HOUSE OF LORDS

Select Committee on Charities

Corrected oral evidence: Charities

Tuesday 15 November 2016

4.05 pm

Watch the meeting

Members present: Baroness Pitkeathley (The Chairman); Lord Bichard; Lord Chadlington; Lord Foulkes of Cumnock; Lord Harries of Pentregarth; Baroness Jenkin of Kennington; Lord Lupton; Lord Rooker; Baroness Scott of Needham Market; Baroness Stedman-Scott.

Evidence Session No. 13 Heard in Public Questions 124 - 132

Witnesses

I: Dr Beth Breeze, Director, Centre for Philanthropy, Philippa Charles, Director, Garfield Weston Foundation, and Philip Lawford, Director, Linbury Trust.

Examination of witnesses

Dr Beth Breeze, Philippa Charles and Philip Lawford.

Q124 **The Chairman:** Welcome. It is very nice to see you. Thank you very much for coming to see us. You know the format. We will each take turns to ask you questions. However, first, I must make some introductory remarks.

The session is open to the public, as you know, and is being broadcast on the parliamentary website. A transcript of your evidence will be taken. You will be sent a copy of the transcript to check it for accuracy and to advise us of any corrections. If after this session you want to clarify or amplify any points that you have made or you have any additional points to make—if you think that you have forgotten something vital—you are welcome to submit supplementary written evidence to us.

We do not expect any votes this afternoon, so we should not be interrupted. Although you will each have an opportunity to answer the questions, you do not all have to answer a question. If you think that somebody else has said all that you needed to say, you should not feel that you need to answer everything. Of course, we have a time limit, as you will know.

Perhaps you could introduce yourselves, for the record. Then we will begin with questions.

Dr Beth Breeze: Hello. I am Dr Beth Breeze. I run the Centre for Philanthropy at the University of Kent.

Philippa Charles: I am Philippa Charles. I am the director of the Garfield Weston Foundation. For those of you who may not be familiar with it, it is a family-founded grant-making trust, established about 60 years ago. It now gives away about £60 million in the UK each year.

Philip Lawford: Good afternoon. I am Philip Lawford. I am the director of the Linbury Trust, which is the charitable grant-making foundation established by Lord and Lady Sainsbury of Preston Candover. We are much smaller than the Garfield Weston Foundation. We give away £8 million a year currently.

The Chairman: Thank you very much. We are grateful to you for coming in to see us. I will kick off with a very general question. What is the role of philanthropy in the charity sector?

Philippa Charles: I would like to start with what it is not, as well as what it is. By its very nature, it cannot—at least from a donor point of view—be a substitute for government and public funding. Although there are many generous people across the UK, the resources do not cover public funding.

What it can do is take risks. When I say risks, I am talking about investing in or funding a new idea that has not yet had a chance to prove itself but looks promising, or a pilot study. It can help to make connections between different parts of the charity sector. It can be very flexible and adapt quickly. It can partner with others. For example, the Garfield Weston Foundation has a number of partnerships, both with charities that deliver for us such as Pilotlight, which delivers the Weston charity awards for us, and with other funders. We partner with Esmée Fairbairn in the north-east to support work there. We partner with the Jerwood Foundation on the Weston Jerwood bursaries. Philanthropic funders can do a number of things that it may be difficult for larger public institutions to do.

Dr Beth Breeze: Very simply, philanthropy is absolutely essential. Charities cannot run on good will alone. They need money to put their missions into practice. The total income of the charity sector is thought to be about £44 billion. Around a third of that comes from private donations, but it is not evenly spread across the sector. On the whole, the smaller the charity, the more reliant it is on philanthropy. That is because it gets less public sector funding and usually does not have the mechanisms in place to do trading, to charge fees, to earn money from investments and so on.

Smaller charities also report the most difficulty in recruiting the people who can generate philanthropy. Philanthropy does not just happen. That is the second crucial point to make. In most cases, people give because they were asked. Most people are generous and willing to help, but it has to be prompted. Foundations have conversations, either proactively or reactively. Donors are usually prompted by fundraisers. They are the people who make philanthropy happen.

If you divide by the number of days in the year the sum of about £11 billion a year—a third of the sector's income—that comes from philanthropy, just over £30 million of philanthropy a day flows into the sector. That is like a Children in Need every day. We know that, when big things like the one this coming Friday happen, they have all those resources behind them, but day in, day out, that kind of sum is being generated for the sector. Charity needs philanthropy, and philanthropy needs fundraisers. Those three elements are intertwined.

Philip Lawford: I do not have much to add to those two answers, but I would add another soundbite word into the mix: passion. When you are talking about wealthy individual donors or, in the case of the Linbury Trust, a charitable foundation where the settlor is still very much alive and engaged, it allows that person or family to support—and, indeed, to initiate—charitable work about which they are passionate. In the case of the Linbury Trust, much of it is in the arts and the cultural field, but I think also of someone like Jonathan Ruffer. I am sure that most members of the Committee are aware of what he is doing in Bishop Auckland in County Durham. That is one person's passion about a geographical area. That is an important factor.

