

WHERE ARE ENGLAND'S CHARITIES?

ARE THEY IN THE RIGHT PLACES AND WHAT CAN WE DO
IF THEY ARE NOT?

By Dan Corry

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Political and policy debate in the UK is currently obsessed with geographical inequalities, especially with respect to so called 'left behind' areas. However, most of this has focused around physical infrastructure and industrial policy. In this paper we aim to push the issue of the geographical inequality in social capital and infrastructure into the spotlight. We argue that the presence of charities in an area is beneficial to the social fabric of that area as they are part of creating the 'social capital' needed for a place to both prosper and desirable in which to live.

Yet as we show, the available data suggests that deprived areas in general, and many of the 'left behind' places in particular, suffer from a lack of charities, compounding their economic hardship with a lack of social capital. Some of this lack is not helped by the way that charity taxation works, the way that the government funds and the way that independent funders and larger charities behave. We then suggest steps that could be taken to encourage charities into these areas.

WHY DOES IT MATTER WHERE CHARITIES ARE?

How charities improve a place

Charities provide a range of benefits to the place where they are based or operate. They deliver services and provide advocacy on some of the most difficult of issues, from homelessness, to domestic violence and the crisis in our prisons. They bind communities together through volunteering and a shared sense of purpose.

Sometimes this binding is deliberate, through activities aimed at bringing people together—like youth clubs, activities for older people or initiatives to bring together different ethnic groups in an area. In other cases, the community benefit is a by-product of another goal, such as running a historic building or protecting an area of natural beauty¹.

Both kinds of activities produce 'social capital', networks of connection that allow communities to function and thrive. Whether this is an explicit goal or as a by-product, charities' work is a crucial input into creating healthy communities and contributes to making somewhere a decent place to live. And strong communities, with lots of social capital, are vital. Communities are healthier² and more cohesive³ and there is research indicating social capital may also be involved in economic success.⁴ A place lacking in charities will not necessarily be bad, but it will be lacking one of the key mechanisms for producing social capital.

Are charities present where we need more social capital?

*'The reason we have the triple threats of [a] disconnection of people from society, mistrust of institutions, and the rising tide of populism is because we have structurally underinvested in [civil society]'*⁵

Andy Haldane, Chief Economist, The Bank of England

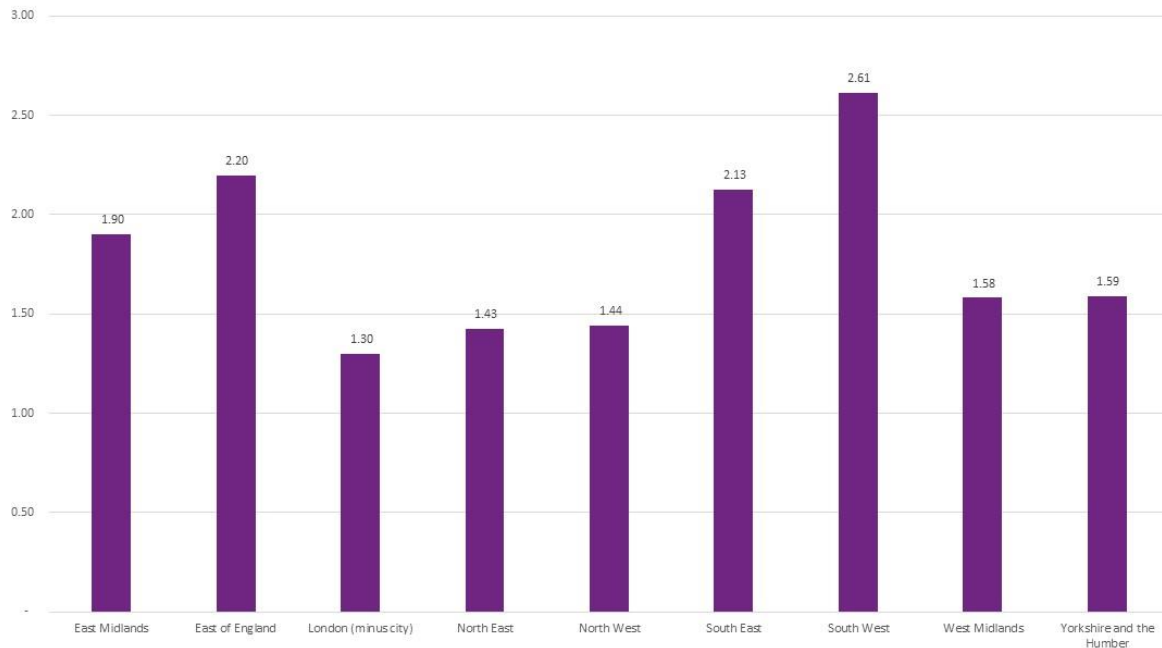
Brexit has highlighted that we are a very geographically divided country. Certain areas, often classified as 'left behind' and generally located in post-industrial or coastal regions, have been struggling. These places have often suffered the deepest cuts, as a result of austerity, and were likely to have strongly supported Brexit—indicating that they want change. Notably, a number of these areas also switched away from their historical political allegiances in the 2019 elections.

