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Public Administration Select
Committee

The Big Society

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of Session 2010–12**

Volume I

*Report, together with formal minutes, oral and
written evidence*

Volume II: Oral and written evidence

*Additional written evidence is contained in
Volume III on the Committee website at
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The Public Administration Select Committee (PASC)

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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Summary

The Prime Minister has placed the Big Society project at the centre of his political agenda, and in turn, it occupies a central place in the Coalition Agreement. Translated into policies, the term describes the Government's intention to open up public services to new providers, increase social action and devolve power to local communities. Many welcome these objectives. Our inquiry has focused on the commitment to commission a greater proportion of public services from the charitable sector, drawing on the immense resources of skill, knowledge and innovation to be found in charities and community groups.

This report examines what the Big Society project means for Whitehall and whether the implementation of this policy is on track to succeed. The Government faces the challenge to produce more coherent plans for achieving the Big Society project, and to communicate the policy agenda more effectively. Whilst there have been some criticisms of progress, the Open Public Services White Paper sets an overall deadline of April 2012 for departments to publish regular progress reports setting out the steps that have been taken to open public services. This will follow a period of consultation over the summer and autumn of 2011.

There is little clear understanding of the Big Society project among the public, and there is confusion over the Government's proposals to reform public services. In particular, the ambition to open up public services to new providers has prompted concerns about the role of private companies which have not thus far been adequately addressed by Ministers. We have recommended greater clarity on the roles of charitable, private and public providers of public services. We also press the Government to outline how crucial issues of accountability in terms of quality and regulatory powers will be managed in the Big Society project, and in particular accountability for public expenditure.

There is also uncertainty about how many charities in general, and small and local community groups in particular, are willing and able to deliver public services. Serious concerns about the wider financial health of the charitable sector have prompted several such groups to warn that the Big Society project is being undermined by reductions in grant funding by local authorities. However, this is partly because the Big Society message is not always communicated in simple language. Some groups now see this issue in terms of how much money they will receive in public grants. At the same time, some charities are keen to take a greater role in delivering public services, and are likely to experience significant barriers to progress unless the culture and skills of the departments commissioning such services change.

We therefore propose a number of steps to change the way the Civil Service and local authorities commission and manage contracts for public services. We caution that unless these steps are taken, the Big Society policy agenda will not achieve what the Government intends.

1 Introduction

1. The Prime Minister has described the Big Society project as his “mission in politics” and has pledged “to fight for it every day, because the Big Society is here to stay.”¹ The foreword to the Coalition Agreement states that the Big Society project has “the potential to completely recast the relationship between people and the state: citizens empowered; individual opportunity extended; communities coming together to make lives better”.²

2. We undertook this inquiry to examine how the Big Society project was being implemented in practice. We have expressly not undertaken a detailed evaluation of the merits of the Big Society concept. Instead we set out to examine the role of the Government in enabling the development of the Big Society project. In particular, we sought to consider the policy implications of the Government’s commitment to open up of public services, which the Prime Minister described as “more significant” than the other parts of the Big Society project, such as measures to increase social action.³

3. The objectives of this inquiry were:

- a) to consider what the Big Society project means in terms of policy and the implications for the role of Whitehall departments;
- b) to assess, in particular, the desirability and implications of encouraging innovative forms of public service provision by social enterprises, co-operatives and the voluntary sector; and
- c) to examine the main barriers to achieving this and how they must be addressed.

4. This report builds on the work of our predecessor committee: in particular its Sixth Report of the 2007-08 Session, *User involvement in public services* and its Eleventh Report of that Session, *Public Services and the Third Sector: Rhetoric and Reality*.

5. Over the course of this inquiry we received 125 memoranda. We also held six evidence sessions, where we heard from the Rt Hon Francis Maude MP, Minister for the Cabinet Office, Nick Hurd MP, Minister for Civil Society, and Greg Clark MP, Minister for Decentralisation and Cities, in addition to representatives of charities, voluntary sector umbrella groups, trade unions, faith and humanist organisations, think tanks, the private sector, and commentators. We also visited the Balsall Heath Forum in Birmingham and the Emmaus Community in West Norwood. This report also cites evidence received by the Committee in an inquiry held in early 2011 into Funding of the Voluntary Sector when seven written memoranda were received, and oral evidence received from Sir Stuart Etherington, Chief Executive of the National Council for Voluntary Organisations, Thomas Hughes-Hallett, Chief Executive of Marie Curie Cancer Care, Nick Hurd MP, Minister for Civil Society, Justine Greening MP, then Economic Secretary to the Treasury, Sir Sandy Crombie, Senior Independent Director, Royal Bank of Scotland, Robert

1 “PM sets out commitment to Big Society”, *Number 10 website*, 14 February 2011, Number10.gov.uk

2 HM Government, *The Coalition: Our Programme for Government*, May 2011, p 8

3 “How we will release the grip of state control” *The Daily Telegraph*, 20 February 2011, p 20

Mirsky, Head of Hedge Funds UK, KPMG, Martin Brookes, Chief Executive, New Philanthropy Capital, and Chris Blackhurst, then City Editor, London Evening Standard. We would like to thank all those who contributed to the inquiry and our specialist adviser on this inquiry, James Wise, Director at the Social Business Trust.⁴

⁴ James Wise was appointed as Specialist Adviser to the Committee for this inquiry on 5 April 2011.

2 The Big Society project and Whitehall

The roots of the Big Society

6. The Big Society is not a ‘new concept’, and considering the roots of the ideas associated with the term can help to understand how it translates into a policy agenda for Government.

7. The Big Society project has been linked with the ideas central to major religions, with the Bishop of Leicester suggesting it has “resonances with a vision for society that is profoundly Christian”.⁵ A further historical context can be found in the ‘little platoons’ described by Edmund Burke in his ‘Reflections on the Revolution in France’ (1790)⁶:

To be attached to the subdivision, to love the little platoon we belong to in society, is the first principle (the germ as it were) of public affections. It is the first link in the series by which we proceed toward a love to our country and to mankind. The interest of that portion of social arrangement is a trust in the hands of all those who compose it; and as none but bad men would justify it in abuse, none but traitors would barter it away for their own personal advantage.⁷

8. The commitment to open up public services to mutuals and co-operatives links the Big Society project to the co-operative movement, first established in Rochdale in 1844, which now includes nearly 5,000 businesses in the UK.⁸ Co-operatives UK believe that “what makes the co-operative approach important is that it’s a way of doing things that makes it possible to harness the drive human beings have to achieve their goals by acting together.”⁹

9. Lord Glasman, Adviser to the Leader of the Opposition on Civil Society, linked the Big Society project to social action in alienated communities in 1930s Chicago:

basically, it started off in Chicago in the 1930s with a guy called Saul Alinsky. The idea was that poor, local, demoralised communities would generate power, build relationships, and be able to act in Mayor Daley’s Chicago, where they were completely cut out [...] community organising is based on building relationships, action and power: giving local communities power through their own leadership and setting their own agenda.¹⁰

10. The Big Society project also has roots in the theory of social capital, most notably espoused by the Harvard sociologist Robert Putnam, whose seminal 1995 essay ‘Bowling Alone’ identified a reduction in the number of Americans taking part in communal activities, causing a decline in social interaction and civic engagement.¹¹ Putnam defined

5 Q 349

6 “Bruce Anderson: Cameron’s ‘little platoons’ get stuck in the woods” *The Financial Times*, 10 February 2011, p 11

7 Burke, E. *Reflections on the Revolution in France* Text accessed at www.constitution.org

8 ‘What is a co-operative?’ *Co-operatives UK* : www.uk.coop

9 Co-operatives UK, *The Formula for Co-operation*, (Manchester: 2010), p. 3

10 Q 32 [Lord Glasman]

11 Robert Putnam, “Bowling Alone: America’s Declining Social Capital”, *Journal of Democracy* 6:1, Jan 1995, p 65-78

social capital as “the fabric of [...] community life”.¹² He lamented its decline in the USA, and the development of what he called: “a widespread tendency toward passive reliance on the state.”¹³ The Big Society project can also be traced back to the work of the George Washington University sociologist Amitai Etzioni, who founded the Communitarian Network in 1990.¹⁴ Communitarians believe that “generally no social task should be assigned to an institution that is larger than necessary to do the job [...] But to remove tasks to higher levels than is necessary weakens the constituent communities”.¹⁵ It is important to note that advocates of the Big Society project say it is not just about community. It is also about social capital, people power, and social entrepreneurs.

11. The Prime Minister first outlined his theory of the Big Society project—and why it was his answer to a ‘broken society’—as Leader of the Opposition. In his speech to the Conservative Party Conference in October 2009, he stated:

So no, we are not going to solve our problems with bigger government. We are going to solve our problems with a stronger society. Stronger families. Stronger communities. A stronger country. All by rebuilding responsibility.¹⁶

Further details emerged in Mr Cameron’s Hugo Young lecture in November 2009, when he called for ‘state action’ to make the Big Society project a reality:

Our alternative to big government is not no government - some reheated version of ideological laissez-faire. Our alternative to big government is the big society. But the big society is not just going to spring to life on its own: we need strong and concerted government action to make it happen. We need to use the state to remake society.¹⁷

12. The Big Society is not a new concept. It builds on a wealth of traditions and ideas about strengthening communities, civic action and co-ownership of public services.

The role of Government in enabling the Big Society

13. The ‘strong and concerted government action’ has translated into three Big Society policy areas, as set out in government policy documents. First, the Government has said that the Big Society project means empowering communities through decentralisation and localism, by giving local councils and neighbourhoods more power to take decisions and shape their area. This devolution of power has been described as the “biggest thing that government can do to build the Big Society”.¹⁸ It is claimed that it will amount to what the

12 Robert Putnam, “Tuning In, Tuning Out: The Strange Disappearance of Social Capital in America”, *PS: Political Science and Politics*, Vol. 28, No. 4, Dec 1995, p 667

13 Robert Putnam “Bowling Alone: America’s Declining Social Capital”, *Journal of Democracy* 6:1, Jan 1995, p 65

14 “Big Society: be careful what you wish for Mr Cameron”, *Whitehall Watch*, 13 February 2011, whitehallwatch.org

15 Amitai Etzioni, *Rights and the Common Good: The Communitarian Perspective* (New York: 1995), p 16

16 ‘David Cameron: Putting Britain back on her feet’ *The Conservative Party website*, 8 October 2009, www.conservatives.com

17 ‘David Cameron: Big society can fight poverty. Big government just fuels it’ *The Guardian* 11 November 2009 p. 30.

18 DCLG, *Decentralisation and the Localism Bill: An essential guide*, December 2010, p 2

Prime Minister has described as the “the biggest, most dramatic redistribution of power from elites in Whitehall to the man and woman on the street”.¹⁹

14. The second policy area is the Government’s commitment to encouraging social action. This is to be achieved by specific policies encouraging volunteering and charitable donations, but is also expected to increase as power is devolved to communities and members of the public become motivated by what they can achieve in their local area and increase donations of time and money.²⁰

15. The third policy area is the opening up of public services, by enabling charities, social enterprises, private companies and employee-owned cooperatives to compete to offer high quality services. Ministers believe that providing the public with more control over the services they use and opening such services to a wide range of providers will lead to better services for all users.²¹ Our inquiry has focused on the role of Whitehall in the development of this policy area.

16. We have noted some inconsistency in views of the Government’s role in enabling the Big Society project. Francis Maude, the Minister for the Cabinet Office, said that although there is a “huge amount” for Government to do, the “Big Society, by definition, is mostly not about what Government does; it is about what people, organisations and communities do in society”.²² In his written evidence the Minister stated that, although the Big Society project could not be built “through the old top down approach to government, which tried to control too much from Whitehall”,²³ the Government “needs to change how it operates to actively support such a society”.²⁴ Nick Hurd, the Minister for Civil Society, also insisted that the Government has an “extremely big role to play ... this isn’t a case of ... just stepping back and expecting thousands of flowers to bloom.”²⁵

17. Our witnesses agreed that the Government must play a significant role if it wants to achieve its objectives. The National Council for Voluntary Organisations (NCVO) stated “the role of the state is not simply to cut red tape, or to ‘get out of the way’” but to enable the Big Society.²⁶ Voluntary Sector North West concurred, arguing that while not a top-down government programme, the Big Society project is “a Government-led agenda” with taxpayer money invested in delivering policy objectives.²⁷

18. The role of Government was more specifically defined by Gareth Davies, Head of the Office of Civil Society in the Cabinet Office, who detailed three distinct responsibilities for Whitehall:

19 “Prime Minister’s Big Society speech” 19 July 2010 Number10.gov.uk

20 Cabinet Office, *Giving White Paper*, Cm 8084, May 2011

21 Cabinet Office, *Open Public Services White Paper*, Cm 8145, July 2011

22 Q 520

23 Ev 118

24 Ev 119

25 FVS Q 128

26 Ev w248 [Note: references to ‘Ev wXX’ are references to written evidence published in the volume of additional written evidence published on the Committee’s website.]

27 Ev w232

- a) making “the one-off reforms that Whitehall needs to make, effectively giving up the power it used to have” such as these in the Academies Act 2010 and the Localism Act 2011;²⁸
- b) changing the commissioning system to open up public services to a more diverse range of providers;²⁹ and
- c) “the mobilisation and incubation of new ideas. Rather than taking power and solving problems ourselves in the centre, it is about how we can help others, be they individuals or businesses, to solve their own problems; it is about promoting social action.”³⁰

A coherent policy agenda across Government?

19. We have received little evidence to suggest that there is a coherent Big Society policy agenda which is understood by Whitehall. Though the Minister responsible, Francis Maude, Minister for the Cabinet Office, told us that he was “always slightly puzzled” by people asking what the Big Society project means “because it seems reasonably obvious” to him,³¹ Matthew Taylor, a former policy adviser to Tony Blair as Prime Minister, suggested that even officials and Ministers “have lacked clarity as to what the concept is about and have not told us how we would know it was happening.” This would hinder the work of civil servants in achieving the Government’s objectives.³² Mr Taylor further told us that there was “no adamant centre to [the Big Society project] that you could take from department to department and say, ‘this is what it means for you.’”³³ The result was that Big Society policies across government did not “marry with each other”.³⁴ He continued:

to take an example, in the police reforms the account seems to be, ‘we need to challenge professionals,’ whereas in the health service the account seems to be, ‘we need to give all the power to professionals.’ In the schools system it is, ‘let’s give the power to the parents’, but actually it will probably be giving power to head teachers. I think that civil servants are at a loss. They know that the old days have gone, and in some ways they welcome that; they understand the madness of too many targets and interventions, but what they do not understand is the driving logic of what they are trying to do now.³⁵

Andrew Haldenby, Director of the think-tank Reform, concurred: “it is very difficult to see a convincing case for the Big Society when the picture is very contradictory”.³⁶

28 Q 152

29 Q 152, 153

30 Q 153

31 Q 520

32 Q 155

33 Q 155

34 Q 183

35 Q 183

36 Q 170

20. The existence of different views of the Big Society project across Government was not, however, viewed as a problem by the Minister for the Cabinet Office: as the Government is made up of seventeen “separate entities” [the principal Government Departments] “of course there is going to be inconsistency across the piece”.³⁷ There is no lead minister to drive the Big Society project through Government. Instead Nick Hurd, the Minister for Civil Society, spoke of a “Big Society inter-ministerial group, with 14 or 15 people sitting around the table”.³⁸ There is also a legitimate concern over the several ambassadors and official representatives of the Big Society project: a problem of ‘too many cooks’.

21. The Open Public Services White Paper, published in July 2011, does not address the diversity of opinion about the Big Society project, nor does it set out a plan for implementation. The National Association for Voluntary and Community Action (NAVCA) told us that it “contains far fewer practical proposals than we would expect from a White Paper”.³⁹ This is partly because the White Paper is intended to be a consultation paper. The White Paper does set out a requirement for Departmental reporting on implementation of Big Society policies to begin in April 2012, although recent press reports suggest a possible delay in the Government’s response to the consultation responses.⁴⁰ Danny Kruger, chief executive of the charity Only Connect, recognised a challenge, in that the Big Society project was “not at the sort of scale that we normally talk at in political terms, like NHS, or schools or whatever”, combining both philosophical ideas and very local issues.⁴¹ It was thus both “too abstract and too granular”.⁴² However, he said:

David Cameron has recovered his courage on it and is promoting it very vigorously. I do think that, although it is essentially a bottom-up movement—it is an anti-politics movement; it is saying that central Government is not the answer—nevertheless there is a role for the state as the leader of our country and as a cultural promoter of the good and the true and the just, and that is what the Prime Minister should be doing, and I think he does. I think he speaks very bravely.⁴³

22. As part of our inquiry into Civil Service reform earlier this year, we wrote to all Permanent Secretaries to ask for details of how the Big Society project would affect their departments. In his analysis of the responses, Professor Andrew Kakabadse of Cranfield University, our specialist adviser to that inquiry, stressed the importance of strong leadership of the Big Society project from the Cabinet Office and the Treasury, stating:

there is no point in placing extensive demands on the delivery Departments of Whitehall, asking them to reconcile the ‘Big Society’ agenda with extensive cost

37 Q 530

38 FVS Q 124

39 Ev 125

40 “David Cameron starts all over again on public services reform” *Benedict Brogan’s Blog*, blogs.telegraph.co.uk, 7 December 2011

41 Q 27

42 *Ibid.*

43 Q 30

reduction requirements, without then being able to provide reasonable oversight, namely, governance.⁴⁴

Our subsequent report, *'Change in Government: the agenda for leadership'* argued that this leadership was lacking, concluding:

A cultural change to accept new ideas, innovation, decentralisation, localism and the Big Society, necessary if these flagship government policies are to succeed, will only come with leadership and a clear plan.⁴⁵

In addition, we concluded that there was "little evidence of the detail of the specific changes which will be required in terms of roles, structure, accountability and training [in Whitehall]. We believe this is one reason why the Government's decentralisation and Big Society policies are perceived to be failing".⁴⁶

23. Towards the end of this inquiry, we have found that even prominent supporters and architects of the Big Society project, such as Phillip Blond, Director of the think-tank ResPublica, have apparently become sceptical about whether a coherent and coordinated Big Society project can be implemented. In October 2011 Mr Blond wrote:

The tragedy is that the government has adopted a laissez-faire approach to the delivery of the big society. It has claimed that if the state stepped back, and social enterprise was incentivised (not least by the "Big Society Bank"), then the civic sector would grow itself - and there is no doubt that, in some parts, that will be true. But there is no civic infrastructure on which to base this innovation. It required a retail offering - every town or village or locality should have had its own big society platform where people could go for advice and input, and where the new powers in the Localism Bill could be explained and augmented with civic expertise, training in social entrepreneurship and the delivery of public service. With these ideas cut off by the spending cuts and sidelined by the Treasury as a prime ministerial distraction, the battle for the big society has probably already, needlessly, been lost.⁴⁷

24. The redistribution of power from Whitehall to communities, central to the Big Society project, will by its very nature necessitate a substantial change to Whitehall itself, and to the nature of government. Our evidence prior to the publication of the Open Public Services White Paper suggested that some witnesses remain concerned that there is not sufficient coherence in the Government's plans to achieve the objectives of the Big Society project. We await the publication of the results of the consultation following the Open Public Services White Paper and hope to see detailed implementation plans and coherent proposals in place before April 2012. As we recommended in *'Change in Government: the agenda for leadership'* the Government

44 Public Administration Select Committee, Eleventh Report of Session 2010-12, Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans structural reform, *Change in Government: the agenda for leadership*, HC 714, Appendix 2, p 8

45 Public Administration Select Committee, Thirteenth Report of Session 2010-12, *Change in Government: the agenda for leadership*, HC 714, para 109

46 *Ibid.* para 37

47 "Phillip Blond: Dave must take the Red Tory turn" *New Statesman* 2 October 2011

must produce a comprehensive and coherent change programme. Without this, attempts to bring about change will be defeated by inertia.

Communicating the Big Society

25. Ministers have the responsibility of explaining the Big Society project not only to departments, but also to the general public. This is critical to the success of the project. Bernie Morgan, former Chief Executive of the Community Development Finance Association, stressed that there is a “real role [for government] to play in selling the idea and creating a policy framework” in social finance, which is just one area of the Big Society project.⁴⁸

26. While, as Danny Kruger told us, “it is very difficult to communicate new thinking”⁴⁹, polling results suggest that the public do not have a clear understanding of the Big Society project or the associated policy agenda. However, Mr Kruger also said:

As to the idea that he has re-launched it four times, as we all know it takes 100 times before these things enter the public mind. [David Cameron] is going to re-launch and re-launch it. It is more about whether it will work; whether stuff happens on the ground. I think this goes with the grain of human nature, this is what people want, and the polls show that people do not understand it. I think they do understand it; they just do not like it coming from politicians. They do not like the sense of it being a top-down agenda.⁵⁰

A YouGov poll carried out for the Commission on the Big Society in April 2011 found that 78% of the public “believe the Government has failed to give people a clear idea of what the big society is about”.⁵¹ In May 2011, the Independent on Sunday published ComRes polling data suggesting that understanding of the Big Society concept was actually declining, with 40% of people stating “they could not grasp the concept, compared with 30 per cent in February 2011.”⁵² Ipsos MORI cited the response of a participant in their research studies: “they tried to explain but it’s too complicated. It’s very vague. What do they mean, ‘the big society?’”⁵³ The Network for the Post-Bureaucratic Age has warned that the “Big Society is in danger of becoming all things, and no things, to all people”.⁵⁴ Voluntary Sector North West complained that not only did the Big Society definition vary depending on the context, but that it “often seems to be a rhetorical vehicle to justify other (sometimes politically) predetermined aims”.⁵⁵

27. The community organising group, Locality, decried what they saw as a “year zero” approach from Government, which, they claimed, viewed the Big Society project as

48 Q 317

49 Q 27

50 Q 28

51 The Commission on the Big Society, *Powerful People, Responsible Society*, (London, 2011) p 10

52 “Are the wheels coming off the PM’s Big Idea?” *The Independent on Sunday*, 15 May 2011, p 12-13

53 Ev w130

54 Ev w198

55 Ev w232

starting at the 2010 General Election, an attitude which they believed “betrays, at best, an extraordinary naivety”.⁵⁶ Matthew Taylor concurred that this had been a major flaw in the communication of the Big Society project to the public:

Ministers talked about the Big Society as if it was something that would be created in the twinkling of an eye. One simply had to withdraw public services and civil society would flourish.⁵⁷

28. The resignation of the Government’s Big Society adviser Lord Wei of Shoreditch from his formal post in May 2011 prompted further press criticism of the policy agenda, and potentially contributed to communication difficulties.⁵⁸ A successor as adviser to the Government has not been appointed. Francis Maude rejected criticism of Lord Wei’s decision, stating:

Let me deal with that specific thing about Lord Wei when you say he has deserted the Big Society. He is actually doing it [the Big Society]. As a social entrepreneur he is creating social capital and social action, and driving new organisations to fulfil social missions.⁵⁹

29. The lack of understanding of the Big Society project should be seen in the wider context of public perceptions of the change envisaged in the delivery of public services and the devolution of power. The TUC cited research from the Institute for Public Policy Research and PwC which found that there was a degree of appetite among the public for a greater say in public services, but “people nevertheless believe that the state should remain primarily responsible for delivering most public services.”⁶⁰ In his oral evidence, Paul Nowak of TUC told us:

the evidence from the public is that that is not what they want at all. They are worried about stretched public finances being lost in shareholder dividends; they are worried about accountability, because accountability to shareholders is not the same as accountability to local communities; and they are worried about service quality.⁶¹

The trade union UNISON argued that the Government’s commitment to opening up public services was “based on an underlying principle of reducing state provision of public services”.⁶² However, Greg Clark MP, the Minister for Decentralisation and Cities said:

It is not simply talking about it but doing it, so that local authorities for the first time have a general power of competence so that they can initiate action. They do not just have to do what central Government tells them to do but can make decisions in the interest of their own communities. If you look at some of the rights, they include the right for voluntary organisations to challenge the way things are done and the right

56 Ev w113

57 Q 158

58 “PM’s Big Society Tsar steps down” *BBC News* 24 May 2011 www.bbc.co.uk/news

59 Q 573

60 Ev 108

61 Q 443

62 Ev w5

to bid to take over assets. These are practical measures that have been the subject of great debate and in many cases have formed significant consensus in this House and the other place. So at the same time as the debate on terms has been taking place, there has been substantial progress quite early in the day.⁶³

30. The Minister for the Cabinet Office did not share the concerns raised with us on public understanding and support for the Big Society project, remarking that he was “completely relaxed” that the Big Society “means different things for different people, and different things will have salience”.⁶⁴ The Minister for Civil Society did not recognise the problem, arguing that “people fundamentally understand it [the Big Society]. I think that national consciousness is one thing we have achieved.”⁶⁵ On the evidence before us, we must disagree.

31. Without a coherent plan, the Government has so far been unable to communicate effectively to the public what the Big Society project means in terms of practical policies—however, we await their Departmental plans to be published in advance of April 2012. If they fail to do so, they will not secure sufficient public understanding support for the commitment to open public services. For the Big Society project to be successful, Ministers must increase public understanding of the nature and purpose of their public sector reform agenda by setting out what it means in practical terms.

63 Q 553

64 Q 548

65 Q 549 [Nick Hurd]

3 Opening public services to alternative providers

32. The charitable sector ('the third sector' or 'civil society'), has a long and proud history of delivering public services: many witnesses pointed out that charities used to be the sole provider of public services. Sir Stephen Bubb, Chief Executive of the Association of Chief Executives of Voluntary Organisations, highlighted the example of St John's Hospital in Bath which has been providing services for the elderly since 1137, previously funded through charitable donations, and now funded by the state.⁶⁶ Sir Stephen also spoke of charities which had come into existence through dissatisfaction with "bureaucratic [and] inflexible" state-delivered public services, citing Mencap and Scope as examples.⁶⁷

33. There is no doubt that many charitable organisations can and do provide good and innovative public services, particularly for clients who do not want to be involved with officialdom, for example in the field of rehabilitation, where substantial reductions in reoffending rates have been achieved.⁶⁸ Journalist Polly Toynbee suggested that charities can "do it better than the state, because they are often innovators, they often lever in all sorts of other things, they are often much closer to communities—not always, but they can be."⁶⁹ The TUC also praised the "added-value, niche services" which voluntary groups could provide, in partnership with the public sector, because they "are often able to engage with hard to reach clients and communities that may be beyond the scope of the public and private sector".⁷⁰

34. While some charities and voluntary groups told us they were keen to take a more active role in service delivery, we also heard that this did not necessarily reflect the position of the whole charitable sector. The Third Sector Research Centre argued that their research showed that "not all voluntary and community organisations necessarily need, or wish to, take on a greater role in delivering services". They identified in particular smaller organisations who were unable to meet contract requirements and were instead reliant on charitable income.⁷¹ Some of these groups are simply too small in scale to work with Government departments or local authorities. Danny Kruger, whose charity, Only Connect, works to prevent re-offending, told us that "there is no contract that our tiny little outfit could possibly enter into with Whitehall".⁷² Instead, the most they could hope for would be to "be a subcontractor to a subcontractor to Serco".⁷³

35. There were also doubts that the majority of charities, small in size and operating on a very local basis, have "the resources and skills to competitively tender", a problem

66 Q 408

67 Q 457

68 Ev w127, Ev w226 and Q 438 [Sir Stephen Bubb]

69 Q 93

70 Ev 107

71 Ev w243

72 Q 115

73 Q 117

exacerbated in the view of Timebank, a national volunteering charity, by cuts to “the infrastructure organisations that could up-skill these organisations to tender”.⁷⁴ These organisations, which include local community and voluntary services (CVS) and volunteer centres, have, according to the Charity Finance Directors’ Group, “a valuable role in fostering civil society engagement and up-skilling the sector, [and] should be at the heart of the Big Society project but instead are being compromised” by spending cuts.⁷⁵ At the same time, Ministers cite Treasury figures which show that by the end of this Parliament, the public sector will still spend more than 40 per cent of our GDP, the same proportion as in 2006/07.⁷⁶ The overall funding position for civil society may be backpedalling slightly, but it follows years of enormous increase.

36. The lack of recognition of the diversity of the charity sector was criticised by the Our Society network, which accused Ministers of being “oblivious to the enormous differences between national charities, community and neighbourhood organisations, and informal groups [...] The experience of voluntary organisations over recent years is that only a few large ones are in a position to handle contracts of any scale.”⁷⁷

37. Other charities currently provide public services, and would be happy to expand the good and effective work they do, but only on a small scale, as they “do not aspire to large-scale service delivery”.⁷⁸ Kevin Curley of NAVCA made the following suggestion:

I think that an organisation such as Derby Women’s Aid, which provides a 12-bedded hostel, would aspire to providing a second 12-bedded hostel, but would not aspire to running all the women’s refuges across the East Midlands. To take the example of the Hull citizens advice bureau, it would very much like to run a branch bureau on a deprived estate like Preston Road or Orchard Park, but it does not want to provide advice services across the whole of East Yorkshire, by and large.⁷⁹

38. We welcome the Government’s commitment to encourage the participation of the charitable sector in the provision of public services. We recognise that not all public services are suitable to be delivered by charities and that not all charities are willing or capable to deliver services. Charities and community groups have shown that they can provide some public services at better value for money than those delivered by the state and that some wish to do so. We have yet to see how the Government will encourage this since contracting out continues to favour the larger, more commercial providers. In essence, this is the challenge: to build the ‘little society’, rather than the ‘Tesco’ charities that are skilled at tendering.

74 Ev w243

75 Ev w138

76 “David Cameron: Together in the national interest” *The Conservative Party* www.conservatives.com 6 October 2010, HM Treasury, Spending Review 2010, Cm 7942, October 2010, p 17

77 Ev w146

78 Q 447

79 *Ibid.*

A cheaper provider?

39. Some witnesses doubted whether commissioning services from voluntary and charity groups would necessarily be cheaper than the same services delivered by the state.⁸⁰ The Minister confirmed that if a charity was to win a contract it must “show not only that they are able to deliver the quality but they are able to provide good value.”⁸¹ UNISON suggested that “communities may not be more efficient providers of a service”,⁸² while David Lewis, Professor of Social Policy and Development at the London School of Economics and Political Science, has argued that “the voluntary sector may well offer the possibility of better services, but not necessarily cheaper ones”.⁸³

40. We also heard that charities should not be expected to subsidise public service delivery through the use of their own funds. NAVCA described the use of charitable income “to subsidise statutory services which should be properly funded from general taxation” as highly inappropriate.⁸⁴ The Charities Aid Foundation (CAF) has warned that:

[charities and voluntary organisations] should not be seen as “the cheap option” for service delivery because they are able to draw on charitable income and volunteers. Commissioners must be willing to pay an appropriate price for services. It is entirely unreasonable to expect charitable income or volunteer labour to subsidise their costs.⁸⁵

41. The opening up of public services to new providers can in turn increase the cost on the public purse, once the cost of tendering and monitoring contracts is taken into account.⁸⁶ The costs of the tendering process have in some instances led local authorities to merge local contracts into a larger geographical area in order to make economies of scale. The larger geographical area also means a larger contract size, which may then place the contract out of the reach of small local organisations.⁸⁷

42. We would be concerned if commissioners were faced with a choice between either simply choosing the cheapest option or commissioning a more expensive service from a small local charity which might be able to provide a better service, but would be unable to compete with larger charities or the private sector on cost grounds.

80 Ev w172, Ev w178

81 Q 615

82 Ev w7

83 “The voluntary sector is at the centre of the government’s Big Society plans. This may offer the possibility of better services, but not necessarily cheaper ones” *LSE British Politics and Policy Blog* 21 June 2011 blogs.lse.ac.uk/politicsandpolicy

84 Ev 116

85 FVS Ev 61

86 Ev w5

87 Ev w120

Effect on the voluntary sector

43. An increase in public service delivery by charities and voluntary groups is likely to change the nature of the voluntary sector as a whole.⁸⁸ We heard of fears of a polarisation within the sector: Exeter Council for Voluntary Services warned that the focus on service delivery may lead to “a larger gulf between large, ‘professionalised’ or ‘corporate’ charitable companies, and small, local, entirely voluntary community groups”.⁸⁹

44. The independence of the sector may also be compromised. Charities which deliver public services have reported feeling that their independence is threatened. We heard from voluntary groups who were keen to stress that the sector “should not be reduced to “just” being a service provider”, as this might restrict their role as community activists.⁹⁰

45. The voluntary sector may also be affected as a result of ‘mission drift’ by charities that provide services.⁹¹ The TUC cited Charity Commission research showing that “charities that deliver public services are significantly less likely to agree that their charitable activities are determined by their mission rather than by funding opportunities.”⁹² The Third Sector Research Centre accepts this danger, but concludes that:

in the absence of focused empirical research on the maintenance or elasticity of third sector organisation missions over time, we are left with some concern about the potential for mission drift, but no clear indication of its prevalence or the causes and consequences of drift.⁹³

46. A more likely effect may be the loss of responsiveness and innovation of groups providing public services. The Third Sector Research Centre flagged up the danger of ‘isomorphism’: that is, that charities seeking to provide services for the lowest possible cost may adopt “practices that mimic those of their commercial competitors”.⁹⁴ They warned that this could result in the erosion of “the distinctive values and ethos of the third sector”.⁹⁵ UNISON concurred, arguing that commissioning services directly from voluntary groups did not necessarily lead to the benefits of their innovation, but instead drove charities and voluntary groups to focus on winning contracts by delivering cheaper services, losing the added value that such organisations can bring to public service delivery.⁹⁶

47. Over half of all new charities registered with the Charity Commission between April and September 2011 have contracts to deliver public services, in comparison with only 39%

88 Ev 106

89 Ev w121

90 Ev w120

91 Ev w107

92 Ev 109, citing ‘Stand and Deliver: The Future for Charities Delivering Public Services’ Charity Commission 2007

93 The Third Sector Research Centre, *The third sector delivering public services: an evidence review*, (London: 2010), p 23

94 Ev w243

95 Ev w243

96 Ev w5

of all charities as a whole.⁹⁷ This suggests that any distorting impact on the charitable sector as a result of charities delivering public services may become more prevalent, due the number of new charities focusing on this role.

48. Increasing the number of charities and community groups that deliver public services will change how the charity sector operates as a whole. There is a danger that charities may become agents of public policy, subject to targets and incentives and thereby becoming an extension of the state. We expect to consider the state of the charity sector in a later inquiry.

The role of the private sector

49. How voluntary groups and private companies compete and work together to provide public services is critical to the success of the Big Society project. Francis Maude, Minister for the Cabinet Office, was adamant that “there is a huge role for profit-making companies in our society and our economy”, noting the number of public services already delivered by profit-making companies.

50. It was also suggested that in some situations the resources and expertise of private companies may be more appropriate than that of the voluntary sector. Shona Nicholls, Group Marketing, Communications and Sustainability Director for Capita, spoke of a scenario where

a small to medium-sized charity is to take over and look after—to have transferred to them on one day—3,000 people, it probably does not have the capacity, ability, investment, funds, etc, to make sure that it can run that and do so sustainably going forward.⁹⁸

51. We also heard claims of the cost savings that could be provided by private companies. Capita claimed that it provided 15% to 30% cost savings to local authorities in outsourcing contracts.⁹⁹ The think-tank Reform argued that the profit motive gave companies the crucial incentive to provide the cost savings Ministers required, and the scale to deliver these savings.¹⁰⁰

52. The evidence we received from trade unions took an opposing view. The TUC argued that private companies running large scale outsourcing operations could create “an unbalanced marketplace” through their economies of scale and their capacity to run loss-leaders.¹⁰¹ UNISON told us that

no credible view of a Big Society should include organisations which make profits for their own sake ... If profits are made by public service providers, and not re-invested in the service, then this represents a subsidy of the private sector by taxpayers, and a

97 “Over half of newly registered charities do public service delivery” *Civil Society website* 16 November 2011 www.civilsociety.co.uk

98 Q 488

99 Q 487

100 ‘The Big Society needs a profit motive’ *The Daily Telegraph* 18 April 2011

101 Q 455 [Paul Nowak]

lost opportunity to improve those services. This is an inappropriate and inefficient use of public money, especially in a time of limited funds, and it is contrary to the Government's aims of reforming public services and increasing efficiency.¹⁰²

53. Opening up public services to new providers raises the prospect of much greater private sector involvement, as many of our witnesses have indicated. Private sector large contractors may provide the cheapest option in the first round, which may drive out smaller, more innovative, more local and more accountable providers. We recommend that the Government regularly review the level of large private sector involvement in public services to ensure that the objective of the Big Society project of empowering communities over local services is being achieved.

A voluntary sector bias?

54. Francis Maude spoke of a new world in public services where “the expectation is not that big, monolithic public sector providers are the default setting for public service provision”.¹⁰³ The new world also goes beyond a “binary choice” between services being delivered either by a public sector monopoly or by private companies, and to a “much more mixed economy and a more sophisticated array of providers” including charities, mutuals and social enterprises.¹⁰⁴ The White Paper recognises that “poor-quality services can occur in any sector”¹⁰⁵ and states that all sectors are viewed equally:

We do not have an ideological presumption that only one sector should run services: high-quality services can be provided by the public sector, the voluntary and community sector, or the private sector.¹⁰⁶

55. Ministers have nevertheless stressed the primary role of charities and voluntary groups in the Big Society project. The Minister for the Cabinet Office said that “whilst the Big Society is broader than any one sector, charities, social enterprises and mutuals, and community groups have been playing a strong role in strengthening communities and society for many years”.¹⁰⁷ The Minister believes that the role in the community and their local knowledge will enable voluntary groups to provide higher quality, more innovative and better value public services.¹⁰⁸

56. The think-tank Reform has criticised the focus on charities and voluntary groups delivering public services, and said that “the impression given by Downing Street is that it wants the private sector off the table for this Parliament”.¹⁰⁹

102 Ev w6

103 Q 525

104 Q 587 [Francis Maude]

105 Cabinet Office, *Open Public Services White Paper*, Cm 8145, July 2011, p 9

106 *Ibid.* p 9

107 Ev 120

108 *Ibid.*

109 ‘The Big Society needs a profit motive’ *The Daily Telegraph* 18 April 2011

57. Paul Pindar, Chief Executive of Capita, has given a contrasting view: he was quoted in the press as having said of multi-billion government outsourcing deals that:

there is absolutely no way on the planet that [that sort of contract] is going to be let to a charity. And it can't get let to a small or medium-sized enterprise.¹¹⁰

Mr Pindar was further quoted as saying that the charity sector “will not be a massive player” in the delivery of public services as charities and voluntary groups “simply don't have the scale” and “can't bear the risk.”¹¹¹ When these comments were put to Capita, Shona Nicholls, their Group Marketing, Communications and Sustainability Director, said that they had been “taken out of context”¹¹² and further added:

Basically, he was saying, ‘Is there a market for Capita going forward with all of this change?’ I do not know in terms of that soundbite that came across, but what Paul was trying to explain, as I was earlier, was that there are different roles for different organisations as they stand at the moment [...] He is not anti the voluntary sector; he was just trying to explain that there are barriers for various charities and other voluntary sector organisations to take on some of the large chunks of central or local government.¹¹³

58. Ministers have spoken both of promoting charities as the favoured provider for public services and in favour of a more mixed economy with private sector providers also involved. The officials responsible for commissioning and managing contracts for public services need to know whether Ministers wish them to prefer the voluntary sector over offers of potentially better value. Clear Ministerial guidance to the civil servants and local authority officials responsible for the commissioning and tendering of public services is therefore imperative.

110 *Ibid.*

111 ‘Companies win vow on public procurement’ *Financial Times* 16 May 2011 p 4

112 Q 488

113 Q 488

4 Funding the voluntary sector

59. Throughout this inquiry, and our earlier examination funding of the voluntary sector, we have received considerable evidence on reductions in grants and local authorities for charities and community groups. It is not easy to find a substantiated, accurate figure for the size of spending cuts to the sector. New Philanthropy Capital has estimated the cuts in state funding to be between £3.2 and £5 billion¹¹⁴ and Sir Stuart Etherington, Chief Executive of the National Council for Voluntary Organisations, thought that cuts of £3 billion to the sector “was not unlikely”.¹¹⁵ Much evidence appears to be anecdotal. The Minister for Civil Society strongly disputed the estimates we put to him as “a totally speculative number, not based on any evidence at all” but did not offer an alternative figure; arguing instead that while the total would be higher than £100m, it was not possible to produce a definitive figure.¹¹⁶

60. While the size of the cuts has been disputed, many witnesses have criticised the pace of the funding reductions. The Bishop of Leicester reported concern that some Ministers had not fully accepted the impact of spending reductions on charities. He said:

[...]the way in which public funding is withdrawn, the speed at which it is withdrawn, the consequences for the most vulnerable and the negative effects on those charities and voluntary organisations that train and mobilise volunteers has not always been taken full account of.¹¹⁷

The trade union Unite warned:

The scale and speed of the cuts to the voluntary sector is terrifying, and is hurting society’s most marginalised and vulnerable. Ill-conceived and rushed budget decisions have been made at every level, from local councils and authorities, to central government.¹¹⁸

61. To understand the changing funding environment, we considered the existing funding streams for charities, and the attempts to bring in new funding mechanisms.

The current funding situation: the ‘funding gap’

62. Any consideration of the funding of the voluntary sector at present should first recognise its breadth and diversity. Voluntary bodies vary widely in terms of their objectives, their size, their volume of income, their geographical scope, and their types of activity. Figure 1 below is an illustration of this.

114 New Philanthropy Capital, *Preparing for cuts*, (London: 2010), p 2

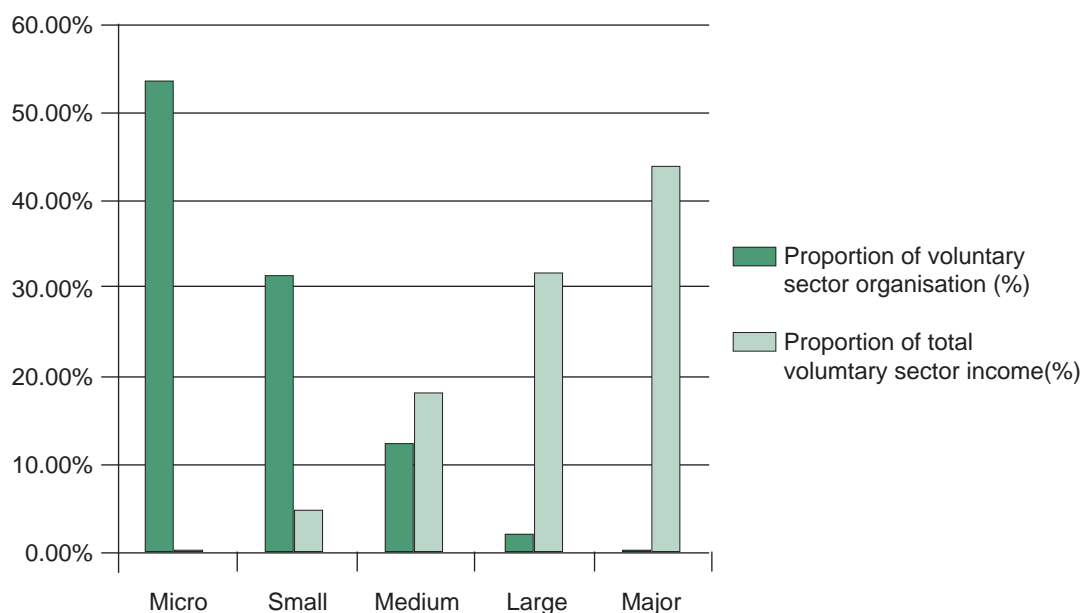
115 Q 94

116 FVS Q 170, 171, 172

117 Q 370

118 Ev w292

Figure 1 Voluntary sector size and income distribution 2007-08



(Micro = Less than £10k income; Small = £10k to £100k; Medium = £100k to £1m; Large = £1m to £10m; Major = More than £10m)

Source: NCVO, *Funding the Future*¹¹⁹

63. Across the sector, voluntary bodies are funded by a mixture of income from the state, charitable giving and social investment. The Minister for the Cabinet Office has highlighted that the majority of charities—75%—do not receive statutory funding.¹²⁰ However, the NCVO estimates that “many of these are small or micro organisations”.¹²¹

64. The 36% of sector income (£12.8bn) from the state¹²² can then be sub-divided as follows:

- a) £9.1 billion of the total income from the state (representing 71% of all state income, and 25% of total sectoral income) is from the “payment for the delivery of services under contract.”¹²³ This may be from either national or local government. Polly Toynbee appeared keen that income received for the provision of services commissioned by the state should not be seen as a donation, or a state subsidy for charity, arguing that:

[...] it is not money being given to charity as if it were a charity donation, they are contractors. They are doing a particular job. The local authorities

119 The Funding Commission, *Funding the Future*, (London: 2010), p 8

120 “Battle of the Big Society” *The Independent*, 13 February 2011, p. 10-11

121 NCVO *The State and the Voluntary Sector* (London, 2009), p. 11.

122 FVS Ev 51

123 FVS Ev 51

have said, ‘We want someone to deal with young offenders’, or, ‘We want someone to do a day centre for the elderly’.¹²⁴

- b) £6.6 billion (52% of the total state income, representing 18% of total sectoral income) comes from local authorities.¹²⁵ Examples of this funding could be payment for contracted services, or local grant programmes, such as Early Intervention Funds, Children’s Fund, or those that support volunteers and volunteering infrastructure: such as Voluntary Sector Councils.¹²⁶ A further source is central government grants to local authorities. NAVCA cited the use by some local authorities of central government grants such as Area Based Grant and Working Neighbourhoods Fund “to replace their own voluntary and community sector grants programmes”.¹²⁷ When funding was subsequently withdrawn by central government for these programmes NAVCA reported that it had not been replaced by equivalent funding by local authorities.¹²⁸

65. A proportion of state funding has in the past been derived from programmes such as the Future Jobs Fund, (which closed in June 2010),¹²⁹ the Volunteer Brokerage Scheme which ended in November 2010,¹³⁰ and FutureBuilders, a £200m scheme which provided loans for third sector organisations delivering, or planning to deliver, public services (it was “effectively shut for business” in June 2010.) These funding streams are no longer available¹³¹

66. Particular charities receive proportionally more public funding than others. The Third Sector Research Centre found that a greater proportion of charities dealing with people with mental health problems, ex-offenders or victims of crime received public funding compared to charities serving ‘the general public or everyone’ (60% compared to 28%).¹³² Their research also found that “voluntary organisations working in deprived areas are much more likely to be in receipt of public income”.¹³³

67. We heard of great enthusiasm for the development of new funding streams for charities from social finance. Bernie Morgan, former Chief Executive of the Community Finance Development told the Committee that “we are on the threshold of a new era and paradigm shift” with regards to finance for social enterprises and charities.¹³⁴ While a natural caution in approaching such claims is understandable, Sir Ronald Cohen, Chair of Big Society Capital Limited, asked the Committee to put aside its “initial scepticism about whether

124 Q 92

125 FVS Ev 51 [The NCVO calculations are based on figures from 2007-08: the most recent figures available].

126 FVS Ev 53

127 *Ibid.*

128 *Ibid.*

129 Ev w213, FVS Ev 53

130 FVS Ev 53

131 HC Deb, 9 June 2010, col 319

132 Ev w240

133 Ev w240

134 Q 251

something that seems so new can actually be effective” suggesting that there were parallels with the growth in venture capitalism in the UK in the 1980s.¹³⁵

68. While the projections for social finance are ambitious the new income streams available cannot at present replace the spending reductions already experienced. Kevin Curley of NAVCA reported that £1.2 billion of funding to charities and voluntary groups had been cut by local authorities, and that the funding from Big Society Capital although “important in the future [...] is small scale” in comparison.¹³⁶

69. There is also a considerable time lag between cuts to local authority grants and spending and the development of new sources of funding.¹³⁷ We heard evidence that funding cuts to small charities could undermine the Big Society project. The National Council for Voluntary Youth Services told us that

many organisations who might otherwise have a vital and creative role to play in the Big Society may be lost over the next 18 months due to the suddenness and severity of statutory funding withdrawal, and the lack of viable alternative funding pathways to ‘bridge’ their survival and adaptation to the new evolving environment.¹³⁸

The charity Community Links concurred:

Cutting too quickly risks destroying groups like Community Links which are perfectly placed to develop the Big Society if given the time to continue adapting and innovating.¹³⁹

70. The NCVO described this funding gap as “the most significant problem” facing charities and voluntary groups.¹⁴⁰ In February 2011, the Prime Minister spoke to reassure such groups:

[...] some people say that the Big Society can't happen because our voluntary bodies are being starved of state money. No area can be immune from cuts, but I'd ask people to look beyond the headlines and see a much bigger structural change in how the voluntary sector can work in future. We are in the process of opening up billions of pounds' worth of government contracts so charities and social enterprises can compete for the first time. The scale of this opportunity dwarfs anything they've ever had before.

But we understand that while the opportunity lies in the future the local authority cuts are happening now. So this week we are launching a transition fund to help charities prepare to bid for these contracts and a big society bank to provide some working capital when they're awarded them.¹⁴¹

135 Q 264

136 Q 434, 436

137 Ev w107

138 Ev w141

139 Ev w108

140 Ev w249

141 'David Cameron: Have no doubt: the Big Society is on its way' *The Observer* 13 February 2011

71. **We are concerned that many charitable and voluntary organisations are suffering the immediate effects of reductions in public spending. In some cases their existence is at risk, yet they are the very organisations which may wish to participate in the Government's Big Society policies.**

The Transition Fund

72. A £100m Transition Fund for voluntary and community funds facing hardship as a result of spending cuts was announced on 20 October 2010 as part of the Spending Review. Applications were to be submitted by 21 January 2011. Eligible organisations could apply for a grant of up to 50 per cent of the reduction in taxpayer-funded income that they used to deliver public services, with grants available between £12,500 and £500,000. The fund was open for applications from charities which:

- had turnovers of between £50,000 and £10m;
- spent at least half their total income on delivering front line public services in seven defined areas including health and social care, education, welfare to work and homelessness;
- had evidence, or had substantial reason to believe, that between April 2011 and March 2012, they would experience a reduction of at least 30 per cent of the taxpayer-funded income they receive for the delivery of front line public services in England; and
- had free reserves equal to, or less than, the cost of running their organisation for six months.¹⁴²

73. The Transition Fund has attracted some criticism. New Philanthropy Capital (NPC) was concerned about the way the fund was operated, raising a number of specific points:

- The application period was only 7½ weeks, which covered the Christmas and New Year holiday period;
- The application period closed while local authorities were still making decisions regarding spending from April 2011 onwards. Many charities which are eligible for support from the Transition Fund may not have been notified of their funding situation until after the deadline for applications; and
- Charities which had followed 'best practice' and not relied on one source of funding (in this case from the state) for over half their income had effectively been penalised for this by being rendered ineligible for the fund.¹⁴³

74. The Minister for Civil Society, Nick Hurd, explained that the Transition Fund was designed to "get money out as quickly as possible to organisations that are extremely dependent on public income but have aspirations to deliver more public services. We

142 "Transition Fund" *Big Lottery Fund website*, 30 November 2010 biglotteryfund.org.uk

143 "£100m Transition Fund for charities: tight deadline" *New Philanthropy Capital Blog*, 11 January 2011, newphilanthropycapital.wordpress.com

therefore had to set strict criteria for it.”¹⁴⁴ He was clear that the Transition Fund was not intended “to compensate fully, and we have always been quite clear that we can’t protect every single charity and voluntary group from a reduction in public expenditure, because the scale of the reduction that we need to make is so great.”¹⁴⁵

75. We welcome the Transition Fund and the intention to sustain the voluntary sector which underlies it. The fund itself can clearly not provide assistance to every charity and voluntary group struggling to bridge the gap between public spending reductions and new sources of social finance income. This funding gap may effectively inhibit some charities from tendering for public service delivery, and thus undermine the Government’s efforts to procure from charities and social enterprises, as they may lack the available funds to enter into contracting arrangements. There is also a question about democratic accountability for the allocation of such funds. We urge the Government to bring forward proposals to address this, such as a form of voting system, in order to reflect the aspiration to involve people and communities.

Big Society Capital

76. Speaking at the launch of the Big Society project in Liverpool in July 2010, the Prime Minister recognised that charities and smaller organisations could find it difficult to tender for public service contracts because of difficulties raising working capital. To remedy this, the Prime Minister described “providing finance” as one of the three main areas of policy action necessary to achieve the Big Society project (the others being decentralisation and transparency).¹⁴⁶ The Prime Minister stated that:

we believe in paying public service providers by results. It encourages value for money and innovation at the same time. But the potential problem is that you can lock smaller organisations out, because they don’t have access to start-up capital. So government has a crucial role to play in bridging the gap—and indeed, more widely, in connecting private capital to investment in social projects.¹⁴⁷

77. The Prime Minister provided further details of the Big Society Bank, now renamed Big Society Capital. It would be capitalised by

using every penny of dormant bank and building society account money allocated to England. These unclaimed assets, alongside the private sector investment that we will leverage, will mean that the Big Society Bank will—over time—make available hundreds of millions of pounds of new finance to some of our most dynamic social organisations.¹⁴⁸

144 Q 153

145 Q 155

146 Prime Minister’s Big Society speech, 19 July 2010 www.number10.gov.uk

147 *Ibid.*

148 *Ibid.*

This is estimated to amount to up to £100m from bank and building society accounts which have been untouched for at least 15 years.¹⁴⁹ In addition to these funds, the Bank will be capitalised with £200m as a result of the February 2011 Project Merlin agreement between the Government and the UK's four biggest banks.¹⁵⁰

78. In February 2011, the Cabinet Office published a strategy paper entitled *Growing the Social Investment Market: a vision and strategy* which set out how charities and social enterprises would be able to access social investment funds. The strategy describes a considerable opportunity for growing the social investment market, noting that

UK charitable investment and endowment assets alone account for nearly £95 billion. If just 5% of these assets, 0.5% of institutionally managed assets and 5% of retail investments in UK ISAs were attracted to social investment, that would unlock around £10 billion of new finance capacity.¹⁵¹

79. The establishment of Big Society Capital has been considerably delayed by the need to secure EU state aid approval for the use of the dormant bank account funds. A formal notification for state aid approval was submitted in October 2011, and the Cabinet Office expects to secure approval by April 2012.¹⁵² Given the already difficult funding environment for charities and community groups, this delay is unhelpful.

80. Delays in setting up Big Society Capital are contributing to the 'funding gap'. In our report 'Change in Government: the agenda for leadership' we reported on the frustration in Government about the "deadweight of inherited policy, not least by the overbearing constraints imposed by the vast body of EU law and regulation". The delay in the operation of Big Society Capital by the need to seek EU state aid approval is a case in point.

81. The mission of Big Society Capital is

to boost significantly the ability of the social sector to deal with social issues. It will do this by supporting the development of a social investment market which is more effective in attracting capital to achieve social impact.¹⁵³

The potential impact on charities and social enterprises is indeed considerable. As Sir Ronald Cohen explained, traditional fundraising measures involve the uncertain procedure of charities and social enterprises approaching a number of donors and philanthropic trusts and requesting large sums for a long period of time. Big Society Capital will bypass this hindrance.¹⁵⁴ Sir Ronald also recognised the need to build capacity in the social investment market, and spoke of the purpose of Big Society Capital as being

149 'Big Society Bank will start with £60 to £100m in unclaimed assets, say government advisers' Third Sector 19 July 2010

150 HC Deb 9 Feb 2011 Col, 312.

151 'Growing the Social Investment Market: a vision and strategy' Cabinet Office February 2011

152 Ev 125

153 "The Big Society Bank Outline Proposal", *Big Society Capital*, May 2011, www.bigsocietycapital.com

154 Q 256

“proactive” and “with the purpose of getting the social sector going”. This would mean that Big Society

[...] is going to be a lot more than just a fund of funds. Part of it is making sure that Social Impact Bonds help those who are capable of being helped by them, where the metrics are there and the organisations can deliver social outcomes and so on.¹⁵⁵

Claire Dove, Chair of the Social Enterprise Coalition, spoke of the considerable help this would provide social enterprises, citing her own hard-fought battle as a social entrepreneur.¹⁵⁶

82. Sir Ronald struck a note of caution in warning that Big Society Capital should not be expected to “bring a revolution in the space of five years”.¹⁵⁷ Instead, he urged it to be seen as a “10 to 20-year project”: a similar growth period to that of business entrepreneurship in the UK in the 1980s.¹⁵⁸

83. Big Society Capital will be a private sector body independent of Government, and it will be expected to make a sufficient return on its investment to cover operating costs. Under the Dormant Bank and Building Society Accounts Act 2008, it is required to work as a wholesaler: charities and social enterprises will not receive funding directly from Big Society Capital, but instead from intermediary social finance organisations.¹⁵⁹ This point concerned some witnesses. NAVCA warned that, as the social finance intermediaries with which Big Society Capital would be working will be offering loans, and not grants, they did not think that it would be relevant for small and local charities and voluntary groups.¹⁶⁰ Other charities report not being willing to seek loan finance owing to resistance among some trustees to a new, and potentially riskier funding model.¹⁶¹

84. Two recent reports have cast doubt on the ambitious forecasts for the take up of social finance by the sector. The Young Foundation and Boston Consulting Group warned that there were too few social finance intermediaries to deliver these funds, meaning that much of the Big Society Capital’s money would remain in dormant bank accounts.¹⁶² New Philanthropy Capital claimed that social finance was only relevant to a small proportion of the sector, and could be dangerous to ambitious charities that took on debt they would not be in a position to repay.¹⁶³

85. We raised concerns about the rates of return the Project Merlin banks would receive on their investment. The Minister for the Cabinet Office told us that banks would “be entitled

155 Q 315

156 Q 309

157 Q 290

158 *Ibid.*

159 Q 295

160 Ev 126

161 Q 297, BS 50

162 The Young Foundation and Boston Consulting Group, *Lighting the Touchpaper: Growing the market for social investment in England*, (London: 2011)

163 New Philanthropy Capital, *Best to Borrow: A charity guide to social investment*, (London: 2011)

to a share of any distributable surplus/profits made by Big Society Capital in proportion to their investment”.¹⁶⁴

86. Sir Ronald Cohen believed that Big Society Capital would not experience the lack of demand for social investment experienced by other social finance funds. Instead he believed that “the supply of money does create its own demand” as the ambitions of social enterprises and charities would increase when they knew that there would be a source of funding for their activities. This would also attract new social entrepreneurs into the market.¹⁶⁵ Claire Dove cited research carried out by the Social Enterprise Coalition which had indicated that one of the biggest barriers to growth of some social enterprises was access to capital.¹⁶⁶

87. A contrasting view came from NESTA (the National Endowment for Science, Technology and the Arts) which argued that “by far the majority of demand for capital” was for ‘soft capital’, defined as patient, semi-commercial capital which typically took many years to return the principal. NESTA warned that Big Society Capital “should not expect to achieve commercial returns on many of its investments”.¹⁶⁷ NESTA challenged Big Society Capital to be clear whether its role would be to help social enterprises and charities access capital to increase social impact, or to deliver financial returns.¹⁶⁸ The National Association for Voluntary and Community Action (NAVCA) urged Big Society Capital to “accept that some investments will not see a return” and instead balance risk across a range of investments.¹⁶⁹

88. Big Society Capital is a genuinely imaginative social innovation, which has enormous potential in the long term. The concept is as yet unproven, and large scale effects will take a decade or more to bear fruit. Furthermore, Big Society Capital will not provide the solution to the ‘funding gap’ for many small, local charities who do not wish to take out loans. The Government must acknowledge that in the short term Big Society Capital is unlikely to resolve the current ‘funding gap’.

Social impact bonds

89. In September 2010 the Ministry of Justice launched a pilot social impact bond aimed at reducing reoffending by prisoners who served short custodial sentences at HMP Peterborough. The bond raises finance for a Payment by Results contract, whereby the private sector assumes the risk of delivering a public service, and is rewarded by Government based on the outcomes it achieves. The scheme is worth £5m and run jointly by the non-profit organisation Social Finance and the offender rehabilitation charity St Giles Trust. If this pilot project reduces re-offending by 7.5%, or more, investors will receive from Government a share of the long-term savings, up to a maximum of 13%.¹⁷⁰

164 Ev 125

165 Q 292, Q 293

166 Q 310 [Claire Dove]

167 Ev w295

168 Ev w296

169 Ev 126

170 “Social Finance launches first Social Impact Bond” *Social Finance* 10 September 2010 www.socialfinance.org.uk

The first social impact bond was only available to foundations and charitable trusts, not the private sector, but Sir Ronald Cohen envisaged private sector interest further down the line.¹⁷¹ This is not guaranteed: private investors might have to wait several years to see a return.¹⁷² *Third Sector* magazine, the trade journal for the charity and voluntary sector, warned that social impact bonds

are considered more likely to appeal in the short-term to philanthropists and then to smaller investment funds and private banks, which are more able to take risks. Among institutional investors, insurance firms are seen as likely takers because they would benefit from reductions in crime and antisocial behaviour. Traditional institutional investors such as pension funds are thought likely to be the last in line.¹⁷³

90. The progress of social impact bonds will also depend on the ability of commissioners to develop metrics for measuring social outcomes. Sir Ronald Cohen recognised that the need to measure success “will rule out certain social issues where it is very difficult to find metrics that are reliable”.¹⁷⁴

91. While witnesses were positive about the development of social impact bonds, concerns were expressed that the limited examples at present were all at very early stages. For example, NAVCA cautioned that the results of the pilot programme at Peterborough Prison would not be clear for around six years.¹⁷⁵ In the meantime policy based on social impact bonds is being formulated in the absence of any evidence of their success.

92. Social impact bonds have the potential to transform the way public services are delivered and financed. Until further evidence of their success, both in achieving social aims and attracting capital, is available, we urge caution in reliance on their growth. We welcome the reviews taking place of the pilot project at HMP Peterborough, and look forward to receiving information on the project’s progress.

171 Q 313

172 “Analysis: Can Social Impact Bonds help create a better society?” *Third Sector*, 1 November 2011

173 *Ibid.*

174 Q 260

175 Ev 126

5 Commissioning public services and the Big Society

93. The Government's aim is to open up public services to charities, voluntary groups and the private sector. The skills and mindsets of the responsible officials in both central Government and local authorities (the 'commissioners') are crucial to this process. Danny Kruger warned that in its current state

central Government is spending half a trillion pounds a year: it is that vast, and it is not going to be able to contract with the hundreds of smaller local charities. ... They can probably only handle 40 contracts in central Government.¹⁷⁶

94. Kevin Curley, Chief Executive of NAVCA, concurred, setting out two case studies of poor contracting:

[...] a couple of years ago in Leeds, the contract that was let for family support services to be provided by the voluntary sector was so big that local charities like Home-Start in Leeds, which had been delivering to a good standard and to the council's satisfaction for several years, were unable to bid, and the contract was won by a large national charity.¹⁷⁷

A year ago, Hull city council put its advice services contract out to tender, and a very well-established, well-run and effective citizens advice bureau in Hull lost its funding—the contract was won by A4e, a private sector organisation. The essence of why A4e won the competition was that the commissioners responsible for sorting out that contracting opportunity were not able to place any value on all the aspects of the citizens advice bureau beyond the simple provision of advice from adviser to individual.¹⁷⁸

A further example was provided by the Minister, who reported:

A big national charity bidding for a local authority contract to run one of the big services recently told me that the local authority had taken the perfectly sensible view that they wanted it to be run not in-house but by an outside provider, and it had so far cost the charity £800,000 just to bid for it, which is nonsense.¹⁷⁹

95. The model to aim for was outlined by Polly Toynbee, who said that

176 Q 82, 84

177 Q 405

178 Q 444

179 Q 588

If you are serious about Big Society, you will want to find a mechanism—and it is not that difficult—to make sure that it is the small, the local, the experienced, the people with the knowledge.¹⁸⁰

96. The Cabinet Office produced a Green Paper on modernising the commissioning system in December 2010. It sought “views on how the Government can reform all stages of the commissioning process at both local and national levels to ensure civil society organisations play a full and active part in public services”.¹⁸¹ The responses to the Green Paper were intended to inform the publication of the Open Public Services White Paper. However, that White Paper includes little in the way of proposals to reform the commissioning process. The Charity Finance Directors Group cautioned that “despite publishing the Localism Bill, the Modernising Commissioning Green Paper, and the Giving and Open Public Services White Papers, there are still few tangible and clear policy initiatives. When faced with this vacuum, managing risks and re-shaping responsively is difficult.”¹⁸²

97. One of the barriers identified in the commissioning system is the interpretation of European regulations. Local authorities were accused by NAVCA of invoking the “full EU Public Contracts Regulations (2006) unnecessarily, adopting competitive tendering procedures by default” despite the fact that the regulations were designed for large scale public procurement and specifically exempt ‘Part B services’ such as “social services of general interest” which covers some of the public services carried out by voluntary groups.¹⁸³ One reason for this misinterpretation of the regulations, according to NAVCA, is the Office of Government Commerce’s EU Procurement Guidance—Introduction to the EU procurement rules which neither set out clearly the exemptions nor explains in practical terms what this means for local authorities. To remedy this, NAVCA suggested that the guidance should be revised to include “practical examples of lawful flexible procurement of Part B services [which] would give commissioners the confidence to make good funding decisions, give grants, and use flexible and proportionate procurement processes”.¹⁸⁴

98. We welcome the Minister for the Cabinet Office’s recent announcement on the Government’s intention to re-negotiate EU procurement regulations. We look forward to the Government setting out what changes they are seeking, why they are sought and the timescale for implementation of the changes. We also recommend that the Government set out detailed plans to revise procurement guidance under the existing regulations. We intend to conduct an inquiry into the Government’s public procurement policies in the light of the Minister for the Cabinet Office’s recent announcement of a package of measures that are intended to reform how the Government buys from the private sector.

180 Q 79

181 Cabinet Office, *Modernising Commissioning*, December 2010, p 5

182 “Charities need clarity to adjust to changing environment” *Charities Finance Directors Group and PKF Accountants* 7 September 2011

183 Ev 122

184 Ev 122

99. We recommend that the Office for Government Commerce revise guidance on the EU Public Contracts Regulations 2006 to promote appropriate interpretation of the regulations by local authorities in commissioning.

100. Another alleged bureaucratic barrier identified by the charity Community Links was the Transfer of Undertakings (Protection of Employment) Regulations (TUPE), which protects employees' terms and conditions of employment when a business is transferred from one owner to another. These arise from the European Acquired Rights Directive. They require that a charity or voluntary group wishing to deliver a public service has to take on the cost of personnel currently employed in providing the service, along with their existing pensions entitlement, annual leave, and other employment benefits. Charities delivering these promises will face potentially different sets of terms and conditions and employment benefits among their workforce.¹⁸⁵ Community Links argued that the TUPE regulations restricted the ability of charities and social enterprises to “innovate or redesign services to better meet need.”¹⁸⁶

101. We recommend that the Cabinet Office consult the voluntary sector on the legislative and bureaucratic barriers which inhibit voluntary groups from delivering public services. We note the commitment of the Chancellor of the Exchequer, in his 2011 Autumn Statement, to a review of TUPE regulations, and we urge the Government to give special consideration to smaller charities in this review.

102. The system of ‘payment by results’ for public services was also identified as a major barrier to opening up public services, as it could exclude from public service delivery some small and local charities and voluntary groups who did not have the working capital to continue operating while they awaited payment.¹⁸⁷ It also may not be suitable for all types of public service. The National Council for Voluntary Youth Services spoke of work which focuses on “increasing the social and emotional development of young people”, a measure which they say cannot be immediately measured but which in the long term can provide savings for the public purse by steering away young people from socially costly choices.¹⁸⁸ Timebank identified “payment by results” as the “biggest preventer of participation in public service provision by the voluntary and community sector”.¹⁸⁹ Case study 1 provides further details.

185 Ev w36

186 Ev w107

187 Ev 125

188 Ev w140

189 Ev w104

Case Study 1: WLAC – West London Action for Children

West London Action for Children is a charity that provides support to vulnerable parents and children in West London. It relies for almost half its income on contracts with local authorities. The NHS provides the remainder of its income through payment for the provision of counselling services to victims of domestic abuse, mental illness and poverty.

For many of its clients, WLAC is the only organisation that provides support at the end of a long journey. One client explained how her first interaction with the state following an incident of domestic violence was with the police, who then passed her on to the local NHS service, who finally passed her on to WLAC. At the end of this journey, WLAC provides one to one counselling, opportunities to learn new skills and support with child-care at a cost to the public well below equivalent state providers.

WLAC is one of the only providers of this service in West London, but its primary source of income is currently said to be under threat due to a combination of local public service cuts and commissioning practices.

Trustees of the organisation, who have years of experience in the public and private sector, explained that the Government's emphasis on payment by results is welcomed, but that small charities are not being given a fair chance to compete for tenders. They lack the finances and resources to bid for services, which are often inflated by the complexity of the process, and local government re-organisation has created even greater uncertainty around funding.

Government action on cuts, and inaction on public service reform, has added an extra level of difficulty to the job of WLAC's management at a time of broader economic uncertainty.

103. A further critical barrier was what Shaun Bailey, one of the Government's Big Society Ambassadors, identified as a "culture of being afraid, of not wanting to try" in Whitehall, preventing small and medium-sized charities and enterprises contracting with government.¹⁹⁰ Mr Bailey argued that the challenge of the Big Society would be providing "the political leadership" for local authorities and Whitehall to commission services from the right provider, even if they were not the cheapest. Kevin Curley of NAVCA neatly summarised the change in attitude required, stating that:

it is absolutely crucial that they do not apply the same approach to buying advice services and support for women fleeing domestic violence that they apply to buying wheelie bins and computer systems.¹⁹¹

Francis Maude recognised that "risk averse" commissioners who designed big contracts with a minimum turnover requirement for the bidders led to an "oligopoly of big, national and multinational providers, which is not what we want to see".¹⁹²

190 Q 86 [Shaun Bailey]

191 Q 448

192 Q 588

104. There is also a skills issue. Mr Bailey told us that if officials had the skills to carry out the tendering process, the Government would receive a better service with greater value for money for taxpayer, but “if you force them [charities] to act like a general business contractor then you have lost the whole point of using them”.¹⁹³ Mr Maude told us that civil servants were “not yet at all good” at being “commissioners and contract managers rather than line managers ... [they require] a different set of skills”.¹⁹⁴ However, the Minister for Decentralisation and Cities, the Rt Hon Greg Clark MP reported a more positive approach by officials in the Department for Communities and Local Government:

I have found the officials I have worked with on this, far from having any degree of resistance to this whatsoever, have been delighted and inspired to get out there and work with communities. This is what people go into public life for: to make things happen on the ground.¹⁹⁵

105. Sir Ronald Cohen also held a more optimistic view, assuring us that we “are not going to have to worry about whether or not this can get off the ground” as his experience with officials at the Ministry of Justice when developing the social impact bonds was that although there were sceptics, many officials were “very positive about trying this new idea”.¹⁹⁶

106. For rapid and successful commissioning, there must be a cultural shift in departments. Ministers must set out what practical steps are required to change the commissioning culture in Whitehall and how success will be measured. In particular, the objectives, roles and tasks of commissioners must be identified and skills shortfalls must be addressed both through training and through the recruitment of suitable staff.

107. The design of contracts was identified as critical to bringing in the charitable sector. The Employee Ownership Association stressed the importance of commissioners considering social value in addition to immediate cost savings when designing the terms of contracts for public services.¹⁹⁷ The Third Sector Research Centre warned that

narrowly targeted outcomes (such as the number of jobs created) can create incentives to abandon those clients whose social needs are most acute and costly to address.¹⁹⁸

108. Two potential solutions were recommended to us. The London Civic Forum recommended that commissioners work with local communities and service users to determine the results a commissioned service is required to deliver.¹⁹⁹ NAVCA recommended that the guidance issued by the Office for Government Commerce, ‘*Social Issues in Purchasing*’, should be “updated and strengthened to reflect a positive

193 Q 94

194 Q 525

195 Q 585

196 Q 268

197 Ev w268

198 Ev w240

199 Ev w296

commitment to commissioning social, economic and environmental value and to include the work that has been carried out in local areas to take this agenda forward”.²⁰⁰

109. We also heard that the length of the contract to deliver a public service must be substantial, in order to provide groups tendering with the security required to deliver services.²⁰¹ UNISON warned that the contracting process at present rewarded only short-term results and discouraged innovation by voluntary organisations.²⁰²

110. Contracts must also be of a small enough size for local groups to be able to fulfil the contract without “experiencing significant change to their values, ethos and delivery through upscaling by merger or participation in consortia”.²⁰³ Holding a much greater number of smaller contracts will be a far greater challenge for commissioners than “to deal with fewer larger contracts with people with a track record of doing what you have asked them to do and can provide the data you need to see that they have done it”.²⁰⁴ It may also be at far greater expense. This was agreed by the Minister, who accepted the failings of the system at present and spoke of the necessary solution:

The key elements are that you need to chunk up projects more into smaller bites so that smaller local enterprises, whether for profit or VCS [voluntary and community sector] and social enterprises, are better able to bid effectively.²⁰⁵

111. To utilise the skills of charities and voluntary groups in tackling complex social issues, civil servants and commissioners must be able to work across Whitehall silos to ensure that contracts reflect the cross-departmental nature of the work of such groups, as Case study 2 demonstrates.

200 Ev 122

201 Ev w268

202 Ev w5

203 Ev w240

204 Q 202

205 Q 588

Case study 2: Emmaus

We visited the Emmaus Community in South Lambeth as part of our inquiry. Emmaus describes itself as the “homelessness charity that works”, providing a solution to the ‘revolving door’ problem of homelessness, where the same individuals frequently return to hostels, by offering the long-term support needed to break the cycle of homelessness. In fact, Emmaus’ effectiveness rests on their ability to address all the issues which a homeless person may confront, such as addiction, mental illness and repeat offending.

There are 21 Emmaus Communities in the UK, with 505 current residents, known as Emmaus Companions, who agree not to claim primary benefits and work full time in their Community’s social enterprise, refurbishing and selling unwanted furniture and other household goods donated by local people. Companions typically have multiple needs, and each receives personalised support to help them regain control of their lives, for example through counselling, addiction support and training opportunities.

An economic evaluation of an Emmaus Community in 2008 undertaken by the Cambridge Centre for Housing and Planning Research found that Emmaus currently delivers savings to the taxpayer of £13.0m per annum—based on a saving of circa £26,000 per Companion per year in reductions in offending, reduced time in the legal system, more efficient use of health services and benefits voluntarily relinquished.²⁰⁶

In September 2011, Emmaus representatives met Rt Hon Oliver Letwin MP, Minister of State for the Cabinet Office, Rt Hon Chris Grayling MP, Minister for Employment, and Rt Hon Grant Shapps MP, Minister for Housing and Local Government to discuss how the work carried out in Emmaus communities fits into the Big Society. The work of Emmaus covers several government departments: the Department of Health, the Department for Work and Pensions, and the Cabinet Office as well as local authorities, who have the statutory responsibility for homelessness. Existing Government programmes, such as the Work Programme, work in only single departments, and are not suitable to people with multiple and complex needs.

Ministers recognised the need to develop outcomes measurement towards a Social Return on Investment measurement tool-kit which could provide the basis for a Payment by Results agreement in return for a Social Impact Bond that would provide the necessary start-up capital to enable the development of nine new Emmaus communities (at a cost of £10.5 million). There have not been any further attempts to work across Government silos to enable Emmaus Communities to contribute to Big Society policy delivery. Emmaus requires a single contract to address the multiple needs of its companions. So far, departments can envisage offering separate contracts through the Work Programme or through programmes operated by the Home Office or the Department for Communities and Local Government.

206 Emmaus, *Sharing in success: An economic evaluation of Emmaus Village Carlton*, (Cambridge: 2008)

112. Attempts to open up public services to charities and voluntary groups may encounter the difficulty that services provided by such organisations do not fit easily into the siloed mentality of Whitehall departments, who are unable to address the multiple needs of the service user – even where this approach is the very key to the success of voluntary organisations. We regard the challenge to government presented by charities such as Emmaus as a litmus test of the Government’s Big Society project. We believe that joint funds, managed by local authorities and financed by separate departments, may be the answer. We expect the Cabinet Office to lead decisively on this matter.

113. Offering charities and social enterprises only sub-contracting roles will not be sufficient. Claire Dove, Chair of the Social Enterprise Coalition, told us that some of her organisations would not take a Department for Work and Pensions contract that had gone to a private sector provider who was then subcontracting out to social enterprises “because the levels that they want to subcontract with are not acceptable if you are running a business”.²⁰⁷ Case study 3 provides further details.

Case study 3: The Work Programme

The Department for Work and Pension's flagship programme to tackle unemployment has been cited as "a massive boost to the Big Society".²⁰⁸ The Department's press release noted that "almost 300 voluntary sector organisations are to be part of a massive national programme to tackle long term benefit dependency".²⁰⁹

Francis Maude has also said that an estimated 35 to 40% of the value of the contracts in the Work Programme will go to voluntary and charitable organisations, with a value of over £100 million a year. However, 16 of the 18 prime contractors are private sector companies, with only two prime contractor contracts won by voluntary sector organisations. A further 289 voluntary organisations have sub-contractor roles.

Prime contractors were expected to contract out significant proportions to voluntary organisations. However, a significant number of the charities that applied as sub-contractors have subsequently dropped out of the programme.²¹⁰ Locality reported that many of its members had had "reported very negative" experiences of being involved in the Work Programme, which they argue has, instead of empowering communities, "merely shifted power from the state to private companies who now act as the commissioner (and in some cases deliverer as well) in their role as prime contractor."²¹¹ Locality further report that some of their members named in winning bids as sub-contractors were "being offered contracts that run at a loss for five years" while other members had reported reporting that prime contractors were asking them to deliver services for free.²¹²

A report by the Association for Chief Executives of Voluntary Organisations stated that many of the charities involved felt like 'bid candy', that the primes were not serious about involving them, and only 9% were confident that the programme will meet its outcomes.²¹³ The National Council of Voluntary Organisations in its written evidence argued that the Work Programme's decision to have 11 contracts covering the country was an example of contracts spreading across too large a geographical area.²¹⁴

The Minister defended the outcome of the Work Programme process, highlighting the number of charities and social enterprises in the Work Programme "underneath the prime contracting level". The full level of the value of such contracts cannot be known until the results of the Work Programme are clear, as they are based on the payments by results system, but this would reward the organisations from the charitable sector who succeed in finding employment.²¹⁵

208 Massive boost for the Big Society' *Department for Work and Pensions website 1 April 2011 DWP.gov.uk*

209 *Ibid.*

210 HC Deb, 13 June 2011, c662W

211 Ev w286

212 Ev w286

213 "ACEVO – Third Sector Work Programme survey", *ACEVO website*, October 2011, www.acevo.org.uk

214 Ev w248

215 Q 604 [Francis Maude]

Responding to these criticisms, Nick Hurd accepted that many voluntary sector groups involved in the Work Programme had concerns over its working, but that Chris Grayling, the Minister responsible for the programme, was monitoring the concerns closely and would act “very robustly with prime contractors who have been proven to be acting irresponsibly with their supply chain”.²¹⁶ The issue has also recently been raised with the Prime Minister who accepted that there was a potential conflict between getting smaller organisations involved in the Work Programme because “you need an organisation that has got the ability, the working capital and the size to cope with training people on jobseeker’s allowance or incapacity benefit or employment and support allowance-the full spectrum-you need to be quite a big organisation”. The Prime Minister did speak of the “tough rules for subcontracting” and the “success, not at the top level, but at the subcontracting level”.²¹⁷

114. The Minister for the Cabinet Office spoke of the need to “be much better at commissioning in a way that creates a genuinely level playing field”.²¹⁸ **On the evidence before us we find little reason to have faith that large contractors will subcontract to smaller, charitable or voluntary providers. We recommend that departments should keep public sector contracts as small as possible to ensure contracting with as wide range of providers as possible. Ministers should regularly review and publish the scale of public sector contracts and the size of organisations they procure from. The objective of the Big Society project of empowering communities will not be achieved by simply contracting with private companies and large national charities.**

115. **Furthermore it must be recognised that commissioning is but the first stage of the delivery process. Consideration must be given to by whom, and by what means, contracts are to be policed for quality of delivery, and complaints and problems dealt with.**

Charities and value added tax

116. The Charity Tax Group published new research in February 2011 which revealed that charities were paying between £2.7 and £3.7 billion a year in tax.²¹⁹ The two main taxes paid by charities are National Insurance for employers, which makes up 54% of their tax liability, and VAT, which makes up 37.5%.²²⁰ One of the stumbling blocks to charities delivering public services is that they are not eligible for the VAT rebate that public sector bodies receive. This creates an uneven playing field.²²¹

117. The NCVO told us that “irrecoverable VAT is a significant issue for the VCS [voluntary and community sector] – it threatens the existing work of voluntary and community organisations [VCOs] at a challenging time and will act as a disincentive to

216 Q 604 [Nick Hurd], Q 635

217 Uncorrected transcript of oral evidence taken before the Liaison Committee on 8 November 2011, HC (2010-2012) 608 iv, Q 326

218 Q 588

219 Charity Tax Group and Nuffield Foundation, *Charity Tax Map*, (London: 2011), p 119

220 *Ibid.* p 109

221 *Ibid.* p 109

developing the sector's public service delivery role." It costs charities significant sums: one average estimate is 4% of total expenditure.²²²

118. The NCVO proposed a number of priority areas for review including VAT on social welfare services, where charities are complementing/substituting government provision: "VCOs should be compensated here and not have resources taken from them in the pursuit of delivering public services. This would ensure fair treatment across local government/private sector or VCS [voluntary and community sector]."²²³

119. We put these concerns to the then Economic Secretary to the Treasury, Rt Hon Justine Greening MP. She explained that the sector already benefited significantly from tax relief in a variety of ways: "the UK is held as a good example of a tax system that supports charities".²²⁴ She added that large areas of charitable activities are already tax exempt and that spending review settlements took account of VAT rebate entitlement in the public sector. She did agree that "as the landscape around public service delivery changes, and as charities get more involved, it is a fair point that we have to make sure that there is a level playing field."²²⁵

120. We recommend the Government extend eligibility for the VAT refund scheme which currently applies for public sector bodies, to charities who deliver public services under a contract with a public sector organisation. This recommendation should be considered as a pre-budget representation addressed to the Chancellor of the Exchequer for implementation in the 2012 Budget.

