HOUSE OF LORDS

Revised transcript of evidence taken before

The Select Committee on Charities

Inquiry on

CHARITIES

Evidence Session No. 2 *Heard in Public* *Questions 15 - 29*

TUESDAY 12 JULY 2016

4 pm

Witnesses: Asheem Singh, Karl Wilding and Rebecca Bunce

Baroness Pitkeathley (Chairman)
Baroness Barker
Lord Bichard
Lord Chadlington
Lord Foulkes of Cumnock
Baroness Gale
Lord Harries of Pentregarth
Baroness Jenkin of Kennington
Lord Lupton
Lord Rooker
Baroness Scott of Needham Market
Baroness Stedman-Scott

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Examination of Witnesses

Asheem Singh, Chief Executive Officer, ACEVO, **Karl Wilding,** Director of Public Policy and Volunteering, NCVO, and **Rebecca Bunce,** Policy and Engagement Manager, Small Charities Coalition

Q15 The Chairman: Good afternoon and welcome, Karl, Ash and Rebecca. I have to make some preliminary remarks. This session is open to the public. A webcast of the session goes out live and is subsequently accessible via the parliamentary website. I am sure you are all familiar with this. A verbatim transcript will be taken of your evidence and it will be put on the parliamentary website. A few days after your evidence session you will be sent a copy of the transcript to check it for accuracy. We would be very grateful if you could advise us of any corrections as quickly as possible. If, after the session, you want to clarify or amplify any points you have made, or you feel you have not quite said what you would like to have said, please feel free to send us any additional points. You are welcome to submit supplementary evidence to us; indeed, we may ask you for such evidence before the session is finished. Do not feel that you have to answer every question or necessarily repeat what others have said. Sometimes we will direct a question directly to one of you and other times not. If you are ready, we can begin. Perhaps you would like to introduce yourselves to us for the record, and then we will begin the questions.

Karl Wilding: I am Karl Wilding, director of public policy and volunteering for the National Council for Voluntary Organisations.

Asheem Singh: My name is Asheem Singh. I am the interim chief executive at the Association of Chief Executives of Voluntary Organisations, or ACEVO.

Rebecca Bunce: I am Rebecca Bunce, and I am the policy and engagement manager at the Small Charities Coalition.

The Chairman: Thank you very much for coming. We really appreciate your time. The first question is for all of you. What are the main pressures faced by your members and their organisations at present? How are they responding to those? I would like you to wrap up with that a little about your own organisation—how you know what effect or impact you are having on your members, and what kind of support you give them. Would you like to begin, Karl?

Karl Wilding: I would like to identify three things that I think are important at the moment. The first is maintaining public trust and confidence in charities. Charities are no different from all other institutions, in that they face a greater level of scrutiny over how they work. The fact that they do good in and of itself is no longer good enough. How they do that good is something that people are increasingly asking questions about.

Secondly, there is a challenging economic environment for many organisations at the moment. In some respects, that has been the case since 2008. There are specific issues, such as the way the Government commission and procure services. There are also some issues in the sense that the changing funding environment has not affected the sector equally. In particular, small and medium-sized charities have found recent years especially difficult.

The third issue is about voice, or campaigning and advocacy. Organisations probably find that quite difficult at the moment, in that they feel their legitimacy in having a voice on behalf of the communities they represent is being challenged more than ever.

What are we and the sector doing about those issues? On public trust and confidence, we are working very closely with Ash and ACEVO and a number of other bodies to help charities think about how they are more transparent and accountable. We have been very clear, and many of NCVO's members have been clear, that greater levels of scrutiny of charities are right and proper. There is no point in shooting any messengers on this issue, so we have to up our game in explaining the decisions we make, for example, and being transparent about how we are run. We probably also have more to do in explaining to the public how modern charities work. In some respects, the public have quite an outdated understanding of the word "charity" and how charities work, and we have to do more to communicate to them how we now work.

On funding and commissioning, I have talked very much about money coming into the sector, but there is also an issue of costs. Lots of organisations have restructured and restructured again over the past seven years, as they have tried to become much more efficient with the income streams they are now receiving. Organisations involve volunteers at probably a greater level than they have done in recent years and are trying to think about how they change their business models in response. The key way in which organisations are trying to respond is by earning more, not just volunteering.

The Chairman: Thank you. I omitted to say that I am a member of the advisory body of NCVO. I apologise for not saying that.

Asheem Singh: ACEVO represents 1,400 charity and social enterprise chief executives across the UK, so we are not an umbrella or representative body for organisations; we represent the leader, the decision-maker who is driving change in our communities. The data we have come from direct interface with those leaders. The picture is pretty stark. The demands on charity leaders to do more with less to drive positive social change in their communities are greater than ever. ACEVO's last social sector tracker survey, which is our temperature check of what is going on in the charity sector and among charity leaders, suggests that 86% of our members thought demands on their services would rise in the next 12 months. The worrying thing is that only 14% thought they would be able to meet that demand; 76% thought they would not. Karl has done an admirable job in describing what the pressures are. I would not necessarily disagree with anything he said, but the sum total of those pressures is to exert a downward force on the charity safety net, so it is stretched to breaking point.

