



# SOMETHING'S GOT TO GIVE

The state of Britain's voluntary  
and community sector

December 2013



THE CENTRE FOR  
SOCIAL  
JUSTICE

# Contents

About the Centre for Social Justice	2
Preface	3
Members of the CSJ Voluntary Sector Working Group	5
Special thanks	10
Chairman's foreword	11
Executive summary	14
<b>Introduction</b>	<b>23</b>
<b>1 The state of the sector</b>	<b>31</b>
1.1 A snapshot of the sector's finances	32
1.2 Weak charitable giving	34
1.3 Concentration of resources	36
1.4 The causes people give to	37
1.5 Changing nature of the sector	39
1.6 The place of trusts and foundations	39
1.7 Conclusion	41
<b>2 Commissioning public services from the voluntary sector</b>	<b>43</b>
2.1 Historic trends	44
2.2 Current trends	45
2.3 The private sector	47
2.4 The commissioning relationship between the state and the voluntary sector	50
2.5 Conclusion	62
<b>3 Social action</b>	<b>63</b>
3.1 Voluntary sector cold spots	63
3.2 Government initiatives	69
3.3 Volunteering	78
3.4 Faith-based organisations	82
3.5 Conclusion	85
<b>4 Social investment</b>	<b>87</b>
4.1 Progress so far	89
4.2 The potential for social investment	92
4.3 Challenges to growth	93
4.4 The scope of social investment	101
4.5 Conclusion	102
<b>5 Conclusion</b>	<b>103</b>

# About the Centre for Social Justice

The Centre for Social Justice (CSJ) aims to put social justice at the heart of British politics.

Our policy development is rooted in the wisdom of those working to tackle Britain's deepest social problems and the experience of those whose lives have been affected by poverty. Our Working Groups are non-partisan, comprising prominent academics, practitioners and policy makers who have expertise in the relevant fields. We consult nationally and internationally, especially with charities and social enterprises, who are the champions of the welfare society.

In addition to policy development, the CSJ has built an alliance of poverty fighting organisations that reverse social breakdown and transform communities.

We believe that the surest way the Government can reverse social breakdown and poverty is to enable such individuals, communities and voluntary groups to help themselves.

The CSJ was founded by Iain Duncan Smith in 2004, as the fulfilment of a promise made to Janice Dobbie, whose son had recently died from a drug overdose just after he was released from prison.

Director: Christian Guy

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# Preface

The Centre for Social Justice (CSJ) is not a typical think tank. Our research is rooted in the wisdom and experience of those working to tackle Britain's deepest social problems. Partnering with the CSJ is an Alliance of about 350 grassroots charities and social enterprises, who we regularly consult as we carry out our work. These people understand the complexity of life for those who have been affected by poverty and they are providing solutions.

For years we have seen how Britain's charitable groups offer the relationships and person-to-person support that matters most for people living in disadvantaged communities. The voluntary and community sector fills the gaps that government and the private sector cannot, gathering the best of communities together by enabling citizens to help each other.

In 2007, *Breakthrough Britain* argued that the fight against poverty will only be won by liberating the voluntary sector and building social responsibility and action. It called for a range of measures to attract more funding to third sector organisations, to increase charitable giving and volunteering from the British public, to break down the bias against effective faith-based organisations, and to offer more independence for the sector.

The current Government entered power with a strong determination to enhance the standing and role of the voluntary sector. Nonetheless, these are difficult days for many grassroots charities. Despite receiving political support, and despite some promising initiatives having begun, many in the sector have found the demands on their services rising whilst their resources have constricted.

Small charities are suffering disproportionately. Two-thirds of the voluntary sector's total current expenditure is spent by the biggest one percent of organisations. Lots of community charities are not thriving – in fact, many are battling month-by-month simply to stay afloat.

Revenue that charities received from investments suffered when the recession struck, private giving has remained low, and in the first year of the Coalition Government, state funding to the sector dropped slightly as the Government necessarily tightened purse-strings.

Government programmes designed to bolster volunteering and community activity are laudable. Yet there is a risk that they will be ill-fitting in the communities they operate in while the existing social infrastructure begs for support. It is critical that these programmes are owned by and embedded within the communities they are supposed to strengthen.

Meanwhile, the voluntary sector remains one of this nation's strongest untapped resources. It is not a luxury to be purchased in days of plenty; it is one of the ladders that can help Britain climb out of the slump.

For the voluntary sector to be unleashed to do what it does best, the Government and the voluntary sector need to chart a new course in their relationship. Too often they are hesitant to work together, expecting ill-intentions or incompetence from one another. This means vital opportunities are missed.

Effective government engagement with the sector means more than just letting them bid for contracts. It means trusting the sector to work in the way it does best and not requiring charities to function like government departments. The Government should continue to build on steps already taken to involve the voluntary sector in their reforms and allow the sector to bring its biggest strengths to the table. The voluntary and community sector also needs to adapt to the changes that are occurring. It needs to look at the opportunities that change provides and equip itself to do a better job than ever to help people break out of poverty.

In the coming year the CSJ will publish ideas about how the voluntary and community sector can be strengthened and how all political parties can work with it to harness the very things that make it so effective.

While these may be challenging days, there are many encouraging signs. Remarkable work is being done. As our Alliance shows, children who have been abandoned are being given families. People condemned to sleep in tunnels are being given homes and a chance to work for their living. Older people whose days would otherwise be filled with nothing are volunteering and finding new friends. To the most obstinate problems that leave Whitehall flummoxed, solutions are already being pioneered.

I want to thank Danny Kruger and the rest of the CSJ Voluntary sector Working Group who have given their time, energy and wisdom to this report. I am grateful to Dr. James Mumford, Annette Pereira and the rest of the CSJ team for their excellent work on this report too. Thanks must also go to all those – named and anonymous – who have contributed evidence to this report, and to all the members of the CSJ Alliance who regularly remind us why we exist.

Throughout the country, remarkable individuals are helping people to rebuild their lives. The people responsible for this work want a chance to do even more. We have to find a way.

**Christian Guy**

Director, Centre for Social Justice

# Members of the CSJ Voluntary Sector Working Group



**Danny Kruger (Chairman),  
Chief Executive, Only Connect**

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Danny leads crime prevention charity, Only Connect, which he founded with his wife Emma. Only Connect works across London with prisoners, ex-offenders and young people at risk of offending, delivering a range of programmes and services to break the cycle of crime. Its work has been independently evaluated and shown to reduce the re-offending rate by more than 50 per cent.

Danny was formerly Director of Studies at the Centre for Policy Studies, Chief Leader Writer at The Daily Telegraph, and Special Adviser and Chief Speech-writer for David Cameron. He has a DPhil in History from the University of Oxford.



**Dr James Mumford,  
Author and Researcher (until July 2013)**

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James is the CSJ's lead researcher on the voluntary sector. He has also co-authored the CSJ's older age review, published as *The Forgotten Age* (2010) and *Age of Opportunity* (2011). He has written for *Standpoint*, *The Spectator*, *The Huffington Post* and *Conservative Home*.

Prior to joining the CSJ James received a DPhil in Ethics from the University of Oxford, and he has also studied as a Henry Fellow at Yale University.



**Andrew Barnett,**  
Director of the UK Branch of the Calouste Gulbenkian Foundation

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Andrew joined the Calouste Gulbenkian Foundation in 2007 from the Joseph Rowntree Foundation where he held the post of Director of Policy Development and Communications. Prior to this, he was Director of Communications at the UK Sports Council and, before that, Head of Public Affairs at the National Consumer Council. Andrew previously held posts at the then Midland Bank and then HSBC Group HQ, the Arts Council of England, and the Foyer Federation for Youth, as well as working for the Chair of the All-Party Parliamentary Group on Homelessness and Housing Need.

Andrew is chair of DV8 Physical Theatre, a trustee of Addaction, a director of SIX (the international social innovation exchange), and a Council member of the Collaborate Institute, based at London South Bank University, whose aim is to promote collaboration between the business, social and public sectors.

He has previously served voluntarily in a variety of capacities, as chair of trustees for People Can, a charity and social enterprise, chair of the trustees of SPACE Studios, a London-based arts and education charity, and a Director of Yorkshire Metropolitan Housing.



**Andy Winter,**  
Chief Executive, Brighton Housing Trust

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Andy has worked for Brighton Housing Trust since 1985 and as Chief Executive since 2003. For many years he had overall responsibility for the Trust's alcohol, drug and mental health work, and published research into suicide and drug related deaths. He has a passion for continuous improvement in services, and has enthusiastically embraced social media as a means for exploring ideas, receiving feedback, and for engaging with new people.

He has a Post Graduate Diploma in Management Development and is a Fellow of the Royal Society of Arts. South African by birth, he was a conscientious objector, moving to England in 1979 to avoid conscription into the apartheid army.



**Gina Miller,**  
Miller Philanthropy and SCM Private

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Gina is a philanthropist and business woman who has founded five businesses since 1992, all of which have operated with a profit for purpose model where a percentage of profits are granted to community projects and charities.

In 2009 Gina formalised her support for small charities by founding Miller Philanthropy which focuses on community charities doing transformational work; primarily in the UK. Over her working career, Gina has supported over 45 charities in 23 countries. She is also a passionate advocate of smarter giving and a more strategic business-like approach to charity and the Third Sector:

In 2012 Gina started the True and Fair Campaign calling for radical reform in the investment and savings industry via transparency on all fees and holdings; as well as a more ethical culture leading to the eradication of many of the opaque anti-consumer practises occurring in the UK savings and investment industry.

Gina also co-founded SCM Private in 2009 which embodies what she is calling for in her True and Fair Campaign.



**Luke Fletcher,**  
**Partner, Bates Wells and Braithwaite**

Luke is a Partner in the Charity and Social Enterprise Department of Bates Wells and Braithwaite, a leading firm of solicitors. He carries out general commercial work for a wide range of clients and has a particular interest in social enterprise and social investment.

Luke has advised on some of the formative developments in the social investment market in the UK, including the structuring and establishment of Big Society Capital and the development of a template contract for social impact bonds. He is Company Secretary to the Social Stock Exchange and a Social Investment Adviser to the City of London Corporation.

Luke is also a trustee of the Wales Millennium Centre, Wales' premier performing arts venue, and a trustee of Stewardship, a charity which promotes giving and generosity. With his wife Rachel, he helps to co-ordinate a small local visiting scheme for older people.



**Nancy Doyle,**  
**Chief Executive, Aquila Way**

Nancy has led Aquila Way since 2010. Aquila Way is a charity in the North-East which provides support and accommodation to young people, families who are homeless and women escaping domestic violence situations.

Previously Nancy led two young people's supported housing services in London. Before that, in 2008, she was Team Director of Faithworks, a national network of faith-based organisations where she oversaw the implementation and delivery of a Big Lottery Fund project working with faith groups across the country.



Nancy is a Visiting Fellow at St John's College, Durham, a Fellow of the Royal Society of the Arts, and a Trustee of umbrella organisation Voluntary Organisations Network North East.



**Robin Millar,  
Director, Millar Consulting**

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Robin is a Fellow and former Programmes Director of the CSJ. He runs his own management consultancy practice for transforming local government. Current work includes the public sector's role in a London Borough affected by the August 2011 riots and a response to health inequalities in Manchester.

He holds the portfolio for Families and Communities in Forest Heath District Council and is a former Mayor of Newmarket. He founded The Newmarket July Festival Community Interest Company (CIC) in 2007 which launched its "Let's Read!" campaign for Newmarket in 2013.



**Sarah Webster,  
Corporate Relations and Employment Manager, City Gateway**

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Sarah has worked at London-based charity, City Gateway, for four years, leading the team responsible for creating 500 jobs for young people in Tower Hamlets through the Evening Standard's 'Ladder for London' campaign.

Sarah is also an alumnae of the Uprising community leadership programme where she set up a sexual health and relationships programme for young women, particularly Muslim women from disadvantaged backgrounds. Prior to that she spent two years working in the private sector.



**Tom Jackson,  
Founder and Chief Executive, The Resurgo Trust**

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Tom is the Founder and Chief Executive of Resurgo Trust, the social venture organisation behind Spear – an award-winning programme which has helped over 2,000 unemployed young people from disadvantaged backgrounds in London into work.

Tom is a former lawyer who has worked in neighbourhood transformation over the last fifteen years. He is a Trustee and Founder of the St. Paul's Money Advice Centre and a former Trustee of Prison Fellowship UK. He co-founded the Centre for Social Justice in 2004 and was Secretary to the Griffiths Commission on Personal Debt in 2005.



**Zoë Vickerman,**  
Executive Director of the London Children's Ballet

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Zoë recently took on the leadership of the London Children's Ballet, having formerly been Alliance Director at the CSJ. Between 2009 and 2012 she led the CSJ's engagement with charities and voluntary sector organisations, developing a network of 350 grassroots organisations and holding responsibility for identifying excellence and innovation among charities tackling the root causes of poverty. Keen to gain hands-on experience of the challenges involved in running a charity, she left the CSJ at the end of 2012 to head up the London Children's Ballet, an arts and education charity that uses dance to inspire young people and change lives.

Prior to joining the CSJ, Zoe was the online editor of *Easy Living* magazine, and piloted a youth initiative working with teenage girls in schools.



**Annette Pereira,**  
Researcher (from July 2013) and Alliance Manager

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Annette joined the CSJ in 2013, after working for four years as the Communications Manager of a think tank based in Auckland, New Zealand.

Annette has a long-standing interest in and passion for the work of the charitable sector. She spent a number of years volunteering and then working with at-risk youth in Western Sydney, and in 2011 was a founding Trustee of Te Whakaora Tangata, a charity in Auckland that provides wrap-around support to some of the most vulnerable families in the region.

Annette holds a first class honours degree in communications from the University of Technology Sydney.

*It should be noted that the views expressed in the report are not necessarily the views of each member of the Working Group.*

# Special thanks

The CSJ would like to thank the many people and organisations who have kindly given their time to contribute evidence during the course of this review. Our thanks also go to the Working Group for their time and valuable expertise, particularly to the Group's Chairman, Danny Kruger, for his commitment and leadership. Thanks also to David Kane from NCVO for his invaluable contribution in terms of analysing existing data and statistics on the voluntary sector. Special thanks also to CSJ staff Alex Burghart, Director of Policy, for his guidance and help with the report and CSJ Researchers Joseph Henson and Holly-Lee Davis for their irreplaceable editorial input.

Supported by:



*The Calouste Gulbenkian Foundation is committed to encouraging and fostering greater collaboration within and between sectors as a key element in tackling increasingly complex societal problems. The role of the voluntary sector is pivotal but a greater understanding of the barriers and opportunities involved is necessary if its value is to be fully realised and a stronger partnership with Government and the wider public, and private, sectors is to be forged. The Foundation is delighted to be supporting this report, which sheds light on the relevant issues and lays the ground for forthcoming recommendations on the practical steps required to take this agenda forward. The Calouste Gulbenkian Foundation is an international charitable foundation with cultural, educational, social and scientific interests, based in Lisbon with branches in London and Paris. The purpose of the UK Branch, based in London, is to help enrich and connect the experiences of people in the UK and Ireland and secure lasting, beneficial change. [www.gulbenkian.org.uk](http://www.gulbenkian.org.uk)*

# Chairman's foreword

Independent social action – whether the work is done for money or for free – is vital to Britain. It protects liberty, maintaining a sphere of communal activity which is independent of the state. It protects minorities, giving a voice and institutional form to smaller groups and staving off 'democratic majoritarianism'.

It also helps society in general. Social action gives life and meaning to everyone who takes part, calling forth imagination, empathy and effort. We are often at our best when helping others, and a good society is one where people have the opportunity to contribute to the wellbeing of their communities.

All this has always been true. But in today's world, with transient populations, movement of global capital, and an increasingly energised and demanding generation growing up, the old model of centralised state services looks redundant. New models of service provision and commercial activity are emerging, forming a 'hybrid social economy' of cross-sector partnerships, mixed public-private funding models, social enterprises and independent public services. Systems of accountability are shifting too, with new arrangements being formed for local governance, and some old ones, like parish councils, re-emerging into usefulness.

That is the opportunity. There is also an imperative. Before 2008, though the world was changing and a more plural, bottom-up system of social service was becoming possible, the money remained available for large national programmes and we still had some confidence in the ability of high-fliers in the civil service and the commercial sector to design and deliver them. No longer. The money has dried up and the claims of the grand architects have proved false. This is the time for the social sector.

The Government recognises this. No government has been more vocal or more energetic in its support of independent social action, of the principle that 'society' is 'not the same thing as the state', and that social problems demand social solutions. Yet many of those efforts are still only beginning to germinate and in the meantime, many in the voluntary and community sector – those who have pioneered outstanding social action for decades – are struggling with constraints on their resources, high demands, ongoing battles with bureaucracy and a changing operating environment.

Sadly, the Government has also begun to retreat from speaking about society itself as the locus of social change.

The Big Society seemed to have three elements:

1. a reinvigoration of social action, or public service by private citizens;
2. localism, or the devolution of power from Whitehall to communities; and
3. the 'open public services' agenda, i.e. the dismantling of state monopolies in health, education, welfare and elsewhere, in favour of the small independent organisations which are best placed to serve their communities.

Important steps have been taken towards all three of these goals yet there is still further to go. Volunteering seems to have risen slightly and some government initiatives are attempting to build this further; but there has certainly not been a radical upsurge in community action. Power has indeed been devolved to local government; but not – as intended – from there to local communities. Meanwhile (with the notable exception of education where free schools have sprouted all over the country) the open public services agenda has often involved outsourcing to large commercial firms while small charities have struggled to participate.

The Government's spending cuts are necessary but will nonetheless increase pressure and pain in deprived communities. Hard-pressed local charities are seeing expensive new schemes being launched while their own time-tested programmes, which were 'doing the Big Society' before the phrase was invented, are losing funding.

Yet the greatest need in terms of the sector's future is not money but people. Localism beyond the town hall – to communities themselves – requires communities with the capacity to take the burden. If the 'open public services' are not to simply become new private sector monopolies, a vigorous 'social economy' of vocational professionals, backed by local people, needs to emerge.

The tragedy is that the people with skills and passion are not spending these vital resources among the small, local organisations which need them and which, with them, could make an enormous difference. New social projects, with the organisational ability and the vision to scale up and transform communities, are not appearing in anything like the numbers we need. Entrepreneurs and innovators are quickly frustrated when they attempt to bring the pioneering spirit of business start-ups and growth to the social sector; for they find their way blocked by a culture of regulation which limits expansion.

As with the financial economy, the social economy needs a culture of enterprise, and to stimulate this we need a flow of social capital as well as financial capital. In the words of one sector leader, we need 'social quantitative easing': new rules, and the withdrawal of old ones, to encourage people to set up or join – as volunteers or employees or owners – the projects our society needs.

There remains a vast potential for social renewal through the energies and enterprise of Britain's communities. There is – I believe – a great subterranean shift going on in our culture, a turning away from the brashly new, from the quick and modern, from the solely individualistic measure of personal fulfilment. We are reaching once again for connection, belonging, and a sense of meaning which goes beyond our own immediate gratification. This

yearning is, perhaps paradoxically, fired by the thrilling possibilities of technology, and the democratisation of power which enables a teenager with a laptop to change the world.

This report identifies the problems, and some of the potential, of the social sector. Future work will set out concrete proposals for reform. But the first and foundational proposal is this: political parties of all stripes must remember that the social sector is an incredible asset still waiting to be fully harnessed.

**Danny Kruger**

# Executive summary

In the landmark reports *Breakdown Britain* (2006) and *Breakthrough Britain* (2007), the Centre for Social Justice (CSJ) offered an analysis of the nature of poverty in modern Britain. This analysis identified the voluntary sector as the key agent in the restoration of marginalised communities and also outlined some primary obstacles to the sector's growth and effectiveness.

The reports concluded that while vast amounts of public money had been spent on dealing with aspects of social breakdown such as addiction and worklessness, the organisations best placed to tackle these problems – those that were already offering compassion and support to help people turn their lives around – were not being utilised to their maximum potential. Government had failed, we argued, to trust the sector to innovate and develop effective new approaches to tackling social problems, preferring to concentrate ever larger sums of money on favourite, well-established charities, often asking them to deliver government's work in government's way through large prescriptive contracts.

## Three characteristics capture the unique power of the voluntary sector

**Reach:** Charities across the country stand a better chance of engaging the hardest-to-reach because their independence and situation in the community fosters trust. For many vulnerable people, the coercive power of statutory agencies is a threat, one that can remove children from parents, or move older people into care institutions.

**Relationship:** Very often people within voluntary sector organisations will work with people over a longer time period and in a more intense way than staff from many statutory agencies.

**Risk:** The voluntary sector is often more likely than the state to be able to develop innovative, nimble approaches. This is because they are prepared to take risks that arms of government are unable or unwilling to.

Six years on, this report contends, the strength of the voluntary sector is still yet to be fully harnessed.<sup>1</sup> The voluntary sector remains the best hope for many people who have been

<sup>1</sup> In this report we use the terms 'voluntary sector' or 'voluntary and community sector' interchangeably to refer to charities, voluntary organisations and the social action of citizens. This sector is sometimes also called the 'third sector' as it is separate to government and business. Going forward, we suggest that a broader term is needed to capture the increasingly wide-range of social enterprises and hybrid public, commercial and 'social' activities that fill the same space as more traditional charities. We intend to use the term 'social sector' in latter stages of the research, to encompass these broader categories. However in this diagnostic report we continue to use the more familiar terms.

badly let down by most of society. Some good initiatives have been pioneered to try and strengthen the sector, though the results are yet to be seen for many of these. Meanwhile grassroots charities continue to be under-resourced and under-utilised.

## Chapter 1: The state of the sector

A fifth of CSJ Alliance charities fear closure within 12 months if finances do not improve.

Source: Survey of CSJ Alliance charities, November 2012

Many charities are facing increased demand for services as well as a decline in resources.<sup>2</sup>

*Wealth in the sector is hugely concentrated. All too often the most dynamic community-based local charities are losing out to large, professionalised national ones, a situation which has worsened since we last reported.*

### Proportion of sector's total income which goes to charities with an annual income of £100,000 or less<sup>3</sup>

2006	5.4%
2013	3.5%

Speaking to the CSJ about this concentration of resources, Jenny North, Director of Policy at Impetus-Private Equity Foundation commented:

'Driven largely by visibility and advertising what we have is a super-league of charities that is so static. During a recession we should expect new entrants coming into this space. That this doesn't happen is a sign of a dysfunctional sector. Instead, charities with brilliant solutions to seemingly intractable social problems don't get the chance to scale up and get bigger and reach more people. There isn't any evidence that funding is flowing to the organisations with the best track record of improving outcomes, or with the most potential to do this in the future.'

Jenny North, Impetus-PEF

<sup>2</sup> Pricewaterhouse Coopers, Charity Finance Group and the Institute of Fundraising, *Managing in the 'new normal': adapting to uncertainty* [accessed via: <http://pdf.pwc.co.uk/managing-charities-in-the-normal.pdf> (18/11/13)], p3

<sup>3</sup> Charity Commission, Facts and Figures, 2005, quoted in Centre for Social Justice, *Breakdown Britain: Denying the vulnerable a second chance* 2006, p68; Charity Commission, Sector Facts and Figures, 30 June 2013 [accessed via: [http://www.charity-commission.gov.uk/About\\_us/About\\_charities/factfigures.aspx](http://www.charity-commission.gov.uk/About_us/About_charities/factfigures.aspx) (18/03/13)]



*Charitable giving remains weak.* Reports vary as to whether it has marginally increased or decreased in recent years, but it certainly has not seen a necessary substantial increase. A 2013 Ipsos MORI poll of nearly 30,000 people found that over 60 per cent of UK residents (over 30 million adults) give less than £1 a week to charity.<sup>4</sup>

'It is quite shocking that so few people feel there is an obligation to give. We have gone through a phase where we have a welfare state, we pay our taxes and we feel we don't give any more. But the world has changed and the government is not going to do as much.'

Dan Corry, Chief Executive, New Philanthropy Capital and former head of Number 10's Policy Unit under Gordon Brown<sup>5</sup>

*Our giving priorities are not aligned with the task of tackling poverty.* An ordinary donor is four times more likely to give to medical research and twice as likely to give to animals than to the homeless.<sup>6</sup>

*Government spending on the voluntary sector has flat-lined.* State spending on the voluntary sector rose significantly through most of the first decade of the 20th century but has remained at a relatively flat level since 2007/08.<sup>7</sup>

Drops in funding to the sector as a whole, continually weak charitable giving and the increased concentration of resources to a small number of large charities all indicate that the health of the sector has declined rather than improved in recent years.

## Chapter 2: Commissioning public services from the voluntary sector

Handing over the reins of public services to the voluntary sector has been a key ambition of the Prime Minister's Big Society agenda and a founding commitment of the Coalition Government, as stated in its original programme for government:

4 Calculated from figures cited in NPC, *Money for Good UK*, London: NPC, 2013, p87. The NPC study found that 39 per cent of respondents with household incomes under £150,000 and 67 per cent of respondents with a personal income of over £150,000 had donated more than £50 in the preceding 12 month period. The inverse percentages were then applied to the UK adult population from the 2011 Census using the NPC's conservative weighting of a 99/1 percent split between the two income groups. This results in a total of 30,182,282 who answered that they did not donate more than £50 in the preceding 12 months, which is less than £1 per week.

5 Quoted in The Guardian, Robert Booth: *Charitable giving survey finds donors put off by lack of information*, 14 March 2013 [accessed via: <http://www.guardian.co.uk/uk/2013/mar/14/charitable-giving-survey-donor-information> (19/03/13)]

6 Charities Aid Foundation/National Council for Voluntary Organisations, *UK Giving 2012: An overview of charitable giving in the UK, 2011/12*, West Malling: Charities Aid Foundation, 2012, p13

7 The figure has risen and fallen between £14 billion and £14.3 billion since 2007/08. NCVO, *UK Civil Society Almanac: Voluntary sector grant and contract income from statutory sources, 2000/01–2010/11* [accessed via: <http://data.ncvo-vol.org.uk/dataview/voluntary-sector-grant-and-contract-income-from-statutory-sources-200001-201011-billions/> (17/06/13)]

*'We will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.'*<sup>8</sup>

This commitment – according to the Government's December 2012 'Progress update' on *Making it easier for Civil Society to work with the State* – 'is rooted in a recognition that charities and social enterprises have an enormous amount of value to add in helping us *shape* and *deliver* better services.'<sup>9</sup> Charities are in a unique position, it implies, not just to *run* better services but also to *design* them.

Yet despite outsourcing going back a quarter of a century, and despite attracting increasing level of government expenditure over the last decade, the UK's state expenditure on the voluntary sector still only constitutes less than two per cent of total government spending.<sup>10</sup> This consists of £7.1 billion from local authorities and £6.3 billion from central government.<sup>11</sup>

The Government has boldly delivered the major legislative changes required for both localism and open public services. The Localism Act has created the conditions for greater local ownership and involvement in how services are delivered.<sup>12</sup> It has given existing charities and new community groups the right to challenge their local authority if they want to take on the running of certain services instead of that authority. And it has given the public sector the opportunity to form spin-outs, with teams formerly working for the NHS, for example, now able to run their service as an independent entity. Ongoing challenges relating to commissioning nonetheless remain.

- In Freedom of Information requests submitted to all 152 upper-tier local authorities in England the CSJ enquired about what change there had been in the proportion of resource expenditure spent on public service contracts to voluntary sector organisations between 2010/11 and 2011/12. Of those who responded with complete information, 55 per cent spent a lower proportion of their budget on contracts to charities in 2011/12 than in 2010/11.<sup>13</sup>

When the state *does* commission from the voluntary sector, the way it does so sometimes nullifies its reason for wanting to use charities in the first place – i.e. to draw upon charities' unique passion and power. The CSJ has been told that, at present, procurement processes all too often remain unwieldy and bureaucratic.

8 HM Government, *The Coalition: our programme for government*, London: The Stationery Office, 2010, p29

9 Our emphasis. HM Government, *Making it easier for civil society to work with the state: Progress update*, London: The Stationery Office, December 2012, p3

10 This calculation represents £13.4 billion (NCVO's figure for central and local government expenditure on the voluntary sector) divided by £706.1 billion (HM Treasury's figure for 'total managed expenditure' in 2011–12 – the last recorded year). It should be noted that both figures are for 2010/11 because those are the most recent figures the NCVO have published. References: NCVO, *UK Civil Society Organisation: Where does the sector's income from government come from?* [accessed via: [http://data.ncvo-vol.org.uk/a/almanac/3/income/where-does-the-sectors-income-from-government-come-from/\(17/06/13\)](http://data.ncvo-vol.org.uk/a/almanac/3/income/where-does-the-sectors-income-from-government-come-from/(17/06/13))]; and HM Treasury, *Public Expenditure: Statistical Analysis 2012*, London: The Stationery Office, 2012, p67

11 Ibid, NCVO

12 Localism Act 2011

13 Freedom of Information requests submitted by the CSJ for this report

'The whole thing shouldn't have to tie everybody up in knots and result in such a long, protracted process...'

