

16.09.15: the Annual Lecture for the Charity Commission

To him that hath shall be given: A call to arms

'What was your greatest disappointment in government?'

Back shot Mrs T: 'I cut taxes because I thought we would get a giving society. And we haven't.'

This conversation took place shortly after Mrs T was unceremoniously ejected from Downing Street by her parliamentary party. Her eleven years in power – they were years of power rather than simply of office – marked the beginning of a decisive shift in power and resources in this country.

Here then is the background to the text I have used to open this annual Charity Commission lecture. I naturally wish to begin by thanking William Shawcross and his fellow Commissioners for the honour they have bestowed upon me. In an attempt to begin repaying my debt, I outline the four themes I wish to cover.

First, what, in the briefest outline, have been the outcomes of those forces set free by Mrs T on the creation and ownership of wealth in our society?

And further, is there a case for a more nuanced judgement on the state of our giving society than was offered by Mrs T on the morrow of her defeat?

Second, I wish to stress a rather different concern by looking at the break between the creation of wealth and a wider welfare in the country.

Third, what is the single most important danger to a free society what I see in the wake of Mrs T's objective of downsizing the state?

Fourth, what lessons would I draw for the future development of the Charity Commission from what I am about to say?

First, how best might I highlight the changes in the size of the wealth owned by the richest individuals who live in this country?

The position in Britain can be briefly summarised:

- The position of the poor remains to becalmed.
- The very very wealthy have acquired wealth beyond the dreams of avarice.
- But the wealthy too have seen very significant increases in the value of their holdings.
- The value of housing generally has outstripped the capital gains occurring to other forms of wealth holdings and this trend has increased the wealth of a very significant part of our property-owning democracy.
- Despite the great recession from 2007, and the permanent loss of wealth that followed, looked at over the larger term, Britain continues to grow in prosperity.

What do these trends hold in Mrs Thatcher's quest to help create a more giving society?

Was Mrs T correct in her judgement that the giving society to which she attached such importance has failed to materialise? A rude ejection from power – the surprise, the hurt, a deep feeling that her party had showed her huge ingratitude – could never be the best position from which to reflect carefully on one's stewardship. But we are a quarter of a century on from those dramatic events. Does the scene now look more promising than what Mrs T perceived it to be?

Let me sound a cautionary note. Great reformers in any sphere, and those who are not great, let alone reformers, tend to overestimate their own importance. In that cry of anguish, I believe, Mrs T simply overlooked the extent of the giving society we are and always have been. The act of giving must have preceded the first use of the term charity. Foundations in the shape we know them today were established from the later part of the Victorian era and their establishment continues today. Likewise, people have always been generous with their money in supporting good causes. This generosity is most visibly demonstrated when there is a call for funds after some great disaster somewhere in the world and the amount of regular giving people have always undertaken.

What I think Mrs T missed was the amount of giving that people do regularly and always have done over a very long period of our recent history. That is not to say that the position cannot be improved – I will make suggestions later – but I do think Mrs T had too strong an image of the American foundation and charity scene as the only yardstick by which she should judge her fellow citizens.

Possibly only a minority of us reach a personal standard of giving that matches the pain threshold of the widow whose gift of two mites was contrasted by Jesus to the other gifts being offered in the temple. But even our failure by this extreme test shouldn't wipe the record clean that giving is a way of life in this country. We might wish it to be a stronger impulse in our characters, but to underestimate or denigrate it, will lead to a very incomplete picture of what goes on in Britain today.

I have alluded that I think Mrs T was thinking of something different when she made her judgement on her stewardship. It was, I guess, the failure to see a burst of new activity in establishing trusts and foundations on a greater scale than that which had always been a feature in Britain and on a scale to match the new concentrations of wealth. I also think that behind that cry of anguish Mrs T somehow thought that a relatively small economy compared with America could somehow produce the sheer scale of the charitable wealth owned and used by the American foundations. She was fond of this country punching above its weight. But a possible task of the Charity Commissioners is to look at to what extent the new wealth-owners have responded in a way that matches not only Mrs T's aspiration, but the record of the great wave of foundations established by the Victorian philanthropists, and those which responded to the new wealth they created in the post-War period.