Public sector mutuals and the commissioning system

121. The Open Public Services White Paper sets out the Government's commitment to promoting mutualism among public sector staff, stating:

We are giving public sector staff new rights to form new mutuals and bid to take over the services they deliver, empowering millions of public sector staff to become their own bosses. This will free up the often untapped entrepreneurial and innovative drive of public sector professionals.

Ownership and control, through mutualisation, empower employees to innovate and redesign services around service users and communities, driving up quality. We will not dictate the precise form of these mutuals; rather, this should be driven by what is best for the users of services and by employees as co-owners of the business. Options include wholly employee-led, multi-stakeholder and mutual joint venture models.

The Government will take steps to identify and overcome the barriers placed in the way of public sector workers who want to exercise these rights.²²⁶

222 FVS Ev 53

223 Ibid

224 FVS Q 201

225 Q 197

226 HM Government, *Open Public Services White Paper*, Cm 8145, July 2011, p42-43

122. To promote mutualisation, the Cabinet Office has set up a taskforce led by Professor Julian Le Grand, who described public sector mutuals as an idea which he believed would have “enormous resonance” in the future.²²⁷

123. Increasing the number of mutuals delivering public services will mean specific challenges for the commissioning system. Professor Le Grand warned that mutuals would need considerable support at the start:

Many of the people who start mutuals have no experience of, or often indeed very little understanding about, what is involved, and the business of setting up a business, which, to some extent, is what is going on here, is very difficult.²²⁸

124. Adrian Brown from the Institute for Government warned of the danger of romanticising mutuals, arguing that the ‘very enticing’ rhetoric could lead to the underestimation of the new challenges that public sector workers might have to face, such as arranging their own IT and back-office functions.²²⁹ To address this, the Employee Ownership Association recommended that during the early development of a mutual, commissioners should be able to see “market-building” as a legitimate goal, when new mutuals and established private companies were competing for a contract.²³⁰

125. Professor Le Grand identified four issues being considered by the Mutuals Taskforce which would need to be resolved to allow mutuals to flourish. The first was whether mutuals should have an “infant protection” period, to allow a new mutual time to develop without being exposed to competition from private companies, other mutuals and social enterprises or charities. This was, the Employee Ownership Association advised, “imperative” to ensure that new mutuals “do not risk losing out the moment they leave the public sector because they simply cannot compete with larger competitors”.²³¹ Once developed, Professor Le Grand also raised the prospect of a new mutual being subject to an asset lock – a mechanism wherein the previously publicly owned asset is “not prone to takeover by large organisations or private sector organisations of various kinds”. The remaining two issues were the application of value added tax to mutuals, and the question of whether working conditions and pensions of public sector employees wishing to mutualise would be transferred with the employee.²³²

126. A culture change within the public sector will be necessary for mutualisation to succeed. In early 2011, the Minister for the Cabinet Office set out a “very ambitious [...] but not inconceivable” target of one million public sector employees moving into mutuals by the end of the Parliament, representing one-sixth of the total public sector workforce.²³³ The Open Public Services White Paper goes even further and talks of “empowering millions of public sector staff to become their own bosses”.²³⁴ Limited progress has been

227 Q 515

228 Q 472

229 Q 211

230 Ev w268

231 Ev w268

232 Q 472

233 “Minister calls for one million public sector co-owners” *Public Finance* 24 February 2011 www.publicfinance.co.uk

234 HM Government, *Open Public Services White Paper*, Cm 8145, July 2011, p 43

made towards this target, with 45,000 public sector staff are expected to have moved into mutuals by November 2011.²³⁵

127. One reason for this slow progress was identified by the Prime Minister, who recently told the Liaison Committee that “change was difficult” and that employees were likely to encounter “institutional resistance” of people higher up in the organisation who do not support part of the organisation breaking away.²³⁶ Both Ed Mayo, the Secretary General of Co-operatives UK and Professor Le Grand described this resistance as commonplace both within Whitehall and the wider public sector:

I am continually shocked, unfortunately, by the lack of understanding of co-operative and mutual models right across Whitehall²³⁷

We have a particular issue with middle managers in local authorities who are approached by a set of employees who say they would like to spin out and develop a mutual, and they are simply told, “No, it is not possible.” It is not part of the culture.²³⁸

To address this resistance, Ed Mayo suggested that each major spending department should appoint a mid-or senior-level employee as a “co-operative” contact to liaise with the Cabinet Office and increase understanding of mutual and cooperative models within the department.²³⁹

128. The success of mutuals depends not only on a redesigned commissioning system, but enthusiasm among the staff. The TUC warned that the benefits of mutuals, such as increasing innovation and productivity would only accrue “where there is genuine employee ownership and buy-in”.²⁴⁰ They contend that mutualisation is at present mainly being driven by management, not staff: staff in turn feel pressurised to support the change. Mutualisation has also been more common in healthcare than in other public sectors.

129. The Employee Ownership Association describes the potential loss of a public sector pension scheme as “the single biggest disincentive to transfer” for current public sector employees. They warn that to avoid this disincentive, it is necessary to go further than merely stipulating that historically accrued rights will be transferred.²⁴¹

130. It is not clear to us that the Mutuals Taskforce is equipped to overcome the resistance to public sector mutuals. This resistance goes beyond bureaucratic inertia in Whitehall. The lack of understanding in Whitehall and local government about mutuals and cooperatives must be addressed by indentifying and training the key

235 Uncorrected transcript of oral evidence taken before the Liaison Committee on 8 November 2011, HC (2010-2012) 608 iv, Q339, 340

236 *Ibid.*

237 Q 480 [Ed Mayo]

238 Q 474 [Professor Le Grand]

239 Q 481

240 Ev 106

241 Ev w268

personnel who make the decisions. If the Government had a coherent implementation plan, this matter should already have been addressed.

131. Public sector workers will weigh up the choice between the advantages of mutualisation against the risk of losing their public sector pension provision and may decide against spinning off into a mutual. It needs to be recognised that the support for mutuals has so far been dependent on exceptional circumstances. We recommend that the Government take a fresh look at this issue and develop innovative approaches to encouraging and incentivising participation in mutuals.

6 Choice, contestability and equality of service provision

132. Opening up public services to new providers and increasing local determination of provision raises the prospect of local variation in services. While Shaun Bailey argued that the public understood that service provision would not be neat and tidy,²⁴² much of our evidence spoke of the dangers and undesirability of a ‘postcode lottery’. Speaking for the TUC, Paul Nowak said:

What the British public do not want is a postcode lottery, for example, with the standard of the services they can expect to receive being dependent on the capacity of this or that local organisation.²⁴³

Mr Nowak’s comments were backed up by evidence from IPSOS Mori which found that

whilst nearly everyone agrees that local control is a good thing in principle (85%), when given the choice between uniform services and local responsibility the majority believe that standards of public services should be the same everywhere in Britain (63%).²⁴⁴

133. It was suggested to us that if a ‘postcode lottery’ did develop, more affluent communities would receive better services. Kevin Curley, Chief Executive of NAVCA indicated that less affluent communities might be less likely to have the skills to fight for better services: to “level that playing field, you have to find a way of providing that sort of support in the community”.²⁴⁵ The trade union UNISON argued:

Although there is merit in giving communities more influence over and ownership of local services, there is a danger that social inequalities will develop. Under the Big Society, some communities will be better able to attract resources such as private sector funding, and the result will be that some people will suffer a comparative disadvantage in the public services they can access, simply because of where they live. This re-introduction of the postcode lottery is unfair, and it is a powerful demonstration of why state provision and universal standards remain crucial.²⁴⁶

134. The Minister for the Cabinet Office thoroughly rejected the fears of a ‘postcode lottery’:

I always dislike the phrase postcode lottery, because it suggests it is completely random. There will be differences. Where there are differences by postcode it is because somebody somewhere has made a decision; maybe the voters have voted for different priorities in the local authority, or professionals have decided to make

242 Q 60

243 Q 441

244 Ev w130

245 Q 459

246 Ev w5

different decisions about clinical priorities in the health service. So are you going to see more differences in the way things are provided? Yes. That is not just about level or standard; a lot of it will be about different priorities, reflecting what different communities and different people care about. The idea that everything should be absolutely uniform across the country in the name of equity is actually a recipe for stultifying mediocrity.²⁴⁷

135. In its written evidence, while still arguing that natural variation is acceptable, the Cabinet Office has also stated its belief that “where variation in quality and provision is outside the control and wishes of individuals and communities, however, this should be tackled”.²⁴⁸ Central Government had a role to play in “ensuring common minimum standards of service provision.”²⁴⁹

136. We welcome the Government’s commitment to ensuring common minimum standards of service provision. If this can be achieved, then local variation, which is inevitable in localism, can be welcomed if it will encourage innovation and improvement in public service provision.

The role of faith groups

137. The Big Society project objectives of strengthening links between individuals and increasing citizenship are closely identified with the community activities and support found in many religious groups. Indeed, the Prime Minister has been reported as “telling church leaders that they would be ‘absolutely right’ to claim that Jesus founded the Big Society 2,000 years ago”.²⁵⁰ The Prime Minister and his colleagues have been keen to stress the role of faith groups in the Big Society project. Baroness Warsi has spoken of the “intrinsic part” faith communities will play “in the vision for a Big Society.”²⁵¹

138. The Chief Rabbi, Lord Sacks also stressed the link between the Big Society project and religion, stating “if we’re searching for the big society, [places of worship] is where we will find it”.²⁵² Other faith leaders have spoken less positively about the Big Society project. The Archbishop of Canterbury has described the term as “painfully stale” and questioned whether charitable organisations would be able to deliver public services. The Head of the Catholic Church in England and Wales, Archbishop Vincent Nichols, described the Big Society project as “lacking a cutting edge. It has no teeth” in a newspaper interview, in which he continued:

Devolving greater power to local authorities should not be used as a cloak for masking central cuts. It is not sufficient for the Government, in its localism programme, simply to step back from social need and say this is a local issue

247 Q 608

248 Ev w268

249 Ev w198

250 *Sunday Mirror*, 22nd May 2011, p. 20

251 “Faith organisations worry about future funding”, *BBC News* 26 March 2011, news.bbc.co.uk

252 “If you’re searching for the big society, here’s where you may find it”, *New Statesman*, 13 June 2011, p. 21

We're now at a very critical point, with the philosophy of the Big Society getting clearer, but on the other hand the effects of the cuts are becoming real and there's real pressure about what will happen on the ground.

A government cannot simply cut expenditure, wash its hands of expenditure and expect that the slack will be taken up by greater voluntary activity.²⁵³

139. In his evidence to us, the Bishop of Leicester was keen to stress the limits of the Church of England's capacity for delivering public services, stating that provision of services by churches:

cannot be an alternative to public service provision across the piece. They cannot deliver the professionalism, they cannot deliver the resources, they cannot deliver the standards, they cannot deliver the consistency, and they should not be expected to. But what they can do is add value, they can mobilise volunteers, they can support initiatives, and in localities they can do things that are small scale and transformational.²⁵⁴

The Bishop further warned that Ministers cannot expect "the Church to behave like a local authority or a Government department".²⁵⁵ Charles Wookey, giving evidence on behalf of Archbishop Nichols, concurred:

[...] as far as the Catholic Church is concerned, we do not want to raise expectations about what religious communities can suddenly do in replacing any kind of state provision. They can help, but they are only a very small part.²⁵⁶

140. The Government's focus on the potential of faith groups in delivering services was criticised by Andrew Copson, Chief Executive of the British Humanist Association, who reported that his organisation had not been invited by ministers to discuss how "non-religious people could best contribute to this new vision of the Big Society".²⁵⁷ He also warned that in some areas, the work of secular charities was being disrupted and endangered by a focus on religious charities as part of the Big Society project. He cited the example of the charity Eaves Housing, which he said had lost a contract to the Salvation Army to provide services to trafficked women.²⁵⁸ Instead, Mr Copson stressed the importance of working with groups based on "streets, localities and communities", warning that if volunteering and society building initiatives focused only on a certain religion, or solely on people with no faith, the pool of potential participants would be limited.²⁵⁹

253 "Catholic Church: Big Society is failing; Archbishop of Westminster warns David Cameron his vision 'lacks teeth' Exclusive" *The Daily Telegraph* 17 April 2011 p 1

254 Q 382

255 Q 382

256 Q 386

257 Q 346

258 Q 357

259 Q 377

141. Lord Sacks accepted that while faith groups could strengthen bonds within their communities, it was also essential that the social capital built bridges across to people of other faiths and none.²⁶⁰ This view was shared by the Just Lincolnshire charity, who stressed the need for the Big Society project to “to encourage joint participation across communities and cultures”.²⁶¹

142. Mr Wookey, speaking for Archbishop Nichols, cautioned that commissioners should not insist on services being provided by strictly secular bodies, warning that:

if we say that public services have to be provided in some kind of quasi-neutrality, which often conceals a hidden ideology that says religion should not play any part of it, then you lose something.²⁶²

143. We recognise the benefits to society of faith groups taking part in the provision of public services. While such provision could be encouraged by the Government, this should not be to the exclusion of groups who deliver services across multi-faith and non-religious communities.

260 Q 348

261 Ev w280

262 Q 386

7 Accountability, equity, representation and management

144. The Government’s commitment to opening up public services raises pressing questions about lines of accountability and equity. Sir Gus O’Donnell, the Head of the Civil Service and Cabinet Secretary has described addressing these issues as “absolutely crucial”, stating “we are doing some very new things here; payment by results for a lot of contracts will create some issues about precisely where the accountabilities lie. I think that is something we need to sort out.”²⁶³

145. One of the challenges of localism is the concept of equity—treating people fairly—which is a long-standing one in British law. People may accept differences between local authority services because they have voted for their local authority, although even those differences are being challenged. Differences within a local authority area, due to a multiplicity of providers, is a different matter, requiring justification on ethical, as well as legal, grounds.

146. The role of local authorities as a mechanism of accountability for contracted services, especially when they are not the contractor, also appears unclear. The trade union UNITE spoke of a “democratic deficit in the push to mutuals and social enterprises in the delivery of public services”²⁶⁴ Instead, Ministers have been urged to capitalise on the potential of local councillors as “crucial players in making the Big Society happen”, and enablers of the Big Society due to their local knowledge and experience of working with local voluntary and community groups.²⁶⁵

147. Whether in local or national government, it is essential that accountability mechanisms are clear, and the public know whom to contact about unsatisfactory services: for example, Volunteering England told us that community and voluntary groups that were concerned that they might be held accountable for levels of service provision if involved in the delivery.²⁶⁶ For this reason, Polly Toynbee argued that full responsibility could not be devolved from central government:

Sometimes the man in Whitehall does know best. Sometimes awful things happen out there and the man in Whitehall has to be there to put it right, and to step in and say, “This is a disaster”—whether it is the care quality standards at Stafford hospital, or whatever—with a backstop of people as regulators.²⁶⁷

148. The Open Public Services White Paper contained reference to a proposed new role for the Ombudsmen of “power of redress [...] to investigate complaints, promote local resolution, and, if necessary, specify remedial action.”²⁶⁸ This was, we were informed by the

263 Oral evidence taken before the Public Accounts Committee on 19 January 2011, HC (2010-2011) 740-i, Q72

264 Ev w291

265 Ev w188

266 Ev w226

267 Q 128

268 HM Government, *Open Public Services White Paper*, Cm 8145, July 2011, p22-23

Parliamentary and Health Service Ombudsman, inserted into the document without substantive prior discussion with her office and conversations are still ongoing as to how this will work in practice.²⁶⁹ The Ombudsman raised serious concerns about the compatibility of the Government's intended use of an Ombudsman with her statutory role:

What the Government seems to be saying in relation to the Open Public Services White Paper is that their ambition is for the Ombudsman to be more accessible, more visible, and have more resources and new powers to enable them to have a significant impact in supporting people's ability to exercise choice. I think that means there is a danger that the long-established independence and political impartiality of the Ombudsman will be compromised by ill-informed, poorly thought-out proposals. If the Government wants an advocate for its choice agenda, it should create an advocate for its choice agenda.

I think there is a real concern here [...] if you want an advocate, you do not want an ombudsman. I think in here is something around Government seeing ombudsmen as champions of their policy; and I think this is Parliament's ombudsman, not the Government's ombudsman.²⁷⁰

149. Mr Maude argued that opening up public services to new providers would increase accountability, because if the contractor, from whatever sector they were from, did not meet the terms of the contract, the service could be brought in-house or contracted out to a different provider. This would be, he said, "more accountable than in a conventional, line-managed bureaucracy".²⁷¹

150. Mr Clark insisted that the relevant departmental accounting officer would remain "responsible for making sure the systems are in place in devolved organisations to be able to account properly and rigorously for public money".²⁷² The Minister also stressed that no matter whether public services are delivered by the public sector, a charity or a private company, it is "absolutely clear" that the local authority remained "responsible for ensuring that the quality of service is sufficient".²⁷³ He believed that there was "no greater intrinsic risk in dealing with voluntary organisations compared with the mistakes that are made in every council over time".²⁷⁴

151. The Minister must set out clear lines of accountability for the provision of public services under its new arrangements together with a clear mechanism for members of the public to raise concerns about services. To fail to do so could be fatal to the chances of success for the Big Society project.

152. The principle of accountability to Parliament for the expenditure of public money by a department's accounting officer is key to the arrangements for fiscal control

269 Uncorrected transcript of oral evidence taken before the Public Administration Select Committee on 29 November 2011, HC (2010-2012) 1626-i, Q 87

270 *Ibid.* Q 88

271 Q 594

272 Q 589 [Greg Clark]

273 Q 593

274 Q 590

exercised by Parliament. The accounting structure for devolved public services will be necessarily complex. We ask the Government in its response to outline how this will work in practice.

153. The role of Parliament’s Ombudsman is primarily a matter for Parliament, and is not an instrument for particular government policies. We share the Ombudsman’s concern that it is not the role of her office to be an advocate for the Government’s choice agenda.

154. The term community is often flexibly used. Concerns were expressed over whether it was used too flexibly: do all residents of a particular street or village have the same interests, and regard themselves as part of one community? Polly Toynbee said

I am making a point about communities not being one thing. There will be arguments and disputes all the time between people who want to do this and people who want to do that, and the idea that giving power to community from on high to anybody who happens to call themselves community in any one area necessarily generates community spirit is quite a dangerous thought.²⁷⁵

UNISON warned that:

it cannot be assumed that community organisations will always adequately represent all sections of society. The voices of many vulnerable service users can be drowned out by those of the more articulate, confident, and better organised. And while some community groups may be from the local community, they do not necessarily represent it. A small business, for example, might put forward strong opinions, but they may be speaking for nobody except themselves.²⁷⁶

155. Danny Kruger suggested that the original meaning of Edmund Burke’s ‘little platoons’ was about “social class, not to the village: he was talking about a non-geographical area of interest”.²⁷⁷ For Mr Kruger, this was at the heart of the matter:

Although we do not want people to be identifying with their social class any more, the idea of identifying with interests beyond one’s geographic community is more valid than ever, so I think within the age of globalisation we need little platoons more than ever.²⁷⁸

156. Matthew Taylor warned that not knowing how to “have no way to define whether or not [the Big Society] is being achieved” is “an abrogation of accountability”²⁷⁹ He further advised ministers that:

your project is widely perceived as being vague and your assertions based on nothing but anecdote, so whenever you are asked to talk about, write about or host a

275 Q 23

276 Ev w5

277 Q 62

278 Q 62

279 Q 155

discussion about the Big Society try at all costs to be concrete, specific and evidence based.²⁸⁰

157. While the Minister for Civil Society, Mr Hurd, spoke of each individual programme having “its own specific objective and measures of success attached”²⁸¹ Mr Maude accepted that there was no simple way to measure the success of the Big Society policy agenda, as “you can illustrate it with anecdotes more easily than by rigid measurements”²⁸² and that “a lot of the social capital that exists is not visible and not measurable”.²⁸³

158. Shaun Bailey proposed a means to identify whether the work of the Government to enable the Big Society had been successful. He argued that the change in the provision of public services should be measurable:

Is it better, is there more of it, are communities more involved in it? That part will be easier to measure, and we will have something to measure it against—what went before.²⁸⁴

However, Mr Bailey also warned that it was more difficult to measure ‘happiness’, ‘fulfilment’ and ‘involvement’. Instead:

If we are going to do anything in changing our mindsets we may have to go for a slightly murkier view of what success is, because some of what a community needs and an individual needs cannot be fitted in a box and then ticked alongside.²⁸⁵

159. Ministers have not set out clearly what success means for the Big Society project, nor produced metrics for success. In the absence of such statements an impression of policies made solely on the basis of anecdotes or single examples has developed. However, the Government has committed to regular Departmental reporting on progress towards the aims of the White Paper on Open Public Services, starting in April 2012. We recommend that the Government publish a clear statement, with practical examples, of what the Big Society project is intended to achieve and then develop the capacity to collect standard data on public service provision through the Big Society project, with a view to releasing it in open, accessible and meaningful formats, to allow the public to assess and judge success.

280 “The irredeemable anecdotalism of the Big Society” *Matthew Taylor’s blog* 7 April 2011

281 Q 553

282 Q 524

283 Q 554 [Francis Maude]

284 Q 50

285 Q 50

8 Conclusion

160. The substantial change expected to result from the Big Society project, namely the devolution of power to communities and citizens will not occur overnight: if successful, as witnesses suggested, it will take a generation. The Government's Big Society statements have, so far, failed to communicate this point effectively. There is public confusion with the policy agenda, eighteen months into this administration. Confusion also still exists among many service providers. Early examples, such as the Work Programme, have caused the charitable sector to express serious reservations about the implementation of the Government's ambitions in practice.

161. To bring in charities and voluntary groups to deliver public services, the government must take steps to address the barriers they experience in the contracting and commissioning system, which means developing a plan to address roles, tasks, responsibilities and skills in Whitehall departments. We recommend:

- a) A single Big Society Minister, who has a cross-cutting brief, to help other Ministers to drive through this agenda once they begin reporting progress against the aims of Open Public Services White Paper, from April 2012.
- b) An impact assessment, applied to every Government policy, statutory instrument, and new Bill, which asks the simple question: "what substantively will this do to build social capital, people power, and social entrepreneurs?"

Unless this is done, the Big Society project will not succeed.

Conclusions and recommendations

The roots of the Big Society

1. The Big Society is not a new concept. It builds on a wealth of traditions and ideas about strengthening communities, civic action and co-ownership of public services. (Paragraph 12)

A coherent policy agenda across Government?

2. The redistribution of power from Whitehall to communities, central to the Big Society project, will by its very nature necessitate a substantial change to Whitehall itself, and to the nature of government. Our evidence prior to the publication of the Open Public Services White Paper suggested that some witnesses remain concerned that there is not sufficient coherence in the Government's plans to achieve the objectives of the Big Society project. We await the publication of the results of the consultation following the Open Public Services White Paper and hope to see detailed implementation plans and coherent proposals in place before April 2012. As we recommended in 'Change in Government: the agenda for leadership' the Government must produce a comprehensive and coherent change programme. Without this, attempts to bring about change will be defeated by inertia. (Paragraph 24)

Communicating the Big Society

3. Without a coherent plan, the Government has so far been unable to communicate effectively to the public what the Big Society project means in terms of practical policies—however, we await their Departmental plans to be published in advance of April 2012. If they fail to do so, they will not secure sufficient public understanding support for the commitment to open public services. For the Big Society project to be successful, Ministers must increase public understanding of the nature and purpose of their public sector reform agenda by setting out what it means in practical terms. (Paragraph 31)

Opening public services to alternative providers

4. We welcome the Government's commitment to encourage the participation of the charitable sector in the provision of public services. We recognise that not all public services are suitable to be delivered by charities and that not all charities are willing or capable to deliver services. Charities and community groups have shown that they can provide some public services at better value for money than those delivered by the state and that some wish to do so. We have yet to see how the Government will encourage this since contracting out continues to favour the larger, more commercial providers. In essence, this is the challenge: to build the 'little society', rather than the 'Tesco' charities that are skilled at tendering. (Paragraph 38)

A cheaper provider?

5. We would be concerned if commissioners were faced with a choice between the either simply choosing the cheapest option or commissioning a more expensive service from a small local charity which might be able to provide a better service, but would be unable to compete with larger charities or the private sector on cost grounds. (Paragraph 42)

Effect on the voluntary sector

6. Increasing the number of charities and community groups that deliver public services will change how the charity sector operates as a whole. There is a danger that charities may become agents of public policy, subject to targets and incentives and thereby becoming an extension of the state. We expect to consider the state of the charity sector in a later inquiry. (Paragraph 48)

The role of the private sector

7. Opening up public services to new providers raises the prospect of much greater private sector involvement, as many of our witnesses have indicated. Private sector large contractors may provide the cheapest option in the first round, which may drive out smaller, more innovative, more local and more accountable providers. We recommend that Government regularly review the level of large private sector involvement in public services to ensure that the objective of the Big Society project of empowering communities over local services is being achieved. (Paragraph 53)

A voluntary sector bias?

8. Ministers have spoken both of promoting charities as the favoured provider for public services and in favour of a more mixed economy with private sector providers also involved. The officials responsible for commissioning and managing contracts for public services need to know whether Ministers wish them to prefer the voluntary sector over offers of potentially better value. Clear Ministerial guidance to the civil servants and local authority officials responsible for the commissioning and tendering of public services is therefore imperative. (Paragraph 58)

The current funding situation: 'the funding gap'

9. We are concerned that many charitable and voluntary organisations are suffering the immediate effects of reductions in public spending. In some cases their existence is at risk, yet they are the very organisations which may wish to participate in the Government's Big Society policies. (Paragraph 71)

The Transition Fund

10. We welcome the Transition Fund and the intention to sustain the voluntary sector which underlies it. The fund itself can clearly not provide assistance to every charity and voluntary group struggling to bridge the gap between public spending reductions and new sources of social finance income. This funding gap may

effectively inhibit some charities from tendering for public service delivery, and thus undermine the Government's efforts to procure from charities and social enterprises, as they may lack the available funds to enter into contracting arrangements. There is also a question about democratic accountability for the allocation of such funds. We urge the Government to bring forward proposals to address this, such as a form of voting system, in order to reflect the aspiration to involve people and communities. (Paragraph 75)

Big Society Capital

11. Delays in setting up Big Society Capital are contributing to the 'funding gap'. In our report 'Change in Government: the agenda for leadership' we reported on the frustration in Government about the "deadweight of inherited policy, not least by the overbearing constraints imposed by the vast body of EU law and regulation". The delay in the operation of Big Society Capital by the need to seek EU state aid approval is a case in point. (Paragraph 80)
12. Big Society Capital is a genuinely imaginative social innovation, which has enormous potential in the long term. The concept is as yet unproven, and large scale effects will take a decade or more to bear fruit. Furthermore, Big Society Capital will not provide the solution to the 'funding gap' for many small, local charities who do not wish to take out loans. The Government must acknowledge that in the short term Big Society Capital is unlikely to resolve the current 'funding gap'. (Paragraph 88)

Social impact bonds

13. Social impact bonds have the potential to transform the way public services are delivered and financed. Until further evidence of their success, both in achieving social aims and attracting capital, is available, we urge caution in reliance on their growth. We welcome the reviews taking place of the pilot project at HMP Peterborough, and look forward to receiving information on the project's progress. (Paragraph 92)

Commissioning public services and the Big Society

14. We welcome the Minister for the Cabinet Office's recent announcement on re-negotiation of EU procurement regulations. We look forward to the Government setting out what changes they are seeking, why they are sought and the timescale for implementation of the changes. We also recommend that the Government set out detailed plans to revise procurement guidance under the existing regulations. We intend to conduct an inquiry into the Government's public procurement policies in the light of the Minister for the Cabinet Office's recent announcement of a package of measures that are intended to reform how the Government buys from the private sector. (Paragraph 98)
15. We recommend that the Office for Government Commerce revise guidance on the EU Public Contracts Regulations 2006 to promote appropriate interpretation of the regulations by local authorities in commissioning. (Paragraph 99)

16. We recommend that the Cabinet Office consult the voluntary sector on the legislative and bureaucratic barriers which inhibit voluntary groups from delivering public services. We note the commitment of the Chancellor of the Exchequer, in his 2011 Autumn Statement, to a review of TUPE regulations, and we urge the Government to give special consideration to smaller charities in this review. (Paragraph 101)
17. For rapid and successful commissioning, there must be a cultural shift in departments. Ministers must set out what practical steps are required to change the commissioning culture in Whitehall and how success will be measured. In particular, the objectives, roles and tasks of commissioners must be identified and skills shortfalls must be addressed both through training and through the recruitment of suitable staff. (Paragraph 106)
18. Attempts to open up public services to charities and voluntary groups may encounter the difficulty that services provided by such organisations do not fit easily into the siloed mentality of Whitehall departments, who are unable to address the multiple needs of the service user – even where this approach is the very key to the success of voluntary organisations. We regard the challenge to government presented by charities such as Emmaus as a litmus test of the Government’s Big Society project. We believe that joint funds, managed by local authorities and financed by separate departments, may be the answer. We expect the Cabinet Office to lead decisively on this matter. (Paragraph 112)
19. On the evidence before us we find little reason to have faith that large contractors will subcontract to smaller, charitable or voluntary providers. We recommend that departments should keep public sector contracts as small as possible to ensure contracting with as wide range of providers as possible. Ministers should regularly review and publish the scale of public sector contracts and the size of organisations they procure from. The objective of the Big Society project of empowering communities will not be achieved by simply contracting with private companies and large national charities. (Paragraph 114)
20. Furthermore it must be recognised that commissioning is but the first stage of the delivery process. Consideration must be given to by whom, and by what means, contracts are to be policed for quality of delivery, and complaints and problems dealt with. (Paragraph 115)

Charities and value added tax

21. We recommend the Government extend eligibility for the VAT refund scheme which currently applies for public sector bodies, to charities who deliver public services under a contract with a public sector organisation. This recommendation should be considered as a pre-budget representation addressed to the Chancellor of the Exchequer for implementation in the 2012 Budget. (Paragraph 120)

Public sector mutuals and the commissioning system

22. It is not clear to us that the Mutuals Taskforce is equipped to overcome the resistance to public sector mutuals. This resistance goes beyond bureaucratic inertia in Whitehall. The lack of understanding in Whitehall and local government about mutuals and cooperatives must be addressed by indentifying and training the key personnel who make the decisions. If the Government had a coherent implementation plan, this matter should already have been addressed. (Paragraph 130)
23. Public sector workers will weigh up the choice between the advantages of mutualisation against the risk of losing their public sector pension provision and may decide against spinning off into a mutual. It needs to be recognised that the support for mutuals has so far been dependent on exceptional circumstances. We recommend that the Government take a fresh look at this issue and develop innovative approaches to encouraging and incentivising participation in mutuals. (Paragraph 131)

Choice, contestability and equality of service provision

24. We welcome the Government's commitment to ensuring common minimum standards of service provision. If this can be achieved, then local variation, which is inevitable in localism, can be welcomed if it will encourage innovation and improvement in public service provision. (Paragraph 136)

The role of faith groups

25. We recognise the benefits to society of faith groups taking part in the provision of public services. While such provision could be encouraged by the Government, this should not be to the exclusion of groups who deliver services across multi-faith and non-religious communities. (Paragraph 143)

Accountability, equity, representation and management

26. The Minister must set out clear lines of accountability for the provision of public services under its new arrangements together with a clear mechanism for members of the public to raise concerns about services. To fail to do so could be fatal to the chances of success for the Big Society project. (Paragraph 151)
27. The principle of accountability to Parliament for the expenditure of public money by a department's accounting officer is key to the arrangements for fiscal control exercised by Parliament. The accounting structure for devolved public services will be necessarily complex. We ask the Government in its response to outline how this will work in practice. (Paragraph 152)
28. The role of Parliament's Ombudsman is primarily a matter for Parliament, and is not an instrument for particular government policies. We share the Ombudsman's concern that it is not the role of her office to be an advocate for the Government's choice agenda. (Paragraph 153)

29. Ministers have not set out clearly what success means for the Big Society project, nor produced metrics for success. In the absence of such statements an impression of policies made solely on the basis of anecdotes or single examples has developed. However, the Government has committed to regular Departmental reporting on progress towards the aims of the White Paper on Open Public Services, starting in April 2012. We recommend that the Government publish a clear statement, with practical examples, of what the Big Society project is intended to achieve and then develop the capacity to collect standard data on public service provision through the Big Society project, with a view to releasing it in open, accessible and meaningful formats, to allow the public to assess and judge success. (Paragraph 159)

Conclusion

30. The substantial change expected to result from the Big Society project, namely the devolution of power to communities and citizens will not occur overnight: if successful, as witnesses suggested, it will take a generation. The Government's Big Society statements have, so far, failed to communicate this point effectively. There is public confusion with the policy agenda, eighteen months into this administration. Confusion also still exists among many service providers. Early examples, such as the Work Programme, have caused the charitable sector to express serious reservations about the implementation of the Government's ambitions in practice. (Paragraph 160)
31. To bring in charities and voluntary groups to deliver public services, the government must take steps to address the barriers they experience in the contracting and commissioning system, which means developing a plan to address roles, tasks, responsibilities and skills in Whitehall departments. We recommend:
 - a) A single Big Society Minister, who has a cross-cutting brief, to help other Ministers to drive through this agenda once they begin reporting progress against the aims of the Open Public Services White Paper from April 2012.
 - b) An impact assessment, applied to every Government policy, statutory instrument, and new Bill, which asks the simple question: "what substantively will this do to build social capital, people power, and social entrepreneurs?"

Unless this is done, the Big Society project will not succeed. (Paragraph 161)

Formal Minutes

Wednesday 7 December 2011

Members present:

Mr Bernard Jenkin, in the Chair

Paul Flynn
Robert Halfon

Kelvin Hopkins
Lindsay Roy
Priti Patel

Draft Report (*The Big Society*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 161 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Seventeenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence, reported and ordered to be published on 10 May, 6 September and 8 November, was ordered to be printed with the Report.

[Adjourned till Tuesday 13 December at 10.30 am

Witnesses

Tuesday 24 May 2011

Page

Lord Glasman, Adviser to the Leader of the Opposition, **Polly Toynbee**, The Guardian, **Shaun Bailey**, Government Big Society Ambassador and **Danny Kruger**, Chief Executive, Only Connect

Ev 1

Thursday 9 June 2011

Gareth Davies, Head, Office of Civil Society, Cabinet Office, **Matthew Taylor**, Chief Executive, RSA, **Andrew Haldenby**, Director, Reform and **Adrian Brown**, Associate Fellow, Institute for Government

Ev 21

Tuesday 14 June 2011

Sir Ronald Cohen, Independent Adviser to the Cabinet Office on the Big Society Bank, **Bernie Morgan**, Former Chief Executive, Community Development Finance Association, **Claire Dove**, Chair, Social Enterprise Coalition and **Mark Lyonette**, CEO, Association of British Credit Unions Limited

Ev 39

Thursday 30 June 2011

Andrew Copson, Chief Executive, British Humanist Association, **Lord Jonathan Sacks**, Chief Rabbi, **Rt Rev Tim Stevens**, Bishop of Leicester, and **Charles Wookey**, Assistant General Secretary, Secretariat, Catholic Bishops' Conference of England and Wales

Ev 54

Tuesday 5 July 2011

Sir Stephen Bubb, Chief Executive Officer, ACEVO, Kevin Curley, Chief Executive Officer, NAVCA, and **Paul Nowak**, Head of Organisation and Services, TUC

Ev 68

Wednesday 12 October 2011

Rt Hon Francis Maude MP, Minister for the Cabinet Office, **Nick Hurd MP**, Minister for Civil Society, Cabinet Office and **Rt Hon Greg Clark MP**, Minister for Decentralisation and Cities, Department for Communities and Local Government

Ev 89

List of printed written evidence

1	TUC (BS 25)	Ev 106
2	British Humanist Association (BS 32)	Ev 110
3	NAVCA (BS 54)	Ev 114
4	Cabinet Office (BS 114)	Ev 118
5	Supplementary written evidence submitted by NAVCA (BS 116)	Ev 122
6	Supplementary written evidence submitted by the Cabinet Office (BS 125)	Ev 125
7	Further supplementary written evidence submitted by NAVCA (BS 127)	Ev 125

Witnesses (Funding the Voluntary Sector)

Tuesday 18 January 2011

Page

Sir Stuart Etherington, Chief Executive, National Council for Voluntary Organisations, and **Thomas Hughes-Hallett**, Chief Executive, Marie Curie Cancer Care

Ev 1

Wednesday 16 February 2011

Nick Hurd MP, Minister for Civil Society, Cabinet Office, and **Justine Greening MP**, Economic Secretary, HM Treasury

Ev 18

Tuesday 3 May 2011

Sir Sandy Crombie, Senior Independent Director, Royal Bank of Scotland, **Robert Mirsky**, Head of Hedge Funds UK, KPMG, **Martin Brookes**, Chief Executive, New Philanthropy Capital, and **Chris Blackhurst**, City Editor, London Evening Standard

Ev 33

List of printed written evidence (Funding the Voluntary Sector)

1.	Supplementary written evidence from Justine Greening MP	Ev 50
2.	Supplementary written evidence from National Council for Voluntary Organisations (NCVO)	Ev 51
3.	National Association for Voluntary and Community Action (NACVA)	Ev 53
4.	Charities Aid Foundation (CAF)	Ev 59
5.	CASE and the Ross Group	Ev 66
6.	Lloyds Banking Group	Ev 67
7.	Barclays	Ev 68

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(published in Volume III on the Committee's website www.parliament.uk/pasc)

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1 Steven Leach (BS 01)	Ev w1
2 Nigel Pimlott (BS 02)	Ev w2
3 Heather Brown (BS 03)	Ev w4
4 UNISON (BS 04)	Ev w5
5 Mary Kenning (BS 05)	Ev w9
6 Hitchin Bridge Club (BS 06)	Ev w10
7 Eastfield Voice (BS 07)	Ev w11
8 Pathway Project (BS 08)	Ev w12
9 University of Gloucestershire (BS 09)	Ev w13
10 Friends, Families and Travellers (BS 10)	Ev w15
11 Philip Morgan (BS 11)	Ev w17
12 Chill4us (BS 12)	Ev w17
13 John Murphy (BS 13)	Ev w18
14 Wandsworth Voluntary Sector Development Agency (BS 14)	Ev w19
15 Professor George Jones and Professor John Stewart (BS 15)	Ev w20
16 Kevin Kelleher (BS 16)	Ev w23
17 Children England (BS 17)	Ev w29
18 Surrey Heritage (BS 18)	Ev w33
19 Paul Griffiths (BS 19)	Ev w34
20 Ian Clark (BS 20)	Ev w36
21 Greater London Volunteering (BS 21)	Ev w37
22 Geoff Etherton (BS 22)	Ev w41
23 Claire Whetstone, Enfield Children and Young Persons's Services (BS 23)	Ev w41
24 LASA (BS 24)	Ev w42
25 Gateshead voluntary Organisations Council (BS 26)	Ev w44
26 One North West and Just West Yorkshire (BS 27)	Ev w46
27 Involve Foundation (BS28)	Ev w49
28 Action with Communities in Rural Kent (BS 29)	Ev w53
29 RSPCA (BS 30)	Ev w56
30 Institute of Fundraising (BS 31)	Ev w58
31 Devon Association of CVS (BS 33)	Ev w60
32 Robert Ashton (BS 34)	Ev w63
33 Voice4Change England (BS 35)	Ev w65
34 Anonymous (B36)	Ev w66
35 Waterloo Action Centre (BS37)	Ev w67
36 Charities Evaluation Services (BS 38)	Ev w70
37 General Assembly of Unitarian and Free Christian Churches (BS 39)	Ev w74

38	Equality and Diversity Forum (BS 40)	Ev w76
39	NAAPS (BS 41)	Ev w78
40	Volunteer Cornwall (BS 42)	Ev w82
41	Foyer Federation (BS 43)	Ev w85
42	Royal National Institute of Blind People (BS 44)	Ev w87
43	Publitas Consulting LLP (BS 45)	Ev w90
44	BTCV (BS 46)	Ev w93
45	Educational Centres Association (BS 47)	Ev w97
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47	Lancashire Association of Councils for Voluntary Service (BS 49)	Ev w101
48	TimeBank (BS 50)	Ev w104
49	Community Links (BS 51)	Ev w107
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51	Locality (BS 53)	Ev w112
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71	Voluntary Centre Services North Kesteven (BS 74)	Ev w168
72	Age UK (BS 75)	Ev w172
73	Simon Skidmore (BS 76)	Ev w175
74	LGF (BS 77)	Ev w178
75	Chartered Institute of Library & Information Professionals (CILIP) (BS 78)	Ev w182
76	Barbara Weldon (BS 79)	Ev w186
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79	Open Source Consortium (BS 82)	Ev w193
80	Tavistock Institute of Human Relations (BS 83)	Ev w195
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84	Farming and Wildlife Advisory Group (BS 89)	Ev w208
85	Dragon Preparatory School (BS 90)	Ev w211
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87	Involve Yorkshire and Humber (BS 92)	Ev w213
88	Foundation Trust Network (BS 93)	Ev w214
89	Professor Nicholas Deakin and Professor Marilyn Taylor (BS 94)	Ev w216
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101	Sue Ryder (BS 106)	Ev w256
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103	Nottinghamshire Infrastructure Consortium (BS 108)	Ev w261
104	Places for People (BS 109)	Ev w263
105	Eileen Conn (BS 110)	Ev w266
106	Employee Ownership Association (BS 111)	Ev w268
107	Linda Ware (BS 112)	Ev w272
108	London Civic Forum (BS 113)	Ev w273
109	Urban Forum (BS 115)	Ev w276
110	Just Lincolnshire Equality & Human Rights Council (BS 117)	Ev w280
111	Further written evidence submitted by UNISON (BS 118)	Ev w281
112	Further written evidence submitted by Age UK (BS 119)	Ev w282
113	ACEVO (BS 120)	Ev w285
114	Further written evidence submitted by Locality (BS 121)	Ev w286
115	Further written evidence submitted by ChangeMakers (BS 122)	Ev w289
116	Further written evidence submitted by Unite (BS 123)	Ev w291
117	Further written evidence submitted by NESTA (BS 124)	Ev w293
118	Further written evidence submitted by London Civic Forum (BS 126)	Ev w296
119	Letter from Rt Hon Oliver Letwin MP, Minister for Government Policy, Cabinet Office, Rt Hon Chris Grayling MP, Minister for Employment and Rt Hon Grant Shapps MP, Minister for Housing (BS 128)	Ev w299

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Who does UK National Strategy?	HC 435 (HC 713)
Second Report	Government Responses to the Committee's Eighth and Ninth reports of Session 2009-10	HC 150
Third Report	Equitable Life	HC 485 (Cm 7960)
Fourth Report	Pre-appointment hearing for the dual post of First Civil Service Commissioner and Commissioner for Public Appointments	HC 601
Fifth Report	Smaller Government: Shrinking the Quango State	HC 537 (Cm 8044)
Sixth Report	Who Does UK National Strategy? Further Report with the Government Response to the Committee's First Report of Session 2010-11	HC 713
Seventh Report	Smaller Government: What do Ministers do?	HC 530
Eighth Report	Cabinet Manual	HC 900 (Cm 8213)
First Special Report	Cabinet Manual: Government Interim Response to the Committee's Eighth Report of Session 2010-12	HC 1127
Ninth Report	Pre-appointment hearing for the post of Parliamentary and Health Service Ombudsman	HC 1220-I
Tenth Report	Remuneration of the Parliamentary and Health Service Ombudsman	HC 1350
Eleventh Report	Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform	HC 901
Twelfth Report	Government and IT — "a recipe for rip-offs": time for a new approach	HC 715-I
Thirteenth Report	Change in Government: the agenda for leadership	HC 714
Fourteenth Report	Public Appointments: regulation, recruitment and pay	HC 1389
Fifteenth Report	Smaller Government: What do Ministers do? Further Report	HC 1540
Sixteenth Report	Appointment of the Chair of the UK statistics Authority	HC 910

Oral evidence

Taken before the Public Administration Select Committee

on Tuesday 24 May 2011

Members present:

Mr Bernard Jenkin (Chair)

Nick de Bois
Paul Flynn
Robert Halfon

Kelvin Hopkins
Greg Mulholland
Lindsay Roy

Examination of Witnesses

Witnesses: **Lord Glasman**, Adviser to the Leader of the Opposition, **Polly Toynbee**, *The Guardian*, **Shaun Bailey**, Government Big Society Ambassador and **Danny Kruger**, Chief Executive, Only Connect, gave evidence.

Q1 Chair: Welcome to this evidence session of the Public Administration Select Committee, our first public session on the topic of the Big Society. I wonder if each of you could identify yourselves for the record, please.

Lord Glasman: I am Lord Glasman, Labour peer. I worked for 10 years with London Citizens, and I think it is that experience that I bring to this inquiry.

Chair: I think you will need to speak up, as we do not have amplification in this room.

Polly Toynbee: Polly Toynbee, from *The Guardian*.

Shaun Bailey: Shaun Bailey, appointed by the Prime Minister as a Big Society Ambassador. I am also the MD of a very small charity called My Generation.

Danny Kruger: I am Danny Kruger. I run another charity called Only Connect. We work with prisoners and ex-offenders and young people at risk of crime. Before that, I was working in Westminster for the Conservative party.

Q2 Chair: First of all, could each of you summarise concisely what you think the Big Society means? Mr Kruger.

Danny Kruger: Thank you. The Big Society is an attempt by the Prime Minister and the Conservative Party to articulate the need for a space between the market and the state, a recognition of the importance of families and communities and personal and social responsibility, and it is an attempt to move beyond the purely economic idea of what Conservatism stands for and to challenge the notion that Government, mostly central Government, is the only agency that can deliver public good. It is both an intellectual and a policy agenda.

Polly Toynbee: I am at a bit of a loss, to tell you the truth. I am not entirely sure; I wait to hear and have it defined and to learn more, and perhaps your Committee will clarify matters. My worry is that it is a wonderful political phrase that nobody could possibly disagree with: we all want society to be more engaged; we want communities to be more engaged with one another; we all are concerned about atomisation, alienation, people feeling isolated and a sense of a lack of community. I think all political parties have been struggling to find ways of bringing communities together, and I expect that the Big

Society is a part of that. My worries about it, I suppose, are that it is happening at a time of such severe cuts in the very things that do help communities come together: cuts in the voluntary sector and particularly in those small local charities that do so much and spring up from the grass roots. It seems to me to be a rather top-down initiative as we have it at the moment, and I worry that it is a cloak for those cuts: to pretend that somehow people volunteering without any help from any outside agency can fill the gaping gaps left by some of the really severe cuts that are currently going on in things people very much care about locally—things that bring people together.

Shaun Bailey: The Big Society is an attempt to get the country to share responsibility. Currently we have a system that is predicated on massive central government: 51% of our GDP. It is not sustainable; it generates poverty in and of itself, and we are trying to use civic power to address the gap between what people would like to be done and what can be done by professional institutions. It is a way of freeing up extra power without economy. It is a way of changing mindsets from those at the very top to give of their time and their money to the bottom, and it is also a way of showing well-meaning but displaced people from poverty that some of turning poverty around is counter-intuitive. Always giving with no ask is not very useful when you try to stop a country and particular parts of that country slipping into deep, long-term poverty. Poverty is generational: we have given massive amounts of money into it, more than ever before, we have a great big industry around poverty, and it has achieved very little at all.

Q3 Chair: Just something I would observe immediately, as Polly Toynbee says, cuts in public spending—implying that these are a bad thing—you are immediately saying that 51% of GDP being spent by the state is not necessarily a good thing.

Shaun Bailey: It is not only not a good thing, it is unsustainable. At some point we will run out of money. The argument says we have already run out of money—that is a different debate—but the point being that spending that money in the way in which it is spent has a social impact. The current centralised

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attack on that situation has proved to be useless. It needs to be turned around, and civic power is one of the most important ways of addressing that problem.

Lord Glasman: I think I am going to echo most of what Danny said, stated a bit more bluntly: I think there are four elements to the Big Society. I think the first is directly party political: it is a very serious attempt to detoxify the Tory brand and claim the mutualist, co-operative traditions from Labour, depicting Labour as a statist party and a bureaucratic party. So the first element is, I think, a very explicitly political attempt to seize ground that Labour vacated, particularly under Brown, and to present this Conservative Party as something distinctly different to the Thatcher party, so they can have the same economic policies but have a very different approach to social policy.

I think the second aspect of the Big Society is a genuine support for volunteerism, and to engage to try and organise that, including aspects of leadership development. I think the third aspect is a serious attempt to restructure public sector provision along the lines of mutualism and to have greater local engagement, and I think that the fourth one is a genuine attempt to address aspects of powerlessness among citizens. I think in some ways it does that in its approach to the public sector, but it remains entirely silent on issues of private sector power, and that is why it is so hard to pin down: it does not address the main cause of people's powerlessness, which is their weakness in the marketplace.

Q4 Paul Flynn: If I give you a concrete example, perhaps you can tell me how you react to it. Yesterday morning I was in my constituency, where an announcement was made that 120 civil servants are going to be thrown out of work by a Government decision. Now, if you were to go along to them and say, "We have our salvation here in the Big Society, because in future you can go out and work for nothing," don't you think they would be tempted to tell you where you can shove your Big Society?

Lord Glasman: The only caveat I would make is I will say it is not mine; I was trying to depict where it sat. I think that there is a completely legitimate space for discussing how to deliver public services. There are two aspects, I would say. The first is on the one side there is a transfer of power to the work force through the mutualism.

Q5 Paul Flynn: With respect, we have always had that: that is going back to the guild socialist, going back to what is centuries away. What is different about the Big Society, except that it comes at a time of unparalleled government cuts?

Lord Glasman: It has been fatally damaged by certain ways that it has attacked fundamental public vision, but I do not want to underestimate the extent to which our provision, Labour provision of public services, was perceived by many to be bureaucratic, inflexible. It addresses a weakness in the way that we approached it.

Q6 Paul Flynn: But is it not finished? When Prime Ministers have ideas like the Cones Hotline, or Back

To Basics, or the Third Way, someone should say, "Emperor, you have no clothes"? There is no question the idea has been explained, launched, re-launched and re-re-launched, and the more people explain, the less people understand. Isn't it over?

Lord Glasman: As the rappers say: it ain't over. There are two aspects to why it is not over. The first is the success of the branding operation. At the last election, as you noticed, the Conservative vote went up, and there is an element in which it does soften the edges of the—

Q7 Paul Flynn: So it is a branding exercise? This is a way of selling Conservatism from the nasty party to the nice party.

Lord Glasman: To a nicer party.

Paul Flynn: Yeah; it could not have been nastier, I don't think.

Lord Glasman: What I do not want to lose is the extent to which Labour lost the guild socialist, Tawney, GDH Cole mutual provision and the way that Labour treated the public sector work force.

Q8 Paul Flynn: But as the idea is held in contempt by most charities, because they see the cynicism and the cuts that accompany it, and not held in much respect by the far right, the *Daily Mail*, who see it as nannying, what hope has he got? At which point does someone take the Prime Minister to one side and say, "Look, forget about this. It cannot work. Give it up and concentrate on something worthwhile"?

Lord Glasman: Many have taken him to one side and told him exactly that, and what is interesting is that he perseveres with this.

Q9 Chair: Mr Bailey, do you wish to comment?

Shaun Bailey: The one thing I would say about those public sector workers is they are a little bit more clued in, because they would ask the question where did the money go in the first place, and clearly with 13 years of Labour government, that is where the money went.

Q10 Paul Flynn: I welcome you to come to Newport and explain it to them, Mr Bailey, and I am sure they will give you an interesting answer.

Shaun Bailey: The thing about public services and the size of them, and people being laid off or not, is that many people in the Labour party have stated they would not do the Big Society, but they have stated they would do the cuts. Your leadership has said as much. My point being that the cuts and the Big Society are entirely separate.

Q11 Paul Flynn: You speak as a Conservative candidate, do you?

Shaun Bailey: Absolutely, I make no bones about that, but you made a party political point. My point is that your leadership said that it would do the cuts and it would not do the Big Society. The cuts and the Big Society are separate.

Q12 Robert Halfon: Just to declare one thing that I should have told the Committee, I am actually a good friend of Mr Kruger, having very much attended the Big Society Wedding a couple of years ago. Miss

24 May 2011 Lord Glasman, Polly Toynbee, Shaun Bailey and Danny Kruger

Toynbee, you implied that the Big Society is just about volunteering, but is it not much more than that? Philosophically it says that social capital—the glue that binds communities together—is as important as economic capital. It also says that people power, i.e. giving people the chance to run things and control things, is as important—if not more important—than state power, and that is much more than just saying that we want to give a little bit of a boost to volunteers.

Polly Toynbee: I agree: that is a statement of fact. But how do you create it? How do you make it happen? It does not sound like a policy; what you are saying just sounds like an observation. What I want to know is how you then create it, how you make it happen. I think there is a great deal of evidence—I very much hope this Committee will call on the huge amount of evidence there is—about what works. This is not year zero: you are not starting from nowhere saying, “I know, let’s try to encourage a bit of community activism here.” A lot is known. There are problems about volunteering, in the sense that it happens very much more in prosperous areas than in poor areas with very little social capital. Where people are poorest there is least social capital and the least trust between people, and in the places that most need it, it is hardest to generate that kind of community.

But there have been, over the Labour era—and you should not ignore the enormous amount of evaluation and information that was learnt in that time because it happened to be under the Labour era—some extremely good programmes that worked very well, or worked to varying degrees. They were evaluated in ways that you could see what worked, what did not, where money was wasted and where it was well spent. I would particularly point you to the New Deal for Communities, which was a mega-pilot experiment in 39 areas, given money for 10 years so they knew it would be there for the whole time. On the Sheffield Hallam website there are all the evaluations, and you can see exactly what worked and what did not within that, but it concentrated on the very worst estates and the very worst areas in the country. It used a whole lot of different methods for trying to get the community together, and it was incredibly difficult for the people who tried to get together very fractured, very fractious local communities to decide themselves what they wanted to do and to work together in committees. There were rows and troubles, and some of them fell apart at the beginning and had to be reconstituted, but in that evidence there is, I think, an extraordinary wealth of stats for what a Government should do. It does not necessarily have to cost as much as that cost; there were things in there that did not cost all that much, but all of it required some professional help. It required people with experience who know how to galvanise that and to make it happen. The idea that it could all be for free and it is just about volunteering is mistaken—it is about how you draw it together.

Q13 Robert Halfon: That is not the idea.

Polly Toynbee: You mean the idea is that it should not be like that.

Q14 Chair: Let’s just agree at the outset that there is a tendency within Westminster politics to trash the other side, to undervalue what the other side has achieved, or we could have a very adversarial and unconstructive session. I would also suggest that we have to get over this question of public spending. Is it possible to run a Big Society agenda at the same time as reducing public spending?

Shaun Bailey: Absolutely.

Q15 Chair: Because, Miss Toynbee, you seem to be saying that the Big Society is a joke because the Government have to cut public spending as though there was another option, when we know there is not another option.

Polly Toynbee: There are options about how much you cut and what you cut.

Q16 Chair: How much should we cut, then?

Polly Toynbee: Are we going to have a debate about economics?

Q17 Chair: That is what I want to avoid—that is the point.

Polly Toynbee: Absolutely. I rather deliberately did not take up Shaun’s points because I thought they would lead us into economics. All right, you are going to cut some, and we do not necessarily need a debate here about how much. What I wanted to say is that it is not free. You get what you pay for in community organising to some degree, and do not imagine that this is somehow a way of reconstituting society because you have not got the money any more.

Q18 Chair: In fact, public spending is still rising in real terms, but that is another matter.

Polly Toynbee: If you want to go into the economy, that is because we are in a death spiral where growth is flat-lining. If the economy were growing, we would not be—

Chair: Actually, the economy is growing, but that is another matter. But we can get past this lump in the argument that, just because public spending has to be contained, you cannot talk about gluing communities together, improving a sense of community across the country. Let us learn from what the previous Labour Government did, but let’s also learn from their mistakes.

Q19 Robert Halfon: Just to come in on that, you may disagree with the measures, but if the argument is that the Big Society says that people power is more important than state power, or as important, the measures of some of the things that the Government are doing on health, education, free schools, academies, police commissioners, more co-operatives—and you may disagree with how that is done—is all about putting people in charge. You may say that the results will not achieve that, but that is the idea of it—that people power is as important as state power.

Q20 Chair: Yes, Miss Toynbee, why is this a joke? Why does this make it a joke?

Polly Toynbee: It does not make it a joke.

Q21 Chair: You have described it as a joke.

Robert Halfon: That is not about volunteering; that is a real, substantive policy.

Polly Toynbee: The question about communities, which Maurice Glasman is much better to answer than I am, is that communities are often in conflict about things. To simply say, "We give free schools to the people," a lot of people in those same communities may be saying, "We do not want a free school down here," but Michael Gove up there says, "Yes, you can have one because that little group wants one," but maybe, I do not know, maybe a whole lot of other people in the area say, "No, it is going to destabilise our school system."

Q22 Robert Halfon: But then they do not have to go to the free school; they can go to a state school.

Polly Toynbee: No, but their own schools get destabilised.

Q23 Robert Halfon: They do not. Why?

Polly Toynbee: Well, they may well feel that those schools are creaming off a whole lot of children; they are also creaming off money from the state schools. I am not making a point about whether free schools are good or not; I am making a point about communities not being one thing. There will be arguments and disputes all the time between people who want to do this and people who want to do that, and the idea that giving power to community from on high to anybody who happens to call themselves community in any one area necessarily generates community spirit is quite a dangerous thought.

Robert Halfon: It is not going to work like that, because free schools will only work in a community if parents want it.

Q24 Chair: But is this not really an argument about diversity of provision against equality? Which is the more important value: equality or diversity of provision and opportunity? Is that not one of the big political divides in politics?

Danny Kruger: It is going to be a lot messier under this arrangement, that is certainly true, and there will be inequity and failure, and some of the current institutions will suffer, and those might include good institutions, so it is not a panacea, but it is predicated on the idea that it is not within the power of politicians to come up with a panacea, or indeed anybody. The hope—and I share this hope and believe in it—is that overall, if we are concerned with equality and equity and fairness, overall we will have a fairer outcome, even though there will be messiness on the ground.

Can I just respond to the point about cuts briefly? The fact is that Government spending is falling, and the fact is that the implication of that is that the state is retreating to one of its core purposes and remits. I see that in the work I do in prisons and communities in the fight against crime. Prison rehabilitation services are reducing in a lot of prisons, so a restorative justice project that I know well has lost its funding in London prisons. Prisons are becoming warehouses for incarceration once again. Whether we approve of that or not, that is their primary function, and in a reduced public spending envelope that is what

they are going to be. Police services are losing the money that they spend on crime prevention, and are therefore necessarily becoming about detecting and catching criminals once again. We are returning to a core idea of the state as being there to react to problems as they occur. I do not think that is a bad thing in many ways, because I think the state is always going to be bad at the long-term, relational, often emotional social work of, for instance, reducing re-offending by ex-offenders or preventing crime among young people. That is properly the work of social organisations like Shaun's and mine, and it should not be the remit of Government to try to impose that. The police are bad at crime prevention, prisons are bad at reducing re-offending or getting people off drugs. Third-sector organisations are better at that.

Polly Toynbee: But in a lot of areas they do not exist, and particularly in some of the neediest areas with the least social capital there is the least of that around.

Shaun Bailey: That is easiest to fix. It is very easy to sit outside of a poor community and tell that poor community what it wants, and then go into that poor community and tell them what they need, and they will respond to you because you have a much more powerful education and you are better at elaborating on a problem. The key thing about poverty and poor people is that poverty is as much about mindset as it is about money. If you give poor people lots of money, they buy things, and not always what they need; they buy what they want.

One of the biggest things about poverty is this: firstly, it is a generational change. It takes a generation to march a community out of poverty. Secondly, people have to be involved in their own redemption to learn the lessons. You cannot come from a poor community, have things done for you and then teach your children what was done for you. You need to have experience, your children need to see you experience those things go forward. It is why unemployment becomes generational. If your children do not see you work, they do not experience the value and the social capital from working. They need to see you; they need to hear about your working. You need to be involved in that. Where I come from nobody runs anything, so they do not try to run anything.

The whole point about the Big Society project—and here is where Polly's point is slightly wrong—is that it is not about abandoning the public to themselves.

We have a system of councils in this country, much closer to communities than central Government, and they are to administer this in myriad ways, as they see fit, because they are far better than central Government because they are closer. That is at least the technical idea: they are closer and they have a better idea. In areas, Polly, where there is the least social capital—this is where I do agree—in the areas where people need to volunteer and learn the most, that is where you give the council and social organisations more resource as well as money to pick that up and pay them the respect to let them know it will take time. I also agree, Polly, with your 10-year projects; it is not a two-minute thing. It is 10, 15 to 20 years.

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Q25 Nick de Bois: A question first for Polly Toynbee, if I may. Do you not think you demonstrate an extraordinary arrogance when you seem to dismiss the ability of communities to decide what they want, and seem to believe it is the state that knows best, particularly after 13 years?

Polly Toynbee: What I have just said about the NDC is that the whole point was that it was so difficult to give money to the communities themselves to form their own committees—the main committee and then lots of others—and bring them in. You really need to look at this and how it was done. It was entirely about local empowerment, and it was very scary. The Treasury and everybody thought, “What do you mean giving money to the local community in the very places where there is the least trust?” It can be done. All right, it does not necessarily have to be done at that cost or in that way, except that the fact that there was money was what drew people to trust enough to believe and join and give a huge amount of their time and effort.

Absolutely heroic local champions were created and came forward because they could see that this was not going to be a talking shop and something was going to come of this. They had control, and if they wanted outside professionals they hired them. They chose who they thought they needed—somebody to do *x*, perhaps to help with a particular employment programme on a local estate or whatever it was they wanted on their estate. There is no point in doing it if it does not have buy-in because the process itself is part of the outcome: the process of getting people involved, letting them take control and make their own decisions, is part of the outcome of what makes that place better for everybody to live in.

Q26 Chair: It sounds like you should be a Big Society Ambassador.

Polly Toynbee: I never said the Big Society as a concept was a bad idea. If I called it a joke, I meant in terms of on the one hand Cameron saying, “Here is the Big Society”, and the other hand saying, “By the way, I am cutting all money for things like TimeBank,” which has mobilised 300,000 volunteers, and for all sorts of charities and voluntary organisations really dug in on the ground.” All of you as MPs must be seeing it in your patch—losing funds that are doing exactly what the Big Society should do. So the joke is not that it is a bad idea but that you are not giving anything with one hand; you are talking with one hand and taking the money away with the other.

Chair: That is the dilemma we are in.

Q27 Nick de Bois: Mr Kruger, I have a note that you described the Big Society as—I hope I have this right—“too abstract and granular for our politics”. Is that a fatal flaw for the policy?

Danny Kruger: What we are encountering is the failure of that term to get a lot of traction in terms of comprehension. When I said “too abstract and too granular”, it is opposite problems. On one level it is very abstract—it is an airy-fairy concept—and on the other it is too granular: it is about parks and post offices and pubs. It is not at the sort of scale that we

normally talk at in political terms, like NHS, or schools or whatever. It is very up there, but also incredibly local.

The fact is it is very difficult to communicate new thinking. It is a huge concept: it is a policy agenda, it is a philosophy. In many ways it is not even new, because this is traditional Conservatism to my mind. It also has deep roots in the Labour movement, and they can and do claim part of it. So I think, as a PR exercise, it was never going to be successful: we saw that in the general election when it was the main theme of the Tory campaign and it did not really go down well on the doorstep. Yet the media, who were looking for some other way of identifying and defining what this Government stand for, rather than just the deficit reduction agenda, naturally looked at this, and they were right to do so because David Cameron is absolutely passionate about it. He was saying again yesterday that he has not been put off by people saying it is dead and no one understands it. As to the idea that he has re-launched it four times, as we all know it takes 100 times before these things enter the public mind. He is going to re-launch and re-launch it. It is more about whether it will work; whether stuff happens on the ground. I think this goes with the grain of human nature, this is what people want, and the polls show that people do not understand it. I think they do understand it; they just do not like it coming from politicians. They do not like the sense of it being a top-down agenda.

Q28 Nick de Bois: Do you think that it is going to take evidence on the ground for it to get momentum, for it to be understood, and how critical is it that it is understood? Perhaps it is more that it has a slow growth.

Danny Kruger: I think that is right, and I think in four years’ time at the next election David Cameron will be going round saying, “Here is the Big Society, here is the Big Society, here is the Big Society.”

Q29 Nick de Bois: What did you mean by, “It needs a revolutionary leader to succeed”? Are we talking Che Guevara in the Cabinet stuff here?

Danny Kruger: Thank you for digging out my old articles. I think there was a time when it looked like David Cameron might be slightly wimping out on the Big Society. He has recovered his courage on it and is promoting it very vigorously. I do think that, although it is essentially a bottom-up movement—it is an anti-politics movement; it is saying that central Government is not the answer—nevertheless there is a role for the state as the leader of our country and as a cultural promoter of the good and the true and the just, and that is what the Prime Minister should be doing, and I think he does. I think he speaks very bravely.

Chair: Lord Glasman, do you want to chip in there? No; okay.

Q30 Paul Flynn: I think we all greatly admire your work, Mr Kruger, but the reality is that on the question of recidivism, of drugs in prison, there has been no progress in 40 years, and we have a Home Secretary now who does want to have revolutionary change.

The history has proved that Home Secretaries caught in possession of intelligent ideas have brief ministerial careers. Do you really think that someone with all the baggage of the Tory party over the years can come in? They do believe that they are in year zero, they do believe they are Maoist, and they are getting all the top jobs—the ombudsman, the chairman of the Statistics Authority; all on one salary. The blue dungarees are coming in next, I think, but they do believe they are Maoist, they have self-confessed it, and they are going to make these changes. It might well happen. It does not work with some people, not everyone is on the same salary as the Prime Minister, but there is a positive move to be made. Can you really see the Big Society, tattered and torn as it is, having any effect?

Danny Kruger: You are talking about Ken Clarke, the Justice Secretary?

Paul Flynn: I was, yes, talking about Kenneth Clarke.

Danny Kruger: It is hard to think of him as a Maoist.

Paul Flynn: An admirable person—

Danny Kruger: Yes, and I think that he is trying to do the right thing. If you are asking whether he is going to stay in his job, I have no idea. I would have thought so and I would hope so. I think he has the right agenda there. I do not think we should underestimate that we are talking about politics and personalities. The courage and resolution of David Cameron on this one means he is going to keep on pushing at it, and I think that Ken Clarke is going to stay in his job for, I hope, another year or two and implement this revolution.

Lord Glasman: I just want to come in here. For a start, there is no movement out there. I just want to knock that one completely on the head.

Q31 Chair: Movement?

Lord Glasman: As in a great movement for the Big Society, a social movement. That is not happening. Secondly, there is a sense—you are talking about repeating it—of a lack of seriousness in this, and the lack of seriousness can be told in the story of what happened with the bid for the Institute for Community Organising. That is something I was directly involved in, so I can share it with you.

About a year and a half ago at London Citizens—maybe more now, maybe two years ago—suddenly Steve Hilton and David Cameron would appear at our offices on quite a regular basis, and they were talking about power to the people. The important thing about London Citizens is—and I do not particularly want to get into this debate here—we never took Government money. That was so that people could have their own agenda. The problem with the New Deal was that it was state-sponsored society, and when the money was withdrawn there was a great lack of energy. Often the community bodies disintegrated. The problem was a lack of ownership and a lack of leadership development in poor communities, Shaun. That was absolutely the issue.

Q32 Chair: So the New Deal for Communities had some problems?

Lord Glasman: Definitely. We work on a community organising, not community development, model. A

community development model brings in outside experts to give advice. It is very much a Toynbee Hall model, and community organising tries to develop leaders from within the communities themselves. That is the whole story. What happened here is that we were told that there was going to be an Institute for Community Organising with £30 million and a curriculum to develop local leaders, and if you can give me just two minutes to tell you the background to community organising just for a moment, it is vital.

Chair: As quickly as you can, please.

Lord Glasman: I will be quick. Basically, it started off in Chicago in the 1930s with a guy called Saul Alinsky. The idea was that poor, local, demoralised communities would generate power, build relationships, and be able to act in Mayor Daley's Chicago, where they were completely cut out. This was mainly eastern Europeans rebelling against the Irish domination. That was the story. The thing they organised against was something called settlement houses: Toynbee Hall is a settlement house. The settlement houses were patrician-endowed places that basically educated poor people not to enjoy sex at all, really, but certainly not before a certain age, and to eat healthier food. It was a paternalistic improving body. What community organising began with was to take that house, the settlement house, and turn it into a community house that was run by the community. It was a complete power struggle, perhaps the difference between community development and community organising.

Polly Toynbee: Can I just say that NDC is not in the settlement? I agree with everything you say about the settlement tradition, but it is a bit unfair, and we might come back to that, to say that NDC is in that tradition.

Lord Glasman: I agree, I just want to go back to this story and we can come to that later. That is a different discussion, you are right. The point I am trying to make here is that community organising is based on building relationships, action and power: giving local communities power through their own leadership and setting their own agenda. What is really significant here is that the bid for the Institute for Community Organising said that they wanted to endow an institute—this is a direct quote from the bid—“on the principles of Saul Alinsky”. That is a far out thing for a Conservative Government to say that they want to do, but it is true that they did that, and then they gave it to the settlement houses. They gave it to the locality, they gave it to the paternalist “eat your vegetables, don't smoke, don't swear”—it was the completely worst side of Tory voluntarism, which was basically, “Aren't I doing a wonderful thing helping you, you ignorant poor person who needs my guidance and love.”

What I am saying is—Danny, this is the crucial thing—that that was a deeply unserious move. Locality has no experience of developing leaders from ethnic minorities, poor communities, working class communities; they are very well intentioned busybodies. That is what they have always been. What we have here then is a commitment to an Alinsky-based community empowerment that turns out to be a paternalist based “eat your greens” kind of

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movement, and this is what I am just trying to relay, Shaun: this is the lack of seriousness in the move. There is not a commitment to develop local power by local people through their institutions and organisations that would lead to genuine conflict. That is what it has to be with this. The thing that is missing here is the granular conflict, where people hold unresponsive local authorities to account, but above all, when you talk to the people and you organise people—this is just my experience of life that I am sharing with you—they always come back to four issues. Those issues are: I do not like the way I am being treated at work; I do not like violence on the streets; I really need somewhere bigger to live; and I am paying too much interest on my money. Those issues come up again and again. These are fundamental issues. The one thing is, before we get into a branding—to Mr de Bois—before we repeat it more and more often, I just wanted to share that, if you look at my stuff two years, a year ago, I wrote really positively about the Big Society in terms of Labour engagement, but now I perceive that there is no intention to take on market power, there is no intention to bring on genuine leadership from outside the usual places, and there is a stress—which is wonderful—on volunteerism, but there is not a stress on building the relationships and the institutions in those places that could generate a more powerful society, and that is the nature of the disenchantment.

Q33 Chair: This is turning into an extremely interesting conversation. I want to let it run rather than for us to be overly preoccupied with our own questions, but I shall just interject one point. This sounds awfully like the problem we have with IT procurement—we are doing an inquiry into IT procurement—or defence procurement, or the way the Civil Service operates generally; this is a skills problem at the heart of Government, and this Government may well be having the same difficulties and the same problems that Tony Blair and Gordon Brown had in trying to generate this kind of agenda.

Polly Toynbee: I am afraid I think this was a political decision, because during the election campaign Cameron was out with London Citizens. He went to their meeting and spoke at their meeting. He knew exactly what London Citizens wanted to see, he felt he knew exactly what it was, and when it came to the decision it was not an administrative error—getting the wrong IT for the wrong company—it was drawing back, saying, “I cannot be doing with this because it is too authentic, it is too real, and it is quite scary.” London Citizens does scare the hell out of politicians—it used to scare the hell out of Labour.

Lord Glasman: And journalists.

Polly Toynbee: And journalists—not me.

Q34 Chair: But are London Citizens on the streets campaigning against the cuts?

Polly Toynbee: They will be.

Lord Glasman: No, I just want to clarify that. No, London Citizens will not campaign against the cuts because there is a streak in London Citizens that is very hostile to a lot of what is perceived as the humiliation involved in a lot of public sector provision

and is in favour of the redistribution of power to local communities in terms of accountability. What they do is always in a positive campaign: living wage is the classic example—paying people enough to work.

Q35 Robert Halfon: I am fascinated by what you are saying. I understand where you are coming from, but I do not agree with the outcome of what you have said. I agree that the Big Society should not be paternalist, and I have argued that, for the Big Society to work, it has to support the little society.

Lord Glasman: Sure, but what do you not agree with?

Q36 Robert Halfon: You are saying that the way the Big Society is working from Government is paternalist and centralist, and your particular organisation did not get the grant from the Government. If you look at what the Government are doing in terms of schools, education and health, policing and so on, that is actually putting power into the hands of ordinary people, and giving them the decision and making them community organisers.

Polly Toynbee: Making who community organisers?

Robert Halfon: If you are setting up a free school, that means you are a community organiser.

Lord Glasman: Mr Halfon, everything in this depended on a programme that could train—because it is a craft, it is a skill—local leaders from outside the mainstream who could carry people with them to challenge prevailing distributions of power, and build new institutions. To call it community organising now is just false. The training programme with Locality calls itself a community organising programme, but this is the worst aspect of re-branding. It does not have a curriculum that develops relationships; it does not develop the actions in the reaction inside the experience of your people. Community organising is a specific practice that we thought was going to characterise the Big Society, but it does not.

Q37 Robert Halfon: It is your definition of community organising.

Lord Glasman: No, this is not some kind of post-modern—

Robert Halfon: It is. Your definition of community organising is not the only definition of community organising.

Lord Glasman: Just let me share my expertise. I need to clarify this; this is huge.

Chair: I think we can get too bogged down here.

Lord Glasman: No, it is vital, because community organising is about leadership development, relationship, power, action. Community development—which I think is where we have got to here—is not about developing those relationships and powers that would take on what the community wishes it to take on. If you look at the curriculum of that, they are developing—it is development, not organising.

Q38 Chair: There is clearly a very important point about London Citizens. Do feel free to put in a supplementary note to us on this so we properly understand it, but I do not think you can go into the detail of one organisation now. Forgive me, it is part

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of the problem with the subject. Mr Kruger, you wanted to come in briefly.

Danny Kruger: Just very briefly, I am very struck by what Maurice has said, and I think that there is a problem if the Big Society, or the Government generally, does not acknowledge issues around power. I also agree that issues around private sector power have been neglected because within the Conservative movement there is a conflict there. But it is a natural conflict; it is a conflict within the human heart.

Lord Glasman: It is great to hear that there is a conflict.

Danny Kruger: It is a natural tension, and a fruitful one, between the spirit of freedom and enterprise we each carry, and the desire to belong.

Q39 Nick de Bois: Mr Bailey, I think two Big Society Ambassadors have been appointed, of which you are one. Can you start by answering the question why does the Big Society need an Ambassador, in your opinion?

Shaun Bailey: Two things: one is to help spread the message and help develop the movement. Lord Glasman is completely wrong; there is a massive movement around this. If you look at the Big Society network, it is effective and connected to hundreds and thousands of people in a way that I never imagined could be done. Secondly—again referring to Lord Glasman's part—is to bring some of the reality into the room, because you all here in the Westminster bubble are breathing a different type of oxygen to what we are breathing. I use poor English specifically to make my point. I am in there making points that they might not quite be aware of, and there is a big conversation going on now about commercial power. I am currently engaged in developing a paper—I am writing about that now—for the eyes of the Prime Minister, to say that the Big Society has got thus far, and to get further we need to address—which is the single biggest point at this point—commercial power. The need for an Ambassador is to keep people honest.

Polly Toynbee: Can you explain what you mean by commercial power?

Q40 Chair: So that commercial power is about the relationship between the state and big business?

Polly Toynbee: Can you give us some examples?

Shaun Bailey: I will give you some specific examples. I am going to talk about the concept. If you are going to give all this power over, we are where we are, and we have particular mechanisms to give power over, so I am basically talking about secondment, big tendering, all the rest of that.

Q41 Chair: Serco.

Shaun Bailey: Yes; so commercial organisations are set up to benefit from that massively. For instance, the likes of Serco have legal departments bigger than most charities. For that to work and be fair and generate some of the change that the Prime Minister is after, certain breaks, certain understandings would have to be encapsulated in the law and also in the guidance around that. For instance, we are having conversations about, if an employee mutual wins a contract, we are trying to encourage—

Q42 Chair: We are going to come on to all this, but we get the gist, that you are injecting a different philosophy into the heart of Government.

Shaun Bailey: Absolutely.

Q43 Nick de Bois: So your role as an Ambassador is more about arguing from outside of Westminster into Government, but to achieve what? To get Government to shout louder, to do more, to change things, or is it just to inform?

Shaun Bailey: It is from outside in, it is trying to achieve parity for the small guy, because I come from there in all kinds of ways of measuring that point. It is also to keep them alive to what is happening on the ground: again, the taste of your oxygen is different to ours. It is about letting people know that the Prime Minister does not think this is a new idea, he does not think it is his idea, he thinks it is a public idea, and a big role for me is to try to de-politicise it slightly. One of the problems we are having is that we are childish with everything in this country. It has been said in this room that we cannot have a conversation without the left or the right jumping on it. I am personally of the opinion that this needs to be bigger than our left and right politics, because it is about—for me—the poorer, smaller, damaged communities gaining some traction in our society.

Q44 Paul Flynn: I am grateful, Mr Bailey, for explaining to me that there are such things as councils. I am aware of it; I did sit on one for 25 years before I came here. Do you regard your own organisation as an example for other Big Society organisations to follow?

Shaun Bailey: No, not at all. What my organisation and I do has very little to do with what the Big Society does in relation to me as an employee. I do those things, I have been doing them for years; I hope to continue to do them for years.

Q45 Paul Flynn: Could you answer some of the criticisms that have been made about the way you run your organisation?

Shaun Bailey: Absolutely.

Q46 Paul Flynn: Okay, well, it has been claimed that 35 pence in the pound is spent on publicity, and 20 pence in the pound on activities, and this went up greatly during your period as a parliamentary candidate. What is the explanation for that?

Robert Halfon: On a point of order, Mr Jenkin. I think this line of questioning has nothing to do with the inquiry about the Big Society.

Paul Flynn: It has everything to do with establishing the credentials of the ambassador.

Robert Halfon: It is a political attempt to undermine a witness, and I think it is totally out of order. I think it is a disgraceful line of questioning.

Chair: The question has been asked; I am anxious not to get bogged down into this line of questioning, but I would like to give Mr Bailey the opportunity to answer the point that has been made.

Shaun Bailey: All of those claims came from a very belligerent, badly behaved Labour MP. He spoke about things and those figures talk about things that

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people like he and you do not fully understand. We—hold on.

