



HOUSE OF LORDS

Library Note

Debate on 5 October: The Charitable Sector and Civil Society

This Library Note aims to provide background reading for the debate to be held on Tuesday 5 October on:

“The role of the charitable sector in strengthening civil society”

This Note outlines recent developments in the debate around the charitable, or third, sector. It provides an overview of the difficulties in defining the ‘charitable sector’ and ‘civil society’ and outlines the current role of the charitable sector. It goes on to consider the role of the Government and policy moves which seek to introduce the ‘big society’. Finally, the Note considers some recent contributions to the debate about the interplay between the different sectors.

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1. Introduction

This Library Note provides background briefing for the debate on the role of the charitable sector in strengthening civil society. It provides an outline of the difficulties in defining the 'charitable sector' and uses recent figures to illustrate the organisations that constitute the sector. A brief summary of the Charities Act 2006 is given along with details of recently conducted public attitude research on the Act. It then looks at the relationships between Government and the 'third sector' before moving on to discuss the now widely used term 'civil society'. Finally, it provides an overview of the Government's programme on civil society—the 'big society'—and outlines a number of different perspectives put forward by a range of commentators.

2. Definitions: Charitable Sector, Voluntary Sector or Third Sector?

It is useful to consider the varying, and interrelated, terms and definitions used when referring to the 'charitable sector'. Academics, policy makers and those working within the charitable or voluntary sector and the wider public might use the same terms but sometimes they have slightly different meanings.

The term 'charitable sector', along with 'voluntary and community sector' is generally used to describe organisations that are not for private profit and not part of government. The Government uses the term 'third sector' to describe such organisations, but which also includes social enterprises, faith groups, cooperatives and mutuals. For further information see HMG, [An introduction to the Compact](#) (December 2009, page 3).

The National Council for Voluntary Organisations (NCVO), the largest umbrella body for the voluntary and community sector in England with sister councils in Scotland, Wales and Northern Ireland, tends to use the term 'voluntary and community sector'. They define a voluntary organisation as:

An independent, self-governing body of people who have joined together voluntarily to take action for the benefit of the community. A voluntary organisation may employ paid staff or volunteers, but must be established otherwise than for financial gain.

(<http://www.ncvo-vol.org.uk/about-us>)

Voluntary sector organisations vary considerably in terms of their size, income and the issues that they work on. The NCVO publishes the annual *UK Civil Society Almanac* which provides facts and figures on the voluntary sector as well as wider civil society. Key figures on the voluntary sector from the tenth *Almanac* include:

- In 2007/08 there were 171,074 voluntary sector organisations in England.
- The majority (91,067 or 53%) were very small with an annual income of less than £10,000.
- 438 (0.3%) voluntary sector organisations had an income above £10 million. The total income of voluntary organisations in 2007/08 was £35.5 billion and expenditure was £32.8 billion.¹

¹ Due to the accounting practices of voluntary organisations, expenditure is seen as a more reliable guide to the level of charitable activity.

- In 2007/08, voluntary organisations employed 668,000 people and spent £12.1 billion employing staff.
- Over three-quarters of staff costs (77%) were incurred by large and major organisations, which spent 41% of their total expenditure on staff.
- The largest subsectors of voluntary sector organisations were the social services and education—with nearly a fifth of organisations falling into one of these categories.

(NCVO, *UK Civil Society Almanac 2010*, 21 April 2010)

For an academic discourse on the identification and discussion of the third sector, see Pete Alcock, 'A Strategic Unity: Defining the Third Sector in the UK', *Voluntary Sector Review*, 2010, vol 1, no 1, pp 5–24.

2.1 The Charities Act 2006

Not all organisations that are described as 'charities' are actually registered charities. The Charity Commission defines charities as "organisations that benefit the public in a way that the law agrees is charitable" ([Charity Commission](#)). Most charities with an income above £5,000 have to register with the Charity Commission. Those with an income below £5,000 are still bound by charity law and are regulated by the Commission.

