknpc.org/publications/in-pursuit-of-deep-impact)

## TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy. Over the past 15 years we have worked with charities, funders, philanthropists and others, supporting them to deliver the greatest possible impact for the causes and beneficiaries they exist to serve.

NPC occupies a unique position at the nexus between charities and funders. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

**Increasing the impact of charities:** NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

**Increasing the impact of funders:** NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

**Strengthening the partnership between charities and funders:** NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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