



Department  
for Culture  
Media & Sport

# Response to “Stronger Charities for a Stronger Society” the report of the House of Lords Committee on Charities

December 2017

**Response to “Stronger Charities for a Stronger Society”**

**Foreword**

I welcome this wide-ranging report from the House of Lords Committee on Charities which reflects a breadth of charity sector expertise and experience in the House of Lords. I thank the Committee for its well-considered report and am also grateful to all those charities and others who gave evidence to the Committee and contributed to its conclusions and recommendations.

Charities are at the very heart of civil society. They touch all of our lives in many different ways and are a national asset of which we should be incredibly proud. This is an amazingly diverse sector, although all share the common denominator of acting for the public benefit.

The good news is that the charity sector is growing, with new charity registration applications up 40% over the last three years, and overall sector income growing by £5 billion over the last two years to an all-time high of £74.4 billion. However, I know that headline masks some of the challenges and barriers that charities face. Increased demand has impacted on some parts of the charity sector, as have fiscal constraints; barriers to public services markets are holding some charities back; the impact of EU exit is a concern for others. With limited resources to bring to bear on some of these challenges we need to work together and think creatively across sectoral boundaries about how we can most effectively and efficiently tackle the issues that prevent charities from reaching their potential.

I want to not only present a positive response to this report but in doing so I also want to send a strong positive message about government’s vision for its work with and for civil society. We recognise and value charities and other civil society organisations and the vital work you do to help those in need, often in difficult circumstances. We want to work with you and other partners across civil society, national and local government and the private sector to tackle the barriers that are holding civil society back. Through our Civil Society Strategy I want to engage in discussion with all our partners on how we can best work together to bring about a step change in the potential of civil society in tackling some of the most important and difficult social challenges we face. I look forward to the conversations ahead and to working with you on these issues over the coming months and years.



Tracey Crouch MP

Minister for Sport and Civil Society

**Response to “Stronger Charities for a Stronger Society”**

## **Responses to Recommendations**

The Committee made 43 recommendations. Set out below are the Committee’s recommendations from the report and the Government’s response to each. [Paragraph references are to the original report.]

### **Recommendation 1**

*Training and development are essential for charity trustees in order for the sector to work effectively. It is the responsibility of charities’ chairs to ensure that this vital activity takes place. We recommend that the sector’s infrastructure bodies review the training opportunities that exist, identify where there may be shortcomings in provision, particularly for small charities, and take action to address them. They could assist charities by publishing collated information about available training and providing a platform for users to rate the value of courses they have accessed. (Paragraph 97)*

We welcome this recommendation and its focus on identifying the training needs of charity trustees. [A recent collaborative research programme into charity trustees](#)<sup>1</sup> involving the Office for Civil Society, Charity Commission, Cass Centre for Charity Effectiveness, NCVO and the Cranfield Trust has highlighted trustees’ training needs, the support currently on offer, the perceptions of support providers, and the demand for different types of support provided to charity boards and trustees.

### **Recommendation 2**

*We believe that smaller charities would benefit from having free access to a template induction process. We recommend that grant-making bodies consider applications from infrastructure organisations and governance professionals to develop such a best practice template. (Paragraph 99)*

This recommendation is for sector infrastructure organisations and governance professionals. Recent research has reinforced the need for better trustee induction and we welcome this recommendation which would support best practice.

### **Recommendation 3**

*There is greater potential for charities to benefit from better connections to the business community and vice versa. We recommend that the Government takes fresh measures to get more senior business leaders directly involved with charities to foster those relationships and maximise their value. (Paragraph 100)*

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<sup>1</sup> <https://www.gov.uk/government/publications/taken-on-trust-awareness-and-effectiveness-of-charity-trustees-in-england-and-wales>

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We agree with the Committee that there are unrealised potential benefits that would derive from stronger partnerships between Civil Society and businesses. Earlier this year the Inclusive Economy Partnership was launched by government in partnership with charity and business leaders. It brings together business, civil society and government to help address major societal challenges facing those on low to middle incomes. The Partnership will identify, engage with and support the scaling of existing, high potential solutions that focus on tackling the challenges of Financial Inclusion and Capability, Mental Health and Transition to Work, particularly for low to middle income households. The development of our Civil Society Strategy will enable us to explore further opportunities to build stronger connections between businesses and charities.