Chair: Please let Mr Bailey answer.

Shaun Bailey: Hold on. We run a tiny, small organisation. It had to get itself off the floor, and those things there were accounted for badly. So things were put in different columns. People said, “What is activity?” For instance, you are talking about things like all the travelling and stuff. Now, they did our accounts as though that was our staff travel. Actually, I think at that point it was over 400 children up and down the country travelling. That is where all that come from, and the detail of what went on, if people bothered to look rather than make a political attack about what we do, they would be happy about what we do. That particular MP should really ask himself how come I am connected with so many people from his constituency and he is not.

Q47 Paul Flynn: Were you investigated by the Charity Commission for the loss of £16,000?

Shaun Bailey: Absolutely not.

Chair: That seems to be the substance—

Robert Halfon: Mr Speaker, this is an outrageous line of questioning.

Chair: Order, order.

Shaun Bailey: You show me where we—

Robert Halfon: This is a disgraceful abuse of the Select Committee. A disgraceful abuse.

Q48 Chair: Order, order. This is not the right forum to cross-examine the conduct of an individual charity. I have allowed Mr Bailey to answer your question, Mr Flynn. I think we should move on, and the fact that this matter has been investigated by the Charity Commission means that it is not—

Paul Flynn: We have not had the answer, I am afraid, Mr Chairman, as to whether it was or not.

Shaun Bailey: We absolutely were not. I answered that. We never were and never have been under investigation by the Charity Commission.

Q49 Chair: Order, order. Mr Bailey, we are going to move on.

Shaun Bailey: Thank you very much.

Chair: We will move on to questions about whether the Big Society is a new idea. Mr Mulholland.

Q50 Greg Mulholland: Thank you Chair. I do not know about the Big Society, but we certainly do not have much of a big tent going on here this morning. I would just, first of all, say, I think this debate between left and right is not particularly helpful in the context of this—I would say that as Liberal, which, of course, as everyone knows, is the real tradition of community politics, decentralisation and empowerment. But at a recent Big Society conference that I was asked to speak at, I was hearing the debate about whether the Big Society is a genuine concept and whether it is a good idea, and so on, but I said that part of the point of the Big Society is clearly what people do with it. In a way you might say that that is political genius, because the Prime Minister could say if it does not work, “It is not my fault and it is not the Government’s fault, because the communities did not

take up the idea, so you cannot blame the politicians.” But on a serious point, the one question that does not seem to have been asked, never mind answered, is how will the Big Society be judged? What is the outcome of the Big Society? In four years’ time or 10 years’ time, whatever, how will we judge whether the Big Society is going to be a success or not?

Shaun Bailey: Some of the bigger pieces of work about the Big Society are changes in the law, so some of them are going to be easy to judge: what quality is the public provision around health, around schools? Is it better, is there more of it, are communities more involved in it? That part will be easier to measure, and we will have something to measure it against—what went before. There is also what we want for the future: the number of charter schools, the number of mutuals, doing anything from youth work to health provision. In one sense, that can be measured.

The other part is it always going to be hard to measure, and that is the point, because it is about people, it is about happiness, it is about fulfilment, it is about involvement, and that will always be complicated and hard to measure, but that is the problem. We have come from a system where everybody wants measurement, and I get that, particularly with public money, but that measurement has often stopped us taking the extra step, going the extra mile. It is why the third sector has always been able to fill that gap, because what it perceives as important and how it measures success is slightly different. If we are going to do anything in changing our mindsets we may have to go for a slightly murkier view of what success is, because some of what a community needs and an individual needs cannot be fitted in a box and then ticked alongside.

Q51 Lindsay Roy: How will we know?

Shaun Bailey: There is one big mechanism called a general election, which will let people know to a certain extent. But people will continually agitate.

Q52 Lindsay Roy: Will the next general election be around the Big Society? Is that what you are saying?

Shaun Bailey: If it is anything to do with the Prime Minister, yes. That is what he said; it is not what I said. He said this is what he wants to do and is doing as a Prime Minister.

Q53 Lindsay Roy: I am afraid just because you repeat the same thing four or five times does not mean to say it is right.

Shaun Bailey: Put it this way: if you are not in favour of the Big Society, and you have the opportunity to vote in the next general election, where would you put that mark?

Q54 Lindsay Roy: I am in favour of the Big Society.

Shaun Bailey: I do not mean you as an individual; if an individual is not in favour of the Big Society, at the general election they have somewhere to put that mark.

Q55 Lindsay Roy: I am in favour of a better society.

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Shaun Bailey: Exactly, and that is the whole plan. My point is that people have an opportunity—several opportunities—through localism, through getting involved or not, or through how they vote.

Q56 Greg Mulholland: Chairman, I am keen to hear answers from all the witnesses on that particular question, so if we could get Lord Glasman.

Chair: In one sentence, what will be the mark of success?

Lord Glasman: I think it has to be judged against three criteria: power, politics, and participation. If you had leaders coming through from new, different places that would be a very good thing, and if there was greater engagement in politics and participation of citizens in the power over their lives. I think these things can be measured. I think they should not be measured according to how happy people feel, how meaningful their lives. I think it is about power, leadership development and participation, and you should just check it and check definitely the class and community backgrounds of people.

Polly Toynbee: I agree, and everybody keeps saying ‘it’; we still do not know what ‘it’ is. It does not have borders or definitions.

Q57 Chair: It is very local as well, isn’t it?

Polly Toynbee: When you throw in the NHS and schools you might as well pack up and go home, because if everything that happens moves or breathes in the whole country it is going to be incredibly hard to decide whether there has been an ‘it’ at all. There may have been something going on in health, better or worse, or something going on in schools, better or worse. It seems to me that this Committee needs to draw up some kind of parameters that makes it possible to measure it afterwards. I hate to go back to New Deal for Communities—and also the whole of the neighbourhood renewal scheme—but it has been so well monitored and so well evaluated, if you want to think about how you might evaluate this—

Chair: Message received.

Polly Toynbee:—you should have a look at that because that really did tell you how many more people got involved. It was an area of about 17,000 people, each one, and they could measure whether more people got involved, and how they felt about that involvement.

Q58 Chair: Mr Kruger; granularity is the problem, isn’t it?

Danny Kruger: I would say that it will be possible to see, or at least to intuit, whether more people have more power in their lives, and secondly—this will be the key test for me—whether they are using that power responsibly, whether it has worked—whether localism and empowerment have resulted in a stronger and better society.

Q59 Chair: Is it whether these police commissioners, free schools and institutions are showing success, particularly in the areas where we know society is less strong?

Danny Kruger: Absolutely right, and I think those are appropriately part of the Big Society. I do not

regard the Big Society as like a Department of State—a specific policy area. It is all-encompassing. Exclude foreign policy, and that is perhaps it.

Polly Toynbee: Is it measurable?

Danny Kruger: Possibly not, but voters do not decide on precise statistics.

Q60 Lindsay Roy: Surely it is not, “Is it there, do we have a police commissioner?”; it is “How effective is that police commissioner at carrying out functions?” That is the same in all the other criteria as well.

Shaun Bailey: Also, is there a mechanism for people to get involved and affect how effective that person is: stop them, start them, whatever? That is the key thing I have found, from going around thousands of different people who agree, who do not agree, who feel like they have been doing it for years, or who have just started new things. They understand that it is not going to be neat and tidy. They do understand that it goes across Government Departments. If you speak to councils, one of the big things is that they realise “Actually, this affects more than one Department”, and that change in mindset has been good for them and their effectiveness. I would hope that the same people are involved in this sort of service, and can produce a bit more innovation about how we could provide public services.

Q61 Kelvin Hopkins: Apologies first for missing some of the debate this morning. I have been advised to moderate my questioning because I am deeply sceptical about the whole idea of the Big Society. Is the Big Society a new idea? How do you think the Big Society differs from the Third Way—if at all—and previous approaches to community engagement and the provision of public services? I have to say that I was, as a Labour Member of Parliament, deeply sceptical of the Third Way too, and in fact I thought it was a front for handing power over to corporations, but then that is a view that you might expect from someone of my background. Can you say, is it a new idea, is it any different from the Third Way? Is it any different from the communitarian politics of the past?

Robert Halfon: Can I just come in on that very quickly?

Chair: Can the panel answer the question?

Paul Flynn: You are not a witness, Robert.

Robert Halfon: What is the difference between Blue Labour and Red Tory?

Chair: We will come to that.

Shaun Bailey: The Prime Minister absolutely ‘fessed up immediately: he said it is not a new idea. He just said it was a good idea. He did not say “I made it up”. If we are truthful, there are elements of crossover there with the Third Way, but I think the difference from the Third Way is where we are now. We have had things happen between here and there, and for me, personally, we have communities in this country that have been ignored, and I hope this is an opportunity to develop those communities to the point where they do not get ignored because they have the ability to go for themselves. I see this as part of the mechanism for making that change. The reason I think the Coalition and the Prime Minister are so serious about

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this is because it meant changes in the law. It is easy to talk; but, when you start trying to change the law, it would suggest that you are at least partially serious, if not very serious.

Danny Kruger: Where it comes from—and I was working for David Cameron when the ideas were being dreamt up—is the union of an old Conservative tradition that has been revived in its turn by Iain Duncan Smith: a Conservative social justice agenda. It is a union of that with the localist, more libertarian, decentralist, individualistic idea that other reformist modernisers in the Conservative party have been saying is the answer to the Conservatives’ problem. It is a union of quite paternalistic, top-down, moralistic, social renewal which compassionate Conservatives, or Christian Conservatives, traditional social Conservatives were pursuing with the more modernist, Portillo-ist, localist individualism, and that is the union, and it is not always an easy one.

Q62 Kelvin Hopkins: Edmund Burke argued that our primary attachment is to our local community—“little platoons”. Is that still relevant in the age when we live in urbanised society?

Danny Kruger: More than ever; we need that desperately. In fact, his reference was to social class, not to the village: he was talking about a non-geographical area of interest. Although we do not want people to be identifying with their social class any more, the idea of identifying with interests beyond one’s geographic community is more valid than ever, so I think within the age of globalisation we need little platoons more than ever.

Q63 Kelvin Hopkins: A third question is to Lord Glasman: how similar is the Big Society to your Blue Labour ideology?

Q64 Robert Halfon: What is the difference between Blue Labour and Red Toryism?

Lord Glasman: They are two different things. Blue Labour—I do not think it is particularly relevant—is deeply rooted in the Labour tradition itself.

Q65 Chair: Is it detoxifying the brand, to use your term?

Lord Glasman: I think that would be a cynical but probably realistic approach

Q66 Chair: But you were equally cynical about—

Lord Glasman: Just stop me, I do not want to waste the time of the Committee, but I think that we forgot about self-organised working class organisations. I think that we forgot about power, action. It should not be the case that doing PPE at Oxford should have to be the criterion for becoming a Labour MP either. We have to develop leaders from different areas: that is a very important part of what I am talking about. We have to re-engage; the difference between Blue Labour and the Big Society, and then Red Tory—there are distinctions between those—is that we do, Danny, think that class matters, that there are conflicts at work, that capitalism is based on the maximum return on investment and human beings need to resist that and mediate the effects of that. That is the history of

the Labour movement in general; it is about the power of relationships and association to resist the domination by the rich and the powerful, and the way we did that was through democracy, not just through the state but in the firm, in the areas that we live in, and it was a transformative power. Particularly I honour the south Wales tradition in this: the co-operative movement, the burial societies. That was also related to a wider set of social institutions including the chapels and the Catholic Church. So just to clarify: what is missing in the Big Society now are two massive things. The first is the genuinely organising model; it lost the organising energy, and, Danny, I really respect the work that you did in that early period. It was going there, but then it stopped.

Q67 Chair: But why did it stop? Is this a political problem, or a structural Government problem?

Lord Glasman: I really do not want to—

Q68 Chair: I agree, but this is what we are interested in. What is Government meant to do?

Lord Glasman: The reason why it stopped is, that if you look at all forms of organising, as soon as people get together and talk and act, they take on market power—that is living wage, that is interest rate caps, that is affordable housing. I think there was a genuine pause and people said, “What the hell is a Conservative Government doing funding and training people who are going to resist, going to campaign on issues that actually defy the market?”

Q69 Chair: So it is a reality of politics.

Lord Glasman: I think there was a lack of nerve. If you look at the language of the general election, which I think was very important—I am not making this up, this was in the manifesto—it was “power, relationships, action, leadership”. It was classic insurgency organising language. There was a clenched fist there with “power to the people” next to it. It was a genuine, incredible move, but once there was recognition that this would lead to genuine mayhem, genuine conflict, genuine messiness, they gave it to the toffs.

Q70 Kelvin Hopkins: You have introduced this concept of class. Now, excuse me, but my simple view is the traditional view that what really gave power to working class people were two things: majority Labour governments and trade unions, and they have both been weakened.

Lord Glasman: Both the Labour party and the Labour movement need to be strengthened, and they can only be strengthened by rebuilding relationships, reconstituting them in the areas—

Q71 Kelvin Hopkins: The confidence of workers was in, particularly, big factories with their trade union around them; they felt empowered, they felt strong and they felt confident, and they enjoyed life. When that was taken away and brought down to a small community level—

Chair: But why do so many trade unionists vote Conservative? I do not think this is a very constructive line of argument.

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Lord Glasman: All I wish to say in response to this is, just to distinguish this from Red Tory, that a huge amount of what is said in the Big Society is absolutely true to the Labour tradition. I think that in the balance between a majority Labour Government and strong trade unions we have the evidence.

Polly Toynbee: Can I answer on Third Way detoxification?

Q72 Chair: Very briefly, because we need to move on.

Polly Toynbee: I think that the Third Way was a classic piece of political positioning, meaning nothing much. It was avoiding, “Are you left or are you right?” and saying, “Well, we will be somewhere else”—nowhere really—and it was exactly like the Big Society as a brilliant, useful political construct with no material, no substance.

Q73 Chair: So you are against the Big Society. I am trying to get beyond this political argument. Let us talk about what Government should do.

Polly Toynbee: If what it is is an airy thing, we have to discuss its airiness. What will matter is what happens when concrete decisions are to be made, so that if we are going to see power devolved to smaller organisations, things that are closer to the ground—probably not as close to the ground as that—you would look, for instance, at the DWP contracts and say, “Right, here was a fine chance for the Big Society; out of 40 big contracts, two went to voluntary organisations”. A lot of voluntary organisations worked really hard for years with brilliant results.

Q74 Chair: But this is about the risk-averse nature of Whitehall, isn't it?

Polly Toynbee: Well, I do not know, I think it is about the power of big business, as Maurice said: it is big Serco and not Big Society. But the PAC has actually found that all of those companies—the ones that had ever done this work at all before—did it less well than Jobcentre Plus. It is there in the PAC's Report that came out a few weeks ago. Despite that evidence, the awards were given to Serco, Capita, Tribal and all the rest. These are the tests for the Big Society, and when it comes to any willing—

Q75 Chair: Miss Toynbee, there is a sort of oligopoly of large companies that seem to monopolise big public spending contracts.

Polly Toynbee: Yes.

Q76 Chair: But that is a structural problem of Government: how should we address that?

Polly Toynbee: Indeed; you could say that if the Big Society was really at the heart of Government, if it was driving everything Government was doing, it would have made sure that that did not happen.

Q77 Chair: But how should Government do that?

Polly Toynbee: Well, you would, for instance, make sure that smaller charities and local charities can borrow money easily.

Q78 Chair: So you support the Big Society Bank?

Polly Toynbee: Well, if it was not so tiny. But if you saw, for instance, Mr Pindar of Capita's interview in the *Financial Times* the other day, he said “Just forget it: there is no way charities are going to get any of these.”

Q79 Chair: The contracts are too big, aren't they?

Polly Toynbee: He had been reassured about the NHS contracts and the public service contracts. “Don't worry”, he was told by Francis Maude—it is all there in the *FT*—“these contracts will basically go to private companies. A few round the edges will go to charities”. If you are serious about Big Society, you will want to find a mechanism—and it is not that difficult—to make sure that it is the small, the local, the experienced, the people with the knowledge. I was on the board for quite a while of the Wise Group, one of the really good providers based in Glasgow, which failed to get one of those contracts, despite everybody expecting them to get most of Scotland. It went to Ingeus and various others. They will now get the pickings of the bits that are too difficult; they will get the drug addicts and the prisoners and things that they are very good at, with 30% creamed off the top by the prime provider.

Q80 Chair: Miss Toynbee, if you are the Minister and the civil servants come to you and say, “This is what we do, we need to let big contracts so they sub-contract to people, they have given us assurances that they will involve the charitable sector and do what they do”, what do you do?

Polly Toynbee: You say no: if you are serious about the big society you say, “We are not going to do it that way.”

Q81 Chair: What would you do instead?

Polly Toynbee: Maybe you lean on the banks a good deal harder, making sure that small organisations can borrow at the same rates as big companies, and that risks can be taken. You concentrate on all of the barriers in the way; charities are not allowed to borrow.

Q82 Chair: Mr Kruger, what is the answer to this problem?

Danny Kruger: Central Government is spending half a trillion pounds a year: it is that vast, and it is not going to be able to contract with the hundreds of smaller local charities.

Q83 Chair: Why not?

Danny Kruger: Because it cannot; because it is too big itself. While we have a centralised taxation system, where three quarters of public money is handed out by central Government, we are not going to be able to have the small scale local commissioning that we need.

Q84 Chair: So the Government's aspirations?

Danny Kruger: I dare say they are doing as well as they can. They can probably only handle 40 contracts in central Government. You need to have some sort of parity of relationship between the commissioner

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and the provider. Whitehall is not going to be able to deal with Only Connect, my little charity.

Q85 Chair: I am not as defeatist as you are about this.

Danny Kruger: I think they should be handing over the real money to local councils to commission according to their needs.

Q86 Chair: Why can't Government acquire the skills to contract with small and medium-sized enterprises?

Danny Kruger: Because there would be huge bureaucracy to do that.

Shaun Bailey: It is a culture of being afraid, of not wanting to try.

Q87 Chair: It is being risk-averse.

Shaun Bailey: Exactly; this is where the council mechanism and the small and regional mechanisms can and should be used. Polly makes her point powerfully and clearly; it is true, and I do see it as one of the largest challenges for the Big Society going ahead, but the one thing I will say is, it is not over. I would really like to believe it is not over.

Polly Toynbee: Read Mr Pindar in the *FT*, and the guarantee that not only the NHS contracts but all of the public service, any willing provider contracts—David Cameron has said virtually all the public service is up for anybody to bid for—will go to the private sector.

Chair: There is something called the Public Procurement Directive in the European Journal for public contracts, which does make things very complicated.

Q88 Lindsay Roy: Polly very helpfully reminded us there is no year zero, and we know already that some services are managed and delivered locally. How much enthusiasm is there on the ground for an extension of that, and to what extent do you think this is a top-down model?

Polly Toynbee: I think most of these things are top-down models: I think almost everything is being decided at the top. I have seen no sign yet of anything being allowed to come up from the bottom. On the contrary, you see people say “Do not shut our library, our post office”, everything that makes communities feel at all like communities, “Do not do this,” and it is happening. They say, “Do not bring a great big Tesco in that is going to destroy all our local shops,” but Tesco wins and the local community organisers do not. I don't see, as yet—and I would be delighted if mechanisms are found to stop that being the case—that things that are really valued by communities, that make people feel that a community exists at all, are preserved. I would like to see Conservatives conserving the very best of what is already there, not destroying what little there is.

Q89 Lindsay Roy: What are the views of the other members of the panel on the question?

Danny Kruger: While the money comes from top-down, the decisions are going to come from the top-down. So while George Osborne is ultimately responsible for handing out the funding, his people in

the Department are going to be handing them out. They are not going to do it with the responsiveness and the effectiveness and the local knowledge that they need to do it. So I really think that the answer is probably quite a technocratic one about local government finance and local taxation.

Q90 Chair: How do the Government encourage the state apparatus to cut its own cloth rather than just pulling in the funding from the third-party organisations where they do not owe direct responsibility for the redundancy costs and the reduction in service? How do we deal with the problem of the funding of the voluntary sector, given that we all agree there have to be at least some reductions in public spending? Mr Glasman—sorry, Lord Glasman, I do apologise.

Lord Glasman: It's okay, “Dr” does not matter anymore. What has not happened here is precisely this: a reconceptualisation of the role of statecraft in the generation of new institutional arrangements for the redistribution of power. We are stuck with the old state market model; so we have the centralised state with the money, and that does what it does, and then we have a whole lot of private corporations coming in to it because they are the only ones who can scale up and fill the gap, and society once again is getting completely squeezed in the middle, and that is why, Shaun, you have to understand, with a gentle heart, there is a huge scepticism about the reality of this, because the corporate power grows and in fact the state power remains undiminished. So I think we have to go back, to really do justice to the Big Society, to really thinking about institutions and community land trusts and re-endowing areas with responsibility.

For example, there are two areas I will speak of. The first is in relation to housing. If the Government could endow communities with the freehold, it would halve the cost of building the houses. Then local people can raise the money to build their houses and they can own them. That is neither state-controlled nor market-driven; there are market roles, state roles, but above all, it is community ownership.

Polly Toynbee: This is the Coin Street example.

Lord Glasman: Coin Street is one example, but we have to think about people having responsibility and affordability in family-sized homes. It is the same thing at Dover Port. This is a classic case, the case of Dover Port: is it going to be straightforwardly privatised and sold off, or can the Port of Dover be endowed to the people of Dover in perpetuity for the nation so they take responsibility? As opposed to enclosing and selling off and privatising lands, how do we actually use that institution?

Q91 Chair: Very interesting debate.

Lord Glasman: I just want to continue. The second thing is in terms of endowing institutions. In the Tudor period they endowed the Oxbridge colleges when we were behind in maths, in science, in Greek and Latin. That was the story of Trinity and Kings, the Royal Exchange in the City, which became the centre of the City of London's predominance, and the Greenwich Maritime College, where we caught up and exceeded. But we are not thinking of the Big Society in terms

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of endowing autonomous institutions in the areas where we are weak. We are not thinking of endowing communities with land where they can take control over themselves. There is a lack of real governmental statecraft imagination that would complement the aspiration. As we know, the lesson of New Labour—which Cameron will learn—is that when aspiration becomes hollow and empty it begins to sour quite considerably. It would be really tragic to lose this agenda.

Q92 Chair: We have not really answered—I very much value that contribution—whether it is a mistake for the state to charitable organisations as contractors, which creates this dependency on the state, which inevitably breathes in and out of economic crises, creating this terrible hiatus in the voluntary sector?

Polly Toynbee: They are not dependents: it is not money being given to charity as if it were a charity donation, they are contractors. They are doing a particular job. The local authorities have said, “We want someone to deal with young offenders”, or, “We want someone to do a day centre for the elderly”.

Q93 Chair: So it has nothing to do with the Big Society, they are just emanations of the state as contractors like Serco?

Polly Toynbee: They do it better than the state, because they are often innovators, they often lever in all sorts of other things, they are often much closer to communities—not always, but they can be.

Q94 Chair: Using big private contractors as opposed to charities is just bad contracting?

Shaun Bailey: You often get better value for money out of a charity, better understanding, and if the tendering process and the contracts are written correctly, you then do not lose the added power of having a voluntary organisation; if you force them to act like a general business contractor then you have lost the whole point of using them.

Q95 Chair: But is it inevitable that all the local authorities are going to reduce their contracts with charitable organisations and that it is going to have a bad effect? Is that just inevitable?

Polly Toynbee: One of the problems—to go back, I am afraid, to the cuts—is that on the whole, although Eric Pickles kept trying to blame local authorities for cutting charities first in order to protect their own workers, when you looked at it, and there is plenty of evidence on this, the problem is that the charities on the whole were doing the work that was not statutory. So they were doing youth work, and youth work is not statutory, so the first thing the council cuts is youth work.

Q96 Chair: This is a localism problem; too much central control.

Polly Toynbee: No, it is not about localism, it is not about that, it is about the services that they provide.

Q97 Chair: Yes, but if the Government are telling them to do some things and not others—

Polly Toynbee: Well, the Government tell them you must stop old people dying at home and you must stop children being killed by their families, so you start with some very basic safety questions that are statutory—not all that much is statutory—but what is discretionary is inevitably going to go first, and that tends to be what the voluntary sector does.

Q98 Paul Flynn: As the Ambassador for David Cameron, Mr Bailey, you were reported as commenting that the voluntary sector critics of Government reductions in spending were—and I quote—“a few people with their vested interests who thought they were going to make a lot of money”. Stephen Bubb, who represents the voluntary organisations, described your remark as “a disgusting slur on the work of some of our country’s most loved and most effective institutions”. Do you regret that remark?

Shaun Bailey: No. The point is directly aimed at a particular statement that was made to me about a particular charity and particular group of people.

Q99 Paul Flynn: Who were they?

Shaun Bailey: Hold on. It was in relation to the fact that their objection was that under the Big Society their relationship with the Government would be changed and they would no longer be receiving the large amount of funding that they were going to receive.

Q100 Paul Flynn: Do you not acknowledge that the funding they received was used to do the good works that they were doing?

Shaun Bailey: Yes, but the point is this: the funding that was available to the entire country was retracting, and you can always get into a conversation of, “Is your work any more important than mine? I believe mine is the most important in the world, you believe yours is the most important in the world.” It leaves the Government with some very tough decisions to make, and that was a decision that was made. That particular group of people spoke about it as if they had been short-changed and robbed, but if you run this country you always have to make tough decisions, asking, “Are you any more worthy than the next charity down the road?”

Q101 Paul Flynn: So your motives are pure, but the motives of all these organisations—many, as was pointed out, greatly respected organisations—are tainted in your view? Would you like to identify the organisation you were talking about?

Shaun Bailey: First and foremost, at what point did I say their motives were tainted? Their motives are not tainted at all. What I was trying to say to you, if you listen carefully, is that they believe their work is the most important in the world, and to them it is, the same as mine is to me and Great Ormond Street’s is to them.

Q102 Paul Flynn: But could you make the distinction—

Shaun Bailey: The point is that the Government had to make decisions about where the funding was going,

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and it meant that some people—very worthy people—were refused their money. But they did not speak about it in the wider context: they spoke about them and only them.

Robert Halfon: I move on from the vendetta against the witness.

Paul Flynn: They are questions, cross-examination, Robert.

Q103 Robert Halfon: Just a couple of things: going back to the community organisers issue, the Government had about 5,000 community organisers. What is your view about that and how that is going to work?

Lord Glasman: For me, this is said with a gentle spirit and an open heart, but that was the key thing: that none of this can be driven unless there are local leaders who can bring people with them to make things happen and to bring about change. In many ways the Big Society agenda pivoted on this, which was correctly understood by the Government, that there had to be a significant leadership training course, and there had to be a curriculum. This was one area, Chair, where there was a genuine discussion about endowment, an endowment of a college for community organisers that would outlive the thing, where the curriculum could be developed and the training could be done. That is crucial. The quality and the status of the training, the mentorship and the development of the organisers is fundamental. It is with sadness, a genuine sadness and regret, that when I look at the curriculum of what Locality are developing, it has none of the energy, none of the verve: it is just not leadership, it is much more like how to bring people together, and hear everybody's view. My answer to you, Mr Halfon, is that it is vital and I really think it was a faithful call there.

Q104 Robert Halfon: I happen to agree with you 100% about these corporates, and the Chairman was very elusive on this, but is there not also a problem of big corporate charities? Because 6% of charities get 90% of the income, and something about the Big Society that worries me is that the huge big Tesco charities will benefit from all the contracts and the work that is being supplied rather than the little neighbourhood association that may just need a few hundred—

Chair: Some of those large charities, like business, have whole departments that talk to Government.

Robert Halfon: Sometimes they are indistinguishable from Government Departments.

Polly Toynbee: It depends very much; they are all very different. Some of them are on very federal models where, under an umbrella of a big organisation, a major concern, you have pretty locally run day centres, projects, schemes. Others are more corporate minded.

Q105 Robert Halfon: But they are much better and able because they have big corporate and public affairs departments to spend their time lobbying Government for x, y and z, just like the big corporates.

Polly Toynbee: Alas, with not much success so far.

Q106 Robert Halfon: What I am saying is that for the Big Society to work, it has to support the genuine little society: it has to go down to grassroots levels so that the neighbourhood group can benefit.

Lord Glasman: Just to say one big thing; I want to share this with the Committee in defining the Big Society. In London Citizens, we do not do services: we hold people accountable. This has been lost in the mix. The whole point is to get organised people together and to hold local charities to account. A lot of the work that we do is to keep things honest in the system, and that is the role. In a way, a lot of confusion went on with, "Are we here to develop mutuals, are we here to do co-ops?" There is the whole thing of the restructuring. The thing for the Big Society is for people to organise together and to protect the people and the places that they love. That is the whole story, and that has got confused. The root of the confusion is whether it is service provision or accountability; interest-based, or idealistic. None of these models have been correctly ascertained, so I would be in favour of a relational, interest-based accountability model that held government, local authorities, businesses to account in the places they operate in.

Q107 Chair: I think you have also explained how you want permanent diffusion of power by this endowment process.

Lord Glasman: Yes, which assets and institutions are necessarily part of, and I think that is outside of our purview.

Q108 Robert Halfon: How would what you have just described about the structure work in practice?

Lord Glasman: I will give you one classic example. In a hospital there is an individual complaints procedure. Where this is dissatisfaction with the hospital, we encourage collective, associative action to put pressure on the hospital to engage, whether there are issues of hygiene, whether there are issues of humiliation. Basically, if it is an individual complaint it is just that: it is a random, anomalous fact. But where there are systematic institutional problems that can only be addressed through social engagement, through social action by organisers, that is the key: it is not about the provision, it is about the accountability. What we want is skilful, professional, vocational people doing their work and being kept honest by the people to whom they provide services being partners, not in the production but in the accountability.

Q109 Chair: We need to come back to this question of how smaller Big Society organisations can be involved in delivering public services. Is this a possibility? Can they do this consistently, or is it something for central Government?

Polly Toynbee: Well, not open heart surgery; it depends what you mean by public services. There is such diversity the moment you ask that question. There are some things that are really very much better done by the smaller—

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Q110 Chair: My GP, your GP practice, is quite a small business, actually, and it is a private partnership.

Polly Toynbee: Yes indeed, and it is about to become a hell of a lot bigger, because consortia look like they are going to be enormous.

Q111 Chair: It will still be a private partnership, but it will hopefully have more power to advocate on your behalf.

Polly Toynbee: It is a very peculiar hybrid that you would not find as a model anywhere else: it is a weird bit of history.

Q112 Chair: A weird bit of history? It is the backbone of the health service.

Polly Toynbee: It is not: it was a compromise at the last moment in the creation of the health service that left this rather weird hybrid situation.

Chair: General practice could be regarded as the most successful part of the health service.

Paul Flynn: What do we do on these Committees when the Chairman goes out of control and off piste with his questions?

Q113 Chair: I do not feel I am off piste, but the question is what can Government do to support and empower much smaller organisations like the kind of charities and voluntary groups that you represent?

Shaun Bailey: Basically, we have a centrally driven system because of where the money comes from. Wherever the money is administered, who is in charge of that money will determine how granular you can get with the distribution of that. That is why the local authority—which is not always a perfect vehicle, by the way, for distributing money to charities—will be important, but you cannot do it from Westminster. Also, there needs to be a distinct line between what can be provided and what cannot be provided by charities, because the big charities have all the stability that a big organisation will have, and they may be able to take on some of the more onerous bits of work that the Government do, but as you get further and further down the scale you need more clarity and long-term support in order to allow those small charities to develop a mechanism to carry this out properly, so you do not want to be giving one, two or three years of funding in contracts: it needs to be long term.

Q114 Chair: The danger is with small organisations, as with small businesses, that the Government will hand over some money for something to be delivered, and the individuals will take the money and run. It happens, doesn't it?

Shaun Bailey: I would like to think we could do it a little bit better.

Q115 Chair: But Mr Kruger, would your organisation ever consider signing a contract with central Government or local government?

Danny Kruger: To take the money and run?

Chair: No, not to take the money and run.

Danny Kruger: There is no contract that our tiny little outfit could possibly enter into with Whitehall.

Q116 Chair: Or with local government, or with the local probation services?

Danny Kruger: We deliver services; we get paid a small amount by council, police, not probation or prison, as it happens, although we do work for them.

Q117 Chair: NOMS, as it is now called.

Danny Kruger: Yes. We do little jobs for the public sector in that sense, but local government, I think, is the appropriate level for us to be contracting with.

We are in this world of contracting out massive contracts to massive corporate conglomerates, like Serco, and it might be that we could be a subcontractor to a subcontractor to Serco.

Polly Toynbee: But they will take 30 to 40% off the top before they hand it to you, so you will do the hardest work and they will make quite large profits out of your hard work.

Q118 Chair: And then they will steal your ideas.

Danny Kruger: That is right.

Polly Toynbee: Or they will claim they did it.

Danny Kruger: Shaun is right. It sounds pessimistic: the fundamental answer is going to be about local government retaining more of local taxation and spending it as it sees fit. Beyond that, there are things that are being done of which I approve, like the Big Society Bank to help with lending. I think the community organising principle is right, to somehow engender the spirit of civic activism, and there are arguments about how that should be done; we might be doing it wrong.

Q119 Kelvin Hopkins: Lord Glasman, you are quoted in our papers as saying, "the Big Society is a cover, not for cuts but for corporate domination." How much is the Big Society just a staging post to shift what is being publicly paid for, publicly accountable, publicly provided, into the corporate world?

Lord Glasman: This is what is at stake in this discussion, in fact. There are two models, there is the market model and the state model. If you want a socialist model—let us call it that for a moment—whereby there is power in the corporate governance given to the work force, the users, the locality, to the funder as well, which is vital, then that is a big transformation of the way things go. At the moment, Danny, once again, it is with generosity that I say that there is a swing between, "It has to be state", or, "It has to be completely neutralised, co-ordinated by one interest only, the worker interest." This balance of power is completely missing, but that is crucial to any institution and the Big Society idea is that that is when people come together, where countries embrace. For example—Dover Port is a classic case in point—unless a community land trust is held in perpetuity by the people of Dover for the nation then all of this would just lead to a situation where, if a company is successful it gets bought out, and if it is unsuccessful the assets get marketised. Cadburys is a good example of how that works. Unless there is a conceptualisation of institutional assets and endowment, what you will have is Serco and the big corporations ultimately using the Big Society as a

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staging post for buying up Government services when they fail. This is what is at stake here. Obviously I would say that, I do not want to get into endless argument. I would say that is why we need to be quite radical in our thinking about assets, institutions, power, corporate governance and balance of interests.

Q120 Kelvin Hopkins: There are some who would argue that we should have public services provided by profit-making companies, but what role do you think there should be for making profit out of public services?

Lord Glasman: I think in terms of the provision of public services, that is a complete—I do not know whether to call it a red herring or a blue herring.

Q121 Chair: Politicians do love saying, “This is fine, this is not for profit” or, “We are going to let to a not-for-profit organisation”.

Lord Glasman: This is another heresy of mine: I do not think either of the big issues are around co-ops or mutuals, I think that is interesting but not central. What is absolutely central is that there is an energy generated by balance of interests in every institution, that a common good is pursued, and that it is always the same. In every institution there is the funder, which is legitimate whether that is capital in the private sector, or whether that is the state or the local authority in the local sector. There is a work force.

Q122 Chair: Does that automatically mean Co-op good, Tesco bad?

Lord Glasman: No, not at all. Just to clarify, I am going down the opposite track. I am saying that in every institution, whether public or private, there should always be a balance of interests, where the owners, the users and the workers are each represented and generate a common good through negotiation. That way, you generate energy. This is the paradox of community organising, just to go back: you can only have a common good if there is tension, if there are degrees of conflict. That is what is missing.

Q123 Kelvin Hopkins: I am willing to be persuaded of anything, but I am old-fashioned, I like good public services, free at the point of need, democratically accountable, equitable across the whole country, staffed by directly employed, dedicated, properly paid public servants, all driven by the public service ethos. That is my view. I have not heard a convincing argument for changing that arrangement.

Lord Glasman: That is all great, but the only convincing argument for that is the experience of public services. Often the management was overbearing, the workers were demoralised and often it was not that great. This goes back to a discussion we are not going to have now: people have to be given power to change their lives, but there can be no responsibility without that redistribution of power to actually do something. That is just an invitation for humiliation.

Q124 Kelvin Hopkins: I must say, this is not my experience of the national health service, for

example. I may say, in the last couple of decades when there has been pressure to be more commercial in the way operates, there has been a degree of demoralisation.

Lord Glasman: Could I give one example, just to share it, of why the Big Society is important, why engaging with this model is important and how we should do better than that? I read a report on mental illness and the public sector. It says that there are 250,000 children on antidepressant drugs. This cannot be right: we cannot be turning a quarter of a million children who have got behavioural difficulties into a medical condition. The lack of relationality, the lack of time to love and care for people in the system, and how to get genuine relational support, are the issues here. Danny, this is time that needs to be spent building trust, love, care and concern for people, and we have become very procedural, very administrative, very technocratic.

Q125 Chair: Briefly, can I invite the other members of the panel to comment on this if they wish to?

Polly Toynbee: It is very dangerous to say that there is just one model. There are some things that different organisations can do best; there are some things that the voluntary sector does best. Quite a lot of things the state does best, and I do go back to that Public Accounts Committee report that shows—

Q126 Chair: This seems to be the burden of your complaint.

Polly Toynbee: The idea that private is always best has been absolutely exploded by the Public Accounts Committee.

Q127 Chair: But who advocated that private is always best?

Polly Toynbee: A lot of people: it has been the default position. Quite a lot of the Labour Government and other people assumed that if something was not working very well in the public sector the answer must be to privatise it because an A4e or whoever will come in and do it better; they will sell it better. The report really showed that it was not the case, and the DWP itself, its own jobcentres, did significantly better at getting people into work, which was an important thing. It does not mean that the state is always the best, but I do think that there is a huge pressure to say that it must always be better to outsource: outsourcing always must be the better way of doing it. I am against that.

Q128 Chair: People used to say the man in Whitehall knew best, and we do not say that any more.

Polly Toynbee: Sometimes the man in Whitehall does know best. Sometimes awful things happen out there and the man in Whitehall has to be there to put it right, and to step in and say, “This is a disaster”—whether it is the care quality standards at Stafford hospital, or whatever—with a backstop of people as regulators.

Q129 Chair: What Jesse Norman calls “the rigor mortis state”: the long screwdriver from the Treasury, the tweaking of benefits—

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Polly Toynbee: For some things, but not for others: we can all find an example to fit our model, but the point is that whatever service you are looking at, there are an awful lot of times when you are very glad that the state is there, and the state is all that is there to save people.

Q130 Chair: But micromanagement from the centre does not work, does it?

Shaun Bailey: Part of the challenge for the Big Society—however we go forward—is to figure out at which point you institute any given mechanism, because I am also of the opinion that it is not always about the private sector. The problem is about internal mechanisms and where the fear lies. If you work in a council you want to give a contract to a big company because it will accept any financial loss. We need to have the political leadership to say, “We will support you to find the right mechanism, not the cheapest mechanism”, and for me that is one of the big challenges for the Big Society. One of the bookends on this conversation for me is that it is not over: it has started, and it will take some time to figure out. I will go back to the office of the Prime Minister and say, “At this Committee meeting many things have been brought up that you may need to have another look at.”

Q131 Chair: We are going to do a report.

Shaun Bailey: I would champion the report in front of certain people.

Polly Toynbee: Can I understand one other thing: the idea that ideas from the centre are always wrong is not right either.

Q132 Chair: I am not saying that.

Polly Toynbee: No, but again there is a sense that top-down is always bad. Sure Start was created because there was an vacuum in the welfare state, cradle to grave. There never was a cradle. It required the initiative of Government to say we need nurseries, we need families to be helped and supported at the very earliest point. We need these Sure Starts, and where they work well they really are—or were—hubs of local communities, where mothers gather together, parents gather together, which is the place where community often starts.

Q133 Robert Halfon: I accept some of what you said about the Sure Starts, but could not that money that was spent on Sure Start have been given directly to smaller charities and family groups—

Polly Toynbee: Some of them were run by charities.

Q134 Robert Halfon:—to set up those things themselves, rather than set up a huge new state structure?

Polly Toynbee: It was not all state structure at all: 4Children runs quite a few of them. Quite a lot of them were run by charities.

Q135 Chair: It was a centralised blueprint, though, wasn't it?

Polly Toynbee: You needed the money because it was quite expensive to get it going, and, what is more,

you needed money because, although the community aspect was very important, what was also really important was the professional services for families in real trouble.

Q136 Chair: Lord Glasman.

Lord Glasman: I just wanted to come in here on the Sure Start issue because this is crucial for the problem and where the Big Society may have gone wrong. Sure Start started as a completely relational, mother and child-based thing. It was brilliant: mothers got together and they helped each other with their children.

Polly Toynbee: They did not just get together: there was an enormous mechanism to support them doing it.

Lord Glasman: Sure, and it was done through different local charities: it was a very good example of diverse institutions—

Q137 Robert Halfon: But it is a state infrastructure that needed to be created.

Lord Glasman: What it was not was ends-based, activity-based; all those things were brought to bear to bring relationships to people who were isolated, and who were having difficulty. In three years it became a welfare-to-work programme, in which the whole thought was to separate the children from the mothers and get the mothers into the workplace, and that is why it is vital to have some power—

Q138 Robert Halfon: Why couldn't the money have been given directly to the charities, local charities, family groups?

Polly Toynbee: Because in a lot of these places there was nothing there. The most money was spent in the very poorest places where there was least social capital and there was nothing there.

Q139 Kelvin Hopkins: I want to return to my original question about the role of profit making in public services. I give you two examples. One is the health service in America; health is provided privately and it takes up twice as much as a proportion of GDP as the British health service, which is still largely public. The railways in Britain are privatised; they are in public hands on the continent, and we have just had a report saying that our railways cost 40% more to operate than the continental, publicly owned railways. The case for private profit making in the public services seems to be, I think, utterly destroyed by such examples.

Shaun Bailey: There is a question of quality though; to compare the maths, I do not know the answer to this—

Chair: And there is a question of regulation as well.

Shaun Bailey:—in terms of qualities and how they are privatised.

Robert Halfon: It depends on what kind of privatisation.

Chair: And how the railways are regulated; I do not think we should get bogged down by this.

Kelvin Hopkins: I remain to be convinced.

Q140 Lindsay Roy: Just a bit of context—if the Big Society is about anything it is about profit making,

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and in my view, it is about social capital, it is about dividends, benefits to individuals and communities and families and to their wellbeing. However, what I wanted to pick up on was that there has been a thrust towards mutuals. Has there been any increase in mutuals? Is that a benchmark for the success of the Big Society? Are you aware of any increase in mutuals or co-operatives?

Polly Toynbee: They have not really got going yet. Maybe there is a wish to encourage them, and Shaun can tell us about that, but it seems to me that, I am afraid—you may disagree with me here—it is always going to be fairly marginal. Wonderful things happen like Coin Street because, at the very last moment, Ken Livingstone, just before he was bugged out by Mrs Thatcher, gave them a dollop of land. It was the greatest thing he did. John Lewis got going because the founder gave it. These things are rare.

Q141 Chair: And very controversial at the time, Coin Street, wasn't it?

Polly Toynbee: Very controversial. It is quite hard to construct a whole political idea to make those things happen everywhere or in any kind of way other than random bits.

Lord Glasman: Just to reiterate, one of the models of privatisation is a worker buy-out, mutualist model. Obviously, I have my reservations about that because there is no balance of interest there either. Once again, if this is a serious agenda, there has to be endowment, institutions with assets that can have some capital to grow and develop.

Shaun Bailey: There are two stages: the first stage is that there are many more employee mutuals asking the question, "Could there be a viable employee mutual, should they do that?" There are some in the pipeline, there are even a few that already exist, but if you look at the growing number of people who are asking, it would suggest that there will be many more in future.

Q142 Lindsay Roy: Chair, I wonder if we could get some written evidence on that from Shaun.

Shaun Bailey: I would still say this: it is small and growing. It is not a tidal wave.

Chair: We will ask you for a note on that, if we may. Mr Mulholland.

Q143 Greg Mulholland: Thank you very much, Chair. One of the strands of the idea of the Big Society that we have not particularly touched on today so far is the idea of getting people to be involved, and specifically to volunteer. The Hansard Society did a survey in March which, rather worryingly for the whole concept, found that only one in 10 people say that they are certain to volunteer over the next two years. Is that a significant problem for the Big Society? It also suggests, perhaps, with attitudes in this country compared to those in some countries, that it is a little overoptimistic.

Danny Kruger: I think it is very difficult; the economy in Britain is driven by a long-hours culture and all sorts of problems with where people work and where they live. We are not sufficiently communal, communitarian: it is the way our economy and our society is set up, and that is historic. Secondly, the

cultural expectation is that social responsibility is the job of the state: people find it very difficult and they also do not see the point. I think there are these genuine barriers, and it will have to just happen. I do think that people have a yearning to participate, to take responsibility, to belong, and as we know it is an incredibly fulfilling experience when you do get stuck in, but it is quite hard. Also, volunteers are not always the answer. We have volunteers in our organisation: they are fairly useful, but they waste their huge skills. We get these incredibly high-powered professionals come in, and all we can get them to do is to cook dinner. I regret the association of the Big Society idea with volunteering, because I do not regard that as a central term, but the spirit of participation and taking responsibility has got to be.

Polly Toynbee: May I throw in another statistic? The third sector research centre at the University of Southampton is actually rather more optimistic. It finds that 25% of people, which is quite high, volunteer at least once a month, and some of them a lot more. We should not be too pessimistic about people's willingness to get involved, and a great many more people say they would like to. But again, it is hugely weighted towards the affluent areas. Two thirds of volunteering is done by 7% of the population.

Q144 Chair: It is a challenge, that this is concentrated in affluent areas, but this is not a reason not to try and extend this concept to less affluent areas.

Polly Toynbee: No, but the idea that it will just spring up because David Cameron says let us have a Big Society—

Shaun Bailey: There is no idea that it will just spring up. This is one of the challenges that the Big Society is trying to take square on. The whole idea about volunteering is that we have quite a passive society, and it is about moving us on to be engaged.

Q145 Chair: Particularly the parts of society that have become used to state handouts and state help and top-down solutions being imposed.

Shaun Bailey: But that is where Polly's point is right; Polly is absolutely spot on: the areas of the country that need volunteering the most are where people are the least likely to volunteer. There are things afoot to change that around, it is one of the journeys that the Big Society is on. It gives a message to charities like v, volunteering in this area, to change that, and if you survey people below the age of 25 you get a better response, and that is some of this gaining purchase with young people to change; as younger people become more used to volunteering, it becomes something that is done more readily.

Lord Glasman: This whole concept of volunteering—Danny, I completely get the point—misses it. When David Cameron and Steve Hilton first came to London Citizens, they said to the group it is wonderful to see such a spirit of volunteering, and no one in that room thought they were volunteering; they were doing

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politics, right? And they were pursuing their interests. It is engaging people's interests in what they do that will drive this: if people feel that their children, their wages, their housing is up for grabs here, they do not say, "I am going to do some volunteering".

Q146 Chair: It is enlightened self-interest, not pure altruism?

Lord Glasman: Yes, self-interest broadly conceived, and that is what generates a common good, when you can link that with others. That is the Labour story.

Q147 Robert Halfon: That is why it is about social entrepreneurs rather than volunteers.

Lord Glasman: Social entrepreneurs are individual leaders who have an agenda. You have to engage the associative energy of people.

Polly Toynbee: There is an absolute horror at the idea of a national day of volunteering. The voluntary sector absolutely shuddered at that: the idea that, suddenly, one day a year they would get a whole lot of people; all of the Cabinet would have to go one day a year. I was talking at a brilliant youth centre the other day, I was just visiting them, and they said the problem was that people from the City kept saying, "We want to do our bit, CSR and all that. We want to send you 10 people to go and volunteer for one day. We do not know what to do with them: we want their money, so we charge them for volunteering, but they are no use."

Lord Glasman: Or we want them to stand up for the living wage.

Q148 Chair: We must draw to a close.

Polly Toynbee: Or we want them to come every week and take one group of children that they get to know.

Shaun Bailey: Polly's point is right: that is the reality of it, but it does not mean we should not try. If you try to get people more engaged with their self-interest or anything else, they then at least get the concept that they could be engaged. Too many of us sit around not engaging.

Q149 Paul Flynn: What we have got at the end of this is a Government promotion, a gimmick, a personal one by the Prime Minister that is taking away £1.3 billion this year from bodies that have served the country well—wait a minute—going up to £1.4 billion, to create what? To create a Big Middle Class Society?

Shaun Bailey: The money was taken by the previous Government.

Paul Flynn: What will replace it; volunteers, speculation, theory?

Q150 Robert Halfon: Final question, and you might be surprised for me to say this as a Conservative, but I have a view that trade unions—if you put away Bob Crow in a box for a minute—have a fundamental role in the Big Society, and we should be engaging with them much more because of the service provision: they are the Big Society. Could I just take your views on this?

Danny Kruger: I totally agree, and that is a good one to end on, because I would challenge Maurice's idea that it is simply about power, advocacy and mobilising communities to demand their rights from the state and from corporates. The best tradition of the left is the trade union movement, which, before nationalisation, was a provider of all the services that communities needed, from insurance to education and health care. If only trade unions would provide this once again, and dedicate themselves to providing services people need rather than mobilising.

Robert Halfon: A lot of them do; a lot of them provide services already.

Kelvin Hopkins: They provide legal support for people, they have education in schools, they do a whole range of other things. This is what trade unions do. Industrial action is a tiny proportion of what they do.

Chair: I am going to draw it to a close. I would like to thank our four volunteers very much indeed for appearing, *pro bono*, in front of this Committee. It has been a very, very rich session, I am extremely grateful to you all.

Thursday 9 June 2011

Members present:

Mr Bernard Jenkin (Chair)

Nick de Bois
Alun Cairns
Paul Flynn

Robert Halfon
Kelvin Hopkins
Lindsay Roy

Examination of Witnesses

Witnesses: **Gareth Davies**, Head, Office of Civil Society, Cabinet Office, **Matthew Taylor**, Chief Executive, RSA, **Andrew Haldenby**, Director, Reform, and **Adrian Brown**, Associate Fellow, Institute for Government, gave evidence.

Q151 Chair: Welcome to this session of the Public Administration Select Committee on the Big Society. We very much want to concentrate on what this means for the Government, and what Ministers and civil servants should be doing, rather than dwell too much on the broader philosophical questions raised by the Big Society. We do not think that as a committee we will reach a massive amount of agreement on the more political aspects of it, but will be able to agree on some recommendations about how the administration should approach the issue. For the record, may I welcome you and ask each to identify himself?

Adrian Brown: My name is Adrian Brown and I am an associate at the Institute for Government.

Andrew Haldenby: I am Andrew Haldenby, Director of Reform.

Gareth Davies: I am Gareth Davies, Head of the Office of Civil Society.

Matthew Taylor: I am Matthew Taylor, Chief Executive of the RSA.

Q152 Chair: Thank you very much indeed. What are the limits to the Government's role in enabling the Big Society? Who would like to start?

Gareth Davies: Shall I start in terms of what we are doing both in the Cabinet Office and around Whitehall more generally?

Chair: That would be very helpful.

Gareth Davies: As to how Ministers see the role of Whitehall in delivering the Big Society, I would like to make three key points. First, it is to do with one-off reforms, so effectively it is implementing the coalition programme for Government. These are the reforms that you see in the Localism Bill and the Department for Education with free schools and academies. They are the one-off reforms that Whitehall needs to make, effectively giving up the power it used to have. The second thing is the opening up of the supply of public services and diversity of supply. This is not about moving necessarily just from the public to the private sector; it is about moving to a range of providers to see who is best suited to meet the needs of communities and individuals.

Q153 Chair: So, that is about how to identify those best providers?

Gareth Davies: That is a commissioning role of Whitehall. A good example of that is the work programme. Indeed, we are seeing a range of providers being brought in—300 from the voluntary

and community sectors and a couple of prime contractors. That is the second role. The third role is a new one that is certainly different from some of the skills we have seen in Whitehall over the last decade, if not more. That is the mobilisation and incubation of new ideas. Rather than taking power and solving problems ourselves in the centre, it is about how we can help others, be they individuals or businesses, to solve their own problems; it is about promoting social action. It comes out of some of the theories of behaviour change and nudge. We have the behaviour change unit in the Cabinet Office. A good example of this is the recent work of the Department of Health on preventative health. We have an agreement with a number of food manufacturers to reduce salt content in food. For example, Asda has reduced the advertising of alcohol at the front of their stores but with a non-regulatory approach. So, it is a corralling, supporting and helping people to solve their own problems. Those are the three roles that we see in Whitehall.

Q154 Chair: Who would like to critique that answer?

Matthew Taylor: In a way, it is a pity that you are not having some conversation about what the concept is, although I understand why after your conversations at your last meeting you do not want to go there, because one of the things Government has to do is define it in a way that people understand. I think that is a weakness at the moment. The Big Society brand has become toxic. Therefore, it is quite difficult for Government to use their power to mobilise energy both inside and outside Government when there is a lack of clarity about the core concept. Government have to say what it is. I say that as someone who has a very clear idea of what it should be about, and who was and still is enthusiastic about the concept as I see it.

Q155 Chair: We have one question on this later on, and I suggest that we move to that question now and get it out of the way. In a nutshell, what is it? How should the Prime Minister more usefully describe it?

Matthew Taylor: I left No. 10 five years ago. The first annual lecture that I gave at the RSA—I do one every year, and it is my fifth tonight—was on what I called the social aspiration gap. It is an ugly phrase. What I meant by it was that there is a gap between the kind of future to which most people aspire and the future they are likely to create if they carry on thinking and

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behaving as they do now. If you like, this is a citizen-centric idea of change. It understands that the problem for society is how we encourage people to think and behave in ways they need to if we want to create the kind of future we want. There is a whole range of social problems from health to sustainability in relation to lots of public services, for example, where it is inconceivable that we can achieve our goals if people themselves do not choose to behave differently. It was Labour that first commissioned a report on behaviour change to start to explore that question, and that work has continued. For me, the heart of the Big Society is that insight. Government have to think very hard about how they encourage people to be the individuals they need to be to create the future they want. That is the starting point.

You then bring to that an idea that is broadly associated with the left and the right. From the right it is a kind of critique of central Government that there are lots of reasons why central Government find it hard to achieve what they try to achieve. There are systemic reasons why Government are not very good at engaging with people and getting things right. From the left it is a recognition that we are social animals, and that society and community matter and we need collective capacity. I think all of that is rich and important. As you heard in your last conversation, there are people on the left and right who are interested in these ideas. I think that is what it is about.

Briefly, I think the problem in relation to Government is that they have lacked clarity as to what the concept is about and have not told us how we would know it was happening. I think that is a major problem for Government. I understand the worry about having too many targets—under Labour there were too many—but to specify an objective but have no way to define whether or not it is being achieved seems to me to be an abrogation of accountability, and also it does not give public servants a framework to understand what they are trying to achieve.

The third thing is that you need to make the concept one that means something across Whitehall, where again I think there is a real weakness. The contrast I would draw is with Tony Blair's approach to public service reform, which, whether you like it or not, had very strong core ideas. The core idea of public service reform was: public services, because there is no competition and profit, do not achieve the kinds of improvements in productivity that are achieved in the private sector. Therefore, you have to bring to the public sector pressures for improvement. The public service reform model was a strategic centre, contestability in provision, and voice and choice for consumers. That model was applied in various ways to education and health, and there was a kind of core to it that people understood. No. 10 basically fought across Whitehall to try to get that model accepted in one way or another with varying results. The Big Society does not have that kind of adamant centre to it that you could take from department to department and say, "This is what it means for you." That would enable No. 10, which I think is woefully under-powered in driving this agenda, to have the kinds of battles it needs to have across Whitehall to

make the Big Society win out across other views about power.

Q156 Chair: I am keen to let the conversation flow for a minute and then I will bring in one or two other colleagues. Mr Haldenby?

Andrew Haldenby: I very much agree with Matthew's point about the absence of clarity about the idea. For example, one part of the Big Society in the Government's view is opening up public service. It is something we look at a lot. We have been expecting a White Paper on the opening up of public services since January. The spending review last October promised that White Paper in January. Then the Prime Minister wrote an article in February to say it would be out within two months, and it is still not out. Many people both within and without Government are waiting for that, so that is another piece of evidence that there is not an intellectual definition for the idea. Particularly on the public services side, we have to observe that the Government's position is changing. In particular, in the case of the NHS the Government have gone from a position of opening it up to competition with contestability within the NHS to something now very different. We do not quite know what it is going to be, but there will be much greater limits on that. The Prime Minister's speech on Monday changed his position on targets within the NHS. He said he was now willing to reconsider central targets, for example on waiting times in the NHS, whereas when in opposition the Conservative Party campaigned against targets in public services. I think the Government are in retreat on public service reform, which further confuses the picture on what the Big Society is.

Adrian Brown: I would agree with a lot of what has already been said. I will have a crack at a simple definition and how I think about the Big Society, which I suppose is from the perspective of someone in Whitehall who is trying to make sense of it. It is the way that the Institute for Government tries to think about things. Traditionally, the state has thought of itself as deploying resources that have been collected from the public in the best way to deliver public services and the other things Government need to do. How can they deploy those resources most efficiently and effectively to deliver the services that they are asked to perform? I think the Big Society challenges the notion of the finite resource pool that is available to the state and says, "Think beyond just the money you have in your hands to try to deliver these public services and about the resources outside the state, be they from private individuals, private companies, charities or whatever, to help with the ends that the state is trying to achieve." So, it is expanding the idea of what resources are available. If you take that definition then the role of the state needs to be quite entrepreneurial. Harvard Business School defines entrepreneurialism as the pursuit of opportunity without regard to the resources that you currently control. That is how the state and commissioners of public services need to think. They need to think, "What are we trying to achieve? What resources are available, whether or not they are in my control, out in society? How can I put together a package of

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resources that will enable those services to be delivered?" Whether or not I control those becomes less important if I am thinking more broadly and more entrepreneurially. I think that is what the Big Society means.

Chair: We will come back to the enabling question.

Q157 Paul Flynn: Perhaps I may say what a pleasure it is to meet four zealots for the Big Society. You are an endangered species, and we might not get the opportunity again. Mr Taylor, you have described the situation in Government as Cabinet Ministers laughing behind their hands at the Big Society. If it was toxic, from this morning the toxicity has probably become terminal, with the Archbishop of Canterbury saying that Big Society is viewed as an opportunistic cover for spending cuts. It was launched just under a year ago; it has been re-launched four times. Francis Maude said that he would be prepared to launch it 100 times before Christmas. Do you really believe that you can continue to try to resuscitate a dead parrot?

Matthew Taylor: This is going to be a difficult session if you think the four of us have demonstrated that we are zealots for the Big Society.

Q158 Paul Flynn: Well, you have.

Matthew Taylor: That simply is not what we said. The core insight that for society to flourish we need more capable and responsible citizens seems to me one that will last beyond the Big Society, because it is fundamentally true. If you look at a whole set of social challenges it is impossible to see how they can be met without a more capable and responsible citizenry. So, that is correct. For example, given the kind of brutalism of the Conservative model and ideology of the 1980s, it heartens me when David Cameron stands up in No. 10, as I heard him a few months ago, to say that the reason why people should give more back to society is not simply that society needs it, but that it is the path to living a more fulfilled life. That seems to me to be a big step forward from the kind of homo economicus view of the Thatcher period. I welcome that and think it is an issue that any Government would have to address.

In relation to the Big Society project I think some mistakes have been made. I do not want to go over the same ground, but here are a couple of examples. I have already said that I do not think No. 10 has driven the agenda hard enough and is now beefing itself up. When I worked in No. 10 on public service reform there was a strong sense of having to battle Whitehall departments, which for various reasons did not want to be radical and do things differently, and we were going in to fight. I do not think that No. 10 has been fighting like that, to be frank. It is starting to do so a bit more now, but I do not think it has. I am not sure whether, given its current political difficulties, it will be able to.

I also think that the mistake of the Big Society was that, on the one hand it implied there was nothing going on at the moment, which is nonsense and annoyed people, because obviously there is a huge amount of what the Government term the Big Society already going on, and then made a classic error. They should have learned from Labour in this regard. What

you need to do in politics is under-promise and over-deliver. Of course, what happened with the Big Society was the reverse. Ministers talked about the Big Society as if it was something that would be created in the twinkling of an eye. One simply had to withdraw public services and civil society would flourish. The Big Society is a generational project. Had I been in charge of No. 10's communication I would have said, "The Big Society is something we are aiming to achieve over the next 10 to 20 years. Everybody knows there is a lot we have to try to do. The next two or three years as we change the state will be very painful and difficult, and in many ways it will feel like society is getting smaller but this is a transition we have to go through." Unfortunately—politicians always fall into this—they could not avoid the hubris of saying, "We are creating something amazing now that never existed before we got into power." That has been disastrous.

Chair: I must ask you to keep your answers shorter.

Q159 Paul Flynn: Mr Taylor, I know that the last time you appeared before this Committee you wrote an article that was very critical of our questions, so we clearly decided to sharpen up this morning.

Matthew Taylor: I shall do so again.

Q160 Paul Flynn: Mr Davies, do you agree with that answer? Is it you who have fallen out? Is it the Government who have made a hash of this in the way it is communicated?

Gareth Davies: My responsibilities as head of the Office of Civil Society in the Cabinet Office are for its policies on the Big Society, specifically the National Citizen Service, community organisers, the Big Society bank and mutuals among others. I agree with Matthew that this is not going to happen over night; these reforms will take time both in terms of formally putting through the reforms, for example the Localism Bill is still going through Parliament, but also in terms of the culture change that is needed in both Whitehall and in the way policy is made. If you look at what is happening now in Whitehall and compare it with 12 months ago, it is a very different environment. Things have changed in terms of the use of PSA targets, central initiatives and central intervention in the front line, but the world has changed.

Paul Flynn: But have you over-promised and under-delivered? The man who introduced this, Lord Wei, has gone; you are attacked on all sides; you antagonised 84% of charities.

Q161 Chair: Let's put that question to the other two witnesses.

Andrew Haldenby: Perhaps I may answer quickly on the idea that the Big Society is a cover for cuts, which you mentioned in your first question. I think that has also made life very difficult for the Government. David Cameron said just the other day that the Big Society was totally separate from the cuts. There is the deficit reduction over here and the Big Society over here. I do not think that is right, because when you look at what the Big Society is trying to achieve, which is more open and efficient public services and more devolved and accountable local Government that

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is careful with its money, and more volunteering and social action, all of those things should lead pretty directly towards lower public spending. I think that is one reason why some people have become very distrustful of this idea.

Q162 Paul Flynn: Is it plausible for the Government to say they will give to charities the relatively small amount of £100 million while taking £1.3 billion from them? It is like someone putting a couple of coppers in the collecting tin and stealing your wallet. There is no comparison between the two. How can we possibly say they are separate?

Chair: You have made the point.

Andrew Haldenby: As to charities, I think the trouble the Government have got themselves into is that on public services they should be saying they are in favour of competition and they will look for the best value providers of whatever sector. But they have allowed themselves to give the impression that really what they want are charitable providers in preference to the public and private sectors. That is a wrong position. The trouble is that once the Government are in that position every contract that is lost to a charity looks like a blow against the Big Society, but it should not be; the Big Society should be about the best provision of services, whoever provides them.

Q163 Chair: Mr Brown, do you have anything to add?

Adrian Brown: I do not think it is a cover for cuts and the two are unrelated, but unfortunately they are happening at the same time. It is like organising a garden party and it turns out to be a rainy day. It is unfortunate, but they will have to make the most of it. The cuts make the Big Society agenda a lot more difficult. As to whether they have over-promised and under-delivered, there is some fairness in that. I would say that they vaguely promised, in the sense there are a lot of vague statements about the Big Society, but that makes it very hard to know whether you have delivered, which I think reflects what Matthew said earlier.

Matthew Taylor: I do not think it is a cover for cuts. However, I think it has been injudicious of Ministers to acclaim that if you withdraw the public sector civil society steps into the breach, because there is absolutely no evidence anywhere in the world that public services and civil society are, as it were, a zero sum game.

Q164 Chair: We do accept the reverse, don't we? If the Government take over too much responsibility, it crowds out that civil society.

Matthew Taylor: I think we can absolutely accept that there are good and bad empowering and bureaucratic ways of providing public services, but as to the idea I have heard Ministers sometimes suggest, that simply withdrawing one means the other will flourish, there is no evidence from around the world that it has ever taken place in that way.

Chair: I am not sure whether I have heard Ministers say it in those terms.

Q165 Robert Halfon: I do not think Ministers have. They may have said things privately to you but I do not think that has been the public message. To go back to what you said about the Big Society, you gave a very academic explanation that the ordinary person in the street would not necessarily understand. Surely, a simple way of explaining it is that it is about building social capital, devolving power to people, that people power is as important as state power, if not more important, and boosting, encouraging and liberating social entrepreneurs from regulation and red tape. That is quite a simple way of explaining it. If you look at a lot of the policies that are coming through I accept there are many inconsistencies, but if you consider education and free schools, the thrust of the NHS about GP commissioning, whether or not you agree with it, and the question of electing police commissioners, all those are about social capital, social entrepreneurship and people power. In that sense I question your view that the Big Society has very little impact on Government policy. Despite the very many inconsistencies, there is a general thrust and a lot of stuff is going on that is very much Big Society.

Matthew Taylor: That is a very interesting question. You suggest I am being too academic. I have to say that the concept of social capital is a profoundly academic concept that has been subject to a library of in-depth analysis. None of these concepts is easy.

Q166 Robert Halfon: But if I knocked on someone's door and was asked to explain social capital, it just means building and strengthening community.

Matthew Taylor: But I think what you are doing is reifying means over ends. Why do we want social enterprises, mutuals and social capital? Do we want these things as goods in themselves? We do, but that is not what interests me. What interests me is what I would describe as a social emergency, which is—I am sorry if it is academic but I will make sure I make it as non-academic as I can—that unless we have a citizenry that is more engaged, resourceful and inclined to be pro-social we will not advance as a society. I can explain why that is if you want me to, but there is a whole variety of areas. Let's look for example at social care. We are basically withdrawing support from older, vulnerable people and now providing support only to those with incredibly severe difficulties. I do not think any Government will be able to solve that issue unless they massively increase public spending, and that will not happen under any Government for many years. The answer to this problem has to be that somehow society itself provides that kind of support and steps up to the plate.

Q167 Chair: As indeed it already does in a vast number of cases, because families look after their elderly.

Matthew Taylor: Absolutely, but unfortunately not sufficiently and the level of support varies from place to place. There is a very major problem of isolation among older people. What drives this for me is the notion of how you enable people and create a more capable and responsible citizenry and all the other

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things, the means. I would judge the Government's reforms on that criterion.

Q168 Chair: On the enabling?

Matthew Taylor: Is this reform likely to create more responsible and capable citizens? When it comes to schools reform, for example, my view is that the priority is how schools engage parents and communities. How do schools become hubs for creating and learning communities? My criticism of the emphasis on free schools and academies—I am not opposed to them; I worked for a Government that introduced academies—is that I do not see the particular connection between free schools and academies, and what seems to me to be the core, which is how schools can engage much more broadly with their communities and act as community assets and hubs for community engagement. I would say exactly the same about the health service reforms. How are these health service reforms going to encourage people to look after their health better and to be more fully engaged in health and social care? I do not see a connection between the forms and the ultimate objective.

Q169 Robert Halfon: I would like to hear Mr Haldenby in a minute. The answer is very simple: the free schools and academies give parents and individuals the power to set up their own schools, so you are devolving power away from Government to individuals, which is a core component of the Big Society.

Matthew Taylor: If you look at academies, do they feel like institutions that are more accountable and responsive? I am afraid that academies bring contestability to the system. They are a good thing if a school is failing to challenge and change, and also tackle local authorities that have not dealt with under performance, but in my experience academies are no more in touch with the community and parents than any other school; in many cases they are less in touch.

Robert Halfon: We can have this argument.

Q170 Chair: I think you will have to agree to disagree. Move on, please.

Andrew Haldenby: May I come back to your thought that there is a coherent Government policy heading in the direction of decentralisation? I do not agree with that. Of course, there is evidence of decentralisation, but also evidence of great centralisation wherever you want to look. To take schools, let's imagine that at the end of this Parliament there are 200 free schools and even 2,000 academies that are free from the national curriculum, which is one of their great freedoms. There will be 19,000 state schools in this country, which are subject to the national curriculum. It is a much tougher national curriculum, which, as far as we can see, is more fiercely imposed. There will still be the national pay arrangements in place for the teaching work force. As we learned on Monday, the Government are now open again to national targets in the NHS. There are still national pay agreements in the NHS. The only public-sector workforce that is likely to be opened up or liberalised is the police force with Tom Winsor's review. It is very difficult to see a

convincing case for the Big Society when the picture is very contradictory.

Q171 Robert Halfon: There is an incremental shift away from centralisation although it does not achieve everything you would want ideologically, and it makes it that much easier for the second wave in years to come. The policy is very much about incremental reform, and the incremental shift on some of these things is away from the centre.

Andrew Haldenby: I think that is an interesting idea. It has been said to me, for example, that social enterprises, mutuals, are the thin end of the wedge, which will allow other kinds of providers, particularly private sector ones, to come in later. The other side of it is that there is such a thing as half-way house reform where you introduce a limited micro-reform. It does not turn out to be the thin end of the wedge; opposition amasses around it and it is just squashed. Examples of that would be the assisted places scheme, which was a valuable scheme to open up access to independent schools to a few thousand pupils. That was abolished in 1997. Grant-maintained schools were heavily watered down in 1997. The academies themselves had a lot of their freedoms removed by the previous Government in 2007 and 2008. Therefore, the idea that just a bit of incremental change here is the way to get there in the end is not the history of these reform initiatives.

Q172 Nick de Bois: I have often been on the receiving end of interviews to try to explain or defend the Big Society. I thought I was doing a good job until I listened to all of you. Before I go any further, just to be absolutely secure, recently I had a very nice dinner with Andrew Haldenby and Reform. I would just like that to be on the record. The Big Society has been criticised for being vague, all over the place and almost based on anecdotal evidence to which Mr Taylor himself referred. Does that mean you think it is a failure of presentation more than failure of the idea? To begin with, can I be certain of where you are coming from on that point, Mr Taylor?

Matthew Taylor: For me, it is lack of clarity about the fundamental mechanisms by which we try to diffuse power in society. That is about the mechanisms in Government, but also, as Lord Glasman said to you when he was here, there is a story beyond that about the diffusion of power, for example in relation to markets and corporations. When we look at the question of academies, there is an argument that if you want to diffuse power you need to create alternative power bases to central Government. The Government's localism agenda is very ambivalent about this because, instead of creating a strong local Government that has the power to stand up to central Government, as happens in many European countries, as an alternative democratic power base, they are largely bypassing local Government. In certain areas, to take the Department for Education, they continue to be deeply hostile to local government. If we go back to the issue of centralisation, a few years ago in the local authority model, the local authority, which is democratically accountable, intervened if a school was failing. When we have 2,000 academies and one fails

who will intervene? Whitehall will intervene. This is an interesting idea of decentralisation. We now have 2,000 schools, which, if they fail, will require direct intervention from Whitehall rather than their local authority. What is our notion of devolving power? Is it to atomise power and drive it down to neighbourhoods and have different accountability for police and health, with lots and lots of different forms of accountability, or is it an alternative model where we have other strong institutions that can stand up to central Government, which is the more traditional notion of pluralism, for example? This is one of a variety of errors—contracting, which we have heard about, is another one—where it is just not clear what the mechanism is.

Chair: We have got your message: it is not clear. We are going to come to both contracting and devolution. Do you want to follow up on anything?

Q173 Nick de Bois: I am trying to get a slightly fuller answer to my question. To be quite basic about this, is it a failure of idea or presentation? I will ask this question of another witness, but, to expand on my point, some talk about it taking 10 or 15 years. You are trying to achieve almost a cultural change. I would just like to know whether it is a failure of presentation or idea. Mr Haldenby?

Andrew Haldenby: I have to echo something Matthew said earlier. There has been a lot of failure of presentation so far on a couple of things. One is the cuts to which I referred earlier. The separation has not been convincing.

Chair: We have taken that point.

Andrew Haldenby: But the Government have also claimed credit for a lot of things that have already happened and put a Big Society badge on it. For example, about a dozen Big Society awards have been given to organisations, some of which were set up years ago. It is rather implausible. It is as if the Government are saying that they have created the idea of a Big Society and have found something that has nothing to do with it—

Q174 Chair: Perhaps Mr Davies can answer that point.

Gareth Davies: I think this comes back to the earlier question about whether the Big Society is a year zero concept or building on a sense of tradition, culture and history of volunteering and social action? What the Prime Minister is saying is that this is his vision for domestic policy. It touches on pushing down power in different ways, be it to local Government but also individuals in the form of the personal budget or an individual's choice of public services and opening it up. I do not think there is a presumption about one sector being better than another; it is about the appropriateness in that individual area. On the specific point about Big Society awards, all we are trying to do here is give more recognition to the good work that is going on already. It is certainly not trying to take credit as an official but to give credit to the good work that is going on in society today.

Nick de Bois: Perhaps I may move on because I am conscious of the time. Let's talk about opening up the public services and the commissioning aspect.

Chair: Can we come back to that later?

Nick de Bois: I thought that was my next role.

Chair: Perhaps we may go back to enabling.

Q175 Lindsay Roy: The Prime Minister described civil servants as enemies of enterprise. Whether or not you accept that, clearly there is an expectation of some cultural and behavioural change within the Civil Service. What is being done to strengthen that role in terms of empowering and being catalytic within the whole programme? Clearly, if there is no change in the role of the Civil Service we have a real problem.

Gareth Davies: I come back to the point I made earlier about how our role has changed in the last 12 months. If you look back at the differences, we have now abolished the PSA target regime; we no longer have the large numbers or extent of central intervention from Whitehall in frontline public services. For example, DCSF would have had large numbers of teams directly intervening on a day-to-day basis in the activities of schools. There is now a much greater presumption about the competence and abilities of head teachers to run their own schools, for example. The third thing is that we have abolished far more ring-fenced grants and direct central initiatives. That was very much the culture in the last 10 or 20 years.

Q176 Lindsay Roy: You are focusing on roles. I understand devolution. What about the skills and attitudinal change, which I would have thought are fundamental?

Gareth Davies: I wanted to emphasise how the fundamental powers and roles have shifted. You are entirely right that it is a big cultural change. Shifting from that mentality of running targets, interventions and grants is very different from one that is more to do with one-off reforms, commissioning and having strategic management of a wide range of providers in different sectors, and an enabling, corralling and incubating role, which effectively is entrepreneurial. We are at the foothills of that. In previous evidence sessions of this Committee you heard from Gus O'Donnell and Ian Watmore about the needs for a diverse range of skills, one that does not emphasise, if you like, lifelong civil servants but people with greater commercial skills from different backgrounds and a more permeable professional organisation that is smaller but operates much more horizontally, rather than working through the silos of the departments across Whitehall.

Chair: I think this goes to the real crunch of how Whitehall should enable everything that we want.

Q177 Lindsay Roy: So, is there a professional development programme for civil servants?

Gareth Davies: Over the last year a number of things have been started. I am not trying to say this is finished; it is a start.

Q178 Lindsay Roy: Is it systematic?

Gareth Davies: Yes. For example, with Robert Devereux, head of policy development in Whitehall, I have been running a series of sessions with senior civil servants and policy makers about the new way

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of approaching policy. So, rather than defaulting back to an initiative announced in the Budget, a ring-fenced pot, a target or an NDPB, we are asking first how we can help society solve its own problems and help businesses, communities and families to come together and go with the grain.

Chair: But how much of Whitehall is actually preoccupied with this? How much of Whitehall is just keeping its head down and waiting for this idea to blow over so it can go back to what it was doing before?

Q179 Robert Halfon: Is there a Big Society impact assessment on all Government policies coming through individual departments?

Gareth Davies: I think this comes back to some of the points that Matthew and other people giving evidence here today have made. To what extent is this a stand-alone initiative, or is it something that describes the totality of what the domestic policy reforms are about? We take the coalition document as our guide and the policies are set out there. Our role as civil servants is to implement that coalition document as set out in the business plans. They are monitored by No. 10 and the Treasury, and that is the test about whether these policies are being implemented at the start. There are then further evaluations about their impact on behaviour change, people's perceptions about power, trust, control and knowledge of their community, but ultimately that feeds into what the Prime Minister has talked about on a number of occasions: the idea of well-being, in the sense that we may be richer as a country.

Q180 Chair: We are getting back to the conceptual things; we need to talk about who is doing what. When a civil servant comes into the office at nine o'clock in the morning, what will he do differently that will enable the Big Society?

Andrew Haldenby: On "the enemies of enterprise", I think the Prime Minister can only have meant that, after a period of time in power, he had started a number of things in train that just were not happening.

Paul Flynn: A big number.

Andrew Haldenby: He felt that the Civil Service or Whitehall machine, whatever you want to call it, was not giving him the support. I think the question then is: what have the Government done to make the Whitehall machine more directly accountable to Ministers? I think this Committee has discussed before the initiative, for example, to make departmental boards accountable to secretaries of state and, in the last resort, to allow permanent secretaries to be able to be moved by those boards if Ministers felt they were not getting enough support. That would be an example of the kind of radical reform that would give Ministers the chance to shift the enemies of enterprise, but it would seem to me that that reform has not come to any great fruition so far.

Q181 Robert Halfon: Should there be a Big Society impact assessment on all domestic Government policies coming through Whitehall?

Matthew Taylor: What would you measure?

Q182 Robert Halfon: You have set the definitions of the Big Society.

Matthew Taylor: The Government have abolished two or three of the obvious things. They have abolished two or three measures that would be the obvious thing you would measure if you were trying to work out whether there was a Big Society growing. They have done that for reasons of spending cuts, which is fine, but the kind of granular information about neighbourhoods, for example, that the Government used to collect is no longer being collected. So, I am not sure how you would conduct such an impact assessment either in terms of concept—what it is we are measuring here—or in terms of the actual metrics, which are no longer there.

Q183 Chair: I want to wrap this up. Mr Taylor, you have noted that this means a much changed task for civil servants. We are all agreed that potentially there is a vast untapped resource out there of good will and energy, which the state on its own tends to ignore. How does the Whitehall machine engage this in order to deliver what we all want to see, which is a more motivated citizenry?

Matthew Taylor: I think it means that departments have to have a very clear account of what the Big Society means to them. In a way they do, but the problem is that these accounts do not marry with each other. To take an example, in the police reforms the account seems to be, "We need to challenge professionals," whereas in the health service the account seems to be, "We need to give all the power to professionals." In the schools system it is, "Let's give the power to the parents," but actually it will probably be giving power to head teachers. I think that civil servants are at a loss. They know that the old days have gone, and in some ways they welcome that; they understand the madness of too many targets and interventions, but what they do not understand is the driving logic of what they are trying to do now. They understand what the Minister wants. Also, departments at the moment and for the last year have been driven much more by the Treasury than No. 10. The Treasury does not even bother to use the words "Big Society"; it is utterly dismissive of the idea.

Q184 Chair: Is not the problem that people have become very disillusioned with the long screwdriver management by the Treasury, understandably, but will an attempt to create a different blueprint for all public services—or a pan-governmental business plan—so there is a uniform philosophical approach really work, Mr Haldenby?

Andrew Haldenby: Hold on. You are giving the impression that you want to replace one centralised form of Government with another, but that is not the point. Surely, it is possible to have a coherent view of the reform of public services, for example, that is consistent in its direction. I think the Government's argument has been, as Mr Halfon said, that there is a consistent direction across the piece, but actually there are contradictions. Matthew mentioned a couple of those. I said earlier that I thought the pullback on the NHS reforms had put a big question mark over the whole thing.

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Q185 Chair: Is not a fundamental problem with the Big Society that it means different things in different Government departments and policies, which is inevitable, and it is not about a top-down approach? You cannot have a business plan for something that ultimately is not meant to be implemented by Whitehall?

Andrew Haldenby: I do not agree with that.

Q186 Chair: It does need a business plan?

Andrew Haldenby: It needs direction and leadership; it needs a set of policies that are consistent and mutually supportive. If a business plan means a sense of when those policies will be implemented, what they are and when they are coming of course that is possible. The Government have already introduced departmental plans that lay out those milestones. The problem is that they are not consistent. That is why I think the whole thing does not hang together.

