

Denying the vulnerable a second chance

Undervaluing Britain's third sector in the fight against poverty

third sector working group
state of the nation report

December 2006

About the Social Justice Policy Group

The Social Justice Policy Group has been commissioned by the Rt Hon David Cameron MP, Leader of Her Majesty's Opposition, to make policy recommendations to the Conservative Party on issues of social justice.

The Policy Group is being chaired by the Rt Hon Iain Duncan Smith MP, former leader of the Conservative Party and Chairman of the Centre for Social Justice, and its Deputy Chairman is Debbie Scott, Chief Executive of Tomorrow's People. The Centre for Social Justice is hosting its Secretariat.

The Social Justice Policy Group will study:

- Phase 1: The nature and extent of social breakdown and poverty in Britain today
- Phase 2: The causes of poverty
- Phase 3: Policy solutions to the social breakdown and exclusion

This Report covers phases one and two. The full Report is due to be completed next year and policy recommendations will be made to the Conservative Party in June 2007.

“PATHWAYS TO POVERTY”

The group will look at a number of different factors which contribute to poverty and have identified five key “paths to poverty”:

- family breakdown
- educational failure
- addictions
- economic dependence
- indebtedness

The Social Justice Policy Group will also study a final aspect of the new Conservative poverty-fighting agenda – increasing the role of the voluntary sector in providing local, effective and lasting solutions. These six areas will all be covered by Working Groups.

Contents

Foreword from Rt. Hon. Iain Duncan Smith MP	5
Foreword from Orlando Fraser, Chairman of the Third Sector Working Group	6
Executive Summary	7
Executive Guide to the Report	16
Chapter 1: Introduction: Giving people a second chance	20
Chapter 2: An overview of Britain's social problems	22
Chapter 3: The third sector today: a broad overview	24
Evidence Section A: Detailed evidence of third sector work in the five key areas	
Chapter 4: Third sector work in tackling family breakdown	30
Chapter 5: Third sector work in tackling educational failure	37
Chapter 6: Third sector work in tackling addictions	47
Chapter 7: Third sector work in tackling economic dependence	55
Chapter 8: Third sector work in tackling indebtedness	63
Evidence Section B: Evidence relevant to broader themes	
Chapter 9: Smaller third sector organisations facing a squeeze	68
Chapter 10: Evidence on the state of charitable giving	75
Chapter 11: Evidence about the state of volunteering	84
Chapter 12: Government impact on the third sector	91
Appendix 1: Members of Third Sector Working Group	102
Appendix 2: Organisations consulted	104

Members of the Third Sector Working Group

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Civil fraud barrister and a Patron of the Longford Trust

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Chief Economist and Director of Policy, Institute of Directors

Cameron Watt, Vice Chairman

Deputy Director, Centre for Social Justice

Charles Drew

Chief Executive, Amber Foundation

Simon Edwards

Chairman and Founder, Believe

Heather Keates

National Director, Community Money Advice

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Family law barrister

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Chairman, Sovereign Capital and Chairman, Future

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Partner, Charterhouse Capital Partners

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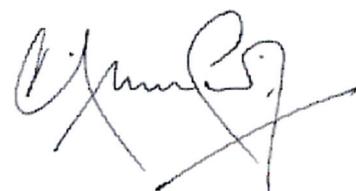
Philip Whittington

Foreword by Iain Duncan Smith

This Report underlines the remarkable role that is being played by the voluntary sector in many communities in the UK. These organisations play a pivotal role in giving vulnerable people a second chance. It is these community groups and charities that often produce the most life changing work and innovation, and a vibrant voluntary and charitable sector is a sign of a robust anti-poverty strategy.

However, the voluntary sector is significantly underused and under supported in our fight against poverty today and any support offered by the Government is often conditional, compromising much of the voluntary sector's value, being in danger of creating a mini-public sector instead.

My thanks to Orlando Fraser and his committee, all of whom have worked incredibly hard to create an extensive report on the role of the voluntary sector in the UK today.

A handwritten signature in black ink, appearing to read 'Iain Duncan Smith', with a large, stylized flourish at the end.

Rt Hon Iain Duncan Smith MP

Foreword by Orlando Fraser, Chairman, Third Sector Working Group

As Chairman of the Social Justice Policy Group's Third Sector Working Group, I feel honoured to present this interim Report into the workings of the third sector with Britain's most vulnerable groups today.

Commissioned by David Cameron in 2005, and guided by the sure hand of Iain Duncan Smith, Chairman of the Social Justice Policy Group, this Report is a focused effort to examine how the many strengths of the sector can be more usefully mobilised to step up the ongoing fight against poverty and deprivation in our country.

We have seen from the reports of the other Working Groups of the Social Justice Policy Group how five key and prevalent pathways to poverty – family breakdown, educational failure, addictions, economic dependency, and consumer indebtedness – should weigh heavily on Britain's social conscience today.

This Report shows how the third sector can, and often does, make an enormous impact on the lives of the most vulnerable fighting these various demons, and contributing significant social capital in so doing – but also shows how much more could be done with better support from the Government, and the public as a whole. I commend this Report to the reader as part of our consultative process towards our final report which will set out how the Group believes many of the problems we highlight here could most effectively be addressed.

I wish to thank the very many charitable, voluntary, social enterprise, public sector, and private organisations and individuals who have assisted so far with the Group's wide-ranging consultation process, and entreat them to continue to assist us as we head towards producing policy proposals in 2007.

I wish also to thank the members of the Group for their unstinting work and support so far. Finally, and above all, I wish to thank Cameron Watt and everyone at the Centre for Social Justice, who have worked so hard on the consultation process and this Report, and whose enthusiasm, commitment and innovative expertise reflects the very best qualities of the third sector itself.

Executive Summary

INTRODUCTION

1 The main thrust of the interim Report of the Third Sector Working Group (“the Group”) is that:

- The remarkable value of the voluntary sector¹ in UK society today is accepted across the political spectrum; yet
- The voluntary sector is significantly under-used and under-supported in the fight against poverty today; and
- Even when it is used by the Government to fight poverty, it is in a controlling way that compromises much of the voluntary sector’s value, potentially simply creating a mini-public sector instead.

The result is that Britain’s vulnerable are being denied the true second chance that the third sector could give them.

2 The challenges for Government are to:

- Devote a greater proportion of the funding allocated to fighting poverty to the third sector;
- Provide funding in a way that does not reduce the sector’s independence, enthusiasm, commitment, innovation and diversity in fighting poverty;
- Provide a contractual and regulatory background that is fair and enabling for the voluntary sector, particularly smaller voluntary organisations, in fighting poverty; and
- Help stimulate greater volunteering and philanthropy (comprising all private giving) by the public towards fighting poverty.

3 The challenges for the third sector are to:

- Preserve its values, and not compromise its values or mission to secure statutory funding;
- Better demonstrate to the public the value of its work in fighting poverty - to inspire greater trust in the sector by Government,

and secure a greater share of Britain’s philanthropic giving; and

- To champion the work of smaller Third Sector Organisations (TSOs) in these fields, and for larger TSOs help address concerns over their accumulation of income and assets.

4 The challenges for the British public are to:

- Recognise how Britain’s five main pathways to poverty threaten society as a whole;
- Appreciate how important the voluntary sector is in fighting poverty; and
- Contribute directly in the form of greater volunteering and increased philanthropy in these areas.

THIRD SECTOR’S VALUE TO BRITISH SOCIETY

5 On the face of it, the third sector is in vibrant health. There are more Third Sector Organisations (TSOs) than ever; it has more income than ever; apparently more volunteers than ever; and, although philanthropic giving is stagnant, more Government funding than ever.² The latter is, as we shall see, a two edged sword, but it does signal an important acceptance, particularly welcome within Labour political circles, that the third sector has a significant role to play in the forging of a fairer and more just society.

6 This acceptance is only as it should be. The third sector, from large TSOs such as Leonard Cheshire down to small social enterprises such as StreetShine, is able to help the most vulnerable people and communities in ways the statutory sector cannot, and it can assist hard-to-reach groups who cannot or will not access mainstream statutory services. As Gordon Brown’s Treasury acknowledges, the third sector can provide services that are of “of higher quality, more efficient, more equitable and more personalised” than those delivered by the public or private sectors.³ The Government has acknowledged this by adopting annual targets for the transfer of public services to the voluntary sector. Hilary Armstrong, Cabinet Minister with responsibility for social inclusion and the third sector has also said,

¹ “voluntary sector” being a term the Group will use synonymously for “third sector”, except where indicated otherwise.

² Chapter 3, para 10-16

³ Chapter 1, para 7

“Some people simply lack the capacity to access and exploit [public] services however far they reach. Others have developed through experience an intrinsic mistrust of the state... For these groups a greater use of the charitable and voluntary sector will be crucial since such groups can fulfil these specific public policy objectives of reaching out much better than publicly-run services.”⁴

Tomorrow’s People is a striking example of a voluntary organisation reaching out where Government has failed – it has helped over 400,000 people into work in a more sustained and cost effective way than Jobcentres have ever done, saving the Government £450m in the process.⁵

- 7 However, the value of Britain’s third sector goes far beyond the narrow delivery of defined public services, where sadly often their qualities of commitment, independence and scope for innovation are under-utilised. Much of the third sector’s value lies in its contribution to social capital - the range of social connections including the trust, mutual understanding, shared values and behaviours that tie people together, encourage co-operation and generate a sense of community.⁶ The growth in social enterprises in the UK – now numbering 55,000 – is particularly to be welcomed in this context, as they can make a literally immeasurable difference to people’s lives. For example, Emmaus communities throughout Britain provide former homeless people with community, food, accommodation and work in one of their businesses such as furniture recycling. Their mission is neatly summarised in their motto: “Giving people a bed...and a reason to get out of it”⁷
- 8 It is also impossible not to see the work of smaller local charities arising out of deprivation in their own area, and run by locals, without noticing, and being moved by, the positive social impact they have on their community. By way of example only, Gallowgate Family Support Group (GFSG) in Glasgow’s east-end provides the parents and children of drug addicts with their only real chance of a listening ear, mutual

support and social activities. GFSG is run by volunteers who live and work in the community, and have themselves lost close family and friends to the drugs epidemic still plaguing Glasgow.⁸

- 9 Underpinning the third sector, and a further example of its value, is a vast amount of formal and informal volunteering – from the ex-addict at Narcotics Anonymous helping others get clean to the young mother supporting an elderly neighbour. Volunteering immeasurably enhances the lives of the vast numbers who receive help or support. But its benefits probably accrue as much to the volunteers themselves. Put simply, volunteering makes us better people, increasing our inclination and capacity to help others as well as ourselves.⁹
- 10 Campaigning and advocacy is another value of the third sector. TSOs can provide a powerful representative voice for the most vulnerable groups in society, producing changes in attitudes and legislation which might not otherwise occur. Although concerns can justifiably be raised about the excessive focus by some larger third sector organisations on this aspect of their role, nevertheless the value of much of this work is appreciated by the Group.¹⁰
- 11 Finally, the work of the third sector in generating philanthropy in the UK is essential. Philanthropy not only provides freedom and flexibility for TSOs to pursue their core values and aims, where other forms of funding may not, it also encourages a sense of community and social responsibility, generating social cohesion when individuals are demonstrating their concern for the most vulnerable in a concrete and tangible way.¹¹

UNDER-USE OF THE THIRD SECTOR AND ITS LACK OF SUPPORT IN THE FIGHT AGAINST POVERTY

- 12 Although the Group’s Report is able to highlight excellent third sector work in tackling the five main pathways to poverty identified by the Social Justice Policy Group (family breakdown, educational failure,

4 Chapter 1, para 2

5 Chapter 7, para 23

6 Chapter 1, para 9

7 Chapter 7 para 43

8 Chapter 1, para 10

9 Chapter 1, paras 1-7, et seq

10 Chapter 1, para 8

11 Chapter 10, paras 1-5

addictions, economic dependence and indebtedness) it is striking how, in each area, the Government is failing to sufficiently support it. There is also more that the public could do.

- 13 **Family breakdown**¹² is a major root cause of Britain's social problems, with its direct costs estimated to be £20-24 billion pa.¹³ Throughout the country effective work is being done by the third sector to strengthen relationships and prevent the break-up of families. Community Family Trusts¹⁴ are helping married and unmarried couples from all social backgrounds to learn new skills to give their relationships every opportunity not just to endure but flourish. Relate's counselling work has a 58% success rate in improving relationships and, like Scottish Marriage Care, offers good value for money in its use of trained volunteers.¹⁵ Work by the third sector in reducing anti-social behaviour through intensive family support has a 92% success rate, and may save the taxpayer over £200,000 per anti-social family.¹⁶ Yet third sector work to reduce family breakdown through relationship education receives a pitiful amount of Government funding, equating to only £4m a year,¹⁷ and when Government funding is offered, it is accompanied by excessive controls and monitoring that undermines the sector's very expertise.¹⁸

“You never get anything back...If one thing could change it would be the bureaucracy...it makes you bitter.”
Mushkil Aasaan

- 14 In tackling **educational failure**,¹⁹ despite Government funding for TSOs equating to only 2% of total DfES spending, innovative TSOs are making a big difference in reversing educational attainment amongst school-age children. Early intervention is provided by a large number of literacy charities to help primary school children struggling with their reading to catch-up with their peers.²⁰ For disaffected secondary school pupils at risk of social exclusion, a growing number of

TSOs are providing alternative education both in and out of school. The Lighthouse Group in Bradford found that 100% of its 2005 alumni were still in education, training or employment after six months.²¹ Thousands of supplementary schools are thriving in our cities, boosting the attainment of children mostly from black and minority ethnic communities and providing religious and cultural instruction.²²

The Group has heard of one supplementary school in Croydon serving black children that has a roll of 150 and a waiting list of 200.

Again however, Government funding is low for all this work; statutory regulations inhibit the third sector's development; Government educational failure initiatives do not sufficiently involve the third sector, and, when they do, they do so in a way that potentially threatens the third sector value they seek to take advantage of.²³

From Boyhood to Manhood Foundation:

“It's different here, the focus is on education. My family came to Britain from Jamaica a few years ago and that was the start of my problems. I stopped talking to people. Now I've got a lot more confidence. I go round and talk about FBMF to school kids.” Huckeney, student

“The FBMF represents a positive alternative for children excluded from school who would otherwise fall out or be lost from the system. The FBMF is achieving impressive results in supporting excluded children to return to or progress within full-time education. All the FBMF funders contacted for this evaluation believe that the project is providing a good or valuable service.” The Gilfillan Partnership and Black Training & Enterprise Group

Despite this, FBMF is struggling to secure core funding. Particularly difficult is the refusal of local authorities to fund the significant proportion of their clients that self-refer.

12 Chapter 4
13 Chapter 4, para 1
14 Chapter 4, paras 5-8
15 Chapter 4, paras 11-13
16 Chapter 4, para 15
17 Chapter 4, para 21-24
18 Chapter 4, para 25-29
19 Chapter 5
20 Chapter 5, para 28-37
21 Chapter 5, para 40-43
22 Chapter 5, paras 12-17
23 Chapter 5, paras 5, 18, 22-24, 28, 29, 39, 44, 47, 54

15 With soaring levels of alcohol and drug abuse, TSOs specialising in helping people with **addiction**²⁴ problems face unprecedented demands for their help. Up to 200,000 people with drug and alcohol problems received help from TSOs last year.²⁵ Many seeking help find the mutual support of self-help groups such as Alcoholics and Narcotics anonymous effective in enabling them to change. Many more find that they need more intensive, professional help. TSOs run a wide variety of treatment and rehabilitation programmes. However the recent statutory funding crisis facing residential drug treatment centres run by TSOs has left many operating at a fraction of their capacity, forcing them to shed staff and thus lose valuable expertise.²⁶ This crisis highlights both the uncertainty of Government commitment to this area, and also the need for this part of the third sector to secure greater non-statutory funding. Where there is Government involvement, the value of the third sector is compromised by low levels of statutory funding to treatment of people with alcohol addictions, excessive controls, late payments and short-term funding, and by Government's desire for a few large-scale third sector providers.²⁷

“Bidding for new services is excessively time consuming. More and more information is being demanded for less and less purpose and the process is effectively a deterrent to agencies like ourselves.” ADAPT

“Huge issues of unpaid invoices, often waiting 4-5 months and for some 9 months. At the time of writing this is one area we haven't received any payment in this financial year. No one has any provision to reimburse interest on these unpaid invoices.” NECA

“Our cause is not cuddly and there is enormous prejudice.” CAN

16 In the area of **economic dependence**,²⁸ there are over four million economically inactive adults in Britain today. Vast numbers of people have effectively been decommissioned by Government, left to subsist indefinitely on sickness and disability benefits. Mainstream programmes – most notably New Deal – have proved an expensive failure at getting people into sustainable employment. TSOs have significant advantages in helping the most vulnerable into work,²⁹ and organisations such as Tomorrow's People contracted by Government have a proven track record of getting people back into work and enabling to hold down their jobs much more cost effectively.³⁰ TSOs working in this area do not receive enough Government support and when they do receive funding it is in a way that again focuses on a few large-scale providers, and with excessive controls.³¹

Tomorrow's People has a high level of sustainability, with around 90% of clients finding sustainable work (for at least three months), compared to only 79% of New Deal participants. More significantly, 76% of Tomorrow's People's clients are still in employment after one year.

*“The obsession of Government agencies with targets leads to inflexible rules which don't always work optimally. We could get more prisoners into longer term employment if much of the superfluous red tape was dispensed with.”
StreetShine*

17 Levels of both secured and unsecured debt have soared in the UK in recent years, fuelling a consumer **indebtedness**³² crisis amongst the most vulnerable. With levels of unemployment and interest rates both

24 Chapter 6
25 Chapter 6, para 9
26 Chapter 6, para 37, and appendix to Addiction Working Group report
27 Chapter 6, pars 10-28, and 31-34
28 Chapter 7
29 Chapter 7, paras 13-22
30 Chapter 7, para 23
31 Chapter 7, paras 34-41
32 Chapter 8

creeping upwards, demand for debt counselling service is likely to continue to grow steeply. The vast majority of debt help projects are run by the third sector.³³ Most prominent is the national network of Citizens Advice Bureaux, which conduct some counselling themselves as well as referring clients to smaller local organisations. Here too, statutory and other funding for this key third sector work is very low, and although the Government has recently increased funding for debt advice, there are concerns that, as in other areas, its preference is to support a few large-scale providers.³⁴

Christians Against Poverty (CAP) is a national debt counselling and support charity based in Bradford that works through 50 centres based in local churches. It offers high-quality debt advice to people of all faiths and none in their homes. Its proven method of enabling clients to break free of debt has been recognised in CAP's winning of several national awards. However its recent application for a share of the new statutory funding made available for debt advice through the DTI's Financial Inclusion Fund was unsuccessful.

GOVERNMENT'S RELATIONSHIP WITH THE THIRD SECTOR

18 In recent years the third sector has received unprecedented attention from Government and the political establishment. One consequence of this has been the creation of an Office of the Third Sector (adopting a proposal in the Conservative Party's 2001 Green Paper Sixty Million Citizens). Ed Miliband, Minister for the Third Sector, appears to have understood the third sector's unique qualities to help the vulnerable when he told an ACEVO summit recently:

*"You [the third sector] have the ability to reach out to many groups and individuals that the Government cannot reach... you are innovators in a way that government and private sector is often not... you have led the way in innovating in public services and beyond..."*³⁵

However, for all the rhetoric, the Third Sector Working Group's Report shows that the Government's actual record in supporting the third sector leaves much to be desired, particularly in two fundamental respects.

19 First, although the value of the third sector's work in combating poverty is clearly evident, the Government still does not support it enough, or perhaps even trust it enough, to deliver the sort of remarkable outcomes it is capable of. Not only has the Public Accounts Committee condemned the slow rate of transfer of public services to the third sector in general, but time and again, as seen above, the Group highlights the lack of funding support for the third sector's work in fighting poverty, and the problems with payment terms, length of contracts, full cost recovery, tax, and other excessive regulations that are particularly hindering the sector.

The Government's target of increasing the volume of public services provided by the third sector by 5% by 2006 should be met but has been described as 'not a very demanding' goal by the Public Accounts Committee, which called on the Government to set a 'more meaningful and stretching target'.

An ACEVO survey last year of 74 TSO chief executives found that progress towards achieving full cost recovery had got worse since 2002: almost 80% felt that the situation had either got worse or stayed the same – and overall more felt that it had got worse than better.

A recent NCVO survey of TSOs found that 55% of respondents had not had statutory funding agreed promptly for the current financial year, and several were still waiting to reach agreement months after funding was supposed to start. 47% had not had funding agreed in advance, meaning that they were forced to draw on their reserves.

According to the Charities Tax Reform Group, irrecoverable VAT costs UK charities between £400 and £500 million each year.

20 The Group's findings are in line with public opinion. A recent YouGov poll for the Group found that 75% of the interested public believe that the Government should provide more funds to the sector, and also that red tape and regulations are inhibiting voluntary sector organisations.

21 Second, when it does involve the third sector in such crucial work, this Government appears to completely

33 Chapter 8, paras 3-24

34 Chapter 8, para 25-31

35 Chapter 12, para 3

forget what it is that guarantees the third sector's quality of service, the attributes that attracted it to the third sector in the first place. These include its independence, enthusiasm, innovation, commitment and diversity. Instead, in their commissioning process, both central and local government are using contracts to direct requirements in such a detailed way, and placing such excessive controls on the programmes, that value is being squeezed out of TSOs' work. Coupled with the increasing moves to award contracts to fewer, larger TSOs, and it is easy to see how the Government, which is now the biggest funder of the third sector, providing 38% of its £26 billion of income, could end up shaping a third sector in the image of the public sector – the very result it wanted to avoid in the beginning.

“I don't think statutory organisations always understand voluntary organisations... They seem to feel that they can intervene at a very detailed level, on the nature of the operation.” Stuart Etherington, NCVO

“It is felt within the third sector, that commissioning should mean commissioning the organisation to deliver what it delivers. However it would appear that within local government commissioning means commissioning the organisation to deliver the government agenda and specification.” Charles Drew, Amber

“61% of those who responded to our survey believed that regulation inhibited social innovation. Prescriptive and overly protective approaches to regulation are leading to loss of diversity in the sector and greater conformity in the way people and organisations operate.” Better Regulation Taskforce

SOME KEY CHALLENGES FOR GOVERNMENT

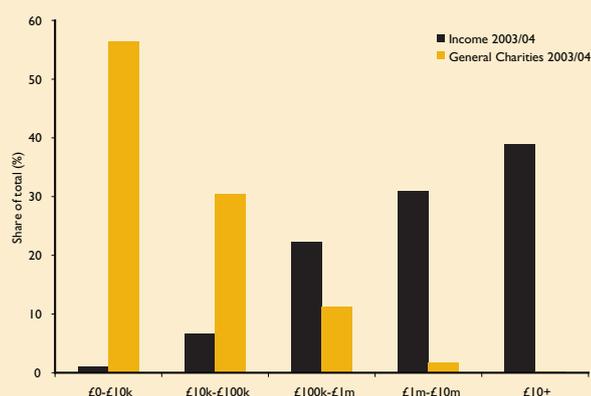
- 22 There are many issues for central and local government arising out of the Report, and which the Group will be examining before presenting policy proposals next year.
- 23 A key issue is the funding of poverty-fighting groups. Not only will more funding have to be channelled

towards the third sector in such areas (both by way of a significant share of any increased government spending and a greater share of existing resources) but also such funding must be more intelligently directed. It will be vital to establish how statutory funding could be better configured to enable the sector to do more in fighting poverty whilst safeguarding and strengthening its independence. Otherwise the failures of the public sector may simply be replicated. In this respect, the Government should re-examine the way it uses contracts to exert excessive control and direction of TSOs' work. Any resulting distancing process may be helped by TSOs doing more to independently validate their outcomes (as suggested above).

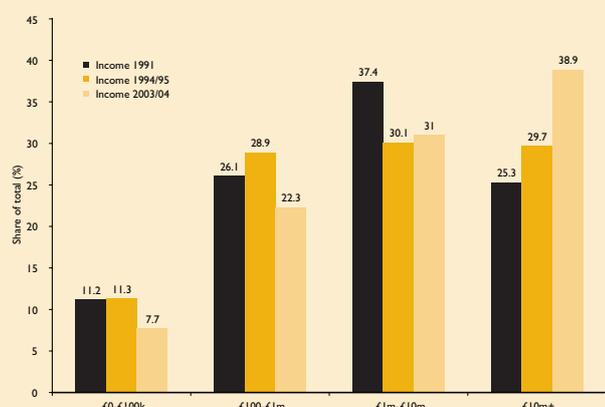
- 24 As well as looking at how statutory funding might be more effectively allocated from the top-down, the Group will consider how more resources might be channelled into the sector from the bottom-up. Government is already exploring the transfer of under-used public assets to TSOs. The Big Lottery Fund, meanwhile, has undertaken innovative pilots to endow community foundations in deprived areas and give players a say in which local projects receive money. Giving people and communities a say in how public money is invested in TSOs in their locality might revive interest and participation in the sector. Similarly, service users belonging to particular client groups may value opportunities not just to help design services, but also to evaluate them and influence which organisations receive statutory funding.
- 25 Taking into account its existing degree of control of the sector, the Government must be astute to ensure that it does not fuel the increasing polarisation of the sector between larger, more wealthy TSOs and their smaller counterparts. Otherwise much of the value of the third sector's work will again be squeezed out to the detriment of Britain's most vulnerable. Smaller charities³⁶ make up 87% of Britain's third sector but receive just 5.4% of its income. Furthermore, their income has fallen by 30% over the past 10 years – so much so that the Charities Aid Foundation believes that smaller TSOs may become unsustainable.³⁷

36 whose intrinsic values are set out in Chapter 9, paras 3-11
37 Chapter 9, paras 1, 14-17

Figure 1: Percentage of organisations and share of income by size of organisation.



Distribution of the sector's income by size of organisation, 1991-2003/04 (%)



Government, which dominates the funding of the sector, is increasingly responsible for much of this polarisation as 68% of statutory funding is going to TSOs with incomes in excess of £1m.³⁸

“There is definitely a move by government to have fewer providers holding larger contracts, which has a negative impact on many organisations in our sector.”
Tomorrow’s People

Measures such as those outlined above will help, but the Government must do more to help Britain’s smaller TSOs and the Report outlines this.

- 26 For all TSOs, large and small, poverty-fighting or not, the Government must also be careful to treat the third sector fairly in its contractual relationships. This

means firstly ensuring full implementation of the Compact both in central and local government. It is shameful that the third sector is still subsidising Government services as a result of being unable to secure full-cost recovery, fair payment terms and multi-year contracts.³⁹ The Group has uncovered much frustration and disappointment due to the lack of implementation of the Compact throughout the sector, particularly at local government level. The Government must address this as a matter of urgency.⁴⁰

“The general feeling is that the Compact is simply not used enough – it has not been properly disseminated and implemented throughout government. Civil servants either have not heard of it or choose to ignore it.”
NCVO consultation

“We are now picking up a general slipping back from councils being enabling and supportive towards becoming controlling and difficult to work with... Government departments do not understand the role of Local Compacts very well and don’t give councils the guidance they are calling for based on best local practice.”
Compact Voice

- 27 Finally, the Government must continue to do what it can to stimulate and channel volunteering and philanthropy towards poverty-fighting. Volunteering and philanthropy are not only key tools in achieving social inclusion, they also help provide TSOs with their fundamental qualities of enthusiasm, independence and innovation, thus forming a major foundation for the third sector’s value.

SOME KEY CHALLENGES FOR THE SECTOR

- 28 As a recent report by Community Links argues,⁴¹ perhaps the greatest challenge facing TSOs across the sector is to steadfastly uphold their principles and values, not to lose sight of or compromise their mission. The authors note that “many third sector organisations operate in survival mode, and this can have a significant influence over strategic decisions”. Acknowledging that some TSOs have compromised their values and mission to secure statutory funding, the report concludes: “The danger is being resource-

38 Chapter 9, para 18

39 Chapter 12, paras 38-46

40 Chapter 12, paras 25-32

41 Chapter 12, para 11

led and not needs-led, and the challenge is how to be needs-led in a resource-led environment.” This is a particular challenge for TSOs combating poverty, as their funding environment is overwhelmingly dominated by government.

29 Another key challenge for poverty-fighting TSOs is to better demonstrate the value of their work, not only to inspire greater trust by the Government in their abilities (and therefore less interference), but also to help raise the non-statutory element of their income. Philanthropic receipts provides vital funding for TSOs’ innovative work.⁴² However in spite of the generous tax regime created by successive governments, levels of individual and corporate giving in the UK remain disappointingly low. The richest 20% give only 0.7% of their income, and companies only 0.8% of their pre-tax profits.⁴³ Poverty-fighting TSOs, especially small ones, suffer from a particular lack of philanthropic giving. The majority of giving is to the larger medical, animal and international development TSOs.⁴⁴

30 In this context, it is essential that TSOs take every opportunity to prove the effectiveness of their work. This will instil confidence in existing donors to give more whilst challenging others to start giving. New Philanthropy Capital (NPC) is one organisation doing valuable work to encourage both more intelligent giving and fuller accountability by TSOs.⁴⁵ NPC has helpfully highlighted the tendency of TSOs to focus their reporting on inputs and processes. Whilst these are relatively easy to quantify, they are much less significant than TSOs’ actual outcomes i.e. the tangible difference they make in peoples’ lives. The Third Sector Working Group endorses NPC’s call for all TSOs to provide good information on their outcomes. This would generate greater confidence from both statutory and non-statutory funders and could particularly help smaller TSOs in their fundraising.

“If you actually know that your funding is going to produce results in that area, then we think that that will stimulate giving.”
Tris Lumley, New Philanthropy Capital

31 Larger TSOs are in a position to take a lead here. Despite increasingly dominating the third sector (in a way that causes concern as the Group sets out in the Report), there is still frustration at the poor quality information provided by some. Because of their higher profile in the national consciousness, larger TSOs bear considerable responsibility to the rest of the sector to provide models of best practice. However there is too much publicity at present over lack of transparency, high salaries, pensions “black holes”, and hoarding of unspent reserves, estimated recently to be £35.5 billion.⁴⁶ In the latter case, one such TSO has unrestricted reserves of £52m. Bob Holman of Glasgow’s small FARE project points out that large TSOs are often scooping a large share of giving by charitable trusts which their smaller counterparts desperately need.⁴⁷ Such conduct by larger TSOs may be having a detrimental effect on the third sector’s image in the public’s eye. Potentially this could damage the third sector as a whole, thus further weakening the many smaller TSOs.

KEY CHALLENGES FOR THE BRITISH PUBLIC

32 While the Group outlines how the third sector and Government can raise their game in combating poverty, it is important that the British public recognises its own potential to help meet this challenge.

33 Thus it is hoped that the British public can be helped not just to better appreciate the centrality of combating poverty in creating a better and fairer society – but also how through increased volunteering⁴⁸ and philanthropy⁴⁹ they can help win this battle.

42 Chapter 10, paras 2-4

43 Chapter 10, paras 9, 19

44 Chapter 10, paras 20-22

45 Chapter 10, paras 49-50

46 Chapter 9, para 11, note 200

47 Ibid

48 Chapter 11

49 Chapter 10

34 With proper training, a few hours providing relationship counselling or childcare support can help keep a vulnerable family together – in circumstances where its breakdown could send the children into long-term social exclusion. A volunteer can work those hours, can stop that family breakdown, can save lives – and be proud of themselves. But, at present, volunteering in socially excluded communities is still inadequate, poorly monitored, and current Government initiatives are not focused on volunteers helping in the five poverty pathway areas.⁵⁰

“Fewer than half of the organisations surveyed said they had enough volunteers, and a majority said that members of BME groups, disabled people and ex-offenders were under-represented among their volunteers”.
Institute for Volunteering Research

35 Properly directed, an extra direct public donation can allow a drug treatment centre, a debt crisis agency or a neighbourhood project to develop innovative and effective ways to help vulnerable people – in ways that the controlling statutory paymaster would not allow.⁵¹ A philanthropist (whether a taxi-driver, nurse or hedge-fund manager) can make that difference. As stated above, giving is too low in the UK, especially by

the wealthiest 20%, and giving to “non-cuddly” areas such as drug abuse is given too little attention by everyone.⁵²

“Popular causes such as cancer and animal welfare charities receive widespread support but education is needed to encourage the public to support less sexy causes such as charities working with drug addicts”.
Amanda Delew

CONCLUSION

- 36 The Group has done a work of fundamental importance in identifying the issues facing TSOs, Government and the nation as a whole related to the third sector’s work in fighting poverty.
- 37 The Group’s consultations will continue throughout this winter and in 2007 it will report with policy proposals to enable the third sector to fight poverty more effectively.
- 38 It remains to be seen whether the political parties have the strength and will to take on board the Group’s proposals but, based on the work done so far, anyone wanting to fight poverty in Britain effectively today would be foolish to ignore them.

50 Chapter 11, para 12-18

51 Chapter 10, para 1-5

52 Chapter 10, para 9, 19, and 20-22

Executive Guide to the Report

Chapter 1 - Introduction and remit

- 1 There is now a cross-party consensus on the ability of the third sector to help Britain's most vulnerable groups (paras 1-7). This interim Report builds on that consensus by examining the work of the UK third sector in five key areas of social breakdown today. A full report will follow in 2007, with proposals as to how to assist further voluntary work in these areas.

Chapter 2 - Five key areas of social breakdown in the UK

- 2 The picture painted of the UK's social problems in relation to family breakdown, educational failure, addictions, worklessness, and consumer indebtedness by the other Working Groups in the Social Justice Policy Group is dire, and is summarised in Chapter 2 (1-12).

Chapter 3 - The UK's third sector: a broad overview

- 3 The UK's third sector, historically an innovative and independent sector (6-7), has evolved to become considerably more controlled and regulated by the Government than in its past (8-10). The growth in non-statutory giving has declined (12-15). Larger third sector organisations increasingly receive the lion's share of both statutory and non-statutory funding (10). The third sector's paid workforce has expanded significantly.
- 4 The evidence within this Report suggests that the third sector is struggling for support in the Social Justice Policy Group's five key areas. It faces difficulties both with lack of Government and non-statutory funding, and also excessive Government interference and regulation when state funded. The work of the Group aims to significantly improve that situation (17-19).

SECTION A – THIRD SECTOR WORK IN THE FIVE KEY AREAS

Chapter 4 - Third sector work in family breakdown

- 5 Despite the huge social and economic costs caused by family breakdown in the UK today, the Government appears only to be committing 15 pence per taxpayer to sustaining marriages and relationships. As a result, remarkable work done by the third sector in relationship education (5-10), crisis counselling (11-14), and support for dysfunctional families (15-17), is going

financially unsupported by the Government, when much more could be done (18-29).

- 6 Third sector groups raise serious concerns not just about lack of financial support from the Government or elsewhere for their work, but also of the excessive bureaucracy and interference involved when the Government does seek to assist (30-33). Third sector organisations stress the importance of local roots (34-36), and their ability to use volunteers in their work (37-39).

Chapter 5 - Third sector work addressing educational failure

- 7 The Department of Education and Skills spends minimal sums on the voluntary sector, despite the impressive nature of the voluntary sector's educational work amongst BME communities, illiterate children, excluded children, and children in care – and the lack of funding is a threat to such organisations(1-11).
- 8 The voluntary sector's work is most significantly seen in after-hours Supplementary Schools (set up by mainly Black and Minority Ethnic communities to improve the educational low achievement of their state-educated children) (12-17) and alternative schools (set up to help children excluded from the state sector) (18-21, 38-39).
- 9 The Government is not only, however, failing to assist significantly the funding of such successful endeavours, it is making the regulatory burden of such schools, and any independent schools for vulnerable groups, more difficult. The Government is also failing to utilise the voluntary sector in its own initiatives for BME and other vulnerable groups (22-27), such as children in care (46-52).

- 10 The Government is to be congratulated on its approach to involving the third sector in a significant way in its City Academies (53-56), which will be monitored for progress.

Chapter 6 - Third sector work in addictions

- 11 The third sector is at the forefront of the UK's battle against drugs and alcohol addiction. Turning Point, Addaction, and Alcoholic Anonymous saw between them over 175,000 addicts in 2005 alone. In addition to the big charities, a huge number of smaller chari-

ties are providing a whole range of pioneering treatment interventions (4-5, 9).

- 12 In respect of Government priorities, third sector organisations are seriously concerned that alcohol treatment is being under funded, and that dual-diagnosed addicts are being let down. Third sector organisations are also concerned that the commissioning process is not sufficiently expert at Government level (10-14).
- 13 Government commissioning procedures increasingly favour bigger third sector organisations, both overtly in terms of approved provider lists, and implicitly by the time-consuming bureaucracy involved in tendering (16-18), and the lateness of its payments (23-30). Statutory commissioners are also creating high entry hurdles for new third sector entrants to the field, which may prevent innovation, and be detrimental to the lateral development and diversity of third sector services (31-34).
- 14 Non-statutory funding is very low, partly as a result of being “not cuddly”. This must be improved or else independence, innovation and initiative may not have sufficient room to develop (35-37). The lack of non-statutory funding also can lead to a near-fatal vulnerability to Government funding cuts, which can destroy a previously healthy charity - an example being in the current crisis in Tier 4 funding, and the experiences of the Amber Foundation (33-34).

Chapter 7 - Third sector work in tackling dependency

- 15 Huge Government expenditure on welfare benefits is currently having limited impact on the UK’s high worklessness figures (2-9) Government work-related initiatives appear to be treading water. The new Government schemes outlined in the recent Welfare Reform Bill carry inherent flaws (10-12).
- 16 The Government should explore a greater involvement of the third sector, who often provide an outstanding comparative service in getting long-term jobless into work because of their perceived independence from Government (13-16); its intensive people-focussed service (17-20); its innovation, and its cost effectiveness (21-22). Tomorrow’s People alone is estimated to have helped 400,000 people, and saved the Government over £450m.
- 17 Despite the success of many hundreds of smaller charitable organisations, the Government is moving

to a model of large contracts, and large contract holders, that will make it harder for smaller innovative charities to emerge, as Tomorrow’s People once did (24). Further difficulties include poor Government procurement practices (34-35), an unnecessary focus on outputs rather than outcomes by the Government, and the insistence by the Government that Jobcentre Plus still conducts the first interview (39-41).

Chapter 8 - Third sector and consumer indebtedness

- 18 The problem of consumer debt for the UK’s most vulnerable is an enormous problem which the Government has only just woken up to. Until recently, no specific statutory funding has been provided to address this issue, and money advice for consumer indebtedness of the vulnerable has been largely provided by the voluntary sector (1-5).
- 19 The main voluntary sector providers of money advice include the CAB, Consumer Credit Counselling Service; Christians against Poverty, Community Money Advice, and many hundreds of small providers of face to face advice (6-17).
- 20 Third sector debt advice organisations agreed that there was a general lack of finance to provide the service, and significant barriers to entry for new small service providers, even though a patchwork provision of small providers can make an enormous difference to a community (18-24).
- 21 In 2006, for the first time, the Government’s Financial Inclusion Taskforce finally made available £45m funding for the provision of debt advice, which while welcome, has gone to large scale providers and some partners, with most smaller third sector organisations remaining unfunded (25-31).

SECTION B: EVIDENCE RELEVANT TO BROADER THIRD SECTOR ISSUES

Chapter 9 - Smaller third sector organisations facing a squeeze

- 22 There is substantial polarisation within the third sector, with smaller voluntary organisations having a tiny share of the sector’s income, despite representing the vast majority of the sector, and offering significant public benefits (3-11).
- 23 Income trends however show that the marginalisation of smaller third sector organisations has been growing over the past 10 years with their share of voluntary and statutory income falling 30% during that period.

The Charities Aid Foundation concludes that smaller charities may be coming unsustainable (13-15).

- 24 In public sector work, smaller third sector groups are being crowded out of Government work by big charities by the increasing award of statutory contracts to large scale providers. Further increased Government regulation, especially in relation to competitive tendering rules, is having a negative impact on smaller charities, who do not have the resources to pass the tests of Government commissioning authorities (23-27).
- 25 Outside of Government funded work, smaller charities are suffering a fall in their non-statutory funding, as larger charities, with a greater profile and fundraising abilities, take a greater share of the income (14-18, and Chapter 10).
- 26 Generally, smaller charities are suffering disproportionately under the present complex tax system; and in the Group's five key areas, the regulatory burden is now such that smaller charities will find it difficult to enter the third sector from new at all (26).