**Recommendation 4**

*We recommend that the Office for Civil Society works with other departments and business leaders to develop a new initiative to promote trusteeship to employees and employers and thereby encourage greater participation and diversity. The initiative should encourage employees to see both the selfless, charitable value of trusteeship and the personal benefits in the form of skills and career development. Employers should be encouraged to give greater recognition to trustee roles in recruitment and progression of their staff. (Paragraph 107)*

Charity trustees play a vital role in society, freely giving their time to ensure charities are well run and make a difference. We agree with the Committee that more should be done to promote the benefits of trusteeship. Many leading businesses already encourage their employees to volunteer as charity trustees. Doing so can bring significant benefits to the business, as employees can develop a wide range of transferable skills through their charity trustee roles that they may not be able to develop through their day job. The Office for Civil Society established the Skills Exchange Alliance in 2016. Made up of business and voluntary sector representatives, the group works to support growth in the quality and quantity of employer supported volunteering. We will consider new opportunities to promote charity trusteeship, and in particular to encourage greater diversity.

**Recommendation 5**

*We further recommend that the Government holds a public consultation on the possibility of introducing a statutory duty to allow employees of organisations over a certain size to take a limited amount of time off work to perform trustee roles. (Paragraph 108)*

We will continue to encourage employers to support employees who have charity trustee roles. However, there are currently no plans to consult on a statutory duty on employers to give employees time off for charity trustee roles.

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**Recommendation 6**

*We agree that there should be a time limit for individuals to serve as trustees, along with a maximum term of office, and we endorse the proposed inclusion of such time limits in the revised Governance Code. We recommend that the materials and draft articles of association provided by the Charity Commission include a suggestion of time limits. (Paragraph 113)*

We note that the Charity Governance Code has been published by the sector-led Code Steering Group and would encourage its adoption as a matter of good practice. Paragraph 5.7.4 of the Code states that:

“Trustees are appointed for an agreed length of time, subject to any applicable constitutional or statutory provisions relating to election and re-election. If a trustee has served for more than nine years, their reappointment is:

- subject to a particularly rigorous review and takes into account the need for progressive refreshing of the board, and,
- explained in the trustees’ annual report.

The recommendation on model governing documents is for the Charity Commission.

**Recommendation 7**

*We acknowledge the challenges that the Charity Commission faces in securing a diverse board, however the regulator cannot expect to hold the sector to a higher standard than it is able to achieve itself. We recommend that the Commission is mindful of the example it sets to the sector and that when filling future vacancies it explicitly seeks to recruit individuals with a range of skills, charity experiences and demographic characteristics, such as age, gender, ethnicity and geography. We expect to see the results of this approach in the next set of board appointments. (Paragraph 119)*

Charity Commission board members are appointed by the Secretary of State for Digital, Culture, Media and Sport on merit following open and fair competition regulated by the Commissioner for Public Appointments. Recruitment of a new legal board member and a new Chair for the Charity Commission are near completion.

We want to encourage a strong and diverse field of candidates and ensure a wide range of skills, experience (including charity experience) and demographic characteristics on the Commission’s board. Bearing in mind the Public Sector Equality Duty we sought to maximise the diversity of applicants and promoted the vacancies through a variety of channels, many

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of which are targeted specifically at underrepresented groups, in addition to the role being advertised on the Public Appointments website and the Charity Commission website.

**Recommendation 8**

*Charities recognise that training and development for leaders and staff is important, however there are still significant shortcomings in terms of available training and levels of take-up. We therefore recommend that infrastructure bodies in the sector take the lead on working with government, academics and research institutions, and with the business community, to identify further opportunities to support and fund leadership programmes. (Paragraph 128)*

Charity leaders play a vital role in determining the success of their organisations. We welcome this recommendation and will engage with partners across civil society and beyond to identify opportunities to support the sector on its leadership programmes.

**Recommendation 9**

*We recommend that the Governance Code Steering Group reflect in the Code the importance of executive and trustee relationships and the clear separation of their roles and responsibilities. (Paragraph 134)*

This recommendation is for the steering group of the Charity Governance Code. We note that the Charity Governance Code, published earlier this year, requires clear identification and separation of roles and responsibilities.

**Recommendation 10**

*However, as we said at paragraph 149, we believe that it is important for all but the very smallest charities to have a simple website or social media page, and they should use that to set out their basic organisational and financial information. We recommend that public sector funders and other donors should evaluate the transparency of charities when considering requests for funding. (Paragraph 157)*

Websites and a social media presence are a good way for charities to demonstrate their transparency and public accountability.