In addition to the things Karl mentioned, some of the problems around public sector procurement and commissioning, cuts that have affected charities and their business models at local level and issues around reputation and voice, will be exacerbated by our voting to exit the European Union. We have run a number of temperature checks in surveys of our membership. There is real concern out there that, whatever the problems they have faced over the past couple of years in having to deliver more with less, those problems will be amplified and exacerbated. I am afraid it is not a terribly positive picture in relation to some of the pressures.

As to how the membership is responding to them, one of the things about the charity sector is that we always manage to find a way. Ultimately, the mission is too important. Members are diversifying their business models and looking more towards supplementing their income through trading activities; indeed, that is one of the principal areas of growth that members see. When they talk to us about what has changed about their income stream, all the heads of income are down except for trading activity. We are seeing, therefore, a mass entrepreneurialisation, at least in spirit, of the voluntary sector. Depending on your persuasion, that may or may not be a good thing. It could be positive. I hope it is not pushed to the point where charities ultimately go under as a result of having to go through that process.

In sum, I will round off and leave the floor to my colleague by saying that there are significant demands. Those demands are pushing the sector to breaking point and there will be issues, which I hope we will tease out in the course of this session, around governance and the sustainability of the charity sector that emerge as a result of that.

The Chairman: Rest assured that we have lots of questions about that. Rebecca, would you like to come in?

Rebecca Bunce: First, we are pleased to be here today. When the Small Charities Coalition was founded, it was to serve the 97% of charities that had under £1 million that were not being heard by decision-makers and therefore not getting the support they needed. Although £1 million might sound like a lot to be a small charity, 85% of the charity sector has an income of under £100,000 and typically is run by volunteers. That will have an obvious impact on how services are delivered.

As regards challenges, one of the best places to start is to think about why people run charities. They run charities because they want to create a positive change in society; it is for the public good, and that is very true of Small Charities Coalition members. We have more than 7,000 members across the UK who use our helpline, training and advice services. They tell us about the challenges they are facing. A lot of them still stem from not being heard. In particular, small charities tell us that there is a need for proportional, simple and supportive regulation and governance that is well communicated and simple to understand. There have been a lot of changes recently. With that range of changes, it takes longer to react if you are a smaller charity.

The loss of income and income instability have been spoken about. Alongside fewer funding sources to which they can diversify are the cuts in grants and small contracts, particularly in the public sector, so small charities are being hit very hard. That is impacting on their ability to plan for the medium and long term. They are living day to day, so the decision-making processes are much shorter and quicker and they are fuelled by a sense of emergency.

Part of our role at the Small Charities Coalition is to support small charities through these challenges and enable them to support one another. Over the years we have collaborated with other organisations on that, including NCVO and ACEVO, and fed into policy, but we are trying to get to a point where there is not more regulation but better communicated regulation, which is simpler and easier to get to grips with, and seen as a tool to help charities support their beneficiaries rather than something they have to overcome.

Additionally, we are looking at commissioning practices. We would encourage the Government to look at how commissioning, particularly at a local level, is affecting the ability of small and medium-size charities to thrive. It is particularly important given recent events that we support small charities to strengthen communities across the UK.

Q16 Baroness Scott of Needham Market: I declare an interest as a member of the NCVO advisory council. In our session last week, we touched on the fact that, if you identify a need, there is a tendency in the sector to set up a new charity. I want to ask you, a bit provocatively, whether the same could be said of infrastructure bodies. Each of you comes from a different organisation. It would be quite useful to hear a bit more about why you think the extra cost—I know you are all very small—of each having your own body justifies the expense and deals with the danger of diluting the voice, rather than making it stronger, if there are more organisations.

The Chairman: I have to ask you to be brief in your answer to that. I know that all of you could hold forth for a long time about the value of your organisation, but could we have a brief response, starting with Karl?

Karl Wilding: My personal view is that there are too many.

Asheem Singh: I think the three organisations here do quite different things. We support the leaders in their leadership journey. We are not for organisations but for leaders. Leading is a lonely business, and leaders often find it helpful to have a dedicated body.

Rebecca Bunce: I agree that it is about collaboration, so having all the bodies that are here today allows you to get into the specific issues facing each individual constituent group, which possibly would go unheard if they were not given that group.

Lord Chadlington: Part of what you are talking about is lobbying—the whole business of communication and having your voice heard—so if you are independent and have limited resources, how do you co-operate to make that happen? If the complaint is that your voice is not heard, how does the collaboration work?

Karl Wilding: Behind the scenes, we communicate with one another. Where I think there are not too many is in the area of special interest groups, such as the black and minority ethnic sector, which has its own infrastructure body. That is quite right and proper. Behind the scenes, we identify the issues we have in common. For example, NCVO will lead on some cross-cutting issues, such as the charity role, but on other issues that are relevant to chief execs ACEVO will lead. There is quite a lot of co-ordination behind the scenes; it is just that you do not see it.

