House of Commons

Public Administration Select Committee

Oral evidence: Charity Chief Executive Pay, HC 831

Tuesday 17 December 2013

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Written evidence from witnesses:

– Caron Bradshaw, Charity Finance Group

– Martyn Lewis, NCVO

– Sir Stephen Bubb, ACEVO

Watch the meeting

Members present: Mr Bernard Jenkin (Chair), Paul Flynn, Sheila Gilmore, Robert Halfon, Kelvin Hopkins, Priti Patel and Mr Andrew Turner.

Questions 1-124

Witnesses: **Caron Bradshaw**, CEO, Charity Finance Group, **Martyn Lewis**, Chair, National Council for Voluntary Organisations, and **Magnus MacFarlane-Barrow**, CEO, Mary's Meals, gave evidence.

Q1 Chair: May I welcome our three witnesses to this one-off evidence session about the pay of chief executives and personnel of charities? Can I first explain that we do not claim to regulate charities? Our prime role is to scrutinise the Charity Commission and their role in promoting and protecting the reputation of charities, and in that respect we are interested in this issue. This issue of chief-executive pay in charities has simmered along for a number of years, but exploded into the media in August this year and provoked a great deal of discussion and debate, and NCVO has set up an inquiry, which we will hear about, into pay in the charitable sector. This is a one-off evidence session. We are not proposing at this stage to produce a report; it is purely to air the issues and to inform ourselves about these issues. We will be asking, we hope, very short questions, and I do remind the Committee that short questions that are to the point are very helpful. If your answers can be short and to the point as well, that is also helpful, because then we get through many more questions, so if I think you are rambling, I am afraid I will interrupt you or pull you up. Could I ask each of you to introduce yourselves for the record, please?

Caron Bradshaw: I am Caron Bradshaw. I am the Chief Executive of a charitable organisation called the Charity Finance Group.

Magnus MacFarlane-Barrow: I am Magnus MacFarlane-Barrow. I am the founder and Chief Executive of Mary's Meals, a charity that works in the developing world, based in Scotland.

Martyn Lewis: I am Martyn Lewis. I am the Chairman of the National Council for Voluntary Organisations, which is the main umbrella organisation for the sector. We have set up the inquiry.

Q2 Chair: Each of you is now devoting your whole life, or a considerable part of your life, to charitable work. I see in front of us a barrister, a fish farmer and a broadcaster. Could each of you say something about why you have given up the other career to do what you now do?

Caron Bradshaw: Basically, I am values-driven. I worked in a not-for-profit organisation—a professional body—for 16 years, and in the last six or so years of that I spent a lot of time working with the charitable sector. I find that my ethics and my values are what drive my working life.

Magnus MacFarlane-Barrow: To be absolutely honest, I kind of fell into this by accident. I was a fish farmer who decided to take one week's holiday to deliver aid to Bosnia, and I was so moved by that experience, both in terms of the need I saw and the way people responded to a little appeal we made in Scotland, that I decided to give up my job and devote my time to this. I am, again, driven by my values and my faith, and a belief that there could not be anything better to do with my life than this.

Martyn Lewis: I have been involved in the voluntary sector for 30 years. It really started after I had spent 15 or 16 years in the world of journalism, where I saw a high degree of quite proper scepticism, but also a degree of what I considered to be improper cynicism about the reporting of stories. For me, getting involved, at first with the hospice movement and then, subsequently, with other charities, was a perfect antidote to what I saw in the world of journalism. I have to say that the most professionally satisfying time in my life has been not in the world of journalism, but in the world of the voluntary sector, where you meet an amazing group of people who do quite incredible things in the most powerful way to assist society in all kinds of different ways.

Q3 Chair: It is really helpful and quite moving to hear those three stories. How did you react when greeted with the reporting of high chief-executive pay in the charitable sector in August? What was your first reaction to these reports?

Caron Bradshaw: Personally, I think we should welcome the scrutiny. We should always remember that charities exist to serve their beneficiaries.

Q4 Chair: I am going to stop you there, because I bet that was not your first reaction. What did you feel when you first read it?

Caron Bradshaw: I have been talking about this for my entire tenure in this job, so I do think that we should start talking about these issues. What is damaging to the sector is there being a lack of concentration on the impact—the difference that we make—and on explaining how, as organisations, we run.

Magnus MacFarlane-Barrow: Again, I welcome some of that scrutiny. Some of the reporting in August left me a little bit uncomfortable. With some of it, I felt there was a little bit of mischief-making going on in regard to ourselves. In some reports it was suggested that we had a view on other charities that were paying higher salaries than ourselves, which is not the case and we never said anything like that, so I was not entirely happy about the way the issue was reported at that time, but overall it is good that this subject is aired, debated, discussed and scrutinised.

Martyn Lewis: I was not surprised that the issue was raised, because every other sector of society has been under intense media scrutiny in recent years, including the media itself, and it seemed only natural that there would be a focus at some point on the voluntary sector. I very much agree with Caron that when that focus happened, it was, in headline terms, about salaries and there did not seem to be the full degree of explanation alongside the amounts as to why the remuneration committees or the boards of trustees of charities had reached those amounts. The initial instinctive jugular reaction of the media needed to be accompanied by a degree of explanation. That is why the NCVO set up their inquiry: to try to ensure that we can produce a report that puts everything in proper perspective.

Q5 Chair: I have just remembered that we should have made a declaration of our interests. I am sorry. Would you mind if we just put those on the record? I am a Vice-President of Combat Stress—I have no fiduciary duties—and I am on the Council of St Paul's Cathedral.

Robert Halfon: I am President of my local St John's Ambulance, a co-opted trustee of a charity called Employ-Ability, and on the advisory board of the Centre for Social Justice. There may be another couple of things, but I cannot remember them at the moment.

Kelvin Hopkins: I am an unpaid board member of Mary Seacole Housing Association, which provides accommodation for homeless young people.

Robert Halfon: I should add that all of those positions are unpaid.

Chair: They are all unpaid, yes. Anybody else?

Paul Flynn: No.

Chair: Sheila?

Sheila Gilmore: Not currently, although I have been a board member of a housing association and I have been on the management committees of charities.

Mr Turner: I am Honorary Vice-President of the Ryde Rowing Club, President of the Isle of Wight Stroke Club, and something to do with the minster restoration fund and the Isle of Wight Playing Fields Association, and there may be others.

Chair: I think I am a patron of Autism Anglia as well.

Robert Halfon: I am a patron of Home-Start Harlow.

Q6 Chair: We have got the impression. Forgive me, because I also feel it only proper to mention that we did have some private conversations about this NCVO inquiry that you have set up, which we will be coming to later.

The question I want to ask each of you, really, is: do you think the coverage has been fair or, if you think the coverage has been unfair, have charities brought that upon themselves?

Caron Bradshaw: I do not think that the coverage has been particularly balanced. There have been some salacious headlines, in the absence of looking at what is out there already—i.e. the disclosure framework that charities already operate within. I do not think that that has been given due regard. We are a very transparent sector: we have a lot of requirements in terms of disclosure vis-à-vis salaries that I do not think have been given due airing. Have charities brought that on themselves? That is a very difficult one to answer. We have to engage in this process and we have to shine a light on our disclosure requirements and what we do put in the public domain.

Martyn Lewis: This is not the first time that the issue of salaries has come up. I remember—back in '87 or '88, I think it was—I presented two documentaries for BBC Two, which were in response to a feeling at the time that charities should not just be run by well-meaning volunteers, but they ought to have a degree of professionalisation, particularly as they expanded, because they needed to be run, in short, on business-like lines, which would introduce a degree of efficiency into the spending of the money that they raised. That happened 30 years ago; subsequently, there have been various issues about the pay of chief executives of charities and the pay that is given to other executives in charities, which have come up at fairly regular intervals. Usually, you find that the chair and trustees of the charities affected duck for cover, or quietly hope that the issue will go away, and it usually does. This time it is different, because of the scrutiny that other sectors have been under. That is why the NCVO is keen to lance the boil, as it were, and come up with a series of suggestions for how we can avoid the issue of chief-executive pay rising to the prominence that it has again in the same way. We would like to see this area taken out of the public arena, and you can only do that, in the view that is starting to emerge from the consultations we are having, by much greater transparency.

Q7 Chair: How much do you think this is about a real public concern? Or is it just being whipped up?

Martyn Lewis: I can tell you the responses that we have had since we started the inquiry. We have had 350 or 360 people who have contacted us, I would say 100 in response to an e-mail that I sent round to our members; another 200 to the e-mail address that we have specially set up, which is execpay@ncvo.org.uk; and there have been another 30 or 40 in response to a couple of blogs that our Director of Policy has put out. They represent a wide variety of views, but you can judge for yourselves whether 350 or 360 responses, when there has been publicity about this in *The Daily Telegraph* and *The Independent* that has given the contact points, indicates that there is a huge area of public concern on this. Certainly the views that people are coming forward with are very trenchant and often very well expressed, and we will certainly take those into account. I and others are interviewing a selection of the people who have written in to us.

Q8 Chair: But you have got many responses from ordinary members of the public, as well as professional charity people.

> ***Martyn Lewis***: Oh yes, absolutely.

Q9 Chair: Being a good broadcaster, you will know you need to repeat the e-mail address you gave out.

> ***Martyn Lewis***: Right. It is: execpay@ncvo.org.uk.

Chair: Very good.

Q10 Robert Halfon: Can I just ask how the NCVO is funded?

