Unleashing the power of civil society in Northern Ireland

April 2023

The Law Family Commission on Civil Society
PRO BONO ECONOMICS

About the Law Family Commission on Civil Society

Launched in December 2020, the Law Family Commission on Civil Society has been an ambitious programme of groundbreaking research into how the potential of civil society can be unleashed in order to harness and enhance the powerful community bonds that exist in our nation.

Over the past two years, the Commission has examined how to get all three sectors – public, private and social – firing on all cylinders to build truly inclusive growth. Throughout, it has provided tangible ideas for policymakers, businesses, philanthropists and society to adopt in order to tackle the systemic challenges that are stopping civil society delivering on its potential.

To achieve this, it assembled 16 Commissioners, drawn from business, from public policy, from charity, from philanthropy and from community organising. The Law Family Commission on Civil Society was created by Pro Bono Economics with the generous support of Andrew Law and the Law Family Charitable Foundation.

Pro Bono Economics uses economics to support the social sector and to increase wellbeing across the UK. The charity combines project work for individual not-for-profits and social enterprises with policy research that can drive systemic change.

The Law Family Charitable Foundation was created in 2011 by Andrew and Zoë Law. It has supported a wide range of charities and charitable initiatives over the years – predominantly in education and health, alongside social mobility and the environment.

The Commission's final UK report was published in January 2023. This is a companion to that report, drawing on both the evidence and ideas generated across the UK and the insights of stakeholders in Northern Ireland about the specific challenges facing civil society and the solutions best suited to unleash its full potential in the country.

Acknowledgements

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This Commission was chaired by Lord Gus O'Donnell, and led by a team of prominent Commissioners throughout:

- Baroness Valerie Amos CH, PC - *Master of University College, Oxford, former Secretary of State for International Development*
- Joel Davis - *Chief Executive, Tutors United*
- Shaks Ghosh CBE – *former Chief Executive, Clore Social Leadership*
- Baroness Tanni Grey-Thompson DBE - *Crossbench Peer, Paralympian and Chancellor of Northumbria University*
- Mary Rose Gunn - *Chief Executive, The Fore*
- Ruth Ibegbuna - *Founder, RECLAIM, The Roots Programme and Rekindle School*
- Dr Javed Khan OBE - *Chair, NHS Buckinghamshire, Oxfordshire and Berkshire West Integrated Care Board, former Chief Executive, Barnardo's*
- Sir Harvey McGrath - *Chair, Big Society Capital and Chair of Governors, Birkbeck College, University of London*
- Ailbhe McNabola – *Director of Policy and Communications, Power to Change*
- Michele 'Mitch' Oliver - *Global VP Brand & Purpose, Mars and Vice Chair, Stonewall*
- Professor Dame Nancy Rothwell - *President and Vice-Chancellor, Professor of Physiology, University of Manchester*
- Stephan Shakespeare - *CEO, YouGov*
- Theresa Shearer - *CEO, ENABLE Scotland and Vice President, Inclusion Europe*
- James Timpson OBE DL - *Chief Executive, Timpson Ltd*
- Matt Whittaker - *CEO, Pro Bono Economics*

For a time, the Commission also benefited from the leadership of:

- Vidhya Alakeson – *formerly Chief Executive, Power to Change*
- Karl Wilding – *formerly CEO, NCVO*

In addition, many other colleagues in Northern Ireland have generously shared their ideas, insights and evidence to inform this report. We would particularly like to thank Geoff Nuttall, Valerie McConville, Glenda Davies, Cris Cloyd, Deirdre McCloskey, Irene Harper, Pascal McCulla, Vicky Moore, Grainne Walsh, Sharron Russell, Moira Doherty, Lorraine Gallagher, Bébhinn Nibhriain, Sara Houston and Una McConnell.

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Contents

Executive Summary

In every corner of Northern Ireland, civil society can be found. In every community, civil ociety plays its vital triple role: bringing people together, campaigning to solve pressing problems, and providing services – particularly to those who are otherwise marginalised and overlooked. From improving health to peacebuilding and boosting economic growth, when it comes to achieving the changes that everyone agrees are needed, civil society is essential to each and every goal.

Over the last decade, the role that civil society plays has become ever more fundamental to life across the UK. The Covid pandemic shone a spotlight on just how critical civil society is, with the growth of mutual aid groups, the support the sector provided to the most vulnerable, and the momentous efforts of the volunteers who made the vaccine rollout a success. The current cost of living crisis has highlighted it even more starkly, as charities strive to stand between people and the worst consequences of poverty.

Yet civil society does not yet have all the tools and the environment it needs to fulfil its full potential in this challenging context. The Law Family Commission on Civil Society has come together to lay out a plan to create the conditions for civil society to thrive, so it can better fulfil its broad range of varied and vital roles, supporting economic and social wellbeing across Northern Ireland. Achieving this ambition requires action from every sector, and leadership from government and the business community, as well as from within civil society itself.

The Commission is calling for strategic investment in the productivity of the social sector, the data available to and about it, and in the changes needed to unlock philanthropy. This must be accompanied by a dramatic acceleration in the partnership between civil society and business, and advances in the relationship between civil society and government.

With this investment, acceleration and improvement, civil society's potential could be unleashed. If funders and government were to invest in the social sector's productivity – such as through the generation of better evidence of what works in the sector by a new Civil Society Evidence Organisation (CSEVO), and if those learnings were distributed by a healthy, thriving local support infrastructure – the sector would operate more effectively, making better use of the resources it has in order to make more of a difference in people's lives. If better data was generated from, for and about the social sector – beginning with a game-changing civil society 'satellite account' – the sector would be able to make better decisions about policies, funding and prioritisation across a huge range of issues, with gains for both beneficiaries and taxpayers.

Overhauling the funding landscape that civil society operates in is essential to both these aims and more. The power to do this lies with government, independent funders and regulators. A meaningful majority of funders need to make more long-term, flexible financing available more simply to the sector. Government should also begin to use its powers of convening, regulation and guidance, measurement, leadership, taxation, and the ability to leverage funding, in order to increase the levels of charitable giving, starting with the appointment of philanthropy champions to spearhead the work. And regulators, including the Financial Conduct Authority (FCA) and the Charity Commission for Northern Ireland must take action to improve financial advice on philanthropy and clarity on what good funding looks like.

Underpinning this investment with partnership is essential. Every person, business and policymaker in Northern Ireland has a vested interest in ensuring that civil society is vibrant, resilient and as impactful as possible. As businesses seek to achieve greater purpose alongside profit, there is a huge opportunity for the private and social sectors to work together and leverage each other's strengths. Meanwhile, improvements in the relationships between government and civil society are crucial and should be underpinned by a drive to increase public sector volunteering and secondments between sectors, and to ensure that formal structures, such as advisory groups, fully include and value the contribution of civil society representatives.

Together, the changes proposed by this Commission strive to achieve a country in which more people receive better, faster, more targeted support from civil society when they need it, wherever they live. The Commission envisions a country in which the voices of people who find it most difficult to be heard are louder in the rooms where decisions are made, lifted by a more diverse and representative civil society. A country in which a greater proportion of society's problems are stopped before they start, with civil society better able to focus on prevention than on crisis, and with all three sectors working together to solve the totemic issues faced by all. And when crises do inevitably occur – whether for individual families or entire countries – people emerge from those crises more swiftly and less affected, as a result of a stronger, more responsive and better-led civil society playing its part to its fullest.

How to unleash civil society's potential in Northern Ireland

The Commission has investigated the nature and drivers of the challenges facing civil society and the opportunities which are currently out of its grasp, but could deliver real change. It has identified existing solutions and new ideas and considered the necessary role of each of the three sectors in delivering them. This has culminated in an ambitious set of proposals which together would unleash the full potential of civil society over the 2020s and beyond.

1. Building productivity and organisational effectiveness

Having an impact is at the heart of everything the social sector does. Every charity, community group, community business and voluntary organisation strives to achieve the greatest possible impact with the resources it has, and the financial and demand pressures many organisations face heightens the critical nature of this. This impact imperative means that organisations in the sector have a strong incentive to take action to maximise their productivity and effectiveness. However, doing so can be challenging. Charities face many of the barriers to improving their effectiveness that small businesses commonly experience, but they also face additional issues arising from their specific nature and funding. The sector has also tended to be overlooked in government policy meant to drive up productivity and held back by funding models which undermine its effectiveness and financial sustainability.

Innovation, effective use of technology, good management practices and investment in people all enable organisations to increase productivity. However, many social sector organisations struggle to make the most of these due to restrictive and inefficient funding; insufficient data and evidence; and variable infrastructure to spread knowledge and ideas and connect them to specialist skills. The social sector's lack of diversity and systemic low pay further exacerbate the difficulties it experiences in driving up productivity and impact. The pressure to meet rising demand with constrained resources risks damaging staff and volunteers' wellbeing, creating burnout and increasing difficulties with recruitment and retention.

To meet these challenges, the Commission recommends:

- A radical shift in approach from funders, away from short-term funding, restrictive grants and contracts, and towards support for core costs (including those associated with property where this is integral to charities' operations), investment in people, processes and organisational development and their ability to maintain appropriate reserves to ensure financial sustainability.
- Governments and funders should work together to create a new CSEVO, which is essential for improving the availability and spread of evidence across the sector, reducing duplication and increasing best practice.
- The UK and Northern Ireland governments should provide social sector organisations with access to productivity schemes currently restricted to businesses.
- The Northern Ireland government should revive work to review local infrastructure and consider with the sector how far current provision meets its needs and in particular whether development is required in order for it to fulfil the role of 'diffusion architecture' and boost productivity.
- The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities access to specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.

2. Creating timely, accessible data and robust evidence about the sector

Better data is necessary to inform good decision-making within the social sector and among the funders and policymakers who influence it. The Commission has identified three kinds of data which are important for this: data about the sector (to provide a picture of its nature and development); data for the sector (to enable it to target and evaluate its activities); and data from the sector (to enable policymakers, the public, funders and beneficiaries to understand its activities and outcomes).

There is demand for improvements to data about the sector's size, scope, distribution and composition, its capacity and resources, its financial health, and its value and impact. Research for the Commission found that simply including the contribution of volunteers and taking account of lowered pay in the way the sector is treated in the UK's national accounts increases its estimated value by between 60% and 80%.

There have been significant advances on social sector data during the life of the Commission. However, Northern Ireland faces particular challenges in improving data due to its size.

To further improve the data available and how it is used:

- The social sector must give more priority to its own data infrastructure. More charities should grasp opportunities to improve their collection and use of data; share the data they already hold, to increase evidence about what works and help them benchmark against peers; and commit to ethical use of data by committing to voluntarily apply the Office for Statistics Regulation's (OSR) Code of Practice for Statistics where relevant.

- The Northern Ireland government, Northern Ireland Statistics and Research Agency (NISRA), Charity Commission for Northern Ireland, trusts and foundations and charities should come together to develop a data strategy for the sector.
- The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities to access specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.
- The UK government, in concert with the Northern Ireland government, should expand existing data labs, ensure social sector organisations in Northern Ireland can access them, invest in more of them, and deliver the promised civil society satellite account.

3. Improving the scale, distribution and impact of funding for the sector.

Improving the funding landscape that supports the social sector is integral to enabling the sector to achieve all it aims to, and all that the country needs it to. The Commission has found that improvements in the nature and distribution of funding would strengthen civil society immensely. An additional £5 billion per year could be raised from public donations if the UK matched other leading countries. If this benefited charities in Northern Ireland in proportion to its share of UK public donations, an additional £31 million would be added to charity income in Northern Ireland.[1] And far greater impact could be unlocked if more funders tackled the short-termism and inefficiencies which undermine their goals and geographical and social imbalances in the distribution of funding.

The Commission proposes that:

- Funders, including the Northern Ireland government, prioritise finding a way to shift to longer-term, more flexible funding; invest in building charities' capabilities; and streamline application and reporting processes.
- Charities, infrastructure bodies, the Charity Commission for Northern Ireland and policymakers advocate strongly for the benefits of moving to these more effective funding practices, and seek every opportunity to take them up, especially when the Northern Ireland government is restored.
- The Northern Ireland government appoints a Philanthropy Champion (as should the UK government) and local philanthropy champions are appointed to draw funding into deprived areas, including through proven approaches such as match-funding schemes.
- The FCA should require both qualified and qualifying financial advisors to be receive training on philanthropy and impact investing, as part of its work on environmental, social and governance (ESG) commitments and the Consumer Duty.

4. Bringing businesses and civil society together

Businesses are a valuable and underused source of funding and skills for the social sector in Northern Ireland, with even greater gains to be achieved through more substantive partnerships to reach common goals. Partnerships between businesses and charities

[1] NCVO's UK Civil Society Almanac 2022 reports that in 2019/20, UK-wide the charity sector received £12.07 billion of income from the public. Of this, in charities in Northern Ireland received £74 million. Applying the same proportions to £5 billion suggests around £31 million additional income could be generated in Northern Ireland. However as the NCVO Almanac notes, "figures for Northern Ireland are based on supplementary data from NICVA and UK population weights. These produce an estimate of figures for these countries and for this reason, figures may not be directly comparable to the rest of the UK.

benefit both sectors and wider society, when all organisations in the partnership are able to trust, understand and respect the other's role.

Increasing emphasis within the corporate world on achieving purpose, as well as profit, is opening up more opportunities to strengthen and spread these links, and civil society organisations are ideally placed to support businesses as they develop social purpose and get to grips with each strand of the ESG agenda.

The Commission believes that:

- Business and civil society umbrella organisations in Northern Ireland should work together to raise awareness of the benefits of links among charities and businesses and create opportunities for them to meet and develop relationships.
- Charities, businesses, investors and advisors should work together to improve the measurement of businesses' social impacts and the value of civil society partnerships, and drive the use of voluntary disclosure initiatives to encourage more businesses to engage with civil society.
- The Northern Ireland government should urge the UK Department for Business and Trade (DBT) to reinstate the requirement for businesses to report their contributions to charities and civil society.
- Ahead of this, they should incentivise more businesses to make voluntary disclosures to platforms, such as the Workforce Disclosure Initiative (WDI) and the Business for Societal Impact (B4SI) database, by linking tax relief and procurement to disclosure.

5. Strengthening relationships with policymakers

Relationships between policymakers and charities matter immensely, affecting Northern Ireland's progress and day-to-day life for millions of people. There is a positive bedrock of engagement and respect between charities and policymakers in Northern Ireland, and greater opportunity to connect than is the case in some other parts of the UK. However, there are still weaknesses to be overcome in order for these relationships to deliver the maximum benefit for both sides. Political instability makes it difficult to develop effective and impactful relationships with politicians and can constrain officials from acting on the ideas and insights of the social sector. Despite positive views, policymakers do not always have a strong understanding of the purpose, funding and structure of the social sector, and social sector organisations would benefit from greater understanding of the policymaking process and environment.

The Commission recommends that:

- Policymakers and the social sector work together to develop guidance and information for both groups about the other. They should also create more opportunities and momentum for volunteering by policymakers and for both policymakers and social sector workers to undertake secondments in other sectors.
- The Northern Ireland government should review the membership of formal advisory structures and ensure appropriate civil society representation.
- Funders should support charities' capacity to engage effectively with local and national policymakers, recognising the value of this in advancing their charitable goals and incorporating resources for it into their funding approaches.