Despite this new focus on geography, there has not been very much analysis of where our social sector is strong and active, how that relates to where we need it the most (particularly whether it is less prevalent in 'left behind' areas), and what we can do to put it right⁶. Recently, we have seen useful and welcome work from both the Local Trust and the Young Foundation in this area⁷. But it remains the case that we need more work to better understand the level and geographical spread of social capital in the country, and to raise the profile of it as a policy issue. This paper is a contribution to that.

To start to piece together the full picture, we can look at charity density across the country—the number of registered charities per 1,000 people in an area. Clearly, registered charities are by no means all of civil society, but it is the part that we have the best data on—since much of the rest is necessarily informal and so much less well documented. Analysis of this data shows that at the regional level, charity density varies a lot but that it is

generally lower in more deprived regions (Figure 1). For instance, it is around 2.1 charities per thousand people in the South East but under 1.4 in the North East.

Figure 1: Charity density by region (number of registered local generalⁱ charities per 1,000 population)



Source: Lisa Hornung, NCVO, using NCVO Almanac data 2016/17 via Charity Commission

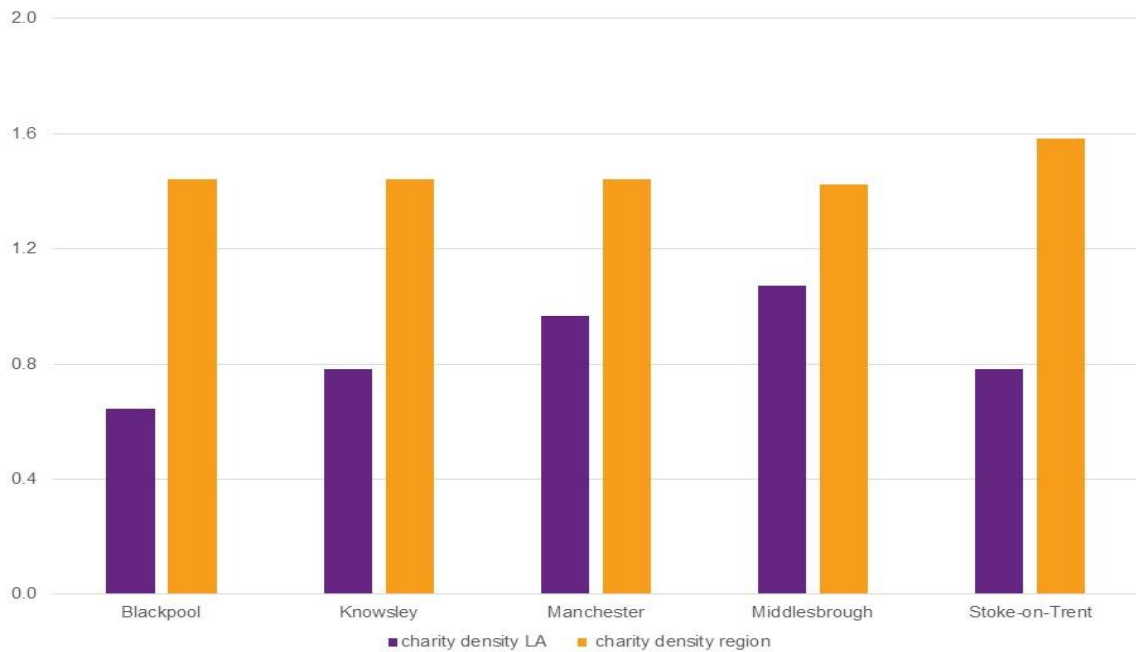
Taking this analysis down to a lower spatial level—local authorities—makes what is going on even clearer. Figure 2 looks at some of the places that are often given the 'left behind' tag: most of these were relatively strong 'Leave' voting areas too.

The results are striking. As Figure 2 shows, there are only 0.6 charities per 1,000 people in Blackpool, much less even than the already low average for that region of 1.4. In Stoke-on-Trent, the figure is 0.8 (regional average 1.6) and it is just 1.1 in Middlesbrough. Blackpool local authority district ranks number one on the 2019 Index of Multiple Deprivation, Knowsley second, Middlesbrough fifth, Manchester sixth and Stoke on Trent is 16th.