> ***Martyn Lewis***: NCVO is funded through renting out the facilities that we have in a property that we own in north-west London. We also get just over £1 million a year from the Charities Aid Foundation through an agreement that is many years old, from when the Charities Aid Foundation was spun off from NCVO. We have subscriptions from our members. Those of our members who do not have a turnover of more than £30,000 have free membership, and then the membership subscription varies according to the size of the charity as the charities get bigger.

Q11 Robert Halfon: Is the £1 million you get from the Charities Aid Foundation taxpayer-funded?

> ***Martyn Lewis***: There is less and less. About 3% or 4% of our total income comes from Government. It was a little more, but then there was the reduction in funding—the strategic grants and so on—but we do also have some money from contracts that are commissioned by Government from us.

Q12 Robert Halfon: Do you think it is necessary to have an NCVO as well as an association for chief executives of charities?

> ***Martyn Lewis***: They are very different. They do different things. ACEVO is, if you like, the trade union for chief executives and it represents chief executives. We represent trustees and members. You may find occasionally that trustees and chief executives do not agree.

Q13 Robert Halfon: To save charity money, because at the end of the day the charities pay you out of their own fundraising to belong to you—rightly so; I have got no problem with that at all—could you not just have a committee as part of the NCVO that dealt with the chief-executive issues, rather than having a separate organisation that also takes money from charities?

> ***Martyn Lewis***: Some charities belong to both and other charities choose which they belong to, and that has always been. There has been an ebb and flow between the two

organisations. I would simply say that I am not quite sure how many members ACEVO has, but we have over 10,500 members, and we try to do our best to represent the many viewpoints that are represented by the voluntary sector and to make sure that we work in partnership with many of our members and with other organisations—we represent their views to you and your colleagues and to Government.

Q14 Robert Halfon: But with the plethora of organisations, charities have to raise the funds anyway for their own things and then they also have to give them to trade organisations, and there is a bit of taxpayers' money thrown in, so there may be an argument for consolidation, because there seem to be quite a lot of these kinds of organisations out there.

Martyn Lewis: We have looked at that in the past, and we have had conversations about it, and yes, you could create one single organisation and have a Chinese wall here, but basically the interests of chief executives might sometimes clash, as I said earlier, with the interests of trustees. We are there to represent trustees and chairs of organisations, as well as the members of those organisations, whereas ACEVO is there to represent the chief executives who run those organisations.

Q15 Robert Halfon: Could not the Charity Commission do all the things that you do?

Martyn Lewis: The Charity Commission is a regulator. That is their main function. There are challenges out there, as we have seen with the Cup Trust and various other organisations, where the Charity Commission has needed to exercise a certain degree of, shall we say, control in what is happening out there. The whole thing about NCVO is that it is a voluntary organisation; it is a charity in its own right.

Q16 Robert Halfon**:** How many people do you have working at the NCVO?

Martyn Lewis: We have just over 100.

Q17 Robert Halfon: What is the highest pay?

Martyn Lewis: The highest-paid is the chief executive, who is on £128,000 a year. Then I think we have two that are on £80,000 to £90,000.

Q18 Robert Halfon: How do you set pay, and what is the average pay in the organisation?

Martyn Lewis: I could not give you the average pay figure, but I can tell you how it is set. We have a remuneration committee, which I chair, which consists of some trustees and outside HR experts, who come in to tell us what is happening in the sector as a whole—and, indeed, in the world as a whole. I have been chair for three years, but I know for a fact that over the last 18 years, since our current chief executive moved into position, his salary has risen only by the same percentage that is given to all members of staff. Indeed, in 2010, when we had a complete pay freeze, he took a pay freeze as well at that point. The point I would make is that we have a very powerful character as our chief executive with immense experience of the voluntary sector, who knows virtually everybody in the sector, and if he were to go under a bus tomorrow and we needed to replace him, we would be looking to the chief executives of other major charities amongst those who would be considered for replacing him.

Q19 Robert Halfon: You do not think you could get someone of calibre on £60,000 or £70,000, for example. How did they come to that particular figure that you mention for the chief executive?

Martyn Lewis: That particular figure has developed over the years. Maybe there is a case for saying that those who are higher paid should not have an automatic percentage increase. I have to say, we are not wildly in favour of bonuses—certainly at NCVO, nobody has been given any bonuses at all.

Q20 Robert Halfon: But how did you come to the figure of well over £100,000? I know you said you have a committee, but how did they decide this? Given that you are part-funded by the taxpayer and part-funded by charities that have to raise funds in order to pay you, how did your committee decide, "We're going to pay these people huge amounts of money"?

Martyn Lewis: It has grown, as I said, over the last 18 years by an inflation rate, but we also benchmark against what would be a median figure, which the HR experts help us with. Given that we would recruit from amongst other top chief executives if our chief executive were to go, we feel that that is the figure that we would have to pay. If someone were to come to us and say, "I'd like to be considered for the job of chief executive and I'm prepared to accept less money," then that would be one factor, but not the only factor. When you employ someone, it is not just the salary; it is the fact that they have various skills, qualifications and experience that they bring to the table, and it is a matter of pulling all those together to come to a judgment as to who would be the best person to represent an organisation that is the main voice for the voluntary sector.

Q21 Robert Halfon: What are the performance indicators that you give your chief executive and the top-paid people, and how do you judge whether or not they have fulfilled their criteria?

Martyn Lewis: We judge them on the delivery of the work they do in representing others in the sector. For example, we had the "Give it Back, George" campaign, which you will remember, over what was seen as a tax on philanthropy. There was a very successful campaign, in which NCVO played a major part, to have that reversed. That requires some fairly formidable people who are very highly qualified on the research front and who can work very closely with people in Parliament to put the arguments to the Government and, in that particular case, to see the Government change its mind.

Q22 Chair: Before we move on to Mary's Meals, which you are going to ask about, can I just clarify something? The way you describe NCVO in comparison to ACEVO is that you represent charities; they represent chief executives. Have I got that right?

Martyn Lewis: Yes.

Q23 Chair: In that respect, you are the representative of the charitable sector.

Martyn Lewis: We are one of the representatives. ACEVO are a representative as well.

Chair: Of the charitable sector? But they represent chief executives.

Martyn Lewis: Well, because they represent the chief executives within the sector. We represent different parts of the sector.

Q24 Chair: You do not see one as a trade body and the other as a trade union.

Martyn Lewis: I certainly see ACEVO as a trade union. I have no doubt about that, because they are looking after the interests of their chief executives. They have recently expanded into one or two other areas, but that is up to them—that is down to their board and the decisions that they take.

Chair: Thank you for that clarification.

Q25 Sheila Gilmore: I have a question for Martyn about boards and committees and their capacity to make these decisions. Is this something that your organisation provides assistance with—where a board or a committee is deciding on pay?

Martyn Lewis: I am sorry; I do not quite understand.

Sheila Gilmore: I wondered if your organisation does anything to help your member organisations become better equipped as trustees and board members.

Martyn Lewis: Absolutely. We have courses that we run for trustees to update them on the very latest things that they need to know to exercise their capacity as trustees.

Q26 Sheila Gilmore**:** And that would include remuneration issues—how to make these decisions?

Martyn Lewis: That is a very good question. I would assume that it would.

Chair: Perhaps you will drop us a note about that question.

Martyn Lewis: Yes, absolutely. The answer is yes: we would give guidance, but the whole point about remuneration is that one size does not fit all in the voluntary sector. Every group of trustees has the job of looking at what their organisation does, how it does it, and then coming to their own conclusions.

Q27 Robert Halfon: Do you put the wages of your senior people on your website to make it clear to everybody what your senior people are paid?

Martyn Lewis: Yes, it is on our website now.

Q28 Robert Halfon: Do you think that the charities that are members of your organisation should have not a vote on individual salaries, but be presented the main recommendations on remuneration and asked to vote on whether or not they agree with that? Would that help, or not?

Martyn Lewis: We have an AGM every year. We have two members' assemblies a year, and they have every right to comment on that, yes.

Q29 Robert Halfon**:** Just to turn to Mr MacFarlane-Barrow, I have huge admiration for what you do. Why did you decide to impose a pay cap?

Magnus MacFarlane-Barrow: For a couple of reasons. Our mission is very much about working with the poorest of the poor—people who do not have enough to eat. A huge part of our mission is carried out by unpaid volunteers in Africa and elsewhere. Our work depends upon partnership between those local communities, those groups of volunteers, and ourselves—those of us who are, we feel, privileged to be paid to take part in this work. That would be one of the key reasons why we have always had a very strong view that we should not pay high salaries—because if we are talking about genuine partnership with people who are doing this work for nothing and who are living in poverty themselves, we feel it would be very hard for us to justify paying ourselves high salaries. There has also been a strong sense within Mary's Meals since the beginning of vocation—of wanting people who do this work on a daily basis to be people who do it because they believe in it. That sometimes does require sacrifice. There are many people who work for Mary's Meals who undoubtedly could be earning much higher salaries doing something else. I am sure that is true of many other charitable organisations also.

Q30 Robert Halfon: Just to confirm, your salary is just over £31,000. Is that right?

Magnus MacFarlane-Barrow: It is currently £32,000. Just to be clear, I do not get paid the highest salary in the organisation. The highest salary in the organisation today is £45,380.

Q31 Robert Halfon: Does it have an impact on the recruitment and retention of high-calibre people?