1. Introduction

"The public hugely value the importance of civil society. The UK's large charities are some of the most trusted and highly-regarded brands in the country, while local community groups and voluntary organisations are seen to be essential to improving people's lives and the places they live," – Stephan Shakespeare

Civil society can be found on every street, in every part of Northern Ireland and – increasingly – in the online spaces in which people live their lives. From connecting younger people with older citizens through reminiscence projects in Co. Armagh, to supporting women to speak out and lead in local communities in Derry. From supporting LGBTQI+ young people in Belfast, to running English classes for Bulgarian Roma people in Portadown[2] - civil society plays an integral part in achieving practically every national goal and priority.

The Law Family Commission on Civil Society has been concerned with both broader and narrower concepts of civil society. A broad view of civil society is that it is an expression of the connections that exist between individuals and institutions in every part of society. It can also be more narrowly conceptualised as the set of organisations that provide the infrastructure for those connections, from charities to trade unions and from housing associations to social enterprises. The Commission has considered the broad view in exploring the integral role that civil society plays in the success of the economy, the functioning of democracy, the strength of communities and Northern Ireland's wellbeing. It has used the narrower view to examine how the subset of charities, community groups, voluntary organisations and community businesses that form the 'social sector' can achieve even more than they currently do, working alongside the private and public sectors.

Northern Ireland's civil society, like that elsewhere in the UK, is highly diverse, including small volunteer-run community groups and neighbourhood WhatsApp groups, as well as major providers of public services, especially in housing and social care. Overall, there are more than 7,000 registered charities in Northern Ireland, employing nearly 54,000 people – 7% of the total workforce.[3]

The public in Northern Ireland place great value on social sector organisations. Nearly three in ten (28%) people volunteer and nearly two-thirds (64.5%) donate to charity.[4] The public have high levels of trust in the sector, to an even greater extent than those in other parts of the UK or in the Republic of Ireland. Overall, 71% of people in Northern Ireland report trusting charities, 12% higher than in Great Britain, and 14% higher than in the Republic of Ireland.[5]

While most people intuitively grasp the different functions of the public and private sectors, the distinctive nature and role of civil society is often less well understood among both experts and the public, despite its integral role in so many people's lives. The 'third pillar' that is civil society combines some of the features of the other two, allowing it to play a distinctive role. Like the public sector, it is concerned with providing public goods rather than generating profit. Like the private sector, it is dispersed, agile and driven by individuals and communities

[2] Communities and covid – from community response to long-term recovery, Social Change Initiative, 2021
[3] State of the Sector, 2022, NICVA, 2022
[4] State of the Sector, 2022, NICVA, 2022
[5] Northern Ireland has highest levels of trust in charities, across the UK and Ireland, The Charity Commission for Northern Ireland, 2020

rather than constructed to a centralised plan. This combination of characteristics enables civil society to play multiple roles both in local communities and national life – spotting problems and opportunities; innovating to meet them; driving social change; enabling communities to take action to improve their area; and reaching groups often marginalised in both the political and commercial realms.

However, this unique combination of characteristics also creates some specific challenges for the sector. The combination of a lack of a controlling central hand, such as exists in the public sector through democracy, and a lack of a price mechanism, such as exists in the private sector, creates the risk in civil society of efforts being inadvertently and inefficiently replicated in some areas, while other areas are left without the necessary services and capacity that civil society can provide. Large swathes of the benefits created by civil society also go unrecorded in financial terms, meaning that it tends to be undervalued and can easily be overlooked when policies are being developed and decisions made.

The funding mechanisms for much of the sector can also create challenges. In particular, the fact that in many cases the person funding the activity is separate from the person, or people, receiving or benefiting as a result of it can create a mismatch between what funders believe is necessary and the needs or desires of beneficiaries. Finally, there is a challenge inherent in the model by which the resources that support the sector - particularly public donations and government investment - tend to become tightest at precisely the moment at which demand is highest, during national crises, such as recessions. This is also the case for the public sector, but civil society generally lacks the option of borrowing to fund activity during these peak times when other finance is constrained, in the ways the public sector can. It is therefore necessary to think creatively about the approaches that would enable this vital sector to contribute all that the country needs from it both in times of crisis and renewal.

The Commission and this report

The Law Family Commission on Civil Society was launched in December 2020, amid a global pandemic that was placing unprecedented strain on every part of society and the economy. Individuals and families were struggling with fear, loss, financial insecurity, unpredictable and abrupt halts to everyday routines and estrangement from friends, family and colleagues. Businesses, charities and public services were facing sudden and radical disruptions to their operating environments and having to innovate at incredible speed to cope. Over the course of the Commission, the immediate intensity of the pandemic has receded, to be replaced with a different financial, social and economic malaise in the form of the cost of living crisis. Each subsequent shift has revealed in new ways the importance of civil society, and how much potential there is to unlock.

Over two years of research, consultation and development, the Commission has brought together experts and practitioners from the public, private and social sectors. Hundreds of individuals and organisations from across the country have contributed their time and views through written responses to calls for evidence, roundtables, focus groups, consultation events, surveys, essays and the provision of data. Together with these organisations and experts, the Commission has sought to draw out how civil society's unique strengths can best be amplified and how to collectively overcome its distinctive challenges by examining what works in the private and public sectors, what good looks like in the social sector, the barriers to achieving even more and how to overcome them. Crucially, it has also considered how the different parts of the economy can best interact to produce optimum outcomes.

Through this process, the Commission has identified five central barriers which are preventing civil society from achieving its full potential:

- Challenges in relation to social sector productivity and organisational effectiveness;
- A lack of timely, accessible data and robust evidence about the sector;
- Inefficient, inequitable and inadequate funding;
- Too few links between business and the social sector;
- Weaknesses and gaps in relationships with policymakers.

Overcoming these barriers is a significant undertaking. No one organisation and no one sector can do it alone, and crucial to overcoming these barriers is recognition of the complementary roles played by the three pillars of society – the public sector, private sector and civil society – and the need for all three to work together. But the Commission has found an abundance of ideas, energy and enthusiasm to succeed in doing so within the social sector itself and among policymakers and business leaders.

The rest of this report lays out the Commission's analysis of the barriers holding civil society back from achieving its full potential and its recommendations for action from all three sectors to overcome these barriers. Sections 2 to 6 address each of the five barriers identified above, setting out the nature of the challenge, its impact and solutions to overcome it, followed by the conclusion.

2. Productivity and effectiveness

"All sectors are addressing productivity issues, and it's time for the social sector to do the same. Our Commission is convinced that leadership, collaboration and a robust infrastructure are the levers which could make us more productive. These are essential if we are to meet the increasing demands from the communities we serve." - Shaks Gosh

Box 1. Productivity: Key findings and recommendations

Findings

- Boosting productivity has rightly been a high priority for both the UK and Northern Ireland governments, supported by research, policy action and funding. Achieving the maximum impact possible for the available resources is also essential for the social sector, but it has tended to be overlooked.
- Charities and small businesses have much in common when it comes to the challenges of improving productivity and organisational effectiveness. But charities also encounter some specific barriers to improving productivity, which arise from the nature of their activities and funding.
- Innovation, effective use of technology, good management practices and investment in people are major factors in driving organisational productivity.
- Many charities struggle to make the most of these due to restrictive and inefficient funding; insufficient data and evidence; and a lack of effective infrastructure to spread knowledge and ideas and connect them to specialist skills.

Recommendations

- A radical shift in approach from funders is needed, away from short-term funding, restrictive grants and contracts, and towards support for core costs (including those associated with property where this is integral to charities' operations) and investment in people, processes and organisational development.
- Governments and funders should work together to create a new Civil Society Evidence Organisation (CSEVO), which is essential for improving the availability and spread of evidence across the sector, reducing duplication and increasing best practice.
- The UK and Northern Ireland governments should provide social sector organisations with access to and adaptations of productivity schemes currently restricted to businesses.
- The Northern Ireland government should revive work to review local infrastructure and consider with the sector how far current provision meets its needs and, in particular, whether development is required in order for it to fulfil the role of 'diffusion architecture' and boost productivity.
- The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities to access specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.

Boosting productivity is a policy priority which should extend to the social sector

In Northern Ireland, as in the rest of the UK, weak productivity is a serious cause for concern and a policy priority. Research published in 2022 found that Northern Ireland had the lowest productivity of any part of the UK and also lags behind the Republic of Ireland.[6] The 'Industrial Strategy for Northern Ireland', published in 2017, highlighted the importance of improving productivity in order to achieve the ambition of a *'globally competitive economy that works for everyone.'* The strategy acknowledged that the public and private sectors need to work with the voluntary and community sector to achieve this and promised to consider creating an 'Industrial Strategy Partnership' including all three sectors, but this does not appear to have been progressed, nor was there any mention in the strategy of supporting the social sector to fulfil its role or to improve its own productivity.

In 2021, the Northern Ireland government published 'A 10X Economy', its economic vision for a "decade of innovation".[7] This highlights the importance of collaboration between government, business and academia, but fails to mention the role of the social sector. It includes commitments to improve digital skills and to create 'diffusion infrastructure' through City and Growth Deals, to spread innovation and drive up the adoption of productivity-enhancing improvements among small- and medium- sized businesses. However, as is the case elsewhere in the UK, the social sector seems largely excluded from this focus, and from many of the schemes intended to deliver it.

The Northern Ireland government's current Economic Advisory Group does not include any civil society representatives, apart from the CEO of Catalyst, a non-profit organisation which supports entrepreneurs, and two business-focused academic members. Similarly, civil society organisations are excluded from UK productivity programmes such as the British Business Bank, Be the Business, Help to Grow: Management and Help to Grow: Digital.

The language of productivity is not often used in relation to charities, but it is vitally important to the whole sector. It is more common to discuss impact, effectiveness, performance or social value for charities, but these are all essentially describing the same thing as productivity – maximising an organisation's ability to achieve outcomes using the resources at their disposal. Improving the productivity of charities is not about a crude attempt to cut costs, increase efficiency at the expense of quality, become more 'business-like' or work harder. It is about increasing their ability to transform inputs into outcomes. The challenges facing charities mean it is more important than ever to make the best possible use of every available resource, with many facing rising demand, rising costs and falling real-terms incomes.

> *"A productive charity is one that delivers what it sets out to deliver, and it does that with the best use of the resources that it has available."*
> *- Charity CEO*

Small organisations often face particular challenges in tackling productivity. Many small charities find it especially difficult to access long-term, flexible funding which would allow them to invest in their capacity and capabilities. And in organisations with very few staff, the same individual may be delivering services, fundraising, supporting other staff and volunteers, while also responsible for developing strategy and identifying improvements.

[6] D Jordan & J Turner, Northern Ireland is poorest performing UK region for productivity, Queen's University Belfast, 2022
[7] A 10X Economy – an economic vision for a decade of innovation, Department for the Economy, August 2021

Many leaders of small charities say that carving out time or 'headspace' to think about strategy, developments or improvements is extremely difficult due to the day-to-day operational pressures they have to cope with.

> *"It's like with leadership programmes, even if the actual programme was free, the organisations [are] operating on such a tight rein that releasing time for anyone to engage [is] a real problem." Northern Ireland charity*

> *"We try to think like this but then we get pulled under by just doing the doing. But to progress we need to lift out of the weeds, have the time and resource to free up to do this." – Scottish charity*

Innovation, technology, management and investment in people drive up productivity, but many charities struggle with these

Four major factors have been shown to play a role in driving productivity within individual organisations: innovation, technology, management practices and people.

Innovation – including the development of new services, processes, and products that can reduce costs or increase output or quality – can significantly boost productivity growth.[8] This can be aided by digital adoption, which can range from the use of advanced technology, such as artificial intelligence, to basic digital technologies, such as digital software for customer relationship management,[9] moving to cloud computing,[10] or high-speed broadband.[11] These can all increase efficiency and release resources for more impactful activities.

Innovation can also go beyond improving what already exists. Where charities are enabled to consider more transformative, long-term and deep-seated changes to meet and overcome the challenges facing their communities, substantial change can happen. Such 'social innovation' has been pioneered by leaders such as Geoff Mulgan at the Young Foundation..[12] And though funding to support this kind of transformational imagination is particularly scarce, some funders have started to lead the way.

Charities are generally highly innovative and creative, as was demonstrated especially strongly as they adapted to operating during the restrictions brought in during the Covid pandemic.

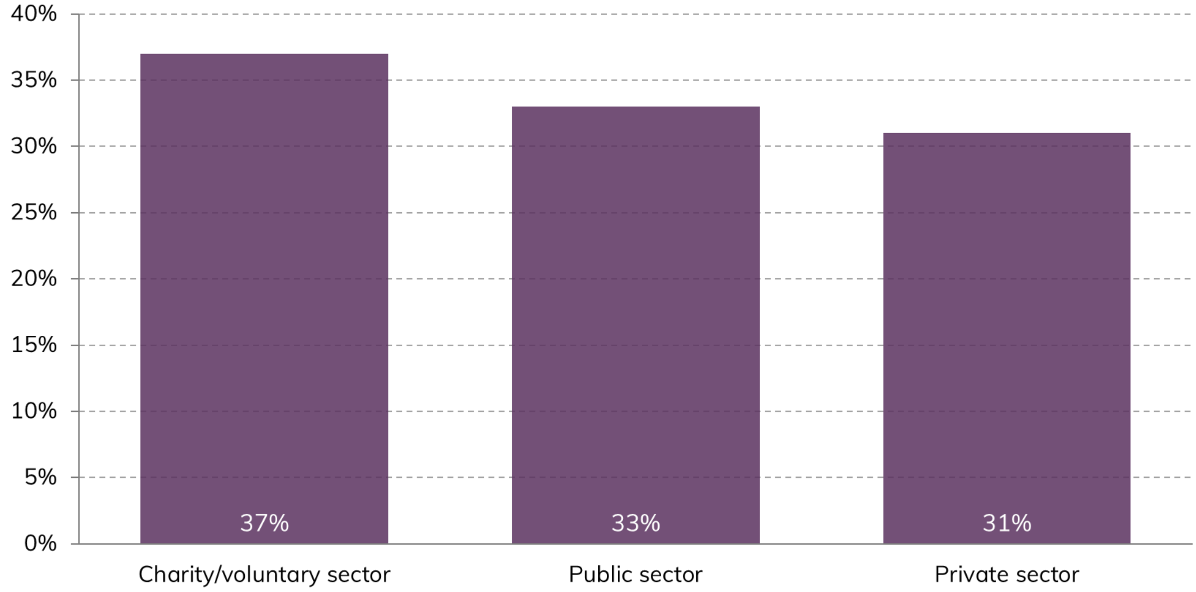
However, there is some distance to go, and charities report being held back by skills gaps, leadership issues and under-investment. Across the UK as a whole, almost half of charities are described as 'early stage' when it comes to their digital development, with just over one in ten describing themselves as 'digitally advanced'.[13] Almost one in three (29%) charities rate themselves as 'poor' at using, managing, and analysing data, while almost half of charities (44%) also rate their ability to use data to plan services as 'poor'.[14] Overall, in 2019, just over half of charities (56%) had the full suite of essential digital skills.,[15] more than a

[8] National Institute of Economic and Social Research, From ideas to growth Understanding the drivers of innovation and productivity across firms, regions and industries in the UK, Department of Business and Trade, October 2021
[9] G Awano, Information and communication technology intensity and productivity, ONS, October 2018
[10] Gal P et al, Digitalisation and productivity: In search of the holy grail – Firm-level empirical evidence from EU countries, OECD, February 2019
[11] M Molnar, Seizing the productive potential of digital change in Estonia, OECD, July 2021
[12] G Mulgan, Social Innovation: How societies find the power to change, Bristol University Press, 2019
[13] Zoe Amar, Charity Digital Skills Report, 2022
[14] Zoe Amar, Charity Digital Skills Report, 2022
[15] The five categories of essential digital skills identified by the Department for Education are: communicating, handling information and content, transacting, problem solving and being safe and legal online

quarter (27%) were rated as having low digital capability, while just over one in ten (13%) reported no digital activity. Skills were a significant barrier to making further progress, but almost four in ten charities (37%) with skill-shortage vacancies find it hard to recruit people with digital skills, slightly higher than other sectors of the economy.[16]

Figure 1: The charity sector finds it harder to plug digital skills shortages

Proportion of organisations with skill-shortage vacancies who find it difficult to obtain digital skills



Notes: PBE analysis of Employer Skills Survey (UK-wide) 2019

Research with social sector organisations in Northern Ireland[17] found that there were particular concerns about staff and volunteers' ability to use digital skills to connect with others outside their organisation. Only around six in 10 (58%) rated their organisation's digital culture as 'excellent' or 'good', and over a fifth (22%) believed their organisation was struggling to adopt a digital culture. Nearly nine in 10 (87%) agreed that investment was needed in devices, software and support for staff to develop skills to improve digital inclusion.

