

A new era of openness to drive a more impactful civil society

NPC's manifesto for the new government

November 2019

The unfulfilled potential of charities and the social sector

Charities are on the frontline in the fight to overcome our nation's most daunting social challenges. There are over 168,000¹ registered charities and many more voluntary and community groups. Millions give to charity, be they philanthropists, charitable foundations or ordinary donors, sacrificing their money or their time, with nearly 12 million² of us volunteering once a month.

Charities are also integral to how any government successfully provides public services, currently receiving about £12bn a year³ to house the homeless, support families in need, help prisoners get their lives back on track, and much more. From the smallest community groups to the biggest brands, charities are central to our communities, working with people from all walks of life to support the most vulnerable, campaign for change, and build social capital and a cohesive society through local arts, sports and education projects.

But while some charities are leading the way, many could do better with the right government support, encouragement and frameworks, and the social sector⁴ as a whole could make a much bigger impact too. So, with all major political parties proposing significant increases in public spending, and at least some of this likely to be contracted to charities, the government must think hard about how to support the social sector to be as impactful as possible.

We need an unrelenting focus on improving impact, from the government, charities and funders alike, building on the examples of charities both big and small, and from across the globe, who are learning, innovating, and leading the sector to deliver the most for the people and communities they serve.

This requires a new era of openness from the government, funders and charities. We must be open about how charities are performing, open about where funding goes, and open with the government-held data that charities could use to have more impact.

Our manifesto for a more impactful charity sector sets out how the new government can make this a reality.

An open contest: A social value approach to commissioning

The new government should:

1. **Reinvigorate the Social Value Act by applying a principle of openness, ensuring that government commissioning delivers the greatest possible social value.**

The government should work with the social sector to clearly define social value and guide its calculation so commissioners are able to act upon it. Social value should be a requirement in contracts, rather than an option, so that short and long-term social benefits are properly factored in and costed alongside the more immediate, direct costs. We also need data on where the Social Value Act has led to increased investment in social outcomes.

In addition, the government should publish data on the number, proportion and value of contracts going to charities through commissioning, so we can understand what is happening and challenge unjustified variations across services and geographies. Local government should also publish this data.

2. **Urgently review public service procurement processes so charities no longer have to use donors' money to subsidise poorly costed government contracts.**

Over a third of charities we spoke to as part of our [State of the Sector](#) research worked on government contracts. Of these, nearly two thirds said the payment from the government was not enough to deliver the service required by the contract, forcing them to rely on other sources of income to deliver them. This creates a situation where charity donors are essentially subsidising the government, and it could be diverting funding from other charitable activities which could be more impactful.

Open working: Collaboration between the public and social sectors

The new government should:

3. **Boost its relationship with civil society, systematically involving the sector to increase the impact of both charities and public services.**

Charities have lots to offer by working alongside the public sector and can make a real difference. But to maximise this impact the two sides need to work well together. To achieve this, the government must make sure key public services that work with charities develop and publish an action plan for consulting and involving the voluntary sector, which is then scrutinised by the relevant subject Select Committee and House of Lords committees. This could, and should, include services at a local level, and especially at a combined authority level. The government should also commit to looking at whether the most impactful solution to an issue involves working with civil society, before embarking on other approaches.

4. **Involve charities in the conversation on how EU funding is replaced once Brexit is done. Post-Brexit funding must not ignore the need to build social capital, and to bring Britain back together by addressing the systemic causes of our social challenges.**

The government should ensure all sectors, including charities, are involved in the design and delivery of post-Brexit funding, which should be tailored to encourage cross-sector service delivery and data sharing, as well as building a stronger civil society across the country. If, for instance, Local Economic Partnerships are going to be key for distributing funding, then the government must ensure they include much more representation from charities to be able to maximise the social impact of this money.

Open knowledge: Reporting and sharing to drive improvement

The new government should:

5. **Part fund a new, independent, Civil Society Improvement Agency to help charities grow their impact.**

There is an inconsistent focus on improving impact across the sector. We believe a [Civil Society Improvement Agency](#), run by and for the sector, could be an answer. A Civil Society Improvement Agency would be explicitly focused on improving impact, particularly through peer review. This would encourage the social sector to take responsibility for its own improvement. Its remit and resourcing should be additional and distinct from the existing charity regulators. The emphasis would be on good governance, better use of data, and promoting greater collaboration amongst charities and funders.