Magnus MacFarlane-Barrow: It does have an impact. It is sometimes very hard to recruit to the senior roles when we are looking for particular skillsets and people with a certain amount of experience. That can be hard. We feel we have always got there in the end: we feel we have a fantastic team. We feel we are successful as an organisation and are delivering our mission successfully and growing very fast, whilst implementing that particular salary policy of ours.

Q32 Robert Halfon: So even though your salaries are low compared to some of the bigger charities, you still manage to get high-calibre people.

Magnus MacFarlane-Barrow: We do. The fact is also sometimes people who have an interest in working with Mary's Meals and who we would like to offer jobs to at the end of the day cannot accept those posts because of our salary policy, and I am sure sometimes we lose people who go on to work for other organisations that pay higher salaries. That happens also, without a doubt.

Q33 Robert Halfon: When you go out fundraising and the donors see the low salaries that you pay yourselves compared with many of the other charities, does that help in fundraising?

Magnus MacFarlane-Barrow: It does. It is something that the public are very interested in. They are also very interested in low cost and in making sure the money they give is spent on the cause—the charitable objectives. That is something that the public and our donors are certainly interested in. I would say that I do not always think that is healthy or balanced. At the end of the day, there are more important things that people should be asking about than these issues. People should be most interested in the impact that charitable organisations are having, and sometimes there is a risk that this can become almost a distraction from that.

Q34 Robert Halfon: Do you think, though, that it is wrong that chief executives in some of the other charities get paid huge whacks of money? Do you think there needs to be a rebalancing, or do you just think there needs to be transparency so that the public really know, when they are fundraising, that this chief executive is getting 200 or 150 grand a year, or whatever it may be?

Magnus MacFarlane-Barrow: I genuinely do not have a view about what other people are getting paid in other organisations. I feel every organisation needs to make the right decisions.

Q35 Robert Halfon: If I may say so, that is a bit of a cop-out.

Magnus MacFarlane-Barrow: No, it genuinely is not a cop-out.

Robert Halfon: The reason I say that is that you have made this decision for your charity to accept low pay, which is incredibly admirable, and so therefore you have made a decision on the basis that you know that this is what funders want and this is what you believe as part of your ethos. Therefore, you must have a view about people who work in senior positions in charities who get paid huge whacks of money.

Magnus MacFarlane-Barrow: I have a very strong view about what people should get paid within Mary's Meals, and we have made these decisions over the years for our mission—for our organisation. I absolutely do not think that everyone should be working to a policy like this in the charitable sector.

Q36 Chair: What do you feel when you see another organisation that is dependent upon unpaid volunteers delivering a service to people in impoverished countries—people in great distress—that does not have a pay cap? They present the same values as your charity, but they do not have a pay cap. What do you feel about that?

Magnus MacFarlane-Barrow: I presume they do all have pay caps and pay policies of some sort; they are just a bit different than our own. We are all different. It is a mistake to think we are all the same and that we should all have exactly the same policy. We are carrying out different missions and we require people with different skills. I would also say Mary's Meals has a very particular view about this, which I would say is clearly quite unusual. I do not think everyone has to adhere to a policy like that of Mary's Meals. At the end of the day, we are all accountable to our donors—to our funders—and it is for them to scrutinise these things and ask the questions.

Q37 Chair: But do you feel more accountable to your donors or to your values? Which are more important?

Magnus MacFarlane-Barrow: Both go hand in hand, but we start with our values. We are what we are, and I think a lot of people choose to support us for that reason, so I hope the two things are in tune. We start with our values, but we certainly listen to our donors and all those who support us. We take a great deal of care to listen to them.

Q38 Chair: So how much do you feel some charities need to revisit their values before they set their pay in the next pay round?

Magnus MacFarlane-Barrow: I genuinely do not know much about how other organisations work, so I cannot comment on that.

Chair: I understand.

Q39 Mr Turner**:** Mr Lewis, you said earlier why you set up an inquiry into executive pay. What do you expect to achieve from the inquiry?

Martyn Lewis: We expect to achieve a clear set of suggestions to guide trustees when they are coming to decisions about the level of executive pay. One size clearly does not fit all in the voluntary sector, but what we have to try to do is to come up with certain principles that can guide trustees as they come to those decisions. We have already found from the responses that we are getting that there are four clear categories of views amongst donors who are getting in touch with us.

Q40 Mr Turner: Would you like, as you are doing so, to say how many people have been in touch relating to each of these four?

Martyn Lewis: Yes; I was saying earlier it is about 350 to 360. Those views range from those who think that everybody who works for a charity should be a volunteer and there should be no paid staff at all. The next category coming up would be just the top core being paid, but then as many people as possible below that being volunteers. A third view is that there should be a—sometimes heavily—discounted set of salaries in the voluntary sector, which indeed is something that happens anyway. If you look at the recent Hay Group report, that shows that on average executives in the voluntary sector are paid 25% below the equivalent rate in the public and private sectors, and if you take bonuses and financial incentives into account, the rate for the voluntary sector is 45% below the private and public sectors. Then, as the final category, you have, if you like, the big trusts, big companies and philanthropists that often make substantial donations of hundreds of thousands of pounds to charities. Before they take those decisions to give, they take those charities apart financially and come to their own judgment as to whether they want to continue to give money to that charity—whether that charity has the administrative costs, including the executive pay, in the right proportion to the amount that they are giving directly to the cause and, because of that, is able to deliver more efficiently to the cause. Those are the four viewpoints that it seems to be boiling down to.

Q41 Mr Turner: Was this the first ever such inquiry?

Martyn Lewis: No. The NCVO has regularly looked at charity pay. We produced a report on it three or four years ago, which, surprisingly enough, did not get very much publicity, if any, from the national media.

Q42 Mr Turner: Presumably there is something new to come out; that is why you did something that had been done four years ago.

Martyn Lewis: There was a report done; we reviewed it a few years ago. This is an issue that comes up fairly regularly. Can I just say, to tie in with something earlier—I am sorry, it had slipped my mind—that the NCVO publishes the *Good Trustee Guide*, which includes guidance on remuneration as well as on training? We publish that on a fairly regular basis, which I think answers the point you were making earlier.

Q43 Mr Turner**:** How did you select the members of the inquiry panel?

Martyn Lewis: I wanted them to provide a very broad range of experience. We have people representing large charities that pay what are seen to be large salaries, because we wanted them in front of our inquiry to justify what they were paying. We have people representing smaller charities; people representing Citizens Advice; and a Member of the House of Lords, who is well known for his view that there should be only a very small group of people paid at the top and then the rest should be volunteers. We have the Chairman of Guide Dogs for the Blind, who is also the Chairman of Legal & General. Legal & General are the biggest investor in Britain, and last year they challenged the remuneration packages of 125 companies.

Q44 Mr Turner: But they would not be ordinary people. You have selected a group of quite high-sounding people, like their Lordships and so on.

Martyn Lewis: These are all people who give of their time freely, many of whom are donors in their own right.

Q45 Mr Turner: So ordinary people cannot give their time in the way that you would like.

Martyn Lewis: Of course they can, but we are gathering the opinions of what you call "ordinary people": the donors who are talking to us and sending us information. We are taking a random number of those and we are interviewing them and feeding that back into our deliberations, so that when they write to us, we have an opportunity to discuss with them further what they do. I must say that there have been several charities that were named in the original publicity that have been very helpful in putting us in touch with those donors who have cancelled standing orders to those charities as a result of the publicity about senior-executive pay. We have been able to talk to them as well and follow their arguments through in greater detail. All of that has been fed into the inquiry.

Q46 Mr Turner: Just going back to your four types of charities, are those groups more or less equal in size, or are the middle ones over-represented, or appropriately represented, considering the numbers?

Martyn Lewis: I would say that there is a powerful, very articulate minority who think that nobody who works for a charity should be paid. These, on the whole, would appear to be people who give their money or their time to smaller charities. I have to say that over half the 10,500 charities that are members of NCVO fall into that category—they are run entirely by volunteers and do not have paid staff. We are getting some very articulate representations from them. I would say that at the moment, from what has come through, they are probably a considerable minority of the 360 we have had.

Q47 Mr Turner: Are they 25%, or 40%, or 12%?

Martyn Lewis: I would need to do a calculation to be able to give you the figure.

Mr Turner: It would help.

Martyn Lewis: Yes, we will do that.

Q48 Chair: Can I just ask one supplementary? Your chief executive, Sir Stuart Etherington, said: "Charity trustees should set remuneration using a clear process, taking into account the demands of the job and comparable salaries, and they should be transparent about senior pay". Is that it? We heard a very strong point from Magnus MacFarlane-Barrow that, actually, it is the values of his organisation that determine the salaries. Should there not be some reference in setting salaries to the values of the organisation?

Martyn Lewis: Yes, of course, and Stuart would be the first person to agree with that.

Q49 Chair: How much do you think, because it is so obvious, it is actually neglected in everything that is written about salaries for charities? Where is it written down in the NCVO, for example?

Martyn Lewis: About the values? I would need to go through that to check that, but I would be very surprised if that was not there.

Q50 Chair: Can I ask Caron Bradshaw to come in?

Caron Bradshaw: In terms of what charities do, they have to look at all areas of risk. That will include reputational risk, pay, where they invest and what overheads they have. They have to look at risk across the organisation, and that will include values as well.

Q51 Chair: Reputational risk is not values.

Caron Bradshaw: No, but I am saying that the values of an organisation will be wound up within their entire risk matrix. They will look at all areas of risk, and that will include every area that could possibly divert them from being able to effectively serve their beneficiaries. They have that balance to make all the time, and it will include all elements.