Matthew Taylor: Perhaps I may make this very concrete. There is an example of a public service that has gone from one that was simply delivered to one that is now co-produced, but people never recognise which one it is: refuse collection. 20 or 30 years ago we would just stick our rubbish in the bin and the council would deal with it. Now more and more people sort their rubbish into different piles. We probably spend more time managing our own refuse than the council. People are happy with that, basically; they see the reason for it and do it. Young people in particular nag their parents to make sure they recycle. For me, the Big Society should be about how it is that in other public services we reconceptualise them, not as services where we deliver to people but where the value is jointly created by the public sector and citizens individually and collectively. That seems to me to be at the very heart of this concept, but I do not see that notion being applied across Whitehall. I see some departments that may be slightly interested in that but for other departments there does not seem to be an interest in it at all. For example, it does not seem to me that the Department for Education is in the slightest bit interested in parental engagement apart from a handful of free schools, which, as Andrew said, will be at the very margins of the system. Anyway, even with the creation of the free schools, it is not clear that parental involvement continues beyond that. If a school is created, it is then handed over to the head teacher.

Q187 Chair: I think we are on to the nub of something. Before we go on to commissioning, are there any other comments on this particular matter? Mr Brown, you have not said very much.

Adrian Brown: The idea that the Big Society does not need a plan, which was in the air at the beginning of the Big Society last year, and it is just organic and evolutionary—that in fact a plan is counter to the essence of the Big Society—is a mistake. Not to have an idea where you are going and how you will get there with anything will lead to disappointment.

Q188 Chair: Is this what we expect the White Paper on the future of public services to be?

Adrian Brown: I think we all look forward to reading the White Paper when it comes out.

Matthew Taylor: With baited breath.

Adrian Brown: Maybe that will provide a more coherent vision across the piece as to what the Big Society implies. But I think the important point is that there is an enormous diversity of public services, from the management of something like Jobcentre Plus, which is a giant organisation delivering services out there in communities, to something that is a lot more about citizens engaging directly, and perhaps handing over powers to non-state actors. It is a mistake to suggest that everything should be following the same set of rules and there is a simple blueprint that all policymakers across Whitehall can follow. But I do not think anyone believes that that is the case. Where people in Whitehall are struggling, if you went down the corridor and asked the average policy maker, is that they are not quite sure how to interpret that high-level vision that they hear in the speeches into the realities that they are dealing with as policy makers. If they are looking at schools or whatever, what should they do?

Q189 Paul Flynn: This is déjà vu about the last Government. We talked about leaving one sense of madness. We are picking up another range of madness, launching something and a year later deciding to get a plan for it. It sounds awfully like the Third Way. Does anyone believe that that was a great success? Is the Big Society to be buried, forgotten and friendless?

Matthew Taylor: The Third Way was very different from the Big Society.

Q190 Paul Flynn: Was it?

Chair: We do not want to have a debate about the Third Way.

Matthew Taylor: I can deal with it in one sentence. I did know that it was coming up and so I have prepared. The Third Way was an attempt to redefine social democracy and say that it had to respond to major changes in the world, like globalisation, decline of deference and individualism. Therefore, Anthony Giddens and other people believed that fundamentally it was about rethinking social democracy for a modern age. Therefore, it was a very political project. It seems to me that the Big Society is not a way of redefining politics, although some people in the Conservative Party would argue about this; it is trying to get to the heart of a major social problem. I think it is right in its diagnosis. The problem is that its prescription is, as economists would say, not good enough to be wrong.

Q191 Nick de Bois: Turning to commissioning, if we are to open up public services to social enterprises, charities and private companies—I hope—the question must be: is Whitehall ready and skilled enough to be able to do this? There is thinking about whether the Whitehall commissioners are currently prepared and have been empowered to commission services from smaller organisations and charities, which they have not really been dealing with. That is a big change. I would be interested in your views, Mr Davies.

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Gareth Davies: I make a couple of points. Certainly, in my time in Whitehall over the last 10 years there has been increased professionalisation of the procurement and commercial functions for commissioning. There has been a big improvement, certainly in professional recognition. If you think about improving the skill sets of the Civil Service, it is important to get the incentives right. Certainly, the quality of people who are being brought in now is a step ahead of where we were a decade ago. That is a start. There certainly needs to be greater awareness of the diverse range of providers on whom you can call. A lot of the EU rules on procurement and the use of framework contracts, PQQs and the like do tend to bias you towards the larger players. This is not a question of preferring one sector over another but ensuring there is a proper level playing field and competitive neutrality. You can look at what DWP has done through implementation of what they call the Merlin standards, which is about how subcontractors are dealt with as part of the work programme, and similarly the Compact, which is about how Government generally relate to the third sector. These are the ways in which we can try to improve awareness and understanding.

Q192 Nick de Bois: To interrupt you on that point, I want to be clear I understand it. Are you saying that what we may end up with are social enterprises or small private companies being second or third tier contractors, and is that necessarily the right thing?

Gareth Davies: If we look at the example of the work programme of my colleagues in DWP, two of the prime contractors are from the VCSE, the voluntary sector. However, 300 organisations are subcontractors. Depending on the different roles and the strength of the balance sheets needed to manage payment-by-results contracts, that is probably appropriate. The key is to make sure that relationships work appropriately. Certainly, in our Green Paper on modernising commissioning we have some feedback on ensuring that the relationships are right, and the ways those are managed are very important.

It is a new set of skills. No one would say—certainly Gus O'Donnell would not—that the skills are there in Whitehall yet. However, there is some very interesting work going on. If we talk about the work I have seen in Blackburn and what Turning Point is doing in relation to local integrated commissioning, that is about community-level commissioning. Rather than it being set up by central Government or even local Government, it is small neighbourhoods saying what services they want. This goes back to Matthew's point about co-production. There is a range of initiatives going on at the moment. Have these matured? No, but it is certainly a start.

Matthew Taylor: May I just say why I think this is difficult? I have spoken to people at No. 10 who recognise this is a very difficult issue. They are looking for new forms of commissioning and to find ways to make it easier for third sector organisations to win out. They are also desperately keen to try to get the whole payment-by-results systems to work, but it turns out this is very, very difficult. Even the one social impact bond that is being created is proving to

be incredibly difficult to get off the ground. There is a real appetite in No. 10, but the solutions are quite a long way away.

I give you an example in one sentence of why it is difficult. When we in No. 10 opened up the health service to contestability we knew we had to create surplus capacity, so in a sense we had to waste money. It was quite explicit that we had to create surplus capacity in order to bring contestability into the system. If you want to promote the third sector probably you have to do something similar. The easy way to do it is to say, "We will over-procure in order to give these players, who may be sub-optimal, a way in so they can develop and grow." But there is no extra money for sub-optimality. When you look at the work programme, it is pretty clear that in the end the ones that won the contracts were those that discounted. It was all done on discounting; that was what drove it. Therefore, if you want the third sector to win contracts you have to do something at a system level. Merlin and these other contracts are fine, but either you have to change the rules, which is hard for a variety of reasons, or in some way you have to capture what the third sector brings within the contract. Somehow you have to specify in the contract so that what the third sector has gives it an advantage. Gareth will know that these were very hard to do.

Q193 Nick de Bois: To dig a little deeper, if I was running a charity or a social enterprise with a group of volunteers my chances of winning a bid would be pretty slim because my balance sheet would be rubbish and I would probably have no working capital. If it is payments by results it will come rather late in the day. Do you agree with that view, Mr Brown? I will come back to you, Mr Davies. Are you anticipating that problem? Have you got any plans to say anything about that?

Adrian Brown: I think that is a struggle for small organisations, whether or not they are social enterprises. The Big Society bank, which I am sure Gareth will talk about, is designed to start addressing that particular problem.

Q194 Nick de Bois: On commercial terms we anticipate, don't we?

Adrian Brown: On commercial terms, but with an emphasis on delivering to organisations that perhaps would not find that financing from regular sources. To go back to your question, you referred to Whitehall commissioners. Within the context of this conversation, obviously there are lots of places where commissioning or commissioning-like activity is happening not in Whitehall, and presumably the Big Society would encourage this. It is happening at a local level, or individuals are commissioning their own services. There is a lot of interesting potential in those kinds of new mechanisms for commissioning, which are more likely to mean the kinds of organisations that you are talking about being involved in public service delivery.

Gareth Davies: I make three quick points. First, it is important to get the specification right at the start. Bad procurement and commissioning is when you look just for the cheapest option. Some of the work we are now

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doing across Whitehall is to ensure we can improve the quality of commissioning and get the service specification right. It is not just about the individual service but the wider benefits it brings. Secondly, there will be different ways of contracting with different organisations. Some smaller organisations will be subcontracting. The key is to make sure those rules are right and the procurement is effective. If you look at what Cruise are doing in North West Wales, that is quite small scale in terms of that branch but they will then partner with others who can have the balance sheet risk.

Thirdly, in terms of trying to broaden access to social finance some of the ideas around social impact bonds are incredibly innovative, but there is a real potential to change the way in which smaller charities can access finance. The Big Society bank will play a critical role in this. There will be different ways in which it will provide capital. Sometimes it will be long-term working capital, equity investments and different types of debt structures. It would be for Ronnie Cohen to work his way through that in terms of the details. We will be coming forward with that over the coming months. But that will give opportunities for different finance that may not be available from the more standard commercial lenders.

Q195 Nick de Bois: Is there any evidence to suggest that it is not working at the moment?

Gareth Davies: It is a mixed picture. If you look at some of the success, for example the DWP work programme, 300 voluntary groups have won parts of subcontracting work. We are looking at getting about £600 million into the sector through those contracts that were competitively tendered. But in our feedback from the commissioning Green Paper there is some concern about how those roles work out in practice to make sure those relationships operate. It is certainly something about which I am concerned. I am working with colleagues in commissioning and procurement in Cabinet Office to think through how this works in practice. There was an event on 11 February where the Prime Minister and Minister for the Cabinet Office went through some of the reforms to help expand commissioning opportunities for those small businesses and the voluntary sector and the reform of procurement rules. We are looking to abolish the PQQ, pre-qualification phase, for some of the smallest contracts, frankly to take some of the bureaucracy out of it, and look at ways in which we can parcel up those contracts.

Q196 Nick de Bois: I am all for taking bureaucracy out of it. Mr Haldenby, would it worry you if social enterprises were given a competitive advantage over, say, private sector companies in view of the fact that financially they might be lacking in assets but might have some intangible assets that were considered to be of greater value?

Andrew Haldenby: I think the Government have to decide on the purpose of commissioning. Is it to get the best services delivered for the best value or to build a certain network of suppliers in a way that is very neatly specified from the centre?

Q197 Chair: Can you separate those two?

Andrew Haldenby: Yes. Not so long ago there was the leak of a memo of a meeting between Francis Maude and the CBI. Francis Maude said that, although the Government spoke about open competition in public services, in practice they were not in favour of outsourcing services to the traditional big outsourcing companies; they wanted new ideas—mutuals, social enterprises and so on.

Q198 Chair: That is because the present delivery model is very blunt and quite difficult. We have seen this in other areas where very large contracting organisations form an oligopoly that does not provide enough competition or innovation.

Andrew Haldenby: But in some cases those organisations deliver outstanding performance. Last year the *Guardian's* public servant of the year was the governor of Doncaster prison, which happens to be run by Serco. I have no brief for Serco, but that is just a fact. It is true that all markets could be competitive, but I think the outsourcing market is competitive. I would challenge the idea that it is completely oligopolistic.

Q199 Chair: Mr de Bois, I am sorry to interrupt your line of questions. Referring to the whole question of profit and not for profit, we know that polling shows that not for profit is nice and if people make profit out of things they are not nice, but is it a mistake to get into a rather poll-driven delivery model and be over-obsessed with not-for-profit organisations? I see Mr Taylor nodding, which is very encouraging.

Matthew Taylor: Yes, because I think it goes back to what I have been trying to say throughout, which is: what is the objective you are trying to achieve here? If, as I have been asserting throughout, the objective is about encouraging people to be more responsible and capable, there is no intrinsic reason why the third sector is better at that than the private sector or public sector, or that local Government is better than central Government. It depends upon the model of delivery and your objectives.

I am quite sceptical about the idea that ownership in itself matters. Would you rather your car was repaired by four blokes, one of whom owns the garage and the other three work for him but they like cars, or by a mutual of four people none of whom is interested in cars and will rip you off? Would you say, "It does not matter if my car does not work because at least it was done by a mutual"? What matters is the way you specify what you are trying to achieve and the delivery mechanism.

Of course, because third sector organisations are not ultimately driven by profit they have greater scope for engagement and a more open-ended relationship with people, so there are reasons to believe but it needs to be looked at on a case-by-case basis. As we saw from building societies a few years ago, the fact that you have a particular structure does not necessarily mean anything about the way power is distributed in that organisation.

Andrew Haldenby: On the mutuals and social enterprises side, we should not let this Government get away with the idea that this is a new

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idea that will potentially be transformative. We have been here before. In the first term of the previous Government there was a whole host of discussion about new organisational forms and community interest companies. Indeed, units were set up in the Cabinet Office to advance this idea. Transformation did not happen. I just want to give a sense of the history and suggest that specifying those particular delivery models does seem to be a genuinely odd option.

Chair: We will come to more mutuals in a minute.

Q200 Robert Halfon: Going back to contracting charities regarding the Big Society, how do you stop the whole thing being hijacked by the big ones, like the Tesco charities, which are inevitably much better at lobbying for funds from the Big Society bank? A little charity in my constituency will have little idea about approaching the Big Society bank. Is not one possible great flaw in all this that it will be just the big charities that benefit from the Big Society largesse?

Adrian Brown: My understanding is that the Big Society bank will not lend directly to charities but to intermediaries who will then work with charities. My understanding of what the Big Society bank is trying to achieve is that it will have a whole range of intermediaries who can work with larger charities but also smaller ones.

Chair: We all know that contracting with central Government, or indeed local Government, is notorious.

Q201 Robert Halfon: Why can it not lend directly? Why do there need to be intermediaries? If a little charity in my constituency comes to the Big Society bank, why can it not get access to funds?

Adrian Brown: The Big Society bank is not being constituted as a direct lender in that way. That is how it is being set up. Gareth will know more about that.

Robert Halfon: In essence, it means that it will still be decided by the great and the good.

Q202 Chair: We are taking evidence next week on the Big Society bank, so perhaps we can leave that. On the question of contracting, we all know that the public sector tends to migrate towards larger providers. How do we get through to the smaller providers, which tend to be the mutuals?

Adrian Brown: I think you have to ask: why does the public sector do that?

Chair: Because it does not have the capacity to deal with it.

Adrian Brown: Because it is a lot easier to deal with fewer larger contracts with people with a track record of doing what you have asked them to do and can provide the data you need to see that they have done it. In future what one would hope according to the Big Society logic is that commissioners change their mindsets and—to go back to my definition of deployment of resources efficiently, effectively and easily—do not think how they can get the resources out and commission services that will achieve what they want to achieve but instead think how they can tap into a much wider range of resources, which would force them, if they were thinking in that

broader sense, to start approaching maybe smaller charities and organisations that they would not necessarily turn to just because it was a big, easy contract for them to write.

Q203 Chair: You need different people with different skills, don't you?

Adrian Brown: I would have thought so.

Andrew Haldenby: If I may come back to the idea of scale, some problems in public services are big. Yesterday we had a conference of international health reformers. Some of the people there were from Valencia in Spain. What they have done in that region is divide up their health regions into 25 big sections each having hundreds of thousands of people.

Q204 Kelvin Hopkins: Like PCTs?

Andrew Haldenby: Like PCTs, but they ask private-sector organisations to run them, and they do that at a cost that is at least 25% less than the public-sector operators, and they have just as good, if not better, quality metrics. It is a huge success and they are very proud of it. But the point is that one organisation is responsible for the health service. Because of that they have been able to bring together primary and secondary care. I will not go on about it, but it is a perfect model of what this Government want to do.

Q205 Lindsay Roy: We seem to be preoccupied with profit-making companies and financial profit. As far as I am concerned profit is endemic in all of this and it is about dividends, benefits and improvements. Whether it is a private enterprise company, a mutual or a local authority, it is bringing the biggest dividends you can to the people who are engaging.

Andrew Haldenby: Perhaps the profit-making organisations have scale and they will be able to make progress quite quickly on this agenda.

Q206 Lindsay Roy: All I am saying is: let's not get it out of perspective.

Andrew Haldenby: Perhaps, but let's not forget the benefits of speed of action. This talk of other ideas creates uncertainty and prevents investors wanting to come in to finance all of this. There is no sign of a wave of investment in public services of a new kind, which is what the Government were hoping for, and this talk of different models is hindering that.

Q207 Alun Cairns: Mr Davies, obviously the Government are keen to see more public-sector mutuals and social enterprises, but do you think that the Civil Service and other public-sector agency staff are geared up to allow and facilitate that to happen?

Gareth Davies: There is a range of action on mutuals. First, there are the 21 pathfinder areas and a range of quite small examples where we are partnering organisations with what were public-sector bodies but have been spun out to create some kind of social enterprise structure. If you look in Cambridge, Tribal are working with the families and children at risk to create an organisation focused on problem families. Interestingly, the Cabinet Office has recently announced reforms of the Civil Service pension administration. We are now looking to create a mutual

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joint venture as a formal structure and spin out the Civil Service administration, bring in a private-sector partner and create a mutual environment. There is a lot of interest there. More generally, we are already seeing a lot of interest from civil servants across Whitehall to create their own mutuals. What they see is the opportunity to have more control and power over the services they provide and to sell their services to other bits of the sector.

Q208 Alun Cairns: I recognise that, but I want to highlight a situation where an innovative, entrepreneurial civil servant, or group of civil servants, thinks service can be delivered in a better way but it is not in the interests of senior management within the Civil Service to allow that to happen because their staff count would drop and, I would expect, their terms and conditions would change as a result.

Gareth Davies: What is important, as ever with these reforms, is to get the incentives right. One thing we are looking to bring in in the early autumn is something we call the right to provide, where civil servants have the right to put in a request to spin out as a mutual or social enterprise, which then needs to be considered by Ministers. They will have power to ask that, and that needs to be considered transparently. The full details are being worked through, but that is the way in which it will operate, just as in health you already have a right to request to spin out to a social enterprise. We have seen a lot of that in terms of social work practices. The obvious example is Central Surrey Health. They have already spun out and created a very viable organisation.

Q209 Alun Cairns: The Localism Bill has a community right to challenge. Any group, or even individuals within the local authority, can challenge the local authority to deliver a particular service. Do you think civil servants should be given the same right within national agencies or within the Civil Service in general?

Gareth Davies: Yes, and that will be the right to provide. The right to challenge will be for third sector bodies, communities and local authorities; the right to provide will be for civil servants to spin out their own services.

Q210 Alun Cairns: I am still not clear from your answer about the response from the senior management within the Civil Service, who really do not want to see it or have not bought into the process, bearing in mind that could well be their line management. I am thinking of a situation with which I have been quite closely involved, where an innovative civil servant came up with an idea and was almost put on disciplinary action because he dared to share that idea with me rather than his senior management. As soon as senior management saw it, they sat on it.

Gareth Davies: I would be worrying if that was happening. As ever, in any large organisation there will be mixed practice. Certainly, in the sessions that

I have been running with senior civil servants there is a lot of interest. The critical way in which the right to provide will operate is through that ministerial check. The fact is that it will be considered by Ministers will allow civil servants to bypass people who might be more resistant to ideas.

Q211 Alun Cairns: Mr Brown, you talked about the risks of romanticising mutuals. Do you want to share your thoughts on that?

Adrian Brown: I think you are referring to a blog I wrote at the Institute for Government. There is a danger with the mutuals agenda that, because they sound very enticing, with people running their own services and public servants being able to carve out their own bit and have the freedoms and vision to go off and do it by themselves, that very positive view—no doubt all those benefits are real—masks the significant organisational and managerial challenges of making that happen. That is why I think the Cabinet Office is putting effort into the pathfinders.

As soon as you look at any particular area of public service and say, “Can we make a mutual out of this?” and think about the practicalities of doing that, then you can imagine the legal implications of taking a piece of an organisation and pulling out the staff contracts; you have to think about pensions, etc. When this organisation is outside of the public service, it has to fend for itself; it will have to have a business plan and a long-term vision about how it will create value, and from where it will get its income. It will have to manage its own IT and back office functions in ways that probably it did not have to think about before. All of that might be a price worth paying, but we should not underestimate the challenges of all those things when thinking about whether or not to go for mutuals. I think I said in that blog that the tone of the debate tended to focus far too much on mutuals as a wonderful, warm, glowing future place where we could all head, and not very much on the quite dull managerial challenges of making that happen.

Q212 Alun Cairns: Are there inherent risks in mutuals because of their lack of access to capital, for example?

Adrian Brown: I think that is a risk, but I would say a greater risk is that, even if a mutual can carve itself out and have access to capital in order to do what it wants to do, it is suddenly opening itself up to competition. Some of the bigger organisations, who are swimming around in whatever space they happen to be mutualising themselves into, will have a direct and immediate interest in the new kid on the block and whether business is being taken away from them. I would worry that the people who take these mutuals out suddenly find themselves in a highly competitive situation and are up against the big boys, and find that any bit of value that is worth having will be immediately taken away from them, or they will find themselves in a highly competitive position. That will be very challenging. As you think about mutualisation, how you manage the transitional period

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during which you go from the safe, protected waters as part of the state to a future where you are out there fending for yourself is extremely important.

Q213 Alun Cairns: So, how should policy evolve to best manage that position?

Adrian Brown: I think that transition has to be thought through a lot more because it will take time. As many people have already said, a lot of the elements of the Big Society are such fundamental changes to the way the state is organising itself and the way the culture of the people who work in the state develops that they do not happen over night; they will not happen in one or two years. As Matthew said, it is probably a 10- or 20-year vision. Therefore, I think that on the mutuals agenda we need to be honest that certainly it is great to have a vision where mutuals are a core part of our public service delivery, but is that in the next six months? I do not think so. It will have to be five or 10 years, and you will have to take your time to manage this transition; otherwise, you risk destroying everything in an instant because it will all be competed away.

Q214 Alun Cairns: Mr Taylor, do you have anything to add to that?

Matthew Taylor: I think one has to distinguish between the goal of allowing parts of the public sector to break away from being part of a huge bureaucracy, and therefore to have more freedom to focus on a particular set of functions and to be more entrepreneurial and develop different ways of working and collaborating, and the question of governance. How should those things be governed? At the risk of being repetitive, it takes you back to what you are trying to achieve here. The idea of mutualism is that it is a good idea that people who work in an organisation have a stake in it, whether it is a financial or governmental one. That is fine. It is an important idea. It works in certain circumstances, but there are also downsides in relation to flexibility, for example, and possibly in relation to spontaneity. These organisations may want to spend a lot of time talking about what they want to do rather than necessarily acting.

I would concur with what Adrian said. On the one hand, one needs to be pragmatic. I am in favour of greater plurality, so it is good for any system to have different ways of doing things. Let's have more mutuals, private sector, public sector and local authorities; let's have lots of different ways of doing things. I am in favour of that, but in terms of the specifics let's be pragmatic and not underestimate the dangers; in particular, as Adrian implied, remember that when we create a mutual how will we ensure that it will stay in that position in three or five years? How do we know that what we do not have is someone who just comes in to asset strip it? We have seen what happened to Southern Cross, which is a different kind of example. If you are a medium-size organisation that has a good contract you are a sitting duck for somebody to come along and take you over. How do we vest these organisations with a long-term commitment to public good?

Q215 Kelvin Hopkins: Referring to the question of profit-making companies in what were public services, Mr Brown and Mr Haldenby seemed to dismiss the realities that mutuals can do very much and it will actually be profit-driven private companies. What is the role of private companies in future for delivering our public services?

Adrian Brown: Of course, today private companies are responsible for delivering a lot of public services, so again it is not a case that the Big Society suddenly leads to an instant transformation in the role of the private sector in the delivery of public services. That is the reality and that has developed over quite a few years. It is important to acknowledge that private companies do have a role in this agenda because often the talk of Big Society has been very much to emphasise charities and mutuals and perhaps to downplay the role that the private sector can play. But, as Matthew just said, the plurality of provision is one of the most important parts of this, so the private sector undoubtedly has a role to play in that mixed market.

As we have just been talking about, the challenge will be: how do you balance the different types of incentives that these different organisations have if they are out there competing, directly or indirectly, for the same space? How do you balance the different capacity of these organisations to access capital and respond to Government tenders, which we have already talked about, because one would imagine that the larger private-sector organisations would be better placed to do a lot of those things compared with the smaller non-private organisations.

Q216 Kelvin Hopkins: So, we go through a temporary period of Maoist chaos and eventually it all falls into the pockets of the global corporations who can really do the job and make a lot of profit?

Adrian Brown: Only if the commissioners of public services are completely blind to their responsibility not just on a moment-by-moment basis to say, "Have I procured the best value service today?" But I think commissioners need to think about the long-term health of the systems for which they are responsible. It sounds terribly technocratic but it is the simplest way I can think of to describe it. They should feel that they have responsibility to manage those kinds of tensions in the long run.

Q217 Kelvin Hopkins: Earlier Matthew Taylor talked about the importance of having competition, profit, contestability and a variety of providers in the health service. Elsewhere in the world, the health service that is actually private and competitive is in America. They spend twice the proportion of their GDP on health than we do and get a less good service with millions without any proper healthcare. Certainly, at one time the most efficient health service, despite criticisms in the world, was the National Health Service. In terms of equity it was incomparable with America.

Matthew Taylor: But a lot of our health and social care is provided through the private sector. GPs are private contractors. Our care sector has long been largely dominated by the private sector. Certain areas

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of healthcare with very vulnerable patients, people with severe mental illness, have also been provided by the independent sector, for example quite a lot of secure accommodation.

Q218 Kelvin Hopkins: You state the case, but I was coming on to that in my next example.

Matthew Taylor: I am just saying that the system you are praising is already a mixed market, so it obviously not a principled issue here.

Q219 Kelvin Hopkins: But you are stating what exists. What we want is evidence that one is better than another. Under the Blair Government we had measures that effectively forced local authorities to close down care homes and shift everything into the private sector, like Southern Cross. It happened in my constituency. First-class care homes, which were loved by the people who lived there, by the staff who worked there and by the communities, were forcibly closed down and now they are all in the hands of companies like Southern Cross. Vast profits have been made out of that and put into rich people's pockets. Is that the direction in which we are going?

Andrew Haldenby: There are lots of things to say, but we are going in the direction of more efficient public services. For obvious reasons, that is clearly associated with the financial and fiscal environment. On care homes in particular, I think it is important not to single out Southern Cross and deduce from that that the difficulties of that company mean that the entire private social care—

Q220 Kelvin Hopkins: It is reported today in the press that other companies are in similar difficulties.

Andrew Haldenby: Of course they are, but, hold on, let's have a look at the industry. The industry of residential social care is in some difficulties, in the case of Southern Cross because bad business decisions were made, but, most importantly, because local authorities and people themselves would now much prefer to be cared for in their own homes, not residential care homes, so demand for those places is falling and that business model is changing.

Q221 Kelvin Hopkins: We all accept that people want to stay in their own homes but some need residential care, which must be provided. Let's go to another example. The health service is being pushed into a much more-not mutual-but company-like arrangement with foundation hospitals. They were forced through by the last Government. I voted against them. We finished up with Mid-Staffordshire Hospital, where 400 people died as a result of setting up a foundation hospital driven by commercial concerns.

Andrew Haldenby: One of the key conclusions of the inspection report on Mid-Staffordshire was that managers had taken their eye off the ball because they had been preoccupied with Government targets, not their responsibilities to their local populations in being a foundation trust. One should not generalise from individual cases. There are many examples of successful private-sector delivery of healthcare.

Q222 Chair: Indeed, foundation trusts are public sector organisations.

Andrew Haldenby: Yes, they are. But, to take the point about commercial, business-minded organisations, there are many, many examples of successful private-sector organisations in this country and overseas.

Q223 Chair: Would that all our public hospitals had the same infection rates as private-sector hospitals, but that is another matter. Perhaps I may press Mr Davies on the role of private companies and the leaked memo about the meeting between the Minister and the CBI. Will there be a bias against big contractors and big private companies?

Gareth Davies: What is important is to maintain a diversity of suppliers. I think that any good commissioning model will ensure that what you do not do is lock yourself into a single provider. That is where trouble lies. The key is to ensure a diverse range, be they profit making, social enterprises or the public sector. It is about neutrality between models.

Q224 Chair: So, it was a message about neutrality and not about bias?

Gareth Davies: Neutrality is a level playing field. The key question is to make sure you commission services at the right level.

Q225 Chair: I think we have that on the record; it is very useful. Thank you very much.

Matthew Taylor: I know this will be a shocking thought for all of you, but if it was incredibly difficult to find ways of giving contracts to third sector organisations and small organisations and actually they were all going to big organisations, what you might do is have a meeting and let a memo be leaked that said you were trying to do something very different. I see the political art being played here. People are reassured by the memo but the reality is that No. 10 and the Cabinet Office have not found a way of making this a level playing field.

Q226 Chair: Policy wonks are meant to be idealistic; politicians are meant to be cynical. We have role reversal here. Perhaps we can move to accountability. How does accountability work when you are diffusing decision making through the system in the way that is being proposed here? Who will be accountable for what? How do Ministers finish up being accountable for the way public money is spent?

Andrew Haldenby: It is a big question, but I think that from the Government's point of view that is one thing the open public services White Paper, at least on the public services side, is supposed to answer. As Matthew said earlier, different kinds of accountabilities are being talked about throughout the public services, and it is a bit hard to know what the Government's answer is to that yet.

Q227 Chair: But you gave the Government a D on your score card on the issue of accountability? Can you explain that?

Andrew Haldenby: In my view, in much of the public services, as we have talked about, they should be

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accountable to the people who use them in various different ways. In the case of the police, it is the local electorates; in the case of schools, it is parents.

Q228 Chair: So, Ministers should be able to tell Parliament, “No, that service is not accountable to me but to its users”?

Andrew Haldenby: Yes. In Valencia, which I mentioned earlier, the Government set the contract to the private company to deliver not all but most healthcare for their citizens. They set the rate, which, from memory, is €600 per year per citizen, and define what is to be delivered for that money. It is the private company then that is accountable for the delivery.

Adrian Brown: I think this is an area that requires a lot more thought by the Government. Without really robust alternative sources of accountability that do not come through the Whitehall mechanism it is very difficult for a Minister to stand up at the Dispatch Box and say—

Q229 Chair: Our recommendation will not say that the Government ought to think about this. What should our recommendation be?

Adrian Brown: There are five things that you need to get right if you are to think of accountability. What are you accountable for? Are you accountable for financial propriety or performance of the public service? Different people could be held accountable for different aspects of accountability. We seem to be clear on that. The problem we have at the moment is that, because the vast majority of money flows from the top down, that is where the accountability tends to lie. There is an argument to suggest that, while that remains the case, it is extremely difficult to push real accountability away from the Treasury and the tax-raising powers at the centre.

Second, who are the people to be held to account for these things? Third, who is holding them to account? Is it the public? Is it people acting on their behalf or locally elected politicians or local public servants? Fourth, how will that mechanism of accountability operate? There are all sorts of different ways that it could work. And fifth, crucially, what consequences flow from accountability? If you do not have consequences accountability is meaningless. On all of those questions across the whole of the public service reform agenda there are a lot of blank spaces at the moment.

Q230 Chair: So, how would a Minister go about doing this? For each of the public services under his control would he have an accountability memo, say, which would be put out in a statement to Parliament, saying this is what is being held accountable and by whom and how, so Parliament is aware? Is that a method we could use without destroying the principle of ministerial accountability?

Adrian Brown: Ministers certainly need to be clear what they are and are not being held to account for and then have good answers to those other questions. The problem is that because good answers to those other questions are often lacking—to be honest, Ministers do not like standing at the Dispatch Box and being accused of things over which they do not feel

they have control—the natural inclination inevitably as Governments mature in office is to pull accountability back up. It takes real strength from the Government to—

Q231 Paul Flynn: A mature Government that is full of blanks and holes is a guarantee of chaos.

Adrian Brown: It will take time to fill in these blanks and for accountability mechanisms themselves to mature. You cannot say over night that now that you have an elected police commissioner, a mayor or voice in a market, that is how it will work and you should feel happy that is the case.

Q232 Paul Flynn: I have been in public office for 49 years and have lived through reorganisation after reorganisation. I cannot think of one of them by any Government that paid any return for the losses, chaos and disorganisation of the change itself. Would it not be a good thing if perhaps we stepped away from the ferment of reorganisation? I saw a gleam in the eye of Mr Haldenby when he talked about Valencia, where they are to split everything up into 25 bits. I guarantee that within a decade or two someone will say, “No, no; we should join everything together for economies of scale.” This is a constant ferment. It is great for you guys, but would it not be better if you all went into monasteries for about a decade or two and let the Government run the system as it is?

Andrew Haldenby: I think the Government do want to leap into this ferment particularly because of the position of the public finances, and it is absolutely right that they have to save money.

Q233 Chair: Mr Davies, what do you have to say about this? As we are trying to implement the Big Society across Whitehall, how will accountability work?

Gareth Davies: I think it will differ from industry to service and will be based on the users. I think that in some areas there will be individual accountability.

Q234 Chair: What about using this IFG matrix?

Gareth Davies: I think there is a lot in what Adrian said. Different types of accountability will work in different situations. Sometimes it will be individual accountability; sometimes it needs to be more community based. Local Government is an obvious example; an elected chief commissioner is another; and sometimes it will happen nationally. Ministers will still need to have some overall system responsibility.

Q235 Chair: Ministers will need to specify who is to be accountable for what.

Gareth Davies: In any successful system what is important is clarity of accountability and responsibility.

Lindsay Roy: Are there not five other basic benchmarks, whether it is micro or macro, in relation to the Big Society initiative? They are fairly simple questions. Where are we now? How do we know? What are we going to do to improve? How will we improve it? How will we know whether we are successful?

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Chair: Mr Davies?

Paul Flynn: Five seconds of silence.

Q236 Chair: Do you want to write to us on that one?

Gareth Davies: What are we trying to achieve? It is the Prime Minister's diagnosis that, while we are richer as a country, we are more fragmented and dislocated as a society. What we are trying to achieve is an improvement of well-being. What does that look like in terms of specific measures? I would look at measures of trust and people's sense of power and connectedness. There are lots of different Government data that we are still keeping in terms of DCMS and ultimately society. That is all the attitudinal data. You do not expect to see some behaviour change in terms of giving time and money and the use of different powers, and also the role that more wider independent providers play in public services. More fundamentally, what are we as civil servants doing now? We are implementing the coalition programme and we can be measured by the achievement of the milestones in the business plans. They would be the three tests that I would apply.

Q237 Lindsay Roy: Do these five basic questions not relate to drugs and alcohol misuse in a local community and a project there, right through to the macro issue of the Big Society and the Government's initiative?

Gareth Davies: Obviously, I am looking at this from the Whitehall perspective, but individual communities will face their own issues and problems. Frankly, neither I nor any of my colleagues will ever have enough information to tackle those problems, hence the importance of pushing power down to the lowest possible level and commissioning action at those levels.

Q238 Chair: What you have just said is a very important point. The man in Whitehall does not know best.

Gareth Davies: There is no way I can know what is going on in a range of communities.

Matthew Taylor: But the objective is not to push power down.

Lindsay Roy: But the theme of Big Society, whether it is about small or local initiatives, is fairly simple. Where are we now? How do we know? What we are going to do about it? How are we going to proceed? How will we know we have been successful?

Chair: And what are the consequences of all of this diversity of provision?

Q239 Kelvin Hopkins: One very important point is that I do not think ordinary people in the street have been asked what they want and who they want to provide things. When they come to me they want me to deal with a problem. If it is a private company I have to say that I do not have any power over them. If it is a public service I can write to a Minister, or at least to the council, and get somebody to do something. They are publicly accountable. But the

other factor people want, apart from high-quality services, is fairness; they want to be treated equally across the country and have equity. If people feel that in one part of the country they get better treatment than in another, they think it is wrong. How do we achieve equity with the Maoist chaos that you are proposing?

Matthew Taylor: In neither of those regards is public opinion as simple as you suggest it is. Two-thirds of the public say they think more power should be devolved to local level. Exactly the same proportion says that public services should be the same wherever you live. These are obviously rather contradictory positions. When it comes to equality, what people care about is fairness, but that is procedural fairness; it is fairness about the rules. They want to feel that the rules have been fairly applied. I think that is where accountability comes in. It is not so much equity that people demand as a sense that what you get is what you deserve. You will know that the thing that annoys people when you knock on doors in working-class areas is less whether the system is fair and more whether someone down the road is getting something they should not get, or, "My next door neighbour is getting something that I did not get."

Q240 Kelvin Hopkins: It is to do with equity, isn't it?

Matthew Taylor: It is fairness rather than equity. I think accountability goes to fairness, because one of the key criteria for accountability is a sense of fairness. People want to see that public services are being distributed in a way that is transparent.

Q241 Chair: That sounds like you agree with Mr Hopkins.

Matthew Taylor: No, I am not. When he says "the public thinks this", very often what the public thinks is contradictory and depends on what questions you ask them.

Q242 Chair: I appreciate that, but we all know that the postcode lottery is a natural consequence, and whatever the Government do and the more equal they try to make things very often the less equal the outcomes. It is seen as an obligation on Government to make things equal.

Matthew Taylor: About a year ago someone from the Department for Communities and Local Government came to see me to make the case for localism. They said, "What do we do about the postcode lottery?" I said that that was the wrong way round and what we had to do was start with the critique of centralism. The fact is that central control has utterly failed to deliver equitable outcomes if you look at survival rates in hospitals, school performance or police performance. Labour had a highly centralised system. There was no evidence at all that that led to more equitable outcomes. Therefore, localism does have problems to do with postcode lottery, but let's not posit that against a system of central control that led to equitable outcomes, because it did not.

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Andrew Haldenby: Recently, the London School of Economics published a study on the first wave of Labour academies, which showed that their results had improved much more than the national average. That is an instance where decentralisation is leading towards that more equitable level of results that you are hoping for.

Q243 Kelvin Hopkins: We can argue from the particular to the general, which I think is always a logical fallacy. People want equity. I think Matthew Taylor made the point very strongly. Devolution to local authorities is one thing; devolution to a private company, or even an unaccountable charity, is something entirely different. Local authorities are accountable because they are elected. When I go to a council and say that somebody has been treated unfairly because one person has been given a house and someone else in exactly the same position has not been given a house, I have a case that can be made public and can embarrass the council. My councillors have to react.

Andrew Haldenby: But the private companies or charities are accountable through their contracts. Very often the contract is more transparent than the existing arrangements. So, the idea that there is no leverage over providers of public services if they are not public sector organisations is not true.

Matthew Taylor: I do not think this is absolutely right. There are different forms of accountability. If I get a punnet of strawberries from Sainsbury's and find that a couple are off and take it back, Sainsbury's will change it on the spot. If I went to the council and said, "I am not happy with the way you have collected my rubbish," it would take months and months. I am not saying that one is better than the other, but there are different models of responsiveness for different kinds of services. To suggest that the private sector is inherently unresponsive and the public sector inherently responsive flies in the face of people's experience. Different forms of accountability and responses are needed in different contexts.

Adrian Brown: The idea that just because a public service is delivered by a non-state actor, a private company or charity, it is not accountable is wrong. That is a mistake. If we start with that assumption we are not even looking at the possibilities of the rich way in which they can be held to account. As to the term "postcode lottery", a lottery implies that it is pot luck. Local accountability means that you can do something about it. If you have in place really strong local accountability mechanisms, which I accept are not necessarily as mature as they could be in many public services, then it is not actually a lottery; it is something that you can do something about through whatever accountability mechanisms are available to you.

Chair: Postcodes are a far too collectivist notion for my liking.

Kelvin Hopkins: When people come to see me and want to be housed, they want to be housed first in a

local authority home. Second, reluctantly they might go to a housing association. The last thing they want is a private landlord. Local authority housing is accountable; they know they can go to a councillor. They come to me and we can get things done. They do not want private landlords but sometimes they are forced into private renting.

Chair: You have made your point.

Q244 Lindsay Roy: I think we would all agree that diversity is healthy. For me, what is quite critical in terms of improvement is the sharing of effective practice. To what extent is that part of the Big Society initiative? How have people thought this through in terms of exemplary work in a small location that can be transferred elsewhere?

Matthew Taylor: That is a very good point. In certain areas I worry. I see a system being replaced but I do not understand what system is to replace it. If you take academies and free schools, I see a deep hostility to local education authorities. Tony Blair had the same attitude, so there is continuity there. But when we have thousands of academies and free schools, what is the method by which those institutions will share practice, resources and collaborate? There does not seem to be any framework at all for collaboration, so it seems that there is no interest in collaboration. If it happens, fine; if it does not, fine. That is not the Big Society. I think that, if the Big Society is about one thing, it is about encouraging institutions to collaborate.

Q245 Lindsay Roy: You touch a nerve. As a head teacher part of my role was to share effective practice with other people. As a school inspector, in the same way there was too much focus on inspection and not enough on sharing effective practice.

Andrew Haldenby: It is the case that, particularly in the school sector, networks of independent schools—it could be in the state sector—are coming together to share that best practice around school improvement, but I agree with Matthew that I do not think that is part of the Government's agenda, as it were.

Q246 Alun Cairns: Mr Taylor, would not the point you are making about the Government intervening to encourage or force collaboration, depending on how you interpret it, fly in the face of the decentralisation and localism agenda? Is it not right to say that these free academies will start working together because it will be in their own interests and the interests of those they seek to teach to do so? If it is in their interests that is the whole purpose behind it. There is ownership and responsibility, and that will facilitate co-operation in itself.

Matthew Taylor: Again, I think you have to look at this on a sector-by-sector basis. It may be in the interests of three schools and the communities of those schools that they collaborate, but it may not be in the interests of the best of those three schools to collaborate with the other two. You look incredulous,

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but I could take you to almost every education system in this country and would be able to point to those schools that want to collaborate and those that do not. It is the same with universities. Generally speaking, the higher achieving the institution the lower its incentive to collaborate. You do not need to collaborate; you are a high-achieving institution. You get the students and pupils you want. Why do you need to collaborate? Why do you want to sully your reputation by working with the school down the road? Therefore, collaboration is a market failure and that is why you need to create incentives for collaboration.

Q247 Chair: In Colchester the two grammar schools are very anxious to collaborate with the comprehensive sector because they want consent for the diversity of provision across the whole system.

Matthew Taylor: They want to maintain support for the 11-plus.

Q248 Chair: They want to maintain consent for their selective education.

Matthew Taylor: Exactly—so they have an interest of course.

Q249 Chair: They have an interest, but I think that disproves your adage that a high-achieving institution does not necessarily want to collaborate.

Matthew Taylor: I am delighted that Colchester is a communitarian paradise, but I can take you to other areas where the public spirit of head teachers is somewhat less.

Chair: Do we have anything further to add? I think it has been a very useful session. One or two extremely useful nuggets have come out of it as well as an enormous amount of background, in particular how the Cabinet Office could take a more directive role in getting Government departments to ask themselves the questions and produce the answers. That may well be the thrust of our report, and certainly might be the direction of the cross-examination of the Minister on this question as we reach the end of our inquiry. Thank you very much indeed. It has been a very rich session, and I am most grateful to you all.

Tuesday 14 June 2011

Members present:

Bernard Jenkin (Chair)

Nick de Bois
Alun Cairns
Charlie Elphicke

Greg Mulholland
Lindsay Roy

Examination of Witnesses

Witnesses: **Sir Ronald Cohen**, Independent Adviser to the Cabinet Office on the Big Society Bank, **Bernie Morgan**, Former Chief Executive, Community Development Finance Association, **Claire Dove**, Chair, Social Enterprise Coalition, and **Mark Lyonette**, CEO, Association of British Credit Unions Limited, gave evidence.

Q250 Chair: May I welcome three of our four witnesses? Unfortunately we believe Claire Dove has become embroiled with the House of Commons security arrangements. In the meantime could I ask each of you to identify yourselves for the record?

Mark Lyonette: I am Mark Lyonette from ABCUL, the Association of British Credit Unions.

Sir Ronald Cohen: I am Ronald Cohen, latterly from the Big Society Bank, where I am advising the Government on its establishment. I previously chaired the Commission on Unclaimed Assets and the Social Investment Task Force, and I co-founded Bridges Ventures and Social Finance.

Bernie Morgan: I am Bernie Morgan, former Chief Executive of the Community Development Finance Association.

Q251 Chair: Thank you. You will have to speak up a little bit or we might not be able to hear you. Thank you very much for being with us today. The Committee is finding grappling with the financial and technical aspects of all this quite complex and difficult to grasp, so your explanations will be extremely helpful to us. I would like to start with a very general question. Without getting too involved in the philosophy of the Big Society, can it succeed without action to provide private capital to charities and social enterprises? Which of you would like to start?

Sir Ronald Cohen: I am happy to kick off. We have embarked on a complete change of mindset about the way in which society approaches social issues, in the same way that, 30 years ago, when entrepreneurship began to get going in Britain, we had to move away from the notion that only big companies could achieve anything to the notion that ambitious, young, high-growth companies were going to have a material impact on the rate of growth of the economy and the standard of living in Britain. In looking at the social sector in Britain today, we find a power that lies between the private sector and the public sector, which is considerable in size. It has about £100 billion of foundation assets and 800,000 people working in charitable organisations who are devoting their lives to helping others. Yet the characteristic of the sector, agreed by everybody involved with it, is that almost all these organisations have insufficient capital to make it through the next three months. They are going cap in hand to raise philanthropic donations in order to fund their activities. On the whole, donors are constraining them to spend the money they receive

from them on the objects of the charity rather than building up the organisation.

So the challenge that exists today in tackling social issues is to shift the emphasis from Government having to deal with them to empowering a proper social sector that is properly funded to tackle these issues in new, more powerful ways. To answer your question, Mr Chairman, what we would like to see is a connection of social entrepreneurs and the social sector in general with the capital markets. If we are to be successful then we have to provide social entrepreneurs with the same access to capital that business entrepreneurs have. This might have seemed a pipe dream three or four years ago, but with the recent development of Social Impact Bonds—although they are certainly not a panacea for every social ill—for the first time we find innovation that leads an organisation that achieves positive social outcome—examples are an improvement in recidivism of 10% or an improvement in the drop-out rate from school of 10% or a reduction in homelessness of 10%—potentially in a position to say that they also paid 10% on their Social Impact Bond. For the first time we will have connected social outcomes and financial outcomes. This has never been achieved before.

I believe we are beginning to prove the proposition that it is possible to connect social entrepreneurs to the capital markets. This means that institutional capital will begin to flow through social organisations. Initially this will be capital from the balance sheets of foundations, and subsequently capital from pension funds, insurance companies and private investors.

Q252 Chair: May I say welcome to Claire Dove? Could you just identify yourself and your role for the record please?

Claire Dove: I am Claire Dove. I am the Chief Executive of an organisation in Liverpool called the Blackburne House Group, which is a social enterprise. I am also Chair of the Social Enterprise Coalition.

Q253 Chair: I am very sorry that our security people held you up. Would any of our other witnesses like to add any comment at this point?

Mark Lyonette: I would like to say a little bit about the credit union sector and the role of private capital. As some of you well know, credit unions in Britain are quite unusual compared with our sisters and brothers around the world. Credit unions elsewhere are not

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typically dependent on any public funding at all. We have some credit unions in Britain who are dependent on public funding, and the answer to all that is to get them to a scale and on a business model where the capital they use is from their members' savings coming in and then lending it out. In that sense, they will be copying exactly what credit unions do in around 60 countries around the world, serving 200 million people. That is a classic, cooperative, financial, mutual model that works very well. Here in GB we are not yet there, but we are on the way.

Q254 Chair: We will come to credit unions later on.
Bernie Morgan: Just to add to Ronald's comments: I do think we are on the threshold of a new era and paradigm shift about how we look at finance in the social sector and what was called the voluntary sector some years ago. It is a case of public, private and voluntary sectors working together in that new dimension and understanding that new dimension. This inquiry is clearly a very important part of looking at that. I do think it is time to change our way of thinking.

Q255 Chair: All this is very attractive, but most of these charities generally do not have a positive cash flow; they are consumers of cash. How do you generate a return for a quasi-commercial organisation like the Big Society Bank and its intermediaries when there is not positive cash flow? Could you explain that?

Sir Ronald Cohen: Should I answer that? If you look at the example of the first Social Impact Bond on the St Giles Trust it speaks more eloquently than an explanation would. We signed the contract with the Ministry of Justice.

Q256 Chair: Who is "we" in this case?

Sir Ronald Cohen: "We" in this case is Social Finance, of which I am a director. Social Finance signed an agreement with the Ministry of Justice to tackle the issue of recidivism by prisoners who were incarcerated before the age of 21 in Peterborough prison.

The agreement with the Ministry of Justice says that we will fund three charitable organisations, one of which is the St Giles Trust, to work with these prisoners and we will help these three organisations to achieve a reduction in recidivism. I am simplifying a bit, but in the event that over the eight-year life of this Social Impact Bond these three charitable organisations manage to reduce the rate of recidivism but by less than 7.5% the £5 million that was raised would be lost. However, if these organisations are successful in reducing it by more than 7.5% and up to 15% and beyond, the Ministry of Justice would pay a yield on the bond and would pay back the capital of the bond. The yield would vary according to results, from 2.5% to 13%.

The charitable organisations involved have the prospect of receiving payments by results as a result of the social performance that they have achieved. £5 million is going to three organisations. With a

philanthropic model they would have had to go to a number of different foundations and ask for £5 million over several years to achieve this, and it would have been quite difficult to achieve, but because the investors were persuaded that this was an important social issue to tackle and that the organisations had a sporting chance of doing better than a 7.5% reduction, they invested in this. For most of them it was not as a donation but as an investment from their assets—from the £100 billion of assets that sit on foundation balance sheets.

To answer your question, the St Giles Trust will receive a cash inflow for achieving a reduction, and, if it establishes a track record, it will be able to go back to investors and say that they will sign another agreement with the Ministry of Justice to deal with other prisons where they will pay by results, ask if they will put money up for it, and say that they paid 10% or more on their last Social Impact Bond.

Q257 Chair: So is this basically a way of paying by results but capitalising upfront.

Sir Ronald Cohen: Exactly.

Q258 Chair: So the Big Society Bank will take the risk on whether the payment will arrive because the results are achieved or, if the results are not achieved, the Big Society Bank will lose its capital.

Sir Ronald Cohen: Well, it is not the Big Society Bank that would put up all the money.

Q259 Chair: No, I appreciate that.

Sir Ronald Cohen: The Big Society Bank would underwrite an issue of this kind at the time when an agreement with a Government Department or a local authority is entered into. It would have the ability to say the money will be raised. It could purchase 10%, for example, of a Social Impact Bond issue in order to encourage the other 90% in.

Q260 Chair: So we cannot really separate this conversation about investing in social enterprises from the issue of Social Impact Bonds, as they are intertwined.

Sir Ronald Cohen: I think you can, because we will innovate beyond just Social Impact Bonds. The problem that Social Impact Bonds will face is that you need very clear metrics of social outcome for anyone—a Government, or foundation or Department—to be prepared to sign a contract to pay out on results. Obviously, if the results are going to be difficult to measure, it is going to be very difficult to reach an agreement of this kind, so the focus on metrics is now beginning to increase, and it will rule out certain social issues where it is very difficult to find metrics that are reliable.

I do not think the Social Impact Bond is going to be the only way of providing cash flow to charitable organisations but it will be an important way. It will focus social organisations on achieving performance on social outcomes far more than has been the case in the past. I think it will do the same for philanthropic organisations.

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Q261 Chair: Do you mean by that that the Social Impact Bond would be invested in the charity so that it can then generate a philanthropic funding stream and pay back the Social Impact Bond?

Sir Ronald Cohen: The Social Impact Bond gets repaid either by a Government Department or a foundation that agrees to be the payer. Instead of paying up front with the philanthropic donation, a foundation could be paying on results at the end. The difference between the two for the foundation is the focus on performance. In one case, it is paying on the basis of outcomes that have been achieved, on the other, it is giving money with a qualitative set of objectives.

Q262 Chair: The Government obviously identifies a funding shortfall in this sector. How big do you think that shortfall is? What is the annual demand for this degree of capital?

Sir Ronald Cohen: If you look at how much money is being spent by Government today in dealing with social issues, it is gargantuan. The degree to which the social sector can manage to take on some of these responsibilities effectively is what we are talking about. I think we are going to need to raise billions of pounds to prove that social organisations are capable of achieving the sort of scale and social impact that society requires, but it will be gradual. I hope that looking forward a decade we will see billions of pounds of Social Impact Bonds issued.

Q263 Chair: We visited the Balsall Heath Forum in Birmingham yesterday, which is a very well visited collection of social enterprises. Their cash flow is almost entirely dependent on one form or another of Government support. Their argument is that they save the taxpayer huge sums of money as the police no longer need to patrol the streets to deal with prostitution, the crime rate is down, there are fewer homeless people and there are more people in employment. How would Social Impact Bonds and this flow of capital help them?

Sir Ronald Cohen: I am sorry I am answering every question. Would somebody else from the panel like to answer that?

Mark Lyonette: No, this is your thing.

Chair: We will come to other questions, do not worry.

Sir Ronald Cohen: Okay. Social Impact Bonds would help them, because our calculations about the Ministry of Justice's savings show that, in paying out on the bond, they would be paying out only one third of the saving actually achieved, since you only pay out on success. So the demonstration of this saving is part of the challenge that charitable organisations will face. Government Departments and local authorities are very often in a position to quantify the cost and the potential savings from interventions. Over time, we would hope that a market would arise in the same way in which a company is valued—a particular social issue is costed, and the cost of an intervention relative to it becomes the investment required to achieve it. So it becomes a return on investment: you need to spend a third to save two-thirds. That is an attractive Social Impact Bond issue. If the Social Impact Bond issue is going to cost two-thirds for a third of the

saving, it may be worth doing for social reasons but it is going to be less attractive.

Q264 Chair: Could that apply in circumstances where the survival of an existing enterprise is preventing an expensive occurrence like a reversion to previous failure?

Sir Ronald Cohen: Yes. If you look at the first Social Impact Bond, the measurement of the rate of reoffending from Peterborough prison is made against a control group several times the size of prisoners with similar demographic characteristics across the country. So you can come to quite an accurate measure of the effectiveness of these three charitable organisations in achieving this.

It is a new world; I can see you smiling about it, but it is a new world, and I believe it will be extremely powerful. I know in many of your minds there will be an initial scepticism about whether something that seems so new can actually be effective. If I can just give a sense of historic perspective, to me it does not feel any different than it did in 1980 with regard to entrepreneurship in Britain.

Q265 Charlie Elphicke: Sir Ronald, I have been listening with care to the points you are making. I cannot understand why this is a Big Society aspect of things, when it seems to me the way in which the whole DWP is now based, which could be profit-making businesses, charities or social enterprises. This is simply a way of outsourcing and squeezing efficiencies to get people back into work or keeping them out of prison. Why is this specially to do with the Big Society or social enterprise?

Sir Ronald Cohen: It is different in this respect: you are raising the capital upfront from people who believe the social action will be successful, rather than signing an agreement with an organisation that goes out into the capital markets and funds itself, which is typically a for-profit company. So this becomes a way of funding not-for-profit organisations. The spectrum will include not-for-profit and for-profit organisations, but those that face a real challenge today are obviously the charitable ones. For the first time, you will be saying to them: we will raise several million pounds to enable you to implement your plans. So it is not just a payment-by-results contract.

Q266 Alun Cairns: Sir Ronald, can I press this point a bit further? Do you think that the Civil Service is ready for this cultural change? They would effectively be funding on a completely different basis from what they are doing now. Is the Civil Service geared up to cope with that change?

Sir Ronald Cohen: Would any of you like to answer that? I am happy to answer the question.

Claire Dove: There are a number of issues here. First of all: the conversations go from voluntary sector charities to social enterprises, and there is a big difference. Social enterprises are businesses, for-profit, who are looking for unrestricted income to invest in communities, etc. Charities follow a different course of action.

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Fortunately, we have just finished our study from the Social Enterprise Coalition. We do a survey every two years looking at the state of social enterprises in the country. Firstly, the good news is that there has been an explosion in the number of social enterprises that have started within communities to tackle different issues. The proportion is nearly twice that of SMEs. The other interesting point is that they are not the usual suspects that you would find in business; there are more women starting social enterprises and more people from black communities starting social enterprises. Most social enterprises are concentrated in the poorest communities.

The downside is that some social enterprises are trading with the general public but some, as Sir Ronald has said, look at our public service and are winning public service contracts. We have been told that they are the ones at risk at this time, and it is because of some of the issues about getting capital, but also payment on results, which make them weaker than trading with the public. They are telling us that a considerable number of them are likely to issue redundancy notices over the next 12 months. That is as opposed to those who are not doing these big public sector contracts.

The other biggest problem for them is access to capital, whether they are working on public sector contracts or not. They are the issues we were just trying to talk about. It is about the availability and the affordability of capital injections into these businesses that hampers them doing so much more. At the moment we rely on Unity Trust and other lending institutions to help, but obviously the mark-up is too much for most of the banks. So there is an issue at the moment.

You were just talking about DWP and some of their contracts. Their big contracts have gone out to private sector providers, who are then subcontracting. The rates of this subcontracting vary. They vary to the extent where some of our organisations would not take one of those contracts; we would not subsidise that private sector company, because the levels that they want to subcontract with are not acceptable if you are running a business.

Q267 Alun Cairns: Can I intervene there? I want to return to my question about the Civil Service, and that is quite a good example of what you have touched on. Under the DWP arrangements, whether it is charitable organisations or private sector organisations, the accounting officer who is commissioning that service knows exactly what they are getting and there is absolute confidence there. When we are talking about the arrangements Sir Ronald was talking about, there are far greater uncertainties for the accounting officer in the Departments to try to take this forward. I am trying to get at whether the Civil Service is geared up for this risk that they will accept, which is very different from the DWP model that we have been talking about.

Mark Lyonette: That is a good question. I wholly support the idea of trying to work towards payments to results in the whole sector. Just from our own experience, we have had an experience with DWP where I am very confident that our credit unions

would have delivered only about 50% of what they actually did using some Government money, simply because it was focused on payments by results.

So what does it depend on? Well, if it had not been DWP managing it and it had been one of four or five other Government Departments that might have carried out that work, I think we would have been on a pure grant: "Here you go; spend what you said you would, and it does not really matter how much." We were lucky we were within DWP, but even within DWP I think you can be lucky about which team you get. There are different skills and different abilities there to be able to make those investment decisions. Ours was comparatively simple in the sense that you would not get any more money if you did not do what you said you would, but if you are taking a long-term view you can see that, if Government or civil servants get the decision wrong on Sir Ronald's proposition and they underestimate how easy it will be to achieve the results, there could be big Government money going out in returns to the private sector and you can see a newspaper story, can't you?

Judging investment decisions, as Sir Ronald says, is going to be needed both on the side of the foundation but also on the side of Government and their role. It does not mean that it should not be done; it just means that there are some impacts in thinking about funding in a different way.

Q268 Alun Cairns: Can I ask the question in a different way then? How easy or how difficult will it be to agree to have service-level agreements? That is effectively what they would be seeking to negotiate in terms of the return.

Sir Ronald Cohen: What our experience with the Ministry of Justice showed was that within the Ministry there were sceptics and there were people who felt very positive about trying this new idea. It is always much more difficult to convince the sceptics. My view is that, if the Government make it clear that a pool of money will be available across all Departments and local authorities to pay out on Social Impact Bond issues, there will be competition within Departments and across different Departments to try to access this money. There is no doubt that civil servants today are feeling the pressure of cutting back expenditure on social issues that they consider to be fundamental. So I think you will get enough civil servants picking it up and implementing it properly, just as we have seen with the Ministry of Justice, so you are not going to have to worry about whether or not this can get off the ground.

Q269 Alun Cairns: What about the point about SLAs—service level agreements? Will that be easy to quantify and calculate?

Bernie Morgan: This is all new territory and my experience of working with a number of different Government Departments is that, as Mark says, they all take slightly different views and we need to coalesce around that. Service level agreements put in place to get returns in a few years' time will need to be very carefully crafted, but I do not think it is beyond the bounds to do that.

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Claire Dove: We are talking about DWP, but there is also a problem that, as that goes down to city councils, you might get a different take on it. One of the biggest issues in the survey that we have just conducted is around procurement. There needs to be reform around procurement because that is one of the biggest barriers that a lot of organisations face, so we also need to look at that.

On contracts, I could look at two different ones. With my organisation, I have a contract in education with the Skills Funding Agency, with which you do get payment on results. Over an academic year you have to achieve a number of successful outcomes. We have just got a contract from a local authority, and they want us to bankroll three months before they pay a penny. Now, tell me what organisation can actually have the amount of money to bankroll a contract for three months. That is a long period of time.

Q270 Chair: Serco.

Claire Dove: Yes, exactly. If we want a concentrated mix of people trying to achieve some of the biggest challenges within our community, we have to think differently.

Q271 Alun Cairns: I will change tack completely now. Nick Hurd said that the Cabinet Office was working on the assumption that European Commission approval would be granted by July and the delay has been talked of as a technicality. Can you tell us a little bit more about that?

Sir Ronald Cohen: Yes, the state aid legislation at EU level has to do with aid given to private sector organisations that warps rules of competition between countries. It is clear that we are not dealing with that type of organisation when we are talking about the Big Society Bank any more than we were when we talked of Bridges Ventures in 2002, which also required state aid approval. There is a long procedure involved in going through it, and the Cabinet Office is responsible for steering us through that procedure. It now appears that it will be a matter of some months until it is completed. In the meantime, we have been able to sign an agreement with the Big Lottery Fund for them to begin making investments, which would eventually be picked up by the Big Society Bank when it gets funded.

Q272 Alun Cairns: So when would we expect the funds to be available and the Big Society Bank to be in operation?

Sir Ronald Cohen: I would hope at the beginning of next year. I hope that we could kick off in the new year.

Q273 Chair: Aren't you finding this incredibly frustrating?

Sir Ronald Cohen: I have already been through it with Bridges Ventures.

Q274 Chair: So you had to get state aid approval for Bridges Ventures as well?

Sir Ronald Cohen: Yes we did. The Government had to thump the table and say that they were trying to invest in the poorest areas of the country, it was a

£40 million fund and that it clearly could not be about warping Britain's competitive position.

Q275 Chair: Do you need specific preapproval before you can operate, so it is not something you can just do and see if they come after you.

Sir Ronald Cohen: Yes, but I am confident that we will get it. I would go further than that. I believe that the EU will turn out to be a big proponent of social investment. Hopefully that will include Social Impact Bonds and the Big Society Bank. We just have to go through the process.

Q276 Alun Cairns: The loans from the four big banks under the Project Merlin agreement have been stipulated to be on commercial terms. What will this mean to the Big Society Bank in practice?

Sir Ronald Cohen: Discussions are going on with the banks. The Government have been leading these discussions. I hope that we can arrive at an outcome that is positive for the Big Society Bank, one that links banks into it with a strategic agreement to cooperate in making this whole effort a success, not just the Big Society Bank but what we have talked about more generally. I believe the banks are interested in seeing social issues dealt with through the use of finance, and I am hopeful that we can achieve that.

Q277 Alun Cairns: If banks are to make a profit similar to that achieved in their normal business practices, what is the point of the Big Society Bank within the metrics?

Sir Ronald Cohen: Commercial terms do not necessarily mean normal market profit levels. In accounting terms, it does not necessarily mean that. Perhaps we could just leave it at that, but the discussions are going on and I hope that in the next few weeks we will be able to announce something sensible for the Big Society Bank and will bind the banks into a close relationship with the Big Society Bank.

Q278 Chair: I hope the other members of the team will forgive us for concentrating on Sir Ronald for the moment. Could you explain a bit more about Bridges Ventures? How many investments did you make and what sort of returns did you make?

Sir Ronald Cohen: The proposition was that you could achieve half private equity return by investing in the poorest parts of the country. So in 2002—

Q279 Chair: So this was investing in businesses?

Sir Ronald Cohen: This was buying stakes in businesses in the same way that a venture capital firm would buy stakes in businesses.

Q280 Chair: So these were not charitable or voluntary organisations?

Sir Ronald Cohen: No, it is mission driven. The team that leads Bridges Ventures is driven by the social mission, but understands that for this type of activity we are backing entrepreneurs to create successful businesses, and you have to have financial returns as the locomotive and the social returns as the carriages. So we defined the poorest 25% of the country,

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measured by postcodes, as our target area. The Government put up £20 million of matching finance, half of which was on a subordinated basis, which improved the returns for other investors. The returns there were capped.

Q281 Chair: So it was debt, not grant?

Sir Ronald Cohen: Yes, 5% debt. The other half was on the same basis as other investors in the fund. In 2002, we set off to achieve 10% to 12% returns by investing in the poorest areas. The returns on that first fund are emerging at 15% to 20%, and the role models of entrepreneurship that are being created prove the proposition that entrepreneurship does not really know social or educational boundaries.

Q282 Chair: Is this the gap in the market left by my old employer, 3i?

Sir Ronald Cohen: Yes, except that it is focused solely on the poorest areas. One of the objectives of the Big Society Bank would be to encourage another four or five firms to come in and compete with Bridges. Today Bridges manages £150 million in different funds. It is seeking to raise another significant amount.

Q283 Chair: What is the average size of investment?

Sir Ronald Cohen: In the early days, the average size of investment was about £500,000 and it is getting quite a lot larger today. I do not want to take you off on a tangent, but I am a venture capitalist by background and what you discover when you invest in poorer areas is what is called thematic investment in today's financial jargon. You are investing in businesses that have business models that are very cost effective and price sensitive. They therefore require less capital to grow. There are firms like The Gym, which opens gyms in the poorest parts of the country, charging very modest membership fees of £14.99 a month. They are attracting large numbers of people who have never belonged to a gym; 40% of the people who join The Gym have never previously belonged to one.

Q284 Chair: I see, I could go on with this for a long time, it is very interesting. You are now asking for investment in a start-up. In my experience, one in 10 start-ups fail.

Sir Ronald Cohen: Or succeed?

Q285 Chair: I beg your pardon?

Sir Ronald Cohen: Did you mean one in 10 start-ups succeed?

Q286 Chair: Yes, I beg your pardon. Nine out of 10 fail. So how confident are you that the BSB will have financial viability within, say, five years?

Sir Ronald Cohen: Our projections show that within seven years, it will be cash positive, and I am very confident that it can achieve that. Everything involves a risk, but in areas where society is involved, because philanthropy has been the way to deal with it, failure really means that you make a philanthropic donation. It is not like business; it is a lot easier to cope with. I would therefore argue that we should be bold and we

should try to innovate. In the presentation you received we have set out seven criteria against which we think the Big Society Bank should be judged.

Q287 Chair: One of them is transparency, but we have not seen a business plan. Are you going to publish your business plan?

Sir Ronald Cohen: The business plan has been published as a preliminary proposal, which the Government have blessed.

Q288 Chair: Is this the outline proposal?

Sir Ronald Cohen: This is the outline proposal.

Q289 Chair: We do not have anything like monthly cash flows or anything like that.

Sir Ronald Cohen: No, we have not yet done that but we will publish a business plan.

Q290 Chair: Presumably you have in mind an annual cash flow and an annual profit and loss account and a projected balance sheet?

Sir Ronald Cohen: Yes indeed. We have finance projections and we will be happy to publish them at the time. I would say two things. Firstly, these things take a long time to achieve; I do not think we should expect that the Big Society Bank can bring a revolution in the space of five years. This is a 10 to 20-year project, in the same way that business entrepreneurship in the UK ended up being a 10 to 20-year project. If the industry got going in the early 1980s in the UK, it was only in the early 1990s that you could really see that it was a proper vehicle running on the road with a powerful engine. It is going to be the same with social investment.

Q291 Chair: The other experience you and I have shared in the venture capital world is that there is always far more money chasing too few deals.

Sir Ronald Cohen: Yes.

Q292 Chair: If you generate more available capital, then to an extent it will encourage more deals to emerge. How confident are you that there is going to be enough deal flow for such a large institution?

Sir Ronald Cohen: I am very confident. I believe that the supply of money does create its own demand. At the same time, I think you have to help to build up capacity to put it out. You will begin to change the perceptions of leaders of social organisations when it becomes perceptibly easier to raise money to fund their activities. The demand to deal with social issues is huge.

Q293 Chair: But the ethical bank Triodos had to close one of its funds because it could not find enough opportunities.

Sir Ronald Cohen: When I started out in the private equity business, I had meetings with people at 3i who said to me, "We are the market. If there was anything more to be done on the entrepreneurship front, we would be doing it. There is no market beyond us." That is not the reality. The reality is that today it is a nascent market, and, if capital begins to flow into it, you will begin to raise the ambitions of existing

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organisations in the social area and to attract new social entrepreneurs into the area.

Q294 Chair: Claire Dove, please chip in.

Claire Dove: In poor communities in this country there has been a lack of permission, in a sense, to be entrepreneurial, as it was seen as someone else's preserve and not for grassroots people. We are finding that there is a fundamental change. We are talking about it more in our schools and we are encouraging our children to be more entrepreneurial. If you look at Grameen Bank in Bangladesh and their microloans, the take-up was phenomenal. They are now found across the world, because poorer countries have had to be more entrepreneurial because there is no state aid, etc, and people have been left to their own devices. I think there is a mood shift in this country, but it is about accessibility to funds. It has to be easy, it cannot be cumbersome and it cannot be from big organisations. So, how are we able to delve down to give those microloans, besides giving those massive investments to bigger organisations? That is the trick we have to look at.

Bernie Morgan: The CDFI network has a number of micro-organisations, microloan organisations, and also a number of banks, such as Triodos bank. There is the whole issue of what came first, the chicken or the egg? What do you create first? Sometimes if you create something it will create a demand, but sometimes that demand is slower than people think. Some of the products our members produced some years ago were not ready for the market. There is a whole set of work that needs to be done around developing the market. These two things have to happen at once.

But microfinance does exist in this country—it exists in all the poorer communities through the CDFI network. We do not yet fully have a microfinance product for social enterprise, so that is an issue that needs to be looked at. The Big Society Bank is supremely well placed to look at different products. Although the Social Impact Bond has not come from the Big Society Bank, it is clearly going to be one of many innovative products that the Big Society Bank can help incubate and get out there.

Q295 Lindsay Roy: Sir Ronald, did you consider initially using the Big Society Bank to make direct loans to social enterprises and charities rather than being a wholesaler, given the embryonic nature of this development?

Sir Ronald Cohen: The Dormant Bank and Building Society Accounts Act 2008 limits us to being a wholesaler. We also have an obligation to achieve sustainability. By that, we mean maintaining the value of the capital over long periods of time. We think there is room for subordinated debt to be provided to intermediary organisations in the sector, because it is one way of improving the returns for outside investors. Just as with the Bridges fund, there is a layer of debt and the investors are getting an equity return. This cannot be an organisation that is primarily engaged in lending. We see our objective as getting the social sector going—that is what it is about—and we have to preserve the value of our capital in doing

it but we do not have to maximise the value of our investments. As Bernie was saying, we would like to be proactive. When the bank is announced we would like to say: "These are the things that we are prepared to allocate money to; come with your plans and we are prepared to fund you."

Q296 Lindsay Roy: Many of the successes have come from small-scale grassroots organisations. How will you try to ensure that funding reaches them, so that they can fulfil the goals they have set from a collective responsibility in a community?

Claire Dove: I sat on Futurebuilders and it was the first attempt by Government to put loans into voluntary organisations and there was a grant element in that. The biggest problem for us was that the trustees of small charities were risk averse. They were worried and they were frightened that there would be a crunch where they could not pay back that loan. So it was about getting the governance to start to look at innovative ways of raising money. Some of the newer products are far more palatable than they were in the past. That is a movement, but there are still issues of liability for the trustees of any charity. They may become responsible if they fail with their loan.

Q297 Lindsay Roy: How can we tackle that?

Bernie Morgan: You are absolutely right; there is resistance, particularly in small, traditional, charitable organisations, from the trustees because of the liability point of view. There are a number of things that can be done about that. In the early days, we were working more closely with the Charity Commission about moving that thinking forward. There is probably more work to be done there. We were talking earlier about the huge amount of resources in charities that go to raising more money and trying to keep the wolf from the door, rather than doing the actual work. It is a case of providing an educative process to trustees to say that actually this is a better, more slick way of raising more money. So there is a lot to be done about market building.

Sir Ronald Cohen: There is a challenge where small, local organisations spread throughout the country are concerned. It is obviously easier to fund intermediaries who are going to achieve significant size, because you can fund them through Social Impact Bond issues or other financial instruments, than it is to help a small local organisation with a dozen staff doing something that is very valuable for society.

Q298 Lindsay Roy: So do these intermediary organisations have a key role in developing expertise at local level?

Sir Ronald Cohen: We will have to move to platforms, and among the measurements of success that we have set out for ourselves is our effectiveness as the Big Society Bank in setting up a market infrastructure that goes all the way down to local communities. If you look at what has been happening in the United States, many platforms have been set up to match local donors and local organisations or local investors and local businesses. In the UK, there are some internet platforms that are seeking to do the

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same thing. When it comes down to small, local organisations, the model will be to develop these platforms and then to create some financial vehicles and funds of various kinds alongside that are local in nature, administered by local people that can help in funding local organisations.

Most of the intermediaries we will be funding will have an ambition to act nationally over time. If you look at organisations like the Charity Bank, which is in need of capital, they tried to make loans to charitable organisations across the whole of the country. Again, size-wise they will tend to be chunkier amounts of money rather than tiny amounts. It is going to be a challenge to prove that we can galvanise local engagement as well as dealing with organisations that have the ambition to become significant in size.

Claire Dove: Sir Ronald is correct; it is very hard to get money down to small organisations. There have been initiatives over the years that have helped smaller organisations. For example, in the 1980s, when we had a lot of European money coming into the country, NCVO and others acted as a broker in delivering funds down to smaller organisations. You also found that there were lots of large consortiums. Besides the big contract holders like Serco, etc, there were other consortiums that were working, getting contracts and supporting smaller organisations, subcontracted to them at decent rates, to do some great work. Again, there are a number of areas that we would have to investigate through which we could get some money into those organisations. It would be too much to do very microloans at that level but there are ways of doing this.

Q299 Lindsay Roy: How do we ensure that the successful, very localised charities and voluntary organisations are not squeezed out as more national providers want to take over?

Bernie Morgan: There is an element of that new thinking having to happen. The general culture in the sector is not one of taking over; it is much more about collaboration and working together. If there are very specialist organisations in local communities who know their community, know what to do and how it is working, I cannot see that a big organisation would necessarily take it over or swallow it up. There would be much more working together because that is the culture, and we do not want to displace that culture.

Q300 Lindsay Roy: There is a real tension there. In my constituency, I understand Barnardo's are likely to win a contract, and there are 14 or 15 small local organisations who feel very threatened.

Claire Dove: There is an issue at the moment because there is a lot less money going around, especially in the charity sector. There are a lot of appeals against decisions on people who have been awarded grants. So there are lots of problems going on and it is not as cohesive as we may think it is at the moment, because people are trying to survive and this often brings around issues. This has to be looked at in some of the ways I was talking about, with collaboration. Having honest brokers and transparency is very important.

Chair: We will now move on to social enterprises.

Q301 Charlie Elphicke: I would just like to pick up on a discussion earlier about the Project Merlin settlement. What do you anticipate the commercial terms will be between the big banks and the Big Society Bank?

Sir Ronald Cohen: We are not dealing with the negotiations with the banks but I would expect the commercial terms to be consistent with the projections that we have prepared for ourselves. Those are that at the Big Society Bank we are not achieving what you would consider to be a normal market rate of return for an investment. So it will be on commercial terms for this type of activity. I hope we will not have to wait very long before we can define that to you.

Q302 Charlie Elphicke: That is your view, but the Senior Independent Director at the Royal Bank of Scotland, Sandy Crombie appeared before the Committee, and he left me very concerned. All he is interested in is reading a balance sheet and a set of accounts. He has no interest in the Big Society Bank and no interest in any wider social engagement than reading a balance sheet and a set of accounts. He clearly wanted to have a full commercial rate. Do you think there is a real risk that this could all just fail because of the difference of world views between the Sandy Crombie types and you who are trying to build the future, who have a vision and think a bit more widely about the world around you?

Sir Ronald Cohen: I think there is more room for agreement than the negotiation between the Government and the banks has left us perceiving. You can either view this as a negotiation with the banks where the Government are trying to extort money from the banks for a worthwhile venture, or you can view it as a strategic agreement with the four major clearers in the UK to improve the way we deal with the lives of people who are left behind as our society progresses. I believe the banks do understand that but we now have to shift away from a negotiation between the Government and the banks to the implementation of a plan, with projections that we have prepared. We have to be able to persuade the banks that this plan is achievable and worthwhile, and that it does not lead to their investment being written off at the time it is made.

Q303 Chair: Before we leave this subject, can I ask whether "less than commercial terms" means that loans will still earn a margin but it will just be less margin?

Sir Ronald Cohen: It is not necessarily going to be in the form of loans. I think we should leave this issue until we have managed to sort it out.

Q304 Chair: Realistically you are going to be a private institution, you could go bust and the banks could lose their capital.

Sir Ronald Cohen: This organisation could go bust and the unclaimed assets could evaporate and the banks could lose their capital.

Q305 Chair: So the Government are not guaranteeing the viability?

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Sir Ronald Cohen: There is no guarantee at all. We are on our own.

Q306 Chair: Coming back to 3i, it is awfully like the birth of 3i and the ICFC that was formed in the 1950s or late 1940s.

Sir Ronald Cohen: Late 1940s after the war, to reconstruct British industry. I think that is probably the closest parallel to what we are trying to do. I have not looked into the detail and do not know the basis on which the banks and the Bank of England put money up for 3i.

Q307 Chair: They were leant on.

Claire Dove: A couple of years ago, none of us would have speculated that the banks would have gone as pear shaped as they did, so you can never say never to anything. The banks and other institutions do have some moral issues, but do they want to speculate to accrue? If I was in that industry and was looking at some of our poor communities at the moment, I would want more people in work, because I would want more people to open bank accounts; that would help my bank. So maybe this is an investment in another way that will help our communities.

A couple of years ago I went to a dinner and was talking to Tesco. They had just put community into the famous wheel that they have. Now, that would have been the first thing in my wheel, because community means that people will come and buy my products. A lot of people in poorer communities cannot afford their Value range. Even though they do have CSR, in the form of tokens for sports, that goes to the middle-class schools, because those are the people who are buying and getting those vouchers for their schools. It really is about dipping down and investment in communities so that they can go in and have income to actually spend. So yes I think Sandy Crombie might say that all he is interested in is the bottom line, but I think that is folly. I am looking at my businesses and am speculating ahead to see where I can look at new areas, new investments and new people buying the products and services that we are selling.

Chair: To be fair to Sir Sandy, he did not actually say that.

Q308 Charlie Elphicke: Well, yes he did. Well that was my interpretation. I put these questions to Sir Sandy and he said he wanted a commercial rate and it was not the bank's job to have a moral view at all. Do you think that banks do have a moral view or should have a moral view? Or should they just go to the bottom line and not worry about social enterprise?

Claire Dove: Do they want more customers; do they want to look at different ways? In my organisation, in just one of our programmes the women we serve open about 50 start-up bank accounts each year. Do they want to throw that out of the window? I am going to go to a bank that has much more about it and is looking at the communities. You cannot sit in a community and not support what is happening there.

Q309 Charlie Elphicke: Let's just look at that. 30 years ago, you established the very successful social

enterprise, the Blackburne House Group. You managed it without the support of the Big Society Bank, or should I say the Big Society fund of funds because that is what it seems to be. What difference would the Big Society Bank have made to the growth of your business if it had been around? Would it have made any difference at all?

Claire Dove: Of course it would. When we first started out, we had seven students and 30 staff. We have grown phenomenally, we have nearly 100 staff and run seven businesses, but we are still putting thousands of women through our educational programmes, so these are skilled women for the community. When we took on Blackburne House 15 years ago, I had to raise £4 million to refurbish it. That was important, because in Liverpool you just have to go back to the 1980s to see the major issues in the city. We needed a building that was falling apart to this bring back to life in more or less the town centre. We had to go around making cocktails of funding to actually make this work. Once you have a big backer you can attract others in to invest, because somebody sees the vision and looks at your business plan.

We did not have the support that is available now. At Futurebuilders, they had people who would come in and support you working on your business plan, giving you support, supporting your trustees. So it is not just giving a loan but those extra things are important. Those are things that you need to make organisations like ours work. We were fortunate that the city council and others who believed in what we were doing did help us a lot at that stage. It could have been so much easier, and it is now. I think the Big Society Bank will not just give money but will support organisations like mine to make it easier. To get where we are has been hard fought.