The national average for charities per 1,000 people is 1.8 and in some more affluent areas such as the Cotswolds (2019 Index of Multiple Deprivation rank 272) it is as high as 5.5 or as in South Northamptonshire (2019 Index of Multiple Deprivation rank 312—the sixth least deprived local authority district in the country) it is 3.2, five times higher than the rate in Blackpool, the most deprived.⁸

ⁱ **General charities** excludes sacramental religious bodies or places of worship as well as organisations like independent schools, government-controlled bodies or housing associations. <https://data.ncvo.org.uk/about/definitions/>

Figure 2: Charity density by local authority and region, in some towns and cities (registered local general charities per 1,000 population)



Source: Lisa Hornung, NCVO, using NCVO Almanac data 2016/17 via Charity Commission

Importantly, and perhaps contrary to expectation, other work suggests the tendency to have fewer charities in more deprived areas is even more marked with respect to smaller charities than larger ones (partly as a proportion of those smaller number of charities in these more deprived areas are in fact branches of bigger charities and partly for funding reasons as discussed below).⁹ Of course, there may be non-registered, community-type groups in these areas that our data is not going to pick up, and they can be very important to an area, but the basic fact that 'left behind' areas generally have fewer charities remains.

These general trends are reinforced by other evidence suggesting that less social activity is occurring in areas of higher deprivation. For instance, this appears to be the case when it comes to formal volunteering, as NCVO's data clearly shows (see Figure 3 below). Interestingly however, there is much less difference, if any, when looking at informal volunteering (although academic research suggests, for instance, that the wellbeing effects of volunteering are much stronger if the volunteering being undertaken is formal).¹⁰

Figure 3: Proportion of people formally and informally volunteering in 2017/18 by the 2015 Index of Multiple Deprivation



Source: NCVO Almanac: <https://data.ncvo.org.uk/volunteering/demographics/>

Many of these more deprived and 'left behind' places already have fewer jobs, with lower pay and fewer prospects; poor housing and transport links; and public services that are often crumbling. And it appears from this evidence that they often also have fewer charities to help support and engage the community.

Are deprived places worse environments for charities?

The concerns that this data raises would be less worrying if it did not persist over time; perhaps this was just a particularly bad year for charities and volunteering in these areas. However, work published in 2018 by academic David Clifford,¹¹ suggests the uneven spread of charities has indeed persisted over time.

He points to the:

'Enduring, sizeable and extensive difference in the density of charitable organisations according to neighbourhood deprivation which persist over time'

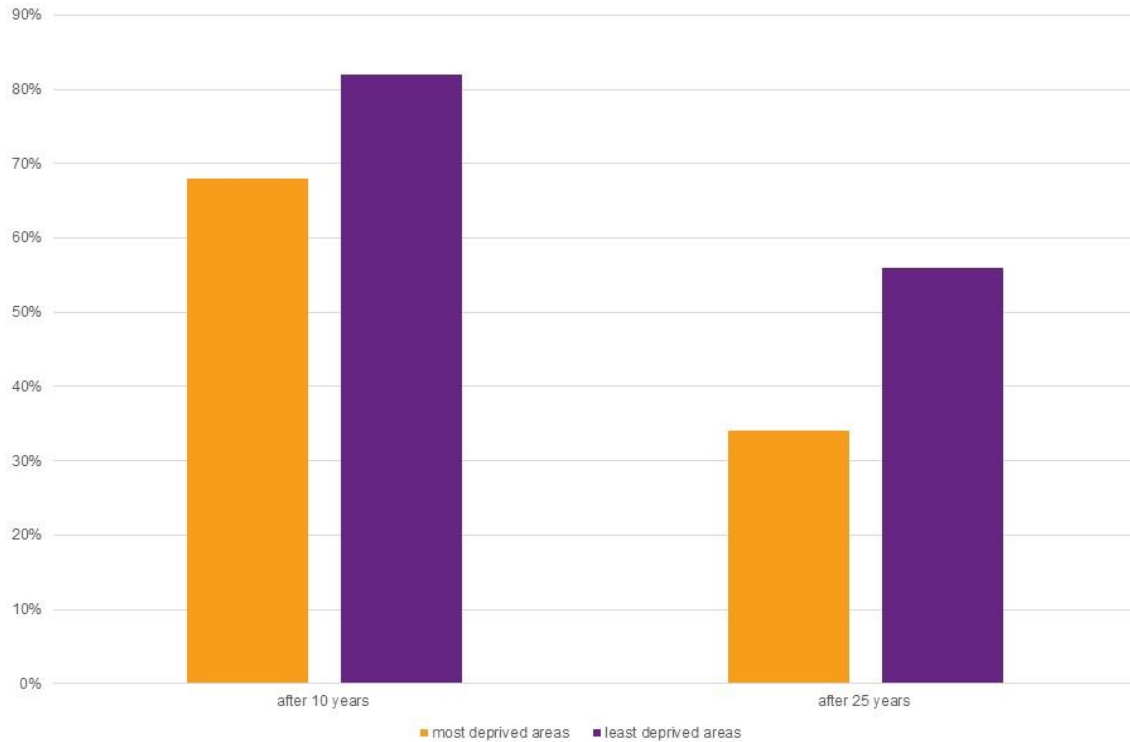
And he argues that the cause lies in formation and failure rates:

'in more deprived neighbourhoods fewer charities are founded per head of population [and] charities in more deprived areas experience a higher hazard of dissolution'

Clifford puts all this data together to see how much less likely it is that a charity will survive in a more deprived area than in a better off one.