Q52 Chair: It sounds a rather utilitarian process. The act of setting the salaries is something that the public react very strongly to, because they give money to charities reflecting their values and they expect the recipients of those donations to reflect their values. Does that not need to be made more explicit?

Caron Bradshaw: I can talk about CFG as an example of how different charities approach it. We have, within our own remuneration committee's terms of reference, a specific reference to understanding and reflecting the sensitivities of the sector towards pay, and of the broader community. That is explicitly in ours, and I suspect you will find in a number of other charities a similar reference to broader issues and not just professionalism.

Martyn Lewis: It has been drawn to my attention here that in the *Good Trustee Guide*, in the list of principles and considerations for trustees to take into account in determining senior executive remuneration, number one amongst many points—and I will not go into all of them—is the ethos of the charity and their concept of the charity's ethos.

Chair: Very good. Thank you very much.

Martyn Lewis: May I, Chairman, just add one thing? We cannot prejudge what the inquiry is eventually going to say, but what is clearly rising to the top is the need for greater transparency.

Chair: We are just coming to that very point. My own personal judgment on this is that there is not sufficient, explicit explanation and reference to the values of the organisation in the setting of salaries. That is my initial judgment on this.

Q53 Paul Flynn: One of the perils of transparency, which we would say generally is beneficial, is that there is collateral damage, and unfortunately there are some unforeseen results. Are you expecting from the publicity that charities have had from *The Daily Telegraph* in this campaign that there is going to be a fall-off in donations and a lack of respect generally for all charities, including those that pay modest salaries to their executives?

Martyn Lewis: Some people are switching their donations; I do not think there has been an overall fall-off. There is no question that some of the charities mentioned have suffered a fall-off in donations. You would have to ask them about the amount. Some of the correspondence we are getting is from people who tell us that they have switched to perhaps more local, smaller charities.

Q54 Paul Flynn: As a former journalist, do you think the *Telegraph* have given you a fair crack of the whip in allowing rebuttals to appear and to get some balance into the attack they have mounted on high salaries?

Martyn Lewis: They were right to bring the issue up, and the voluntary sector has responded, and is responding, in precisely the right way with this inquiry and through other means as well. I do not see why the voluntary sector and issues within the voluntary sector should somehow be excluded. By the way, the important thing is that we should wait until all this has worked its way through and the inquiry has had an opportunity to make the case and put forward the arguments in a full way. One of the things that is really important with transparency is it is not just the figures that create the headlines; it is the need to put alongside transparency a summary of the arguments used by each individual remuneration committee or board of trustees when they concluded that those were the right amounts. Then the donors—and this is the way you satisfy all the four categories that I was talking about earlier—can have a much fuller picture of the arguments that are used by charities to pay the salaries that they do, and the donors can then decide whether to support that charity or whether they should support another one. It is putting much more information than has been available, easily accessible, in the public arena. A lot of it is in the public arena already, but it is tucked away in company accounts, which are often very complex for ordinary people to negotiate.

Q55 Paul **Flynn:** Looking to the future, the Charity Commission itself was under sustained media attack, particularly under the previous chairperson of the Commission—a grossly unfair attack, in many ways. It is a body whose powers are not widely understood. Can you think of reforms that you would like to see in the role and possibly the powers of the Charity Commission that would be beneficial?

Martyn Lewis: The Charity Commission is very important as a regulator, and that should be its primary, if not its sole, function. Now that its budget has been cut by a third, it is even more important that they use that money to concentrate on that.

Q56 Paul Flynn: Absolutely. Should the Charity Commission as a regulator have some control over salary levels, particularly a ceiling?

Martyn Lewis: I do not believe so at all.

Caron Bradshaw: The role of the Charity Commission in relation to the statement of recommended practice, which is the accountability framework that sets the parameters over which charities disclose various information around how they raise, spend, invest, etc. their money, already has within it information about the disclosure for charities with a gross income over £500,000 of all salaries—not specific levels of staff—that exceed £60,000, within bands. The Charity Commission, together with OSCR, the Scottish regulator, already plays a very significant role in that. I do not think we need to see their powers change in that respect. Where you could strengthen it is to ask charities to set out the rationale behind why they set their remuneration policies, in the same way that charities are asked to explain the rationale behind why they keep reserves, for example. I see it as no different, but we keep talking about charities as if they are all the same. There are 163,000-plus charities, and they range from very tiny to very large. Some of them have volunteers; some of them do not. Some of them trade; some of them do not. Some of them have public money; some of them do not. If we try to talk about them all as charities in one sense, we lose that appropriateness and proportionality as to what we need to require charities to do.

Q57 Paul Flynn: Do you have a view on the position resulting from the 2006 Act, which failed, sadly, to define public benefit in a clear way? Do you feel it is damaging for the interests of charities if a group like the Church of Scientology can now be regarded as a charity, along with schools that train Prime Ministers but not schools on council estates, for instance? Do you feel that there is a need for Parliament to redefine the issue of public benefit?

Chair: This question is slightly off the subject, but as it has been asked, by all means answer it.

Paul Flynn: It is, yes, but it's very interesting, is it not?

Chair: It is very interesting.

Paul Flynn: We have these splendid guests in here this morning who have given us a unique view; I think we have all found them very enlightening.

Chair: Does any member of the panel wish to comment on that question?

Caron Bradshaw: Public benefit is something that was a gift and a burden, in the sense that all charities now have to demonstrate their public benefit. It is for others to debate what falls into that category and what does not.

Martyn Lewis: All I would say is that when it comes to defining what is a charity and what is not a charity, that is very much up to you in Parliament. I do not think it is down to us.

Paul Flynn: We do not do it very well, I am afraid. We copped out last time.

Q58 Chair: That is a matter of opinion, but just to clarify this point, none of you have said that you want the Charity Commission to have different powers to regulate salaries of charities. Are there any powers that you think the Charity Commission lacks, or is that a blind alley?

Caron Bradshaw: I am not sure that it advances your inquiry in relation to CEO pay. There are other powers that we have gone on the record as welcoming or suggesting.

Q59 Chair: What powers are you suggesting that the Charity Commission should have to regulate the activities of trustees in respect of pay?

Caron Bradshaw: I am not sure that this helps in relation to CEO pay, but I am happy to send you our response to the Office for Civil Society's consultation.

Q60 Chair: So what you are saying is that the suggestions you have made are not relevant to the regulation of pay.

Caron Bradshaw: I do not think it has any bearing on CEO pay. The SORP—the statement of recommended practice—is the relevant piece that you ought to look at in terms of whether or not there is enough within that.

Martyn Lewis: I am getting slight vibes—and maybe this is wrong—that there may be a view developing that the Charity Commission should set a clear limit on top charity pay. I do not think that that would be a good idea in a free and democratic society.

Q61 Priti Patel: Mr Lewis, following the *Telegraph* reporting, which Mr Flynn touched on, I had a range of comments from volunteers and members of the public who wrote to me raising their concerns, so you are right to point out the point about transparency. Do you, in your current role, have a view of what actions should be taken to ensure that there is more transparency about how pay is awarded to charity chief executives, particularly the very high level—those charities that were listed as paying way over £100,000? I am not asking you to pre-judge the report or your inquiry, but what practical measures and steps do you think could be taken?

Martyn Lewis: We are getting submissions that transparency is absolutely the answer and is the key. As I said, there are ways in which you can demonstrate transparency. You can do it in terms of precise salaries, although there are arguments against that, because you then up the ante—if people know the precise salary that someone is getting, you enter into a competitive market where head-hunters can then offer them more to go somewhere else, so you end up pushing the salary up in a way that might be considered unacceptable. The important thing is that we are looking at all aspects of transparency. At the moment, you have the £10,000 bands above £60,000, as Caron mentioned, and we will certainly be looking at that and considering that alongside the calls for individual salaries to be published.

Q62 Priti Patel: Do you think some of those higher salary bands are justified?

Martyn Lewis: It is not for me to say at this stage of the inquiry.

Q63 Priti Patel: Do you have a personal view?

Martyn Lewis: As chairman of the inquiry, it is not for me to say, because we have lots of discussions to take place on that particular front.

Q64 Kelvin Hopkins: You are reluctant to suggest that the regulator should have any powers over salaries, but at least they could insist on publicity for all the salaries up front, so that we all know what they are paying their staff. It is suggested, for example, that the salary of each employee earning over £100,000 ought to be well publicised—I would suggest

£50,000 rather than £100,000, myself. You are reluctant to insist on some kind of control of salaries, but how do we get into charities the kind of ethics and spirit of what Mr MacFarlane-Barrow is doing? My inclination is that I would donate to his charity, but to someone paying their chief executive £200,000 a year, I am going to say, "No, I'm not going to contribute to his salary. I'll find another route to make a donation to get to the people who are in need." How do we inject the true spirit of charity into charities again? Some of them clearly have lost that.

Caron Bradshaw: Your suggestion implies that there is an absence of values in charities. The danger of having an arbitrary figure that we pick out—whether it is £100,000 or £50,000—is that we are making a judgment on the basis of a snap of information. Data in itself can never give you the answers; it can only prompt the right questions. If a charity is paying £200,000 and can explain and demonstrate to you as a potential donor how they justify that £200,000, you will either be convinced or you will not. The beauty of the sector is you can choose not to donate to that charity and you can choose a different one.

