

GREEN PAPER ON COMMISSIONING

Who we are

1. The Churches' Legislation Advisory Service is an ecumenical body that brings together all the major churches in the United Kingdom (and, because the umbrella ecumenical bodies are members, many of the smaller churches as well), together with the United Synagogue. Our purpose is to represent our members on issues of secular law as they affect their interests. A note of our membership is annexed.
2. We welcome the opportunity to respond to the *Green Paper*. Because few of the questions that it poses are directly relevant to our member organisations, we offer some general comments.

In which public service areas could Government create new opportunities for civil society organisations to deliver?

3. Our member organisations already provide a wide range of social services. For example, after local and central government the biggest provider of social services in the United Kingdom is the Salvation Army. Its London Central Division alone operates two residential detoxification services, a registered day-care centre for children, seven residential 'lifeshouses' and non-residential centres and two residential homes for elderly people, as well as chaplaincy at a number of prisons in the London area. The Church of Scotland's Social Care Council, CrossReach, employs more than 2,000 staff and runs a high proportion of Scotland's homes for the elderly. The United Synagogue is heavily involved in social care for members of the Jewish community in London and the south-east, with 1,100 staff and 2,500 volunteers running over 70 centres.
4. The short answer to the question posed by the *Green Paper* is, "many of them" – always provided that civil society is allowed to operate on equal terms with central and local government providers. That said, however, we must enter a *caveat*.
5. As the Bishop of Leicester pointed out on 30 December in an interview with Riaz Butt of *The Guardian*, it is simply unrealistic to assume that faith groups (and for that matter, civil society generally) can simply take over responsibility for providing services abdicated by local and central government. Because of its volunteer element, civil society can often deliver services more cost-effectively than central or local government can; but its ability to do so still depends on an adequate basic funding-stream. If that basic funding-stream dries up, the organisation in question will be in no position to tender when services are put up for outsourcing.

How could Government make existing public service markets more accessible to civil society organisations?

6. There are two issues here.
7. The first applies specifically to faith-groups. Public service markets will only become fully accessible to faith-communities when government treats them (and the faith-based charities associated with them) on an equal footing with their secular counterparts.
8. There has been a growing tendency, at least in some quarters, to regard faith-communities as inward-looking organisations concerned with the welfare of their own members, whereas nothing could be further from the truth. CAFOD, for example, is concerned with overseas development, not with evangelism for the Roman Catholic Church. The role of The (Church of England) Children's Society is to work with vulnerable children, not to turn them into Anglicans. We welcome the Prime Minister's recognition in his article in *The Tablet* in September 2010 of 'what faith groups contribute to our society'; and we hope that commissioners will treat faith-groups and faith-based charities on an equal footing with other elements of civil society when inviting and evaluating tenders for services.
9. The second issue is complex and applies across the charity sector generally. Organisations registered for VAT levy the tax on the goods and services which they supply in the way of business ("outputs") and can set off against that the VAT which they pay on the goods and services which they purchase in the way of business ("inputs") – which means that the burden of the tax is passed on to the ultimate consumer. However, many charities do not charge for their services – with the result that there is nothing against which they can offset the VAT which they pay on their inputs. This is a particularly acute problem for faith-communities since their core activities do not, generally speaking, involve the provision of goods or services for money *at all*. The United Synagogue, for example, calculates that in the year ending December 2008 it incurred an irrecoverable VAT liability of some £1.4 million.
10. In the case of services commissioned by local authorities, practice is inconsistent. On the whole, local authorities seem to prefer to make grants for services rather than to commission them under contract, because by doing so they know precisely how much they are spending. From the point of view of the local authority, it should not matter whether or not the charity is obliged to levy VAT; from the point of view of the charity, however, the difference can be considerable.
11. Quite apart from the fact that irrecoverable VAT imposes a serious financial burden on charities, it may also create an unwelcome disincentive for public bodies that are seeking to outsource services. A switch from in-house provision to an outsourcing solution will not involve a VAT disadvantage *so long as the outsourcer is able to charge (and therefore recover) the VAT*. But where the outsourcer cannot do so – either because the service is within the exempt classes (such as education, social welfare or care) or because the funding is by grant – the service will be loaded with embedded VAT suffered by the supplier and will be that much less competitive as a result.
12. We note in this connexion that it is intended to make provision in the Finance Bill 2011 to amend the Value Added Tax Act 1994 so as allow academies to recover VAT incurred on purchases made to support their non-business activities (principally the provision of free education) which would have ordinarily been recovered by the local authority had they remained under local authority control.
13. Presumably this is being done on the basis that an academy is providing the same service as a local authority school; and we would argue that once the principle of treating like with like has been conceded in this way, it should be applied even-

handedly. A care-home run by the Methodist Church, for example, is surely on all fours with a care-home run by a local authority – so why should the two be treated differently in relation to VAT?

How could commissioners use assessments of full social, environmental and economic value to inform their commissioning decisions?

14. A good start would be to make sure that commissioners carry out such assessments in the first place. We suspect that, at the moment, detailed assessments are the exception rather than the rule.

5 January 2011

Annex: Members and Associate Members of CLAS

Archdiocese of Thyateira and Great Britain (Greek Orthodox Church)
Assemblies of God in Great Britain and Ireland
Association of English Cathedrals
Association of Grace Baptist Churches (SE)
Baptist Union of Great Britain
Baptist Union of Wales/Undeb Bedyddwyr Cymru
Church Communities UK
Church in Wales/yr Eglwys yng Nghymru
Church of Christ Scientist
Church of England
Church of Ireland
Church of Scotland
Churches Together in Britain and Ireland
Churches Together in England
Congregational Federation
CYTŪN
Elim Foursquare Gospel Alliance
Evangelical Alliance
Evangelical Presbyterian Church of England and Wales
Fellowship of Independent Evangelical Churches
Free Church of Scotland
Free Churches Group
General Assembly of Unitarian and Free Christian Churches
Independent Methodist Churches
London City Mission
Lutheran Council of Great Britain
Methodist Church
Mission to Seafarers
Moravian Church
Presbyterian Church in Ireland
Presbyterian Church of Wales/Eglwys Bresbyteraidd Cymru
Religious Society of Friends (Quakers)
Roman Catholic Church in England and Wales
Roman Catholic Church in Scotland
Salvation Army
Scottish Episcopal Church
Seventh-Day Adventist Church
Union of Welsh Independents/Undeb yr Annibynwyr Cymraeg
United Free Church of Scotland
United Reformed Church
United Synagogue
Wesleyan Reform Union