As Figure 4 shows, in the period from 1996-2011, ten years after being established, 68% of charities in the most deprived areas survived¹² compared to 82% in the least deprived areas (referring to England only). And the gulf widens over time: after 25 years, 34% survive in the most deprived areas and 56% in the least.

Figure 4: Charity survival rates



Source: David Clifford (2018) Neighbourhood context and enduring differences in the density of charitable organisations. *American Journal of Sociology*. Data is 1996-2011 for charities who say they operate within one local authority (around 60% of charities)

Why are there less charities in ‘left behind’ areas?

To set up and run a charity, you need resources of different types. Access to finance, including the ability to tap into local or national philanthropy, and the ability to benefit from fees is usually vital. Skills are crucial too—including specialist ‘civic’ skills—and there are other key elements such as access to volunteers and other labour sources. And all of this needs to be available over a sustained period if the charity is to thrive. On the whole, as Clifford and others argue, these resources tend to be less present in areas with more deprivation and this helps explain why we have fewer of them in such areas.

To add to these general difficulties, academic study confirms that while the recession and then austerity hit all charities hard, it hit those in more deprived areas the hardest. There was a 9% fall in charities’ real income between 2008 and 2014 in the least deprived local authorities in England and Wales, compared to a 14% reduction in the most deprived, with key local infrastructure bodies doing especially badly.¹³

HOW CAN WE ENCOURAGE CHARITIES INTO 'LEFT BEHIND' PLACES?

If 'left behind' areas are suffering from a lack of social capital, and charities are a means of generating social capital, an obvious answer is to encourage the formation of charities in these places. But is that possible?

An important research finding is that funding can make a real difference to charity formation and survival in more deprived areas. Here is how this conclusion was reached.

Clifford finds that in the period 1996 to 2011, more charities were being formed at the very bottom of the deprivation distribution, i.e. in the most deprived areas, than in the next level up. At first sight, this may seem strange. What he argues was happening in this period was that government introduced specific, targeted funding to help the most deprived areas and this appeared in the charity statistics. As Clifford says, 'these distinctive patterns in density and in rates of foundation are consistent with the availability of spatially targeted government funding to support organisations in the very most deprived neighbourhoods.'

But there is a warning, as Clifford observes that the evidence strongly suggests that one-off, time-limited funding (as tended to happen later on, in the early part of the Coalition Government) won't result in sustainable charities in deprived areas.

So, having seen the nature of the issue, what solutions are there and where does the ability and responsibility for implementing them lie?

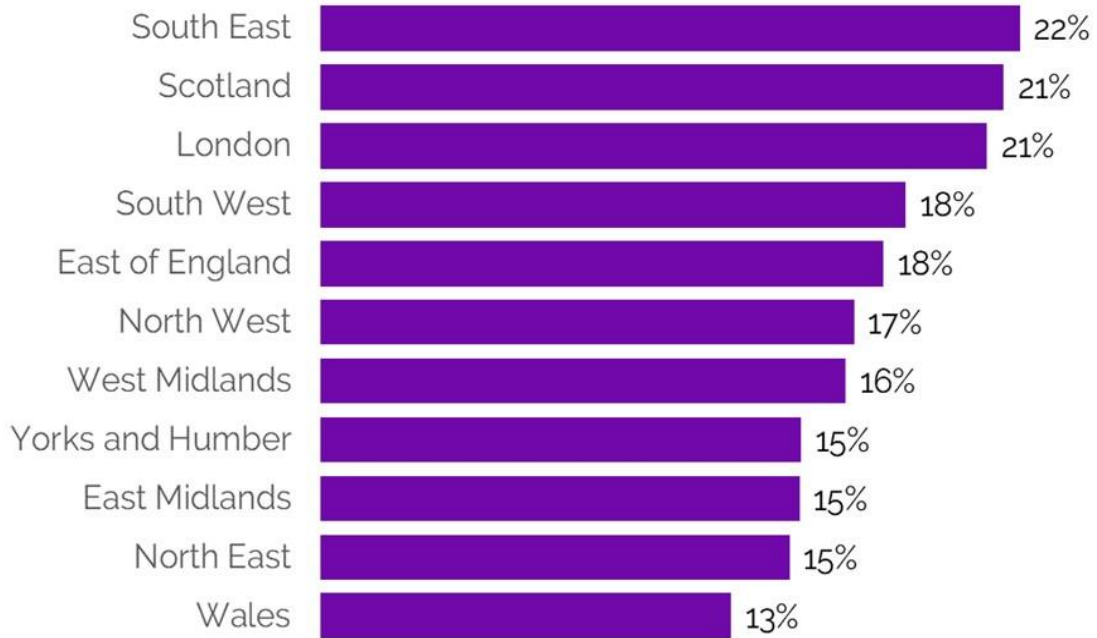
Government

We know money and resource matters, and you might assume that any government support aimed at civil society would be targeted, ensuring that money to support charitable activity was going into deprived areas and not the more prosperous ones. But, based on the data we currently have, that assumption turns out to be wrong.