Lord Lupton: May I direct a question to Ash? I am concerned by what you said about the more with less pressures. Whether you are in central government, local government, commerce, industry or not-for-profit, that is an ambition. Certainly, in everything I have run in both the charitable sector and commerce, you try to do more with less. It is called efficiency and productivity. Of course, it can be taken too far, but you presented it as a negative. That concerns me because I think charities should, within reason, be trying to do more with less.

Asheem Singh: I agree. It was not the intention to present more with less as an inevitable negative. The question is about having a safety net to help people that is stretched to a point where it can no longer do the things it was intended to do. It is a question of degree, but I agree that, as an ambition, being efficient is absolutely what every sector of society, including us, should strive for.

Q17 Lord Bichard: It is necessary to put my interests on the record because I was not here last week. Please bear with me. I am chair of the National Audit Office, chair of the Social Care Institute for Excellence, chair of Shakespeare's Globe and a trustee of the River and Rowing Museum; and my wife runs Citizens Advice, just to be absolutely comprehensive.

I understand the role you play and the points you have been making. They have been mostly around policy and advocacy on behalf of the sector. I am quite interested in how effective you think you are in providing practical day-to-day support to charities, because that seems rather important. How do you measure that? How satisfied are your members? [1] To take an example, how many people pay for your studyzone at the NCVO?

Karl Wilding: Nobody pays for the studyzone anymore because it is free for members. We have tried to encourage its take-up.[2]

Lord Bichard: I do not think your website says that, but go on.

Karl Wilding: We are increasingly making a number of our assets free to members. I would have to write to the Committee later with the usage figures. I do not have them with me. Our membership is growing. The number of people accessing content on our websites and via social media is growing each year. We survey our members once a year. We have not yet published the results of our latest member survey, but we ask a number of questions about which issues they want us to support them on practically. The feedback we get about those issues will not be a surprise to you. They predominantly ask about funding. We are getting more questions around governance. Indeed, our biggest selling publication is our good governance guide. One thing we try to do when people present with the problem that funding is their biggest issue is to tease it out, and we find that demonstrating impact is the issue and funding is just a symptom.

Q18 Baroness Stedman-Scott: How do you foresee the income profile of charities changing in the coming years? How can charities ensure that they have a sustainable income stream in the medium term?

Karl Wilding: NCVO produces a publication every year called the *Civil Society Almanac*, which is based on analysing 10,000 sets of charities' accounts. We do that with the Third Sector Research Centre. If you were to follow trends of late, in terms of how charities earn money, going forward they suggest that there will be an increase in earned income as a proportion of the total, and gifted or voluntary income will decline slightly. That is because money from government is increasingly based on a contractual rather than a grant relationship, but also because our relationship with individuals has become one based more on individuals buying goods and services from charities rather than just gifting income to charities.

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[1] Note from witness, Rebecca Bunce: Small Charities Coalition will answer this question within their written evidence.

[2] Note from witness, Karl Wilding: Studyzone is now free for NCVO members. Non-members continue to have to pay for this training, though a small number of courses are free to all.

A number of other income streams are important in absolute terms but less important in relative terms. For example, income from the National Lottery distributors and from charitable trusts and foundations is relatively static. On the last point, one might argue that the number of operating charities has grown significantly over the last 15 to 20 years, but the number of charitable trusts and foundations trying to support those front-line charities has not grown proportionately, so I suspect that in future there will be more earned income. Voluntary income will increase but not as quickly.

As to the sources of income, broadly speaking, government income was very much on the increase throughout the 2000s, and around 2009-10 it started to dip. It recovered slightly in the last year for which we have data. Income from individuals has also been increasing for much of the 2000s. As government income started to dip, income from individuals carried on increasing.

If I were to extrapolate further forward, a question one might reasonably ask is not so much what income is coming in but what is the resource mix that is sustaining charities. Will we move towards a blend of formal and informal resources where volunteers' time will take up some of the strain where formal resources may be reduced?

Lord Lupton: What is the role and potential for social investment? In particular, I am interested in your views in the context of the maturing so-called millennial generation who seem perhaps to have different priorities and financial ambitions from those of their parents' generation.

Asheem Singh: Social investment is a developing, evolving market, and has been a subject of much interest to academics, commentators and government in its various guises—impact investment, or whatever you want to call it. I suspect it will become an increasingly important part of the funding mix, not least because it represents an important way to diversify one's income base, and that will be absolutely crucial to charities and social enterprises.

The Minister for Civil Society has put in place a target to reach £1 billion-worth of social impact bonds, which is a kind of social investment, by 2020. It is an ambitious target. That kind of ambition is something that we need for the marketplace, and it is certainly one that my body as an organisation of leaders would absolutely support. It is good that we have the infrastructure in place through Big Society Capital and that we have a number of different providers entering the market. It will be an increasingly important part of the funding mix going forward.

To answer your question directly, Lord Lupton, as a millennial myself, although I cannot speak for my entire generation, I suspect that the kind of win-win scenario posited by social investment—good for me, good for my neighbour, good for charity and good for business—will be quite attractive to a preponderance of that particular segment, so I am all for it.