The Charities Act 2006 provided a statutory definition of a 'charity' for the first time, as an institution which is established for charitable purposes only and is subject to the jurisdiction of the High Court. The statutory meaning of 'charitable purpose' requires a charity to meet two criteria: to fall within any of the 13 listed descriptions of charitable purposes and is for the public benefit. Charitable purposes include, for example, the prevention or relief of poverty; the advancement of education; and the advancement of human rights. The Charity Commission summarise 'public benefit' as an identifiable benefit or benefits that must be related to the aims of the charity; and the benefit must be to the public, or a section of the public (Charity Commission, [Charities and Public Benefit](#), January 2008).

Prior to the 2006 Act, the 1601 Statute of Charitable Uses formed the foundation of the modern definition of charitable purposes, although this developed entirely through case law and did not form part of the statute law (Charities Act 2006, [EN](#), page 4).

Further details of the progress of the Charities Bill through Parliament can be found in House of Lords Library Note, [2005/01](#) (18 January 2005) and House of Commons Library Research Paper [06/18](#) (15 March 2006).

2.2 Public Trust and Confidence in Charities

The Charity Commission recently published [Public Trust and Confidence in Charities](#), (20 July 2010), which reported the findings of research conducted by Ipsos-MORI. The study was first conducted in 2005 in response to the draft Charities Bill, repeated in 2008 and again in 2010. The 2010 survey found that public trust and confidence in charities remains high: doctors and the police are the most trusted groups, with charities coming next, ahead of social services, local authorities and private companies.

The 2010 survey found that the most important factor influencing trust was that charities ensure a reasonable proportion of donations get to the end cause (42%). This

represents a change from 2008 when the most important factor influencing trust was a charity's ability to make a positive difference to the cause they work for (35%). The report suggested that this decline in confidence and trust may be due to negative media coverage of the ways in which charities spend donations.

Faith in charities to make "independent decisions to further the cause they work for" is strongly associated with trust in charities (*ibid*, p 46). The study showed that people place high importance on accounting and reporting, with 94% of respondents saying it is crucial that charities demonstrate their benefit to the public and 96% that it is important that charities provide information about how they spend their money.

The study found that when asked what type of provider (charities, private companies or public authorities) would be best at providing different areas of service delivery, public authorities tend to be preferred. However, respondents tended to favour charities at providing information and advice. They also thought that charities would be better than private companies or public bodies at delivering services with a caring approach.

3. The Government and the 'Third Sector'

The 'third sector' is commonly used as a term to describe the voluntary and community sector which distinguishes it from the state and the market, and tends to be used by the Government. However, this simplistic description masks the complexities between the three sectors. The voluntary, or third, sector increasingly delivers key public services, such as meals on wheels and advice for people who are looking for work. In November 1998, a national agreement between the Government and the voluntary and community sector was established in England to improve the way in which the Government and third sector work together. The Compact is based on a set of shared principles: respect; honesty; independence; diversity; equality; citizen empowerment; and volunteering. The commitments are sub-divided into three areas covering 'involvement in policy development', 'allocating resources' and 'advancing equality' and aim to enable effective partnership working between government and the third sector to create better outcomes for individuals and local communities. For further information see HMG, [The Compact: The Compact on Relations between Government and the Third Sector in England](#) (December 2009).

A report summarising a seminar organised by NCVO—the ESRC Non-Governmental Public Action research programme, looked at the boundaries between the governmental sector and civil society. The report states that a strong inter-relationship and inter-dependence now exists between the sectors which produces mutual influence. The blurred boundaries bring opportunities to both government and the third sector in terms of learning and innovation but there is also some evidence of "political cooption" (NCVO, [Blurring Boundaries](#), November 2009).

To illustrate the blurred boundaries, it is worth highlighting further figures from the NCVO's *UK Civil Society Almanac 2010*. In 2007/08, 38,000 charities (22%) received Government funding. Organisations that provide employment and training opportunities receive the largest proportion of their income from Government, receiving nearly three-quarters (70%) of their funding from statutory sources. Conversely, the *Almanac* also shows that 133,074 charities (78%) received no Government funding.