Government funding and tax reliefs

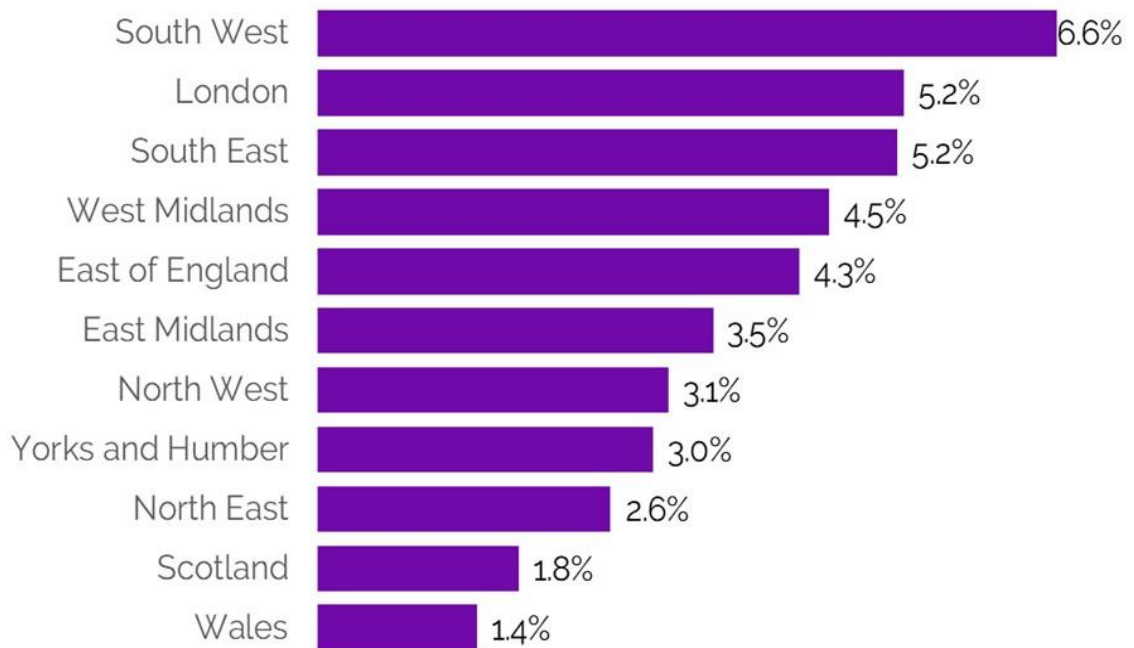
Gift Aid is one of the major tax breaks that the charity sector benefits from, a big input worth around £1.3bn per year, that is rarely studied. Recently, that changed as the independent Charity Tax Commission found that nearly half of Gift Aid goes to London and a higher proportion of charities in 'southern' regions make a Gift Aid claim compared to those in the North of England (Figure 5). They also found that Gift Aid is, on average, a higher proportion of the total income of charities in southern, English, regions (see Figure 6).

Figure 5: Proportion of organisations with a Gift Aid claim, by region/country (2013/14)



Source: Charity Tax Commission, 2019

Figure 6: Gift Aid as a proportion of total income to organisations, by region/country (2013/14)



Source: Charity Tax Commission, 2019

So, the data shows there is a clear and strong bias in Gift Aid towards more prosperous regions.