Q310 Charlie Elphicke: Bernie Morgan, your watch over the cdfa has seen £750,000,000 pumped into and invested in disadvantaged communities. Would the Big Society Bank make that much difference over and above what you have already been doing?

Bernie Morgan: Yes, absolutely. Had it been around eight years ago when we started the Community Development Finance sector, it would have been a backer and a supporter. It is that element of support and the scale it has that would have made a difference and would have got us to that level and that point more quickly. Now, as we are facing significant public funding cutbacks, it is going to take on a whole new dimension that it perhaps would not have done when we began thinking about it a few years ago when I was working with Ronald in the very early days, so absolutely it can make a difference.

An issue that could be improved significantly involves a tax relief called Community Investment Tax Relief. That was enacted to bring private investment into CDFIs to get those different businesses going. Ever since it was enacted in 2003, it has had some design issues and was targeted quite narrowly. We have been working with the Treasury, HMRC and BIS to try to ameliorate some of those issues. Earlier this year, the Chancellor announced in his Budget speech that he was going to keep the tax relief and encourage more people to use it, which is going to be hugely

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beneficial. I live in Kent and I know that you have been involved in the Port of Dover and making it a community project. If we could extend Community Investment Tax Relief for all sorts of issues like that, for different types of social investment rather than just CDFIs, not only would CDFIs benefit but the whole of the social enterprise piece would benefit as well. That is something quite critical that we could do now to make more money flow into this sector.

Claire Dove: The second swathe is not the start-ups but when you want to grow your business and go into new areas. That is, again, where I think the Big Society Bank will be important. We have just started a new maintenance company and we are getting the investment ready, because there is a lot of capital that we would need up front. As I said, the survey we have done with the Social Enterprise Coalition shows that one of the biggest issues hindering some social enterprises growing is access to capital.

Q311 Charlie Elphicke: I have one last question for Claire Dove. I believe that in the *Liverpool Echo* on 13 April you quite gratifyingly debunked this idea that social enterprises were all about people who wear sandals, eat lettuce and lose money. In an article called “No Profit, No Gain” you said that the truth is that a social enterprise is an enterprise like any other: you have to make money and you have to do well in order to survive. Can you elaborate on that and can you set out that social enterprises are not just about losing money but are about making money, growing and expanding and how all that works?

Claire Dove: I hope you see from my appearance today that I am not wearing sandals and do not look like I eat grass. Swiftly moving on, yes, social enterprises are about profit. They are businesses that have been set up like any other business, but it is what we do with the profit that is important: they are invested back into the communities we serve. We have a number of businesses and their sole purpose is for the money to go back into supporting the women we are training and educating. So we help with childcare costs or provide bursaries and different levels of support for them. That is the key for what we do. We set up to do that 30 years ago: offer women skills so they are financially independent, and that is still key to what we do.

We do make profits and they are unrestricted, so we can invest them in communities. The survey we have recently conducted shows that the majority of social enterprises are in the most challenging communities and are actually making a difference with the profits that they make.

Q312 Nick de Bois: I would like to turn to Social Impact Bonds briefly. I am not sure who is going to be best qualified to answer this, but I am going to have a stab at it. Although we have the example of the pilot project in Peterborough prisons, I am trying to understand if you think the future is for Social Impact Bonds to play a significant role in the delivery of public services by charities and social enterprises. After that I would like to take a look at the evidence of attracting private investment. Could I have your opinion first, Sir Ronald?

Sir Ronald Cohen: I think Social Impact Bonds will be huge. I think you will be talking over a couple of decades of tens of billions of pounds across the world. The Obama Administration in the United States have already included \$100 million in their budget. The Government of Massachusetts has already asked for organisations to step forward, to see if they can implement them with recidivism. Australia has already announced Social Impact Bond issues. Canada is interested in it and Israel is interested in it.

It is a simple but extremely powerful financial instrument, and it is difficult to know exactly how it will get implemented or which social issues will attract the most money. If you look at recidivism the metrics are very clear. Police computers across the world have historical information about it and you can create control groups in countries of sufficient size. You can create control groups against which you can measure the real social outcome that is achieved. Recidivism alone would take up billions of dollars.

So we are at the beginning of it in the same way that venture capital when it was created was thought by some to be inherently a very small field and by others one that would completely change the way growth companies were funded. I just want to emphasise that you cannot plot the organisations that are going to be funded through Social Impact Bonds completely accurately ahead of time. I could not have told you that Microsoft would be the company in the venture capital industry that would win out in the PC world, but there was going to be a company like that.

Q313 Nick de Bois: The evidence is suggesting it is attracting more philanthropic money, as opposed to private capital at the moment, even though the returns suggested that it was a good investment. Do you see that, and when do you see that shift coming?

Sir Ronald Cohen: The first Social Impact Bond was raised only from foundations and charitable trusts. It was decided by Social Finance that this was the sensible way to go about it. The reason for that is that many of these organisations are interested in recidivism and all of them are interested in seeing if there are new ways to fund social sector organisations. It is also easier in public relations terms for a not-for-profit to take the first stab at something like this than a pension fund or an insurance company.

That is the way we went, but the instrument is very versatile. You can imagine pension funds investing in Social Impact Bonds even though their trustees have a fiduciary responsibility to take an acceptable level of risk relative to the return they can achieve. If you can achieve 10% or 12% on a Social Impact Bond and it is uncorrelated, forgive the jargon, to the equity markets, this is a very attractive financial instrument indeed. It may be that you need to provide an additional incentive to pension funds in the form of the first loss—having a 10% first loss guarantee saying that, if there is a first loss, the social investment bank in question, the Big Society Bank in this country, would insure against that loss. You will be able to adapt it so that it is suitable for pension fund investors. Down the line it makes a lot of sense for insurance companies, who are very interested in recidivism because it affects the profitability of their businesses.

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Obviously, if there is more crime they pay out more, charge higher premiums and so on and so forth. So it would be natural for insurance companies to begin to invest. The private markets will be interested too. If you have a particular social issue and organisations capable of dealing with it, then the public may well like to invest in a Social Impact Bond that addresses an educational, homelessness or health issue.

Q314 Nick de Bois: I was going to ask, Ms Morgan, whether you agreed with those comments generally and just about your observations generally. I am actually curious about your opinion on timelines. I know we are talking about a long time, I think this is almost as much a cultural as it is a financial proposal, but could you just comment on Sir Ronald's comments generally?

Bernie Morgan: Yes, I absolutely do agree with Ronald. I think we are at a point where we have to look at different instruments and how we can get those instruments to work more effectively. Even five years ago, we were still stuck in the Victorian thinking of how money is used in this sector. We now have to move that on. There is no doubt that there is a cultural shift, but there is also a pressing shift that this need is going to continue and we have not bottomed it out yet. We have had it for hundreds of years in this country and we have not sorted it. I think that Social Impact Bonds are one very significant way of changing the thinking around this. It could be one of many and it shows a really good example of innovative thinking. Private finance and incentivising investors to come in and take advantage of Social Impact Bonds, through something like Community Investment Tax Relief if we can start broadening out the thinking around that, will start getting all those pieces in place.

Q315 Nick de Bois: Whose job is it to sell it? You are very enthusiastic; I think we should perhaps make an advert and put the two of you in it. Whose job is it to sell this?

Sir Ronald Cohen: It is the job of organisations in the social sector to sell it, organisations like Triodos and Social Finance, and others who will come into the market to do that. They will need mechanisms to make it saleable. In the discussions with the Ministry of Justice, at some point the Ministry turned around and said: "Okay, it is going to be £5 million; where is the money going to come from?" You need an organisation. In that particular case, we said that we would be good for the money and trust us, and it worked out. If you are talking of a £25 million or a £100 million Social Impact Bond issue, you need more formal ways of underwriting an issue so that, in the event that investors do not stump up the money, there is an organisation. That could be the Big Society Bank or it could be the Big Society Bank working with the existing commercial and investment banks in the UK to provide an underwriting facility.

If it follows the path of microfinance, a structure will develop across the world. Today, there is \$39 billion of microfinance across the world and that started as the Grameen Bank in Bangladesh, a tiny organisation. So you can see how a Big Society Bank would help

create these mechanisms. A Big Society Bank would be a lot more than a fund of funds, as Mr Elphicke referred to it. We are much more ambitious than that. This is a social investment bank with the purpose of getting the social sector going. It is going to be proactive and it is an investment company with a balance sheet and a mission, so it is going to be a lot more than just a fund of funds. Part of it is making sure that Social Impact Bonds help those who are capable of being helped by them, where the metrics are there and the organisations can deliver social outcomes and so on.

There will be other innovations that will follow. I would just like to expand on the Social Impact Bond. It was developed by Social Finance. Many people from different parts of the world were involved in the thinking behind it. In Peru, there had been an organisation that implemented it in the sanitation area, although not quite in the way that it was shaped by Social Finance. Social Finance was created in 2007. It went from one to 22 people over the last three or four years. The purpose was to prove the proposition of the social investment bank. If you bring together people who are expert in finance and in social issues, you will innovate. This is simply the first innovation—I hope the first of many.

Nick de Bois: Thank you very much. I know you are keen to say something—

Q316 Chair: You are telling us something very important here. The Big Society Bank has the reputation of being a bit of a political gimmick, but you are explaining to us that it is the conclusion of years of thinking about how to fund the social enterprise and charitable sector. I think that is a very important point that we need to take on board.

Sir Ronald Cohen: It should become the financial pump of the social sector.

Q317 Nick de Bois: I think Ms Morgan was keen to say something.

Bernie Morgan: It was just to follow up on the point of who is going to sell this concept. It is partly to do with the social enterprise sector, but I actually think Government has a real role to play in selling the idea and creating a policy framework to enable that to grow. It is absolutely critical to get the backing of Government to be able to do it as well.

Nick de Bois: I agree.

Q318 Chair: Claire Dove?

Claire Dove: I just want to say that it is called the Big Society Bank but, as Sir Ronald says, a lot of us have been involved in this for some time, trying to get this to fruition between us before this Administration came in. There is also an appetite with investors to want more than financial return—they want social return as well. For example, when Fairtrade floated their shares it was in the main women who bought those shares or had a bit of capital. They did want a financial return but they also wanted a social return. So there is an appetite outside for much more than the financial gain.

Q319 Chair: Sir Ronald, would you have chosen the name, "the Big Society Bank"?

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Sir Ronald Cohen: Well, a rose by any other name would smell as sweet. It will not be a bank, so I do not think we will be able to use the word “bank” in the name. I think it is workable, it has become part of the language now, and we have to deliver the substance.

Chair: The substance is what matters.

Q320 Alun Cairns: Now that we understand a lot more about the Big Society Bank, can I ask Ms Morgan about community development finance institutions? Can you provide us with a brief broad background and a breakdown of where funding is typically sourced from at the moment?

Bernie Morgan: As an industry, community development finance institutions have broadly been in this country less than 10 years. A few existed before that, Triodos being a notable example. Most of them are not regulated banks. There are three or four regulated banks throughout cdfa’s membership of 70. Those 70 members have different markets: one of the markets is social enterprise, another is micro-enterprise or SME enterprise, and another is personal finance—very small amounts of short-term loans for people who would probably have to go to a loan shark. What binds those 70 members together is the fact that their borrowers cannot access all or part of their funding from the banks or from mainstream sources, so they are working in a space where the banks do not.

That is what the sector is broadly about. The majority support businesses in poorer communities to get those local economies going. The funding originally came from Government, particularly what was then DTI, who supported the seed-corn funding of the sector. Latterly, there have been other sources. European funding has been one source. Typically two or three of the mainstream banks have been very interested in what we have done from the beginning. They have recognised that it is not a space they are working in and that, as Claire was saying, it is about getting more people into their own sectors. It is a research and development type arm—a new market for them, if you like.

There have been three banks that have been with us since the beginning, and since the financial crisis they have stepped up their support but we have not seen the other banks come to help the sector in the way that one might have envisaged when the financial crisis first started.

Recently the cdfa secured Regional Growth Fund money, which was £30 million of Regional Growth Fund plus a match of £30 million of private finance. It is the first time that the sector has a) raised that amount in a single investment, and b) matched it in the way that it has. That is a three-year fund and I envisage that fund as being a stepping stone to much more commercial finance in three years’ time.

Q321 Alun Cairns: Can I stop you there? Before we go on to the Regional Growth Fund, which I want to talk about anyway, can I take you back to where the funding came from before the Regional Growth Fund?

Bernie Morgan: There was the Phoenix Fund, which started in 2000 and scaled down significantly in 2006

and then went to Regional Development Agencies. That predominantly financed the microfinance and SME members who were financing those businesses. Another fund came from DWP, called the Financial Inclusion Growth Fund, which looked at personal finance. That came on in about 2005 or 2006. That has changed slightly since this year but the Growth Fund was financing members who were working on personal finance. Then there was European money, where members based in the North of England particularly managed to access ERDF money and that type of single-pot money. Again that is changing. So there was a whole different range of sources. Sometimes it was local authorities as well, sometimes housing associations, sometimes banks through their CSR portfolio. So there was a range of different support in those early days.

Q322 Alun Cairns: Can I clarify where that money, such as the ERDF money, would be used in those communities? Would that be a one-off grant or would it be loans to the organisations?

Bernie Morgan: It would be loans.

Q323 Alun Cairns: What about the track record in terms of recovery or default?

Bernie Morgan: Across the sector, it is about 13% default rates. It is high on personal lenders, there is a higher default rate, and it is much lower with social enterprise. So with social enterprise the default rate is around 1%, possibly slightly less. Across the sector, it is 13%, which is quite a high-risk market so it compares quite favourably.

Q324 Alun Cairns: Where do you see the £60 million from the Regional Growth Fund being used?

Bernie Morgan: The objectives of that fund were to create jobs in areas that were going to be adversely affected by public funding cuts. There was a partnership bid between us, the banks and 35 members working in those areas. So the objectives are to actually deliver jobs and that is what we are going to do. As the Regional Growth Fund, the public money, was taking the first hit—we designed it that way—we have the bank finance on the back of that. So we see that as quite a strong partnership with mainstream banks.

Q325 Alun Cairns: You have been working as Chief Executive for eight years, you are about to step down in that post so you are hopefully free to give us absolutely objective comments on how it could be improved, what lessons there are for the community investment market and what changes should be made. Would be kind enough to share some feedback?

Bernie Morgan: Thank you for asking. When we started eight years ago it was like having to create something that did not exist. As Ronald was saying about private equity and entrepreneurship, it is very hard to create something that does not exist as you have no points of reference at all. Community Investment Tax Relief was a very visionary tool but probably was before its time. Getting that shaped up

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now to actually be a relevant tool across the whole of the social investment piece would be really important. Another thing was that people felt that CDFIs could be fully financially sustainable in a shorter time span than proved to be. That was a big lesson for us, it was not as easy as we thought to create those sustainable vehicles. I still think there is more room for CDFIs to become more sustainable over the next few years and the Regional Growth Fund is part of that stepping stone. One of the biggest challenges I had was to get the message across that this would take longer than we thought. We thought it for a whole range of reasons, it was based on knowledge and experience from other countries, but it was different in this country. The appetite from the Government seemed to wane in the previous Administration and has become much more enthusiastic in this Administration, and I would like to see that continue and create the public policy framework and support that we need to move forward.

Q326 Lindsay Roy: I have a hobbyhorse. Is it not a misnomer, as they are savings and credit unions?

Mark Lyonette: They are indeed.

Q327 Lindsay Roy: Should the terminology not be different because it gives a false impression?

Mark Lyonette: Sometimes people say to us that we should change the name because it puts people off. Some of our members will say that both “credit” and “union” can be problematic words depending on your background. We have found that credit unions are a global brand—200 million people already use them. In Scotland, where more credit unions have connected with what people want and have been able to offer what they want, 5% of the population now use them. In Glasgow, it is 20% of the city’s population, which is fantastic. It is more than any one individual bank has; it is distributed in 30-odd credit unions. Generally in the sector we feel that it is not really about the name. You are right, we are probably more about savings than we are about credit, but we do not think we are putting people off, because where credit unions have succeeded in offering what people want, they quickly get past the name and join and use them. One or two credit unions are playing around with using the name “community bank” and that kind of thing.

Q328 Lindsay Roy: What role do credit unions play in the thinking behind the Big Society? Are there projects they are involved in at the current time?

Mark Lyonette: We see quite a lot of what we do as chiming very closely with the Coalition’s intentions on the Big Society. I do not think that is the challenge. The debate for us is somewhat unusual because we are actually trying to take ourselves out of the place where we need continuing external funding, whether that is private capital or public subsidy. Our challenge at the moment is, having grown significantly over the last 10 years, can we now get ourselves in a place where we change the game and do not need ongoing public subsidy?

One of the things we have been doing with DWP and the Secretary of State’s team is looking at whether the partnership with the Post Office that we are talking about and making us much more accessible means

that credit unions grow to a scale and with a business model where the costs do not exceed the income. Sometimes we think that scale is everything; it is not everything if you are losing money every time you do a transaction. We are trying to put ourselves in a place where we will not need public funding any more. That is not to say we are not interested in the Big Society Bank and all of those things—I think it is quite an exciting experiment, but from our point of view we are looking to get ourselves into a place where there are many more people using credit unions but we do not need that ongoing subsidy. That is actually what credit unions are around the world. They do not have public subsidy or private subsidy; they are a cooperative model of deposit taking.

Q329 Lindsay Roy: So you do not see a link with the Big Society Bank?

Mark Lyonette: We do potentially. At the moment, we are working with Lord Freud’s team on a feasibility study over the summer. They are exploring how to modernise and expand our sector. DWP announced in March that there might be up to £73 million to invest in the sector to change the game. I genuinely do not believe that any of the Ministers want to put that money in if it is not the last money.

Q330 Lindsay Roy: I am interested in the partnership with the Post Office. I think that is very positive development and a very proactive approach. What other barriers do you foresee in relation to your role in the Big Society initiative and how do you see them being overcome?

Mark Lyonette: There are a number of barriers, one of which is managing to serve a wide range of people. In recent times, notably working with DWP on the present Growth Fund—the Financial Inclusion Fund—there is a kind of irony in that the more you are able to serve people who are financially excluded the harder it becomes to serve that broader range of people in the mainstream. Getting the balance right in terms of the members of credit unions is important. There is research that shows the people who you are looking to save with you have one eye on who you are lending to. Whether that is for prejudice reasons or not, it is quite a difficult balance to set a deposit taker in the right place where the savings will fund the loans.

Q331 Lindsay Roy: The Chairman will no doubt be perturbed that I keep on this hobbyhorse, but just to get it in perspective we are looking here at profit—and not just financial profit. The real profit is in the gains, the dividends and the benefits to the population and communities, and that is what this is all about.

Mark Lyonette: Absolutely. You may know that in the States and in Canada the credit unions are so well advanced they are credited with keeping the for-profit banking sector honest. They typically have 25% to 30% of the population in the States and Canada. You do not need 50% to keep the other sector honest, but in terms of fee charging the credit unions win all the awards. That is our ambition: to be a broad-based banking institution.

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Q332 Greg Mulholland: Apologies for being late; I have come from a meeting in Leeds this morning. I would like to go back to the question of attracting private finance, which I think we would all agree is one of the essential building blocks, and that quote from Peter Holbrook about a set of levers and incentives to attract private capital. Do you think there is a trick being missed—unless it is not, and we are just not aware—of actually trying to bring in the vast resource that is already there with existing pension and other investment funds? With the changing pensions market, particularly the concerns about the returns, there appears to be much more of an interest in investing in social projects. Do you think the Government are not sufficiently exploring that or is it something you are looking into?

Sir Ronald Cohen: We touched on this earlier. If you look at foundation balance sheets today, there are £100 billion of assets in the UK. Pension fund balance sheets are \$23 trillion across the world, and the UK is probably \$5 trillion or something—I do not remember the exact figure but it is absolutely massive.

Financial instruments like the Social Impact Bond can be adjusted to satisfy the fiduciary responsibilities of pension fund trustees, perhaps by adding a layer of insurance against loss, such as the first 10% of the loss. The issue with private investors is that, at the early stages of the market, when the proposition has not been completely proven, there is going to be quite a lot of backlash if it fails, whereas if a foundation subscribes to a fund or a Social Impact Bond issue that does not work out, at the end of the day it ends up being a philanthropic donation of the kind it has probably been making throughout its history. So I think one has to time carefully the moment when the private investor gets involved. It could be that you can change the risk return profile, in the way that Bernie was saying, through Community Investment Tax Relief. If there was a tax incentive for investors to invest in Social Impact Bond issues that meant that, even if they lost the capital, they did not lose all the money they had put in as some was covered by tax credit, it may be wiser to get them involved earlier on. Initially, though, it is the big pools of capital that you want to try to tap, and the private investor at a local level when you want to get community engagement going. A lot of that may be achieved through internet platforms at a local level.

Q333 Greg Mulholland: I understand the point you are making, but do you think that, with the very different expectations of return of investment that are now out there, as long as there is a reasonable and assured return on investment, which there is from a lot of capital, social investment, that is something the Government should explore? Could I also ask you specifically if you are aware of the initiative, which I am very proud to say has started in Yorkshire, called the National Wealth Service to harness this kind of capital for local or regional Government or other spending? It is something that the Minister is now aware of but I am not sure if it has been brought to your attention yet.

Sir Ronald Cohen: No I have not come across it. Have you come across it?

Bernie Morgan: No.

Sir Ronald Cohen: Have you? Has anybody come across it?

Chair: I guess the Committee will want to know more about it.

Greg Mulholland: I shall pass that on.

Q334 Chair: In the present financial climate in the public sector, isn't the biggest challenge for the Government to maintain a great deal that has been built up over the last 10, 20 or 30 years, which is now currently at risk because of precipitate reductions in public spending? How do you think the Government should best go about that?

Bernie Morgan: We are facing a challenge that we could not have predicted in terms of the public sector support for the charitable sector and funds. It is very difficult to plan ahead if you do not know what is going on. It is very difficult to keep a team going, keep staff going and keep an organisation going when we are in such uncertain times. There are roles that Government could play around trying to ameliorate some of those uncertainties. Even if it is an uncertainty and a story you do not want to hear, at least if you hear it you can plan for it. So there are some issues around the lack of clarity of what is going on that could make a big difference. I think the Big Society Bank and support for the Big Society Bank will be hugely influential. We should get that going and get it going quickly. As Ronald said, there are some issues at Brussels level that need to be sorted out, but as soon as we can get that going, that will provide a level of comfort for a lot of organisations out there. It is not the panacea for everything and it is not the only player in the business, but getting it up and going quickly is going to be a real plus for this area.

Q335 Chair: The Balsall Heath Forum, which we visited yesterday, fits into this category. What is the advice that the panel would have for a very successful, highly renowned achievement, like the Balsall Heath Forum, facing the present challenges? Who should they talk to? At the moment their instinct is to cable London for funds and that is not going to work any more.

Bernie Morgan: I would certainly put them in touch with members of the CDFI network, because they would be very specialist and they would help to support them either individually or jointly as loan organisations.

Claire Dove: I spoke before about a lot of social enterprises who are direct deliverers of public services facing an uncertain future and looking at redundancies as a result. Some of us have a mixed portfolio of work. For an organisation like that, especially up North we saw the Titanic coming towards us—this was going to happen—and a lot of us have diverted. I mentioned procurement being one of the central problems that we have. That has to be made easy, and both central and local Government can do something about that, alongside the support from the Big Society Bank and other providers that will support people through tricky times.

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Chair: Thank you very, very much indeed to our four panellists today. You have given us a real insight and, dare I say, some inspiration into what is really going on behind the scenes on all this. We will endeavour to reflect this in our report and we are very grateful for your evidence. Thank you very much indeed.

Thursday 30 June 2011

Members present:

Mr Bernard Jenkin (Chair)

Alun Cairns
Paul Flynn

Robert Halfon

Examination of Witnesses

Witnesses: **Andrew Copson**, Chief Executive, British Humanist Association, **Lord Jonathan Sacks**, Chief Rabbi, **Rt Rev Tim Stevens**, Bishop of Leicester, and **Charles Wookey**, Assistant General Secretary, Secretariat, Catholic Bishops' Conference of England and Wales, gave evidence.

Q336 Chair: May I welcome our witnesses to this session of evidence of the Public Administration Select Committee on the Big Society? I am very grateful that you are all with us this morning. We are looking at the nature of the Big Society, and particularly the relationship with the various faiths and faith groups in our society. I will ask Mr Halfon to start.

Robert Halfon: Good morning. There is an article in the *Wall Street Journal* today that suggests Britain is one of the most irreligious nations in the Western world, and it cites a number of surveys. Would you agree with that?

Chair: Who would like to start? Bishop Tim. I should declare an interest: you married my brother.

Bishop Tim Stevens: Quite how that affects the proceedings I do not know, but thank you. I have not read the *Wall Street Journal* article, but I think there are many commentators who would take a similar view, and depending on how you measure these things there is certainly a case for saying that we are in the vanguard of secularism in Western Europe generally, and you could argue that within Western Europe the United Kingdom has particular indicators of secularism.

I shall want to argue that, in spite of that, in the case of the Church of England the indicators remain strong. Compared with almost every other membership organisation, the Church of England retains a very large degree of attachment of various kinds by the people of England to its presence, work and vision. I think that the measure of secularism is one that is not clearly defined.

I imagine all of us would want to say that, in terms of the positioning of Government, Government would want to be equidistant between people of faith and people of no faith, and within the faith communities between the different faiths and the different denominations within faiths. In that sense, that is properly a vision of a secular society. So it depends on whether you are talking about attendance at—

Q337 Robert Halfon: There was a reason for my question, and I welcome answers from all of you, but the article was talking not just about church attendance but about those who believe in God, and it is very, very low. Can I just take very briefly the views of the rest of the panel on that before I come on to my second question?

Andrew Copson: It is true that on all measures in terms of religious belief, belonging and attendance the

UK has one of the lowest percentages of religiosity of any country in the world. In fact, for the first year last year the British Social Attitude Survey found that 51% of people describe themselves as not having any religion—as being non-religious. That was the first time it had made it over the 50% mark, and that certainly is now the case. Correspondingly the number of religious people has fallen, I think Christians now down to 43%. That is certainly true.

I think what is remarkable in contrast, for example, with the United States of America is how little difference that makes to people's civic participation and volunteering. For example, in the United States of America you find there is a large proportion of religious people, and also religious people are disproportionately involved in community and voluntary activity, whereas in the United Kingdom the citizenship survey of 2009, I think it was, found that 60% of Christians were involved in voluntary activity, and so were 60% of non-religious people. Although it is true that the UK is a very non-religious country, by and large, what is striking about the UK is that unlike other countries it remains extremely civically engaged amongst the non-religious population.

Lord Sacks: Speaking from our own community, we have certainly seen over recent years quite the opposite: an increasing degree of synagogue attendance, involvement in Jewish activities of all kinds—educational, religious, social and welfare—and increasing demand for Jewish schools, and for ongoing adult and family education. Maybe you will find that in other minority groups as well.

There is no doubt that, in terms of statistics, the number of believers, the amount of church attendance and so on in Britain is extraordinarily low in comparison with the United States. But it is a base note of the culture: the fact that a royal wedding is in Westminster Abbey seems to make sense to a lot of people; the fact that we gather together in St Paul's Cathedral for moments of collective grief, for instance, like after the Tsunami or after 7/7 or 9/11; and the increasing demand across the board for faith schools. It may be that religion in Britain expresses itself in slightly different ways than it does in the United States, but I certainly feel that there is a kind of Christian note that gives gravitas to occasions when we want to express our celebration or our grief.

Charles Wookey: I obviously agree with all of that. Just in two parts, my answer would be that, in terms of the Catholic community in the UK, there are about 6.5 million Catholics, of whom about 2.5 million go

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to church at least once a month still. Our church attendance pattern has changed, as it has in the Church of England as well. But that is still quite a substantial number of people, and I think that many people would describe themselves as spiritual rather than religious. I think one of the things that has been going on in our culture is a disassociation between the institutional forms that religion has taken and people's sense of search for meaning, and although in some measures it is perfectly true to describe the country as very secular, religion is all over the newspapers all the time now. Religion is a topic of discussion, and the questioning and the underlying values of questioning that religious faith traditions bring to society is as lively and well received as ever. It seems to me in some ways religion has become more topical and more a subject of engagement, even if that is not reflected in statements about patterns of belief. I also think that we are in a key moment of transition.

The other thing I would say in terms of the Catholic community—which is as true now as it was in generations past—in this country is it has acted as a form of integration in immigrant communities. There is a lot of church attendance that has come through Poles and Latin Americans in particular who have come to this country to live.

Q338 Robert Halfon: Thank you. The reason for my question is that you, the Chief Rabbi, have said that faith communities are essential for the Big Society—and I agree with that—but if there is a decline in religion in our country does that mean that it is going to be very hard for the Big Society to work, because of the lack of faith and the decline in those who have a belief in religion?

Lord Sacks: I believe the American evidence. I am happy to repeat it, but I have set it out in writing. Would you like me to repeat it?

Robert Halfon: Please.

Lord Sacks: Robert Putnam, as you know, who has made a speciality of the study of social capital and first blew the whistle with his phrase “bowling alone” to say that we were losing social capital, has come up in his book published last year, *American Grace*, with this finding that on almost all forms of civic engagement, church attendance, synagogue attendance is the best predictor of your likelihood to do a whole series of things: give money to charity, whether the cause is religious or secular; do voluntary work for a charity; give money to a homeless person; give excess change back to a shop assistant; donate blood; help a neighbour with housework; spend time with someone who is depressed; allow another driver to cut in front of you; and offer a seat to a stranger or help someone find a job. They are also more likely to get involved in local civic and neighbourhood groups, and so on and so forth.

Obviously the concern that all of us must have is what happens to this citizenship, community, voluntary work and giving if religion turns out to be a minority phenomenon, because obviously we can do a certain amount but we cannot do it all. What happens to those who do not belong in communities? That is why I welcome a moment like this where we talk about a common good that transcends a narrowly religious

base, but to which religious communities can contribute.

Andrew Copson: If I may, we know what happens when religiosity is absent, because, for example, I have just said that 60% of Christian people volunteer in the United Kingdom but 60% of non-religious do as well. The United Kingdom is not the United States. The United States is a different society, where there are perhaps fewer opportunities for social belonging outside of religious settings than there are in other countries, or for all sorts of other reasons. The importance of religious belonging in social capital and in the bridging work that goes on in society in America is not mirrored in the UK. In the UK there is no difference between non-religious and religious people's charitable, civic or voluntary engagement—none at all—apart from that there are some lower levels of engagement among minority religions than there are with the non-religious. For example, 60% of Christians and 60% of non-religious people volunteering, as I said, in the Citizenship survey; only 45% of Muslims. There are differences between religions in civic engagement in this country, but there is absolutely no evidence at all that not being religious puts you at any disadvantage—or being religious puts you at any advantage—in terms of your participation and the value of your individual contribution to society in the UK at all.

Q339 Chair: But would you not say that that reflects the fact that we are a Judeo-Christian culture, and therefore the values of religion infuse our culture whether people are participating actively in religious observance or not?

Andrew Copson: I would not say that. There is, obviously, a sociological and cultural case that can be made saying we have a certain history within certain patterns of belief and this has left a legacy, a sort of moral capital argument—that the moral capital was banked by our ancestors in the terms of a Judeo-Christian practice and we are living off it. But I do not think that is true at all. I think that important values of civic participation predate the various Christian institutions even in Europe, that they are shared around the world, that they are more likely to be human values, because we are social animals, of cooperation and participation in a shared society. I think that is a firmer foundation on which to build them than separate religious beliefs, in which no one person can assent to all the propositions on offer. I think for a cohesive approach you have to recognise that those values are very largely human values, that most people treat most other people well most of the time and that we all have engagement within that shared universal human value, rather than bringing it from our distinctive perspective—philosophical in my case or religious in the case of my colleagues here.

Q340 Robert Halfon: Do you agree that the central proposition of the Big Society is that social capital is as important as economic capital, and if so can you define what you mean by social capital, particularly in a religious context?

Bishop Tim Stevens: Perhaps if I could pick that up, Andrew has made a number of assertions that the

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habit of volunteering and active citizenship is as manifest amongst those without faith as it is amongst those with faith. That is an assertion he has made clearly; it is not borne out by the statistics that I have seen, so I am not sure where we go with that assertion. If I could give an example from my own city of Leicester, which outside London is perhaps the most religiously diverse city in the country, where on a Friday, a Saturday and a Sunday somewhere between 30% and 40% of the population of the city are in synagogues, mosques, temples, churches, gurdwaras. When it comes to religion there is a great deal of it about in Leicester. We did a piece of research four or five years ago that demonstrated that at that time there were about 415 faith-based voluntary initiatives of one kind or another reaching a whole variety of hard-to-reach parts of the community: elderly African-Caribbeans detached from their roots in the West Indies being reached by some of the black-led churches; unemployed, homeless asylum seekers; a whole range of people of different human sexualities and so on all connecting to faith-based groups reaching out to them.

I think that it is very clear in a city like Leicester, population of about 350,000 people, that the relationships between the faiths—built up over many years, established through the Faith Leaders' Forum and the Council of Faiths, in which we have stood together over and over again in public when the city comes under pressure: at 9/11, at the outbreak of the Iraq War, the 7/7 bombings in London, the bombings of Gaza—all these things in a global world resonate through local faith communities in a city like mine. We have worked so hard to ensure that the carefully constructed relationships between us are not fractured by these events, and I think that we have been able to show that by working together we are able to create a culture of service to the whole community.

I think that is a practical vision of the social capital that you were discussing, and much of it is described and worked out in a document produced by the Church of England five years ago that was produced to mark the 20th anniversary of *Faith in the City*. This was a document entitled *Faithful Cities*, and it developed the idea not just of social capital but of faithful capital: that is to say the relationships, the shared values and the actions that flow from it that have built up between faith communities in our urban areas. I think it is one of the clearest and most illuminating accounts of what we believe we are trying to do.

Charles Wookey: I have a couple of observations. I think, again, the point that Andrew made, I would question the evidence for this. When Robert Putnam came to London to speak about his book, which the Chief Rabbi has referred to, he spoke about research that he has done in the UK—which is as yet unpublished—that he said reaches the same conclusions as the research he did in the States; that is to say that those who are involved in religiously motivated networks are much more likely to volunteer than others, and not just volunteer for religious things but to volunteer for secular things as well. Interestingly this seems to apply across faiths, but he said the research is very robust and applies equally in

this country. I think we will just have to see when that is published, but it would seem to be quite at odds with the research that Andrew was citing in support of that. Similarly, there is research that has been done here by the Northwest Regional Development Agency on the role of faith-based voluntary organisations in that part of the country over the last 10 years, which is very strong and has been replicated elsewhere as well, which again just reinforces the point Bishop Tim was making about the importance of faith groups and their contribution to building social capital and volunteering.

Chair: But I can see Mr Copson twitching there.

Andrew Copson: It would be wrong to characterise my position as saying that religious groups do not do anything that is valid, important or worthwhile. What I was contesting was the idea that they are disproportionately involved over non-religious people in this country. As for “assertions”, they are not mere assertions. The sources are the Citizenship Survey of 2009, the Citizenship Survey of 2001, the NCVO report *Faith and Voluntary Action*, the Government report *Helping Out*, all of which, I think, are mentioned in our own submission.

Q341 Chair: But I do not think that any of the religions are claiming a monopoly on goodness.

Andrew Copson: The question was whether or not diminution of religious belief would somehow lead to a decline in the participation that the Big Society envisaged. I am saying that it would not and it has not because religious groups are not disproportionately the providers of that sort of service: civic and voluntary engagement. That is the point I am making.

Bishop Tim Stevens: I am simply going to pick up that point. If, for example, there were such a diminution as to remove the Church of England's contribution to the Big Society from the public square, you subtract at a stroke some 19,000 trained deployed ministers, both clergy and lay readers; the availability of some 16,000 churches, church halls and community hubs; the engagement with the provision of public education; and the deployment now of the largest number of youth workers of any organisation in the country. The annual expenditure by congregations on their clergy, the maintenance of their church buildings and their outreach work is £700 million a year, £0.7 billion. The total turnover of the Church of England is a billion pounds.

Q342 Chair: This is just the Church of England?

Bishop Tim Stevens: This is just the Church of England. This is the order of magnitude, so I think to assert that if you take that out of the equation it has no impact on the Big Society is not—

Chair: I do not think that is quite what Mr Copson was saying.

Q343 Robert Halfon: Could I just ask you all to define social capital?

Lord Sacks: Let me just address the question of what social capital is. Einstein once said, “Education is what you are left with after you have forgotten

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everything you were taught in school”, so I define social capital as what you are left with when you subtract the state and the market—all transactions that have to do with power or with wealth. All of those things subtract, and what you are left with is social capital. In the continuing and utterly fascinating work of evolutionary psychologist Martin Nowak, his new book, *Supercooperators*, is very interesting—Darwin already raised this—in that somehow or other what is necessary for species or human groups to survive are two habits: one of competition; the other of cooperation. It turns out that we are hard-wired to cooperate as well as to compete. The important thing in any society is to have institutions that foster the habits of cooperation, not just those that are institutionalised or mediated forms of competition: the state or the market.

There is absolutely no doubt that historically that is what religious communities did, and already in the 19th century people like Durkheim were asking, “What will we do when the world goes secular?” They very carefully wrote and said—and they were not wrong—that that role might be performed by trade unions, by friendly societies and so on. There is no doubt in the 19th century, one of the high points of social capital in Britain, not all of it was being done by religious groups. It is important that, just as a humanist recognises the contribution of religious groups, we as religious figures recognise and salute the contribution of non-religious groups. None of this would seek to say that we are any better than any other.

But this I know, and it may help us square this problem with statistics, that in almost everything we do in the Jewish community, the Jewish community tries to give disproportionately back to society and to the community. It operates its own stunningly effective organisations, like Jewish Care, Norwood Ravenswood, like all those things. We give a lot of money, and not every one of the people who is involved in that is necessarily going to a synagogue twice a day. They may only come twice a year. If you look at the bare statistics it might look as though the Jewish community, like the rest of Britain, were quite secular. But there is no doubt whatsoever that those groups exist and are driven by religious values that are sustained by religious education and practice, even if it is not that often, and even if you do not always answer in the most pious way to questionnaires. I think the religious influence from our community is very profound, but it is not always reflected in overt practice.

Q344 Chair: Thank you very much. We must move on to the more nuts and bolts issues. It has just been remarked to me that the words “Big Society” have not been mentioned yet, and that is what we are really about. Speaking practically, the Government has made quite a thing about involving faith groups. What contact has each of you had with the Government in terms of consultation and dialogue about the Big Society question?

Bishop Tim Stevens: I think the Church of England has had a lot of contact on this. There were conversations, I think, before the election with

frontbenchers who subsequently formed the Coalition Government. I know there have been conversations at Lambeth Palace, some of which I have been present at, where the Archbishops have talked with key Ministers around Big Society, localism and welfare reform, which are connected issues. I have had conversations with frontbenchers in the Lords about this following the debate in the Lords that I led on in the summer of last year, and I think officers are also in regular contact with Government at various levels.

Q345 Chair: And you feel that this is constructive?

Bishop Tim Stevens: I think it is not only constructive but necessary and vital. I think that access to these conversations, a readiness to participate in the shaping of this vision, as it were as a critical friend, not being reduced simply to the role of deliverer of public services but participant in the shaping of the vision, is something that is both proper for the Church of England and something we want to do.

Charles Wookey: Archbishop Nichols, together with the Chief Rabbi and Archbishop Rowan met David Cameron some time ago, and this was an issue of conversation that they had after the election. My colleague Helen O’Brien, who is the Chief Executive of a charity called Caritas Social Action Network, which brings together the Catholic welfare charities, has met and talked to Greg Clark, and they have also been at official-level contacts that we have had with the Cabinet Office and with the DCLG as well.

Lord Sacks: I have been having this conversation for a long time because these are difficult concepts and difficult to get clear about. I wrote two of the texts on this: one was called *Politics of Hope* in 1997, and then in 2007 *The Home We Build Together*—society as the home we build together. It has been an important conversation with the political leaders—the Prime Minister, the Ministers and the leading civil servants, in this case Steve Hilton—on the Big Society and so on. It has been tremendously important because it is a delicate issue, and I think we all recognise this: what is the relationship between the Government and the voluntary sector? What is the relationship between the Government and faith communities? It is difficult, it is sensitive, you should not be too close, you should not be too distant. I think we see ourselves as contributing members and hence as voices in a conversation in which we say we are committed to the common good, some of which can be achieved by the state and other bits of which are best achieved by society.

Q346 Chair: Mr Copson, have you been included in this dialogue?

Andrew Copson: No, we have not. We certainly have not been sought out for any particular contribution. We met Andrew Stunell to discuss some of the human rights and equality implications of contracting out public services, but for a positive contribution perhaps from our celebrants or local groups or our view generally on how non-religious people could best contribute to this new vision of the Big Society, we have not been included in any sort of discussion.

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Q347 Chair: Does your particular group have a big volunteering footprint? Obviously not as large as the Church of England.

Andrew Copson: Obviously not as large as the Church of England, no. We do train people, for example, to do non-religious ceremonies, such as funerals, which fulfil a very big need in the community; we think they are probably attended by about half a million people each year. We do have numbers of people who are hospital visitors in the same way that religious people might have a chaplain and so on and so forth. Our local groups, of course, of which there are 90 and which do work in their own local communities, are all run by volunteers, so not to the same level, obviously, as the Church of England, though they have had a bit of a start on us.

Q348 Chair: But you would welcome further dialogue?

Andrew Copson: We certainly would.

Lord Sacks: I think it is important to note that last July at Lambeth Palace we came together as leaders of all the faiths, including the Hindus, the Muslims, the Sikhs, the Jains, the Zoroastrians, the Buddhists and the Bahá'í, on this subject of the Big Society, because we felt there is a problem. Let's face it: the power of religions to create communities can be uniting for those within but divisive vis-à-vis the ones without. We recognise that social capital is partly bonding capital that can turn you into a group, but is partly bridging capital that connects you to other groups. We wanted to make sure that Big Society involved the bridging as well as the bonding capital, so we have come together right across the faiths.

Q349 Paul Flynn: Bishop Tim, you said in the past that "we are dealing with some serious politicians who have used the opposition years to think creatively about a better society and what it might look like." As the Big Society was launched a year ago, and has since been re-launched, re-re-launched and re-re-re-launched, and each time, fewer people understand it and fewer people support it—the person who was appointed as the midwife to bring it to life, Lord Wei, has fled the scene—do you not now think that this is an idea whose time has passed?

Bishop Tim Stevens: I do not think it is an idea whose time has passed, because I think it has resonances with a vision for society that is profoundly Christian. That is not to say it is the same thing, but it has resonances with it; societies in which people do value relationships, in which they do seek to cooperate, in which they do build institutions that stand between the individual and the state, because it is within those kinds of institutions, within those kinds of relationships, that human beings flourish. If the Big Society is drawing attention to the need for them to be strengthened, for the sometimes inhibiting hand of officialdom to be lifted from them, for people to be empowered and equipped to make changes in their communities that serve what the Chief Rabbi has been talking about, the common good, then I think we are

still wanting to be part of the conversation about how to do this. But I think we recognise that the rhetoric will not in itself deliver it, and we also recognise that trying to manage a change to something that is more like this kind of society at a time of rapid and dramatic deficit reduction is a very difficult thing to pull off. I think that may have been why the Archbishop referred to the language as somewhat stale in his recent *New Statesman* editorial.

Q350 Paul Flynn: Have you observed that recent Prime Ministers are addicted to three word solutions, such as The Third Way, Back to Basics, the Cones Hotline, and these are soon forgotten? These are seen by many people as a political gimmick, and you guys are being used in this, but it is done to achieve a political end, which is to take £4 billion from charities and give a sweetener of £100 million, and in order to fill that gap, the Big Society is being used, as many of your fellow priests have said, in order to disguise a savage and unjustified cut in public expenditure and a change of responsibility from Government to voluntary services.

Bishop Tim Stevens: If it is intended as a disguise it is a completely inadequate one. I do not think it deceives anybody at all. We had a debate on this at the General Synod in the autumn of last year, and the Church Urban Fund, which is a national Church of England fund for funding a whole variety of work in our most deprived urban communities, had done some work with Church Action on Poverty monitoring the consequence of the deficit reduction programme for a large part of the voluntary sector. We are all aware that the consequence is pretty dire. I am a former chair of the Children's Society, which I chaired for six years, and I am aware that they are now reducing the scale of operations and the number of paid personnel looking after the most vulnerable children in the country. About 150 professionals are having to leave the Children's Society. We know that this is the present context, but I do not think the present context necessarily means that the rhetoric is entirely empty.

Q351 Paul Flynn: The Archbishop of Canterbury has said, "The widespread suspicion that this has been done for opportunistic or money saving reasons allows many to dismiss what there is of a programme for Big Society initiatives; even the term has fast become painfully stale." Isn't this true? Isn't it a fact that the idea has been supported by few and ridiculed by many?

Bishop Tim Stevens: No, I do not think that is reasonable. We all recognise that we have to recover a sense of empowered local communities. We have to recover a sense of compensating for what I would call a civic deficit. We no longer have institutions that create the civic character that make people want to participate and engage. I think there are real questions amongst a generation of young people, about whether getting actively involved can make a lot of difference. All those things need to be addressed if the Big Society can do it.

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My suspicion, if I might just say so, is I think this debate is going on within Government, and I think there are those within Government who would see it simply as a device for shrinking the scale of the state. I think there are other enlightened members of the Government who have a much larger vision for it than that.

Q352 Paul Flynn: I think we all agree with the nobility of the aims and the outcomes if they are achievable, but do you think there is a disincentive for people who are already good Samaritans—for all kinds of reasons, because they hope for eternal life or for the reasons that the humanist would advocate—who would be put off, and say, “I am not part of some political gimmick; I am not volunteering in order to please the Government or taking part in a stunt to disguise savage cuts and the destruction of many public services and the undermining of charities; I am not going to have anything to do with it”? Don’t you think there is a strong element now, after a year of preparing the Big Society, that it cannot be sold to us, it is not going to be accepted by the mass of people, and you in the Churches are being used cynically by Government to do their dirty work?

Bishop Tim Stevens: I think we in the Churches need to be alert to the dangers and the possible devices that might be used to turn Churches into utilitarian deliverers of services, that we become, as it were, the means to a political end, whereas I think we see the pursuit of our religion as an end in itself—it has meaning in itself. Volunteering, serving others, reaching out to the poor, is not simply a device; it is the way in which human beings discover who we truly are. It is the means to human flourishing. That is what we want to hold as a vision before people and why we want to continue to participate in this conversation.

Q353 Chair: The Archbishop of Canterbury is not advocating that even he should withdraw from this dialogue, is he?

Bishop Tim Stevens: Not at all. In fact he gave a very interesting and substantial lecture at King’s College London on the subject, which I commend to the Committee, where he discussed a whole range of issues about the Big Society and talked about the new politics—that we need a new politics that is not simply an endless see-saw between individualism and statism but something richer than that, and that he saw opportunities in the Big Society for engaging with those things. But he also, I think, made the point, if I could just touch on this, that if the Big Society is a real vision for a renewed community, and if it includes addressing the inappropriate pooling of power in certain parts of the state, to the disadvantage of local communities, then those principles have to be applied in the private sector as much as in the public sector, where the aggregation of unaccountable power that disadvantages local communities also needs to be addressed. That is a wider question but one that we might want to come on to.

Chair: Can I bring in one or two of the other witnesses? Lord Sacks.

Lord Sacks: Can I draw a distinction between a social reality and the label a particular politician cares to put on it? We know labels have to be three words long, but at the end of a day, that is a vehicle for attracting people’s attention. There is a substantive reality here that transcends party politics. My own engagement in this extended very much over the previous three Governments in addition to the current one. The reality is that the attempt to build a free society without a strong civil society will fail, and to believe otherwise is to believe that you can create freedom by process rather than by substance. Civil society is essential to the health of a polity, but civil society in and of itself transcends party politics. That is why there will always be cynicism, whichever Government uses whichever phrase, when it wants to say—whether because of budgetary deficits, political ideology or whatever, or just an ultimate truth—there are some things the Government cannot do but must assist others to do.

Charles Wookey: I agree with that. Our bishops, when they met in November, thinking about the Big Society said, “Many yearn for a richer community life, a society characterised by stronger social bonds and a greater acceptance of mutual responsibilities. But it demands a conversion of mind and heart that cannot be achieved by Government or policy initiative alone. If it is to succeed, this project must be taken beyond party politics to become a common endeavour owned by society as a whole.” I think that is the line that we have been taking since, which is similar, in many ways, to the view that Bishop Tim and the Chief Rabbi have expressed, which is to resist, on the one hand, a kind of cynical approach to this altogether—and certainly also to be co-opted by any kind of party political process in all of this—but at the same time, to hold with integrity to where we come from and to name and try to support the value shift that is morally needed in our country. Many, many people of all faiths and none would say that. The faith communities have a contribution to make working with politicians of all parties to do this.

We had a seminar which brought together members of different parties at a conference in which we asked 200 people in the room, including a lot of our agencies who are working and experiencing expenditure cuts at the moment, “How many of you think that this is just a cynical ploy?” The vast majority did not, which is interesting. They are suffering at the moment, but they see that underneath this there is a real moral question. That is not to say that some people are not seeking to use it in a manipulative way—of course that may well be right—but that is also not to say that we should not allow our responses to raise and focus on a really important moral question that our society does well to look at.

Q354 Paul Flynn: One of the expressions that Rowan Williams resurrected was “the creation of a community of communities”, and this comes from the syndicalists, guild socialists, nothing at all to do with any religious movement at all, and this whole idea of creating the community of communities is not one that is necessarily religious based. Isn’t it significant that Rowan Williams was suggesting that what is needed

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in an enterprise of this kind, during this period of opposition when these serious people were thinking about this, was to gain a broader base of support for it rather than produce it as a political idea and advance it as a way of disguising some unpleasant decisions by Governments.

Charles Wookey: The very important role that religious leaders can and are playing in this debate at the moment is to articulate a vision about what a good society looks like.

Q355 Paul Flynn: But you would be doing that anyway.

Charles Wookey: Yes, but in this particular context, it is right that they should do that in relation to the political programme that this is proposing, because this is a live issue in a way it was not before. There are many people in our society who say we have had 20 years in which we have been told we are just consumers, not citizens. We see all kinds of social problems that previous ways of addressing them have clearly failed to meet. There have to be other ways in which we look together at how we meet those best. Part of that is looking at what it means to be a human being, what it means to have human flourishing and what the conditions are for that, and how we relate together as people.

Q356 Paul Flynn: But it is not going to help you if your religious work is being advertised as being sponsored by the Conservative Party or part of a Government endeavour to ensure they stay in power.

Charles Wookey: It would not be if that were the case. Where we would be with that is a willingness to work in partnership and a strong resistance to being either co-opted or instrumentalised.

Paul Flynn: I am grateful to you.

Chair: Mr Copson, you have a brief comment?

Andrew Copson: I just want to say that to the extent the phrase "Big Society" is intended to describe a situation that in part already exists and has done for a long time of having a healthy civil society that will encourage people to engage in it, that is fine. But I think that some of the initiatives that fall under the label of Big Society risk disrupting that healthy civil society.

Q357 Chair: Such as?

Andrew Copson: Some of the concerns we have had, for example, include obviously unsurprisingly the emphasis that has been laid on religious groups. We think that can disrupt the work of other, what we would see as more inclusive secular charities. I might come on to it later, but one of the examples we have used in the last few months would be the transfer of the contract for trafficked women's services from the secular charity Eaves Housing to the Salvation Army, which we see as a very negative development because it restricts employment and services in various different ways. But also I think that Mr Flynn's question is correct. There is risk in attaching short-term flighty policy initiative names to things that people are doing anyway because they might get tarnished in the long term.

Q358 Chair: It is interesting that a secular organisation should call itself after a biblical figure.

Andrew Copson: Who is that? Eaves?

Chair: Eve.

Andrew Copson: I think it refers to the eaves of a house.

Chair: Oh, I beg your pardon. I just have religious hearing.

Andrew Copson: It is very common.

Q359 Robert Halfon: In contrast to my friend Mr Flynn, I take a different perspective of this. Is not the reason that the Big Society terminology has come about nothing to do with the deficit at all but is the reaction to social breakdown and to say that the state, as the Chief Rabbi said, does not necessarily have all the answers to this, but we have faced, over a number of years, atomisation of communities and individualisation, and the Big Society is an answer to that to try to bring people together to rebuild social capital?

Lord Sacks: This whole debate began in the late '80s and early '90s, and it has just gone through a series of different names. In America, if you were on the right wing, you called it civil society; if you were on the left wing, you called it communitarianism. It was really the same thing, because civil society is not party political society. I think therefore it is part of a long-term problem of atomisation, individualism and so on, and I think we would pretty much agree: number one, that we would refuse to be identified with one particular party, let alone one particular political programme; and number two, we would resist any suggestion that religious groups hold a monopoly or a privileged position here, because we equally respect the contribution of secular charities. We see no competition here; on the contrary, the more the better.

Q360 Alun Cairns: Mr Wookey, you are representing Archbishop Nichols today. Do you want to give us something of the background of why the Archbishop could not be here himself?

Charles Wookey: He was not able to make the date, I am afraid, and Archbishop Smith asked me to represent the Bishops' Conference. I work as Assistant General Secretary there on policy work. Also, I have been very involved in plans we have to grow and develop the Caritas Network of agencies. He felt it was appropriate and that I would be helpful to you.

Q361 Alun Cairns: That is helpful, and the answers you have given have been really helpful to the evidence session of the Committee. Is it anything to do with the custom that the Archbishop or the Bishop does not give evidence at a Select Committee? That is what I was trying to get at.

Charles Wookey: I think that is probably right as well. I need to check whether in the past a Catholic Bishop has ever given evidence to a Select Committee. I do not know that they have, but equally I am not entirely sure that they have not. But it has not been his practice.

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Q362 Alun Cairns: Okay. I am trying to work it out, because on the one hand the Archbishop has been quite vocal in the media and press, and I will refer to *The Sunday Telegraph* article shortly, but then has not given evidence directly to the Committee. If we are trying to grapple with this issue to come up with recommendations to take it forward, was that a consideration?

Charles Wookey: He is absolutely willing. The Church is keen to assist the Committee in its work—that is why I am here—and, if there are things that you raise this morning that you particularly wish the Archbishop to answer, I am sure he will be happy to write to you and clarify any questions you might have specifically for him.

Q363 Alun Cairns: Thank you. The Archbishop, in his article in *The Sunday Telegraph* on 17 April said that the Big Society project was at a critical stage, and predicted that the next few months could determine its success. That was in April. We are not far from the three months that he mentioned. Has enough happened in that period, or what needs to happen within the three months in order to save the project?

Charles Wookey: He gave another speech at the annual conference of our Caritas Network in June, following a speech that David Cameron made on 23 May, in which he spelt out in more detail than he had before some of the policy implications as the Government now sees it for the Big Society. I think from our point of view, Archbishop Nichols felt that there was a lot to engage with there.

Q364 Alun Cairns: Do you want to underline what he felt was relevant from the Prime Minister's speech?

Charles Wookey: The particular things that I would pick out that he drew attention to in his speech were, first of all, the importance of a critical engagement with the reform of public services and how that is done; that there is a real risk—and there are two separate agendas, but they come together, the cuts and the Big Society agenda—in the way expenditure cuts are implemented, if it is simply the withdrawal of the state from services that were previously provided in the hope that other actors in civil society would pick things up and do more volunteering. That is a real risk. He was expressing a widespread fear that people have that the agenda of the Big Society in growing civil society will be frustrated by the way in which necessary expenditure cuts are implemented. If you want to grow volunteers, sometimes you have to have the network of professionals at the heart of a small charity, for instance. If the funding for that professional core goes, you lose the capacity to grow the volunteers with them. That was one aspect of what he said, which in a sense was a critical point.

More positively, I think the Prime Minister's speech drew particular attention to, if you like, particular elements of civil society—community, family, faith and other aspects—and mentioned also marriage. The Archbishop in his speech picked that particular aspect of things up as well, because a longstanding view of his—as it would be of other religious leaders as well—is that the importance of the family and family stability and marriage is a key part of what will make

for the growth of civil society and stable society in the future, and this and family breakdown are issues that need attention. Those are a couple of things that he picked up from the latest speech of the Prime Minister. But I think his view is one of continuing critical friendship to this process, of not wanting to be co-opted, not wanting to be anybody's patsy when it comes to this, but at the same time not wanting to connive in a cynical rejection of it just because it is something that comes from one party, but hopefully something that can be broadly accepted by all parties, whatever it is called.

Q365 Alun Cairns: Thank you. There are two issues that you shared with us then: one was professionals at the heart of a charity that give it the capacity in order to grow; and then there was marriage and the family, but I want to focus on the first for the moment. Can you give me a good example of that happening and possibly a bad example as well of where it went wrong in spite of having professionals at the heart of the charity, or is there not one that you are familiar with?

Charles Wookey: I would need to come back to you with examples of both, but I am very happy to do that.

Alun Cairns: That would be helpful.

Q366 Paul Flynn: Could you confirm the Pontius Pilate remark by the Archbishop, who said that “a Government could not simply cut expenditure, wash its hands of expenditure and expect that the slack will be taken up by greater voluntary activity”? Is that not the true situation, and the Archbishop's view?

Charles Wookey: Yes; he put it in a slightly more nuanced way, if I may say so in his speech.

Paul Flynn: That is what he said; it is a direct quote.

Charles Wookey: His view is that you cannot create capacity simply by cutting expenditure, and that in situations where expenditure cuts have to be made these have to be done with very careful discrimination in order to try to help build capacity for change, and overridingly with a particular concern for those who are most vulnerable and most likely to suffer as a result of the expenditure cuts, and it is attention to that that is a key aspect of the extent to which we have a truly civil society.

Q367 Paul Flynn: Cutting £4 billion from charities is creating a vacuum that has to be filled.

Charles Wookey: It makes life very difficult in the way it is done, certainly, for a lot of charities, but equally some of the charities that have lost Government contracts are finding new ways of working, as indeed they did before they ever got those contracts in the first place. It is very difficult, but it is not irrevocable in some situations. If you talk to the Catholic agencies, this is what they said. They are finding it very difficult; some are finding it extremely hard.

Q368 Paul Flynn: We have not been overwhelmed with charities demanding less money.

Charles Wookey: No, but how they are funded: they need to find alternative sources of funding and they often need to work in consortia and in different ways.

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But that is not to say that there is not a real issue with cuts; of course there is.

Q369 Chair: But is the Archbishop not entitled to sound this warning?

Charles Wookey: Absolutely.

Q370 Chair: But has any of the Panel met any member of the Government that would disagree with what the Archbishop said? Is any member of the Government trying to wash their hands of the consequences of public expenditure constraint?

Bishop Tim Stevens: I think there are signals from some parts of Government that they have not yet taken to heart the key point that Charles made: that the way in which public funding is withdrawn, the speed at which it is withdrawn, the consequences for the most vulnerable and the negative effects on those charities and voluntary organisations that train and mobilise volunteers has not always been taken full account of. Because I was involved with the Children's Society I know more about that than others, but it is not only the professionals that they train and deploy; it is the many volunteers as well. If the amount of money available to national charities of that kind steeply diminishes it contracts the whole network of people involved with it. Ditto for Age Concern, Citizens Advice Bureau and so on; you could tell the same story in relation to a number of major national organisations.

Chair: That is something this Committee has taken evidence on already.

Q371 Alun Cairns: I want to come back to where I started, in that the Archbishop gave us a warning of three months, and Mr Wookey mentioned that the Prime Minister responded a month later with a speech in which there were various points that resonated and seemed to respond, so are we past the cliff top edge? Has the Prime Minister done enough to satisfy you that by the end of the three months we are okay, or is it that he has just bought himself another three months thereafter?

Charles Wookey: My answer to that would be I think what Archbishop Nichols said in his speech in June still holds, which is that there is an important moral principle here that requires our continuing engagement and there are serious issues around the way in which cuts are potentially being implemented. I do not think he would come down on one side or the other; he would say this is work in progress and it is important not to lose the moral agenda here. Underneath this, there is a really important question about how the future of our society is going to be shaped, and simply to give up on that because this thing is being swallowed up by other agendas would be a shame. I think he feels there is a good question that has been asked: yes of course there are hard politics in the heart of how you are going to implement expenditure cuts in this context and how you grow—if you are trying to do this—a Big Society

and what it requires of other actors, and the limits of what any state can do in any circumstances. But I do not think he would say, “No, that is it—it is finished.”

Q372 Alun Cairns: He talked about the need for a “cutting edge” in that article; do you want to maybe explain a bit more about what was meant by cutting edge and are we getting closer to it, and what sort of thing would you like to see as that cutting edge?

Charles Wookey: I think what he meant there was specific policy prescriptions, which were set out much more fully in that speech by the Prime Minister on 23 May than they had been earlier; it brought together both areas of growing civic society and also the reform of public services. It was a more comprehensive setting out. Certainly that was the Archbishop's reaction when he read that. He felt that there was much more to engage with, which is what he said in his speech in June.

Q373 Alun Cairns: If it is work in progress, and that speech defined it much better to the Archbishop and to society in general, what further changes would the Catholic Church like to see in trying to bring the Big Society more to life?

Charles Wookey: I think one of the issues that is there is how Government articulates a vision for a good society. I think this does require further work, and it is something that is as yet still unclear, I think.

Q374 Chair: Is it for a Government, for a political leader, to make that articulation, or is that something that should come from within society more broadly?

Charles Wookey: It is something that should come from society as a whole.

Bishop Tim Stevens: I have been listening to this conversation and the three-month precipice as if somehow the Big Society was all a bounded agenda being managed on a timescale, and there comes a point where it is either done or not. I do not think any of us come with those assumptions at all. This has to be a long-term intergenerational programme that is embedded and rooted in values in what I called the development of civic character and touches on a whole range of Government policies. I think that policies that have the effect of increasing the fragmentation and atomisation of society, whether they are economic, social or other—educational as well—all bear on the Big Society picture.

I would say, and I think others in the Church of England have said, and the point was made in the General Synod debate, and, if I remember rightly, in the House of Lords debate, that the question of widening inequalities in society absolutely bears upon the realisation of the vision. I am not talking about crude, redistributive taxation programmes but serious attention to how the widening gap between the poorest of the poor and those who take a great deal of reward for what they do directly affects how people understand relationships, the capacity to cooperate and their investment in civil society. We all know this to be the case. Those issues are as central to what we are talking about as how the voluntary sector is managed and funded.

Chair: We need to move on.

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Q375 Paul Flynn: Taking the point that you made about bringing communities together, this Committee went on a shameless junket to Birmingham, I think it was. I did not take part in it myself because I live a quiet monastic life. But I understand that they were very impressed by an organisation that was dealing with Christian and Muslim members of society and behaving in a way that was entirely ecumenical. I am not certain whether this is just a worthwhile organisation that has had a Big Society label slapped on it or whether it is partly the inspiration for the Big Society. I believe it has only been going for a relatively short length of time. But if the Big Society does stagger on in some way, would it be worthwhile—if the wreckage is not already at the bottom of the cliff, as has been suggested—that it should have aims like that of bringing groups together from various societies, including groups from humanist organisations, rather than see it advance within the narrow confines of each denomination?

Bishop Tim Stevens: Absolutely. I think there is a worked example of that being developed as we speak, because the Department for Communities and Local Government has funded a programme called Near Neighbours. This involves providing to the Church of England in four localities, in Bradford, Birmingham, Leicester and London, some seed corn money for street-level initiatives to build relationships between people from different cultural or faith communities in order to create what we used to call social cohesion. It is a simple practical example, the amounts of money are very modest, but I think it is an interesting pilot to see whether this liberates people's imagination and creativity not at the town hall, nor necessarily in the churches, but between neighbours, in the streets and localities in our major diverse cities. I think that is an interesting initiative. We will have to see how it works.

Q376 Paul Flynn: Mr Copson, I think you believe that the Government is focusing more on religious groups rather than individuals or organisations like yours?

Andrew Copson: I think that is right. We thought it a risk, not just for this Government but with the previous Government as well, to focus on people as if they are, first and foremost, members of groups rather than individuals, and I think the risks of a communitarian approach are that you can build in divisions for the future. You can also reinforce existing internal hierarchy—hierarchy as in inequalities—rather than treating individual people as equal members of a wider society.

However, having said that, I do not know about the project that the Bishop referred to just now, but taking people within a street, using a locality as the unit of cohesion, rather than faith community or ethnic group, sounds like a potentially much healthier way forward. My problem is that having an ethnographic introduction of, "Here is a school group of Muslims; let's go and meet a school group of white people who you might call Christian but most of them probably are not, but let's just do it for the convenience of the funding or programme," or whatever, I think has a potential to be very unhealthy and very divisive. I am

not saying it is not worth doing in some circumstances where some people genuinely do have a primary identification of themselves according to their religion. But I think in most cases it is better for people to work, as it were, side by side in shared enterprises as individuals in their locality, bringing their different backgrounds to it because they cannot distance themselves from them, rather than making a fetish of the difference somehow and bringing groups together in that way.

Lord Sacks: I wonder if I could just tell the history, because it is an interesting history. The Birmingham group came together immediately in the wake of 9/11. Our local rabbi—sadly no longer alive, the late Rabbi Leonard Tann of Singers Hill in Birmingham—went to the Imam of the local mosque and said, "This terrible thing has happened; I think you are going to find yourself in a difficult place, and I want you to know that we in the Jewish community are standing here beside you." That friendship, which then extended to all the faith leaders in Birmingham and made it a model of what they call the faithful city, just happened: two individuals recognising that there might be divisive tensions between groups and just bringing those groups together. It was incredibly powerful.

I so agree with the principle, number one, it has to be side-by-side—I call this in *The Home We Build Together* side-by-side as against face-to-face interfaith dialogue, which can be very elitist and remote from street level—and number two it has to be street level, because all the groups in a neighbourhood will likely face the same problems. It is just better to face them together.

Q377 Chair: But shouldn't humanist groups be standing shoulder to shoulder with religious groups.

Andrew Copson: I do not see why not. In areas where our local groups are invited to participate in civic activities that bring people of different beliefs together they often do so. That is perfectly fine. But I think you have to recognise that if you organise such initiatives around people who have an interest in either religion or non-religious philosophies then you are going to be bringing people together from a very small pool. It is not going to touch most of the lives of most people in this country, who do not engage in that sort of activity, either religious or philosophical, on any sort of regular basis. I think you have to go deeper. That is why the idea of focusing on streets, localities and communities is a very appealing one. I have a suspicion that that is probably a lot more expensive than funding smaller initiatives that bring groups together.

Q378 Chair: But if we are harnessing faith groups, do we have to be alive to the fact that some people in society find people with strong faiths rather divisive, and therefore that can be rather excluding?

Andrew Copson: I think that is a really important point to remember. It is better to have interfaith initiatives than to have interreligious strife and tension, but a lot of people—I think it was 73% in the last Social Attitudes Survey—said their opinion was religious beliefs cause division.

Lord Sacks: Could I say why, because I feel very strongly about this? The whole time up and down Britain religious groups are getting together across the boundaries between faiths.

Q379 Chair: There are some that won't.

Lord Sacks: Some of them won't, but it is those that do that put contravening pressure on those that do not. It is our complete failure ever to get public cognisance of this in the media that means that the images that prevail of religion in Britain and Europe are divisive images.

Q380 Chair: How should policymakers, on an equitable basis, discriminate or make a distinction between the benign, inclusive faith groups and those faith groups—I will not name them, but we can all think of them—that are exclusive, divisive, possibly even extreme?

Lord Sacks: By ceasing to give publicity, attention and heroic status to the extremists. By reminding us that Britain is a country in which relationships between the faiths, as a whole, are probably better than anywhere else in the world, and this is based on local neighbourhood friendships. I think we are in a massive media distortion of what is a very minority phenomenon. It is a very dangerous minority phenomenon, but by making it look as if that is the public face of religion, we are damaging the great and good work done across faiths.

Bishop Tim Stevens: I would agree entirely.

Q381 Chair: But you recognise this is an important question.

Bishop Tim Stevens: It is a very important question; indeed it is a fundamental question for us. I think the first thing that I would say is that it is important for politicians not to problematise religions: not to see them as intrinsically problematic—that as it were a public square evacuated of faith would be a great deal easier to produce policy, cohesion and harmony within. There is absolutely no evidence from history that that is the case, quite the contrary.

I think, if you were to take a case study, some of us might feel that the previous Government's Prevent programme, in relation to some of its initiatives about religious extremism in the wake of 9/11, had the effect of problematising some of the Muslim communities in ways that were counterproductive and had unintended consequences. We, I think, welcome the rhetoric of religions as part of the answer, not part of the problem, as a general approach.

I think the second thing to say is that it is very important that policymakers engage in religious literacy; that is to say there is a responsibility on those who are making policy to understand the differences between the religions, the particular emphases that some would bring rather than others, and that that is, as it were, a professional competence that should be required of people making policy in the public square in a religiously plural society.

Chair: We will take the point you are bound to make about the curriculum as read at this point, because I think it is an important issue but it is not a matter for this Committee.

Bishop Tim Stevens: The third point I was just going to make very briefly is that I think that what we need is the freedom for religious communities to be providers of public services, but not place upon them a requirement to provide public services necessarily for everybody. Within a complex and variegated public space there will be a number of different providers. All will be provided for, but not every provider will provide for everybody.

Q382 Chair: Moving on to this very practical business of what faith groups and indeed other belief groups can provide, Bishop Tim, you have said that it is very important to be realistic “when considering what services you are able to deliver”. What did you mean by being realistic?

Bishop Tim Stevens: I mean that when I was speaking earlier about the number of ministers, clergy and lay, and the number of churches in the Church of England, if you aggregate them they come to a very substantial critical mass of resource and activity. But they cannot be an alternative to public service provision across the piece. They cannot deliver the professionalism, they cannot deliver the resources, they cannot deliver the standards, they cannot deliver the consistency, and they should not be expected to. But what they can do is add value, they can mobilise volunteers, they can support initiatives, and in localities they can do things that are small scale and transformational. That is what, I think, politicians need to be alert to. What is it appropriate to expect a parish church in the city centre to do; or a village church in a community that has lost its post office that might open up its facilities to provide one; or a local police centre; or an outreach centre to completely destitute asylum seekers; or a programme working with young people not in employment, education or training? There are a whole variety of categories here, where volunteers—well mobilised, well led, well resourced and well managed, sometimes by paid professionals—can have a transformational effect but not in a way that simply expects the Church to behave like a local authority or a Government department.

Q383 Paul Flynn: One of the difficulties there is what came up with the Catholic adoption agency that found themselves in conflict with anti-discrimination laws that came in. They lost their case and they wanted to continue to discriminate in spite of the fact it was the law of the land they should not. But isn't this slightly to reintroduce a provision that was subject to the law of the land into small societies who are still exercising their own private prejudices? This is not a satisfactory replacement for what we have now.

Bishop Tim Stevens: This is really an issue for Charles more than me, but if I can just say, so I do not just leave it to him—

Q384 Paul Flynn: The bishop involved, Arthur Roche, said that the message Catholics would have if the charity were forced to close is that the Church's confidence in the Big Society programme could crumble—that if they cannot continue being what many people would regard as prejudiced and

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discriminatory, they are not going to take part in the Big Society.

Charles Wookey: Let me make two comments about the adoption agency issue and then a more general one. On the adoption agency question, which was a very difficult one, you had a particular moral issue that is quite specific to the very delicate area of adoption, and the issue there was the wish of the Catholic adoption agencies to continue to operate in accordance with their own ethos and understanding of what they felt was better for adopted children, versus the requirements of the new equality legislation that their services should be open to all. The argument was had and, as you know, the law is as it is now.

The Leeds case, which is currently still going through, raises a legal issue, and the legal issue is whether it is within the scope of the current Equality Act 2010 for an agency to have enshrined in its objects sufficient clarity to enable it to continue to do its work and then be able to do that within the scope of the Equality Act, and that is a question that the Charity Commission and the High Court will look at. The argument that Bishop Roche is making is that he thinks the Equality Act does in fact allow a charity to continue to operate in accordance with its ethos if the benefits it seeks to provide are spelt out more explicitly in its trustees. That is a legal question. That is what I would say about the adoption agencies thing.

I think more generally though, and I have obviously asked for the purposes of coming this morning, what are the other Catholic agencies that do other work and are under contract with public services? They are things like running care homes, family centres, prisoner centres, homeless projects, youth projects. In pretty well all of them there is no issue between the services that the Church seeks to provide through these Catholic agencies now in those areas and the requirements of equality legislation. Indeed, if there were, then the Church or the agency concerned simply would not bid for it. Going back to Bishop Tim's point, if society is moving in this area towards greater choice and diversity in the provision of public services, where religious charities and others wish to seek to bid for those services in consortia with others, they should be free to do that and focus on particular areas, provided we ensure that the provision of public services overall does ensure that the needs of everybody are met.

Q385 Paul Flynn: Would you support choice and diversity if it came to a group who did not believe in blood transfusions? Should they be embraced by the Big Society as well?

Charles Wookey: What do you mean by—

Paul Flynn: Well, the Jehovah's Witnesses, I believe, forbid their adherents to—

Charles Wookey: I am not entirely sure of the relevance of that.

Q386 Paul Flynn: I mean, one goes through a whole group of religious people who have ideas that are unacceptable to society generally, and the difficulty is when you take away a provision of service that is provided nationally to be provided by groups, some of them sensible, some of them not on our side of

sanity at all. What you are saying about the Catholic Church being allowed to discriminate on homophobic lines could be claimed by other groups who are doing something that is far more dangerous.

Charles Wookey: Just to come back to you on that, I think the dispute about the adoption agencies was around a deep moral question around the parenting of adopted children, and I think that that is a vexed issue in society and it was probably debated at the time. The law only changed in the last 10 years to allow non-married couples to adopt in the first place. You are talking about a very rapid social change, and it is difficult to argue that the view that the Church wants to continue doing something that had been required by law until 10 years before that Act was passed is somehow beyond the pale and it should be required to change. I think there is a genuine issue there in society that is open to debate.

What I will also say is that I do not think any religious charity ought to be able to claim some kind of trump or exemption from the requirements of law just because it is religious. There should be no particular privilege. So if a religious charity does something to which society says, "We really do not think this is on," I do not think it should be able to get away with doing it just because it is religious. Having said that, I think that the other side is also true. If you have a religious charity, take a Catholic charity that provides a care home, for instance, that wants to be quite explicit about its ethos in the way that it runs that care home and to provide religious symbols and to have a chapel and have regular services, very often, in fact, if you look at people with Alzheimer's—of whom, as you know, there are over 700,000 in this country—their religious affiliation in childhood and through adulthood is a very important part of their care as older people, and for a home to be very explicit about that and to provide those symbols can be a very important and enriching part of life.

If we say that public services have to be provided in some kind of quasi-neutrality, which often conceals a hidden ideology that says religion should not play any part of it, then you lose something. Society, I think, gains a lot if we recognise that there is real scope for different agencies and Churches to contribute their part, but I would, having said that, also completely agree with Bishop Tim that, as far as the Catholic Church is concerned, we do not want to raise expectations about what religious communities can suddenly do in replacing any kind of state provision. They can help, but they are only a very small part.

Q387 Chair: Mr Copson, you fear what you call "the balkanisation of public services".

Andrew Copson: We have said that, yes.

Q388 Chair: Should we not just treat this as part of the natural friction in a society where there are different views and perspectives, and we just have to manage that friction rather than turn it into an absolute obstacle?

Andrew Copson: I would agree with that. I think that is what our position is. I think there is no doubt that universal, secularly provided public services are a good way of achieving a greater cohesive feeling in

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society. I think the contracting out and the fragmentation of public services it leads to, especially in the future, puts that at risk.

Q389 Chair: So you believe in a single monopoly?

Andrew Copson: No, not necessarily a monopoly.

Q390 Chair: Well, a cultural monopoly.

Andrew Copson: Not necessarily a monopoly provider.

Q391 Chair: A secular monopoly.

Andrew Copson: Where secular means not somehow excluding religious people but of an inclusive sort.

Q392 Chair: So it is alright for a Christian to be a nurse if she does not wear a religious symbol.

Andrew Copson: That is a long way from the question of public service provision.

Q393 Chair: But it comes to that, doesn't it?

Andrew Copson: Not particularly in the provision of public services. They are harder edged issues than those. When it comes to religious groups and the contracting out of public services, the problems for us lie in the fact that religious groups have exemptions from various equality laws that secular providers of a contracted-out public service do not have. Take for example the housing of trafficked women contract that I referred to earlier. Eaves Housing, when it was providing that service under contract to the state, was bound by the same sort of employment law, the same sort of service provision law as any other provider, so they could not discriminate on religious grounds in their employment, for example. The Salvation Army, when they took over that contract, were able to discriminate on religious grounds in their employment.

Q394 Chair: But is there not a flipside to what you are saying, which is a compulsory secularisation of all services becomes a tyranny of its own? It is not compatible with a free society.

Andrew Copson: If you think the current system that has existed for the last few decades has constituted a tyranny, then that could be true, but what I am talking about is the reverse of the current situation.

Q395 Chair: I do not agree with the position taken by the Catholic adoption agencies—I personally do not agree with that—but I find it quite hard to justify compelling people to stop what they are doing altogether or compelling them to do something they profoundly disagree with. We do not make surgeons carry out abortions if they are against abortions.

Andrew Copson: Of course not; I think the whole question of conscientious objection and the right to refuse to do this, that or the other in a particular profession is a total separate one, though, from this one, and I do not see how it is related to the Big Society. As far as the Big Society affects this, what we see as an element to the Big Society is an acceleration or an increase of the contracting out of services that are now or were once provided in a way that was open to all people, to be provided by

organisations that first of all can legally discriminate in employment against people with different or with non-religious beliefs, as the Salvation Army have said they are going to do in the case of that contract, and the Government has said they are happy to see happen, in a letter to us from Lynne Featherstone. They are not bound by the same non-discrimination provisions in the Equality Act that bind secular providers, when it comes to the provision of services, so people who have a problem do not have recourse to justice in the same way that other people do. They may be bound by a contract, but not necessarily by the law, and there is no protection for people who might feel that they are coming under unreasonable pressure of a proselytising sort either. This is different from any supplementary services that might be provided by religious organisations. I am talking about the contracting out of large-scale public services to religious organisations and their problems.

Q396 Chair: We are going to have to close this session very shortly, but before we end, do any of our Panel want to add anything to that particular discussion?

Lord Sacks: I take Andrew's point, I really do, that there has to be a situation in which everyone has reasonable access to services, and so thinking that one can hand large amounts of them over to religious organisations would disenfranchise a part of the population, and I would agree with that concern. At the same time, I share with Bishop Tim and with Charles a real concern that the attempt to impose the current prevailing template of equality and anti-discrimination on religious organisations is an erosion of religious liberty that scares me very greatly, because we are beginning to move back to where we came in in the 17th century, with a whole lot of people on the Mayflower and the Arabella leaving England to find religious liberty elsewhere. A good sound ecological balance leaves space between on the one hand the individual, on the other hand the state, for a variety of civil groupings, some of which are religious, and they have to have the freedom to live according to their conscience, except when that massively conflicts with things like the right to life if somebody needs a blood transfusion.

Q397 Chair: Mr Copson, very briefly; I think we have aired this.

Andrew Copson: Equality and human rights was not the flag under which the pilgrims on the Mayflower had been oppressed in England. It was a religious intolerance, which we risk re-importing into public services if we split them up now.

Lord Sacks: It is all balance.

Q398 Chair: But a humanist absolutism would be just as tyrannical, in my view.

Andrew Copson: Of course, which is why it is not desirable.

Q399 Paul Flynn: Let a thousand prejudices bloom.

Lord Sacks: I think we may be breaking out into agreement.

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Q400 Chair: Maybe that is the price of freedom. Do any of the panel want to add anything else about this session about the Big Society? Any closing thoughts?

Bishop Tim Stevens: I just want to underline, I think, the point that you have made, Chairman. I think the Church of England wants to play its part in this, it wants to serve the best of the vision, and the last thing it wants to do is disenfranchise people by large-scale

contractual relationships that deliver Government programmes and exclude others. That is not part of the vision we want to have any part in at all.

Lord Sacks: Can I just say thank you for allowing us to be part of the conversation?

Chair: That is very generous. We are very grateful for your time. It has been a fascinating session. Thank you very much indeed.