Perhaps she was precipitating the sheer scale of the new wealth that would be created in Britain following the changes she had unleashed. Again a few salient provided by the House of Commons Library: Britain is now the proud possessor of:

- 715,000 millionaires
- And even more astonishingly, 117 billionaires
- Many other wealth creators are moving up on the inside track and, if not billionaire today, look like they might reach that status in the not-too-distant future

Some of Britain's billionaires have already pledged to give away huge parts or all of their fortunes:

- Sir Tom Hunter has pledged to give away a billion pounds of his fortune, both to the Hunter Foundation and by other means.
- Peter Cruddas, who is the son of an office cleaner and a Smithfield Market porter, intends to devote a billion pounds to charity over his lifetime
- Lord Sainsbury – David Sainsbury – has pledged to give away his entire fortune during his lifetime.

It is not unknown in our history to have periods when great fortunes are made. But I want to contrast the impact of today's new fortunes alluded to in those House of Commons data with some of those fortunes made in that period from the from the Limited Liability Act of 1855 up until World War One. **This brings me firmly into the second of my themes:** the breaking of the natural link that had been established between the creation of wealth and its bread in the form of a wider welfare. For there are very important differences to emerge that are relevant to the theme of this lecture.

Then the instrument of new wealth creation was invariably through what we would now call 'the firm' operating from factories. And these firms were often rooted in certain areas of our country and it was to the country in which they had arisen that they paid their taxes. It was only through these companies that great wealth and personal fortune were generated, but similarly great employment. And it was through the creation of jobs that were inherent to the amassing of these great fortunes that wealth was also spread in the form of wages and, over time, rising living standards.

Great fortunes are now so often made through financial transactions. These new great fortunes are not generally great job creators. Although, as with every practical part of this lecture, there are important exceptions to any observable pattern. The young Lord Wolfson, if I may refer thus to Lord Wolfson of Aspley Guise, has been both a great generator of his own fortune, and that of his share-holders, but also a great generator of employment by the sale of his Next branded goods.

Let me stress these differences in the welfare side of much of today's wealth-creation by looking at a single product by which wealth was made (and continues to be made) so as to stress the link between wealth and welfare. It is the possible breaking of this link between wealth and a wider public welfare that may again underpin Mrs T's sense of failure.

As a life-long anti-poverty campaigner, I turn to the wealth and welfare consequences of those originators of the great chocolate dynasties. These dynasties illustrate a definition of a wider welfare of which anti-poverty campaigners like myself have been such beneficiaries.

- Fry's established a great chocolate-manufacturing base in Bristol. Here they kept busy four and a half thousand hands.
- Cadbury based their operations in Birmingham. Here they established not only a number of well-endowed charitable trusts but also built a model village in which to house their workers. That workforce was considerable and amounted to, at one time, 10,000 people.
- Joseph Rowntree was similarly moved to build a model village setting the highest standards of working-class accommodation. He wanted this for his workers, but he also wished his example to act as a light on a hill for future house-building activity. Rowntree's employed around 14,000 people at its York base.

Joseph believed that knowledge was power and that social progress could be advanced by social knowledge. He therefore established two charitable foundations, one of which, the Joseph Rowntree Foundation, is a main player in poverty and social research.

Joseph also believed that political action would be a necessary part of overcoming the social evils he believed should be confronted in late Victorian Britain. He also realised that a social evil was a movable feast, so to speak, changing possibly with each passing generation.

He therefore established a social action trust to finance political change. In so doing, Joseph was possibly the first great benefactor to draw attention to the difficult interface between charitable and non-charitable social action which is now part of the Charity Commission's duties to police.

Wealth creation was therefore openly linked to extending the community's welfare by employment, sometimes also by establishing model living conditions, as well as by sometimes establishing major charitable foundations.

If the Commission does look at the record of new wealth and that wealth supposes responsibility to the wider community I wonder if it might not take the idea of wealth creation and a wider welfare as one of its considerations.

Now to my third theme. There is much talk in the wake of the Kid's Company disaster centring around the need to rationalise charities by large-scale merger programmes. Maybe. But I would urge caution before embarking on this course of action that could take a huge amount of time and energy. Vigilance there should be, but if there are great reforming energies out there, could they not be better spent?