The Chairman: Do you want to add anything, Rebecca?

Rebecca Bunce: If we follow trends, we will see small charities losing more income. Social investment is an interesting concept, but Big Society Capital has said that it is not suitable for all forms of charities, so we need to be clear about who it is benefiting and who is not going to be picked up by it. When we know which groups are not being picked up, predominantly small charities, we need to look at the fact that other sources of income, such as grants and small contracts, are also being cut off from them, so for a fundraising strategy it is very difficult for them to diversify their income and be sustainable.

Lord Rooker: To follow up the point all of you have made about the funding mix, can you say something about the dilemma that. Effectively, some charities cannot afford to bid for projects to get income because what they really want is money for running costs, and projects do not do that? If they go overboard for projects, they may be putting at risk their charitable purposes. That is a real dilemma. Or is it?

Karl Wilding: A big learning from the 2000s was that public money flowing into the voluntary sector created a bigger sector; it did not create a stronger one. The way commissioning and procurement operate means that it is very difficult for organisations to produce a surplus that they then invest in governance and in their back office. If you want a stronger and more sustainable sector, we have to find ways to fund the sector that enable organisations to invest in their back office. We must have a more adult debate about what some people class as overhead or administration costs.

Q19 Baroness Stedman-Scott: Social impact bonds are much talked about. In order for a social impact bond to work you need a commissioner, a deliverer and an investor. Do your members or the people you are associated with give you any feedback about lack of commissioners with money to pay for the outcomes? Why would you go to something like social finance to borrow money when you can get it cheaper from the bank?

Rebecca Bunce: Most people do not even think of going to social investment, because they do not have the skills to be able to consider that as a model. That is true of all income sources. If you are trying to diversify, you need the necessary skills, whether it is applying to trusts and foundations or doing events management to get income.

Asheem Singh: There is a degree of rational scepticism right now about social impact bonds and social investment more generally. I think that is healthy at this point in time, given where the marketplace is. It will take more pilot projects or development of the marketplace and perhaps simpler instruments than the ones we have right now. This is something we are working on at ACEVO. We are looking at what form such simpler instruments might take, through our consulting wing, ACEVO Solutions. It is very much an industry and marketplace in development. It will take time before it has an offer for everyone; indeed, in the final analysis it may not have an offer for some of the smaller charities, so my plea would be to see how it develops.

Karl Wilding: I should declare an interest. I am a non-exec director of Charity Bank, which lends charities money. First, it is probably very difficult to loan sums below £150,000 or £200,000 because the cost of doing the deal is too high in relation to the size of the loan. Secondly, social impact bonds have unfortunately become conflated with the term "social investment". Social investment is a bigger umbrella term to describe a much broader range of tools, including simple loan finance and things like community share offers. Community share offers and simple loan finance are where I think the market will grow. SIBs are a relatively exotic mechanism open to probably dozens of organisations.

Q20 Baroness Scott of Needham Market: I want to change the emphasis and think about the specifics of charitable purposes. In recent days, NCVO has referred to increasing tensions in society, particularly as a result of the EU referendum, which you mentioned. I want to ask each of you from your perspective whether this is something you are picking up from the people who are talking to you and how it manifests itself.

Karl Wilding: Probably everybody in this room is aware of some of the incidents, such as Hammersmith and Fulham's Polish Centre being vandalised and so on. There has been an increase in the number of reported race hate crimes over the past week or so. It strikes me that, going forward, we need to think about the fact that there are any number of communities in society that feel they do not have a voice at the moment. What can we do to strengthen the voice of those communities so that they feel they have a stake in society? If there is a challenge for all those in this room, including us, it is that voluntary organisations are very good at strengthening bonds between people of a similar ilk—they are very good at bonding social capital, to use that academic phrase—and, going forward, we need to think about how we strengthen the bridging of social capital. How do we get communities to work much more together? That can be anything, even very simple public acts of kindness or solidarity. For example, London Citizens has been standing outside Euston station handing out flowers to refugees and people from the European Union in solidarity. It may be as simple as something like that; it may be as simple as strengthening the organisations that represent those communities, because, unfortunately, the way our funding system has worked over the last decade or so is that, as we have shifted away from grants and more towards contracts, the resources that enable those organisations to have a voice have largely disappeared.

Asheem Singh: I agree with what has just been said. There are a couple of areas that are incredibly interesting and worth looking at where the voluntary sector really comes to the fore. These are things we have analysed or are analysing over the next year. The first is about bringing together young people. We did a report called *Coming in from the Cold*, which was about young people who experience loneliness, specifically in London. I am happy to share that with the Committee afterwards. The voluntary sector is absolutely fantastic at getting young people together at very vulnerable stages in their lives and showing how they could be part of the city and the fabric of the society they have joined. There are key touch points in people's lives where the voluntary sector can make a real difference.