Chapter 10 - Charitable giving in the UK

- 27 The Group accepts the principle that philanthropic giving is a key to a healthy third sector, in particular for the most vulnerable, allowing innovation, flexibility and enterprise in service provision in a manner which state funding does not (1-5). However charitable giving as a whole is low in the UK, and its rate of growth is declining.
- 28 Current giving, which stands at £13.3 billion per annum, is significantly less per head than in the US, and none of the possible cultural, historical and religious reasons for this difference stands in the way of an improvement of UK giving (6-8).
- 29 UK corporate giving remains stubbornly low, at on average only 0.8% of profits, and there is no real legal or business reason why this could not be improved to 1%. In terms of individual giving, again the UK gives a much smaller percentage of their wealth to charity than the US (9-14). Furthermore, the wealthiest give a much smaller percentage of their wealth than the poorest, which is unacceptable (15-19).
- 30 The Group's key areas do not feature highly on the priorities of givers, and lose out to medical, religious, overseas, and animal causes. This may be because the areas are not cuddly, and also because people tend to

give to experiences they are personally touched by; many givers do not connect to the problems of the vulnerable in the same way (20-22).

- 31 The British tax system is a good system for giving, particularly since the introduction of Gift Aid by John Major, and this Government's tax changes in 2000. The National Lottery may have had a negative effect, as has the payment of VAT by charities on their fundraising activities. However Gift Aid amounts are increasing, as is Payroll Giving. The latter comes from a low base and could be improved dramatically, in comparison to the US (23-30).
- 32 Possible improvement to the UK system include more involvement of the UK financial services industry in planning; the possible introduction of Charitable Remainder Trusts; greater transparency; greater communication by smaller charities of the value of the work they are carrying out, particularly in the Group's key areas; and more validation of this by trusted external agencies (33-34). Such agencies could also help the statutory commissioning authorities have greater confidence in the third sector organisation and for them to give greater flexibility in the delivery of the public service by those organisations involved.

Chapter 11 - Volunteering in the UK

- 33 The Group believes that volunteering not only helps deliver good to vulnerable communities, but also significantly contributes to the personal development of the volunteer. If done properly, volunteering could be a key factor in nationwide social inclusion, and the building of the UK's social capital (1-7). The Group will support all proper initiatives to encourage volunteering, and in particular those emphasising volunteering in the key areas.
- 34 Formal volunteering, at least once a month, is not impressive in the UK – being at a level of approximately 30%, with some figures putting it at less than 20%. Volunteering generally is not sufficiently planned or reliable (8-11).
- 35 Volunteering in the key areas suffers from a lack of systematic information, but appears to be scarcer than elsewhere. This is because of many factors including those affecting low giving towards these areas – namely that the areas are not cuddly, and the volunteers themselves do not personally relate to them. The Group will aim to change this over time (12-18).

- 36 Government initiatives in volunteering (such as the Experience Corps, the Year of the Volunteer, the Volunteering Compact, and Change Up's Volunteering Hub) have not had significant success in the recent past, and the work of the Neuberger Commission, and V, will be the subject of ongoing monitoring (19-33).
- 37 The Group warmly welcomes the arrival of the UK youth sector's own initiative, the Young Adult Trust, and believes that it may make a significant contribution to the UK's volunteering profile, and its social capital (34).
- 38 Areas for improvement include corporate volunteering (35-39), managing the legal risks of volunteers better (41-51), and their involvement in the delivery of public services; excessive regulation, such as in duplicative CRB checks; and the better promotion of volunteering for "hard" motives (52-58).
- Chapter 12 - Government could improve its game*
- 39 This Government has made good steps in its approach to the sector (expansion of Gift Aid, increase in sector funding, new dedicated ministry, and the Compact), and the rhetoric is continuing to be good, but there is still considerable room for significant improvement (1-4).
- 40 Chapters 4 to 8 highlight areas where the relevant statutory authorities could improve their performance towards the third sector in our key areas, including in particular excessive regulation, excessive information requirements, and public service provision dominance by larger charities. These problems need to be addressed to prevent the UK's most vulnerable losing out again (5-10).
- 41 Although the Government is committed to increasing services delivered by the third sector, its commitment is currently very modest and should be improved, as should its monitoring of this commitment. The Group supports the Government's commitment, subject to issues of independence of the third sector, and an increase in measures to promote philanthropy at the same time.
- 42 In addition to improving implementation of the compact (see below), the Group will be looking hard to address third sector concerns that statutory commissioning is far too prescriptive, imposing process and outputs rather than emphasising outcomes. External validation agencies (as stated above) and better information from the third sector itself, may have some role to play in this (15-18).
- 43 Eight years on, the Compact still needs proper implementation, particularly at local level, where much inter-action with the third sector occurs. There is widespread disillusionment about the Compact in the sector (25-32). In particular, full cost recovery, and short-term contracts remain serious issues for the sector. It is to be hoped that the new Director General of the OTS, and the Compact Commissioner can restore confidence in this initiative (38-50).
- 44 The Group will look at measures to alleviate the tax and regulation burden of charities, including Social Enterprise Zones, in its next report (51-53).

Chapter 1 – Introduction: Giving people a second chance

A. INTRODUCTION – GIVING PEOPLE A SECOND CHANCE

1. In recent years there has been an increasing consensus in policy circles concerning the added value of the third sector's work. It has become increasingly apparent that the third sector is often able to give vulnerable people second chances in ways that the public and private sectors simply cannot.

2. Hilary Armstrong, the Cabinet minister with responsibility for social exclusion and the third sector, has explained the Government's rationale for an increased third sector role in these terms:

*“Some people simply lack the capacity to access and exploit [public] services, however far they reach. Others have developed through experience an intrinsic mistrust of the state, thinking that any contact with state-run public services will enmesh the state in their lives. For these groups a greater use of the charitable and voluntary sector will be crucial since such groups can fulfil these specific public policy objectives of reaching out much better than publicly-run services.”*⁵³

3. The Labour Government, under Tony Blair's lead, thus appreciates what has long been axiomatic for some Conservative thinkers – namely that the state sector cannot provide all the answers when the welfare of the most vulnerable is at stake. As David Cameron has put it:

*“The public sector has to let the voluntary sector take wings and soar. It has to say to the youth club teaching kids excluded from school, the drug rehab with the best record of helping people straighten out their lives or the faith-based charity providing healthy living advice: ‘Our record is lousy; yours is great - so you should be in charge.’”*⁵⁴

4. This capability of engaging hard-to-reach groups who cannot or will not access mainstream statutory services, or where the state has failed to engage them, is often evident in the work of Third Sector Organisations (TSOs) consulted by the Group.

5. For example long-term unemployed people are more willing to let an organisation such as Tomorrow's People help them get back into work than enrol on a regular Government programme through their local Jobcentre. The reassurance that those helping them cannot prematurely withdraw their benefits gives prospective clients the confidence to 'give it a go'. Similarly, drug projects such as ADAS in Stockport which employ a large number of former drug users can successfully persuade hardened addicts to enter rehabilitation where GPs or statutory drugs workers efforts may have repeatedly failed. Living proof that even the most entrenched drugs habit can be defeated is a powerful motivating force in getting addicts into treatment and ensuring they persevere.

6. In two of the areas mentioned by David Cameron in his 2005 Hinton Lecture to the NCVO – drug rehabilitation and the education of pupils excluded from school – the Group has indeed found considerable evidence of successful third sector provision in contrast to dismal state failure. For example, alternative education providers like Kids Company and the Lighthouse Group have a much better record in ensuring disengaged young people continue in education than mainstream schools and pupil referral units.

7. In a recent discussion document, Gordon Brown's Treasury describes the attributes of the third sector, noting that services provided by TSOs are often “of higher quality, more efficient, more equitable and more personalised – than would occur through either public or private delivery” due to:

- a strong focus on the needs of service users;
- knowledge and expertise of complex personal and community needs;
- an ability to be flexible and offer joined-up service delivery;
- the capacity to build users' trust; and
- the experience and independence to innovate.⁵⁵

53 Hilary Armstrong MP, Social inclusion means tough policies, The Guardian, 5th September 2006

54 David Cameron MP, Building a Pro-Social Society (Hinton Lecture 2005), 23rd November 2006

55 HM Treasury, Exploring the role of the third sector in public service delivery and reform: A discussion document, 2004, p23

Third sector providers are inherently value-driven and often have been established specifically to help the client group they are contracted to care for. The Government has acknowledged this by adopting annual targets to increase the transfer of public services to the voluntary sector.⁵⁶

- 8 Another key role of the third sector is advocacy for the communities and individuals they represent. Many disadvantaged groups in society depend on being able to channel their voices through representative third sector organisations. This was highlighted recently when the Government's failure to provide funding for residential drug rehabilitation places was exposed in the media by drugs charities. Although much advocacy is intended to influence government policy, it may as equally be focused on changing public attitudes or securing entitlements for an individual.
- 9 TSOs also play a unique role in generating and sustaining social capital in the communities and client groups they serve. "Social capital is now commonly used to refer to the stock of social connections including the trust, mutual understanding, shared values and behaviours that tie people together, encourage co-operation and generate a sense of community."⁵⁷ High levels of social capital are associated with a wide range of benefits to society including lower crime rates, greater participation in the jobs market and improved public health.
- 10 It may be the smaller charities in disadvantaged communities that play the most valuable role of all TSOs in generating and sustaining social capital. Two charities the Group has recently visited are Gallowgate Family Support Group (GFSG) and Family Action in Rogerfield and Easterhouse (FARE). Both are hubs of community activity in disadvantaged parts of Glasgow's east-end. Largely run by and for members of the community, these groups provide services as diverse as counselling for the parents of drug addicts; a baby-item exchange scheme for the mothers of young children; informal education; youth clubs and a community café. Many impoverished communities

have no such places in which to give and receive help and suffer greatly as a consequence. By getting involved in GFSG and FARE, many have had their skills and confidence boosted. Some who have been economically inactive have been able to re-enter formal employment as a result of volunteering.

B. REMIT OF THIS REPORT

- 11 The primary aim of the Group's State of the Nation interim Report is to set out a reasonable picture of the third sector's social justice work in the UK. This, together with our ongoing consultation, will be a platform for the Group's subsequent policy proposals in 2007.
- 12 This Report comprises two sections.
- 13 In the first section, the Working Group presents evidence on the third sector's social justice work by analysing its activity in relation to the social problems examined by each of the five other working groups, namely:
 - Family breakdown;
 - Educational failure;
 - Addictions;
 - Economic dependence, in particular worklessness;
 - Indebtedness.

As will be clear from the main Report, this evidence gathering has largely been done in collaboration with the other Working Groups, with the analysis and findings shared.

- 14 In the second section, and in order to assist its future work on identifying cross-cutting regulatory and funding policy reforms for the voluntary sector's social justice work, the Group will then present evidence (in particular as they affect the five key areas) on the following issues :
 - The squeeze facing smaller TSOs
 - The state of private giving
 - The state of volunteering
 - Government impact on the third sector today

⁵⁶ See Chapter 12, para 16

⁵⁷ Veronique Jochum, Social capital: beyond the theory, NCVO, 2003, p7

Chapter 2: An overview of Britain's five main pathways to poverty

As stated in Chapter 1, this Report is primarily intended to address the work of the third sector in five pathways to poverty where there is a pressing need for action. These areas are the subject of detailed examination by the five other Working Groups within the Social Justice Policy Group, and the results of their research is contained within their separate reports. The Group however felt it important to remind the reader of the bleak conclusions of their separate findings, before proceeding with the Group's own specialist Report on the third sector in each area. What follows below is a summary of the Working Group's separate findings. It is however only a summary, and for a full understanding of the issues, the reader is referred to the reports of the individual Working Groups.

FAMILY BREAKDOWN – SUMMARY OF PROBLEMS PRESENTED BY THE FAMILY BREAKDOWN WORKING GROUP, CHAIRED BY DR SAMANTHA CALLAN:

- 1 Family breakdown is on the increase in Britain, and the problems associated with it are great and growing. Both adults and children are increasingly faced with the difficulties presented by dysfunctional, fractured, or fatherless families. Although this affects people of all socio-economic backgrounds, it has a particularly profound effect on the least advantaged sections of society. Increasing numbers of children are growing up without their fathers - currently 15% of all babies are born and grow up without their biological father living in the house. This profoundly affects their educational attainment and heightens the risk that they will become sexually active and therefore parents themselves at such a young age that the cycle will repeat itself.
- 2 Family stability has been in decline for four decades – since the 1970s, marriage rates have fallen and the numbers of lone parents have increased. The consequences of these trends are serious. For example, 70% of all young offenders come from lone-parent families and levels of anti-social behaviour are higher in children from separated families. A third of prisoners have been through the care system. Such figures demonstrate the link between family breakdown and social breakdown.
- 3 The current tax system has been shown to work against the poorest families, exacerbating existing

poverty worries. Overall, the economic cost of family breakdown is now thought to be around £20-24 billion per annum. Ultimately, the growth of family breakdown in the UK is so serious because it is both a contributor to and a consequence of poverty and most other social problems.

EDUCATIONAL FAILURE – SUMMARY OF PROBLEMS PRESENTED BY THE EDUCATIONAL FAILURE WORKING GROUP, CHAIRED BY RYAN ROBSON:

- 4 Britain boasts some of the world's finest academic institutions, but it is also responsible for swathes of disadvantaged children who have been systematically failed by state education. Nearly 5% of children leave school without any GCSEs, hinting at the enormous disparity in achievement and Britain's declining levels of social mobility. Children from disadvantaged backgrounds are up to five times more likely to fail academically in comparison with their peers, but it is not solely black and minority ethnic groups that are under-achieving. Rather, the most under-achieving group is white children from disadvantaged backgrounds, where just 17% attain 5 A*-C at GCSE.
- 5 In spite of a 52% increase in spending on education over the past 10 years, children are still leaving school unable to read a newspaper, gain a job, or use a computer. In short, they are leaving the education system wholly unprepared for the future. The social problems which ensue from serious educational failure are immense and devastating. 73% of young offenders described their educational attainment as nil, 20% of children in care will be unemployed by the September after they leave school, and 32% of young people who have been excluded from school have been involved with drug dealing. Educational failure is connected with so many aspects of social breakdown that action must be taken.

ADDICTIONS – SUMMARY OF PROBLEMS PRESENTED BY THE ADDICTIONS WORKING GROUP, CHAIRED BY KATHY GYNGELL:

- 6 Alcohol and drug misuse is at the root of many of Britain's social problems – and both are on the increase. Over eight million people are currently described as having an alcohol use disorder; as such, over a million children are thought to be living in homes where one or both parents suffer from alcohol-

related problems. The growing 'binge drinking' culture is of particular concern: nearly six million people, mostly under the age of 25, binge drink each week, and evidence suggests that it is young women who are most likely to binge drink. Alcohol related deaths have doubled in the past 25 years.

- 7 Drug misuse is an equally serious issue. The penetration of cannabis into youth culture from the 1960s has resulted in some 1.6 million dependent cannabis users. Class A drug use has mirrored this rise with the official figure of 360,000 problem drug users regarded as probably an underestimate.
- 8 As well as the health implications, such addictions have severe consequences in terms of both emotional and economic deprivation. Substance misuse both triggers and adds to existing social problems; yet again it is Britain's most deprived who suffer most.

INDEBTEDNESS – SUMMARY OF PROBLEMS PRESENTED BY THE INDEBTEDNESS WORKING GROUP, CHAIRED BY LORD GRIFFITHS:

- 9 A YouGov poll commissioned by the Social Justice Policy Group found that for over 40% of those questioned, "people getting into serious personal debt" was the biggest social issue for them. Evidence of this is clear: unsecured lending to individuals has reached such proportions that people's ability to repay their debts is being tested to the limits. There has been a growth in personal bankruptcies, people are consistently missing payments of basic necessities such as bills, tax and mortgage repayments. More and more people are experiencing symptoms of stress resulting from their financial concerns. Unfortunately all too often those who are seriously indebted are society's most vulnerable people, a figure which could be as high as 7.5 million people.
- 10 With both interest rates and unemployment rising the outlook is bleak. Debt casts a heavy burden on its sufferers, and in addition to those in chronic financial difficulties there is a burgeoning 'at-risk' population. Compounding this is the failure by many people to ensure proper financial provision for a 'rainy day'.

The consequences of serious indebtedness can be all consuming and highly damaging for the individual. Everyone from the banks to the borrowers, from debt advice agencies to debt collection agencies and the Government itself must play a role in finding a solution to the problem of indebtedness.

ECONOMIC DEPENDENCE – SUMMARY OF PROBLEMS PRESENTED BY THE ECONOMIC DEPENDENCE WORKING GROUP, CHAIRED BY GREG CLARK MP:

- 11 The measure of absolute poverty, as used by Government, has fallen since the early 1980s and continues to do so but the situation on relative poverty is more confused. Under New Labour, there are fewer people just below the poverty line, but there are more people a long way below it in the deepest poverty. Compared to the mid-1990s there are now around three-quarters of a million more people in severe poverty, where severe poverty is defined at 40% or less of median income. Yet, by focussing attention on income as a measure of poverty, as Labour has done, many of the widening inequalities have been ignored. 'Quality of life' factors must be incorporated: individuals' living environment, access to public services, educational attainment and life expectancy all contribute to alleviating social exclusion and should be taken into account.
- 12 In spite of its aims, the tax and benefits system can be seen as negatively impacting individuals' movement out of poverty. There is strong evidence to suggest that earned income has a more powerful effect on reducing social exclusion than benefit income, yet Government progress in getting long term unemployed back into work has stalled, creating swathes of frustrated and unfulfilled individuals. Indeed, the Government's anti-poverty strategy is dependent on means tested benefits, with the proportion of working-age households in receipt credits tripling since 1997. As a result of short term thinking, there has been little actual progress in reducing the deepest and most persistent poverty of the bottom 20%. This must be addressed in order to solve some of the nation's most acute social problems.

Chapter 3 – The third sector today: a broad overview

SUMMARY

This chapter examines the definition of the third sector and the way in which it is employed by the Working Group (paras 1-3), followed by an analysis of the historical development of the sector, remarking on the impact of these landmarks (6-7). There is a detailed discussion of the state of the third sector in the current climate, in particular: income distribution (9-11); donations (12-14); and income from the public sector (17-19). This sets the tone for our analysis of third sector work in achieving social justice.

INTRODUCTION

- 1 Before examination in later chapters of how Third Sector Organisations (TSOs) alleviate some of the disturbing social problems outlined in Chapter 2, the Group wanted to put the operations of such specialised organisations into context by briefly describing the broader third sector in which they operate, and a few relevant historical landmarks and trends. In doing so, two preliminary points should be made.
- 2 The first preliminary point is that there is no easy definition of the sector, as experts have recognised time and again.⁵⁸ In fact, this process has become harder in recent years as the boundaries between state and voluntary funding have blurred. New organisational forms, among them community interest companies and social enterprises have contributed to this. The remarkable diversity of the sector has led to a number of contested definitions: ‘charitable sector,’ ‘voluntary sector,’ ‘third sector organisations,’ ‘civil society,’ ‘voluntary and community sector,’ ‘non profit sector,’ and others.
- 3 For the purposes of inclusivity, the Group endeavours to use the term “third sector” and “third sector organisations” as standard. As Hayek defined the third sector as being distinct from the state and the commercial sector – and would include many important

social enterprises as well as voluntary, charitable and faith-based organisations – this would seem the most apposite term. As the National Audit Office described the third sector in 2005 :

“This term refers both to small not-for-profit organisations working at a local level and dependent on voluntary effort as well as larger not-for-profit organisations working on a regional, national and international level with paid staff. Both registered charities and other not-for-profit organisations are included in the third sector.”⁵⁹

- 4 In using such a term as standard, the Group will have at the forefront of its mind the dominance of this sector by voluntary and charitable organisations, and is therefore not at risk of losing sight of the fundamental importance to the sector of traditional voluntary sector values of independence, innovation, commitment, and volunteering. Indeed, the Group will frequently use the term “voluntary sector” as interchangeable with “third sector”, except where any difference in meaning is explained and relied upon.
- 5 The second preliminary point is that this sector remains remarkably unmapped, as Professors Kendall and Knapp themselves found when commencing their seminal work in 1995. While the reasons for this are reasonably clear (partly because of lack of devoted resources to conduct such mapping from within the sector, or from within Government; and partly because the fluid and flexible nature of much voluntary action), it is still remarkable that detailed and consistent information on the sector is lacking in so many areas – as will be highlighted in the Report. It is to be hoped that the new Office of the Third Sector will devote resources to remedying this, above and beyond the particular individual efforts of the Charity Commission, NCVO and Guidestar to improve the situation.⁶⁰

58 See by way of example Kendall and Knapp’s 1995 social policy research, setting out its disagreement with the John Hopkins University’s International Classifications of Non-Organisations; and Chapter 2 of Public Action, Private Benefit, No 10 Strategy Unit 2002

59 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006)

60 and Guidestar, despite its welcome arrival, has no guaranteed future under present Government plans, and must depend for its survival on its take up by the third sector itself - Stuart Etherington, NCVO, Conservative Women’s Organisation Charity Summit - 14 November 2006

THE THIRD SECTOR - SOME HISTORICAL LANDMARKS AND TRENDS

6 Looking at the evolution of the UK's third sector, it is clear that while it has a rich and varied heritage, some important landmarks and trends stand out.

Some examples include:

- the Statute of Charitable Trusts in 1597 which (together with the Poor Law of the same year and the Charitable Uses Act of 1601) sparked a significant increase in philanthropic activity in the Elizabethan period, showing that, whatever latent generosity exists in our nation, calculated Government intervention can be effectively used to prompt more action in that direction;
- the influential role played by the Christian faith in the dramatically increased philanthropic and voluntary sector activity of the Victorian era – through the personal faith of inspirational leaders such as Wilberforce, Wesley, Booth, Barnardo and Shaftesbury, and their supporters and admirers. The importance of a role for faith (of whatever denomination) in a vibrant third sector cannot be underestimated, as is seen even today in the statistics concerning higher levels of volunteering and giving amongst members of faith-communities;
- that the Victorian third sector, although marked by pure volunteering and philanthropy on a mass scale perhaps unseen since the 19th century,⁶¹ had its own modest but familiar mix of social enterprises,⁶² Government funding contracts,⁶³ and excessive Government interference accompanying such funding;⁶⁴
- that the process of third sector innovation leading to necessary state provision is woven into the very history of the UK's social fabric – whether it be the work of the Victorian voluntary schools leading to the 1870 Education

Act; the friendly societies work leading to the 1908 Pensions Act and 1911 National Insurance Act; the UK's 13,000 voluntary hospitals being taken over by the National Health Service after 1945; and countless other examples, both ancient and modern.

- 7 The significant impact of the gradual arrival of the welfare state between 1870-1945 and beyond on the UK's third sector is too obvious and well-known to be documented in detail here. However, perhaps its most significant influence for our purposes was the inevitably increasing inter-connections between the third sector and the state as the state grew in size and financial strength, the loss of independence of some voluntary organisations as a result, the disappearance of some meritorious voluntary provision altogether, and an apparent fall in charitable giving.⁶⁵ Although such costs seem small when set against the remarkable achievement of setting up a system of universal provision of social welfare, there must be lessons to be learnt for the future about preserving and expanding voluntary sector values and benefits when setting up social care provision – particularly when such noted wartime Labour welfare architects as Attlee, Morrison, Beveridge and Lord Longford went out of their way at the time to emphasise their own belief in the continuing virtues of the voluntary sector.⁶⁶
- 8 Some more modern significant developments for our purposes have been, since the 1990s,
 - acknowledgement by the current Labour Government that the voluntary sector is often much better placed than the state to serve hard to reach communities, and to deliver innovative services;⁶⁷
 - a much greater funding of the third sector by the state sector (as to which see below) as the state uses the voluntary sector to deliver public services on a national and local level, and accordingly much greater control of the vol-

61 There were an estimated 500,000 full time volunteers in the UK in 1890; and a middle class family gave an estimated 10% of its income to charitable works. British Library of Political and Economic Science, Statistics of Middle-Class Expenditure, Pamphlet HD6/D267, undated: 1896

62 Dr Barnardo's City Messenger Service of homeless children delivering trade circulars bears comparison to the Big Issue or StreetShines of today

63 The Home Office paid for children to go Reformatory Schools, and 75% of children in main Catholic Homes were paid for by local state board of guardians

64 cf experiences of RNLI in its brief period of government funding

65 The average UK donation is now down to 2.7% of income - although, as Chapter 10 makes clear, this cannot solely be attributed to increased state welfare provision

66 Cf Beveridge: "It is clear that in future the State must do more things than it has attempted in the past. But it is equally clear that room, opportunity and encouragement must be kept for voluntary action in seeking new ways of social advance" - 1948, Voluntary Action; Lord Longford "I want to make it plain that democracy without voluntary exertion and voluntary idealism loses its soul" - Nathan Report, 1952

67 For example, Tony Blair: "the truth is there is enormous and brilliant work going on in the voluntary sector and we should break down whatever barriers are necessary in order to try and liberate some of that energy, talent and potential". Speech at Future Services Network Conference, 22nd June 2006

untary sector by the state sector through the increased use of contracts to achieve this – thus potentially prejudicing the very qualities that made the voluntary sector attractive in the first place; and

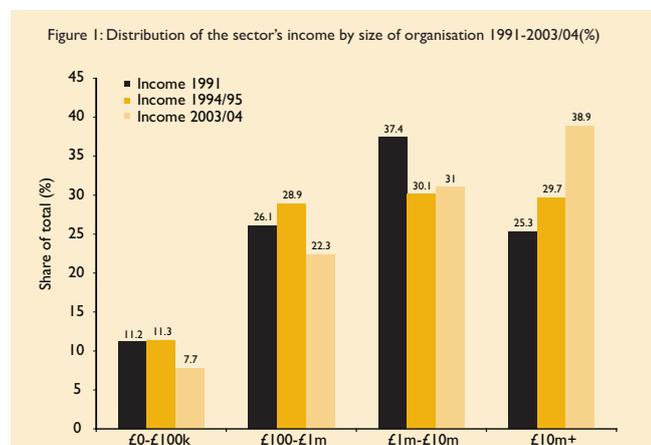
- the increasing dominance of the largest TSOs, whereby an larger share of government contracts and non-statutory funding is secured by a n ever smaller number of TSOs, leading to fears of a loss of independence, innovation and diversity in the sector (as to which see para 10,15-16 below and chapter 9).

THE THIRD SECTOR TODAY

9 By the end of June 2006 charity commissioners reported 167,752 registered charities.⁶⁸ Radical changes in the methodologies surrounding income measurement and the changing role of the state do not allow proper analysis of trends in funding. However it is clear with consistent measurement standards significant monetary growth has occurred in the last two decades. Since 1975 CAF put the income of the entire sector at £2.4 billion with growth to £18.3 billion in 1996/97.⁶⁹ In today’s prices this equates to 13.5 billion and £23 billion. Since 1998 similar large income growth can be seen with income nearly doubling.⁷⁰ Income now is at £26 billion, and net total assets are at £66.8 billion.⁷¹

INCOME DISTRIBUTION

10 The earliest statistics we have for income stratified by charity size is from the NCVO’s Almanac. This shows an increasing polarization of income towards the very largest charities since 1991.

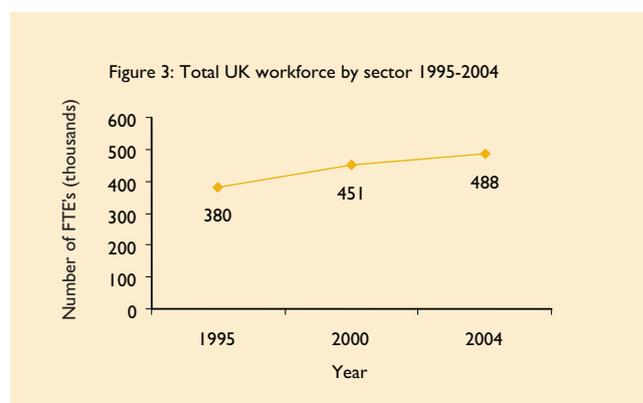


TOTAL UK WORKFORCE

11 Information concerning the numbers employed in the voluntary sector is broken down by classifications in the Labour Force Survey (LFS); data on the voluntary sector was grouped into charity, voluntary organisations and trust information since the early 90s. The total UK workforce, including part-time workers, employed in the voluntary sector has grown from 478,000 in 1995 to 563,000 in 2000 and 608,000 in 2004.⁷²



This translates into the following figures for full time equivalence employed in the UK voluntary sector.⁷³



THE STATE OF DONATION – GIFTS TO CHARITY

12 The availability over several years of FES (Family Expenditure Survey) allows estimations of charitable giving since 1974 using household based data. Between 1974 and 1993-94 the percentage of households giving to charity fell by over 5% – from just over 34% in 1974 to just over 29% in 1993-94. This historic picture shows a significant downward trend. A coefficient regression against a constant and annual trend brings out a 0.2% fall annually.⁷⁴ The same points fall is apparent for the number of households

68 Charity Commission, facts and figures, site: www.charity-Commission.gov.uk/registeredcharities/factfigures.asp#intro

69 CAF

70 Ibid

71 NCVO, UK Voluntary Sector Almanac, 2006, p133

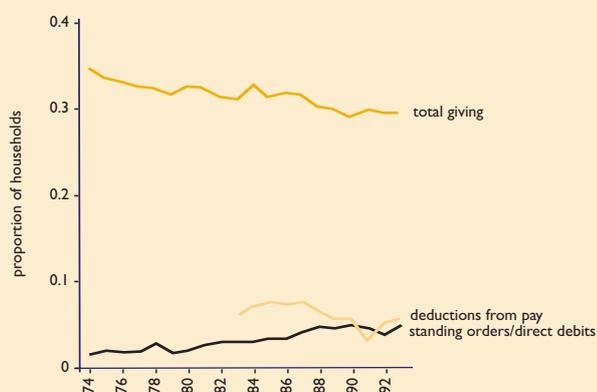
72 NCVO, UK Voluntary Sector Almanac, 2006. Taken from the Labour Force Survey (ONS)

73 Ibid

74 James Banks, The State of Donation: Household Gifts to Charity, 1974-96, Institute for Fiscal Studies, 1997, p17

giving to charity. At the same time however there has been a growth in regular donations by standing orders and direct debits, with a 1.5% growth each year.⁷⁵

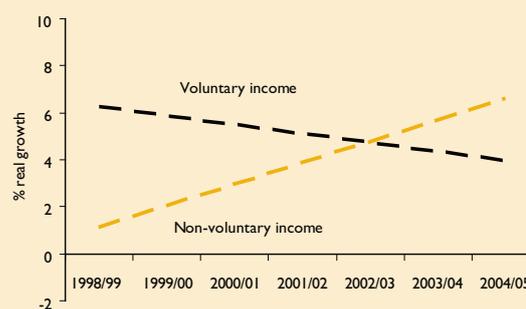
Figure 4: Proportion of households giving to charity, 1974 to 1993-94



13 While the proportion of households giving to charity has fallen, the average size of donations increased in real terms between 1974 and 1993-94 for both mean and median donations. In 1974 the mean amount given was £2.48 a week. By 1993-94 this had risen to £4.11. Similarly, the median donation increased over the period from 84 pence to £1.23. The increase was particularly focused in the mid and late 1980s.⁷⁶

14 Overall trends show therefore that total giving has increased, although it is now concentrated in fewer households. Possible explanations include the rise in income inequality or falling participation rates amongst successive households.⁷⁷ This historic overview rings true today. Whilst it is true that donors are giving more per month, the proportion of people giving has fallen from 68.5% of the population giving to charity in 2001⁷⁸ to 57.2%⁷⁹ in 2006, and the rates of growth of income from voluntary donations in recent years has also continued to decline. Figure 5, measured by CAF, shows trends in voluntary and non-voluntary income to the top 500 charities.⁸⁰

Figure 5: Income from the public sector, 1991-2004/05



15 Further, as Figures 5 above, and 6 and 7 below show, the growth in public sector funding of the third sector has risen at the same time as philanthropic spending growth has slowed, so that now 38% of all voluntary sector income comes from the public sector. The public sector – for the first time – is the largest source of funds for the third sector. This raises issues addressed later in this Report – including the need for public sector funding to be channelled in such a manner as to preserve the third sector's qualities of innovation, independence, and diversity (see Chapter 12 below); and for philanthropic giving to be increased substantially, particularly in fighting poverty (see Chapter 10 below).

16 On the other hand, the Group is disappointed to find that although there has been absolute rise in public sector income for the third sector, the rise in its public funding has lagged far behind the rise in public spending as a whole. As the right axis of figure 6 shows, public expenditure has risen dramatically since 1997 to date by over £220 billion, from £323 billion to approximately £550 billion. Whereas the left axis of figure 6 shows us that Government funding of the voluntary sector has risen to 2003/04 (the latest period we have figures for) by only £4 billion, from £6 billion to £10 billion, or only 2% of public expenditure. Given the acceptance by this Government of the advantages of the third sector in delivering quality

75 Ibid

76 Ibid, p18

77 It is very difficult to determine whether age or generational differences are the cause. Inter generational cohort analysis based on FES (Banks and Tanner 1997) suggesting different trends in cohort participation and real levels of giving across age

78 NCVO, Charitable Giving in 2002

79 NCVO, The UK Voluntary Sector Almanac 2006

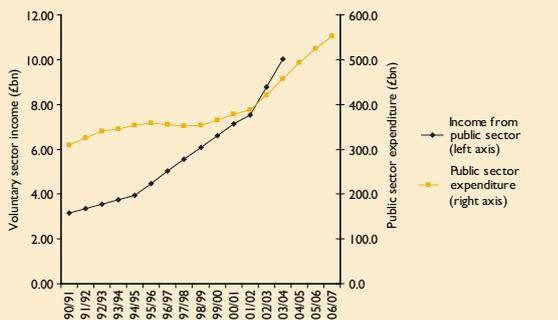
80 CAF, Charity Trend 2005

services, particularly for the most vulnerable, this is not an impressive statistic, and indicates that the Government has failed to transfer significant existing services to the third sector, and failed to ensure that a significant share of additional services are being provided by the third sector.⁸¹ The Public Accounts Committee has expressed disappointment at this neglect of the third sector's potential. The Government's target of increasing the volume of public services provided by the third sector by 5% by 2006 should be met but has been described as 'not a very demanding' aim by the Public Accounts Committee, which called on the Government to set a 'more meaningful and stretching target'.⁸²

Karl Wilding of the NCVO told the Group that the situation may be getting worse since the 2003/04 figures were published:

"We are hearing lots of evidence on the ground that tightening statutory expenditure (central, local, NDPBs etc) is beginning to hit services on the ground. Some PCTs, for example, are managing their overspend by cutting back on the services they commission from local VCOs. Paradoxically, at a time when public policy supports an expanded role for VCOs delivering services, there are real concerns that resources will only go to big charities able to take on large charities, or that expenditure on services delivered by VCOs will be cut."

Figure 6: Voluntary sector income and total UK public sector expenditure (£billion), 1990-2001/02⁸³



The rise in public sector income has seen charities of all different sizes increase their share of public sector income over the last decade.⁸⁴

Figure 7: Statutory funding as a % of total income, 1994/95-2003/04

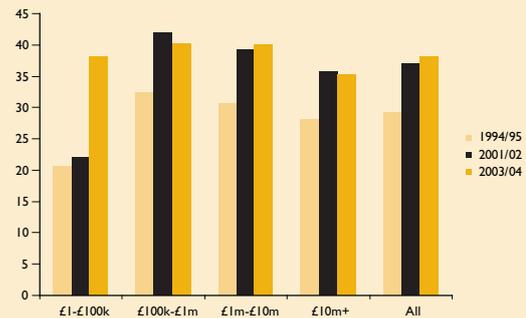
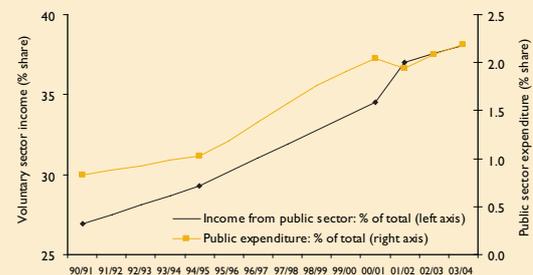


Figure 8: Voluntary sector income and UK public sector expenditure accounted for by voluntary sector, 1990-2002 (%)⁸⁵

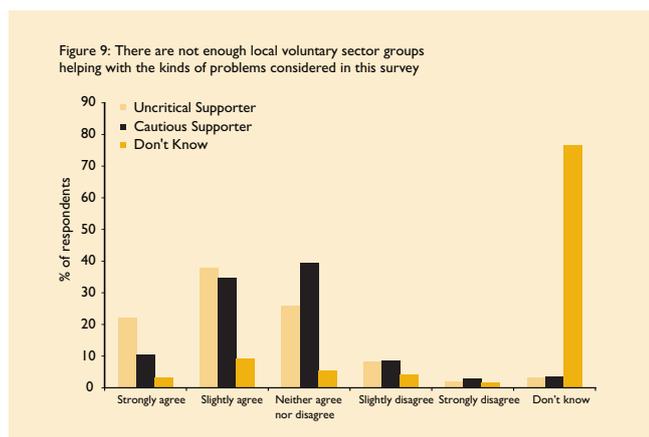


THIRD SECTOR IN FIVE KEY SOCIAL JUSTICE AREAS

- The specific work of the third sector in the five key social justice areas is dealt with in some detail in Chapters 4 to 8 of this Report, and will not be repeated here.
- However what emerges from those chapters, and the Group's consultative work as a whole, is that the third sector could do with significantly more support in these areas than it presently receives, particularly given their major contribution to poverty as a whole, and the third sector's excellence in tackling them. Each chapter identifies how in terms of philanthropic funding, volunteering, statutory funding, and other support, the third sector in these areas (especially smaller TSOs) are inadequately supported.

81 Karl Wilding, NCVO
 82 Committee of Public Accounts, Thirty-Second Report of session 2005-06, p7
 83 Karl Wilding, NCVO
 84 NCVO, UK Voluntary Sector Almanac, 2006, p147
 85 Karl Wilding, NCVO

19 This would appear to have been noticed by the general public, 67% of whom agreed that there are not enough local voluntary groups dealing with such problems at present (see below).⁸⁶ It also finds support in the admission of Sir John Gieve, then Permanent Secretary of the Home Office (and in charge of the Active Communities Unit) to the Public Accounts Committee in November 2005 that “it is very often hardest to get voluntary associations going in the poorest areas.”



Case study: Addaction (growth by increased availability of public funds)

Addaction was founded in 1967. Initially a small charity it has now grown in size to provide services to over 25,000 people in more than 70 locations employing 643 full time staff and 115 part time staff.⁸⁷

Addaction’s largest growth occurred between 2000 to the present day. Income has risen by a factor of more than five.

Financial Year Start	Gross Income	Total Expenditure
01 Apr 1998	£3,501,928	£3,475,789
01 Apr 1999	£4,169,062	£4,086,616
01 Apr 2000	£7,003,953	£6,748,764
01 Apr 2001	£9,754,589	£9,071,028
01 Apr 2002	£13,694,251	£12,501,480
01 Apr 2003	£16,573,871	£15,620,788
01 Apr 2004	£21,719,163	£21,406,649

“In the preceding 2-3 years there was less focus on non-statutory donations during a period of extensive growth through contracts.”⁸⁸

Currently 5% of Addaction’s income is fundraised while a further 94% is contracted income and 1% is income from other sources.⁸⁹ Contracts linked to increased public service expenditure have formed the basis for Addaction’s growth.

86 YouGov - Social Justice Policy Group poll, September 2006

87 Social Justice Policy Group snapshot survey, August 2006

88 Ibid

89 Ibid

EVIDENCE SECTION A:

Detailed evidence of third sector work in the five key areas

Chapter 4 - Third sector work in tackling family breakdown

SUMMARY

This section examines the nature and scale of the third sector in tackling family breakdown and its successes in helping society's most vulnerable groups, through: relationship education; crisis counselling and family support (paras 4-14). In spite of the sector's success, Government funding for third sector relationship and marriage support is estimated to be only 15p per taxpayer per annum when the annual economic costs of family breakdown equate to between £680 and £820 per taxpayer (18-29). This section further discusses the excessive requirements placed on TSOs by local and central government in tendering for contracts and the difficulties of their short term nature (30-33). In addition, this section details the value of local, community-based TSOs in providing effective family support (34-39).