> *"Big challenges - digital equipment, skills and energy efficiency - are going to undermine productivity if they aren't addressed." – Northern Ireland charity*

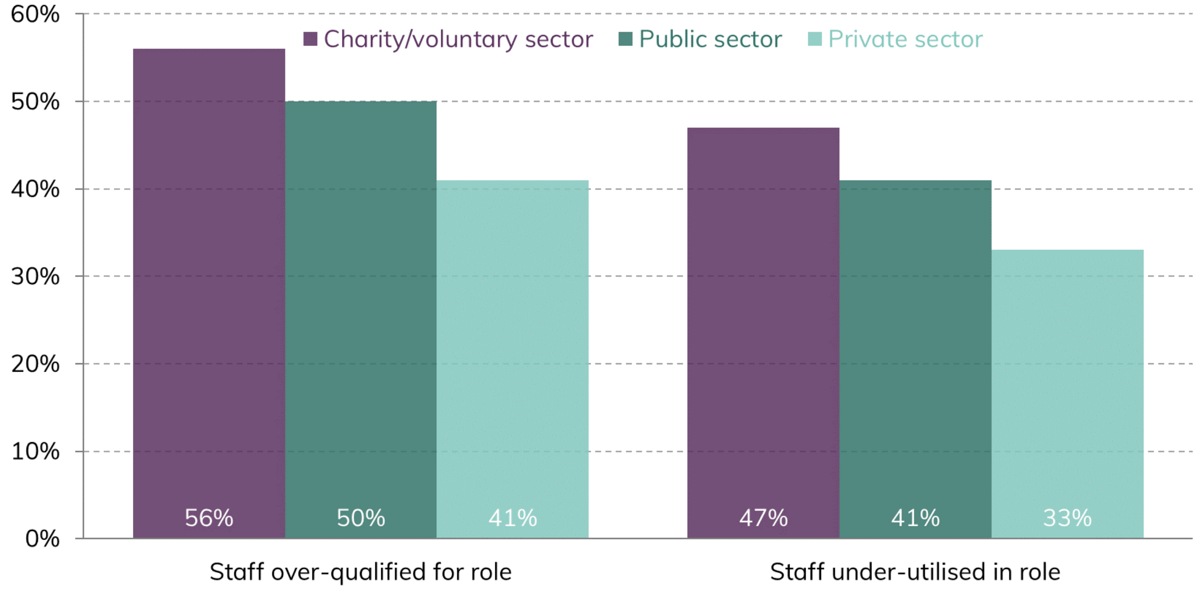
In addition to facing skills shortages, the charity sector struggles to match workers to job roles, leading to large numbers of staff being over-qualified or under-utilised.

[16] J Larkham, Productivity of purpose, Law Family Commission on Civil Society, January 2023

[17] D Kernaghan & S Dallas, Wired up? Exploring the current levels of digital skills and inclusion in the Voluntary, Community and Social Enterprise Sector in Northern Ireland, Community Foundation for Northern Ireland, 2022

Figure 2: More than half of charities have over-qualified staff and almost half have under-utilised staff

Proportion of organisations with staff over-qualified/under-utilised in current role



Notes: PBE analysis of Employer Skills Survey 2019

Perhaps related to these challenges in making effective use of people and digital technology, there are long-standing concerns about leadership in the sector. In 2019, UK-wide research found that the majority of charities believe they lack a clear vision from their senior leaders as to what digital could help them achieve, and almost half (45%) say this lack of leadership is a barrier to do more with digital.[18]

This is a major issue, because well-managed organisations are more productive.[19] The quality of leadership and management explains large differences in productivity between otherwise similar organisations. Organisational management practices (such as setting targets) and HR practices (such as using high-performance work systems, providing effective training, increasing diversity and supporting employees' health and wellbeing) are both important. Yet health and wellbeing can also be poor in the sector, which undermines productivity.

"What we're hearing a lot is the burnout within organisations, of staff and volunteers. And then throughout the organisation that puts [on] extra pressure, so there's more of a 'batten down the hatches' [approach] and less strategic thinking." – Northern Ireland charity

Meanwhile, a lack of diversity may also be holding back performance,[20] as the civil society workforce across the UK is less diverse than in the rest of the economy. In fact, civil society is a decade behind the rest of the economy when it comes to ethnic minority representation within the workforce. In 2021, the proportion of those from ethnic minority groups holding

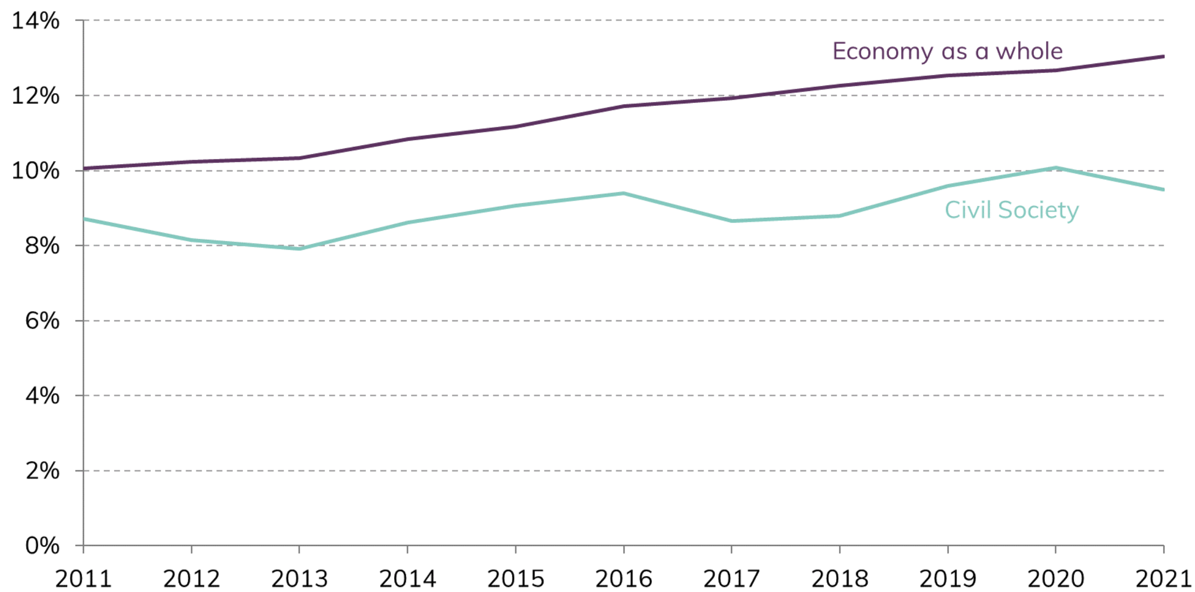
[18] UK Charity Digital Index 2019, Lloyds Bank, December 2019
[19] N Bloom et al., Does Management Matter? Evidence from India, Quarterly Journal of Economics, February 2013
[20] J Larkham, Productivity of purpose, Law Family Commission on Civil Society, January 2023

jobs in civil society was just under one in ten (9.5%), compared with a rate of 13% across the economy as a whole.[21]

Civil society is also below average when it comes to social mobility, as socio-economic background plays a bigger role in determining someone's chances of both getting into the workforce and progressing into higher paid jobs than is the case elsewhere in the economy. Over half of all charity jobs (55%) are filled by people from more advantaged socio-economic groups, compared with just under half (47%) overall. This pattern is even more pronounced at more senior levels, with almost six in ten (58%) higher level jobs going to people from more advantaged backgrounds, and under a quarter (23%) to those from less privileged backgrounds.[22] In the economy as a whole, people from more advantaged backgrounds are still nearly twice as likely to fill senior roles than those from less privileged backgrounds, but the gap is somewhat smaller (52% vs 26%) than within the civil society workforce.

Figure 3: Diversity within the civil society workforce is below average for the UK economy

Proportion of total jobs filled by people from non-white ethnic minorities



Notes: PBE analysis of DCMS Sectors National Economic Estimates: Employment, January to December 2011 to 2020 and DCMS Sectors Economic Estimates: Employment, January 2021 to December 2021 (UK-wide)

Low pay in the sector is likely to be exacerbating these diversity challenges, as low pay can make it particularly challenging to attract and retain skilled staff and leaders. On average, after accounting for their demographic and skills profiles, those working for charities earn 7% less than their direct counterparts in the private and public sector. This gap rises to almost 10% for those towards the end of their careers.[23]

"You have to pay charity employees the market rate for their skills, otherwise you won't get the skills that you need. The result is more wasted resources on mistakes. Hiring sustainable and quality services should be view as an investment." – Northern Ireland charity

[21] Unfortunately, sample sizes are too small to allow disaggregation of these statistics at the Scottish level.
[22] J Larkham, Inequality in civil society: the data, Pro Bono Economics, 2022
[23] J O'Halloran, The price of purpose? Pay gaps in the charity sector, Law Family Commission on Civil Society, August 2022

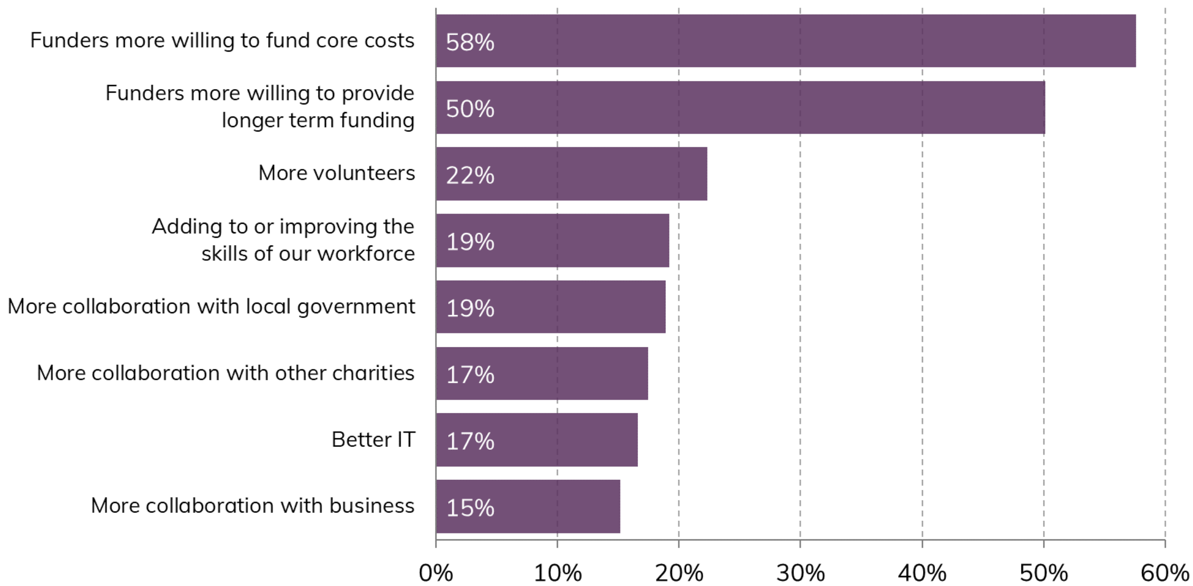
Charities and community businesses need better finance, evidence and infrastructure to increase productivity

Three factors were identified both by UK-wide research and stakeholders in Northern Ireland as barriers to charities making improvements to their effectiveness, productivity and impact.

First, finance. Restrictive and inefficient funding systems are the biggest barrier to charities being able to invest both the time and the resources needed into understanding and improving their productivity.

Figure 4: Charities think better funding is the key to boosting their impact

Other than greater levels of funding, which, if any, of the following factors would make the biggest difference to increasing the impact your organisation has?



Notes: N=349 senior managers or above working for a registered charity or voluntary group. Respondents could select their top three. Excludes 'Don't know' (8%), 'Other' (7%), 'Better access to advice and best practice' (4%) and 'More support to navigate regulation' (3%)

Source: Online survey carried out by YouGov Plc on behalf of the Law Family Commission on Civil Society. Fieldwork was undertaken 18-24 October 2021

> *"I think one of the gaps as well, is that there's no training [available] for our organisation. We don't have a budget and so it can be quite difficult." – Northern Ireland charity*[24]

Too much funding is short-term and does not cover the full costs of the activities it is intended to support, let alone enable charities to invest in the people, training or tools which would let them develop their organisation or increase their impact. More than eight in ten (82%) charities in Northern Ireland identify short-term funding as a challenge holding them back. Research into digital skills in Northern Ireland[25] also concluded that a new approach was needed to funding digital infrastructure, with long-term core funding to *"improve organisational efficiency and which offers flexibility to try new approaches"* at its heart.

[24] D Kernaghan & S Dallas, Wired up? Exploring the current levels of digital skills and inclusion in the Voluntary, Community and Social Enterprise Sector in Northern Ireland, Community Foundation for Northern Ireland, 2022
[25] ibid

"It's a challenge in terms of the funding and the fact that a lot of project funding doesn't really allow for these important roles in an organisation. You're not always talking about full cost recovery with project funding. How do you actually finance those kinds of roles that aren't necessarily direct project delivery?" – Northern Ireland charity[26]

Similarly, charities in Northern Ireland reported that providing bursaries to civil society organisations to encourage participation in leadership programmes, ideally alongside public and private sector leaders, would be highly beneficial. Currently, the pressures of delivery and a lack of time and resources made it extremely difficult for many social sector organisations to participate in such schemes or carve out time for strategic or long-term thinking.

Box 2. Case study: The Fore – Funding that supports productivity

The Fore gives seed funding, impact measurement support and skills to exciting social entrepreneurs. They invest in innovative small charities and social enterprises. Taking inspiration from the venture capital world, they fund purpose-led projects with the highest impact and growth potential. The Fore let their grantees tell them what they need funding for. Rather than offering funds for specific projects or outcomes, they aim to listen to what would be best for their growth and resilience.

Its application processes are designed to be low-resource for applicants, and to add value even for those who are ultimately unsuccessful in their funding bids. The application process requires three pages in which applicants set out what they would like funding for and why it would transform their organisation's growth, sustainability or impact. The funding is unrestricted and can be used for any purpose that will achieve this, from a new member of staff, to training or new tools.