The Charity Commission has done much in recent years to improve the information publicly available on the online register of charities and has recently consulted on changes to its annual return which would further increase charities' transparency.

We note the Committee's recommendation that funders take account of charities' transparency when considering requests for funding.

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### **Recommendation 11**

*We recommend that the Governance Code Steering Group set out best practice suggestions for governance reporting by charities. This might involve charities including in their annual report a statement that they follow the Governance Code, or a similar specialist governance code relevant to their work, and report any actions they have taken over the year in light of the Code. (Paragraph 163)*

We welcome this recommendation and would support charities disclosing their compliance with the Charity Governance Code in their trustees’ annual report as a matter of best practice.

### **Recommendation 12**

*All charities should be seeking independent evaluation of their impact on their beneficiaries, in order to ensure that they are delivering for them and to demonstrate this to beneficiaries, funders and the public. The form of such evaluation may vary considerably, depending on the size of the charity and the type of work it is engaged in. We recommend that public sector commissioners assess such evaluation when awarding contracts. (Paragraph 174)*

We welcome this recommendation. Commissioners of public services should already take account of evidence of impact where appropriate as part of their evaluation when commissioning services. Charities that can evidence their impact and value for money will be in a stronger position to successfully bid for contracts.

The Government’s minimum grants standards<sup>2</sup>, introduced in December 2016, provide guidance for Departments on due diligence expected before awarding a grant, which should include an assessment of capability, track record and credibility (Grant Standard 7).

### **Recommendation 13**

*We welcome initiatives such as Inspiring Impact that seek to assist charities in demonstrating impact. We recommend that the Government and the charity sector continue to pursue initiatives to better understand and promote the impact of charities. (Paragraph 175)*

Sector-led initiatives such as *Inspiring Impact* seek to promote best practice on evaluation and impact measurement across the sector and are to be welcomed and encouraged. We

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<sup>2</sup> <https://www.gov.uk/government/publications/grants-standards>

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will continue to engage with the sector to better understand and promote the impact of charities and other civil society organisations.

**Recommendation 14**

*We recommend that the Office for Civil Society (OCS) develops guidance for the rest of the public sector on how to set contractual impact reporting requirements appropriately and in a standardised fashion in order to reduce the bureaucratic burden on charities. The OCS should promote its work beyond the public sector in order to maximise its reach and value. (Paragraph 176)*

Reporting requirements, including reporting on impact often differ according to the type of service being delivered and may not be particularly well-suited to a standardised approach.

The appointment of a new Voluntary, Community and Social Enterprise Sector Crown Representative is expected in due course. A big part of their role will be addressing barriers and technical issues for charities.

In relation to grant funding the Government’s minimum grant standards, introduced in December 2016 sets expectations for proportionate performance monitoring and evaluation depending on the size of grant and other risk factors. In addition, the Government Grants Centre of Expertise (GCOE) provides Departments with guidance, training modules and model documents including on reporting and evaluation.

**Recommendation 15**

*The commissioning landscape is skewed against smaller charities. We recommend that contracting authorities embrace the recent changes to public procurement rules, which allow for smaller contracts, potentially giving charities better access to funding opportunities. (Paragraph 193)*

The voluntary sector can have a real impact on the quality and efficiency of services across the country. We want more small and medium sized civil society organisations to access the public service market and improve outcomes for service users.

The Public Contract Regulations 2015 require commissioning bodies to provide an explanation when they choose not to split contracts into smaller lots. This should provide more opportunities for small and medium sized suppliers to win contracts.

The Regulations also require contracts to be posted on Contracts Finder, providing more transparency about contracting opportunities which will particularly benefit small and medium sized organisations.



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**Recommendation 16**

*We welcome the Government’s recent announcement on new measures to improve commissioning and help small charities get commissioned. We recommend that Government provides support for the development of voluntary sector bidding consortia, and takes steps to promote commissioning based on impact and social value rather than simply on the lowest cost. (Paragraph 194)*

In the last Parliament, the Civil Society Implementation Group (CSIG) - a collaboration between charities, commissioners, umbrella bodies and government looked at issues including barriers to small and medium sized charities accessing the public services market. This has given us important insight into the issues relating to the public service market and will feed into the forthcoming Civil Society Strategy. In addition we continue to work closely with the Commissioning Academy to support a more flexible and innovative commissioning approach that is focused on impact and social value.