INTRODUCTION

- 1 The social costs of family breakdown have been starkly documented in the Group's report on this subject. These include consequences relating to mental health, crime, poverty, substance abuse, education, and community cohesion. The economic costs are also great. Research suggests that the average taxpayer contributes between £680-£820 a year to pay for the consequences of family breakdown. The direct costs of family breakdown have been estimated to be £20-24 billion per annum.⁹⁰
- 2 The Government has at times claimed to be committed to supporting third sector programmes designed to reduce family breakdown. The Lord Chancellor's Department (LCD)⁹¹ set this target for itself in 2003:

"To work with the voluntary sector to increase the availability of more effective and accessible marriage and relationship support, especially where children are involved."⁹²

Regrettably, this commitment has subsequently proved to have been empty. Starting with grant

awards in 2006, third sector funding for relationship education has been transferred from the LCD to the Department for Education and Skills (DfES). Whereas the LCD had a specific funding stream for relationship education, it has now been subsumed as a smaller part of the overall DfES Children, Young People and Families (CYPF) funding stream. The consequence is that Government funding for third sector relationship support has in fact decreased (see below).

- 3 This chapter will therefore consider the specific work of the third sector in preventing family breakdown and how the Government has largely failed to support it. Our findings illustrate the immensely positive work done by numerous TSOs across the country in supporting families and preventing family breakdown. As such, these organisations are greatly contributing to both the social and economic health of the nation.

THE NATURE AND EXTENT OF THIRD SECTOR WORK WITH FAMILIES

- 4 The third sector is doing excellent work to strengthen Britain's families, and has had particular success in reaching society's most vulnerable groups, including children at risk of going into care, families exhibiting anti-social behaviour, and prisoners. In order to more specifically demonstrate the nature of third sector work the Group has focused on three areas within the field – although by no means representing all of the work that the third sector undertakes in preventing family breakdown.

Relationship education

- 5 Effective work is being done by numerous TSOs in supporting relationships. Of particular note is the emerging Community Family Trust (CFT) movement, which provides marriage and relationship edu-

90 Extrapolated from Lindsay, *The Cost of Family Breakdown, 2000*, produced for the Lords and Commons Family and Child Protection Group

91 Now the Department for Constitutional Affairs (DCA)

92 LCD, *Departmental Report 2002-2003*

cation in diverse settings including prisons, as well as parenting education. Currently, sixteen CFTs employ 27 staff and 536 volunteers. Government funding for CFTs of £256,000 expired in March 2006. There are sixteen local groups registered to become CFTs as soon as funding is available.

- 6 Bristol Community Family Trust (BCFT) is one example of a CFT making a big impact at a local level. It runs short courses on relationship education, mentoring, and parenting, supported by over 100 volunteers. More than 500 people have completed BCFT courses in the last year. One important area of their work is marriage preparation. Based on the internationally used PREP (Prevention and Relationship Enhancement Programme) course, BCFT works with couples considering marriage to prevent future relationship breakdown. There is now considerable evidence proving the efficacy of such preventative work. Recent academic studies of PREP in the USA, Germany and Australia demonstrate increased in marital satisfaction and reduction in divorce rates for participant couples five years later. Within this time frame, only 3% of PREP couples divorced compared to 16% of non-PREP couples.⁹³
- 7 Relationship education is not simply the preserve of affluent couples. It can make a real difference helping people from all backgrounds. This is illustrated in a recent study looking at couples in the US Army.⁹⁴ The significance of this research is that the sample group comprised couples whose income was typically below average, with half of those sampled being from black and minority ethnic communities. Using the PREP course, the couples received relationship education and reported back that their relationship quality and ability to deal with conflict had improved.
- 8 BCFT has received particular praise for its work in a local prison, supporting prisoners' relationships through volunteer led one-day courses. Long-term separation from a partner can obviously have a severe effect on the marriages and relationships of prisoners, and the effect of this separation can be especially damaging where children are involved. The Bristol scheme, which has been replicated by other

Community Family Trusts in Dartmoor, Cardiff and York, provides relationship advice both during and after imprisonment. This is one example of the third sector's effectiveness in working with particularly vulnerable groups. Volunteers are instinctively trusted by prisoners ahead of professional counsellors, lawyers or even religious leaders.

- 9 Time for Families (TFF) is a further example of positive voluntary action in prisons. TFF runs programmes for prisoners and their partners to help them deal with the impact of imprisonment on their relationships, finances and families. TFF operates across the country including in Cardiff, Bristol, Dartmoor, Brixton, Wandsworth, and Leeds prisons or visitor centres. Again volunteer mentors go into the prisons to help build relationships between the prisoners and their partners. These prisoners and their families continue to be supported in the community upon their release.
- 10 Following the withdrawal of financial support for four CFTs in March 2006, TFF is now the only preventative relationship education project for couples currently part-funded by the Government.

Counselling for couples in crisis

- 11 The leading national TSO in this area is Relate, which serves around 150,000 clients each year, including married, co-habiting, and same-sex couples. They train 300 counsellors each year and support relationships through face-to-face sessions, telephone help lines and online consultations. Crucially, 66% of those seeking counselling from Relate do so with the intention of saving a relationship. Relate have found that, a year after completing counselling, 58% of clients felt that their relationship was better than it had been beforehand.⁹⁵
- 12 Relate receives relatively little of its funding from statutory sources. For the last financial year, central government and local authority grants made up 25% of their total income, compared to around 55% through receipts from clients.⁹⁶ However, over the next three years Relate will be the third largest beneficiary of the Government's Children, Young People

93 S.M. Stanley, 'Making a case for pre-marital education', *Family Relations* 50, 2001

94 S.M. Stanley et al, 'Dissemination and evaluation of marriage education in the army', *Family Relations* 44, 2005

95 www.relate.org.uk

96 The average contribution made by clients across the whole of their contact with Relate (which could be up to 8 sessions) is £75. Figures provided to the Group by Relate

and Families grants (see below), and receiving £3.7 million in total up until 2009.⁹⁷

- 13 Similarly, Scottish Marriage Care raises around 75% of its funds from non-statutory sources.⁹⁸ This voluntary organisation provides relationship counselling to couples through fifteen local centres across Scotland. They are supported by over 100 volunteers, the majority of whom are relationship counsellors professionally trained to a university accredited standard. Because organisations such as Scottish Marriage Care and Relate are able to make use of skilled volunteers, thereby operating on relatively low running costs, they are highly cost-efficient.
- 14 However there is a lack of quality research on the effectiveness of such crisis counselling. Self-report questionnaires, as used by Relate, have some use but tend to be subjective. There are no wide-ranging longitudinal studies of couples in the UK that the Group is aware of, although Relate has recently improved its evaluation procedures. Moreover, Relate has proved to be an example of good practice by disseminating its methods in an accessible way to other TSOs.

Support for dysfunctional families

- 15 The third sector has a particular role to play in helping families exhibiting anti-social behaviour. Recent Department for Communities and Local Government (DCLG) research has demonstrated the positive effect that voluntary groups, most notably NCH, have had in reducing anti-social behaviour through intensive family support.⁹⁹ A study of six intensive family support projects demonstrated that for 85% of families taking part in family therapy programmes, complaints about anti-social behaviour either completely ceased or reduced by the time families finished the programme. The projects offered outreach support to help families address behavioural problems in order to keep their current housing, and also involved intensive support in residential accommodation provided by the scheme. 92% of families were considered to be a reduced risk or no risk to the community as a result of the service. Not only is this positive in itself,

but it is of great financial benefit to the taxpayer: the DCLG found the services ‘excellent value for money’, offering a saving in some cases of £213,420 for just one family when compared to the potential costs of housing, criminal justice, policing, education and health had they continued in their previous behaviour.¹⁰⁰

- 16 NCH’s Dundee Families Project is the flagship model of intensive family support. Five of the six projects examined in the DCLG study are run by NCH based on the Dundee model, which has been praised by the government as ‘the most comprehensive project tackling rehabilitation’.¹⁰¹ The recent DfES Green Paper ‘Care Matters’ also highlighted the work of NCH in crisis intervention designed to help families with children at risk of going into care. Results from one project showed that 76% of young people referred did not enter the care system, while another study showed that one year on 88% had remained within the family home.¹⁰² Following on from these successes, Alan Johnson MP, Secretary of State for Education and Skills, recently told the House of Commons:

“If there is a chance that a child can be safely restored to a healing family environment, we must take it. We will trial a new kind of intensive family therapy to address parents’ problems while ensuring that children are more than just helpless bystanders.”¹⁰³

- 17 The DfES has not yet made clear the likely extent of third sector involvement in the intensive family therapy proposed in the Green Paper. Assuming the Paper’s recommendations in this area are implemented, the Group hopes that the bulk of this work will be delivered by TSOs. Along with NCH, a potential beneficiary might be Children 1st, a TSO providing family support based in Scotland. Their family support teams work with vulnerable children under 12 and their families to detect social, emotional and behavioural difficulties and provide help to parents in order to strengthen family relationships. Their work includes dealing with cases of domestic abuse, mental health problems, and child protection. For example,

97 www.everychildmatters.gov.uk/strategy/voluntaryandcommunity/cypfgrant/

98 www.scottishmarriagecare.org

99 Department for Communities and Local Government, Anti-Social Behaviour Intensive Family Support Projects, 2006

100 This is based on the finding that a three-child family evicted for anti-social behaviour can cost the Treasury up to £250,000 including custodial, residential or foster care. The most expensive average closed case at a residential intensive family support service was £36,580. Ibid, p16

101 www.nch.org.uk/ourservices/index.php?i=44

102 www.nch.org.uk/ourservices/index.php?i=43

103 House of Commons Hansard Debates, 9th October 2006

the Edinburgh Family Support Team works intensively with around 160 children and 50 adults each year.¹⁰⁴

GOVERNMENTAL ISSUES

18 As far back as 2002 the Government appeared to realise that its provision of support for relationships was focused too much on when they had reached crisis point:

“Hitherto, the focus of support (and Government funding) has been on what has been called ‘tertiary prevention’, which aims to support couples in managing problems and preventing or limiting future damage. This mostly includes counselling – until now, much of Government funding has gone to organisations offering counselling and psychotherapy.”¹⁰⁵

19 The LCD acknowledged that such services are primarily provided for those who have reached the ‘end stages’ of their relationships. The importance of helping couples whose relationships have irretrievably broken down is accepted by all. However, the LCD further noted that:

“Counselling does help to save some marriages, but this is the exception rather than the rule. This is partly because most people come to counselling too late, once crisis point is reached.”¹⁰⁶

20 Acknowledgement of the limitations of interventions when relationships have reached crisis point should have prompted the Government to consider how best to prevent couples reaching that point. Had such consideration taken place, it would have surely prompted the Government to begin investing in prevention programmes like PREP that improve relationship quality and reduce divorce rates. No such investment has been forthcoming.

Funding

21 The only source of central government funding for preventative relationship education is the Children, Young People and Families (CYPF) grant programme, run through the DfES as part of the ‘Every Child Matters’ agenda.¹⁰⁷ The first round of the programme provided £17 million in grants to 67 projects

for activities beginning in April 2006. This replaced the former £5 million Marriage and Relationships Support fund (MARS), and also encompasses the former Strengthening Families Grants awarded through Sure Start.

22 Whilst at first this appears to represent a massive increase in Government funding for relationship support, the wider-ranging nature of the CYPF fund means that the vast majority of the funding is going to causes outside the scope of MARS. Harry Benson of BCFT cites evidence that the MARS component of the CYPF fund has actually been cut to under £4 million, equivalent to 15p per taxpayer per year.¹⁰⁸ It is depressing that total second-round CYPF funding for activities starting in April 2007 has been cut to just £3.3 million. This is extremely low, and it is no wonder that many TSOs delivering high quality relationship support education programmes feel betrayed. Closer analysis of the CYPF grants reveals that, in terms of total three-year allocation, the largest five organisations will receive around 40% of the funding. Much of the overall funding is going to large organisations for ‘capacity building’.

23 Thus the Government is spending less on preventing family breakdown each year than on its latest “super-nanny” initiative to place 77 ‘parenting experts’ in disadvantaged areas. Significant resources are continually allocated to anti-social behaviour initiatives but serious efforts are not made to address family breakdown, one of its main causes.

24 Government rhetoric about the need to support relationships appears hollow when considering that, taking into account the amount of taxpayers’ money spent on dealing with the effects of family breakdown, less than 0.001% of this amount is spent on genuinely preventative couple support. The figure is still less than 0.1% if all parenting support is included.¹⁰⁹

25 During the Group’s research, BCFT described encountering numerous problems in attempting to negotiate government funding. After the considerable

104 Annual Review 2003/04, www.children1st.org.uk

105 LCD, A Proposed Strategy for Marriage and Relationship Support for 2002 and Beyond, 2002

106 Ibid

107 www.everychildmatters.gov.uk/strategy/voluntaryandcommunity/cypfgrant/

108 Harry Benson, The conflation of marriage and cohabitation in government statistics, 2006

109 Ibid

time put into an application for a second year of funding for a particular project, they were informed two weeks before the deadline that no funding would be allocated to them. They received no correspondence from the Government or any feedback about their project. A national charity helping those affected by family breakdown told the Group of their frustrations, including the need to engage in:

“[a] time-consuming process to secure funding from government for services, with no guarantee of success.” They concluded, “Government funding was fickle and short-sighted.”

- 26 Problems with statutory funding are a particular problem for many of the large charities working with families that receive most of their income from government, mainly for contracted services. NCH, for example, receives around 90% of its total income from statutory sources. Its Chief Executive, Clare Tickell, told the Group of the fortunate position that NCH is in, being large enough to turn down contracts if the work is not satisfactory:

“Charities must be very clear about their values; for example, if NCH are asked to provide any service to a family in crisis in a way that, in our view, might compromise our values, then we would not enter into the contract.”

Many smaller TSOs do not have the financial security to terminate contracts and therefore are at risk of being tied in to bad contracts.

- 27 A further issue of concern is government interference in the running and objectives of TSOs working in this field. What About The Children?, a small charity offering support to about 1000 families, spoke of their concern about this and their wish to maintain their independence by not relying on government contracts or work:

“As soon as an organisation starts giving services being paid for by the government their hands are tied. We appreciate our independence.”

- 28 Government funding can bring great benefits for TSOs and their clients so it is worrying that a voluntary organisation such as this could be discouraged due to a fear of government interference. Mushkil Aasaan, a small local charity offering relationship and family support to the Muslim community in Wandsworth, expressed concerns about the lack of basic knowledge of their culture in social services. In

their view, families are badly served by the Government. The organisation also raised the point that there is a risk of specialist TSOs, such as themselves, being compromised because they are told by local authorities to conform to social service expectations rather than continue providing specialist, individually tailored and personal service.

Bureaucracy

- 29 Excessive bureaucratic burdens imposed by government are a common source of complaints across the third sector. Our consultation with TSOs in this field demonstrated that this continues to be a major problem. Many issues were raised regarding the relationship between individual organisations and the state – both local authorities and central government. Key problems raised included the excessive bureaucracy involved in tendering for contracts, as well as the interference with services delivered by the TSOs.

- 30 Mushkil Aasaan highlighted difficulties facing small TSOs who have to spend vast amounts of time completing excessively complex forms when applying for tenders. There were many occasions when they would ‘sit up all night’ making applications for contracts. Even once a contract has been agreed, the vast amounts of paperwork continued, down to having to provide weekly statistics on all aspects of the domiciliary care. The organisation told the Group that:

“You never get anything back... If one thing could change it would be the bureaucracy... it makes you bitter.” They concluded that these demands on organisations results in the “risk of losing the personal touch.”

- 31 Equally, Kiran, which helps black and minority ethnic women fleeing domestic violence, told the Group that having experienced the reporting requirements for a DCLG grant, they have not tendered for commissioned services because they know the paperwork will be overwhelming. In common with other organisations, Kiran said that they resent the time spent away from those they were established to help.

- 32 In looking for a way forward, it would be helpful for commissioners in local authorities to involve providers in discussions on the tendering process. In one case, that of the DfES funded Parenting Fund, the commissioning process was delivered by the National Family and Parenting Institute (NFPI), a TSO in its own right. The NFPI was chosen by the DfES as fund holder for the £16.4 million grant fund following a

competitive tendering process. Coram, one of the TSOs applying to the NFPI as part of this commissioning process, told the Group that this process was easier and simpler, attributing this improvement to the voluntary nature of the NFPI. It stands to reason that another TSO would more fully understand the issues involved. The commissioning of such grants by TSOs is something that deserves further investigation.

ISSUES WITHIN THE THIRD SECTOR

The importance of local roots

- 33 The size of an organisation naturally impacts on the degree to which it can be locally rooted. Some TSOs such as Relate are able to successfully provide support on a national basis. Others that were consulted by the Group, such as Mushkil Aasaan, aspire simply to serve people in their local area.
- 34 BFCT has grown organically in the Bristol area. One quarter of their referrals come from personal recommendations. BFCT observed that, whilst national organisations benefit from brand recognition, generating widespread recognition and trust locally can help enormously in fundraising.
- 35 Mushkil Aasaan observed that its local roots and the organic nature of its growth have been central to its success. The trust it has earned in its community is especially important when dealing with a highly personal issue such as family breakdown. Mushkil Aasaan say that they are able to help with particular issues such as the ‘culture shock’ experienced by newly arrived immigrants. Similarly, Kiran were of the view that the mothers they help receive greater assistance from working with someone from a similar cultural background and within a community who are aware of their particular issues.

Volunteering

- 36 TSOs working in the area of relationship and marriage education are highly dependent on volunteers to deliver their programmes. Groups including BCFT and TFF are always recruiting and training mentor couples to help teach other couples relationship skills. Most of BCFT’s 100-plus volunteers are themselves “graduates” of the group’s courses. BCFT has a very high retention rate of volunteer mentor couples once they are trained.
- 37 Once families have reached crisis point, more specialised and skilled interventions are obviously needed. Thus volunteers working in such areas as coun-

selling couples contemplating divorce will be fewer. This is because of the proper requirement of most TSOs working in this field that volunteers are properly equipped and trained.

- 38 The Group’s research on how TSOs use volunteers in these areas found that organisations such as Mushkil Aasaan tried to steer their volunteers to specialised areas such as bereavement counselling. This TSO benefits from volunteering being an integral part of the Muslim/Pakistani community they serve. Clare Tickell of NCH explained that many volunteers working for TSOs helping families have got involved as a result of their own experiences of childhood and family. Those who have experienced difficulties in earlier life yet have overcome them are often able to make a unique contribution in helping others facing difficult circumstances.

CONCLUSION

- 39 The Government has a shameful record on supporting programmes that can strengthen marriages and relationships. TSOs in this field are doing some excellent work that is reducing rates of family breakdown and, in doing so, reducing poverty. Programmes designed to teach parenting skills are fine as far as they go, but the Government also needs to consider how to encourage and strengthen the relationships through which the most effective parenting can be practiced.
- 40 TSOs such as Relate are doing important work in helping couples who have reached crisis point in their relationship. However, there is a lack of quality research on the effectiveness of these interventions. New programmes to help families displaying extreme anti-social behaviour are being evaluated and appear to be making a significant positive impact.
- 41 The Group’s survey of TSOs working in this area reveals the usual frustrations with government: lack of funding; complexity and bureaucracy associated with the commissioning process; and excessive monitoring and control by statutory agencies.
- 42 Government has a vested interest in establishing the effectiveness of relationship education programmes in reducing rates of relationship breakdown and divorce. Thus it should be initiating high-quality longitudinal research on the impact of the work of groups such as community family trusts and Time For Families. However there appears to be enough

evidence on the effectiveness of similar programmes overseas to justify significantly increased investment now. A limiting factor in any potential growth may be the need to recruit and train many more mentor couples. There is also great scope for increased TSO deliv-

ery of intensive family therapy for families at risk of eviction from their homes and, if the recommendation of the Children in Care Green Paper is adopted, for families whose children may need to be taken into care.

Chapter 5 – Third sector work in tackling educational failure

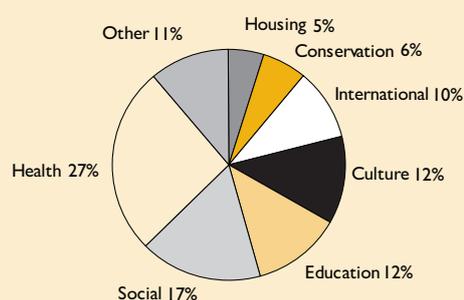
SUMMARY

This section sets out the scale and nature of the third sector's work in the education of school-age children (paras 1-10). The work of supplementary schools (11-16) and extended schools (17-24) is then discussed, before examination of the sector's work in maximising attainment among black boys (21-26) and children struggling with literacy (27-36). The potential of the sector to help educate children at risk of exclusion and children in care is then considered (48-51), as is the work of TSOs in establishing City Academies (52-55).

SCALE OF THE SECTOR'S WORK IN EDUCATION

- 1 Establishing the nature and scale of the third sector's work with children and young people of school-age is not straightforward. Many charities have 'education' included in their charitable objects, but may do little or no work with this group.
- 2 The Group concurs with New Philanthropy Capital's (NPC) conclusion that there are a relatively small but significant number of charities and non-profit organisations operating alongside schools and colleges.¹¹⁰ These groups usually focus their work in specific areas such as coaching children with reading difficulties (see below). They range from large national charities with professional staff to local voluntary groups and parent-teacher associations who are much more reliant on volunteers.
- 3 Independent, fee-paying schools still automatically qualify for charitable status, even though they generally serve the most privileged in society. However there are some independent schools that serve children from disadvantaged backgrounds. For example Tabernacle School¹¹¹ in west London educates around sixty mainly black pupils, a large number of whom have been let down in inner city state schools. A significant proportion of parents on modest incomes receive large reductions in the already low fees.
- 4 The scale of educational charities' work is tiny in comparison to state funded schools and colleges. Data in this area is poor. However, a sample of the largest 10,000 charities in the UK shows that approximately £940m is spent on children at school. Disappointingly, this equates to a mere 2% of current total government spending on schools and colleges.¹¹²
- 5 Figure 1 indicates that giving to charities working in education comprises 12% of all giving to charities in the UK. This figure includes contributions from the Government. The annual total spending on education (that will rise to £78 billion in 2007/2008¹¹³) contains lamentable provision for funding the third sector. The most recent figures available show that in 2001/2002 the Department for Education and Skills (DfES) spent only £282.5m on funding for charitable organisations.¹¹⁴
- 6 Since 1997, Government has encouraged greater involvement of the private and third sectors in many aspects of state education. Two of the Government's current flagship initiatives in education – Academies and Extended Schools – are heavily dependent on the third sector assuming a greater role.
- 7 There is little data on the relative popularity of philanthropic giving to TSOs working to improve educational outcomes for school-age children compared to

Figure 1: Income to UK charities by cause, top 10,000 charities



110 John Copps, *On your marks - young people in education*, New Philanthropy Capital, London, 2006, p9

111 www.tabernacleschool.com

112 John Copps, *On your marks - young people in education*, New Philanthropy Capital, London, 2006, p9

113 Department for Education and Skills, *Departmental Report 2006*

114 John Copps, *On your marks - young people in education*, New Philanthropy Capital, London, 2006, p9

TSOs serving other client groups. However the relatively high number of research reports produced by New Philanthropy Capital (NPC) on the work of educational charities working to improve the educational attainment of children suggests that this is an area donors are keen to invest in.

WHAT DOES THE THIRD SECTOR DO IN EDUCATION?

- 8 In its recent report, 'On your marks – young people in education', NPC identifies nine areas of third sector activity in the field of education: providing social and emotional support; tackling bullying; providing out of school hours activities; providing support for special educational needs; supporting teachers and schools; supporting whole school transformation; academies; specialist schools; providing alternative education; and supporting post-16 education choices.¹¹⁵
- 9 Sure Start is the Government's primary means of helping disadvantaged pre-school children and their families by bringing together early education, child-care, health and family support. Much of Sure Start is delivered through third sector providers contracting with government. However this section will focus on the work of the sector with school-age children.
- 10 As the state provides the vast bulk of mainstream education through schools and colleges, the third sector is considered to have three main roles in this area:
 - To provide services in addition or complementary to those outside the state; for example, through supplementary or mother-tongue schools;
 - To help children and young people access the services offered by the state; for example, helping parents of dyslexic children secure adequate assistance in school; and
 - To influence policy and change attitudes in society; for example, through campaigning for particular teaching methods such as synthetic phonics for the teaching of reading to be adopted.¹¹⁶

- 11 Compared to other areas of third sector activity (e.g. medical research), education charities are not well organised or funded:

There are few infrastructure bodies or forums where organisations can discuss, share and coordinate their activities. There are no central lists of charities either at the DfES or at regional level. Most charities operate very much at the school level, responding to local concerns. Unbound by many of the restrictions incumbent on the state and without the commercial requirement to demonstrate financial return, charities are uniquely placed to make an impact on the education sector. Their independence allows them greater freedom to develop innovative methods of working, react to specific needs and take risks. However, it also means that they struggle for funding and often face uncertain long-term futures.¹¹⁷

SUPPLEMENTARY SCHOOLS

- 12 Perhaps the most significant contribution of the third sector in educating the nation's children is through the supplementary school movement. These schools supplement mainstream education by providing educational opportunities out of school hours, mainly for pupils from minority ethnic communities.
- 13 Supplementary schools are managed and run by local communities including newly arrived communities. They take place in a variety of venues including mosques, churches, temples, gurdwaras, community centres and schools. The DfES estimates that there are at least 5,000 supplementary schools operating nationally. Afro-Caribbean communities have established many successful supplementary schools. These include the growing network of Black Boys Can franchises and Eastside Young Leaders' Academy in Newham, which works with black boys at risk of exclusion from school. Volunteers are the backbone of most supplementary schools, although many will employ at least part-time staff.
- 14 Supplementary schools can take many forms and offer different types of support, including the teaching of home languages; appreciation of cultural heritage; providing inspirational role models and pride in community; support for national curriculum sub-

115 Ibid

116 Ibid, p8

117 Ibid, p9

jects; and encouraging respect for learning and personal achievements. A national survey found that eight out of ten pupils who attended supplementary schools said it helped them with their mainstream school work,¹¹⁸ and there is a great demand for places at supplementary schools from parents. The Group has heard of one in Croydon serving black children that has a roll of 150 and a waiting list of 200.¹¹⁹

- 15 Government considers itself to be an enthusiastic supporter of supplementary schools. In 2000 it established the Supplementary Schools Support Service (SSSS) to help supplementary schools carry out their missions to deliver education programmes. However, only limited statutory funding has been available for such schools, mostly locally through local education authorities (LEAs), and through central Government's area-based regeneration initiatives such as Education Action Zones and the Neighbourhood Renewal Fund. Furthermore, the SSSS initiative has now been discontinued, without compiling a database of supplementary schools nor carrying out any evaluation of the effectiveness of supplementary schools in raising levels of academic attainment.
- 16 In addition to the limited statutory funding support of supplementary schools, concerns have also been raised over two specific threats to their future success. The first is the introduction of a quality framework, under the control of Government quango-charity ContinYou. This quality framework, which appears intent on harmonising and homogenising supplementary schools' educational service, was piloted in sixteen of London's supplementary schools to March 2006. The Group has major doubts about the potential benefits of extending such a scheme nationally. Any benefits in complying might easily be outweighed by the likely costs of time, money, and loss of diversity for these largely small voluntary groups. The strength and vibrancy of the movement may be better safeguarded by the DfES continuing to have little direct involvement in the day-to-day running of supplementary schools.
- 17 The second is the introduction of the Government's Extended Schools programme, which will also be overseen by ContinYou.

EXTENDED SCHOOLS

- 18 The Extended Schools initiative is intended to provide 'wrap-around' childcare from 8am-6pm all year round, and a range of other services to pupils, their families and the wider community. The Government wants all schools to offer access to extended services by 2010, with half of primary schools and a third of secondary schools doing so by 2008. It has committed £680m from 2006 to 2008 to realise this ambition. Of this, £430m will be distributed to schools via local authorities who will prioritise needs and plan the development of services across their area. £250m is going direct to schools. Ministers believe that extended services in schools will help to improve rates of pupil attendance, bolster pupils' self-confidence and academic attainment, leading to a reduction in rates of exclusion. Ofsted will examine and report on the schools' extended services during their inspections.
- 19 Although the services provided by Extended Schools will vary, the DfES claims that they will typically include parenting and family support; study support for pupils; sport and music clubs; access to specialist services such as speech therapy and community use of facilities including adult and family learning and ICT.
- 20 There are two obvious dangers posed by the Extended Schools programme – which is childcare centred – to the supplementary schools movement – which is education-centred. The first arises out of the significant expense of the proposed Extended Schools programme for which the Government has budgeted £680m. However its costs could spiral way beyond this considering that it will require the supervision of 7 million children for an extra three hours a day, 40 weeks a year. Given this, it is not difficult to see that the Government, through ContinYou, could seek to procure the involvement of supplementary schools into implementing its initiative on the cheap – perhaps through imposing obligations through the quality framework initiative, or else through the lure of contract funding. This is not an idle concern, as Lord Adonis has already indicated his wish to involve supplementary schools in the delivery of Extended Schools.¹²⁰ Furthermore, as many supplementary schools charge a small fee to parents to recover some

118 http://www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2006_0059

119 Anecdotal evidence from Robert Whelan, Deputy Director of CIVITAS, who will publish a paper on supplementary schools imminently

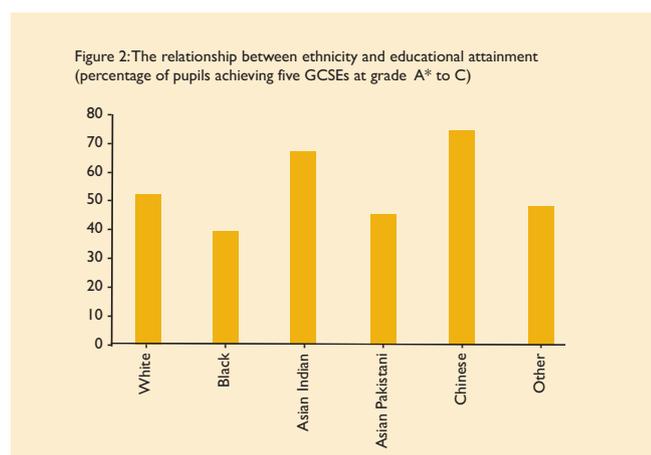
120 <http://www.gnn.gov.uk/content/detail.asp?NavigatedFromSearch=True&NewsAreaID=2&ReleaseID=197275>

of their costs, their future existence could be threatened (as Ragged Schools once were) by the arrival of a free state-funded competitor – even though the educational service would be demonstrably less good.

- 21 If any of these dangers materialised, and supplementary schools began to wither or their service was diluted by providing childcare, the large numbers of families from vulnerable backgrounds who would benefit from specialised educational assistance currently being provided from supplementary schools, will find themselves denied this second chance, with only an extended state child-care provision offered instead.

UNDER-ACHIEVEMENT AMONG BLACK BOYS

- 22 The need for supplementary schools and other help for children from particular ethnic backgrounds can be seen from the rates of academic attainment for students from a variety of ethnic backgrounds.



- 23 Chinese students are the highest performing from any ethnic group, whilst a group causing particular concern is black boys: only 27.3% achieve 5A*-C GCSE passes.¹²¹
- 24 For many years now, exam results for pupils of African-Caribbean heritage have fallen below their peers and a long way below national averages. The evidence shows that although African-Caribbean pupils begin well at Key Stage 1 (the start of primary school), by the end of Key Stage 2 progress dips considerably, and by Key Stage 4 only 30% of these

pupils obtain good GCSE results. The results are worse for pupils who receive free school meals. African-Caribbean pupils are also more likely to be excluded from school than their white or Asian-British counterparts. In addition, they are over-represented in national figures for Special Educational Needs (SEN).¹²²

- 25 There has been a sustained public focus on the educational under-attainment of black boys in recent years. A major report looking at the problem in London blamed the racism of teachers and the scarcity of positive black role models in schools.¹²³ In response to such research, the Government launched the Black Pupils' Achievement Programme in October 2005 to work with local authorities and schools to focus on raising the attainment of all black pupils and by doing so raise overall attainment. Around 100 schools and 25 local authorities are taking part in the programme. The overwhelming emphasis is on internal processes within schools and councils. The contribution of TSOs in reversing black educational under-attainment is completely overlooked.
- 26 In addition to their creation of huge numbers of thriving supplementary schools to boost levels of educational attainment, the black community has also set-up a small but significant number of independent day schools. These have generally been run by Seventh-Day Adventist and other faith-groups. Regrettably this Government has created major new obstacles making it exceptionally difficult for more of these schools to be set up. The 2002 Education Act introduced exceptionally difficult hurdles that must be overcome before a new independent school can be opened. These include buying and fitting-out a dedicated building and having a full curriculum in place before registration as an independent school (a prerequisite for opening) will begin to be considered. This is one of the reasons why excellent schools such as Tabernacle School in west London are so rare. The regulation of small independent schools is disproportionately heavy, especially when compared to the freedom from bureaucracy enjoyed by supplementary schools (at least for now).

121 Department for Education and Skills (DfES), Statistical First Release: National Curriculum Assessment, GCSE and Equivalent Attainment and Post-16 Attainment by Pupil Characteristics in England 2004, 2005

122 <http://www.teachernet.gov.uk/community/hotseats/blackboysineducation/>

123 London Development Agency, Rampton Revisited, The Educational Experiences of Black Boys in London Schools, 2004

27 Furthermore, it is important to note that recent research indicates that the educational under-attainment of white working-class boys is also a cause of great concern. As the work of the Educational Failure Working Group demonstrates, there is no Government supported initiative in this area, whether in the public or third sector. It is to be hoped that in any future initiatives in this area, the Government will be astute to support and encourage third sector work.

LITERACY TUITION

28 One area in which the third sector is offering sterling support to schools is through its provision of individual tuition for pupils struggling with literacy. There are around 250,000 functionally illiterate children in schools throughout England and Wales. 6% of children (including nearly 1 in 10 boys) leave primary schools in England without the most basic skills in reading.¹²⁴ Denied the chance of acquiring these skills, they risk ending up in young offenders' institutions before their adult lives have properly begun. Under-achieving children, some with learning difficulties, some without English as their first language, some bullied, autistic or lacking parental support, are in danger of becoming depressing statistics.

29 A range of TSOs are working in primary schools to tackle this problem. For example, Volunteer Reading Help has a network throughout many deprived communities in England and is recruiting volunteers from corporations such as Price Waterhouse Coopers and JP Morgan to work as reading mentors. Another, Reading Quest in Oxfordshire, has provided an intensive six-week course to 2,500 pupils in 70 schools since it was set-up in 1995.

30 Springboard for Children was founded in Peckham in 1992 and works in the some of the most deprived areas in London. In these areas there is high unemployment, crime, inadequate housing and little support for children. Poor literacy standards are all too common. Springboard provides a cost-effective way of giving children with learning difficulties a supportive long-term relationship with a committed tutor.

31 As many as 35% of children in some local primary schools are registered as having Special Educational

Needs, with only 4% of these receiving statutory help. Children enrolled with Springboard are helped through one-to-one support with someone who can dedicate time to each child away from the distractions of the classroom. Springboard provides the special care of a committed adult to give consistent, high-quality support.

32 The majority of children referred to Springboard are over two years behind their classmates. Once on the Springboard programme, the children meet with their tutor twice weekly for a session of around 40 minutes. Springboard uses a core of qualified literacy tutors and a team of local volunteers who are given appropriate training and supervision.

"Springboard for Children has helped my daughter with her reading and spelling. Before Springboard she had no confidence; now, she picks up the newspaper and reads the news. She is a happier child and she does not feel that she is stupid. Thank you!"

Mrs Connolly, parent

33 The results are impressive. Over 60% of the children in Years 1-3 who make little or no headway in the classroom make more than 12 months' progress in one year at Springboard, so ending their low achievement. At the end of the programme, 96% of the children are able to return to mainstream lessons with a reading age comparable to their peer group in the school.

34 For the lowest achieving young children, a more intensive programme called Reading Recovery has been proven to be highly effective in reversing poor literacy in primary schools. Research by the University of London's Institute for Education found that while the methods used in the National Literacy Strategy work for the majority, they do not work well as an intervention strategy for those who have barely started to read by age six.¹²⁵

35 A year-long pilot of Reading Recovery in London primary schools found that 80% of these vulnerable children can be brought up to the expected reading level for their age in a matter of weeks with intensive, professional, one-to-one tuition. Children who were

124 DfES, 2006

125 <http://news.bbc.co.uk/1/hi/education/6137158.stm>

almost two years behind their expected reading age at six could be put back on track with 38 hours of teaching. It found that children on Reading Recovery improved at a rate four times faster than similar children who were not on the programme. Moreover they maintained their gains over subsequent years.

- 36 It costs between £2,000 - £2,500 to put a child through Reading Recovery, largely because it is essential that the one-to-one tuition is delivered by a specially trained Reading Recovery teacher - not a parent-helper or a teaching assistant. Prohibitive cost is the reason why only 1,796 children benefited from the scheme last year, even though thousands of teachers have been trained to deliver Reading Recovery.
- 37 As in most areas of third sector work, the main factor hindering the expansion of these successful literacy tuition programmes is a lack of money. Schools have to pay for services of organisations such as Springboard and Reading Recovery. However if these programmes rescue vulnerable young children from educational failure and the resulting social exclusion, they would appear to be a sound investment.

ALTERNATIVE EDUCATION

- 38 For secondary school-age children, one of the biggest contributions made by the third sector is in the provision of alternative education for children who have been excluded or are at risk of exclusion from school. There appears to be a growing willingness on the part of secondary schools and LEAs to buy this provision from TSOs, both for those at risk of permanent exclusion as well as an alternative to council-run Pupil Referral Units (PRUs) for those who are expelled.

CASE STUDY: THE LIGHTHOUSE GROUP

- 39 The Lighthouse Group in Bradford offers full-time education to disaffected teenagers from the city's secondary schools. These schools buy places for their pupils to attend classes at the Lighthouse Group's base, where they study for ASDAN qualifications (a more vocationally focused and flexible alternative to GCSE). Typically students stay with the Lighthouse for one or two terms. A survey conducted by the organisation in January 2006 of the 28 young people who had left the Lighthouse six months earlier found that 100% of them were still engaged in education, training or employment.
- 40 Ayasha initially began attending 3 days a week at The Lighthouse Group after she started having problems at school:

I didn't used to like school, I used to skive a lot and started hanging around with the wrong people. I never listened and never did as I was told. I had no respect for anyone and in the end I couldn't be bothered.

Ayasha's life has changed dramatically and is now on a full time programme with a view to going back to school permanently.

I've changed loads since being at TLG. It's a lot different to school, they explain stuff better and speak to you in a different way when you can't do things. I don't get bored in class now and I understand what I have to do. My attitude has got a lot better, the way I speak to people is different and I have more respect now. I've learnt loads since I've been here and I enjoy doing work now – I think it's fantastic.

CASE STUDY: THE LIVING WELL TRUST

- 41 In Carlisle, the Living Well Trust (LWT) also offers ASDAN qualifications to young people at risk of exclusion from school. Unusually, the Trust is able to do this from its base within the local secondary school. 'The Den' is located in a previously unused wing of Morton School with whom the Trust work in partnership in managing their inclusion project. The Den targets those pupils that are in danger of becoming excluded from mainstream education or who are vulnerable for a range of reasons. Having covered the initial capital costs of converting the wing for their use, the Trust's ongoing staffing costs for the Den are met entirely by the school.

"The biggest problem with alternative education is that schools don't understand its long-term value. They expect a complete transformation of their pupils after two months and for them to be back on the GCSE stream without any problems. The life skills we are passing on and the way in which alternative education contributes to social inclusion are greatly undervalued."

Barrie Thomas, Living Well Trust

- 42 LWT also provides off-site alternative education for secondary (and a few primary) pupils who have more serious problems and are close to permanent exclusion. However only about 60% of the costs of this provision is met by the referring schools. They have limited resources available from their DfES Standards Fund grants to fund alternative education. Such shortfalls in meeting the costs of alternative education can be partly met through grants from Learning and Skills Councils (LSC), Connexions and charitable trusts – in addition, of course, to core funding.

- 43 One of the biggest difficulties for providers of alternative education are the multiple sources of funding that have to be secured to fund places. A 16 year old's place may be funded by their school, local education authority and Learning and Skills Council.

CASE STUDY: FROM BOYHOOD TO MANHOOD FOUNDATION

- 44 The From Boyhood to Manhood Foundation was founded in Southwark in 1996 by members of the black community following concern about the number of young black boys being excluded from school and becoming involved with gangs, drugs and violence.

"It is no use keep telling a young person that they are bad and they have low self-esteem, we must instead empower them to change their negative behaviour from within, by teaching them how to deal with adversity and the challenges of life."