Tuesday 5 July 2011

Members present:

Mr Bernard Jenkin (Chair)

Charlie Elphicke
Paul Flynn
Robert Halfon
David Heyes

Kelvin Hopkins
Greg Mulholland
Lindsay Roy

Examination of Witnesses

Witnesses: **Sir Stephen Bubb**, CEO, ACEVO, **Kevin Curley**, CEO, NAVCA, and **Paul Nowak**, Head of Organisation and Services, TUC, gave evidence.

Q401 Chair: Good morning, gentlemen, and welcome to this evidence session of the Public Administration Select Committee about the Big Society. May I invite each of you to identify yourselves for the record, please?

Kevin Curley: My name is Kevin Curley. I am from a national charity called NAVCA—the National Association for Voluntary and Community Action. We are the national body for local umbrella charities such as volunteer centres and councils for voluntary service.

Sir Stephen Bubb: I am Stephen Bubb from ACEVO.

Paul Nowak: I am Paul Nowak from the TUC. I head up the TUC's organisation department, which looks after our work on public services, community engagement and our regional councils.

Q402 Chair: Good. Now, rumour has it that one or two of you were especially looking forward to this session, having watched previous ones, so perhaps we had better clear the air on that question to start with. In particular, Sir Stephen, on your blog you said that you were looking forward to taking us on, I think. What particularly pained you about that session?

Sir Stephen Bubb: Do you want me to start with that?

Chair: Yes, please. It was when we had Thomas Hughes-Hallett and Stuart Etherington in front of us.

Sir Stephen Bubb: Exactly. I think it was some of the discussion by some of the members on the role of large charities, and I was pleased that Robert got in touch with me, as I think that I attacked him in my blog, and we had a long discussion on that. One of the great things about our sector is its diversity. We have large national charities, large community organisations, small organisations, organisations that are small and want to remain small, and organisations that are small and want to grow significantly. Each of them brings something special, but I think there has been an unfortunate attempt over the past few years to attack, in particular, national charities for their role, and it is often because they are extraordinarily powerful in expressing their opinions—that is a good thing, in my view.

Q403 Chair: You are in favour of the tradition of campaigning charities.

Sir Stephen Bubb: Absolutely. One of the strengths, I think, of some of the larger charities is that they deliver services and campaign; that, I think, is particularly strong. Many of our big national charities

began their lives as campaigning organisations. The RSPCA is very interesting. It was started, really, by a radical Tory MP and a group of friends who abhorred the way in which animals were treated at the time and were determined to do something about it. So, what they did was they formed an association to campaign for legislative change and to do something practical about animal cruelty. This being England, we started with animals, but then, 10 years later, they thought, "Actually, we are probably treating children rather cruelly as well, so we'll do something about that," and they then set up the NSPCC.

That tradition has continued, so Shelter, which I think is one of the organisations I discussed with Robert, is another great example. A priest in Notting Hill was horrified by the fact that his neighbour had been thrown of their house by Rachman, so decided to do something about it and set up Shelter. Shelter began very much as a campaigning body, but realised that, actually, what homeless people need is not only a change in the law, but jobs and houses, so Shelter does both. Shelter can be a right pain at times—in my view, correctly—but it is also delivering services at the same time. I think that the strength of that model is that, through service delivery, organisations are very aware of the particular issues and conditions that affect homeless people, for example, and are able to bring that to the table when they are discussing with the Government homelessness policy. That, I think, is where the UK in particular is really strong—that tradition of working with Government to change laws, and also kicking the Government when they get things wrong. I think that is great and national charities do it superbly.

Q404 Chair: How do you police the boundary between charitable campaigning and political campaigning? Beauty is in the eye of the beholder, isn't it? What might seem like a legitimate charitable campaign to people of a particular view looks, to people of another view, very political.

Sir Stephen Bubb: Yes, which is why the role of the Charity Commission is particularly important in that area, but a lot of campaigning is political with a small "p". If you are campaigning against fox hunting, for example, that is very political. People have very strong views on both sides, but you stop at the line where you would associate yourselves too particularly with one political party's viewpoint. The big charities take a lot of care to ensure that the way they campaign

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is cross-party, and they actually try to draw in cross-party support for their aims.

Q405 Chair: Do either of our other witnesses wish to comment?

Kevin Curley: May I take a slightly different perspective on the relationship between large national charities and local charities? Sir Stephen knows that I hold this view. I think it is great that, in Wakefield, Barnardo's has been supporting a group of 10 local children's charities, working with them so that they can scale up and bid for contracts from Wakefield council. That seems to be a really good example of a big national charity working with local charities and helping them with its expertise. Now, by contrast, a couple of years ago in Leeds, the contract that was let for family support services to be provided by the voluntary sector was so big that local charities like Home-Start in Leeds, which had been delivering to a good standard and to the council's satisfaction for several years, were unable to bid, and the contract was won by a large national charity. My complaint there would be that sometimes the way in which a local body goes about letting a contract, if it is moving away from grant and towards contract arrangements, actually prevents local charities from having a chance of continuing to deliver a good-quality local service and opens the door for unfair competition from big national charities that have well-oiled bidding and business planning departments.

Q406 Chair: Understood. I think we are going to come back to the question of contracting and providing services later. Mr Nowak?

Paul Nowak: I think that it would be useful to return to that issue because I feel it is competition from not just large national organisations, but the private sector as well. In terms of the sector overall, it is clearly very diverse. We have members working in large national charities; we have members working in small local organisations. When the sector works best, we think it complements the work carried out in our public services, whether that is giving a voice to service users, reaching out to hard-to-reach client groups, or thinking about how you deliver and provide services innovatively. The sector is diverse and one we think can complement the work of our public services more broadly.

Q407 Chair: The substance of what Thomas Hughes-Hallett was saying was that he felt that charities had become over-dependent on public funding. What is the panel's reaction to that comment?

Paul Nowak: I would say that it partly depends on what the charity is doing. In some areas of the country, it is clear that organisations are more dependent on public funding, particularly when they are providing direct services, and that tends to be poorer parts of the country—the northern areas of the country. Clearly, the impact of the Government's spending cuts is being felt right across the sector, and Stephen and Kevin are probably better placed than me to talk about that impact in terms of service provision and the ability of charities to do the jobs that they need to do. However, there has clearly been an impact on jobs, and certainly

the reports that we get from our unions—Unite, Unison and others working in the sector—is that there has been a squeeze on pay, terms and conditions as well.

Q408 Chair: But there is a danger of some charities just becoming branches of the state. Is that what some charities are meant to be?

Sir Stephen Bubb: No, absolutely not, and I would argue that that misunderstands the history of our charities sector. Public services in this country were delivered by charities, including the church, for centuries—it was solely by charities. That was the model of public service delivery. We have centuries' tradition of delivering public services, which many charities now continue. The question of who pays for it, of course, was one that was settled in terms of the welfare state settlement after the war, when it was absolutely agreed that it was the role of the state to provide free universal services and to pay for them, and I think that that is the correct model.

In the way in which we delivered our welfare state, we sometimes made the mistake of thinking that, by delivering free universal services, they have to be delivered by state organisations and state employees, but I think that that model is not always right. Paul is completely right: depending on where you look at the sector, many charities have remained true to their purpose of delivering services. I have a member who set up St John's. He did not set up St John's Hospital, because that was 1137, but St John's Hospital in Bath has been delivering services for the elderly ever since 1137, and it is paid for by the state now, but it was paid for by charitable donations in the past. If you are contracting with the state to deliver services, does that mean that you are then an arm of the state? Absolutely not.

I think that part of the answer depends completely on the diversity of funding, and I am a very strong believer in having a diverse and sustainable funding model. I think that grants can sometimes be a much more problematic form of funding than contracts. At least with a contract you have an established relationship with duties and responsibilities on both sides. Grants, of course, are a form of patronage, but actually what you need is a diversity of funding that protects the state. I am being very wordy about this, but I think that one of the strengths of our charities sector as we have developed has been this really rather sophisticated role that we now have in delivering services, while still being able to influence Government in the way in which they develop their policies and legislation. If you are a homeless person, do you want the organisation that is supporting you both to give you support and to influence the Government on wider policy? Yes, you do, and I think that we are very good at doing that.

Kevin Curley: I would just like to comment on this notion of local charities being dependent on local government funding, in particular. It is not a term that we use in NAVCA. If we take the example of a citizens advice bureau—I happened to see the figure yesterday—Reading council supports its citizens

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advice bureau this year with a grant of £163,000¹. We know, from a lot of effort at local level, that citizens advice bureaux will find it extremely difficult to raise money from the public through fundraising. If they have a good year, they may top up their local authority grant with £5,000 or £6,000 from fundraising events, but look at the value of the volunteering they draw in. They may employ five staff, but they might have 70 volunteers working in the bureau, and you could easily attach a cash value to all that unpaid volunteering.

People in that movement and people in the NAVCA movement would not talk about dependency on local authority funding. We would talk about partnerships between local government and the local charities sector, about mutual respect, and about recognising that some charities, like a CVS or a citizens advice bureau, will never be able to attract a lot of money from public donation, traditional fundraising and local private sector support, whereas some charities will. You have to look at the other value you are getting out of them, such as the value of a lot of voluntary work within them.

Q409 Paul Flynn: May I take on my customary role of defending Mr Halfon and Mr Elphicke against unfair attacks? As I remember it—and I remember it well—Shelter was set up a long time after Rachman. It was set up as a result of “Cathy Come Home”, a television programme. The criticism made is that charities continue with their work, their manning and their status even though their problems disappear or reduce. It is true that when people sleeping on the streets—homelessness—reduced in Britain by 75%, there were not fewer people working for the charities or fewer homeless strategies. They continued and their empires were running that way.

The Charity Commission has remarked on this inertia. A wonderful example is a charity somewhere in Wales with the sole function of providing petticoats for fallen women. There is not a great demand for that in our modern times. You are right to have this robust defence of charities, which we all support greatly. We all know of marvellous charities such as Mind, which exists without any support from the pharmaceutical industry. On the other hand, there are charities that are half supported by the pharmaceutical industry, and there is at least one that has been entirely created, set up and funded by the pharmaceutical industry to encourage the overuse and misuse of their drugs. While we accept your point about defending charities and the rigorous way you did so after our last discussion, I thought the points made by my colleagues were fair ones about particular charities that do not seem to react when the need for them reduces, and their solution is in search of problems.

Chair: Quite a long question, Mr Flynn.

Paul Flynn: I am afraid so, yes.

Sir Stephen Bubb: Petticoats for fallen women. One of the geniuses of our English system of charities is the 1601 Statute of Elizabeth. It is fascinating. It lists charitable uses, and they are all public services, so it is bridge-building and the reformation of prisoners.

There were a lot of charities established for exactly those purposes, but the brilliance of our charity law is, actually, that they work by analogy. So, charities that started off with that purpose, but their main purpose is to support women in difficult circumstances and the charities have adapted and grown. I think that that is actually rather a good thing, but I think we do need to remember there are—Kevin, I am not sure—either 160,000 or 190,000 charities. Many of them are relatively small, and some are fairly inactive, but the majority of the ones that are active have changed with the times. I do not actually see that as much of a problem.

Kevin Curley: Chair, when I was running Hull CVS in the 1980s, I remember the leader of the council, Councillor Doyle, saying to me one day, “How many more charities are you going to bring to us looking for grants from our inner city programme? When are we going to have enough charities in Hull?” I said, “When people decide they no longer wish to associate freely and set up charities, you will have enough.” I do not have much sympathy for those who say that there are too many charities, but that is not the same thing as saying that all charities in the city of Hull have the right to funding from the public purse. That is a matter for the city council to work out with its partners in the sector.

Chair: We must move on.

Q410 Robert Halfon: I just have a few questions, Chair. First, I thank Mr Flynn for defending me—that will certainly go in my memoirs. I also want to get it on record that you conceded when we met, Sir Stephen, that you had attributed the wrong comments to me, and then you subsequently corrected it in your blog.

Sir Stephen Bubb: Yes.

Q411 Robert Halfon: To go back to this question of the nature of political campaigning charities, I cannot see any difference between Shelter and the TaxPayers’ Alliance, yet one is described as a pressure group and the other is described as a charity. Shelter issues press releases in my local paper and elsewhere attacking the Government, which is its right. It is classed as a charity, but when the TaxPayers’ Alliance does that, it is classed as only a pressure group. What is the difference?

Sir Stephen Bubb: May I deal with the more general point?

Chair: You must answer the question, Sir Stephen.

Sir Stephen Bubb: I will try to answer the question, but I think it would be an extraordinarily bad thing for democracy in this country if we did not have a charitable sector that was both delivering public services, and campaigning for legislative change and taking views on society in a broader sense. It is absolutely one of the reasons why we have a civil society, and why civil society helps us in terms of democratic reform. I think that the role of charities in campaigning is crucial. I would never want to see a position where a charity was simply delivering a public service because it thought that there was a managerial case for doing so. It always has to be because they want to deliver something better for their

¹ Correction from the witness: Grant figure is £163,000 not £148,000 as previously recorded in the transcript.

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beneficiaries, and they are doing it because they want to achieve a better life for their beneficiaries—and that means they campaign, too. On the TaxPayers' Alliance, I suppose the answer is that I do not see Shelter as being particularly aligned to a political party, whereas I do for the TaxPayers' Alliance.

Q412 Robert Halfon: The TaxPayers' Alliance spends half its time criticising the Conservative party for being lily-livered, so it is independent. What I do not understand is why one is classed as a pressure group and one as a charity. It seems that certain charities get away with political campaigning and regularly slagging off the Government day after day, and yet are regarded as charities, when other so-called right-wing organisations are called pressure groups.

Sir Stephen Bubb: I think you will find that Shelter is fairly indiscriminate with its criticism of the Government, the Labour party and the Liberal Democrats.

Chair: And so is the TaxPayers' Alliance.

Q413 Robert Halfon: So what is the difference between the two? There is no difference.

Chair: Another of our panellists?

Sir Stephen Bubb: I suppose the answer is: why doesn't it apply for charitable status?

Paul Flynn: On a point of order, Chair? Isn't it interesting to reflect that, like in our previous sitting, we have been going for nearly half an hour and no one has mentioned the Big Society? Doesn't that reflect the unimportance of the Big Society?

Chair: That is not true; I mentioned it at the beginning. That is not a point of order for the Chair. Mr Curley?

Kevin Curley: I just wanted to say that, at local level, an organisation like Derby Women's Aid provides a refuge for women and their children fleeing domestic violence, but it also campaigns and criticises Derby city council if it feels that the council fails adequately to house those women after a certain period of time. However, Derby Women's Aid will criticise whoever happens to be running the council at the time, without regard for the political control, because its charitable mission is to relieve the poverty of the women and children it is supporting.

Paul Nowak: It is worth making the case that the funding of the overwhelming majority of community and voluntary organisations—and civil society organisations more broadly, including trade unions—is a lot more transparent than the funding for the TaxPayers' Alliance, which I think is an overtly political organisation that could never be classed as a charitable organisation by any definition.

Q414 Robert Halfon: That is not the case because you, Sir Stephen, admitted on your blog, after questioning at the last Committee meeting, that loads of big charities are not transparent about their accounts and do not make clear how much they spend on campaigning, how much they spend on public affairs and corporate affairs, and how much they spend on genuine front-line services.

Paul Flynn: I am going to withdraw my support of Mr Halfon and I look forward to your next blog.

Robert Halfon: There is no transparency at all. If you go on to their accounts, you have absolutely no idea how much most of these charities spend on campaigning—absolutely no idea. That is fine—what they want to do is up to them—but I am just trying to distinguish the difference.

Chair: I think we must move on.

Q415 Robert Halfon: May I just ask about your organisation, Sir Stephen? Could you please describe to the Committee what it does and is its *raison d'être*?

Sir Stephen Bubb: It was established nearly 25 years ago as, effectively, a network for chief executives of third sector organisations—very broadly charities, social enterprises and community organisations. We say that we have three aims. One is to represent chief executives on issues that affect them in running their organisations, so providing support and advice to them as chief executives. Although we are well known for certain views around funding, for example, and public service reform, quite a lot of our work is actually on supporting chief executives in the difficult job they do.

Q416 Robert Halfon: How much does the highest paid employee earn in your organisation?

Sir Stephen Bubb: The average salary of an ACEVO chief executive is just under £60,000. I think that the largest salary, although I could not be sure, is £120,000.

Q417 Robert Halfon: Company accounts suggest that the highest-paid employee earns over £140,000. I just want to get that on record.

Sir Stephen Bubb: It might be, yes.

Q418 Robert Halfon: Who is that highest paid employee?

Sir Stephen Bubb: Goodness knows—I would not know.

Q419 Robert Halfon: How much do you spend on staff costs a year?

Sir Stephen Bubb: Are you talking about the charities sector generally?

Q420 Robert Halfon: No, your particular organisation.

Sir Stephen Bubb: ACEVO?

Robert Halfon: Yes.

Sir Stephen Bubb: Sorry, can you rerun those? I was talking about charities generally. My salary in ACEVO is £100,000.

Q421 Robert Halfon: Thank you. How much do you spend on staff costs?

Sir Stephen Bubb: We have around 30 members of staff.

Q422 Robert Halfon: What are the annual staff costs?

Sir Stephen Bubb: If I had realised you were going to ask these questions, I could have given you the answers. I am very happy to give you the answers

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after this, but I am afraid I am one of those chief executives who are rather better at strategy than detail.

Q423 Robert Halfon: Can you just describe the £70 million fund that the Government gave you in April 2011—the Communitybuilders scheme? What is all that about?

Sir Stephen Bubb: I think we might be making a mistake. I am the non-executive chair of the Social Investment Business, which is a group owned by a charity, the Adventure Capital Fund, which organises a number of loan funds and capital funds for the Government: Futurebuilders, the Communitybuilders Fund, and the Social Enterprise Fund for the Department of Health.

Q424 Chair: You are contracted by the Government to run those funds.

Sir Stephen Bubb: Exactly, but I do not do that as an employee; I am the chair of that.

Q425 Robert Halfon: Was the Communitybuilders scheme not given to your organisation?

Sir Stephen Bubb: Yes.

Q426 Robert Halfon: What have you done with it so far? I understand that £70 million was given to you in April 2011.

Sir Stephen Bubb: Let me say that we should distinguish this from ACEVO, because I am not doing this as ACEVO. As I say, I am the non-exec chair. The Adventure Capital Fund was set up as a charity about eight years ago with a small amount of money specifically to make loans to third sector community enterprise, and we still do that. The Adventure Capital Fund then won the contract from the Government for Futurebuilders, which was a £200 million fund to provide loans to support public service delivery. That fund is now closed. Communitybuilders, which is a contract from DCLG, has now been endowed to the charity, and the sum is under £30 million.

Q427 Robert Halfon: Is it not £70 million?

Sir Stephen Bubb: I do not think it is, actually, but the loan book, I think, is around £30 million, and then the fund was endowed—

Chair: Mr Halfon, I must press you. Why is this relevant to the Committee?

Q428 Robert Halfon: Because it is a huge grant and I am trying to understand what the money is going towards.

Sir Stephen Bubb: It is a loan fund.

Q429 Robert Halfon: Yes, but why is it that this money cannot be given to charities directly? Why does it have to be done through intermediate organisations?

Sir Stephen Bubb: It is given to charities directly.

Q430 Robert Halfon: Yes, but decided by who?

Sir Stephen Bubb: It is given to charities directly. Just as we are on this, because I think it is relevant in terms of the funding of the sector—

Q431 Chair: The funds you have described are intermediaries, aren't they?

Sir Stephen Bubb: Our organisation is, in a sense, but we loan directly to charities and third sector organisations.

Q432 Chair: Why is it necessary for the Government to go through an intermediary?

Sir Stephen Bubb: Because the Government would actually be rather bad at making loans, I suspect—

Chair: That was what I rather thought.

Sir Stephen Bubb:—and it has used an organisation. It is worth saying that there have been two independent reviews of the Adventure Capital Fund, which is essentially the Communitybuilders Fund, and then the Futurebuilders Fund, and it has been found how remarkably important loans have been to growing the sector. The importance of loans as a funding stream, which is, of course, why the Government are setting up the Big Society Bank, which we fully support, is that they help organisations grow and money then comes back into the sector to be re-loaned.

Q433 Robert Halfon: How much of it has been given out since April 2011?

Sir Stephen Bubb: In terms of Communitybuilders, nothing, because the Government put a stop to the fund while they were negotiating for the endowment, but now that that has been agreed, we will start loaning again.

Kevin Curley: I just wanted to interject to say that there is an important Big Society point here. One of the beneficiaries from the Community Assets Fund is Keighley Voluntary Services in Bradford Metropolitan. It has used £1 million from the fund to establish a big multi-purpose community centre in the centre of Keighley in an old building leased by Bradford council. The point about that is that this organisation needed a lot of help to put together the legal framework for taking on a big loan for the first time, and also for dealing with all the issues around taking the lease from the council and then being in charge of rehabilitating the building. It is not just a question of getting money out to a group. If we are going to empower community groups and give them the chance to take over assets that the local authority no longer needs, they need a lot of support, and that is a central concern within the whole Big Society concept.

Q434 Chair: Mr Curley, you said in your evidence that the cuts in public funding are affecting smaller charities disproportionately. Is this kind of funding—like that coming through this organisation or, indeed, coming from the Big Society Bank—a good substitute for public funding? Is it an effective substitute?

Kevin Curley: I do not think it is a substitute. We have calculated that, this year, local authorities are cutting £1.2 billion in grants and contracts to local voluntary organisations and charities.

Q435 Chair: But a lot of that is just plainly a reduction in service provision, isn't it?

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Kevin Curley: Yes, some of it is a reduction in advice services and so on.

Q436 Chair: It is inevitable that, if councils are reducing services, some of the contracts they have with charitable organisations will be cut, like the contracts they have with private sector organisations. That is one of the perils of being a contractor to the public sector.

Kevin Curley: The question, though, Chair, I think, is whether it is proportionate or not. We have had support from Mr Pickles in saying that local authorities should not make disproportionate cuts in local voluntary sector funding. In Liverpool, the cut this year in sector funding is 48% in one year. It is down from £37 million to £19 million. We would say that, whatever problems Liverpool council is facing—and they are very real—that is a disproportionate cut. The money that is going to flow through the Big Society Bank, through such mechanisms as social impact bonds, will be important in the future, but it is small scale compared with the public sector money being withdrawn as a consequence of local authority cuts.

Q437 Lindsay Roy: Just on that theme, Dame Elisabeth Hoodless said that local authority spending cuts were destroying the volunteer army. Is that still a notion that prevails?

Kevin Curley: May I just make a start on that? We had a look last week at what is happening to volunteer centres. Local volunteer centres are a very important way of recruiting more volunteers and making sure that they are properly placed into local charities and the local public sector, where they can do good work. As a result of the local authority cuts, they have closed in Hartlepool. They have closed in several districts in Essex, there have been big cuts to volunteer centres in Darlington and Blackpool, and youth volunteering for 16 to 25s funded by “V” has ended completely in Swindon, Liverpool and Bradford. There is no doubt that there is a mismatch between the very attractive rhetoric of the Big Society, in terms of getting more people involved in voluntary work, and the reality of what is happening as a result of local authorities withdrawing financial support for volunteer centres and other volunteer organisations.

Sir Stephen Bubb: I think the core point here is that the Government, councils and many people who look at volunteering assume the only issue is how we get more people to volunteer, and forget that volunteers need to be organised, supported, trained and managed. Actually, that is the bit that is being cut. Dame Elisabeth was absolutely right, and it is what many of my members will tell you: if you want to get more volunteers, you have to support the organisations that support volunteers, as well as encouraging more people to volunteer. What has plagued our organisations over the past decade is Governments’ new initiatives on volunteering, which are encouraging young people to volunteer, etc., and our organisations’ inability to organise them effectively.

Paul Nowak: What is increasingly clear is that the Government’s spending cuts are in danger of making a mockery of the aspirations behind the Big Society.

If you look at those local authorities that are taking disproportionate hits—the likes of Liverpool, Manchester and Tower Hamlets—they are overwhelmingly concentrated in poorer parts of the country. There is a direct impact on local authority services and also a direct impact on volunteer community organisations. That is one problem with the Big Society, and hopefully we will get into the substance of some of these issues.

Alongside the Government’s commitment to opening up public services, introducing “any willing provider”, or whatever you call it, and saying that the state is no longer the provider of services, we think, actually, that some of the warm words around the Big Society—the laudable aspirations about encouraging voluntarism and empowering local communities—are in danger of being absolutely undermined by the Government’s programme of cuts and reforms in public services.

Q438 Lindsay Roy: Somebody said recently in relation to the Big Society that “A vision without action is daydreaming. Action without vision is a nightmare.” Do we have some nightmare scenarios or chaotic situations in relation to this?

Kevin Curley: I think, Chair, now that all Government funded support through “V” for youth volunteering in big cities like Liverpool, Bradford and Swindon has ended, while perhaps “nightmare” is not right, it is certainly very regrettable.

Lindsay Roy: Chaotic.

Kevin Curley: When you put it alongside the money that is going into the new National Citizen Service, you do have to ask whether that new initiative justifies all the pain that has been caused in terms of the loss of support for volunteering at local level across the country, and that is what a lot of my members are saying.

Sir Stephen Bubb: I will be very clear: I support the Government’s aim to build a bigger and stronger society, and I see that reform of public services is a core part of that. I probably have a different view from Paul about this, because I see reforming public services not, as I said before, as a managerial agenda, but as an agenda that is around giving more power to citizens and communities over their services. This was a key point I made in the reports I wrote recently for Government about the health service reforms on choice and competition, because I see opening up our public services and giving citizens more rights—whether that is, as in the Localism Bill, the right to challenge and the right to provide—being extended to the health service and other parts of public services. I think that is the way we get better public services and we give citizens more power over their services.

You only have to look at one example: crime, and the money that we spend in our probation and rehabilitation services. Only 4% of that budget is delivered through third sector organisations, and yet we know the state is hopeless at rehabilitation because more than 70% of people who have been in prison are back in prison within two years. Third sector organisations that deliver those services get records as low as 50%, so why are we not commissioning them more? I think we have to open up our public services

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to ensure that third sector organisations really can deliver more.

Q439 Chair: You are talking about competition rather than breaking down the state monopoly. Private sector organisations also have a good record on recidivism.

Sir Stephen Bubb: Absolutely they do. If you look at public services from the point of view of the beneficiaries—from the point of view of communities and citizens—which is what we should do, and from the perspective of what is the best service for them, you cannot say that the public sector is better or that the third sector is better or that the private sector is better.

Q440 Chair: So are we saying that competition is part of the Big Society? Are the Big Society and competition synonymous?

Sir Stephen Bubb: Yes.

Paul Nowak: I think that Sir Stephen's aspirations for public services and reforms absolutely cut across the British public's aspirations for public services and reforms. A YouGov poll found that 73% of the British public did not agree that there should be more competition in the national health service. Actually, there is no evidence at all that opening up our public services to the private sector means that those services are delivered better or more cheaply. A recent report in the *Financial Times* clarified that point.

Chair: I do not want to interrupt you, but we are straying into somebody else's questions. Before I go to Mr Hopkins, may I just take a quick one from Mr Elphicke?

Q441 Charlie Elphicke: Is it not the case that while the British public say that they do not want public services privatised, they actually like the idea of charities and social enterprises taking on these services—because first, as Sir Stephen says, they do a much better job because their heart is in it; and because, secondly, they see charities and social enterprises as being, effectively, on the side of the angels, not on the side of voracious profit? Don't you welcome that as part of the Big Society?

Paul Nowak: We have members working in the public sector, the private sector and the voluntary, charitable and social enterprise sectors as well. What the British public do not want is a postcode lottery, for example, with the standard of the services they can expect to receive being dependent on the capacity of this or that local organisation. That is certainly what they do not want, and I think we have seen that the public reaction to the NHS reforms is that they do not want the national health service opened up to a plurality of providers—any willing provider.

Q442 Charlie Elphicke: Do you think that uniform mediocrity would be better than allowing flowers to grow and do really well?

Paul Nowak: Absolutely not, but if you look at the satisfaction ratings for the NHS prior to the Government's introduction of reforms, they were at an all-time high. People actually believe that the NHS provides a good service.

Chair: Order. This conversation is in danger of becoming negative and political, so I think we will move on. Mr Hopkins?

Q443 Kelvin Hopkins: Thank you, Chair. I am grateful for that intervention, because I would be wanting to fire away as well—saying the opposite things to Charlie, I may say.

As a former TUC staff member, it is a pleasure to ask my first question of Paul about this support for the public wanting more providers—a range of providers. In fact, according to research, which you quoted, I think, 94% of people believe that public services should be provided by national or local government, and not by other organisations. Indeed, there is another bit of research about youth services specifically, which have been mentioned today. When people were asked who should provide youth services, they said: No. 1, local government; No. 2, central Government; No. 3, the third sector; and No. 4, the private sector. The public seem to have a very different view from that put by the Government. Is that fair, do you think?

Paul Nowak: I think it is fair, but that is not to say that there is not a role for the community and voluntary sector, or that there is not a role for the private sector in large parts of the public sector. We already have, effectively, a mixed economy, but I think that the British public want what works best, which overwhelmingly, in their experience, is those services delivered by national and local government. I think that we have to be very clear with the Big Society rhetoric. There are some laudable aspirations about more mutuals and co-operatives, particularly when they are driven by service users and the staff delivering those services, but effectively what the Government are talking about—and we have not seen the White Paper on open public services; it has been long delayed—is opening up our public services to privatisation and marketisation.

Overwhelmingly, as you suggest, Mr Hopkins, the evidence from the public is that that is not what they want at all. They are worried about stretched public finances being lost in shareholder dividends; they are worried about accountability, because accountability to shareholders is not the same as accountability to local communities; and they are worried about service quality, because, as I said before, there is no evidence at all that the private sector delivers public services better, more effectively or more cheaply than the public sector.

Sir Stephen Bubb: There is.

Paul Nowak: Well, a comprehensive assessment of all the evidence in the *Financial Times* last year said that there was not that evidence.

Q444 Chair: Mr Nowak, thank you very much. Whenever I hear a narrative like that, I always wonder why we trust the capitalist system with this country's food supply, which it seems to manage quite effectively, but I would like to bring in our other commentators. Mr Curley?

Kevin Curley: May I make a quick point about the Big Society and commissioning arrangements, which need to change if local charities and local community

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groups are going to thrive? A year ago, Hull city council put its advice services contract out to tender, and a very well-established, well-run and effective citizens advice bureau in Hull lost its funding—the contract was won by A4e, a private sector organisation. The essence of why A4e won the competition was that the commissioners responsible for sorting out that contracting opportunity were not able to place any value on all the aspects of the citizens advice bureau beyond the simple provision of advice from adviser to individual.

Chair: That is a very important point.

Kevin Curley: There was the value of volunteering, the value of ownership by a local body of trustees, and the value of all the work the citizens advice bureau did to influence the development of social policy in the city of Hull. I think the social value Bill that Chris White has promoted is really important, and recognition of that, and of the need for really clear guidance and firm implementation, if it is enacted, would really help in that sort of situation.

Chair: I think that that is a very useful point.

Q445 Kelvin Hopkins: Can I just make a point? There is a phrase that has not yet been mentioned: “public service ethos”, which I think suffuses the public services. It is not just about earning a salary, doing your job and going home; it is about a sense of public and social commitment by people in the public service that is not driven by profit, and there is a major difference there. I do not know if you would like to comment or not.

Paul Nowak: I think that there is a particular issue around volunteers. If one of the aims of the Big Society is to increase the number of people who volunteer and to give them more opportunities to volunteer, there is real evidence to suggest that people are put off if they believe that it cuts across that ethos. If I am volunteering to give something back to my local community, the idea that somebody is making some money on the back of that disincentivises me from taking part in those volunteering opportunities. I think, genuinely, that we want to encourage volunteering, and that we want to make sure that people have the skills and confidence to volunteer and the feeling that they can play a role in their local community. The danger is that if we open our public services to the private sector, that ethos of volunteering is undermined.

Chair: I am going to alert the Committee, and indeed our panellists, that we have been going for 45 minutes now. We are going to need to go very much faster, so may I request short questions and short, crisp answers?

Q446 Greg Mulholland: A quick question—it is just a follow-on. I do not want to get involved in the ideological ping-pong because I do not think it is particularly helpful to what we are trying to establish. I do feel that there is a slight rosy view of some traditional public services. Dealing with reality, do you not accept, Mr Nowak, that the evidence in the health service—you have been, frankly, just quoting 38 Degrees and blind opposition to the health reforms; I have issues with some parts of the health Bill

myself—when you look at its sectors, is that the best example is clearly the hospice movement which, by a strange quirk of history, has always been done by the voluntary sector. Indeed, if you look at the provision of wheelchairs for young people, they have been utterly failed by the way the public sector has been set up. Now, if you go to Tower Hamlets, you will see huge success by doing things differently, and that has been in partnership with a more responsive public service and the voluntary sector. Do you not welcome that? Indeed, I accept that you have—

Chair: I think that we have got the gist of your question.

Paul Nowak: Just let me make this clear up front: we have 4 million members who work in the public sector, delivering a wide range of public services. They want those services delivered as effectively and efficiently as possible. They are proud of the services they deliver and, as I said before, a number of our members will be working in the community and voluntary sector in delivering those services. I think what worries me about the Government’s direction of travel in terms of public service reform is that exactly the sort of partnerships that you have talked about, Mr Mulholland, are in danger of being undermined because, effectively, what we will see is community and voluntary organisations competing against directly delivered public services, and so the added value that those community and voluntary organisations bring at the moment is in danger of being undermined. I have no ideological problem at all. In fact, I and our members welcome and work alongside people from the community and voluntary sector, but I do not think that setting one against the other is good for the health service or any other part of our public services.

Q447 David Heyes: A crisp question, Chair.

Kevin Curley, you tried earlier to get in, so this is your opportunity to build on the statement you were making. You talked about Barnardo’s in Wakefield and how it co-operated to support smaller groups, and then the negative side in Leeds, where Home-Start was squeezed out by the big groups coming in. You talked about Hull and the advice services being squeezed by bigger organisations. I just wanted you to develop that theme, but perhaps I can start by asking: is there really an appetite amongst the small charitable groups—small organisations with, say, less than £100,000 turnover—to get involved in these kinds of contracts?

Kevin Curley: Thanks for the question. Drawing on examples I have already used, I think that an organisation such as Derby Women’s Aid, which provides a 12-bedded hostel, would aspire to providing a second 12-bedded hostel, but would not aspire to running all the women’s refuges across the east midlands. To take the example of the Hull citizens advice bureau, it would very much like to run a branch bureau on a deprived estate like Preston Road or Orchard Park, but it does not want to provide advice services across the whole of East Yorkshire, by and large. That is true of citizens advice bureaux; it is true of Women’s Aid organisations; and it is true of many locally rooted charities. They want to do an effective job and they would like to grow what they are doing,

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but they do not aspire to large-scale service delivery. What we have to ensure, I think, is that local commissioning arrangements support those organisations and do not put them out of business. We have a whole lot of suggestions here about how that can be achieved, and what the problems are at the moment with trends in commissioning towards big contracts let by competitive tender through the sorts of procedures laid down in EU regulations that are used for massive cross-border competition.

Q448 Chair: The contracting habits of local and central Government are really tiresome in your view.

Kevin Curley: It is absolutely crucial that they do not apply the same approach to buying advice services and support for women fleeing domestic violence that they apply to buying wheelie bins and computer systems.

Q449 Chair: It is a question of recognising the value added by a voluntary organisation, but it is just not recognised in the contracting process at the moment.

Kevin Curley: It is the value added in all kinds of ways through volunteering, knowledge of communities, the contribution that organisations make to thinking about local needs and so on, but it is also about the detail of how procurement is run by procurement officers.

Q450 David Heyes: To all the panel: what should the Government do differently to avoid these dangers?

Kevin Curley: I would like an opportunity, if I may, Chair, to write in with more detail about this than I could say in an answer.

Chair: I think we would appreciate that. I think it is a very important point.

Kevin Curley: Most fundamentally, it is vital that the Government take a lead and tell local authorities and the local NHS that commissioners do not have to follow European Union public contract regulations when they are letting contracts for Part B services—principally education, health and recreation services.

Q451 Chair: I think that that would be an extremely useful reform if we could implement it.

Sir Stephen Bubb: Can I also say that this is exactly one of the issues I covered in the report I wrote on choice and competition in the health service? We need to understand the difference between commissioning and procurement, and we need to understand how commissioning can drive much better service delivery by taking account of a wide range of issues in terms of value-added social impact. For example, the private Member's Bill that, I think, Chris White and the Government are supporting would be one very solid way of improving things, but I think there are other ways in which we can tackle this, which was why I suggested, in the health service report, that competition needs to be seen not as an end in itself, but as a means to securing greater choice and citizen and community power in our health service, because the bottom line is how you secure better services for people, not obsessing on the ownership form of those services.

Q452 David Heyes: I am hearing that we need to do this differently but I am not hearing how differently.

Sir Stephen Bubb: I would do what Kevin—

Q453 David Heyes: That is one good example. Are there more?

Paul Nowak: I think you need to think about building social clauses into procurement and commissioning processes, about the impact on the local community of who wins a particular contract, and particularly about the pay, terms, conditions and pensions of staff. At the end of last year, the Government abolished the so-called two-tier code, and there is a real danger that if we see a return to the bad old days of competitive compulsory tendering, contracts get let simply on the basis of who puts in the cheapest price, and often those contracts are not sustainable, have no added value at all for the local community, and result in the pay, terms and conditions of people delivering those public services being undermined. I think it is thinking about those sorts of issues more roundly, which is very difficult in the current economic climate, where commissioners are under pressure to secure savings in the short term.

Chair: If you have a note to come for us on that, I think we would be very interested to make recommendations along these lines.

Q454 Paul Flynn: Do you think that charities and community groups have the skills and resources to increase the delivery of public services? I am thinking in terms of the suggestion that has been made that this notion of the Big Society—if it is not dead, it is in a very deep coma at the moment—is to be promoted for ideological reasons by a Prime Minister, but there is no basis for it. You suggested, Mr Bubb, that there would be some improvement in recidivism, but Oliver Letwin has rightly said there has been no improvement in recidivism in 40 years of government. How has someone got the resources or the creativeness to provide a solution because it happens to have the “Big Society” title slapped on it?

Sir Stephen Bubb: I think the capacity and infrastructure of our sector has been a concern to all of us, and it has to be a concern if you want to ramp up delivery through our organisations, so traditionally it has been extraordinarily difficult to fundraise for infrastructure support against a background where people want their pound to go to the cause, rather than for what is actually is very necessary administration. There are a number of aspects of capacity-building. There are aspects for the third sector in terms of how we promote mergers and alliances and partnerships—that is an issue for us. There is an issue for Government in how they support the development of capacity in the sector, which, actually, the last Government and the current Government are doing through the work in OCS. In particular, the way in which the public sector and the private sector grow against the challenges of more contracting is through access to capital, and access to capital is completely important in how we develop as a sector.

Q455 Paul Flynn: The service is creaking at the moment, suffering massive cuts—£1 billion this year;

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£3 billion in a couple of years' time—and being imposed on it, for political reasons, is a new reorganisation, which is likely to create chaos itself, as most reorganisations do. Isn't this idea something that we should quietly creep away from and forget about?

Sir Stephen Bubb: No.

Paul Nowak: I think you actually have to look at what happens. I think there are some real issues about capacity and resources. I know that the Committee has discussed this in the past, but if you take the Work Programme as an example, 15 of the contracts went to the private sector and only two went to the voluntary sector. The two that went to the voluntary sector were effectively voluntary and private sector partnerships. There are issues. Large-scale outsourcers can afford to run loss-leaders. They do have economies of scale and, effectively, you have an unbalanced marketplace.

Q456 Chair: The message I am getting from all this is that in order to promote what we call the Big Society, it is not that charities need to adapt to the big contracting culture, but that the big contracting culture needs to go out the window so that that local government, in particular, adapts to the small charity sector and offers it agreements that it can cope with.

Sir Stephen Bubb: Partly, but I do think that there is a very interesting point: in the way we are organising our public services, there is much more scope for strategic alliances between the third sector, the public sector and the private sector. I also think that what you saw in the way the Future Jobs Fund was run was very interesting examples of consortia, where a lead charity got together a supply chain of a wide range of smaller charities that did not want to contract themselves, but very much wanted to provide jobs as part of that scheme. You had some very interesting developments, and the way we work against this background is actually alliances of small community organisations and larger national organisations. Some of that is happening.

Kevin Curley: Chair, I agreed with your summary but, in a sense, with the Work Programme and the whole way that Department for Work and Pensions is running its contracts, the argument has been lost. We have big prime contractors, but we have almost 300 voluntary organisations in their supply chains. These are all ambitious local charities—a lot of them—that do want to offer new opportunities to people who are out of work, and what we have to try to regulate—the relationship between the prime in the private sector and the sub-contractor in the local voluntary sector—is the Merlin standard. I would urge you and your members to take a look at this, because there is a real risk at the moment that this really good code is going to be ineffective because of a lack of adequate implementation. We think this is a really good code for the relationship between local voluntary bodies and big primes in the private sector, but it needs enforcing.

Chair: That is a very strong message.

Paul Nowak: I just make a more fundamental point, Chair, to follow on from your summary: no amount of rhetoric can replace £1 billion of funding to the

sector. You cannot make those sorts of cuts and just expect the sector to pick up the slack and somehow deliver services to communities and service users with no impact on the quality of those services or the capacity right across the country.

Chair: Thank you for that point.

Q457 Charlie Elphicke: Sir Stephen, I do have a bone to pick with you—I thought that you were far too generous about me in your blog. I hope that, in future, you will be much more accurate in what you write.

Just turning to our discussion earlier with Mr Nowak on this issue of contracting out public services or passing them across to the charitable and social enterprise sector, do you agree with his position that this would just create a postcode lottery?

Sir Stephen Bubb: No, I do not, actually. One of the reasons I think that opening up public services is a good thing is because I think one of the problems with state delivery of public services is it has often been very bureaucratic, inflexible and not open to users. In fact, you will see among my membership that a whole range of those charities have come about as a result of the rejection of the way the state has dealt with their beneficiaries. That is particularly true in mental health and disabilities. Some of our biggest charities, interestingly—Mencap and Scope are great examples—came about from an individual family saying the way the state was providing services for their kids was so intolerable that they would not put up with it and they would do something about it. That is absolutely why we need to open up public services.

Q458 Charlie Elphicke: In building the Big Society—and I think this goes to the heart of the whole issue about Big Society, Chair—you are going to have ranged against you what you might call provider interest. You have recently written about the BMA: “As the doctors' trade union, their recent conference shows how little interest they have in the rights and role of citizens and patients”. Arguably—Mr Nowak might disagree—I think we have heard some of that from the TUC side of things as well. How difficult do you think it is going to be, in building Big Society public services, to defeat the provider interest in the interests of the people?

Sir Stephen Bubb: When the Government produce their White Paper shortly, I very much hope that they will accept the challenge that they are going to have to confront producer interest, because, as I have said, I think that public service reform is about giving more power to citizens and communities. One thing I felt in health, actually, was that the Government were tackling it a bit too much from the point of view of a regulator imposing competition, whereas I saw competition as being imposed by people. Giving citizens and community groups the right to challenge poor service delivery and say, “Actually, this could be done better,” is a great way of ensuring public service reform. You are absolutely right that producer interest has to be challenged in the way in which many of our charities have done in health and disability.

Paul Nowak: I think it is worth making the point to Mr Elphicke that the 4 million trade union members

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who deliver public services are also people who use public services. They are patients, they are parents and they are people with elderly parents who are in social care, so they have an interest in how public services are delivered, not just from a provider point of view, but as people who use those services. Some of the problems and issues that Stephen talked about, I think, are functions of management, not of sector type. The reality is that you can have poor management in the public sector, in the voluntary sector and in the private sector. It is not a function of the public sector alone. I think there is a danger that what we focus and fixate on is, "We need more providers; we need to introduce the private sector and the voluntary sector," and we do not think about how we, for example, engage staff more effectively to give them a sense that the things they do day to day can affect the running of the service and help to improve the service.

Kevin Curley: I just wanted to make a comment about, in a sense, unfairness, which could be there within the Big Society around postcode lotteries. I live in a village in Derbyshire. If there was a threat to the village library, I am sure that there would be a community response—I would be part of it. Ultimately, if we lost the battle to keep the library open, people would come forward and we would do something to stop the shutters going up. Across the other side of the Derwent Valley in Derbyshire, in a community like Cotmanhay, I think that the community response could not be as strong, because the people living on that estate would not have the same sorts of resources and skills to draw on to keep their library open. Surely there has to be a role for the state in maintaining minimum standards and not allowing, as it were, Big Society unfairness to keep the library open in my well-heeled village, but to see it close on the estate.

Q459 Chair: I think that most people would agree with that sentiment, but is there not a danger that it becomes self-reinforcing? The expectation is that less-favoured communities are, by definition, leaderless and incapable, when, in fact, we have discovered that, in some communities, that is simply not the case. They can discover their own leadership.

Kevin Curley: Sorry; I did not want to characterise it in that way. I spent an early part of my career doing neighbourhood work in Byker in Newcastle upon Tyne, so I know that there are real strengths in these communities, but the community of Cotmanhay is unlikely to have living in it a solicitor, an accountant, a VAT expert and somebody who can negotiate a lease for a peppercorn rent. My village has all those skills, but if you have not got the skills to level that playing field, you have to find a way of providing that sort of support in the community.

Q460 Charlie Elphicke: I completely agree and that is an absolutely central point. I think it was recently in the Government's Green Paper. They talked about the reform of the Green Book. The Government's Green Book is the yardstick whereby bidding is judged for the outsourcing of services or the sale of assets. This is close to my heart, because I am trying to foster the community takeover of the Port of

Dover—it has been stuck on the block by a previous Government, as it turns out, but it could be any Government in principle. In that, it is quite central that you measure social and enterprise value. We have raised Chris White's Bill, which I strongly support, and I hope to serve on the Public Bill Committee when it gets there. Do you agree that we need to push for reform of the Green Book as well as EU procurement, and will you rally your respective organisations to press that case on the Government? It strikes me that it is central, if you want to build the Big Society, that you have to have that social value built in, understood and accounted for.

Sir Stephen Bubb: That is absolutely right.

Kevin Curley: Yes.

Chair: That was a good short, crisp answer. Thank you very much.

Q461 Charlie Elphicke: Finally, Sir Stephen writes about the YouGov poll in his exciting blog—I love to read it and it is so generous to me—and the issue about having paid time off to volunteer is, I think, really important. Can each of you say how much time you have taken off in the last year to work on voluntary projects?

Sir Stephen Bubb: I should think probably about five or six days. I worked—surprisingly, you might think—in supporting a local project where I live in Brixton to restore the windmill. It is unusual to have a windmill in Brixton, but that is one of the areas in which I do some work. I also do work in my local church.

Kevin Curley: I chair two charities: Sengwer Aid, which supports a community in Kenya; and the Pickering family centre in North Yorkshire. I cannot count up how many days I give them, but it is far more than my wife approves of.

Paul Nowak: I would have to plead the defence that I have three small children and I am also—probably one or two weekends every month—involved in meetings, events or training sessions for trade unions and trade union representatives. Just to put this on record, one interesting thing about our community is that trade union representatives—activists in their workplace—are eight times more likely to be active in their local community than Joe or Joanna Public. I think that that is because people who are active in their workplace also tend to be active as school governors or on local community or sporting associations—wherever it might be. One of the bits in the Big Society that is missing, I think, is thinking about how you can use the 200,000-odd trade union representatives who are out there and give their own time—day in, day out—to represent people they work alongside, and how you involve them in the Big Society.

Q462 Paul Flynn: If there is a transfer from the public sector to MegaGreed plc, will the standards of the public sector disappear in many ways—the accountability, equality standards and freedom of information?

Paul Nowak: I can pick up some particular concerns. We would be worried, for example, if we were talking about new mutuals or services being spun off and the

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absence of things like asset locks—how do we make sure that assets that have been generated in the community and that belong in the community stay in the community? We would be worried about issues around risk and what happens if, for example, a new mutual or co-operative fails. There is the presumption that the service goes straight into the private sector. There are some real concerns for our members—such as the abolition of the two-tier code that I mentioned—and we have just seen the closing of the consultation on the fair deal on pensions. We are absolutely committed to trying to ensure that, if services are outsourced, the pay, terms and conditions, and pensions of people delivering those services are not undermined as a result. If the Government are serious about encouraging a plurality of providers, they need to think about how you safeguard the livelihoods of the people who deliver these services.

Q463 Paul Flynn: Is there a real threat that provision will be inferior after five years of the Big Society?

Paul Nowak: Yes, I think there are very real concerns. If you get rid of the two-tier code and if you look at jobs in, say, contract catering or cleaning, there is a presumption that the national minimum wage almost becomes the default wage for the delivery of those services, and I think that that would be to the detriment of not only the people who deliver those services—obviously—but the wider community. The public service provides good, well-paid—by and large—well-regarded employment, and we would not want to see that lost.

Chair: Thank you. Are there any other points that our panel would like to make because we need to get our other witnesses in?

Robert Halfon: A very quick question—10 seconds.

Chair: A 10-second question from Mr Halfon.

Q464 Robert Halfon: Thank you. I agreed very much with what you said about the trade unions having an important part in the Big Society. Will you just expand on that a little bit and explain how it might work in practice?

Paul Nowak: As I say, the reality is that people who are active in workplaces are also more likely to be active in their local communities, so thinking about how we can use that resource, we train about 60,000 trade union representatives a year. How do we use that training, for example, to get them to think about not only workplace issues, but issues that might be of concern to their local community? We have undertaken a number of pilot projects around community organising and community-union engagement. I think that unions have a lot to bring there. It is important just to note, more broadly, according to figures produced by the Department for Business—I think from back in 2007—that union reps are worth £10.4 billion a year to the economy in terms of improved productivity.

Q465 Robert Halfon: And running services.

Paul Nowak: Yes. Leveraging that resource. I am not going to get into trade union reps delivering services directly, but I think that they have an important role to play in communities.

Chair: I think you have given a very full answer. Thank you very much indeed to all three witnesses. I am most grateful to you. It has been a very helpful session.

Examination of Witnesses

Witnesses: **Professor Julian Le Grand**, Chairman, Cabinet Office Mutuals Taskforce, **Ed Mayo**, Secretary General, Co-operatives UK, and Member of the Cabinet Office Mutuals Taskforce, and **Shona Nichols**, Group Marketing, Communications and Sustainability Director, Capita, gave evidence.

Q466 Chair: Thank you to our second set of witnesses for joining us. I wonder if you would each identify yourselves for the record, please.

Ed Mayo: I am Ed Mayo. I am Secretary General of Co-operatives UK.

Professor Le Grand: I am Julian Le Grand. In my day job, I am Professor of Social Policy at London School of Economics, but I think that I am here in my capacity as unpaid chair of the Mutuals Taskforce set up by the Cabinet Office.

Shona Nichols: I am Shona Nichols from Capita. My responsibilities there are marketing, communications and sustainability.

Q467 Chair: I think that you will have to speak up a little bit. Thank you very much.

May I just ask at the outset, Professor Le Grand and Mr Mayo, what the reaction has been to the Government's Mutuals Taskforce? Has there been a reaction?

Professor Le Grand: Yes. There is a lot of interest. I get invited to speak on innumerable occasions at innumerable seminars.

Q468 Chair: Who is interested?

Professor Le Grand: We are getting quite a lot of calls to our mutuals information line from potential employees who wish to think about the business of setting up a mutual.

Q469 Chair: Mr Mayo?

Ed Mayo: That seems fine.

Q470 Chair: What do you think the barriers are to public sector employees moving over to a mutual organisation and carrying on the same service?

Professor Le Grand: Where do we start?

Q471 Chair: Is this the long answer coming?

Professor Le Grand: I am afraid it is. My colleague will also be able to provide anything I leave out. Question No. 1 is procurement.

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Q472 Chair: That is the same question as before.

Professor Le Grand: It is related to the discussion earlier on, and your points there that were made about commissioning. Many of the people who start mutuals have no experience of, or often indeed very little understanding about, what is involved, and the business of setting up a business, which, to some extent, is what is going on here, is very difficult. If they were to set up a mutual and then be promptly exposed to the forces of competition from larger organisations, large charities or large private sector organisations, they would clearly be at a disadvantage. One of the issues concerned is whether mutuals should have an infant protection period. At the end of the day, they are going to have to be open to competition like anybody else in providing public services, but can we devise some form of protection for a short-ish period of time to let them get going? That is one issue.

A second issue would be the transfer of working conditions, and particularly—this is related to some of the previous conversation—pensions, which is an enormous issue that comes up time and again. A third issue is VAT. It never occurred to me that VAT would be a significant problem, but there is a big issue about the application of VAT in these circumstances. A fourth issue concerns asset lock. The point was made in the previous session about whether we wish to have some mechanism by which the community assets remain within the community and the organisation is not prone to takeover by large organisations or private sector organisations of various kinds. How am I doing, Ed?

Q473 Chair: That is a very full answer. Anything to add, Mr Mayo?

Ed Mayo: I guess the encouragement is that other countries across the world have looked at these models over a long period of time and been able to make a success of them. In Italy, for example, there are models of what are described as social co-operatives. It is a distinct and clear legal model, it has an asset lock, and they operate for the public interest. They have an exemption agreed with the European Union under commissioning and contracting, which the Committee might be interested to hear, given the earlier discussion. In Sweden, there is a range of childcare co-operatives. In Spain, there are co-operatives running schools.

Other countries have successfully run programmes to see co-operatives and mutuals take up public services. They have done that over a long period of time, addressing these barriers as they come through. The first point has to be that the interest in mutuals in public services needs to be seen as a long-term programme, not a quick fix or an overnight change.

Q474 Chair: That is very important, but I am interested in the exemptions that some countries have arranged themselves for mutuals. For example, in Sweden, free schools are not covered by the public procurement directive, yet a contract to build a free school in the UK would be covered by the public procurement directive. Is that the sort of exemption that the Government should be looking for?

Ed Mayo: That is interesting. I do not know the details on the Swedish example, although co-operative schools in Sweden have been a real success story and one that is echoed here now, in England at least. In Italy, the model of social co-operatives has grown. There were 650 social co-operatives in the mid-1980s and there are now 7,000. They provide social care, employment, reintegration, reoffending support and health services. It is a little bit different to the model we have here, which is kind of anything goes as long as it is within the overall rubric of what being a mutual is: member ownership and majority member control. The social co-operatives in Italy are of a very clear distinctive form: you can kick it, in a sense. What the Italian Government have been able to agree for the type B social co-operatives, which focus on disadvantaged people, is an exemption for local authorities to be able to reach direct contracts with social co-operatives for contracts of up to €300,000.

Although I very much welcome the focus on social value, some of this gets a little bit foggy and you cannot kick it in quite the same way. The benefit of having a clear model operating in the public interest in this way is that you are able to convince the authorities to make a change of this kind. I endorse the comments on the need for further reform of the state aids over time to open up these kinds of models.

Professor Le Grand: Can I add one thing to emphasise the point? I discussed some of the more technical barriers. Ed is perfectly right to draw attention to the more fundamental cultural issues here, and often the opposition comes from cultural methods. We have a particular issue with middle managers in local authorities who are approached by a set of employees who say they would like to spin out and develop a mutual, and they are simply told, “No, it is not possible.” It is not part of the culture.

Q475 Chair: There is training and attitude formation required in the commissioning bodies.

Professor Le Grand: Indeed.

Q476 Robert Halfon: As opposed to the managers themselves, how much enthusiasm have you found among public sector workers to have co-operatives, and to spin out for services into mutuals or co-operatives?

Professor Le Grand: We have not as yet been able to. We do not have the resources to engage in a very systematic survey of all public sector workers to see how many of them would like to. We are getting largish numbers of expressions of interest, and we have 21 pathfinders already set up.

Q477 Robert Halfon: Are the expressions of interest from the managers?

Professor Le Grand: From the managers?

Robert Halfon: Or the normal public sector workers. Or both.

Professor Le Grand: I would say it is mostly from the public sector workers themselves. It is the front-line staff who the interest tends to come from, more than the managers, but I would find it hard to justify that from hard evidence.

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Q478 Robert Halfon: The TUC says that it is primarily led by managers. Is that the case?

Professor Le Grand: We certainly do not see that.

Q479 Charlie Elphicke: One of the key issues with the Big Society is that if you want to build it, it has to come from the grassroots. The whole ethos of it is that it is not top-down, and yet there is an issue that anything that is not invented here—here being the Cabinet Office, for example—is not then welcomed with open arms. How do you get around that problem?

Professor Le Grand: We view our role as encouraging bottom-up support for the development of mutuals. We are not trying to impose on Departments—or indeed on the services within Departments—the idea that there is some kind of mutual template that they have got to go with. Rather, we are in responsive or reactive mode to getting inputs from groups of workers, and to trying to offer them support, advice and encouragement to develop their own mutuals.

At the moment we are chiefly in responsive mode. We are considering whether we ought to be more proactive in picking out certain areas that we think are particularly suitable for mutualisation, so to speak, and at that point we will have to consider the ways in which we try to mobilise support for that, but we do not see this as a top-down enterprise.

Ed Mayo: I would just remind the Committee that the co-operative sector is a private sector movement in the main. There are 5,450 co-operatives, and the vast majority are trading in competitive markets. There are some very good examples of public service co-operatives, but we are looking at a sector, on the latest figures we have just published, that is trading happily in the market and is not reliant on state funds for what it does. If anything, those independent co-operatives look at some of the public service work and have the fear that the brand of co-operatives may be infected, or knocked, if there are top-down efforts to set up co-ops that are clearly going to fail. As you say, co-operatives are member owned; they are bottom-up in that sense.

Q480 Robert Halfon: Is there any difference between a not-for-profit housing association and a co-operative?

Ed Mayo: The difference is that in a housing co-operative, the people that live in those houses have a stake in the houses themselves and a vote on the board that will oversee and run them. Housing associations provide an invaluable service, but there is quite a “get what you are given” culture of paternalism that is retained in that sector, I would argue. The great thing about examples of housing co-operatives and mutuals—smaller in this country than overseas, but in Sweden or New York—is that people have that stake. It is a very Big Society idea, coming back to the original question.

I am continually shocked, unfortunately, by the lack of understanding of co-operative and mutual models right across Whitehall. Perhaps not surprisingly, because these are business models and they are not engaged in public services, the understanding is not good. That understanding goes through from Treasury and through the Financial Services Authority, which

is intended to register many of the legal models that are there. Certainly, if I had a fear, it would be that some of the mutual models are those that come approved by someone in Whitehall or someone in Cabinet Office.

The encouraging sign is that we have seen the Government reach out to people who understand the models backwards, and we have been invited in. It is welcome that we have been invited into the Mutuals Taskforce, and there are members in other mutuals that are employee-owned businesses engaged in that way. The Post Office is perhaps the largest proposed mutualisation across Government, and, again, it is an example where rather than the Department for Business saying, “This is what it will look like,” there has been a process of reaching out to involve different groups to see how that could work. Opening the windows and opening the door to what quality looks like is vital.

Q481 Charlie Elphicke: That is a central point that Mr Mayo raises. First, I have raised this particular issue because of my own interest in mutualism, driven by my own constituency concerns. I have had to be a complete pain in the neck to everyone, and I am thinking that if a mutual enterprise wanting to take over a service or asset did not have a Member of Parliament who was prepared to bounce up and down every five seconds in the House of Commons and brandish the case, what hope do they have? None whatsoever. That is why I underline this issue. It is really important that when ideas bubble to the surface, there is a way to encourage and support, and to take them through. Touching on housing associations, that is an absolutely central point: why is it that the great and the good sit on the boards of these organisations? Why is it that the tenants—

Chair: This is a speech. Can we have a question?

Charlie Elphicke: It is a question; I am asking why—

Chair: It sounds rhetorical.

Charlie Elphicke: Why is it that the Government do not introduce legislation to ensure that if housing association tenants, by majority, want to take over a housing association, they should be able to do so?

Ed Mayo: That option exists in terms of council housing. It does not exist in terms of social housing in quite the same way, but I endorse your point absolutely. Co-operatives were originally formed as co-operative societies, so the idea of society—as in Big Society—has a long history in that sense. I go out to visit co-operatives around the country. For example, I visited Tamworth co-operative society, the elected chair of which is a woman called Audrey, who is a lollipop lady. She is fantastic. I saw her at work getting the children safely across the road, and then I saw her at work in the boardroom marshalling the people around the table very effectively. She is not the kind of person who, with respect, would find herself in a position of authority in another British business or in many other cases, so that talent can come through in terms of trusting people in that context.

In terms of the need for an effective representative—an MP—in some ways the Mutual Taskforce and Julian have been given that role of charmingly but persuasively trying to open up Departments and take them on the learning curve. I would like to see—this

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is perhaps a recommendation for the Committee to consider—the major public spending Departments appointing at least a mid or senior-level representative in the Department to act as a co-operative contact. That person would be responsible for liaising with what goes on across Government in terms of the Cabinet Office, and also for ensuring that Departments build their own understanding of co-operative and mutual models.

Chair: A very useful suggestion. Thank you.

Professor Le Grand: Some sort of appeals process would also be useful. The Department of Health in its Right to Request programme has an appeals process through which if a group of employees wishes to set up some mutual or social enterprise and is blocked at a medium level, it can appeal higher up the organisation and Department to get approval.

Q482 Charlie Elphicke: What are the implications for accountability of the greater use of mutuals? Mr Le Grand—very quickly.

Professor Le Grand: When we were setting up one particular group of mutuals called the Social Work Practices, which is when social workers group together as small professional partnerships to provide social work services to looked-after children, accountability was always raised as an enormous issue. That was prior to their setting up, and for some reason it has not really subsequently emerged as a major issue. It might be because we have not had a particular crisis. I am sure that at some point there will be a major crisis, and at that point the accountability issues may become crucial.

I suppose the simple answer to your question is that there are two mechanisms for accountability. One is through the contract—the mutual will have a contract with the commissioning authority. Secondly, and most importantly—this is coming out in the experience of Social Work Practice—is the informal relationships that surround the contract. The Social Work Practices that are working most effectively are the ones that have the best informal relationship with a local authority. The answer is that there are both formal and informal methods of accountability, but so far that does not appear to be an enormous issue.

Q483 Charlie Elphicke: Finally, Shona Nichols, you have had to listen to all this sort of stuff. Is it the case that this is all just a lot of old nonsense and they should use Capita and outsource properly? If you take the example of a not-for-profit health organisation in Surrey, it has not substantially grown since it was established in 2005. Is not the market best?

Shona Nichols: I think there is a place in the market for all sorts of organisations, and particularly for those organisations to play to their strengths. There is a view that there is the private sector over on one side just doing one set of normal contracts. We deliver all sorts of different service models: concessions, franchises, JVs, JVs with some employee ownership and participation, etc. Capita itself grew out of the public service. It came from CIPFA many years ago as two people from the public sector, and now we have grown to 37,000 employees.

From what I have read in the evidence, and from listening to the session beforehand, there are challenges for some of those organisations to get involved. The role for Capita and other organisations that have spent many years in terms of taking over services, whether they are from the private sector or the public sector, is using the skills that we have to make those people more productive, to communicate with staff, and to make sure that there is the right kind of capacity, training and leadership to facilitate the change.

It is not just about what label you put on it. It is not just about taking a group of employees and changing their ownership in their organisation. It is about all those other things that you can bring to it to facilitate the change and make sure you get the outcomes. We have a changing role, as a private sector organisation, and the work we are doing at the moment with local authorities, and the way they are procuring, is showing the way to change. There are some very interesting discussions and models that are being put forward.

Lambeth is one. It was a contract that we extended and enlarged recently whereby you have a private sector organisation that is not only effecting the change in terms of bringing down the cost of some bulk services, but able to make an investment that the council cannot do. We are also setting up a community development trust, and the whole idea of that is to make sure that we can work with citizens, other organisations and voluntary organisations and help them to participate more in delivering services to the local authority by putting down seed funding and using people within our organisations as mentors. We are trying to create a better environment and structures to address some of the challenges you get in mutuals, co-operatives and the voluntary sector. We need to move with the market, as we have over many years, to address that going forward.

Q484 Robert Halfon: Is it possible to have a co-operative that is part-private so that the private sector would have a share in the co-operative? You would come along and run a particular co-operative and invest. In other words, you would have access to capital, they would have a share, but the rest of it would be run by a co-operative?

Shona Nichols: You can look at the models at the moment with some of the things coming into procurement. MyCSP is looking for investment in something that is going to become a mutual. You are looking for whatever kind of private sector organisation that can bring the investment and skills to combine and help that organisation to shape itself and go forward. That is in procurement at the moment, and how it will end up I do not know. There are interesting things, but there are barriers, and I do not know what the legal and technical barriers will be.

Professor Le Grand: Joint ventures are perfectly possible, and MyCSP is a classic case of a joint venture we are looking at. It might get problematic if the equity shareholding was much greater than 50%, but equity shareholdings of 49% or whatever seem to be perfectly consistent with the kind of model that we have in mind.

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Q485 Kelvin Hopkins: Capita started as a local authority computer unit run by a consortium of London boroughs. You are now a private company in the FTSE 100. As a plc, your first duty obviously is to your shareholders, but what would you say is your vision, your aim and your objective?

Shona Nichols: Our overall objective is to ensure that we have a sustainable growth company going forward that can then deliver best value for our clients, whether they are in the private sector or the public sector. We do not just have a shareholder as a stakeholder. Our clients, employees and suppliers are all very important stakeholders to us, and we try to be very equitable about balancing what we need to do for those different communities.

Our vision is very much to continue to grow the business, to continue to have access to funds—that is an important point—and to ensure that we can go and develop or acquire companies that will give us new skills that we can then bring to bear to our contracts and the different relationships that we have. In a competitive market, you always need to be changing yourself and the way you deliver things to ensure that you are meeting the needs of your clients and that you are keeping ahead and competitive.

Q486 Kelvin Hopkins: Your website states that your strategic objective is “to stimulate the firm’s growth through acquisitions”. Are you not just another aggrandising private company buying up components of local government or other companies to make money?

Shona Nichols: The basic business model we have is to grow organically through creating and sustaining the small businesses that we have and to take on contracts, including large contracts, with contractual agreement to cost savings and service improvements. We have a regime where we have KPIs and very detailed management information, and if we do not deliver on them, we have penalties as well. Acquisition is part of that model so that we can increase the scale in some areas to deliver back better productivity and lower cost, and also to buy companies. We tend to buy small to medium-sized privately owned companies that have been built up and whose management want to release value to themselves, retire or go and do different things. It is those small companies that often have the kind of niche skills that mean that we can deliver a better service back to our clients.

Q487 Kelvin Hopkins: I remember the origins of Capita. One or two Labour councillors saw an era of privatisation—contracting out—on the horizon, and saw a potential killing, which they certainly made, by effectively going for the privatisation of what was a local authority consortium. Throughout almost the last two decades, this has gone on. For ideological reasons, the Government have been pushing things into the private sector, pushing local authorities to contract out. You have picked up all the profitable bits and made lots of money. Isn’t that what it is essentially about?

Shona Nichols: I do not think that we have picked up all the profitable bits and things like that. We have

been asked by those local authorities to work with them to help them to transform their organisations, and we are delivering back anywhere between 15% and 30% cost savings to those organisations. We are helping them by investing so that they can actually change their services better to meet the needs of the community. We have an excellent JV with Birmingham city council, which is 65% owned by Capita and 45% owned by the council. Some 5% of the profits in that JV are managed by the employees. The employees choose where they wish that money to go, and invest in and develop community initiatives, such as a virtual college for children who have been excluded or self-excluded from school because of bullying or because of their home natures, etc, and in terms of various other community and arts things to help people.

There are different models that you can run to deliver the outcomes for that local authority, and there is some interesting thinking in local government. It has been exploring outsourcing and the different models for a lot longer than central Government. Central Government under Labour were more about engaging with outsourcers to deliver new servicing structures for new policies, such as the education maintenance allowance. We have not engaged—and there is not much more traditional outsourcing—in central Government, whereby you take over an existing service and you try to make it run better and more efficiently, and deliver better outcomes in terms of the service quality.

Q488 Kelvin Hopkins: We could debate for a long time whether it has been beneficial financially in terms of the public purse. You make money out of the public purse; largely it is taxes that ultimately pay. One more question: you put a very benign picture of Capita, but Paul Pindar, chief executive of Capita, seems to have almost a hostility to the third sector about certain large Government procurement contracts, saying, “There is absolutely no way on the planet that this is going to be left to a charity.”

Shona Nichols: As probably all of you have experienced in your own life, certain comments are taken out of context. Those comments come from an interview and discussion that was for educational purposes in terms of one of the financial journalists on the *FT*. Basically, he was saying, “Is there a market for Capita going forward with all of this change?” I do not know in terms of that soundbite that came across, but what Paul was trying to explain, as I was earlier, was that there are different roles for different organisations as they stand at the moment.

If a small to medium-sized charity is to take over and look after—to have transferred to them on one day—3,000 people, it probably does not have the capacity, ability, investment, funds, etc, to make sure that it can run that and do so sustainably going forward. He is not anti the voluntary sector; he was just trying to explain that there are barriers for various charities and other voluntary sector organisations to take on some of the large chunks of central or local government.

Chair: This was about a £2.6 billion contract to handle travel services for Whitehall Departments. I

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cannot think of a charity that might be interested in that.

Q489 Kelvin Hopkins: A general question to all three of you: in the past, mutuals grew up either where there was no provision before, or as an alternative to private provision. Mutuals are now being seen as a way of pushing former public services out into another sector, and many of us see this as a stepping stone to privatisation. How much of this is just the decoration of a process of pushing public services out into the private sector?

Ed Mayo: I would argue that whether or not one was looking at a programme of the Big Society—and co-operatives tend to be interested in the ounce of practice, not the tonne of theory—there would be a very strong case for looking at the role of co-operatives and mutuals in public service delivery anyway. In my view, the market does not work as an effective market. The focus on contracting creates economies of scale, and it creates what economists would describe as a bargain and then rip-off scenario, where some firms do extraordinarily well. There is a case for looking at getting greater efficiency out of the outsourced public services at any rate.

The current rules of the game essentially encourage the Government either to keep it in or to kick it out. What is difficult is the investment in processes whereby you could see the staff come forward to take some share of ownership in it, or communities to take some share of ownership in it as well. There have been real barriers to that kind of model emerging. The Foster Care Co-operative is one example of a public service co-operative. It includes 250 foster carers. They are not particularly well paid, but they are unionised and they have got the dignity of co-owning their co-operative. They are motivated by providing an alternative to private businesses that make millions out of child care. They deliver an extraordinarily effective commercial service. They are spreading in Scotland and across the UK as well, and they see what they are doing as providing something that is businesslike, absolutely, but values-driven as well. Done well, that absolutely can have a place in public service delivery.

Professor Le Grand: We think that there are enormous positive benefits to the idea of mutuals and mutualisation that are way over and above it acting as a kind of cover for privatisation. I come back to a point that was made earlier: it is worth distinguishing between the different kinds of mutuals. There are three kinds that we think of: employee-owned organisations; user-owned organisations—the co-operative retailer is a classic example of that, or some of the financial mutuals—and community-owned organisations. We are focusing particularly at the moment on employee-owned organisations, and we think that there are—forgive the academic jargon—*intrinsic* and *instrumental* benefits to that. There are *intrinsic* benefits, in the sense that there are benefits to the employees themselves simply being more in control of their own lives. It raises morale, it raises happiness, and it raises productivity. There are clear benefits that are *internal* to the organisations concerned.

There are also *instrumental* benefits in the sense that the employee ownership acts as an instrument for achieving better service outcomes. There is quite a lot of evidence, again, that you get higher consumer satisfaction, higher service satisfaction, greater efficiency and greater productivity. There are benefits from the very form of organisation itself that come from employee ownership, in terms of the *intrinsic* benefits to the employees and the *instrumental* benefits to the service.

Q490 Greg Mulholland: Ms Nichols, what contracts does Capita currently have with Whitehall Departments, and where is the company seeking to expand and get more?

Shona Nichols: Currently the largest contracts that we have are the CRB, part of the CRB agency, and teachers pensions, which we have now delivered probably for about 12 years after going through two re-bids and changing quite dramatically in terms of its cost base and what its outcomes are. We also deliver some single services as well, such as recruitment services, property consultancy services and consultancy services—those kinds of things.

Where we are looking to grow in terms of central Government is very much taking our ability to make back offices and administration services much more efficient, and helping to change the channel shift so that you get to a situation where you can actively turn off other more traditional routes of doing business with Government. We would be looking to take that into different Departments with which we do not work at the moment. We are bidding into the MOD at the moment and there might be some areas of justice that could benefit from that kind of work, and we are continuing to work with local authorities obviously.

Q491 Greg Mulholland: Can you provide evidence that with some—ideally with all—of these services that you run, you have improved the public service, as opposed to achieving the other motivations that Capita obviously has, with making a profit clearly being one of them?

Chair: You may have reduced costs for the Government, but have you improved the service?

Shona Nichols: On most of our central Government contracts—in fact all our contracts—either the client will do surveys with customer satisfaction, or we will have to undertake those and procure them from an independent source to show that we have made improvements in the outcomes of what we are delivering. We contract, and we do have KPIs, both in terms of cost savings and the quality of service that we are delivering.

Q492 Greg Mulholland: You reject the criticism that involving the private sector might lead to reduced costs, but often leads to poorer services?

Shona Nichols: I do. There are so many things that we can bring. The conversation we were having earlier about the acquisitions that we make is that we will bring new ways of using technology and dealing with customers, and we will share the best practice we have, both in the private sector and public sector, and bring that to bear on our contracts.

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Q493 Chair: I do not think that Capita manages elderly persons' homes?

Shona Nichols: No.

Q494 Chair: Southern Cross is a company that was obviously skilled in that sector and took over a very large number of homes. What has gone wrong with that? Why has the contracting model in that case not worked? What did the contractors do wrong in order to find themselves exposed in that position?

Shona Nichols: There has been a lot of learning but, in the past, some of the ways in which procurements were driven—just to cost and not to outcomes—meant that some organisations were left with contracts whereby they were having to deliver services on a cost basis that was not tenable or sustainable, and that did not allow them to deliver the benefits.

Q495 Chair: It was not just the company trying to make too much profit.

Shona Nichols: I do not believe so. They will want to keep their business going, so they are not just going to try to make as much profit, which leaves their organisation in a state where it cannot deliver those services and cannot win new business. As an organisation you have to make sure that you have got good referees in terms of your clients to get new business, and therefore you need to deliver to them a very good quality service.

Q496 Chair: Surely the essence of contracting out is that you offload these risks, but in fact the risks have come back to haunt the public sector in the case of Southern Cross, haven't they?

Shona Nichols: They did in the case of Southern Cross. I do not know the actual details of that. I do not know what its model was and I do not know how the services were procured in the first place.

Q497 Chair: This is ultimately a contracting problem, isn't it?

Shona Nichols: We have been asked in the past to step in and help where contractors have failed.

Q498 Chair: Do you think it would be reasonable for a contractor to set limitations on your leverage—for example on your borrowing—or to set restrictions on what assets you must own to undertake the contract?

Shona Nichols: At the moment, in terms of the way we run Capita, we have a very conservative balance sheet, because we want to ensure that we do not. We could have grown the business at a much greater rate.

Q499 Chair: You must have lost contracts to people who you felt were pirates—sharks in the ocean—who were undercutting a nice and upstanding company like yours with sharp practice?

Shona Nichols: I do not think it is sharp practice. Occasionally an organisation—sometimes for strategic reasons to get into a market—will be happy to take on one contract at a lower level, but the problem is that you cannot sustain that.

Q500 Chair: Yes I know, but how do the public contractors guard against that kind of sharp practice?

Shona Nichols: If they look at acquiring not just on cost, but on cost, value for money and outcomes. That is important, as is making sure that the organisation that they are looking at to transfer the service to has the capacity, expertise and funding if there are some difficulties—and when you take over big complicated things, there always are going to be difficulties. We take on a lot of liability, so that is what they need to do.

Q501 Chair: Thank you. Mr Mayo?

Ed Mayo: I think it is very important in this mixed economy of public service provision that is emerging to have an effective approach towards failure. Co-operatives are businesses like any other, so they will succeed and fail. I tend to think that co-operatives tend to be harder to kill, but when they do go down, there is more emotional fallout from it. One of the benefits of the co-operative model is that you get people's input and voice. That is one of the reasons why I personally favour not just employee-owned mutuals, but models that bring in mixed stakeholders and mixed groups, such as co-operative schools. We have 136 co-operative schools with teachers, parents, and community groups. That provides a way of checking on what is going on. It is effective governance and accountability.

More widely, I see this as possibly something that may not just be a contracting and regulatory issue—for example around leverage, although that is welcome—but that could be tackled through insurance, because essentially the view is, with Southern Cross or the like, that the state will step in to bail them out. We have heard that before in other sectors, and not on the public service side either. Should we be looking at pricing that potential for failure if the state needs to step in so that if you are going to open out to different providers, arguably for the state as well, you should be looking towards some mutual insurance model, whereby some money is put aside against the risk of a failure?

Q502 Paul Flynn: Ms Nichols, the individual learning account scheme was part of the Capita empire, wasn't it?

Shona Nichols: We had a contract to deliver it, yes.

Q503 Paul Flynn: Instead of, as you have described, a scheme being sustainable going forward, wasn't this a scheme that was lubricated by fraud unsustainably going backwards?

Shona Nichols: It was a contract that was, again, probably not procured in the right kind of way, and it did not have the right kind of things in place to stop fraud by the deliverers—that was where the fraud was. There was no fraudulent activity in the service and IT that we were administering; it was in terms of companies that were delivering that service and that training fraudulently saying that they were delivering a package of training.

Q504 Paul Flynn: What was Capita's responsibility?

Shona Nichols: It was to run the IT, which was the basis of the administration of that service.

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Q505 Chair: You did not have a supervisory role? You did not have a fiduciary role over the overall—

Shona Nichols: No we did not. In fact, there were different suggestions at the time it was procured—

Chair: Order. Forgive me; please carry on.

Shona Nichols: I am trying to remember the exact detail, because it was quite some time ago now, but there were some changes in procurement about what kind of organisations could be a part of the scheme and which could not, and how you could check on those organisations. That was changed as the procurement went along. Where we should have put our hand up, very much on that procurement side of things, and shouted louder was about the fact that, because of the changes, you did not have so much oversight and additional checks already in place on those organisations to make sure that they were of the right kind to deliver that training.

Q506 Paul Flynn: You had involvement with Lambeth housing benefits as well?

Shona Nichols: Yes.

Q507 Paul Flynn: Are you Pontius Pilate in this case? Do you wash your hands of anything that went wrong? You were perfectly innocent; you were let down by bad people.

Shona Nichols: No. A really important point is—we were talking earlier about trying to encourage more people into this marketplace—you do learn by your experience.

Paul Flynn: But you are not responsible—

Chair: Mr Flynn, would you let her answer the question.

Paul Flynn: Well, I want to ask her other questions.

Chair: I would like you to let her answer this question, please.

Paul Flynn: I do not think you are going to get an answer, but still, go on.

Chair: Mr Flynn, please be quiet.

Shona Nichols: I will answer your question in terms of saying that when we took over the housing benefits at Lambeth, it was one of the larger benefits contracts that we had taken on. What we failed to do—and, again, we will put our hands up—was enough due diligence in terms of what the actual service and the state of it were at the time it was transferred. That is very important, in that you really need to understand what you are taking on and the risks and liabilities. What we found when we took it on was sacks of benefits applications and things that had been sitting in some rooms in the basement of the organisation. We had to work really hard with the council to try to catch up on that backlog, without getting further money to do so. We had to sort out that problem because we had contracted to do so.

We worked very hard, we worked with the organisation in Lambeth, and we decided there were some things, because of that situation, that we were good and well placed to do, and some the council was better to do. We changed the contract and how we delivered it. We went on then to run and move forward its revenues contract, and it is working with us in a different kind of partnership model—a collaborative

partnership model—to help it with its challenges going forward.

Q508 Paul Flynn: Was there any loss to the public purse or to your shareholders as a result of these two schemes?

Shona Nichols: Yes, because we had to put our hands in our pockets and make sure that we funded it—funded the extra people, etc.—to make sure that the service was increased and made better. We contract to a 10-year contract where we say, “This is how much we have anticipated for running that service. This is how much savings we are going to deliver for you, and this is our overhead in terms of the cost of running our organisation and having the right kind of funding and insurance in place.” As an organisation, we have to take a lot of risk and liability, and that is a very difficult thing for some of the voluntary organisations going forward. That is an important thing for us to look at so that we see how we can help them to understand that risk, and find ways to make sure that that risk is fully funded, so that if things go wrong, particularly in essential services, there is somebody who is accountable and somebody who can make sure it is supported.