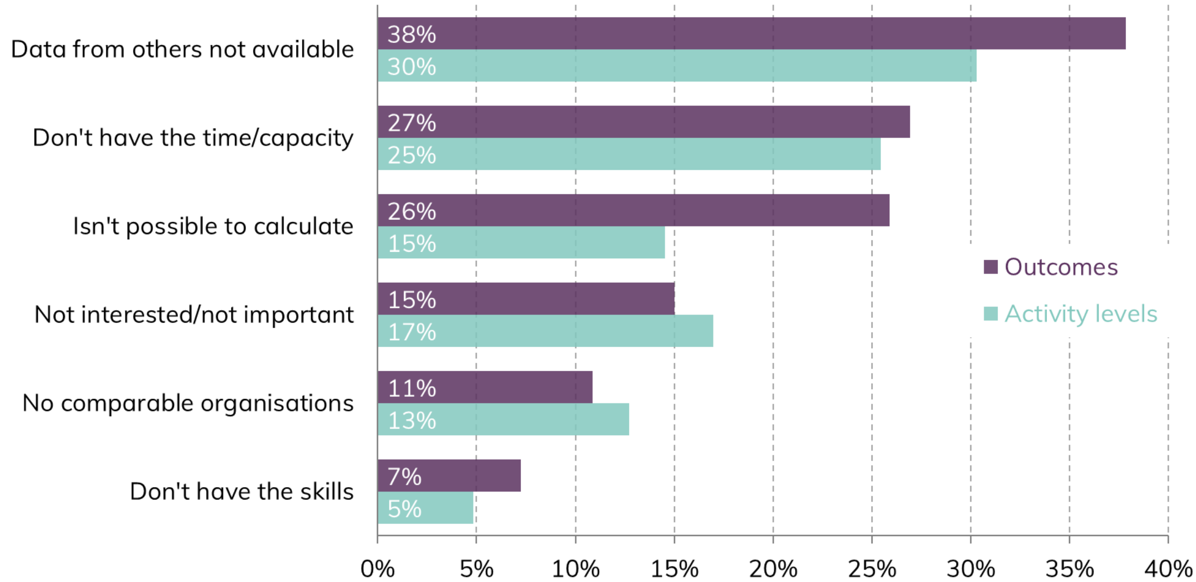
After submitting the initial application, all applicants have one-to-one access to an expert 'Strategic Applicant Consultant'. These senior professionals assess their applications, help them test their ideas and develop their strategy. Once funding is awarded, grantees can access wrap-around skills provision through workshops, peer-to-peer networks, and bespoke impact measurement courses. They can also take up matchmaking with skilled corporate volunteers, from areas such as strategy, finance, marketing and HR.

Second, data and evidence. UK research found that few charities benchmark themselves against their peers[27], with a lack of data the leading reason.

[26] D Kernaghan & S Dallas, Wired up? Exploring the current levels of digital skills and inclusion in the Voluntary, Community and Social Enterprise Sector in Northern Ireland, Community Foundation for Northern Ireland, 2022
[27] J Larkham, Productivity of purpose: bringing charities into the UK's productivity drive, Law Family Commission on Civil Society, January 2023

Figure 5: Insufficient spare capacity and a lack of available data stop charities from benchmarking their performance with their peers

Reasons why by those who measure their outcomes and/or activity levels don't benchmark them against comparable organisations (select all that apply)



Source: Online survey carried out by YouGov Plc on behalf of the Law Family Commission on Civil Society, 19-27 May 2022

Notes: Respondents were senior managers or above working for a registered charity. For outcomes n=193, for activity levels n=165

Charities and policymakers in Northern Ireland agreed that they were held back by a lack of data, arguing that Northern Ireland lagged behind other parts of the UK in this respect.

Finally, infrastructure was also seen as a barrier to advancing in this area. Research into productivity suggests that the key is 'diffusion architecture' to spread knowledge and ideas, as is recognised in the Northern Ireland government's 'A 10X Economy' vision. The state of social sector infrastructure varies across the UK. Research in England has highlighted the fragmented and uneven nature of social sector infrastructure there and the funding cuts that many areas experienced in recent years.[28] By contrast, in Scotland, there is a more consistent network, with a third sector interface, or TSI, in every area. But a recent review found variations in the functioning and impact of TSIs across the country and highlighted a mismatch between the resources supporting this network and the complexity of the roles it was expected to fulfil.[29]

In 2016, the Northern Ireland Department for Communities published a consultation paper on proposals for the provision of strategic support for the sector.[30] The then Minister for Communities set out a vision for *"a much more collaborative approach in terms of developing policy proposals and establishing how best to deliver them"*, adding: *"I want to equip the VCS for this opportunity, and also the longer term, both regionally and locally so it can contribute fully to discussions about policies and delivery models and how these can be best tailored to help those most in need."* Among the drivers for change identified in the consultation were

[28] J Larkham, Productivity of purpose: bringing charities into the UK's productivity drive, Law Family Commission on Civil Society, January 2023

[29] TSI Covid-19 Learning Project A focus on the roles played by Third Sector Interfaces during Covid-19, TSI Scotland Network, May 2021

[30] A consultation paper on proposals for the provision of strategic support to the voluntary and community sector in Northern Ireland 2017-2021, Department for Communities, 2016

the need for better support to develop a sustainable sector and for more social innovation and infrastructure to support good ideas emerging from the sector. The proposals included action on skills, leadership, contributing to policy development, improving impact measurement, a 'Change Fund', support to diversify income and volunteering infrastructure. However, the planned improvements were not progressed following this consultation.

In 2018, a report published by the Building Change Trust, drawing on an extensive programme of consultation and research with the social sector in Northern Ireland, highlighted the need for *"innovation specific funding and support programmes"* for the sector, a programme to *"support impact networks within the sector" and new "arrangements to support other collaborative working arrangements"*.[31]

Charities and policymakers in Northern Ireland agreed that reviving the review of infrastructure for the sector is essential, and particularly highlighted the need for greater support for collaboration and sharing resources across the sector, both in relation to funding and skills, such as digital expertise.

> *"I think this fits with the infrastructure point…I think there's probably smarter ways of working at scale in our sector with those who have experience in energy efficiency and renewables…And digital skills, kit and access. Covid really highlighted that people suddenly needed to understand how to get online. But the other problem in the sector is nobody can recruit or retain ICT people. It's incredibly difficult. I think it's true for small businesses as well, because they say exactly the same thing. And you start to wonder, is it realistic anymore to have an ICT person? Or should we be looking at shared resource across the sector, and providing that expertise in a slightly more flexible way."*
> *– Northern Ireland charity*

Recently, the Funders Forum for Northern Ireland also concluded that there is a need to invest in leadership in the sector, and to identify financial support for infrastructure projects to help volunteer-led, smaller grassroots organisations to recover from the challenges of Covid.[32]

These challenges are compounded by the exclusion of the social sector from productivity schemes aimed at businesses, both by the UK government and in the devolved jurisdictions of the UK.

Box 3. Case study: Be the Business: Diffusion architecture to spread innovation, ideas and skills

Be the Business was set up in 2017 following a review of the UK's productivity led by Sir Charlie Mayfield and Sir Richard Lambert for then prime minister David Cameron. It is funded by a combination of the UK government and leading companies such as Siemens, Amazon and McKinsey & Co.

[31] The Future of the Voluntary, Community and Social Enterprise Sector in Northern Ireland, Building Change Trust, 2018
[32] Annual conference report 2021, Funders Forum for Northern Ireland, 2021

The organisation aims to "improve the performance of small business leaders", working with successful businesses to provide small business leaders with training, support and guidance to increase their business's productivity. It does this through:

- Online support including stories, action plans and guides;
- Programmes of tailored, in-depth support for individual business leaders;
- Publishing research and studies which build the evidence base and enable small businesses to access it;
- Campaigns to spread awareness of the benefits of improving productivity.

Since its launch, more than 10,900 business leaders have taken part in programmes and 4,621 have accessed face-to-face leadership and management support. They estimate that over £350 million in value has been created through increased productivity within businesses who have taken part in their interventions.

How to improve productivity in the sector

There are five important steps to be taken to improve productivity across the social sector in Northern Ireland. First, funders – the UK and Northern Ireland governments and trusts and foundations – should shift funding away from short-term, restrictive grants or contracts, to supporting core costs (including those costs associated with property integral to charities' operations) and investment in people, processes, and organisational development. This would allow charities to increase their impact by providing the freedom and capacity they need to seek out long-term improvements.

Second, the Commission has recommended the creation of a new Civil Society Evidence Organisation (CSEVO) as a joint venture between government and the sector.[33] This organisation is needed to generate, collate, and share evidence about how charities can be most productive. By advising and training charities in how best to find and make use of evidence about what works in their practice areas, and by providing a brokerage service to connect organisations to the best evidence and research for their work, it would reduce duplication and improve effectiveness. The CSEVO could be established on a UK-wide basis or with equivalents in the devolved jurisdictions. There would be benefits to an organisation covering the whole of the UK in enabling it to pool resources – funding, evidence, data and ideas - which could be very helpful to the social sector in Northern Ireland. We urge the Northern Ireland government, local authorities, funders and charities themselves to come together to ensure that either a UK organisation is set up to serve every part of the country, or a CSEVO is established in Northern Ireland.

The Northern Ireland government, the Northern Ireland Statistics and Research Agency (NISRA) and researchers should also work together (in concert with the Office for National Statistics (ONS) where appropriate) to extract data from charities participating in surveys and combine these with administrative datasets in order to create interactive benchmarking tools relating to markers of organisational productivity, such as innovation, tech adoption, skills and training and management practice. These tools would help provide organisations with the data they need to challenge themselves, and could be promoted by the Charity Commission for Northern Ireland to trustees in order to drive good stewardship.

[33] Unleashing the power of civil society, Law Family Commission on Civil Society, 2023

Third, charities should be given access to practical support by opening up and adapting existing and future UK and Northern Ireland productivity schemes - such as Help to Grow and interventions supported as part of City or Growth deals – to the social sector.

Fourth, the Northern Ireland government should revive work to review local infrastructure and consider with the sector how far current provision meets its needs and, in particular, whether development is required in order for it to fulfil the role of 'diffusion architecture' and boost productivity.

Finally, the Commission supports the call within the recent Pathway for Volunteering report[34] for a renewed volunteering strategy, with a particular focus on developing the capacity within social sector organisations to manage and support volunteers effectively and 'reigniting' corporate volunteering. The Commission urges the Northern Ireland government, social sector organisations and business groups to prioritise promoting skilled volunteering, enabling charities to access specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.

Box 4. Case study: Scottish Tech Army (STA) and the power of skilled volunteering

STA was created during the Covid pandemic to mobilise the tech community in Scotland for the benefit of people and communities in Scotland. They have recruited over 2,200 volunteers who have so far v

worked with more than 300 organisations. Examples include supporting small grassroots charities, such as the Boghall Drop in Centre in West Lothian, which wanted to develop a new website to help its community know about its services, but did not have the in-house IT expertise to build or maintain it. The STA worked with the charity to understand the challenges and scope out the project, bringing skilled volunteers to work with them to design the new website and teach them how to maintain it.

As well as carrying out such projects with individual charities, STA has also set up the Tech for Good Alliance, with the support of tech giants such as Microsoft Philanthropies and JP Morgan, which aims to create "a collaborative ecosystem for the leading tech and tech-related companies in the UK, providing a mobilising framework within which they can engage and collaborate to create social benefit and impact at scale". Industry leaders, such as Barclays, have already joined the Alliance. Working in this way helps companies to fulfil their environmental, social and governance (ESG) commitments and enables individual charities to access the skills they need for their own organisation, as well as to tackle digital exclusion in the communities they serve. The Alliance is also creating an open-source repository, enabling the tools and datasets created by specific projects to be used more widely across the sector.

Combined, these steps would help to ensure that more people are supported more effectively by the social sector. More of society's problems would be stopped before they occurred, as social sector organisations would be better able to focus on prevention, rather than on dealing with the consequences once problems have occurred. The voices of people most in need of support would be lifted more effectively, as the sector would be more diverse and representative. And when crises occurred, whether for individual families or entire countries,

[34] Pathway for Volunteering, Volunteer Now, 2022

they would be dealt with more effectively as the social sector would be more resilient, responsive and better-led.

3. Measuring what we value

"Good data can make the difference between success and failure. In health, good data regularly makes the difference between life and death. In the social sector, better data could help drive a revolution in service delivery and social impact in our communities." – Nancy Rothwell

Box 5. Data: Key findings and recommendations

Findings

- Data is vital to inform good decision-making within the social sector and among the funders and policymakers who influence it. However, currently, when data is most needed it is too often inaccessible or unavailable.
- More timely and accessible data on social sector health, demography, capacity, contribution and volunteering is needed.
- Three kinds of data are important in achieving this: data about the sector (to provide a picture of its nature and development); data for the sector (to enable it to target and evaluate its activities); and data from the sector (to enable policymakers, the public, funders and beneficiaries to understand its activities and outcomes).
- There have been significant advances on social sector data during the life of the Commission. However, Northern Ireland faces particular challenges in improving data because it is not always included in broader surveys and, where these are UK-wide, sample sizes often mean it is difficult or impossible to extract useable data.
- In addition, the scale of funding required to build more comprehensive data infrastructure is seen as unrealistic for both the Northern Ireland government and other funders.

Recommendations

- The social sector must give more priority to its own data infrastructure. More charities should grasp opportunities to improve their collection and use of data; share the data they already hold, to increase evidence about what works and help them benchmark against peers; and commit to ethical use of data by committing to voluntarily apply the Office for Statistics Regulation's (OSR) Code of Practice for Statistics where relevant.
- The Northern Ireland government, Northern Ireland Statistics and Research Agency (NISRA), the Charity Commission for Northern Ireland, trusts and foundations and charities should come together to develop a data strategy for the sector.
- The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities to access specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.
- The UK government, in concert with the Northern Ireland government, should expand existing data labs, ensure social sector organisations in Northern Ireland can access them, invest in more of them, and deliver the promised civil society 'satellite account'.

Data drives decisions: without it we cannot understand our world or make the right choices to improve it

When the UK's new National Data Strategy was announced at the end of 2020, the then Secretary of State for Digital, Culture, Media and Sport (DCMS) explained its importance, saying "data is now the driving force of the world's modern economies. It fuels innovation in businesses large and small and has been a lifeline during the global coronavirus pandemic."[35] Similarly, the Northern Ireland government's open data strategy aims to be a *"blueprint for driving a transparency agenda across government and creating a resource which will improve the economy and lives of people in Northern Ireland."* [36]

When considering civil society, there are three kinds of data that are vital to power insight, impact and innovation:

- Data about the sector: to provide a picture of what the sector consists of and how it is changing;
- Data for the sector: access to data that allows the sector to target, evaluate and adapt its activities;
- Data from the sector: information produced by the sector about its activities and impacts, to enable policymakers, the public, funders and beneficiaries to understand what it is doing, what it achieves, and to gain insights into the needs of beneficiaries and the impacts of social and economic changes or policies.

When it comes to problems with data about the sector, one example is how it is treated in the UK's national accounts, and the value that is assigned to it within that framework. The national accounts are intended to provide a description of the economic activity within the country, but it significantly undervalues the value of civil society. Research for the Commission found that including the contribution of volunteers and taking account of low pay in the sector added 60%-80% to the value ascribed to the social sector[37] in the national accounts, an additional £22.3 billion.[38] This is still an underestimate, as the value created by the sector's activities is often far greater than the cost to funders. A charity that successfully improves children's educational attainment, young people's mental health or reduces reoffending, creates value by increasing employment rates and earnings among its beneficiaries, which raises tax revenues and enables them to contribute to other parts of the economy through buying consumer goods and services and creating jobs. The national accounts do not recognise this for the social sector.