Uanu Seshmi, Founder FBMF

The FBMF provides alternative education to disaffected teenage boys aged 11-19 who have been excluded from school. The boys come from all cultural backgrounds although most are black. Boys are referred to the FBMF by local education authorities, special needs departments, youth-offending teams and social services departments.

A typical day starts at 8am when the boys go for a jog round the local park or practice breathing techniques with their youth workers. The boys have breakfast together and clear up before starting their lessons. Very intensive support is provided – the staff pupil ratio is 1:5 and much 1:1 work takes place. They receive a minimum of four hours teaching each day, working towards GCSEs or A-levels in core curriculum subjects. The FBMF also runs evening sessions, summer programmes and residential courses offering life-skills and work placements for young people, male and female, from schools in and around Southwark, Lewisham and Lambeth.

"It's different here, the focus is on education. My family came to Britain from Jamaica a few years ago and that was the start of my problems. I stopped talking to people. Now I've got a lot more confidence. I go round and talk about FBMF to school kids."

Huckeney, student

As well as helping the boys to gain academic qualifications, the FBMF also places great emphasis on teaching morals, discipline and respect. They believe that children and young people learn best from positive role models, especially if they are their peers. The older boys train to qualify as Peer Mentors to offer advice and guidance to other troubled children. They meet once a week to develop their communication and presentation skills so they can take their message out onto the streets with confidence and stop their younger brothers and sisters repeating the same mistakes as them.

Since it began, the FBMF has helped over 450 young people: some have returned to school or college, many have gained academic qualifications, all have re-assessed their attitudes, behaviour and direction in life.

"The FBMF is a brilliant alternative to school. There is no organisation like it that works with vulnerable children in the way that they do. It gets young people back on the path to mainstream education."

K Bamfo, parent

An independent, government-commissioned evaluation of FBMF's work published last year concluded that the organisation is providing an essential service at a relatively low-cost to this target group:

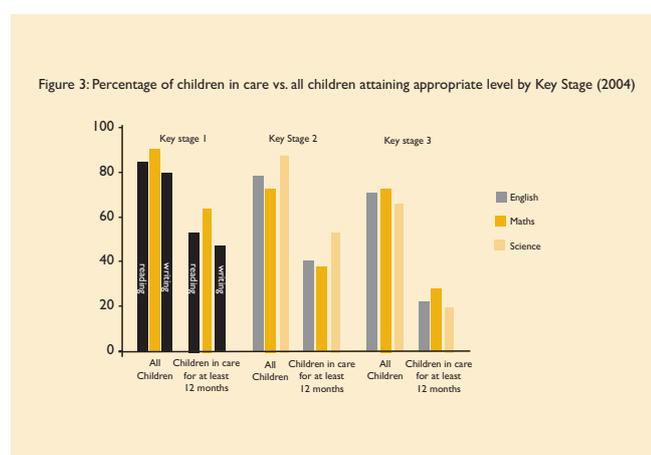
"The FBMF represents a positive alternative for children excluded from school who would otherwise fall out or be lost from the system. The FBMF is achieving impressive results in supporting excluded children to return to or progress within full time education. All the FBMF funders contacted for this evaluation believe that the project is providing a good or valuable service."¹²⁶

- 45 The report also notes that although the FBMF is firmly rooted in Peckham's black community, its approach is transferable to other communities in other locations. The Foundation has plans to extend its work to other London boroughs and further a field. However its ambitions are limited by a lack of resources. A main source of funding is local authorities purchasing places for boys who they refer to the programme. But around 50% of boys self-refer and local authorities are generally unable or unwilling to pay for those boys who have fallen out of their systems. In common with many other voluntary organisations, the FBMF also

struggles to secure core funding as many funding agencies prefer to fund distinct projects.

CHILDREN IN CARE

46 There are 60,000 children in care at any one time, with as many as 90,000 children spending some time in care over the course of a year. Unarguably children in care are one of the most vulnerable groups in society. Among the many ways in which they are disadvantaged is in their levels of educational attainment. The graph below compares the levels of attainment of children in care to their peers at Key Stage 1 (5-7), Key Stage 2 (7-11) and Key Stage 3 (11-14).



47 Some of this difference can be explained by the fact that 27% of children in care have a statement of special educational needs (SEN), which is known to be correlated with lower educational attainment, compared to just 3% of all children. However, data shows that children in care do significantly worse even when compared with children with similar levels of need. For example, less than 20% of children in care with a statement of SEN achieved 5A*-G GCSEs in 2004 compared with 37% of all children with a statement.¹²⁷

48 Many looked-after children benefit from the mainstream provision in schools to assist pupils with learning or behavioural problems. However there is an increasing appreciation of the need for children in care to receive dedicated support, especially out of school hours, to enable them to fulfil their educational potential.

49 In 2003 the Government's Social Exclusion Unit published a lengthy report entitled 'A better education for children in care'. It has relatively few specific examples of third sector projects. However it did cite the work of the National Literacy Association in co-operation with the Who Cares Trust? These organisations have worked together on literacy projects for looked-after children in many parts of the UK. For example, in 2002, they worked in conjunction with Kent County Council on a project to improve the reading skills of more than 60 children in local authority care. At the start each child was given a hand-held portable computer, a Reading Passport and a book token. Throughout the year "project visitors" seconded from Kent County Council brought the children a choice of books. The project received an independent academic evaluation and was found to have significantly improved levels of comprehension, reading accuracy and spelling in the children who participated.¹²⁸

50 In October 2006 the DfES published a Green Paper outlining its proposals to improve the life chances of people in care. It acknowledges that children in care currently have a poor experience of education: they tend to be in lower performing schools, be moved round between schools too often, and receive insufficient support within school to flourish.

51 Included in the document is an important admission that for some children in care mainstream schools are not the most helpful educational settings and that this must be reflected in the range of provision local authorities provide for this group. Current practice of some local authorities placing children in the £20,000 pa King Edward's boarding school in Surrey is approvingly cited. The Green Paper describes how the DfES is developing pilots in order to test the effectiveness of boarding provision for vulnerable children. Beginning in November 2006 and running for two years, these will include nine local authorities and around 50 state and maintained boarding schools.

52 Additionally the paper proposes making available a personalised annual budget of around £500 per child for social workers to spend on each child in care to support their education. Although this is not a huge

127 DfES, Care Matters: Transforming the Lives of Children and Young People in Care, 2006, p62

128 Professor Sheila Wolfendale and Trevor Bryans, Evaluation of the Looking after Literacy Project in Kent for children in Public Care, University of East London, 2004

amount of money, it might be possible for third sector providers to create services in response to this additional funding. However the lack of an explicit commitment in the Green Paper to increase opportunities for the third sector to provide services to this group is disappointing and represents a missed opportunity.

CITY ACADEMIES

53 Academies (or City Academies) are state-funded independent schools that were introduced by the Government in 2000 to help reverse educational failure in deprived areas. Sponsors – from business, faith communities and the third sector – are asked to invest up to £2m towards the start-up costs of the school. The balance of these costs – typically up to £23m – is met by the DfES, as are all the running costs.

54 Academies are independent of the LEA, and the sponsor is able to exert considerable influence in shaping the new school. They can appoint the head teacher, join the governing body and establish the school's ethos and identity. Among the third sector sponsors of Academies are the Oasis Trust, a Christian social action charity developing schools in Lincolnshire, London and Bristol. Another is the Sutton Trust, whose Belvedere Academy will transfer from the independent sector to become an Academy in 2007, widening access to high-quality education to girls from throughout the city.

55 200 Academies are promised by 2010. They are one of the most controversial aspects of the Government's education programme. Faith-based sponsors of Academies are suspected of wishing to indoctrinate children. Teaching unions are hostile to what they call the 'privatisation' of state education and are not keen on Academies being able to set their own pay scales. However there appears to be no shortage of sponsors for Academies. This is perhaps not surprising – there are few areas of philanthropy where an investment of £2m can draw automatic match funding of £23m.

56 Although initial studies of Academies' effectiveness are inconclusive, their creation is to be warmly welcomed. Children in disadvantaged communities are benefiting from leadership in their schools from some of the country's most successful business people and social entrepreneurs. If Academies are not as successful as the City Technology Colleges (CTCs) established by Conservative governments, it will be at least

partly because the sponsors of Academies do not enjoy the same degree of autonomy as those of the CTCs.

CONCLUSION

57 The scope and scale of the third sector's current work with school-age children is impressive, and there is much potential for expansion.

58 Supplementary schools are providing valuable educational, cultural and religious opportunities to young people from mainly black and minority ethnic communities. Thousands of children in cities throughout the UK are benefiting from their work and there is evidence of considerable unmet demand. Resisting increasing attempts by Government to regulate their work should help ensure the continued vibrancy of the supplementary school movement.

59 Government initiatives such as Extended Schools and the Children in Care Green Paper offered valuable opportunities to increase the scope of TSOs to enhance the educational attainment of disadvantaged children. Unfortunately there are no safeguards in these programmes to ensure TSOs have fair opportunities to deliver these public services. They are competing against local authorities that are both commissioning and delivering services.

60 Failure to acquire basic reading skills early in primary school inevitably leads to educational failure and later social exclusion. However there are a number of successful intervention programmes run by TSOs that can get children back on track before it is too late. It is important that the resources are found to give these vulnerable children the opportunity to fulfil their potential by being helped to read properly.

61 The case for a big increase in alternative, third sector provided education within mainstream schools is compelling. There are vast numbers of pupils – including many children in care – whose educational and behavioural issues are too serious for them to cope without considerable support. There are many providers of alternative education who are keen to expand their services. However unless and until schools and local authorities have the resources to fully fund alternative education places, their ability to help the most vulnerable young people will remain limited. Funding streams for alternative education should be simplified.

62 There is stiff resistance from the teaching unions¹²⁹ and many on the left to private and TSOs taking over the running of state schools through the Academies programme. Nonetheless, many TSOs

are successfully operating alongside schools to provide complementary services to the vulnerable children without encountering such opposition.

129 For example <http://www.teachers.org.uk/resources/word/priv4-updatejan05.doc>

Chapter 6 - Third sector work in tackling drug and alcohol addiction

SUMMARY

This section describes the vital role that the third sector plays in tackling drug and alcohol addiction, detailing the diverse range of TSOs in the sector (para 9). The nature of treatment provisions and the economic costs of drug use are also discussed (3-7). This section highlights the disadvantages and difficulties smaller organisations face in providing their valuable services, such as under-funding and ring-fenced funding (23-34), the time-consuming requests for information in the tendering processes (16-22) and the problems with government commissioning of services which creates unnecessary hurdles for new entrants (1-15). The restrictions placed on effective treatment due to arbitrary geographical boundaries are addressed (33-34). This section also highlights the potentially devastating low levels of non-statutory funding, damaging swathes of previously effective TSOs (35-37).

INTRODUCTION

- 1 During the Group's work we have consulted a range of TSOs spanning the United Kingdom, differing in structures and providing interventions from psychosocial support through to treatment, aftercare, housing, mentoring and others. The diversity and reach of the sector is huge and its work to provide a vast range of services should be commended.
- 2 However it has become clear to us that TSOs face a number of serious challenges in the substance misuse field, many of which remain ill understood. In this chapter we have identified the key issues facing the voluntary sector and analysed the Government's and the public's relationship with the sector. They provide us with serious reflection on the state's role in supporting these organisations both through structural change and by encouraging certain activities within TSOs themselves.

THE SCALE OF GOVERNMENT'S PROVISION FOR DRUGS AND ALCOHOL TREATMENT SERVICES

Increased provision and spending

- 3 Since 1998 there has been a large increase in spending on drugs services across the United Kingdom. Places

in treatment have risen from 85,000 in 1998/99 to 181,390 people during 2005/06.¹³⁰ The Drugs Harm Reduction Strategy launched in 1998 increased investment significantly. The table below shows rises since 2001/02 (excluding prison-based treatment):

A: Central government funding (pooled treatment budget)				
B: Local funding (local authorities, primary care trusts, police, probation)				
Year	A		B	
	Allocation	% increase	Allocation	Year
2001/02	£142m	N/A	£145m	2001/02
2002/03	£191m	37%	£131m	2002/03
2003/04	£236m	23%	£200m	2003/04
2004/05	£253m	7%	£204m*	2004/05
2005/06	£300m	18%	£208m*	2005/06
2006/07	£385m	28%	£212m*	2006/07

* Estimated

- 4 It is unclear how much of this funding goes to the third sector, due to the nature of statutory funding that requires TSOs to apply to different Drug Action Teams (which administer National Treatment Agency funds) across the country. There is no official measurement of the role of the third sector in this area and hence no official statistics. This is an area in which research is urgently needed. However, it is clear that third sector involvement is strong. For example, the sector provides many of the treatment and support services involved in prison CARAT (Counselling, Assessment, Referral, Advice and Through care) teams, helping problematic drug misusing offenders. ADAPT, one of the TSOs consulted by the Group, provide CARAT or other rehabilitation programmes in 23 prisons across the country. The Home Office acknowledges that TSOs are 'key providers'¹³¹ of such services, and it seems clear that without third sector involvement CARAT would not operate effectively.
- 5 In the both the drugs and alcohol fields the third sector provides all registered residential rehabilitation for statutory funded patients - take this away and there would only be unregistered rehabilita-

130 NTA, Treatment Target achieved two years early (NTA, NHS), 2006

131 www.noms.homeoffice.gov.uk/managing-offenders/reducing-re-offending/drugs-alcohol/

tion. TSOs provide the majority of CARAT services and the majority of other ‘in prison drugs treatment services’. They are also responsible for a very large proportion of structured day care services, street level drug and alcohol agencies and drop in services.

LACK OF SUPPORT FOR ALCOHOL MISUSE THIRD SECTOR WORK

- 6 The expansion of service provision and the injection of money into the third sector, via commissioning structures, are still very much associated with drug misuse and not alcohol misuse. The launch of the alcohol harm reduction strategy in 2001 saw little funding attached beyond pilot and research projects. Caroline Flint (Minister of State for Public Health) was unable to tell us exactly how much money was spent on alcohol treatment. In a response to a parliamentary question regarding funding for alcohol treatment she stated:

*“The information is not held centrally. We do not allocate specific funding to Primary Care Trusts (PCTs) to support alcohol treatment. PCTs fund alcohol treatment out of their mainstream allocations. PCTs are responsible for assessing the needs of their local populations and commissioning services to address those needs within the limits of the funding available to them. The Alcohol Needs Assessment Research report identified that £217 million was spent in 2003-04 by PCTs and local authorities to support alcohol treatment (this figure also included a limited amount of support from charitable sources).”*¹³²

- 7 The lack of specific funding for alcohol treatment, and the low levels of spending on ANARP (Alcohol Needs Assessment Research Programme) identified in relation to need corresponds to the research of the Addictions Working Group and our own consultations. The vast majority of treatment referrals have remained linked to ring fenced drug PTB (pooled treatment budgets) and dual addictions, while alcohol as the primary drug of use has remained difficult to treat or commission.

The costs of drug use

- 8 The overall costs of drug misuse are largely centred on Class A drug misuse for which the effects and linkages between criminal behaviour, long term health costs and treatment needs is clear. These were analysed in 2000 with the social and economic costs paper published by Godfrey et al. Their conclusions were:

*“Total economic costs or reactive expenditure is estimated to be £3.5 billion for Class A drug use in England and Wales, 2000 (medium estimate, range is £2.9bn to £5.3bn). This equates to some £1,927 averaged over all Class A drug users, and £10,402 averaged over problem drug users. The majority of the estimated costs are created by problem users.”*¹³³

*“Total social costs are substantially higher even though only limited data were available. The total estimate of consequences was £12 billion for 2000 (medium estimate, range is £10.1bn to £17.4bn). This equates to £6,564 per year averaged over all Class A drug users, £35,456 for problem drug users.”*¹³⁴

The diverse reach of the sector

- 9 There are a wide range of TSOs working in this field. The largest provide a huge range of services to a vast number of people. In 2005, Turning Point helped 120,000 people in over 200 locations across England and Wales.¹³⁵ Addaction treated 25,000 people in over 70 locations last year.¹³⁶ St. Mungo’s provides over 2,000 units of accommodation, many for the homeless with severe drugs and alcohol problems.¹³⁷ Narcotics Anonymous reported over 600 meetings a week all over the UK,¹³⁸ and Alcoholics Anonymous provided support in over 3,600 meetings a week last year in England, Scotland and Wales estimating that it provided support for over 25,000 people.¹³⁹ The contribution the third sector makes to drugs and alcohol treatment provision within the UK is enormous. At a strategic level the largest charities provide extensive treatment services across the country. At the same time though the vast numbers of smaller and medium-sized charities must not be forgotten. They act as referral points to a whole range of treatment inter-

132 David Burrowes MP, Parliamentary Question: Wednesday 8th November 2006

133 Home Office, Godfrey et al, The economic and social cost of class A drug use, July 2002

134 Ibid

135 Turning Point, Charity Commission Annual Returns 2005, p2

136 Addaction Response to the Social Justice Policy Group, p1

137 St. Mungo’s Response to the Social Justice Policy Group, p1

138 Narcotics Anonymous, Response to the Social Justice Policy Group, p1

139 Alcoholics Anonymous, 70 Years of AA Press Release, Friday 10th June 2005

ventions, provide invaluable support services and often pilot pioneering interventions that engender research and replication.¹⁴⁰

RELATIONSHIP WITH GOVERNMENT

Commissioning of alcohol services

10 The Government's Alcohol Harm reduction strategy has borne significant criticism from service providers within the voluntary sector for its lack of funding. The ANARP study clearly highlighted the gap in treatment provision; the lack of funding however continues to be starkly evident. The recent publishing of MoCAM (Models of Care for Alcohol Misusers) was a welcome step, however there was little commitment to funding within the document. More widely there continues to be significant under-funding of alcohol services within the field as a whole. Through our consultations it became evident that there was a clear consensus amongst voluntary agencies in our field that alcohol funding was severely under-resourced, and we received many common responses:

NECA – “Government must recognise and prioritise services for those dependant on alcohol”

Aquarius – “There is very limited funding streams for alcohol specific work. There needs to be significant monies attached to the Alcohol Strategy and MoCAM.”

ADAPT – “We would also draw attention to the fact that funding for people with serious alcohol problems has largely disappeared, with the result that many individuals are in a severe physical and mental state before they will even be considered for funding by local bodies.”

11 The underdevelopment of funding for referrals and the still largely ring fenced nature of the drugs treatment budget does not allow the degree of flexibility which many voluntary organisations desire. It is also particularly unhelpful with regards to treatment for those who have the dual addictions of drug and alcohol abuse. It is the desire of this Group that TSOs are given more contractual flexibility in regard to how they utilise their services for alcohol and drug abuse.

Commissioning structures

12 Commissioning structures are at the very heart of the provision of drugs and alcohol services. In our con-

ADAS (Alcohol Drugs Advisory Service, Harlow) – “Lack of experience and knowledge of the issues facing services providers in substance misuse (i.e. we have never had a commissioner in the 11 years I have been at ADAS, who has worked in the statutory or non statutory sector of substance misuse. At best they have had some experience in mental health but that is a completely different service. We have also had 8 commissioners in the past 11 years which hardly provides an opportunity for a commissioner to develop a good in-depth knowledge base).”

Kaleidoscope – “In Wales the commissioning framework is not clear and is not properly implemented, meaning that the contracting of service and therefore service delivery is patchy.”

Phoenix House – “One of the biggest problems with the commissioning framework we have at present is its inability to effectively performance manage residential provision.”

Cranston Drugs Services – “Experience suggests that some commissioning/purchasing authorities have little understanding of what constitutes the basis for good quality residential provision”

Clouds – “There has been little in the way of genuine, well-informed commissioning”

sultations with organisations we investigated the role commissioners play in funding TSOs. The organisations we contacted overwhelmingly felt there was room for improvement in the commissioning structure and process. Among other things they regarded the inefficiency and inexperience of commissioners as a serious problem:

13 This mirrors the findings of the 2004 drug misuse report by the National Audit Commission which found that amongst joint commissioning groups:

“15 per cent are failing to make adequate progress and 60 per cent are making progress – but only on some issues.”

140 Take the example of ADAS who became the first organisation in the UK to set up a designated children's service for children affected by parental substance misuse in 1997, 6 years before the ACMD Hidden Harm report was published.

The report determined that “poor evidence frequently underpins many commissioning decisions taken by local drug partnerships...in addition few joint commissioning groups have made time to: map the entire range of local services already commissioned; challenge the effectiveness of current provision in light of evidence; and eliminate inefficiencies and ineffectiveness, for example, access restrictions, gaps and overlap between existing services.”¹⁴¹

- 14 This year the NTA (National Treatment Agency) completed the improvement review which concentrated on whether drug treatment services are prescribing drugs safely and appropriately and whether there is good treatment planning and co-ordination of prescribing services. The initial results found that local drug partnerships including PCTs (Primary Care Trusts) need to improve their commissioning of drug treatment. The four tier ranking structure employed by the review ranked 63% of services as ‘weak’ or ‘fair’ when it came to assessing the detail of their specifications for community prescribing interventions.¹⁴²
- 15 To effectively utilise and resource voluntary agencies to help meet local needs, it is vital that commissioning is improved. The use of inexperienced commissioners in commissioning services is unsatisfactory. There needs to be a higher level of expertise in decision making and improvements in revenue management are required.

THE TENDERING PROCESS

- 16 The tendering of services based on the identification of need within a competitive tendering framework is increasingly seen as a reasonable basis for which to allocate scarce resources in the substance misuse field. Voluntary sector agencies are deeply engaged in this process, and ambitious growth strategies have seen the largest such as Addaction expand in line with Government investment in the sector. At the same time, however, the bidding process has become an increasing burden on medium and smaller charities. During our consultations this has become clear:

CAN – “Bidding for new services is mainly a time issue. Larger organisations in the addictions field will have dedicated people to look for new opportunities and to produce tenders; the level of experience is therefore considerable. It is difficult to compete with this when looking at addition bids on top of your daily job.”

Aquarius Drugs Services – “There is more to competitive tendering. This potentially disadvantages smaller organisations who may be very able in delivering the service but do not have the infrastructure to develop polished tender documents in a very short time frame.”

ADAPT – “Bidding for new services is excessively time consuming. More and more information is being demanded for less and less purpose and the process is effectively a deterrent to agencies like ourselves.”

- 17 The tendering process has enabled the largest agencies to turn around bids in a very short time often against targets that are unobtainable for smaller organisations. The preference for the commissioning of larger service providers was made clear in the guidelines for the 2007/08 and 2008/09 Capital Development programme and by the creation of preferred providers lists.¹⁴³ At the same time the tendering process has grown to become increasingly complicated, as one service provider commented:

“Time spent varies when there is a tender this could take up a considerable amount of a week’s work for possibly three weeks with then the need to do presentations etc if you get further. Even some preliminary rounds are time consuming.”

- 18 The investigations of the Group have revealed an increasing polarisation of income within the largest groups. Though in some cases the tendering process has resulted in the extensive growth in service provision among some providers, many are finding the increasing complexity distracting and time consuming. This produces a growing problem for smaller organisations that increasingly threatens their survival.

141 National Audit Commission, Drug Misuse 2004, (NAC, NAO), 2004, p35-36

142 Healthcare Commission, Improvement review into substance misuse services, September 2006

143 Department of Health, Capital development programme for inpatient and residential rehabilitation substance misuse (drug and alcohol) services 2007/08 and 2008/09: Application Guidance Notes, 2006, p4

Outputs

- 19 The output monitoring regime of all organisations has increased in recent years. Changing Habits¹⁴⁴ recommended better Government co-ordination on drug treatment policy and the development of a national performance management framework.
- 20 This is welcomed by the Group in enhancing our understanding of treatment opportunities, needs assessment and in a better understanding of the treatment cycle. However, though we recognise the need for PMF (performance management framework) as the basis for strategic regulation there is an increasing need to streamline PMF systems. Our consultations revealed a trend similar to that which the Addictions Working Group has observed in its analysis:

Addaction – “Figures don’t currently take into account ‘intermediate outcomes.’”

CAN – “There is considerable bureaucracy and time around systems and reporting”

ADAPT – was asked: What are the chief ways in which the Government could improve its performance towards you, giving evidence of how its negative performance in such areas is affecting you? “Lighter monitoring regimes that focus on outcomes rather than endless reporting of minor inputs.”

- 21 The increasing importance of PMF systems was highlighted in the NTA business plan this year:

“Stakeholders are becoming increasingly impatient with the drug treatment systems reliance on process to suggest the success or failure of treatment and are demanding that the NTA find ways to measure real outcomes.”¹⁴⁵

- 22 The output orientated systems that currently exist are at best proxy indicators of quality. It is detrimental to the third sector and the drugs and alcohol field as a whole for both commissioners and policy advisors to continue to base performance analysis on proxy indicators. It is difficult, if not impossible, for voluntary providers to competitively tender against state

providers on the basis of proxy indicators that do not measure quality in the treatment provided. Under current monitoring regimes there continues to be a danger that decisions could be made on the basis of cost not benefit. We therefore welcome the announcement of the commissioning of a new outcome monitoring tool to be developed by National Addiction Centre. However we stress that this needs to be based both on standardising and maximising outcomes, and also upon streamlined and less burdensome data collection systems.

Late payment and short term funding streams

- 23 Prompt payment remains an important issue for voluntary sector agencies working in the addictions field; low levels of reserves and the high levels of earned income emphasise this.
- 24 Our investigations revealed that prompt payment was frequently not achieved by government agencies, and we received many common responses such as those shown below:

Addaction: “We have often been owed very substantial sums for services that have been delivered at the required standard solely because of late payments by commissioners. Clearly this affects our viability and cash flow. Such conduct can break smaller charities.”

NECA: “Huge issues of unpaid invoices, often waiting 4-5 months and for some 9 months. At the time of writing this is one area we haven’t received any payment in this financial year. No one has any provision to reimburse interest on these unpaid invoices.”

ADAPT: “Client funding bodies are often late in paying their bills and frequently make significant errors.”

MAINLINERS: “Funding is often delayed so there is a period in which we have to meet costs before receiving the money to do so”

ADAS (Alcohol Drugs Advisory Service, Harlow): “Outside of NHS funding sources, every funding contact has been payment quarterly in arrears”

144 National Audit Commission, *Changing Habits*, 2002

145 NTA Business Plan 2006/07 (NTA, NHS), September 2006

25 There is clearly room for improvement. It is vital for these agencies that services contracted by Government are promptly and properly reimbursed for the service they provide.

26 Multi-year contracts are also a major issue for the sector (see Chapter 12), following the assertions of Sir Peter Gershon's 2004 report into improving public sector efficiency with a central recommendation stating:

*"improving stability by moving to longer-term, multi-year funding arrangements where possible."*¹⁴⁶

27 Within the field there is various discontent at progress made. A larger client spoke of their annoyance at re-tendering processes:

"There is a wide variation in practice which can lead to unnecessary re-tendering of contracts on a three year cycle. This is expensive in terms of resources, (particularly if there are no significant problems with performance) and can lead to major disruption of service delivery for very vulnerable clients."

28 Given the reliance of the substance misuse sector on Government funding and the high rate of earned statutory income it is vital contracts are improved in line with the theory outlined in the Treasury's 'Guidance to Funders' document of 2006 (see Chapter 12).

29 It is worth noting in the field of substance misuse that the long term nature of service provision is common. This highlights an underlying cause of poor commissioning of services, and a central criticism made by the National Audit Commission's 2004 report into drug misuse which stated:

*"Two separate problems for local services are short-term funding and the fragmented regulatory framework. Government and the relevant national bodies must act to enable local partners to take long-term funding decisions."*¹⁴⁷

30 The necessity to re-tender contracts on any particular cycle is considered by the Group to be unnecessarily burdensome. A long term relationship with short term contracts creates unnecessary difficulties. In cases where a project is running well with good outcomes it is consid-

ered that longer term contracts should be used in line with similar services provided by the public sector. If needed a service review without the necessity for re-tendering could also be undertaken.

Barriers to entry

31 As part of our remit the Group is keen to enhance the third sector's contribution to society. It is important for Government to encourage and aid voluntary sector organisations. Within our consultations we were therefore keen to understand what, if any, barriers to entry there were within the drugs and alcohol field.

32 It is clear from our consultations that track record - although in cases necessary - should not exclude organisations from entering the drugs field, or exclude existing organisations from diversifying their activities. If we want vibrant lateral growth to continue alongside income growth then barriers to entry must be reduced.

Addaction - *"The key barrier to success would be the ability to resource the Core Competency requirements for drug treatment... Many commissioners are such late payers that smaller agencies would not be able to survive"*

CAN - *"Tenders are competitive with some of the issues I have already highlighted. Also infrastructure costs with all the demands that SLA's demand are considerable and this would make it very difficult for a small organisation to be able to deliver and they would be very expensive as a result."*

Kaleidoscope - *"The problems are track record, and know how, not just in how to get money but to know regulations necessary to do our work."*

A Service Provider - *"Issues of compliance would make it very difficult for a small organisation to get started."*

Amber - *"The local authority controls the purse strings... when a county has a budget for anything, the priority is for that county and for the people of that county... Supporting people funding is only available for people coming from the host county."*

146 Sir Peter Gershon, Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency, 2004

147 National Audit Commission, Drug Misuse 2004, (NAC, NAO), 2004, p4

33 The experiences of Amber are mirrored across a number of organisations the Group has consulted. The dispersal of funds on the basis of a client's home authority often fails to meet need. In cases it is clear that clients are refused entry into a scheme due to their home county being unable or unwilling to fund treatment in a neighbouring county. This presents a serious problem for service providers and can lead to falls in occupancy rates. Drug users' lives are chaotic and transient. Tier 4 referrals to residential rehabilitation services in many cases are located deliberately away from community settings to withdraw clients from their environment. It is important there is some flexibility in funding arrangements to ensure funding covers those who need treatment regardless of their home county.

34 Practices should not be restrictive and need to be made on the basis not only of an existing record, but of merit. There seems to be an over-reliance on the largest service providers. At the same time the creation of preferred provider lists by Drug Action Teams are clearly prevalent in the Tier 4 capital development project and the frequent requirement that any bidder must already be a Supporting People funded contractor, before being able to bid are restrictive practices that limit competition. They prevent innovation and are detrimental to the lateral development and diversity of third sector services.

RELATIONSHIPS BETWEEN ORGANISATIONS WITHIN THE SECTOR AND WITH THE PUBLIC

Funding and reserves

35 The third sector Group is very aware of the causes to which the public prefers to donate (see Chapter 10). The perception of socially excluded groups, the value placed on statutory services and the link between substance misuse and criminal behaviour results in low levels of voluntary income for the substance misuse field.

*"Our cause is not cuddly and there is enormous prejudice."*¹⁴⁸

36 Levels of giving are to be further investigated with our future analysis of charities within the substance misuse field. However from our consultations we have noted that typically organisations have below 10% of

voluntary income and high levels of earned income. This raises many questions regarding sustainability, independence and ability to act in a flexible way.

*"There is also increasing recognition of the need for more unrestricted income, increased reserves and a greater level of flexibility and independence."*¹⁴⁹

37 The residential rehabilitation crisis that is occurring in Tier 4 service referrals illustrates vividly the potential downside of the reliance addictions charities have on government funding of the voluntary sector.¹⁵⁰ It is imperative for the Government to manage revenue effectively and prevent the loss of expertise from the field by sustaining when necessary organisations in both local and national funding crisis. It is unacceptable for short term, or long term structural conditions to endanger the existence of services as the residential crisis has clearly done for a number of charities within the sector. The voluntary organisations we consulted had low levels of reserves and their reliance on earned income mainly from statutory sources leaves the substance misuse field exceptionally vulnerable.

Local partnerships

38 The polarisation of voluntary sector income has been discussed in Chapter 3. With regards to the substance misuse field, it is clear that the competitive tendering process as outlined has resulted in phenomenal growth rates for some TSOs, whilst others have found it difficult to compete. The polarisation will be further exacerbated by the creation of approved provider lists, increasing recommendations to use large providers with standardised contracts and the continuing practice of certain tendering processes to desire large scale providers to contract a cross-borough service for a number of local clusters.¹⁵¹ To some extent this can be alleviated in the way that TSOs engage with each other, given that substance misuse is a field that requires highly-developed working relationships between agencies. It is common practice for referrals and exits to span a huge range of services. Links are often formed between statutory and third sector agencies across a number of tiers of service provision and from a variety of entry routes through DTTOs (Drug Treatment Testing Orders) to self referrals.

148 CAN

149 Addaction

150 Please see Appendix of the Addictions Working Group report

151 Social Justice Policy Group Survey, St. Mungo's

- 39 There are currently few incentives for larger TSOs to help their smaller counterparts. However the onus is on the larger TSOs to provide the best service to the public by working with smaller TSOs. They can facilitate smaller TSOs' development by providing the infrastructural support to aid in a range of business processes:

“Our services work with an extensive number of organisations on a local basis. These partnerships are formed on the ground to respond to local need. ..One such example would be our partnerships with a couple of ethnic minority groups one of which is Somalian.”¹⁵²

“We support the smaller charity by helping them supervise and support a specialist drugs outreach worker, obtaining CRB checks for them on relevant staff and sharing policies and procedures, so that they can deliver a high quality service and we can ensure that young Somalis get access to drug treatment when they need this.”¹⁵³

- 40 It is this ethos of co-operation that the Group commends. Larger TSOs should be encouraged to support smaller agencies with local ties in a model of co-operation that maximises user access and lends the infrastructural advantages of the larger charities to their smaller counterparts.

CONCLUSION

- 41 The new competitive environment in which TSOs work has been accompanied by increasingly onerous and restrictive regulation. Tendering processes are indicative of a new regime that has introduced complex and restrictive processes that favour large providers. Funding linked directly to geographical provision, poor commissioning across the board, and the lack of alcohol-specific funding for service users remain serious problems in service provision. At the same time charities within this sector have become especially vulnerable due to low levels of reserves and high levels of earned income. Both the common late payment by statutory agencies and complicated funding arrangements¹⁵⁴ show the precarious position many TSOs are placed in operating in a sector almost entirely dependent on government funding.
- 42 Despite this, TSOs in the sector continue to provide essential services to many of society's most vulnerable people afflicted by addictions. It is vital that sustainable statutory funding is secured to enable TSOs to consolidate and expand their work. Funding for services helping alcoholics appears to be disproportionately low. The funding crisis affecting third sector drug residential rehabilitation centres is a scandal that must be rectified urgently. Statutory funding must better reflect the aspirations of many addicts not just to reduce the harm caused by their drug use, but to get clean and stay clean.

152 Addaction

153 Ibid

154 See the low referrals detailed in the case study in the Addiction Working Group's report entitled Empty Beds: The Residential Crisis

Chapter 7 - Third sector work in tackling economic dependence

SUMMARY

This chapter highlights the considerable Government expenditure on social security benefits and on work-related initiatives, which do not appear to be making vast improvements (paras 3-12). There is discussion of the exceptional service in getting the long-term unemployed back into work by TSOs, which are not only more cost-effective, but produce more sustainable results (13-26). This chapter describes in detail the difficulties that many smaller organisations are experiencing through Government's moves towards a system of large contracts (27-30). The critical implications this shift could have for the innovation, flexibility and people-focused services currently provided by smaller TSOs are highlighted.

INTRODUCTION

1 In assessing ways in which the voluntary sector is tackling economic failure and welfare dependency, the Group has undertaken analysis of (i) the current state of the nation and (ii) a number of different organisations working in the field.

SPENDING ON WELFARE BENEFITS

2 In 2004/05 £132.5 billion¹⁵⁵ was spent on social security benefits in Britain, the largest function of government expenditure. This is expected to have risen to £143 billion in 2005-2006.¹⁵⁶ Spending on social security benefits has substantially increased from 1950 to 2005, from 4.82% of GDP in 1950-51 to 11.25% in 2004-05. Since 2000-1 spending on welfare benefits has increased by around £15 billion,¹⁵⁷ a significant sum when considering that both unemployment and incapacity benefit figures remained static during the intervening period. These benefits are of particular interest to the Group, especially considering that unemployment benefits, incapacity benefits and the working tax credits together total £12.7 billion.

UNEMPLOYMENT BENEFITS

3 Unemployment in Britain of 5.5% is relatively low in comparison to the European average of 8.7% of the labour force.¹⁵⁸ Over the last ten years, unemployment levels initially improved under Labour, falling from 2.1 million in 1997 to 1.4 million in 2001, a figure which remained relatively constant to January 2005,¹⁵⁹ but since then further falls have been difficult to achieve. The most recent measure of seasonally adjusted unemployment from May to July 2006 was 1.7 million¹⁶⁰ (5.5% of the economically active population), 1 million of whom were claiming Jobseeker's Allowance (JSA) in February 2006.¹⁶¹ Of these, 26% were female and 74% were male.

4 In spite of a raft of Government policies designed to tackle unemployment, it is a perennial problem facing successive governments, but one in which clear benefits to society and the taxpayer can be gained if tackled successfully. The lesson of the last ten years is that it might now be time to deploy some radical new initiatives in this area to make further improvements.

INCAPACITY BENEFITS

5 Department of Work and Pensions (DWP) statistics show that at February 2006 there were 2.7 million¹⁶² working age claimants of incapacity benefits, 58% of whom were men and 42% were women. This level of IB claimants has stark and concerning implications, particularly at a time when the NHS is in receipt of substantial investment and technological advancement. Whilst the number of IB claimants has only risen slightly in the past decade (see Figure 1), the diagnoses have changed. In November 2005 nearly 40% of claimants were recorded as suffering from a mental or behavioural disorder, a figure which ten years earlier had been just 21%.¹⁶³ Thus it is possible to claim that the methodology used by organisations

155 Luke Sibieta and Jonathan Shaw, A survey of the UK Benefit System, The Institute of Fiscal Studies, 2005

156 HM Treasury, Public Expenditure Statistical Analysis, 2006

157 Luke Sibieta and Jonathan Shaw, A survey of the UK Benefit System, The Institute of Fiscal Studies, 2005

158 House of Commons Library, Economic Indicators, October 2006

159 Ben Cackett and David Green, Work and Dependency Since 1997, Civitas, 2005

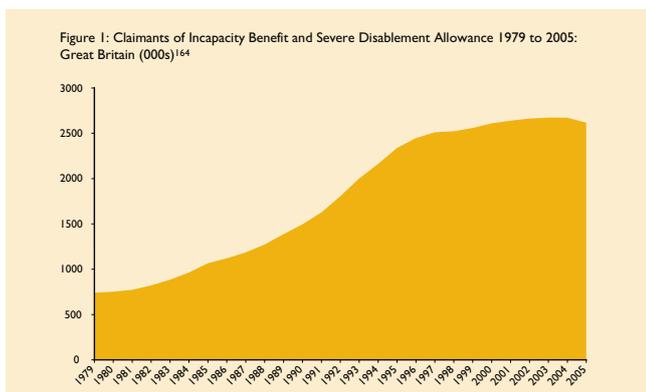
160 House of Commons Library, Economic Indicators, October 2006

161 DWP, Quarterly Statistical Summary, August 2006

162 Ibid

163 Welfare Reform Bill (Bill 208 of 2005-06) Research Paper 06/39 July 2006

working to return the long term unemployed and those on IB back to work needs to evolve.



- 6 The Group would make two observations with the current IB count. First, there is a substantial level of “hidden unemployment”¹⁶⁵ within IB which could approximate one million claimants.¹⁶⁶ It is estimated that these individuals could potentially be brought out of IB but only if high claimants levels in the older industrial areas of Britain, such as Scotland, Wales and the North are particularly targeted. This relates to the second concern. Steve Fothergill of the Centre for Regional Economic and Social Research at Sheffield Hallam University told the Group that “IB claimant rates in the worst affected districts are ten times higher than in parts of the prosperous South. There are real health differences, but the huge disparities in IB claimant rates are primarily reflections of the strength of local economies.”¹⁶⁷
- 7 Further concerns are centred on the problems that individuals on IB encounter. The negative connotation associated with the name ‘incapacity benefit’ engenders the belief that people cannot work, so they remain on it. It also creates a lack of confidence in the claimant that they will be able to find work. “In practice, only around a quarter of male IB claimants, for example, say that they can do no work at all. The remainder report limitations on what types of jobs they could do, or how much, or the reliability with which they could go to work.” In effect, too many people are written off, and remain on this benefit for a

number of years. This perception is something that third sector organisations are both particularly aware of, and well placed to address problems, as described in below.