Paul Flynn: I will not go forward with this. I will leave it. Mr Mayo, you gave us an impressive list of co-operatives throughout the world. I think in most of them—

Charlie Elphicke: Paul—

Chair: I am chairing this meeting. Mr Flynn?

Q509 Paul Flynn: Most of those co-operatives that have been successful in Spain, for instance, are in the Basque country and involve groups of people who are hostile to the state. Probably the most successful co-operative made in Britain was Tower Colliery, which was run by communists who really took on Heseltine because he was closing their pit, but hugely successful. Do you really think that this top-down idea of co-operatives could work? It is not the case that the Government have brought in all kinds of good people, with nice cuddly schemes—mutuals, co-operatives and all the churches—to come along to add some window dressing to a pretty cynical attempt to reduce the value of public services?

Ed Mayo: Some of the co-operatives you mention are rightly famous. FC Barcelona is the poster child for co-operatives, owned by 210,000 members.

Paul Flynn: They are Catalans.

Ed Mayo: I do not know their view on state delivery of public services.

Q510 Paul Flynn: It is because they are Catalans.

Ed Mayo: Maybe you are right. We have seen co-operatives emerge across a wide view where it is simply a successful business model. For example, two thirds of farmers in Scotland are part of agricultural co-operatives because it delivers for them on the bottom line. I do not know the view between the farmers and the state. It is a business model that can work. However, exactly as you say, the idea that you can have a top-down programme to start bottom-up enterprises is deeply problematic.

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Therefore, the focus needs to be, moving forward—I welcome the interest and the engagement—in the context of a withdrawal of public services and cuts in public services, so it is a difficult time to be doing this, but the issues that Julian talked about at the outset of this session, in terms of the barriers, is where the state can play a role. Rather than the state saying, “This is what you should look like,” if the state can remove the obstacles to taking forward co-operative and mutual enterprises, that can help, because then people can organise to be able to do that.

You know from the Tower Colliery example that people have got to buy into this; they have to have an emotional and a financial stake in it. If you get those things aligned, these can work very well. It is not straightforward to do at all. There are some examples of where it has been done, but the role of the state has to be to reduce the obstacles and the barriers that there are to getting these things up and running in an effective way.

Prof Julian Le Grand: It is worth announcing that John Lewis and Arup are workers’ co-operatives, in a sense, and it would be hard to describe them as hostile to the state, or as having developed in hostility to the state. I have to say that some of the examples that we have within the public sector—the Social Work Practice, for example, and Surrey nurses, again—would be hard to characterise as having arisen in some form of opposition role. I do endorse the basic message, which to some extent your interchange has just illustrated, that the role of Government in these cases should be one of removing the barriers rather than some kind of top-down imposition.

Q511 Paul Flynn: You were in Downing Street in 2003 to 2005, I understand, as an advisor to the Prime Minister?

Prof Julian Le Grand: I was.

Q512 Paul Flynn: Do you think that in six years’ time the Big Society will have as much resonance as the third way has now?

Prof Julian Le Grand: I am not here as a commentator on the Big Society overall. The particular idea that I am involved with—the idea of mutualisation in the public sector—will, I think, have enormous resonance in six years’ time.

Chair: Two other very brief questions. Is it urgent Mr Flynn?

Paul Flynn: I was just going to quote the CBI leak that cited Francis Maude as saying there was a feeling among Ministers that “the Government was not prepared to run the political risk of fully transferring services to the private sector with the result that they could be accused of being naive or allowing excess profit-making by private sector firms”. Are the Government getting cold feet on this?

Chair: I was going to come to that point myself, if I may, but before I do that, Mr Elphicke. Very briefly please.

Q513 Charlie Elphicke: Mr Flynn raises the matter of the Lambeth housing benefit contract. Between 1994 and 1998, I was chairman of the central services committee of Lambeth council, which was then a

hung administration. Before taking on that contract, were you aware that the Lambeth county court had suspended all possession actions by the council on grounds of non-payment of housing benefit by the council prior to 1994? Were you also aware of repeated issues with housing benefit forms being stuffed behind radiators, locked in cupboards and suchlike before you took on this contract—that there were substantial issues and difficulties?

Chair: Ms Nichols, if you want to answer in detail you may, but I am not sure this is entirely relevant to the inquiry.

Charlie Elphicke: The question has been put.

Chair: The question has been put; do you wish to answer it?

Shona Nichols: I can answer it at a certain level. Obviously I do not have all the details, but I am happy to find someone who was around and part of delivering that contract at the time to give it to you. My top-level view, in terms of having only just been in the company at that point, I think, is that, yes, we were aware that there were issues. One of the reasons why we were getting involved with Lambeth was because it did have issues with its housing benefits. It was the scale of those issues that was very surprising to us when we had got in and taken over the contract. I did spend two days a week in Lambeth with the team, working through with the communications team on the ground how we were going to handle that kind of backlog and the impact on the community that was down there.

Q514 Chair: Ms Nichols, if you want to submit a supplementary note on that, feel free to do so, but I wonder if we can move on.

Shona Nichols: I am happy to do so.

Q515 Chair: As my colleague Mr Flynn was raising, there seems to be prejudice in the Cabinet Office against private sector providers in favour of mutuals and charities. Is that, do you think, because of anxiety about the inability of mutuals and charities to be able to compete on a level playing field with the private sector?

Prof Julian Le Grand: Certainly, nothing verbally has been expressed to me about a worry about the private sector vis-à-vis—

Q516 Chair: Let me express my own worry: I am an ardent capitalist, but I should imagine that, with the best will in the world, larger private contracting companies such as Capita, for example, have an interest in aggregating large contracts and encouraging contractors to offer large contracts to squeeze out the smaller sector. Unless the smaller sector is given some extra support, do not contracts naturally migrate to the large companies and the skilled contractors and away from the smaller, less-skilled providers?

Prof Julian Le Grand: Not necessarily. An example of an area that is not exactly mutuals, but where you have professional partnerships, is GPs. Despite some drive—partly by the previous Government—to introduce the private sector and to use larger organisations, we have not seen takeovers of GPs.

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Again, in the idea of professional partnerships, with the idea of mutuals, you can build in mechanisms that make it quite difficult for takeover or for swamping. You can build in mechanisms, at least in the early stages of the development of a mutual—right at the beginning—to protect them from ferocious or unfair competition.

In the long run, it will only be fair and reasonable that mutuals compete on a level playing field with other organisations—the charities on the one hand; private sector on the other. I believe, for the reasons I gave earlier, that they will do very well in that competition because they can provide a better service.

Q517 Chair: Ms Nichols, would you like to comment?

Shona Nichols: I think there is a role for all organisations, and it depends on their specific uniqueness. People forget that when we take on a contract, the employees move from the public sector to the private sector, and they are continuing to deliver that service. It is just that we are helping them to deliver it better; we are fundamentally trying to give them more ownership in the organisation through share schemes and through being able to develop their skills and services for them. If you look at the contracts we have, there are an enormous number where we work a lot with community organisations and voluntary organisations. We built up a network of 11,000 smaller organisations to help with the Home Access Contract to try to get right into the communities that are hard to reach. Those

organisations were much better, in terms of identifying those people, than we were in the centre. What we were much better at doing was running the grant applications service at a much lower cost for them. It is the combination—and a very good combination—of those two things.

Q518 Chair: Thank you very much. Do any of you want to add a final word? You have been very generous with your time. Mr Mayo, very briefly.

Ed Mayo: Briefly on this, the risk that you allude to—that of a cottage industry model that then gets gobbled up over time by the big players—is genuine. That is why the programme that we are seeing, including some of the pathfinders, includes some organisations at a relatively significant level of scale—that needs to happen. That needs to go alongside some of the set up for the market that means that the big players win. Capita's relative comparative advantage is in bidding, and if you create such barriers to entry at the point of bidding, you distort the market in favour of the larger players—that is not effective. The co-operative business sector is growing—21% growth over the last three years—but it also includes some very significant, profitable and ethical businesses, which sounds like a good combination that can keep public trust over time.

Chair: Thank you very much indeed. You have been very generous with your time. We have overrun. I am grateful to my colleagues for staying the extra time as well.

Wednesday 12 October 2011

Members present:

Mr Bernard Jenkin (Chair)

Alun Cairns
Charlie Elphicke
Paul Flynn
Robert Halfon

Kelvin Hopkins
Greg Mulholland
Lindsay Roy

Examination of Witnesses

Witnesses: **Rt Hon Francis Maude MP**, Minister for the Cabinet Office, **Nick Hurd MP**, Minister for Civil Society, Cabinet Office, and **Rt Hon Greg Clark MP**, Minister for Decentralisation and Cities, Department for Communities and Local Government, gave evidence.

Q519 Chair: I welcome our three witnesses to this session of our inquiry into the Big Society. Could I ask each of you to identify yourselves for the record?

Francis Maude: I am Francis Maude, Minister for the Cabinet Office.

Greg Clark: I am Greg Clark, Minister for Decentralisation.

Nick Hurd: I am Nick Hurd, Minister for Civil Society.

Q520 Chair: Thank you for joining us today. I would like to say that personally I am a great fan of the principle of the Big Society, which is the banner under which the Government is advancing a range of policies. We would also like to ask a few questions about our recently published report on the Government's change programme, and maybe invite one or two comments on the announcement yesterday about the splitting of the role of the head of the Home Civil Service and the Cabinet Secretary. Minister, would you like to make a few comments to begin with?

Francis Maude: If I may, Chairman, I would just like to make a few brief comments, mainly on the question people often ask: what do you mean by "the Big Society"? I am always slightly puzzled by the question because it seems reasonably obvious to me. People broadly know what society is; society is what people do together, in association with each other. That is the root of the word and most of what we do in our lives is not done solo but with other people, whether that is family, friends, work, sports, pastimes or whatever—most of what we do is done with other people. A bigger society is one where more people do more things together in their communities, with each other and for each other. It always seems to me that actually, when you put it in those simple terms, people are not mystified by the concept.

I was quoted the other day as saying the Big Society is not a Government programme. That translated into a headline on the interview saying, "Francis Maude: Big Society? It's nothing to do with us", which was about as misleading as it could be. What I was saying was that the Big Society, by definition, is mostly not about what Government does; it is about what people, organisations and communities do in society.

What we have always said is that the Government's contribution to creating a bigger, stronger society falls into three strands. The first is decentralisation, pushing

power and control away from the centre and into communities and neighbourhoods. Greg has responsibility in CLG for that strand of activity, but it appears not just in the work that CLG do in relation to local government but in school reforms, health reforms and across a whole spread of Government. These three elements overlap; it is a sort of Venn diagram with quite a lot of overlap between them. The second strand is the arena of public service reform and opening up public services. That means enabling people and communities to exercise more choice and control over public services, enabling a much wider diversity and plurality of providers of public services, and moving away from the big, old-fashioned monopolies of providers of public services. That second strand is one for which the whole of Government has responsibility in different ways. The third strand is around social action, which is what most people think of when we talk about the Big Society. That is supporting voluntary and community organisations and helping to build civil society organisations. Nick has primary responsibility for that strand.

I just wanted to say that by way of opening. Obviously there is a huge amount that Government has to do to promote the enlargement of society, but it is mostly not about what Government does but about what people, organisations and communities do.

Q521 Chair: This is the conundrum, and it is our problem in grappling with this subject as a Select Committee, because we are concerned about what Government actually does, how it does it and whether it is going to succeed in what it does. There is a strong philosophical strand to the policy, which is quite difficult to translate in terms of what Government does. Would you accept that?

Francis Maude: Yes I totally agree, but the philosophical strand and the thinking is about lessening the top-down controlling ideology of statism and instead growing what society does.

Q522 Chair: Is this why the *Open Public Services White Paper* was so delayed, because it is so difficult to translate this into practical action?

Francis Maude: There is a lot of serious work being done and it took some time to work it through. It is a work in progress.

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Q523 Chair: I would agree with that, because looking through this document I have lost count of the times it says it is going to consult on things you have not decided on. It says “we will explore”, “we will consult”, “we will establish”, “we will examine”, “we are consulting”, and “we will consult”. It goes on and on. There is certainly not much settled policy in here on detail.

Francis Maude: I seem to remember that when your august Committee produced a report on the public bodies reform programme your criticism was that we were doing too much too quickly and were not consulting enough. It is very hard to get this balance right; we want to move on and make progress. In relation to schools reform, it would be fair to say that Michael Gove has driven reform through in practice very radically and very quickly. More schools are becoming academies and there are more free schools coming into existence; this is a very fast driven programme. In other areas there is a lesser degree of consensus around the programme and it takes more time to build support. We have seen this in relation to health service reform, where we as a Government saw a need to draw back.

Q524 Chair: As soon as we get into individual policies we can begin to measure progress against objectives, but how do you measure your progress overall in the Big Society policy? You yourself said there is not a particularly sharp set of metrics to measure whether public services reform and localism are happening. How are you going to communicate the progress you are making overall in this subject? Is it not actually about the detail of individual policies and individual Departments?

Francis Maude: Yes, a lot of it is.

Chair: A lot of it is? All of it is.

Francis Maude: Nick can talk about some of the progress on specific programmes to support civil society organisations. Greg can talk about progress on the various aspects of localism and decentralisation. But having a neat set of metrics on how big society is becoming is not that easy to do. You can illustrate it with anecdotes more easily than by rigid measurements.

Q525 Chair: We were very disappointed with the *Open Public Services White Paper* because we were assured by Ian Watmore that it would contain “aspects of Civil Service reform”. There really is only the most minimal recognition. Our conclusion is that it does not contain that detail and that “its commitment to consult on the future shape of the policy, funding and regulatory functions in Whitehall suggests a lack of urgency in Government which is without a coherent agenda or set of steps that would constitute a comprehensive plan. In short, the Government has not got a change programme. Ministers just want change to happen: but without a plan, change will be defeated by inertia.” That was designed to be helpful, by the way, to encourage you to seize the initiative.

Francis Maude: I fully appreciate the helpful intention behind those sentiments. I can talk specifically about civil service reform if you like. In a speech at Civil Service Live in July I set out an outline

of what the civil service in the future needs to look like; it was not absolutely comprehensive and it dealt more with the cultural issues. The point you are referring to, and which you have drawn out very well in your report, is that we are moving into a world of public services where the expectation is not that big, monolithic public sector providers are the default setting for public service provision; we are moving into a world of diversity and pluralism. People, not just in the civil service but in the wider public sector, need to become commissioners and contract managers rather than line managers; it is a different set of skills and we are not yet at all good at this.

Q526 Chair: Where is the White Paper that sets out where we are with the civil service today, what the civil service should look like in three years’ time, what the sets of skills required in the civil service as a whole are, and how we are going to get there? It is that kind of planning that we think is lacking and in fact threatens the entire viability of the Government’s public service reform programme.

Francis Maude: A lot of the delivery of public service reform does not lie with the civil service. The civil service represents around 10% of the public sector work force. Most of what happens in public services is beyond the civil service; it is in local government, the NHS, in schools and in a whole range of activities that are not the civil service.

Q527 Chair: But the civil service is the only instrument at the disposal of Ministers to effect change. Apart from you lifting the phone yourself to a local authority, a charity or a private sector provider, you have to rely on the civil service. We do not think the civil service is yet geared to the scale of change, along with the downsizing and all the other challenges it faces, to deliver what you want it to deliver.

Francis Maude: Nor will it suddenly be. I could publish a lovely White Paper.

Chair: Please do.

Francis Maude: I know you like to have White Papers, and I am not averse to publishing White Papers, but I am keener on doing things. We have, for example, a piece of work going ahead rather rapidly on terms and conditions in the civil service, which are antiquated in many cases.

Q528 Chair: There is a danger that you are going to be “doing stuff”, as you put it in our previous evidence inquiry: beating up photocopier salesmen and mobile phone companies and doing detailed things about civil service pensions, but the strategic capabilities the civil service needs are being neglected because nobody is concentrating on that. Who is concentrating on that? You are the Minister for the civil service, I believe.

Francis Maude: Indeed. The responsibility for ensuring the right capabilities exist in the civil service lies principally with the head of the civil service. As you pointed out earlier there is a change in the offing on that front. Gus O’Donnell would say very clearly that we do not yet have the capabilities that a modern civil service needs for the future. That is not to say the civil service is inadequate; it is full of very talented,

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dedicated, hard-working public servants who are very rarely commended for what they do. Is it perfect? Not by a long way. Is there scope for reform? Is the culture still wrong, despite having been frequently commented on? Yes. I am not sure that producing a White Paper is going to suddenly bring a rapid injection of additional strategic capability into the people in the civil service. It is a lot more complicated than that.

Q529 Chair: I want to bring in other colleagues in just a minute, but I would just say that this is like trying to run a business without a business plan. We are very encouraged by the announcement yesterday that the role of the Cabinet Secretary and the head of the home civil service is going to be split, which we feel reflects one of our concerns, but the advice we have had from a very eminent academic at Cranfield University, who has explored and studied corporate change programmes in the public and private sectors throughout the world, is that leadership is the essential component. At the moment that leadership of change seems to be lacking, and we think that means your public service reform programme will fail because there is not sufficient leadership. There is a lack of consistency across Government Departments, as was evidenced in our end of term report where we looked at the different plans of each Government Department and had them independently assessed by Professor Kakabadse. Surely this is the role of the Cabinet Office? You should be running the headquarters of the Government and ensuring there is consistency and that lessons are learnt between Departments, with better cross-Departmental co-ordination of the Government's change programme. Maybe the splitting of the role of the head of the home civil service and the Cabinet Secretary is a step in the right direction, but I cannot see how you can do it without some document that provides guidance and leadership across Government.

Francis Maude: I take a rather less gloomy view of the prospect of success for the Government's public service reform programme. If I may say, you are untypically defeatist on that score, and I do not think producing a document will magically cure it. I have less faith than you do in the transformative power of White Papers.

Q530 Chair: Then why did you bother producing an *Open Public Services White Paper*?

Francis Maude: There is quite a gap between thinking it is the answer to every problem and thinking it is no use at all. It is important to set out what you are going to do and we have done it. Now we are starting to put into effect, across Government, what we said we are going to do. I was going to say that your point about consistency between Government Departments is a counsel of perfection, but actually it is not: Government is not a single entity. There are 17 principal Government Departments, which are separate entities, headed by Secretaries of State, who collectively form the Cabinet. They do not report to me and nor would they wish to. They run their own Departments, so of course there is going to be inconsistency across the piece.

Q531 Chair: I do not think we want them to report to you, but it is about the function that the Cabinet Office has on behalf of the Prime Minister.

Francis Maude: I do not think I can leave that hanging in the air. What you said was that driving a change programme requires leadership, which I entirely agree with. You then seemed to suggest that it is the Cabinet Office's job to provide that leadership. We cannot provide leadership to Government Departments that do not report to us; it is for Secretaries of State themselves to provide the leadership, which they do, in their own Departments. We can set out a strategic direction to be implemented in that Department. There are some things to do with practice that need to be more consistent. Theoretically, the senior civil service is managed centrally as a single resource, whereas in effect it is not—it is very siloed.

Q532 Chair: That is one of our concerns.

Francis Maude: It is a completely correct concern and it is one of my concerns as well. We are addressing it. It is not going to happen overnight but we are addressing it. The second thing we can do, and I put this in train the best part of a year ago, is ensure that fast-stream graduate entry into the civil service is managed as a single resource. Graduate entry into most professional services-type organisations is managed rather proactively as a single resource. People are moved around different areas in their first two years to gain knowledge of different parts of the organisation and to build different skills. As things work at the moment a graduate entrant goes into a home Department, and for the most part they remain there for the rest of their careers. We lack that sense of a single ethos across the civil service, and my issuing a White Paper is not going to recreate it. My putting in place the central management of the fast-stream entry and making a reality of the central management of the senior civil service will start to make a difference, but it will take a long time for it to have full effect.

Q533 Chair: My last question on this before bringing my colleagues in is: can you describe exactly what changes the announcement yesterday will make in terms of the leadership of change in Whitehall? Will the new head of the home civil service actually be in the Cabinet Office, which would seem to be the sensible place for him or her to be?

Francis Maude: Not necessarily. The intention is that an existing permanent secretary should take on the role of leadership of the civil service, but reporting to me and the Prime Minister in that role. Jeremy Heywood is the new Cabinet Secretary, which is slightly a reversion to an older pattern where the role of the Cabinet Secretary and the head of the home civil service is separated. Ian Watmore will take on the role of permanent secretary at the Cabinet Office, which is not a role that has existed previously. Co-ordination and support for the Prime Minister, Deputy Prime Minister and the Cabinet, will sit with Jeremy Heywood. The management of the Cabinet Office will sit with Ian Watmore. The leadership of the civil service and the driving through of the civil service

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reform programme will sit with the new head of the civil service, who will report to me.

Chair: Thank you for all that. I think it is a very exciting juncture, and we will be looking further at the role of the head of the home civil service in a future inquiry.

Q534 Lindsay Roy: Good morning Minister.

Francis Maude: Good morning.

Lindsay Roy: Without a White Paper, a business plan or a set of criteria that formulates an action plan, how are you going to bring about this transformational change? I accept that you have done a tremendous amount of work on the fast stream but there are many civil servants already in post, so how does that transformational change and that change in culture occur?

Francis Maude: That is a really good question and it is really difficult to answer at the moment.

Q535 Lindsay Roy: That is why I asked it.

Francis Maude: Exactly. I do not claim that I have all the answers to that. It is the most difficult thing there is. If you talk to anyone who has run a change programme in any substantial organisation they will say it is the most difficult thing you do and you need to be relentlessly on the case. We are talking about driving change through 17 different organisations with dispersed leadership and a multiplicity of different agencies and arm's length bodies.

Q536 Chair: You are talking our language.

Francis Maude: It is really difficult, and what Whitehall is good at is producing White Papers—there is no shortage of skill in that. Just to make the point, we could produce a really lovely White Paper.

Q537 Chair: Just produce something on two sides of A4 and see what it looks like.

Francis Maude: I have done that. I commend my speech at Civil Service Live.

Q538 Lindsay Roy: An action plan that is not convergent but divergent in terms of breaking the silo mentality would be a major step forward.

Francis Maude: I agree.

Q539 Lindsay Roy: Can we expect something of that nature soon?

Francis Maude: Not tomorrow.

Q540 Chair: When?

Francis Maude: This is a work in progress. The easy thing for me to say is that we will produce a White Paper in January, and I could produce one, but it would not be founded in an actionable set of clear objectives. A lot of this is cultural. In my speech in July I talked, probably at tedious length, about the need for a different culture. My phrase is: pacier, less paper driven, less imprisoned by process, more innovative, more entrepreneurial and less risk averse. People have been talking about this kind of stuff for ages.

Q541 Chair: Why is it different this time?

Francis Maude: It may not be.

Q542 Chair: That is our concern.

Francis Maude: How do you translate that into behaviour? My view tends to be that you do not change the culture by trying to change the culture; you change the culture by changing behaviours. You need to have different incentives. I have made this point before and I will make it again: no one in the civil service has ever had their career suffer through presiding over an existing, inefficient status quo. However, if you try something new that might break out of that and it fails, as many things will, your career will suffer. So moving to a culture where the way your performance is appraised, where you actually get positive ticks for trying new things even if they do not work rather than it being a black mark, is a big cultural change. Getting that embedded into the performance appraisal system is something we are doing.

Chair: That sounds like a good few paragraphs in your White Paper.

Francis Maude: Absolutely.

Q543 Lindsay Roy: Is that not why an action plan is not only fundamental but urgent?

Francis Maude: I would say that what is urgent is the action, not the plan.

Q544 Chair: You have a civil service reform programme but without a published programme. It is extraordinary.

Francis Maude: I do not think it is. What would be extraordinary would be if I was producing a plan but no action. What you are complaining about is action but no plan. There is a plan and there is a very clear direction of travel. It is very complicated and there are a whole lot of different angles that are not all interdependent. The key thing is to get on with it.

Q545 Lindsay Roy: Does it focus on behaviour?

Francis Maude: If you go downstairs to the Library you will see that it is full of White Papers about civil service reform.

Chair: Okay we get the message.

Q546 Paul Flynn: Would you agree that the abiding philosophy of the civil service is the unimportance of being right? Those who follow the Government line have their careers prosper, but for those who challenge the Government line, even though they might be correct, their careers wither.

Francis Maude: The way I would prefer to put it is that the way of operating in the civil service is too imprisoned by process.

Q547 Paul Flynn: That is a rather boring way to put it.

Francis Maude: It is much more boring. Yours is much more exciting and much better designed to catch the headlines.

Q548 Robert Halfon: I am a passionate supporter of the Big Society, and I do believe that across the country the language has become more common and

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people are using the language. Nevertheless a huge amount of confusion still remains as to what it means. There is a criticism that not enough has been done on the philosophical side, as the Chairman mentioned earlier. There has been criticism that different people are giving out different messages. Whenever they appear on television, different Ministers give different messages as to what it means. Also, there are criticisms that there are too many people involved. There are the three of you, there are two Big Society ambassadors and there is the chap in the House of Lords who does it part-time. Really what there should be is a Big Society Ministry and a Big Society Minister who is of Cabinet Office level and able to cut across, co-ordinate and properly express what the philosophy of the Big Society is. What is your view on that?

Francis Maude: I respectfully disagree. I think that would make it much too narrow. This is a theme and approach that applies right across what the Government does. It does get expressed in different ways and to be honest I am completely relaxed about that. It means different things for different people, and different things will have salience. The work that Greg does on decentralisation and localism is a core part of it. The work that Nick leads on social action is a core part of it. When Nick and Greg talk about it they will talk a different language. When Michael Gove talks about it, or Nick Clegg—who will be talking primarily about social mobility and so on—it will all be part of the same overarching approach. As I said in that interview, it is not a Government programme where you have a Minister responsible for creating the Big Society.

Q549 Robert Halfon: Phillip Blond, one of the original architects, suggested in the *New Statesman* a few weeks ago that the Big Society had lost its way and the Government are losing a great opportunity to get it embedded in the national consciousness, partly because of the economic situation and partly because of the language and confusion about what it means. You obviously disagree with that.

Francis Maude: I do not think it means a single thing. I might get Greg and Nick to talk about this, and they will, I guarantee, use different language to talk about it, which is absolutely fine.

Nick Hurd: The one thing we have done is embed it into the national consciousness because there has been a massive debate over the last year about Big Society and what it means. I totally agree with Francis; I believe that fundamentally people really understand what we are trying to talk about, which is getting more people engaged and involved in their communities and working together. I think people fundamentally understand it. There is a lot of cynicism about it, and the environment in which it is being done is difficult, but I think people fundamentally understand it. I think that national consciousness is one thing we have achieved.

Robert Halfon: They think it is just about voluntarism. To me it is about building social capital, people power and helping social entrepreneurs, which is the social action side of it. People understand the

voluntary stuff, but they are not clear about the first two elements.

Q550 Chair: Mr Clark, is it like *The Hunting of the Snark*?

Greg Clark: I was going to link it back to what Francis said about action. Mr Cairns served on the Bill Committee for the Localism Bill, which was an early Bill in the Government's legislative programme that introduced major reforms in this direction. It is not simply talking about it but doing it, so that local authorities for the first time have a general power of competence so that they can initiate action. They do not just have to do what central Government tells them to do but can make decisions in the interest of their own communities. If you look at some of the rights, they include the right for voluntary organisations to challenge the way things are done and the right to bid to take over assets. These are practical measures that have been the subject of great debate and in many cases have formed significant consensus in this House and the other place. So at the same time as the debate on terms has been taking place, there has been substantial progress quite early in the day.

Q551 Alun Cairns: The head of the Office for Civil Society told us in June that there were three basic platforms for delivering the Big Society: one-off legislative changes, opening up public services, and increasing social action. Do you accept that there is a fourth, which goes back to the initial conversation and debate you had, Mr Maude, with the Chairman, in relation to the need for a cultural change in the civil service to deliver the Big Society?

Francis Maude: Frankly whether it is about the Big Society or not, there is a need for culture change in the civil service and different capabilities across the public sector, which is about moving from being bureaucratic hierarchical line managers to being commissioners and contract managers; it is a different set of skills. We do not have enough of that in any part of the public sector actually, so I agree with that, but I would say that is an underlying condition rather than a specific programme. It is crucial.

Q552 Alun Cairns: Sticking to the three platforms that were suggested by Mr Davies in June, what assessment would you make of the progress in those three areas?

Francis Maude: I will get Greg to talk about progress on localism and decentralisation, and Nick to talk about the social action strand. I will wrap up on the public services strand.

Greg Clark: On localism, I already made the point that we have before the House of Lords a substantial Bill that has taken action on a very broad range of fronts. It covers everything from the power of local councils to the power of local community groups. One of the other things we have done that was not in the Bill is to remove the ring-fencing of local authority expenditure, which is something they suggested was too centralised in the past and have campaigned about for some years. I think there has been a great deal of action on that front.

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Nick Hurd: On the social action front, again there has been a huge amount of activity. There are various strands. We are encouraging more giving; we are a relatively generous country but we think we can do more, so there has been a Green Paper, a White Paper and some generous new incentives within a tough budget to encourage giving. There is a £30 million infrastructure fund to improve the efficiency of some of the infrastructure out there to support volunteering. Lord Hodgson has produced an excellent report aimed at trying to address some of the regulation, red tape and bureaucracy that gets in the way of people stepping forward and get involved—*Unshackling Good Neighbours*. We have had a very successful pilot of the National Citizen Service this summer, which just over 8,000 young people have gone through, and we are absolutely thrilled with that. We are starting our Community Organisers programme. Communities First and Neighbourhood Challenge funds have been opened for business recently. There has been a huge amount of activity, all designed to try to make it easier and more compelling for people to step up and get involved in social action.

Q553 Alun Cairns: How do you plan to measure the success of the policy there? What metrics will you use to judge whether social actions increase as a result of Government change?

Nick Hurd: Each of the individual programmes will have its own specific objective and measures of success attached. For the Community Organisers and Communities First programme, which we run effectively as an integrated programme as it is all about encouraging people to show leadership and take action in their communities, we are looking for evidence of projects where communities have come together to take action to take an initiative. We are looking for evidence of new associations and the formation of new neighbourhood groups. That is just one example.

Q554 Alun Cairns: Will you be able to assess whether there is just displacement: people doing the things supported by the Government from direct policy and shifting from other areas that may not have had Government support?

Nick Hurd: In that particular programme we are looking for evidence of new association and new activity that taxpayer money has been a catalyst for, because we are responsible for that. At this stage the National Citizen Service has a different set of criteria; we are interested in how many people get involved, the quality of their experience and we have also commissioned a long-term study tracking young people who go through the National Citizen Service and their behaviour afterwards, to try to monitor the impact of the programme on their behaviour.

Francis Maude: Things like the number of neighbourhood groups and their vigour is of course of crucial importance for what Greg is doing. In terms of the planning reforms, having vigorous and demanding local neighbourhood groups who are able to demand or assert what they want for their neighbourhood is absolutely crucial. These things are absolutely interlinked. You ask to what extent it is displacement.

A lot of what goes on and a lot of the social capital that exists is not visible and not measurable. Officialdom will therefore not know that it exists as these may be people doing things in a wholly informal way in their communities. There may be people who are actually community leaders who have no idea that they are community leaders. There are people who are social entrepreneurs who have no idea that they are social entrepreneurs but they have seen something that needs doing, mobilised some people and got something started. The effect of this, we hope, will be that some of that activity is supported in a way it is not currently, because no one knows it is there to support. It may be that collective activity happens in communities as a result of what we are doing, and as a result of what we are saying.

Q555 Paul Flynn: The Government's planning reforms, which one could regard as imposing views from the centre, faced objections from the National Trust and the Tory grassroots. You said you had no sympathy for their position and you described their views as "bollocks". Is this an example of your devotion to decentralisation and localism?

Francis Maude: I will use Ken Clarke's phrase and say, "I do rather regret the colourful language I used."

Q556 Paul Flynn: It is not my phrase.

Francis Maude: No, indeed. It was definitely my phrase, and, as I say, it was colourful and I regret it. Just to be absolutely clear: the contention to which I applied it was that creating a presumption in favour of sustainable development was somehow creating a free for all. Greg can talk much more authoritatively about this than I can, but since the Town and Country Planning Act 1947 there has been a presumption in favour of development. Substituting a presumption in favour of sustainable development limits, if anything, the propensity for development; it does not enlarge it. That was the narrow point to which I was applying that phrase.

Q557 Paul Flynn: I do not think you should apologise for the phrase; it is a phrase that has come to my mind several times during the last half hour.

Francis Maude: Do not feel at all inhibited.

Q558 Paul Flynn: Just look at the evidence we have had of how consistently this has been applied. Matthew Taylor has examined the police reforms and said that the Government's attitude is it needs to challenge the professionals, whereas in the health service the attitude is it needs to support the professionals. There seems to be inconsistency in that view. Others have made similar points about the top-down announcements that have been made compared with the alleged support for localism. Is it not a mess?

Francis Maude: No, it is not a mess. It is untidy because life is untidy, and the pattern of provision will continue to be untidy. With the police, we are not going to allow communities to choose which police officers they get arrested by. There will be a single police force whose writ runs in an area, so you cannot have choice. What you can have is more democratic

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control by communities over the way policing is done, and that is why the role there is to challenge the professionals by allowing communities to elect a police and crime commissioner who is the people's representative in relation to policing.

In relation to the health service there is choice, because I can choose which GP I use, and my GP and I can choose which consultant we go to, empowering the professionals there to act on our behalf. Those professionals are directly accountable to the patient. So what you are doing in both cases is removing the top-down central Government control. That is the consistency in it. You are taking the power away from politicians to set random, politically motivated targets, and creating accountability direct to communities, in the case of police, and, in the case of the NHS, to the patients. But this is Greg's territory.

Greg Clark: In the Localism Bill there is a lot of transfer of power from central Government to local government. But it was always key that you should also empower communities below the local authority level, and there was shared belief that it was desirable. For example there are community groups who want to engage in neighbourhood planning and it is right to give them the chance to go into greater detail. If you have community groups that can deliver services, they have a right to be heard. There will be different levels of decentralisation, not just between layers of Government.

Q559 Paul Flynn: Between the dream and the reality falls the shadow. We get the rhetoric; we have had it consistently from all Governments, but the reality I am afraid does not reflect it.

Francis Maude: You say that really dismissively.

Q560 Paul Flynn: It is true; you said it.

Francis Maude: What have we said that is inconsistent? Of course there is a different mechanic being created because these are different services run in different ways.

Q561 Paul Flynn: I would be very happy to give evidence to the Committee, but you are the witness. You do not ask me questions; I ask you questions, if I get the chance.

Francis Maude: You were not asking a question; you were making an assertion, which was actually incorrect and irresponsible.

Q562 Paul Flynn: I came in as an agnostic on this. The Big Society was the holy grail; it was the great crusade of the Prime Minister. We have had great crusades from Prime Ministers over many years and there is a whole junk yard somewhere where the remains of the Third Way, the Cones Hotline, and the Back to Basics lie buried. The Big Society is already being consigned there.

Francis Maude: In your mind.

Q563 Paul Flynn: We should now have a stampede of zealots rushing up to the sunlit uplands doing more things as part of the Big Society. There is a stampede but it is a stampede away from the idea of the Big Society. What happened to Lord Wei? He was the

guru, the man who was going to lead it, and he fled from the scene. He has not been replaced and his job has gone. We are unfortunately disappointed to see that Mr Pickles is not here this morning.

Francis Maude: Well, you did not invite him; that is the reason for that.

Q564 Paul Flynn: We hear the laughter behind the hands of Ministers who do not want anything to do with it. At your party conference, where were the zealots coming up to the platform to pronounce the joys of the Big Society? There was hardly a mention of it—just one fleeting mention of the Big Society. David Cameron did appeal to MPs to give part of their income to charity. He had a massive response with four MPs doing so. The charities were asked what percentage of them thought the Big Society was helping volunteerism. 95% said it did not help at all.

Francis Maude: Is there a question?

Q565 Paul Flynn: Yes there is. Do you not agree that the Big Society is embedded in the public's mind as a big con?

Francis Maude: I hesitate to use the phrase that I used in my *Independent* interview, but I am very tempted and it is what I think. I would like to make that absolutely clear. I think you start from a deeply partisan position and a deeply cynical position. I think you are wrong in almost every respect.

Q566 Paul Flynn: Could I throw your words back at you? This is question two; it has taken a long time to get round to asking a question at all. When you were asked to define the Big Society recently it was not the holy grail, it was not this big policy you had—

Francis Maude: I am afraid it is only you who has described it as that.

Q567 Paul Flynn: Let me quote what was reported, although you objected to the headline. "Apparently the Big Society is now not a 'separate entity'. 'The Big Society is not a Government programme.'" Those were your quotes.

Francis Maude: That is exactly what I said this morning.

Q568 Paul Flynn: So it has now shrunk from a main aim of Government policy to just a twinkle in someone's eye somewhere. Is this an idea whose time has gone?

Francis Maude: What you have quoted there is exactly what I said this morning. It is not a Government programme.

Q569 Paul Flynn: What is it?

Francis Maude: I can say exactly what I have said before, but that would probably not be the best use of the Committee's time.

Q570 Paul Flynn: What you told us this morning was—

Chair: Mr Flynn—

Paul Flynn: Will you allow me? There are not many people who take a line; we have a witness for the Big Society here.

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Chair: I am allowing you, Mr Flynn.

Paul Flynn: Yes, well we are a Parliament in which we are allowed contrary points of view. You took a long time before you called me in this morning when I had question number two, and you should stop interrupting me now and allow me to make the points that most of the country would agree with.

Chair: Mr Flynn, I am allowing you to make the points. I was just going to ask you to ask one final question.

Paul Flynn: This morning, you announced yourself as someone who is partisan on this. We are inquiring into the Big Society, its failures and the lack of any evidence of its success, and I am not getting the answers I should be getting.

Francis Maude: You are talking nonsense frankly.

Q571 Paul Flynn: That is not an answer. Where is the evidence of the success of the Big Society? You cannot even define it. You say it is an idea; what the hell does that mean?

Francis Maude: I refer you to the answer I gave earlier.

Q572 Paul Flynn: Which was meaningless.

Francis Maude: Well, you think it is meaningless.

Q573 Paul Flynn: Where is the idea embedded in society? 95% of charity workers think it is a poor idea and is not working. Who is on your side? Who is supporting you? Philip Blond, one of the big apostles of the Big Society, has deserted you. Lord Wei has gone. Where is the evidence of its success?

Francis Maude: Let me deal with that specific thing about Lord Wei when you say he has deserted the Big Society. He is actually doing it. As a social entrepreneur he is creating social capital and social action, and driving new organisations to fulfil social missions. The idea that the only way you can contribute to the Big Society is by being in government and doing it frankly betrays a completely outmoded, statist approach to life, and life has moved on. That was the 1960s; it is over.

Q574 Paul Flynn: I have a final question. When did you and the other witnesses last do a day of volunteering and where?

Francis Maude: I did half a day two weeks ago.

Q575 Paul Flynn: What was that?

Francis Maude: I was helping with a charity in Horsham involved in youth work.

Q576 Paul Flynn: Mr Hurd?

Nick Hurd: I have been mentoring a group of young kids at Northwood School who set up a business to run concerts at their school as part of their Blastbeat charity initiative.

Greg Clark: I am a trustee of nine charities in my constituency. I have recently done fundraising amongst businesses.

Q577 Paul Flynn: When was the last one?

Greg Clark: During the summer.

Paul Flynn: Okay.

Q578 Charlie Elphicke: A very brief supplementary to what Mr Flynn was saying. Would I be right in thinking that the central point you were trying to make, Mr Maude, about the Big Society not being a Government programme is that it is not something Government does. The role of Government is to facilitate, to enable, and to, classically, allow the 1,000 flowers to grow into the kind of society we could build? Is that not the key point here?

Francis Maude: Absolutely, you have put it very well.

Q579 Lindsay Roy: I just want to pick up on allowing 1,000 flowers to grow. Was Lord Wei a social entrepreneur prior to his appointment?

Francis Maude: Yes, absolutely.

Q580 Lindsay Roy: What we are trying to define is what the added value is. With all due respect, you gave a rather woolly answer earlier about somebody who did not know they were a social entrepreneur but has since discovered they were.

Francis Maude: No, he knew he was a social entrepreneur.

Q581 Lindsay Roy: Adrian Brown of the Institute for Government has argued that “the Government has yet to match its localism rhetoric with action”, citing waste collection as a local matter that has in effect been determined by national policy. What examples of localism in action can you give us, Mr Clark?

Greg Clark: On the waste collection point, that is for local authorities to decide. There was a commitment made that they should not be forced to have fortnightly collections and it should be available to them to have weekly collections.

I mentioned the Localism Bill and the powers therein for every council to make their own decisions without having to respond to very detailed prescription that comes from central Government. I can give you another example that we have not touched on in planning policy. The Localism Bill introduces the possibility of neighbourhood plans for the first time. When we first talked about it we thought it was important to have some examples available when the Bill becomes law, so we invited people, perhaps expecting to have half a dozen councils that might be interested in working with parishes and with communities, to produce a neighbourhood plan. In fact we have been astonished by the degree of enthusiasm to start working with neighbourhoods even before the Bill comes into law. We have over 120 local councils now working with their neighbourhoods for the first time to have a neighbourhood plan in place when the law comes into effect. I spent some time at the Local Government Association conference earlier this year, and from all parts of the country and all parties there was a real sense that local government recognises that the even more local aspect, the neighbourhood, is very important for both the delivery of services and detecting what is needed in communities. People are taking that up in large numbers.

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Q582 Lindsay Roy: So you have a wealth of information about engagement and joint action plans that have been proposed.

Greg Clark: Yes, they are being prepared even in advance of this general right being available.

Q583 Lindsay Roy: Is that from one area of the country or is it throughout?

Greg Clark: It is right across the country from both rural and urban areas. For example, I was in North Shields during the summer at the Fish Quay there. I do not know if anyone is familiar with the Fish Quay, but it is a very good example of a working neighbourhood; it is a working fish quay but there are residents there. In the past it has been in decline but is now very much reviving. You have a neighbourhood group working with the local businesses and the local authority to make sure the future vision for that area lives up to what everyone hopes; I think it is a good and inspiring example.

Q584 Lindsay Roy: Part of your portfolio is to develop and deliver decentralisation across Government Departments. What progress have you made so far in devolving power from Whitehall? Is Whitehall set up for the devolution of power to communities?

Greg Clark: Traditionally it has not been. Let me give you an example. All of us when we become Ministers, especially when moving from opposition—as Members here have perhaps had experience of in the past—are immediately impressed with the quality and calibre of the advice and help you get from the civil service. It is a great privilege to have that. My view has always been that the best ideas do not come in monopoly from Whitehall or indeed Westminster but often they come from deep within communities. It occurred to me as I walked through the door of my Department for the first time that if Ministers need this Rolls-Royce service to flesh out their ideas and overcome the various regulatory and legislative barriers that may be there, if you come in as a Government convinced that there are great ideas in communities, can you say that people in communities have access to the same help and support? Part of my purpose in my Department and more generally, as evidenced by the neighbourhood planning aspect, is to open up the Department. Over time I would like officials in Whitehall to be available to people with ideas in communities. They should have the right of initiative and should be able to do that. As an example, in my responsibility for cities, I am working with the major cities in this country so they can develop proposals that have never had an expression before—things that they would like to do differently. I have committed to make officials in Whitehall available to them to work up their proposals, and convened a cross-department group of Ministers with the volition to try to overcome whatever barriers are there. It is a change and it is a change that I think is necessary.

Q585 Lindsay Roy: As far as devolution is concerned, you would contend there has been some cultural change within the civil service?

Greg Clark: Yes, and more than that I have found the officials I have worked with on this, far from having any degree of resistance to this whatsoever, have been delighted and inspired to get out there and work with communities. This is what people go into public life for: to make things happen on the ground.

Q586 Lindsay Roy: Can you provide us with some concrete examples?

Greg Clark: Of course I will, yes.

Q587 Charlie Elphicke: To the Minister for the Cabinet Office: you may recall that in May the BBC reported the leaked contents of a memo by the CBI. It said specifically, “The Government was not prepared to run the political risk of fully transferring services to the private sector with the result that they could be accused of being naïve or allowing excess profit making by private sector firms.” First, do you agree or disagree with that position, and what should the role of profit-making companies be in the Big Society?

Francis Maude: The bit of paper that appeared in the public domain was an inaccurate record of a conversation I had with the Director General of the CBI. There is a huge role for profit-making companies in our society and our economy. Already there are significant public services that are delivered by profit-making companies. Is it universally perfect? No, because we are not always that good at commissioning, procuring and managing contracts. The point I was making earlier was that it is a capability we need to grow, frankly, whether we are commissioning from voluntary organisations, social enterprises or for-profit organisations, or supporting, as we are, the creation of public service mutuals, which are groups of public sector workers who take themselves out of the public sector to continue to provide the service on a contractual rather than a managed basis. So yes there is a huge role for profit-making companies in providing public services. The point I have been making is that we have moved away from the old model where there is a binary choice between public services being provided by monopoly, in-house public sector providers, or by fully for-profit commercial providers. There is a much more mixed economy and a more sophisticated array of providers, which includes social enterprises, VCS organisations and mutuals.

Nick Hurd: One of the initiatives I am most excited by at the moment is an initiative totally led by business, Business in the Community in this case, in response to a speech by the Prime Minister called Every Business Commits. He challenged the for-profit sector to play a bigger role in society. They went away and thought about it and came up with a programme called Business Connectors where organisations such as Sainsbury’s and Greggs, big British businesses, said that one thing they would like to do is second, pay and fast-track people in their businesses to play a community role. They would play an important role in going out in communities and making better connections between what communities need and what local businesses have to offer. Most of us know from our constituents that connection does not work

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as well as it could. The for-profit sector have seen that need and opportunity, and is actively developing it with our support. That is a classic case of a response to the Big Society message from the for-profit private sector. The aim is to have 1,000 of these in 450 communities around the country; there is a need there and it is very exciting.

Q588 Charlie Elphicke: I completely agree with the central point that we have moved beyond binary choice—sometimes I agree too strongly. How can mutuals, social enterprises and charities effectively compete for public services, assets and so on with the private sector on a completely level playing field so they get a fair crack of the whip?

Francis Maude: That is a very good question. It is not yet right. The key elements are that you need to chunk up projects more into smaller bites so that smaller local enterprises, whether for profit or VCS and social enterprises, are better able to bid effectively. You need to run a procurement process that is less onerous. A big national charity bidding for a local authority contract to run one of the big services recently told me that the local authority had taken the perfectly sensible view that they wanted it to be run not in-house but by an outside provider, and it had so far cost the charity £800,000 just to bid for it, which is nonsense. We need to be much better at commissioning in a way that creates a genuinely level playing field. It is too easy to do things that are risk averse, with big contracts requiring a performance bond and a minimum turnover requirement for the bidders, which excludes a lot of smaller providers, particularly social enterprises and VCS providers. Then you end up with an oligopoly of big, national and multinational providers, which is not what we want to see.

Chair: We have already covered a great deal of ground but we need to get through a lot of questions, so could we have shorter questions and shorter answers?

Q589 Kelvin Hopkins: What provisions are there to ensure that services and the public money used for services devolved to the community—however we define it—or community groups, remain accountable?

Francis Maude: Greg might want to comment on this. The same way they are now. If there is a route of accountability through an in-house provider and line management, there are still exactly the same connections but through a contract rather than through line management.

Greg Clark: Sir Bob Kerslake, the Permanent Secretary in my Department, at the request of the Cabinet Secretary has published a paper on accountability arrangements in a decentralised world, which has been submitted to the Public Accounts Committee. It reiterates the point that Francis makes: there is always an accounting officer and they are responsible for making sure the systems are in place in devolved organisations to be able to account properly and rigorously for public money.

Q590 Kelvin Hopkins: I have some knowledge of small local organisations, and I know they are

regarded very nervously by local authorities on the one hand and regional offices of Government on the other. What happens about monitoring quality on behalf of the public and ensuring genuine financial accountability, so the money does not slide into private pockets or is managed incompetently? How do we deal with public complaints when things go wrong? What happens if the service is just not being delivered properly? Is the local authority going to pick up the pieces and is it going to cost a lot of money and make everyone look foolish?

Greg Clark: First of all, what has been set out clearly is that it is important that the accounting officer has confidence in the systems to guarantee that all those things are both detected and rigorously managed. However, the important point to make is that there is sometimes a perception that in some ways it is riskier to deal with a voluntary group—there might be a greater instance of fraud or incompetence or whatever. Actually, studies have shown that there is no appreciable difference in terms of the loss of public money if you contract with the voluntary sector rather than doing things in-house or contracting with other public sector bodies. I think it is important that the message is understood: there is no greater intrinsic risk in dealing with voluntary organisations compared with the mistakes that are made in every council over time. It is important that people do not have an exaggerated view of this, but it is equally important that the systems are in place to make sure that public money can be accounted for.

Q591 Kelvin Hopkins: What if a constituent comes to me who has had a terrible service from one of these voluntary groups—it has all gone badly wrong, it used to be done by the local authority—and I write to the council and they write back saying it is not their problem as they do not run it any more?

Francis Maude: It is their problem; they have let the contract and it is exactly their problem. That is a lot easier to deal with.

Q592 Kelvin Hopkins: So these will be contracts handed out from local authorities, not just independent devolved groups?

Greg Clark: The responsibility is with the council. If it is their service and they are devolving it, they are responsible for ensuring that the quality of that service is delivered and that value for money is secured. As constituency MPs we all sometimes have complaints that the council itself has not been responsive or efficient. The point I am making is that there is, I am informed, no appreciable difference or no consistent difference that would require you to have a prejudice against devolving. You are absolutely right; you need to be clear that the council is responsible for the quality.

Q593 Kelvin Hopkins: Democratic accountability means that the council have to stand for election from time to time, which puts a real pressure on them, and they have central Government in control of their funding fairly directly, and if they do not do it right the local auditors will sort that out. Of course the media will get on it if there is a failure of social

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services, over child care, for example. All those forces on local authorities make them much more accountable and democratic. With local community groups, which are devolved to the community, whatever that might mean, surely accountability cannot be the same as it would be when a service is provided directly through local government.

Greg Clark: The local authority is accountable for the spending of money on contracts. Whether they are placed with a voluntary group or placed elsewhere, the local authority is responsible for ensuring that the quality of service is sufficient—they have mechanisms in place to ensure that—and money is spent properly. That is absolutely clear and needs to be understood.

Q594 Kelvin Hopkins: And when it all goes badly wrong, do they just take it back in-house?

Francis Maude: Well no. It is a really important question and it is important we are clear about this. If the contractor, whether it is a community group, a VCS organisation or a private contractor, fails to abide by the terms of the contract, it can be terminated. It is all much more accountable. It is more accountable than in a conventional, line-managed bureaucracy, because there will be a contract, which increasingly—because of our transparency agenda—will be publicly available, and people will be able to look at it and see what it says. The contract can then be awarded to somebody else or it can be brought in-house; there are a number of different remedies available.

Q595 Kelvin Hopkins: At great expense?

Francis Maude: Not necessarily at great expense, possibly at less expense. You assume that the only way things can be done is through bureaucratic state organisations.

Q596 Kelvin Hopkins: No, through democratic organisations.

Francis Maude: Democracy lies in councillors being elected, not in a bureaucracy. Bureaucracy is not, in itself, democratically accountable.

Kelvin Hopkins: An officer is accountable. But anyway, I have made my point.

Q597 Greg Mulholland: I would just like to ask Greg a slightly broader question on the Localism Bill. The principle is wonderful, the rhetoric is bold, but unfortunately isn't the reality that a lot of what is in there is a little timid in what it will deliver? One example is the so-called community right to buy, which is not really a community right to buy; it is a community right to try. It allows a community a little bit of time to get together to come up with a bid, which can then be entirely rejected, whether it is for post offices, shops or pubs—an interest of mine, as you know. One estimate is that in about 10 years the community right to buy will save something like 10 pubs, which is not really empowering communities. Do you feel that the Localism Bill is not going to deliver the kind of local empowerment that we would all want?

Greg Clark: After 60 years of the trend being in the other direction, for increased centralism, this is a decisive reversal. It increases the powers of local

authorities, such as the general power of competence, the right—for the first time—for communities to bid for an asset. This has been debated in the Commons and the Lords, so it has had a great deal of scrutiny.

What I would say on the community right to bid for assets is that a lot of communities see important assets, be it post offices, pubs or other facilities, disappearing from under their noses without the chance to put together an opportunity to keep them in community use. They simply do not know an asset is going to be for sale, and they only hear about it because a sale has been completed. The commitment we made in the Localism Bill was to give them the right to know if something of community value was being sold, and there would be a register of assets of community value. The community would have to be notified if anything on that register, which councils will put together, were to be sold. Then they will have a window to be able to put together a bid that can keep it in community ownership.

The Bill has not yet completed its passage in the Lords, but there seems to be a degree of consensus that it is a significant step forward but does not end up confiscating property that is genuinely held by people who depend on it for a living. It is an opportunity for the community to come together to prepare a bid. That is a big step forward from where we are, and that is recognised by the community groups that have been very instrumental in calling for and shaping this.

Q598 Greg Mulholland: It is a step forward, but it only applies to things on a council-held list and people can reject it. We will have further discussions about that. What are you going to do about the real concern in communities out there, particularly in rural communities, as well as suburban and urban communities and the Back Benches of both the coalition parties, that a lot of things in the Localism Bill are going to get swept away by the thrust of other Government policy? That particularly applies to the national planning policy framework and the drive for more development. Do you not accept that there is a contradiction there, and how are you going to ensure that localism does mean something when all this comes out the other end?

Greg Clark: Localism is absolutely central to all these reforms. For example, on the planning aspect we are getting rid of a great deal of the bulk; we are distilling down national policy. One of the reasons for that is that if you have over 1,000 pages of national policy it is very difficult for local communities, who we want to be in charge of the planning process, to understand the obligations and requirements. Similarly at the moment the regional strategies impose on every council in the country, and require things to be in their plans that often bear no relation to what is wanted by communities. So our purpose is to make the local plan the centre of determining planning applications and for every council to have a local plan. That is what we want to do. Throughout my whole political life I have been passionate in my belief that things should be decided by those who know their area and know the issues they want to promote. They are the best

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judges of these things. All of these reforms are to that end.

Q599 Robert Halfon: Do you agree that the fundamental premise of the Big Society is that it should help the little society? There are concerns from organisations like NAVCA that, instead of small community groups delivering public services, there is a danger that “contracts will be won by bigger national organisations without local knowledge”. Another view is that, in essence, what you have done is ask Tesco to rebuild corner shops.

Francis Maude: That is the point I was making earlier: there is a danger that we parcel things up in too big lumps so it is much more difficult for smaller organisations to participate effectively. That is one of the concerns we have, which we can, to some extent, drive through central Government. In the wider public sector, where localism means that our writ properly does not run, all we can do is encourage.

Nick Hurd: The Big Society vision and agenda goes much wider than public service delivery and the ability of small or big charities to win public service contracts. What we are talking about, through the social action programme and the localism agenda, is trying to create opportunities for small, local community groups to have a much greater role and a much greater voice in shaping local priorities and getting things done at a local level. It is about connecting people with their power to make a difference in their communities. That applies directly to small companies.

Q600 Robert Halfon: If you talk to genuine, grassroots charities, very small organisations that do not have access to big national charities, they say that it is much harder to get a look in when it comes to the Big Society because a lot of it is coming through intermediaries. If you just take the Communities First fund, which is a good thing, with £80 million, and the Communitybuilders Fund, which is endowed with £27 million from CLG, that is gifted to the Adventure Capital Fund run by Sir Stephen Bubb’s organisation. Then there is the Community Development Finance Association, who were given £60 million via BIS. For the smaller charities there is huge confusion over fragmented funding landscapes. Why should so many millions of pounds go to an organisation like Sir Stephen Bubb’s? I do not have anything against his organisation, but would it not be much better for that to be given directly to the real, grassroots charities rather than through intermediaries? It is the same with the Big Society Bank; Big Society Bank funds are being passed through intermediaries.

Nick Hurd: In the case of Big Society Capital, as we must call it now, the whole purpose of setting that up is to make it easier for social entrepreneurs to access capital. We have had to set it up as a wholesaler, for reasons that we can discuss, but the intent is that it should be a catalyst for providing more social finance to make it easier for social entrepreneurs to access capital, because there is a real need. In terms of the Communitybuilders Fund, which is an inheritance from the previous Administration, as I understand it that money is being lent to exactly the type of

organisations you talk about. The Communities First Fund, which we are responsible for, is about putting small amounts of money into the hands of exactly the type of organisation you are talking about.

Q601 Robert Halfon: I have a couple more questions, Mr Chairman. Shelter, for example, gets £10 million a year from a state subsidy, which is fine, but that kind of organisation is going to be much better at accessing funds whereas a little organisation probably only wants a few hundred pounds and they are not getting that money. The money is not filtering through even with the economic climate; there is money available, as has been shown. There seems to be a huge bias in favour of the Tesco-type charity, or Tesco-type quango charity organisations. In some ways the Big Society has become somewhat corporatist.

Chair: Why not give parish councils the right to hand out grant funding?

Nick Hurd: In the Communities First Fund project, the money will be handed out and the decisions will be taken at a very local level, at a ward level, by citizens in those communities. We are trying to do it in a very different way to make exactly that point.

Q602 Robert Halfon: The Transition Fund required a £50,000 annual turnover, and very small grassroots organisations are not going to have that kind of turnover. Again, that was a bias in favour of bigger organisations. Would it not have been better to have a micro transition fund on top of that, or as part of the budget?

Nick Hurd: I am not discounting your fundamental point, which is that the funding environment for small, grassroots organisations is incredibly tough. Through our programme we are trying to encourage the giving of more time and money. We are trying to help that. Specifically on the Transition Fund, as we have discussed before, we had a limited pot of money to try to help those organisations most vulnerable to a cut in a public grant or contract. The information we had was that above that threshold you were likely to capture most organisations that were in that situation. We had to prioritise and that is the decision we took.

Q603 Robert Halfon: In an interview with the *Third Sector* magazine, Jeremy Hughes, who runs the Alzheimer’s Society, said that charities face pressure to get bigger and more centralised. He gave the example of the Alzheimer’s Society, saying it had to tighten control over many of its local offices. I have seen that locally. This has upset volunteers but was designed to satisfy Government procurement criteria. What are you doing to try to stop this centralising pressure?

Nick Hurd: It comes back to what Francis was talking about before in his answer to Charlie Elphicke’s question about what we are doing to try to level the playing field in that respect. We have touched on some of the various themes. I come back to a fundamental point, which is about impact. The whole context for this is that the country faces really significant economic and social challenges, which are deeply embedded. The whole premise of this Big Society

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vision is that we have handed over too much power and responsibility to Government, and it is time to rebalance that and encourage fresh thinking.

If we are going to take a fresh approach to tackling some of these really difficult social problems—keeping people out of jail, off drugs, getting them into work and so on—we have to contract with the people who are going to make a difference and an impact. Most of us know that for some of the most difficult stuff, some of the most brilliant work is often done by very small, local organisations. What we are trying to do is create space for those organisations to do more. That is a massive culture change in the system and we do not underestimate the difficulty. Things like the right to challenge in the Localism Bill are extremely important in that.

Robert Halfon: Do you not feel that we need to stop giving millions—

Chair: You have had a long run. Mr Flynn, please.

Q604 Paul Flynn: Could I support my comrade Robert over there, as always, and remind you, Francis, that you said you estimated that 35% to 40% of the value of contracts in the Work programme would go to voluntary and charity bodies. Where is the evidence of this? I can see two examples. There were 18 prime contractors and only two of them were in the not-for-profit sector. There was a group of 40 contracts for the Work programme and only two of them went to the not-for-profit sector. Again we are in the position where it is a shining dream but an ugly reality.

Francis Maude: The reality underneath the prime contracting level is that there is a great deal more being done by voluntary and charity organisations and social enterprises. Exactly what the pattern will be will take time to emerge because it is a payment-by-results model, so organisations that deliver the results of getting people into sustainable work will get the reward.

Nick Hurd: There are approximately 300 voluntary organisations in the supply chain at the moment and it is expected to evolve. The Minister responsible is on record as saying that he expects those organisations to earn at least £100 million a year. It is hard to be exact because it depends on results, but there is a major opportunity for the sector to play a very important role. Now, are there concerns in the sector about how it is working in practice? Of course; we are at an early stage. Is the Minister responsible aware of those concerns? Yes. Is he on top of them? I believe so.

Q605 Paul Flynn: Forty per cent is the promise and the dream, but 5% is the reality. Francis, when you wake up at 3 o'clock in the morning and imagine writing the manifesto for the next general election, I wonder if you will look back at your five years in power and say, "We created an ineptocracy." There were so many wrong turnings, so many U-turns and dead ends, and so many policies that promised so much but crumbled. Isn't this what you are looking forward to: an "ineptocracy"?

Francis Maude: That is not a question; it is invective.

Q606 Paul Flynn: But that is what is happening, isn't it? Nothing is working for you. I am trying to be helpful; I am trying to steer you to the path of doing something useful.

Francis Maude: As I said before, I completely appreciate the helpful spirit in which you offer those comments, but when you make the absurd statement that nothing is working and everything is going wrong, all I can say is that I profoundly disagree.

Q607 Alun Cairns: I would like to speak on a rather more positive note about the Big Society. As the cultural change is brought about and the Big Society filters through to the community groups to empower them and give them greater strength, what about the risk to continuity of the service that they will hopefully pick up from local authorities and other organisations? What steps are you taking to ensure that the transition is smooth and there is continuity?

Francis Maude: Continuity when an outside organisation picks up a service?

Alun Cairns: Yes.

Francis Maude: Very often the same people will be TUPed over into the new organisation. Sometimes you do not want there to be continuity. If things have not been done very well, you want there to be a change. Far too often when we, the public sector, commission outside organisations of whatever nature to deliver public services, what we tend to do far too much still is over-specify and over-prescribe how the service is to be provided. We need to be much more in the realm of specifying the outcomes, prescribing what the outcomes are and allowing the bidders and providers to find innovative ways of providing those outcomes. Far too often we lock in old ways and the status quo. Quite often you do not want there to be continuity; you want to engage those who have found a different and better way of doing things, so that the money can go further and yield better results. Continuity is not always a good thing.

Q608 Kelvin Hopkins: Does the implementation of localism mean that the public should expect different levels of service depending on where they live? Already there are constant scandals about the postcode lottery, even with existing public services. A major concern of the electorate is equity and fairness across the country. Will this new localism mean that diversity and inequality of provision get worse across the country?

Francis Maude: I always dislike the phrase postcode lottery, because it suggests it is completely random. There will be differences. Where there are differences by postcode it is because somebody somewhere has made a decision; maybe the voters have voted for different priorities in the local authority, or professionals have decided to make different decisions about clinical priorities in the health service. So are you going to see more differences in the way things are provided? Yes. That is not just about level or standard; a lot of it will be about different priorities, reflecting what different communities and different people care about. The idea that everything should be absolutely uniform across the country in the name of equity is actually a recipe for stultifying mediocrity.

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Q609 Kelvin Hopkins: Obviously differences in style of provision is one thing, but when there are gross differences in the level and quality of provision, people will be upset and quite rightly so.

Francis Maude: Well, yes, but one of the things we are doing is aggressively driving a transparency programme, where we disclose much more about what the different outcomes are. This can have dramatic effects. Some years ago, under the last Government, Sir Bruce Keogh, who is now the Medical Director of the NHS and the doyen of cardiac surgeons, persuaded his peer group of cardiac surgeons voluntarily to make public the outcomes from cardiac surgery, including mortality. This was a very brave thing to do and highly commendable. It disclosed quite wide variance in outcome between different centres and different surgeons. The consequence of that was that some bad practices were eliminated. All the outcome measures have dramatically improved since then. One of the measures has improved by 50%; the one that moved least moved 22%—improvements in mortality rates.

Q610 Kelvin Hopkins: Can I just take that point? Giving more independence to local hospitals actually saw the appalling tragedy of the Staffordshire Hospital where there were 400 unnecessary deaths, driven by financial concerns, it seems, because it was given more independence. Is your proposal to develop more localism not going to make that kind of situation more frequent?

Francis Maude: It is not obvious that you avoid that by having more direct, top-down control. That was a really badly run hospital. The transparency measures we are now putting in place would have thrown up much more quickly that there was something going wrong there, and would have enabled patients and GPs, when they were sitting with their patients to decide where to send them for their operation, to say, “I do not like the look of that hospital because their outcome measures are dreadful.” People very quickly start to ask what they are doing there that is leading to those outcomes. Why is that hospital up the road in Stoke-on-Trent, or wherever, looking much better, and what are they doing that Stafford Hospital is not doing? Therefore you start to get the spread of good, often innovative practice, which produces better outcomes.

Q611 Kelvin Hopkins: Don't the electorate just want every hospital to be a good hospital, and isn't it the Government's job to make sure that happens?

Francis Maude: Of course everyone wants everything to be good; that is a statement of the obvious. The question is not whether everyone wants everything to be good; it is how do you achieve that? The key thing you are focused on, which I think—from your line of questioning—is a fundamental difference between what you think and what we think, is that you think the only way of achieving that is by top-down diktat: dictating practice and service levels from the top. We think the right answer is to empower those who are delivering frontline services, make them much more accountable to those to whom they are delivering the service, increase transparency, and enable the people who are going to benefit or suffer from the service to

see what the outcomes are. We think that is a much more progressive way of driving better public services.

Q612 Paul Flynn: I just feel I have gone back 40 years to departments of universities, when they were talking this populist, vacuous and optimistic view that you have now.

Francis Maude: I apologise for being optimistic.

Q613 Paul Flynn: I suppose I should congratulate you for not blaming the European Union or the last Labour Government for any of the problems now. You are giving more power to professionals in the health service, rather than insisting they are more exposed. You are giving them a position where they can conceal more.

Francis Maude: I do have to deal with that because you could not be more wrong. You have made a lot of effort today to be more wrong than that, but actually that takes the biscuit. We are making it impossible for professionals to conceal the outcomes.

Q614 Paul Flynn: If you succeed in that you will have succeeded in doing a great deal, because this has been a problem that has been around for the 25 years I have been in Parliament. I have traced many areas where the drug companies and professionals in the health service have concealed practices that were leading to unnecessary deaths.

Francis Maude: That is precisely the culture that we are challenging.

Q615 Paul Flynn: It has been something taken on by all parties for a long time. In evidence given to us, David Lewis, Professor of Social Policy at LSE, talked about how the voluntary sector may well offer the possibility of better services but not necessarily at better value. There were examples given of this: of how in fact you might find that you are in conflict, and if the voluntary bodies do take over services, they will in fact add to the costs. What evidence do you have that this is not happening?

Francis Maude: If there is a competitive process, then the winning bidder needs to show not only that they are able to deliver the quality but they are able to provide good value.

Q616 Paul Flynn: What comparative costs do you have where you have measured one against the other?

Francis Maude: You have a competitive process that should show that whichever bidder wins the contract is doing it for the best value.

Q617 Paul Flynn: The voluntary services said to us that “the perception that paid voluntary sector and public sector posts can be substituted by volunteers devalues the particular professional skills of the employee, fosters a perception of the voluntary sector as a cheap alternative and undermines the credibility of the Big Society.” Isn't that a fair point?

Francis Maude: No, frankly. For example, in the field of youth services, in general in-house, local-authority-provided youth services do not mobilise volunteers, so the money does not go very far. Most local

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authorities are now spending less on youth services, but if they are engaging the voluntary sector in the provision of youth services, those voluntary bodies are able to mobilise volunteers to a much greater extent and the money goes a lot further. You can actually multiply the amount of activity for less money. Do people feel degraded by that? Actually, I do not think so; I think it is a really insulting attitude.

Q618 Paul Flynn: Even with your blunt metrics, when do you hope to present an assessment of how the Big Society is doing?

Francis Maude: If you tell us which metrics you would like us to measure, we will do our best to measure them.

Chair: We may well do that.

Q619 Paul Flynn: Do you have any at all? You say you do not have any sharp metrics. How on earth are you going to assess whether this is a success or a failure when we have to take our decisions on which party we support in 2015?

Francis Maude: Obviously it is going to be an open question in your mind.

Paul Flynn: As always.

Francis Maude: I have said that there are not any obvious metrics for measuring how big society is. You can do things like counting how many formal neighbourhood groups there are, how many civil society organisations there are, but a lot of this is happening beyond the view of officialdom, and so it should be.

Q620 Paul Flynn: It is “trust me, I am a politician”. “I am a politician, trust me, trust my rhetoric.” You have nothing to prove whether it is working or not.

Francis Maude: Is that an invitation?

Q621 Lindsay Roy: Are public services going to be too big to fail? We have the example of 2,000 schools that will be required to have direct intervention from Whitehall rather than from the local authority if they fail.

Francis Maude: I do not fully understand what the question is.

Q622 Lindsay Roy: Will there have to be a safety net to support people if there is failure?

Francis Maude: It depends what you mean by failure. If a provider fails to meet the terms of the contract in terms of providing—

Q623 Lindsay Roy: Criteria, objectives, outcomes.

Francis Maude: Yes, if they fail to comply with the terms of their contract, the contract can be removed. Where there is a rich ecology of different providers, you have the possibility of either bringing it in-house, as we talked about earlier, or engaging a new provider to take over the service.

Q624 Lindsay Roy: Do you feel there will have to be Government intervention in such cases?

Francis Maude: In some cases that will be the case, yes.

Q625 Lindsay Roy: Is there a fund for that?

Francis Maude: A fund should not be needed. If there is a service being provided, there is a stream of funding for that service.

Q626 Lindsay Roy: No additional resources would be required?

Francis Maude: You can never completely exclude the possibility that no additional resources would be required because life is not a wholly predictable business. However, if a contractor providing a public service stops providing it for whatever reason—because they go bust or because the contract is terminated for failure to deliver—there is still a continuing funding flow to fund the provision of the service; you just need to find another provider. In some cases that may need more resources, but it is very much case by case.

Q627 Lindsay Roy: If there is a vacuum, is there any intervention funding available?

Francis Maude: I cannot quite visualise what kind of vacuum you have in mind.

Q628 Lindsay Roy: Take, for example, a free school that does not meet the outcomes and there is still a need for education within the community. Does the transformation take place immediately?

Francis Maude: Do you mean if it is failing to deliver?

Q629 Chair: What happens if a free school gets into financial difficulties? What happens? Does the local authority come in and take it over? Does the Department for Education rescue it? What happens to stop the children being thrown on to the street?

Francis Maude: The school continues to exist, the building is still there and the teachers are still there. There is a flow of funding attached to the children and there are a number of ways of dealing with it: it could go into local authority control; it could be taken over by a different management or by the management of an academy locally.

Q630 Kelvin Hopkins: A private company?

Francis Maude: Well no, because we have said that they will not be run by for-profit operators, but there are many different outcomes. There is no central regime.

Q631 Chair: We would like to ask about Big Society Capital in the last few minutes, if you could stay an extra few minutes?

Francis Maude: I would be delighted.

Q632 Chair: Are there any other matters not covered that colleagues would wish to cover before we do that?

Kelvin Hopkins: There is one question about some charities believing they are being used as “bid candy” in the Work programme process.

Chair: I was so looking forward to Mr Flynn asking that question, but would you like to address that particular point?

Francis Maude: What was the point?

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Q633 Kelvin Hopkins: It has been reported that some charities believe they were used as “bid candy” in the Work programme process.

Nick Hurd: I have heard the expression and I have heard the concerns. The reality is that if you are contracted on a payment-by-results basis, and this is the biggest ever done, then the prime contractor is extremely interested in delivering results. Therefore they are fully incentivised to work with those who will deliver those results. That is the economic driver underpinning this. If you talk to the Sercos of this world, as I have done, about the Work programme, they are subcontracting most of it because they recognise that they are working with parties that have a better chance of delivering results than they do. Are there concerns in the voluntary sector about how this is working? Yes, but it is early days and, as I said to Mr Flynn, it is being monitored very carefully because the expressed desire of the Government is that the voluntary sector gets a very good crack at this because we want the results.

Q634 Kelvin Hopkins: I cannot be too pointed about this, but I know of a situation where a consortium of local providers and voluntary groups who put in a bid for a local government contract were not even shortlisted. It turned out that they were not shortlisted because of the advice of a consultant sent down by central Government, not because of the local authority’s decision. That is something I am currently fighting and I shall be writing to you about it.

Francis Maude: We would be interested to know about that.

Q635 Kelvin Hopkins: It looks like private companies and “bid candy”.

Nick Hurd: All I can say is that Chris Grayling, the Minister responsible for that, is on record as saying he will act very robustly with prime contractors who have been proven to be acting irresponsibly with their supply chain. He is monitoring this very carefully and we are helping him with the granularity and the specific examples of where things might be going wrong.

Q636 Chair: Thank you. We will be writing to you with some specific questions about Big Society Capital, but I want to ask about a specific matter. We are going to visit an Emmaus community as part of this inquiry. I have one in my constituency, in Colchester, and I am advising Emmaus nationally on how to approach the Government with regard to Big Society Capital and what you call payment by results—directly funding charities for outcomes.

We have had a meeting with Mr Letwin, Mr Grayling—the Minister responsible for the Work programme—and Grant Shapps, the House Minister. Emmaus wants a single contract. They deal with people who are homeless, who have mental health difficulties, who are drug or alcohol dependant, who are out of work and are faced with huge challenges. Some of them will never work, so they cannot be in the Work programme. The Work programme cannot deal with people with mental health difficulties. They want to be able to expand to Emmaus communities

across the country, for which they need capital. Big Society Capital should be able to provide that capital against an income generation scheme based on their very successful track record of producing positive outcomes. They are going to have to deal with three, four or five separate Government Departments, even in respect of single, individual cases. What is the Government going to do to enable them to have a single contract with central Government to produce these outcomes, which are so desirable?

Francis Maude: There are things we can do, but we cannot solve it all. Community budgeting, which Greg may want to say a word about, is one way of doing it. What you need to do in some of these circumstances is to try to funnel all the funding there is, because some of the families and individuals you are talking about, as well as the social misery and human unhappiness, are a massive cost to the taxpayer. We are still far too often ineffectively managing the symptoms of failure. It is really difficult; there are huge cultural and institutional challenges in pulling together funding streams, which may come through the NHS, through the criminal justice system, policing, local government, the welfare system—

Q637 Chair: Ex-offenders, they have them too.

Francis Maude:—and then trying to get an organisation like Emmaus to be able to configure the services the individual or family needs.

Q638 Chair: Is there not a case for the Cabinet Office holding a central budget for this type of contract on behalf of the other Departments?

Francis Maude: But it would be the Government’s budget.

Q639 Chair: Yes.

Francis Maude: My point is that it would be a huge chunk of the Government’s budget.

Q640 Chair: At the moment we are presented with no solution to this.

Francis Maude: It is the welfare budget, the NHS budget, the police budget and so on.

Q641 Chair: But people’s problems do not fit into departmental silos.

Francis Maude: Life is very untidy and there is not a simple institutional way of solving it.

Q642 Chair: I think there has to be one.

Francis Maude: Ideally there would be solutions to every problem. There are ways of addressing some of this on a much more local level. Community budgeting and local, integrated services is one way of doing it.

Greg Clark: The community budget programme is designed to reflect precisely that reality; that you have multiple symptoms of common causes. If you just treat the symptoms, you do not address the causes. So there is work going on across Government that brings together the different Departments, in both particular areas and particular groups of people, to try to bring those budgets together. If this is something the

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Committee wants to go into more detail on, I can supply some evidence.

Q643 Chair: Maybe I could bring Emmaus to meet you? Maybe this accumulation of budgets from different departmental headings could be held and contracted at local level?

Greg Clark: My colleague Baroness Hanham is the Minister responsible, but I would be very happy to meet you and Emmaus with her.

Chair: This is something we want to address in our report and it is something we want to make some

positive recommendations on, because it affects many more charities than Emmaus, where they are dealing with people with multiple needs and multiple difficulties.

This has been quite an electrifying session, if I may say so. I am extremely grateful to the three of you for giving up so much of your time. I have to say I am not clear about the shape of our report even at this stage. We are collecting some written reactions to the *Open Public Services White Paper*. We are nevertheless extremely grateful to you for being with us this morning.

Written evidence

Written evidence submitted by TUC (BS 25)

EXECUTIVE SUMMARY

- The role of civil society is to strengthen our democracy through diversity and pluralism, providing space for innovation, for community action and providing services to otherwise excluded communities. Community and voluntary organisations should hold both local and national government to account and articulate the interests of their users through advocacy and campaigning.
- This model of an autonomous, innovative and representative civil society is undermined by the Government’s “Big Society” agenda through its programme of spending cuts and by viewing civil society organisations as a potential vehicle for the cut-price delivery of mainstream public services.
- Collaboration between service users, community groups, staff and commissioning authorities can drive reform and create services that are more responsive to community need. This can be delivered through an integrated and accountable public sector framework.
- The government’s “Big Society” concept of outsourcing public services to potentially cheaper providers from civil society and social enterprise sector must be seen in the context of huge cuts to public spending and “reforms” based on an “any willing provider” model applicable across the full range of public services.
- The TUC believes that this agenda poses the threat of further inefficient and costly marketisation of public services, creating a race to the bottom driving down labour costs and quality of service. Fragmentation of public services threatens service continuity, accountability, regulation and quality standards.
- Community and voluntary organisations, smaller social enterprises and employee-owned mutuals will compete at a disadvantage in an open market with large scale private for-profit enterprises.
- The voluntary sector is suffering huge cuts in funding that are directly leading to job losses, closures and loss of service. This is occurring at a time when demand for services is increasing as a result of the economic downturn and reforms to welfare and legal services.
- Commissioning and procurement processes are impacting on voluntary sector independence, advocacy and campaigning, forcing charities and community organisations to tailor their organisations to external funding requirements at the expense of service users and client groups.

A definition of what the “Big Society” is or should be

1. Trade unions are collectively the largest voluntary organisations in the UK and many of our affiliated unions’ members work in the community and voluntary sector. Research shows that trade union reps are eight times more likely than average to engage in voluntary work and give their time to community organisations.¹ Trade unions rely on the active engagement and participation of their members to function effectively.

2. The TUC is therefore passionate about the role of civil society in promoting the economic and social well being of our communities, enhancing social cohesion and inclusion and providing services to many in our communities who are otherwise excluded and disempowered.

3. The TUC supports this definition of civil society recently advocated by the National Coalition for Independent Action:

“The primary role and purpose of voluntary organisations in civil society is to strengthen our democracy through diversity and pluralism, by providing a haven and test-bed for new thinking, for community action and ways to fill gaps in services and support to people, while maintain a platform for social action. Within this mix, the role of the sector in holding to account state agencies and interests through advocacy, campaigning and dissent, where needed, remains crucial.”²

4. This model of an autonomous, innovative and representative civil society is undermined by the Government’s “Big Society” agenda both through its programme of spending cuts and by viewing civil society organisations as a potential vehicle for the cut-price delivery of mainstream public services.

5. The Prime Minister’s assertion that “*public services should be open to a range of providers competing to offer a better service*”³ places civil society organisations in direct competition in an open market with private sector organisations that will compete with the advantage of economies of scale, greater access to commercial funding and the ability to undercut in price competition.

6. The relationship between communities, through community and voluntary organisations (CVOs) and the public sector should be beneficial. Civil society organisations are often able to engage with hard to reach clients and communities that may be beyond the scope of the public and private sector. As such, they are positioned

¹ “Unions in the Community” Gregor Gall, University of Hertfordshire, May 2009.

² “Public Services and Privatisation” NCIA 2010.

³ David Cameron “How we will release the grip of state control” *Daily Telegraph* 20 February 2011.

to provide added-value, niche services in partnership with the public sector. CVOs are also able to represent and articulate the needs of service users and clients, facilitating greater engagement between public service providers and the communities they serve. Enhancing the capacity and role of civil society in these areas is essential to improving public service delivery.

7. In many situations there is disconnect between public service providers and the communities they serve. This accountability deficit creates problems such as increasing public scepticism regarding the decision making of public service professionals, a widening gap between public perception of service quality and objective criteria used to measure improvements and a lack of responsiveness to locally determined need. While public sector-delivered services have essential links to democratic institutions, more should be done to build links with service users and communities.

8. There is scope to achieve this within a public sector framework, whereby accountability to democratic institutions is balanced with mechanisms for engaging the community and service users and where the public sector workforce plays a fundamental role in the consultation and negotiation process with commissioners and users of services.