An historical analysis of the relationship between the voluntary sector and the state is provided in the article by Bernard Harris, 'Voluntary Action and the State in Historical Perspective', *Voluntary Sector Review*, 2010, vol 1, no 1, pp 25–40.

4. Civil Society

The term 'civil society' is now widely used across the sectors. Indeed, the recent creation of the Office for Civil Society within the Cabinet Office (replacing the Office for the Third Sector) marked a change, yet it is still a contested term. A definition of civil society from the NCVO is: "where people come together to make a positive difference to their lives and the lives of others—for mutual support, to pursue shared interests, to further a cause they care about or simply for fun and friendship" (NCVO, [Civil Society: a framework for action](#), February 2009).

The NCVO believes that the voluntary and community sector is a key part of civil society providing a counter-balance to the powers of both the market and the state. They also recognise that civil society is much broader, encompassing universities, housing associations and cooperatives (NCVO, *UK Civil Society Almanac 2010*, 21 April 2010). In a recent paper, Professor Pete Alcock, Director of the Third Sector Research Centre, pointed out that much has been written about civil society and he cites Evers and Laville (2004) who argued that "there can be no 'civil society sector'". For further information see Pete Alcock, [Big Society or Civil Society? A New Policy Environment for the Third Sector](#), August 2010.

The new Office for Civil Society is based in the Cabinet Office and leads work across Government to support voluntary and community groups, charities and social enterprises. On being appointed, Nick Hurd MP, the Minister for Civil Society, announced that Government policy will focus on three issues:

- Making it easier to run a charity, social enterprise or voluntary organisation
- Getting more resources into the sector: strengthening its independence and resilience
- Making it easier for sector organisations to work with the state

(Cabinet Office, 'Nick Hurd appointed Minister for Civil Society', 18 May 2010)

In response to a recent Parliamentary Question asking what plans the Government have for the new Office for Civil Society, Lord Taylor of Holbeach replied that it will:

... support charities, social enterprises and voluntary organisations in their pivotal work, encouraging a big society and addressing disadvantage by making it easier to set up and run such organisations, easier for them to work with the state and by getting more resources into the sector. The office will co-ordinate work across government to implement the big society and establish a number of flagship big society projects.

(HL *Hansard*, [21 July 2010](#), col 969)

5. The Big Society

Following the 2010 general election and the formation of the coalition Government, the Prime Minister and Deputy Prime Minister launched a programme on civil society (Number 10, 'Government launches "Big Society" programme', 18 May 2010). A document, [Building the Big Society](#), was published at the launch outlining proposals

aiming to empower citizens, communities and local government to create a 'Big Society'. The five policy proposals are:

- **Give communities more powers.** This includes giving communities the right to bid to take over local state-run services, training 'community organisers and creating neighbourhood groups'.
- **Encourage people to take an active role in their communities.** A National Citizen Service project for 16 year olds is planned along with a range of measures to encourage charitable giving, volunteering and social action.
- **Transfer power from central to local government.** Power will be devolved to local government, including a full review of local government finance.
- **Support co-ops, mutuals, charities and social enterprises** and give them a greater involvement in the running of public services. A Big Society Bank has already been created to provide new finance for these organisations, using funds from dormant bank accounts.
- **Publish government data.** A new 'right to data' will be created and government-held datasets will be published regularly.