Q65 Kelvin Hopkins: But we want to know about how much is being paid, not just to the chief executive but to other senior staff within these organisations. The essence of charity to me is donating money for the benefit of others who are, generally speaking, less well off, less fortunate and, indeed, in severe need. It is not about donating to a self-serving organisation with lots of well-paid people.

Caron Bradshaw: I would argue strongly that salary levels do not dictate whether or not an organisation is self-serving. An organisation sets a salary at a particular level in order to get the maximum benefit from that money, so that they are really generating impact for the beneficiaries. You have to remember that every charity has to demonstrate its public benefit. It has to publish information about its salaries—and not just the salaries of a certain level of staff. Magnus has said already that he is not the best-paid person in the organisation. If we have an arbitrary title or an arbitrary amount, we are simply putting a false set of parameters around it. What we should be doing is what our organisation came about as a result of the sector coming together to do, which is encouraging organisations to understand why they exist, to explain what money they raise, how they use that money, how they invest it and how they spend it, and to be as transparent and accessible with that information as they can. We put a lot of effort into encouraging and supporting charities to make the most out of their annual report and not see it just as a compliance exercise that ticks the box and goes on to the Charity Commission website. It is wrong to start with either a title or an arbitrary amount. What we should be starting with is: "What is the data that is out there? What questions does it prompt? What answers are charities giving? Do they justify and satisfy the needs of their beneficiaries?"

Martyn Lewis: We have had one very interesting argument put to us, which is to do with proportionality. There is the suggestion that if you were to look at a chief executive salary of, say, £200,000 a year for an organisation that employs many thousands of staff and whose purpose, and indeed success, is judged by the many millions of people that they might help around the world, if that organisation has, say, typically, 600,000 regular donors, that would be about 30p per donor as a contribution towards the chief executive's salary. Somebody made the point that that is the equivalent of one and a half bites out of a

Marks & Spencer sandwich per year, or a ticket for five stops on a bus in Sheffield. That is another way of trying to put it in perspective.

Q66 Kelvin Hopkins: I am sure there are people who would do the job for £80,000 rather than £200,000, and you would have £120,000 extra going to starving children in Africa, for example. Are charities not different from either a business or a public service? They are different.

Martyn Lewis: Yes, they are different, and the average salary is very substantially below—as I indicated earlier, 25% or, in some cases, 45% below—the remuneration package that that person would get in the private or public sector. Chief executives are already taking a very substantial discount—most of them, at any rate.

Q67 Kelvin Hopkins: Those who work in the charity sector, like Mr MacFarlane-Barrow, are often motivated by different things, rather than salary. Coming back to my original question, how do we inject the spirit of Mr MacFarlane-Barrow's attitude to the less-well-off into charities across the board? That is what charities are really about.

Martyn Lewis: I do not believe that the points you are making affect the real ethos of charities. I do not believe in the fat cat syndrome—I really don't. I believe that all the people I know—certainly the chief executives I have met who are on some of these higher salaries—are immensely dedicated people who really want to achieve a good job.

Q68 Priti Patel: Just building on Mr Hopkins' point, the reality is that many people who support charities feel excluded from the decision making when it comes to pay and conditions. Is there not an issue here with regard to the composition of boards of charities? Do you not agree that it would help the credibility of charities when it comes to decision making on pay if members and volunteers were able to be appointed to boards and if that body that oversees executive pay—the remuneration committee in particular—was much broader than the base that currently exists?

Caron Bradshaw: You are making the assumption that all boards do not have members. My board has members. My board has volunteers. We have advisers. A lot of charities directly engage with their beneficiaries and have spaces reserved on their governance mechanisms for the people they serve.

Q69 Chair: It sounds like a good idea, then.

Caron Bradshaw: It already exists.

Q70 Chair: We are going to draw a line at that point. Can I thank you all very much indeed? I am very well aware that Mr Lewis has done more talking than the other two, and that is at our invitation. To our other two witnesses: is there anything else that you are itching to add that you do not feel has been covered?

Magnus MacFarlane-Barrow: I would just like to say again that there is a risk in this of people focusing too much on the question about salaries. To come back to your point, you very kindly said you would be more inclined to donate to Mary's Meals because we pay low salaries, but at the same time, it is really important that people just step back from that a bit. At the end of the day, it is about what the charity is achieving—that they are good stewards and that they are delivering their mission in the right way. If people just look at salaries in isolation, there is a real risk of coming at this completely the wrong way. It is more complex than that. I do feel a little bit uncomfortable that, because we have chosen this particular path, people might look at what Mary's Meals are doing and say, "That should apply to everyone". The term "one size does not fit all" has been used several times this morning, and I certainly agree with that.

Caron Bradshaw: I would like to just leave you with the thought that we are looking at an increasingly professional sector. When my organisation started 26 years ago, there was no such thing as a statement of recommended practice. It came about because professionals drove the transparency agenda from within the charity sector. They want to demonstrate the values; they do not want it to be, as my chairman described it, a "Wild West", as it was when he started. They want it to be transparent, comparable, open, and open to challenge. It is only through challenge that we can continue to get better to serve our beneficiaries.

Chair: That is a very good note to end on. Thank you very much to each of you.

Examination of Witnesses

Witnesses: **Sir Stephen Bubb**, CEO, Association of Chief Executives of Voluntary Organisations, **Carolyn Gray**, Trustee, Christian Aid, **Charles Wake**, Chair, St Andrew's Healthcare, and **Mark Wood**, Chair, NSPCC, gave evidence.

Q71 Chair: Welcome to our four witnesses. We will press on as quickly as we can. I invoke short questions again, please, to my Committee, and the shorter answers are more useful to us than the long ones. Can I start by asking each of you to identify yourselves for the record, please?

Charles Wake: I am Charles Wake. I am the Chair of St Andrew's Healthcare.

Mark Wood: Mark Wood, Chairman of the Trustees of the NSPCC.

Carolyn Gray: Carolyn Gray. I am a Trustee of Christian Aid and chair of their remuneration committee.

Sir Stephen Bubb: Stephen Bubb, Chief Executive of ACEVO.

Q72 Chair: Can I ask each of you the same question I asked the other panellists this morning? I see in front of me two businessmen, one businesswoman—though *The Guardian* is perhaps a more charitable endeavour than many businesses—and a councillor and political activist. What motivated you to become involved with the charitable sector?

Charles Wake: I have been involved with St Andrew's for something like 30 years. I have an interest in mental healthcare, and that probably explains why I have done that. It is a cause that is well worth supporting, and it is one in which I am very interested.

Q73 Chair: You are unpaid, of course.

Charles Wake: Yes.

Q74 Chair: Mr Wood?

Mark Wood: My interest in the NSPCC's work started 24 years ago, when I visited a home that the NSPCC ran for mothers, primarily, with children who had been subjected to violence. The contrast between the lives of the children that were visiting that home and my own happy, healthy children caused me to want to help.

Carolyn Gray: It started with the envelopes through the door, and then Christian Aid appealed to both sides of me, with the mission to abolish world poverty, of course, but also I am a practising Catholic.

Sir Stephen Bubb: I am not sure I would have chosen the "councillor" description; that was a very long time ago. I started life as a civil servant, but it did not suit me. If you ask me why I have, for the last 13 years, been involved in ACEVO, if it does not sound too trite, I am a practising Anglian and I believe that as an individual you should make a contribution in what you do to making the world a better place. That is why I am committed to the job that I do.

Q75 Chair: How did each of you react to the stories in *The Daily Telegraph*, which were then carried on the wider media, this summer about high salaries in the charitable sector?

Carolyn Gray: I was initially a little surprised. Then, as my second reaction, I was not surprised—it was, after all, August. My third reaction was: "Yes, exec pay is very much on the national agenda. The debate was inevitable." I am pleased that we are having the debate, because we are engaging our supporters in a lot of debate on this and the website and e-mails, and it can only be healthy.

Mark Wood: It is an entirely understandable concern. As has been said in the previous session, there is a preoccupation with understanding the levels of remuneration in many different sectors, and one of the conclusions of the previous session was the importance of transparency and accessibility of information so that people could make judgments. I am, however, concerned by the observation that was made that it is something of a distraction. The primary concern that somebody selecting a charity to support naturally has is the ability to assess the impact of the charity. The effectiveness with which the trustees and the executive management of a charity husband the resources of the charity is an important part of that, and the chief executive's salary is a totem of that effectiveness, but the primary preoccupation of the donor must be the effectiveness of the organisation that they seek to support.

Charles Wake: It is inevitable that we should have transparency in this sector. It has to happen.

Sir Stephen Bubb: I was horrified: I thought it was an unbalanced set of reporting that did not put the context of charitable endeavour, but I do not disagree with some of my colleagues. One of the things we have done in ACEVO since then is to reflect, particularly in terms of our evidence to this Committee, on what the principles behind setting pay are and whether we should be giving more thought to the issues of transparency, proportionality and performance. You will see in our evidence that we have set out what we think are the five principles that should sit behind organisations establishing pay. On the back of the evidence that we are giving today, and as an aid to Martyn's NCVO inquiry, we are going to publish what we call a "Good Pay Guide", which will put in context the issue of pay. As you heard from the previous hearing, we need to remember that the overall objective of a charity is to deliver to its beneficiaries public benefit. We should measure what charities do on their outputs and their impact, and pay is only one of the factors to help govern that. In the evidence and the guide that we will produce, we will put that in context. To your point, Chairman, we need to see pay in the context of the mission of an organisation.

