



Parliamentary Briefing

Charities and public service delivery

Politicians on all sides are increasingly looking to charities to revitalise public services. However, our consultation with over 3,800 registered charities shows evidence that a capacity gap may be emerging, and furthermore that current approaches to obtaining services from the charitable sector could be compromising charities' independence, financial viability and mission.

What are the key findings of your consultation?

Of those charities who took part in our consultation:

- Over two thirds of funding agreements for public service delivery last only a year
- Only 12% of charities achieve full cost recovery for all public services they deliver
- Those delivering public services were less confident about their independence than those which aren't
- 67% of charities over £10 million delivering public services rely on it for 80% -100% of their funding
- 64% of charities not currently delivering public services would not consider doing so within the next 12 months

I know charities that are doing a great job delivering services to my constituents – so what's the problem?

There is a long tradition of charities providing public services, and as the sector's regulator it is not the Charity Commission's job to decide whether or not charities should deliver public services. However, the results of our survey highlight some potential risks. For charities, the risk is that their independence, financial viability and mission will be compromised. For government, the risk is that the unique value charities can bring to public services will be lost.

Aren't charities getting a fair deal?

No. Of those charities who took part in our consultation, only 12% say they achieve full cost recovery for all public services they deliver, and over 40% say they are never paid the full cost. This means that many charities are subsidising the public services they deliver, with serious implications for their own financial sustainability. Furthermore, over two thirds of all funding agreements for public service delivery are for only one year – a very low base. Under-funding threatens the very survival of charities delivering public services.

How does public service delivery affect the way charities are run?

Of those which took part in our consultation, only 26% of charities delivering public services feel free to make decisions without pressure to conform to their funders' wishes. Responses to our survey show charities not delivering public services feel more confident of their independence. If the independence of charities delivering public services is compromised, that threatens their reputation and the public confidence in charity.

Why should the government worry about all this?

This report raises questions about charities' future capacity for public service delivery. It suggests that larger, regionally-based charities predominate in public service delivery. This may be a result of market pressures or barriers to funding opportunities, rather than choice on the part of charities.

The overall picture shows:

- Roughly two thirds of the sector is made up of very small charities (with an income of £10,000 or less). Only 8.5% of these small charities are delivering public services already and because of their size, it seems unlikely their capacity will increase significantly in the future.
- The largest charities are already significantly engaged in public service delivery. Over 60% of charities with an income above £500,000 currently deliver public services. It is unclear how many more charities in this income band can or will take on public service delivery.
- The survey results also indicate that medium sized charities (with incomes of £10,000 - £100,000) struggle the most to obtain sustainable funding.
- The government has made numerous commitments – most recently in the Cabinet Office Third Sector Action Plan – to increase the capacity of the sector to deliver public services, to open up the market to a wider range of organisations, and to make sustainable funding the norm. Our survey suggests increased participation by charities in public service delivery can only happen if these aspirations become reality.

What can be done?

Implications for charities:

- Charities' independence is at risk. They must not let funders have undue influence on the way the charity is run.
- It is vital that charities stick to their mission: they should not let funding availability lead them away from their core objects.
- On funding, our policy is that charities can subsidise public services which the public authority has a duty to provide, but only if they consider this to be clearly in the charity's best interests. Charities should know their worth and refuse to provide services without full cost recovery when it is not in their interests to do so.

Implications for government:

- The government committed in the Pre-Budget Report to create a commissioning framework with three-year funding as the norm. The low base from which this starts suggests that, in practice, this is unlikely to happen for some time.
- The Compact sets down the terms on which public authorities ought to engage charities in public service delivery, and one of its stipulations is that public authorities ought to pay meet the charity's full costs for provision of the service. This is clearly not happening on the ground, and the Compact Commissioner needs to tackle this.
- There is also the issue of accountability to service users. With almost 40% of charities delivering services lacking any complaints procedure, and with some authorities arguing that they are not responsible for services they contract to charities, there is a risk that vulnerable users could be left to fall between the cracks.

About the Charity Commission consultation

We conducted an online consultation last summer, open to all the charities on our register. This was the first ever all-charity consultation into the experiences of charities themselves in delivering public services. Over 3,800 charities responded, and the results create a strong evidence base to inform policy debate and our regulatory role.

This briefing document is also available in the Public Affairs area of the Charity Commission's website. If you have any queries please contact our Parliamentary Officer, Andrew Rudd, on 020 7674 2322 or by email at andrew.rudd@charitycommission.gsi.gov.uk.