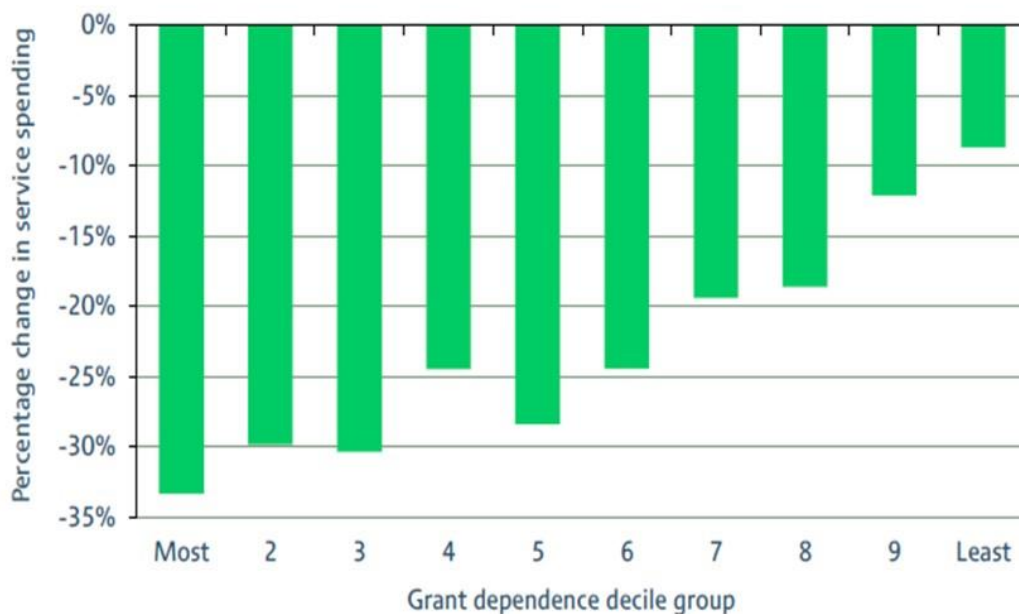
Now of course this is a consequence, one might argue, of the design and perhaps even the intention of Gift Aid. It goes to existing charities, that get donations from the public and are good at getting their donors to fill in Gift Aid claims. It is therefore only relevant where we have charities present already and is likely to be of more value to an arts charity in the south, than a domestic violence charity in a deprived area.

But is that distribution what we would have wanted with this scarce government resource? Should we instead have Gift Aid that is more generous if the charity being donated to is operating in a deprived area than in prosperous Surrey? Or should we scrap this tax break completely and use the money saved to give long-term grants to charities setting up or operating in more deprived areas?

Another opportunity for central government to help boost charities in more deprived areas is via its grant funding. In fact, it is very hard to get hold of anything on the geographical distribution of this money at present—government needs to collect and publish this data so that we can all see what is going on.

But we do know from work by the IFS, that local councils, a key funder of much of the sector, especially of smaller charities, have had their funding cut a lot over the last decade and, crucial to this discussion, that councils in areas which received more grants, and are therefore likely to be poorer, have been cut even more than those areas with less dependence on grants—as Figure 7 shows.

Figure 7: Cuts to service spending 2009-10 to 2016-17 by council's grant dependence, England¹⁴



Source: Institute for Fiscal Studies, 2016

That pattern still holds despite some recent announcements of extra money—according to IFS. And it is unlikely to get any better if we move towards full business rate retention by councils, and also if we see any redistribution of government support for councils towards the shires to help them out with social care.

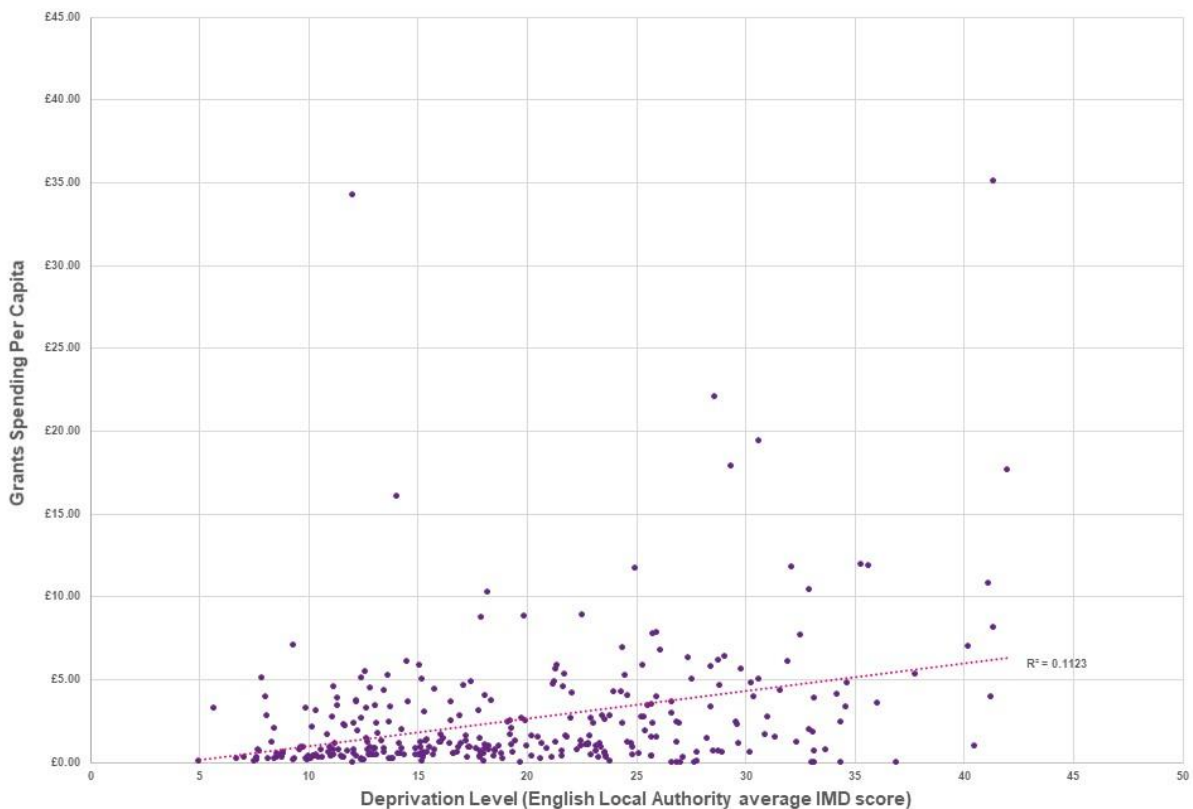
One thing we must certainly do is ensure that any government funds aimed at more deprived areas—be they called a Stronger Towns Fund, a High Street Fund, the Shared Prosperity Fund or anything else—give social factors and the social sector a strong weight in their design and distribution. If not, there is a major danger that the money will all go on easy-to-point-to-and-justify, physical infrastructure.