Q76 Priti Patel: Sir Stephen, you said that you were "horrified" by the media reports, and you were quite vocal in terms of your remarks when those reports came out. Do you not think those media reports served a degree of public interest? Why do you think charity chief executives should escape the glare of transparency and accountability that was so clearly being evidenced at that time?

Sir Stephen Bubb: That is a fair point. I do think it was unbalanced, but reflecting on that, I think that, given the interest there now is in public bodies and the private sector being transparent, we cannot escape, as you suggest, the public glare. That is one reason why we are doing the work that we are doing on producing a guide. You are right: we have to be more transparent on this, on our investments, and much more widely, so I do not disagree with the point you are making.

Q77 Robert Halfon: Could I just ask what your pay is, for the benefit of the Committee?

Sir Stephen Bubb: Yes. We used to publish, in accordance with the Commission guidance, in bands. Our next annual report will give my actual salary, which is £104,000.

Q78 Robert Halfon: How is your salary decided?

Sir Stephen Bubb: We have a remuneration committee. I should add that I did, along with my staff, have a pay increase of 1% this year, but for the previous three years we had a pay freeze. Our remuneration committee looks at not just my pay, but also the pay of our senior team and all staff. We are founder members of the living wage campaign, so we support that. In the evidence I gave, we talked about proportionality. We think that the ratio of pay between top and bottom is an important issue, and it is one-to-five in ACEVO.

Q79 Robert Halfon: What is the average pay in your organisation?

> ***Sir Stephen Bubb***: I am the only person who is paid over £60,000, and the lowest-paid member of staff is paid £20,000.

Q80 Robert Halfon: How did the remuneration committee come to the decision to pay you over £100,000?

> ***Sir Stephen Bubb***: I have been in the job for 13 years, so the pay was set some time ago, and of course I do not set my own pay. As I have just described, it has risen in line with—or actually under—inflation since.

Q81 Robert Halfon: Martyn Lewis, in the previous evidence session, said that your organisation was a trade union for chief executives. Would you agree with that?

> ***Sir Stephen Bubb***: No, I would not. We are not a trade union. I can see why, in a broad sense, he argues that, in the same way that a lot of professional associations like the Royal College of Physicians and the Royal College of Surgeons are sometimes described in tabloids as trade unions for doctors or physicians, but we are not. We are a professional association, and a lot of the work that we do, which does not get a lot of publicity, is around developing and supporting chief executives to lead their organisations and work with trustees.

Q82 Robert Halfon: Why do the chief executives need a separate organisation? Why could it not all be done by a committee within the NCVO?

> ***Sir Stephen Bubb***: You asked that to Martyn. There is a rationale for a network of charity leaders, which is effectively what we are. Interestingly, if you look across the other sectors, you will find exactly the same arrangements. Local government has the Local Government Association and the Association of Local Government Chief Executives. There is the CBI and the IOD. I do not think there is a proliferation of professional bodies in our sector; what is important is that we work together on the key, core issues, and we work very well with NCVO on the core issues that affect our sector.

Q83 Robert Halfon: What is the annual budget of your organisation?

> ***Sir Stephen Bubb***: The turnover is about £2 million—I am just checking, because I thought you might ask that. Membership fees account for about 30%; the rest is from general activities—the services we provide and training.

Q84 Robert Halfon: Do you get taxpayers' money as well?

> ***Sir Stephen Bubb***: From April, we will have one remaining contract with the Department of Health, which will bring in 10% of our income. I do want to make the point, if I may, Mr Halfon, that you talk about "taxpayers' money" as though George Osborne is generously contributing to us, but he is not. We have a contract for which we deliver

services. In terms of the Department of Health, we have done a huge amount of work. For example, you may have seen the work we have done recently on proposing how to tackle the crisis in A&E.

Q85 Robert Halfon: I did not make a comment about George Osborne's generosity; I just asked how much taxpayers' money comes into your organisation. Are you able to give me a percentage of how much taxpayer funding you get?

Sir Stephen Bubb: I said it will be 10% from April.

Q86 Robert Halfon: And the rest is from membership—from fundraising from charities.

Sir Stephen Bubb: Yes.

Q87 Robert Halfon: So you think it is good that a significant amount of the money of people who fundraise for charities goes to a separate organisation when you could have all this done by the NCVO.

Sir Stephen Bubb: I do not think that, no.

Q88 Robert Halfon: You blogged when all this came out that "many MPs on the right hate effective charities who campaign. They particularly dislike international charities who have been so effective in raising the concerns of the world's poor." I regard myself as on the right. I am very supportive of overseas aid. I have done work with Save the Children, I have taught in Rwanda and I found those remarks quite offensive, to be honest. It is very stereotypical, and it is the equivalent of me saying to you that you are a quangocrat aristocrat who lives off the taxpayer and leeches off the charitable sector, and who has his birthday parties at the expense of the taxpayer and the charitable sector. I would not say that, because I do not believe in stereotyping people, but do you not think what you said was completely wrong and pretty outrageous?

Sir Stephen Bubb: You are right, Mr Halfon. We have had a discussion on these issues before. That was stereotyping and that was a generalisation, which I regret.

Q89 Chair: Thank you very much. You have published some principles for remuneration committees. You just spoke about the need of the remuneration policy to reflect the mission of the charity. I am looking at a summary of your recommendations, and nowhere is there any reference to the mission or the values of the charitable organisation. Do you think that is just something that we assume and maybe we need to be more explicit about?

Sir Stephen Bubb: I think we are. When we publish the "Good Pay Guide", I will send it to you and the Committee. We make very clear that the context of the "Good Pay Guide" is absolutely around impact and outcomes. One of the core points we made in that submission is what we describe as value for money. It is around the impact you make as an organisation, and we know from all sectors that good leadership makes the difference between a good organisation and a bad organisation. You could argue, for example, that if you pay a chief executive £50,000 and that organisation is not delivering for its beneficiaries, that is not money well spent; however, if you pay a chief executive £150,000 and that charity is absolutely delivering for its beneficiaries, then that is a good investment. That is the point about value for money, but it is always, as we say in this guide, in the context of that broader transparency and our accountability to donors and to supporters. Can I bring this to life a bit by using an example?

Chair: Briefly.

Sir Stephen Bubb: Okay. Cancer Research UK has made a submission to this Committee. Cancer Research UK is the world's largest cancer charity. It does the bulk of cancer research in this country. It employs 3,500 staff. It pays the salaries of 4,000 scientists. It fundraised £460 million last year, and it is doing the most extraordinary work in terms of finding cures and treatments for cancer. To do that, it hires the best scientists and researchers it can get. They have a high market value, so it pays significant salaries to its top people. I would argue that what the donors and supporters of that charity and other cancer charities want is better treatment and cures and therefore completely understand that you should hire the best people. To suggest there should therefore be a cap, which might prevent an organisation like Macmillan or Cancer Research UK getting those best people, would be a disservice.

Q90 Chair: I have got the message. The concern is that charities are hiring more and more expensive people just in order to raise more and more money, and there is a correlation between high salaries, high degrees of fundraising, and aggressive fundraising. It is a question for all the panel, really: how do you make sure that the public can see that the values of a particular charity have been reflected in the decisions on how to set the remuneration? How do you do that?

Mark Wood: I wonder if I could offer an illustration. The NSPCC was originally formed as a branch in the east end of London, then a second branch in Liverpool; we now have 400 branches across the country. Each of those branches has an annual meeting of the donors and supporters of the charity, and those are in the style of an annual meeting. We have some 650,000 people who donate on average £6 a month to the NSPCC, which is something in the order of £65 million, about half of our total donations. There is an opportunity at those meetings each year for that constituency of donors to inquire of the charity about areas of concern and so forth. I will attend some of those meetings; the chief executive will attend some of those meetings. It is very typical for members of the executive team to attend some of those meetings. They have a chance to interrogate the charity about how effectively it is doing its work. That culminates in an annual council meeting held in one of the cities of the United Kingdom each year, when a broader group—typically the chairmen of those charities—asks questions as well. This year, we had something like an hour and a half of questions between supporters and the management of the charity, holding the charity to account to ensure that the charitable endeavour that we have set ourselves, which is the prevention of abuse and cruelty to children, is indeed being fulfilled, so there is a very broad and open process there.

Carolyn Gray: If I could just build on that, Christian Aid makes extensive use of social media to get to our supporters and, now, to encourage an awful lot of feedback that we then listen to and use to improve our performance, and to improve our accountability to our supporters. I have to say, after the article in August, we did not exactly get a lot of fan mail. In fact, we had about 280 responses. The majority of those were negative and questioning; 10 were positive. I know from supporters and in service industries, where I have worked, you are bound to get more brickbats than bouquets, if I can put it like that, but what has been opened up is a very good debate, and we are able to use our technology to respond to our supporters much more than we did in the past.

Charles Wake: We are a rather different creature, in that we are a trading charity, which we manage in a business-like manner. We do not ask members of the general public for any money, nor do we spend any money fundraising. I do not know if that answers your question.

Q91 Chair: I think a lot of people would ask the question: “How can a trading organisation that pays very high salaries be something of public benefit?”, because it is clearly concentrating on providing those high salaries.

Charles Wake: It is concentrating on providing high care. Could I tell you a little bit about the charity, please?

Chair: Very briefly. We have some details in our brief; we do not need all the detail.

