

Select Committee on Charities

Corrected oral evidence: Charities

Tuesday 6 December 2016

5.05 pm

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Members present: Baroness Pitkeathley (Chairman); Baroness Barker; Lord Bichard; 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.

Evidence Session No. 22

Heard in Public

Questions 209 - 218

Witnesses

I: Mr Rob Wilson MP, Minister for Civil Society, Department for Culture, Media and Sport; Mark Fisher CBE, Director of the Office for Civil Society.

Examination of witnesses

Mr Rob Wilson MP and Mark Fisher CBE

Q209 The Chairman: Good afternoon, Minister and Mr Fisher. We are delighted to see you. Thank you very much for coming to see us this afternoon. I have a preamble, which I have to put on the record. This session is open to the public, as you will know, and is being broadcast on the parliamentary website. A transcript will be taken of your evidence. You will be sent a copy of the transcript to check it for accuracy and to advise us of any corrections. If, after the session, either of you wishes to clarify or amplify any points made during your evidence, or if you have any additional points to make, you are welcome to submit supplementary written evidence to us. I should say that we are not expecting any votes this afternoon, so we will not be disturbed by that. Do not feel that both of you need to comment on our questions; answer them as you see fit. We will take it in turns, as you know, to ask questions. Could you perhaps introduce yourselves for the record?

Mr Rob Wilson: I am Rob Wilson. I am the Minister for Civil Society.

Mark Fisher: I am Mark Fisher. I am the director of the Office for Civil Society.

The Chairman: We are very pleased to see you. I will start with the first question, which is about the Government's ambitions for the charity sector. How are they seeking to support the sector in realising those ambitions?

Mr Rob Wilson: First, our vision is one of a society and economy that works for everyone, as the Prime Minister said on the steps of Downing Street, and a stronger society that has compassion and opportunity at its very centre. I want to see a much more engaged nation, in which we take greater responsibility for ourselves and for our neighbours, and where we can reduce the demands on the state by involving people at local, neighbourhood, town and city levels. We have a clear set of manifesto commitments that enable us to do that. I am sure you are aware of those manifesto commitments.

In terms of supporting the sector, the most important thing that the Government can do is to make sure that we maintain an effective legal and regulatory framework for charities, and to promote, encourage and support civil society in a number of ways. I am sure we will get into the detail of that as this session goes on. In essence, we want to increase social action, develop a culture of giving in this country, support a strong and diverse voluntary sector and empower communities to look after themselves.

The Chairman: Do you want to add anything, Mr Fisher?

Mark Fisher: Only to say that we have a fairly clear set of metrics with which we track change: for example, the amount of social action and volunteering, particularly among young people; the amount of

philanthropy; and the amount of social investment. These are all things we track, to see the overall effectiveness of our work on civil society, as the Minister has said. Supporting the charity sector through the legal and regulatory framework is one aspect of trying to ensure civil society works for everybody.

Q210 Baroness Jenkin of Kennington: What is the role and function of the OCSI, and how has it changed, if at all, since the move of the department? What are the key priorities and how does the move of department help it to deliver them?

Mr Rob Wilson: The OCS is responsible for delivering the manifesto commitments that I have mentioned and the key programmes in the government agenda for building a bigger, stronger society. Our key priorities are increasing social action, volunteering, boosting giving and all those things I mentioned earlier. The move to DCMS helps us in a number of ways to deliver that. First, we are in closer alignment with the Big Lottery Fund through moving to DCMS. DCMS sponsors all the other lottery distributors as well, so there is a much closer connection there.

DCMS also looks after a number of exempt charities, such as museums and galleries, which face similar challenges to the rest of civil society. DCMS has a focus on innovation and driving growth, which fits in with the philosophy that we have at OCS in terms of social impact bonds, social value, the Commissioning Academy and our drive for more mutuals. DCMS has quite a bit of commercial expertise, which is evidenced from the UK's world-class media and sports industries. DCMS is now responsible for about 15% of the nation's GDP, which is impressive by any measure.

Lord Bichard: I understand that. When I used to wander round Whitehall trying to persuade civil servants, and sometimes Ministers, I have to say, that they should take the charitable sector more seriously, I was left with a feeling that many regarded this sector as marginal and not really central in the way that you initially described it. Is there not a danger that, where there are functional connections with the things you described in DCMS, people will see this move as further evidence that the charitable sector and civil society are no longer at the heart of government policy?

Mr Rob Wilson: I do not agree with that point of view. We see the third sector as central to the things we want to achieve over the next four or five years. It is essential, if we are to make progress in this country, that the third sector, business and government come together and tackle the deep-rooted generational problems that this country faces. As part of what we are doing in DCMS, we have formed a new unit within OCS, which is part of DCMS now: the Inclusive Economy Unit. That is going to work across Government, with many departments, on social investment, building mutuals and supporting the work of mission-led businesses. There is an awful lot that is central to what the Government and the Prime Minister want to achieve.