The Chairman: We will go on to Lord Lupton's question.

Q125 **Lord Lupton:** I had better disclose an interest. Both the Garfield Weston

Foundation and the Linbury Trust have been extremely generous benefactors to charities in which my wife or I, or both of us, have been involved. We are extremely grateful. They are extraordinary organisations.

I have two questions, of which the second is more important. The first is: how do you approach your charitable giving? The second, in response to quite a lot of written evidence and to oral evidence that we have had at meetings such as this, is: how do you ensure that the charities you support make a positive impact for their beneficiaries?

Philippa Charles: Thank you for your questions. I will deal with them in order. On the approach, the trustees of the Garfield Weston Foundation take extremely seriously the stewardship of the funds entrusted to them. The first thing that we feel is very important is to make sure that the guidance and information we put out is as clear, helpful and transparent as possible, because charities of all sizes apply to us. Some of them are sizeable, and they have big resources and professional fundraisers who are very able and skilled in fundraising, but we also have a very large number of applicants who are volunteers, may not have done it before and are working on behalf of their community centre, in a small village. It is important to our trustees that we are just as accessible and open to their requests as we are to something from a much bigger institution.

There is also a piece about proportionality. That plays into your second question. We have a very strong view that it is important not to put organisations through multiple hoops of fire in order to have a fair chance to access the foundation’s funds. As well as being open and clear, we want to ensure that they do not have to go through too much, balancing that with our need to do careful due diligence. Obviously, our trustees have a responsibility to make carefully thought-through judgments about where their funds are going.

That proportionality plays into your question about impact. It is very important to us that the funds that we have are used well and for the purpose for which we gave them, but we also rely on the charities that apply to us to report effectively and to explain to us what they have been doing. In that respect, it is absolutely a partnership. We want to make sure that there is impact, but we also want to ensure that our reporting and what we ask for is appropriate to the scale of the organisation. If we have given £10,000 to mend a church hall roof in a small rural community, the impact reporting we ask for in return will be very different from what we might ask for from Cancer Research UK or Oxford University.

Philip Lawford: Perhaps I should come in here. In some senses, we are similar organisations, but we approach charitable giving quite differently in that the basic modus operandi of the Linbury Trust is not to receive applications. Some major trusts and foundations—for example, Garfield Weston, Paul Hamlyn and Esmée Fairbairn—are quite happy to receive applications. The Linbury Trust could get through at least one year, and probably multiple years, by not receiving applications out of the blue and simply supporting or initiating work or causes that we and my trustees already know. I agree entirely with what Philippa said about stewardship of funds. Although it is not part of this discussion, that also applies to the stewardship of our endowment. That is a separate discussion, but it is perhaps worth noting.

Lord Lupton: What about impact?

Philip Lawford: Like Lord Lupton, once upon a time I was a banker. When I am trying to describe this to people, I sometimes make an analogy with backing a small business. You very much do your due diligence up front, but ultimately you are backing a person or a team of people to deliver what they say they are going to do. We rely very much on due diligence in advance. In addition, more than 50% of the Linbury Trust's funds go towards capital projects, so either it is or it is not built, and the visitor numbers are or are not what they were projected to be.

Dr Beth Breeze: To clarify, my research is mostly on major donors—individuals—so I am talking about slightly different charitable decision-making and concerns with impact from those in the trust and foundation world. I focus most on people who give single donations worth £1 million or more, in a report called the *Million Pound Donor Report*.

I pick up a word that Philip used in his first answer: passion. The way in which most individuals choose causes is not terribly objective or from a back seat; it is about what causes are connected to them and have hit them in their life stories. It is very autobiographical, really. If they have experienced certain health problems or are from a certain part of the country, they tend to prioritise those causes over ones that have not somehow affected their lives.

What tends to happen is that the donor and the charity have a common cause—a shared passion. One has resources and one needs resources, but it is much more of a relationship than it can seem from the outside. From the outside, it can look like a transaction—money shifting from here to here—but the donor needs the charity as much as the charity needs the donor. They want something good to happen and have the resources to make it happen, but they cannot run a world-class opera or find a cure for a disease, or whatever their passion is. They need to work with the charity. The key theme is that they approach it as a partnership. They are looking for people with whom they can make common cause.

That also affects how they look at impact. Because it is not so transactional, they tend to have developed a good relationship. They would not have given the charity £1 million or more in the first place if they did not trust it to spend it well. Yes, they want to see the numbers and figures and they want reporting, but it can be much lighter touch when they have got to the point of making bigger donations. For example, one person whom I interviewed said, "You cannot measure a twinkle in someone's eye"; their project was helping children. It depends on the donor, the cause and where they are in their philanthropy. Earlier on, they tend to want far more numbers and figures. Later on, it is a more trusting relationship.