Independent funding

Independent, charitable funders could try to build the social capital in 'left behind' areas by supporting new or existing charities there. Are they? Again, the evidence is thin and hard to assess but thanks to the coming of 360Giving/GrantNav data¹⁵ we can now say some things about that sector.

The data is far from perfect, not least as it is voluntary as to whether funders give 360Giving their data or not (something we at NPC would like to see change), and so there needs to be a lot of judgement in using it. However, analysis by NPC of this data suggests that such funders are targeting their funding a little (the line in Figure 8 through the dots is slightly upward sloping), but we might well have expected more.

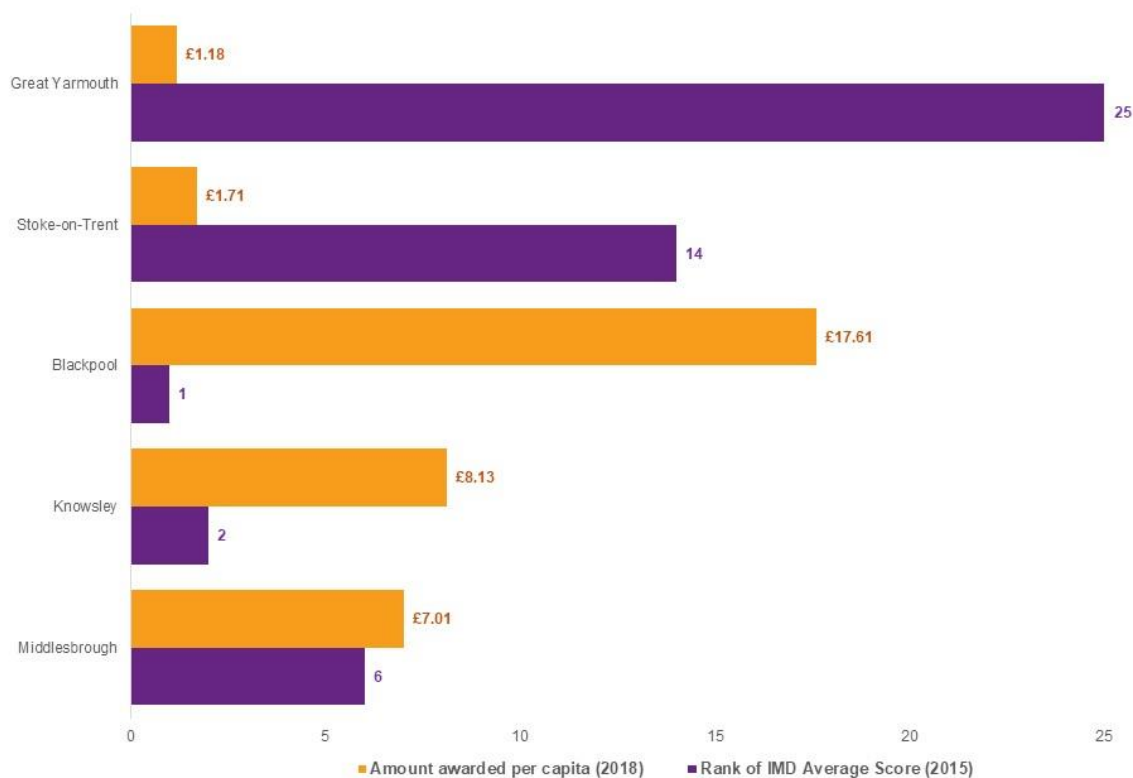
Figure 8: Grant spending per capita by deprivation



Source: GrantNav, analysed by NPC

There is also a certain randomness about where the funding goes when it comes to areas of high deprivation. As Figure 9 illustrates, some deprived areas like Blackpool are getting quite a lot of money, others, like Stoke-on-Trent and Great Yarmouth, very little.

Figure 9: Grant awarded per capita & Index of Multiple Deprivation (2015) average rank score



Source: GrantNav, analysed by NPC

It's as if some deprived areas are not just 'left behind', but 'totally forgotten'.