Lord Bichard: With respect, that was not quite my question. My question was not whether you were convinced about the centrality of civil society, but whether the move could be perceived as marginalising it.

Mr Rob Wilson: In terms of marginalisation, people can perceive things in many different ways and we have had the odd representation in the spirit that you described. I would strongly resist that point of view, because I believe we now have the capacity and the tools within DCMS to make fast progress with the OCS brief and make it a big success.

Mark Fisher: The centrality of what you are doing comes from the importance of the things you are doing for the Government as a whole, up to and including the Prime Minister. What is good for us is that our programmes are central to the vision of the new Prime Minister and the Government of the day. Now, practically, being in the Cabinet Office was good for us. I am not going to deny that that was a good place to be. It enabled us to convene things across government in a way.

But, as long as we are continuing to do the things that are central to the Government's agenda as a whole, which I firmly believe we are doing, we get the authority we need to do what we need to do across the system as a whole. The creation of the Government's Inclusive Economy Unit is part of that.

It is also fair to say, as the Minister has said, that there are some pretty clear advantages from the move. One is that we can exploit a huge synergy between what we do and what the rest of the department does. For example, we do a lot of work, as I am sure you know, on social action, and youth social action in particular: how to get more young people to volunteer. What better way is there of getting more young people to volunteer than to engage Sport England and the sport system in that sort of endeavour? There are powerfully good things coming out of this. If we were not doing things that are central to the Government's agenda, I would be worried about our power and influence. Because we are, that is where we get the authority from.

Lord Bichard: It is not just sport: you meant to add "arts and culture" as well.

Mark Fisher: Yes, I absolutely did. There are plenty of examples of arts libraries being places where communities, volunteering and social action can come together.

Mr Rob Wilson: It is not all one way. We bring a lot to DCMS as well, in terms of things such as social investment in arts and culture.

Lord Rooker: Good afternoon. I almost decided not to ask this, because of what had been said. My experience from different departments was that, when a policy was enunciated by another department, it was a moot point whether it was taken seriously depending on the Minister and the relationships between the civil servants. If it came down from the centre, from No. 10 or the Cabinet

Office, civil servants tended to jump and say, "Minister, this is important. You cannot ignore this".

The third sector was a good example, because every department has relations with the third sector. The charities and NGOs are out there already. How can you give added value to that, stuck in the silo of DCMS, as opposed to being in Whitehall? I am not saying one is perfect or the other is good or bad. How can you add value now, being in a government department as opposed to being across Whitehall? How are you measuring your impact, because you do not have much time? Time drifts along.

Mr Rob Wilson: First, I do not think we are stuck in a silo where we are, at DCMS—far from it. We have tried to articulate that in our previous answers. I see cross-government working as having accelerated over recent years; even in the two and a bit years that I have been a Minister, it has certainly accelerated. Very close working relationships have been forged by my Civil Service team across government, which is part of the Cabinet Office ethos anyway, and that has come with us. The things we are doing are of great value to other parts of government. Other parts of government are coming to us for help with things such as social impact bonds and social investment, because what we are doing is really important to them.

Q211 **Baroness Barker:** In your view, how is the Charity Commission performing? Is it fit for purpose and what further changes need to be made to improve its effectiveness as a regulator?

Mr Rob Wilson: You have just seen the Charity Commission, obviously, because I met the witnesses on the way out. You have also interviewed Paula Sussex. In my view, the Charity Commission is performing extremely well and the leadership of William Shawcross and Paula Sussex in the last few years has been outstanding. They have been refocusing on a more regulatory role, to become much more robust in being a proactive regulator. They are doing so because Parliament and the public asked them to deliver that. We in government have been supporting those changes through things such as the Charities Act of this year, through which we gave the commission the powers that it said it needed to carry out the regulatory role that, as I say, the public and Parliament had asked for.

There have been a number of different reviews over recent years, from the National Audit Office, and Lord Hodgson did one in 2012. They all said the same thing: that the Charity Commission was not a robust enough regulator. We have changed that, and I think the Charity Commission is doing a very good job. According to the most recent assessment of how it is doing, it is making good progress.

Baroness Barker: The Commission could not answer this question, but we hope you can. Why was there a long delay between the appointments to the board and the announcement? Do you think it is transparent to make appointments and let appointees take up their posts without making a public announcement or telling the charity sector that you have

done so?

Mark Fisher: The appointments went through the normal process that these appointments go through. They were all approved by OCPA, the appointments regulator. I am not sure that there was any specific issue that would cause us concern about that as a process for appointment. In my experience, it is simply a matter of the process: these things can take quite a long time between the interview process, a recommendation from the panel and final sign-off by the relevant Minister. It is common for these processes to take quite a long time. Clearly, that is not ideal, but it is the nature of what happens.

Baroness Barker: Is it common for people to start without any public announcement, even though it is a public appointment?