Lord Lupton: I find this very interesting. We have had quite a lot of written evidence requesting that we suggest that there is much more quantitative analysis of impact in charities, so that potential donors and donors have a more concrete understanding of what good the charity is doing. All three of you are not contradicting that, but that is not where you are. It is more personal.

Philip Lawford: Can I address that?

The Chairman: Can we take Lady Scott as well? You may be able to address both points.

Baroness Scott of Needham Market: It is an associated point. I wonder whether any of you work with charities that get a large portion of their income from running government contracts. That is a very different approach, where impacts and those sorts of assessments are everything. In your case, it is about emotion.

Philip Lawford: The point that I was going to make, which addresses both questions, is that to some extent the answer to this depends on which sector you are dealing with. We both support charities that, in one way or another, seek to prevent reoffending. That may involve working with people inside a prison or with ex-offenders outside, but the ultimate objective is to prevent reoffending, which, as we all know, is way too high. That is relatively easy to measure. As long as you can keep tabs on a group of people, you can say whether they have or have not reoffended within two years. That is the standard measurement. There are other fields where it is almost impossible to measure. You know whether it has worked if you see it, but measuring it quantitatively is very difficult. In the last 15 years or so, something of an industry has grown up to advise philanthropists on effective giving. For the organisations that do that to demonstrate their own value, they need to be able to provide measurements.

The Chairman: We will go on to Lord Chadlington's question.

Q126 **Lord Chadlington:** For the record, I should add to my list of previously declared interests. I am a director of Soberistas[1]. My wife is a trustee of the Spring Lunch and is on the board of the Dean Trust and the Dean and Chadlington music festival. I have included all of that in my written declaration of interest. I also note that we have evidence from the Garfield Weston Foundation, which has been very helpful to us in our part of Oxfordshire and with which I am having preliminary conversations at the moment. I have worked with Linbury on a number of occasions at the Arts Council and at the Opera House.

Could you address the question of changing trends in philanthropy and talk a little about how you think those may have affected and impacted

[1] Correction: Lord Chadlington is a trustee of Soberistas

on the charity sector? Do you feel that the changing public funding environment has affected charities supported by major donors? How do you feel about that area?

Philippa Charles: There are several questions there. I would like to address your last question, because it plays to the one that Baroness Scott asked about charities that receive a significant proportion of their income from commissioned work. The Garfield Weston Foundation supports a number of charities in that space. One thing that we are seeing is that those charities are inevitably under significant pressure to ensure that their costs are as lean as possible in that kind of environment, which has the unintended consequence of placing pressure on them, in some cases, not to apply for their core and running costs. That sometimes concerns us, because it can disguise the true cost of delivering a very important service.

There are times when we have what you might consider surprising conversations with charities in which we ask them to show us the real budget—the real cost—of delivering a service. For example, if it costs a handyman service £100 a person to put in new locks or to fix a window in an old people's home, but it tells us that it costs £80 because it is under pressure to do so, that has the result of cannibalising the strength of the organisation. For us, as an organisation that wants a strong charity sector, that is of concern. We work quite hard to ensure that we understand the real costs to charities.

You asked a question about impact. That is also something we look at, because what we want is value for money in their outcomes. However, we also want charities to be sustainable and not to erode their ability to do a good job every time they deliver a project.

Dr Beth Breeze: I will add to that briefly. Philanthropy is not static. It is important to be clear about that. It has always changed. It is a product of its times, in the same way as other things are. With a bit of historical sight, many of the things that seem new now can be seen to have been around for many centuries. Trying to get a financial return at the same time as a social return is the same thing as the 5% philanthropy in the late 1800s, when Octavia Hill was building houses and using that model. Collaborative philanthropy and associational philanthropy are called by new names like crowd funding and social investment, but philanthropy has been with us for a very long time and is not static. Whatever the economic environment, it is tough. There are always more good ideas for how to make society better than there are resources to spend on that. Financial survival in that kind of climate will always be tough and rely on good efforts by the charities to be innovative and attractive to philanthropists.

Lord Chadlington: I am thinking about the theme of impacts, effects, value and so on in this conversation and the one that Lord Lupton produced. As you were talking, I was thinking that the impact of the quite small but very welcome donations that we obtained from the Garfield Weston Foundation in our area enabled three things to happen. First, they completely changed—changed fundamentally—the environment of our little village. Secondly, they enabled us to raise money for other projects, which we would not otherwise have been able to do. Thirdly, this has made me feel terribly guilty. As I was thinking about it, I realised that one of the things very small charities are not good at is doing what the big charities are willing to do, which is to update you on what happened—how the thing progressed and what success there was. We did not do that, which was a bad thing. It seems to me that those things are all connected to the same area.

Philippa Charles: I am delighted that it made a difference. Our trustees are as passionate about the small projects across the UK as they are about major national institutions. In proportion, they can make a huge difference to those environments. It may make you feel slightly better to know that smaller organisations are generally very good at coming back to us—

Lord Chadlington: Now I feel worse.

The Chairman: Lord Foulkes wants to come in.