**Recommendation 17**

*We recommend that the Government’s implementation group on commissioning practices considers the risks of larger organisations exploiting smaller charities through the commissioning and subcontracting process. We recommend that Government guidance on public sector commissioning should highlight these risks and encourage the design of contracts in a way which prevents such practice so far as is possible. (Paragraph 198)*

The Public Contracts Regulations 2015 abolished the pre-qualification stage for procurements below the EU thresholds, imposed prompt payment requirements through the supply chain, and increased opportunities by requiring procurements to be advertised on Contracts Finder ([www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder)). These reforms to support small and medium sized suppliers were explained to commissioners in a Procurement Policy Notice in 2015.

The Commissioning Academy celebrated its fifth anniversary this year, having supported over 1,400 participants drawn from local authorities, central government, clinical commissioning groups and many other organisations.

The work of the Civil Society Implementation Group will feed into the Civil Society Strategy. We will continue to engage with partners on whether there are new risks of small and medium sized subcontractors being exploited.

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**Recommendation 18**

*We believe there is merit in considering the options for extending the Public Services (Social Value) Act 2012 as set out by Lord Young of Graffham. We recommend as a first step that the Government requires public sector commissioners to “account for” rather than merely “consider” social value. We further recommend that the Government sets measurable targets for the use of social value in commissioning and outlines the steps it will take if those targets are not met. (Paragraph 221)*

We remain fundamentally committed to the Social Value Act and continue to implement the recommendations of Lord Young’s 2015 review.

We believe that for the use of the Social Value Act to be meaningful we need to work collaboratively with partners across Government and Civil Society to gather evidence, promote best practice and determine how to best increase the uptake of the Act.

Promoting greater understanding of the full impact achievable from the Social Value Act will be a priority for the VCSE Crown Representative.

There is not likely to be an opportunity for legislative changes in the near future to the Public Services (Social Value) Act 2012 in the near future, which would be needed to require public sector commissioners to “account for” social value. Specific targets may not be the most effective way to expand the use of social value in commissioning. We will continue to engage with civil society and commissioners to examine the best way to improve the take up of the Act and expect social value to be an important element in discussions on the Civil Society Strategy.

**Recommendation 19**

*We recommend that the Government’s review of commissioning considers the impact of Payment by Results contracts on charities and examines what support the sector needs to engage in service delivery in a sustainable manner. (Paragraph 231)*

Payment by results contracts and social impact bonds can support innovative solutions to address some of the biggest social issues of our time.

The Government Outcomes Lab (GO Lab) is a partnership between the Centre for Social Impact Bonds and the Blavatnik School of Government at the University of Oxford. Launched in July 2016 it brings in expertise from across academia, the public, private and charity sectors to enhance the understanding and existing research on outcome based

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commissioning. It also builds on the evidence base to evaluate the effectiveness of outcome based funding versus alternatives.

**Recommendation 20**

*Charities cannot operate unless their core costs are met. We recommend that public sector commissioners should be expected to have regard for the sustainability of the organisations which they commission to deliver services. This should include an expectation that realistic and justifiable core costs are included in contracts. (Paragraph 239)*

The sustainability of delivery organisations is an important factor for commissioners to consider when awarding contracts. Securing best value for taxpayers’ money will also continue to be a key factor in commissioning decisions. The Social Value Act 2012 requires commissioners to consider wider social, economic and environmental benefits which can include sustainability when making value for money decisions. These are areas of strength for the charity sector.

**Recommendation 21**

*Tightly-prescribed contracts that dictate the process of delivery, rather than the desired outcome, can be the greatest inhibitor of innovation. We therefore recommend that public sector commissioners refrain from setting overly-detailed requirements for the mechanisms of service delivery. (Paragraph 256)*

Outcomes based commissioning does not tightly prescribe the process of delivery, leaving contractors free to determine how best to deliver their outcomes rather than focus on process. We agree that outcomes based commissioning can encourage and support innovation in public service delivery.

In relation to grant funding, the Government’s Grants Standards, introduced in December 2016 require all grants to “*have outputs agreed and longer-term outcomes defined, wherever possible, to enable active performance management, including regular reviews and adjustments where deemed necessary.*” (Grant Standard 8).