6. **Require charity trustees to report publicly on mission and impact.**

The Charity Commission's trustee obligations should be re-written to focus on mission and the impact achieved for the beneficiaries the charity serves. Charity trustees should be required to report each year on the impact their organisation is achieving in relation to its core mission and how it plans to improve, with the reporting requirement being proportionate to size. This will ensure a focus on improving impact is embedded in the approach of all charity boards. The regulators should have the right to revoke the charitable status of organisations who are repeatedly unable to demonstrate any impact related to their core mission.

7. **Make government data on the impact of social interventions far more open, including through more Data Labs to promote impact and build impact investing markets.**

The [Justice Data Lab](#) proves the concept of using government held administrative data on offending to let charities get an accurate long-term picture of the impact they are having on reoffending. The government should build on this success, as a matter of urgency, by setting up further [Data Labs](#), that use administrative data already collected, especially in employment, but also in education and health.

The government should provide guidance to charities on how they can interpret and use data more generally. Government departments should also go further and look at the case for adopting an Open Impact approach, making the software, APIs, data and research they produce (or fund and support) open and available so that charities can assess the impact of their work, improve their interventions, and help more people.

By opening up data, the government can also help ensure that **impact investing** really is impactful. Impact investing has seen rapid growth, with an increasing interest from the mainstream financial services industry and new impact funds being set up. But this rapid growth brings its own risks, and 'impact' needs to be transparently expressed. The Government should encourage and support work to ensure that this is the case. This should include open access to government data to help people make informed decisions about their investments, as data on both social and financial returns is currently woefully lacking.

8. **Amend the Lobbying Act by implementing the main recommendations of Lord Hodgson's 2016 review.**

We agree that charities should avoid party political campaigning, but the ability to argue against policies that stand in the way of supporting the people and communities they serve is essential. Open dialogue between charities and government is vital for a healthy, pluralist democracy. At a minimum, reform to the Lobbying Act should include reducing the regulated period to four months, changing the rules on joint campaigning, and reducing the scope of the act to only include activity intended to influence how people vote.

Open funding: Encouraging good practice and new ways of giving

The new government should:

9. **Require grant-making foundations to publish their grant-giving data in an accessible, open form, such as through 360Giving.**

If data on giving is collected and easily accessible, then funders will be able to make their grant-giving more effective and impactful. The [360Giving](#) platform already has a lot of this data, including from the National Lottery Community Fund, demonstrating the potential for its wider use. But to make it more impactful, we need it to have more data. As a start, the government must commit to making all its grant data available. In addition, it should explore options to encourage all charitable foundations and philanthropists to submit their data, including using taxation and other policy measures to nudge towards this.

10. **Review where funding to the sector goes geographically and take steps to ensure there is a more sustained focus on deprived areas.**

Our analysis⁴ shows that charitable activity is generally less present in the more deprived regions and towns. Yet government support through Gift Aid, goes mostly to better off areas. The government should review the charity tax system, along the lines suggested recently by the Charity Tax Commission⁵, to see how it could be altered. The government should also publish easily accessible data on the geographical distribution of its own funding to the social sector. Opening up this data will help balance funding geographically by increasing transparency and helping all funders to better understand where their money will make the biggest impact.



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NPC is a charity, think tank, and consultancy to the social sector. Over many years we have worked with charities, funders, philanthropists and others, supporting them to deliver the greatest possible impact for the causes and people they serve. We occupy a unique position at the nexus between charities and funders. We are driven by the values and mission of the social 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.

¹ Recent charity register statistics: www.gov.uk/government/publications/charity-register-statistics/recent-charity-register-statistics-charity-commission

² NCVO's website, Volunteering: www.data.ncvo.org.uk/volunteering/

³ NCVO's website, Why do charities deliver public services? www.ncvo.org.uk/2-content/1751-why-do-charities-deliver-public-services

[±] The social sector includes charities, NGOs, communities, businesses and investors whose mission is to improve life for people.

⁴ NPC's website, Where next for charities and civil society?: www.thinknpc.org/resource-hub/where-next-for-charities-and-civil-society/

⁵ Charity Tax Commission, Reforming charity taxation: www.ncvo.org.uk/images/documents/policy_and_research/funding/CharityCommissionReport_ForWeb_3.pdf