Lord Foulkes of Cumnock: I am chair of Age Scotland. It will not agree with everything that I ask or say, by the way. When your trustees are giving money, do they ever wonder whether what they are supporting would be better funded by the public sector?

Philippa Charles: We are in an ongoing environment where public sector funding is under increasing pressure, so that has to be a live debate all the time.

Lord Foulkes of Cumnock: It would not be under increasing pressure if richer people who become philanthropists paid more taxes, would it?

Philippa Charles: I am afraid that I am not a tax expert, so it would be very hard for me to answer that particular question.

The Chairman: We will let you off answering that question.

Lord Foulkes of Cumnock: Do they not say, "This is not something that we should be doing"?

Philippa Charles: Absolutely. Maybe I can give you an example, from our perspective. A grant was eventually made to the Royal United Hospital in Bath for its new neonatal unit. However, when it first came to us, the amount of public funding that appeared to be going in looked quite small, so we offered that feedback. It was helpful for the hospital to be able to reignite the debate about what facilities were needed in the area. It was able to raise greater public funding and to come back to us, and our trustees were able to make a grant. You are absolutely right—it is a very real issue. It is something we look at on a case-by-case basis, depending on the nature of the application and the type of organisation.

Lord Foulkes of Cumnock: Philip, may I ask you a related question?

Excuse me for being searching in my questions, but that is what Select Committees ought to do.

Philip Lawford: Go ahead.

Lord Foulkes of Cumnock: When your trustees are deciding who to support, how do they feel that they are qualified to make those decisions?

Philip Lawford: I will try not to give you an ad hominem answer to that. They all have broad experience of different aspects of life. They are all quite eminent people in their own right. We are circling back to the first question here. If Lord Sainsbury had not decided to set up a charitable foundation and was simply giving money away annually through gift aid—that was not available when he started, but it is now—you would be perfectly entitled to ask that question of him directly. However, it seems to me that you would be less likely to do so if he were simply a private individual making an annual donation. The fact is that he has established a charitable foundation, so the money is now irrevocably in the charitable sector. That seems to me to be a good thing, everything else being equal. He has invited people whom he trusts to serve as trustees with him. If the Charity Commission was unhappy with them, it would let us know about that.

"Proportionality" is an important word there. He trusts their judgment and takes their counsel, but the Linbury Trust largely supports causes about which the trustees are passionate. As one of the other witnesses said—I am sorry, but I forget whether it was Beth or Philippa—a lot of these are issues with which they have personal experience. We support quite niche medical causes with which the Sainsbury family has direct personal experience. For example, we support medical causes in Palestine, primarily because Lord Sainsbury has personal experience of having served there in 1947.

The Chairman: I think that we get the idea.

Lord Foulkes of Cumnock: That is very helpful.

The Chairman: We will move on to Lady Jenkin's question.

Q127 **Baroness Jenkin of Kennington:** How can charities be assisted in securing support from major donors, trusts and foundations? There is also the flipside of the coin: how can major donors support them? What are the skills involved? How can donors assist charities—the other way around?

Dr Beth Breeze: I alluded to this in my introductory comments. It does not just happen. It probably sounds like rather an obvious point, but people can forget that giving needs to be organised. People can be full of good intentions, have hopes of making the world a better place in one way or another and have passions that have affected them in their lives, but not everybody who has experienced cancer ends up giving to the cancer research charities, for example. The difference is that some are triggered and some are not.

That triggering needs to be done well and in a way where a relationship has been built between the charity and the donor. You do not ask when you first meet somebody. You find out what they are interested in, what parts of the charity's work they might like to support and how they would or would not like to be recognised—whether they would prefer to give privately. All those things are part of the job of securing support from major donors.

The word "fundraiser" is a bit of a misnomer. They do so much more than just raise funds. Colleagues in the research world have tried to quantify it. The time that people spend soliciting or making an ask is a fraction of the total. The vast majority of the time is about building a culture of philanthropy within the charity and wider society, framing that need in a way that people can understand—saying why the public sector cannot be the sole funder and what else can be done—and then facilitating the transaction and making sure that it is a good experience and that people give again. That is really what happens.

The skills that are involved are both technical and people skills. You can learn how to be a fundraiser. Courses at universities like mine will teach those kinds of things. However, the personal quality that you bring to any relationship is quite important, too. There is a great reliance in the sector on people supporting one another. A lot of people learn on the job, rather than just in the classroom. They say that it is a bit like swimming. You cannot learn swimming in the classroom—you have to get out there, to be in a charity and to meet donors. It is not an easy job. To go back to the previous question, whatever the climate, it is not easy to persuade people. They could spend the money on anything that they like. They could buy another yacht or give it away. The group of people who persuade them to give it away have quite a precious set of skills.