- 8 As time out of work grows, the individual is also likely to become detached from the labour market, making the prospect of returning to work more difficult. For people who have been claiming IB for 12 months, the average duration of their claim is eight years, and once people have been on the benefit for 24 months they are more likely to die or retire than to leave the benefit for a job.¹⁶⁸ In order to combat this, Jobcentre Plus (JCP) is supposedly the body responsible for delivering services to re-engage IB claimants in the world of work, “a tall order for an agency that has hitherto had remarkably little experience of dealing with incapacity claimants.”¹⁶⁹ The failure of JCP to adequately evolve to meet the needs of clients has resulted in the emergence of TSOs filling the void.

TACKLING THE PROBLEM?

- 9 New Labour has introduced several programmes to encourage unemployed people and IB claimants back into work. These programmes have had some limited success but the level of expenditure does not appear to be producing sustainable or acceptable results. These programmes and their associated problems, such the limited success rate and lack of sustainability of the New Deal programmes will be assessed below.

THE WELFARE REFORM BILL

- 10 It is clear that the current welfare provision is inadequate, thus the recently published Welfare Reform Bill provides for a new benefit structure, the Employment and Support Allowance (ESA) which will replace incapacity benefits from 2008. The measures incorporated in the Welfare Reform Bill include: a new benefit structure; measures to improve workplace health and management of sickness absence; efforts to encourage GPs to take a more active role in advising patients on their fitness to work and piloting advisors in GP surgeries; reforming Statutory Sick Pay; and a

164 Ibid

165 ‘Hidden unemployment’ refers to IB claimants who might reasonably be expected to have work in a genuinely fully employed economy

166 Steve Fothergill and Ian Wilson, A million off incapacity benefits, Centre for Regional Economic and Social Research, June 2006

167 Steve Fothergill in Response to the Group, Oct 2006

168 www.dwp.gov.uk/consultations/consult/2002/pathways/pathways-summary.pdf

169 Steve Fothergill and Ian Wilson, A million off incapacity benefits, Centre for Regional Economic and Social Research, June 2006

‘Cities Strategy’ where groups bid for funding to tackle high areas of unemployment.

- 11 Whilst the ESA is welcomed by some, there may be problems associated with its implementation. Professor John Philpott highlights a potential anomaly, which could result in the incorrect distribution of benefits to individuals who should be subject to more stringent conditions:

“Although benefit sanctions will eventually be applied to individuals for whom a return to work is feasible if they fail to engage in work-related activity, such individuals will remain entitled to the basic ESA set at the level of basic Jobseeker’s Allowance (JSA). This implies that there could be a cohort of potentially employable ESA claimants who would, in effect, be left in receipt of ESA long-term without condition. It is arguable that ESA claimants in this situation should at the very least be subject to the same active job search conditions as claimants of JSA.”

- 12 This potential problem highlights the necessity for the providers of employment services to use inventive and relevant methods of engaging individuals currently on JSA and IB to encourage them into the employment. The Welfare Reform Bill also makes provision for further involvement of the voluntary sector in the provision of Pathways to Work, and the use of an outcome-based payment structure. The Government hopes that encouraging the use of TSOs in the provision of public services will enable more effective engagement of the hard-to-reach members of society, such as those who have been disengaged from the labour market for several years.

ADVANTAGES OF THE THIRD SECTOR

- 13 The use of the third sector in the area of joblessness has many advantages for the recipients of help, as the specific inclusion of third sector provision within the Government’s Welfare Reform Bill indicates.

Independence from government

- 14 Individuals often feel a lack of trust towards benefit distribution agencies when it comes to discussing their ability to move into work. This is an inherent problem for government provision of employment services; they must manage both the

distribution/monitoring of benefits and the process of advising clients how to move back into employment. This results in a ‘policeman vs. advisor’ dichotomy, where individuals who might want to move back into work feel inhibited from seeking advice and assistance from Jobcentre Plus in case they have their benefits removed.

- 15 Of the organisations questioned by the Group, it was thought that the anxiety experienced by potential job-seekers was a major barrier against their finding sustainable employment. Catherine A’Bear of the Shaw Trust told that Group that:

“Clients frequently tell us that they are more comfortable discussing with us their potential ability to return to work and the support they might need in order to do that than they are doing so with the same office which is responsible for determining the payments of state benefits...Plus, we’re not part of the government and employers have a natural suspicion of government departments who tell them they should do things.”

- 16 It was also felt that there is a conflict between the Government’s role in administering benefits whilst providing support. “The potential threat of benefit sanctions automatically creates a real barrier between adviser and client and does little to encourage a supportive and trusting relationship.”¹⁷⁰

Specialist training and people focused services

- 17 “The voluntary sector is probably more inclined to keep in touch with the client once they are in the job, they take a longer perspective.”¹⁷¹ This continued relationship with the client allows TSOs to create an environment conducive to more sustainable placements. The majority of third sector providers measure their successes of finding sustainable employment at thirteen weeks, as does New Deal. However, they also measure at six months and one year to determine the effectiveness of their work, whereas New Deal does not. New Deal measures sustainability at thirteen weeks, when in fact that individual may leave the job the very next day but will still be counted in government statistics.

- 18 The specialist training and expertise that is on offer from many third sector organisations is also highly

170 Jane Wittenoom and Patrick Hartnett, Working Links in Response to the Group, September 2006

171 Professor John Philpott in Response to the Group, September 2006

valuable. They focus strongly on the individual clients using their service. The Group heard that “the third sector tends to be highly people focused, with a tradition and strength in putting people ahead of administrative processes. State service providers tend, in our view, to develop very strong systems and processes but these can take precedence over the people that the systems are for.”¹⁷²

- 19 Tomorrow’s People gave the Group a colourful example of this, “We are able to spend more resources at every level. Even things like going with clients to an interview, instead of simply setting up the appointment, and helping the client get to the interview. Making sure they are nicely dressed. We’ve actually had a manager give the client his jacket before he went into an interview.”¹⁷³
- 20 In much of the JCP provision, many clients lack basic skills which are needed to move into meaningful employment, something TSOs work to address. “The one thing that our clients all have in common is the need for the support of an intermediary organisation to enable them to gain more independence, gain vocational and life skills and in many cases to move into employment. Sometimes it’s helping them put a CV together, or respond to application calls, really doing work with them to get their confidence back...”¹⁷⁴

More imagination and flexibility

- 21 Many voluntary organisations targeting the hard-to-reach in society have used innovative approaches in doing so, such as Working Links who “recruited engagement consultants, who went out walking through estates, knocking on people’s doors, setting up market stores, going to neighbourhood fairs, referral agencies, and really being a part of the community.”¹⁷⁵ This targeting of hard-to-reach individuals who might not have approached JCP provides the necessary support to return to employment.

Cost effectiveness

- 22 From the case studies examined and from the organisations questioned, the TSOs have demonstrated

cost-effectiveness in the management of their services. “There is nothing like providing services on limited resources to develop this skill, and this is something where many third sector organisations have had a lot of practice.”¹⁷⁶ However, TSOs such as Working

Tomorrow’s People

Tomorrow’s People is a specialist charitable trust that helps people out of long-term unemployment, welfare dependency or homelessness into jobs and self-sufficiency.

It focuses on the hardest to reach groups. Their clients are usually from deprived areas of high unemployment, and people who may not normally approach an employment centre. Since starting, Tomorrow’s People has helped over 400,000 people into jobs.

As seems indicative of the organisations providing employment services, Tomorrow’s People is able to develop a degree of trust with their clients. This is largely through the dedication of staff to clients, with meetings lasting around 45-60 minutes compared to the 14 minutes they will generally receive at the Jobcentre.

The organisation has a high level of sustainability, with around 90% of clients finding sustainable work (for at least three months), compared to only 79 percent of New Deal participants. More significantly, 76 percent of Tomorrow’s People’s clients are still in employment after one year.

Independent calculations estimate that the net cost per job created by Tomorrow’s People in recent years is around £500, compared to £5,000 - £8,000 for New Deal. The gross cost per job created by Tomorrow’s People is around £2,050, compared to £3,500 for New Deal. It has been calculated by Oxford Economic Forecasting that the charity’s activities over a twenty year period have resulted in the UK economy being £450 million better off, taking into account reductions in benefit expenditure as well as associated health and crime expenditure plus increased tax receipts amongst other gains.¹⁷⁷ Thus they are able to state that for £100 invested in Tomorrow’s People, the whole of society is £160 better off in the long-term, a return of 160%.

172 Catherine A’Bear, The Shaw Trust in Response to the Group, September 2006

173 Steve Swan, Tomorrow’s People in Response to the Group, September 2006

174 Catherine A’Bear, The Shaw Trust

175 Jane Wittenoom and Patrick Hartnett, Working Links in Response to the Group, September 2006

176 Catherine A’Bear, The Shaw Trust in Response to the Group, September 2006

177 Oxford Economic Forecasting, Twenty Year Evaluation of Tomorrow’s People, 2004

Links recognise the potential savings which can be accrued from extending TSO provision. They told the Group that “We know that there is no bottomless well of funding and strongly believe that the combination of better inter departmental working, strong leadership from local authorities and significantly improved joint working between delivery organisations, private and voluntary, can generate efficiencies that will allow the alchemy of “more for less” to be achieved”.

- 23 There are many case studies and numerous examples that provide evidence demonstrating that third sector organisations can deliver better results than government agencies. Tomorrow’s People is one such organisation.

THIRD SECTOR INVOLVEMENT IN EMPLOYMENT SERVICES

- 24 In the provision of New Deal contracts, there are a small number of large suppliers which have a great proportion of market share, in particular: A4e and Training Network Group (TNG) from the private sector, and Careers Development Group (CDG), YMCA and BTCV, a charity encouraging volunteering and employment, which are voluntary organisations.

- 25 There are also a large number (hundreds, probably thousands) of locally based, small and “niche” providers, private, voluntary and community, which include some local authorities but which predominantly work as subcontractors to the larger organisations. Collectively these small and niche providers do still account for a large volume of the Jobcentre Plus spending.

- 26 In the last year the market for employment service provision has altered considerably. There has been a substantial de-proliferation of small contracts, primarily as a result of the Government’s push to the ‘Prime Contractor’ structure.

THE NATURE OF THE SECTOR

The ‘Prime Contractor’

- 27 There has been concern that the Government is moving towards a model where a few large organisations are used for the provision of employment services.
- 28 Some organisations currently delivering public services have expressed concern about initiatives such as

the “Prime Contractor”. The term “Prime Contractor” describes an arrangement whereby the DWP contracts with a single organisation to undertake either to provide the entirety of the services or sub-contract a proportion to other organisations; whilst simultaneously managing and monitoring the performance and quality of the sub-contractors as well as their own. Somewhat naively, Jobcentre Plus stated that whilst they are striving towards a system of fewer, larger providers¹⁷⁸ this should not mean that smaller organisations are crowded out.

- 29 However, this could provide a significant barrier to surviving in the sector. It is not compulsory for a ‘Prime Contractor’ to subcontract parts of the service, only to ensure that the entire provision is catered for. Jobcentre Plus will only accept a Prime Contractor who could provide the entire service themselves, or sub-contract to smaller organisations. Job Centre Plus also states that “If an organisation wishes to be involved in delivering this provision but is unable to operate as a Prime Contractor they may wish to explore the options of a) a consortium / partnership bid with (an) other organisation(s), or b) make contact with organisation who are bidding as Prime Contractors to explore the possibility of sub contracting.”
- 30 This move towards a small number of large organisations, in the belief that it will reduce costs and streamline the provision of services, may in fact erect a barrier to entry for smaller niche organisations, thus losing the benefits that they provide and furthermore it may compromise their independence, which proves valuable to clients. It may also compromise potential future innovation from small and medium sized entities.

FUNDING OF THE THIRD SECTOR

- 31 The majority of organisations questioned are funded through Government contracting of employment services through Jobcentre Plus, the Department for Work and Pensions, the Health and Safety Executive and Learning and Skills Councils. The Shaw Trust for example fundraised just 0.7% of its income in 2005/06. Raising non-statutory income is understandably not a priority for TSOs that can recover their costs from contracts. At the other end of the spectrum there are small TSOs working to reduce

economic dependence that receive little or no government funding. For example social enterprise StreetShine, which trains ex-homeless people in London to get back into work by working as shoeshiners in corporate offices, receives 65% of its funding from charitable trusts with the balance coming from earned income.

The use of volunteers

32 In this field of third sector activity, where few volunteers are used regularly to deliver government programmes, such organisations employ more often a mix of full and part time staff. TSOs such as Tomorrow's People mentioned that they occasionally make use of volunteers when introducing special initiatives such as mentoring schemes, but not as part of their regular practice. However, TSOs whose work significantly reduces economic dependence, but do not deliver contracted services, such as Emmaus, often make extensive use of volunteers.

THIRD SECTOR PROVIDERS' FRUSTRATIONS

33 In the course of our hearings, the Group heard first hand many of the frustrations expressed by third party suppliers working with the government in this area.

Government inefficiency and bureaucracy

34 Operators in the field regard the poor procurement procedure of contracts as a major barrier to a more efficient system. One organisation found this to be their biggest threat to their sustainability: Jane Wittenoom and Patrick Hartnett of Working Links stated that "Lack of clarity with government is our biggest threat. They are ultimately our client and that can make things very unclear and uncertain". This lack of planning efficiency and accuracy in contract actualisation can cause problems for the organisation, eventually threatening their ability to function.

"We do not believe that current contracting arrangements secure the best services for government or clients, and we are particularly concerned that there is no sharing of risk and reward. This would be acceptable if the provider had control over the engagement of clients onto our projects. However this is very often not permitted, and we have suffered financially on numerous contracts where the through flow has been less than the original anticipated volumes within the tender specification. This has led to us running these con-

*tracts at a loss. Furthermore, it has led to decisions being taken not to tender, where the risk has been considered too great. We have a budgeted team of four managers, supported by two administration staff, concentrating on business development and bidding, separate from our fundraising resource."*¹⁷⁹

35 Simon Fenton-Jones of StreetShine, told the Group that "The obsession of Government agencies with targets leads to inflexible rules which don't always work optimally. We could get more prisoners into longer term employment if much of the superfluous red tape was dispensed with." A greater degree of flexibility from government agencies would provide welcome assistance to such an organisation.

Focus on 'outputs' rather than 'outcomes'

36 Clearly, it is important to have some measure of performance by which to judge the results of third sector operators in this area. However, this Government's enthusiasm for setting and monitoring targets has not been helpful in achieving best practice in this area. The Group heard from Steve Swan of Tomorrow's People that "there is also a large focus on paying for outputs / processes, which are very cumbersome. The best way to fund is via outcomes, i.e. leave the organisations to recruit and run the delivery process, but pay them for achievement. This would improve efficiency and cut costs."

BARRIERS TO ENTRY FOR SMALL ORGANISATIONS

37 As discussed earlier, there appears to be a move in Government procurement practice towards favouring a small number of large providers which, when combined with any natural barriers to entry present in the market, appears to make it more difficult for smaller organisations to enter, or remain. Whilst it is also argued that this is not necessarily the case, it would make it extremely difficult for a small charity to procure a contract independently. Steve Swan stated that "There is a definite move by government to have fewer providers holding larger contracts, which has a negative impact on many organisations in our sector. Some organisations have had to merge to improve their operations, etc, but there should be room for a small niche provider. If they do something specialised, but they are small, that is still important. Small is not necessarily bad, and vice versa." Furthermore the Group

Emmaus UK

“Giving people a bed...and a reason to get out of it”. The Emmaus slogan captures the ethos behind its ten Emmaus communities throughout the UK. These provide previously homeless people with a home, meaningful work and reintegration into a social network.

Emmaus communities address the root causes of an individual’s problems (such as homelessness or drug abuse). Companions (as residents are known) are helped to overcome these problems and reintegrate into society without a reliance on the state. The communities offer quality food and accommodation, free of charge, to extremely vulnerable ex-homeless people. In return companions are expected to work in the community’s social enterprises (such as furniture recycling) that generate a large proportion of Emmaus’s income. All Emmaus ‘companions’ are required to give up their state benefits upon entering the community and in return for their work they receive food, clothing, accommodation and £35 cash allowance each week. Emmaus will save an additional £5-£10 on the companion’s behalf. There is a zero-tolerance approach to alcohol and drug consumption whilst on the premises.

Living in an Emmaus community provides companions with a ready-made network of support, mutual acceptance, interdependence and respect, where individuals are engaged in real work as opposed to relying on welfare benefits. Not only does this provide a considerable boost to the companion’s self esteem and confidence, but it also provides a substantial benefit to the exchequer.

The benefits to the individual include: the acquisition of both formal and informal new skills; providing a ‘purpose to live’; the opportunity to work without the usual difficulties that homeless people encounter; the personal development of self-esteem, self-respect, confidence and friendship, and; improved physical and mental health. The treatment of drug addicts in the communities has proved to be extremely effective - four of ten companions interviewed believed they would be dead in they had not joined the community.

In an independent analysis of Emmaus by Cambridge University, the full cost benefit analysis of the Emmaus Cambridge Community (just one of the ten communities nationwide) showed a total savings to government of at least £613,000 per annum, an output of around £26,652 per companion. These savings are made due to the forgoing of state benefits, reduced costs to the NHS, the criminal justice system and other social services.

heard that “For smaller, local charities direct participation in a contested market is not a viable option, but as secondary suppliers they are valuable delivery partners.”¹⁸⁰

- 38 The cumbersome barriers to entry are manifested in several ways as highlighted by Andy Bowie of A4E, a private sector provider: “The weighting of procurement evaluation criteria for track record; the requirements for prescribed QA standards, systems and processes; financial assessment and stability, particularly evidence of a strong balance sheet; low risk taking in decision making, with ‘safe bets’ or incumbent suppliers much more likely to retain business, even if lower performing”.

ROLE OF JOBCENTRE PLUS

- 39 One of the main criticisms of the current practice is that JCP still conducts the first interview with new

clients, when it is thought that this serves to put many people off the process, and instils the sense of distrust discussed earlier. Furthermore, as Jane Wittenoom and Patrick Hartnett of Working Links stated, there is the potential for a conflict of interest. “Currently, JCP acts as both a commissioner of services and a delivery organisation, often creating a conflict of interest when working alongside private and voluntary sector providers. We believe that these two roles need to be separated.” This conflict of interest could be effectively managed by contractually setting out the extent of JCP’s delivery role.

- 40 This conflict is another example of the problem identified in the Conservative Party’s 2003 green paper “Sixty Million Citizens”. It proposed introducing an “Unfair Competition Test” which would prohibit not-for-profit enterprises being damaged – even closed – by Government-sponsored initiatives.¹⁸¹

180 Jane Witten Noon and Patrick Hartnett, Working Links in response to the Group, September 2006

181 Conservative Party, 60 Million Citizens - Green Paper, 2003

- 41 Catherine A’Bear of the Shaw Trust felt that the government should begin “focusing on developing its skills as a commissioner of services and less focus on in-house service delivery. We would also like to see a more distinct divide between service commissioning, which we see as the responsibility of government, and service provision.”

Looking beyond employment provision

- 42 As this Report has endeavoured to make clear, TSOs have the ability, expertise and experience to provide a service which goes far beyond the reaches of statutory provision. The inventive and novel approaches that these organisations are in a position to adopt create an environment in which the person seeking help is treated holistically. Many people who have been outsiders to the job market for several years feel ostracised from mainstream society and this social exclusion can result in a multiplicity of long term problems, many of which inhibit the individual from working their way out of economic dependency.
- 43 In its work, the Group has visited and studied numerous TSOs which target a range of social justice problems, and provide ground-breaking and successful solutions. In doing so it was possible for the Group to determine that many organisations’ work solves problems on two levels. The primary focus may be tackling acute drug addiction, providing shelter for the homeless or running educational classes in basic skills, but in addressing such problems the organisation can create secondary benefits across society. By concentrating efforts on the root causes of the individual’s problems and assisting their journey towards a solution, the TSO can reintegrate the individual into society and the labour market, thus indirectly reducing their burden on the state.
- 44 As Emmaus shows, the manner in which TSOs are able to provide both preventative and curative work generates considerable savings to the Exchequer. At

present there is little research into the value created by such TSOs, and clear efforts to make progress in this field would be extremely useful.

CONCLUSION

- 45 Today in Britain there are 4.4 million people of working age who are not in employment. 1.7 million are looking for work and 2.7 million are incapacitated. It is estimated that one million of those on IB are actually capable of working in the right circumstances; therefore, there are just under three million people not working who might be able to. The cost to the taxpayer is substantial, as is the detrimental impact on the personal lives of the individuals in need.
- 46 Over the past ten years and at great cost, the Government has implemented a raft of initiatives to tackle joblessness and economic dependency, yet with very little impact on the numbers or the nature of unemployment. A large part of this dismal record is due to the Government’s failure to trust and equip TSOs to help people get back into work.
- 47 Evidence gathered in the hearings of the Group established that in many cases the state is incapable of providing the kind of specialist support required by those in need. This is because the help the state provides at present is prescriptive rather than tailored to the needs of individuals.
- 48 There is great scope for government to expand the funding of TSOs delivering programmes to help the unemployed get back into work. The superior ability of organisations such as Tomorrow’s People to help previously economically inactive people get jobs – and, as importantly, keep them – is beyond reasonable doubt. To ensure fair competition between statutory agencies and TSOs, it will be important for Government to properly separate the commissioning and delivery of services. Government must commission these services, but they could often be most effectively provided by TSOs.

Chapter 8 – Third sector work in tackling indebtedness

SUMMARY

In this chapter the startling increase in the levels of consumer debt is discussed (paras 1-17), which provides the background to a description of the vital role of third sector provision in debt advice (18-24). This chapter details the previous lack of statutory funding, the recent initiation of a Financial Inclusion Taskforce and the frequency with which funding is directed towards larger debt advisers (25-31). This leaves the smaller, independent and community based organisations in crisis, and creates a barrier to debt advice for many vulnerable individuals who might be reluctant to go to a larger organisation.

THE PROBLEM OF DEBT

1 Consumer Indebtedness is a growing problem in the UK. Lending to individuals has grown rapidly during recent years and now stands at over £1 trillion (£1,000,000,000,000), which is an equivalent average debt per household of £40,000, with an average household credit card debt of £1,950.¹⁸² This rapid increase has created significant financial pressure and 9.8% of individuals now consider their unsecured debt to be a ‘heavy burden’.¹⁸³

COPING WITH THE PROBLEM

2 This escalation of the debt burden has, unsurprisingly, resulted in record demand for money advice.¹⁸⁴ The levels of contact with debt advice agencies rose sharply during 2005/06: National Debtline – a helpline offering free, confidential and professional advice over the phone or by email – took 65,535 calls in 2005 which was an increase of over 43% from the previous year.¹⁸⁵ Citizens Advice Bureau (CAB) too has seen an increase of 47% in enquiries over the past five years, and newly established debt advisory services have been inundated with requests for help.¹⁸⁶

THE NATURE OF THIRD SECTOR DEBT ADVICE

3 The UK debt advice market is more vibrant and complex than anywhere else in the world, with a variety of

organisations operating in a highly unregulated market. Whilst much of the debt advice available is provided by fee-charging debt management companies, this chapter will focus on the third sector organisations in the field. The third sector involvement takes various forms: over the telephone, face to face, through self help and educational materials, and through third sector lenders such as credit unions, Community Development Finance Institutions (CDFIs) and moneylines.

4 A number of different bodies provide money advice, ranging from the well known national providers such as the CAB and National Debtline which offer free advice in person and over the telephone, to CCCS and Payplan which set up debt management plans. Local authorities, law centres, community groups and solicitors firms also play a role in debt counselling, but it is the third sector organisations which are of particular interest to the Group.

5 The Group is aware that many of the smaller niche organisations specialise in providing a more personalised service than many larger organisations which provide a range of less tailored services. Often, the large organisations are not specifically focussed on debt advice, but instead may offer a range of services with the advice sector. This important point which has been documented in many other areas is particularly pertinent in debt advice provision, where “the personal and professional service provided by small independent advice organisations responding to local needs was impressive.”¹⁸⁷

VOLUNTARY SECTOR IN DEBT ADVICE

6 It is important to understand that, in this area of the fight against poverty, there is no statutory requirement for the Government to provide debt advice, and there is no dedicated public sector provision of it.¹⁸⁸ Accordingly, although there has been, until recently,

182 The Griffiths' Commission on Personal Debt, *What Price Credit?*, March 2005, p1

183 DTI, *Tackling over indebtedness - Annual Report*, 2006, p8

184 This interim report will focus on money advice as a response to the indebtedness crisis, rather than the provision of affordable credit and money education by the third sector. The latter two will however be addressed in the Group's next report.

185 DTI, *Tackling over indebtedness - Annual Report*, 2006, p8

186 The Griffiths' Commission on Personal Debt, *What Price Credit?*, March 2005, p2

187 The Griffiths' Commission on Personal Debt, *What Price Credit?*, March 2005, p81

188 Although it does provide a limited amount of non-dedicated advice through the Legal Services Commission, a non-departmental public body sponsored by the DCA.

some limited debt advice statutory funding for TSOs like the National Debtline and CAB, all debt advice has been and is provided by the third sector. The Government's recent Financial Inclusion Fund has increased the Government's involvement in this area significantly (and is discussed in paragraphs 25-31 below).

- 7 To appreciate the diversity of the debt advice sector it is useful to assess some case studies of different providers.

Citizens Advice Bureau (CAB)

- 8 CAB is not a debt advice specialist, but provides free, confidential, impartial and independent advice over an enormous range of issues to the vulnerable in over 3,000 locations across the UK, online, by telephone and in some community venues. The service that they offer is primarily provided by trained volunteers who assist clients in a variety of ways such as conducting face-to-face interviews or phone calls and helping their clients in managing their affairs. The CAB provides a free service to individuals in need of help. During 2005/06 CAB dealt with 5.5 million enquiries, 1.4 million of which were debt related.¹⁸⁹
- 9 The majority of CAB funding comes from Government grants. Of a total income of £37,637,000 in 2005/06, £30,774,000 (81.7%)¹⁹⁰ was derived from Government funds. Other sources of funding are becoming increasingly important however, due to a reduction in DTI funding, and the CAB (for itself or in collaboration with partners) has managed to secure over £39 million from the Financial Inclusion Fund for debt advice, a substantial portion of the Government funds made available for specific debt advice. With such funds, the CAB is in the process of recruiting over 350 specialist paid debt advisers to provide this service.

The Consumer Credit Counselling Service (CCCS)

- 10 The CCCS is a free national telephone service which advises people in financial difficulty. It is the biggest provider of telephone debt advice, assisting 201,000 people on their helpline in 2005, which is expected to rise 250,000 calls in 2006.

- 11 The CCCS is entirely funded by creditor organisations that refer clients to the CCCS who are unable to meet their debt repayments. In return the CCCS takes a percentage of the repayments the clients make to the creditor.

Christians Against Poverty (CAP)

- 12 CAP is a national debt counselling and support charity which works through 50 centres based in local churches. A CAP debt counsellor will visit the debtor in their own home to try and determine the best course of action. CAP works with the client until that individual becomes debt free.
- 13 The absence of statutory funding means that CAP is primarily funded by churches and individuals, with £250,000 per annum from trusts and foundations; £250,000 from fundraising events; and around 5% of their total income is generated from banks and lenders including HBOS and Provident.
- 14 The majority of CAP's clients are the poorest in society: 25% are single mothers, 69% of clients receive benefits and 31% live solely on benefits, 12% are disabled and the average household income for their clients is £11,724. These clients would not have been able to receive debt advice from a paid-for service – effectively solidifying their status as financially excluded from society. This highlights the necessity of free and independent debt advice run by community and charitable organisations.

Community Money Advice (CMA)

- 15 Community Money Advice was set up in order to provide churches with the support and resources they need to offer budgeting and debt advice in their local community. It helps to fill the void that many individuals experience in seeking debt advice. By helping local communities to help themselves through the provision of debt counseling, through the organisation of access to resources, information and insurance, this type of outfit enables the proliferation of effective and accessible debt advice.
- 16 CMA has 45 centres nationwide and has increasingly found a great demand for its services. CMA also

189 Citizens Advice Bureau, Service highlights 2005/06, p2

190 Citizens Advice Bureau, Annual Report 2005/06

attracts clients who have not found a solution or counsel at the CAB, due in part to the complex and intricate nature of the clients' problems.

Credit unions

17 There has been a rapid growth in the number of credit unions in the UK in recent years; there are currently 779 with around 815,000 members, holding assets of around £900 million. This growth has in part been due to strong Government and local authority support. In credit unions, debt advice is provided by full time advisers and trained volunteers who offer counselling alongside budget management. However, whilst the larger credit unions have been able to build a natural advantage over their smaller counterparts, very few credit unions have the available resources to provide debt advice.

ADVANTAGES OF THIRD SECTOR ORGANISATIONS IN PROVIDING DEBT ADVICE

18 Although the third sector is currently the major provider of debt advice to the vulnerable in the UK, it is nevertheless worth emphasising now, as the Government increases its involvement in the sector through the £45m Financial Inclusion Fund, the unique qualities that the third sector offers – both to ensure their importance in any future Government plans, and to shape the future methods of Government support most effectively.

19 A primary advantage in this sensitive field is that debtors might feel more able and comfortable going to a community based organisation to access information, and talk about their problems. As Alastair Mathews of the Personal Finance Education Group said: "Our independence means that people trust us more as they often mistrust public providers."

20 In addition to trust, independence from Government allows a higher degree of flexibility in service provision. "We can innovate; we have a commitment to hard to reach clients and a commitment to issues away from the set government policy."¹⁹¹

21 For many groups, one of their real strengths is through the use of volunteers. "We are able to be flex-

ible in what we do. Volunteers are local in their outlook and we provide the resources and training."¹⁹²

22 However, an important part of this third sector advantage is deemed often to lie in the small, locally-based, and specialised nature of such organisations – something which makes many in the sector fear greater Government involvement, if directed just to a few large-scale providers.

23 Thus many of the organisations questioned expressed concern about the possible centralisation of debt advice into provision by large organisations. One debt advice organisation believed that people: "preferred dealing with locally based organisations because they were easier to access, and they mistrusted the involvement of both the financial service providers and government." And that "large organisations might not be able to reach certain groups such as faith groups or minorities."¹⁹³

24 The service provision of many smaller organisations is more tailored to the individual debtor: "They are unconditional in their services provision; they carry work through and see it as a long term process that will help people further down the line after the initial contact is made. It also gives them a footstep into people's lives, and allows them to help in other areas of need." This point that New Life Community Debt Services makes is particularly pertinent. By taking a longer term approach to assisting vulnerable individuals with debt problems, the advice is more likely to be effective and longer lasting.

THE NEW FUNDING OF THE THIRD SECTOR IN DEBT ADVICE

25 Given that philanthropic funding of this area remains stubbornly low, and the Government has failed to provide significant specific funding for this problem area until 2006, the major new development in funding this sector has been the debt advice element of the Government's Financial Inclusion Fund. This provides £45m to be invested over a two year period: £15m in 2006/07 and £30m in 2007/08. After the initial round of grant applications, a total of 14 final bids will receive a share of the £45m fund. The vast major-

191 Chris Tapp, Credit Action Money Education in response to the Working Group

192 Ibid

193 An organisation providing debt advice in response to the Working Group

- ity of this funding has gone to CAB (£16.87m), or CAB and its partners (£22.87m).¹⁹⁴
- 26 The heavy weighting of the £45m Financial Inclusion funds towards the debt service big players such as the CAB, whilst offering great potential for a wide selection of indebted through the CAB structure, does pose a possible danger to the sector as outlined above, if smaller organisations are thereby marginalised, and if the qualities of independence, innovation and diversity of the bigger organisations are lost through Government-controlled funding.
- 27 In respect of the smaller organisations, the Government has addressed this issue to a limited extent by promoting partnerships, and the Group is pleased to applaud the use of £5.3m of the Financial Inclusion debt advice fund on ‘Capitalise’, launched in June 2006 as the first ‘on-the-ground’ debt partnership providing static and outreach debt advice. It is coordinated by Toynbee Hall, with Blackfriars Advice Centre and Mary Ward Legal Centre, in collaboration with 25 other advice agencies across London, and offers real hope for the vulnerable suffering from indebtedness in east London.
- 28 However while some smaller organisations will benefit through partnerships with bigger organisations, there are potential difficulties for smaller organisations which do not or cannot collaborate with the big players – as they will be overlooked for funding opportunities.
- 29 The ‘What Price Credit?’ report praises the smaller organisations, but recognises “they seldom experience a level playing field when it comes to local government funding.”¹⁹⁵ The omission of many smaller organisations from the funding of the Financial Inclusion Fund illustrates this.
- 30 Such omissions are important because, as the Griffiths report found, although the level of advice provided by small independent organisations was of a very high standard, responding in a specific way to the issues facing their local communities, these organisations normally found it difficult to attract funding.
- 31 Accordingly, for the many smaller organisations who have missed out on such funding, the only remaining sources of funds, outside of scarce philanthropic funding, remains supplementary funding through the National Lottery, charitable trusts and legal services, or the creditors and commercial lenders themselves.

REGULATION OF DEBT ADVICE

- 32 All debt advice agencies (whether free or fee-charging) must be licensed by the Office of Fair Trading and must comply with the debt management guidance directive, in order to ensure that the advice provided is standardised across the sector. However, this does not appear to be difficult to obtain, and is described by Jim Fearnley of the Money Advice Trust as “a light touch”. Advisers are recommended to procure Professional Indemnity Insurance and undergo levels of generalist and professional training, although this is not obligatory. The implications of this are that it is relatively easy to begin practicing, which is a good thing.
- 33 The Institute of Money Advisers and AdviceUK are major umbrella groups which support debt advisers. Their membership spans the sector from large to small organisations, offering various benefits to its members, such as group licensing and insurance. However, unaffiliated organisations may find these difficult to obtain.
- 34 The training of volunteers is a perennial problem which may increase if the regulation stipulations are made more concrete. Whilst there might be training provision available, New Life Community Debt Services of Milton Keynes told the Group that “training has to be at weekends, as volunteers work full time. Lots of nationwide training is only during the week so it cannot be accessed.” In order to continue reaping the benefits that volunteers can bring, these problems need to be addressed.

CONCLUSION

- 35 The problem of debt is well documented. For many people, over-indebtedness becomes a weighty burden which they are unable to escape from. The debt advice sector is unregulated, complex and diverse with a

¹⁹⁴ In addition, the DTI has also provided a further £6 million to the Department for Constitutional Affairs and Legal Services Commission to pilot models of debt advice outreach to vulnerable people who might feel inhibited from seeking debt advice

¹⁹⁵ The Griffiths’ Commission on Personal Debt, *What Price Credit?*, March 2005

multitude of different providers. The domination of the sector by fee-charging debt management companies raises alarms over the availability of free and independent advice. The third sector services highlighted above provide a large and essential chunk of overall provision and their role should be encouraged and strengthened.

36 This should be done by ensuring that whilst the large established providers such as the CAB are sufficiently financed to allow their important work to continue, small and more community based operations are not

pushed out of the market, but are also allowed to continue to flourish. The links that community debt advice services have, and the innovative and effective advice they provide should be recognised and valued in the same way as the work of larger providers.

37 The Group will be alert to see how any increased funding for this important poverty-fighting area continues to come to third sector organisations, and that its future distribution underpins the third sector's fundamental qualities of independence, commitment, diversity and innovation.

EVIDENCE SECTION B:

Evidence relevant to broader themes

Chapter 9 - Smaller third sector organisations facing a squeeze

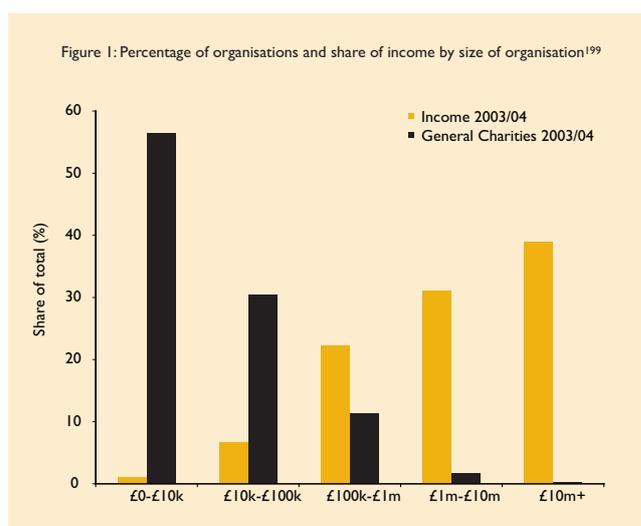
SUMMARY

This chapter describes the unique nature of the third sector (paras 1-12), and within that structure the enormous disparity of income between the large and small organisations (13-23). It discusses the crucial value and advantages that many smaller, more community focused organisations hold, and furthermore their vital role in strengthening and supporting civil society. The pressures exerted on smaller organisations through: a lack of statutory and non-statutory funding (13-21); the crowding out of Government work by the larger charities (21-23); the potentially negative impact of Government regulation and the commissioning processes and the suffering of smaller organisations under the complex tax system (24-30) are all addressed.

INTRODUCTION

- 1 In preparing this initial Report, and in our consultations with the various specialist voluntary organisations in our key fields, we have kept a keen eye out for how smaller voluntary organisations are doing across the UK. The Group is acutely aware that current statistics show that 87% of UK charities, or over 143,000 charities, have an income of less than £100,000 a year¹⁹⁶ (see Figure 1), and just over 5.4% of the sector's total income. This compares with the 511 who have an income of over £10m a year,¹⁹⁷ and the 14 "super-charities" with an annual income of over £100m, who between them share nearly 80% of the sector's income.¹⁹⁸
- 2 The Group's evidence firmly suggests, as we explore below, that smaller voluntary organisations are facing significant pressure on a number of fronts – a pressure that our next report will identify measures to relieve. However, before we look at evidence of this pressure, and before identifying proposals to assist

them, it is important to address the specific value smaller voluntary organisations bring to the work they do, and the communities around them.



THE VALUE OF SMALLER VOLUNTARY ORGANISATIONS

- 3 It is important to state at the outset that, in underlining the value of smaller voluntary organisations, the Group in no way underestimates the dedication and effectiveness of many of the UK's remarkable bigger charities such as Cancer Research UK, Leonard Cheshire and Mind. Such charities raise many millions of pounds for important causes, have thousands of paid and well-trained staff, recruit many volunteers, increasingly deliver significant public services, and campaign vigorously and often successfully for important policy changes to help their client groups. Their worth is not underestimated.
- 4 Turning to the main value of smaller voluntary organisations, it is evident from the Group's work that this lies in their very numbers and diversity; their

196 Charity Commission, Facts and Figures, 2005; NCVO, UK Voluntary Sector Almanac 2006. These figures do not include the many "under-the-radar" voluntary and community organisations that are too small to register as charities, or simply do not do so - estimated at being up to 360,000 strong, according to Private Action, Public Benefit, No 10 Strategy Unit Report, September 2002.

197 Richard Smith and Philip Whittington, Charity: the spectre of over-regulation and state dependency, CPS, August 2006

198 NCVO, UK Voluntary Sector Almanac, 2006, p54

199 Data from NCVO, UK Voluntary Sector Almanac, 2006, p54

closeness to the community they are working in; their commitment; their innovative approaches; and their contribution to the social capital of their neighbourhood. It is important that the successful and innovative smaller organisations should thus be allowed and encouraged to flourish.

- 5 In terms of the value of numbers, it is clearly important that the UK's varied regional, social, and ethnic society should be reflected in its third sector as anywhere, and that the more diverse and different the sector, the better able it is to respond to specific local needs as and when they arise. In January 2006, Lord Dahrendorf expressed it thus in a House of Lords debate:

*“For me, a thriving civil society is the basis of a liberal order and a thriving civil society consists of a creative chaos of voluntary and essentially private activities by individuals and their associations.”*²⁰⁰

Or as the NCVO expressed it in their submissions to the Group in July 2006:

“A strength of the voluntary sector is its diversity: the range of organisations and activities that have arisen in response to peoples needs, and to give people a stronger voice.”

- 6 In terms of the unique qualities that being a smaller voluntary organisation brings to the issues it faces, these are variously described as being closer to the community they operate in; having greater ownership and commitment; and being freer to innovate – and add up to the priceless quality of engendering public trust. Thus Mainliners (which provides tier 3 drug treatment, community based specialised drug assessment with a co-ordinated care-planned services and liaison, to Scottish addicts) would go so far as to state “Smaller charities have higher quality and commitment to their client group.” StreetShine, a London-based social enterprise employing ex-homeless people to provide a shoe care and car cleaning service believes that being small enables it to be “flexible, able to respond quickly, maximising opportunities when they arise”, and also, as regards its homeless staff, have “a very high retention rate, due probably to the small scale and level of personal

support we operate”.