Wouldn't a better question be to ask if some foundations are now too large for trustees fully to control? In some ways it wouldn't be surprising if such a trend had occurred. The idea of a managerial revolution is now almost never disputed. Control in larger companies has passed from the owners into the hands of the senior executives who owe their power not to owning the firm but to being appointed to their key managerial positions. Might not such a trend be happening in the largest charities and, if it is, what action are some of them taking to ensure that they, the trustees, are genuinely setting policy and choosing which organisations should be supported?

I am not suggesting any blunt action here. All directors of foundations I know spend a great deal of time working with their trustees so that they are of one mind with them. Or, if not one mind, anxious to ensure that papers going to trustee boards are those which are in tune with the thinking of the foundation's governing body. But I only know the workings of a few foundations. Is what I have described a part of common culture or is it not?

There is, however, a further area to which any spare reform activities should be directed. Let me begin this part of my lecture by declaring how I see charities acting as one of the great manufacturers of the red corpuscles of a free society. By their very work, charities are in a most privileged position to report what is happening to the poor and disadvantaged at the coalface.

Helping the poor now is a charity's most important task. But learning from what that charity sees as wrong is also vitally important for the functioning of our society. Much of that learning, I would also argue, can be of relevance to a wider society than those working for and governing charities and foundations.

Let me cite a personal experience of what I believe shows a healthy democratic spirit by our rulers when faced with charities presenting to them data they may not wish to see.

I was working at the Child Poverty Action Group when the Heath government gave the first government grants specifically to help campaigning charities function better. CPAG had applied, and it was some time after the closing date that a phone call was made to our office by a staff member in the office of the Home Office's junior minister responsible for this programme. The junior minister in question was Douglas Hurd. The minister was put through. 'We are trying to deliver to CPAG our first cheque in this programme. But it appears you have no letter box, no bell that works, and a front-door that is permanently locked.'

I explained to Douglas that our offices were at the top of 1 Macklin Street. Downstairs was the pioneering drug centre New Horizon, run then by Jon Snow. Hence the locked front door.

Would I please come down and open the door was not an unreasonable request. So down I went, opened the door, and waited for the messenger to re-appear to deliver that cheque. On returning, I phoned the Home Office and asked to speak to Douglas. I thanked him for the grant, adding that I would now write a press release to attack some aspect of the government's poverty record, just to show that we would bite the hand that fed us.

Douglas laughed and replied that he hoped we would do just that. He wanted to convince other charities to take the cash on offer and he believed that, if CPAG would do so, others would follow.

That the government gave CPAG a grant and expected it would in no way modify its behaviour, speaks volumes for the relationship that we should have between governments and civil society.

So a question I now pose to you, but also to the Charity Commissioners, is whether that political culture so illustrated by Douglas Hurd's response to CPAG is one which has been built on, or one which that has largely been destroyed.

Matters of degree can be very important, in this particular area, as in others. But we have witnessed two very significant changes in the way governments now operate that could hold significant threats to the freedom of charitable endeavour in this country.

One way governments have tried to downsize their role has been in putting out to tender work that previously was part of a relevant government department's work. Huge sums of tax-payer's money have thereby been directed to private companies or to charitable endeavours, who have successfully bid for contracts and whose size of argument, as a consequence, is massively increased.

No danger here, perhaps. But there has been a change in our political culture that does bear down on the possible freedom to speak out by those charities, now carrying out these large contracts, who previously tried to monitor from the outside how government was performing in the delivery of services.

Up until the Blair-Brown administrations, but no doubt to a lesser degree before, governments have seen their role in public debate as one of many participants, to one which they now wish to control.

Again I stress this isn't new. And that is why I stress that it is a matter of degree. But I do believe this wish to control the debate is so strong now that it is seen to be a legitimate objective by governments of all parties.

So the question I pose is: Is the attack-dog system, developed and used so effectively to control MPs who were deemed to have 'lost the plot', now being applied more generally in the public square. And if it is being applied specifically to those who are providers of what were once government services, and whose delivery of these services would have been watched over by the very charities that now receive massive injections of government funds.