Philippa Charles: In the Garfield Weston Foundation, one thing that we take very seriously is being as open and accessible as we can. To your question about allowing people access, we are rather proud of the fact that you do not have to know anybody or to have networks. You have as good a chance if you live in a small rural community as you do if you live in our capital city. Partly it is about accessibility and transparency. We publish all our grants—the amounts and who they are given to—so that people can see what we have been doing.

We had the most extraordinary response a couple of years ago when we released what we call the Weston charter, which is incredibly simple—it is just a series of principles by which we work. By sharing that with people, we found that they were very much encouraged to apply to us, because they understood how we work and how important it is to us to respect their resources. Again, it is about proportionality. We do not ask more of people than they are able to provide, because we cannot guarantee at the very beginning that funds are possible.

To Beth's point, we also rely on great fundraisers, chief execs and charity leaders who come to us. While we appreciate that the charity sector has had quite a tough time recently, we are struck every day by extraordinary people, of very great quality, who come and inspire our trustees with their stories and their plans for their organisations. In many ways, it is a very strong sector and something we can have confidence in. There is certainly talent there. One of the things that we want to do is to help to build that talent. Through partnerships with Pilotlight, the Cranfield Trust and the Association of Chairs, the foundation has been doing quite a lot of work across the country to try to build a stronger infrastructure to help charities to access the funding that is available to them.

The Chairman: You must be absolutely inundated, because your funding model is so much more open and everybody knows that. How do you cope with that?

Philippa Charles: We do get a fair number. Fortunately, we are efficient. We have a very good database, a very good team and very hands-on trustees. Frankly, our trustees are our secret weapon in all of this. They roll up their sleeves and get stuck in as well. If all the applications came in on 1 January, it would be pretty sticky, but they come in very evenly throughout the year. That allows us to respond on an ongoing basis.

Lord Bichard: I want to explore this a little further with you. I do not think I have to declare an interest, because every time I have come to Garfield Weston it has sent me away—probably with very good reason. The thing that has really impressed me is the simplicity and the openness—particularly the simplicity of the process.

Philippa Charles: Thank you.

Lord Bichard: We talk a lot about fundraising, but the other side of the coin is at least as important—whether donors are as simple in their processes as they could be. I am inviting you to be a pariah for ever in your world, but do you think other donors could be a bit simpler in the way they approach the sector?

Philippa Charles: There are some fantastic examples of other foundations that are very clear. I could cite the Ellerman Foundation and the Tudor Trust, for example. The donors that work in a way that invites applications from eligible organisations are pretty clear. I do not think there is just one good way of doing things. Our way works for us and for the charities that apply to us, but we would not say that ours is the only good way. There are certainly other ways. Philip's model is different, but the Linbury Trust funds—

Lord Bichard: Philip's is a very different model. However, my personal experience of other donors is that they are not as easy to access as Garfield Weston.

Philippa Charles: Thank you for the feedback. I am pleased to hear it.

Lord Bichard: I can see that you are not accepting my invitation to become a pariah in your sector.

The Chairman: That is perfectly understandable. Philip, do you want to add anything?

Philip Lawford: Just on the question that was originally asked—how can charities be assisted in securing support? We have talked a little about the fundraising role, but fundraisers are not the be-all and end-all. They are really gatekeepers. The people major donors really want to engage with are the people who are doing the work—or, at least, those in charge of the work. One of the most visible examples of that in the modern world is cathedral deans, who now spend half of their time fundraising. People do not want to talk to a cathedral fundraiser if they are thinking about giving to a cathedral—they want to speak to the dean. Similarly, if we are going to give to a charity, we want to talk to the person who is in charge of the work. The fundraiser is a facilitator.

Q128 **Lord Rooker:** Good afternoon. Both in the questions and in your answers, when an example has been needed, the term "rural communities" has turned up. There is massive deprivation in inner-city areas. I am not knocking the rural bit, by the way; I live in a small market town, Ludlow, and there are issues there. In other words, the chocolate-box image of the rural bit is more popular looking for the media and, maybe, others than the inner city one of broken windows and everything else.

I want to explore with you the issue of so-called less popular causes. Obviously, a cause is always popular with somebody, however small that number is; it may vary. I am not knocking that in any way. However, should philanthropists be guided to redress the balance? By asking the question, I am not suggesting that they should, but I need to ask about this; otherwise it is hit and miss. A lot of causes would be supported. Others would be unpopular because they do not generate nice images and stories. Sometimes they involve people who may be causing problems in society. Fundraising is therefore very difficult for people working in those areas. There may be a geographical issue as well. Should there be a role for philanthropists in trying to redress some of the obvious imbalances that I assume are there?

Philippa Charles: Our trustees have tended to be wary of causes that can gain significant popular appeal—partly because they feel that they may not need the foundation's help, as they can access that support somewhere else. The underlying point of your question is around trying to ensure that need is met. For our trustees, it is absolutely about ensuring that they are responsive to need, wherever in the country that may be or whatever the cause.