Baroness Warsi, Minister without Portfolio, has responsibility for working with ministerial colleagues in relation to social cohesion and the big society, and a recently appointed life peer, Lord Wei, will advise the Government on the big society. Both peers spoke in a debate in the Lords on 'Social Policy' with Lord Wei elaborating on the challenges facing the big society and the role that it should play in civil society. Lord Wei said that the first step towards a big society was for civil society to ask what role it wanted to play in shaping our collective futures. He went on to state that, "the big society describes a set of policies to give more powers to people closer to where they live, to help increase the capacity and resources of civil society to take up such powers, and to encourage a sense of collective progress and momentum". He described "the big society coral reef" explaining that "at the heart of this debate... is not just what civil society thinks social policy should be or even what government pronounces, but a collective and very British constitutional negotiation of a partnership for the 21st century that values and combines not just the seabed, the bedrock of our public services—to protect the vulnerable—but the coral represented by the many current and future providers of those services that add variety and innovation and humanity to their delivery" (HL *Hansard*, [16 June 2010](#), cols 1010–13).

Baroness Warsi also spoke of the Government's commitment to the big society, acknowledging that "our country relies on a bedrock of voluntary and community organisations, and social enterprises... [to] deliver services to families and individuals, provide support and advice to those in difficulty... and carry out a huge range of other roles". Additionally she stated that "this Government are committed to building a partnership with civil society" and outlined a number of forthcoming initiatives, including giving communities more power to shape and to run their local facilities; devolving power and financial autonomy to local government; and establishing a task force to cut unnecessary red tape to free up the voluntary sector (HL *Hansard*, [16 June 2010](#), cols 1052–56).

Returning to the earlier cited article by Professor Pete Alcock (August 2010), the big society policy agenda is an English policy programme, mirroring the remit of the Office for Civil Society. As Professor Alcock states, "different offices have been set up in the devolved administrations, with different structures and different policy programmes", yet little analysis of the impact of devolution has taken place.

Responses to the big society have been mixed and, given the currently challenging economic conditions, have largely centred around the funding of the voluntary sector. For example, Sir Stuart Etherington, the NCVO Chief Executive, praised the recognition given to the importance of the voluntary and community sector but expressed concern about funding cuts that would have a detrimental effect on the vulnerable people receiving the services of the sector (NCVO, 'Big Society: but what about the cuts?' 19 July 2010). Shortly after this comment, the Minister for Civil Society, Nick Hurd, and the Minister for the Cabinet Office, Francis Maude, wrote an open letter to the voluntary, community and social enterprise sectors asking them to contribute their ideas to reducing the deficit (further detail and a copy of the letter can be accessed at: http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/100729-voluntary.aspx).

The research team at NCVO compiled figures on assets and reserves in the voluntary sector that were reported in the *Financial Times* ('[Cuts threaten survival of charities](#)', 5 August 2010). The figures suggested that more than half of operating charities had less than three months' reserves, more than a third had no funding in reserve and those in receipt of state funding had only one month of expenditure in reserve.

Commenting on the figures, the NCVO Chief Executive said:

This really demonstrates the need for public sector funders to work with voluntary and community organisations where cuts are necessary, to make sure they are properly planned and implemented. As the recession has driven up the need for many frontline services, it is critical that the sector retains its capacity for supporting some of the most vulnerable people in society.

(NCVO, 'One in three charities have no reserves', 6 August 2010)

In a recent article, Polly Toynbee outlined a range of funding cuts currently affecting the voluntary sector including: local authorities cutting voluntary sector contracts rather than their own staff which would require redundancy payments to be made, citing the example of Croydon; and services being brought back in-house rather than using voluntary sector contracts, for example Family Action's contracts for assessing families for the courts in care and custody cases. She highlighted that the state was cutting support for the voluntary sector just as funding via donations, legacies and investment earnings were falling. She pointed out that the voluntary sector was sustained by 40% state support, therefore "shrinking the state means shrinking the charitable sector, too" (Polly Toynbee, '[The "big society" is a big fat lie—just follow the money](#)', *Guardian*, 6 August 2010).