Another area, although I am not myself a believer, is faith. That is one of the great under-explored areas by the secular bit of the sector. Sometimes it feels that ne'er the twain shall meet, but one of the things we want to do over the course of the next year is to investigate the social capital-building capabilities of the faith sector in this country, because they are considerable.

Rebecca Bunce: There are many excellent small and large charities across the UK doing work on this already. One of the most important things we can do is draw from their experience. Rather than try to prescribe solutions, let us look instead at what is out there already and hear their experience.

Q21 Lord Bichard: Do you think the sector's relationship with the Government and the Charity Commission has changed over the years? How would you describe it now, and what would you like it to be?

Asheem Singh: In the 2000s, with the establishment of the Office of the Third Sector and all the different kinds of funding and engagement programmes available, there was a sort of plurality. It was an incredible time of growth, investigation and experimentation. The OTS had a couple of aims. One was to be a model funder and the other was to be a voice for the sector across government. In the post-2010 austerity era, the capacity of the Office for Civil Society, as it was rebranded, to be a model funder has dwindled. There simply is not the funding available, or the Government have not made funding available. Whatever your view of the political situation, I suspect it is the former rather than the latter. The OCS simply does not have the capability to be anything other than an advocate for the sector across government, with other departments.

Talking to officials there, they argue—I see no reason to disagree—that because of the singularity of function they now have they do a lot more on engaging with other departments, for example, with the Department for Work and Pensions on the work and health programme that is coming up. That could be true, but there has been a definite shift. I think the relationship with government has also been harmed to an extent by some of the things around voice and campaigning—for example, the lobbying Act. That was a moment when the sector and the Government fell out, as it were, and it has taken significant work to bring that together. The Hodgson review, which was implemented recently, made some really good recommendations about the lobbying Act, which, if implemented, would go some way to repair the damage.

As to individual Ministers, things are definitely improving. They are being turned on and getting wiser to what the voluntary sector can offer. That can only be a good thing. We just have to keep the dialogue going.

The Chairman: Lord Bichard asked you about the Charity Commission as well.

Asheem Singh: The Charity Commission is in difficulty at the moment. Its funding has been cut in real terms, and it has moved increasingly from being an organisation that helps in terms of governance—issuing lots of guidance for trustees and staff—to being an interventionist and policing regulator. That has been a difficult change to take. Whether or not this is a choice of the leadership, sometimes it feels less like a regulator and more like a think tank. For example, it releases very useful surveys on trust and confidence in the sector, but it accompanied that with the launch last week of what I thought was an unnecessarily bombastic press release, which suggested that there was the biggest fall in charity trust since records began. Those are records that began 10 years ago and not when the first charity was invented, which was the King's School about 1,600 years ago. I would like to see the Charity Commission being more of a regulator and less of a think tank, and more sober and judicious in its pronouncements, rather than what I suspect it has become, which is slightly more media aware.

Rebecca Bunce: The role of the Charity Commission is obviously around compliance, but for charities to reach compliance there needs to be a culture of support where they can learn from their mistakes and they are not afraid to make them. In particular for us, with the cuts in the Charity Commission we have seen a rise in the number of people calling our helpline. Of 843 queries that we had last year, 644 were governance related, with 371 of those about registering or setting up charities. There is an extent to which infrastructure bodies are stepping in to translate regulations. We are frequently asked to explain the process of registering a charity in layman's terms. If we consider that a charity may have a role in creating social cohesion, we want to make sure that no one is excluded from being able to engage with the charity sector. We hope there will be a greater role for the Charity Commission around support.

On the relationship with the Government, the points about anti-advocacy lobbying are well made. We need to think not about the substantive law but about the general theme of the messages that come from it. Can we speak up as a charity? Can we talk about what our beneficiaries are experiencing? The main issue with small charities is that the messages they are receiving will be what they see as a front-page splash, or a headline panic message, and not about what the law actually does or how it works. If that is all they get to see and that is how they interpret regulation, it means we end up with their voice being quietened.

Baroness Barker: Some years ago it was agreed that the Charity Commission had to be a regulator, and nobody else could be. That is the job it has to do. But it has long been a criticism of the Charity Commission that it proceeds with its business in a way that is sometimes very remote and aloof, particularly in its work of advising and helping charities and preventing them getting into trouble. How easy do you find it to work with the Charity Commission to promote good practice and avoid problems?

The Chairman: Could you take that, Karl, and wrap it up with your other views about the Government and the Charity Commission?

Karl Wilding: Starting with the Charity Commission, clearly it has moved from a position where it perceives itself as a friend of the sector to one where it perceives itself to be much more of a robust regulator. Having a strong regulator is good for public trust and confidence in charities. The problem is that at times the commission has interpreted "strong" as "tough" in regulation—a red top type of approach. That has been unhelpful for a regulator whose duty is to increase public trust and confidence in charities, because there have been times when it has undermined public trust.

Our concerns about the commission are about the independence of its board and how it is appointed. We would like to see a greater role for Parliament in future in how the board is appointed, and we are especially keen that it has an independent chair with cross-party support.