For example, we see that youth, welfare and community charities, in particular, have been disproportionately affected by the financial conditions that we are experiencing at the moment. Philip used offending as an example. Typically, one might say that that has less popular appeal. That allows our trustees the freedom to be able to support those slightly more difficult causes, if a charity has an effective way of meeting that need. However, I would caution against an overregulation approach, to try to force that to happen. Potentially, that would have the unintended consequence of discouraging donors, by trying to force them to behave in a particular way.

Dr Beth Breeze: It is a very well-made point and an important question. There is no question but that generosity is unevenly spread across the different causes. With my students, we talk about cancer, kids and kittens being perpetually the most popular issues. Clearly, there are many other types of causes that would like to have that kind of reach.

At the University of Kent, we did a study of unpopular causes in the last year or so. When we researched the issue, we found that the solution to it, such as it is, is to frame the needs—to explain why it matters that the neighbourhood three streets away is in trouble and how that can affect your quality of life, or how, because we live in a society in which we are connected to other people, helping a need that has not hit you autobiographically may be more important to you than you originally realised. The answer is donor education, to explain how these things are connected. In part, it is also to say that this goes back to why philanthropy can never be the sole solution. I have never met a donor who claims that it is or who thinks that only philanthropy should fund any of the goods that they are supporting. When there is this imbalance, it can be redressed through taxation and by other means.

Lord Rooker: Philippa, you said that, because of the economic constraints, an opportunity arises for donors to be able to go into those areas. Sometimes that situation has arisen because of the outrageous attitude of local government councillors, who do not want to see their council fund the so-called unpopular causes because it will not go down well with their voters. Therefore, the hole has been created by the public pulling out. It has to be wrong that it is then expected that charitable funding will go in.

This was part of the question that George asked originally. When he referred to public funding, I thought he meant public funding not from the mass of the public but from public bodies—local government and others. There is a problem there, is there not? We have not talked to local government yet, so I will be able to vent this later on. Where it has pulled out and left an obvious gap in areas, it is almost inviting people like you to fill the gap—or inviting charities to come to a foundation like yours to do so. Is that appropriate?

Philippa Charles: We certainly cannot fill the gap. Even collectively, the endowed foundations are not of the scale to fill that sort of gap. Our trustees focus on where they can—effectively, we hope—meet a need: where there is an identifiable issue and a sensible solution to it.

To give you an example from the north-east, about four years ago we experienced a very surprising decline, by nearly 40%, in applications from that region. That was pretty shocking, because we knew perfectly well that there was need in the area. Immediately—this is where the flexibility of philanthropy really comes in—we were able to begin a series of strategic initiatives in that region, partnering with the Community Foundation and others to work with youth, welfare and community, in particular, because we felt that they had been disproportionately affected.

Ultimately, we exist, hopefully, to help good things to happen. When a good charity comes to us and explains its need—what it is trying to do for young people in the area—of course we want to listen to that. However, we cannot be a complete substitute, even if we wanted to be. What we can do is fund, where we can see with confidence that our funding can make a difference.

The Chairman: We must now move on to Lord Harries's question.

Q129 **Lord Harries of Pentregarth:** I, too, have to declare that I am a trustee of a charitable body that has received a significant grant from Garfield Weston. Thank you.

How do philanthropists and philanthropic organisations approach requests for support for charity running costs and development? Philippa, you have said that Garfield Weston encourages people to look again at their applications and to take those into account, but the experience of most charities making applications is that they cannot get grants for basic running costs. Should more resources be granted for those activities? If so, how can charities go about trying to bring that need forward?

The Chairman: Perhaps you would like to start, Mr Lawford.

Philip Lawford: The short answer is yes, more resources should be granted. There is a self-fulfilling trend whereby charities think that donors like to fund something that is new. They will create a new project or relabel something and say, "Here is a new initiative. Would you like to fund it?" because the donor can see what they are funding. Even in those cases, my instinctive reaction is, "Is this fully costed?" I do not say, "Oh, you have put some overheads in here". There may be donors for whom seeing overheads in a project would be a disincentive, but the more thoughtful donor would expect overheads to be included, because they have to be paid for somehow. We all know examples of charities that have spent restricted funding on core running costs. After a year or two, the numbers just do not add up and there is a crisis.

Dr Beth Breeze: It is another very well-made question. Paying for core costs has always been a problem historically. People like to build new hospitals but not to run them, so this has always been with us. At the moment, the problem is being exacerbated by what we call in the trade the idea of the golden pound—the idea that every penny in the pound goes to the end beneficiaries and not a penny is wasted on things like getting an accountant to do your accounts properly or all the other things that you need to do. We need to bust the myth that voluntary means free. People can perpetuate that myth quite unintentionally by getting uptight about how much is spent on these crucial things. If a charity is run entirely voluntarily by some scout group, it still needs money to put petrol into the minibus. If a helpline is staffed entirely by volunteers on our campus, someone still has to pay the line rental, the bills and so on.