Isabelle Trowler, former Assistant Director of Hackney's Children's Social Services, speaking to the CSJ about council commissioning

Some councils are succumbing to the temptation to package contracts into larger lump-sums, requiring fewer commissioners to manage them. This can favour large companies and large charities at the expense of smaller organisations.

58 per cent of local authorities who held the data commissioned from fewer charities in 2011/12 than they did in 2010/11.

Source: Freedom of Information request submitted by the CSJ for this report

Whether or not the voluntary sector is given opportunities to deliver services rests largely on the choices of commissioners. In early 2013 the Cabinet Office launched the Commissioning Academy which allows commissioners to share learning among their peers, and to be introduced to new concepts, from outcome-based commissioning, to 'whole-systems thinking', behavioural insights, working with the voluntary and community sector and social investment.<sup>14</sup>

The Commissioning Academy is an exciting idea to help solve this problem. It recognises that top down rhetoric is not enough and that a culture change needs to occur in commissioning practice.

An additional challenge for many charities wanting to deliver public services is the expense of employment regulations – TUPE (Transfer of Undertakings (Protection of Employment)) and the COSOP (Cabinet Office Statement of Practice on Staff Transfers in the Public Sector) – which enjoin new owners of organisations (including those providing services previously provided by the public sector) to retain and employ incumbent staff on the same terms as their previous employer. These regulations deter small organisations from bidding for contracts. The knock-on effect of this is to reduce plurality in the marketplace and to restrict the dynamism and choice in service provision.

'Many people have had such a bad service from mental health trusts. They want an alternative. They want choice. But with 80 per cent of mental health services being provided in-house by the NHS or councils, TUPE is preventing this market opening up.'

Michael Lilley, founder, social enterprise My Time, in evidence to the CSJ

<sup>14</sup> Cabinet Office, Efficiency and Reform Group, *The Commissioning Academy* [accessed via: <https://www.gov.uk/the-commissioning-academy-information> (17/06/13)]

## Chapter 3: Social action

A healthy voluntary sector is entirely dependent on the initiative and investment of people within communities who take responsibility for the needs of those around them. Troublingly, the voluntary and community sector is not evenly spread across the country. In fact, in some of the most deprived parts of the country, where a strong voluntary sector is most needed, that activity is very thin.

Recognising the importance of 'social action' in all communities, the Government has created new initiatives including the National Citizen Service (NCS), and the Community Organisers and Community First programmes. Though still in their infancy, these programmes have involved genuinely novel approaches and have potential. The early signs of their efficacy are mixed and time will tell how effective they may be. It is critical that these programmes are monitored and strengthened to ensure they maximise their potential and that they are implemented as intended.

- **The NCS:** This new voluntary programme for 16- and 17-year-olds in their post-GCSE summer holiday has been designed to support the transition into adulthood as well as to combat social segregation. Young NCS graduates bear witness to a fantastic programme. The investment is large but if this succeeds in achieving its goals it is projected to show a good return on investment.
- **The Community Organisers programme:** This £15 million initiative trains and funds organisers to be placed with host organisations across the country and go out into neighbourhoods to 'ignite the impulse to act'. Organisers are to (as one put it to us) '[stay] away from working with established groups' and instead build up new networks of people from scratch. This is because it aims to create new community action and to engage more citizens in communities. The time frame is very challenging however and some organisers have found it difficult to achieve much given the restrictions.
- **Community First:** This programme has two components to it, both of which involve match funding, where the Government matches donations from philanthropic giving in identified deprived communities. This encourages philanthropic activity and also helps channel additional resource into communities. One component of the programme includes matching of 'in-kind' contributions from the community. Again, while the programme is an excellent initiative, there are concerns about whether it is catalysing community action in all locations. It seems that in some places it is simply becoming another vehicle for the continuation of funding going to existing services.

Promisingly, Government statistics suggest that there has been an increase in the number of people volunteering.<sup>15</sup> Recent changes to Criminal Record Bureau checks for volunteers

15 Cabinet Office, *Community Life Survey, August 2012 to January 2013, Statistical Bulletin*, April 2013, p20; Cabinet Office, Press release, *New official statistics show resurgence in volunteering as millions more give their time to help others*, 12th February 2013 [accessed via: <https://www.gov.uk/government/news/new-official-statistics-show-resurgence-in-volunteering-as-millions-more-give-their-time-to-help-others> (11/07/13)]

are a positive step that has minimised some of the obstacles to volunteering. The challenge is now to ensure that projects most in need of volunteers receive the type of support they need.

## Chapter 4: Social investment

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Social investment is an idea which has rightly elicited huge excitement in many circles: political, charitable and financial. The launch of Big Society Capital (BSC) in 2012 – a £600m investment fund specifically for social investment – has seen Britain become a world leader in the field.<sup>16</sup> The vision, the Government has said, is ‘to create nothing less than a long-term “third pillar” of finance for our crucial social ventures, alongside traditional giving and funds from the state.’<sup>17</sup>

Social investment uses private finance to deliver social outcomes. It involves high-net-worth individuals, trusts and foundations and even retail investors *lending* rather than giving their money to charities. This may be done in order to answer a voluntary sector organisation's need for working capital to meet the upfront delivery costs of taking on a payment-by-results public sector contract; or to help a social enterprise expand, grow and develop like any company, paying back the social investor with the fresh revenue streams generated by that growth. Disability charity Scope has, for example, recently taken on social investment in order to open multiple new income-generating charity shops.

Social investment has a number of attractive features:

- From the point of view of public sector commissioners and the taxpayer the main advantage involves the transfer of risk to social investors and the ability to fund additional, preventative services in a cash-constrained environment;
- From the point of view of philanthropists, social investment is attractive because it affords the opportunity for investment to be recycled. A high-net-worth individual could lend money to a homelessness social enterprise to help get it off the ground. When that investor is repaid he or she could re-use that money to fund something as different as a mentoring programme for youth;
- From the point of view of charities, it provides a potentially substantial new funding stream that is less subject to political changes than current state funding;
- Social investment also holds out the promise of bringing financiers closer to the charities they support, as James Perry told the CSJ:

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<sup>16</sup> The Conservative Party, *Invitation to join the Government of Britain: The Conservative Manifesto 2010*, London: The Conservative Party, April 2010, p37; Prime Minister's Office, Press Release, *Prime Minister unveils Big Society Capital*, 04 April 2010 [accessed via: <https://www.gov.uk/government/news/prime-minister-unveils-big-society-capital> (25/06/13)]

<sup>17</sup> HM Government, *Growing the Social Investment Market: A vision and strategy*, London: The Stationery Office, February 2011, p7

‘When you make a grant that’s usually the end of the relationship. Whereas if you make available repayable finance you’re entering into a relationship.’

James Perry, Chief Executive of the Panahpur Foundation

Bold leadership has been shown in this area by the Government but the benefits of Social Investment will take a long time to be realised. Currently there are only 14 social impact bonds in existence. To understand what is holding the market back it is helpful to think about social investment in terms of ‘supply’ and ‘demand’ – the former being the provision of finance, the latter the appetite of the voluntary sector organisations to take on this repayable capital. With Big Society Capital’s introduction of £600 million into the market, at present supply is completely outmatching demand. The future of supply is an important issue; and, in light of the recent raft of consumer protection legislation, there is a lively debate about who social investment is really appropriate for (i.e. should it remain within the purview of high-net-worth individuals able to take significant risks with their capital? Or should we be looking to broaden out the base to retail investors?) Charities, and particularly smaller community-based charities, need support to become investment-ready. However, there is, unquestionably strong interest in the idea, as one of our recent surveys revealed:

60 per cent of CSJ Alliance charities were either ‘actively considering’ social investment or would take it ‘if the opportunity arose’.

Source: Survey of CSJ Alliance charities, June 2013

This year the Government has taken welcome steps to address this issue and increase the pipeline of propositions coming through. It has launched:

- A £10 million *Social Incubator Fund* to enable intermediary organisations to provide start-up capital, for social entrepreneurs when their enterprise is in its very early stages;<sup>18</sup> and
- A £10 million *Investment and Contract Readiness Fund* to allow ventures to scale up.<sup>19</sup>

These two funds are valuable though small. Proactive work is needed to seek out the innovative models and ground-breaking projects already in existence but confined to their immediate community contexts. The CSJ is eager to see if strategic grant-making enables projects to build to the point where they might take on social investment and public sector contracts.

18 Big Lottery Fund UK, *Social Incubator Fund Round Two Q&As*, 4 July 2013 [accessed via: [http://www.biglotteryfund.org.uk/global-content/programmes/england/-/media/Files/Programme%20Documents/Social%20Incubator%20Fund/prog\\_social\\_incubator\\_fund\\_qa.pdf](http://www.biglotteryfund.org.uk/global-content/programmes/england/-/media/Files/Programme%20Documents/Social%20Incubator%20Fund/prog_social_incubator_fund_qa.pdf) (11/08/13)]

19 HM Government, *Growing the social investment market: HMG social investment initiatives 2013*, London: HM Government, 2013

Social investment is an important and exciting development for the voluntary sector but it is not the solution to every challenge the sector faces. Some projects may not be suitable for social investment and other forms of support will continue to be needed.

## Chapter 5: Conclusion

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There is much about the changing charity landscape that gives reason for optimism. Many initiatives that are currently in their infancy show signs of paying dividends further down the road. But there are also challenges in equipping the sector to adapt to those changes, in adjusting the way government works with a sector that must be enabled to retain its unique character, and in seeing the generosity and social action of citizens grow.

This diagnostic report on the state of the voluntary sector in Britain in 2013 will form the basis of a second report to be published next year. We will explore the opportunities that are available for the voluntary sector with the growth of new technologies, the emergence of social businesses and cross-sector partnerships, and the outsourcing of some previously state-run services. And we will identify ways forward for some of the dilemmas that have proven impenetrable in recent years, suggesting how to reverse the concentration of resources in the sector and how to build social capital in areas where the voluntary sector is thin. We will propose measures which central government, local authorities and charities themselves should take to ensure that poverty-fighting voluntary sector organisations attract the people and financing they need to do more, reach further, work with the most excluded people, and change lives.

# Introduction

*'Time after time philanthropy is seen breaking in on official routine, unveiling evils, finding fresh channels for service, getting things done that would not be done for pay.'*

Sir William Beveridge<sup>20</sup>

Through extensive research carried out in the poorest neighbourhoods across Britain, the Centre for Social Justice (CSJ) has identified five 'pathways to poverty', five root causes of social deprivation which are both interlocking and mutually reinforcing.

These common characteristics of life in the toughest communities in the UK are: chronic rates of family breakdown; profound educational failure; entrenched worklessness; high levels of addiction to drugs and alcohol; and crippling personal indebtedness.

In 2007 the CSJ published *Breakthrough Britain*, the follow-up report to *Breakdown Britain* (2006) which detailed the extent of social injustice in the UK. *Breakthrough Britain* identified that time and again the key agent in the restoration of marginalised communities was the voluntary and community sector.<sup>21</sup> Throughout the country, dynamic grassroots charities work relationally with people, helping them turn their lives around. *Breakthrough Britain* also identified some primary obstacles to the voluntary and community sector's growth and effectiveness concluding that while vast amounts of public money had been spent on dealing with aspects of social breakdown such as addiction and worklessness, the organisations best placed to tackle these problems were not being utilised to their maximum potential.

Government had failed, we argued, to trust the sector to innovate and develop effective new approaches to tackling social problems. Rather it has tended to think it knows best, and has concentrated ever larger sums on a few favoured, well-established charities, often to deliver government's work in government's way through large, prescriptive contracts.

20 Beveridge W, *Voluntary Action: A Report on Methods of Social Advance*, London: The MacMillan Company, 1948, p301

21 In this report we use the terms 'voluntary sector' or 'voluntary and community sector' interchangeably to refer to charities, voluntary organisations and the social action of citizens. This sector is sometimes also called the 'third sector' as it is separate to government and to business. Going forward, we suggest that a broader term is needed to capture the increasingly wide-range of social enterprises and hybrid public, commercial and 'social' activities that fulfil a similar role to more traditional charities. We intend to use the term 'social sector' in latter stages of the research, to encompass these broader categories. However in this diagnostic report we continue to use the more traditional terms.



This, the first report from the *Breakthrough Britain II's* Voluntary Sector Working Group, finds that the environment charities are operating in has changed significantly over the last decade, and that while some good initiatives have commenced, for many charitable organisations this is a difficult time.

As this report will outline, the Government is suppositionally behind them but still many feel that their very existence is under threat.<sup>22</sup> There are several reasons for the precarious position many charities are in.

*Demand is rising.* Uncertain economic times are putting more pressure on many vulnerable people. According to a report released in March 2013, 67 per cent of organisations that are members of the Charity Finance Group or the Institute of Fundraising, reported an increased demand for services in 2012 and 72 percent expected that demand would increase in 2013.<sup>23</sup>

*The funding environment has changed.* As Chapter One will show, the recession and fiscal crisis ended a period of major growth in state funding to the voluntary sector. For a decade, the sector had seen a rapid increase in funds to deliver government contracts. But when the economic crisis hit in 2007, Britain, like much of the world, desperately needed to rein in its public spending, and that increase in funds to charities stopped. At the same time, charitable giving has remained weak.<sup>24</sup>

There is much interest in the sector from parliament and business, there is a desire for collaboration, and yet many are struggling to know how to make such collaboration work in practice. Funds are being concentrated even further on a few big brand charities.

Many grassroots charities do not have sufficient reserves of capital (financial or otherwise) that can be drawn on in the midst of change. New initiatives pioneered by government over the past few years – such as the development of social investment funds – may pay long-term dividends, but there is a time-lag and in the meantime, many charities fear they will not survive.

*Expectations of charities are also changing.* The status of 'charity' no longer automatically leads to an organisation engendering the public's trust. In 2001 the National Audit Office raised concerns about the efficacy of the Charity Commission, and a few well publicised scandals, such as that of the Cup Trust, have eroded some confidence in the sector.<sup>25</sup>

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22 Speech by the Prime Minister, Rt. Hon. David Cameron MP, *The Big Society*, 14 February 2011 [accessed via: <http://www.number10.gov.uk/news/pms-speech-on-big-society/> (29/10/2012)]. Cabinet Office, *Building the Big Society*, London: Cabinet Office, 2010 [accessed via: <https://www.gov.uk/government/publications/building-the-big-society> (12/11/13)]

23 Pricewaterhouse Coopers, Charity Finance Group and the Institute of Fundraising, *Managing in the 'new normal': adapting to uncertainty*, March 2013, p3

24 Charities Aid Foundation/National Council for Voluntary Organisations, *UK Giving 2012: An overview of charitable giving in the UK, 2011/12*, West Malling: Charities Aid Foundation, 2012

25 National Audit Office, *Giving Confidently: The role of the Charity Commission in regulating charities*, London: The Stationary Office, October 2001; National Audit Office, *The regulatory effectiveness of the Charity Commission*, London: The Stationary Office, December 2013; William Shawcross made comments about the Cup Trust to the Public Accounts Committee on 7 March 2013, reported by Ricketts A, 'Cup Trust scandal a "disaster" for the sector; Charity Commission chair tells MPs', *Third Sector Online*, 7 March 2013 [accessed via: <http://www.thirdsector.co.uk/Finance/article/1173783/cup-trust-scandal-disaster-sector-charity-commission-chair-tells-mps/> (2/12/13)]

Charities are also no longer the only types of organisations known for their focus on 'social good'. The space that has traditionally been filled by charities is beginning to open up to a range of actors, with Community Interest Companies, social enterprises and hybrids of government, business and 'social' activity emerging.

Charities say they increasingly have to do more to prove their effectiveness and show that their work leads to positive outcomes. This may lead to maturation in the sector long-term, but in the short-term it creates new challenges for charities, particularly for those whose staff are working primarily on the 'frontline'. Some charities are struggling to adapt to an unfamiliar new landscape.

## Why we need the voluntary and community sector

In his lesser-known but highly significant third report of 1948, *Voluntary Action*, the architect of the modern welfare state, Sir William Beveridge, argued that 'social advance' relies on voluntary action. 'Ceaselessly the State has extended its activity in fields in which voluntary action has pioneered', he contended.<sup>26</sup> It was voluntary institutions that initiated schools, hospitals and the social insurance system that would become the welfare state. Yet for Beveridge, the creation of the welfare state did not make the voluntary sector redundant. Instead he argued that voluntary action remained vital to meet other needs and to do things that the state 'should not do' or was 'most unlikely' to do.<sup>27</sup>

The reason voluntary and community organisations are uniquely positioned to meet particular needs is because of the relational and transformative way that many of them work with people. Charities can help the most marginalised by enabling positive relationships with sympathetic professionals and volunteers. Whether mentoring disaffected young people at risk of gang involvement or offering new companionship to chronically isolated older people, voluntary sector organisations can achieve what often seems to be impossible. These organisations can also bring about the transformation of people's capabilities, offering hope and a fresh start, rather than simply the reduction of their needs.

The voluntary sector reaches into places government struggles to touch. The CSJ has gathered anecdotal evidence of empty, government-initiated youth clubs with pool tables virtually unused, while a block away another youth club – started by a visionary community leader – bursts at the seams, running on a shoestring budget. We hear of homeless people that councils have spent decades trying to reach that have finally turned up at the doctor, because someone from the community has befriended them and is taking them to appointments.

Three characteristics capture the unique role of the voluntary sector: 'reach', 'relationship' and 'risk'.

<sup>26</sup> Beveridge W, *Voluntary Action: A Report on Methods of Social Advance*, London: The MacMillan Company, 1948, p301

<sup>27</sup> *Ibid*, p302

**Reach:** Charities across the country stand a better chance of engaging the hardest-to-reach because their independence and situation in the community fosters trust. For many vulnerable people, the coercive power of statutory agencies is a threat, one that can remove children from parents, or move older people into care institutions.

**Relationship:** Very often people within voluntary sector organisations will work with people over a longer time period and in a more intense way than staff from many statutory agencies.

**Risk:** 'Experiment has come in the past through Voluntary Action and is most certain to come that way', argued Beveridge.<sup>28</sup> The voluntary sector is often more likely than the state to be able to develop innovative, nimble approaches. This is because they are more prepared to take risks that arms of government are unable or unwilling to.

It is important to note that there is enormous diversity in the charitable world. There is a large gap between small charities operating on goodwill and amateur fundraising, and the large super-charities dependent on statutory income or highly professionalised large-scale public fundraising. While there is an important role for both large and small charities, the CSJ recognises the particular specialist poverty-fighting potential of small and medium-sized organisations – those with turnovers under £2 million a year – which can remain flexible and locally rooted.

It was the CSJ's recognition of the enormous assets that exist in such organisations that led us to establish our poverty fighters' Alliance, a network of 350 of Britain's most exemplary grassroots charities and social enterprises whose approaches we champion and whose perspective informs all our work. The Alliance members – some of whom are featured in this and other *Breakthrough Britain II* reports – are evidence of the vitality of the voluntary and community sector.

At their best, charities and other voluntary institutions are dynamic, responsive, person-centred and need-led. They stand out against the uniform services designed by public servants. Indeed, it is because of the unique features of community charities – reach, risk and relationship – that the *independence* of the sector is so important, a point made by William Shawcross as incoming head of the Charity Commission last year:

*'...charities should not become the junior partner in the welfare state; whether or not they provide services funded by government or indeed receive grants from government, they must remain independent and focused on their mission.'*<sup>29</sup>

It is vital that the best of the voluntary sector is unleashed and empowered to do what it does most effectively without being turned into another branch of government.

<sup>28</sup> Ibid, p224

<sup>29</sup> Speech by Chair of the Charity Commission, William Shawcross, *Speech at ACEVO Annual Conference 2012* [accessed via: <http://www.charitycommission.gov.uk/about-the-commission/press-office/comment-and-speeches/william-shawcross-acevo-annual-conference-2012/> (12/08/13)]

## 'Big Society': The context for this review

In its 2010 Manifesto, the Conservative Party trumpeted the importance of the voluntary and community sector, and their desire to see social action thrive.<sup>30</sup> David Cameron began speaking about this subject from the beginning of his leadership of the Conservative Party in December 2005. In contrast to Margaret Thatcher's famous statement that there is 'no such thing' as a society, he declared that 'there is such a thing as society, it's just not the same thing as the state'.<sup>31</sup>

Since then, the 'Big Society' agenda as it was coined, has sought to express a conviction that a healthy and flourishing civil society is vital to the life of the nation and instrumental to solving the most intractable social problems. 'In the fight against poverty, inequality, social breakdown and injustice,' as Cameron said in his 2009 Hugo Young lecture, 'I do want to move from state action to social action'.<sup>32</sup>

Since it was first formulated in Opposition, and since the formation of the Coalition in 2010, the Big Society agenda had three main facets that can be summarised as follows:<sup>33</sup>

- **Social action:** encouraging a greater number of people to work or volunteer in their communities and themselves be part of a social recovery to mend 'broken Britain';
- **Community empowerment:** a devolution of power to local government from central government and, in turn, from local government to local communities;
- **Open public services:** aiming to break the state's near-monopoly on the provision of public services.

Each of these facets will be addressed in the later chapters of this report.

The Government's commitment to the voluntary sector, rightly gave many reason for optimism. For example in February 2011 David Cameron stated:

*'There are amazing people in our country, who are establishing great community organisations and social enterprises, but we, the government, should also be catalysing and agitating and trying to help build the Big Society.'*<sup>34</sup>

However, with a single party coining a slogan like 'Big Society', there was always a risk that this critical agenda would become a political football rather than a deep commitment across

30 The Conservative Party, *Invitation to join the Government of Britain: The Conservative Manifesto 2010*, London: The Conservative Party, April 2010

31 Interview with the Prime Minister; Baroness Margaret Thatcher, *Women's Own Magazine*, 23 September 1987 [accessed via: <http://www.margaretthatcher.org/document/106689> (25/06/13)]; Speech by the Prime Minister, Rt. Hon. David Cameron MP, *Cameron Victory Speech*, 6 December 2005

32 Speech by the Prime Minister, Rt. Hon. David Cameron MP, *The Big Society: Hugo Young Memorial Lecture*, 10 November 2009 [accessed via: [http://www.conservatives.com/News/Speeches/2009/11/David\\_Cameron\\_The\\_Big\\_Society.aspx](http://www.conservatives.com/News/Speeches/2009/11/David_Cameron_The_Big_Society.aspx) (08/05/13)]

33 Speech by the Prime Minister, Rt Hon David Cameron MP, *The Big Society*, 19 July 2010 [accessed via: <https://www.gov.uk/government/speeches/big-society-speech> (08/05/13)]

34 Speech by the Prime Minister, Rt. Hon. David Cameron MP, *The Big Society*, 14 February 2011 [accessed via: <http://www.number10.gov.uk/news/pms-speech-on-big-society/> (29/10/2012)]

parliament. For this reason, the CSJ never adopted the language of the 'Big Society' believing that growing a strong voluntary sector in Britain is a mission that should not be overtaken by political strategy and messaging.

The Government entered office still speaking about the Big Society but simultaneously needing to reduce the deficit.

We are passing through the most significant constraints on public expenditure for a generation. Needing to find a total of £158 billion to eliminate the budget deficit, the Government has sought to reduce both central and local government expenditure.<sup>35</sup> As a consequence some charities have seen a reduction in their funding. The NCVO forecasts cumulative cuts by local and central government of £900 million over the course of the Parliament (2010/11–2014/15).<sup>36</sup>

Given the reality of the deficit and the fact that reductions in spending have affected virtually every part of society, the cuts to the voluntary and community sector are not surprising or unreasonable. But for a sector that often operates hand-to-mouth, small cuts can have large consequences when demand for services is also growing.

It was not long before austerity and the Big Society were spoken about together. The Government's political opponents began to target the Big Society as a means of undermining the administration. Ed Balls stated in 2010:

*'It increasingly seems that David Cameron's big idea of a "big society" is little more than a cover for deep and ideological cuts to local services... and while he says he's devolving power – to local government and local communities ... it's not power he's devolving but blame.'*<sup>37</sup>

The perception that the Big Society was a 'cover for cuts' grew to such an extent that in 2012, then Archbishop of Canterbury Rowan Williams criticised the language of the Big Society saying:

*'Big Society rhetoric is all too often heard by many therefore as aspirational waffle designed to conceal a deeply damaging withdrawal of the state from its responsibilities to the most vulnerable...'*<sup>38</sup>

Eventually the Prime Minister stopped talking about the Big Society altogether. In his 2012 Conservative Party conference speech the Prime Minister made only two passing references to the 'Big Society' and one of those references acknowledged his own battle to explain the

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35 OBR, *Economic and Fiscal Outlook*, London: The Stationary Office, December 2013

36 Figure assumes that the proportion of public expenditure which is used to support the voluntary sector remains constant. Cumulative cuts calculated from forecasts figures are cited in Bhati N and Heywood J, *Counting the Cuts: The impact of spending cuts on the UK voluntary and community sector – 2013 update*, London: NCVO, 2013, p17

37 Balls E, *Cameron's 'Big Society' is a big con* [accessed via: <http://www.edballs.co.uk/blog/?p=1243> (08/05/13)]

38 Williams R, *Faith in the Public Square*, London: Bloomsbury, 2012

concept.<sup>39</sup> In his speech at the 2013 Conservative Party conference the Prime Minister did not once mention the Big Society.<sup>40</sup>

Meanwhile, the concept that lies behind the rhetoric – that the best solutions are being found within communities and that social challenges cannot be solved by government alone – remains as critical as ever.

As this report will show, the challenge ahead for government is to hold on to its commitment to the voluntary and community sector and to support it so that it can adapt, change and strengthen its work. The challenge for the sector is to accept the changing landscape and embrace the opportunities such change will afford. The challenge for citizens is to recognise that the sector does not belong to government but to all of us. It requires our support.

## Scope of the report

This, the first report of the Voluntary Sector Working Group, is primarily diagnostic: we are assessing the wellbeing of the voluntary sector, before going on to recommend policies in subsequent work.

In Chapter One we offer a snapshot of the sector as it currently stands before progressing in Chapter Two to look at government's commissioning of the voluntary sector. In Chapter Three we explore the challenge of generating meaningful social action and evaluate the Government's initiatives designed to build that activity. Finally, Chapter Four outlines the developments that have occurred in relation to social investment.

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39 Telegraph, *David Cameron's Conservative Party Speech in Full*, 10 October 2012 [accessed via: <http://www.telegraph.co.uk/news/politics/conservative/9598534/David-Camerons-Conservative-Party-Conference-speech-in-full.html> (18/11/13)]

40 The Telegraph, *Conservative Party Speech – In Full*, 2 October 2013 [accessed via: <http://www.telegraph.co.uk/news/politics/david-cameron/10349831/David-Camerons-speech-in-full.html> (18/11/13)]



# chapter one

## The state of the sector

Over the past decade or so, the operating environment for charities has changed substantially. Many charities that once relied upon donations and applying for grants are today bidding to run public services and attempting to understand a growing new market called 'social investment'. They also find themselves sharing a stage with other forms of voluntary sector providers such as social enterprises and community interest companies. The lines that define the sector are no longer as clear as they once were, though many of the needs they address continue.

Over the course of the last year the CSJ's Voluntary and Community Sector Working Group has travelled the length and breadth of Britain meeting with charity leaders across a wide range of sectors: from organisations providing support to the homeless to those counselling people consumed by debt; from welfare-to-work charities to addiction rehabilitation centres; from those working with families where children are on the verge of being taken into care to those helping to reintegrate ex-offenders into the community.

From these hundreds of conversations the overwhelming sense we have gleaned is that the voluntary sector is under a lot of pressure. Despite the political support this government has given to the sector's independence and aims, many in the sector feel that the survival of their work is under threat. Many charities have told us of their fear for the future.

A survey of the 350-strong CSJ Alliance of poverty-fighting grassroots organisations found that one in five thought they were at risk of closing in the next 12 months if their finances did not improve.<sup>41</sup> Similar discoveries were made by a Charities Aid Foundation (CAF) poll:<sup>42</sup>

- More than eight out of ten charities believe the charity sector is facing a crisis;
- Nearly half of charities say they are being forced to dip into reserves to maintain their work; and
- More than a quarter of charities have had to cut frontline services.