In our relationship with Government, we have moved from what Lord Bichard might recognise as the compact years, a period based on constructive engagement in both the delivery of services and the design of policies, to a more distant relationship, which is, I suggest, more instrumentalist, where government sees charities as just one of a number of independent sectors that are potentially useful in the delivery of services. That is a relationship where the voice and campaigning role is viewed much less favourably. Both my colleagues pointed to a major fallout about the lobbying Act. In some respects, that is a good example of where the relationship has gone wrong, in that there was no forewarning that the thing was coming; it just landed on our plate at the end of one summer, and because there was no closeness in the relationship things went wrong.

Going forward, I would like almost to reset the relationship with Government. I would like to see a more constructive, collaborative relationship that recognises that we have common goals and problems. For example, at the moment what is in all our minds is how we are going to make the European referendum decision work. We are neither leavers nor remainers; we are just on the side of making the thing work. That is what we want to do, and we want to work with Government to do it.

Q22 Baroness Jenkin of Kennington: There is increasing evidence that donors make demands on charities and sometimes want to get more involved in how the money is spent. How do you think charities can fulfil those expectations, in particular in measuring the impact of intervention and controlling costs?

Karl Wilding: On donor expectations, I would argue that transparency is now a value that many donors have. They want to understand not just where the money goes but how decisions are made about where it goes. With colleagues, I would like to think about not how we can give charities more regulation or instructions on what to do but how we can support and inspire them to do much more to be transparent and accountable in how they spend their money.

When it comes to measuring impacts, NCVO is part of a consortium of organisations called Inspiring Impact. We hope to encourage initiatives such as shared measurement groupings whereby if there are organisations working in the same sorts of areas, such as children and young people, and delivering services—apples and apples—we can look at those organisations together and see what common impact measurements we may be able to come up with.

We keep coming back to the issue about admin and overhead costs and efficiency. I would argue that admin costs are a bit like blood pressure. Yes, they can be too high and high blood pressure will kill you, but too low will kill you too. We need to have an adult conversation with the public about the fact that some of the weakest, least impactful organisations are the ones with very low admin costs.

Rebecca Bunce: I would add as a reminder that the first responsibility of charities is to their beneficiaries and the public good. I agree with much of what Karl said. It is about honesty. We have to be careful that we do not just use numbers as a way of interpreting impact but that we have the narrative that goes alongside them, because, taking the blood pressure analogy, you need the fuller picture. Blood pressure on its own does not tell you the health of a patient. We need to skill up charities to be able to report on their impact and put it in the context of their accounts.

Q23 Baroness Gale: How can charities ensure that they are properly accountable to their donors, beneficiaries and the public?

Asheem Singh: The key principle and mantra every charity must have is transparency in how it operates, in the decisions that are made and issues such as pay, for example. The charity sector is incredibly transparent right now. It has an annual report. These things are published and are freely accessible, but we should be hungry as a sector to find more ways to talk about and show what we do. Scrutiny is not necessarily a threat unless it is malicious. It is an opportunity to learn more about our mission and improve what we do.

As to pay, I am not sure about the position of the Small Charities Coalition, but certainly ACEVO and NCVO have guidelines and principles as to how charities should be setting pay in their organisations. The first principle of our good pay guide is transparency. There are others as well. We always say to charities that, if they follow those principles and talk about the work they do, give the narrative around the numbers and are hungry to find new ways to be transparent and talk about what they do, accountability necessarily flows therefrom.

Karl Wilding: Quite practically, submit your accounts on time. Make sure that your trustees' annual report describes what you do and has been written by the trustees rather than your auditor. Bring your beneficiaries and donors into your organisation so they can see at first hand what you do.

Rebecca Bunce: We should remind ourselves that it must be proportional, so the impact reporting that you would expect from a larger charity might not be the same as you would expect from a smaller charity. It is the same in accounting. We have to be very careful that, when accounts are submitted with possibly less information, it is not seen as not being transparent but is seen as proportional to the size of the charity.

It is important to acknowledge that we need space within charity accounts to talk about things that have gone wrong, how lessons have been learned and how they are being improved on, because part of the transparency agenda is being able to say, "This has been a problem.

However, we have learned from it and this is how we are going to work with it moving forward".

The Chairman: Would you say that is not available to you at the moment?

Rebecca Bunce: It is not necessarily about its being within regulation or SORP; it is about how we encourage charities to develop that narrative.

Q24 Baroness Gale: You have all agreed that transparency is very important, but not all charities are as transparent as they could be. As well as publishing all the accounts and so on, what other measures can they take to be transparent? Would that not be beneficial to the donors and certainly to the public, who must have faith and confidence in the charity sector? You will lose support if people feel that charities are not as open as they should be. How can you improve on that?

Karl Wilding: If you were to go to the United States, you would see intermediaries—websites and organisations such as Glasspockets—which rate different organisations. That is a sectoral initiative by the Foundation Center. It has looked at different organisations and tried to share learning about which are transparent and what they can learn from one another. Too often we get caught up in the idea that transparency is just about releasing more numbers. Quite often, when organisations have found themselves in hot water, such as on chief execs' pay, it is not because they have not communicated the numbers but because they have not tried to explain the decision-making behind them. That is where we have more opportunity to show some of the tensions we are trying to balance one against the other when making these decisions.