Charles Wake: We are seven hospitals on four sites—Northampton, Birmingham, Mansfield and Basildon. We care for the most challenging and complex patients sent to us by the NHS, who send them to us either because they have not got room for them or because they do not have the facilities to treat them.

Chair: These are mental health patients.

Charles Wake: These are all mental health patients, yes. We take them from Ireland as well—all the way round the UK. Last year, we treated 2,400 patients—1,300 residential and 1,100 in the community. Of the 810 residential patients we have at the moment, 92% are under section; 75% are secure; and 28% are forensic. We are helping those who are the hardest to help. We have 4,000 staff, who cope with 400 assaults, on average, every month with them. We have a teaching hospital, and it is the only teaching hospital of its kind. I think that gives you an idea. Over the last 10 years we have invested £250 million in new facilities, new hospitals and new beds.

Q92 Kelvin Hopkins: What you are saying is interesting, but it sounds to me that St Andrew’s Healthcare is more a business or a public service than it is a charity in the sense we have been talking about this morning. It may have charitable status for tax purposes, but otherwise it is not, strictly speaking, a charity. You do not have tins shaking in the high street to collect money for it, for example. Even so, the salary of the chief executive was recently reduced from over £600,000 to half that level. Even at half that level, it is a staggering amount of money for a salary for a chief executive. Does anyone in the National Health Service earn money of that kind at any level?

Charles Wake: The easiest way is to give you a succinct answer. We have a remuneration committee that goes through all the procedures, and we have HR professionals and pay consultants who come in, but to give you an idea, if somebody of Professor Sugarman's status as a consultant decided that he wished to work in the independent sector and do private work and do some court work, he would earn more money than that. The thing that is in our minds is: here is a man who is responsible for a very large organisation with a large number of staff, who is earning the same amount or less than people in the National Health Service or in the independent sector can earn. The difficulty we have is how to attract or retain somebody of his calibre to do that work for us.

Q93 Kelvin Hopkins: Are you sure that there are not sufficiently high-calibre people in the National Health Service, for example, who would do that job for considerably less than £325,000?[1]

Charles Wake: Perhaps I can give you an idea of just how specialist we are. First of all, he is a professor of forensic psychiatry and he also has an MBA. The second thing is, in order to create a teaching hospital, which he has done, he has to attract good professionals who have respect for his abilities, and we have them. We have something like 32 teaching consultants, which we never had before. They are lecturers and senior lecturers, and six of them are professors. He has taken the charity from having 400 residential patients to 820 residential patients, and he has some particularly complex situations, so that most of our patients have two diagnoses. He has started new services that did not exist before. An example is women's medium-secure. There was no medium-secure place for women at this sort of level unless they were in Broadmoor. Does this give you an idea of the end we are at?

Q94 Kelvin Hopkins: I am somewhat familiar with mental health services. The fact is his salary was cut in half, but he did not leave; he is still doing the job for half the salary he had before, so clearly, he did not need £600,000. Maybe he does not need £325,000.

Charles Wake: Could I explain what happened? He was doing two roles, as the chief medical officer and as the chief executive. One of the things that we were concerned about was that we needed a good chief medical officer because the organisation was growing. He succeeded in getting a good chief medical officer. His salary was reduced because he lost the responsibility of that role. It was reduced to £300,000. He was previously on six months' notice; he went on to 18 months' notice. We were keen to retain his services because we had no great succession plan in place and, as you will probably be aware, bringing in outside chief executives too often is really quite a risk to any organisation such as this.

Q95 Kelvin Hopkins: His salary has been reduced. What are the reasons why it was reduced? Was it the publicity? Was it the public pressure?

[1] Witness note: CEO salary is £3000,000 and not £325,000

Charles Wake: No. His salary was reduced in March of this year; the publicity was in September this year, so it was reduced long before there was any publicity. The reason we got the publicity was because our accounts were published in September.

Q96 Kelvin Hopkins: While accepting Sir Stephen Bubb's case that you have to employ professionals at the rate for the job—surgeons, scientists and whatever, and skilled professionals—these kinds of figures make most ordinary people's eyes water. We are almost in banker territory, and we know what bankers are like. Are you still seriously suggesting that if you advertised that post at £325,000, you would not get dozens of highly-qualified people jumping in to put an application in?

Charles Wake: We would get lots of applicants, but I do not think we would have many applicants who had the unique qualifications that Professor Sugarman has. That is the difficulty. There are very few forensic consultant psychiatrists who have any management experience or who have an MBA. We require somebody who is not only good at management, but who is good at teaching, who is good at the academics, and who can inspire other people and attract other people of high calibre to come and work with him. We do a lot of research: we publish in the region of 80 papers a year. Like attracts like. Professor Sugarman publishes as well. If we were not to do that, I do not think we could find somebody. I am sure I could find somebody who was a great researcher, but I am not convinced I could find somebody who could do the research and run the organisation.

Q97 Kelvin Hopkins: If it was simply absorbed into the National Health Service and abandoned charitable status, we would save lots of money and have just as good service, surely.

Chair: That would be a "yes" or a "no".

Charles Wake: I would like it to be a "no", please.

Q98 Priti Patel: I have questions for Carolyn Gray. Christian Aid's accounts show that the £95.4 million of income it received came from a range of grants and bodies, in addition to funds raised through Christian Aid. Could you tell the Committee which pot of money your chief executive's salary is derived from? Is it from institutional grants, emergency appeals, Christian Aid Week, gifts or general donations?

Carolyn Gray: I could not tell you that, but I can come back to the Committee.

Q99 Priti Patel: You mentioned that following the media interest in the chief executive pay level, your organisation received some critical comments from donors. Do you not think that this is one area where there could be more done in terms of transparency for the public at large and people who donate and contribute?

Carolyn Gray: Absolutely, Priti. We are on exactly the same page on that one. I am an ex-director of reward, and I am very much in favour of transparency. You think remuneration committees are often surrounded by smoke and mirrors, and I would like people to understand the work that goes on in remuneration committees, which, in my experience, has been good work, with good advisers, but we need to get it out there. I have always wished that we had another word for it, because it is quite a mouthful. We just need to tell people what remuneration is all about. You can have the terms of reference on your website, but just bring home to people what goes on in there and that a lot of consideration goes into the setting of salaries.

Q100 Priti Patel: Can I just follow up on that? I would not mind a comment from Mr Wood as well on this. Following the newspaper reporting over the summer, I mentioned earlier on I had a number of individuals write to me, and volunteers as well. I want to share with you just some of the comments that came through to me. One local volunteer said that they felt that there were too many managers—

Chair: About which charity?

Priti Patel: This was from the British Red Cross. That was one local volunteer—this is just to illustrate the point. They said that there were "too many managers" and that "chief executives should spend more time shaking collection boxes outside supermarkets on a Saturday morning". I had another volunteer—I have not got a note of the charity here—who said that "the public expect their money to be spent in a transparent fashion, not to permit a greedy few to live a life of luxury".

What would both of you say in response? Carolyn, you have already mentioned that your organisation had some comments and some feedback following the newspaper reports. This is more than just bandying around the term "transparency". What practical steps and measures are both of you going to bring to your organisations to—dare I say—take the lid off the box and communicate and be very specific about how chief-executive pay is decided, what it is composed of, and also how those decisions are made?

Mark Wood: To the first part of your observations, Ms Patel, as a matter of course, the executives of the NSPCC attend and participate in fundraising, and, at this time of year, our director of fundraising and our chief executive are attending two or three events in the evening each week, which are actively involved in fundraising. Around a third of our trustees are also large donors to the charity and organise their own fundraising events as well. The NSPCC employs 2,000 people but is supported by 11,000 volunteers, many of whom donate on average about four hours a week to working on ChildLine, the service for children to call when they are concerned. Culturally, philosophically, it is embedded within our organisation that the people who work there volunteer, that the trustees volunteer and that the executives fundraise. It is all intermingled.

To the second part of your question, we publish in our annual report and accounts the divisions of salaries that we are required to disclose, and we have done that for a number of years. As a matter of routine, for 12 years now, each member of the senior team has participated in a 360-degree appraisal, which includes donors and branch chairpersons. The competence of a member of the management team of the NSPCC is assessed by having them exposed to observations of people up and down the country who will contribute to an assessment of that individual through the 360-degree appraisal process. There is also a formal performance appraisal, and the trustees, each time they meet, review a long list of key performance indicators that are designed to assess the effectiveness of the management team against pre-defined objectives.

Q101 Priti Patel: Did you have any critical comments? Did people write in to your organisation?

Mark Wood: No. I am conscious that the chief executive has received, I think, four letters on the subject of salaries provoked by—

Q102 Priti Patel: Has he personally responded to them?

Mark Wood: He and I have responded to them. I have personally had no contact or correspondence, and I would say on average during a month I will have 10 or 15 contacts from people around the country on some subject or other, so I am pretty confident that people know how to get to the chair of the trustees and that this is not something that is preoccupying people. That same pattern is repeated across our annual meetings. As somebody observed earlier, if we have sufficient transparency and if this topic is debated sufficiently, the donor has the ultimate sanction of ceasing to donate to the charity if they feel that the charity is not efficiently organised. I would just make a final point. What drives a donor to continue to support a charity is their assessment of the effectiveness of the charity. Clearly, if a chief executive is not proving to be effective or the organisation is not proving to be effective and the salary of that individual is shown to be out of line, that will have a negative impact on the charity. They are interconnected in that way, but it is not a primary concern.

Q103 Chair: Carolyn Gray, you wanted to comment on that question.