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41 Survey conducted in November 2012

42 Charities Aid Foundation, Press release, *One in six charities fear closure as charity funding crisis hits*, 09 December 2012 [accessed via: <https://www.cafonline.org/media-office/press-releases/2012/0912-charities-fear-closure.aspx> (09/05/13)]



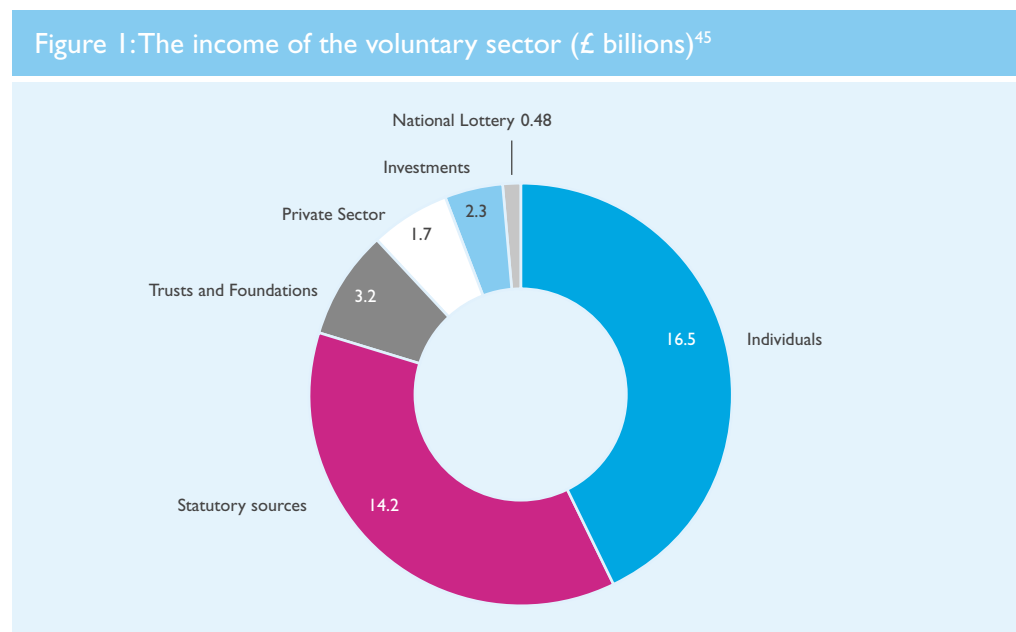
In this chapter we attempt to explain some of the reasons for this sense of vulnerability and to give an up-to-date snapshot of the current situation in which the voluntary and community sector finds itself nationally.

## 1.1 A snapshot of the sector's finances

The word 'charity' is a very broad term that captures a plethora of organisations. According to the Charities Act 2011, a charity is an institution which is established for public benefit. It must exist to carry out 'charitable purposes' which are quite broadly defined. Those purposes include 'the prevention and relief of poverty' as well as 'the advancement of amateur sport', 'the advancement of animal welfare' and 'the promotion of the efficiency of the armed forces of the Crown or of the efficiency of the police, fire and rescue services or ambulance services'. Consequently, a wide range of organisations fall under the 'charity' banner.

The combined income of charities in England and Wales is £61 billion.<sup>43</sup> The National Council for Voluntary Organisations (NCVO) breaks that total down to look at a smaller portion of charities – what they call the 'voluntary sector' – in their annual almanac. According to their data, as of April 2011 the annual combined income of the voluntary sector stood at a little over £38 billion.<sup>44</sup>

The voluntary sector's revenue comes from a range of sources as depicted in Figure 1 below.



43 Charity Commission, *Sector Facts and Figures* [accessed via: [http://www.charitycommission.gov.uk/About\\_us/About\\_charities/factfigures.aspx](http://www.charitycommission.gov.uk/About_us/About_charities/factfigures.aspx) (18/11/13)]

44 We use the 2011 figures as these are the most recent ones to have been published by NCVO. National Council for Voluntary Organisations, *Civil Society Almanac 2013* 'Voluntary sector income, 2000/01 to 2010/11' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/databank/income-2/> (25/06/13)] NCVO's definition of 'voluntary sector' is based on active organisations that are independent of government, and it excludes a number of official charities such as independent schools, trade associations, housing associations and faith groups.

45 National Council for Voluntary Organisations, *Civil Society Almanac 2013*, 'What are the sector's different sources and types of income?' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/income/what-are-the-sectors-different-sources-and-types-of-income-2/> (10/05/13)]

The income charities receive from individuals is not all philanthropic giving. It includes £5 billion in fees, £3.1 billion generated from fundraising and £1.7 billion of legacies as well as £6.7 billion derived from donations.<sup>46</sup>

In terms of the sector's income from statutory sources the £14.2 billion figure can be subdivided into grants and contracts.

Figure 2: State expenditure on the voluntary sector (2010/11)<sup>47</sup>

Grants	£3 billion
Contracts	£11.2 billion

Since 2000, the way government has funded the voluntary and community sector has changed substantially. The voluntary sector has been increasingly contracted to deliver public services and simultaneously, grant funding has shrunk. While grants from government have declined significantly since 2000, contract income increased in real terms by £6.7 billion over the same period, as government expenditure on public services as a whole increased.<sup>48</sup>

State funding to the sector has dropped slightly since 2008, but the amount it has dropped by is marginal compared to the amount it has increased overall in the last decade. Between 2000/01 and 2010/11 the state's funding of charities increased by a massive 56 per cent.<sup>49</sup>

It is also important to note that during that period the increase of state funding to the sector was not evenly spread. In 2003/04 public sector funding made up 39 per cent of the income for small voluntary sector organisations (income between £10,000 and £100,000), and 32.9 per cent of the funds for very small organisations (income under £10,000).<sup>50</sup> This was similar to the proportion of the income it made up for larger organisations (40 per cent for large organisations with an income of £1–£10 million and 35.2 per cent for major organisations with an income of over £10 million).<sup>51</sup>

However, throughout the last decade large charities have begun to rely more on state funds and small charities have relied on them less. In 2010/11 statutory sources accounted for only 21 per cent of the income of small organisations and a tiny 3.7 per cent of the income for very small organisations, yet it accounted for 40 and 41 per cent of the income for large and major organisations, respectively.<sup>52</sup>

46 National Council for Voluntary Organisations, *Civil Society Almanac 2013*, 'What is the voluntary sector's income: Individuals?' [accessed via: <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/income/what-is-the-voluntary-sectors-income/#/~total-income/individuals> (10/05/13)]

47 National Council for Voluntary Organisations, *Civil Society Almanac 2013*, 'How have government grants and contracts changed?' [accessed via: <http://data.ncvo.org.uk/a/almanac13/income/how-have-government-grants-and-contracts-changed/> (19/06/2013)] Includes approximately £800 million of funding from the European Union and international government sources.

48 Ibid; HM Treasury, *Public Expenditure: Statistical Analysis 2012*, London: The Stationery Office, 2012, p67

49 Ibid; from £9.1 to £14.2 billion between 2000/01 and 2010/11

50 National Council for Voluntary Organisations, *The UK Voluntary Sector Almanac 2006 – Income*, 'Table 15', London: NCVO, p77

51 Ibid

52 National Council for Voluntary Organisations, *UK Civil Society Almanac 2013*, 'Are smaller voluntary organisations more reliant than others upon particular sources of income?' [accessed via: <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/income/are-smaller-voluntary-organisations-more-reliant-than-others-upon-particular-sources-of-income-2/> (6/12/13)]

It is therefore very likely that state funding has actually contributed to the concentration of resources in the sector; which is discussed below (see 1.3). While some smaller charities may have experienced pressure through losing some local authority funding, it is very likely that government cuts have had a bigger impact on larger charities.

The drop in funding to the sector is not surprising or unreasonable given the substantial budget deficit the Government is facing. Nor is the drop large given the massive increase that has occurred over the past decade. Nonetheless, it has added to pressure experienced by some in the sector:

There have been some compensating moves, such as the £100 million Transition Fund established by the Cabinet Office.<sup>53</sup> This fund was created with the recognition that many charities had become dependent on public funds and were 'now facing uncertain times'.<sup>54</sup> The fund offered a short-term lifeline to help them make the transition to a new spending environment as they looked for other sustainable funding sources. This fund was important for a small group of charities who were heavily reliant on public money.

## 1.2 Weak charitable giving

Government funding can play an important role in allocating resources to places of need, but such funding is never a substitute for charitable giving. Charitable giving not only fulfils a pragmatic function of allowing good work to take place; it also ties the charity directly to the public.

In *Breakthrough Britain* we argued that charitable giving, 'the life-blood of an independent and innovative third sector' was 'in need of a serious boost'.<sup>55</sup> Given the fiscal challenges the country is facing and is likely to face for many years more, that boost is even more necessary. Disappointingly, since we last reported in 2007 the long-term decline in people's charitable giving has not been reversed. In 1978, 33 per cent of households donated to charity but only 27 per cent did so in 2008.<sup>56</sup>

It is difficult to gain a precise picture of rates of giving today, as most surveys are based on individuals' self-disclosure. However, even the most positive reports – such as the findings of the Government's recent *Community Life Survey* – show that philanthropy is still troublingly low

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53 Nick Hurd, Minister for Civil Society, Cabinet Office, *The Transition Fund: Interim findings*, February 2012 [accessed via: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/62534/The-Transition-Fund-interim-findings.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62534/The-Transition-Fund-interim-findings.pdf) (17/06/13)]. The fund was launched in November 2010 and delivered by The Big Lottery. Eligible charities had to prove their income for the previous year was between £50,000 and £10 million, that at least 60 per cent of their total income came from tax-payer funded sources; that they were spending at least 50 per cent of their total income delivering frontline public services, that they could provide evidence or 'reasonably believe[d]' they would experience a reduction of at least 30 per cent of their statutory income between April 2011 and March 2012; and that they were delivering the majority of their services in England.

54 Ibid, p2

55 Centre for Social Justice, *Breakthrough Britain: Third Sector*, London: Centre for Social Justice, 2007, p14

56 McKenzie T and Pharaoh C, *CGAP Briefing Note 7: How generous is the UK? Charitable giving in the context of household spending*, Centre for Charitable Giving and Philanthropy and Cass Business School, 2011, p1

across the board.<sup>57</sup> According to that survey, gross individual contributions, as a proportion of household expenditure, stand at just 1.55 per cent.<sup>58</sup>

The latest *UK Giving Survey* makes for depressing reading. It suggests that between 2010/11 and 2011/12 alone individual giving fell by 20 per cent in real terms (from £11 billion to £9.3 billion in cash terms).<sup>59</sup> This figure is also higher than the NCVO Almanac's calculation of individual giving because it is based on individual's self-disclosure rather than charity accounts. It likely includes money people gave to fundraising efforts and money given to hospitals. The drop across the year was caused by a decrease both in the proportion of people donating to charity as well as a decrease in the typical size of donations.<sup>60</sup>

A more stark indication of levels of giving comes from an Ipsos MORI poll of nearly 30,000 people. It found that over 60 per cent of UK residents – over 30 million adults – give less than £1 a week to charity.<sup>61</sup>

Figure 3: The average giver: a profile<sup>62</sup>

Sex	58 per cent of women donated money to charity in 2011/12, compared with 52 per cent of men.
Age	Women between 45–64 and women aged 65 and over are the groups most likely to give monthly and to give the most.

Regardless of whether charitable giving has marginally increased or decreased, it remains a major concern that there is a lack of resolve among the public about the *need* for philanthropy. A March 2013 survey found that less than half of Britons think people should donate to charity if they have the means.<sup>63</sup> Commenting on these findings Dan Corry, former head of Number 10's Policy Unit under Gordon Brown, said:

*'It is quite shocking that so few people feel there is an obligation to give. We have gone through a phase where we have a welfare state, we pay our taxes and we feel we don't give any more. But the world has changed and the government is not going to do as much'.<sup>64</sup>*

57 Cabinet Office, *Encouraging Social Action*, London: HM Government, November 2013

58 Ibid, p8

59 Charities Aid Foundation/National Council for Voluntary Organisations, *UK Giving 2012: An overview of charitable giving in the UK 2011/12*, West Malling: Charities Aid Foundation, 2012, p4.

60 Ibid

61 Calculated from figures cited in NPC, *Money for Good UK*, London: NPC, 2013, p87. The NPC study found that 39% of respondents with household incomes under £150,000 and 67 per cent of respondents with a personal income of over £150,000 had donated more than £50 in the preceding 12 month period. The inverse percentages were then applied to the UK adult population from the 2011 Census using the NPC's conservative weighting of a 99/1 percent split between the two income groups. This results in a total of 30,182,282 who answered that they did not donate more than £50 in the preceding 12 months, which is less than £1 per week.

62 Charities Aid Foundation/National Council for Voluntary Organisations, *UK Giving 2012: An overview of charitable giving in the UK 2011/12*, West Malling: Charities Aid Foundation, 2012, p12

63 Quoted in *The Guardian*, Robert Booth: *Charitable giving survey finds donors put off by lack of information*, 14 March 2013

64 Ibid

Interestingly, those in the lower household income brackets give a higher proportion of their income to charity. Of people who donate, those in the bottom decile give approximately three per cent of their budget, compared to the one per cent donated by those in the top decile.<sup>65</sup> Regionally too, there is a disparity, with 'mainstream' donors (i.e. donors with a household income of less than £150,000) from Scotland and the Midlands giving substantially higher annual donations (£356 and £375 respectively) than in London or the South East (£268 and £276 respectively) despite the latter enjoying higher average salaries.<sup>66</sup>

The Government's desire to stimulate 'a step change in giving' is perfectly correct, but it appears private individuals are proving resistant.<sup>67</sup>

### 1.3 Concentration of resources

It is not only the total reduction of individual donations that is concerning. There is also the troubling concentration of resources in the sector. All too often the most dynamic grass-roots charities lose out to large sophisticated national voluntary sector organisations when it comes to both funding and profile.

In *Breakdown Britain* we drew attention to the way that wealth was concentrated in the sector. The statistics we cited then, from 2006, showed that charities with an income of £100,000 or less accounted for just over 5.4 per cent of the voluntary sector's total income.<sup>68</sup> We also put this figure in context, noting that the share of the UK's total charitable income enjoyed by those smaller charities had fallen by 30 per cent over the previous ten years.<sup>69</sup>

Since we published this analysis that concentration has only intensified. Smaller charities now command even less resource, with charities with an income of £100,000 or less now accounting for a mere 3.5 per cent of the overall pot.<sup>70</sup> By contrast, those with an income of over £5 million – 1.2 per cent of charities – now absorb 68.9 per cent of the funding for the entire sector.<sup>71</sup> Community charities making a profound difference in their localities are outgunned in terms of fundraising and communication, lacking the capacity to promote their achievements to charitable givers beyond their immediate locality.

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65 McKenzie T and Pharaoh C, *CGAP Briefing Note 7: How generous is the UK? Charitable giving in the context of household spending*: Centre for Charitable Giving and Philanthropy and Cass Business School, 2011, p5

66 NPC, *Money for Good UK*, London: New Philanthropy Capital, 2013, p17

67 HM Government, *Giving White Paper*, London: The Stationery Office, May 2011, p5

68 Charity Commission, *Facts and Figures*, 2005, quoted in Centre for Social Justice, *Breakdown Britain: Denying the vulnerable a second chance*, London: Centre for Social Justice, 2006, p68

69 Centre for Social Justice, *Breakdown Britain: Denying the vulnerable a second chance*, London: Centre for Social Justice, 2006, p12

70 Charity Commission, *Sector Facts and Figures*, 31 December 2012 [accessed via: [http://www.charity-commission.gov.uk/About\\_us/About\\_charities/factfigures.aspx](http://www.charity-commission.gov.uk/About_us/About_charities/factfigures.aspx) (18/03/13)]

71 Ibid

Figure 4: The ten largest voluntary organisations in the UK<sup>72</sup>

Charity	£ million
Wellcome Trust	770
Cancer Research UK	493
The National Trust	442
Oxfam	361
British Heart Foundation	291
The Save the Children Fund	267
Barnardo's	247
Action for Children	202
The British Red Cross Society	199
Royal Mencap Society	196

Speaking to the CSJ about this concentration of resources, Jenny North, Director of Policy at Impetus-Private Equity Foundation (Impetus-PEF, formerly Impetus Trust before a merger occurred with the Private Equity Foundation in July 2013), commented:

*'Driven largely by visibility and advertising what we have is a super-league of charities that is so static. During a recession we should expect new entrants coming into this space. That this doesn't happen is a sign of a dysfunctional sector. Instead, charities with brilliant solutions to seemingly intractable social problems don't get the chance to scale up and get bigger and reach more people. There isn't any evidence that funding is flowing to the organisations with the best track record of improving outcomes, or with the most potential to do this in the future.'*

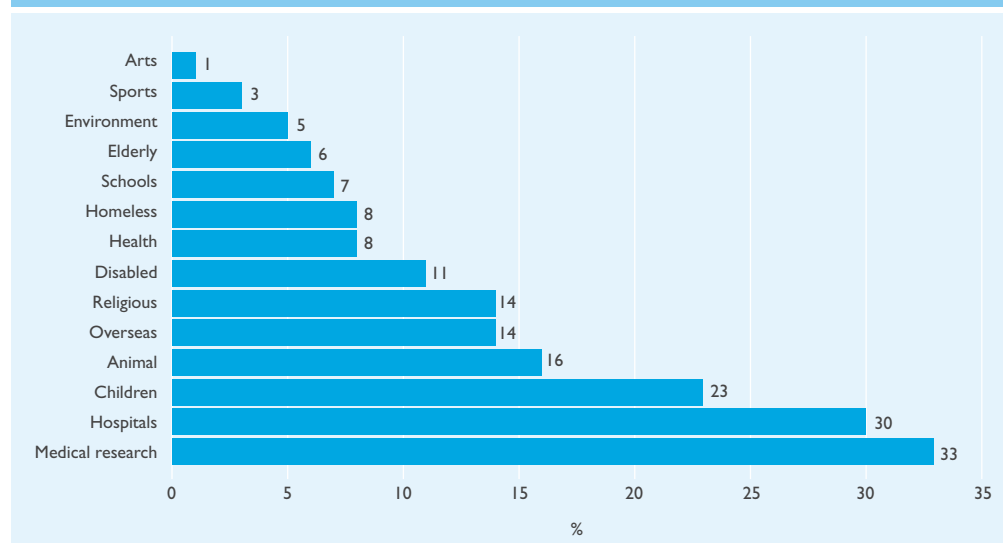
## 1.4 The causes people give to

Recent trends also suggest that vital poverty-fighting charities are losing out disproportionately to other causes. At the end of 2012 the Charities Aid Foundation (CAF) published this table as part of its *UK Giving 2012* report:<sup>73</sup>

72 National Council for Voluntary Organisations, *UK Civil Society Almanac 2013*, 'Which are the largest voluntary organisations in the UK?' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/scope/which-are-the-largest-voluntary-organisations-in-the-uk-2/> (19/06/13)]

73 Charities Aid Foundation/National Council for Voluntary Organisations, *UK Giving 2012: An overview of charitable giving in the UK, 2011/12*, West Malling: Charities Aid Foundation, 2012, p13

Figure 5: Causes people give to as a proportion of donors



On these findings, a donor is four times more likely to give to medical research as to the homeless, or five times more likely to give to hospitals, which receive significant state investment, than to charities focussed on older people. It is difficult to examine these results and not question our philanthropic priorities.

These findings were supplemented by CSJ/YouGov polling commissioned by the CSJ specifically for this report.<sup>74</sup> Asking the public ‘Which types of charity are most deserving of donations?’ medical research again topped the list of responses, comprising 44 per cent of people polled.

Figure 6: CSJ polling for voluntary sector review

Question – ‘Thinking about different sorts of charity and voluntary organisations, which of the following types of charity do you think are most deserving of donations?’ (%)

Medical research	44
Children	39
Elderly people	30
Disabled people	25
Health	22
Animal welfare	21
Homeless people	19
Hospitals	18
Environment	9
Overseas aid	8
Schools	5
The arts	4
Religion	2
None of them	4
Do not know	7

74 CSJ/YouGov Polling, November 2012

When examined alongside Figure 5 what our poll reveals is that not only should we, as a nation, question our philanthropic priorities; we may also lack awareness of the different causes we *actually* give to. There is a disparity between what the public sees as deserving of donations and who actually receives them. For example our poll shows that 30 per cent of people think that charities for older people are among the most deserving of donations, whereas CAF's data indicates only six per cent of donors in fact support those charities.

## 1.5 Changing nature of the sector

Many charities have told the CSJ that scrutiny of their work is increasing, with grant makers expecting more rigorous outcome measurements than before. The status of 'charity' does not automatically correspond with public trust. This is perhaps partly due to a few well-publicised scandals, such as the Cup Trust scandal. Chairman of the Charity Commission, William Shawcross, acknowledged to the Public Accounts Committee on 7th March 2013 that the Cup Trust's high-profile tax avoidance scandal had damaged confidence in the sector. This comes after the National Audit Office has already raised concerns for a number of years about the efficacy of the Charity Commission.<sup>75</sup>

Charities are also no longer the only types of organisations known for their focus on 'social good'. The space that has traditionally been filled by charities is beginning to open up to a range of actors, with community interest companies, social enterprises and hybrids of government, business and 'social' activity emerging.

Organisations have been established with the explicit purpose of bringing about changes to philanthropy and the voluntary sector. For example, New Philanthropy Capital was established in 2002 and aims to 'transform the sector' to improve its effectiveness. This comes from a healthy desire to see charities maximising their potential. Nonetheless it creates new challenges for charities, particularly those that are small with staff primarily engaged in frontline work. These charities are needing to adapt to an unfamiliar new landscape.

## 1.6 The place of trusts and foundations

In the voluntary sector landscape, trusts and foundations are a relatively small but hugely beneficial feature, making a large impact on the sector comparative to their size. Making grants from endowments sometimes 800 years old, their time-horizon is markedly different not only from government but also from the public. Their unique set-up allows them, as multiple foundation directors have emphasised to the CSJ, to be long-term and strategic. Highly varied in how and what they fund, trusts and foundations can nevertheless back the kind of innovative charitable ventures considered too risky for governments to fund with taxpayers' money. They can drive forward the development of the service models of the future. 'To use

<sup>75</sup> National Audit Office, *Giving Confidently: The role of the Charity Commission in regulating charities*, London: The Stationary Office, October 2001; National Audit Office, *The regulatory effectiveness of the Charity Commission*, London: The Stationary Office, December 2013



a corporate analogy', Carol Mack, Deputy Chief Executive of the Association of Charitable Foundations, told the Working Group, 'one of the roles trusts and foundations fulfil is basically to finance the sector's R&D'.

Philanthropy 'is needed to do things which the State is most unlikely to do. It is needed to pioneer ahead of the State and make experiments ... The problem is that of getting the democracy to give for new things.'<sup>76</sup>

Sir William Beveridge

One recent example of this kind of pioneering work is social investment, examined in detail in Chapter Four of this report. Before retail investors or even high-net worth individuals can think seriously about deploying capital as repayable finance to charities, the models and products need to be tried and tested. Track records need to be established, which is why the Esmée Fairbairn Foundation, Barrow Cadbury Charitable Trust, LankellyChase Foundation, The Monument Trust and Panahpur Charitable Trust all backed the UK's first social impact bond to fund charities attempting to reduce re-offending among 3,000 short-term prisoners post release.<sup>77</sup>

Another important way trusts and foundations back innovation is by fostering unlikely collaborations, using their funding to bring together organisations who might not necessarily work together otherwise. One example of this is the way The Calouste Gulbenkian Foundation has used its money to enlist four charities – Mind, Homeless Link, Drugscope and Clinks – to collaborate and help adults with complex needs such as those who are homeless, suffer from addictions and/or mental ill health.<sup>78</sup>

Historic trusts therefore play a critical in today's voluntary sector. However, as representatives of the sector have been quick to emphasise to us, trusts and foundations only contribute £3.7 billion of the voluntary sector's £38.3 billion income per year.<sup>79</sup> Realistically they cannot be expected to compensate for the drop in donations and the increased demands charities are dealing with. In terms of the grant applications they receive, trusts and foundations still remain approximately eight times oversubscribed.<sup>80</sup> As David Emerson, Chief Executive of the Association of Charitable Foundations stressed, 'we simply cannot plug the gaps where the state has withdrawn'. Unpacking this point he commented:

76 Beveridge W, *Voluntary Action: A Report on Methods of Social Advance*, London: The MacMillan Company, 1948, p302

77 Ministry of Justice & Social Finance, 'Minister launches social impact bond' [accessed via: [http://www.socialfinance.org.uk/sites/default/files/SIB\\_Launch\\_PR.pdf](http://www.socialfinance.org.uk/sites/default/files/SIB_Launch_PR.pdf) (11/07/13)]

78 Homeless Link, *Making every Adult Matter (MEAM)* [accessed via: <http://homeless.org.uk/meam-coalition#.UoNo1HC-2So> (13/11/13)]

79 National Council for Voluntary Organisations, *Civil Society Almanac 2013*, 'What are the sector's different sources and types of income?' [accessed via: <http://data.ncvo.org.uk/a/almanac13/almanac/voluntary-sector/income/what-are-the-sectors-different-sources-and-types-of-income-2/> (10/05/13)] Figure includes National Lottery distributors.

80 This figure was submitted in evidence to the CSJ by the Association of Charitable Foundations (ACF) and represents responses from ACF's members over number of years.

*'Say as a foundation you provide start-up capital to a charity and then proceed to fund its core costs perpetually. Not only will you be able to do this for only a few charities, you are also essentially closing the door to other projects, charities and models.'*

The constraints under which trusts and foundations operate mean that merely maintaining activity, preserving projects or sustaining services – even those of huge value which foundations may have got off the ground in the first place – is impractical. The significance of this though, is that trusts and foundations are not presently able to serve as the default option for charities facing reduced income.

## 1.7 Conclusion

At a time in which they are badly needed, many grass-roots, community-based initiatives feel that their survival is under threat. State funding to the sector has had to tighten and charitable giving remains low. Meanwhile demand for services has continued to grow.

Troublingly, the sector also continues to be dominated by a small number of big players. Two thirds of the sector's total current expenditure is spent by the largest one per cent of organisations. Meanwhile, many of the community-based charities that work intensively with local needs are struggling. Donors are also more supportive of medical research and animals charities than ones dealing with social justice issues.

Charity will never cease to be needed. Defending its relevance in today's world Roger Scruton has recently defined charity as 'not politics but the opposite of politics'. Charity is essentially:

*'...an offer of help, from one body of citizens to another. Recognising this, the English law has defined charity as a sphere of its own, outside the activity of government and exempt from taxation... [Charity is where] people give their time, energy and resources for free, in order to help their neighbours along a path that the neighbours themselves have chosen.'*<sup>81</sup>

Whether this path is breaking free of a devastating addiction, securing lasting employment or casting off the shackles of personal debt, voluntary sector organisations are uniquely placed to empower the most disadvantaged to walk it.

81 Conservative Home, *Roger Scruton: Charity*, 11 February 2012 [accessed via: [http://conservativehome.blogs.com/thinkers\\_corner/roger-scruton/](http://conservativehome.blogs.com/thinkers_corner/roger-scruton/) (17/05/2013)]



## chapter two

# Commissioning public services from the voluntary sector

*'There is a need for political invention to find new ways of fruitful co-operation between public authorities and voluntary agencies.'*

Sir William Beveridge, *Voluntary Action*, 1948<sup>82</sup>

In *Breakdown Britain* and *Breakthrough Britain* the CSJ argued that the potential of voluntary and community sector organisations to ameliorate many of the country's most stubborn social problems was being undervalued. 'Government has failed,' we argued, 'to trust the sector to innovate and develop effective new approaches to tackling social problems.'<sup>83</sup>

Handing over the reins of public services to the voluntary sector was a founding commitment of the Coalition Government, as stated in its original programme for government:

*'We will support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services.'*<sup>84</sup>

This commitment – according to the Government's December 2012 'Progress update' on *Making it easier for Civil Society to work with the State* – 'is rooted in a recognition that charities and social enterprises have an enormous amount of value to add in helping us *shape* and *deliver* better services.'<sup>85</sup>

82 Beveridge W, *Voluntary Action: A Report on Methods of Social Advance*, London: The MacMillan Company, 1948, p10

83 Centre for Social Justice, *Breakthrough Britain: Ending the costs of social breakdown*, London: Centre for Social Justice, 2007, p583

84 HM Government, *The Coalition: our programme for government*, London: The Stationery Office, 2010, p29

85 Our emphasis. HM Government, *Making it easier for civil society to work with the state: Progress update*, London: The Stationery Office, December 2012, p3

The wording here is significant. Charities and social enterprises are in a unique position, it implies, not just to run more effective services but also to design them. Recognising the innovation in the voluntary sector, the suggestion is that the onus is on commissioners to involve charities 'upstream' in the process of working out what provision is needed in any given locality – from a home-visiting mental health service, to a treatment centre, to a citizen's advice centre to foster care.