Again, it goes back to donor education, supported by the right kinds of noises from policymakers and others people listen to that voluntary does not mean free. Donors can get it. One of my interviews with a million-pound donor took place in a café near his business. We were sitting there having a fry-up when he raised the question himself. He said, "I know that the price that I am going to pay for this fry-up is not just the cost of the food on the plate. I understand that I am paying for the light, the waitress, the crockery and so on, so I can also understand that that is the case in my charity". However, as Philippa said, donors are not always asked for that, because charities assume that they will refuse it.

Lord Lupton: This is a related question, addressed particularly to Philippa and Philip. You are major foundations. When you see what you might deem a vanity project—capital build—you are in a position to influence. Do you ever speak out and say, as I have done in the past on something quite large, "This is the wrong thing to do. It is sucking dry a philanthropic pool of money. It is just too big a project for something that is not really needed"? Do you ever do that? Both of you are very influential in your work.

Philip Lawford: We would certainly demand to see the business plan for the few years post-construction of a capital project. I am not sure whether I would go further than that and say, "It is diverting resources from something else altogether". We would probably take it on its own merits, but we would want to have reasonable assurance that it would not turn into a white elephant.

Lord Lupton: So you do that privately. You would never go public with that view. It would be a private discussion between you and—

Philip Lawford: Absolutely.

Philippa Charles: In general for our trustees, whether they fund or not is the public declaration of trust in and support for an organisation and its project because they think that it meets a genuine need. If they had concerns about that, they simply would not fund it.

The Chairman: We will go on to Lady Stedman-Scott's question.

Q130 **Baroness Stedman-Scott:** In keeping with the trend, I, too, declare that charities I have been associated with have been helped by Garfield Weston. Thank you.

What is the role of philanthropy, if it has one, with regard to organisations that perform advocacy roles?

Dr Beth Breeze: I thought that this was the most curious question—no offence intended—because charities are about achieving change. There are many ways of achieving change—sometimes by directly providing a service, but very often systemically, by preventing a problem from existing in the first place. One of the quickest ways of doing that is to campaign for legislative change. It can also be to campaign for consumer behaviour change; it is not always directed just at politicians. That can help to prevent the problem from arising in the first place. Sometimes donors talk rather disparagingly of sticking-plaster philanthropy, where you are interested only in dealing with it further down the line. Sometimes—not always—more thoughtful philanthropy can be about that.

I know that you know that advocacy is a key role, but it is a curious thing. Maybe we need to talk about it, because perhaps not all donors and members of the public understand it. The goal is to make something happen. The "how" of how you make it happen can be whatever is appropriate in that particular case.

Lord Foulkes of Cumnock: On that, were you surprised when the Charity Commission issued its guidance on the referendum to charities and voluntary organisations?

Dr Beth Breeze: It was something people talked about a lot, certainly afterwards, when they wondered what they might have done differently. Charities are all driven by their mission, which is set out on their entry in the charitable register. That is what has to direct all your efforts. If your ability to achieve that mission is compromised by something, whether it is leaving Europe or any other potential change, arguably, in order to run that charity well, one ought to speak up.

Lord Harries of Pentregarth: You are quite right historically. However, as you know, because of Part 2 of the Lobbying Act and the Government's advice—given and then withdrawn—on grant-making being connected to certain criteria about not going in for advocacy, there is a different kind of climate of opinion around at the moment. If you go to the general public on, let us say, overseas aid, quite a lot of them want to see wells of water being dug in villages, rather than money being spent on campaigning for more overseas aid from government. Some charities like Christian Aid have both aspects of that work very firmly focused, but the overall climate is that both government and some sections of the public see this as an issue.

The Chairman: That is the reason for the question. You will appreciate that.

Philippa Charles: Yes—and it is a very important issue. The Garfield Weston Foundation does not fund campaigning or advocacy specifically. However, it is fair to say that we respect the importance of experts in informing policymakers. In the healthcare environment, for example, if you are a charity focusing on a very specific healthcare issue, the chances are that you will know an awful lot about that issue and how it affects people. It is fair to say that your opinion is relevant in informing and educating government and policymakers on that issue. Clearly, it has to be done within the guidelines and rules, and very transparently. The foundation supports the learned societies—the Royal Society, for example. Our trustees would take the view that those experts absolutely have a role to play in informing and educating us all.

Q131 **Lord Bichard:** We have all heard quite a lot recently about the social investment market. I am interested to hear what you think the impact of that, if any, will be on philanthropy. I am also interested to hear what your feelings are about what I was going to call newer forms of fundraising, but you have already corrected me on that by saying that there is not much new about crowdfunding and collaborative giving. Maybe what is new about crowdfunding, giving circles and collaborative giving is the digital dimension. What is your take on those newer forms—I will use the term—of fundraising?

Dr Beth Breeze: It certainly comes up in the research. Donors are interested in new ideas. Their goal is how they can best use whatever resources they have, large or small, to make good the thing that they are interested in improving or making less bad than it would otherwise have been. It is really about the end goal. On the "how", they are open to ideas.