Carolyn Gray: Yes. There are a number of aspects to this. We did get a number of responses, because we asked our supporters to be tough on us—those are the words we used. We want that feedback coming in to us, and we want to show that we are doing something with it. At the moment, we have about 2,000 people who are engaged in this exercise. If you ask for feedback, you have to show you are taking tangible actions as a result of that.

Q104 Priti Patel: Will you be publishing any of those comments? I have just given you a couple of quotes this morning. Will you be publishing any of those comments going forward?

Carolyn Gray: Yes. We published some in *Christian Aid News*—I think in the last edition of it—and we also published my own response to feedback we had, and our chair put a piece in that I thought was very good on the case for salary justice and fair compensation. I am getting a slightly evil look for probably talking too much, but I would add that we do publish a ratio of the chief executive's salary to the median salary in the organisation, which is based on the Hutton Review on fair pay. I think that is quite instructive.

Q105 Chair: Sir Stephen, you just had a very brief comment.

Sir Stephen Bubb: Yes. In the guide that we are going to publish on this issue, we use Christian Aid as a good example of transparency. When this story hit the headlines, they responded by publishing an extremely good account of how they devise their chief executive pay. That is a good example, but it is important to have a balanced picture. There are clearly people who were disturbed and, as you have said, have written in, but there are also donors who have taken a very different view. I heard from a number of donors who give a high proportion of money, including the head of Philanthropy UK, who said it is absolutely crucial that we judge pay in the context of outcome, and that they expect, when they give money to a charity, that to be used efficiently and effectively.

Q106 Sheila Gilmore: The statement has been made that perhaps a low-paid chief executive who does not achieve much is worse than a high-paid one who does, but how do you assess the contribution of a chief executive to the success of the organisation? Is there a standardised method of doing that?

Mark Wood: I think it was me who made the observation. Your question is primarily about how you connect the performance of the chief executive to the effectiveness of the organisation overall. There are a number of studies that illustrate the impact of a chief executive, but from my own view, the chief executive is the central point to the management team, and the management team clearly guides the organisation and delivers the objectives. In our case, the board of trustees sets the overall direction of the charity and defines the way in which our purpose will be delivered—how we calibrate that delivery. That is then set in terms of a set of objectives for the chief executive and for their executive team, and the chief executive leads that team in delivering and then we monitor actively, but the chief executive's role goes beyond that—this is particularly true of a charity. The chief executive in many ways personifies for both the beneficiaries and those who choose to support the charity the nature of the charity. Your witnesses spoke a lot in the previous session about the ethos of a charity. It seems to me that one of the things that distinguishes a chief executive of a charity from a chief executive of a business is that this issue of being able to personify and articulate the essence of what it is that the charity is established to do is fundamentally important. That does make the role of a chief executive distinct from the role of somebody simply running an enterprise. You can observe that, you can feel it, and you can witness it in terms of the impact that it has on the people who choose to donate; you can see it in the motivation of the people.

Q107 Robert Halfon: Christian Aid pays its chief executive £126,000. What do the other senior executives get?

Carolyn Gray: That is in the report and accounts. We have done it not by pinpointing salaries, but by putting the banding in.

Q108 Robert Halfon: I do not know your structure, but you have a board of directors, do you?

Carolyn Gray: We have a directorate, yes.

Q109 Robert Halfon: What do the senior directors get, for example?

> ***Carolyn Gray***: If you have a look in the report and accounts, you will see a banding of £80,000 to £89,999, where we have four people, and then we have eight people in the £60,000 to £69,999 band.

Q110 Robert Halfon: You have very vivid advertisements, very vivid leaflets and very vivid TV things. If there was a ticker tape on the bottom that said, "By the way, just to let you know when you give your money, the people at the top are creaming off £126,000 a year", you might get a slightly different amount of money coming in from those adverts and leaflets that you put out.

> ***Carolyn Gray***: Hopefully, by highlighting these things and being very clear about the ratio we use, we are giving our supporters all the information, so that they can make an informed choice.

Q111 Robert Halfon: Just to confirm, you are making absolutely clear on your website—it is easy to find, not buried in some annual report—the exact salary levels of your senior people. Is that right? Are you both doing that?

> ***Mark Wood***: Chairman, may I make a supplementary observation?

Robert Halfon: Can you just answer the question, in a nutshell? Are you doing it?

> ***Mark Wood***: Yes, we are.

Q112 Robert Halfon: So anyone can look straightaway and check what your salaries are without having to go through an annual report, or whatever it might be?

> ***Carolyn Gray***: I would say that accessing the report and accounts on the web is easier than it used to be.

Q113 Robert Halfon: Why can you not just list them on a page? Do you do that? Do you list your senior salaries on a link on a page on the website?

> ***Carolyn Gray***: I suppose you could.

Q114 Robert Halfon: Do you think that would be a good idea, so people would then be able to make a judgment on whether they want to donate to you or not?

> ***Mark Wood***: I have to say personally I think it would be a very good idea. We do the disclosure in our annual report and accounts, and we publish a huge number of annual reports and accounts and a lot of people read them, but—and this debate will certainly extend the interest—it would be helpful to have a simple schedule. I see no reason not to have that. A report and accounts is a mysterious thing, and you have to dig around a bit.

Q115 Robert Halfon: And yourself?

Carolyn Gray: Mr Halfon, you are determined to pursue me on this. I will say I cannot see why not.

Q116 Robert Halfon: Okay. So would you do it?

Carolyn Gray: I would have to go back to the directorate and discuss it with them.

Q117 Robert Halfon: Okay. Your chief executive gets £126,000. How do you judge at the end of the year whether you think the charity has fulfilled its objectives or not, and whether the chief executive has earned that?

Carolyn Gray: The chief executive has some very clear performance targets, which are assessed on an annual basis. There are assessed related to KPIs from the strategic plan, but it is also about how effective she is in encouraging good partnering relationships; working with Government and business; fundraising; and, very importantly, how she is leading the leadership team to maximise their performance.

Q118 Robert Halfon: At the end of the year, does the chief exec have an appraisal?

Carolyn Gray: Yes, she does.

Q119 Robert Halfon: Who does that? Is that done by the chairman, or is it by the board?

Carolyn Gray: It is done by the chair.

Q120 Robert Halfon: And the trustees?

Carolyn Gray: By the chair.

Q121 Robert Halfon: And that is the same with you.

Mark Wood: Yes. We have a nominations and governance committee and we have a remuneration committee. I chair them both, and I undertake the appraisal of the chief executive.

Q122 Robert Halfon: Can ask a general question to Christian Aid as well? Given what we have talked about about performance of executives and so on, on International Holocaust Remembrance Day in 2010, you had a blog on your website calling the President of Israel a war criminal. Do you think really that that is the right way to go about things? Does that not stretch you in the bounds of serious politics in a way that is unfair to one side?

Chair: It is a slightly unexpected question, that.

Carolyn Gray: Yes. I would have to see the blog, Mr Halfon.

Q123 Robert Halfon: It was widely reported at the time, and you are well known for being quite hostile to the state of Israel in many of your leaflets and publications—it is well documented. The fact is on Holocaust Remembrance Day in 2010 Christian Aid said that the President of Israel was a war criminal. That was calculated to be as hurtful and offensive as possible. Is that really not shocking behaviour for a charity?

Carolyn Gray: I have to say, Mr Halfon, you have taken me by surprise, but we could discuss it offline.

Q124 Robert Halfon: Would you be willing to send a memorandum to the Committee to explain why that happened and what steps you are taking so that that sort of thing does not happen again?

Carolyn Gray: I could certainly talk to Christian Aid about that.

Robert Halfon: Thank you.

Chair: Perhaps the best way to deal with it, rather than by pressing you, is for you to write to me with an answer to that question, though I appreciate it is slightly off the subject.

Carolyn Gray: Yes. It did throw me, I have to say.

Q125 Chair: We have reached a conclusion, but I am very aware that you are all very busy people and I am very grateful for the time you have given up to be with us today. Is there anything that you want to add that you feel we have neglected to ask you?

Sir Stephen Bubb: I have talked to this Committee before about the huge and glorious history of charities in this country, and how we touch the lives of practically every community. It is just worth mentioning, given all of this publicity that we have had, that the British people continue to be enormously generous. We had the best results for Children in Need recently; we have had huge support for refugees in Syria, where Save the Children are the biggest organiser of those camps from the UK; and we have had huge support in terms of the hurricane in the Philippines. We should put that in context. The British people continue to be hugely supportive, and I think they understand full well that if they are giving money, they want that to be used effectively and efficiently.

Mark Wood: I have two observations. One is that the highest-paid individual, rather than necessarily the chief executive, might be the area that we are focused on here. Secondly, Mr Halfon referred to a ticker tape supplementing advertising for fundraising as a suggestion. It seems to me that a ticker tape or some form of making sure that charities are obliged to consistently display their operating ratio—the amount of money they spend administering the charity, the amount of money they spend raising funds, and the amount of money in each pound that goes to charitable purposes—might be a useful focus. If that were produced in a way that was consistent across the sector, it seems to me that would be a more interesting barometer of effectiveness than an individual's salary.

Charles Wake: Could I just put in a plea for a trading charity? We do not have a general administration pot, so it would be difficult for us to do that. Other than that, I will say no more.

Chair: Underlining the point that there is a huge variety of organisations in the charitable world. I am most grateful to you all. I am most grateful to my colleagues for staying so that we have a quorum. It has been most useful.