**Recommendation 22**

*Additionally, restrictive commissioning practices can hinder charities’ capacity for innovation by limiting their working capital. We recommend that, where appropriate, public sector commissioners pay or provide grants for charities to test new ideas and innovate during both the early scoping and development of services, and their later delivery. Such funding would generate positive returns, through supporting new and more effective ways of working, while*

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*also contributing to the sustainability of the charity sector and generating potential cost-savings for commissioners. (Paragraph 257)*

Grant funding can be an appropriate mechanism to promote innovation in service development and delivery. Most OCS-funded programmes are delivered through grants and this can provide the space and flexibility for recipients to innovate in the delivery of positive outcomes.

Outcomes-based commissioning can also be a mechanism that gives the provider freedom in how they deliver positive social outcomes, enabling innovative approaches without a prescriptive focus on process.

**Recommendation 23**

*We recognise the significantly reduced funding available to local authorities. Nevertheless, grant funding has great potential in sustaining a healthy civil society and in enabling communities to benefit from charities’ capacity to innovate. We recommend that local authorities should bear this in mind in the course of their financial planning, and maintain or revive grants wherever possible. (Paragraph 268)*

This recommendation is for local authorities. However we agree with the Committee that grant funding can form a vitally important part of the funding mix for many charities and particularly small charities that may lack the capacity to successfully compete for a contract. We encourage the use of grant funding as an important part of the funding mix.

**Recommendation 24**

*We are conscious of the concerns from the sector that the voluntary levy to fund the Regulator may be disproportionately burdensome for small and medium-sized charities. We recommend that the new Fundraising Regulator continually monitors the impact of the levy, particularly on small- and medium-sized charities, and makes changes if appropriate. (Paragraph 276)*

This recommendation is for the independent Fundraising Regulator. Its levy only applies to charities that spend over £100,000 on fundraising. The Government welcomes the progress that the Fundraising Regulator has made since its launch in July 2016, and acknowledges the charity sector’s commitment to best practice in fundraising.

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**Recommendation 25**

*We welcome the Government’s changes to Gift Aid as part of the Small Charitable Donations and Childcare Payments Act 2017. We recommend that the Office for Civil Society works closely with Her Majesty’s Revenue & Customs (HMRC) to examine whether there are further changes that would help charities maximise the value of Gift Aid and minimise bureaucracy. (Paragraph 283)*

In 2016-17 Gift Aid claims by charities grew by £10m to £1.27bn. Claims under the Gift Aid Small Donations Scheme have also grown by £3m to £29m. Overall charities benefit from considerable tax exemptions and reliefs, worth over £3.7 billion in 2016-17, over 40% more than it was in 2010.

The Office for Civil Society will continue to work with HMRC on how we can raise awareness of the Gift Aid Small Donations scheme and encourage its take up among small charities.

**Recommendation 26**

*We recommend that the Office for Civil Society works with HMRC to ensure that the needs of charities are high on the agenda in relation to future changes to VAT and the National Living Wage. (Paragraph 284)*

The Office for Civil Society works closely with HMRC and HM Treasury across the range of charity tax exemptions and reliefs and will continue to do so.

**Recommendation 27**

*We recommend that the Office for Civil Society works to improve significantly the awareness and availability of payroll giving by companies. In addition, there is no excuse for any Government department not offering payroll giving to their employees. The Government must set an example in this regard by ensuring that payroll giving is offered to staff as standard by all departments and executive agencies. (Paragraph 285)*

The UK is the most generous nation in Europe and one of the most generous in the world. Charitable giving by individuals remains an important source of income for charities in this country and the Community Life Survey shows that 75% of people give money to charity in the average month. More than a million UK employees currently give through payroll giving, which celebrated its 30th anniversary in 2017. We will work with sector partners to consider

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further measures to support awareness of payroll giving across businesses. The Office for Civil Society will continue to promote the benefits of payroll giving across Government.

**Recommendation 28**

*Funders need to be more receptive to requests for resources for volunteer managers and co-ordinators, especially where charities are able to demonstrate a strong potential volunteer base. We recommend that Government guidance on public sector grants and contracts is amended to reflect this and set a standard for other funders. (Paragraph 311)*

We acknowledge that making the most of volunteers requires them to be effectively managed and co-ordinated. We will explore with voluntary sector partners how we can support promoting the effective management of volunteers in delivering public services.