A differing perspective is provided by David Halpern, Director of Research at the Institute for Government, who wrote in *Prospect* magazine that the big society tends to rouse critics from the left who believe that it is simply a way of obscuring cuts to funding by paying volunteers to carry out services that would have been provided by the state. He cited his recent book, *The Hidden Wealth of Nations*, which included the contradictory finding that "nearly three out of four Britons agreed with the statement that 'The state intervenes too much'... [Yet] just over half agreed that 'free competition' is best for prosperity". Halpern looked at the three main elements of the big society: community empowerment, social action and public service reform and asked, what happens when we mix the logic of markets with that of community service by getting the third and the private sectors involved in service delivery? He proffers a positive view that would see the creation and expansion of new forms of provision funded by the state but powered by "the imagination and creativity of its citizens". Alternatively, mixing markets and altruism could squeeze altruism out. Halpern ends by arguing that modern societies are blind to the power of the "hidden wealth" of reciprocity, relationships and trust, citing the example of "patient hotels" from several European countries. Patients stay in the hotels and are

cared for by relatives—who can stay with them—who are shown how to administer basic health care, while the patients receive their treatment in a hospital. Patient hotels achieve higher patient satisfaction and also better clinical outcomes at a lower cost than conventional hospitals (David Halpern, '[Give the Big Society a Break](#)', *Prospect*, Issue 174, 24 August 2010).

In the *Sunday Times* (29 August 2010), Geoff Mulgan, Director of the Young Foundation, asked how the big society can be “more than hot air”. He argued that the big society was a timely idea as civil society had become more confident; people liked the idea; and massive public spending cuts meant shifts in power were unavoidable. Looking to the examples of Russia and US inner cities in the 1980s where government retreat meant that crime and gangs filled the space, he stated that “many of the nations with strongest civil societies also have active governments. The lesson is simple: the state can strengthen society”.

The Young Foundation itself runs a number of social enterprise and community projects which Geoff Mulgan described as the “big society in practice”. This experience led him to comment that, like many others working in this area, he was very aware of the barriers. Funding cuts were the most urgent risk to be addressed and he argued for “a clearer commitment to protecting civil society’s share of the spending”.

In June 2010, the independent think-tank Demos published a report from the Progressive Conservatism Project, an initiative which explored how radical conservative politics and policy can serve progressive goals (Max Wind-Cowie, [Civic Streets](#), Demos, June 2010). The project was chaired by David Willets MP, Minister of State for Business, Universities and Skills, and was based on research conducted in two communities in Birmingham—Castle Vale and Balsall Heath—which were previously very run-down estates that have since undergone significant regeneration. The report analysed the successes of the two estates and uses research evidence in an attempt to find out what explains the relative success of a ‘big society’ approach in these two communities. The report made a series of recommendations:

- The research demonstrated that long-term funding is required by removing the currently complex and unpredictable funding and transferring it into single endowment funds that are operated away from the centre.
- Community groups and charities require an evidence-base to demonstrate their success. Detailed data on crime, health statistics and worklessness levels are already recorded and should be made available through the internet to enable communities to understand what is happening in their area and how resources are being used.
- Data-sharing enables community groups to demonstrate savings on the cost of public services. A percentage of any financial savings for the state should be retained for use within the community—a ‘community cash back’ to incentivise activism and provide continued investment.
- The private sector needs to be included in the ‘big society’. Corporations are expected to have a social responsibility agenda, but the focus needs to change from seeing them as ‘givers’ to ‘doers’. Profound changes were brought about in Castle Vale when mainstream branded retailers arrived on the estate, providing jobs and confidence, and reducing the stigma of ‘brand deserts’.
- Local groups should have a right to bid to run local services like Sure Start, employment services, and environmental services. Third sector providers should be able to establish themselves as the ‘preferred’ provider if: they are able to demonstrate a high level of local support; and the cost can be demonstrated to be comparable to that of in-house provision.

- A genuinely 'local' strata of local government is needed in communities that are struggling to regenerate and renew themselves. 'Micro mayors' should be elected to work on specific, neighbourhood-level issues (such as litter or anti-social behaviour) using current resources—e.g. policing, NHS services or refuse collection. This provides communities with a clear sense of community leadership.