

20th February 2014

Ms S Lis
Head of Communications
Institute of Economic Affairs
2 Lord North Street
Westminster
London SW1P 3LB

Dear Ms Lis

Thank you for your letter and enclosing a copy of “The Sock Doctrine” discussion paper.

I have read your paper and I disagree with it.

Taxpayers’ money should not be spent on partisan political campaigning. However your discussion paper confuses such campaigning, which would be against the charity sector’s ethos, with campaigning on matters of public interest.

The voluntary sector performs many roles in society, and one of those roles is to act as an advocate on behalf of citizens. The sector has led many important campaigns to raise awareness of neglected issues; to improve public health and well-being; or to give a voice to underrepresented parts of our society. Sometimes these campaigns have called on the state to act in order to tackle these issues.

The cornerstone of a free democratic society is the ability of citizens to organise themselves to campaign on issues which matter to them. It is rightly up to these organisations to decide whether or not to campaign and what on. To strip any organisation which receives public money of this ability would weaken our democracy and would deprive many parts of our society of a voice. The absurdity of your proposition is clear: it would leave these charities as the only organisations in the country unable to engage in public debate. This is in no one’s interests and something that NCVO would unequivocally oppose.

Your letter also states that there is a left-leaning political bias in those organisations which receive state funding. Reading your discussion paper I cannot find any evidence given for this assertion. In fact, your paper says “[t]here is little hard evidence about the voting intentions of those who work for charities, quangos and the public sector”. Moreover, in the report you cite data published by the Commissioner for Public Appointments. However, the Commissioner does not report on appointments to charities. Your assertion that 77% of appointees in charities expressed a preference for the Labour Party is therefore baseless.

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The discussion paper also does not appreciate the changing financial relationship between the state and the voluntary sector. The sector's funding from the state has increased since 2000/01 – however, this has not come from grant funding. In fact, grant funding from statutory sources has fallen significantly over this period. The sector earns nearly four times as much in contracts than it receives in grants. This income is used by charities to deliver a wide variety of public goods and services. The assumption underpinning this report, that any money provided by the state to the sector is probably being diverted to campaigning or other pet projects seems to ignore the evidence.

I would also disagree with the conclusion that no unrestricted grants should be given to third party organisations. Grant funding can be a very cost-effective way for public bodies to foster innovation and support smaller organisations or commission niche services, where a contract would not be appropriate. Organisations in receipt of grants can help to identify social needs and craft bespoke solutions which save the state money further down the line. We should not deprive ourselves of this vital funding mechanism which helps us to tackle some of the country's most deep rooted social challenges.

I do agree with the paper, however, that transparency is important. The financial accounts of all charities with incomes above £25k p.a. are already publicly available on the Charity Commission website, as well as information from the Annual Returns of all registered charities and more detailed 'part B' financial reporting from charities with an income above £500k. Furthermore, many charities are setting the highest standards of transparency - including publishing full details of their programmes and campaigns, impact reports and evaluation reports online. Where they receive income from grants and contracts with public bodies, charities are accountable for the outcomes of this funding and are usually required to meet significant reporting requirements. Your proposals for charities to be subject to FOI and further reporting requirements would place disproportionate burdens on them, without any evidence that their transparency is lacking in the first place.

I assume you have sent the same covering letter to others that NCVO received. In light of the fact that you have misrepresented your own research in this letter, I believe you should send a correction to make clear that the IEA has no evidence to assert a political bias in appointments to charities. People from right across the political spectrum give their time to charities, whether as volunteers, trustees or staff. It is entirely unfair to them to suggest that the volunteers, trustees and staff of the UK's 160,000-plus charities are of one particular mind.

I will be making this letter public in order to draw attention to this point and to address the wider issues your discussion paper raises.

Yours sincerely



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Chief Executive

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