Seven years since our first report, there have been some important changes.

The Government has boldly delivered the major legislative changes required for both localism and open public services. The Localism Act has created the conditions for greater local ownership and involvement in how services are delivered.<sup>86</sup> It has given existing charities and new community groups the right to challenge their local authority if they want to take on the running of certain services instead of that authority. And it has given the public sector the opportunity to form spin-outs, with teams formerly working for the NHS, for example, now able to run their service as an independent entity.

Ongoing challenges relating to commissioning nonetheless remain. Charities and government still struggle to know how to work together effectively. It appears that local authorities often don't know how much they are contracting to the voluntary sector, and of those who do know, most are spending a smaller rather than a larger proportion of their income contracting services from charities. Many charities still describe government contracts as overly prescriptive and inflexible. More needs to be done by charities, local authorities and central government, to make it possible for genuine collaboration to take place.

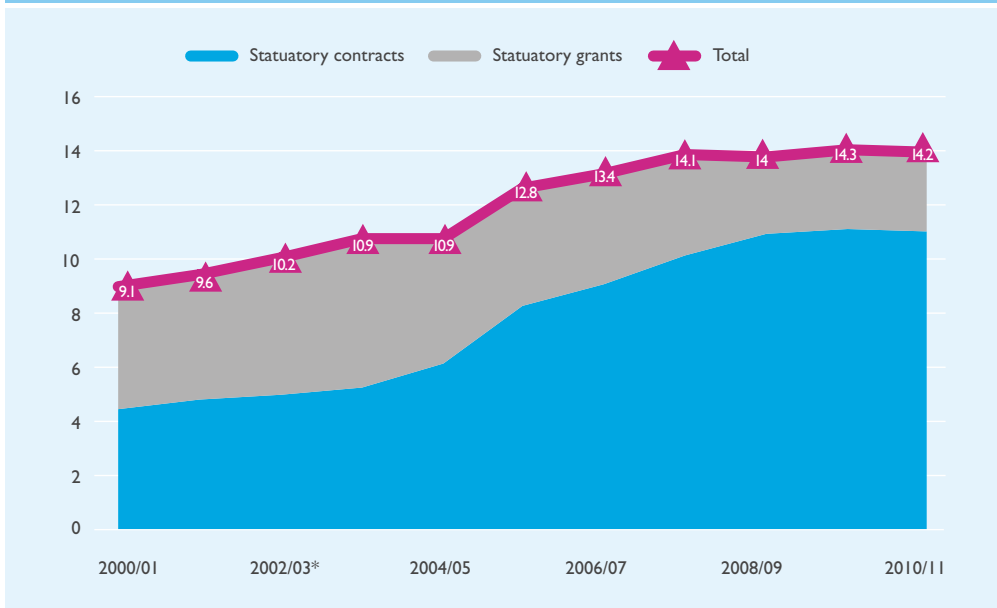
## 2.1 Historic trends

As explained in Chapter One, the Coalition Government's desire for the voluntary sector to play a greater part in running services represents the continuation rather than a break of a decade-long trend. Figure 7 charts the level of income the voluntary sector has received from the public sector over the last ten years. It shows that during the first decade of the 21st Century the sector's statutory income grew from £9.1 billion to £14.2 billion in 2010/11, making up approximately one-third of the voluntary sector's income.<sup>87</sup>

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<sup>86</sup> Localism Act 2011

<sup>87</sup> National Council for Voluntary Organisations, *UK Civil Society Almanac 2013: How have government contracts and grants changed?* [accessed via: <http://data.ncvo-vol.org.uk/a/almanac/3/income/how-have-government-grants-and-contracts-changed/> (04/06/13)]

Figure 7: State expenditure on the voluntary sector 2000–2011 (£ billions)<sup>88</sup>

\*Note that this shift partly reflects changed or improved accounting practices – in short, better recognition of when income is in fact a contract.

The origins of public services outsourcing pre-dates 2000. They can be traced back to the coinciding of two major developments at the end of Margaret Thatcher's premiership: first, the establishment of an internal market in health and social care; and secondly, the introduction of compulsory competitive tendering in local government.<sup>89</sup>

By the first decade of the 21st century, the ground was fertile for a significant rise in state expenditure on the voluntary sector, mainly accounted for by a rise in contract funding under New Labour:

## 2.2 Current trends

Despite this decade-long growth of state funding, the UK's state expenditure on the voluntary sector constitutes less than two per cent of total government spending.<sup>90</sup> This consists of £7.1 billion from local authorities and £6.3 billion from central government.<sup>91</sup>

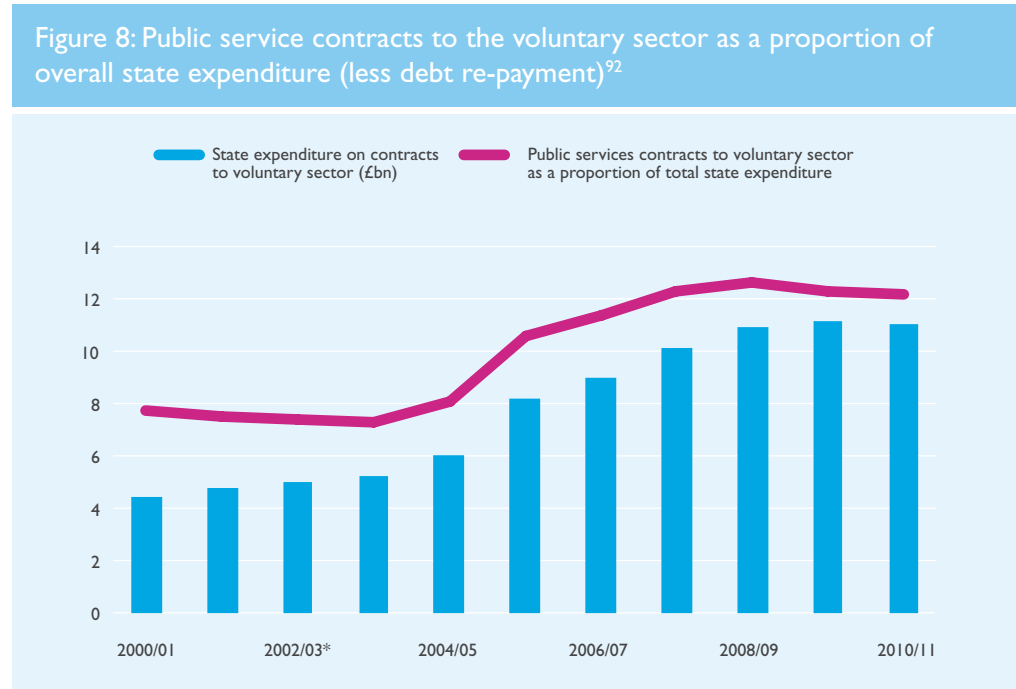
<sup>88</sup> Ibid

<sup>89</sup> Timmins N, *The Five Giants: A Biography of the Welfare State*, London: Harper Collins, 2001, p470-474; Margaret Thatcher, *The Downing Street Years*, London: Harper Collins, 1993, p651

<sup>90</sup> This calculation represents £13.4 billion (NCVO's figure for central and local government expenditure on the voluntary sector) divided by £706.1 billion (HM Treasury's figure for 'total managed expenditure' in 2011/12 – the last recorded year). It should be noted that both figures are from 2010/11 because those are the most recent figures the NCVO has published. References: NCVO, *UK Civil Society Organisation: Where does the sector's income from government come from?* [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/income/where-does-the-sectors-income-from-government-come-from/> (17/06/13)]; and HM Treasury, *Public Expenditure: Statistical Analysis 2012*, London: The Stationery Office, 2012, p67

<sup>91</sup> Ibid. This combined figure of £13.4 billion is lower than the £14.2 billion figure reference in 1.2.1 because it excludes international government funding.

The chart below shows the proportion of government funding on contracts with the voluntary sector to run public services as a proportion of total state expenditure (less debt repayment).



\*Note that this shift partly reflects changed or improved accounting practices – in short, better recognition of when income is in fact a contract.

The latest figures (from NCVO) for state spending on voluntary sector contracts are for 2010/11. The amount of public services commissioned from the voluntary sector went down marginally during the first year of the Coalition Government.

Between February and July 2013 the CSJ set out to assess what was occurring at local authority level. Freedom of Information (FOI) requests were issued to all 152 upper-tier authorities in England in the hope that the responses would give a panoramic view of the shifting landscape around commissioning. The requested data was:

- What proportion of your council's overall resource expenditure was spent on public services contracts awarded to voluntary sector organisations?

Seeking comparable data across the two full available years under the Coalition Government – 2010/11 and 2011/12 – we decided to ask solely about commissioning with the voluntary sector rather than a council's expenditure on grants to the voluntary sector. This was because we felt that, in a time of austerity, commissioners at a local level could justifiably see this source

<sup>92</sup> Compiled from data from HM Treasury, *Public Expenditure: Statistical Analysis 2012*, London: The Stationery Office, 2012, p67; and NCVO, *UK Civil Society Almanac 2013: How have government contracts and grants changed?* [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/income/how-have-government-grants-and-contracts-changed/> (04/06/13)]. The NCVO figures are expressed in 2010/2011 real terms as these are their most recent figures, whereas the treasury figures are expressed in 2011/2012 real terms, but the inflation rate between the years of just 3.2 per cent means this has an insignificant effect on the figures.

of funding for charities as more discretionary. Furthermore, core to the Government's agenda is the breaking up of monopolistic public services. Thus it is contract money, money that is given to charities for delivering public services, that is of particular importance.

In submitting these FOI requests, we were essentially asking councils to aggregate their expenditure across the various departments which commission public services from the voluntary sector – for example, homelessness support, children's social services and adult social care. The reason for enquiring about the shift in the proportion of a council's budgets (between 2010/11 and 2011/12) was to allow for councils cutting their expenditure. i.e. some may be spending less money in absolute terms but, spending a greater *proportion* of their funds in relative terms, on contracts with the voluntary sector.

138 local authorities responded, although the thoroughness of the responses varied. Our overwhelming finding was that the majority of councils have little idea of what they spend in total on the voluntary sector: Approximately 60 per cent of the local authorities which responded, did not know the value of their public service contracts with voluntary sector organisations.

In terms of the local authorities which *did* have complete information – a sample size of just under one quarter (34 councils) – our inquiry revealed that more often than not councils were giving less contract funding to the voluntary sector in 2011/12 than they were in 2010/11. Figure 9 records the four kinds of positive responses we received.

Figure 9: Change in the proportion of councils' [with data] budgets spent on contracts with the voluntary sector (2010/11–2011/12)

	Number of councils	% of councils
Councils spending more	12	35
Councils spending less	19	55
Councils spending the same	2	6
Councils spending nothing	1	4
<b>Total responses</b>	<b>34</b>	<b>100</b>

In many cases, these increases or decreases were quite minor however this data indicates that the majority of local authorities with data are not commissioning more charities and social enterprises to run local services.

## 2.3 The private sector

In terms of its share of the state's total expenditure on outsourced public services contracts, the voluntary sector represents a small proportion. The £11.2 billion of services commissioned by local and central government from the voluntary sector represents just 15.5 per cent of the market for outsourced public services (£72.2 billion).<sup>93</sup>

93 Oxford Economics, *The Size of the UK Outsourcing Market Across the Private and Public Sector*, London: Oxford Economics, November 2012, p8



Despite the Government's desire to empower the voluntary sector to transform public services, charities across the board are losing out to the private sector in the competitive bidding process. As the *Financial Times* recognised in July 2012, the 'collective growth of the sector – dominated by FTSE 100 giants G4S, Capita and Serco – means Britain is in the grip of the biggest wave of outsourcing since the 1980s'.<sup>94</sup> Whilst outsourcing services to the private sector is not an innovation of this Government, it is clear that the pace at which it has occurred since 2010 has substantially quickened.<sup>95</sup>

- The overall value of contracts for health, defence, security and IT services has risen from £9.6 billion in 2008 to £20.4 billion in 2012;
- Seymour Pierce has identified in this Government's pipeline 1,789 outsourcing opportunities of approximately £84 billion in value;
- This means that total public sector outsourcing could reach £101 billion by 2014/15; and
- 60 per cent of contracts in 2012 came from local authorities.

In terms of procurement there are clearly a number of items of public expenditure which are best bought from the private sector. But when it comes to key public services upon which social reform hinges, as David Cameron himself has recognised, the modus operandi of the best voluntary sector organisations is vital.<sup>96</sup>

Yet, despite the unique value of the voluntary sector, across the country and across a whole range of commissioned services, the temptation is to offer contracts to the cheapest provider. Smaller providers who cannot offer the cost savings that come with scale can easily be 'priced out' of contracts. Social Enterprise UK, a national body for social enterprises argues that 'smaller providers, often the social enterprises and charities that successive governments have marked out as ideal providers, are being forced out'.<sup>97</sup>

One sector where the CSJ has seen the voluntary and community sector being squeezed out of delivering public services, is in domiciliary care for older people. During the course of our review of older age poverty – culminating in our *Forgotten Age* (November 2010) and *Age of Opportunity* (June 2011) reports – we came across many charities forced to withdraw from the provision of home care because of the downward pressure on pricing. The consequence has been the often appalling quality which results from poorly paid workers and a process-driven, rushed and sometimes dangerously neglectful service. The very men and women most likely to come across the most isolated pensioners in the UK are being so squeezed that their role is reduced to the most functional imaginable.

The Government is aware of this situation. The Cabinet Office's December 2012 progress update on *Making it easier for civil society to work with the state* stated frankly that:

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94 *Financial Times*, *Biggest wave of UK outsourcing since '80s*, 16 July 2012; quoted in Social Enterprise UK, *The Shadow State: A report about outsourcing of public services*, London: Social Enterprise UK, December 2012, p4

95 Cited in *Financial Times*, Gill Plimmer, *Outsourcing soars in public services*, 21 January 2013

96 'I want to set free the voluntary sector and social enterprises to deal with the linked problems that blight so many of our communities', Speech by the Prime Minister; Rt. Hon. David Cameron MP, *Cameron Victory Speech*, 6 December 2005

97 Social Enterprise UK, *The Shadow State: A report on the outsourcing of public services*, Social Enterprise UK, December 2012 pp4-5

*'It is clear that we are at an early stage of a very challenging journey. Over many years and different governments, the private sector has dominated the outsourced public services market. Creating more space for civil society requires culture change within the public sector, and that will take time.'*<sup>98</sup>

For this reason, the Prime Minister has called for more opportunities for charities to run public services. This is why the Government backed Chris White MP's important Social Value Act and why, in early 2013, the Cabinet Office launched the Commissioning Academy:

### The Commissioning Academy

Designed by the Cabinet Office for a wide range of public sector commissioners – from local authorities as well as the criminal justice system and the health service – the Commissioning Academy consists of eight development days over six months. It is intended to allow commissioners to share practice among their peers, as well as to be introduced to new concepts, from outcome-based commissioning, to 'whole-systems thinking', behavioural insights, working with the voluntary and community sector and social investment.<sup>99</sup> At its launch in March 2013 Francis Maude, Minister for the Cabinet Office and Paymaster General, justified the new Academy on the grounds that 'with more and more services set to be commissioned from the outside we need many more public servants with skills in managing markets, negotiating and agreeing contracts and contract management.'<sup>100</sup>

So much of the opportunity available to charities to deliver services rests on the choices of commissioners. Commissioners with a large and significant job to do would naturally be tempted to outsource to big, well-established groups that can easily tick the required boxes. Small charities that are resource poor may not know how to engage effectively in the procurement process and may not use the language commissioners are familiar with. As our inquiry has shown, despite central government emphasising the importance of charities in recent years, commissioners are simply not giving them the chance to deliver a higher percentage of public services in many local areas.

The Commissioning Academy is an exciting idea to help solve this problem. It recognises that top-down rhetoric is not enough and that a culture change needs to occur in commissioning practice.<sup>101</sup>

No formal evaluations of the Commissioning Academy have been published yet so its efficacy is yet to be established. It is critical that the Academy achieves what it has been established to do. It is hoped that the Commissioning Academy is bringing in outstanding grass-roots charity leaders to provide training and showcase the sort of work that could be commissioned. These people can offer insight that is invaluable for commissioners.

98 HM Government, *Making it easier for civil society to do business with the state: Progress update*, London: The Stationery Office, December 2012, p3

99 Cabinet Office, Efficiency and Reform Group, *The Commissioning Academy*, London: Cabinet Office, June 2013

100 Speech by the Minister for the Cabinet Office, Rt Hon Francis Maude MP, *Speech at the Commissioning Academy launch*, 31 January 2013

101 Ibid

## 2.4 The commissioning relationship between the state and the voluntary sector

When the state does commission from the voluntary sector it is absolutely critical that it does so in a way that gives the sector freedom to do what it is excellent at, and that it does not destroy its unique identity. As then leader of the Conservative Party and Founder of the CSJ, Iain Duncan Smith MP said in 2002:

*'Charitable groups who are filling gaps left by government failures should not have to beg for grants from bureaucrats who were the architects of those failures.'*<sup>102</sup>

The CSJ has heard that the two main obstacles for charities when being commissioned by the state are:

- the practical demands of complex bidding and compliance; and
- the identity blurring that can develop for charities when they deliver public services.

For charities and government alike, minimising these obstacles is important if the strength of the voluntary and community sector is to be harnessed.

### 2.4.1 Overly prescriptive funding

We have heard from numerous charities that many councils' tendering or procurement processes are unwieldy and unnecessarily bureaucratic. 'The whole thing shouldn't have to tie everybody up in knots and result in such a long, protracted process', Isabelle Trowler, former Assistant Director of Hackney's Children's Social Services, told the CSJ. Procurement documents, in Trowler's view, are often excessively long, repetitive and ill-thought through. 'We should also take a much more intelligent, meaningful approach to what we expect people to return in terms of performance data,' she argued. For example, when family-support services are contracted out, commissioners will often require those providers to report contact hours per family. But recording the number of hours is simply to measure an input and, as such, is unlikely to discover the *quality* of that service, and its outcomes.

In 2011, the landmark review of child protection by Professor Eileen Munro heavily criticised the way in which bureaucratic processes had become too dominant in children's social services departments nation-wide.<sup>103</sup> In seemingly trifling requirements, such as logging contact-hours, it can be seen that the state is re-making the voluntary sector in its own image, with statutory authorities becoming more focussed on inputs and outputs than the true *outcomes* they were seeking to commission in the first place.

The CSJ heard from a charity that works with young people not in education, employment or training (NEET) about their struggles with receiving state funding. After establishing an impressive track record at getting 16–24 year olds into apprenticeships, the charity began to bid for public service contracts. One major bid it successfully tendered for was a payment-

<sup>102</sup> Iain Duncan Smith MP; 'Defeating the give Giants' Lecture to Toynbee Hall, 13 September 2002

<sup>103</sup> Munro E, *The Munro Review of Child Protection: Final Report, A Child-Centred System*, London: The Stationery Office, May 2011

by-results contract with the Skills Funding Agency (SFA), whereby most of the funding was to be released only when someone had been in work for six months.

In their bid the charity promised to work with hard to reach young people from historically disadvantaged backgrounds. They proceeded to do so and successfully trained young women from minority ethnic backgrounds, placing them into top jobs with growing successful companies. They also helped young people previously permanently excluded from school into vocational programmes that helped them acquire the skills, qualifications and experience needed to progress into employment.

Yet despite having undertaken all of this work, the SFA funds were not released. The SFA cited that the 'preferential option' in the original tendering document – that the charity get young people into particularly niche jobs such as electrical engineering sectors – had not been met. The charity argued that the market research on which this had been based was years out of date (undertaken before the recession had hit) and jobs did not currently exist in those sectors in their area. Furthermore, they had achieved the critical task of getting hard-to-reach young people into work.

The SFA is under no obligation to pay for work that does not meet all the agreed details of the contract. However, this example shows the challenges that charities and agencies like the SFA often have when working together. The SFA and the charity are working to achieve complimentary ends. People are being up-skilled and supported into the job market. It is frustrating that an opportunity for government and charities to work successfully together is compromised because of the complexities of tendering, overly prescriptive contracts and a government agency like the SFA having very specific goals that do not necessarily square with solutions being organically developed 'on the ground'.

To date, the charity has put 250 young people through training and into employment. They have received around £25,000 from the SFA after having originally expected to receive £1 million.

In their representation to the CSJ, Alliance charity, Aquila Way, which provides housing and support for women fleeing domestic violence, made this point:

*'Whilst 'added value' and 'innovation' are often asked about in tenders, you cannot win a contract on them. You generally win the contract on systems and on price.'*

In terms of 'systems', in many cases having a paper-trail covering every eventuality and detail is a pre-requisite for a successful bid. Indeed, the CSJ has been told about one training day on tendering put on by a local authority for small and medium-sized charities, at which the council suggested that minutes of senior management meetings, where health and safety issues are discussed and actions implemented, were the type of evidence looked for in tenders. Many small and medium-sized enterprises who could potentially deliver contracts in innovative ways are effectively excluded by requirements such as this simply because they do not have the staff capacity to minute all their meetings.

While it is right that charities are accountable for any public funds they receive, that accountability needs to be outcomes focussed and designed in a way that does not cripple the charity from doing the good work that led to it being commissioned in the first place.

## Anchor House

*Working in the most deprived ward in one of London's most deprived boroughs, Newham, CSJ Alliance member Anchor House, provides a home and an education to men and women coming straight off the streets, helping to raise aspiration and offering a path to recovery and independence.*

'Do you want me to do paperwork or to turn people's lives around? Which is it?' This is the question which Keith Fennett, Chief Executive of Anchor House, poses to statutory authorities who continually ask him for detailed information about his work.

Anchor House is an East London life-skills and residential centre for the homeless. Every month they are required to send 16 pieces of information about every resident to statutory authorities (who often referred many of those residents in the first place) in order to draw down their funding. Fennett presumes that the reason for requests like this is to make sure there is no corruption occurring from providers. While accountability is important, he feels that often the information he has to provide is not useful to anyone and simply becomes an additional time burden on Fennett's team.

'What they need to know is how we work and what outcomes we are achieving', says Fennett, 'instead they are asking for useless information.'

Coming from the world of project management, economics and housing, Fennett arrived at Anchor House in 2004 determined to inject professionalism and purpose into the institution. 'The place was in a complete state,' Fennett explains; 'it was supposed to be a hostel for people in recovery yet there were gambling machines and a bar.' The average length of stay was six years, impugning any claim that the charity might have made to be a springboard for residents to independent living elsewhere. The organisation was locked into a downward spiral because of a lack of resources, and decision-making had ceased.

'For us it's about setting a vision for someone at the top of the mountain rather than putting an arm around them and supporting them on their crutch'. Upon arrival new residents are immediately given their notice to leave, rendering them on probation for the first month. Staff then work towards helping them gain the skills and independence to exit well. They also provide continual opportunities for residents to participate in volunteering and employment.

During its visit to Anchor House, the CSJ had the opportunity to meet a number of residents of the facility. 'Anchor House has done me well', says 29-year-old Penny, who has lived there for two years. While the first year was hard, and she found mixing with other residents difficult, she now feels completely at home. Speaking of the log-book of achievements which are kept for each person, she says, 'You don't realise how much you've done to change your life until they read it back to you.'



'When I first came in I was inside-myself, depressed and I didn't come down from my room for quite a while', Linda aged 27, tells the CSJ. Seven months on things are totally different, and small steps have been put in place to help Linda re-engage in a community.

Dramatically reducing residents' length of stay – from six years to one to two years – Fennett has succeeded in making

Anchor House a genuinely transitional place where someone coming off the streets can begin a journey to independence. Last year alone 70 individuals were re-housed. Frustrations remain, however, and they usually have to do with the interface between Anchor House and external agencies. From aggressive debt collectors coming to collect money for loans taken out sometimes eight years earlier; to a disjointed probation service unable to work in partnership with the voluntary sector; Fennett is convinced that so much more could be achieved if his charity was more empowered and more trusted.

## 2.4.2 Packaging of contracts

Another challenge the CSJ has heard about has been the way some local authorities have packaged contracts together. For example, in 2011 Oxfordshire's Primary Care Trust (PCT) reduced the number of contracts for mental health support from 16 to two, with a 20 per cent cut in the budget.<sup>104</sup> With money tight for many local authorities this trend is understandable – shrinking budgets presumably lead to less staff who can manage contracts – but nonetheless it is very concerning. Such an aggregation of work evidently favours larger organisations able to take on services of greater size, thus compromising the vital plurality of the market in which smaller charities play their part alongside larger ones. As one voluntary sector provider we spoke to said, 'lumping pieces of work into a single contract reflects a "big is beautiful" mentality'.

Another of the Freedom of Information requests we submitted to all 152 upper-tier councils concerned the total number of voluntary sector organisations to which a council awarded public services contracts in 2010/11 and 2011/12. Receiving complete answers from 36 councils (just over one quarter), the indication is that the majority of these councils are commissioning fewer charities than before.

Figure 10: Shift in the number of charities councils commission to: 2010/11–2011/12

More charities	33%
Fewer charities	58%
The same number	8%

\*Percentages do not add to 100 due to rounding of figures.

One Manchester-based homelessness charity we interviewed had been one of more than half a dozen providers of drug and alcohol services for the council. This discrete contract enabled them to employ a full-time worker based in their main drop-in centre which operates Monday to Friday and sees over 100 people a week. Their staff member was able to work closely alongside the charity's other staff – housing advisers, job club convenors, volunteers and outreach workers. However, the council decided to repackage these multiple contracts into three bigger ones in a redesign of the whole drug treatment service, enabling them to make cost savings and also cut the number of staff within the drug and alcohol team. On the surface this may seem to be an efficient decision, but it also led to local, trusted initiatives being replaced by large organisations less embedded in the community.

The contracts were awarded to large third sector organisations who work across the region and one national organisation that had never worked in Manchester before. This has had an impact on the front-line. Instead of one full-time worker able to adapt to the highly ad hoc ways in which homelessness presents in the drop-in centre, now the original charity hosts a drug and alcohol worker from the new charity which won the bid, but for only one hour a

<sup>104</sup> New Philanthropy Capital, *When the going gets tough: Charities' experiences of public service commissioning*, London: NPC & Zurich, May 2012, p19

week. The original charity's Chief Executive says: 'The whole reason the council had funded us before – our ability to be innovative, hyper-local, meeting the specific addiction needs of an excluded client-group (i.e. Manchester's homeless) – has been totally sacrificed'. They are now finding it much harder to get the homeless men and women into drug treatment and to do what is required: addressing underlying issues and getting people clean.

### 2.4.3 Restrictively short-term contracts

The CSJ has also been told of cases where the duration of contracts and grants are being reduced. During the course of our evidence-gathering, we heard from Barnardo's, one of the ten largest charities in the UK and one which currently operates around a thousand different agreements with central and local government to deliver services, from Sure Start Children's Centres to disability services to foster care.

One particular concern cited was when short-term contracts are used ('short-term' defined as two years or less). Short-term contracts allow a local authority to use a provider and evaluate their progress without making a long-term financial commitment. But what short-term contracts restrict, according to Barnardo's, are truly transformative programmes to reach effectively the client group in question. 'The initial start-up phase is very intensive', says Oliver Gray, business director at Barnardo's, 'with IT, securing premises, getting the right staff in place. The best situation is where this work can be streamlined over the course of the contract.' Short-term contracts prevent this, as well as creating deep and distracting uncertainty for staff who do not know where they may be headed next.

In 2012 the Department for Education commissioned the Family Strategic Partnership (a consortium of four organisations – Barnardo's, Action for Prisoners' Families, Children England and The Family and Parenting Institute) to undertake research with both voluntary sector organisations and local authorities to get a picture of the changing landscape for family services commissioning.<sup>105</sup> This strongly indicated that contracts were diminishing in length. Whereas in the past contracts were typically three to five years in duration, 43 per cent of the charities surveyed reported that local authority contracts to deliver family support services lasted for just one year.<sup>106</sup>

This new trend was corroborated by Devon-based homelessness charity Shekinah Mission. Even on a three-year commissioning cycle, they feel there is insufficient time to get a genuinely reformed service up and running, particularly when it is for people who would be classed as having multiple needs or as 'hard to help'. Commenting on a hostel service for single homeless people for which Shekinah successfully tendered, Chief Executive John Hamblin told the CSJ that the transfer of staff under Transfer of Undertakings (Protection of Employment) employment law (referred to as TUPE regulations – see section 2.4.4) can take at least a year. Retraining those staff to work in new dynamic ways aligned with their new organisation (the charity) then takes another year: 'Add one more year', Hamblin said, 'and then you're looking

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<sup>105</sup> Cundy J, *Commissioning for better outcomes: Understanding local authority and voluntary sector experiences of family services commissioning in England*, London: Barnardo's & Family Strategic Partnership, 2012

<sup>106</sup> *Ibid*, p14

at having to go through the re-tendering process all over again.' In Hamblin's view, regular robust reviews and pro-active contract management by the local authority should substitute for incessant re-tenderings.