However, underestimating the true value and size of the social sector is only one of the reasons to be concerned about the inadequacy of data about it. Data not only influences the value and priority ascribed to the sector, it also underpins decision-making by charities themselves and by funders and policymakers. Without timely and robust data, governments cannot develop effective strategies to enable the sector to maximise its potential or harness its power most efficiently to deliver national goals. Without data, social sector organisations and funders are stuck making decisions in the dark. They are unable to see clearly where resources are most needed, where they are used most effectively, and which places, people

[35] National Data Strategy, Department for Culture, Media and Sport, December 2020
[36] Open Data Strategy for Northern Ireland 2020 – 2023, Department of Finance, 2019
[37] This research does not cover the whole of the social sector, but rather the organisations currently identified by ONS as Non-Profit Institutions serving Households. The value would be still higher if social sector organisations not currently included in this definition were added.
[38] J O'Halloran, Double or nothing: Charities may be more than twice as valuable as first thought, Pro Bono Economics, 2022

and purposes are desperately in need of more or different support. Currently, identifying unmet need and service gaps is difficult because it is not clear where charities are operating or what they are doing.

More and better data would support greater impact

The Commission's research has uncovered strong demand for more and better data about the social sector across the UK, among policymakers, funders and charities themselves. There is widespread frustration, related not only to the amount and type of data available, but also with the long time lags before much of the existing data appears and its inaccessibility. There are five areas in which there is a particularly urgent need to improve data and insight.

First, demography: the size, scope and composition of the social sector.

Second, capacity: the scale of resources that organisations can deploy. Understanding the sector's funding, assets, expenditure, workers and volunteers is vital, but currently extremely difficult. There is demand for data about the different sources of funding for the sector, how these change over time and how this funding is used.

Third, financial health: how sustainable and resilient the social sector is. The financial viability of social sector organisations is naturally important to the individuals and communities they support. It is equally important to the public bodies which rely on them to provide services and to the policymakers whose goals will fall flat without thriving charities able to play their full part. Data on financial health is especially important to funders, for due diligence; to judge the success or otherwise of their funding strategies; and to identify risks to manage and gaps to fill. Similarly, better data on financial health can help inform how the sector can become more sustainable, the returns on different kinds of fundraising, what forms of finance can fuel growth, and the reserves and debts held by social sector organisations.

Fourth, contribution: the value or impact of the social sector. This goes to the heart of the Commission's endeavour to unleash the full potential of the sector. It starts with seemingly basic questions, such as how many people depend on the sector's services, how this varies across different groups, service types and places, and how much it contributes to public services. More fundamentally, it involves better measurement of the economic and social value created by the sector. This would then enable the public, policymakers and funders to make informed judgements about the use of scarce resources, investing where it will achieve the most good, and being assured that funds are achieving what was intended. This data would also allow a more sophisticated approach to blending different kinds of finance. For instance, in deprived areas, philanthropic funding can help to leverage in private investment and increase returns on public investment.

Fifth, volunteering and participation. The demand for data about volunteering covers descriptive facts – how many, who, where, how often and doing what. But there is also increasing demand for a greater emphasis on what volunteers achieve, whether they are working where they are most needed, and how well they are supported. As is the case in relation to the other themes, understanding trends over time is as important as an up-to-date picture at a point in time. Finally, there is also a need for data about the costs of volunteering and what kind of management and organisation is required to ensure their contribution is as effective and valuable as it should be.

Across all these different areas, data is needed from both a macro and a micro point of view. Policymakers and sector leaders need to understand the picture for the sector overall. Individual charities need access to data so that they can understand their own impact and performance, compare themselves against their peers, and identify their own strengths and areas for improvement. Funders need both macro and micro level data to consider where their resources are best directed and how they are performing, and to understand variations among the charities they fund. Data is a vital factor in unlocking even greater impact and driving up productivity, as discussed in the previous section.

Improvements are underway, but more is needed

There has been growing momentum behind action to fill these data gaps during the life of this Commission, and with the support of the Commission in a number of instances. Initiatives from within the sector have made significant strides forward. 360Giving has created a platform for funders to publish grant data and the tools to enable analysis to understand how grants are being distributed and inform future funding strategies. Organisations such as Datakind and the Data Collective have been working to increase skills and capacity within the sector to collect and use data effectively. Nottingham Trent University has also established the National VCSE Data and Insights Observatory to work with organisations across the UK to capture data about the management, delivery, and outcomes of the sector.

Box 6. Case study: The 360Giving open data standard

360Giving's approach to collecting social sector data offers a model for how standardisation can work, both in terms of the standard itself and leadership by the sector. The development of an open standard for reporting grant-making data has enabled the comparison of funders, aggregation of data for local or sub-sectoral analysis, and line-by-line reporting for grant-making organisations. The use of unique identifiers is central to the standard. Many services now use grants data from 360Giving, such as CharityBase, while researchers are increasingly using the data as well.

Meanwhile, the UK government has also taken steps to improve data about the sector, following the Commission's early work to establish the gaps and propose solutions. Most importantly, in February 2022, as part of the Levelling Up White Paper, the government announced that it would work with the ONS to take forward the Commission's recommendation to establish a new civil society 'satellite account' to better capture the value of the sector.[39] This satellite account will sit alongside the national accounts, joining previous satellite accounts focused on the UK's environment and its tourism sector.

Incorporating measurement of this element of the value created by civil society requires investment in data about charities' impact. Data labs are one of the most important tools to facilitate this. Data labs bring together large amounts of data and allow organisations to compare outcomes for the individuals they support with the journeys of people who are similar to them.

The most well-known in the UK is the Justice Data Lab, which is run by the UK government's Ministry of Justice (MoJ) and is a free service for organisations that work with offenders.[40]

[39] Levelling Up the United Kingdom, Department for Levelling Up, Housing and Communities, February 2022
[40] R Piazza et al, Data labs, a new approach to impact evaluation: an update from NPC, NPC, 2019

These organisations can provide details of the offenders they have worked with to the MoJ and receive in return a report with the reoffending rate, frequency of offending, and time to reoffending for the group the organisation has worked with, compared to a matched control group of offenders with similar characteristics. The difference in outcomes between the two groups is a measure of the impact of the programme being assessed and provides far more robust and powerful evidence than most service providers can otherwise access. The data lab gives civil society service providers (as well as those in other sectors) insight into the effectiveness of their work and allows policymakers to compare the impacts of different types of services and identify the most effective or promising approaches to rehabilitation. A new Employment Data Lab has also recently been launched, but there is an urgent need to expand existing data labs, ensure organisations in Northern Ireland can benefit from them and to create new ones so that charities and other service providers can understand their impact and to provide more and better outcome data to support a more accurate valuation of the sector as a whole.

Northern Ireland faces particular challenges in generating and accessing data

It is clear that all sectors in Northern Ireland are frustrated by the lack of data available to them, and that there are specific challenges in building better data infrastructure here.

> *"We're so much further behind in terms of the data that's available from public sector organisations. The UK reports are great, but Northern Ireland basically was too small to be used to get proper statistics. It's just really frustrating." – Northern Ireland charity*

One major challenge lies in the exclusion of Northern Ireland from some 'national' surveys, and, where it is included, sample sizes being too small to enable robust analysis. Funding is a further challenge, with the budget required for a step-change in data gathering and access being seen as out of reach for both government and independent funders. At one point, some stakeholders investigated the Benefacts project[41] in the Republic of Ireland as a potential model for improving data in Northern Ireland. This was a not-for-profit company that created annual and bespoke reports every year between 2017 and 2021 analysing the funding, governance and employment profile of Ireland's social sector, having harvested data from a range of sources to create the Benefacts Database of Irish Non-profits. The project ended in March 2022 and cost €8.97 million over seven years. The vast majority of the funding came from the Irish government, with around €500,000 coming from philanthropic sources.[42] This scale of funding is seen as far beyond what the Northern Ireland government could hope to afford, even with support from philanthropic funders.

How to measure what we value

There are a number of steps which can be taken to improve the data by, for and about the sector in Northern Ireland, despite the specific challenges it faces.

Creating better data starts with the social sector itself, with more charities collecting data and improving its quality. Those charities which already collect or analyse data to evaluate or inform their activities should make this more easily available to others who could also benefit from it and benchmark against it, and should engage with initiatives to measure and

[41] Benefacts Legacy Project: https://benefactslegacy.ie/
[42] See funding details: https://benefactslegacy.ie/project/funding/

communicate their impact. It is also important that charities use data, statistics and evidence responsibly in order to maintain trust. The Commission is recommending that all relevant charities voluntarily apply the OSR's Code of Practice for Statistics.

Second, the Northern Ireland government, NISRA, the Charity Commission for Northern Ireland, trusts and foundations and charities should come together to develop a data strategy for the sector. They should examine all potential sources of data – from UK sources, within Northern Ireland and any from the Republic of Ireland which might be relevant. This should include administrative data, data held in national surveys and data gathered by charities and funders themselves. Priority should be given to ensuring that data is made available in formats that are easily accessed by charities across the jurisdiction, as well as by policymakers and funders. And stakeholders should explore how the UK, Scottish and Welsh governments, funders and social sectors are approaching their data challenges to identify lessons and tools which could support their goals.

The growing number of businesses eager to pursue purpose, as well as profit, are an underused resource to support the advancement of data from and for the social sector. Many businesses are supportive of employee volunteering and have staff who are extremely skilled in data collection and analysis, but they do not always connect these two. The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities to access specialised skills which can boost their productivity, for example in: data, digital technology, HR, strategy and management.

Expanding existing data labs, ensuring social sector organisations in Northern Ireland can access them and investing in more of them would help create a step-change in the ability of the sector to robustly measure its impact in service delivery. This would enable better decisions by charities, funders and policymakers. It would also help them maximise value for money and drive both innovation and the spread of effective approaches (supported by the CSEVO proposed above).

Finally, the UK government and ONS should deliver the promised civil society satellite account, with the most comprehensive possible picture of the sector's value, ensuring that it is designed to meet the needs of Scottish stakeholders alongside those in other parts of the UK. Alongside this, to create a more accurate picture of the sector, new and better data is required about the impact of the sector's activities, the value of charities' services to their beneficiaries and the significant 'spillover' benefits to wider society. More comprehensive and robust data about these types of benefits are necessary to fully capture the value of the sector.

Combined, these steps would help to ensure that people receive better targeted, more effective support from the social sector when they need it, wherever they are in the country. Better decisions about policies, investment, funding and prioritisation would be able to be made across a huge range of issues, benefiting both beneficiaries and taxpayers.

4. The finance landscape

"Outcomes-focused and programmatic restricted funding are an important and growing part of the funding landscape, but the Commission is absolutely right to focus on the need to grow the provision of unrestricted, multi-year grant funding. This is critical to enable organisations to function more effectively, and develop their capabilities." – Sir Harvey McGrath

Box 7. Finance: Key findings and recommendations

Findings

- Civil society relies on funding from a range of sources, including government, the public, the private and voluntary sectors, but the sector in Northern Ireland is particularly reliant on grants and contracts from central (Northern Ireland) government.
- An additional £5 billion per year across the UK could be raised from public donations if the UK matched other leading countries.
- Weaknesses in current approaches to both contracting and grant-giving undermine their impact and can reinforce geographical and social inequalities. Short-termism, inefficient processes and restricted funding undermine the ability of the social sector to thrive and deliver its objectives.
- Improvements to funding approaches of public sector and independent funders would strengthen civil society immensely.

Recommendations

- Funders, including the Northern Ireland government, should prioritise finding a way to shift to longer-term, more flexible funding; invest in building charities' capabilities; and streamline application and reporting processes.
- Charities, infrastructure bodies, the Charity Commission for Northern Ireland and policymakers should advocate strongly for the benefits of moving to these more effective funding practices, and seek every opportunity to take them up, especially when the Northern Ireland government is restored.
- The Northern Ireland government should appoint a Philanthropy Champion (as should the UK government) and local philanthropy champions should be appointed to draw funding into deprived areas, including through proven approaches such as match-funding schemes.
- The Financial Conduct Authority (FCA) should require both qualified and qualifying financial advisors to receive training on philanthropy and impact investing, as part of its work on environmental, social and governance (ESG) commitments and the Consumer Duty.

Civil society relies on a mixed economy of funding types and sources

Civil society has always relied on a mix of funding from the public, government, the private sector and the voluntary sector. However, in Northern Ireland, the sector is especially reliant on public funding, with more than half (56%) of the sector's funding deriving from grants and contacts with central (Northern Ireland) government. Just over a fifth (22%) of the sector's funding comes from the public, with just over a tenth (13%) from earned income (such as charity shops and rent). Grant-making trusts and foundations contribute only 6% of the sector's income, with half of that accounted for by the National Lottery Community Fund.[43]

The processes charities have to engage in to access this funding, and the terms on which it is given, play a crucial role in the health and impact of the sector.

Short-term and restrictive funding constrains charities' ability to deliver their goals and undermines the sector's effectiveness and sustainability

In Northern Ireland, as in the rest of the UK, there is felt to have been a significant and damaging swing away from core and long-term funding for the social sector and towards short-term restrictive grants and tightly-defined commissioning. This has undermined the sector and reduced its impact and its ability to improve productivity and organisational effectiveness.

The short-term basis on which many grants are offered leads to uncertainty, leaving charities unable to plan for the future, and contributing to the productivity challenges detailed above. It is inefficient, forcing charities to expend valuable time and resources constantly reapplying for funding unnecessarily.[44]

"There used to be core funding but that seems to have been taken over by the one-year funding and the very specific 'if you don't do X that's it' [approach]." – Northern Ireland charity

"Core funding used to be provided many years ago, and then there was a swing away from that, and more recently a swing away from grant-funding and much more of an emphasis on commissioning and procurement. And, I think, that hasn't really worked." – Northern Ireland policymaker

"As a charity, you're in an endless roundabout of tracking down funding, applying for it, evaluating it, reporting on it. It just goes on and on and on and on … [During] the time that you should be working with the people, [which] you got involved with the charity to do, you end up getting stuck in this endless round of funding." - Scottish charity

Along with short-term funding, many charities lament the lack of finance designed to support long-term organisational growth and the tendency of much funding to come with stipulations restricting their use to narrowly conceived projects. Restrictive funds are more expensive to implement and difficult to manage, and they overlook the importance of investing over the long term in the skills and capacities an organisation needs to deliver these projects well in the first place – often described as 'core costs'.[45] These include costs such as salaries, rent, energy bills and a wide range of other costs which must be met for the charity to function, but which are all too often excluded from grant funding.

"I've been looking at funding this week for a number of things. And all of it says, 'No, we don't fund salaries, we don't fund rent'. And yet, without that, the

[43] State of the Sector 2022, NICVA, 2022
[44] Unwin J, *The Grant-making Tango*, 2004, 29-30, and Newcastle Council for Voluntary Service, *The Voluntary and Community Sector in Newcastle upon Tyne – Part 2*, 2005
[45] Saxton & Lindström, *Taking Nothing for granted: a research report into what charities think a model grant-maker looks like*https://ellerman.org.uk/uploads/Taking-nothing-for-granted-Report-June-2012-nfpSynergy-and-John-Ellerman-Foundation.pdf, 2012

organisation can't deliver what it wants to deliver." - Worcester Community Action

Thus, one of the most important priorities identified by the Funders Forum in Northern Ireland is *"an urgent need for flexible, multi-year funding, shifting from project-based to core funding".*[46]

The political context in Northern Ireland has exacerbated these issues. It is challenging for the Department for Communities to offer multi-year funding when its own budgets are set year-by-year. In addition, the withdrawal of European Social Fund money and the confused and last-minute implementation of the UK government's Shared Prosperity Fund has caused significant difficulties for many charities. These issues are compounded by the political vacuum left by the government's repeated suspensions and by tensions between the UK and Northern Ireland government.