The philanthropy advisers I have talked to in my research say that they are getting a lot more questions about this. It is an emerging market. I understand that you took evidence on this a couple of weeks ago, so I am sure that you went into all the issues there. The point is that the end goal has not changed. There are different techniques and new tools that come and go and have popularity or more focus on them at any one time, but the donors are interested in the "so what?"

This goes back to some of the conversation earlier. I did not mean to say that people are not interested in impacts—not by any means. What they want to know is: how was the money spent? What did it do? How close did it get to achieving the thing that I care about? These are all just different ways of making that happen and bringing it about. If you have a relationship where the charity reports back to the donor—whether it is an individual or an organisation—and lets them know what happened, that ongoing conversation is the relationship I alluded to earlier, where everyone feels that they are on a path together to make good things happen.

Philippa Charles: I would also address the point about its being a toolkit. Effective donors have more than one tool in their kitbag. Social investment bonds, with which the foundation has been involved with ThinkForward, were one part, but we have also had experience with CAF Venturesome. We have invested twice in its development loan fund, for example, which has already been recycled nearly three times, and have been involved through direct underwriting. We would be enthusiastic if there were new tools and mechanisms to encourage new donors, in particular. This is not just about trying to find fancy ways of recycling existing funds. If things like social investment bonds encourage new donors who are enthused by that particular approach, it has to be a good thing for the sector. We would play a part in using all the tools available in our kitbag.

Lord Bichard: Do you think that we should spend a bit of time around crowdfunding, collaborative giving and giving circles as potentially growing sources of funding for charities, or, as was rather suggested, do you think that fads come and go?

Philippa Charles: It is the technology that can drive this. You alluded to that. People are working and thinking differently. The underlying concept may not be that new, but technology is working in our favour now and can engage audiences in a way in which it did not do before. We think that that is a good thing. For example, we participate in the Big Give. We have lots of ways of giving. However, if there is a way of reaching out to new audiences, our trustees are very open to trying different ways of making sure that their funds are spent effectively.

The Chairman: Mr Lawford, do you want to add anything?

Philip Lawford: I have nothing to add.

The Chairman: We will move on to our last question, which we will put to all our witnesses.

Q132 **Baroness Scott of Needham Market:** Before I ask the question, for the record, I would like to add to my list of previously declared interests that I am a trustee of the Industry and Parliament Trust. It is already on my written declaration.

It is a little while until Christmas yet, but if each of you had a recommendation that you would like to see in our report what would it be?

Dr Beth Breeze: It builds on what I have said so far. People often say that there is no such thing as a silver bullet or a magic wand, but in this situation there may be something we can reach to in that sense, which is to put greater efforts, investment and support into asking. I will use the word "asking" instead of "fundraising", because Philip is quite right—it is not just the fundraiser who makes the ask. Often donors do not want to meet the fundraiser—it is quite an invisible role—but often they are the one choreographing the introduction, whether it is to the cathedral dean or, in our situation, to the vice-chancellor or meeting scientists in the lab. Donors want to meet the people doing the work, but the person, whatever we call them, who makes the bridge between those with the resources—the donors—and those who can spend the resources well is essential to this debate.

The talent pool for fundraisers is pretty small and shallow in the UK. There is a lot of churn. Smaller charities, in particular, find it hard to recruit qualified, experienced, ethical and successful fundraisers. The nearest a charity can get to an in-house magic wand is a good fundraiser. My one recommendation would be to do whatever can be done there, whether it be by providing resources to capacity-build, train and so on, or simply by not putting the boot into fundraisers quite so much, which is an odd way to encourage something.

The Chairman: Can we have one from you, Philippa?

Philippa Charles: It is not dissimilar to Beth's. We would encourage you to invest in quality advice and infrastructure. In effect, what our trustees want to be able to do is to help people who can help themselves. I would also recommend focusing that infrastructure on regions where advice and support are sparse, on charities that are small and mid-sized—they are the ones that are struggling particularly right now and that would benefit particularly from support and advice—and on areas such as youth, welfare and community, which have been disproportionately affected by the situation we find ourselves in.

The Chairman: What is your one suggestion, Philip?

Philip Lawford: Maybe you will allow me to make two. Broadly speaking, the charity sector has had a bit of a kicking in the last year or so. One can trace it back to the Kids Company fiasco, perhaps, but there is a tendency to regard the charity sector as homogeneous and to treat it all as too similar. Of course, that is no more true than it is to say that the corporate sector is homogeneous. Good charities are being tarred with bad PR arising from one or two very unfortunate incidents.

The other thing, coming from the Sainsbury family, is that the generation of Sainsburys for whom I work are now quite elderly. Generally, we have a concern about where the next generations of major philanthropists will come from. I do not have a constructive suggestion, but the best thing that the Government could do would be to do something to facilitate lifetime giving—lifetime commitment of financial resources to the charitable sector. At the moment, it is great when you die, but people enjoy giving while they are alive.

The Chairman: Thank you very much for your suggestions, your time and your most interesting evidence.