There are positive examples of some councils resisting the temptation to shorten contracts. For example, in 2012 Southampton City Council decided to move to three year rather than single year grants to the voluntary sector and there has been no attempt to reduce the length of new contracts issued from the Council in recent years. Contract lengths vary but a Southampton City Council representative told the CSJ that most people realise they need to 'give as much security to the voluntary sector as possible'. Other councils should consider taking a similar approach.

#### 2.4.4 Employment regulations as a barrier to entry

From all the evidence the Working Group has collated from voluntary sector organisations, employment laws and regulations were among the most common complaints cited when it comes to bidding for public services. Standing for the Transfer of Undertakings (Protection of Employment), the TUPE regulations constitute the UK's implementation of the European Union's Acquired Rights Directive, essentially protecting employees when the organisations for which they work change hands. Alongside TUPE is the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (COSOP). TUPE enjoins new owners of organisations (including those providing services previously provided by the public sector) to retain and employ incumbent staff at the same pay rate and with the same terms and conditions that they were already working under:

##### TUPE: The Transfer of Undertakings (Protection of Employment) Regulations 2006<sup>107</sup>

... a relevant transfer shall not operate so as to terminate the contract of employment of any person employed by the transferor and assigned to the organised grouping of resources or employees that is subject to the relevant transfer... (4.1)

... all the transferor's rights, powers, duties and liabilities under or in connection with any such contract shall be transferred by virtue of this regulation to the transferee... (4.2.A)

The COSOP protects additional work conditions when public sector staff are transferred. For example it ensures that pension liabilities, which can be very generous in the public sector, transfer with staff.

The CSJ has heard that TUPE regulations and the COSOP deter smaller charities in a number of ways. First, charities are fearful of having to take on staff from other organisations, who may not share their ethos and approach. For a small charity, having to take on staff used to working for another organisation in a particular way (for example, committed to maintenance-focussed drug treatment methods rather than full recovery) may significantly

<sup>107</sup> The Transfer of Undertakings (Protection of Employment) [accessed via: <http://www.legislation.gov.uk/uksi/2006/246/regulation/4/made> (05/12/13)]



hamper its ability to maintain its unique attitude and approach. A major culture change may be required for those transferred staff.

Secondly, smaller charities may be deterred by the sheer expense of having to transfer across staff from councils or other incumbent organisations. While larger charities may be able to absorb the financial impact of employing incumbent staff on the same terms as their previous employers, (with those employees often having accrued significant pension rights), for smaller charities this may be simply unaffordable.

CSJ Alliance Member, My Time, is an important example of one local voluntary sector organisation which has been deterred from providing local services by labour regulations.

### My Time – TUPE as a glass ceiling

Formed in 2002, My Time is a social enterprise in the West Midlands which offers individuals and families life-changing mental health services such as psychotherapy. In 2011 the CSJ's landmark review of mental health provision in Britain, *Completing the Revolution*, profiled My Time's work with women that have escaped domestic violence situations, fathers who have been left on their own with children and asylum-seekers suffering from Post-traumatic Stress Disorder (PTSD).<sup>108</sup> In 2012 the CSJ gave My Time an award for Outstanding Work in preventing family breakdown.

Yet despite its impressive track record, My Time founder Michael Lilley spoke to our Voluntary Sector Working Group about how prohibitive TUPE was proving to the development of his organisation. Over the last year alone, My Time has been deterred from bidding for five separate NHS and local authority contracts put out to tender.



In one instance a local authority had decided to outsource all of its children's services, packaging them all into one contract. My Time joined a consortium of local voluntary sector organisations to bid for this contract. Yet the TUPE and pension liability for the 60 staff who would have to be taken on by the new provider amounted to £500,000, a third of the annual value of the contract (£1.5 million). Even with a combined turnover of £30 million the consortium

had to walk away from the deal, leaving a large national provider to take on the contract with a strategy long-term enough to 'take the TUPE hit'.

The impact of these commissioning constraints on people suffering from mental ill health is huge. As Lilley argues:

*'Many people have had such a bad service from mental health trusts. They want an alternative. They want choice. But with 80 per cent of mental health services being provided in-house by the NHS or councils, TUPE is preventing this market opening up.'*

There is a particular irony in the fact that often it is failing mental health services which are the first to be put out to tender. Those transferred across under TUPE may be among the worst performing staff. Lilley concludes: 'We have to tackle the procurement and tendering rules to find some exemption if we want local providers to participate in the running of local services.'

108 Centre for Social Justice, *Completing the Revolution: Transforming mental health and tackling poverty*, London: Centre for Social Justice, 2011, p82, 156

Furthermore, organisations wanting to bid to run a public service often cannot access vital information about the employees and the financial liabilities stemming from TUPE until far too late in the tendering process. Councils do not have to release this information until two weeks before a transfer occurs, even though the tendering process takes place months earlier. A lack of transparency around the TUPE liabilities in the tendering process makes it very difficult for charities to decide whether or not to bid for contracts.

Aquila Way told the CSJ of having, along with a host of other charities, applied for a £310,000 contract to provide floating support for ex-offenders, teenage mothers and other vulnerable individuals. The service, commissioned by the local council's housing services department, had previously been run by a dozen different organisations. Now the council wanted to roll those contracts into one. Fearing that staff from the incumbent organisations might well have built up significant employment rights, Aquila Way sensibly asked the council whether the TUPE liability for the contract exceeded the contract value. In response, the council was unable to confirm whether TUPE applied and what the liability amounted to. As a result, Aquila Way was forced to withdraw from the bid with trustees unwilling to take on that level of financial risk.

TUPE and the COSOP do not apply in all situations when new providers take on government contracts. For example, if a service is being thoroughly reorganised and delivered in a very different way, the new contractor will be free to employ new staff. But determining whether or not TUPE will apply is challenging for many small charities who have to take independent legal advice. This makes bidding a cumbersome and expensive process.

In 2011 the Government announced that TUPE Regulations would be reviewed to improve the way they work.<sup>109</sup> The Government has been through a process of reviewing TUPE and has decided not to make major changes but to instead clarify aspects of the legislation to bring it in line with current case law.<sup>110</sup> In short, the status quo is likely to continue. It appears that employment regulations will continue to be an obstacle standing in the way of the voluntary sector playing a more meaningful role in service delivery.

#### 2.4.5 An incomplete revolution

There is good reason to celebrate when quality voluntary sector organisations take on services previously run by the public sector. But simply giving the voluntary sector money to deliver contracts that were conceived, designed and planned by councils constitutes an 'incomplete revolution'. Many civil society organisations would like to be a strategic partner not just a service provider. The 'purchaser-supplier' model needs itself to be overhauled, with charities – feeding on their expertise in certain sectors such as children in care or their intimate knowledge of a locality – involved more directly in designing solutions with the commissioner.

<sup>109</sup> Department of Business Innovation and Skills, *Press Release: New steps in review of employment law*, 11 May 2011 [accessed via: <http://news.bis.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=419433&SubjectId=2> (5/12/13)]; Department for Business, Innovation and Skills, *Announcement: Government ends 'gold-plating' of European regulations to help British businesses*, 15 December 2010 [accessed via: <https://www.gov.uk/government/news/government-ends-goldplating-of-european-regulations> (5/12/13)]

<sup>110</sup> Department for Business, Innovation and Skills, *Government Response to Consultation: TUPE Regulations 2006*, London: Department for Business Skills and Innovation, September 2013

From the many conversations the CSJ has had with the voluntary and community sector around the country it seems that 'co-production' of this kind is rare. Below we provide one example of where it is happening successfully in order to show what can be achieved.

### Case study: Barnardo's Strategic Partnership with Newport City Council

Barnardo's Cymru had been working in a small-scale way in Newport for a number of years, specifically with underprivileged teenagers. But in 2010 its working relationship with Newport City Council was transformed by the coinciding of two things: first, Barnardo's long-standing appetite for being involved far earlier in the designing of public services; and secondly the bold leadership of incoming Director of Children's Social Services, Mike Nicholson.

What Nicholson wanted to do was to intermesh the council's social services staff with local Barnardo's staff so that they might complement each other and the council might benefit from the creativity and innovation of the children's charity. He achieved this via flexible funding arrangements whereby some of his social workers were placed under Barnardo's management, while other Barnardo's staff members were placed under Children's Social Services management. Old contracts with minute service specifications – for example, tasking the charity to undertake x number of sessions with y number of families over z number of weeks – were replaced with more flexible schedules according to which items of work could be easily added or subtracted.

'In the last five years in Wales we have had a 24 per cent increase in the number of children being placed in care,' Nicholson told the CSJ, 'What I wanted to do was take a budget which was heavily weighted towards the acute end and as far as possible redeploy it towards prevention schemes.' He continues:

*'But how do you know you're preventing something that hasn't yet happened? Well, you identify the risk factors in situations where something has happened – i.e. situations where children have become chronic offenders; when they have developed severe psychiatric problems; where there has been sexual abuse. And then you go and find those risk factors in the general population and you work with those families intensively.'*

Armed with that vision, Nicholson quickly decided that achieving it would require special collaboration with the voluntary sector. In his words, he needed the voluntary sector's 'ability to move quickly'. Choosing Barnardo's as an 'equal partner' rather than mere supplier, Nicholson also wanted to draw upon the charity's deep experience from around the country. For example, they introduced a 'distance travelled' evaluation tool drawing from Barnardo's experience whereby families and charity workers together arrive at a quantifiable score of the risk they presently pose – based on measures such as parental addiction and school absence – before then working pro-actively to reduce this score. Risk reduction, on this model, can be robustly charted, and in a way that allows parents to see the progress they are making.

According to Nicholson's opposite number on the charity side, Sally Jenkins of Barnardo's Cymru, the reform of contact services is one example of what this dynamic collaboration has achieved in a relatively short amount of time. Before Barnardo's involvement, contact services (sessions where children in care can, under strict supervision, spend time with their parents) had taken place in a nursery setting. Groups of parents would all be thrown in together with their children, precluding the possibility of meaningful one-to-one interaction. Barnardo's overhauled this arrangement, providing a sufficient number of staff to allow for discrete one-to-one sessions between parent and child.

## 2.4.6 The balance of power

At the current time local authorities are working in an incredibly difficult economic environment. Many have had to pass on some of this pain to charities they have historically supported with grants or commissioned arrangements.

Nevertheless, even in an era of austerity, there are different ways for commissioners to manage this situation with the voluntary sector, and some of those ways are more empowering than others.

Though it is difficult to get a sense of the picture nationally, in a survey of the CSJ Alliance specifically undertaken for this review, 72 per cent said that they had not been consulted by their local authority over how the voluntary and public sector can work together more efficiently during the economic crisis.<sup>111</sup>

Worse, on many occasions the terms of particular contracts overwhelmingly favour commissioners. So, for example, according to Redcar & Cleveland Borough Council's 'Standard Terms and Conditions of Contracts for the Purchase of Services':

*'The Council reserves the right to terminate the contract at will, in whole or in part, at any time with or without notice except that it will give as much notice as possible in the circumstances.'*<sup>112</sup>

As John Hamblin of Shekinah Mission, in evidence to the CSJ, concludes:

*'There has been a consistent and coherent critique of commissioning as a top down, opaque and disempowering process. It is often seen as essentially a 'master-servant' relationship rather than an inclusive, outcome-based partnership between commissioners, services, service users and their families. There is clearly a need for the development of an inclusive and transparent process for commissioning that recognises that services rely on co-operation, co-production and dynamic relationships. The underlying principle needs to be one of a shared community, shared vision and a shared endeavour.'*

## 2.4.7 The Work Programme

Local authorities are not the only arms of government to commission services from the voluntary sector. One prominent example of central government commissioning since the Coalition Government came to power has been the Work Programme. The intentions and the premise of the Work Programme are essential to tackling difficult welfare dependency and worklessness. Since its inception, this flagship welfare-to-work scheme – a payment-by-results scheme primarily aimed at getting into work people who have been unemployed for a year or more – has set out to use the unique power of voluntary sector organisations.

<sup>111</sup> Survey of CSJ Alliance conducted in November 2012

<sup>112</sup> Redcar & Cleveland Borough Council, *Standard Terms and Conditions of Contracts for the Purchase of Services Version 1.1 February 2011*, p15 (Given in evidence to the CSJ)

In a speech in June 2010, then Minister for Employment Chris Grayling MP declared:

*'We see the presence of the voluntary sector and small local groups as central to what we do and the structures we put in place encourage small providers.'*<sup>113</sup>

The following year, two charities were named among the 18 prime providers across Britain and the 16 others were awarded contracts based partly on their intention to sub-contract work to charities and social enterprises.<sup>114</sup> This was to happen in one of two ways, either:

- **Tier 1:** The prime provider would outsource to a voluntary sector organisation the *entire process* (providing so-called 'end-to-end' services). People who are long-term unemployed, or at risk of being long-term unemployed, would be attached to charities straight from jobcentres; those charities would help those individuals into jobs; and then those same charities would support to those people to stay in those jobs; or
- **Tier 2:** The prime provider would utilise the *specialist services* of charities to deal with particular barriers preventing someone from working (for example, an addiction).

The freedom the Department for Work and Pensions (DWP) has tried to build into the design of the Work Programme – in contrast to previous welfare-to-work schemes where 'interventions were [perceived to be] over-specified' by central government – was anticipated to translate into a greater involvement of the voluntary sector at a local level.<sup>115</sup> The DWP stated that the programme:

*'...is likely to represent an investment of several hundred million pounds in the voluntary sector, although payment is primarily for results and success is uncapped, this is a real chance for the sector to aim high and show what it can do.'*<sup>116</sup>

However many charities believe that these two models now need to be adapted if they are to take full advantage of local community organisations' potential. On the first model, some charities have said that the financial risk they have to bear in order to be involved in the programme is simply too great. According to an evaluation of the Work Programme, a number of Tier 1 subcontractors of the Work Programme were struggling to balance their finances as they had to take on virtually the same risks as primes to participate as Tier 1 providers.<sup>117</sup>

On the second model, where primes employ charities to provide specialist services, some charities have expressed concern at the lack of referrals. Some Tier Two subcontractors who were named in bids were not involved at all in delivery after the contracts were decided. While there was little evidence that sub-contractors had been used intentionally as 'bid candy'

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113 Speech by the Minister for Employment, Rt Hon Chris Grayling MP, *Speech to Welfare Providers*, 02 June 2013

114 Department for Work and Pensions, *The Work Programme*, London: Department for Work and Pensions, December 2012, p12

115 *Ibid*, p2

116 *Ibid*, p12

117 Centre for Economic and Social Inclusion, *Work Programme Evaluation: Procurement, supply chains and implementation of the Commissioning model*, London: Department for Work and Pensions, 2013, p46

(before being dropped from supply-chains by prime providers), specialist sub-contractors were not always being given enough people to work with.<sup>118</sup>

Kirsty Palmer, the Chief Executive of Kensington and Chelsea Volunteer Centre (KCVC), which specialises in securing volunteering placements at charities for the long-term unemployed, explained to the CSJ how KCVC agreed to receive referrals for men and women who the prime provider had already tried and failed to get back into work. KCVC would work with those clients for an allotted time-period of 18 weeks. 'While we didn't go into the Work Programme thinking it would be easy, in the end there was simply insufficient upfront payment to enable KCVC to work with clients in a truly relational way.' KCVC was unable to afford continuing one-to-one sessions with clients and so ran a group instead, limiting their ability to develop rapport and tailor support to people. Palmer concluded:

*'As a small organisation we couldn't make it stack up in terms of the finances, or in terms of our conscience. We pride ourselves on the quality of service we offer to people excluded from society. But under the structure of this programme we couldn't provide that.'*

KCVC's experience is not unique. According to an evaluation of the Work Programme, as many as four out of ten charities were unconvinced they would remain in the Work Programme, compared to one in five private sector organisations.<sup>119</sup>

For other charities the Work Programme has been very successful. As of November 2012, just under 50 per cent of Work Programme subcontractors were voluntary and community sector organisations.<sup>120</sup>

Newhaven Community Development Association (NCDA), a community regeneration charity based in the South-East with an annual turnover of just under £2 million, is an example of a charity that has very successfully worked with a prime to sub-contract on the Work Programme. 50 per cent of the customers that were referred to them in June and July 2011 have found employment.<sup>121</sup> According to Penny Shimmin, CEO of NCDA:

*'NCDA's experience of being a sub-contractor ... has been extremely positive – there are inevitable complexities of managing cash flow on an outcome driven contract, particularly for a relatively small local charity, but most of these have been experienced by all contractors whether they are private, public or third sector.'*<sup>122</sup>

The task now is for primes, Government and other charities to learn from the experience of the successful examples that do exist and to improve the arrangements to get the most out of the programme. The Government should not give up on using small voluntary sector

118 Ibid

119 Ibid, p51

120 Department for Work and Pensions, *Press Release: More voluntary sector organisations join Work Programme*, 8 November 2012 [accessed via: <https://www.gov.uk/government/news/more-voluntary-sector-organisations-join-work-programme> (5/12/13)]

121 Evidence submitted to the CSJ by prime provider: G4S

122 Ibid

organisations and those organisations should not give up on participating in the programme when workable opportunities arise.

The Work Programme takes an important step forward in addressing worklessness. In its next phase it is important that it can harness the full strength of the voluntary sector – particularly those smaller organisations that understand specific needs and communities.

## 2.5 Conclusion

Immediately after taking office the Coalition Government made some strong decisions to try and open up local involvement in government services and enable the state to work meaningfully with the voluntary and community sector:

The Localism Act, the Commissioning Academy and specific programmes designed to involve the voluntary sector in government reforms were all excellent news for the sector. On the ground, the impact of these initiatives has varied. In some local authorities a greater percentage of funds are channelling to the voluntary and community sector; but in many places the reverse has occurred.

When contracts are given to the voluntary sector it is critical that those contracts allow them to retain their identity and do what they do best. In some situations the culture of commissioning has shifted and the voluntary sector is playing a meaningful role in service delivery, but in other scenarios the sector continues to battle with contracts that are too prescriptive, too short and unworkable. The burden of employment regulations also makes it difficult for the voluntary sector to participate meaningfully in service delivery when opportunities do arise.

Despite the challenges, opportunities remain. The Government has rightly recognised the unique and critical part the voluntary sector has to play in addressing social breakdown.

In the next stage of *Breakthrough Britain II* the CSJ will investigate ways that government can involve the voluntary sector in designing as well as delivering contracts in order to draw the best results out of those who are already supporting the very people government is trying to reach.

# chapter three

## Social action

The first half of this Parliament has seen a number of social action initiatives designed to build community cohesion, volunteering and civic responsibility for community needs. In this chapter we will outline and give a preliminary assessment of those initiatives.

A healthy society requires strong communities and people who take initiative in responding to the needs around them. However, some parts of the country that experience the most intense poverty, also lack the innovative charitable activity that is required for that situation to change.

One of the key recommendations which emerged from the Conservative Party's thinking in Opposition – most notably in 2008's Green Paper, *A Stronger Society: Voluntary Action in the 21st Century* – was to 'support development work in "charity deserts" to establish new volunteer-led organisations where none previously existed'.<sup>123</sup>

### 3.1 Voluntary sector cold spots

The spread of charitable activity throughout the country does not always correspond with locations of greatest need.

In 2006, mapping work undertaken by sociologists Mohan and Rolls found the distribution of registered charities in the UK to be highly uneven.<sup>124</sup> For instance, there was 'a very sharp contrast in the ratio of organisations to population between a prosperous South and a disadvantaged post-industrial North'.<sup>125</sup> Differences also exist between rural and urban areas: according to the most recent data, in Eden in Cumbria there are 7.2 registered voluntary organisations per 1,000 people, compared to Blackpool where there are a mere 0.8 registered.<sup>126</sup> Below is a list of some of the areas in England most sparsely populated in terms of voluntary sector organisations:

<sup>123</sup> The Conservative Party, *A Stronger Society: Voluntary Action in the 21st Century*, 2008, p21

<sup>124</sup> Mohan J, and Rolls I, *Voluntary Sector Almanac 2006*, London: NCVO, 2006, pp47-48

<sup>125</sup> Mohan J, *Mapping the Big Society: Perspectives from the Third Sector Research Centre, Working Paper no. 62*, July 2011, Southampton: The Third Sector Research Centre, p6

<sup>126</sup> National Council for Voluntary Organisations, *UK Civil Society Almanac 2013*, 'Are there more voluntary organisations in some parts of the UK than in others?' [accessed via: <http://data.ncvo-vol.org.uk/a/almanac13/scope/are-there-more-voluntary-organisations-in-some-parts-of-the-uk-than-in-others-2/> (17 May 2013)]



Figure 11: Charity cold spots<sup>127</sup>

	Number of charities per 1,000 people
Blackpool	0.8
Knowsley	0.9
Wigan	0.9
South Tyneside	0.9
Sandwell	1
Stoke-on-Trent	1
Ashfield	1
Slough	1
Barking and Dagenham	1

As well as the *number* of charities, the *flows* of income – i.e. philanthropic, non-statutory financial investment – also vary significantly between deprived and affluent areas, with more affluent areas often receiving more resource.<sup>128</sup> Charities located in close proximity to affluence successfully raise funds locally, receive gifts from wealthy individuals who see the impact of the work, access the support of lucrative businesses and apply for grants from local funds. This is much more difficult for charities operating in poorer areas where there is greater need and people's discretionary income is smaller.

Even neighbouring communities in the same geographical location can diverge significantly in terms of charitable activity. A recent study compared and contrasted two urban neighbourhoods three miles apart – one deprived, one affluent – in the same, anonymised local authority area in the south-east of England.<sup>129</sup> It traced back the lower number of charities in the poorer area to a number of crucial factors:<sup>130</sup>

- **Lack of local 'buy-in' and participation:** charities which do exist in deprived areas are more often run by professionals who come to do a job but are not invested long-term in the community. Such charities tend to be less embedded in a community and are less resilient to funding changes. Lack of confidence and project-management skills, as well as the prevalence of 'chaotic lifestyles', are also cited as the reasons why locally-rooted charities had not flourished in the deprived area in focus;
- **Negative past experiences of voluntary sector activity:** this had been caused by external charities being attracted to the area by targeted funding from regeneration programmes or Lottery funding and their poor track record has bred distrust among local people.

Below we examine two places where charitable activity is less prevalent than in other parts of the country.

<sup>127</sup> Ibid

<sup>128</sup> Lindsey R, *Centre for Charitable Giving and Philanthropy (CGAP) working paper: Exploring local hotspots and deserts: investigating the local distribution of charitable resources*, London: CGAP, 2012, p11

<sup>129</sup> Ibid

<sup>130</sup> Ibid, p15

### 3.1.1 North-East case study: Port Clarence, Stockton-upon-Tees

In 2012 Port Clarence hit the national headlines because of the drastic lack of value in real estate in the town: 'Yours for £750: Britain's cheapest house goes up for sale'.<sup>131</sup> The price of the three-bedroom semi-detached house on Limetrees Close had fallen so low, with the area growing a reputation for anti-social behaviour, vandalism and crime. Much of the property on the street had been boarded up.

Port Clarence is a community on the edge of Stockton-upon-Tees though nearer geographically to Middlesbrough. It is one of a number of voluntary sector 'cold spots' in Britain, characterised by high levels of need but historically underserved by the kind of dynamic charities so effective in other areas. A major foundation that provides grants to charitable organisations has told the CSJ that both in terms of grant *applications* and grant *allocations*, time and time again the North East and, in particular, Teesside, are under-represented. They want to support more work in the region but find it difficult to identify enough great initiatives to back.



Within Teesside, the community groups and charities the CSJ did speak to pointed to Port Clarence as a place of particular challenges. According to Graeme Oram, Chief Executive of North East-wide financial inclusion charity and CSJ Alliance Member Five Lamps, Port Clarence is 'a community which has experienced multiple disadvantage over several decades, becoming, as a consequence of incoherent regeneration activity, the land that time forgot and consigned to the "too difficult" pile'.

Port Clarence is an 'inner-city village', says Jean Orridge, head teacher of High Clarence Primary School where 72 per cent of pupils receive free school meals.<sup>132</sup> In her office are proudly displayed graduation photographs of the small number of pupils who, over the last 20 years, have gone on to finish university. Unless something changes, the challenges facing Port Clarence will simply be inherited by the next generation too. As Jean Orridge explains:

*'The majority of children come into our nursery with significant health, speech and language problems. With some parents themselves struggling with literacy, even when their children are five we're always playing catch-up.'*

Port Clarence is an enclave of unemployment but this is not solely because jobs do not exist. The petro-chemical plants which dominate the landscape around Port Clarence are testimony of the fact that there are some jobs in the region. But as Jean Orridge explains

<sup>131</sup> The Daily Mirror, *Yours for just £750: Britain's cheapest house goes up for sale*, 02 October 2012

<sup>132</sup> Department for Education figures [accessed via: <http://www.education.gov.uk/cgi-bin/schools/performance/school.pl?um=111523> (27/06/13)]

'the people do not always have the necessary skills needed to access such job opportunities.' Requiring highly-skilled workers – technicians, engineers, coded welders – 'most of these jobs have gone to outsiders.' The reputation of people from the region is also that they do not have the requisite work ethic. 'Often it's difficult to get employment. Employers don't think you'll be able to hold down a job [if you are from Port Clarence].'

The problem of unemployment does not exist in isolation. According to Jessie Jacobs, Chief Executive of CSJ Alliance charity, A Way Out, there is evidence in Port Clarence of many other social challenges including incidents of sexual abuse, domestic abuse and rape.

Given the intensity of these problems, why, then, has Port Clarence been bereft of the voluntary sector organisations desperately needed to raise aspiration and bring about change?

'People come and do things and then disappear,' Methodist minister Janet Capstick told the CSJ, a view corroborated by James Hadman, of Stockton-wide voluntary sector support organisation, Catalyst:

*'We have had lots of time-limited projects lasting for a couple of years. Then the funding dries up and there's a gap, and then the cycle starts again.'*

What follows is widespread scepticism among the local people most needed to participate in community development. 'There is a cynicism in the community as a result of all these short-term initiatives,' Hadman comments, the consequence being that the residents' groups which do exist always involve the same ten to 12 people, while the rest stay away.

The voluntary sector organisations that do exist in Stockton-on-Tees and similar areas are critical. People who have motivation to bring changes to their communities need all the support they can access. One such person in Stockton-on-Tees is Liam Bradley.

### Case study: Liam Bradey

Liam left Hartlepool for Port Clarence when he was six. He moved with his mother and her then boyfriend, his parents having split up when he was a baby. Within months of having arrived, his mother's previously stable financial position had evaporated. Soon she was struggling to find work and getting into debt.

Liam's abiding memory of growing up in Port Clarence was the ubiquitous lack of ambition amongst adults which percolated down to the young people: 'No one did any different', he told the CSJ; 'you'd see grandparents who were unemployed, and that was leading down to their son or daughter. You'd see people trying to claim disability allowance even though they could work. People would rather sit around and smoke weed and drink than work.'

Liam started drinking cider when he was a child: 'By the time I was ten I was knocking around with people who were 14 and 15. I'd stay out at weekends and cause trouble. My mum was thinking I was a good lad but she didn't know what was going on.'

After the age of 11, Liam – with Port Clarence only having a primary school – had to go to senior school in neighbouring Billingham, five miles away. There he was ostracised: 'There was an automatic stereotype. If you're from Port Clarence you're going to pinch something – that's what people would think. So the majority of us who got off the bus stuck together. But a lot of my friends got expelled.'

In terms of charitable work in the area, as Liam explains, 'there used to be a lot of men's work happening here. But due to funding and people leaving posts there's really nothing for 16–25 year olds, even though it's such a key age group.'

'What we need is someone there on the estate who wants to be there. If we can go on and show them a new norm, a new way of living, we can make a difference.' This is a role he himself is now trying to provide, as a youth worker for one of Stockton's dynamic charities, A Way Out.

### 3.1.2 South-West case study: Camborne, Pool, Redruth – Cornwall

The Camborne-Pool-Redruth corridor is the largest extended conurbation in Cornwall, and characterised by pockets of intense poverty. According to the most recent Index of Multiple Deprivation both Redruth and Camborne contain neighbourhoods that rank in the top one thousand most deprived areas (out of roughly 33,000 areas).<sup>133</sup>



Once a thriving tin-mining community, and home to major manufacturers such as Holmans, the area is now an enclave of unemployment. According to official statistics, there are neighbourhoods in both Camborne and Redruth where around a third of working-age people are claiming out-of-work benefits.<sup>134</sup> This is an entrenched problem in the region. As head teacher of Troon Primary School, Julie Lamb says, 'I've had 11-year-old pupils come to me and say, "I don't need to get a job because my parents don't and they're fine."'