- 7 The Group uncovered many similar comments in its consultations, not only from the smaller charities themselves but also from umbrella organisations, and bigger service providers. Thus, the NCVO:

*“Small local organisations are perceived as closer to the community, innovative, and less bureaucratic. They often have a strong community “ethic”, and usually have excellent mechanisms to encourage self-help and user involvement. There are also significant spin-offs from working with small organisations skilled in building community capacity, in promoting active communities and developing community cohesion.”*²⁰¹

- 8 Working Links, a large Public Private Voluntary Partnership delivering employment focussed support for nearly 3,000 people a week in Britain, describes “smaller, local charities” as “valuable delivery partners”, and expresses disappointment that “funding organisations do not specify that a percentage of revenue should be from local voluntary sector organisations”. As the Institute of Volunteering Research put it, in written submissions to the Group, “the advantage of smaller organisations may well be the degree to which they are rooted in the locality”. Against this must be set the recognition that many smaller charities have no wish to be involved in the delivery of statutory services, but seek instead to respond in an ad-hoc and effective way to local needs and issues.
- 9 This acknowledgement by larger service providers of the value of smaller local organisations may be seen from the growing use of partnerships between large and small voluntary organisations to deliver key local services. These are well-documented in NCVO's important work, “1+1=3: Does Size really matter”, with the typical motive for a large providers' involvement being to use the smaller local voluntary organisation “to build local support, connections, and infrastructure”.
- 10 Finally, as acknowledged by the NCVO, such groups, by being closer to their community, and involving more local volunteers working on specific local projects, inevitably generate significant social capital to the com-

200 House of Lords Hansard debates, 20 January 2006

201 NCVO, 1+1=3: Does size really matter, February 2005

munities they serve. There is evidence to suggest that the involvement of voluntary organisations can significantly build social capital. The development of social capital occurs through activities such as creating support networks in communities, building horizontal ties across society in activities like prisoner-befriending schemes, and linking voluntary sector organisations with official institutions. Bob Holman, former professor of sociology, presents a compelling example of FARE's (Family Action in Rogerfield and Easterhouse) AGM which attracted 60 local residents, many more than the attendance of a local political party's meeting.

- 11 Thus, while there are some criticisms made of bigger charities – such as of excessive salaries, perks, excessive reserves²⁰² and big pension holes²⁰³ – such criticism is, for the purposes of this Chapter, besides the point: what the Group accepts is the principle that smaller voluntary organisations offer significant public benefits, appreciated by the public, which ought to be promoted by the Government of the day.

Pressure on small charities

- 12 With this principle in mind, it has been a disturbing exercise for the Group, in examining and consulting with the third sector, to see how, on so many different fronts, smaller community voluntary organisations appear to be under considerable pressure to survive, let alone thrive.

- 13 Looking first at income, it has already been seen how 87% of charities currently have an income of under £100,000 a year (see Figure 1 above) – what however has also emerged is that the share of the UK's total charitable income enjoyed by those smaller charities has fallen by over 30% in the last 10 years (see Figure 2 below).²⁰⁴ At the same time, the share of income enjoyed by those charities with an income of over £10 million a year has increased by over 30%. Similarly, the total income enjoyed by smaller charities with under £100,000 of income fell by £110m between 2002 and 2004, whilst charities with incomes of over £1m grew by over £800m (see Figure 3 below²⁰⁵).

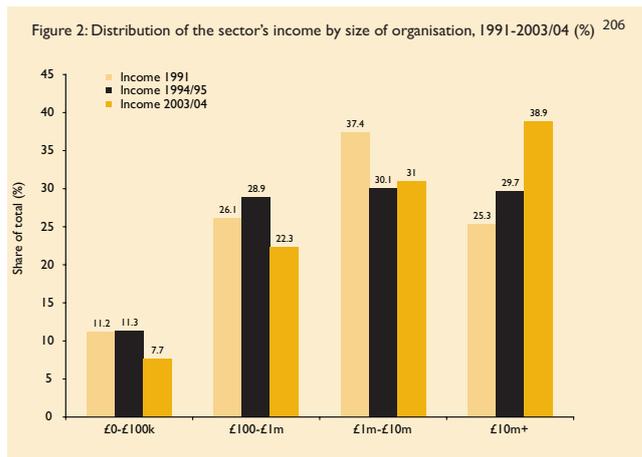


Figure 3: Total income by size of organisation, 2002/03 and 2003/04 (£million)

	Under £10k	£10-£100k	£100k-£1m	£1m-£10m	Over £10m	All
2002/03	290.8	1,845.20	5,411.10	7,656.40	9,939.20	25,272.70
2003/04	289.2	1,736.60	5,882.80	8,171.70	10,233.20	26,322.60
Total change (%)	-0.6	-5.9	6.2	6.7	3	4.2
Total change (£million)	-1.6	-108.6	341.7	515.3	294	1,049.90

- 14 This substantial and growing polarisation of income has understandably been noted with concern by major figures in the third sector. Thus Stuart Etherington, Chief Executive of NCVO, in a hearing before the Group in July 2006:

"I think there's clearly a polarisation between the large and the small. The big get bigger and the small get smaller, a bigger gap growing...." ²⁰⁷

Les Hems, development director of Guidestar, similarly commented to the Group, in September 2006:

"Small charities are being outgunned by their bigger rivals in the fundraising game."

- 15 Most blunt of all is the alarming conclusion of the Charities Aid Foundation:

"At a time when voluntary income is showing modest above-inflation growth, the fall in income in smaller charities demonstrates a polarisation that, if it continues may in future result in smaller charities becoming unsustainable."

202 Charities currently hold reserves totalling £35.5 billion - Charity Commission, Tell It Like It Is, 2006. Charity reserves have been criticised, for example, by Bob Holman of FARE in a paper to be found reproduced on www.povertydebate.com

203 Richard Smith and Philip Whittington, Charity: the spectre of over-regulation and state dependency, CPS, August 2006

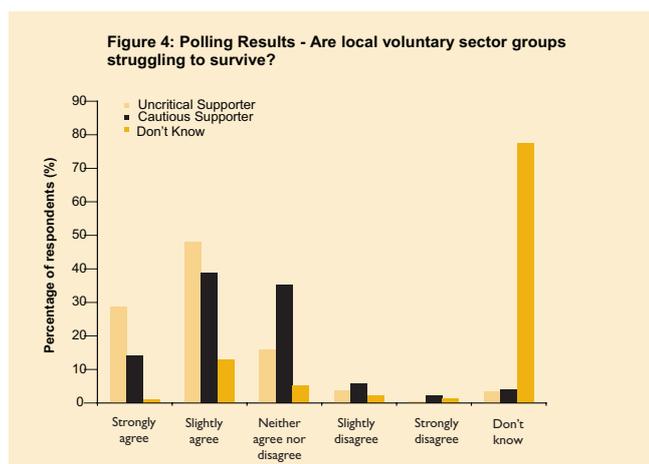
204 See UK Voluntary Sector, an analysis of charities characteristics by stratified income, Russell White, Social Justice Policy Group, www.povertydebate.com

205 Ibid

206 NCVO, UK Voluntary Sector Almanac, 2006, p55

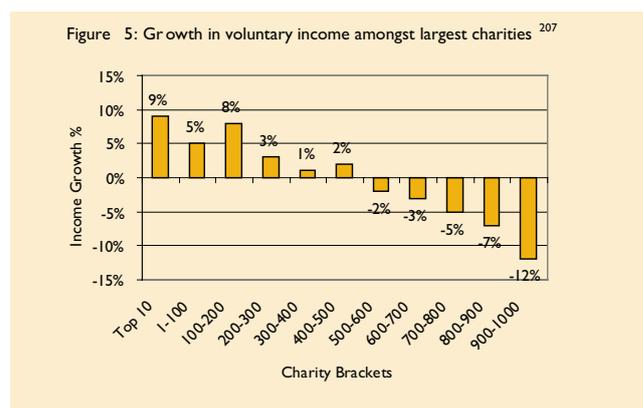
207 Echoing the 2006 NCVO Almanac, State of the Sector: "our evidence suggest that this concentration of resources is becoming more acute over time", p6

The Charities Aid Foundation’s view is shared by the knowledgeable general public. In a YouGov poll for the Group, 75% of the public interested in and supportive of the voluntary sector believed that local voluntary groups are struggling to survive (Figure 4). The resulting potential closure of small charities forecasted by the Charities Aid Foundation, in so far as it affects good charities which would otherwise survive in a fair climate, is not something the Group is prepared to countenance, and will outline, in its next report, measures to correct these trends, and reverse them.



16 Analysing the dwindling income of smaller charities, it is clear that the polarisation is similar whether the income is coming from the general public or grant-making private institutions by way of voluntary income, or from the statutory sector.

17 In terms of voluntary income, it is clear that the top larger charities are increasing their share of voluntary income at a fast rate, with growth of income from fundraising events at 16% for 2004/5, with the top ten mega-charities obtaining 80.3% of their income from voluntary income sources, as opposed to 44.9%, being the charitable sector average,²⁰⁸ with this trend likely to continue on present growth figures (see Figure 5).²⁰⁹ The reasons for the larger charities increasing dominance in fundraising are explored in more detail in section 10 of this Report, and are easy to imagine – namely greater fundraising budgets, greater public awareness, habitual giving to larger charities, and inability of smaller charities to make headway in this respect in the face of pressure from larger rivals. Measures to assist smaller charities performance in this respect will be outlined in our next report.



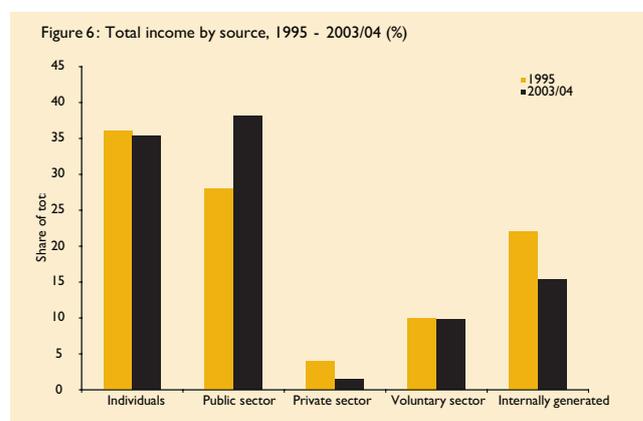
18 In terms of share of statutory income, while the overall volume of this income has dramatically increased as a share of all charitable income over the past 10 years (from 28% to 38.1% - see Figure 6),²¹¹ it is seems clear that again its distribution is polarised amongst the larger charities. Thus the NCVO’s 2006 Almanac states:

“Our evidence indicates that statutory funding has increased from approximately £3.2 billion in 1991 to £10 billion in 2003/04. Our analysis suggests that over two-thirds (68.6%) of statutory resources flow to general charities with incomes over £1 million; in other words, government funding broadly correlates with the distribution of total income.”²¹²

Further, in their written submissions to the Group, the NCVO state:

“NCVO’s research shows that small and medium size voluntary organisations are not yet benefiting from the increase in statutory resources flowing to the sector as a whole”.

The Group will aim to set out proposals aimed to correct this in our next report.



208 See UK Voluntary Sector, an analysis of charities characteristics by stratified income, Russell White, Social Justice Policy Group, www.povertydebate.com
 209 There are also indications that, at the top of the charity tree, there is little movement in terms of rankings by income - which itself indicates a possible lack of dynamism
 210 CAF, Charity Trends 2006 (CAF, London), 2006, p24
 211 See UK Voluntary Sector, an analysis of charities characteristics by stratified income, Russell White, Social Justice Policy Group, www.povertydebate.com
 212 NCVO, UK Voluntary Sector Almanac, p147

- 19 In the meantime, in relation to the statutory sector, it is easy to see that there will be some degree of tension between central and local government's aspiration to deliver a standardised and cost-efficient professional service in certain areas, and the smaller voluntary organisations' lack of financial resource, training, capacity, and economies of scale.
- 20 In those circumstances, and in current climate of public sector savings, it is not difficult to see why smaller voluntary organisations have found themselves crowded out, for example recently in the award of public service contracts to assist long term jobless into work – through Jobcentre Plus New Deal. Thus A4E, a large private supplier, acknowledged the complaints of smaller non-statutory competitors in this regard, and Tomorrow's People, a significant voluntary organisation in this field with wide national reach, commented in September 2006:

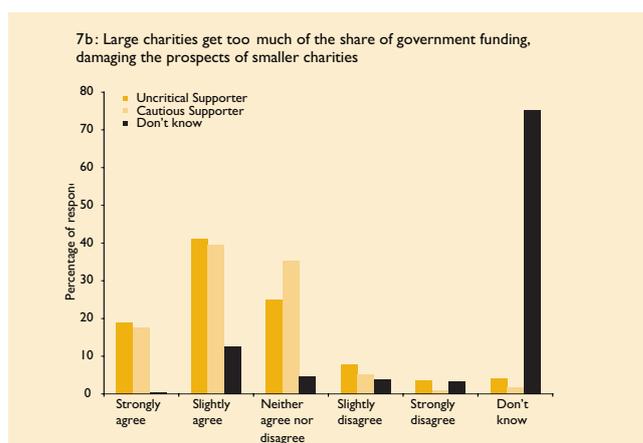
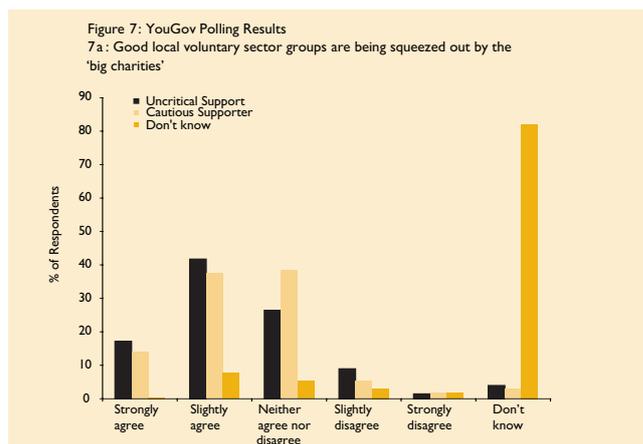
“There's definitely a move by government to have fewer providers holding larger contracts, which has a negative impact on many organisations in our sector.”

Similarly, St Mungo's, a provider of drug and alcohol treatment in London, gave evidence to the Group in the following terms:

“...In most areas, local authorities are selecting a small group of large preferred providers; and in most contracts they will only commission one lead agency.”

Similarly, in the field of money advice, nearly 90% of recent Government grants to the voluntary sector from the Financial Inclusion Fund have gone to the national Citizens Advice Bureau federation, together with some partners (see Chapter 8).

- 21 From polling conducted by YouGov,²¹³ this is a trend the public appear to be picking up on. In this respect, two polls (see below) show that, of those polled who were interested and supportive of the third sector, a significant majority (approximately 70%) thought that both local voluntary groups were being squeezed out by big charities, and that big charities got too large a share of government funding, damaging the prospects of smaller charities.



- 22 The Group will therefore be astute, in its further evidence gathering, to spot central and local practices compounding this trend. The Group will also look closely to see whether some government funding of charities can be channelled from the bottom up, rather than top down – thus giving more choice to users of local public services as to which charities, if any, are their preferred service provider.
- 23 Naturally, one area which acts as a brake on the ability of the smaller charities to survive, and thrive, is in the commonly acknowledged growth in regulation affecting the third sector²¹⁴ – an area which disproportionately affects smaller charities (like smaller businesses) as they often lack the resources to cope. Some of this particularly affects our key areas – such stringent legislation affecting the use of volunteers in the drug treatment fields. As Sir David Arculus's Better Regulation Taskforce report found:

“61% of those who responded to our survey believed that regulation inhibited social innovation. Prescriptive and

213 YouGov - Social Justice Policy Group polling

214 See Better Regulation Task Force, Better Regulation for Civil Society, November 2005

overly protective approaches to regulation are leading to loss of diversity in the sector and greater conformity in the way people and organisations operate.”

- 24 The Group has heard from many organisations in the family, addictions, joblessness, and indebtedness fields (described in considerable detail in their various chapters above) which describe the length of time taken to comply with Government tendering processes (taking 20 days in some cases for modest proposals), with the bureaucratic and micro-managing nature of some Government programmes (such as Supporting People), and the burdensome nature of the increasing CRB, health and safety, and employment regulations. Regrettably, the Government completely failed to respond to the Better Regulation Taskforce’s recommendations within the specified two month period, and indeed has only responded in November 2006, over a year later. This does not give the Group any confidence that the Government takes the Taskforce recommendations seriously. The Group will accordingly pay great attention to the Government’s progress in this regard, and in particular to the implementation of its response to recommendation 11 of the Taskforce.
- 25 Similarly, the work of the Charity Commission is under scrutiny, in so far as charitable regulation (over and above Government regulation through statute and contract) has itself increased significantly since 1995.²¹⁵ The number of inquiries is disproportionately skewed towards smaller charities (see Figure 8 below), indicating that the ‘mega-charities’ of over £10 million, with 45.4% of the sector’s income are subject to 1% of inquiries, whereas the smallest charities with just 0.80% of the sector’s income receives 13.20% of Charity Commission inquiries.

Figure 8: Distribution of Charity Commission inquiries²¹⁶

	Number of inquiries	Percentage of inquiries	Percentage of income
below £10,000	38	13.20%	0.80%
£10,001 - £100,000	90	31.30%	4.60%
£100,001 - £250,000	53	18.40%	4.50%
£250,002 - £1 million	72	25.00%	11.10%
£1 million - £10 million	32	11.10%	33.60%
over £10 million	3	1.00%	45.40%
Total	288	100.00%	11%

- 26 What the Group is keen to avoid is an excessive regulatory entry cost for new smaller innovative groups into the areas we are especially concerned with – and consultation with TSOs in this area provides anecdot-

al evidence that this may be occurring. Thus when asked how easy it would be for a small provider to start up in their area, a sample of the responses were as follows:

St Mungo’s, London:

“It would be very difficult indeed. The principle obstacles would be getting sufficient financial support to start operations; finding an affordable building and getting planning permission; getting referrals if they required funding. It could only continue if its donor base was sufficient to maintain its revenue stream, and would probably face local authority opposition if it worked with a socially excluded client group. It would not be eligible to bid for SP [Supporting People] money if it was not already an SP provider, and would not be able to get PCT commissioning until it had a track record/evidence base....”

CAN, Northampton:

“Very difficult. Tenders are competitive...Also infrastructure costs with all the demands that SLA demands are considerable and this would make it very difficult for a small organisation to deliver and they would be very expensive as a result”

ADAS, Harlow:

“We have been undertaking such an initiative in Southend and it has been anything but easy. The level of funding needed has not been adequate to get the service properly operational, and securing accommodation was a difficult task.”

Aquarius, Birmingham:

“Issues of compliance (health and safety, employment legislation) would make it very difficult for a small organisation to get started.”

Mainliners:

“Very difficult as commissioners rarely commission services without a proven track record.”

- 27 The above downbeat responses are a long distance from the welcoming environment that the Group would like to see – particularly in a field like drug addictions which is crying out for more smaller TSOs, with their effective client-intensive approach.
- 28 One other related aspect of regulation which disproportionately affects smaller charities is the tax system.

215 Richard Smith and Philip Whittington, *Charity: the spectre of over-regulation and state dependency*, CPS, August 2006, p15-16

216 Ibid, p18

In this respect, not only do they suffer as other larger charities do from the unfairness of irrecoverable VAT – as to which see Chapter 12 - but also (a) the Finance Act (No 2) Act recently abolished an exemption on non-qualifying expenditure worth £10,000 to small charities; and (b) as the widely respected Charity Tax Reform Group put it “smaller charities often lack the resources to pay professional advisers and as a result find it difficult to take advantage of some of the legitimate means of reducing their tax burden.” The Group will look at ways of helping smaller charities with their tax burdens.

29 Finally, it would be wrong to leave this subject without commenting on a significant movement currently assisting small charities. This is the encouragement by central government and local government commissioners of partnerships between large and small voluntary organisations. Such schemes, when they work, often help smaller organisations learn valuable management skills, whilst bringing the bigger charities closer to the communities they need to help – and examples of the many that exist across the country include Capitalise (a debt advice scheme launched in the summer 2006 across London, through the leadership of Toynbee Hall),

Barnardos and Off the Record (helping young people in Bath), and Addaction and Action for Change (drug treatment in Brighton). The approach of Addaction, as expressed to the Group in September 2006, is to be applauded:

“Addaction aims to ensure that it develops relevant complementary partnerships or joint services with appropriate organisations so that service users needs are addressed holistically. Priority areas for partnership working include ethnic minority organisations, domestic violence agencies, young people’s services, employment, housing. ...As an organisation we are keen to develop more organisations to support smaller organisations (such as ethnic minority providers) that do not have the infrastructure to compete.”

30 However there is a danger that with the increasing ‘contract culture’ in the third sector, smaller organisations will feel compelled to agree partnerships with larger TSOs solely to secure statutory funding. In doing so, smaller organisations may be forced to reconfigure their operations solely to comply with overly prescriptive contracts. The Group will examine how the independence and scope for innovation of TSOs engaging in such partnerships can be safeguarded.

Chapter 10 – Evidence on the state of charitable giving in the UK

SUMMARY

This section highlights the unique nature of charitable giving, in providing charitable organisations with the flexibility and independence to provide creative solutions to social problems (paras 1-5). The section discusses the nature of charitable giving, its current levels, donors and sources of income (6-19). There is further discussion regarding the limited support of the five key areas (20-22), and contemplation on the contribution the UK tax system (23-34), planned giving (41-43) and a comparison to the United States (35-40). The section concludes with a description of the difficulties faced by smaller charities in attracting philanthropic funding (44-53).

THE IMPORTANCE OF CHARITABLE GIVING

- 1 At its core, philanthropy (charitable giving)²¹⁷ allows individuals and corporations to dedicate their own personal income to the greater benefit of society, in a way which they believe the greatest good can be achieved and where state provision is either inadequate or lacking. The flexibility and freedom of the donor translates into freedom and flexibility for the recipient charity, as the restrictions and conditionality so often attached to statutory funding do not apply to the same extent.
- 2 This autonomy is becoming increasingly attractive to charities who are finding it difficult to attract funding for riskier projects, or even for core funding such as maintenance, utilities or staff costs. St Mungo's, a homelessness agency and housing association told the Group that "funding innovation has become harder" as they have had to rely on more statutory funding for their work which does not provide for the development of new, untested projects. This concept of risk aversion is creeping from the Government into the voluntary sector – which has for so long managed to maintain its independence. This is strongly felt ACEVO who told the Group that "in the large organisations, particularly in the voluntary sector, we are becoming as risk-averse as government, and therefore not able to really meet the needs of those we are trying to help."

- 3 The Leonard Cheshire Foundation told the Group that they were aiming to increase the proportion of philanthropic income which is currently £15m (10% of their total) because this type of giving allows a much higher degree of innovation. It also encourages the type of ground-breaking charitable work which has been diminishing in recent years, due to the restrictions and over-regulation associated with Government funding.
- 4 Through philanthropic giving, charities are able to maintain their strengths of diversity, risk-taking, and their closeness to the user and community, the very features which make them so successful in providing their service. Charitable giving not only encourages a sense of community and social responsibility, but it is necessary to engender social cohesion, where individuals can demonstrate their concern for the vulnerable in society.
- 5 Given the importance charitable giving has in facilitating high degrees of flexibility and innovation in approach in the third sector, it is particularly disappointing that charitable giving in the five key poverty-fighting areas is not higher (see paragraphs 20-22 below).

THE STATE OF GIVING

- 6 The current combined value of charitable giving is estimated to be £13.3 billion per annum.²¹⁸ Of this, £8.2 billion comes from donations made by the general public, including £2.8 billion of tax effective giving through Gift Aid. This sum provides an average donation of £297.10 per donor and an average of £170 per head of the population, not an insubstantial sum but when considering that in the UK around 60% of the total sum donated by individuals was given by just 12.5% of the population, the figure looks less impressive. By contrast, American households give an estimated average of \$1,937 each per year, an estimated \$670 (£360) per head of population, 2.1 times that of the UK,²¹⁹ with total charitable contributions of \$260.28 billion in 2005, a 6.1% increase from

217 The Group will use the terms 'charitable giving' and 'philanthropy' synonymously in the report, meaning private charitable giving by all individuals and organisations, and donations of all differing sizes, small or large.

218 This figure includes £8.2 billion of donations from the general public (which includes £2.8 billion of tax-effective giving through Gift Aid), £1.3 billion from legacies, grants of around £2.7 billion from charitable trusts and £1.1 billion of corporate donations. NCVO, UK Voluntary Sector Almanac 2006

219 Center of Philanthropy at Indiana University, Giving USA, 2006

the previous year (2.7% adjusted for inflation) with individual contributions forming the largest source of charitable donations, totalling \$199.07 billion (76.5%) of giving.

7 Whilst the voluntary sector has continued to grow, 2005 figures show that the growth in charitable giving has been declining.²²⁰ This may be a long term trend as the Family Expenditure Survey estimates that between 1974 and 1993/95 the number of households giving to charity dropped from 34% to 29%, although the average size of weekly donations did increase by £1.63 over the same period.²²¹ Whilst total donations have risen, this appears to be due to a concentrated contribution amongst fewer households, rather than a positive change in giving attitudes. Charitable giving in the UK is just 0.9% of GDP, a figure which is comparatively high when considering other European countries; France gives 0.32% of GDP, Germany gives 0.13% and Italy donates just 0.11% of its GDP to charity.²²² However, in contrast to the United States, where charitable giving is estimated to account for 2.09% of GDP,²²³ a level which has remained relatively consistent for ten years,²²⁴ the British contribution of 0.9% of GDP is poor.

8 Charitable giving is derived from four sectors: individual contributions, legacies, charitable trusts or foundations, and corporate giving. The value of the constituent parts varies between the two countries. From Figures 1 and 2 there is a clear contrast between the total levels of giving by individuals, which is substantially higher in the US than the UK. Interestingly the percentage given by charitable trusts is higher in the UK than the US.

Figure 1: Proportion of the total amount given by each donor group in the UK (£ billion) ²²⁵

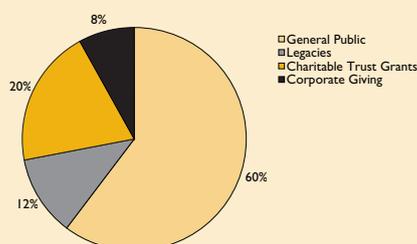
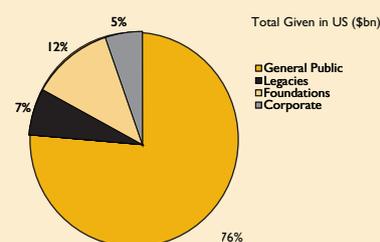


Figure 2: Proportion of the total amount given by each donor group in the US (\$ billion) ²²⁶



9 The level of corporate giving in the UK is perceived as being low, especially when considering the recent dramatic growth in the financial services industry. Indeed, corporate giving in the UK was valued at £1.1 billion²²⁷ to charities in 2004/05 (3% of the value of money and time donated to charities each year) and whilst the value of these donations did increase from 2003/04, donations have remained at 0.8% of pre-tax profits. Only 52 companies give more than 1% of pre-tax profits to charity, and only 65 give £1 million or more. Organisations have been set up to encourage a higher level of corporate giving such as the Percent Club, the UK equivalent of the 1% Club in the United States.

10 The US total corporate charitable gifts in 2005 were an estimated \$13.77 billion²²⁸ (£7.4 billion) - although as a percentage of total giving, the corporate contribution in the US is 5.3% compared to 8.3% in the UK. Since the US contribution is approximately seven times UK corporate giving, and it is generally acknowledged that the US economy is that much larger than the UK, thus the perception that corporate giving is comparatively poor may not be entirely accurate. Nevertheless it is felt that there is scope for further encouragement in the UK.

11 A voluntary sector academic has made clear that companies should also look beyond the immediate benefits of charitable donations and increase their giving:

“Big investors need to be educated that if they are not more committed to investing – through the voluntary sector – in specific localities and among specific areas of interest, their business interests could be jeopardised in the medium to long term.”

220 CAF, Charity Trends 2005, Chart section 15

221 James Banks, The State of Donation: Household Gifts to Charity, 1974-96, Institute for Fiscal Studies, p17

222 John Hopkins University, Comparative Nonprofit Sector Project, 2003

223 Philanthropy UK, Giving in Europe - A Growth Story: Volker Then and Norman Spengler, Sep 2006

224 Karen Wright, Generosity versus altruism: Philanthropy and charity in the US and UK, 2002

225 NCVO, UK Voluntary Sector Almanac, 2006, p6

226 Center of Philanthropy at Indiana University, Giving USA, 2006

227 This consisted of cash and 'gifts in kind' such as employee time and expertise, use of facilities and products.

228 Center of Philanthropy at Indiana University, Giving USA, 2006

- 12 Doubts regarding the legality of corporate giving may be inhibiting such giving. At present directors of companies in the UK are only able to justify charitable giving that they consider to be in their company's best interests. This naturally creates an inhibition which limits the amount which they give to charity. The Companies Act 1985 (s35) states that company directors can be prevented by injunction from acts which are outside the scope of the company's memorandum and they may be sued for breach of duty by, or on behalf of the company, if they do act in such a way. However, a company's memorandum may be changed by special resolution and it may contain clauses which permit charitable giving. A clear steer from Government via legislation would be helpful.
- 13 The critical duty is that imposed on directors to act in good faith in what they consider to be the best interests of the company. This allows a degree of flexibility in relation to which causes a company may choose to support. For a party to determine that charitable donation is never in the best interests is too narrow a view. There are many benefits which may be accrued: good publicity, improved relations with the local community and government, and improved employee relations. There are also new obligations under Section 173 of the Companies Act 2006 which require directors to consider the impact of the company's operations on the community and the environment. The future impact of these obligations will be keenly observed by the Group.
- 14 For example, HSBC donated £3 million to schools which specialise in languages, especially Mandarin and Portuguese. This choice reflects consideration of two of HSBC's biggest markets, and whilst the bank may benefit from schools or parents deciding to bank with them, the schools may also produce a cohort of Mandarin speakers which the banks could subsequently recruit.²²⁹
- 15 Nationally, the average monthly donation per person is £14.17, given by an average 57.2% of UK adults, although there is a high degree of geographical differentiation.²³⁰ The rate of giving varies with age, sex, region and socio-economic position. In the UK women are more likely to give, and give more, than men. The age group most likely to donate is the 35-44 year old group, but as might be expected the average donation is impacted by improved socio-economic position, thus when they do give, the 55-64 year olds give the most amount of money, averaging £18.36 per month.²³¹
- 16 Donors can be split into three distinct groups:²³² 'bystanders' who constitute 30% of the population, giving approximately £5 in charitable donations per year; 'contributors', the 58% of infrequent, spontaneous givers of between £5 - £120 who are unlikely to use the regular and tax efficient method of direct debit; and 'investors',²³³ the 12% of the population who give over £120. Only 60% of these givers use direct debit, thus leaving much charitable tax relief unclaimed.²³⁴ This effectively wastes income that the charities could otherwise have received, a clear signal that improvements to the system are necessary.
- 17 The method by which people are giving depends on the value of the gift. Cash gifts have proved to be the most popular method with around a quarter of people donating in this way, but whilst this spontaneous method is particularly favoured in the UK, the more lucrative form of donation comes via committed and planned expenditure of giving via cheque, credit card or direct debit. The 7.5% of donors who do contribute in this way raise 27.1% of the total income.
- 18 In order for people to be converted to the next giving group, there needs to be an increase in the awareness of the presence and cause of the need for charitable giving, and the opportunities that can help to meet that need. This has proved particularly difficult for the smaller charities which do not have access to the same marketing and advertising budget that the large charities have.
- 19 In the UK, charitable giving has not kept up with the sharp increase in incomes. Whilst in absolute terms the wealthiest sectors of society do give the most

THE DONORS

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229 The Spectator, 16th September 2006

230 NCVO, UK Voluntary Sector Almanac, 2006, p81

231 NCVO, UK Voluntary Sector Almanac, 2006, p61

232 The Institute for Philanthropy, Who are the givers?, 2005

233 Common features of the demographic group of 'investors' are often: over 35, higher educated, adherents to a religion, have an income of over £56k, identify with a political party and read a daily broadsheet newspaper

234 The Institute for Philanthropy, Who are the givers?, 2005

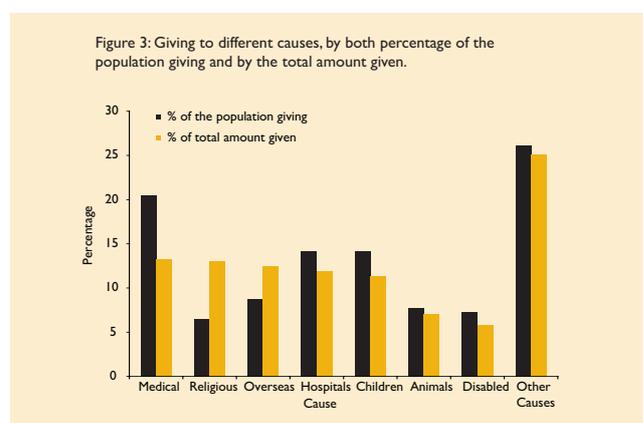
money, (60% of total giving coming from just 12.5% of the population) the richest 20% of the population donate only 0.7% of their income, whereas the poorest 20% give 3% of their income.²³⁵ In the US the disparity is just as stark. The ‘Indiana Gives 2004’²³⁶ survey showed that donors from households earning less than \$50,000 a year donated approximately 5.6% of their annual income, whereas the middle range of incomes \$50,000 - \$100,000 donated just 3.2% of their annual income and the top earners (over \$100,000) donated 3.7%. As in the UK, America’s poor are giving proportionately more than their richer compatriots. Thus those who are giving the most are those who can afford it least, and greater encouragement of the richest sections to give more would be helpful.

WHY IS PHILANTHROPY LOW IN THE FIVE KEY AREAS?

- 20 Philanthropic giving remains comparatively low in the five areas with which we are concerned, as shown by Figure 3, missing out on vital donations to medical, religious, overseas and animal causes, and as the Group’s consultations have confirmed. In particular donations are heavily weighted towards the health care system, which receives almost a quarter of all UK voluntary donations.²³⁷ There are many reasons behind this disparity, two of which are striking. The “less sexy causes”²³⁸ with which we are concerned, such as getting long term unemployed people back into work, or caring for the elderly, have traditionally been harder to quantify in terms of results and as Tris Lumley of NPC told the Group, donors like to be able to see results. “If you actually know that your funding is going to produce results in that area, then we think that that will stimulate giving”
- 21 Secondly, for many people, giving to charity is usually the direct result of a personal experience or geographical influence. For example, someone who has experienced death in their family due to cancer will give to a cancer charity, or someone who lives on the coast may give to the RNLI (Royal National Lifeboat Institution). Whilst this is understandable, not only

does it result in a heavy skew in voluntary income towards the top charities with strong brands but it also fails to recognise the impact that the charities in our five areas of social need can have on society.

- 22 It is important to recognise that “popular causes such as cancer and animal welfare charities receive widespread support but education is needed to encourage the public to support less sexy causes such as charities working with drug addicts”²³⁹ and in turn to address preconceptions that potential givers may have which can inhibit giving. “Homelessness is a less ‘fashionable’ issue and not something people think about day to day – they like to shut it out. Also, they don’t always realise that it can affect anyone, but instead assume it is the person’s fault.”²⁴⁰ The Group will seek to improve the positioning that the key areas have in this respect.



DOES THE UK SYSTEM ENCOURAGE GIVING?

- 23 There are two different avenues through which charitable giving can be addressed: the tax regime and the culture of giving, which will be examined later. The British tax system is good, especially since the changes introduced by the Government in 2000 which enabled more flexibility in the tax system to encourage and facilitate giving. The UK now has one of the most favourable tax regimes for charitable giving in the world, but the system is not fully understood, utilised or publicised.
- 24 The main changes introduced in 2000 were: the removal of the £1,200 limit on gifts made through Payroll Giving, the removal of the minimum limit of £250 for donations that can be gift aided (as a result,

235 The Home Office, A Generous Society, 2005, p6

236 The Center on Philanthropy at Indiana University, Charitable Giving in Indiana 2004, p9

237 NCVO, UK Voluntary Sector Almanac, 2006, p87

238 Amanda Delew- Former Director, Giving Campaign. Response to the Group, Sep 2006

239 Ibid

240 Nick Rosekilly, StreetShine. Response to the Group, Sep 2006

33.9% of those who could have done so, gift-aided at least one of their donations).

- Payroll Giving: £83 million was given to charity through Payroll Giving – a fall in 12% from 2003/04 due mainly to the end of the Government's 10% supplement on payroll gifts.
- Gift Aid: In 2004/05 Charities received £2.8 billion from gift-aided donations (a 3% real terms increase on the £2.7 billion donated in 2003/04 through Gift Aid). This included £625 million tax relief paid back by the Government.
- Giving of share and property: an estimated £170 million of shares and property were gifted to charity, at a cost to the Government of £60 million in tax relief.
- Legacy giving: this constituted around £1.6 billion of donations.

25 There are currently numerous tax incentives available for individual UK donors. These include: Capital Gains Tax Treatment,²⁴¹ Inheritance Tax Exemption and Income Tax Relief (through Payroll Giving or the Gift Aid Scheme). Tax relief is available to encourage gifts of land, buildings and certain shares and securities to charity. Charitable donations of qualifying investments are eligible for tax relief. The market value of the donation is deducted from the donors' income when calculating taxable income, for which he will receive tax relief at his top rate, and no capital gains tax is paid. This is a very valuable tax break for donors.

PAYROLL GIVING

26 In the USA, 35% of employees use the Payroll system to give to charity compared with 2% in the UK.²⁴² The scheme is woefully underused in Britain, considering that tax relief for Payroll Giving is particularly generous. For a higher rate taxpayer, a £20 donation costs just £12 from net pay, and for a standard rate taxpayer, the same donation will cost £15.60. In the year 2005/6 almost £85 million was received and distributed by the Payroll Giving Agencies (a state moni-

tored independent organisation) to charities from employees donating from their pre-tax pay. More than 600,000 people donated by Payroll Giving.

27 Whilst the number of employers signing up to Payroll Giving is increasing - during the year 2005/06 it was 110% higher than in the preceding year - the scheme could still be further encouraged.²⁴³ The Ashridge Centre for Business in Society²⁴⁴ conducted a survey on Payroll Giving, which found that far from being actual barriers, there are two perceived barriers to launching and growing Payroll Giving schemes: A lack of staff interest and demand for Payroll Giving, and concerns that staff prefer more private forms of giving.

28 However, the study found that when companies explained how their contributions through Payroll Giving would result in more money going to their causes of choice, employees responded very positively. In addition to these perceived barriers, a few companies expressed concerns about the difficulty of administering Payroll Giving. Among companies who already have Payroll Giving schemes, the difficulties of setting up and running programmes emerged as a barrier for only a small proportion. For example, only 8% experienced difficulties in running their programmes, while nearly 80% found it simple to run Payroll Giving.

29 Participation can bring clear benefits to companies. Such benefits include improving the company's image, becoming more involved in community projects and increasing the levels of employee volunteering. If these benefits are advertised effectively in conjunction with wider promotion of the accessibility of the scheme, Payroll Giving could be rolled out on a wider basis.

THE GIFT AID SCHEME

30 This method of tax efficient giving applies to all cash gifts made to charity when the individual completes the gift aid declaration. This requires the donor to confirm that they will pay an amount of tax equal to the tax the charity claims on their donations, for the year in which the donation(s) is made. The charity

241 This involves the transfer of appreciated assets to a charity. The donor accrues no capital gains tax liability on the transfer and receives full income tax relief

242 The Giving Campaign, 2001-2004 Campaign Review

243 The Payroll Giving Centre, The Ashridge Centre for Business in Society, The Business of Giving

244 Ibid

can reclaim the basic rate tax on the donation, making a gift worth an extra 28%. Donors who are liable at the higher rate of income tax can claim the difference between the higher rate, of 40%, and the basic rate of 22% on the grossed up donation. Under Gift Aid, a donor who wished to benefit a charity as to £100 would pay £78 and the charity would then reclaim £22 in tax, and the donor would reclaim £18 in tax.

IRRECOVERABLE VAT

31 The difficulties which irrecoverable VAT causes charities are dealt with elsewhere in this Report, in Chapter 12. One specific aspect should be mentioned here though, which is VAT on fundraising. The VAT imposed on fundraising is a demanding expense on charities which is in need of reform. In 2003/04 Oxfam spent £18.9m on fundraising and lost £1.3m through irrecoverable VAT in the process.²⁴⁵ The problem can be even more serious for smaller charities, who have neither abundant resources nor capital to develop their fundraising activities.

