

Government grants to charities

Government's relationship with charities has become another part of the lively debate about how much the government should give in grants and to whom.

Pre New Labour there was an attempt to segregate government from charity. Charities were not encouraged to undertake work in areas covered by government. Government did not spend a lot of money on giving grants to charities. Charity law sought to ensure charities did not use money they had raised for political purposes, and did seek to keep their overheads down to maximise the favourable use of the donations.

Under Labour there was a policy to expand the so called third sector, and to offer it public service contracts to undertake functions that the state wanted done. There was a deliberate wish to blur the distinctions between charities, companies and state activity, and to create collaborations between the three sectors. The state could end up financing more than at first appeared, by making a direct contribution through its own participation in the joint venture, offering contract money to the private sector participant, and offering contact money and donations to the charity. So called public private partnerships also often concealed more state money and underwriting than was at first apparent. The state paid its own contribution, and then helped pay or underwrite the private sector contribution.

The more the state became involved in offering grants and contracts to charities, the more the charities had to build a well paid bureaucracy in their organisation to meet the paperwork requirements of the state. There needed to be lengthier and more detailed appraisals of projects, tasks and outcomes, and plenty of material for record keeping and audit. Charities needed expensive people to participate with the danger that overheads as a proportion of donations rose.

It now seems timely to ask what benefits has all this brought to users of these services and to taxpayers? How do the regular private donors of the charities feel about this? Are current controls on charities' political involvement and campaigning working well?