**Recommendation 29**

*There is scope for further efforts by the Government to allow people to incorporate volunteering into their lives. We recommend that, in line with our earlier recommendation on trusteeship (see paragraph 107), the Office for Civil Society should work with other departments, the public sector and businesses to encourage greater flexibility for employees to take time off for charitable work.(Paragraph 312)*

The Community Life Survey 2016-17, shows that around a fifth (22%) of adults took part in formal volunteering at least once a month. When looking at all volunteering (formal and informal), nearly two thirds of adults (63%) had engaged at least once a year.

Many employers already have impressive volunteering schemes, recognising the benefits it brings for example in a by creating a more motivated and productive workforce. We will continue to encourage employer supported volunteering.

**Recommendation 30**

*We welcome the Law Commission’s work to address some of the legal and technical barriers to charities looking to merge. We recommend that the Government brings forward the Bill at the earliest opportunity. (Paragraph 344)*

We welcome the Law Commission’s report “Technical Issues in Charity Law<sup>3</sup>”, which reported in September 2017. The project identified a range of measures to simplify legal

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<sup>3</sup> <https://www.lawcom.gov.uk/project/charity-law-technical-issues-in-charity-law/>

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requirements on charities whilst preserving necessary safeguards. We are carefully considering the report’s recommendations and will respond in due course.

**Recommendation 31**

*We recommend that the Charity Commission, as part of its emphasis on enabling regulation, considers what support and guidance it can offer to charities seeking to merge, and provides signposts to help that may exist elsewhere. The Commission should take a positive approach to assisting charities that choose to merge and assist in removing any barriers that may exist, notably with regard to liabilities such as pension arrangements. (Paragraph 345)*  
This recommendation is for the Charity Commission.

We note that much has been done in recent years to address barriers and facilitate merger and collaboration. Financial liabilities are an important due diligence consideration and will continue to be a relevant factor in whether some mergers take place.

**Recommendation 32**

*We recommend that the Charity Commission include options for time limited structures in the model governing documents that they produce for charities, as such clauses would prompt new charities to consider their lifespan from their inception. (Paragraph 352)*

This recommendation is for the Charity Commission.

Charities can already decide to operate in a time limited way; winding up and passing any remaining assets to another charity with the same purposes. We would support this being made clearer in guidance for those seeking to establish a charity.

**Recommendation 33**

*We recommend that infrastructure bodies share knowledge and best practice on innovation and digitisation across the sector and co-ordinate training opportunities, at minimal cost, for charities with limited digital experience. We recommend that the Big Lottery Fund provides support to enable this. (Paragraph 382)*

This recommendation is for sector infrastructure bodies and the Big Lottery Fund.

We note that more could be done to boost digital skills and the use of digital tools in delivering services across the charity sector and would be keen to hear the views of civil society organisations through the Civil Society Strategy.

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**Recommendation 34**

*Central Government needs to understand better, and take account of, the implications of devolution for charities and civil society. There needs to be a proper dialogue between charities and new regional administrations at every stage of the devolution process, and voluntary sector representatives should be involved in leadership structures and decision-making where appropriate. We recommend that the Office for Civil Society works closely with the Department for Communities and Local Government and infrastructure bodies to ensure that this happens. (Paragraph 463)*

Regional and local devolution offer real opportunities to do things differently, meeting local needs in a democratically accountable way. Devolution within England aims to provide local areas with the levers they need to boost local economic growth and improve and integrate public services. Government is clear that devolution deals should be bottom-up, bespoke and place-led, in terms of the specific measures agreed but also in the way in which those measures are implemented locally. Devolution provides new opportunities for civil society. We will continue to encourage engagement and dialogue between devolved structures and civil society organisations so that the potential benefits can be realised.

**Recommendation 35**

*Compacts are a valuable statement of principle about the relationships between government, both local and national, and the voluntary sector. We recommend that, where compacts do not currently exist, they are reestablished in consultation with the sector. (Paragraph 474)*

Local compacts can be an effective means of strengthening partnerships between civil society and local government, although they should not be considered a prerequisite for strong and effective partnerships.

Central Government continues to follow the principles of the Compact. The Civil Society Strategy is an important opportunity to consider how we can improve partnerships between sectors and local communities to build a stronger and fairer society for all.