<sup>133</sup> Department for Communities and Local Government, *English indices of deprivation 2010: all domains, all sub domains and supplementary indices*, London: Department for Communities and Local Government, 24/3/11 [accessed via: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/15240/1871702.csv](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15240/1871702.csv) (21/11/13)]

<sup>134</sup> Nomis (ONS Age Structure: KSI02EW, DWP Benefits: Working age clients for small areas [LSOAs] – November 2012) [accessed via: [www.nomisweb.co.uk](http://www.nomisweb.co.uk) (17/07/13)]

Since 2002 massive investments in local infrastructure have been made – funded by European subsidies, neighbourhood renewal funding under the last government and the National Lottery – to entice new technology-based industries to move to the area. This has been achieved but while new jobs have become available it has not solved the problem. The percentage of people in the region claiming out-of-work benefits has remained constant.<sup>135</sup> A cocktail of other issues also face the long-term unemployed in the region. Worklessness is not only a driver, but also a symptom of social issues.

A corresponding problem cited by almost everyone the CSJ interviewed in the area is domestic violence. 'In Camborne, Pool and Redruth domestic violence is the number one issue for the police right now,' local MP George Eustice told the CSJ. Indeed, according to Lyn Gooding, Police Partnership Inspector for Cornwall and the Isles of Scilly, in Redruth alone in the last year reported domestic violence has increased by 36 per cent.<sup>136</sup>



One woman the CSJ interviewed, Becky, has had five children taken into care and was expecting a sixth. She was optimistic about her baby's prospects, however, because she was now with a new partner who, unlike her previous one, was not violent. In response to the question of why domestic violence is prevalent in the area she answered: 'Partners are either raging alcoholics or speed freaks'. This indicates another deep challenge in the region – addiction.

The intersection of all these problems – addictions, lack of work, lack of aspiration to work and violent homes – indicate that something has gone very wrong. The issues are deeper than merely a lack of jobs.

One head teacher we interviewed told the recent story of a father who had stabbed his child in the foot with a pair of scissors when the child resisted having his toenails clipped.

<sup>135</sup> Data relates to LSOAs: Camborne North, Camborne South, Camborne West, Illogan South, Redruth North, Redruth South, St Day Lanner and Carharrack. Nomis (ONS Official Labour Market Statistics: benefit claimants – working age clients for small areas, Out-of-work benefits, May 2003 – May 2013) [accessed via: [www.nomisweb.co.uk](http://www.nomisweb.co.uk) (22/11/13)]

<sup>136</sup> In evidence to the CSJ

'We see children coming into school unkempt and unclean,' says Rob Adams, head teacher of Pennoweth school in Redruth. Even at age seven many are not toilet-trained, he says.

In the absence of a vibrant voluntary sector, schools sometimes find themselves trying to fill multiple roles. Adams has had to build a team of special needs coordinators, learning mentors and parent-support workers at the school. Julie Lamb expresses a similar frustration:

*'Much of the time it feels like I'm a social worker. I feel like a jack-of-all-trades and master of none. Talking to parents about hygiene, behaviour. But all these other things are barriers to teaching and learning. That's why I have to do it.'*

While statutory agencies struggle to work effectively with the hardest-to-reach, charities are thin on the ground. 'I can't put a name to one voluntary sector organisation working on the estate on a regular basis,' says one council officer we spoke to about the Pengegon estate. Why is this? According to award-winning community-development worker at Cornwall Council, Claire Arymar, many voluntary sector organisations 'have had an overly idealistic view of how things can be changed. They're not prepared for starting a project here and having nobody turn up at first.' Or as headteacher Rob Adams puts it: 'voluntary sector organisations come here one day and are gone the next.'

In Camborne there has recently been a ray of hope. Since his arrival at All Saints, Camborne, Reverend Firbank has been very active in setting up food banks, street pastor teams (watching out for people in town centres after late weekend-night drinking sessions) and a daily drop-in centre for the homeless. Searching for a reason for the absence of voluntary sector activity, Reverend Firbank said:

*'No one has any vision for the future here. There are lots of people who will do things, but they need a framework. There is no risk appetite. No willingness to start something. People are passionate when it gets going but there has been a dearth of visionary leadership.'*

## 3.2 Government initiatives

Recognising the value of the voluntary sector and independent social action, over the past three years, the Government has initiated a number of new social action initiatives designed to build community cohesion, volunteerism and civic responsibility for community needs. This section attempts to give a preliminary evaluation of some of them – the National Citizenship Service (NCS), and the Community Organisers and Community First programmes. These initiatives are quietly carrying out important work, the outcomes of which will only fully emerge over the coming years.

### 3.2.1 National Citizen Service

In his book *Social Capital*, David Halpern observes that 'early experiences of volunteering and associational activity appear to be highly predictive of community engagement in later

life.<sup>137</sup> Taking this ambition to heart, over the last three years the Government has pioneered the National Citizen Service (NCS). This new voluntary programme for 16 and 17-year-olds mainly in their post-GCSE summer has been set up to:<sup>138</sup>

- Support the transition into adulthood;
- Promote a more cohesive society by mixing participants of different backgrounds;
- Help young people develop leadership and team skills;
- Give them a transformative experience of volunteering at a key point in their personal development.

Offered in the summer following GCSEs, (programmes also run in the autumn and spring, but highest numbers are in the summer), the course comprises four parts, taking place over three consecutive weeks and four weekends:

- A residential outward bound week: this structured, activity-based week places participants into teams of 12 who embark on intense outdoor activities, such as rafting, hiking and orienteering. Teams overcome fears, create friendships and build confidence through intense outdoor activities. They develop skills such as teamwork, leadership and communication and characteristics such as trust, responsibility, understanding and empathy;
- A second residential week based in the community: participants often stay in University Halls of Residence where they are tasked with learning a new skill as a way to build relationships with local community partners, such as a local day-centre for older people or a homeless shelter;
- A third non-residential week: participants, now living back at home, meet during the day to design two projects to benefit their own community – a sponsored activity to raise funds for a charity and a campaign on a local issue they care about;
- Finally, teams reunite for four weekends: they carry out their sponsorship and campaign projects, take part in a project requested by their charity partner and join a large scale social action day;
- Graduates also join a year-round programme: this is called The Challenge Society and comprises of personal development and community-based social action opportunities. This is to ensure that the programme's impact continues beyond the initial programme.

Piloted in 2009 by The Challenge Network for 158 young people in the London Boroughs of Southwark and Hammersmith and Fulham, NCS was adopted by the Coalition Government as an essential part of its agenda to foster responsibility and promote social action among young people.<sup>139</sup> It is backed and part-funded by the state, with a maximum participation cost

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<sup>137</sup> Halpern D, *Social Capital*, Polity Press: Cambridge, 2005, p300

<sup>138</sup> Cabinet Office and Department for Education, *National Citizen Service Prospectus*, London: Cabinet Office and Department for Education, February 2012, p3

<sup>139</sup> The Challenge Network, *Results and impacts 2012*, London: The Challenge Network, 2012



of £50 but with bursaries available to allow anyone who wants to take part to do so.<sup>140</sup> The programme is non-selective, accepting all applicants who meet the correct age criteria. Since 2009 thousands of young people have completed NCS – 13,000 alone have undertaken it with The Challenge Network<sup>141</sup> – with the Government now commissioning the service from a range of providers nationwide. Furthermore, the Government aims that by 2014 nearly one in six teenagers will be taking part in the programme – 90,000 young people – with the eventual aim of offering it to every 16-year-old.<sup>142</sup> To make this possible NCS will be expanded to run not only in the summer holidays but also at other times throughout the year.

For the Prime Minister, NCS is about government trying to do something it has not done well in the past: supporting young people through a key transition point in their lives. Thus David Cameron writes:

*'In many societies, there is a rite of passage marking the moment that young people turn into adults, taking on board new rights and new responsibilities. They face a challenge to prove they are ready, and they rise to the challenge, standing taller and prouder as a result. I want National Citizen Service to be that rite of passage for sixteen and seventeen year olds in this country.'*<sup>143</sup>

At the launch of the programme the Prime Minister announced: 'This is about sowing the seeds of the Big Society – and seeing them thrive in the years to come.'<sup>144</sup>

Results from The Challenge are encouraging: 60 per cent of participants had never been involved in volunteering before,<sup>145</sup> and the retention rate for the full-time residential element of The Challenge programme was running at 96 per cent by May 2012, with '90 per cent of those starting the programme going on to complete a further 30 hours of community-based projects.'<sup>146</sup>

Jon Yates, co-founder of The Challenge Network, told the CSJ:

*'Everything hinges on what you think NCS is trying to do. There is a lot of misunderstanding out there, but essentially this programme aims to confront the problem of segregation. Whether in our school system or our social lives, we have an underlying preference to be with people who are like us. And the result is a chronic lack of trust across society.'*

Framed this way, NCS is a way of trying to build trust by bringing together young people from very different backgrounds and challenging them to work together around common goals. Yates claims NCS fosters 'intense experiences with people you don't normally meet'.

<sup>140</sup> National Citizen Service, 'Questions' [accessed via: <http://www.ncsy.es.co.uk/faqs> (14/07/13)]

<sup>141</sup> Evidence provided for the CSJ by The Challenge in July 2013

<sup>142</sup> National Citizen Service, 'Questions' [accessed via: <http://www.ncsy.es.co.uk/faqs> (14/07/13)]

<sup>143</sup> Quoted in National Citizen Service, *It All Starts At Yes*, London: Cabinet Office, March 2013

<sup>144</sup> Quoted in Conservatives, *David Cameron launches plans for a National Citizenship Service*, 08 April 2010 [accessed via: [http://m.conservatives.com/News/News\\_stories/2010/04/Conservatives\\_launch\\_plans\\_for\\_a\\_National\\_Citizen\\_Service.aspx](http://m.conservatives.com/News/News_stories/2010/04/Conservatives_launch_plans_for_a_National_Citizen_Service.aspx) (02/05/13)]

<sup>145</sup> The Challenge Network, *Results and Impact 2012*, London: The Challenge Network, 2012, p3

<sup>146</sup> The Challenge Network, *National Citizen Servant*, 15 May 2012 [accessed via: <http://www.the-challenge.org/index.php/component/k2/item/66-national-citizen-servant> (14/07/13)]



Giving evidence to the CSJ, two NCS graduates from South London – Terry Obeng and Georgina Colliety – both corroborated Yates' claim. 'I'm not one to go out and meet new people', Georgina said, 'but on NCS I made friends for life. It gives you an experience you wouldn't have got from anywhere else.' Terry commented similarly: 'at the beginning it was quite divided. But after the first day background didn't matter.'

While in terms of assessment, Yates concludes, 'we have to be comfortable with a subjective measure because things as important as well-being and trust are essentially subjective.' Georgina placed the impact of NCS within the context of the London riots: 'there's a feeling out there now that young people are going to do something [bad]. NCS helps to change that perception.' While Terry appreciated the programme as a vehicle for personal development: 'NCS helps you to see qualities you didn't know you had.'

While there are clearly benefits to the programme, it is important to ask about whether this is the best way to spend funds in a tight fiscal climate. The Education Select Committee suggested in 2011 that NCS is too costly, comparing it with the German federal Government's year-long volunteering programme for young people.<sup>147</sup> The Committee concluded: 'we do not see how the Government can justify spending the same amount for only six weeks of National Citizen Service.'<sup>148</sup> The Committee went on to calculate – on the basis of a cost per young person of £1,182 – that if the Government did succeed in making a universal offer to all 600,000 16 year-olds, the total (assuming a 50 per cent take up) would be £355 million, outstripping the entire expenditure by local authorities on youth services.<sup>149</sup>

The 2012 evaluation of National Citizen Service, carried out by NatCen Social Research, found the societal benefits of the programme to be between one and two times the cost of delivering it.<sup>150</sup>

### 3.2.2 The Community Organisers programme

The Community Organisers programme is a £15 million initiative also funded by the Cabinet Office.<sup>151</sup> It trains community organisers to go into a given locality and '[catalyse] community action at a neighbourhood level – "igniting the impulse to act"'.<sup>152</sup>

Beginning in April 2011 and running until May 2015, the Government awarded the contract to deliver this programme to Locality, a national network of over 700 community-led organisation and development trusts.<sup>153</sup> Locality has in turn selected local organisations across

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147 Education Select Committee, Education, Third Report: Services for Young People, 6.128 [accessed via: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmeduc/744/74410.htm#a24> (21/07/13)]

148 Ibid, 6.131

149 Ibid, 6.129

150 NatCen, *Evaluation of National Citizen Service Pilots: Interim report*, p53 [accessed via: [natcen.ac.uk/media/24899/ncs-evaluation-interim-report.pdf](http://natcen.ac.uk/media/24899/ncs-evaluation-interim-report.pdf) (25/11/13)]

151 The £15 million figure consists of the contract price cited in Locality's successful bid (£5,852,223 including VAT) combined with £10 million for the provision of bursaries for organisers. Locality, *Tender to provide a National Partner for the Community Organisers Programme*, December 2010, p26 [accessed via: <http://locality.org.uk/wp-content/uploads/Locality-CO-web-25052011.pdf> (17/07/13)]

152 Cabinet Office, Press release, *Government names new partner to deliver Community Organisers*, 19 Feb 2011

[accessed via: <https://www.gov.uk/government/news/government-names-new-partner-to-deliver-community-organisers> (20/06/13)]

153 Ibid

the country, to recruit and host teams of trainee organisers.<sup>154</sup> Commissioned to train 500 full-time senior community organisers, paid for a one-year period, they also intend to support a further 4,500 unpaid organisers.<sup>155</sup>

In terms of the training, another organisation, RE:generate, have been brought in to teach selected organisers (ahead of their posting) how to bring people together and build networks. There are many different models of community organising. RE:generate's model, 'Roots Solution – Listening Matters' (RSLM) involves organisers undertaking hundreds of one-on-one 'listenings' – structured conversations which aim to provoke people into taking action together. The conversations run along the lines of these questions:

- What do you love about where you live?
- What concerns you about where you live?
- Do you know other people who feel that way?
- Would you be prepared to do something about your concerns?

The RSLM model was designed by RE:Generate's Stephen Kearney to do everything possible to secure widespread participation at the local level; as he puts it to 'intelligently [shift] power to effect change that is not dependent on shifting political winds or the energy of the few.'<sup>156</sup> The model is designed so that community organisers build networks from scratch. Usually taking the form of knocking on doors, organisers are held accountable for how many 'listenings' they clock up.

To gauge the programme's efficacy, the CSJ contacted a number of host charities and organisers on the programme.<sup>157</sup> The first thing they made clear was that the onus on developing new networks means, as one organiser told the CSJ, 'staying away from working with established groups.' A justification of this approach can be found on the programme's website:

*'In 21st century England there are only so many dense urban areas and only so many faith groups, unions, schools and other institutions with the resource or insightful leadership to engage in community organising. While we can admire its excellent results in the Living Wage campaign, congregational or institutional organising can't work everywhere. RSLM was created for this very reason.'*<sup>158</sup>

In short, the Community Organisers programme is trying to build brand new networks and initiatives among members of the community. But this is a big ask for one person who is not supposed to impose a vision or mission. The task is made even more challenging by its time-limit. Organisers are employed for one year only. For them to find their feet in

154 Community Organisers, *About* [accessed via: <http://www.cocollaborative.org.uk/about> (20/06/13)]

155 Ibid

156 Quoted in Community Organisers, *What is the government's community organisers programme?*, 8 February 2013 [accessed via: [www.cocollaborative.org.uk/study/what-community-organisers-programme](http://www.cocollaborative.org.uk/study/what-community-organisers-programme) (03/05/13)]

157 The CSJ made contact with all the community organisers from the first round and received evidence from six of them.

158 Quoted in Community Organisers, *What is the government's community organisers programme?* 8 February 2013 [accessed via: [www.cocollaborative.org.uk/study/what-community-organisers-programme](http://www.cocollaborative.org.uk/study/what-community-organisers-programme) (03/05/13)]

a new community, situate themselves and then catalyse activity is a tall order within the allotted length of the programme. Questioning how realistic the methodology was, one organiser told us:

*'It's been a lot slower than I expected. How within 12 months are you supposed to knock on doors, gather information about what the community wants and needs, identify leaders, introduce them to each other and build a team of volunteers?'*

While another claimed that 'about ten months or so in, people started to trust me'; that is, just as the programme was drawing to a close.

The programme also has to battle with a culture of dependency that exists in some communities after many years of social initiatives having been done to them rather than created by them. Speaking to the CSJ, Colin Lynch, an Organiser based at the Goodwin Development Trust in Hull, said that: 'The long history of dependence on the council has meant people now have little confidence in their own ability to shape local decision-making, nor do they realise that the power to act is in fact now in their hands.' One host organisation we spoke to agreed:

*'People don't want to act. They're not ready for responsibility. That's the biggest hurdle. So much has been done for years for them. People are reluctant to get involved because they don't want to be perceived as busy-bodies, or to become the target of anti-social behaviour.'*

As the programme is specifically designed not to set predetermined outcomes but to instead allow ideas for action to develop organically from people who have been organised it is difficult to assess its impact. While results have undoubtedly been recorded, the reality of actual projects undertaken – nature walks, house meetings about pot holes and raffles – do not suggest far-reaching social reform has been achieved through this programme. This does not necessarily mean the programme is not worthwhile. While the projects that have been achieved have been modest, for some places, the presence of any community initiative at all is a major step forward.

Community organising is an important response to an accurate assessment of need – new social action is critical for deprived communities. Furthermore, the time-limited design of the scheme is appropriate if it is to avoid the pitfall of this becoming another entrenched state-dependent programme. However the first couple of years of the project suggest that adjustments to the model may be needed to get the most out of the programme. Asking organisers to form community in the space of twelve months through door-knocking is a very tall order. And while the intention of developing brand new initiatives is good, avoiding existing networks also means avoiding some of the strengths that potentially already exist in communities. Finding a way to help organisers develop new initiatives while not ignoring strong existing networks and relationships may be helpful adjustments if the programme is to have the best possible impact.

### 3.2.3 Community First

Another key initiative of the Cabinet Office, designed to spark but not control community social action and responsibility is the Community First programme.<sup>159</sup> This programme has two components to it: the Endowment Match Challenge and the Neighbourhood Match Fund. Both creatively involve match funding, where government supports and extends community initiatives, providing finance in contexts where community ownership is visible, without bull-doing that initiative by insisting on its own agenda. The Endowment Match Challenge is designed to create a fund that will generate interest which will provide a long-term funding stream, whereas the Neighbourhood Match Fund is providing more immediate finance to communities. Community First is targeted at deprived areas.

#### *The Endowment Match Challenge*

The idea behind the Endowment Match Challenge is to create an endowment, running in perpetuity – i.e. of which the capital raised will not be drawn down – which will yield (from interest on the capital) a new sustainable income stream for voluntary sector organisations.<sup>160</sup>

Working through the infrastructure of community foundations across the UK, the Government has allocated £50 million over the lifetime of the Parliament to match fund individual and corporate donations. Committing to increase the value of philanthropic contributions by 50 per cent – thus aiming at a total of £150 million by 2015 – over the first two years of the programme an impressive £36 million has been raised.<sup>161</sup>

Lisa Cappleman, from the Tyne & Wear and Northumberland Community Foundation, spoke to the CSJ of being so inundated with donors as a result of the programme that the Foundation has had to borrow from the final year of the match (on the government side) to fulfil the pledges in the pipeline. She told the CSJ:

*'What makes Community Foundations work is the fact that we are very local, know our own areas and work closely with donors. The Endowment Match Fund capitalises upon that.'*

The Foundation has also now awarded its first grants, from the income earned on the endowment it has raised. For example, in one unemployment enclave in South Tyneside, local people spoke of one barrier to work being a lack of accredited care courses. £2,500 has enabled a local organisation to deliver that course. In years to come, these grants will grow.

<sup>159</sup> Note, this is not the same as the Welsh Assembly Government Community First programme

<sup>160</sup> Community Development Foundation, *Endowment Match Challenge* [accessed via: <http://www.cdf.org.uk/content/funding-programmes/community-first/endowment-match-challenge> (17/06/13)]

<sup>161</sup> As of June 2013: figures provided for the CSJ by UK Community Foundations. In the first year of the programme private donations of £8,722,228 were matched £1 for £1 by Government, while in the second year donors gave £12,333,275 and Government matched it by 50 per cent (£6,166,637).

### *The Neighbourhood Match Fund*

The Neighbourhood Match Fund is built on an impressive model of community-focused grant-giving developed by Seattle City Council's Jim Diers. This model was recommended by the CSJ two years ago in *Age of Opportunity* which looked at ways to transform the lives of the poorest older people. When citizens give £1 to the Fund, Government does too. Community initiative is thereby encouraged and extended. Innovatively, the model permits the match on the community side (to meet the cash contribution from government) to consist of 'in-kind' contributions, for example volunteer-time or donation of services, so that community action can be valued and areas with very little financial capital can still benefit. Over the last twenty years Diers and Seattle's Department for Neighbourhoods have achieved spectacular results.<sup>162</sup>

The Cabinet Office's decision to adopt Diers' model in its flagship Community First initiative is one we commend. The programme has a number of key features:

- Funds are targeted at deprived and excluded electoral wards across the country;<sup>163</sup>
- Grants are small, ranging from £250 to a maximum of £2,500;<sup>164</sup>
- Money has been specially earmarked for *communities* – rather than charities – to become more resilient and help them effect changes they want to see happen in their area;<sup>165</sup>
- The community match can be volunteer time, monetised at £11.09 an hour;<sup>166</sup>
- The funding is designed for new as well as existing community groups.<sup>167</sup>

To administer funds in the selected wards, local panels have been set up to be peopled by community representatives. Now numbering 600 nation-wide, these panels make recommendations to the Community Development Foundation (the Cabinet Office's delivery partner for the programme) on specific projects, in turn triggering the release of funding.<sup>168</sup>

These panels are absolutely critical to the success of the project. Tasked with recommending how raised funds should be spent, they must judiciously use the resource that have been earned and built by the community in a way that maximises impact and also sustains confidence among those community members who donated and volunteered.

In June and July 2013 the CSJ interviewed a number of panel leads to glean an understanding of how the programme is working.

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<sup>162</sup> Centre for Social Justice, *Age of Opportunity*, London: Centre for Social Justice, 2011, p54

<sup>163</sup> These were calculated using the 2011 Indices of Multiple Deprivation, identifying the 30 per cent most deprived Lower Super Output Areas. That list was then overlaid with benefit data from Jobcentre Plus, illuminating which areas have seen a 10 per cent increase in benefit claimants; Community Development Foundation, *Community First Briefing*, 2012

<sup>164</sup> Community Development Foundation, *Community First Programme: Neighbourhood Matched Fund, Guidance Notes*, 2013, p8

<sup>165</sup> Cabinet Office, Press Release, *Community Development Foundation to deliver £80 million Community First programme*, 22 June 2011 [accessed via: <https://www.gov.uk/government/news/community-development-foundation-to-deliver-the-80m-community-first-programme> (17/06/13)]

<sup>166</sup> Community Development Foundation, *Community First Programme: Neighbourhood Matched Fund, Guidance Notes*, 2013, p8

<sup>167</sup> *Ibid*, p2

<sup>168</sup> Cabinet Office, Press release, *£3.47m now available in the West Midlands to support vital community work*, 06 June 2013 [accessed via: <http://mn.cabinetoffice.gov.uk/Press-Releases/-3-47m-now-available-in-the-West-Midlands-to-support-vital-community-work-68dc7.aspx> (27/06/13)]

One issue the CSJ was made aware of was the risk that this programme, designed to catalyse new community action, could become dominated by already existing charities and local authorities without new community activity being born alongside the old.

In terms of the former, one panel partner we interviewed (who had had the benefit of seeing a number of panels in operation) commented:

*'Despite the emphasis upon panels being 'community led', there are some areas where councillors, rather than residents and community groups, have been the driving force behind setting them up. Or where councillors automatically assume a position of panel chair. If this happens, panels are more prone to adopt an agenda in line with local authority, rather than community priorities.'*

We spoke to a number of panel members who worked for local authorities. Local authority representation on panels gives some cause for concern. If the panels become vehicles for sustaining the status quo and extending the reach of the local authority rather than building community responsibility and authority, they will miss their intended purpose. While the local authority representatives may be capable people who know the community well it is critical that these panels represent the community not the state.

We have also identified a vast number of projects funded through the scheme which have enabled already established charities to simply extend the work they are already doing. For example, we heard about a community trust undertaking a new initiative, a two-week course introducing young people to employment and training opportunities, in which *the paid time of charity workers* (as opposed to that of *volunteers*) was used as the community match for the government funds, contradicting the terms of the fund. We also heard of a Citizen Advice Bureau funded to put on a new weekly outreach advice session. Speaking about the injection of Community First money into one Merseyside youth club – where the paid time of charity staff was again matched – the panel member said, 'this is what has helped [them] to survive.'

The list of projects funded to date is peppered with examples of established organisations receiving funds to upgrade their resources or extend existing work. A dance club was given £399 to replace a faulty CD player; a children's centre was given £1,600 to buy touch screen computers and a sewing circle were given £2,247 to buy an embroidery machine.<sup>169</sup> There is also an example that clearly shows the funds being 'matched' have come from an external grant (BBC Children in Need).<sup>170</sup> These ventures may be important, and no doubt there have been some great benefits to come from many initiatives funded through the scheme, but in situations where the moneys are being used to plug funding shortages or to provide upkeep for established charities, the purpose of the programme is not being fully achieved. As previously outlined, funds are for *community* use rather than *charity* use. These lines will naturally blur; but if new community activity is not initiated and funded through the Neighbourhood Match Fund, a brilliant opportunity will have been missed and the status quo will continue under another name.

<sup>169</sup> Community Development Foundation, *All funded projects to date* [accessed via: [http://www.cdf.org.uk/wp-content/uploads/2013/09/All-funded-projects-to-date\\_Sep13\\_web-version.xls](http://www.cdf.org.uk/wp-content/uploads/2013/09/All-funded-projects-to-date_Sep13_web-version.xls) (25/11/13)]

<sup>170</sup> Ibid

The Neighbourhood Match Fund is a promising scheme. Administrators must now ensure that the funds which are raised by the community are spent by the community, in ways that build new initiative and ownership. If this does not occur, the purpose of the programme is compromised.

### 3.2.4 Conclusion

It is positive that the Government has seen the need to encourage social action. Match funding, encouraging volunteering and breaking down social barriers are all critical and the Government has shown strong foresight in initiating these schemes. The critical thing for each of them is to ensure that they work with the strengths of communities that already exist and that they are used for the purpose they were intended. Otherwise they risk joining a plethora of other noble but ineffective government interventions.

## 3.3 Volunteering

When it comes to many aspects of fighting disadvantage, the unique role of volunteers cannot be overstated. Too often we accept the unstated assumption that volunteers are there to fill the breach left by a shortage of paid professionals. As indicated by this case study of national rehabilitation charity Caring for Ex-Offenders, there are some things that only volunteers can achieve.

### No substitute for volunteers – Case study: Caring for Ex-Offenders (CFEO)

Founded in 2004, CSJ Alliance member CFEO is a charity which coordinates a link between someone released from prison and their local church community. The charity's fundamental vision is to secure the most successful possible resettlement of an ex-offender into society: to date it has achieved this for almost 600 prisoners.

With national reconviction rates within the first year of release as high as 60 per cent,<sup>171</sup> CFEO concentrates its efforts on meeting key practical needs – aiding ex-offenders in their attempts to access housing, employment, addiction recovery and health care – and also offering friendship.

CFEO's model revolves around a mentoring relationship between a local church member and a person leaving prison. Crucial to the success of this is the fact that the mentor is not a paid professional but someone volunteering in their spare time. Ideally the mentor will establish a relationship with the individual when still in prison, visit them where possible, and then greet them at the gate upon release.

CFEO founder Paul Cowley, told the CSJ:

*'Something special happens when a person volunteers to visit a man or woman in prison, coming with no political agenda, no payment, no cause to rally for, except to bring love and a feeling of being known by someone else.'*



<sup>171</sup> Ministry of Justice, 2013 *Compendium of re-offending statistics and analysis*, London: Ministry of Justice, 2013, p16

In *Breakthrough Britain* one of the CSJ's major set of recommendations was related to promoting volunteering across the country's most disadvantaged neighbourhoods. These observations were based on the analysis that, very often, volunteering is least found in areas where it is needed most. Then, in 2011, working with social enterprise, 'C', we reshaped this recommendation specifically in the context of corporate volunteers. The CSJ proposed:

**V-card scheme:** A reward scheme to provide a hook for potential young volunteers. Participating charities would record the types and amount of volunteering done by volunteers, who would earn credits that could be redeemed for hard benefits such as concert tickets and music downloads (source: CSJ, *Breakthrough Britain*, 2007).