9. The “Big Society” agenda as framed by the government does not have popular support among service users, the wider public or among the public or voluntary sector workforce. A survey by Third Sector and LGC showed that only 9% of voluntary sector respondents thought the main effect of the “Big Society” would be an increase in citizen action and only 11% thought it would bring greater opportunities to set up voluntary and community groups. These figures were similar to respondents from the public sector.⁴

10. A YouGov survey of the general public found that 59% agreed with the statement that the “Big Society” was “mostly hot air” and “a cover for the government while they cut public services” and 68% said that it would probably not work.⁵

The impact and consequences of reductions in public expenditure on the Government’s ambitions to deliver its vision for the Big Society

11. The government’s public spending cuts are having a serious impact on the ability of charities and CVOs to meet the increasing demands for their services as a result of the economic downturn, a changing landscape in welfare, housing, legal and public services and increasing uncertainty and anxiety among the poorest and most vulnerable sections of our community that are bearing the brunt of a weak recovery and cuts to services.

12. Statutory funding is concentrated among a minority of community and voluntary sector organisations. 36% of community and voluntary sector organisations receive public money, and 14% (23, 000 organisations) regard statutory funding as their most important source of income.⁶

13. However, those most reliant on statutory funding tend to be larger organisations, more likely to be charities or CICs, serving the most vulnerable and socially excluded clients and operating within areas of high deprivation largely in urban areas and northern regions. These organisations also tend to use employed workers more than volunteers. As such, spending cuts will tend to have impacts both on the most deprived service users and on the employed workforce within the sector.

14. As a result of the cuts, we are beginning to see job losses in the voluntary sector. Labour Force Survey figures for the third quarter of 2010 show that the voluntary sector has already lost 13,000 jobs, a decrease of 2% on the previous quarter.⁷

15. It is predicted that job losses will intensify as both statutory funding and voluntary donations significantly reduce. CIPD’s Labour Market Outlook indicates that 40% of voluntary sector employers intend to make further redundancies in the first quarter of 2011, up 5% from the previous quarter.⁸

16. At a recent event hosted by the TUC and NAVCA, many organisations present were planning for job cuts. NAVCA predict over 20,000 job losses in the local voluntary sector, including community development workers, volunteer centre organisers, youth volunteering workers and funding advisers.⁹

17. One particular example from the TUC and NAVCA event was Community Links, a high profile CVO operating in East London, who claim that three of their 10 community centres will close, a further five are under review and the whole children, youth and community work team were at risk of redundancy, representing 25% of their total workforce.¹⁰

18. Not only does this represent considerable reduction in service delivery but it also amounts to a serious brain drain from the sector, as Belinda Pratten, Head of Policy at NCVO put it “*we need to retain the experience*”

⁴ Big Society Survey, *Third Sector and Local Government Chronicle*, October 2010.

⁵ “Brits baffled by Big Society” *YouGov*, 31 January 2011.

⁶ Third Sector Research Centre Working Paper 45 “How dependant is the third sector on public funding” October 2010.

⁷ “Voluntary sector employment starts to dip” *Charity Times* 14 January 2011.

⁸ Labour Market Outlook, CIPD, February 2011.

⁹ A Future for Civil Society TUC 2011.

¹⁰ *Ibid.*

and skills in the sector, job losses of this magnitude represent a real threat to the skills base of the voluntary sector workforce".¹¹

19. These cuts take place at a time when demand for services is increasing. 97% of respondents to a London Voluntary Service Council survey reported that their communities were still suffering the effects of the recession, 70% reported an increased demand for their services and 75% were not confident of meeting this demand now or in the future.¹²

20. It is also worth noting that while the voluntary sector faces impacts from cuts to statutory funding sources, philanthropic and corporate giving has also been scaled back in the wake of the economic downturn. A CAF/NCVO study from 2009 reports a decrease of 11% (or £1.3 billion) in the total amount donated in the UK. This is backed up by a survey of 450 senior UK business leaders which reported an expected drop in corporate giving of 34% in 2009—60% of respondents expect their organisation to cut its charity budget, potentially cutting business donations by £500 million.¹³

21. Household donations are also declining. Research by University of Bristol and Cass Business School show that the proportion of households donating to charity has dropped from around a third (38%) in 1978 to just over a quarter (28%) today.¹⁴

The role and capacity for the voluntary and community sector to deliver local public services including the appropriateness of using charitable income or volunteer labour to subsidise costs

22. There are a number of risks to continuity and quality of service associated with the proposed outsourcing to the community and voluntary sector.

23. The Government's call for evidence on public service reform, states "*fully functioning markets require free entrance and exit for providers.*"¹⁵ This raises the prospect of constant upheaval and uncertainty for service users and for the workers who deliver public services. A key example of this is the "any willing provider" model proposed for the NHS, where providers will compete to provide services without any guarantee of work and will therefore be unlikely to invest properly in workforce planning and training.

24. There is a particular potential for problems in dealing with multiple and complex needs, where clear strategic direction and oversight is needed to join up services and ensure that the service users affected are properly supported. For instance, an individual with mental health, housing and drug use issues could find themselves having to navigate a complex terrain of public, private and voluntary sector providers and there is a risk that communication and joining up between providers will fail.

25. There is no evidence to suggest that outsourcing improves service delivery. For instance, the *Financial Times* recently published¹⁶ an analysis of private supply of public services which concluded that the private sector was "not yet better or cheaper" than the public sector.

26. Volunteering has a role to play across many parts of our community and within our public services. Volunteers can add value, providing niche services in support of public service workers. However, beyond the implicit concerns we would have about substituting paid with volunteer, we would also question the capacity of volunteers to deliver public services.

27. The 2010 Citizenship Survey demonstrates that volunteering is on the decline both over the short and longer term. There are also regional and income dimensions to the trends in volunteering. Volunteering appears to be declining more rapidly in the north and midlands.¹⁷ According to the Third Sector Research Centre, volunteers are largely characterised by higher qualifications and income. Volunteers were more than twice as likely to come from the least deprived neighbourhoods than the most deprived.¹⁸ This suggests that if the "Big Society" is to rely heavily on voluntary labour, there will be a major problem matching available volunteers with the need for their services.

28. Evidence suggests that while citizens welcome the opportunity to have a say in the running of public services, there is little appetite among the general public for the use of charities or CVOs delivering public services.

29. Research from IPPR/PWC found that there was a degree of appetite among the public for a greater say in public services, however their report found that that "while there is support for the public to take more of a role, people nevertheless believe that the state should remain primarily responsible for delivering most public services". 94% of respondents believe that national or local government or public service providers should be mainly responsible for providing health care, 93% believe that different state agencies should be responsible

¹¹ *ibid.*

¹² LVSC "The Big Squeeze 2010: The Recession, Londoners and the Voluntary and Community Groups Who Serve Them" May 2010.

¹³ "Government policy, recession and the voluntary sector" Steve Davies, University of Cardiff 2009.

¹⁴ "Big Society equals big slog for charities" *The Guardian* 15 February 2011.

¹⁵ HM Treasury Call for Evidence on Public Service Reform November 2010.

¹⁶ *Financial Times*, 18 October 2010, Private sector "not yet better or cheaper".

¹⁷ 2010 Citizenship Survey.

¹⁸ Mapping the Big Society, Third Sector Research Centre presentation, February 2011.

for running local schools and 93% believe that national or local government or public professionals should be responsible for keeping the streets safe.¹⁹

30. A YouGov survey found that 73% of voters disagreed or strongly disagreed with more competition within the NHS, while another survey found that 89% of the public thought that “public services should be run by the Government or local authorities, rather than by private companies”.²⁰

31. This suggests that public remains sceptical, to say the least, about the appropriateness of community and voluntary organisations delivering mainstream public services.

Possible problems and challenges from increased commissioning of public service provision from the voluntary and community sector as envisaged by the Government

32. The process of service commissioning and procurement has had a distorting effect on the voluntary sector for some time. This process has intensified as competition grows for shrinking resources.

33. In a working paper of July 2010, the Third Sector Research Centre identified six key impacts on the shape and direction of third sector organisations:

- compromised independence;
- mission drift;
- loss of innovation;
- worsening employment conditions;
- deteriorating inter-organisational relationships; and
- polarisation within the sector.²¹

34. Mission drift and compromised independence are significant risks. A survey by the Charity Commission found that only a quarter of charities providing public services agreed that they are free to make decisions without pressure to conform to the wishes of funders, compared to nearly three fifths of charities that did not deliver public services. This led the Commission to conclude that: “charities that deliver public services are significantly less likely to agree that their charitable activities are determined by their mission rather than by funding opportunities”.²²

35. This dilemma is summed up in a report commissioned by the Institute for Voluntary Action Research where the authors found that, although evidence was variable, overall the impact of public service delivery was that:

“some organisations have been drawn by the availability of funding away from community development and community responsiveness towards delivery of public services and services designed externally rather than in direct response to local need ... in making this shift, their potential to act as agents of community change or as advocates for local people has been diminished.”²³

The right to form employee-owned public service co-operatives including the resources available to co-operatives, proposed powers and rules governing their operation

36. Shared-ownership enterprises can often prove effective in engaging workers and stakeholders and boosting innovation and productivity. But these benefits only accrue where there is genuine employee ownership and buy-in.

37. Experience from unions suggests that moves towards shared-ownership models have mainly been led by management rather than staff and workers have felt under pressure to support the change. This has particularly been the case where options have been limited and the move towards shared-ownership has been pitched as a means to avoiding cuts and redundancies.

38. To date, the majority of moves towards this model have occurred within the health service and social care. Evidence from UNISON, Unite and CSP suggests that despite mixed results around the country, in most cases where staff have been balloted, the majority have chosen to remain within the public health service.

39. Risk has been a factor in many of the staff ballots that have rejected transfer to shared-ownership status. The first of the social enterprises spinning out from PCTs benefitted from three year contracts tendered on a SPMS²⁴ basis, enabling staff to retain their NHS pensions and sufficient length of contract for the new provider to plan effectively and mitigate risks.

40. Siobhan Clarke, the Managing Director of Your Healthcare, the social enterprise that spun out from Kingston PCT, illustrates how this worked for them:

¹⁹ “Capable Communities: Towards Citizen-Powered Public Services” IPPR and PWC 2010.

²⁰ “Rethinking Public Service Reform”, TUC, 2008.

²¹ “The Third Sector delivering public services: an evidence review” TSRC Working Paper 20, July 2010.

²² “Stand and Deliver: The Future for Charities Delivering Public Services” Charity Commission 2007.

²³ “Servants of the Community or Agents of Government?” Cairns, Harris, Hutchison, IVAR 2006.

²⁴ SPMS is a form of contracting that enables health service providers and their staff to remain in, or join, the NHS Pension Scheme because the provider meets certain defined eligibility criteria.

“Protecting the rights of new and existing staff, particularly their NHS pensions, was a big problem. But the eventual agreement with NHS Kingston guarantees that new and existing staff retain the right they had, or would have had, in the health service. The risk is still borne by the NHS. We’ve not been saddled with those commitments. We’ve had the best of both worlds”.²⁵

41. Where the risk has been removed, staff have been more willing to consider the options. However, increased competition through the “any willing provider” model, the removal of the Two-Tier Code and the potential loss of Fair Deal on pensions removes even minimum safeguards and means that this model is unlikely to be sustainable in the future.

42. TUPE provisions offer some protection to transferred staff but there are very limited safeguards for new entrants and anecdotal evidence from the voluntary sector suggests that employers are increasingly seeking ETO²⁶ criteria as a means of avoiding TUPE requirements.

43. Public services that are turned into shared ownership enterprises will have to win contracts and compete with private companies to survive under the government’s proposed “any willing provider” model and will be vulnerable to take-over from large companies and multinationals.

44. We doubt that, under existing competition rules, the government would be able to ring fence areas of service delivery for shared-ownership enterprises or the voluntary sector more widely. Nor are we convinced that asset locks will prove effective in an open market.

Governance and accountability issues arising out of different organisational forms of social enterprises and co-operatives: and the participation of voluntary sector and community groups in greater public service provision

45. There is an inherent tension between the government’s stated aims of increasing the plurality and independence of providers of public services—both from the voluntary and private sectors—and of increasing democratic accountability. Given the fragmentation of provision that is likely under the proposals for reform, it is critical that there is robust regulation, clear lines of accountability, and the ability for service users and the public to be involved in scrutinising the commissioning and delivery of services. Unfortunately it does not appear that this is the case in the policy changes that have been proposed so far.

46. There is a real risk that the focus on market mechanisms in public service delivery leads to a market approach to accountability rather than a democratic approach, thereby distorting outcomes. The text in the call for evidence refers to service users holding providers accountable through choice. But for vulnerable individuals and those without the resources to exercise choice, this is not a genuine option. And simply leaving accountability to market mechanisms in this way will leave many providers struggling to plan for service continuity and workforce planning.

March 2011

Written evidence submitted by British Humanist Association (BS 32)

SUMMARY

- The British Humanist Association’s (BHA) definition of, and position on, the “Big Society”.
- The BHA’s position on public services and commissioning.
- Specific concerns regarding commissioning and communities.
- Details about the Localism Bill and Equality Law as they relate to this Inquiry.
- Detailed discussion about exemptions in the Equality Act 2010 as they relate to this Inquiry.
- Details on public services and perceived community “needs”.
- Final recommendations to the Committee.
- About the BHA, contact details and request to give oral evidence to the Committee.

Q1. A definition of what the “Big Society” is or should be

1. The Big Society Agenda, being coordinated through the Cabinet Office, intends to “empower” communities, open up public service provision to external bodies, and encourage citizen action.

2. The BHA’s general position is that government and others should recognise the value of communities where people of all different backgrounds and beliefs engage and work with each other for the benefit of everyone. Only in this context can people be positively empowered to make choices about their lives.

3. We recommend to the Committee the BHA’s briefing on “Religion, Belief and Volunteering”,²⁷ which provides information, facts and figures about religion and belief in the UK, and specifically on the issue of

²⁵ “Four that rose to the challenge of freedom” Third Sector 1 February 2011.

²⁶ Economic, technical and organisational (ETO) reasons can, in certain circumstances, justify changes to TUPE-protected terms and conditions.

²⁷ Briefing available online here <http://www.humanism.org.uk/documents/4777>, or in hardcopy from the BHA.

religion, belief and volunteering. The briefing debunks myths that religious people or groups contribute more to society than non-religious people, and celebrates the importance of secular civil society.

4. There is no agreed definition of what the “Big Society” is or what it means in practice. On the one hand, the BHA welcomes initiatives that encourage civil, social and political participation. We support democracy and we know that humanists are often social activists already, driven by their desire to work for the good society for the benefit of all.

5. On the other hand, it seems as though the “Big Society” will focus on groups and communities rather than on individuals. We are critical of this approach, particularly because it treats people as members of perceived or declared identity groups rather than as equal, individual members of the wider community. There is every indication that the government and its agencies will focus specifically on religious groups and communities as part of its “Big Society” agenda, probably to the exclusion and detriment of many within so-called “faith” groups and certainly to the detriment of the wider society and social cohesion.

6. For example, Ministers in the Department for Communities and Local Government (DCLG) have been very vocal in praising religious groups, and even religion itself, as fundamental to the government’s vision of the “Big Society”.²⁸

- DCLG press release “*Keeping Faith in the Big Society*”, 12 July 2010, reports that Communities Minister Andrew Stunell MP said, “Faith groups... are integral to creating the Big Society”.
- DCLG press release “*Andrew Stunell puts faith in Big Society*”, 15 July 2010, reports, “Inter faith activity is an important component of the Big Society we want to build”.
- DCLG press release “*Communities Minister urges faith groups to inspire community action*”, 20 October 2010, states that “Mr Stunell stressed that faith based community action is a key plank of the Big Society vision”.

7. Rather than making a fetish of faith, we believe that social cohesion and other community initiatives should focus on the contribution that all individuals in the community can make. Where there are legitimate reasons for working with communities identified by beliefs (although we can imagine these would only ever be very few), then this must include humanists and other non-religious people, as well as religious people.

8. Unless the “Big Society” and any related initiatives are secular, that is, neutral on matters of religion and belief, treating all people equally regardless of belief, and without privilege or discrimination, then it will fail to be inclusive and may serve to divide rather than to unite society.

Q3. The role of and capacity for the voluntary and community sector to deliver local public services including the appropriateness of using charitable income or volunteer labour to subsidise costs

Q4. Possible problems and challenges from increased commissioning of public service provision from the voluntary and community sector as envisaged by the Government

Q6. Governance and accountability issues arising out of different organisational forms of social enterprises and co-operatives; and the participation of voluntary sector and community groups in greater public service provision

Q9. Potential conflicts with other aspects of public service delivery, such as individual focus of personalised public services or universal provision and uniform standards of public services (ie avoiding postcode lotteries)

9. We have put the rest of our response under questions 3, 4, 6 and 9, as our position and concerns touch all of them. The sections below discuss our concerns specifically about the contracting of public services to religious organisations, including possible problems and challenges from increased commissioning of public service provision from such groups.

10. We have only outlined our position, including rather brief detail on the sections of the Equality Act 2010 and the Localism Bill that we are concerned with—and concerned to have amended. However, should the Committee request it, we would be very happy to provide more detailed information and evidence to support our position.

11. We make recommendations to the Committee on specific areas we believe are especially important for it to consider in this Inquiry.

Public services and commissioning

12. Fairly provided and fairly distributed public services of a good quality are an essential foundation of a healthy, happy, and good society. We believe that public services can promote the wellbeing of individual citizens and enhance their social capital, that their full availability is essential for full citizenship and equality for all and equally essential for greater social cohesion.

²⁸ The BHA is happy to provide references for more such declarations on the centrality of “faith” and “interfaith” to the government’s vision of the “Big Society”.

13. The BHA makes no judgment on the desirability or otherwise of a mixed economy policy in the provision of public services. However, the recent Labour governments' and the present coalition government's enthusiasm for placing contracts with religious organisations, for commissioning public services including "free schools" to faith groups, gives rise to significant issues of principle and to substantial practical problems.

14. The government aspires "to award 25% of government contracts to SMEs, which will also benefit small and medium civil society organisations" (p 7).²⁹ If the government's aspiration to include contract out to faith-based organisations is also realised, then this ambitious target might include a significant number of such groups.

15. We believe that there are existing and potential problems for equalities, rights and inclusion that increasing the role of religious groups in future commissioning creates. We have suggested ways to mitigate those negative and sometimes unintended consequences, for the Committee's consideration.

16. It is our view that any future commissioning and public service reform should be grounded in principles of equalities and human rights, and be inclusive of people regardless of background or belief.

Commissioning and communities

17. Commissioning has the potential to be inclusive and support citizen and community involvement. On the other hand, a policy of commissioning to religious organisations without first assessing the potential for, and then preventing, discrimination will cause divisions and inequalities for employees, service users, citizens and those within communities.

18. Commissioners must not assume that religious groups and organisations will be better able to serve the local community than a secular organisation. Rather, those groups which wish to take on the delivery of public services may be particularly conservative, or evangelical, or unrepresentative, or internally discriminatory, and therefore there are particular problems with contracting to religious organisations that do not exist when contracting to secular organisations. There is no evidence that religious organisations are better able to reach vulnerable people in communities than others. If they are discriminatory however, perhaps having a men-only board or are homophobic,³⁰ then they may be less accessible to the wider community than an inclusive secular organisation would be.

19. We put for the Committee's consideration that if, government wishes to meet its aim of creating accessible, inclusive and accountable public services, it should only contract services to groups and organisations that do not discriminate on religious grounds in their employment or in the way they provide services.

Localism Bill & Equality Law

20. The Localism Bill is a cornerstone of the government's "Big Society" and decentralisation agenda.

21. The Localism Bill creates a new "community right to challenge" for contracts to deliver public services on behalf of a public or local authority. In chapter 4, a similar right is created for a community right to buy assets of value. Potentially, the Bill will open up many if not most local services to bids from "community" groups to run them.

22. Not only is the definition of "community" very widely defined, there are no measures in place to protect against groups with extreme views or agendas from bidding for—and winning—contracts under this new "right to bid".

23. Moreover, at the same time as the government is keen to decentralise, localise and marketise public services, including contracting with religious groups and organisations to run public services on behalf of the state, it has failed to ensure that such groups are prevented from discriminating against employees or against service users when working under contract.

24. We recommend that the Committee looks into what measures the government intends to put in place to protect against groups with extreme religious, or other extremist, agendas from delivering public services under public contract.

Equality Act 2010, public services and community "needs"

25. The Equality Act 2010 contains significant contentious exceptions that exempt religious organisations from parts of the law, permitting potentially wide discrimination by those organisations against their employees and against service users, even when working under contract to provide public services.

²⁹ "Modernising Commissioning: Increasing the role of charities, social enterprises, mutual and cooperatives in public service delivery", Cabinet Office Green Paper.

³⁰ The Salvation Army for example, an evangelical organisation which provides a range of public services, has a positional statement on homosexuality which describes it as "unnatural" and homosexual conduct to be "renounced"
http://www1.salvationarmy.org.uk/uki/www_uki.nsf/vw-search/F2B09D2DFA617925802576EB00428FB6?opendocument

26. Religious organisations have exceptions in law³¹ to allow them to discriminate widely in employment on religious grounds, including when working under contract to provide public services, and even against workers transferred from the public authority. TUPE protections may not apply in a number of circumstances, including if a contracted religious organisation chooses to place a religious requirement on a previously secular position.³²

27. Religious organisations are also granted an exception³³ to allow them to discriminate in the provision of services on religious grounds, even when working under contract to provide public services, which they are not permitted to do on other grounds including sexual orientation.

28. We are not objecting to the valid discrimination when commissioning services for particular groups, such as gay men's sexual health outreach work, or providing women-only refuges, which are covered by other, generic exceptions in the Equality Act 2010. Our concern is to prevent unnecessary and unjustified discrimination against service users by religious groups working under contract through having the specific exceptions suspended.

29. When public authorities contract out provision of services, and certainly as envisioned under the Localism Bill's "community right to challenge", and more widely under the "Big Society" programme, service users are placed in a lottery as to whether their new service provider is a religious organisation or not. This means that service users are arbitrarily put at risk of discrimination on the basis of their religion or belief, either through having the "wrong" religion or none.

30. The Equality Act 2010 also contains a single public sector equality duty across the protected characteristics, as defined by the Act. The duty is set to come into force in England and Scotland in April 2011 and in spring/summer in Wales.

31. Provisions in the Equality Act 2010 allow religious organisations to discriminate widely on religious grounds in service provision (which we strongly oppose) and this, together with a requirement on public authorities to advance equality of opportunity through meeting the needs of persons who share a religion or belief, risks a balkanisation of public services. In order to meet their new duties, relevant authorities may feel under pressure to contract with religious groups in preference to inclusive secular groups if they exercise their new "right to bid", in a mistaken attempt to meet the "needs" of faith groups.³⁴

32. It may be claimed that needs arising in particular communities can be better addressed by religious organisations that it claims represent "their" communities than by public bodies (there is no evidence to support this claim, however). But if one religion is so favoured, others may demand the same special treatment—especially when the new equality duty takes force. For most services—health, for example—it would be hugely inefficient to have overlapping and duplicated services. It would lead to unavoidable discrepancies in provision: different groups of people, demarcated irrelevantly by religion, who would be expected to rely on separate services.

33. Moreover, once there is a service which is religiously selective, then that automatically creates a pressure on local authorities to allow all religious groups their own services.

34. The creation of parallel religious and secular services is surely antithetical to the government's aims of modernising and making more efficient, representative and responsive public services—and to a cohesive and active society.

35. We believe that the existence of these exemptions from equality law, and many religious organisations' desire to use them, even when working under contract, will make it difficult for public bodies to work to the highest equalities standards however much they wish to do so.

36. Unless the Localism Bill is amended to suspend the Equality Act 2010 exception, there is also a risk that religious groups which have won their bid to run public services under the community "right to challenge" might restrict the service they provided in compliance with religious doctrine. There are many examples of this kind of practice abroad: for example, hospitals run by Catholics do not provide family planning or abortion services; or religious residential homes do not allow gay couples to have private time together.

37. Restricted and exclusive services, as detailed above, would be a very detrimental effect of a greater role for the voluntary and community sector in the provision of public services, should that include a role for religious organisations without first making unlawful discrimination by those groups as currently—and unnecessarily—permitted by law.

³¹ Under Schedule 9 of the Equality Act 2010.

³² For more details on TUPE and contracting with religious organisations, please see the BHA's response to Modernising Commissioning <http://www.humanism.org.uk/documents/4789>

³³ Under Schedule 23 in the Equality Act 2010.

³⁴ The Joint Committee on Human Rights warned of this misinterpretation of the duty combined with the exception. See BHA Briefing on public sector duty for Equality Bill, Lords Committee Stage, for more details <http://www.humanism.org.uk/documents/4583>

FINAL RECOMMENDATIONS

38. We recommend that the Committee investigates the meaning of the “Big Society” and, in particular, the government’s focus on “faith” and “inter faith” activities as central to it. We are especially concerned that this position is divisive and exclusive, unnecessarily treating people as parts of identity groups rather than equal persons in their own right.

39. We urge the Committee to recommend that social and public policies, including those which fall under the remit of the “Big Society”, are truly inclusive through being neutral on matters of religion or belief, and focused on the needs and contribution of individuals and not the perceived needs of identity groups or communities.

40. We recommend that the Committee takes into consideration the special, privileged position that religious groups have over all other civil society groups: they are exempted from large parts of equality law that binds everyone else. The exceptions for religious groups when they are working under contract to provide public services pose real problems for the delivery and legitimacy of public services.

41. We hope that the Committee itself recommends that government only contracts services to groups and organisations that do not discriminate on religious grounds in their employment or in the way they provide services.

ABOUT THE BHA

The British Humanist Association (BHA) is the national charity representing the interests of the large and growing population of ethically concerned non-religious people living in the UK. It exists to support and represent people who seek to live good and responsible lives without religious or superstitious beliefs.

The BHA is deeply committed to human rights, equality, democracy, and an end to irrelevant discrimination, and has a long history of active engagement in work for an open and inclusive society. In such a society, people of all beliefs would have equal treatment before the law, and the rights of those with all beliefs to hold and live by them would be reasonably accommodated within a legal framework setting minimum common legal standards.

Our expertise lies in the “religion or belief” equality strand, which includes non-religious beliefs such as Humanism, and how that strand relates to and intersects with other protected characteristics. We also work closely with others on wider equalities issues in a range of forums.

We are very keen to give oral evidence to the Committee on the matters raised in this memorandum.

March 2011

Written evidence submitted by NAVCA (BS 54)

NAVCA is the national voice of local support and development organisations in England. We champion and strengthen voluntary and community action by supporting our members in their work with over 160,000 local charities and community groups. We have a member serving every local authority area in England. NAVCA believes that voluntary and community action is vital for vibrant and caring communities.

We provide our members with networking opportunities, specialist advice, support, policy information and training. NAVCA is a vital bridge between local groups and national government.

Our specialist teams take a lead on the issues that matter most to local support and development organisations. We influence national and local government policy to strengthen local voluntary and community action.

1. DEFINITION OF THE BIG SOCIETY

1.1 NAVCA largely defines the Big Society as the fostering of local voluntary and community action, which is at the heart of our members’ work; as our 2010 survey³⁵ shows, our members see it as playing to many of their strengths:

- 86% are willing and able to support the creation and expansion of mutuals, co-operatives, charities and social enterprises.
- 88% see their role as helping people and communities exercise greater control over the quality of local life.
- 78% think the Big Society presents opportunities to promote and support voluntary and community action.
- 69% would like to be directly involved in supporting groups to help communities bid to take over local facilities.

³⁵ See <http://www.navca.org.uk/NR/rdonlyres/C83DA66E-52E4-4560-A802-9C27E50F8E3C/0/BigSocietySurveyResults.pdf>

1.2 We welcome initiatives to increase and broaden the appeal of volunteering, social action and community involvement and empowerment; however we are concerned that portraying these concepts as new may undermine existing beneficial activities. Our members report a significant amount of local work that is already contributing to the key themes of the Big Society. We believe there should be greater emphasis on promoting and developing existing good practice rather than establishing new and duplicate activity.

1.3 The Big Society should offer everyone an opportunity to get involved in their local community and have a say in decisions that affect them, irrespective of identity, geography or economic means. We welcome the principle that individuals and organisations should work together across sectors for the benefit of local people.

2. IMPACT AND CONSEQUENCES OF REDUCTIONS IN PUBLIC EXPENDITURE

2.1 The Government's budget deficit reduction plan has resulted in significant cuts to the sector's funding, leading to severe reductions and even closure of valued community services. This affects those who depend on their services as well as local volunteering opportunities, the capacity for social action and the ability of vulnerable local people to make their voices heard; all crucial to the Big Society. Whilst we support moves to increase private finance, philanthropy and trading we doubt they will fill the funding gap created by the cuts.

2.2 NAVCA's submission to the Committee's inquiry on funding³⁶ sets out the consequences of the cuts in some detail, making clear our concern that many voluntary organisations and community groups are being stretched beyond their capacity to adapt due to:

- (i) the speed with which the cuts are being implemented;
- (ii) the "front loading" of cuts to the local government settlement grants, which is leading to local authorities front loading cuts to the voluntary and community sector; and
- (iii) the way in which cuts are implemented locally, with insufficient regard given to the impact on the local VCS and the people it serves.

2.3 In many places small grants programmes are being cut; a short term measure creating long term pain and disproportionately affecting the small groups at the heart of the Big Society. Those most likely to help get people involved in social action and volunteering. Sadly it appears that the Prime Minister's call for local authorities not to cut funding to voluntary organisations and charities disproportionately has largely gone unheeded; threatening the prospects of building the Big Society.

2.4 Even groups not directly affected by the cuts will not go untouched: many receive in kind benefits or support out of public funds; some face greater competition for increasingly scarce funds as donors' disposable income falls; others will be hit by reduced support services and disinvestment in volunteer centres.

2.5 NAVCA members support over 160,000 local voluntary organisations and community groups, providing advice on establishing groups, fundraising, business planning, commissioning and community involvement. Most NAVCA members currently face substantial funding cuts that will limit their capacity to support local organisations. Some statutory bodies fail to see the effect that these cuts will have on local organisations and communities. The loss of support services makes it more difficult for local people to join, create or develop a charity, social enterprise or community group; further impeding the development of the Big Society.

2.6 We are concerned about the growing perception that the Big Society is mere cover for spending cuts; in particular that volunteering and community action are being presented as cheap alternatives to public provision rather than activity that provides real benefits to individuals and communities. Volunteering is not a "free" activity; investment is needed to train, equip and manage volunteers to ensure that they have a useful and fulfilling experience that will secure their continued engagement. Failing to recognise these costs and ensure they are met threatens to undermine the benefits of volunteering and the work of voluntary sector organisations.

2.7 NAVCA members are adapting to the reduced funding environment in innovative ways. Ealing CVS is planning Ealing Involved as a low cost online resource to enable local people to donate time, money, goods and expertise and get involved in community action. Many NAVCA members are promoting entrepreneurial activity, whilst others provide back office services that help organisations reduce costs. However such initiatives are unlikely to fully compensate for reductions in funding.

3. THE ROLE AND CAPACITY FOR THE VOLUNTARY AND COMMUNITY SECTOR TO DELIVER LOCAL PUBLIC SERVICES

3.1 Many organisations already deliver public services and are keen to do more. NAVCA members support them by providing practical support including consortium development and acting as lead body to enable the local VCS to bid for contracts. They also help local authorities develop the local market for VCS public service delivery. Many are seeking to expand this work. For example Croydon Voluntary Action is planning to pilot different ways of delivering public services.

³⁶ Public Administration Select Committee inquiry into voluntary sector funding: NAVCA evidence <http://www.navca.org.uk/news/pascinquiry.htm>

3.2 NAVCA believes that it is highly inappropriate for charitable income to be used to subsidise statutory services, which should be properly funded from general taxation. It is, however, reasonable to use charitable income to enhance services beyond statutory requirements and to create more efficient and coherent services. It is also appropriate to use charitable income to deliver services for which there is no statutory obligation. Any withdrawal of the state from non-statutory services needs to be carefully managed if charities are to fill the gap as it would be unreasonable to expect them to cover the full costs of service delivery from the outset.

3.3 Volunteers can make valuable contributions to the quality of public services, for example, by spending time with clients to ensure they receive a more personalised experience that goes beyond basic service provision. Volunteering also benefits the individual volunteer, helping them gain skills, confidence and experience. Volunteer Centres have a crucial role in supporting volunteering and marketing and promoting opportunities and supporting organisations to use volunteers effectively.

3.4 NAVCA believes that volunteers should be used sensitively and should not be used to directly replace paid staff in either the public or voluntary sectors. The principles of the Volunteering England and TUC Volunteers' charter should be heeded. The perception that paid voluntary sector and public sector posts can be substituted by volunteers devalues the particular professional skills of employee, fosters a perception of the voluntary sector as a cheap alternative and undermines the credibility of the Big Society. Indeed, the extent to which public facilities and services can be managed and run by "full-time" volunteers over the long-term is highly questionable. Even if possible it would quickly become the exclusive province of people who have the financial means to support themselves, leaving people without such resources excluded from participation, as is often the case.

3.5 In many areas voluntary organisations and community groups are increasingly being viewed by commissioners purely as service providers, or potential providers. This can result in the sector being excluded from discussions about service design due to perceived conflicts of interest. The vital role of voluntary organisations and community groups in contributing to needs assessment, shaping services and acting as a voice for local communities, is frequently overlooked. Resources for campaigning and representation have been severely squeezed, partly owing to the economic climate, but also due to the shift from "core" grant funding to service delivery contracts.

4. INCREASED COMMISSIONING: PROBLEMS AND CHALLENGES

4.1 Increased commissioning of public services will open up new opportunities for some voluntary organisations to get involved in public service delivery. Local voluntary organisations and community groups are well-placed to deliver innovative, cost effective support that meets the needs of local communities. In practice, however, commissioning has also created significant difficulties and barriers, particularly for smaller local organisations. Many are effectively excluded from the delivery of local services because of poorly designed commissioning and procurement processes, which threaten the key Big Society objective—to open up public services by making it easier to do business with the state.

4.2 There is a real danger that valued local organisations could be lost as contracts are won by bigger national organisations without local knowledge, no investment in the local economy and which do little to build community capacity. NAVCA has analysed the challenges and potential solutions in our response to the Modernising Commissioning Green Paper³⁷ and in our submission to the PASC inquiry on funding,³⁸ key issues include:

- (i) Commissioners and procurement officers do not always fully realise and use the full extent of the powers they have to make good funding decisions, give grants, and use flexible and proportionate procurement processes.
- (ii) Many commissioners fail to focus on outcomes: services are often over-specified and tendering and contract management processes leave little scope for innovation.
- (iii) Disproportionate and inappropriate contract management processes frequently place enormous pressures on smaller organisations.
- (iv) Payments by results could present a major barrier for smaller organisations, causing cash flow problems and threatening their financial viability.
- (v) Commissioners often ignore the implications of transferring inappropriate levels of risk onto voluntary organisations and community groups.
- (vi) Many local commissioners have not taken a sufficiently proactive approach to understanding the local voluntary and community sector and developing the market.
- (vii) The widespread transition from grant funding to contracting has resulted in a significant loss of social value, because the full value is not appropriately evaluated in tender criteria.
- (viii) Pressure to join up back office functions can create pressure to offer ever larger contracts that exclude organisations that work over a small geographic area.

³⁷ NAVCA response to Modernising Commissioning Green Paper
<http://www.navca.org.uk/localvs/lcp/news/modernisingcommissioningresponse.htm>

³⁸ Public Administration Select Committee inquiry into voluntary sector funding: NAVCA evidence <http://www.navca.org.uk/news/pascinquiry.htm>

4.3 NAVCA members are ideally placed to support voluntary organisations and community groups to enable them to develop their bidding capability. They can facilitate discussions between commissioners and organisations and promote good practice. However this support needs to be properly resourced.

5. PUBLIC SERVICE CO-OPERATIVES

5.1 Our response to the Modernising Commissioning Green Paper³⁹ offered NAVCA's assessment of the Government's plans for public service co-operatives, in particular:

- (i) The importance of partnership working between new organisations and existing providers so that new mutuals do not simply supplant well respected existing community provision.
- (ii) The necessity for safeguards to ensure that new mutuals have inclusive governance arrangements, are accountable to local communities and service users and have asset locks in place.
- (iii) The need for financial support to encourage more formal collaborations, consortia or mergers.

5.2 NAVCA members are well placed to broker relationships between existing organisations and the new mutuals, by increasing understanding of what each partner brings and identifying how the new mutuals could support and complement existing voluntary and community sector service delivery.

6. GOVERNANCE AND ACCOUNTABILITY

6.1 NAVCA considers it essential that the ultimate accountability and responsibility for a statutory service continues to rest with a public body, regardless of whether it is provided in-house or by external providers. Indeed, we believe that accountability is crucial for all publicly funded services, whether or not they are statutory, which is why we prefer to see organisations delivering public services develop inclusive governance arrangements that are accountable to and owned or controlled by local communities.

6.2 Local ownership offers local people the opportunity to influence and participate in services and enables them to hold providers to account. Different organisational forms will lend themselves to different ways of achieving accountability and ownership but it should be a contractual requirement that such mechanisms exist.

7. CENTRAL GOVERNMENT AND THE CIVIL SERVICE

7.1 NAVCA is generally supportive of the change in emphasis for central government that localism brings to that of promoting and enabling. However it is important that civil servants and central Government are seen to lead by example and to devolve the decision making and activity to the lowest possible level. It is crucial that this principle even applies to the promotion and enabling. NAVCA and its network of members are already experienced at supporting, promoting and enabling voluntary and community action; our members help local people influence local decisions, help to break down barriers between the state and the local community and have a detailed knowledge of the local area. We would strongly encourage government to engage with us and our membership and not seek to replicate or undermine the practical support that already exists.

7.2 Our experience and that of our members makes us acutely aware that in reducing the scope for intervention, national government is not left powerless to meet its electoral commitments; it must retain the capacity to address specific issues and set the tone for local decisions. The Government must have recourse to mechanisms that enable it to intervene where local decisions are failing to meet reasonable national standards.

8. LOCAL AUTHORITIES AND THE TRANSFER OF POWER

8.1 NAVCA supports the Localism Bill's ambition to devolve power to local communities, although, as we set out above, we would prefer it to be underpinned by a clear set of national standards. NAVCA leads the Real Power for Communities Campaign <http://www.rp4c.org.uk/> a coalition that is campaigning for power to be decentralised to the lowest practicable level. We want to see more local services provided by community based organisations.

8.2 Whilst campaigning for greater power for communities, we recognise the need to strike a careful balance between encouraging participative democracy and protecting representative democracy. Elected councillors should still be accountable to the electorate for the delivery of the service even if it is delivered by another agency and not the council itself. However councillors should also ensure that citizens are able to participate in local decision making and have an influence. We believe that representative and participative democracy cannot only work in tandem but that this can be mutually beneficial.

8.3 Councils will need to put in place arrangements that ensure minimum service standards are met, in order to ensure that individual and community choice of providers enhances democratic engagement. It is vital that there are safeguards introduced to ensure that all people are supported to make full use of the new powers and rights in the Bill and that they are not in practice open only to the articulate, confident and knowledgeable few.

³⁹ NAVCA response to Modernising Commissioning Green Paper
<http://www.navca.org.uk/localvs/lcp/news/modernisingcommissioningresponse.htm>

9. POTENTIAL CONFLICTS WITH OTHER ASPECTS OF PUBLIC SERVICE DELIVERY

9.1 Personalised public services sit well with the Big Society principles; offering people more choice and control over their own services exemplifies the devolution of power and responsibility to the most appropriate level. It places an individual's values and needs at the heart of their own support services and, by involving their carers, families, friends, neighbours, enabling them to participate fully in their local community.

9.2 Universal access to advice, information and preventative services are fundamental to personalisation. However, in the current financial climate, preventative services are being severely cut and eligibility criteria tightened, constraining choice and the capacity of the VCS to offer flexible and responsive needs led services. A widening gap between the aspirations of personalisation and the reality on the ground.

9.3 Personalisation tends to conflict with the Big Society when it is misconstrued as an individualistic approach, based on personal budgets and only applicable to those who meet eligibility criteria.

9.4 However, the challenge of managing the transition to personalisation does present a threat to many local voluntary organisations. The removal of block contracts and grant funding opens up issues of uncertainty of demand and requires organisations to address issues such as pricing based on unit costs, marketing their services to personal budget holders, managing changes to their HR processes and financial and IT systems and training staff and volunteers. It is vital that local voluntary organisations are supported through the transition from grants and block contracts to personal budgets, to avoid losing many community based services that support choice.

9.5 NAVCA's support for localism is tempered by concerns that devolution should not undermine the principles of fairness and equality by permitting unacceptable discrepancies in the support available in different areas. For example, we support the concept of portable assessments for social care services, which need not preclude local variation in the range and type of services available, since flexible services, tailored to the needs of individuals should, in principle, be available everywhere, irrespective of where people live.

March 2011

Written evidence submitted by Cabinet Office (BS 114)

SUMMARY

- The Big Society is a positive vision which champions people's right to take control over their lives, to transform their neighbourhoods and to have access to innovative and responsive public services.
- We cannot grow this society through the old top down approach to government, which tried to control too much from Whitehall; rather a massive transfer of power from Whitehall to local communities is needed.
- Government will support people to help themselves and others, give people greater control over their own communities, and open up public services to diverse providers, including VCSE organisations and small businesses.
- Building the Big Society will be challenging and we set out below our response to the issues raised by the Committee.

What is the Big Society and why do we need it?

1. There are many good things about Britain today. In many ways it is an innovative,⁴⁰ entrepreneurial⁴¹ and culturally vibrant country, and one with great potential. People are doubly frustrated, therefore, when this potential remains unfulfilled. Britain has the fourth highest crime rate of the OECD countries,⁴² and we have much further to go tackling underage drinking, teenage pregnancy and getting young people into education, training or jobs.⁴³ Many people report feelings of loneliness⁴⁴ or not belonging.⁴⁵

2. The top-down approach to these problems has been found wanting. The outcomes delivered by our public services have not matched the huge increases in public spending.⁴⁶ The proliferation of regulations, targets

⁴⁰ Eg Science and Innovation Investment Framework 2004–2014, BIS, 2009. The UK is second only to the US in worldwide scientific excellence and most efficient and productive nation for research in the G8.

⁴¹ Global Entrepreneurship Monitor, 2010. 6.4% of the working age population in the UK are Early Stage Entrepreneurs—putting UK 8th out of 22 comparable countries.

⁴² OECD Crime Data 2005.

⁴³ 2009 Doing Better for Children. Drunkenness is the highest in OECD countries with one in three 13–15 year olds having been drunk at least twice, and Britain reports fourth highest rate of teenage pregnancy and young people not in education, training or employment in OECD.

⁴⁴ Mental Health Foundation: The Lonely Society. 42% of people report having felt depressed because they felt alone.

⁴⁵ Sheffield University 2008: Social Fragmentation study. The numbers of people having feelings of 'not belonging' has increased dramatically since 1971.

⁴⁶ Total public spending increased by 56% in real terms from 1997–98 to 2009–10—from 38% to 48% of GDP HM Treasury. However the differences in the social outcomes experienced by the most and least well off have remained static over the last 10 years. Marmot Review. Fair Society, Healthy Lives', pages 45–48.

and micromanagement has stifled, confused and demoralised professionals, and local insight has too often been overridden or ignored.⁴⁷

3. Unsurprisingly, this approach has lost its appeal. Two out of three Britons feel that government and public services have tried to do too much, and that people should take more responsibility for their lives,⁴⁸ and 85% of people want more control over how services are provided locally.⁴⁹

4. More fundamentally, the top down approach to government misses a critical point: society is improved by building social capital, not bypassing it. Schools where the parents know each other perform better,⁵⁰ and neighbourhoods where residents are prepared to intervene with minor everyday issues have lower crime.⁵¹ Indeed, whether people trust each other strongly predicts national economic growth rates.⁵² It is also improved through economic strength: where jobs are available, wealth is created and business supports its employees to play a strong part in their community. So business has an important part to play too.

5. This then is the Big Society: a positive vision of the relationship between citizen, community and state which champions citizens' right to take control over their lives; helps communities shape their area and find ways to positively transform it, and champions innovative and responsive public services.

6. The Big Society will not come about simply by government standing back—it needs to change how it operates to actively support such a society. Firstly, it needs to support and not thwart people's efforts to help themselves and others, be that in significant commitments such as being a school governor or in little things such as befriending and helping neighbours. We will learn lessons from the past by favouring the bottom-up approach of communities and businesses, and harnessing the power of technology and behavioural economics.

7. Secondly, we will give people more choice and control over the services they use and work in, whether this is through the creation of free schools, bringing power closer to the patient through GP commissioning, or encouraging new providers such as employee-owned mutuals and charities in delivering our public services. This will enable services to become more innovative and responsive to local needs.

8. Finally, we will put more control into the hands of local people and communities, for example by extending local control over planning, by making local policing more accountable to the community through elected chief police commissioners, and by giving more freedoms to local government in return for stronger accountability to local voters. Running through all of this is a commitment to transparency so that people have the information they need to take action themselves and hold government to account.

9. The Big Society will not be built overnight, but we are making good progress. We have received 258 applications to establish a free school, of which 40 have been approved to business case stage and nine approved to set up in September 2011 or 2012; 141 GP pathfinders are up and running; covering 28.6 million people (more than half the population). There are now 21 mutual pathfinders pioneering the move to independence for public service professionals who wish to work in an employee-owned mutual. Providers from the voluntary sector are now in place to provide 11,000 16 year olds with places on National Citizen Service this summer, which will help build a more engaged, cohesive and responsible society. Community organisers will start being trained from April. We are opening up new opportunities for VCSE organisations across a range of public service areas such as the Work Programme, the Reoffending Payment by Results Scheme and the Drug Rehabilitation Payment by Results Scheme. In January we launched a Giving Green Paper, which is the start of our drive to make it easier to give time and money to charities. DCLG's Vanguard areas and Barrier Busting teams have helped areas to accelerate their progress in decentralising power, and the Prime Minister has launched Every Business Commits, setting out a new deal between the Government and business on how they can work together to build the Big Society.

10. The Big Society is a vision for the UK as a whole. Where specific policy levers fall within the jurisdiction of devolved administrations it will be for citizens in those countries to discuss with their administrations the role they wish them to play in supporting their communities.

Building the Big Society at a time of deficit reduction

11. The scale of the budget deficit means that we must grow the Big Society alongside reductions in public spending. The two should not be confused with each other however: the Big Society is about much more than public money, it involves a new way of doing things, building sustainable bottom up solutions embedded in local needs, not transient central initiatives. The effects of this shift will be enormous and should be felt long after the public finances are put into good order.

12. The more open approach to government ushered in by the Big Society is consistent with a desire to get better value for citizens, create a stronger role for business, and reduce public spending where it is wasteful or

⁴⁷ At its peak, created 4,700 Local Area Agreement targets for local authorities and their partners to report on. Cabinet Office's LEAN review of procurement identified 1,124 pages of procurement guidance related to one department.

⁴⁸ Ipsos MORI poll for The Economist, May 2010.

⁴⁹ Ipsos MORI for The Economist April 2010.

⁵⁰ Coleman (1993): *Parents, Their Children and Schools*. New York: Westview Press.

⁵¹ Sampson *et al* (1997) *Neighbourhoods and violent crime: A multilevel study of collective efficacy*. *Science* 277, 918–924.

⁵² Whiteley (2000) *Economic Growth and Social Capital*. *Political Studies*, 48(3).

unnecessary. For instance, opening up public services will enable government to use the best and most cost effective provider wherever possible.⁵³

13. In other ways, the need to control spending will bring challenges, at least in the short term. In particular we are taking actions to address the short term concerns of charities and social enterprises.

14. We know there will be organisations entering and exiting the sector over the coming years, and are committed to ensuring that a stronger sector emerges. Whilst working at pace to open up new opportunities for the sector from public sector contracts, we have put in place a £100 million Transition Fund for those organisations that are most reliant on state funding to help them to take advantage of these opportunities, with 18 Early Transition awards made on 15 February. The Secretary of State for Communities has also set out three “reasonable expectations” of councils, challenging them not to pass on disproportionate cuts, to talk with sector organisations at an early stage, and to give at least three months’ notice of changes in support.

A strong role for the VCSE sector

15. Whilst the Big Society is broader than any one sector, charities, social enterprises and mutuals, and community groups have been playing a strong role in strengthening communities and society for many years. Examples abound, such as Greenwich Leisure, an employee-led social enterprise which manages 70 leisure centres in partnership with 13 London Boroughs around the M25. As well as providing affordable leisure activities it engages strongly with the community, with customers and staff on the board and community development officers working directly in the community.

16. We are committed to supporting the sector’s continued success. In particular, we will make it easier to set up and run a VCSE organisation, for instance through the review of red tape being conducted by Lord Hodgson, and we will shortly respond to comments on our consultation on sector support, Supporting a Stronger Civil Society. Supportive links with business have a role to play here too: businesses are stepping up to support the Prime Minister’s call to train 1,000 “Business Connectors” to support communities and VCSE organisations.

17. We will make it easier for the sector to access finance and other resources from a range of sources, strengthening its independence and reducing reliance on government. Key elements of this will be the Big Society Bank, a wider strategy for social investment, and Communities First funding, whilst a forthcoming Giving White Paper, National Citizen Service, and the Community Organisers programme will stimulate the culture of giving time, money and skills upon which the sector’s health depends.

18. Finally, we will make it easier for the sector to work with the state as set out below, to help organisations who wish to take advantage of billions of pounds of new opportunities in the public sector over the next few years.

19. As discussed above, the productivity and quality of many public services has stalled. Whilst the state will continue to fund many public services it needs to actively consider where innovative alternative providers such as VCSE organisations can get better results.

20. From the Government’s perspective, this is not about subsidisation of public services but about the standard of service, local knowledge, innovation and cost effectiveness that VCSE organisations can bring.⁵⁴ Whilst VCSE organisations must make their own decisions as to which contracts they accept, we are actively encouraging both commissioners and VCSE organisations to contract together on the basis of price and value, rather than paring back VCSE contracts to the marginal cost of providing the service.

21. We are actively working to clear away any potential problems to VCSE organisations playing a larger and successful role in public services where they choose to do so.

22. The Localism Bill includes a range of community rights such as the right to challenge and the right to bid, which will enable VCSE organisations to break open “closed” public service markets, and a third round of the Commissioner Training will address barriers arising from commissioners’ relative unfamiliarity with small and medium sized organisations.

23. Our recent Social Investment Strategy sets out a range of ways to increase supply of social investment to organisations wanting to enter the public services market, perhaps on a payment by results basis, including the establishment of a Big Society Bank, some functions of which will be in place as soon as April and other measures to ensure successful expansion of the sector’s role are discussed below.

Greater plurality in our Public Services

24. We want to see a wider range of providers in public services, and to free professionals from top-down bureaucracy. We are putting in place a suite of measures to enable public sector workers to form independent mutuals or co-operatives to compete to run public services, such as the social worker-led organisations already delivering services for looked after children and young people in 10 pilot areas.

⁵³ Department for Business Enterprise and Regulatory Reform (BERR), Public Services Industry Review, Dr DeAnne Julius, July 2008. Typical cost savings for competitive tendering of a service typically lie between 10–30%.

⁵⁴ For instance in 2007, users of employment services rated VCSE services above those from the public and private sector, whilst 90% of users of employment services felt staff from VCSE services treated you with respect and dignity and 80% felt the sector’s services “sorted out your problems properly” National Consumer Council.

25. Key to this will be the Rights to Provide for public bodies, to enable groups of professionals to take over the services they deliver where they wish to. We will support these rights in various ways. 21 employee-led mutual pathfinders with expert mentoring and best practice sharing are currently gathering critical learning for those who choose to follow, and we will invest at least £10 million to support some of the most promising and innovative mutuals to investment readiness. In addition, a Mutuals Taskforce led by Professor Julian le Grand will encourage employee-ownership across the public sector, overseeing departments' implementation of the Rights to Provide and addressing common barriers to mutualisation.

26. We understand the need for checks and balances in this area. There will be areas where it will not be possible to mutualise, for instance for reasons of security or operational stability, and departments will set these out in due course. The government will also ensure that mutualisation is consistent with ongoing structural reforms, value for money and the particular characteristics of each workforce and service.

27. The guiding principle of our public service reforms is that the power both to set outcomes and to oversee their delivery should be held at the lowest possible level, whether this is individuals, communities, neighbourhoods, local institutions or local government. This requires new thinking on what governance and accountability mechanisms are most appropriate and effective, moving from bureaucratic accountability to democratic accountability.

28. For instance, government has a key role in ensuring transparency, setting out the data and information people need to choose between providers and hold government to account for their quality. Directly elected and accountable local authorities will also play a key role, using their greater local knowledge to provide a strategic oversight of public services in their areas, and acting as powerful representatives of local opinion.

29. Where services cannot be devolved, government will look to pay based on results wherever possible, ensuring that government only pays for what works, and that providers are held to account for outcomes rather than government prescribing the way that services should be run.

30. Strong and appropriate governance systems are needed no matter what the organisational form a public service provider takes. Governance frameworks are already in place for legal forms such as Charities, Joint Ventures or Community Interest Companies.

31. One size does not fit all when providing public services, and it is right that there should be local variation based on individual choice or local priorities. Where variation in quality and provision is outside the control and wishes of individuals and communities, however, this should be tackled. Such variation persists within the current top down system, and so government will address this issue in new ways. Most fundamentally, by opening up public services, decentralising and ensuring greater transparency we will give individuals and communities more power to control the public services they receive and drive standards back up. Where appropriate, government can also act to promote minimum standards that it expects all citizens to receive, whoever the provider and wherever they live, such as national GCSE floor target for schools. Government can also support equal access to services by supporting disadvantaged people and giving extra help to those who need it, for instance through the pupil premium and the weighting of public health funding.

32. The new political agenda will change the role of the civil service radically. Its purpose will be to create the conditions in which public service performance will improve, managing new markets for public services rather than directly intervening to improve performance. It challenges civil servants to adopt a broad range of skills, playing a facilitative role that first looks to enable civil society and business to find solutions to problems and opportunities, rather than rushing to regulate, manage or set targets.

33. Whilst there are aspects of the civil service that will remain unchanged, such as its commitment to impartiality and the civil service code, others will change to meet this new agenda. The civil service will be smaller and more strategic; and will be innovative and flexible, helping to incubate new ideas such as community budgets.

34. Work to underpin this transformation is already in progress in a number of ways. The Cabinet Office is working across government with policy officials to embed understanding of the implications of Big Society and to support greater transparency, and departments are reporting to DCLG on their progress in putting decentralisation into practice.

35. Local government has two vital roles in the Big Society agenda, as the recipients of greater freedom and financial control passed to them from Whitehall and in passing power on to communities and individuals.

36. There are many ways in which this can happen. Local councils can give communities greater control by making local data available so that the public can hold government to account, by facilitating the Right to Challenge, and by operating referendums, where appropriate, and by providing local accountability for decisions taken at Council level.

37. Councils have an important role in reducing the deficit and in helping to achieve value in public services for local people. For instance, they will play a leading role in public health through new health and wellbeing boards, and will have an increasingly strategic role in education. Furthermore, decentralisation gives councillors an even more important role in representing their neighbourhoods and communities, calling service providers to account to ensure people get the quality of service they need at the right price.

38. Central government is supporting these changes, for instance through the Predetermination Clause in the Localism Bill, which will give councillors more freedom to campaign without fear of being accused of being accused of bias, and through the Government's commitment to let councils return to the committee system, so that local people have more freedom to choose how they are represented and governed.

March 2011

Written supplementary evidence submitted by NAVCA (BS 116)

1. INTRODUCTION

1.1 This paper provides detail in support of the oral evidence given by Kevin Curley on 5 July 2011. It addresses the specific issue of how public bodies' commissioning arrangements might operate in support of local voluntary and community organisations so that local people benefit from good quality voluntary sector services. Many of the points that follow draw upon NAVCA's response to the Government's *Modernising Commissioning Green Paper*, to which we referred in our written evidence to the Committee.⁵⁵

1.2 Commissioners ought to have a good knowledge of the local charities and community groups operating in their service area. They need to consider how the commissioning process can contribute to building stronger communities and how it can encourage collaboration between local organisations for the benefit of service users and the whole community. They should also consider all available options for sourcing services and use methods that are appropriate, proportionate and encourage local organisations to engage in all aspects of the commissioning process. A good starting point would be to require all public commissioners to adhere to the eight principles of good commissioning set out by the IDeA *National Programme for Third Sector Commissioning* as the basis of local good practice.⁵⁶

1.3 It is important to recognise that the value of local voluntary and community organisations lies not simply in their capacity to deliver services; many also act as advocates for the most vulnerable members of society; they provide opportunities for people to volunteer; support community involvement in local decision making and bring people together to campaign on local issues. If the Big Society is to resonate with people, public policy must encourage and support this social action as well as service delivery.

2. INTERPRETATION OF EU PROCUREMENT RULES

2.1 In Kevin Curley's response to David Heyes (Q453), he mentioned that far too many local public bodies invoke the full EU Public Contracts Regulations (2006) unnecessarily, adopting competitive tendering procedures by default. The EU regulations were developed with large scale public procurement exercises such as refuse collection in mind. They tend to be bureaucratic and are not appropriate for what the EU regulations describe as 'social services of general interest', such as youth work or advice services; indeed, as Part B services they are specifically exempted from the full procurement procedures.

2.2 The situation is not helped by Office of Government Commerce (OGC) guidance, which, whilst correct, fails to provide information, guidance or practical examples that encourage commissioners to use their powers positively and proactively to commission intelligently from local voluntary and community organisations; instead it merely serves to ensure compliance with the regulations. Indeed, section 7 of the OGC *EU Procurement Guidance—Introduction to the EU procurement rules* devotes just nine lines to "contracts outside of the scope of the Directives" and makes no mention whatsoever of Part B services; a link to an EU Commission interpretive communication offers the only mention of Part B services. NAVCA takes the view that this almost apologetic reference to the flexibilities available for Part B services goes some way to explaining why they are underused. This lack of clarity feeds a fear of prosecution that serves to exacerbate the risk aversion that afflicts many public officials; a cynic might observe that it is equally driven by a desire to make life much easier for the commissioning body.

2.3 We need the Government to create an atmosphere where commissioning and procurement officers feel confident that they are not going to find themselves on the wrong end of a legal challenge simply by providing the kind of support to local voluntary and community organisations that many EU governments offer to their major industries. This could be achieved by producing additional guidance on state aid, as well as guidance that sets out clearly the flexibility permitted under the EU procurement rules and offers examples of how the discretion that the rules allow might be exercised. Good practical examples of lawful flexible procurement of Part B services would give commissioners the confidence to make good funding decisions, give grants, and use flexible and proportionate procurement processes. The National Audit Office *Successful Commissioning Guide*⁵⁷ is a useful step in this direction.

3. COMPETITION AND THE VOLUNTARY AND COMMUNITY SECTOR

3.1 If commissioners are to apply the flexibility available to them effectively, they need to have a good understanding of local voluntary organisations and community groups and the legislative, funding and cultural

⁵⁵ See <http://www.navca.org.uk/commissioning-policy-briefings>

⁵⁶ See <http://www.idea.gov.uk/idk/aio/6617745>

⁵⁷ See http://www.nao.org.uk/sectors/third_sector/successful_commissioning/toolkit_home/toolkit_home.aspx

environment within which they operate. It is crucial that commissioners take into account the impact of market approaches on the local voluntary and community sector. If the Government wants to tackle the barriers it identified in the Open Public Services White Paper, it needs to ensure that commissioning decisions at all levels, from strategic to operational, are routinely reviewed to assess their impact on local voluntary organisations and community groups. In doing so, we suggest that commissioners consider:

- (i) In what way are local voluntary organisations and community groups affected by the commissioning of this service?
- (ii) Is there an existing market of local voluntary and community sector providers that could deliver this service?
- (iii) Will a competitive approach improve the service or not?
- (iv) Will a competitive approach increase or reduce local social capital?
- (v) Will it increase or decrease the diversity of the local voluntary and community sector?
- (vi) What will the effects of this be on local communities?
- (vii) Will it provide real opportunities for local voluntary organisations and community groups to deliver local services, or open up opportunities for large scale private sector providers?
- (viii) What size of contract will achieve best value for money over the short and longer term?

3.2 Whilst this would go some way to levelling the playing field, we remain concerned that the widespread transition from grant funding to contracting has resulted in a significant loss of social value. This is primarily because the full social value of existing arrangements is generally not fully appreciated or understood when the decision is made to move from grant funding to a contract. It is vital that commissioners understand the full social value of existing grant funding arrangements before taking any decision to move from grant funding to contracting arrangements. They will then need to put in place processes and tender evaluation criteria that ensure social value is not lost during this transition and is, in fact, increased.

3.3 The *wellbeing power* (Local Government Act 2000) means that commissioners can look for small, local charities to support either with a grant or a contract. It is important to note that grants are a cost effective method of funding certain activities and services because they do not incur the administrative costs associated with the implementation of the EU procurement rules.⁵⁸

3.4 Commissioners should be encouraged not to use open competitive tendering as the default option for all services, especially where no real market exists. Commissioners should consider carefully the number of tenders they seek—particularly for small contracts. Indeed, commissioners should be encouraged to use grant-aid as a payment mechanism for services delivered by small organisations.

3.5 In addition to these measures, we believe that the cost of the procurement process itself, to both the commissioner and to all bidders, should be considered before any decision is made about replacing a grant with a contract. These costs should be monitored to encourage proportionate commissioning and procurement processes.

4. SOCIAL VALUE

4.1 A genuine value for money assessment should require commissioners to base their decisions on an understanding of the social, environmental and economic value that a provider offers. Such an approach calls for a much more sophisticated understanding of the wider benefits that result from a particular approach to service provision; what is generally known as social value. Whilst the concept of social value has no single authoritative definition the final report of the national Social Value Commissioning Project led by NHS North-West, published in 2010, defined it as: "... [the] additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes".

4.2 Decisions about incorporating social value into commissioning must be taken at an early stage so that they are embedded into all aspects of the commissioning process, in particular the service specification and evaluation of tenders. Whenever possible social value should be part of an outcomes based approach to commissioning,⁵⁹ which enables voluntary organisations and community groups to propose more innovative ways of delivering services that offer better value. We believe that commissioners should always consider the wider contribution to the local area as part of the criteria for assessing social, environmental and economic value. The government guidance, *OGC Social Issues in Purchasing*,⁶⁰ needs to be updated and strengthened to reflect a positive commitment to commissioning social, economic and environmental value and to include the work that has been carried out in local areas to take this agenda forward.

⁵⁸ See *Pathways Through the Maze—A guide to procurement law* by Anthony Collins Solicitors LLP. NAVCA & NCVO. 2009 pp 34

<http://assets.navcadesvelopmentserver.co.uk/existing/NR/ronlyres/ffe1abe0-5c54-4f26-a4b4-8f30aa4801f6/0/pathways.pdf>

⁵⁹ Outcomes based commissioning requires the commissioner to specify the particular outcomes required, rather than detailed outputs. The provider does not have to state how they will achieve the agreed outcomes. The aim is to enable providers to innovate and to create better services which are tailored to the needs of service users.

⁶⁰ See http://www.ogc.gov.uk/documents/Social_Issues_in_Purchasing.pdf

4.3 In addition, the Public Services (Social Enterprise and Social Value) Bill, which was introduced by Chris White MP, requires that a “local authority must consider how it might promote or improve the economic, social or environmental wellbeing of the area ... when contracting”. This should strengthen the case for the consideration of social value in public contracts; however, it will need strong guidance that offers examples to show local commissioners how to include social value considerations in local contracts if it is to have any effect.

4.4 Commissioners should be encouraged to work more closely with small voluntary organisations so as to fully understand their motivation and the potential value they can add, (social, economic and environmental value) and should allow a range of methodologies to demonstrate this. However, some approaches to the measurement of “social return” can be onerous and expensive for smaller voluntary organisations and community groups to implement. Methodologies that depend on accurate financial information about service costs cannot be applied if that information is not available. The adoption of disproportionate methodologies can increase costs by adding a layer of commissioning bureaucracy. Commissioners should bear this in mind and not require particular methodologies to be adopted to demonstrate social returns. Commissioners should understand the strengths and limitations of all social accounting methodologies so that they can make informed decisions when stipulating monitoring requirements and awarding contracts.

5. SUPPORT FOR THE SECTOR

5.1 The involvement of the local voluntary sector in every aspect of commissioning requires a strong umbrella body such as a council for voluntary service (CVS)—we have enclosed a copy of *A Bridge Between Two Worlds* which demonstrates the importance of good support services to the effective involvement of local charities and community groups in all aspects of the commissioning of public services. A strong CVS will enable local voluntary organisations to be involved in:

- (i) Identifying community needs.
- (ii) Working out service options which will work.
- (iii) Building the capacity of local voluntary organisations to deliver and grow services.
- (iv) Supporting voluntary organisations in tackling delivery problems.
- (v) Bringing small organisations together so that they can scale up and bid for funding available under contract.

We hope the Committee will encourage local councils to recognise the importance of strong local umbrella charities like CVS.

6. THE LOCALISM BILL—COMMUNITY RIGHT TO CHALLENGE

6.1 We believe that the Community Right to Challenge could provide communities with the means to exert real influence over services, but it does not go far enough to create opportunities for local voluntary and community groups. At present the Bill states that a successful challenge by the local community “must” result in a “procurement exercise” for the “relevant service to which the expression of interest relates”. There is nothing in the Localism Bill to prevent large national bodies from the private sector and the voluntary sector from taking advantage of a local challenge by using their considerable capacity to bid for and win contracts to the exclusion of local organisations. Whilst there are some that will work with local voluntary and community organisations to offer many of the wider community benefits we have already discussed, the majority will simply focus on the terms of the contract. The transfer of local services to national providers to the exclusion of local voluntary sector providers does not appear to reflect localism in action.

6.2 We believe the Government could take some ameliorative action. First, the statutory guidance that will accompany the Community Right to Challenge should set out clearly the flexibility that commissioners have within the existing EU procurement rules, particularly in relation to Part B services as set out above, and encourage them to use it.

6.3 Second, where large contracts are issued, contractors should be required formally to consider the impact of their services on the neighbourhoods in which they are delivered and how they will create opportunities for the engagement and involvement of local voluntary and community organisations. Particular consideration should be given to the impact on community venues, existing informal provision, local social capital, local volunteers, accessibility, the travel requirements of service users, integration of provision and the role of communities in evaluating services. All government contracts should aim to leave neighbourhoods socially stronger than they found them.

Supplementary written evidence submitted by the Cabinet Office (BS 125)

Following the evidence given to the Public Administration Select Committee, by Nick Hurd, Greg Clarke and Francis Maude, and in response to a letter sent on 17 October, please see below answers to the further questions you posed on the operation of Big Society Capital.

1. When do you expect EU State Aid approval to be granted to enable Big Society Capital to be fully operational?

Officials have had positive and constructive engagement with the European Commission over the summer and a formal notification for State Aid approval was submitted in October. Subject to further requests for information from the Commission, this keeps us on track to secure approval by April 2012.

2. The Big Lottery Fund's Investment Committee is operating as an interim measure until state aid approval is granted. What is the size of the investment currently available to the Investment Committee?

The Investment Committee can invest up to £5 million.

3. What rate of return will the "Project Merlin" banks receive on the £200 million they have provided to Big Society Capital?

The Project Merlin banks will be investing in the share capital of Big Society Capital. They will be entitled to a share of any distributable surplus/profits made by Big Society Capital in proportion to their investment.

4. Will the investment opportunities through Big Society Capital be open to small, local charities?

As a social investment wholesaler, Big Society Capital will only invest directly in the organisations that provide finance and business support to civil society organisations ("social investment finance intermediaries").

The Big Society Bank's aim in making these investments is to enable these intermediaries to become more robust and sustainable, and better able to provide a range of affordable services that meet the needs of civil society organisations.

We would expect these services to include the provision of investment opportunities for small, local charities. For example, as a result of investment by Big Society Capital, a social investment finance intermediary may be better able to offer a loan or mortgage to a charity that is unable to get finance from mainstream lenders, to develop a platform that helps communities raise money to invest in community assets, or to set up a vehicle that enables small local charities to join together and participate in payment by results schemes.

October 2011

Further supplementary written evidence submitted by NAVCA (BS 127)

1. OPEN PUBLIC SERVICES WHITE PAPER

1.1 Despite the extended time taken to produce the Open Public Services White Paper (OPSWP) and, the opportunity afforded for the Government to reflect upon the issues raised by NAVCA and others in response to the *Modernising Commissioning* Green Paper, we are concerned that the OPSWP proposals will favour larger well-resourced private sector bidders at the expense of smaller, community focused civil society organisations. Whilst this may result in "smaller government" it is unlikely to lead to the promised "bigger society".

1.2 NAVCA believes that active market development and management is required, alongside intelligent commissioning and tools such as social clauses and appropriate weighting mechanisms, to enable voluntary and community organisations (VCOs) to compete and succeed in public service markets. For instance, when a large employee-led social enterprise such as Central Surrey Health struggles to compete financially with a private sector backed competitor, it does not give much hope for the many small charities that are the essence of the Big Society in the face of stiff competition.⁶¹

1.3 Without dedicated measures to ensure that social value runs throughout the commissioning and tendering process, we fear that public services will evolve in a way that runs counter to the ideas and benefits of the Big Society. We strongly support the Social Value Bill introduced by Chris White MP, which represents a major step in the right direction. It will, however, need to be supported by statutory guidance if it is to bring about real change in local practice.

1.4 The OPSWP outlines a long-term vision and a broad conceptual framework for commissioning public services. It contains far fewer practical proposals than we would expect from a White Paper. This may partly explain why we did not experience much enthusiasm from the wider voluntary sector for engaging with these proposals. Another factor is likely to be that, at a time of significant financial constraint across the voluntary sector, the delay caused attention within the sector to focus elsewhere, such as coping with local funding cuts,

⁶¹ See <http://www.guardian.co.uk/social-enterprise-network/poll/2011/oct/05/social-enterprise-blog?newsfeed=true>

increased demand for many services, the emerging changes to health and social care structures, and handling the transition to the Work Programme.

1.5 We have welcomed aspects of the White Paper, where we believe they could lead to a meaningful increase in opportunities for VCOs to be involved in influencing, designing and delivering services. However, we believe there are many areas that will be problematic for smaller local VCOs. We have listed 13 concerns⁶² as part of our response to the White Paper, including:

- the emphasis on choice and competition over quality services;
- balancing fair access with a huge diversity of supply;
- the lack of clarity as to the function and role of neighbourhood councils;
- that the implementation of these reforms is likely to favour large providers (as with the ERSS Framework⁶³ and Work Programme contracts) and run contrary to the government's localism agenda;
- major reservations about the implications of Payment by Results (PbR) for smaller local voluntary organisations;
- the lack of emphasis on co-designing services, for instance identifying needs, consulting relevant expertise, joining up resources and service planning; and
- the importance of adequate support to individuals to access services, particularly for vulnerable and disadvantaged people, which we believe is lacking in the White Paper.

2. BIG SOCIETY CAPITAL

2.1 We are not convinced that Big Society Capital will be seen as relevant to local VCOs as the social finance intermediaries through which it will operate are likely to offer loans not grants. Most local charities will require development support before they are ready to take on a loan. For example:

- a youth organisation wishing to take over a redundant local building as a youth training centre would need an architect, surveyor and other professionals. Pro bono support is not always available, in which case a “development grant” would be essential.
- A mental health charity aspiring to bid for a local council contract in social care, may have to introduce new quality systems to meet the contract specification. Again a “development grant” would be essential.

Our view is that without development grants many local charities would find loans from Big Society Capital's distributors inaccessible.

2.2 We hope Big Society Capital will require its distributors to accept the level of risk necessary to encourage small innovative providers. Big Society Capital must accept that some investments will not see a return; the key will be to develop a managed portfolio that balances risk across a number of investments.

3. THE WIDER SOCIAL INVESTMENT MARKET

3.1 There is a real risk that the extension of PbR could exclude smaller voluntary organisations and community groups from entering the market, as they do not have the working capital to continue operating whilst they await payment. Many smaller organisations already face barriers as a consequence of payment in arrears and payment by results systems, including in the welfare to work market and some health and social care contracts.

3.2 The Social Impact Bond pilot at HMP Peterborough is an interesting model, which has the potential to overcome this problem. However, we will not have definitive evidence for its effectiveness for about six years. If this proves to be a sound investment model, there will need to be sufficient incentives to encourage investors to take the risk of financing public service delivery. We do not consider PbR to be appropriate for small contracts and grants, where the cost involved in measuring results can be wholly disproportionate to the size of the investment.

3.3 Whilst it is important to focus on outcomes, commissioning must also recognise that inputs, outputs and processes are all related to outcomes, i.e. services work as whole systems. The difficulty of attributing outcomes to specific interventions needs careful consideration to ensure that performance management systems do not create perverse incentives or inadvertently reward the wrong things.

4. FUNDING REDUCTIONS—THE CONSEQUENCES FOR CHARITIES

4.1 The Government's budget deficit reduction plan has resulted in significant cuts in public funding to the local voluntary and community sector; as a result, many organisations are facing closure or a severe reduction in service to the communities they serve. Many NAVCA members are working hard to help local voluntary organisations and community groups identify alternative sources of funding to help them continue to run the

⁶² For the full list see <http://www.navca.org.uk/downloads/generate/2739>

⁶³ Framework for the Provision of Employment Related Support Services, see <http://dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/framework-for-the-provision/>

vital services they offer to local communities. We welcome government initiatives aimed at increasing support from business for voluntary organisations and community groups. NAVCA would welcome incentives from government aimed at breaking down barriers between the sectors, particularly between business leaders and voluntary and community sector leaders. We are, however, extremely sceptical about the capacity of private investors and philanthropists to fill the gap left by public funding.

4.2 NAVCA has repeatedly expressed concern that many VCOs are being stretched beyond their capacity to adapt due to:

- the speed with which the cuts were implemented;
- the “front loading” of cuts to the local government settlement grants; and
- the way in which cuts are being implemented locally.

4.3 Some local authorities used central government grants such as Area Based Grant (ABG) and Working Neighbourhoods Fund (WNF) to replace their own voluntary and community sector grants programmes. The complete withdrawal of these key sources of funding has had a major impact on local VCOs, including NAVCA members. In most places as funding has been withdrawn by central government it has not been replaced by local authorities; many have simply passed on the reduction to local voluntary organisations and community groups.

4.4 The long term decline in local grant funding has left many local voluntary organisations and community groups, including NAVCA members, highly vulnerable to the ending of central government funding programmes. The problem is particularly acute in deprived urban areas where ABG and WNF were targeted and where social capital is weakest and support for social action is most needed. If resources are not available to sustain local voluntary and community action, groups will close, only to be invented at great expense in the future.

4.5 Although we welcome the publication of the Best Value Statutory Guidance, based on the four “reasonable expectations” articulated by the Secretary of State for Communities and Local Government at the NCVO annual conference,⁶⁴ for some organisations the requirement that local councils do not impose disproportionate cuts on the local VCS has been too little too late.

4.6 In May 2011 a survey of voluntary and community organisations by London Voluntary Service Council (LVSC) reported⁶⁵ that 51% of respondents had closed services in 2010–11 and 54% anticipated further closures in 2011–12.

4.7 Peter Lewis, then LVSC chief executive, suggested the cuts were falling disproportionately on the most “disadvantaged Londoners and the VCS organisations who support them”, and that “cost-effective preventative services are being targeted the most for immediate cuts.”⁶⁶ An example of this is the Doorstep Homeless Families Project in London, which has been delivering support services to homeless families for 21 years. They will lose their core funding from London Borough of Camden in December 2011 and their proposal for future funding was turned down, which means Doorstep has lost 100% of its funding. The families Doorstep works with are predominantly from Black and Minority Ethnic backgrounds, disadvantaged, living on extremely low incomes, isolated and vulnerable. Camden currently has 210 families with 304 dependent children, who are statutory homeless, living in hostels in Camden. The Council’s Temporary Accommodation Play Team is also being cut. This will leave marginalised families and particularly children without support or services and ultimately cost the public purse a considerable amount when it has to pick up the costs that will result from the loss of such preventative services.

4.8 Elsewhere, a survey in the North East of England⁶⁷ reported that amongst respondents:

- 73% had seen a reduction in funding;
- 40% had lost staff;
- 59% had experienced an increase in demand for their service; and
- 64% were using reserves.

Nearly half of those who responded (48%) expect to, or were considering the closure of a service; others (28%) were considering reducing the scope of the service and almost a quarter (23%) thought they may close in the next 12 months.

Also in the North East, the voluntary sector in Newcastle has absorbed at least £5 million in contract costs and lost £6.6 million in WNF and £3 million in ABG.

4.9 In Nottinghamshire, the funding to NAVCA’s members has been cut by 60% in 2011–12 and will taper to nothing over the next two years.

4.10 In August 2011, NCVO published its Counting the Cuts⁶⁸ report whose key findings included the following:

⁶⁴ See <http://www.ncvo-vol.org.uk/networking-discussions/blogs/20591/11/03/01/eric-pickles-mp-secretary-state-communities-local-govern>

⁶⁵ The Big Squeeze, LVSC. London 2011, see <http://www.lvsc.org.uk/campaigns/big-squeeze.aspx>

⁶⁶ http://www.charitytimes.com/ct/lvsc_big_squeeze_report.php

⁶⁷ See http://www.vonne.org.uk/news/news_article.php?id=1582

⁶⁸ http://www.ncvo-vol.org.uk/sites/default/files/counting_the_cuts.pdf

- Responses to Freedom of Information requests show that half of all Local Authorities are making disproportionate cuts to the voluntary and community sector.
- There is significant variance in the way that different parts of government and local authorities implement cuts. Some local authorities are making long term, strategic decisions in partnership with their local VCS, while others are not, instead making short term decisions that are causing real damage to the sector and local communities.
- The VCS plays an essential role in preventative services. When investment is cut in this area, the resultant cash savings often have considerable real costs in social and economic terms and can hit public finances further down the line. Cuts to preventative services now are storing up considerable challenges for the future.

4.9 Although some NAVCA members report good practice by local councils in not imposing disproportionate cuts, there is a widespread concern that councils are not consulting sufficiently with local voluntary and community organisations about priority services that should be maintained and where might more reasonably be imposed.

5. GIVING WHITE PAPER

5.1 NAVCA would like to see more incentives that encourage wealthy individuals to donate and bequeath more in support of local voluntary action. This is best done by channelling funds through Community Foundations in order to support endowments, which would direct more resources to good existing local causes. We also believe the Government should promote and support <http://localgiving.com/>, a social enterprise owned by the Community Foundation Network (CFN) and the Ardbrack Foundation, dedicated to supporting local charities. In 2009 they distributed £56 million to 17,000 local charities.

5.2 Giving should not be the preserve of national campaigns; there are excellent examples of local online giving opportunities, relating to both money and time. One such is Islington Giving which boasts a user-friendly homepage that simply says:

Islington is a place of social extremes, where London's richest and poorest residents exist side-by-side, living entirely different lives. Islington Giving—a campaign for Islington by Islington people—aims to raise £3 million over the next three years to support our community and we need your help.

About us—Find out about our mission and read interviews with Islington residents that our work already supports.

How you can help—Find out how you can give money or give time to support Islington Giving.

Projects we support—Find out more about some of the Islington Groups that we are working with.

Blog—Keep up-to-date with all the news from the campaign and tell us what you think about the work that we are doing. You can also sign-up for our newsletter and follow us on Twitter@isgiv

www.islingtongiving.org.uk

5.3 Whilst funding is vitally important to the local success of the Big Society, other resources can be extremely useful to local charities and offer a means to engage local people in the work of civil society. For example, Ealing Community and Voluntary Service has developed a “community resource bank” where people can post offers of equipment and resources that they wish to donate to local groups. This was originally aimed at local businesses, but soon attracted offers from individuals as well. The Council's trading standards department has offered DVD players recovered from people who were using the equipment illegally, and the local police service has offered unclaimed bicycles.

5.4 Large national and international charities are able to target people in their homes because they have the resources to do so. Conversely local charities and community groups make little use of philanthropic giving and gift aid because they lack the capacity.

5.5 One approach that NAVCA supports is local payroll giving; a concept which would develop a long term connection between local “givers” and local voluntary and community activity. We believe this is vital because the funding of often small groups, particularly at small geographic levels, is vital to the vision of a Big Society. However, payroll giving has never generated the levels of investment in the voluntary and community sector that it might have done. Government investment in a campaign to promote local payroll; giving, in partnership with NAVCA, would generate new income for the local voluntary sector.

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