**Recommendation 36**

*We also recommend that, where they have not done so recently, national and local government should review their compacts in collaboration with the voluntary sector to ensure that they continue to be fit for purpose, reflecting the changing role of charities. They should*



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*restate their intent to apply the principles of the compact and include a mechanism for review to ensure that they are observed. (Paragraph 475)*

We continue to work to the principles of the Compact. The Civil Society Strategy provides an opportunity to engage with civil society partners on how we can strengthen our partnership working.

**Recommendation 37**

*We believe that Lord Hodgson of Astley Abbotts’ proposals for a review of the rules set out in the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014 are eminently sensible and will provide reassurance to charities that they will not face censure for carrying out ordinary campaigning activity during election periods. We recommend that the Government implement Lord Hodgson’s recommendations in full. (Paragraph 488)*

We recognise and value the important role of charities in undertaking non-partisan campaigning that supports their charitable purposes.

The rules on third party campaigning in elections ensure that campaigning is transparent and prevent any individual, company or organisation exerting undue influence in terms of an election outcome. Lord Hodgson of Astley Abbotts produced a comprehensive report, but the Government has already made clear that we will not be bringing forward legislation to implement his package of recommendations. The legislative programme for this session is already at full capacity.

One of the report’s conclusions was that it was the perception of the legislation, rather than its direct impact, that was dissuading charities from legitimate campaigning. We have offered to work with charities to provide guidance on the legislation and encourage charities to continue their important campaigning work

**Recommendation 38**

*Poor consultation and ill-thought-through policy proposals have caused serious unease and disruption to the work of charities. We recommend that the Government reviews its approach to engagement with the charity sector before policy announcements are made, with a view to ensuring that charities feel better informed about legal changes which may affect them and have a greater opportunity to provide input on new policies. (Paragraph 497)*

The Civil Society Strategy provides an important opportunity to engage with civil society and improve partnerships between sectors and local communities to build a stronger and fairer society for all. The Strategy will look at how policies across government fit together to help shape a wider ambition for the voluntary sector and civil society as a whole. It will provide greater clarity and coherence on how government and partners can work together for a stronger civil society.

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**Recommendation 39**

*As part of its ongoing engagement with the charity sector in relation to the UK’s withdrawal from the EU, the Office for Civil Society should undertake an audit of the potential impact of Brexit on charities. This should include the impact of loss of funding as well as on research collaboration. We recommend that the OCS publish its assessment by the end of 2017. (Paragraph 504)*

Government recognises that charities and other civil society organisations have important views on exiting the EU. We have been gathering information on the challenges and opportunities exiting the EU presents and are listening to the concerns and priorities of civil society organisations, including on the potential for continuation of funding and collaboration. The Office for Civil Society will keep working across departments to ensure that the views of civil society organisations are represented in the negotiations.

**Recommendation 40**

*Charity staff and trustees who have concerns with regard to their charities should be encouraged to report them to the Charity Commission where appropriate. We recommend that the Commission makes clear that those charities which are proactive in reporting issues to them will be supported to help put things right. (Paragraph 511)*

This recommendation is for the Charity Commission.

We support this recommendation and would encourage charities to report serious incidents to the Charity Commission at an early stage when problems can often be addressed more easily and quickly.

**Recommendation 41**

*Because of these issues, we have grave concerns about the Commission proceeding with any proposal to charge charities. We recommend that the Charity Commission makes clear how a charge would benefit charities and strengthen the sector overall. To achieve such clarity, the Commission must be transparent from the outset as to how additional revenue from charities would be spent, and what services would be delivered or enhanced in return. The Commission must set out how it envisages its supporting and enabling role developing or expanding if a charge for registration was introduced. (Paragraph 533)*

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Any proposals for charging by the Charity Commission would be subject to full public consultation and Parliamentary scrutiny.

We agree with the Committee’s recommendation that any proposals for charging should make clear how the proposals would benefit charities and strengthen the sector overall, and that the Commission must be transparent in how any additional revenue would be spent and what additional or enhanced services would be provided as a result.

**Recommendation 42**

*We recommend that the Treasury maintains adequate direct funding of the Charity Commission, irrespective of any proposal to charge charities. (Paragraph 535)*

We remain committed to ensuring that the Charity Commission has the funding it needs to be an effective and efficient registrar and regulator of charities, whilst ensuring that taxpayers’ money is used as efficiently as possible.



Department for Digital, Culture, Media and Sport

**Response to “Stronger Charities for a Stronger Society”**

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