Lord Chadlington: Ms Bunce, may I take issue with you over the question of the proportionality of small charities? My experience is that, if you go through the exercise of writing a report, talking about what you have done and measuring your performance, you can do that for quite a small charity. It is a very good exercise for the trustees to ask themselves about the benefit of what they are doing. Do you think that is true?

Rebecca Bunce: I agree that it is a good exercise, but it is about the ability of people to do that. We have to recognise that small charities represent all types of people across the UK. Some people might have less formal education and might not have had a lot of experience of reporting on impact previously in other roles. They may not be as capable of doing that and will need support to be able to reach that point. It is not that it should not be done, because it most certainly should; it is about how we support people to get to that point.

Lord Chadlington: This goes back to the question of the training of trustees, of their understanding what their responsibilities are and making sure you help people fulfil those roles, because many of the problems to which Mr Wilding refers relate to organisations where the trustees have, for one reason or another, not taken their responsibilities as seriously as they should have done. There is an educational outreach programme to be undertaken by somebody somewhere that says, "If you become a trustee, this is what we expect of you, however small your charity is".

Rebecca Bunce: I completely agree.

Baroness Barker: Do you have any figures for the number of small charities that have a website?

Rebecca Bunce: I do not have those to hand. I can get them.

Baroness Barker: Does anybody have those?

Asheem Singh: Not to hand.

The Chairman: Could somebody let us have them? Could you also let us have at a later stage your views on charities, in the spirit of openness, being subject to freedom of information legislation? Sadly, our terms of reference do not allow us to go to the United States, but we take your point on that, Karl. Lord Chadlington has a question about innovation.

Q25 Lord Chadlington: You have mentioned on a couple of occasions the impact of cost and the difficulty of raising larger amounts of money. That leads one to the question of how charities seek to be innovative in the way they manage their enterprises. In that context—it is close to the question about websites—how are they using the digital revolution to reach out and be more efficient than they have been historically?

Asheem Singh: There have been some fantastic initiatives that we all know about, especially in raising voice and campaigning—for example, the ice bucket challenge. There are some fantastic organisation networks out there whose mission is tied into things. I am thinking of 38 Degrees, the petitioning website. I dare say that most of the Committee members will have had the odd petition or two from it in the recent past. There has been a wholesale revolution in the way people donate in this country through websites such as JustGiving.

If you are asking me, however, whether the charity sector as a whole is one of the leading industries in the use of the internet and social and digital technology to drive efficiency within its organisations, regrettably the answer is probably no. In our last social sector tracker survey three-quarters of the chief executives who responded said that they needed help and wanted support with digital upskilling, with improving or understanding the way that digital technology can help their organisations and contribute to their mission. There is a massive opportunity. It is interesting that in the same survey—this straddles the previous question and this one—relatively few chief executives think they are over-regulated. What they want, however, is more support with the technology and tools at their disposal to see how they can deliver the efficiencies that we talked about at the beginning of this session. There is definitely a job for umbrella bodies and organisations such as mine and those alongside me to step up on that score.

Lord Chadlington: That feels very true of the larger charities, but in the smaller ones, Rebecca, do you find that same sort of innovative drive, because they tend to be more flexible when looking at things to do?

Rebecca Bunce: Yes. The Small Charities Coalition works with IBM and other providers to provide training sessions on digital skills, but there are a few barriers. One is that, quite simply, we do not have broadband access across the entire country, so if we are thinking about regions, some areas will be left out of the digital innovation agenda.

The other point is about trustees' awareness of digital innovation and what they could be using. A good example is an organisation that was developing its website but did not make it responsive. That was because the trustees chose not to release the funding to make it responsive, unaware that most people were accessing the website through mobile devices. We have to factor into the trustee mix that we need digital skills as one of the requirements.

The Chairman: I am going to ask Baroness Barker and Lord Bichard to put their questions together in the interests of time.

Q26 Baroness Barker: Mine follows on from all of that. As somebody who works with a number of charities, usually my key question for them is, "Who knows more about your area—you or Lidl?" A lot of charities are way behind in using data and they should be doing that as part of their overall work. There is lack of skills and awareness about that. What scope do you see for charities becoming much more aware of the digital impact, not just on their efficiency and utility in fundraising and in their core function?

Lord Bichard: Digital is not the only route to innovation. One of the most important routes to innovation is through co-production, co-designing and the involvement of users and clients. There are some who suggest that the sector has moved further away from users and clients. Do you feel that you are making the most of that as a route to innovation?