**C-volunteer:** A person chooses a charity to volunteer his or her time to; that charity then certifies the exact hours volunteered, which the volunteer's company then agrees to monetise (at, say, minimum wage) and then transfer credits to the volunteer's C-volunteer account. The volunteer then chooses to spend these credits on the charity of his or her choice, either the one at which they volunteered or another (source: CSJ, *A Step Change in Giving*, 2012).

Since 2007, volunteering does seem to have increased, but whether or not it has increased in the places where it is most vitally needed is less clear. In 2010/11 the Department for Communities and Local Government (DCLG) undertook the last large-scale English Citizenship Survey before it was cancelled due to cost. This survey did not find an increase in volunteering, rather it found that:

- 25 per cent of people volunteer *formally*, defined as 'giving unpaid help through groups, clubs or organisations'. This was a lower level than all the years between 2001 and 2008 and unchanged on the previous two years;<sup>172</sup>
- 29 per cent of people volunteer *informally*, defined as 'giving unpaid help as an individual to people who are not relatives', also a decline over the decade.<sup>173</sup>

The publication which has superseded DCLG's Citizenship Survey, the Cabinet Office's Community Life Survey, covers two quarters: August to October 2012 and November 2012 to January 2013. Though based on a sample size half the size of its predecessor, the surveys showed modest increases in both categories – formal volunteering up to 29 per cent per month and informal 36 per cent.<sup>174</sup>

172 More specifically, the figures capture those who volunteered 'at least once a month'. Department for Communities and Local Government, *Citizenship Survey: 2010-11, April 2010 – March 2011, England*, London: Department for Communities and Local Government, 2011, p8

173 *Ibid*, p9

174 Cabinet Office, *Community Life Survey, August 2012 to January 2013, Statistical Bulletin*, April 2013, p20 [accessed via: <http://communitylife.cabinetoffice.gov.uk/assets/q3-2012-13/Community%20Life%20Survey%20Q3%202012-13%20Bulletin.pdf> (11/07/13)]; Cabinet Office, Press release, *New official statistics show resurgence in volunteering as millions more give their time to help others*, 12th February 2013 [accessed via: <https://www.gov.uk/government/news/new-official-statistics-show-resurgence-in-volunteering-as-millions-more-give-their-time-to-help-others> (11/07/13)]. Not that the increase in volunteering cannot be put down to the 'Olympics factor' since the second quarter covers the period well after the Games.



If these smaller but more recent surveys are indeed representative and volunteering is higher in 2013 than it was in 2007, this is encouraging news. The question that must follow is whether this volunteering is happening in the places and way it is most needed. To discover whether this ostensible shift is being borne out in charities working with the most excluded we interviewed members of the CSJ Alliance to get a sense of how volunteering is working for them. The evidence we received painted a mixed picture. Charities such as Nightwatch in Croydon – which utilises over a hundred volunteers to engage Croydon's homeless – and One25 in Bristol – where volunteers reach out to women trapped in street work – both reported more people coming forward to help. Whereas Chief Executive of gang-prevention charity XLP, Patrick Regan OBE, has had a different experience: 'We have not seen a significant rise or 'surge' in the numbers of people wanting to volunteer with us due to the recession, Big Society or the Olympics.'

Gracia McGrath of Chance UK, a charity which recruits volunteers to mentor children aged 5–11, concurred, contending that neither the Government's emphasis on the Big Society nor the Olympics had led to a big spike in volunteering. She told the CSJ:

*'I just don't think we're seeing [a big spike in volunteering] yet. We're not yet seeing a substantial change in how people are seeing things and taking responsibility for society.'*

Both McGrath and Regan require a fairly substantial commitment from volunteers. McGrath asks volunteers to sign up for two years of steady mentoring and puts them through a thorough selection process. McGrath suggested that one reason for the lack of volunteering might be that in times of economic uncertainty, when people are unsure whether they are going to be made redundant, they are less likely to make a long-term commitment to volunteering. McGrath also commented that the way volunteering has sometimes been 'pitched' – with attractive benefits such as concert tickets offered if someone giving up their time to volunteer – has led to people contacting McGrath's charity asking what they will get in return for volunteering. The public must be prepared to make commitments and sacrifices if they are to contribute to social change.

Oonagh Aitken, Director of Social Action and Volunteering at national organisation CSV, also agreed that she had not yet seen a significant upsurge in volunteering but felt that charities also need to make some changes to make volunteering more plausible. Charities, she said, need to work harder at converting their general need for volunteers into specific opportunities sufficiently tailored to what people working other jobs can actually offer. And to attract younger people in particular, volunteering needs to be made more flexible. 'We must ensure it's no rigid, long-term commitment' Aitken said, recommending 'tasters' to give people a sense of what a given opportunity is like.

In terms of this matching of potential volunteers to real opportunities, The Prince's Trust is an example of an organisation which excels.

## The Prince's Trust

Set up by Prince Charles in 1976, the Prince's Trust is a national charity which works to engage and support young people who are not in employment, education or training. Key to this is leveraging the support of nearly 6,000 volunteers to help transform young people's lives.<sup>175</sup>

'Volunteers bring a unique set of skills, experience and energy', says Laura Read, The Trust's Senior Head of Volunteering, speaking to the CSJ. 'We have a phenomenal range of incredibly qualified volunteers who give dedicated support to young people'.

Across the wide variety of its programmes The Trust is able to draw upon this diversity, matching different kinds of people with disadvantaged young people. Three examples are:

- **Business mentors:** Having received a four-day 'taster' course in what it is like to set up and run your own business, The Prince's Trust proceeds to provide both a grant and business mentor to young people graduating from its Enterprise programme. The mentors are volunteers, often experienced business men and women able to draw upon knowledge, skills and wisdom accumulated over an entire career;
- **Corporate volunteers:** Schemes like the xl club, which works in schools to reengage educational underachievers, bring in corporate volunteers to help young people with crucial but niche tasks such as writing CVs and undertaking job interviews. Sometimes recent entrants in the job market themselves, corporate volunteers are often very well qualified to help with this;
- **Ex-services personnel:** Programmes like Team, which offer disengaged young people highly structured 12-week personal development course, often employ ex-service men and women, sometimes those who are wounded, ill or sick. As Laura Read puts it, ex-services personnel are 'phenomenal role models' to young people in need of inspiration and motivation.

For smaller charities, creating such wide-ranging volunteer opportunities can be a major challenge. Often volunteers do not have an accurate awareness of what skills they could best contribute and charities can suffer from business models ineffective at resourcing a strong pool of men and women wanting to freely give up their time for the long-term work they require. Furthermore, some work simply requires long-term relationships. Young people like those McGrath's charity, Chance UK work with, have had enough experiences of short-term relationships. This is why they require longevity and commitment from volunteers.

### 3.3.1 Changes to the Criminal Records Bureau (CRB)

One of the biggest barriers to volunteering has been the risk-averse and convoluted regulatory culture which has developed in recent years. A CRB check is needed for any person who will be in exclusive contact with vulnerable people. Whilst clearly an important measure, the system as it was previously implemented, (and as the CSJ has highlighted in multiple publications including *Breakthrough Britain I*), was riddled with inefficiency and unnecessary bureaucracy. Primarily:

<sup>175</sup> The Prince's Trust, Press release, *You can be heroes*, 09 June 2013 [accessed via: [http://www.princestrust.org.uk/about\\_the\\_trust/headline\\_news/national\\_news\\_2013/1301\\_you\\_can\\_be\\_heroes.aspx](http://www.princestrust.org.uk/about_the_trust/headline_news/national_news_2013/1301_you_can_be_heroes.aspx) (25/06/13)]

- CRB checks have *not been portable*, requiring repeat checks for the same individual. A person needs a new CRB check for each charity they want to volunteer with. One youth worker we spoke to had had five checks in four years;
- Anyone who did want to volunteer with another organisation, would then have to pay a fee for each and every CRB check carried out regardless of how recent their last check was;
- CRB checks have been *backward-facing and reactive*. As many have told the CSJ, a person could get CRB clearance to work at a charity on one day and then commit a crime the next day and the charity would not find out until it undertook the necessary re-checking three years later. There is no onus on the police to get in touch with the charity should the volunteer's 'status' change;
- CRB checks have typically *taken a long time to process*. According to leading London youth charity XLP, which relies heavily on the work of volunteer mentors, the CRB process made it 'hard to get someone from the point of *wanting* to volunteer to actually start doing it.' The time it took between someone first exploring the opportunity to volunteer and their CRB being secured was so long it often put people off.

The Coalition Government came to power wanting to bring about significant reform in this area in order to dismantle anything standing in the way of greater involvement in social action. The *Programme for Government* expressed an intention to look again at criminal records and vetting and barring regimes 'and scale it back to common sense levels'.<sup>176</sup>

Wanting to enshrine portability and responsiveness at the heart of regulation, the policy direction has been commendable. In June 2013 an improved CRB system was introduced under the new Disclosure and Barring Service (DBS).<sup>177</sup> This will now allow an individual to have one certificate, like an ID or driving license that they can take with them from role to role, and which each organisation will be able to check online instantly. It is hoped that this will remove one obstacle to volunteering and will encourage more people to volunteer with more organisations.

### 3.4 Faith-based organisations

In *Breakthrough Britain's* review of the third sector the CSJ shone a light on the public sector's institutional bias against faith-based organisations. Even where these organisations prove their worth and demonstrate their dynamism, so we argued, commissioners at both central and local government level still feel nervous about funding them.

The classification of charities developed by the Office for National Statistics (ONS), and adopted by the National Council for Voluntary Organisations (NCVO), typifies this dismissive attitude.<sup>178</sup>

<sup>176</sup> HM Government, *The Coalition: Our Programme for Government*, London: Cabinet Office, 2010, p20

<sup>177</sup> Disclosure and Barring Service, Press release, *Coming soon: Disclosure and Baring Service to launch the Update Service*, 17 June 2013 [accessed via: <https://www.gov.uk/government/news/coming-soon-disclosure-and-barring-service-to-launch-the-update-service> (11/06/13)]

<sup>178</sup> National Council for Voluntary Organisations, *Civil Society Almanac 2013: Why are our estimates lower than the Charity Commission's figures?* [accessed via: <http://data.ncvo-vol.org.uk/a/almanac/3/scope/why-are-our-estimates-lower-than-the-charity-commissions-figures> (20 June 2013)]

Their definition of 'general charities' excludes faith groups on the grounds that their 'main objective is the promotion of religion'. This assumes that religion is neither a social good in itself nor has public benefit. In reality churches, synagogues, temples and mosques provide social and welfare support to their congregations and many, if not most, undertake charitable activity for non-members.

Statistics on both volunteering and donations indicate the resilience of social action among people of faith. Figure 12 indicates the importance of faith-based donors:

**Figure 12: Motivations of donors and average size of annual donation<sup>179</sup>**

Donor type	% of donor population	% of donations	Average donation
Loyal supporter	31	22	£214
Ad hoc giver	18	9	£151
Good citizen	6	6	£311
<b>Faith-based donor</b>	<b>11</b>	<b>32</b>	<b>£906</b>
Engaged champion	24	17	£212
Benefactor	4	7	£582
Thoughtful philanthropist	7	7	£334

From the evidence we have received in the course of this review, it appears that there has been a significant change in government attitude since we last reported in 2007. A change we welcome.

The reasons for this shift may be various. It may be that, for both central and local government, the sheer level of activity by people of faith speaks for itself. For while volunteering and individual giving rates have declined in the population at large, participation in social action initiatives, as well as the money donated by members of churches to poverty-related causes, bucks this trend. A recent survey of hundreds of churches found that:<sup>180</sup>

- Churches have responded significantly to social challenges in their local communities, with the hours spent by volunteers in churches on local social action initiatives having increased by 36 per cent in two years to 98 million hours (not including voluntary work undertaken by those same people outside of the church);
- The average number of social action initiatives undertaken by individual churches has risen from 5.7 to 8.2;
- Only 26 per cent of churches receive any outside funding; 74 per cent finance their social action initiatives themselves;

<sup>179</sup> New Philanthropy Capital, *Money for Good UK: Understanding donor motivation and behaviour*, London: New Philanthropy Capital, 2013, p39; these segmented types are all among mainstream donors rather than high-income donors, defined as those with a household income of over £150,000 a year.

<sup>180</sup> Knott G, *Church and Community Involvement: Executive Summary*, Jubilee + and Act Network, December 2012

- Churches are rapidly diversifying the initiatives they undertaken, in line with local need; caring for older people and food banks now rank in the top ten as do children's work and youth clubs.

Greater appreciation of the transformative impact faith groups can have, and even their ability to deliver key public services, seems to be occurring at both central and local government level.

In terms of central government, 2010 saw the establishment of the Cinnamon Network, a community of now 200 Chief Executives of faith-based charities, social enterprises and Chairs of regional and national networks. Having seen how initiatives developed in local churches are scalable – for example, Salisbury's food bank run by the Trussell Trust, Brixton's street pastor's team or Christians Against Poverty (CAP) debt advice services in Bradford – the Cinnamon Network focussed on identifying and then supporting (through providing business mentors, leadership development and grants) fresh churches to run these projects. Rather than them needing to reinvent the wheel, as Matt Bird, Chair of the Cinnamon Network told the CSJ, 'franchising makes it easy for churches to do something impactful and sustainable'.

In 2011 the Cabinet Office began to translate its positive rhetoric around faith groups into reality, allocating from its Social Action fund over £1 million to the Cinnamon Network to administer grants to churches to get new projects up and running.<sup>181</sup> So far, as the Cinnamon Network reported to the CSJ, two hundred £2,000 grants have been made across the country. In addition to this, twenty £20,000 grants have awarded to the twenty churches identified as having pioneered the most outstanding projects (such as 'Make Lunch' which provides lunch for children on free school meals during their vacations). The grant is provided to help those organisations develop their projects so they can be used by other churches. Commenting on the significance of this, Matt Bird told the CSJ:

*'Following the 2010 general election, a senior civil servant told me that the church no longer needed to argue for a place at the table. The only issue up for discussion was who could produce the best outcomes.'*

This openness, Bird thinks, is being mirrored at the local level as the result of 'the combination of a strong steer from central government and sheer local pragmatism – councils think to themselves "if a local organisation is willing to offer help we'll take it."

In some places councils are even actively seeking out faith-based organisations to tackle causes of poverty across Britain. On a visit to South West England the CSJ visited with one sizeable church which had been working effectively with families on neighbouring estates for the last few years. Poor school attendance and parental addiction were some of the myriad of challenges families faced daily. The church placed volunteers to work one-on-one with individual families. 'Volunteers coped brilliantly,' says project lead Jennifer, 'brought in as they were to a situation where families were not coping. The key thing has been that a volunteer is not seen as someone from social services, so families will open up much more.' Seeing

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<sup>181</sup> Cinnamon Network, *Government money for churches* [accessed via: <http://cinnamonnetwork.co.uk/gmc/> (25/06/13)]

the independent impact the church was having, the local council, newly charged with The Troubled Families programme, approached the church to see if it would be willing to take on the contract. The church is now working with hundreds of families across the county, aiming to increase those families' resilience and fundamentally to prevent children from those families of having to go into care.

### 3.5 Conclusion

In the attempt to stimulate social action, the Coalition Government has pioneered a number of inspiring initiatives to encourage an upsurge in volunteering and to motivate communities to take initiative and meet the needs in their areas.

The success of these programmes is still uncertain given their fledgling nature. On the positive side, the National Citizen Service is creating an avenue for young people to volunteer and changes to CRB checks are increasing the ease with which people can volunteer. Government initiatives to spark social action through match-funding are also exciting developments. The challenge is to now learn from the early experiences of people involved in those programmes and to ensure that their purpose is not undermined through design glitches or ineffective implementation.

Despite these developments more work needs to be done to look at how the Government can continue to work with communities as they already exist, capitalising on their strengths and embedding any new initiatives into the fabric of communities.



# chapter 4

## Social investment

Social investment has the potential to be transformative for public policy and for many in the voluntary sector. Featuring in the Conservative Party's 2010 manifesto and then confirmed by the Coalition's programme for government, the establishment of Big Society Capital (BSC) – a £600m investment fund specifically for social investment – has seen Britain become a world leader in the field.<sup>182</sup> The vision, as set out in the Coalition Government's February 2011 White Paper, is 'to create nothing less than a long-term "third pillar" of finance for our crucial social ventures, alongside traditional giving and funds from the state.'<sup>183</sup>

Social investment is 'investment on the basis of social impact as well as financial returns'.<sup>184</sup> Two of its key features, according to the Boston Consulting Group (BCG) and BSC, are:<sup>185</sup>

- 'that the social returns, such as finding work for the long-term unemployed or providing care to over 65s, are clearly identified *a priori* and are not an incidental side-effect of a commercial deal'; and
- 'that the investor expects a financial return... social investment include(s) only finance that is anticipated to deliver at least a zero per cent return (i.e. repayment of capital).'

On this basis investment is made into voluntary sector organisations: charities, co-operatives, social enterprises, voluntary and community groups. It should be differentiated from mainstream 'ethical investment', which involves screening out investments deemed to have a negative social or environmental impact.

182 The Conservative Party, *Invitation to join the Government of Britain: The Conservative Manifesto 2010*, London: The Conservative Party, 2010, p37; HM Government, *The Coalition: Our programme for government*, London: Cabinet Office, May 2010, p29; Prime Minister's Office, Press Release, *David Cameron launches the world's first ever social investment builder*, 04 April 2010 [accessed via: <https://www.gov.uk/government/news/prime-minister-unveils-big-society-capital> (25/06/13)]

183 HM Government, *Growing the Social Investment Market: A vision and strategy*, London: The Stationery Office, 2011, p7

184 Big Society Capital, *Advising Clients on Social Investments and Deciding on Suitability: The Report of an Expert Working Group*, London: BWB & Worthstone, 2012, p4

185 Brown A & Swersky A, *The First Billion: A forecast of social investment demand*, London: Boston Consulting Group & Big Society Capital, 2012, pp3–4



Social investment may answer a voluntary sector organisation's need for working capital to meet the up-front delivery costs of taking on public sector contracts – particularly if those contracts are reimbursed on a payment-by-results basis. Or social investment may enable a charity or social enterprise simply to expand, grow and develop like any other company, with the voluntary sector organisation able to pay back the social investor from the fresh revenue streams enabled by that growth. Social investment also offers a potentially sustainable, outcome-based funding stream that is more independent from politics than traditional state commissioned funding. For those in the charitable sector for whom social investment is a viable option, this is extremely good news.

If social investment is essentially designed to enable voluntary sector organisations to generate revenue to pay back capital and interest to investors, one obvious question is why that organisation does not simply borrow from banks like any other company? The answer is that charities require *social* investment because potential financial returns from whatever innovative business model or dynamic service they are wanting to develop may not adequately compensate the typical investor for the level of risk he or she takes on. Unlike venture capital – where multiple start-up companies receive funding in the hope that one succeeds spectacularly – it is unlikely any one voluntary sector organisation is going to yield a bonanza. In other words, because they are socially motivated, many social investors are willing to settle for a different sort of risk-reward profile, accepting lower overall returns and higher risks.

Communiversities in Croxteth, Liverpool is an example of an organisation which has been able to take over failing state services largely on account of taking on social investment.

### Communiversities Adult Education Centre: Croxteth, Liverpool

'Social investment is what's driven us forward,' says Phil Knibb of the adult education provision he has pioneered in North-East Liverpool over the last decade. In 2004, the Alt Valley Community Trust decided it wanted to take a disused care home and turn it into an adult education centre in the middle of Croxteth, one of the most disadvantaged wards in the UK. The vision for the centre was based on a strong sense that the supposed provider of adult education in Liverpool, the city college, was simply not penetrating the North East of the city. According to the Trust only a tiny fraction of the city college's pupils came from the city's North East. Even though unemployment rates in the area remained stubbornly high, wards like Croxteth were being underserved by the kind of courses which could provide individuals with the skills to be able to compete for jobs.

With no bank wanting to touch the venture, the Trust instead turned to social investors. With £100,000 from the Adventure Capital Fund they refurbished the care home over an 18-month period. Since that time the steady flow of training contracts, money from the European Social Fund, and rental yield have allowed the Trust to keep up with its repayments on the original loan. For the first time there is now somewhere in the community where men and women formerly failed by the school system can have a second chance.

Having begun to tackle adult education, next on Knibb's agenda were 14 to 19-year-olds who were not in employment, education or training. This time taking on a larger social investment loan of £750,000, the Trust converted a former church into a vocational training centre. Within months courses in core functional skills were up and running, quickly drawing in hundreds of teenagers.

'One of the things really missing for young people was continuity', Knibb explains; 'too many teenagers were being left in the lurch. Upon completion of numeracy and literacy courses there was nothing else for them to go to. There was no in-built progression.' The vocational training centre was established to answer this problem, providing a broad menu of vocational qualifications, from catering to construction – and ensuring that apprenticeships could be on offer at the end of them.



## 4.1 Progress so far

### 4.1.1 Big Society Capital

The establishment of Big Society Capital (BSC) represents significant progress. In 2000 leading venture capitalist Sir Ronald Cohen chaired the Social Investment Taskforce, which made initial recommendations about driving forward the social investment agenda.<sup>186</sup> In 2005 Sir Ronald then chaired a commission looking into how assets unclaimed in bank accounts for 15 years or more might be able to be deployed for social good, finally recommending in 2007 the establishment of a new 'Social Investment Bank' capitalised from these unclaimed assets.<sup>187</sup> In 2008 the Dormant Bank and Building Society Accounts Act was passed.<sup>188</sup> A further three years passed before the entity was up and running and had received State Aid clearance from the European Commission. Finally, in April 2012, the Prime Minister publicly launched BSC, funded from £400 million of unclaimed bank assets with a further £200 million from the UK's four biggest banks, as part of the Merlin agreement.<sup>189</sup>

BSC has been set up to act as a wholesaler rather than being an active (and, due to its size, initially dominant) participant in the emerging social investment market. This is due to its belief that, if social investment is to happen on a large scale, more capital needs to be brought into the voluntary sector than even BSC can provide. Therefore BSC does not lend directly to frontline social enterprises or individual ventures. Rather it invests in intermediaries which in turn can lend directly to voluntary sector organisations. Some of BSC's initial investments have included:

- £8 million into *Nesta Impact Investment Fund*, which will seek to provide a range of finance for social ventures that use technology and innovation to address social issues. It aims to invest risk capital in 15 to 20 frontline organisation addressing challenges like youth unemployment, elderly care and community exclusion;<sup>190</sup>

<sup>186</sup> Big Society Capital, *Our story* [accessed via: <http://www.bigsocietycapital.com/our-story> (28/05/13)]

<sup>187</sup> *Ibid*

<sup>188</sup> *Ibid*

<sup>189</sup> Prime Minister's Office, Press Release, *David Cameron launches the world's first ever social investment builder*, 04 April 2010 [accessed via: <https://www.gov.uk/government/news/prime-minister-unveils-big-society-capital> (25/06/13)]

<sup>190</sup> Big Society Capital, *Annual Report and Financial Statements 2012*, London: Big Society Capital, 2013, p25

- £1 million into *Clearly So*, a Social Investment Finance Intermediary with 12 years' experience of working with social enterprises on capital raising. It has also launched Clearly Social Agents, the first network of impact start-up investors in the UK.<sup>191</sup>
- £10 million into *Bridges Social Impact Bond Fund*, specifically intended to provide working capital to charities undertaking payment-by-results contracts.<sup>192</sup>

In its first year of activity Big Society Capital has more than doubled the number of social lenders in excess of £10 million in the field. At the beginning of 2012 there were only two such lenders, as of June 2013 there were five.<sup>193</sup> It also aims to have a strong mix of intermediaries, 'pools of capital', as they put it, 'to specialise on specific social issues and on specific regions in the UK'.<sup>194</sup>

#### 4.1.2 Market developments

Much of the development of social investment over the last two years has been independent of government. In 2011, for instance, leading disability charity Scope broke new ground by launching a £20 million social investment programme by listing bonds on the Euro MTF Stock Exchange in Luxembourg. Attracting a broad range of investors – Rathbones, National Endowment for Science, Technology and the Arts (Nesta), Esmée Fairbairn and Panahpur – Scope has sought to raise capital in order to boost income generation activities by expanding its network of charity shops nationwide. 'In the current economic climate ... diversifying our financial support is a key priority', Chief Executive Richard Hawkes has commented.<sup>195</sup>

In addition to foundation money and commercial investment, in 2012 Social Finance launched the first investment vehicle – the Social Impact Venture Capital Trust (VCT) – allowing *ordinary retail investors* to invest in charities and social enterprises. This particular product has been listed on the London Stock Exchange and, as with any VCTs, will offer tax payers a 30 per cent tax relief on investment (as well as tax free capital gains and dividends).<sup>196</sup>

#### 4.1.3 Social investment and public services commissioning

The development of a social investment market to enable the organic growth of charities and social enterprises is exciting. But those most excited about the game-changing potential of social investment invariably have in mind the financing of *public* services. The primary mechanism in view here is the social impact bond, essentially a contract in which government commits to pay investors if there is an improvement in social outcomes.

191 Big Society Capital, 'Social Enterprise Infrastructure' [accessed via: <http://www.bigsocietycapital.com/how-we-invest/clearlyso-0> (20/07/13)]

192 Big Society Capital, *Annual Report and Financial Statements 2012*, London: Big Society Capital, 2013, pp20, 22

193 *Ibid.*, p8

194 *Ibid.*, p11

195 Scope, Press release, *Scope closes first issue of social investment*, 1 June 2012 [accessed via: <http://www.scope.org.uk/news/scope-closes-first-issue-bonds> (18/01/13)]

196 Social Finance, *Social Impact VCT* [accessed via: <http://www.socialfinance.org.uk/social-impact-vct> (21/06/13)]

The world's first social impact bond was developed by Social Finance, and launched by the Ministry of Justice in September 2010.<sup>197</sup> From 17 investors £5 million was raised, to be drawn evenly over six years, to pay a cluster of charities including the St Giles Trust to work intensively with 3,000 short-sentence prisoners leaving Peterborough prison.<sup>198</sup> If re-offending is cut by 7.5 per cent investors will receive a return paid from the Government's long-term savings; if the reduction in re-offending is cut by more than this, investors' return will increase proportionally, up to a maximum of 13 per cent.<sup>199</sup>

Social investment in this sector is essentially based on the premise that if public services are being delivered in a transformative, preventative way, *government is making a saving somewhere*. A social impact bond allows an investor, in exchange for taking on risk, to stand the chance of having a share of this cost-saving with the state. When it succeeds, social investment is a triple win. It benefits the state, the investor and most critically, the person who has been helped through the initiative.

To date, 14 social impact bonds have been launched.<sup>200</sup> In 2014 it will be seen whether the groundbreaking Peterborough pilot intervention has been sufficiently successful to repay investors.

Other commissioners, investors and charities have come forward with a number of other social impact bonds across a range of different areas of service provision. In May 2011 the Department for Work and Pensions (DWP) launched a £30 million Innovation Fund to support social investment into programmes and interventions tackling youth unemployment and disadvantage.<sup>201</sup> Payment-by-results contracts have been awarded with the expectation that the upfront delivery costs will be met by social impact bonds. In November 2012, the Cabinet Office then announced the launch of two new social impact bonds:

- The *London Homelessness Social Impact Bond*, commissioned by the Greater London Authority (GLA) with funding from the Department for Communities and Local Government (DCLG).<sup>202</sup> Running for three years this will raise money to commission leading charities St Mungo's and Thames Reach to engage a targeted cohort of around 800 rough sleepers and get them off the streets and into supported housing.<sup>203</sup>
- The *Essex Social Impact Bond* is the first to be commissioned by a local authority. A five-year programme, it will raise funds for intensive support for a designated number of 380 adolescents and their families.<sup>204</sup> The specific aim of the intervention – delivered by therapists using 'multi-systemic therapy' – will be to divert those 11–16 year olds from entering care.<sup>205</sup> Care is not only hugely expensive; it often sets young people up to fail in

197 Social Finance, Peterborough Social Impact Bond, 2011 [accessed via: [http://www.socialfinance.org.uk/sites/default/files/SF\\_Peterborough\\_SIB.pdf](http://www.socialfinance.org.uk/sites/default/files/SF_Peterborough_SIB.pdf) (13/07/13)]

198 Ibid

199 Ibid

200 Big Society Capital, *Annual Report and Financial Statements 2012*, London: Big Society Capital, 2013, p8

201 Department for Work and Pensions, *Innovation Fund for Young People* [accessed via: <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund> (28/05/13)]

202 Cabinet Office, Press release, *New boost to help Britain's most vulnerable young adults and the homeless*, 23 November 2012 [accessed via: <https://www.gov.uk/government/news/new-boost-to-help-britain-s-most-vulnerable-young-adults-and-the-homeless> (21/06/13)]

203 Ibid

204 Ibid

205 Ibid

life, associated not least with a higher likelihood of offending. As well as the reduction in the number of days spent in care, the success of the Essex Social Impact Bond will be measured by improved school attendance and reduced offending.<sup>206</sup>

One of the additional challenges of Social Impact Bonds is that cost savings generated by projects are not always neatly contained to one government department or budget area. For complex projects and complex policy areas, calculating cost savings can be difficult and there may not be agreement to invest among the range of possible purchasers of outcomes. To assist in dismantling this dilemma the Cabinet Office has created the Social Outcomes Fund, and the Big Lottery Fund has created Commissioning Better Outcomes. These are essentially top-up funds that can pay for portions of outcomes where 'co-commissioning' is needed.