There are some signs that there is movement here—a few foundations are now using this data to look at where their own funding goes and try to see what they can do about it to make it more pro-deprivation geographically.

Some foundations might argue that they do not receive many applications from more deprived areas which have fewer charities and less capacity to apply and based on our findings this may be the case. But this itself should be cause for alarm, not a reason to ignore these places, and our best foundations are making efforts to grow the social sector in places it is lacking.

RECOMMENDATIONS

The need to have a strong civil society especially in our more deprived areas is clear. And the fact that in many of these places we do not, is equally clear. Responsibility for building up local civil society in the most challenging contexts is diffuse: it does not solely lie with local communities, government, national charities or funders, all have a role. But it is essential for the future of the country, if the division we have seen in recent years is to be healed.

There are clear steps that government and established civil society can take to support communities to grow their own civil society and boost the social capital of their area. We should all now get on and do it.

- **Government** should open up information on the geographical spread of its funding, including tax and grants data.
- **Government** should look at the charity tax system, especially Gift Aid and consider how it can help 'left behind' areas.
- New **government** funds must be aimed at more deprived areas and give the growth of civil society and knock-on growth of social capital real weight in their spending plans.
- **Funders** must offer longer-term funding in deprived areas if charities are to be formed and survive and ask how they can grow civil society in areas from which they receive few applications for funding.
- We must keep up the pressure on **funders**, including independent funders, to look at where their funding is going and to react where they find it is not going to the places that really need it. This should include the sharing of data on platforms like 360Giving.
- We must ask larger **charities** to support smaller organisations in 'left behind' areas. They can do this through sharing resources and expertise with existing organisations or working with communities to support the formation of new groups.
- Overall this is yet another reason for wanting to have a **Civil Society Improvement Agency**, something we recently published the case for¹⁶. An agency focused on improving, rather than policing as the Charity Commission rightly does, could not fail to draw attention to the uneven spread of civil society and encourage funders and charities themselves to fill these gaps.

ENDNOTES

¹ The former examples are more focused on 'bridging' social capital, the latter would be more about bonding social capital.

² <https://www.kingsfund.org.uk/projects/improving-publics-health/strong-communities-wellbeing-and-resilience>

³ <https://pdfs.semanticscholar.org/e5fb/8ece108aec36714ee413876e61b0510e7c80.pdf> p.7

⁴ For example, Stephen Knack and Philip Keefer, *The Quarterly Journal of Economics* Vol. 112, No. 4 (Nov., 1997), pp. 1251-1288 <https://www.jstor.org/stable/2951271?seq=1>

⁵ <https://www.theguardian.com/society/2019/may/22/andy-haldane-bank-of-england-voluntary-sector-civil-society-technological-age>

⁶ There is of course some academic work in this area much done by the Third Sector Research Centre <https://www.birmingham.ac.uk/research/tsrc/index.aspx> – see for instance the summary in <https://johnfmohan.com/2018/11/16/long-run-changes-in-the-distribution-of-charities-in-england-and-wales/>. And also <https://thirdsectorgeography.com/>

⁷ The Young Foundation's 'Flipping the Coin- the two sides of Community Wealth in England' (November 2019) builds on their earlier "Patchwork Philanthropy" (2018) which suggested that spending (public and philanthropic) was very unequally distributed: "Some of the regions with the highest levels of deprivation receive some of the lowest levels of investment". The newer paper creates an Index of Community Strength and shows the link between this and the amount of funding is not straightforward. "Left Behind? understanding communities on the edge" (2019) from the Local Trust shows that to some extent if you are deprived but also have poor social infrastructure, poor connectivity, and absence of places to meet you are likely to have higher unemployment, worse health, more child poverty. They use the charity density as part of the measure of 'an engaged community'.

⁸ <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019> - File 10 Local authority district summaries.

⁹ See eg David Clifford (2018) Neighbourhood context and enduring differences in the density of charitable organisations. *American Journal of Sociology*. Data is 1996-2011 for charities who say they operate within one local authority (around 60% of charities).

¹⁰ See eg <https://whatworkswellbeing.org/blog/does-volunteering-make-us-happier-or-do-happy-people-volunteer/>

¹¹ Source: David Clifford (2018) op cit

¹² The local area used in this analysis is very small—at the level of the Lower Super Output Area which have an average population of around 1500 people (p20 of paper).

¹³ Source: David Clifford 2017 Charitable organisations, the Great Recession and the age of austerity; *Journal of Social Policy*. Data is 1999-2014.

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<https://www.ifs.org.uk/uploads/Presentations/British%20Local%20Government%20Finance%20in%20the%202010s%2C%20David%20Phillip.pdf>

¹⁵ <http://www.threesixtygiving.org/>

¹⁶ See <https://www.thinknpc.org/blog/being-better-doing-better/> for our proposal.