THE IMPACT OF THE NATIONAL LOTTERY

32 The launch of the National Lottery in 1994 sparked concerns that it would result in a fall in income for the charitable sector. Indeed, research showed a marked drop in charitable income from the public, coinciding with the National Lottery's launch.²⁴⁶ Karen Wright argued that "the majority of those surveyed saw purchasing lottery tickets as a good way of helping charity"²⁴⁷ and as such does impact individual giving levels. If this is the case, it is not ideal as the National Lottery's funding of the third sector is considerably more akin to state sector funding than philanthropy (due to its collection and distribution by a statutory agency which Government appointees run, and who choose which causes of public services to subsidise). Voluntary donations are converted into Government-controlled funding.

CHARITABLE REMAINDER TRUSTS

33 The problems of unplanned giving faced by UK charities are not as prevalent in the USA, due in part to the existence of Charitable Remainder Trusts. These allow for a current tax deduction for a split interest gift,

providing a lifetime income benefit to the donor and a future irrevocable gift to a charity. This provides an incentive to those who cannot or will not fully part with their assets, and it allows them to plan for the future. It allows for a current tax deduction for a future gift, provides an income stream to the donor and a future value to a charity. This provides an incentive to make gifts which might be subject to Capital Gains Tax. The use of CRTs in the US enables donors to give substantially more than they may have afforded as an outright gift, and has encouraged donors to foster an ongoing relationship with the charity.

34 Some in the sector believe that CRT introduction in the UK would help some of the problems, as it has done in the US. It might create additional giving from donors as well as stimulating the marketing efforts of charities' fundraisers and financial advisors. Of the potential donors, the developing mass affluent market is of particular interest. This market comprises around 1.69 million adults, 3.7% of the UK's adult population, who when combined with the wealthiest categories hold 87.5% of the UK's total private free assets,²⁴⁸ which is a substantial market of potential funding. The CRT dovetails with this sector's investment priorities such as providing for retirement, providing for a spouse or family, establishing a trust fund and avoiding tax, thus the introduction of the scheme could elicit vast revenue for British charities. The use of CRTs in the US provides a constructive way to harness charitable giving which provides benefits to both the charity and the donor, a method which would be well used in the UK system.

COMPARISONS BETWEEN THE US AND UK

35 The tax rates are not dissimilar: a high rate tax payer in the UK pays 40% of his income to Government, whereas in New York State the highest tax rate is just under 35% and in California it is 44.3% for those with the highest incomes.²⁴⁹ The Ditchley Foundation concluded that the two taxation systems do not differ greatly, but the UK system is more complex in achieving the same benefits. Furthermore, whilst the UK is catching up, a key feature of the US tax incentive system is that it directly confers benefit on the donor,

245 Charities Tax Reform Group, *Why is VAT a problem for charities?*, Oct 2005

246 NCVO, *10 years of the National Lottery and its impact on the voluntary sector*, 2004

247 Passey and Hems, 1997, cited in Karen Wright, *Generosity versus altruism: Philanthropy and charity in the US and UK*, 2002

248 The Institute for Philanthropy, *Charitable Remainder Trusts*

249 Philanthropy UK

making it a far more attractive option to many, i.e. the donor gets back the entire tax break. The donor reclaims all the tax on his donations as opposed to the UK system which varies depending on the donation method used (Gift Aid, Payroll Giving, Share Giving etc.)

36 There has been a historic difference between the level of charitable giving in the US and the UK, and in analysis it should not be forgotten that the US has a per capita GDP of \$42,000, whereas the UK has a per capita GDP of \$29,600.²⁵⁰ Americans have more disposable income, but more influentially however, the USA has a strong tradition of philanthropy, rooted in religious belief, the history of mutual assistance and the American traditions of individual autonomy and limited government. There is a heightened awareness of citizen initiatives and individual efforts to promote the public welfare, especially if the population is not confident in provision by the welfare state.²⁵¹

37 In the UK philanthropy is 'still associated with Victorian 'do-gooderism' and is often seen as 'elitist, patronising, morally judgmental and ineffective'²⁵² whilst 'charity' is still the more acceptable term, and charitable giving is viewed positively. In the US there is a sense that philanthropy is a social requirement, allowing the celebration of wealth in terms of the positive outcomes it can produce. It is thought that for Americans, created wealth is considered to be a measure of achievement and success, with an expectation of private giving as opposed to preservation of wealth which has fostered the climate of philanthropy.²⁵³ In addition, giving in the US is underpinned by self interest, rather than the altruism of the UK where for a donation to be truly 'genuine' it should not be self-interested. In order to try and encourage the richer sections of society to give more, it may be helpful to try and change these perceptions.

38 In the US giving is seen as an expression of personal and community identity where 'moral motivation

rests on values of individual initiative and reciprocity'²⁵⁴ By contrast the British appear to donate more to universal causes, with the motivation to do so being largely private and outside the realm of social identity and civic responsibility.

39 Giving in the US is predominately locally rather than nationally focused and organised, often being put into local community projects. For example, the state of Indiana contributed an estimated \$4.86 billion to charity in 2003, of which 78% stayed in Indiana going to local causes.²⁵⁵ The prevailing American view of 'why should you send help halfway across the world when there are people in need right here?'²⁵⁶ is particularly salient. In contrast, UK giving directs a considerable proportion of the total amount given to international causes, which received 12.5% of donations²⁵⁷ compared to 2.2% in the US.²⁵⁸ Equally, Figure 3 shows British donors' consistent giving to health related causes which together account for well over a quarter of total giving.

40 There is also a strong link in the US between religious practice and total giving. On average, Protestants gave \$2,767, Roman Catholics gave \$2,501, other religions gave \$1,525 and those of no religious preference gave \$965.²⁵⁹ There is little evidence on charitable giving per person on the grounds of religion in the UK, but as religious organisations receive 13% of the total amount generated per year²⁶⁰ with only 6.5% of the population donating to those causes, the figures illustrate the high propensity of religious people to donate. However as the US is a more actively religious country than the UK it is reasonable to expect that charitable contributions in the UK may be lower.

THE BENEFITS OF PLANNED GIVING

41 Planned giving is more than a method of giving to charity; it captures the essence and the benefits of philanthropy. By making conscious and considered donations to charity, not only is it possible to take

250 CIA, 2004

251 Council on Foundations, 2006

252 Karen Wright, Generosity versus altruism: Philanthropy and charity in the US and UK, 2002, p7

253 Ibid, p7

254 Ibid, p23

255 The Center on Philanthropy at Indiana University Indiana Gives, 2004

256 Karen Wright, Generosity versus altruism: Philanthropy and charity in the US and UK, 2002, p12

257 NCVO, UK Voluntary Sector Almanac, 2006, p86

258 The Center on Philanthropy at Indiana University, Indiana Gives, 2004, pvi

259 Ibid, p17

260 NCVO, UK Voluntary Sector Almanac, 2006, p87

advantage of the tax efficient methods available, it encourages donors to explore and research different charitable organisations they may wish to give to. Furthermore it allows charities to plan their work in a more strategic and organised way.

- 42 The sustainability of funding is a perennial problem for charities, which may find projects initially well funded, but once the novelty of an initiative has faded many organisations find they cannot afford to maintain those projects. Whilst part of this burden to encourage planned giving falls upon the charities themselves, it is also incumbent upon the Government and the financial services industry to encourage a greater degree of ‘donor deliberation’.
- 43 The financial services industry has the opportunity to reach a previously untapped resource of potential donors, who would welcome their help in giving efficient and effective advice. Financial advisers could enact this by: including a question about giving to charity in the preliminary ‘fact find’ with new clients; inform clients about tax reliefs as a standard and integral part of their service; and encourage clients to review their giving periodically.²⁶¹

DIFFICULTIES FACING SMALL CHARITIES

- 44 Smaller charities are frequently overlooked when it comes to donor decisions as to where to direct their funding as they do not have the marketing budgets necessary to thrive in today’s competitive environment. This view is widely echoed in relation to marketing to individual donors. As Paul Chenery of The Lighthouse Group stated: “Giving to charities has become like football, in that most people are attracted to the big charities and are unaware of the local ‘grass roots’ charities”,²⁶² and in terms of receiving donations, Les Hems of Guidestar UK perceives “smaller charities are being outgunned by their bigger rivals in the fundraising game.”²⁶³
- 45 There are ways in which charities can take active steps to reverse this trend. One of the reservations which philanthropists legitimately hold is regarding the lack of accessible knowledge and information. The major-

ity of the public are not aware of which charities they could give to or the work that these charities do. Les Hems believes “there is a lack of confidence among donors that their donations will be used well,” a concern which is not allayed by the lack of transparency in the way money is spent which can be off-putting for donors.

- 46 Small charities also need to market themselves more efficiently to make it clear to the public why they should support them. One area where they could particularly do this is to their local solicitors in relation to bequests.
- 47 Small charities may also struggle to attain funding for core expenses and as such a switch to outcome focussed assessment may be more effective. It is clear from hearings conducted for the Group that donors overwhelmingly prefer to give money towards specific projects, ‘restricted funding’.
- 48 Restricted funding means that funds have donor-imposed restrictions, or are funds raised for a specific appeal. As funding of this kind increases there has been a decline in general funding. Moreover, scarcity of funding means that funders are under pressure to obtain maximum value and impact from the projects they fund. As a result, they are reluctant to provide core funds, for which outputs and impacts are much more difficult to quantify.
- 49 New Philanthropy Capital, a charity which advises donors and funders on how to give more effectively, analyses charities to identify those producing excellent results for the people they help. Instead of the traditional measure of a charity’s effectiveness, such as the number of children calling a helpline, NPC focuses its analysis on outcomes, such as the ability of that child to cope better with bullying at school. Outcomes are the changes brought about by a charity’s work which lead to a successful resolution of the problem, or the treatment or amelioration of its symptoms. NPC use a range of hard and soft measurements including the number of clients, the impact on clients and the risk of funding the organisation.

261 The Giving Campaign Blueprint 2004, p9

262 Submission to Group, Sep 2006

263 Les Hems, Director of Research, Institute of Philanthropy & Director of Development and External Affairs, Guidestar UK Submission to Group (Sep 2006)

50 This methodology is particularly salient when considering funding. Individual giving is usually driven by a personal connection with the cause, geography or individual charity or with a well known branded charity. If information on outcomes is available, not only will this encourage individual donations, but, “for the practical philanthropist, knowing the results of a charity’s work may be critical in motivating them to give, as well as defining the scale of their giving.”²⁶⁴ It may also lead to greater confidence in the charity and reduce the inclination of donors to give to specific projects.

51 The charitable sector’s situation stands in stark contrast with that of the commercial sector, where information on a company’s performance is regularly prepared and released for investors. This leads to a level of transparency and thus choice for the investor. With an ever increasing number of private sector donors which are accustomed to such transparency and outcome based analysis, such as those from the world of hedge funds, moving to this methodology could encourage a higher level of giving to smaller, less well known charities.

52 The Group will therefore be looking in particular at proposals which will easily enable TSOs, particularly smaller ones, to provide externally-validated outcome data (hard or soft), for charitable givers. Such proposals may also prove beneficial in securing greater freedom for such TSOs in using government funds.

53 It is also essential to change the public’s perceptions towards charity, something the Giving Campaign tried to achieve, through increased activity in schools, community action and public recognition of the value of charitable work, such as the Beacon Fellowship Awards. Beacon was set up to encourage individual contributions to charitable and social causes to celebrate and showcase best practice in giving, with prizes going to those who have made exceptional contributions to charitable causes or to benefit the public.

54 One further way that individuals and corporate donors can be encouraged to give to smaller, more locally based charities is through the establishment of

community foundations and venture philanthropy funds. Community foundations are charitable trusts that support local community causes. They manage the donor funds, make grants to different groups and provide information for donors. Because they are created by and for local people they help donors in fulfilling their long-term interest in an area and its needs.²⁶⁵

55 Venture philanthropy funds seek to identify small, localised organisations and help them develop – through finance and expertise – to become more effective at what they are trying to achieve.

CONCLUSION

56 The state of charitable giving in the UK clearly demonstrates a will by the population and corporations to support charities. The tax system is favourable with good incentives for giving, but it is not well understood, or well promoted by those that do understand it. Whilst both individual and corporate giving are increasing, there does not appear to be a strong culture of making charitable giving part of one’s own financial planning.

57 The charity “market”, particularly for the smaller charities or voluntary organisations concerned with our five key areas, is clearly underdeveloped, and if it is to attract serious donations it needs to professionalise with better marketing, strategic planning and provide and utilise more outcomes based information.

58 Not only do individuals and corporations need to become more aware of the opportunities available for giving in a tax-efficient and effective way, but there needs to be a greater recognition of the long-term benefits of giving to charities which deal with tackling poverty and breakdown in our society. Further leadership and encouragement from Government to this end would undoubtedly help substantially.

59 In this Report, the Group has sought to outline the state of philanthropy in the UK today, and some of the problems in this field. In our next report, we will put forward policy proposals aimed at improving the situation.

264 New Philanthropy Capital, Funding success - NPC’s approach to analysing charities, 2005

265 Community Foundations Network, 2006

Chapter 11 – Evidence about the state of volunteering

SUMMARY

In this chapter, the value of volunteering as symbolic of a vibrant and active society is considered, and its potential for building Britain's social capital and social inclusion (paras 1-4). It critiques the current levels of volunteering, and its unreliable and unsustainable basis (8-11) with the implications of such low levels in the five key areas, examining the way volunteering can be seen as exclusively the preserves of the middle classes, and how by changing stereotypes, social exclusion can be tackled (12-18). The raft of Government initiatives are also assessed (19-33) and how the positive trend in corporate volunteering can be encouraged (35-39). Risk management as a way to ease the blockage to volunteering (41-51) and the better use of 'motivations' (52-58) as ways to help the sector are also discussed in this section.

INTRODUCTION

1 Volunteering tells us something about the state of our society: the extent to which people are prepared to sacrifice time and energy for the benefit of others or to a cause for no financial reward. It is a key signal and function of a vibrant active society.

2 NCVO recognises the importance of ensuring that volunteers are valued, and not only in financial terms:

*“Any notion of the value of volunteers and trustees cannot be limited to the financial value of their labour. Any discussion of volunteer value needs to encompass the increasingly used concept of social capital, and the way in which voluntary organisations both build and benefit from social capital. Such debates also fail to recognise the contribution of trustees and volunteers to the important issues of the day, particularly accountability.”*²⁶⁶

3 This is of course central to Conservative thinking, which has always valued volunteer work as a part of charities, communities and civil participation. Iain Duncan Smith put it this way in a speech to the Third Sector Britain's Most Admired Charities Awards in November 2005 :

“For me, voluntarism is important for two reasons. Firstly, many vulnerable people receive great love and care from volunteers. Secondly – and just as importantly – volunteering makes us better people. Volunteering is the glue that binds communities together as sacrificial love unites families. Its power in shaping character heals us as we help others. Without it, the work of charities can be as cold and contractual as that of state agencies.”

4 Equally, in a Chamberlain Lecture, David Cameron stated that:

“I will argue that we've lost two vital elements of social well-being: real local democracy, and widespread voluntary action. However, I am optimistic that having lost them, with the right leadership, values and action, we can find them again.”

5 From these excerpts it is clear that Conservative values chime closely with the aspirations of volunteering – the inter-relationship between responsibility for self and participation in the community for the benefit of all.

6 Regrettably, despite accepting this Conservative premise, Labour's current record in stimulating volunteering has been conspicuously mediocre. Despite, or perhaps because of, a plethora of Government top-down initiatives (such as the Experience Corps, the Year of the Volunteer 2005, the Russell Commission on Youth Volunteering, the Commission on the Future of Volunteering, the Compact Volunteering Code of Good Practice, the ChangeUp Volunteering Hub, and the emphasis on volunteering in the Government's Civil Renewal agenda), volunteering remains low generally, and in poverty-fighting in particular.

7 This Chapter discusses some of those initiatives, and discusses the youth sector's own Young Adult Trust initiative, launched in October 2006, and why it might offer more grounds for optimism in this regard.

STATISTICAL ANALYSIS

- 8 An understanding of the status of volunteering within the UK must start with some facts and figures. One source of statistical information on volunteering is the Government's own 2005 Citizenship Survey Active Communities Topic Report published in June 2006. Another source is the independent nfp Synergy report of November 2005.
- 9 Although the Government's own survey found that there was slow but steady growth in formal volunteering every month from 27% in 2001, to 28% in 2003 and to 29% in 2005, this is not impressive as a base. Even in terms of annual volunteering, only 44% of people in England had participated in formal volunteering activities at least once in the preceding 12 months before interview. These are poor figures, especially when it is considered that the Year of the Volunteer took place in 2005.
- 10 The independent nfp Synergy²⁶⁷ report paints an even bleaker picture than the Government's 2005 Citizenship Survey. For instance, an analysis of the percentage of those who have given time in the past three months suggests that the figure was 18% in July 2002 and had only risen to 19% by October 2005. Equally, disparities in participation are greater: 23% of women had given time as a volunteer in the last three months, compared with only 10% of men.
- 11 The following findings can be deduced from the data:
- If 28% of the adult population in England volunteers once a month, then 72% does not do so;
 - The volunteering of 44% of the adult population in England once in twelve months may suggest a high level of volunteering, but it is unlikely to produce the sustainable and reliable volunteering that organisations in the five key areas might need;
 - It is not clear how many hours those in England who volunteer once in twelve months contribute to their volunteering;
 - There is a need to reach out to men, C2DEs and BME groups to encourage them to volunteer, especially as trustees; and
 - Initiatives to encourage volunteering must be

implemented consistently and long-term if they are to fulfil their full potential.

POSSIBLE IMPLICATIONS FOR THE FIVE KEY AREAS

- 12 Volunteers have an important role to play in the Group's five key areas (family breakdown, educational failure, economic dependence, addictions and indebtedness), but there is evidence that volunteering in these areas is even more scarce than elsewhere. Tris Lumley from New Philanthropy Capital explained in his evidence to the Group that:

"Volunteering among older people is not traditionally associated with the most deprived areas. Rather it's often retired professionals and the middle classes. However, the potential benefits are greatest in deprived areas because ill-health, less active lifestyles and lack of engagement in communities are all most pronounced there."

- 13 The Group's consultations tended to confirm this, and although most respondents could identify a successful project involving volunteers in one or more of the five key areas, the consensus was that more volunteering (with resources to manage such volunteers) was required, as was more data required on volunteering in these areas.
- 14 This finding is perhaps further supported by research carried out by the Institute for Volunteering Research²⁶⁸ about the question of whether volunteering is inclusive, and the broader link between volunteering and social exclusion. That report concludes (in brief) that:
- Volunteering is an effective way for many people to alleviate the symptoms of social exclusion, and can help to address some of the causes;
 - Volunteering is not yet fully inclusive. Indeed, there are a considerable number of psychological and practical barriers to volunteering by those from socially excluded groups, including disabled people and ex-offenders; and
 - There are circumstances where volunteering, if improperly implemented, might serve to reinforce social exclusion rather than combating it.

15 From this it seems clear that volunteering itself – if properly structured – might be a useful tool to help tackle social exclusion. The difficulty here, however, is that it may often be the case that there are more barriers to volunteering in socially excluded communities where volunteering is most needed. For instance, the Institute for Volunteering Research²⁶⁹ found that:

“Fewer than half of the organisations surveyed said they had enough volunteers, and a majority said that members of BME groups, disabled people and ex-offenders were under-represented among their volunteers”.

16 Evidence further suggests that there are considerable problems, especially with young people, in their perceptions of volunteering which might adversely affect the number of volunteers in the five key areas. For instance, the Institute for Volunteering Research paper for the Russell Commission states that:

“A narrow, stereotypical view still prevails among many who do not volunteer, particularly among disaffected (hard to reach and marginalised) young people, because of a very limited knowledge of what volunteering involves.”

17 As in much of the rest of the third sector, there is a paucity of quality, detailed research on volunteering, particularly in the Group’s five key areas. Detailed study to establish how volunteering might be stimulated in the five key areas would be worth conducting, especially to establish whether the nature of these areas in themselves results in fewer volunteers coming forward. If the Government (or anyone else) were to conduct such research, it would act as an invaluable foundation in determining how individuals and local communities could be encouraged to volunteer in the five key areas.

18 From the Group’s research it is clear that there is valuable volunteering activity across the five key areas but that there may be significant limiting factors preventing more widespread activity. Any such factors should be identified and addressed as a matter of urgency.

GOVERNMENT INITIATIVES ON VOLUNTEERING

19 The Government has launched a series of initiatives on volunteering in recent years. However the persist-

ent disappointing rates of volunteering suggest that they have made limited impact.

The Experience Corps

20 The example of the Experience Corps does not give great hope for future Government intervention in the field of volunteering. Set up by the Government in 2001, the idea of the Corps was to encourage and support volunteers from the over 55 age range, with a target of recruiting 250,000 volunteers by March 2004. Despite spending £20 million, the Government pulled funding for the Corps in 2003 as it became apparent that this target would not be met.

21 In fact, the Corps attracted just 130,000 volunteers, of which (as of September 2003, when the funding was pulled) only 75,000 had actually been placed in volunteering work.²⁷⁰ Following this embarrassment, the Government eventually decided that a better approach was to fund long-established groups that specialise in recruiting older volunteers. As such, some funding was diverted to groups such as Volunteering England and WRVS. However, this level of funding did not come close to the £20 million pledged to the Experience Corps.

The ChangeUp Volunteering Hub

22 The Volunteering Hub is part of the Government’s ChangeUp initiative, the initial high-level aim of which was to ensure that:

“By 2004 the needs of frontline voluntary and community organisations will be met by support which is available nationwide, structured for maximum efficiency, offering excellent provision which is accessible to all while reflecting and promoting diversity and is sustainably funded.”

It is uncontroversial to note that the subsequent problems with individual hubs and the ChangeUp programme as a whole have prevented this goal from being achieved. Having originally been run by the Home Office’s Active Communities Unit, ChangeUp hubs were transferred to a new quango, Capacitybuilders, in March 2006. The Government spent about £80 million in ChangeUp between 2004 and 2006. In 2006/07 and 2007/08 the ChangeUp allocation to Capacitybuilders is £70.8 million.²⁷¹

269 Ibid

270 See The Guardian, 27th September 2003

271 Capacitybuilders has been appointed to manage ChangeUp

23 The high level objective of the Volunteering Hub is that by 2014 there will be a leaner, effectively market-ed and high quality volunteering infrastructure reaching, recruiting and placing a greater number and diversity of individuals coupled with improved volunteer management. The Volunteering Hub is being delivered by Volunteering England (VE).

24 The Volunteering Hub will be delivered by VE until March 2008. Its work may then be fully subsumed into the broader work of VE. The consultation and reconfiguration of the work of Capacitybuilders means that not every hub will necessarily be continued from 2008. The ChangeUp grant to the Volunteering Hub in year 2006/07 is over £1.3 million, up slightly from £1.2 million in 2005/06.

The Year of the Volunteer 2005

25 The Year of the Volunteer in 2005 was declared by Gordon Brown, and was intended as a call to action, specifically in the context of young people and employee volunteering. The Home Office funded Volunteering England and Community Service Volunteers to run campaigns to support the Year. It is claimed that 1.6 billion minutes of volunteering time were pledged,²⁷² but it is far from clear how many of these minutes were actually delivered.

26 Data suggests that the Year of the Volunteer has made little long-term impact.²⁷³ For instance, 21% of people volunteered in the last three months in the year to April 2004. However this slumped to 16% in the year to July 2005, but rallied to 19% in the three months to October 2005. Equally, while the Citizenship Survey records a slow but steady year-on-year increase, the increase is perhaps disappointing in the context of the Year of the Volunteer.

27 The Year of the Volunteer 2005 was evaluated on behalf of the Home Office by GfK NOP. While there was a general view that the Year of the Volunteer had been successful in some respects, there were also criticisms, particularly with regard to the fact that implementation was started too late,²⁷⁴ and that the billion minutes campaign focussed on the concept of time in volunteering, and did not address the important emotional triggers to volunteering.

The Russell Commission

28 The Russell Commission published a report in March 2005 which found that there is a need for a new national framework for youth action and engagement to deliver a step change in the diversity, quality and quantity of young people's volunteering.

29 Government should ensure that the findings of this report are implemented in a sustainable way. The Government has allocated £50 million over three years to support the implementation of the Commission's recommendations. This implementation has commenced with the advent of "V", an independent charity launched to champion youth volunteering in England.

30 V has three main tasks:²⁷⁵

- To fund organisations to create new opportunities for young people;
- To develop tools and infrastructure improvements working with the voluntary sector; and
- To promote greater awareness and understanding of volunteering among young people.

31 V has a target for raising £50 million from the private sector, and Government has made a commitment that all funding raised from the private sector will be matched on a pound for pound basis by the Exchequer.

32 After the failures of Experience Corps and the Year of the Volunteer to significantly increase rates of volunteering, V's stated goal of recruiting a million more young volunteers in the next three years must be treated with some scepticism.

The Commission on the Future of Volunteering

33 The Commission on the Future of Volunteering was launched in 2006, and is chaired by Baroness Neuberger. The Commission has been established by the England Volunteering Development Council to develop a long term vision for volunteering in England as a legacy of the Year of the Volunteer 2005. The Commission has already published (in June 2006) a report on consultation responses. A final report is due in June 2007.

272 Home Office, Departmental Report 2006, p52

273 nfp Synergy, *The 21st Century Volunteer - A Report on the Changing Face of Volunteering in the 21st Century*, 2005, p4

274 For instance, GfK NOP states that "The views of the advisory group and the themed month partners tended to be coloured by the suddenness of the decision to implement YV05, which resulted in some regret that lack of time had affected the ability to plan properly in order to achieve their aims".

275 As evidenced from V's website at www.wearev.com

The Young Adult Trust

34 One exciting new initiative (which does not come from the Government) is the establishment of the Young Adult Trust, a UK-wide programme devised by the UK youth sector (at the request of David Cameron) to encourage the personal development of 16-18 year olds from all backgrounds and regions through attendance at a two week rite of passage course, including a volunteering element. The Trust attempts to promote social cohesion whilst also enhancing young people's sense of "purpose, optimism, and belonging". The scheme has already been piloted (with an enthusiastic response from the school-leavers) in Warrington, and is currently being tested in Croydon, with a view to extending across the country from 2007 onwards. If the scheme is successful, and if it is rolled out across the country, a new generation of school leavers will have been introduced in a positive manner to the beneficial experiences of volunteering early on. It is not difficult to see that a positive early experience of volunteering may have a significant impact on that individual's interest in volunteering as they progress through life. The Group will follow the YAT's progress with hope and enthusiasm.

THE RISE OF CORPORATE VOLUNTEERING

35 One way to increase volunteering is to devise schemes to attract commercial companies to encourage their employees to volunteer through employee volunteering schemes.

36 While volunteering through corporate schemes is increasing, it is clear that commercial companies are looking for "harder" benefits for their staff from volunteering. For instance, while the top four words associated with volunteering by individuals were "sense of achievement", "satisfaction", "enjoyment" and "fulfilment",²⁷⁶ research has shown²⁷⁷ that the greatest motivation for a commercial company to forge a relationship with a charity was to fulfil the objectives of a social responsibility programme. 41% of commercial companies admitted that their voluntary sector engagement was designed to enhance the organisation's image. If this is the case, then there is an argument for incentives to be given to commercial companies which conduct volunteering programmes.

37 Such a case is further borne out by the fact that the 2005 Citizenship Survey suggests that employees participating in employee volunteering schemes do so in their own time:

"The most common way that time employees spent on employer-supported volunteering schemes was accounted for was for employees to do it in their own time outside working hours, with 43% saying this was the case. Almost a quarter (24%) received paid time off to volunteer on the employer scheme, up to a maximum amount of time, while 17% received time off in lieu and 15% accounted for the time through flexitime."

38 The 2003 Citizenship Survey²⁷⁸ showed that only 1% of people volunteered at least once a month and 4% of people volunteered at least once in the past year through employer-supported volunteering. The position had improved in 2005 to 2% and 5% respectively.

39 There is clearly further work to do in this area, and there may be a case for fiscal incentives to employers who actively promote effective employer-supported volunteering schemes.

RE-BRANDING "VOLUNTEERING"?

40 A number of studies, including the Russell Commission and the nfp Synergy Report,²⁷⁹ emphasise that the image of volunteering needs to be refreshed to ensure that it remains relevant to potential volunteers, particularly baby boomers and youth volunteers, both of which groups will in all probability require sophisticated messaging to counter any negative connotations that the concept of "volunteering" conveys. For instance, one respondent voiced a concern that there was a need to break down a barrier 'against the preconception that volunteers are all old women'.

RISK MANAGEMENT

41 One of the key blockages to volunteering is concern about risk management. To many, the concept of a volunteer suggests amateurism. It also suggests a need for public liability and other insurance, whether to cover a football match referee or a carer in one of the five key areas.

276 Ibid, p37

277 NCVO, UK Voluntary Sector Almanac 2006, para 11.3

278 nfp Synergy, The 21st Century Volunteer - A Report on the Changing Face of Volunteering in the 21st Century, 2005, p20

42 It might be possible to change the law to suggest that volunteers should not be liable to third parties in negligence, even when they have caused death or personal injury. Indeed a Private Members' Bill was presented in the 2003/04 Parliamentary session which permitted a volunteer to present 'a Statement of Inherent Risk' setting out the principal risks which are inherent to the activity or activities taken, including risks of personal injury and risks to property.

43 This approach seeks to amend the concept of negligence in English law and as a result it is unlikely that a Bill of this nature would ever be enacted since the concept of the inability to exclude liability for death or personal injury caused by negligence is so fundamental.²⁸⁰

44 Nevertheless, the problem does need to be addressed. The Group's consultation suggested a widespread concern about risk and the difficulty of managing it both generally within an organisation and in the context of volunteer management in particular.

45 Two ways to manage risk might include comprehensive training programmes for volunteers promoted by the organisations for which they work, and comprehensive insurance for public liability, including, where appropriate, by means of Government subsidised schemes.

46 In Stephen Howlett's²⁸¹ evidence to the Group, it became clear that the issue of risk management with respect to volunteers went further than the issues discussed above, but became an issue of volunteer management, and of the extent of the reliability of volunteers:

"Partly it's to do with the contract culture, when organisations have to deliver on contract, clearly they don't have the scope to be flexible in the way in which we see volunteering needs to be flexible... Hence, I think what we're seeing is organisations either being more prone to using paid staff to do those pieces of work, or cherry-picking volunteers – which means that they take the people who are reliable, or who they see to be reliable."

47 Equally there are risk issues for organisations using volunteers even when volunteers do turn up:

"I think from the risk side of things we're seeing organisations becoming much, much more wary of the tasks they give to volunteers, there's a notion that volunteers aren't professional,

because they're not paid, therefore they're much easier to blame for things should they go wrong – so risk management is becoming a key issue within the sector."

48 Clearly this 'volunteering reliability gap' is a considerable difficulty for TSOs which subscribe to the contract culture in the context of the delivery of public services, including in the five key areas. This issue therefore needs to be addressed as soon as possible.

49 Connected to this is the concern over the capacity of charities to manage their volunteers properly, so that capacity also becomes a risk management issue. For instance, in his evidence to the Group Stephen Bubb of ACEVO said that:

"In terms of volunteers... they need to be managed professionally. It's not good enough to simply say "well, there's a bunch of people, and let's go off and clean up the streets", it actually has to be organised properly... What some of our members say is the main problem on volunteering is that it's not actually the numbers, it is actually their capacity and their ability to manage them."

50 Clearly there are a number of issues around risk management that need to be addressed on an ongoing basis. One of these is how risks around the use by the sector of volunteers to staff projects funded by public authorities and other substantial projects can most effectively be managed.

51 It is important to strive to minimise regulatory and legislative blockages to volunteering, for instance in the context of employment law and benefits eligibility, since these may significantly disincentivise potential volunteers and organisations potentially using them. The regulatory and legislative circumstances around volunteering must be constantly scrutinised to structure as benign a regime in this context as reasonably possible.

MOTIVATIONS

52 The 2005 Citizenship Survey reveals that 39% of people who did not participate in formal voluntary activities (or did so infrequently) said that they would like to participate more often. Barriers to participation were mainly related to the perceived time commitment involved.

280 See for instance Unfair Contract Terms Act 1977

281 Institute of Volunteering Research

53 The Survey also reveals that “hard” benefits as well as “soft” benefits are motivationally important. For instance:

“Benefits in terms of skills or job prospects were an incentive for some, with a fifth (20%) saying that they would be more likely to participate if they knew it would help them improve their skills or gain qualifications and 18 per cent saying they would be more likely to do so if it benefited their career or job prospects.”

54 On the other hand, the GfK NOP evaluation of the Year of the Volunteer 2005 categorised volunteers into four motivational types, two based on altruism and two on self-interest:

“Volunteers fell into four types, based on their general motivations for volunteering; having volunteering in their DNA; being affected by a Life Event; being in the Right Place at the Right Time; seeing volunteering as part of their Personal Development. In general, the first two volunteered for reasons of altruism and the second two for reasons of self-interest.”

55 In his evidence, Stephen Howlett also emphasised the “harder” motivations behind volunteering:

“Certainly when you get to the younger portion of volunteers, I guess the main reason people say is they do want skills and experience. Now if skills and experience transfers into an NVQ, then all well and good, I think young people want that, and the research bears that out, from Millennium Volunteers and The Russell Commission, that actually young people want that sort of stuff.”

56 Consultation revealed that there were many perceived motivations for volunteers, which might include “hard” or selfish motives. One respondent stated that:

“We should welcome the fact that a by-product of volunteering is that volunteers get something out of it as well.”

57 One respondent went further:

“The so-called rise of the “selfish volunteer” is not a bad thing as some commentators suggest. We should welcome the fact that a by-product of volunteering is that volunteers get something out of it as well.”

58 With regard to challenges to positive motivation, respondents were asked if they thought that training programmes for volunteers deterred people from volunteering, and whether volunteers were deterred by CRB

checks. Perhaps surprisingly, there was a general sense that training was not a deterrent, especially if it was properly managed, and that it might even encourage volunteers. There was a sense, however, that CRB checks could be a deterrent because of the drawn-out process, but that it was unlikely to deter more committed or enthusiastic volunteers who would be prepared to ‘wait it out’.

CONCLUSION

59 For all the Government’s activity in the area of volunteering in recent years, levels of formal volunteering remain disappointingly low. Accordingly, it will be important for further research to be undertaken to understand why these initiatives have not made more impact and to establish the underlying reasons for the stalled growth in volunteering, including in the Group’s five key areas.

60 Work also needs to be done to understand better the dynamics of volunteering, and the relationship between that and the barriers to volunteering felt by socially excluded groups. The volunteering environment needs to be properly structured to overcome these barriers if we are fully to release the potential for volunteering, and so the building up of bonding, bridging and social capital throughout our communities.

61 In the Group’s consultation, TSOs were asked: “If there were three things that you would like to see changed to improve the volunteering environment, what would they be?” From the range of responses a few common themes were discerned, including:

- More funding for volunteer projects and infrastructure;
- Proper investment in volunteer management and support for volunteers;
- Quicker CRB checks;
- Higher profile and importance of volunteering, including ensuring more research is done publicly confirming the value of volunteers, and that volunteer inputs should be measured as a true component of the value of assets or work; and
- More infrastructure for youth volunteering, and encouragement of schools to get children involved in volunteering from an early age.

62 These priorities of the third sector to improve volunteering will provide a useful guide as the Group develops policy proposals to strengthen this vital aspect of our national life.

Chapter 12 – The Government’s impact on the third sector

SUMMARY

Although the Government has made some positive steps in its relations with the third sector, it needs to make a step-change in its support of the sector’s fight against poverty. In this chapter the specific governmental issues in relation to the five pathways to poverty are addressed (paras 5-10), as are the more general issues relating to the third sector, such as marrying the need for more state funding with concerns regarding potential issues of control (15-24). The disappointing implementation of the Compact is also critiqued in detail (25-32), and the path is set for future discussion of measures to alleviate continuing problems, such as full cost recovery (38-40), multi-year contracts (41-44) and irrecoverable VAT (48-50).

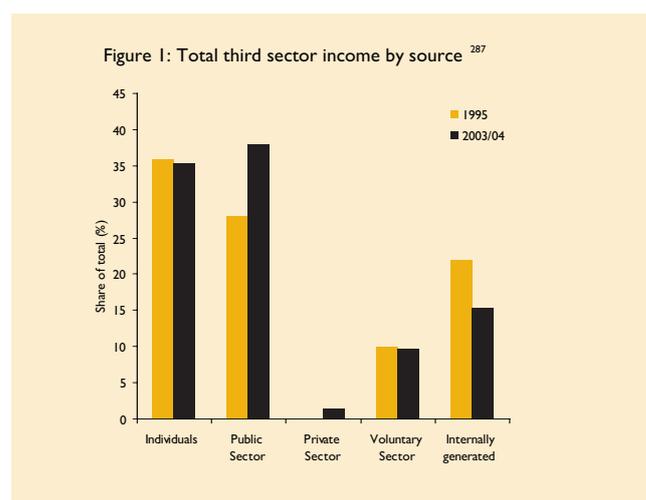
INTRODUCTION

1 In light of its work set out in the Report so far, the Group’s view is that the Government needs to make a step-change in its support of the voluntary sector in its fight against poverty. The Government needs to properly recognise the importance of the third sector in assisting the vulnerable in Britain today – which means not only an increased transfer of public services to the third sector, and increased funding for the sector, but also a much greater trust in its ability to deliver outcomes. Britain’s vulnerable cannot afford to have a continuation of current Government policy where the third sector’s delivery of public services is micro-managed by the Government in such a way that it will end up merely replicating the failures of the public sector. The Government should also do much more in stimulating the direct participation of the British public in the third sector’s fight against poverty, in the form of increased volunteering and charitable giving in these areas.

SOME POSITIVE GOVERNMENT STEPS

2 Notwithstanding the importance of this wake-up call to the Government in terms of its approach to the fight against poverty, the Group does wish to acknowledge

some positive steps the Government has taken in recent years to assist the third sector generally. Although only by modest amounts, the Government has made progress in transferring services, and has increased funding of the sector to £10 billion, including housing associations. Excluding housing associations, this breaks down as £3.6 billion coming from central government, and approximately £2.6 billion from local government.²⁸² With charitable giving relatively stagnant, Government is now providing about 38% of the third sector’s income, whereas in 1994/95 this was only 28%.²⁸³ (Figure 1). The Government has expanded John Major’s Gift Aid scheme, and has also (although to limited effect) introduced a national code of good practice for governmental relations with the third sector, the Compact²⁸⁴ – a code intended to produce fairer government contracts for the third sector, including pricing, length and payment terms.²⁸⁵ The Compact now has a Compact Commissioner.²⁸⁶ The Government has also, in November 2006, passed a new Charities Act – legislation primarily intended to address charitable governance and the legal framework that charities operate in. The Act has been welcomed by much of the third sector, and the Group will watch its implementation closely.



282 The Government has committed to a 5% rise in central government transfer to the third sector in 2005/6 - see Committee of Public Accounts, November 2005

283 NCVO, UK Voluntary Sector Almanac 2006

284 www.thecompact.org.uk

285 For example, the Compact commits the government to: 'recognise it is legitimate for voluntary and community organisations to include the relevant element of overhead costs in their estimates for providing a particular service'; 'implement longer term funding arrangements where this represents good value for money'; 'make payments in advance of expenditure (where appropriate and necessary) in order to achieve better value for money'. See Compact: Funding & Procurement, p2

286 Sir John Stoker, commencing in October 2006

287 Source: NCVO, UK Voluntary Sector Almanac 2006

- 3 Taking up an idea first promoted by the Conservative Party under Iain Duncan Smith's leadership in the green paper, "Sixty Million Citizens";²⁸⁸ there is also now a separate mini-ministry within the Cabinet Office for the third sector, entitled the Office of the Third Sector (OTS).²⁸⁹ The current Minister responsible is Ed Miliband, reporting to Hilary Armstrong at Cabinet level. Mr Miliband has made several speeches on the subject, including these words on 8th June 2006 to ACEVO's summit:

"You [the charitable sector] have the ability to reach about to many groups and individuals that government cannot reach... the third sector has a loud campaigning voice which the Government cannot have... you are innovators in a way government and private sector is often not... you have led the way in innovating in public services and beyond..."

These are words the Group whole-heartedly endorses, and will be alert to see that the new Minister, and the new Compact Commissioner, live up to them.