By these funds shouldering some of the risk, it is hoped that more Social Impact Bonds will develop. These funds are not a long-term solution, but the hope is that they will enable the still fragile growth of Social Impact Bonds in the UK.

## 4.2 The potential for social investment

From the point of view of public sector commissioners, and from the point of view of the taxpayer, the main advantages of social investment are the transfer of risk to social investors and the ability to fund additional, preventative services in a cash-constrained environment. In the case of payment-by-results contracts, charities are obliged to raise working capital – to fund staff to work with designated clients until the outcomes are secured and payment released. If, however, those charities fail to secure the intended outcomes, the price of failure is borne no longer by local authorities, health commissioners or other public sector commissioners, but rather by social investors.

Another potentially huge advantage of social investment is the opportunity for investment to be recycled. As philanthropist John Spiers put it, speaking at a roundtable on social investment hosted by the CSJ in November 2012:

*'Say someone came to me with a proposal that was going to increase adoption rates or improve the situation of homeless people. I lend this money expecting to get most of it back so that I can then recycle it and use it again to fund a different intervention.'*

Thirdly, social investment provides the opportunity for new capital to be applied to innovative service provision which the state would otherwise be unable to afford. It means that it is possible for government to try new approaches to old problems and, where traditional delivery models are expensive, to produce results and generate savings which can pay for the service, creating a virtuous circle. In principle, therefore, social investment allows for the possibility of exponential change, where money will be able to go further and further to transform lives in our poorest communities.

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<sup>206</sup> Ibid

Lastly, social investment holds out the promise of bringing financiers and high net worth individuals closer to the charities and social enterprises they support. For as James Perry, social investment champion and chief executive of foundation Panahpur, told the CSJ:

*'When you make a grant that's usually the end of the relationship. Whereas if you make available repayable finance you're entering into a relationship.'*

The reason this is attractive is because as well as bringing greater accountability, and a better feedback loop, for funding allocated to the voluntary sector, it also increases the opportunities for investors to perhaps lend their operational capacity and skills to charities as well as their money. Perry believes this is how charities can build capacity.

## 4.3 Challenges to growth

Britain has had a pioneering role in the development of social investment, with many genuinely believing that it can indeed become a viable 'third pillar' of financing for charities. But it must be remembered that social investment offers significant long-term potential, rather than an immediate boon for the voluntary and community sector.

The social investment market remains relatively small at present. According to figures released in July 2013, the deal-flow for 2011–12 is estimated to have been £202 million through 765 deals.<sup>207</sup> Compared to an estimated £900 million of cuts to the voluntary sector the market is still small.<sup>208</sup>

What, then, stands in the way of social investment becoming a 'third pillar' of financing for voluntary sector organisations? When thinking about social investment it may prove helpful to think in terms of supply and demand, whereby 'supply' constitutes the provision of capital and 'demand' the appetite of voluntary sector organisations to take on repayable capital (i.e. the investible propositions presented by charities and social enterprises). We will take both factors in turn, examining what is currently holding back supply before analysing what is stifling demand.

### 4.3.1 Supply-side challenges

The CSJ has heard that the regulatory environment needs to be adjusted in order to give social investment more capacity. While it is straightforward for people to give significant sums to charity, it is relatively difficult to loan money to charity – what social investment essentially entails. This is because financial promotion rules (part of a whole raft of consumer protection legislation) generally treat any appeal for investment finance as a formal investment offer, needing to be properly prepared by an authorised person whom the charity will have to hire.<sup>209</sup> A

207 Big Society Capital, *UK social investment market grows to £202 million*, 03 July 2013 [accessed via: [http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Market%20release\\_030713.pdf](http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Market%20release_030713.pdf) (21/07/13)]

208 Cumulative cuts calculated from forecasts figures cited in Bhati N and Heywood J, *Counting the Cuts: The impact of spending cuts on the UK voluntary and community sector – 2013 update*, London: NCVO, 2013, p17

209 The rules are set out in the Financial Services and Markets Act 2000 (FSMA) and in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005

cumbersome process, the costs of professional authorisation are in excess of the means of most charities, or simply disproportionate to the level of most social investment offers.<sup>210</sup>

For social investment to really take off, the market needs to be broadened out to include ordinary retail investors. Key to such a development is the support of the thousands of financial advisers across the country. Making changes to the regulatory environment would make it much more likely that this type of support could come. As a 2012 report by Nesta and Worthstone found, the lack of regulatory clarity around social investment has been the key reason that advisers have been reluctant to explore this particular asset-class with clients.<sup>211</sup> Co-author of the report, Gavin Francis, told the CSJ:

*'The general fear financial advisers have is that the regulator could retrospectively turn around and penalise a financial adviser for recommending to their client an unsuitable product.'*

Financial Advisers need to be given the confidence to know that they can advise clients about social investments, on the proviso that they explain the nature of the investment and the fact that the investment is not purely about trying to get the best return on risk. Currently, a social investment product could be deemed 'unsuitable' if viewed through a purely financial lens (i.e. from the perspective of risk return optimisation). For example, say a financial adviser recommended a client lend money to enable a charity to work with families in crisis – a charity which will only be paid by a council's children's services department (and therefore repay the investor) if it manages to prevent children being placed into care. Advisers fear the regulator could conclude that the *returns* on that investment do not adequately compensate the investor for the *risks* he or she is taking.<sup>212</sup> There is also a concern that an adviser's recommendation of a social investment falls under the growing list of professional indemnity exclusions. Advisers again need to know that if they responsibly suggest a social investment product and it goes wrong they will be adequately covered against a potential lawsuit following the loss.<sup>213</sup>

Positively, in November 2012 Government Minister Lord Newby affirmed that existing rules do not 'restrict advised sales of social investment products'.<sup>214</sup> In other words, there is nothing in the nature of social investment products which necessarily disqualifies them from being recommended to ordinary retail investors.

This clarification provided, says Gavin Francis, was a necessary step and a good start. What is now needed is for the new regulator, the Financial Conduct Authority (FCA), to issue *written* guidance to unpack the practical implications of its broad affirmation of social investment's suitability.

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210 Bates Wells & Braithwaite, *Ten Reforms to Grow the Social Investment Market*, London: Bates Wells & Braithwaite, London: LLP, 2012, p9

211 Elliot A, Francis G and Knott G, *Financial Planners as Catalysts for Social Investments*, London: Nesta & Worthstone, 2012

212 Taken from Big Society Capital, BWB & Worthstone, *Advising Clients on Social Investments and Deciding on Suitability: The Reports of an Expert Working Group*, July 2012, p6

213 *Ibid*, p31

214 Hansard, Debates and oral answers, *Financial Services Bill* (Report, 2nd day), 12 Nov 2012: Amendment 26: Clause 6, page 21, line 26

Stepping back to see the bigger picture, there seems to be a tension in government policy concerning social investment. The Cabinet Office have in the first half of this Parliament pioneered social investment, raised its profile across government, and worked to dismantle the legal, tax and regulatory barriers which stand in the way of it being mainstreamed.<sup>215</sup> In March 2013's Budget the Government signalled its intention to introduce a social investment tax relief which may well stimulate financial advisers' interest in social investment.<sup>216</sup> As part of Britain's presidency of the G8 in June 2013, the Prime Minister even called for a forum specifically on social investment saying 'I want to make [social investment] a success in Britain and I want to sell it all over the world'.<sup>217</sup>

At the same time, the intensification of consumer protection legislation, in the wake of the mis-selling of payment protection insurance (PPI), is arguably making it more difficult to make social investment mainstream. Such legislation risks minimising the impact of other important moves such as the social investment tax relief. New rules brought into effect on 1 January 2013 as a result of the Retail Distribution Review (RDR) have banned financial advisers from taking commissions from sales of investment products and encouraged advisers only to recommend mainstream products. Many fear this will drastically reduce the use of financial advisers by ordinary retail customers and reduce the recommendation of social investment products by financial advisers generally, in turn making it harder to bring about the sea-change required for social investment to move from the purview of high-net-worth individuals to the public more generally. In addition to this the FCA banned the promotion of unregulated Collective Investment Schemes to the vast majority of retail investors in June 2013.<sup>218</sup> These niche, riskier and often complex fund structures, which include certain social impact products, have been deemed more appropriate for so-called 'sophisticated' and high net worth investors.

Flowing from this, two particular visions of the role of social investment going forward are vying with each other; two visions neatly captured in the debate between Lord Flight and Baroness Kramer in the same House of Lords November 2012 debate in which Lord Newby spoke.<sup>219</sup> For Lord Flight, social investment is ideally restricted to high-net-worth individuals who understand the kind of risk they assume when lending to charities. 'Social investment is clearly a territory that should be confined only to more sophisticated investors', he argued.<sup>220</sup>

*'It is unrealistic to imagine that unsophisticated retail investors will really understand investing in a project that might return them 10 per cent or 20 per cent, or they might lose all their money – or it might really be a charitable gift. I would be extremely concerned if social investment was something that was being made widely available to unsophisticated investors.'*<sup>221</sup>

215 HM Government, *Growing the Social Investment Market: Progress Update*, London: The Stationery Office, 2012, p7

216 HM Treasury, *Budget 2013*, London: The Stationery Office, 2013, pp44-45

217 Speech by the Prime Minister, Rt Hon David Cameron MP, *Social investment can be a great force for social change*, 06 June 2013

218 Financial Conduct Authority, Press release, *FCA to ban the promotion of UCIS and certain close substitutes to ordinary retail investors*, 04 June 2013 [accessed via: <http://www.fca.org.uk/news/promotion-of-ucis-ban-ordinary-retail-investors> (14/06/13)]

219 Hansard, Debates and oral answers, 12 November 2012. Under discussion was amendment 31 to the Financial Services Bill.

220 Hansard, Debate, *Financial Services Bill* (Report, 2nd day), 12 November 2012: Column 1328

221 Ibid



Against this view, Baroness Kramer envisages a very different future for social investment:

*'The kinds of projects involved in social investment may be an extension to a local school, or a resettlement programme attached to a local prison. It is quite likely to be a small project – that is the whole point – of the kind that cannot afford to go and get regulated so that it can be marketed to the general public. It is the kind of project of £1 million or £2 million, which cannot pay the £150,000 that would put it into a regulated environment so that it could be marketed to the general public.'*<sup>222</sup>

'The whole point', she concluded, 'is to provide those people with an alternative who, typically, might be asked to donate to a local project, so that they could invest in that local project.'<sup>223</sup>

*'You are talking about people who would be close to the project, understand the community and perhaps even engage themselves in the work that the community does. So we are looking at a very different range of projects when we talk about social investment.'*<sup>224</sup>

Social investment according to this view should operate on principles similar to the joint-stock company. In a society hospitable to free enterprise individuals come together, pooling their resources so that something – some technological feat, for example – is achieved which is too great for any single person to undertake alone. Baroness Kramer's vision for social investment is a fully democratised one whereby people are able to share risk in order to overcome social challenges they themselves face as a community. Endorsing this latter vision, the CSJ's Voluntary sector review will look to make key recommendations which better balance consumer protection with allowing greater ease and freedom for people to invest socially.

#### 4.3.2 Demand-side challenges

Adjustments to the regulatory environment would likely make a big difference to the supply of finance for social investment. On the demand side there are other challenges that need to be addressed in order to make social investment mainstream.

Many charities are interested in taking on social investment. As a recent CSJ Alliance poll revealed:

Over 60 per cent of CSJ Alliance charities said that were either 'actively considering' social investment or would take it 'if the opportunity arose'.

Source: Survey of CSJ Alliance charities, June 2013

222 Ibid

223 Ibid

224 Ibid

There is a challenge for many of these charities to get to a point where such investment would be viable. This interest is not currently being translated into deal-flow. As venture philanthropy organisation Impetus-PEF told the CSJ, most charities are simply not investment-ready and therefore the significant degree of capital available for social investment is chasing a small portfolio of propositions. More of this capital should be directed towards building the capacity and performance-management of more organisations.

Drawing an analogy with business start-up culture, having the right market conditions for growth means having different forms of finance available at different stages in a company's development. If all that was available were massive loans from banks requiring significant returns, a start-up would never get off the ground. Instead a process exists, something like:

Seed equity	Angel investment	Venture capital	Initial public offering (IPO)
Seed equity designates financing to support a business in its earliest stages until it can generate an income of its own. Looking for rewards, often as an equity stake.	Angel investors are individuals who typically expend their own capital on ventures which already may be up and running but require further investment to grow. High returns are expected to compensate the high risk of those ventures failing.	Venture capitalists may use other people's capital as well as their own to build up a model which has already been developed but needs scaling. Those companies are usually not yet established enough to secure loans.	An IPO is where shares in a stock of a company are sold to the general public, and can then be traded freely in a given market.

At present Big Society Capital, even when working through its intermediaries, is offering the equivalent of end-stage financing (with those ventures winning a public services contract equivalent to an Initial Public Offering). Because of the terms of the Merlin agreement that Big Society Capital must make competitive returns, it is less able to provide seed equity and angel investment.<sup>225</sup> As James Perry told the CSJ:

*'Big Society Capital has a mandate to prove that social investment is a viable asset class. Because of that it lacks the risk appetite to meet the demands of the sector and support the more transformational and experimental social ventures.'*

There is thus a lack of investible propositions coming through. As Impetus Trust argued:

*'Social investment relies on social innovation to provide a pipeline of social solutions that produce better results than the status quo. But the majority of social investors will not*

<sup>225</sup> The Merlin agreement commits the four banks to 'the injection on a commercial basis of a £200 million over two years' (House of Commons Library, *Project Merlin: Standard Note SN/BT/6047*, 14 February 2011 [accessed via: <http://www.parliament.uk/briefing-papers/SN06047.pdf> (21/06/13)])

*invest in social innovations before they build significant capacity. At this stage, organisations rely on grant funding to improve and evidence their model, extend their reach, and build organisational strength. Without grant funding – the ultimate ‘risk capital’ – to grow social innovations, the social investment pipeline will largely dry up.*<sup>226</sup>

One charity that is building capacity to be able to take on social investment is Spear, an employment charity in West London. Spear is precisely the kind of organisation which, on the basis of an impressive track record, has an appetite for taking on public contracts and social investment.

## Spear, West London

CSJ Alliance member Spear, is a charity set up in 2004 to ‘ignite a vision of the possible’ in unemployed young people. It does this by offering a free six-week employment coaching course for out-of-work 16–24-year-olds. Beginning with a centre in Hammersmith, satellite centres have now been opened elsewhere in London, enabling it to work with 450 young people each year.



In July 2010 the charity’s impressive track record – 75 per cent of Spear graduates are still in work or education a year after completing their course – caught the attention of Impetus-PEF. Impetus-PEF works with the very best charities to help them grow and achieve scale. After an intense period of due diligence it then invests money and pro bono consultancy services into a selected charity. Speaking to the CSJ, Investment Director at Impetus-PEF, Chiku Bernadi said:

*‘Spear stands out in the sector because of the calibre and professional capability of its leadership team. They have a single unifying vision, and each year they set themselves clear strategic goals and implement against those in a clear manner. They are dedicated to performance management, being very careful and intentional about tracking the employment outcomes of the young people they work with.’*

With Impetus-PEF’s help Spear are looking at how to take on social investment. ‘What we love about the social investment proposition’, says Managing Director Jo Rice, ‘is that in theory it would allow us to build on what we know works’.

Spear are currently looking for opportunities to undertake payment-by-results contracts, possibly aided by social investment.

### Tom’s story

When Tom was 11 his father died of a drug overdose and his family immediately found itself living in poverty. Tom’s memories are of eating dry bits of bread and of the hot water often being turned off, in which case he would refuse to go to school unwashed. His attendance already poor, he was regularly excluded from the classroom and slid into dealing drugs. When he inevitably ended up being caught by the police he was let off with a community sentence. But the whole ordeal interrupted sixth-form college and he signed up instead for benefits. Descending into depression, ‘the whole experience wasn’t nice at all’, he reflects, ‘I wished my life could have been different’.

226 The paper was produced prior to Impetus Trust merging with the Private Equity Foundation, thus it was published by Impetus Trust solely. Impetus, *From social innovation to social investment: Learning from the US*, London: Impetus Trust, 2012, p3

Aged 19 whilst at the Jobcentre, Tom heard about the Spear course. 'It sounded really interesting and I thought I could get something out of it.' Finding the atmosphere really positive – 'it gives you a bit of a push because [being in a group] you're all striving to do it together' – he volunteers that 'the staff felt like they really cared about us.' As well as learning presentational skills the course provoked Tom to think more broadly about his future direction. The result was a renewed confidence which saw him through a demanding job interview and into work at Waitrose. 'I could have gone down some bad paths,' he reflects; 'I could have been in a gang or something. But now I have money in my pocket. And my girlfriend can definitely see I'm a lot more motivated and happy with my life now I have a job. And that I'm a lot more generous towards her.'

Despite a few outstanding examples, what we have not yet seen are the very best local poverty-fighting charities becoming ready to take on social investment that would enable them to reach more people and change more lives.

The Government is aware of this need. 'The challenge now', Minister for Civil Society Nick Hurd has said recently, 'is to build a pipeline of fantastic social ventures that will be the change-makers of the future.'<sup>227</sup>

*'Our vision is to create a ladder up which the most ambitious and promising social ventures can climb from start up to investment by Big Society Capital.'*<sup>228</sup>

To this end the Cabinet Office has launched two grant-making funds to sit alongside the work of Big Society Capital and its intermediaries:

- **The £10m Social Incubator Fund:** Launched in July 2012 and delivered by Big Lottery Fund, this fund has been set up to identify and capitalise intermediary organisations or 'incubators' which can in turn invest directly in innovative social ventures. This fund is tailored to provide financial support for social entrepreneurs when their enterprise is in its very early stages.<sup>229</sup> So far, nearly half of this fund – £5 million – has been apportioned to four incubators – Bethnal Green Ventures, Hub Launchpad, Social Incubator North and Wayra UnLtd.<sup>230</sup>
- **The £10m Investment and Contract Readiness Fund:** Managed by the Social Investment Business (SIB), this fund is designed to be the next rung on the ladder of support, allowing ventures to scale and attract serious investment. It has committed £3.8 million to supporting 40 organisations during 2012/13.<sup>231</sup> It remains to be seen whether this will increase the pipeline of investable propositions in a significant way.

227 The Guardian, Nick Hurd, *Social innovation: nurturing the quiet revolution*, 03 April 2013

228 Ibid

229 Big Lottery Fund UK, *Social Incubator Fund Round Two Q&As*, 4 July 2013 [accessed via: [http://www.biglotteryfund.org.uk/global-content/programmes/england/-/media/Files/Programme%20Documents/Social%20Incubator%20Fund/prog\\_social\\_incubator\\_fund\\_qa.pdf](http://www.biglotteryfund.org.uk/global-content/programmes/england/-/media/Files/Programme%20Documents/Social%20Incubator%20Fund/prog_social_incubator_fund_qa.pdf) (11/08/13)]

230 Big Lottery Fund UK, *Social Incubator Fund case studies* [accessed via: <http://www.biglotteryfund.org.uk/global-content/programmes/england/-/media/Files/Programme%20Documents/Social%20Incubator%20Fund/SIF%20Round%20One%20Case%20Studies.pdf> (11/08/13)]

231 HM Government, *Growing the social investment market: HMG investment initiatives 2013*, London: HM Government, 2013, p3

These two funds are valuable though small, and more of the same is needed. Impetus Trust warned in 2012 that funding is insufficient to do the work required to find and develop the innovative models and ground-breaking projects already in existence but confined to immediate community contexts.<sup>232</sup> Through strategic grant-making, such projects need to build to the point where they might take on social investment and public sector contracts.

### 4.3.3 Design of contracts

As with any pioneering work, social investment requires very careful design and consideration of the range of incentives and actors involved, in order to stand the best possible chance of success. Some further areas of consideration are:

- **Realistic contracting:** The third critical player in social investment, besides the investor and the charity, is the commissioner. Their choices about what outcomes to 'purchase' have a big impact on the structure of contracts. While social investment deliberately moves risk on to investors, it is important that the projects are also given the best possible chance of success. This means that the design of the contracts needs to be very carefully thought through. It may be important for contract holders to have some level of control over the 'inputs' – i.e. the stream of referrals they receive. As the Charities Aid Foundation put it, at the moment there is 'no downside risk protection'.<sup>233</sup> For example, if a welfare-to-work charity does not know how many out-of-work young people it will have referred to it by a JobCentre Plus or prime contractor it may take on a hefty investment but then not work with enough clients to get paid enough to reimburse those investors.
- **Attributing responsibility for successes and failures:** This is a challenge for all outcome-based commissioning. How can an organisation prove that the positive outcome delivered was caused by the 'intervention' they delivered and not something else that happened in a person's life? Will the charity in question be able to prove that its work with people led to these particular outcomes so that the buyers of those outcomes (the commissioners) pay out to the investors who funded the charity to do that work? The more complex the outcomes, the more important this step of 'attribution' will be.
- **Departmental Budgets:** Government may also have to rethink some of the way it divides its budgets. Many great projects deliver outcomes across a range of areas and thus costs and savings accrued will likely spread across departmental budgets. For example, preventing falls amongst the poorest elderly might benefit both local authorities (with their social care remits) and the NHS. Investors need to know that the contracts have been negotiated well enough to ensure they are appropriately paid.
- **Pricing:** We have not yet arrived at anything like a mature market where fair prices have been established, for getting someone back to work, for keeping an ex-offender out of prison, for helping a person with an addiction to recover or preventing a child

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232 Impetus Trust, *From Social Innovation to Social Investment: Learning from the US*, London: Impetus Trust, 2012, pp11–14

233 Charities Aid Foundation, *Funding Good Outcomes: Using social investment to support payment by results*, 2012 [accessed via: <https://www.cafonline.org/pdf/Funding%20Good%20Outcomes.pdf> (21/06/13)] p6

from going into care. Without 'common or standardised outcome metrics and methods of accounting for social impact', as the Cabinet Office put, 'it is difficult for investors to understand and price risk'.<sup>234</sup>

None of these challenges should be seen as insurmountable. But they do all need to be addressed.

## 4.4 The scope of social investment

Sir Ronald Cohen has said that Big Society Capital should not be expected to 'bring [about] a revolution in the space of five years'.<sup>235</sup> Rather, he contends, social investment should be thought of analogously to the development of venture capital in the 1980s, as a ten-to-twenty year project. In the short term the funding gap which has opened-up for charities is not likely to be plugged with social investment.

While social investment offers enormous potential for some charities and social enterprises, it cannot solve every financial need of the sector. We must develop greater clarity about where social investment may in the future prove transformative – where our efforts should be focussed to develop social investment – without considering social investment a one-size-fits-all policy solution to nurturing and galvanising the voluntary sector in Britain.

Social investment cannot replace other forms of philanthropy. If the market demand for social investment grows at the exciting 38 per cent per year forecast by the Boston Consulting Group, and the private sector piles in with the laudable intention of doing good whilst also making a return for clients, one can imagine a situation further down the road where high net worth individuals transfer money they would in the past have earmarked for charitable donations across to social investment.<sup>236</sup>

Some 'interventions' may not lend themselves to the more standard metrics which can form the basis for an agreement between commissioners and investors. Speaking to the CSJ, social investment champion James Perry was adamant: 'some very important interventions are not suited to social investment as it is currently understood – paradoxically, where capital may be most needed'. For example, we know how vitally important the right environment is for zero to three year-olds, where the human brain experiences its greatest growth. We know that what happens during those crucial early years has a defining impact on the rest of an individual's life.<sup>237</sup> Yet, as Perry argues, 'how do you value an outcome in an adult when the most effective interventions would be made when that adult was a young child?' In other words, social investors would have to be extraordinarily patient to wait to have their capital repaid twenty to thirty years after they invested it (to the services and programmes intervening early with pre-school children and their families).

234 HM Government, *Growing the Social Investment Market: Progress Update*, London: The Stationery Office, 2012, p9

235 House of Commons, Public Administration Select Committee, *The Big Society: Seventeenth Report of Session 2010-12 Volume 1*, London: The Stationery Office, 2011, p29

236 Brown A and Swersky A, *The First Billion: A forecast of social investment demand*, London: Boston Consulting Group & Big Society Capital, 2012, p1

237 Allen G, *Early Interventions: The Next Steps*, London: Cabinet Office, 2011, p6

It is important that philanthropists understand some charitable activity cannot create investable cost-savings and yet that activity is still badly needed in a healthy society. The social return some charities provide simply cannot be purchased and so requires generous giving rather than financial investment.

## 4.5 Conclusion

Social investment offers enormous potential to provide capital to organisations working on social problems which have defied government for decades. Social investment is not a 'cure-all' for every problem charities face, yet it also offers exciting new possibilities to the sector. It is good for government in that it transfers risk to investors, it is good for philanthropists who are able to recycle their investments and it is good for charities who could find themselves with a stable funding stream, less subject to the whims of politics than other state support.

Where social investment does offer new opportunities, it is important that obstacles are removed to enable this to occur. In the next stage of *Breakthrough Britain II* we will propose how both supply-side and demand-side obstacles can be shrunk so that this new form of finance can be used to back what works in the voluntary sector's fight against poverty.

# chapter five

## Conclusion

One of Britain's greatest assets is its voluntary and community sector. While headlines are full of the frightening realities of national debt, a greying population, stubborn pockets of welfare dependency and high levels of family breakdown, there is another reality in Britain that gives enormous reason for hope.

Throughout the country, people are demonstrating inexhaustible generosity and care, undertaking initiatives to change things. The voluntary and community sector is generating solutions to many of our most concerning social ills – from the isolation of older people to the scourge of domestic violence. It is a sector that needs to be harnessed and unleashed to do its outstanding work.

The Government understands this. Much has been said in recent years about the importance of the voluntary sector. Yet the paradox that our research over the past year has brought into view is that while the voluntary sector has been enthusiastically championed, many in the sector are struggling to survive in a challenging environment. These are troubling times for many small charities.

Necessary cuts in public expenditure along with poor levels of charitable giving, have conspired to inhibit the organisations this country needs most in its fight against poverty. Resources in the sector remain acutely concentrated, with just 1.2 per cent of charities spending two thirds of the sector's finances. While the ranking of the biggest causes people give to – with medical research always topping the list – suggests that dealing with deprivation in our cities, coasts and counties is not the philanthropic priority it should be.

While there has been a clear desire to see the voluntary sector more regularly commissioned to deliver public services, it seems that at a local authority level this is not happening as it should. Contracts from both central and local governments too often remain untenable for voluntary sector organisations to enter into without taking on enormous financial risks or compromising their identity and the priorities that have made them effective. Ongoing culture change needs to occur regarding commissioning, to enable charities and government to work effectively together.



The new social action initiatives the Government has so far driven forward – the Community Organisers and Community First programmes as well as the National Citizen Service – are well timed, good ideas. But it is important that they are evaluated and improved and that they do not simply become recycled status quo government programmes detached from the real needs and assets of the communities they are placed in.

Social investment, an unquestionably exciting new development, has the potential to offer enormous benefits in years to come and Britain is leading the way in developing this field. The challenge for the next few years is to see obstacles removed on both the supply and demand sides of the market, so that social investment can grow and excellent ventures can receive the capital they need to do their work.

This 'state of the nation' report has examined the challenges the voluntary sector faces today. As a working group we have offered analysis of what is holding back the most daring and dynamic organisations from really addressing the root causes of poverty: family breakdown, educational failure, worklessness, personal indebtedness and addiction. In the next phase of *Breakthrough Britain II* we will move from diagnosis to cure, from analysis to recommendations. We will propose measures which central government, local authorities and charities themselves should take to ensure that poverty-facing voluntary sector organisations attract the people and financing they need to do more, reach further, continue to work with the most excluded people, and change lives.

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