BODY POLITIC Nigel Hawkes

Have charities been silenced by government gold?

Charities received a record £900m from the NHS last year—will this stop them speaking out?

Last week the head of a leading mental health charity made an appeal for funds. Nothing unusual there you might surmise. It is the business of charities to play the role of Oliver Twist, forever saying they want some more.

But Andrew McCulloch of the Mental Health Foundation did not direct his appeal at philanthropic individuals, but at the government. These days, when charities fall short in their fundraising it is not because they cannot wheedle any more pennies out of reluctant donors through flag days, second-hand shops, or legacies, but because their government grants and contracts haven't come up to scratch.

To those raised in the conviction that charities ought to be everything that government isn't, the extent to which the two sectors have become interdependent is remarkable. Hands up those who knew that more than 90% of the income of Mencap or Leonard Cheshire—two high-profile charities—comes from the government. Or two thirds of the income of Dr Barnardo's.

Even fiercely independent organisations such as the Salvation Army have been dragged in, as donations from its own members and legacies decline and grants for social work from government grow, accounting in 2005-6 for a fifth of its revenues.

Among the bigger charities—those with an income of more than £10m (£14.6m; \$20.3m) a year—two thirds get 80% or more of their income from delivering public services. If a charity is big, you might conclude, it is not because it has the warm-hearted support of millions, but because it is acting as a servant of the state.

Just how much money charities get from national and local government is difficult to ascertain. They are lumped together with other voluntary and non-profit organisations as TSOs, or "third sector organisations." The Home Office says that in 2001-2, TSOs received £6.37bn, £904m of which came from

the NHS. Others put the figures far higher: nobody really knows.

But have charities that choose to deliver services struck something of a Faustian bargain, sacrificing their rights to campaign in favour of an income stream? When the Charity Commission conducted a survey in 2006, it found that only 26% of charities that deliver services agreed they were free to make decisions without pressure to conform to the wishes of their paymasters.

A minority—less than 10%—admitted that their activities were determined more by funding opportunities than by their mission. A charity that sees its main job as attracting grants and contracts is not in any normal sense a charity at all.

This is not to say that such organisations do not behave charitably. Unfortunately it is government, national and local, that is the beneficiary. The survey found that only 12% of charities recovered all their costs, in all cases, when they provided services.

That means that 88% of them, to one extent or another, are subsidising government or its agencies. This is a radical redefinition of a charity's role, but not one of which their supporters would necessarily approve.

The Charity Commission warned there would be consequences for charities for feeding at the public trough, though naturally it did not put it as crudely as that. "Public perception of the role of charity is narrower than the role charities fulfil in practice," it said. "An increasing shift towards public service delivery will make public education a more challenging task." That's nicely put.

It went on: "Are charities subsidising public services on the basis of decisions informed by beneficiaries' interests? Or are they doing so accidentally, or because of a lack of negotiating power? What might be the impact of these funding issues upon public perception of charity over time?"

These questions are important

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because Gordon Brown has put the voluntary sector at the front of his political stall. The first outline of his philosophy as prime minister was delivered in a speech at the National Council of Voluntary Organisations. Please don't rush to read it, as it is opaque beyond belief, but in the question-and-answer session Mr Brown promised to safeguard the independence of charities to speak out on issues without it affecting their ability to raise funds.

Some see this as a reversal of the Blairite mission to pressgang charities into becoming cheap service delivery vehicles. Others say nonsense, there is no change of policy, and providing services strengthens charities in their campaigning activities. Yet others say that what matters is the increasing shift from grants to contracts, because that further limits a charity's ability to act freely.

Dr McCulloch launched his appeal on behalf of a number of small mental health charities that help young people. His own charity does not deliver services, so there was no self interest involved. Small charities, often locally based, are subject to the whims of local commissioners, who can turn off the tap when it suits them, or whenever the shoe pinches.

There are also concerns about the Department of Health's commitment, despite Mr Brown. One charity boss who runs a leading and well respected organisation says he currently finds it impossible to arrange meetings with ministers, or health authority chief executives.

Charities are perhaps learning that supping with the devil calls for a long spoon. They want the best for their beneficiaries, but acting as an agent of government brings with it all the problems of being an NHS employee, without the pay, or the pension. Who's being charitable to whom?

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