Karl Wilding: One of the big trends I now see in the sector is organisations reimagining themselves as social movements. They are recognising that digital puts in the hands of their supporters and donors fantastic tools to effect social change and that, in order to take advantage of that, they have to let go, almost give away control, and try to think about how they can be platforms for their supporters to go off and use their core messages and ideas about how to deliver services at the centre. Organisations are trying to think about how they free their supporters to do that—for example, the Dementia Friends programme and the ice bucket challenge that Ash talked about earlier, where you almost try to create a situation where people can go off and use their friends as channels. Some of that is coming, but I go back to what Rebecca said. There are three core problems in relation to digital in particular: culture, skills and capital. Not everybody has those resources in the right mix to take advantage of digital, so we have to think about how we strengthen organisations in those areas.

The Chairman: One of the Committee's interests is innovation and how it can be promoted. If you have any follow-up thoughts on it, we would be very glad to hear them.

Q27 Lord Harries of Pentregarth: I hope my question fits in at this point. I picked up your point about a social movement. The question in my mind all the time is about volunteering and voluntarism and whether it is alive now. What is the state of volunteers? Is there any kind of tension between the spirit of volunteering and what we have now, which is very much a contract culture with charities fulfilling services provided with money from the Government? Is there a tension? What do you make of the spirit of volunteering now?

Karl Wilding: In answer to the first point, people have been predicting the death of volunteering in this country for the last 50 years, and it has never quite appeared. What has happened is that the way in which people choose to give time has changed. We have moved away from what you might call a substitute labour model, where people give 35 or 40 hours a week to the same organisation over the course of their life, to one that is much more flexible and footloose and is based on the idea of microvolunteering where people give relatively small amounts of time. The challenge for organisations that are, for example, delivering services under contract to government is that that might not necessarily be the sort of contribution they need volunteers to make in order to deliver their outcomes.

On the point about whether the contract culture fits with volunteering, all the evidence from the volunteer managers we work with tells us that volunteers do not want to replace paid staff in the sense that they do not want to put people out of jobs, but they absolutely recognise that they can contribute something to a service over and above what the paid staff delivering that service do.

On the final point, we have just had Volunteers' week. Which were the organisations most actively going out and asking volunteers to contribute to their service? It was not charities and voluntary organisations; it was the NHS, the fire service, the police and the public services. Volunteering and delivering services are compatible, but we need a clear vision about what the role of volunteering is, and we need to ensure that we adequately support volunteers in discharging the work they do.

Q28 The Chairman: We are coming to the end of our session, but I want to put to you a question about leadership and promoting strong and effective leadership in the sector, particularly in relation to trustees. How important is governance and trusteeship? How can we get more people involved in being trustees and so on? Can you be quite brief?

Rebecca Bunce: The role of governance is important and it is vital for a charity. Because of the loss of grants and funding for general back office functions, it is much harder to make that happen, particularly in small charities where the trustees and executives and the people delivering the work are often one and the same. We need to make sure that people are skilled up, and that we are giving them simple, proportional and supportive messages around regulation rather than onerous amounts to do[3].

Asheem Singh: I echo Rebecca's points on governance. We run a number of helplines, one for chief execs in crisis and one for chief execs who want help with their governance. The principal issue that chief execs in crisis report is a breakdown in governance, which is not about not filling in a form or the register but about the relationship between the chief exec and trustees. Getting that relationship right is key to making this work. We need to support both the trustees and the chief execs to ensure that governance works well. The other thing to note is that calls to our CEO in Crisis Line were up 40% last year, so that issue is deteriorating and not ameliorating. Calls to our governance helpline increased by 160% last year. I can share the data from our helplines with you after this session. It is a serious issue.

The Chairman: That would be very helpful.

Karl Wilding: We need to ensure that trustees are supported and valued and that they feel in control. One of the concerns is that at times they feel deluged by people telling them what to do. They need a greater sense of control.

The Chairman: We are going to end with our key suggestion question, which Lady Barker will put. We are asking all our witnesses this particular question.

Q29 Baroness Barker: What is your one key suggestion to help the sustainability of the sector?

Karl Wilding: On the radio the other day, I heard someone talking about business. They said that nothing destroyed shareholder value like bad governance. It is the same for charities. What we absolutely have to focus on now is how we support and strengthen governance in charities.

[3] Note from witness, Rebecca Bunce: 'Proportional, simple and supportive refers to the design and implementation of policy and regulation to allow small charities to engage effectively'.

Asheem Singh: I am afraid it is a second vote for governance. As I mentioned, it is the key issue affecting our sector. Investigating how we support good leadership and governance is absolutely key to ensuring that the sector is sustainable.

The Chairman: Are you going to make it three, Rebecca, or do you have another one?

Rebecca Bunce: I am. It goes back to proportional, simple and supportive. That needs to be there. Considering that 97% of the sector are small charities, that is a good place to start; if they are getting the message, hopefully everyone is getting it.

The Chairman: Thank you very much. I would like to bring the session to a close with our most sincere thanks for your thoughtful answers and for spending time with us. Please do not forget that, if you have anything extra that you want to say to us, please do so. We have asked you for specific things, which our clerk will follow up with you. Thank you very much indeed.

I need to declare that, as I am married to the chief executive of one of the organisations giving evidence in the next session, I shall leave the meeting and Baroness Scott will take the Chair.