Is this an area that the charity providers are now finding difficult to negotiate? Do they have the information which they would now like to put into the public domain which they find that they are either legally restricted from doing so, or fear government reprisals, should they do so.

The fear of reprisals may of course be ungrounded, but ungrounded fears can have an important effect on behaviour. So I pose a question to the Charity Commissioners. Is this an issue on which

they have picked up vibes? If it is, might they at some stage outline politically how they intend to take this issue forward. An off-the-record meeting with some of these major providers could form a useful first step.

I am now entering the final theme of the lecture. I have only time briefly to talk of four areas that the Charity Commissioner might wish to consider further. Indeed work may well be well underway on each of them.

First, is there a need for a new concordat on the relationship between governments, who now devolve such a large part of their budget to charities to deliver services which they one delivered themselves?

If there is, what should be the duties and rights of charities operating in these circumstances? And what should be the duties and rights of the government?

What are the implications for a world in which governments are awarding large contracts to charities who were previously part of the watchful eye of democracy on the very areas in which the charities are now commissioned to carry out government services? If there is a basis for concern here then I would suggest that the Charity Commissioners are ideally placed to begin drawing up what a new concordat would look like.

Second, how might the Charity Commissioners foster a greater giving culture? Beginning to answer this question, let me take you back to that data on the impact of the country's new rich. All have benefitted from this trend apart from the poor. While a minority have gained stupendous and huge wealth holdings, a huge number of citizens have gained some wealth they could never have believed would come their way. How might the Charity Commissioners begin to provide a map of this new world?

Might the Commission talk to the Inland Revenue and the Office of National Statistics to see what further information can be provided on the receivers of tax relief for charitable giving? I am not calling here for any breach of individual privacy. What I am anxious for is for the Commissioners to see how existing data might be better communicated, so that this knowledge might become more common in public debate and, hopefully, for this knowledge to lead to action.

Again, might the Commissioners begin an audit on the establishment of new foundations to see to what extent their birth matches the extent of the new wealth that has been created? Possibly more important, might the Commissioners consider, with the help of some of the new financial elite who have established foundations, how their colleagues might be encouraged to follow their lead?

How can the Charity Commissioners keep up a continuous dialogue on the opportunities available to give from those who possess wealth they never expected to come to those of their social standing?

Third, let me raise the important question of financing the Charity Commissioners, which only hinted at when I made a reference to the extent of tax relief support for charitable activity. Total tax reliefs to charities, including business rates relief, are now worth over £4 billion a year. The Commission has taken a share in reducing the nation's structural deficit. How far this is or it now fair is not a question on which I wish to dwell. My concern is a different one.

In a world where each pound given to charities is matched with a basket of concessions valued at 50p, and where the revenue forgone amounts to four billion pounds, I want to raise whether there is not a better way to secure the longer-term funding and independence of the Charity

Commissioners themselves. The question I wish to pose is whether a small percentage of these concessions, which are paid for by public funds, would be better top-sliced and given to the Charity Commission. Under the present arrangement, the government decides what the Charity Commissioner's budget should be. In doing so, it decides how effectively the Commissioners can carry out the functions that have been placed upon them by parliament.

The move I am making is not to increase by a single penny the amount of public funds devoted to tax-payer support for charities. A new agreement to finance the Commissioners along the lines will not of course, by itself, bring forward a change in culture I wish to see developed. While a swallow does not necessarily make a summer, it may nevertheless be a harbinger. We should put real effort into supporting governments to make the Charity Commissioners more independent of any Administration and entrench the independence of the Commission by the means of their funding.

Such funding I hope would be one that increases over time. It will certainly need increased finance if the task I have suggested for further Commission work is put alongside the other suggestions that are being made for developing the Commission's work.

If we believe, as the millions of charitably-giving public do, in the incredible importance of the work of charities, shouldn't we begin to debate how best to strengthen the body that bestows charitable status and then has a policing role to ensure that the duties and rights given to charities are ones which they are fulfilling to the best of their abilities? There are also people like me who see the independence and growth of charities as crucial for a free society. What greater task is there than protecting these centres manufacturing the political red corpuscles which are so crucial to the health of our body politic? The hour is already late and action is urgent.