"[There is] frequent suspension of the Executive, which means legislation grinds to a halt. Multi-year budgets are also missing, which means things are much more hand-to-mouth." – Northern Ireland charity

"You just have to look at the Shared Prosperity Fund to see how difficult it is as a sector to try and organise yourself…It's supposed to start and we're still having arguments locally, and about whether the Northern Ireland or UK government's going to be in control, or can they work together? There seems to be very little concern about what actually will impact on the ground and the people who will not be supported and the skills we are losing within the third sector because of all these arguments." Northern Ireland charity

Funding that does not cover the real cost of activities undermines the sector's financial sustainability and impact

In relation to funding received through contracts, a major concern for many is the high proportion of charities who have to 'subsidise' their work through other income, because contract payments do not cover the full cost of the activities delivered.[47]

"Charities bring unique value to public services, yet two-thirds aren't paid enough to cover their costs – a situation which could be dangerously unsustainable as inflation pushes charity finances to breaking point."
- NPC

In Northern Ireland, as across the rest of the UK, charities urge funders to ensure that funding covers the full cost of the activities it is meant to support, as reflected in the Funders Forum for Northern Ireland's call for *"a shared understanding of the importance of Full Cost Recovery (FCR) across Forum members, Government and the sector".*[48]

There is also concern that funding has come to be dominated by procurement approaches, tied to specific activities and overlooking the important roles charities play outside service delivery.

[46] Annual conference report 2021, Funders Forum for Northern Ireland, 2021
[47] T Clay et al, State of the sector 2020, where we stood as the crisis hit, NPC, 2020
[48] Annual conference report 2021, Funders Forum for Northern Ireland, 2021

"Procurement-type processes, even for grants, have come to dominate, with a wide range of different processes...Even NICVA's funding relationship with DfC as part of the RISP programme was procured, based on the activities delivered. This leaves out the possibility that government might want to fund such a body because of its role as a representative and supportive body for the voluntary and community sector in Northern Ireland. That is more than a transactional relationship to deliver effective services." – Northern Ireland charity[49]

"I used to work for a small local charity and it's hard to engage with the council at a local level because your funders don't fund you to [do that]." Northern Ireland charity

Bureaucratic processes are inefficient and drain resources from the sector

Complex, costly, and time-consuming application and monitoring processes plague some grant-making. Research carried out by Giving Evidence for the Commission found that charities spend around £900 million a year applying for grants. These costs are driven by a lack of design (with application processes tending to evolve organically rather than purposefully), a lack of information (with neither grant-makers nor grant-seekers tracking these costs), and a lack of skills (with many funders not employing staff with service design or digital skills). These costs fall disproportionately on small- and medium-sized charities, both of which can end up spending about a third of raised funds on applying for grants.[50] When factoring in the costs to grant-makers as well, previous research has estimated that as many as 46% of grants cost more than they are worth.[51]

This problem is recognised by charities and policymakers in Northern Ireland. The Northern Ireland Council for Voluntary Action (NICVA) points out that the government published a Code of Practice for Reducing Bureaucracy in Grant Funding to the Voluntary and Community Sector in 2015. It acknowledges that positive changes were made during the pandemic which reduced bureaucracy and increased the speed and flexibility of funding. However, it has raised concerns that this is now being reversed.

"Much of the previously reduced bureaucracy surrounding wider government funding for the VCSE has crept back into the system and this now needs to be reviewed and corrected." – Northern Ireland charity [52]

"There's way, way too much bureaucracy in it." – Northern Ireland policymaker

It is also acknowledged by some, however, that political instability in Northern Ireland, and the suspension of the government for significant parts of the last few years, creates difficulties for civil servants, and concerns about how far they can make significant changes without political leadership.

[49] The Voluntary and Community sector and the Programme for Government A Manifesto for Change Three keys to unlocking the potential of community and voluntary action, NICVA, 2021
[50] H Barnard, Giving Pains: The cost of grant-making, Law Family Commission on Civil Society, 2022
[51] T Neill, 46% of grants cost more than they're worth, *Time to Spare*
[52] The Voluntary and Community sector and the Programme for Government A Manifesto for Change Three keys to unlocking the potential of community and voluntary action, NICVA, 2021

The distribution of funding exacerbates inequality and undermines collaboration

One of the core goals for many charities, policymakers, grant-makers and philanthropists is to combat geographical and other types of inequalities. Public sector funding, philanthropy and grant-making can play a vital role in directing funding to the social sector in places and among groups which struggle to access private investment and other forms of public spending. However, many deprived areas often have less access to philanthropic and grant funding, as well as suffering more from public sector funding cuts and a lack of private sector investment. In Northern Ireland, there is particular concern that funding is concentrated in Belfast and urban areas, while rural areas struggle to support social sector organisations.

> *"There is less funding in the rural sector and income levels have always been heavily skewed to the larger urban areas; with a lot of community and voluntary professional organisations based in Belfast." – Funders Forum Annual Report*[53]

The nature of current funding approaches is also felt to drive unhealthy competition and undermine collaboration.

> *"The funding system is not set up for collaboration - funders have massive demand and require grantees to measure impact which allows them to see the winners and losers on their grants."- UK Funder*

> *"Capacity building for VCOs can lead to positional competition as lots of organisations become solely preoccupied with getting money and do not focus on collaborating with others in their area." - UK university professor*

> *"How do you make sure you're not creating unhealthy competitiveness? There is a fear that we have created unintended consequences…shaped behaviour in a way that we hadn't intended to that has led to some negative consequences. Particularly given the unique nature of Northern Ireland, and the dispersed rural population and the inequality." – Northern Ireland policymaker*

There is room to significantly increase philanthropic funding

The UK is a generous country when it comes to charitable giving, with the public donating around 0.54% of national income to charity and ranking near the top of international league tables of public donations.[54] But there is evidence that the UK could unlock even greater giving. If the UK's population gave a similar share of their wealth to charity as the populations of Canada or New Zealand, it would provide another £5 billion a year for charities across the country. If this benefited charities in Northern Ireland in proportion to its share of UK public donations, an additional £31 million would be added to charity income in Northern Ireland.[55]

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[53] Annual conference report 2021, Funders Forum for Northern Ireland, 2021

[54] A Kenley, J O'Halloran, K Wilding, Mind the giving gap: unleashing the potential of UK philanthropy, Law Family Commission on Civil Society, December 2021

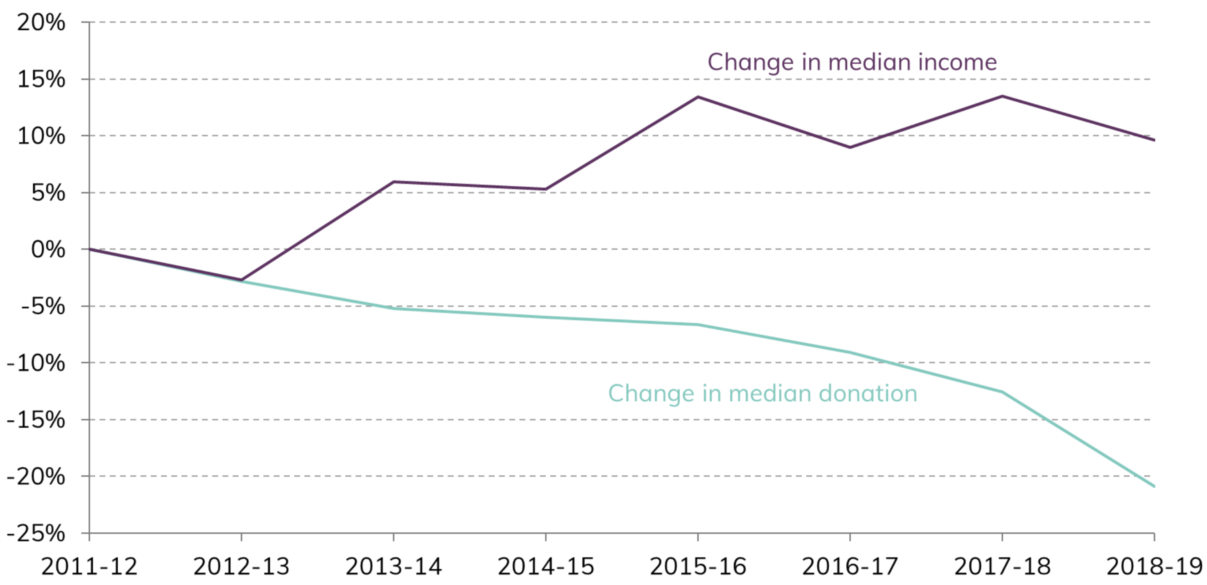
[55] NCVO's UK Civil Society Almanac 2022 reports that in 2019/20, UK-wide the charity sector received £12.07 billion of income from the public. Of this, in charities in Northern Ireland received £74 million. Applying the same proportions to £5

Although the income from charity donations has been rising, the number of people donating has steadily declined over the last 20 years. If the proportion of the public donating regularly to charities was restored to 2000 levels, an additional £1.4 billion could be raised annually.

And there appears to be particular potential to increase giving among the richest part of the population. Looking at one group of the wealthiest – the top 1% of income earners – demonstrates this well. This group gives about £950 million a year, but donations have not kept pace with income growth. Between 2011 and 2018-19, the total income of the top 1% of earners grew by 22%, but total donations fell by 7%. Most of the top earners who declared charitable donations gave less than 0.2% of their income. If the top 1% of earners increased their donations to 1% of their pre-tax income, it could generate up to £1.4 billion a year.

Figure 6: For many of the UK's top 1% of income earners, the gap between their income and their charitable donations is growing

Real terms changes in median income of donors and median donations among the top 1% of earners, compared to 2011



Notes: PBE analysis of HMRC Survey of Personal Incomes

In Northern Ireland, stakeholders reflected that there seemed to be even less capacity than elsewhere to grow philanthropy and connect it with either policymakers or the social sector. They argue that the well-known 'brain-drain' in Northern Ireland means that the 'best and the brightest' tended to leave, and there was little work to tap into potential philanthropy from successful people with roots in Northern Ireland.

"There's no real philanthropic base in Northern Ireland, few high-net-worth individuals and no real central approach to grasping the concept." – Northern Ireland charity

billion suggests around £31 million additional income could be generated in Northern Ireland. However as the NCVO Almanac notes, "figures for Northern Ireland are based on supplementary data from NICVA and UK population weights. These produce an estimate of figures for these countries and for this reason, figures may not be directly comparable to the rest of the UK."

"The brightest talent leaves Northern Ireland, it's very hard to get them back…Overall, Northern Ireland is under-developed in terms of philanthropy." – Northern Ireland charity

The idea of ''diaspora philanthropy' is being explored in England, for instance through the Made in Stoke-on-Trent network, which brings together local universities, football clubs, charities, philanthropists and the city council to stimulate investment in the area.[56] Matched funding programmes also have a proven track record in drawing funding to areas that otherwise miss out. In 2011, the Community First programme was set up in England, with a Neighbourhood Match Fund (NMF) and an Endowment Match Challenge (EMC). The NMF was a small grants programme focused on the most deprived wards – with funding awards made by local panels. The EMC was undertaken in partnership with Community Foundations, aiming to help them develop long-term endowments for their localities. The UK government gave 50p for every £1 the public donated. There was no equivalent programme for Scotland or Northern Ireland at that time, but governments, local authorities and independent funders can build on this experience to create a similar programme to draw targeted, tailored investment to those areas that need it most.

Box 8. Case study: Learning from the UK experience

The University Matched Funding Scheme ran between 2008 and 2011 and was intended to incentivise giving to universities and encourage fundraising professionalism within institutions. It included an extensive programme of capacity-building training in fundraising and a public information campaign. In England, donors gave £580 million, which was matched by £143 million from the UK government. The number of donors to higher education accelerated at a time when charitable giving overall declined and higher education giving in North America fell. Universities are now recognised as one of the most sophisticated fundraising sectors in the UK, with giving rates continuing to rise.

The Community First programme in first Wales and then England had two parts: a Neighbourhood Match Fund (NMF) and an Endowment Match Challenge (EMC). The first was a small grants programme focused on the most deprived wards in the country. The second was undertaken in partnership with Community Foundations, aiming to help them develop long-term endowments for their areas. Government gave 50p for every £1 donated by the public. In total, 18,055 projects received £94 million in NMF funding. Over 9,000 grants worth more than £23 million were made through the EMC in the first five years. Endowments worth over £140 million in 2017/8 provided long-term investment in the areas involved. The programme increased community organisation, funding application and funding management skills in communities with high deprivation, with over 5 million volunteering hours contributed.

"It's an underdeveloped area…we could have greater impact if we were able to leverage money and to supplement what's going in from the exchequer." – Northern Ireland charity

[56] L Warwick-Ching, 'Diaspora philanthropists' aim to help revival of UK regions, Financial Times, October 2022

Government, independent funders, philanthropists and charities can work together to increase and improve funding for Northern Ireland's social sector

The Commission is proposing a four-point plan to increase and improve the funding landscape.

First, funders, including the Northern Ireland government, should prioritise finding a way to shift to longer-term, more flexible funding; investing in building charities' capabilities; and streamline application and reporting processes. Improved funding requires more sustainable, stable finance for social sector organisations, unencumbered by overly laborious processes, to maximise the efficiency of the system and the impact delivered. National and local funding should also be shaped to support civil society organisations to engage effectively in strategic relationships and to promote collaboration, rather than competition.

Second, charities, infrastructure bodies, the Charity Commission for Northern Ireland and policymakers should advocate strongly for the benefits of moving to these more effective funding practices, and seek every opportunity to take them up, especially when the Northern Ireland government is restored.

Third, the Northern Ireland government should appoint a Philanthropy Champion to drive forward Northern Ireland's approach to philanthropy. This official should work with funders, businesses and charities to develop new sources of philanthropic funding for Northern Ireland, including tapping into wealthy 'diaspora'. The Commission has also recommended that the UK and Scottish governments appoint such an official, with the resources and authority required to coordinate cross-government action on measurement, regulation and taxation of philanthropy in order to unlock its potential.

Local authorities, especially those in deprived areas, should also appoint local philanthropy champions to encourage giving by the business community and wealthy individuals who grew up in their areas (including those now living outside Northern Ireland). They would also gather and spread best practice and work with councils, MPs and expert local organisations to understand local need and connect it with interested donors.

National and local philanthropy champions should work together to identify the most effective ways to support greater flows of philanthropy into the places that need it. Place-based match-funding schemes have previously been shown to draw giving to specific places and the government could experiment with incentives such as varying Gift Aid in these areas to support such schemes.

Box 9. Case study: Learning from international best practice

The US government has over 40 federal-level Philanthropic Engagement Liaisons – civil servants embedded in, for example, the Department of Transportation and the Department of the Interior. It is their responsibility to: facilitate information exchange between the department and the philanthropy sector; incubate projects which the philanthropy sector and the state can collaborate on; train departmental staff in identifying opportunities to increase philanthropic engagement in community partnerships. Under President Biden's administration, the model is being scaled up with the ambition that all federal departments will have a small team of liaisons in place to leverage philanthropy.

The Denver Office of Non-profit Engagement is a division of the city's Agency for Human Rights and Community Partnerships. It serves as a liaison between the city and non-profit sector and aims to increase the capacity and sustainability of the non-profit sector. Though its original focus was philanthropy, the office was so successful its remit was widened to include: delivering training and workshops for non-profits; convening non-profits to deliver targeted programmes; improving internal contracting processes, regulation and guidance; and assisting non-profits to leverage funding.