- 4 However despite Mr Miliband's good words, there are, as we have seen in various parts of this report earlier, substantial areas where the Government's performance towards the third sector, in key areas of the fight against poverty, has been and remains less than impressive – and it is here that the Group will outline measures for improvement in its next report. What follows is a summary of those problems, together with some problems of more general importance to the third sector that the Group is focussing on.

GOVERNMENTAL ISSUES IN THE GROUP'S FIVE KEY POLICY AREAS

- 5 Dealing firstly with statutory issues the Group is concerned about in its key social policy areas, these are detailed in Chapters 4 to 8 above, to which the reader is primarily referred. What follows is only a brief summary of the types of problems in each field, but it will perhaps, by consolidation, indicate that many of the same type of problems are experienced by the third sector across their various fields, and across fields beyond the five under scrutiny.

Family breakdown

- 6 In the family sector, the problems the Group has encountered involved a lack of real interest or sig-

nificant funding by the Government for preventative relationship education; excessive information requirements from local or central government during pre-contractual and contractual stages of any contracts; difficulties over short-term nature of statutory funding; difficulties over excessive Government control during any projects; and the marginalisation of smaller charities by Government.

Educational failure

- 7 In the educational sector, the issues investigated in this interim Report have been more strategic than operational, which will be the subject of the Group's next report. The strategic issues thrown up include the threat to existing successful third sector supplementary school provision by a new Government quango and a new potentially competitive Government programme; a failure by the Government to include the third sector significantly in its current proposed revised approach to education of black boys and children in care and the funding threat to TSOs providing alternative education for excluded children.

Addictions

- 8 In respect of the addictions sector, statutory funding for the third sector is an issue, in respect of alcohol harm projects generally, and in respect of Tier 4 drug treatments. Excessive statutory information requirements and complex procedures in tenders and in contracts again is an issue, particularly for smaller charities – as is late payment, and short-term contracts. Hurdles to new entrants are regarded as too high, and recent Government policies of favouring a few providers is also harming development of the smaller, innovative TSOs.

Economic dependence

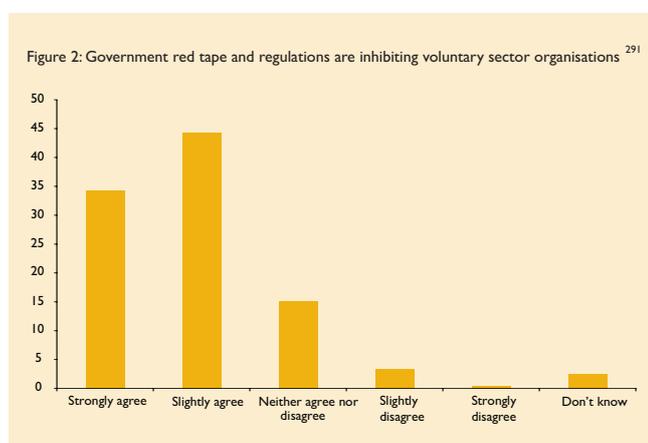
- 9 In the economic dependency field, third sector issues with Government work are again focussed on central and local government's use of large contractors to deliver services at the expense of smaller providers; again on statutory procurement practices that are seen as excessively complex and requiring too much information; on a focus on inputs/outputs rather than outcomes; and Government retention of key aspects of work in-house.

288 Conservative Party, 60 Million Citizens - Green Paper, 2003

289 With separate third sector units in some other ministries, such as the DfES and DCLG - following, it is to be hoped, the US model, whereby the White House Office of Faith-Based and Community Initiatives has offices in most departments of state

Consumer indebtedness

- 10 In the consumer indebtedness field, typical concerns being raised again concerned the domination of Government contracts by large providers; and excessive difficulties for market entry by newer, smaller providers.
- 11 Some of the concerns the specialist organisations outlined above had with excessive regulation in this sector have again been picked up by the general public – at least amongst those with an interest in, and supportive of, the third sector. Of such an audience, 75% felt that excessive statutory red-tape and regulation was stopping local voluntary groups dealing with the problems the Group is concerned with (see Figure 2).²⁹⁰



Charitable giving

- 12 Although Gordon Brown has built on John Major's Gift Aid success to produce a more favourable giving regime generally in the UK, it is evident that the Government has failed to take any significant measures to stimulate charitable giving towards the third sector's poverty work, or to help smaller charities in this area – despite the important role such giving can have.

Volunteering

- 13 In volunteering, the Government's record, partly through excessive regulation, in stimulating volunteering generally has been very moderate – and lamentable in the key poverty-fighting areas, despite

what can be done with such volunteers in fighting poverty.

Overall

- 14 As may be seen, when looking at the interaction between the third sector and Government in fighting poverty, a certain theme of a poorly funded but excessively state controlled sector emerges, together with a Government leaning towards setting up a few large scale providers to deliver Government objectives. This trend, when coupled with an absence of Government focus in stimulating charitable giving or volunteering towards these areas, means that there is a real danger that the unique value of third sector work in these fields is going to be lost, with a mini-public sector being created instead. This means that the most vulnerable will lose out again, and be denied the second chance they deserve. Although astute to the needs of statutory authorities to spend public money carefully, and the need for TSOs to provide reassurance concerning their ability to deliver outcomes, the Group will look to correct this trend, and liberate the third sector again to do what it does best.²⁹²

GENERAL ISSUES: FUNDING

- 15 Turning then to more general issues which the Group has encountered in its research thus far, one of the dominant issues is the increase in government funding of the whole sector. As stated above, the public sector is now the largest funder of the third sector, contributing just over 38% of total income for 2003/04, an increase of 1% from 2001/02.²⁹³
- 16 Despite these increases, the third sector accounts for only around 0.5% of central government expenditure.²⁹⁴ The Government's target of increasing the volume of public services provided by the third sector by 5% by 2006 should have been met²⁹⁵ but has been described as 'not a very demanding' aim by the Public Accounts Committee, which called on the Government to set a 'more meaningful and stretching target'.²⁹⁶
- 17 This concern appears to be shared by that (majority) portion of the general public interested in and supportive of the third sector, 75% of whom believe that

290 See Living Values, A Report encouraging boldness in third sector organisations, 2006. This report states that there is also a challenge for the third sector to remain true to their core values in considering the work they seek and will contract to do

291 YouGov - Social Justice Policy Group poll, October 2006

292 The Group's work in this area, including general issues concerning levels of state and third sector funding in fighting poverty, will be reflected in its next proposals phase report in 2007, to be produced in conjunction with the other Working Groups of the Social Justice Policy Group.

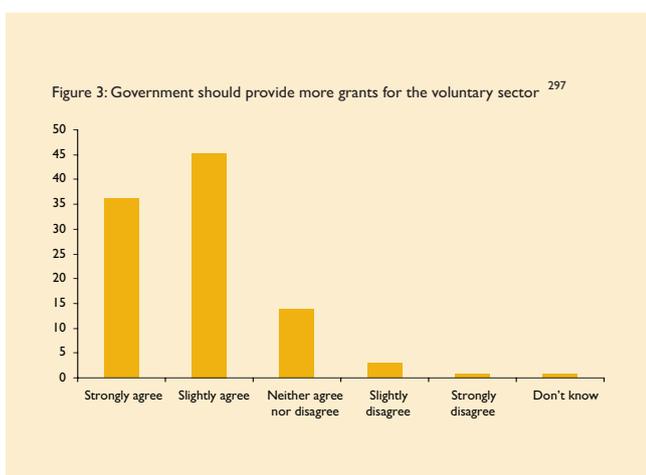
293 NCVO, UK Voluntary Sector Almanac 2006, p59

294 Committee of Public Accounts, Thirty-Second Report of session 2005-06, p4

295 The OTS has not been willing to respond to queries in this regard from the Group

296 Committee of Public Accounts, Thirty-Second Report of session 2005-06, p7

the Government should provide more grants for the sector (see Figure 3). As the Group's view is similar to Mr Miliband's in its belief in the excellence of the third sector in delivering public services, it is in principle in favour of an increased share of public funding – provided however that consequential issues of independence and regulation can be resolved, and that active measures to increase non-statutory funding of the third sector are promoted at the same time.



18 A preliminary step must be to have transparency – not least because Government estimates of the funding it distributes to the third sector differ from estimates made by the sector itself as to how much funding it receives from Government. This problem was noted by the National Audit Office, and was thought to be a consequence of differing definitions, complexities of Government's funding relationships with the sector, and the limitations of departments' information systems.²⁹⁸ This is something the Group hopes the OTS is addressing as a matter of importance.

ISSUE OF CONTROL ARISING OUT OF INCREASED STATE FUNDING OF THIRD SECTOR

19 Trust is a key virtue of TSOs in the eyes of the public and getting too close to the Government could threaten that trust.²⁹⁹ There is a danger that increased Government funding will lead to increased intervention and therefore a loss of independence for small charities, something that is key to their success at a local level. Stuart Etherington, Chief Executive of NCVO, remarked upon this at one of our hearings, commenting:

"I don't think statutory organisations always understand voluntary organisations... They seem to feel that they can intervene at a very detailed level, on the nature of the operation." He concluded, "that level of intervention is not helpful."

20 The NVCO also told the Group of this key strength of the third sector:

"Higher levels of trust, confidence and credibility than the statutory sector, in some cases simply because a VCO is independent and not part of the state."

21 As one TSO has commented, 'we want to influence government but not have them determine our agenda.'³⁰⁰ It is important that TSOs, particularly big charities, are not seen as being so close to the Government that they are essentially another arm of the state. This would threaten the public's trust in them, and also the added value that a voluntary organisation can bring to the provision of a service. Although the implementation of the Compact is important in this regard (as to which see below), the Group is looking at other measures to resolve this issue.

22 The fact that the third sector feels this strongly may be seen from the words of Charles Drew, Chief Executive of the Amber Foundation, to the Group:

"It is felt, within the third sector, that commissioning should mean commissioning the organisation to deliver what it delivers. Whereas, it would appear that within local government commissioning means commissioning the organisation to deliver the government agenda and spec. Not to do so means that the funding is not available. Two totally different meanings of commissioning which are worlds apart, the latter is destroying what was the attraction to the government in the first place. Surely, the whole point of government getting into bed with the TSOs is to gain the benefit of what they do and how they do it, not to have the same service that the state offers delivered by a different group of people subsidised by charitable donations."

23 Amber have particular cause for frustration with the Government. Their Tottenham House residential centre offered support to vulnerable teenagers and young adults in Wiltshire for ten years. Its residents included

297 Third Sector Working Group survey, October 2006

298 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p3

299 A 2001 MORI poll found that 63% of people 'tended to trust' TSOs, ahead of Parliament, the legal system, the UN, religious institutions, and others.

300 Quoted in NCVO, Your Future: The Consultation Findings, 2005, section 4

drug addicts, ex-offenders, and those suffering mental health problems. Despite successes, Tottenham House was forced to close in 2005 as a result of an £85 million cut in the Government's Supporting People programme. Wiltshire County Council, who administered the funds locally, justified the closure partly because not enough of Tottenham Houses' residents came from the county.³⁰¹ There is a clearly a case for ensuring that funding for such projects follows those that need it, rather than being restricted by geographical boundaries.

- 24 The Group will therefore be particularly looking at promoting Government commissioning by outcome rather than by output, perhaps aiming towards better transparency and harder outcome information from the third sector in exchange. In this respect, it may be that the development of external validation agencies of the third sector can play a part.

THE COMPACT

- 25 The Compact is an agreement between Government and the third sector, aiming to improve the relationship between the two for mutual advantage. Originally agreed and published in 1998, it has been updated to encompass several further codes of good practice on issues such as volunteering and, most significantly for this section, funding and procurement. Local areas are also producing Local Compacts to improve relations between the sector and local government. The Compact supports principles such as full cost recovery and multi-year contracting (see below).

- 26 The theory of the Compact is good, but in practice has not been implemented to great enough extent. An NCVO consultation commented:

*"The general feeling is that the Compact is simply not used enough – it has not been properly disseminated and implemented throughout government. Civil servants either have not heard of it or choose to ignore it."*³⁰²

- 27 Eight years on from the original Compact, this is not overly impressive. The Government responded to

suggestions from the sector with a 'Compact Plus' consultation, yet this in itself has caused confusion, with evidence that it prompted some in both the public and third sectors to believe that the original Compact agreement had been rendered irrelevant.³⁰³ The Compact Plus consultation was criticised by some in the third sector as 'a validation exercise, not a discussion.'³⁰⁴ There is concern within the sector that performance measures and Government targets, such as the implementation of full cost recovery by April 2006, are not being taken seriously enough by the Government itself, and that failures to meet such objectives are not being recognised or addressed.³⁰⁵ The National Audit Office has identified 'a need for greater clarity and guidance on some of the principles promulgated by the 2002 review.'³⁰⁶ It is indicative of this that the NCVO is still calling for full implementation of the Treasury's 2002 Cross-Cutting Review recommendations, four years after its publication.³⁰⁷ Implementation is dependent, of course, on individual departments' willingness to accept new methods of working. The Public Accounts Committee has identified potential problems here:

*"Where good practice exists, it has tended to be as a result of individual initiative rather than a well thought through or cohesive strategy. There is, however, a lack of expertise, experience and understanding of the sector across government departments with the result that departments can fail to capitalise on opportunities to enhance public service delivery through use of the sector."*³⁰⁸

Case Study: Department of Culture, Media & Sport

The Department of Culture, Media & Sport (DCMS) has been singled out for particular criticism following continued failure to implement Compact guidelines. DCMS has been attacked for frequently ignoring the Compact, particularly so in 2004 following the merger of the two National Lottery distribution bodies, the Community Fund and the New Opportunities Fund, into the Big Lottery Fund. Over an 18 month period the department failed to consult with the third sector, in breach of the Consultation code, and went ahead with the merger in direct opposition to the overwhelming opinion of the sector.³⁰⁹

301 See The Guardian, 9th March 2005

302 NCVO, Your Future: The Consultation Findings, 2005, section 4

303 NCVO, Response to the Third Sector Review, 2006, p10

304 NCVO, Your Future: The Consultation Findings, 2005, section 4

305 NCVO, Response to the Third Sector Review, 2006, p16

306 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p2

307 NCVO, Recommendation 20, Response to the Third Sector Review, 2006

308 Committee of Public Accounts, Thirty-Second Report of session 2005-06, p1

309 NCVO report, October 2004

28 Whilst the situation with central government is far from satisfactory, at a local level it is even worse. This is particularly significant given that around 70% of the sector's interaction with government is at a local level.³¹⁰ Local Compacts have been developed in an attempt to improve local performance, and in many cases have been successful. The Government set a target of April 2005 for all areas to be covered by local agreements – and although we are close, 100% coverage has still not yet been reached. 93% of local areas have a published Compact, with a further 6% 'underway' and expected to publish soon.³¹¹ This still leaves six areas that have not yet started a Compact consultation. Publishing a local Compact is only the beginning of forging effective relationships between the third sector and local government, and problems with implementation have been experienced. In particular, central government has come in for criticism for failure to promote local Compacts or give guidance to councils. Compact Voice, which represents the third sector in negotiations on Compact, told the Group:

"It was a struggle getting the Local Compact resourcing formula included in the National Compact Funding and Procurement Code but since this was agreed and launched almost two years ago, government has not promoted the formula or encouraged it to be used in information about government partnership programmes."

29 Worryingly, they commented that:

"We are now picking up a general slipping back from councils being enabling and supportive towards becoming controlling and difficult to work with...Government departments do not understand the role of Local Compacts very well and don't give councils the guidance they are calling for based on best local practice."

30 The Leonard Cheshire Foundation, a large charity for the disabled doing 90% of its work for central and local government, with 8,000 employees, and reach across the United Kingdom, felt that there was widespread disillusionment within the third sector over the implementation of the Compact, particularly at local level, where there was a 'total disconnect' from Whitehall's aspirations in this regard. Lack of funding to implement local Compacts was seen as a key issue.

31 Many of the problems this Government has had with implementing its policy can be attributed to the difficulties of implementing changes at local level. Both central and local government shoulder the blame for this failure: central government has failed to translate policy locally, while anecdotal evidence suggests that some local authorities have been unwilling to adopt changes. The NCVO found that some local authorities were described by TSOs as 'arrogant and only willing to engage with the VCS in order to tick the box on their monitoring form that said they had done so.'³¹² Most circumstances are not this bad, but in an area such as full cost recovery, for example, local practices appear to lag behind even the limited central progress.

32 The Government's record on the key area of Compact compliance is therefore extremely concerning. Whether through lack of interest or simply lack of guidance, the Government has failed to implement the Compact to a great enough degree, and consequently has been unable to give a lead to local authorities. This failure is significant given the extent of third sector dealings with government at a local level. It is clear that the Government needs to take Compact compliance much more seriously if its relationship with the sector is indeed to be strengthened to mutual advantage.

LOCAL STRATEGIC PARTNERSHIPS

33 Local Strategic Partnerships (LSPs) are non-statutory, multi-agency bodies. They mirror local authority boundaries, with the aim of bringing together all sectors of society (public, private, voluntary and community) to jointly work together in the delivery of services including the economic, social and physical regeneration of local neighborhoods. LSPs have been set up across the country; however there are 88 areas that are perceived to be most deprived and these are receiving extra Government funding through the Neighborhood Renewal Fund (NRF).

34 However, a number of problems have been highlighted both by the statutory bodies, the third sector and individuals. One of the major problems facing all sectors is the ever changing structures of the organisations involved in partnership work. Local councils

310 NCVO, Response to the Third Sector Review, 2006, p17

311 Data provided to the Group by Compact Voice

312 NCVO, Your Future: The Consultation Findings, 2005, section 4

are, of course, subject to changes in political control. Local government is therefore subject to continual fluctuation and change, with various Government Offices not communicating with each other in terms of what outcomes are expected and what monitoring is required. This can lead to TSOs being required to complete several different monitoring reports containing the same information. Obviously this is a waste of time and resources for the third sector, which cannot afford to have specialised posts dedicated to fulfilling such requirements.

- 35 Local councils have additionally been trialing the Local Area Agreement (LAA). In theory this involves all sectors pooling resources to achieve better outcomes. This does not mean that there is 'extra' funding available, but rather that more effective ways of resourcing and achieving outcomes are required. The general concept of LAAs is a good one, however in practice clear successes have been difficult to achieve. A lot of budgets have been pooled, but not all, and with increasing problems with local government financing, NHS funding and police funding issues, the problem has in some cases been exacerbated. There is also no uniform criteria yet and no uniform monitoring requirements.
- 36 In fact there are so many different funding streams, all with different priority targets, monitoring requirements and regimes, that the third sector is sometimes at a loss to understand what they can and cannot apply for. In Derby, for instance, local TSOs spoke of their uncertainty as to which grants came from the local Council and which came from other sources. Funding streams on offer included the European Social Fund, European Regional Development Fund, New Deal for Communities, and Community Empowerment Funds, in addition those directly available from the Council. It is no wonder that confusion has been reported.³¹³ Often it is the national voluntary agencies that have the resources and capacity to apply for the funding that win the contracts or grants, when in fact the outcomes might be met more efficiently if a local group were able to get the funding.

- 37 Local government and LSPs must re-assess the potential of the third sector at a local level. Often, and especially in local government, the TSOs that are funded are those that are well established with a record of receiving local funding. This means that with limited budgets, new organisations offering new solutions are not given a fair opportunity to access statutory funding.

FULL COST RECOVERY

- 38 Achieving full cost recovery means that an organisation receives payment from the public sector not only for the direct costs that they incur in providing a service or delivering a project, but also for indirect overhead costs such as office space and full-time salaries.³¹⁴ TSOs, when costing a service, have historically often failed to secure funding from government to cover full costs, or have simply placed an arbitrary percentage figure of overhead costs on direct costs, which frequently has not been enough. Failure to achieve full cost recovery essentially results in TSOs subsidising public services, placing them and the service at great risk, or else using voluntary donations to subsidise such statutory services.
- 39 The Government has explicitly endorsed full cost recovery, most notably in the Treasury Cross-Cutting Review of 2002, and their Guidance to Funders of 2006. The theory is therefore sound. The reality experienced by the third sector, however, as set out below, is not so sound. This is in part due to limitations within the sector itself, in terms of skills (financial knowledge and expertise) and resources (time, staff etc). But it is also largely due to a failure by Government departments to implement Treasury guidelines. Some departments have accepted the theory, yet others still dispute the concept or the need for it. Evidence from the National Audit Office found that only eight of thirteen departments surveyed said they would be willing to pay at least some (but perhaps not all) overhead costs.³¹⁵ Even Mr Miliband believes that only 42% of contracts are operating on full cost recovery principles.³¹⁶ One department commented that there was not yet a consensus on what 'full cost recovery' even means. Local authority funders were

313 Derby City Council, Consultation on Funding Relationship with Derby City Council, 2004

314 For further analysis of this issue see Full Cost Recovery and Multi-year Contracts: A Review of Progress, Social Justice Policy Group, www.povertydebate.com

315 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p31

316 Ed Miliband to Third Sector Summit, 22nd June 2006

found to be ‘even less likely’³¹⁷ than central government to accept full cost recovery and generally were either not aware of the Treasury guidelines or simply ignored them in an attempt to control costs.

- 40 An ACEVO survey last year of 74 chief executives of third sector organisations found that in actual fact the opinion of the organisations themselves was that the situation had got worse since 2002: almost 80% of those surveyed felt that the situation had either got worse or stayed the same in the three years since the Treasury Review – and overall more felt that it had got worse than better.³¹⁸ The Leonard Cheshire Foundation, which was in 1998 subsidising the Government in this respect to the tune of £7m a year, found, in early 2006, that 90% of the members of its umbrella Disability Organisations Voluntary Group were still subsidising Government work in this way.

Case Study: Scope

Scope, the national cerebral palsy charity, is one high-profile charity that has suffered from a failure to achieve full cost recovery. Recent reports show that the charity provides around £4 million subsidy to the Government each year as a result – this works out as about £5,000 for each of its 800 service users. Scope believes that over the past fourteen years it has subsidised statutory services to the tune of £174 million. Consequently, the charity now faces a £10 million deficit and is closing fifty of its high street shops having imposed a recruitment freeze.³¹⁹

MULTI-YEAR CONTRACTS

- 41 Despite encouraging Government talk, many contracts with TSOs still remain very short-term in nature, often of one year or less. Short-term contracting has two major effects on TSOs: firstly, it removes an assurance of long-term funding and hence does not allow the organisation in question to plan for the future with any real confidence. Secondly, it takes valuable resources away from service provision as staff are forced to focus attention on re-applying for contracts every year.³²⁰

- 42 As with full cost recovery, the Government acknowledged the problem in the Treasury’s 2002 Cross-Cutting Review, and recommended in its 2006 Guidance to Funders that ‘the length of funding should be tied to the length of the objective.’³²¹ There is a clear Government commitment to at least three-year contracts from local authorities by 2008, yet progress centrally appears slow. One of the major problems is that, due in part to complex funding arrangements, government departments have little idea as to the true picture in regards to their contract arrangements. A National Audit Office survey found that six out of thirteen departments questioned could not provide any data on the length of funding arrangements with the third sector.³²² From the data available, the picture is different across departments. The Department of Transport provides just 3% of its funding for the sector for one year or less, yet for the Home Office this figure is 74%.³²³

- 43 A 2004 NCVO study into third sector work in social care and health found that the majority of contracts were annual with few on a three-year basis, despite the fact that many contracts had been running for years and were not expected to discontinue.³²⁴ In one case a contract that had previously been offered for three-years was actually decreased to one-year. This resulted in problems with the retention of staff as the organisation in question was only able to offer annual employment contracts.³²⁵ 55% of charities surveyed by the Charity Finance Directors’ Group stated that the length of their current contract is inappropriate to the service that they provide.³²⁶ Another survey found that 46% have not had funding agreed for longer than one year.³²⁷ This frustration is increased with the knowledge that private sector contracts can be offered for ten or twenty years. As one (anonymous) organisation told the NAO:

“We have the ability to raise money, we have the ability to borrow capital but we need 10-15 year contracts to make that even remotely viable. And yet, when (government fun-

317 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p31

318 ‘Progress So Far’, www.fullcostrecovery.org.uk

319 The Times, 20th March 2006

320 For further analysis of this issue see Full Cost Recovery and Multi-year Contracts: A Review of Progress, Social Justice Policy Group, www.povertydebate.com

321 HM Treasury, Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers, 2006, p21

322 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p35

323 Ibid

324 NCVO, Formality or Flexibility? Voluntary Sector Contracting in Social Care and Health, 2004

325 Ibid

326 Charity Finance Directors’ Group Summary of initial findings of CFDG and CIPRA Charities Panel full cost recovery survey, press release, 11th April 2006

327 NCVO funding survey May/June 2006

ders) talk about this, they say 'be grateful if you get a three-year contract' whereas under the Private Finance Initiative, 10, 20 year contracts are the norm."³²⁸

- 44 A recent survey³²⁹ of TSOs found that 55% of respondents had not had funding agreed promptly for the current financial year, and several were still waiting to reach agreement months after funding was supposed to start. 47% had not had funding agreed in advance, meaning that they were forced to draw on their reserves. Movement towards contracting and away from grant funding can work to the advantage of the third sector, but is not always the right approach. Grants might, for instance, be more appropriate for developing a new organisation or delivering a project that meets Government objectives without being a public service. Ultimately contracting is only beneficial to TSOs where they are treated fairly by the Government and where the Government is adhering to its own recommendations. Nick Aldridge of ACEVO has noted,

*"At the root of many of the barriers to change lies the simple fact that contracts for service delivery between government and the third sector are not yet fit for purpose. The vast majority of arrangements are short-term, highly insecure, undervalued and excessively bureaucratic."*³³⁰

Case Study: Department of Health

Problems regarding Department of Health (DoH) implementation of the Compact arose in March 2006, requiring pressure to be placed on the Government by the Compact Advocacy Programme, a scheme based at the NCVO. The problem surrounded Section 64, the DoH's fund for voluntary and community sector organisations. The DoH should have announced in January their decisions about both current grant holders and new grant applications. This was not done, in breach of Compact funding code 7.6. This had serious knock-on effects on charities including financial problems and in some cases redundancies. The Compact Advocacy Programme brought together a coalition of TSOs affected and campaigned for an immediate resolution, eventually succeeding in securing the £17.9 million fund. The case clearly demonstrates that major problems remain in full implementation of the Compact.³³¹

FUNDING IN ADVANCE

- 45 The advantages of paying TSOs in advance of expenditure has been recognised by both the Government and the sector. 'End loading' of payments, where an organisation receives payment only after completing work, has been seen to cause major cash-flow problems and is likely to put TSOs off applying for funding. The 2002 Treasury Review recognised this problem, and in 2003 Treasury guidance sought to promote greater implementation of advance funding. The situation in this respect is not as poor as in other areas demonstrated above: most central government funders do allow payment in advance in at least some of their projects and programmes.
- 46 However, there remains clear room for improvement, with 36% of TSOs reporting that they receive no payments in advance of expenditure.³³² Even in those that have received advance payment, no particular change has been noticed as a result of the 2002 Review – the impact of this has been seemingly negligible.

SIR JOHN STOKER AND CAMPBELL ROBB

- 47 In relation to the more general Compact issues highlighted above (except in so far as they impact on the five areas), this Group is content at this stage to leave to the new Compact Commissioner, Sir John Stoker, and the new Director General of the OTS, Campbell Robb, as the new champions for the third sector, the responsibility for ensuring that these are resolved in the near term – and will be monitoring the situation in that regard.

IRRECOVERABLE VAT

- 48 The nature of the services provided by TSOs means that, in many cases, it is not appropriate for them to pay VAT costs – yet many still do so. Voluntary groups pay VAT on expenditure supporting their charitable objectives, yet are currently unable to recover this; effectively, they are treated as the final consumer when of course the final consumer is actually the person who benefits from the service provided. Most of the services provided by the third sector are either exempt from VAT, meaning that organisations cannot recover money paid out in tax, or they are services that the voluntary group does not charge for. Either

328 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p37

329 NCVO funding survey May/June 2006

330 Nick Aldridge, Communities in Control, 2005, p94

331 See www.ncvo-vol.org.uk/compactadvocacy

332 National Audit Office, Working with the Third Sector, (NAO, Hc 75 Session 2005-2006), p34

way, groups are unable to recover the VAT that they are forced to spend in providing their service to the public. Irrecoverable VAT costs UK charities between £400 and £500 million a year.³³³

Case Study: Action for Blind People

Action for Blind People, a national charity providing support to blind and partially sighted people, pays 5.8% of its total expenditure on VAT, a total of £820,000 – this amount would allow the charity to hire sixty members of staff for a year to help a visually impaired person find a job, or fund seventy sports clubs for visually impaired children.³³⁴

- 49 The Charities Tax Reform Group has led the way on highlighting this issue, calling on the Government to compensate organisations for irrecoverable VAT, in four areas in particular: where charities are complementing or substituting for state provision; fundraising costs; joint ventures and shared services; and repair, construction and maintenance of social welfare housing and all charitable buildings.³³⁵ Addressing this issue has cross-party support in Parliament (136 MPs signed an Early Day Motion calling on the Government to remove the financial burdens of irrecoverable VAT³³⁶), and support from the third sector. The NCVO has recently called on the Government to introduce a ‘match funding’ scheme to offset the impact of this problem.³³⁷ The Treasury’s 2006 Guidance to Funders document included irrecoverable VAT as a legitimate overhead cost to be included in bids based on full cost recovery. However, no changes to the VAT system have been made. Both the 1999 Review of Charities Taxation and the 2002 Treasury Cross-Cutting Review looked at the issue, but concluded that the obstacles could not be overcome.³³⁸ Ed Miliband has indicated that the issue will not be resolved any time soon:

“Two reviews have looked at this issue and neither found an equitable way of separating some organisations from oth-

ers... That is not to say I don’t understand people’s concerns about it, but tax itself remains a matter for the Treasury.”³³⁹

- 50 The EU Tax Commissioner, Laszlo Kovacs, has acknowledged the problems of addressing the issue within the VAT system, and has endorsed mechanisms by which governments reimburse charities for some or all of the VAT they have been charged.³⁴⁰ The UK Government has proved unwilling to follow this. Hence irrecoverable VAT remains a significant financial burden to the third sector.

SOCIAL ENTERPRISE ZONES

- 51 Alongside those issues detailed above, ACEVO, in a submission to the Group, highlighted the encouragement of social enterprise as a means of re-invigorating the third sector. This would involve, in their words, ‘encouraging third sector organisations to identify and explore new methods of income generation’ in order to reduce dependence on a single funder.
- 52 Encouraging innovation in the third sector is at the heart of the notion put forward in some circles of Social Enterprise Zones – areas of need where the voluntary sector and social enterprises can be allowed to thrive, often by removing excessive Government interference. David Cameron has already committed the Conservative Party to the creation of social enterprise zones.³⁴¹ Frank Field, in the September 2006 issue of Reform, endorsed the notion of similar style free third sector zones.³⁴²
- 53 Such zones would operate, for example, by removing regulations and bureaucratic obstacles such as complex funding arrangements, encouraging tax incentives for voluntary work, offering longer-term contracts, and changing planning rules to make it easier for the third sector to create new facilities. Britain’s first social enterprise zone was set up in Newham, east London, in 1998 and has been successful in bringing together local residents, the public sector, and volunteers in finding innovative solutions to social problems. For example, between 2002 and 2004 over 1,800

333 Charities Tax Reform Group, www.ctr.org.uk

334 Ibid

335 Ibid

336 Impact of VAT on the voluntary sector’, EDM 4, 17th May 2005

337 NCVO, Response to the Third Sector Review, 2006, p45

338 http://www.hm-treasury.gov.uk/spending_review/spend_ccr/spend_ccr_voluntary/spend_ccr_NextSteps.cfm

339 Quoted in Third Sector, 7th June 2006

340 Quoted by Charities Tax Reform Group, www.ctr.org.uk

341 www.conservatives.com/tile.do?def=news.story.page&kobj_id=127152

342 Frank Field, ‘Charitable Mission’, Reform Journal, September 2006

people received employment advice and help in gaining a job from around 60 volunteers.³⁴³ However, the coordinators of the zone believe that as long as the project remains tightly controlled by central government, the best use cannot be made of local experience.³⁴⁴ This is an issue that will be looked at in more detail in our next report.

CONCLUSION

54 Although the good work of the Government in addressing some concerns regarding the third sector

should be acknowledged, in too many cases, and in particular in fighting poverty as set out in paragraphs 6-10 above, the Government is failing the third sector. These issues must be properly addressed, not simply by encouraging words and rhetoric, but also by effective policy and action. Given the considerable successes of the third sector in dealing with many of Britain's most acute social problems, it is imperative that Government does more to support their work for Britain's most vulnerable to have the second chance they deserve.

343 Joseph Rowntree Foundation, *The Experience of the Community Links Social Enterprise Zone*, 2004

344 Ibid

Appendix 1 – Members of the Third Sector Working Group

Orlando Fraser, Chairman

Orlando Fraser is a civil fraud barrister practicing at 4 Stone Buildings, Lincoln's Inn. He is a member of the Commercial Bar Association and Chancery Bar Association. His contribution to the work of the third sector includes being a current Patron of the Longford Trust (aiming towards the rehabilitation of prisoners in the UK), a past member of the Management Committee of Westside Housing (providing housing services to the homeless in West London), and past Chairman of the Bosnia Winter Appeal (which helped Muslim victims of Yugoslavia's civil war). Orlando is Chairman of the Working Group.

Adele Blakeborough MBE, Deputy Chairman

Adele Blakeborough MBE is the Chief Executive and co-founder of CAN, one of the UK's leading support organisations for social entrepreneurs. It houses social businesses and helps entrepreneurs grow their organisations by attracting investment of time, funds and experience from the corporate sector. It also has an 850-strong membership base. Adele was previously director of the Kaleidoscope project, working with heroin addicts. She is a founder member of the Social Enterprise Coalition and a trustee of the Charities Aid Foundation. She was awarded an MBE in 2006 for services to social enterprise.

Professor Graeme Leach, Deputy Chairman

Professor Graeme Leach is Chief Economist and Director of Policy at the Institute of Directors (IoD). Before joining the IoD he was an Associate Director at the Henley Centre, analysing future economic and social change. In 1998 Professor Leach was awarded the WPP Atticus Award for original published thinking in marketing services. He has also been Economic Adviser to the Scottish Provident Investment Group and a Senior Economic Consultant with Peda.

Cameron Watt, Vice Chairman

Cameron Watt is Deputy Director of The Centre for Social Justice. Cameron previously worked in the Renewing One Nation unit at Conservative Central Office. He runs the CSJ Awards which celebrate the work of innovative grassroots poverty-fighting groups. Cameron is particularly interested in third sector and education policy and has written speeches on these topics for senior politicians.

Charles Drew

Charles Drew is Chief Executive of the Amber Foundation, a charity helping young people affected by unemployment, homelessness, drug and alcohol misuse, and crime. Before joining Amber, Charles was Operations Director for Anduff Holdings in London. Having served in the Police force in Scotland, he has also spent time in the retail food, agriculture, motor and fashion trades.

Simon Edwards

Simon Edwards is Chairman and Founder of Believe, a coaching and mentoring charity that specialises in working with society's hard to reach including young offenders and ex-offenders. Simon served for 16 years in the British Army, during which time he worked closely with the prison service and Police. Simon is also Chief Executive of Turnaround, a new business backed project to reduce prolific offending in Bristol.

Heather Keates

Heather Keates is National Director of Community Money Advice, a TSO which provides churches with support and resources to offer debt advice in the local community. She first set up a debt advice centre in Sussex in 1997 having experienced debt problems, and expanded this service in 1999. In 2000 Heather helped form Community Money Advice, and, as an umbrella organisation, this has now helped the foundation of over 80 advice centres.

Jessica Lee

Jessica Lee is a family law barrister. After an undergraduate degree in history and politics, Jessica studied law and was called to the Bar in 2000. Jessica now practices family law from chambers in Lincoln's Inn. She specialises in cases involving children, representing local authorities, parents and children. Jessica began voluntary services whilst at school and from 2000-2006 she was a volunteer at the Norwood Advice Centre. Jessica has previously been an Association Chairman of the Conservative Party.

John Nash

John Nash is Chairman of Sovereign Capital and has over 20 years experience of venture capital. He previously worked at Lazards and was Managing Director of Advent Limited. John is a former chairman of the British Venture Capital Association, a director of several companies and Chairman of the charity, Future. He is a qualified barrister having studied Law at Oxford University

Malcolm Offord

Malcolm Offord is a Partner of Charterhouse, a City-based fund management company which specialises in private equity. He has worked in the City for almost 20 years having previously been with Lazard Brothers, 3i plc and Bankers Trust Company where he was a Managing Director in the Leveraged Finance Group. He has been a non-executive director of a number of private companies over the last ten years including Tussauds, Coral, Avent and Saga. Malcolm is an honours law graduate from Edinburgh University.

Robert Porter

Robert Porter is Head of the Charities Group at Harbottle & Lewis LLP, advising charities on a wide range of issues. Robert is a member of the Charity Law Association, and in 2005 wrote an influential paper published by the Bow Group on the Charities Bill entitled 'A Charitable Act? Beyond the Charities Bill'. Robert is a trustee of Shelter, the National homelessness charity, and the Kasanka Trust, which funds a wildlife reserve in North Eastern Zambia.

Richard Smith

Richard Smith is the founder of Martha Trust Hereford, a charity which provides care for profoundly disabled

young people and which offers life-long care, respite breaks and therapy sessions. He is also Managing Director of HR Smith Group, a medium sized company making search and rescue equipment for the aviation industry. Recently he designed a high-tech wheelchair, called CHUNC, for young disabled people. Among his publications is the 2005 Centre for Policy Studies pamphlet *People not Budgets: Valuing Disabled Children*.

Mel Stride

Mel Stride is an entrepreneur who set up his own business in 1987 (exhibitions, conferences and publishing). He has run his company in both the UK and the United States. He is a former President of the Oxford Union and has also served as a councillor in the Royal Borough of Kensington and Chelsea. Mel is currently the Conservative prospective parliamentary candidate for the new seat of Central Devon.

Cllr Evonne Williams

Cllr Evonne Williams has served as a member of Derby City Council since 2000 and is chair of the Children and Young People Commission. She has contributed to the work of a number of bodies including the Project Advisory Group of Addaction, a leading drugs and alcohol treatment agency, and Derbyshire Rape Crisis.

Appendix 2 – Organisations consulted by the Working Group

In its ongoing consultation process, the Group has consulted and will consult very many organisations and individuals, from the third, state, private, and academic sectors. They are too numerous to list and thank now, but special thanks is due to the following organisations who have been significantly helpful so far. A full list will be published in May 2007.

A4E
 ACEVO
 ADAPT
 ADAS
 Addaction
 Advice UK
 Alcohol Concern
 Alcoholics Anonymous
 Amber
 Angels Drug Service
 Aquarius
 Beechwood House
 Betel of Britain
 Big Lottery Fund
 Bristol Community Family Trust
 Bristol Drugs Project
 CAN
 Capacitybuilders
 Care For The Family
 CCC-Alliance
 Centre for Charitable Effectiveness
 Centre for Regional Economic and Social Research
 Change Up
 Charities Aid Foundation
 Charity Commission
 Charity Tax Reform Group
 CIPD
 Civitas
 Clouds
 Community Money Advice
 Compact Voice
 Compass
 Coram Family
 Cranston Drugs Services
 Credit Action Money Education
 Crossreach
 Directory of Social Change
 Future Builders
 Giving Campaign
 Guidestar
 Institute of Fiscal Studies
 Institute of Money Advisers
 Institute of Philanthropy
 Institute of Volunteering Research/Volunteering England
 Kalayaan
 Kaleidoscope
 Kiran
 Leeds City Credit Union
 Leonard Cheshire Foundation
 Lighthouse Group
 Living Well Trust
 Mainliners
 Money Advice Trust
 Mushkil Aasaan
 Narcotics Anonymous
 NCH
 NCVO
 New Life Community Debt Services
 New Philanthropy Capital
 Northlands
 Office of the Third Sector
 Open Doors International Language School
 Over-Count Drugs Information & Advice
 Personal Finance Education Group
 Phoenix House
 Professor Ian Bruce
 Relate
 Rhoscheran
 Rosemount House
 Shaw Trust
 Slivers of Time
 St Mungos
 StreetShine
 The Warehouse
 Tomorrow's People
 Touchstone 12
 Tower Hamlets Mission
 Toynbee Hall
 Turning Point
 Turning Point Scotland
 Twelve's Company
 Victory Outreach
 West Glamorgan Council on Alcohol & Drug Use
 What About The Children?
 Working Links