Finally, the Commission has recommended that the Financial Conduct Authority (FCA) should act to increase provision of high-quality financial advice and guidance on philanthropy by financial advisors to their clients. The UK's financial services sector has the potential to help drive up the quantity and quality of philanthropic giving among wealthy individuals and businesses. At present, however, financial advice and guidance on philanthropy is not consistently offered to people who have the capacity to give, and when advice is provided it is not always of a sufficiently high quality. In the US, financial advice on philanthropy is offered to clients as a matter of course and appears to have contributed to a dramatic rise in donor-advised funds, which more than tripled between 2015 and 2020. The amount paid out in charitable grants from these funds rose from $14.2 billion in 2015 to $34.7 billion in 2020.[57]

The FCA has a responsibility to drive up the provision of high-quality financial advice and guidance on philanthropy as part of its commitment to support the financial services sector to achieve positive change and to ensure the sector provides the products and services consumers require. The most powerful step that it can take immediately is to mandate the training of financial advisors on philanthropy and impact investment, by ensuring the topics are included in the relevant curricula for both newly-qualifying advisors and current advisors through continuing professional development (CPD). To ensure that advisors make use of that training, the FCA should set out a timetable by which it will require relevant financial advisors to discuss philanthropy with their clients as a matter of course during suitability assessments. One of the first steps it will need to take to undertake this work is a sector-wide conversation on philanthropy's potential and the barriers preventing financial advisors from speaking to their clients about charitable giving.

Combined, these steps would help to ensure a stronger social sector which is there for the people who need it most, and more resilient in crises. Less wasted resources and better targeting of support would mean greater resources available in the places and causes where it can make the greatest impact. And increased levels of philanthropy would see not only greater giving, but stronger ties between individuals and the communities they are supporting - nurturing understanding and social cohesion.

[57] N Sykes, Giving advice: the case for the FCA to act on philanthropy, Law Family Commission on Civil Society, 2022

5. Parallel tracks: Links with business

"There are many examples of businesses around the UK that do brilliant work with civil society, whether it be through community outreach programmes, employee-supported volunteering or simply the donation of much-needed funds. But there is no doubt that businesses of all shapes and sizes can and should do more." – James Timpson

Box 10. Business: Key findings and recommendations

Findings

- Partnerships between businesses and charities benefit both sectors and wider society, when all organisations in the partnership are able to trust, understand and respect the other's role.
- Increasing emphasis within the corporate world on achieving purpose, as well as profit, creates a huge opportunity to strengthen and spread these links, as does the environmental, social and governance (ESG) agenda.
- The social sector can benefit from business links through financial and in-kind donations, employee volunteering and secondments, and – most of all - deep partnerships to achieve common goals.
- There are examples of fruitful partnerships between charities and businesses in Northern Ireland, but great scope to increase their spread and impact.

Recommendations

- Business and civil society umbrella organisations in Northern Ireland should work together to raise awareness of the benefits of links among charities and businesses and create opportunities for them to meet and develop relationships.
- Charities, businesses, investors and advisors should work together to improve the measurement of businesses' social impacts and the value of civil society partnerships and drive the use of voluntary disclosure initiatives to encourage more businesses to engage with civil society.
- The Northern Ireland government should urge the UK Department for Business and Trade (DBT) to reinstate the requirement for businesses to report their contributions to charities and civil society.
- Ahead of this, they should incentivise more businesses to make voluntary disclosures to platforms, such as the Workforce Disclosure Initiative (WDI) and the Business for Societal Impact (B4SI) database, by linking tax relief and procurement to disclosure.

Partnerships between businesses and charities bring benefits to both

The idea of achieving purpose alongside profit has been part of the business world for centuries, but the importance placed on it has reached new heights in recent years.[58] Nearly nine in ten (88%) members of the UK public now believe businesses should play a greater role in relation to social responsibility, tackling social issues, contributing to achieving net zero goals, and paying a fair share of taxes. Consumers increasingly value and demonstrate loyalty to brands which have a social purpose. The majority (72%) of employees in the UK

[58] N Sykes, Purpose: On parallel tracks, Law Family Commission on Civil Society, August 2021

similarly believe purpose should hold more weight than profit. Two-thirds of millennials consider businesses' social and environmental commitments when they decide where to work, and many employers have found that a strong sense of purpose and support for volunteering are powerful tools to improve employee satisfaction, wellbeing, productivity and retention.

"….and it's not just the new grads that are talking about this now. My peers are asking me all the time what we're doing on sustainability and how we're making a difference."
- Carmel McQuaid, Marks & Spencer

There is also mounting evidence that purpose-driven businesses outperform those without a strong purpose, and that ignoring social and environmental concerns can contribute to instability and damage a company's 'social licence to operate'. This has helped to drive up interest among shareholders and investors in the environmental, social and governance (ESG) agenda – taking account of how ESG factors influence a company's performance. ESG-focused investment funds are now forecast to outperform conventional funds by 2025.

Civil society organisations are ideally placed to support businesses as they develop their social purpose and get to grips with each strand of the ESG agenda. Social sector organisations have provided leadership on climate action and across many other environmental issues for many years. The creation of social value is at the heart of civil society, and the sector holds immense expertise on any number of issues that businesses need to address as part of managing their social impact, such as upskilling workers, supporting those furthest from the labour market into good jobs, boosting employee wellbeing, addressing racial injustice and gender inequality, and improving accessibility for disabled consumers.

Charities and community groups are rooted in local communities, enabling them to facilitate consultation and provide insight to inform businesses relations with their local communities, consumers and potential workers. Finally, businesses can, of course, claim tax relief when they make financial donations to charities.

Box 11. Fruitful partnerships

The charity Cancer Research UK's commercial partnerships have created 43 start-ups leveraging more than £1.5 billion in inward investment dedicated to their cause.

A partnership between a leading autism charity and a global law firm allowed the law firm to learn about autism and develop a service specialising in providing legal advice to and representation for people with autism and their carers. The charity received advocacy for its beneficiaries on a pro bono basis – a collaboration worth millions of pounds to both sides over its 20-year existence.

The relationship between small youth empowerment organisation 2020 Change and its corporate partners allows brands to access focus groups with young people from the black community to gather their thoughts on products and marketing materials. Meanwhile, 2020 Change's beneficiaries benefit by gaining placements and employment within these firms.

For civil society organisations, the benefits of business links are equally clear. Businesses contribute to the work of civil society organisations in a wide range of ways, from direct financial contributions, in-kind donations, employee volunteering and secondments to joint projects and more substantive partnerships, marrying the distinctive skills of both to further a common goal. The private sector does not currently appear to be a significant funder of the social sector in Northern Ireland, compared with other parts of the UK, and this is a potential growth area for the sector here.

Skills-based volunteering can be invaluable, with professional volunteers able to contribute not only their time but their expertise. When run effectively, skills-based volunteering can significantly build capacity within charities, allowing them to develop their services and strategy and to become more sustainable. Deep and genuine partnerships between charities and businesses with common aims can multiply the impact of their individual efforts.

"The core idea of pro bono support is a compelling one - that those working to tackle poverty, for public gain, should have no less access to high quality professional skills than those who are wealthy and have the means to pay for them for private gain."
- Pilotlight

There are examples of effective partnerships between charities in Northern Ireland and businesses, but there is scope to create far more

There are examples of highly impactful and mutually beneficial links between businesses and charities, but there is also evidence that these are not sufficiently widespread and that there is no coherent strategy or drive to increase them and little infrastructure to enable businesses and charities to connect even where there is the will to do so.

"When it comes to knitting in private sector support, which we've done in a sporadic way, we don't really have a strategic or considered approach to that."
– Northern Ireland policymaker

"The opportunities are immense, if we would only harness them together." – Northern Ireland charity

"We've had discussions with tech organisations and with coders who were itching to volunteer in socially-focused organisations, but they had absolutely no idea how to do it [and] who to connect with." – Northern Ireland charity

There was also recognition that greater value could be derived from business partnerships if a more imaginative approach was taken, and particularly if charities could benefit from specialist skills.

"Businesses end up doing volunteering somewhere, maybe painting a building or whatever, and in fact they have skills that would be very useful for organisations in our sector. I think a barrier is people not really thinking enough or knowing how they could connect with our sector, because they don't really understand all the different skills and ways they could be useful and also benefit [themselves]." – Northern Ireland charity

Finally, the distribution of private sector contributions was not equal, with smaller charities finding it particularly difficult to tap into this source of support.

"Bigger charities do ok because they have the capacity to engage, but smaller charities have very little interaction with the private sector, beyond limited sponsorship." – Northern Ireland charity

Civil society, businesses and government can all stimulate more and better partnerships between the private and social sectors

The growing momentum behind the ESG agenda, responsible capitalism, and purposeful business provides a significant opportunity to expand and deepen partnerships between charities and businesses. In particular, there is increasingly pressure for businesses to advance their understanding of and action around the 'S' in ESG and for transparency through 'social disclosures'.

Assessments of progress across the ESG agenda often start from the assumption that the environmental strand is far advanced, while the social side lags behind. In fact, it would be more accurate to say that action and reporting around one environmental issue – climate change – are further ahead. The many other issues that come under the environmental heading (such as single-use plastics, water use, deforestation, ocean acidification and biodiversity) are far less developed, as is the social side of the agenda. There is, however, momentum behind changing both of these elements, some of which is likely to be driven further by the introduction of new international regulations mandating social disclosures – the provision of certain information in a certain format regarding a company's performance against societal objectives. Once these disclosures have been agreed by the International Financial Reporting Standards Foundation (IFRSF), UK businesses trading elsewhere will have to adhere to them, and the UK's Financial Reporting Council (FRC) is also expected to adapt them for UK regulations..[59]

When considering social impact and social disclosures, the EU has published a draft social taxonomy which – while far from perfect – helps as a framework for civil society to understand the thinking of the private sector in relation to the 'S' in ESG, as it sets out three ways of breaking down social impact which are simple to conceptualise: the impact a business has on its workforce and the supply chain; the impact of products and services on consumers and end users; and the impact on communities the business affects. Partnerships with civil society can be invaluable to businesses in relation to each of these areas of social impact.

How to bring the parallel tracks together

Businesses are a strikingly underused source of funding and skills for the charity sector across the UK and especially in Northern Ireland. It is particularly important to tap into this source given current pressures on other sources of funding, with public donations expected to be affected by the cost of living squeeze and economic downturn and government finances under strain. More charities should prioritise identifying and cultivating opportunities to tap into the business sector, with charity umbrella bodies supporting them to access opportunities to do this and working with business groups to help business and charities understand one another, create connections and work effectively together.

There are three steps that the Commission is recommending to help unlock the untapped potential of more and better links between businesses and civil society.

[59] Regenerate, Solve S for ESG: how businesses can approach the S in ESG and how partnerships with civil society can help, Law Family Commission on Civil Society, September 2022

First, business and civil society umbrella organisations in Northern Ireland should work together to raise awareness of the benefits of links among charities and businesses and create opportunities for them to meet and develop relationships. Some in Northern Ireland suggested a matching service could be developed to pair charities with businesses pursuing a social purpose.

The CSEVO discussed above should also help to generate and disseminate relevant evidence to support this, and local infrastructure organisations should play an active role in helping businesses and charities to connect.

Second, all sectors should act to improve measurement of businesses' social impacts and the value created by civil society partnerships.

There are many useful lessons to draw from the success of the climate change movement in driving business engagement and action. It demonstrates the power of creating consensus around measurable and time-bound targets and using disclosure and transparency to harness the power of pressure from investors, consumers, employees and communities to demand change and hold companies to account for their impacts. In the social sphere, this has started to be developed through the Workforce Disclosure Initiative (WDI) and the Task Force on Inequality-related Financial Disclosures (TIFD).

Businesses, advisors and investors can lead the way here, stepping forward to engage with these initiatives; developing approaches which others can follow; and advocating for the benefits of doing so. Charities should support these moves, contributing their insight to businesses attempting to do this, celebrating those which move in the right direction and galvanising consumers, employees and investors to encourage others to do likewise.

Third, the Northern Ireland government should urge the UK government's Department for Business and Trade (DBT) to reinstate the requirement for businesses to report their contributions to charities and civil society. This was included in the 2006 Companies Act, alongside the requirement to disclose political donations. In 2013, however, the FRC removed the obligation to report charitable donations, while keeping that requirement for political donations. At the time, it was argued that mandatory disclosure of philanthropic donations did not appear to drive behaviour change among businesses.[60] However, the Commission believes that reinstating mandatory reporting, and giving it prominence on the front page of company accounts, could have a significant impact on business behaviour, if linked to pressure created by the campaigning discussed above.

Ahead of mandating disclosure, the Northern Ireland and UK governments should use tax relief and procurement requirements to incentivise more businesses to make voluntary disclosures to platforms such as the WDI and the Business for Societal Impact (B4SI) database (a standard and database created in the 1990s to help businesses capture and report their charitable giving and societal impact).

Combined, these steps could help to drive action at a significant scale to solve some of society's biggest problems more effectively. Working together, businesses and civil society can achieve more progress on totemic challenges like inequality and poverty. The voices of communities most affected by some of the negative consequences of industry could be a greater part of creating the solutions, and so the trust that exists between businesses and

[60] Regenerate, Solve S for ESG: how businesses can approach the S in ESG and how partnerships with civil society can help, Law Family Commission on Civil Society, September 2022

communities could grow. Businesses might compete more fiercely to have substantial positive social impact in the world and be better held to account if they do not. And, given the link between organisational performance and purpose, a greater focus on social impact across the private sector might even help to drive more sustainable growth across the UK.

6. A trusted partner? Working with policymakers

"The social sector is a key partner with the public and private sectors in the delivery of solutions to major societal challenges, and a fully 'match fit' sector will boost its productivity and deliver maximum impact for every pound of public funds, grants or donations. There is a key role for government – both UK and devolved – and for regulators to shift from reactive intervention to proactively nurturing and supporting a thriving social sector." – Theresa Shearer

Box 12. Policymakers: Key findings and recommendations

Findings

- Relationships between policymakers and charities matter immensely, affecting Northern Ireland's progress and day-to-day life for millions of people.
- There is a positive bedrock of engagement and respect between charities and policymakers in Northern Ireland, and greater opportunity to connect than is the case in some other parts of the UK.
- However, there are still weaknesses to overcome in order for these relationships to deliver the maximum benefit for both sides.
- Political instability makes it difficult to develop effective and impactful relationships with politicians and constrains officials from acting on the ideas and insights of the social sector.
- Despite positive views, policymakers do not always have a strong understanding of the purpose, funding and structure of the social sector, and social sector organisations would benefit from greater understanding of the policymaking process and environment.

Recommendations

- Policymakers and the social sector should work together to develop guidance and information for both groups about the other. They should also create more opportunities and momentum for volunteering by policymakers and for both policymakers and social sector workers to undertake secondments in other sectors.
- The Northern Ireland government should review the membership of formal advisory structures and ensure appropriate civil society representation.
- Funders should support charities' capacity to engage effectively with local and national policymakers, recognising the value of this in advancing their charitable goals and incorporating resources for it into their funding approaches.

The relationship between charities and policymakers matters immensely

Charities are a crucial part of national life, with the nature of their relationships with policymakers affecting both the country's direction of travel and day-to-day life for millions of people. Charities are major public service providers in Northern Ireland. They provide unique evidence and insight to inform policy from groups government cannot reach alone. Charities also hold government to account, challenging and campaigning on behalf of their beneficiaries, and raising voices which would otherwise be overlooked or silenced. Within local communities, charities and voluntary groups bring people together, develop trust and social capital, and mobilise people to act together to address problems or make positive changes to their lives and places.

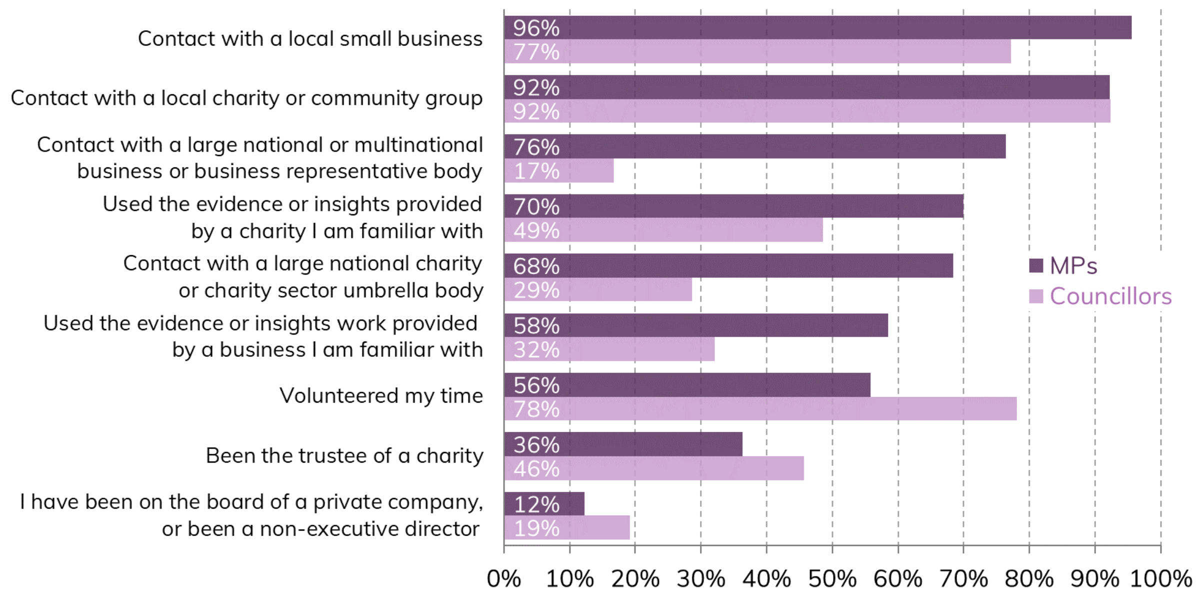
When the relationships between policymakers and civil society are healthy and vibrant, they provide both support and challenge, which elevates the impact of each. When those relationships are weak or unhealthily strained, policymakers lose access to vital insight and connections, while charities can face an operating environment which frustrates rather than facilitates their work.

There is a strong bedrock of respect and engagement, but particular challenges in developing effective relationships with policymakers in Northern Ireland

Research across the UK shows that nearly all MPs (92%) and councillors (92%) are in contact with a charity or community group, regardless of political party.[61] Most use the evidence or insights provided by charities and very large proportions have in depth relationships as volunteers or trustees. More than half of MPs (56%) and three-quarters of councillors (78%) have volunteered with a charity in the past year. Around a third of MPs (36%) and nearly half of councillors (46%) have been trustees.

Figure 7: Nearly all policymakers are in contact with charities

Which, if any, of the following activities have you engaged in in the past 12 months?



Notes: MPs n=103, councillors n=556, participants could select as many responses as were applicable.
Source: Polling conducted by YouGov Plc on behalf of the Law Family Commission on Civil Society. Fieldwork was undertaken 6-27 July 2021

[61] All figures on policymaker attitudes are from H Barnard & G Hoare, A shared interest: The relationships between policymakers and charities, Law Family Commission on Civil Society, March 2022

In Northern Ireland, charities discussed some positive features of the landscape they operate in, but also significant challenges in building effective relationships. The small size of both the social sector and policymaker communities mean that many feel it is relatively easy to identify and start to build relationships. It is also clear that policymakers in Northern Ireland recognise the importance of the sector and value its expertise and the various roles it plays, and this is also reflected in research finding that charity leaders in Northern Ireland (and Scotland) are more likely than those elsewhere in the UK to believe their governments' value charities' contribution to public policy development, service delivery and connections to communities.[62].

> *"If you need to get in touch with someone in the civil service here, or with politicians here, I would say maybe England would be a little jealous because they are a lot more available. And they really are accessible and want to have the discussions. I think that's a good strength for us in Northern Ireland, that you can just pick up the phone and get a meeting." – Northern Ireland charity*

> *"I would say that the third sector is very highly valued here." – Northern Ireland policymaker*

However, there are three main barriers that undermine the ability of the social sector and policymakers to collaborate effectively.

First, the political instability in Northern Ireland makes it very difficult for civil society organisations to develop and maintain relationships with politicians, or for those relationships to form a basis for effective joint working. This leads some social sector organisations to question whether it is a good use of resources for them to invest time and energy into relationships at the political level, and to focus on the civil service instead.

Relationships with civil servants in the Northern Ireland government tend to be more stable, but the political situation means that frequently civil servants feel very constrained in how far they can act on the insight or ideas provided by the social sector. And social sector organisations find it difficult to predict how far different parts of the Northern Ireland government will be willing to act and where it is most useful for them to focus their collaboration and influencing efforts.

> *"Connections with permanent secretaries and departments are more important because they will be there for longer. They are willing to listen and are generally good people, but they tend to be very risk-averse. Some decisions were made when there was no government that they got a lot of backlash for. They are still willing to talk to charities, but [there is] still a lot of tension." – Northern Ireland charity*

Finally, despite high levels of contact between social sector organisations and civil servants, both sides recognise that they do not have sufficient understanding of one another.

> *"There's a lack of understanding [in the social sector] as to how the system works…and that means there seems to be a frustration between the two. So, there's a disconnect in what each other understands about how things work." – Northern Ireland policymaker*

[62] Charity Landscape 2022, Charities Aid Foundation, 2022

There is appetite to develop better training and information for civil servants about the social sector, and for social sector organisations about the policy world. This has been proposed by NICVA:

> *"To fully realise the contribution which the sector can make, there is a pressing need to ensure that government, across all of its remit, activities, departments and statutory agencies, has a full understanding of how our thousands of community and voluntary organisations, working across many different fields, can contribute to positive outcomes for society and what will help or hinder them in doing this. Guidance and induction materials for both elected representatives and officials across all government departments and agencies should be produced in partnership with the VCSE sector…*
>
> *[And] guidance and information on how government operates to deliver outcomes should be developed for voluntary and community organisations, to help them understand better the processes of government and how best to engage with them." – Northern Ireland charity[63]*
>
> *"Even an annual directory would be so helpful to know where people are, so you know what departments you need to be working with, and at least contact information for the people who are there. Because it's so big and vast and people move around a lot." – Northern Ireland charity*

Increasing the opportunities for volunteering and secondments between sectors would also be highly beneficial to support better understanding and more effective collaboration.

> *"Other practical measures should also be considered for developing stronger understanding and working relationships between VCSE sector organisations and government, including secondments, cross-sectoral placements or job-shadowing, networking, and joint training opportunities. The establishment of VCSE sector champions in government departments championing the role of different parts of the VCSE sector could also play a valuable role in increasing understanding and strengthening relationships between the sectors." – Northern Ireland charity[64]*
>
> *"This understanding question between government and the sector…practical ways of inducting people into understanding each other…It should be built into the system so it's unavoidable, so you're not relying on willing individuals who happen to be bought into it." – Northern Ireland charity*

[63] The Voluntary and Community sector and the Programme for Government A Manifesto for Change Three keys to unlocking the potential of community and voluntary action, NICVA, 2021
[64] ibid

The social sector, policymakers and funders can all take steps to improve mutual understanding and effective collaboration

The Commission believes three steps would achieve significant improvements in the relationships between policymakers and the social sector in Northern Ireland.

First, developing better guidance and information for the social sector about the policy community, and vice versa; and creating more opportunities and momentum for volunteering by policymakers and for both policymakers and social sector workers to undertake secondments in other sectors (as proposed by NICVA).

Second, the Northern Ireland government should review the membership of formal advisory structures across government and ensure appropriate civil society representation.

Third, funders must support charities' capacity to engage effectively with local and national policymakers, recognising the value of this in advancing their charitable goals and incorporating resources for it into their funding.

Taking these steps, policymakers and civil society organisations can together create more fruitful and productive relationships. This would help to increase the effectiveness of public policy, strengthen civil societies, enable charities to maximise their impact and support an operating environment that contributes to the sector's resilience and effectiveness.

Conclusion

If Northern Ireland's economy is to grow, if it is to make meaningful social progress, and establish a new sustainable way of life, then all three of its sectors – public, private and social – must be firing on all cylinders and working effectively together.

The Law Family Commission on Civil Society brought together experts from each of the three sectors and consulted with hundreds of people from every walk of life. The Commission sought to understand the distinctive nature and contribution of civil society, its strengths and challenges, and to identify the best ways for it to unlock its full potential in the coming decade.

An integral part of the Commission's work was to consider the connections between civil society and both policymakers and businesses: to uncover examples of where these are working well and the benefits this generates; examine the barriers to greater and more impactful relationships; and consider how these barriers should be overcome.

The Commission's research has found immense appetite across all three sectors to join in this endeavour, with enormous energy and a plethora of good ideas. This report has laid out a programme of collective action to unleash even greater activity and impact across every part of the country, which has support from across sectors and from across political parties. It includes both incremental and ambitious proposals and builds on tried and tested examples of solutions drawn from all three sectors and from across the UK and the world.

The Commission has recommended action from within civil society itself and by policymakers and businesses to drive:

- Greater productivity and organisational effectiveness across social sector organisations;
- More robust, timely and accessible data and evidence about, from and for the sector;
- Improved funding that invests in civil society organisations' ability to achieve greater impact, productivity and resilience;
- Increased links between businesses and civil society organisations; and
- Stronger relationships between national and local policymakers and civil society.

Adopting the proposals laid out in this report will better enable civil society to maximise its unique contribution to building and bolstering communities, campaigning to improve the country, and providing services, particularly to those who most need them.

Taken together, this programme of improvements offers an inspiring vision of civil society by the end of the 2020s. Once enacted, the Commission would expect to see thriving charities, community groups, voluntary organisations and community businesses across the land – but, more than that, real change to people's lives.

As a result of a more financially resilient civil society, with staff and volunteers equipped with the skills and resources necessary to achieve their purpose - feeling well-supported and full of energy and excitement – organisations would work more effectively with one another, with local businesses and with local policymakers. They would share insights and ideas, jointly shaping strategies to meet their shared vision of what their communities need and the strengths and assets they have to draw on. Every area would have an infrastructure organisation or partnership which draws the sector together, engaged strategically with policymakers and able to connect civil society organisations with the data, evidence and skilled support they need to maximise productivity and impact. Civil society organisations, policymakers and funders would have rich data at their fingertips. They would be robustly assessing the impact of their work, identifying ways to increase efficiency, effectiveness and impact and drawing out insights to inform future funding and policy decisions.

Civil society would truly be firing on all cylinders and collaboration between the social sector, businesses and policymakers would have increased the country's resilience in the face of future shocks and crises, prevented problems arising, and increased Northern Ireland's health, wealth and wellbeing.

Overall, implementation of these recommendations would mean that more people receive better, faster, more targeted support from civil society when they need it, wherever they live. The voices of people who find it most difficult to be heard are louder in the rooms where decisions are made, lifted by a more diverse and representative civil society. A greater proportion of society's problems are stopped before they start, with civil society better able to focus on prevention than on crisis, and with all three sectors working together to solve the totemic issues faced by all. And when crises do inevitably occur – whether for individual families or entire countries – people emerge from those crises more swiftly and less affected, as a result of a stronger, more responsive and better-led civil society playing its part to its fullest.

The prize on offer is significant and, crucially, within reach. Through strategic investment, from funders – independent, private and public sector - in the productivity of the social sector, the data available to and about it, and in the changes needed to unlock philanthropy – alongside a dramatic acceleration in the partnership between civil society and business, and improvements to the relationships between civil society and government - civil society can be unleashed and a better Northern Ireland built for all.

Appendix: Summary of recommendations

1. Building productivity and organisational effectiveness

1. A radical shift in approach from funders is needed, away from short-term funding, restrictive grants and contracts, and towards support for core costs (including those associated with property where this is integral to charities' operations) and investment in people, processes and organisational development.
2. Governments and funders should work together to create a new Civil Society Evidence Organisation (CSEVO), which is essential for improving the availability and spread of evidence across the sector, reducing duplication and increasing best practice.
3. The UK and Northern Ireland governments should provide social sector organisations with access to and adaptations of productivity schemes currently restricted to businesses.
4. The Northern Ireland government should revive work to review local infrastructure and consider with the sector how far current provision meets its needs and, in particular, whether development is required in order for it to fulfil the role of 'diffusion architecture' and boost productivity.
5. The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities access to specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.

2. Creating timely, accessible data and robust evidence about the sector

6. The social sector must give more priority to its own data infrastructure. More charities should grasp opportunities to improve their collection and use of data; share the data they already hold, to increase evidence about what works and help them benchmark against peers; and commit to ethical use of data by committing to voluntarily apply the Office for Statistics Regulation's (OSR) Code of Practice for Statistics where relevant.
7. The Northern Ireland government, Northern Ireland Statistics and Research Agency (NISRA), Charity Commission for Northern Ireland, trusts and foundations and charities should come together to develop a data strategy for the sector.
8. The Northern Ireland government, social sector organisations and business groups should prioritise promoting skilled volunteering within a renewed volunteering strategy, enabling charities to access specialised skills which can boost their productivity, for example: in data, digital technology, HR, strategy and management.
9. The UK government, in concert with the Northern Ireland government, should expand existing data labs, ensure social sector organisations in Northern Ireland can access them, invest in more of them, and deliver the promised civil society satellite account.

3. Improving the scale, distribution and impact of funding for the sector.

10. Funders, including the Northern Ireland government, should prioritise finding a way to shift to longer-term, more flexible funding; invest in building charities' capabilities; and streamline application and reporting processes.
11. Charities, infrastructure bodies, the Charity Commission for Northern Ireland and policymakers should advocate strongly for the benefits of moving to these more

effective funding practices, and seek every opportunity to take them up, especially when the Northern Ireland government is restored.

12. The Northern Ireland government should appoint a Philanthropy Champion (as should the UK government) and local philanthropy champions should be appointed to draw funding into deprived areas, including through proven approaches such as match-funding schemes.
13. The Financial Conduct Authority (FCA) should require both qualified and qualifying financial advisors to receive training on philanthropy and impact investing, as part of its work on economic, social and governance (ESG) commitments and the Consumer Duty.

4. Bringing businesses and civil society together

14. Business and civil society umbrella organisations in Northern Ireland should work together to raise awareness of the benefits of links among charities and businesses and create opportunities for them to meet and develop relationships.
15. Charities, businesses, investors and advisors should work together to improve the measurement of businesses' social impacts and the value of civil society partnerships and drive the use of voluntary disclosure initiatives to encourage more businesses to engage with civil society.
16. The Northern Ireland government should urge the UK Department for Business and Trade (DBT) to reinstate the requirement for businesses to report their contributions to charities and civil society.
17. Ahead of this, they should incentivise more businesses to make voluntary disclosures to platforms, such as the Workforce Disclosure Initiative (WDI) and the Business for Societal Impact (B4SI) database, by linking tax relief and procurement to disclosure.

5. Strengthening relationships with policymakers

18. Policymakers and the social sector should work together to develop guidance and information for both groups about the other. They should also create more opportunities and momentum for volunteering by policymakers and for both policymakers and social sector workers to undertake secondments in other sectors.
19. The Northern Ireland government should review the membership of formal advisory structures and ensure appropriate civil society representation.
20. Funders should support charities' capacity to engage effectively with local and national policymakers, recognising the value of this in advancing their charitable goals and incorporating resources for it into their funding approaches.

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