Mark Fisher: I am not aware that that is what happened.

Baroness Barker: The commission said to us that the one thing it thinks would help the sustainability of the sector is improvement in governance, which it told us meant diversity of trustees, transparency and high levels of accountability. Do you think the Charity Commission board is a good example of that?

Mr Rob Wilson: There was a review of governance arrangements for the Charity Commission only last year. It was conducted by Alan Downey. It was a recommendation of the National Audit Office that that should happen. It concluded that the board operates effectively and focuses on matters of strategic importance. In terms of governance, I think it is operating well. If you are asking whether the balance of people, genders, et cetera is as it should be, to reflect society in general, we have a long way to go, not only in the Charity Commission but in the Civil Service and across government, and possibly across the boardrooms of this country. I would say we have a long way to go.

Baroness Barker: How do the transparency and accountability rate compared to other regulators?

Mr Rob Wilson: As far as I can see, the Charity Commission is as transparent as it could possibly be. Is the Committee thinking of giving us any recommendations that would make it more transparent?

Lord Rooker: Hold board meetings in public, like the Food Standards Agency.

Mr Rob Wilson: That is an interesting suggestion.

Lord Foulkes of Cumnock: On the appointments of these three charity commissioners recently, I wonder if either you or Mr Fisher could help us. Who decided the criteria for the appointments? What qualities and qualifications were needed in particular? Who interviewed the candidates and who made the decision?

Mr Rob Wilson: There were four people on the interview panel. There was an independent representative.

Lord Foulkes of Cumnock: Who were the four people?

Mr Rob Wilson: I am just trying to remember; it will come back to me. There was William Shawcross and his deputy.

Mark Fisher: There was a senior civil servant.

Mr Rob Wilson: Neil Mendoza was the independent panel member, and there was a senior civil servant. There was a panel of four people.

Lord Foulkes of Cumnock: Did they decide the criteria for the kind of person they were looking for or did you give those to them?

Mr Rob Wilson: There were gaps on the board and certain experience that the board needed. One was in the area of security, because the previous expert had stepped down. It was that which influenced the areas of experience they were looking for. Claire Dove from the charity sector stepped down. I am just trying to remember who the third person who stepped down was. There was a need identified through the transformation programme for an IT specialist, and there was a gap in digital knowledge. The charity sector needs that knowledge, because there are gaps in digital knowledge across the charity sector as a whole.

Lord Foulkes of Cumnock: Given that we heard from the Charity Commission some time ago that they require charity trustees to take account when making appointments of the question of diversity, are you disappointed that there are no black or ethnic minority members and no one from the north of England on the board of the Charity Commission? They are all from the south-east except one, who is from Wales.

Mr Rob Wilson: The important thing is to enlarge the pool of applicants for the post so that there is a wider pool to draw from. That is a big limitation in terms of the people who are appointed, not just at the Charity Commission but for a whole host of other public appointments. We have a big job to do in government, to make sure that we widen that pool and attract people from ethnic minorities and all sorts of other backgrounds into doing these jobs.

Lord Foulkes of Cumnock: That is a very helpful response.

Baroness Scott of Needham Market: For William Shawcross, putting finances on a sustainable footing is key in the light of a recent history of cutback in Government grant. As you will know, Minister, they are looking at a number of different ways in which that can be put right.

We were given the example that the Solicitors Regulation Authority is paid for by solicitors; therefore, it is not unreasonable for charities to pay. I wonder whether you think there might be a danger in that approach. If, for example, it goes on to be self-funded by the industry, why on earth should Parliament have a say in how it is run? Why should the Public Accounts Committee tell it what to do if none of the money is coming from taxpayers down the road?

Mr Rob Wilson: At the moment, the spending review has agreed a settlement with the Charity Commission, which is, from memory, £20.3 million a year until 2020. It has had an injection of about £8 million for the transformation programme it is running, a result of which should be to liberate further funds to the front line.

Like all areas of government—and I know it is independent, but it is funded by the Government—it has to look to the future and at whether there are other ways in which some of the funding could come forward. I know that the Charity Commission is interested in whether there is a way for charities to part-fund the commission. That is a matter on which it has opened discussions; I think it may well end up consulting on it. All options have to come into play.

Charities want further services beyond the policeman/regulatory functions, and if they want those services then they will have to contribute something towards them. There is no suggestion that Government will step out completely from funding the Charity Commission, because we have already made a commitment, but it is wise to have a look at other ways to fund things. As you say, there are other sectors that pay for their own regulation and charities are paying for their own self-regulation through the Fundraising Regulator at the moment. In a sense, there is a precedent set there already.

The Chairman: That point was made to us.

Lord Lupton: Coming back to board composition, in the private sector charity world—that is, privately funded charities—we can use professional outsiders or head-hunters, as I did. Some will do the work pro bono; some will charge very low fees, to spread the net as wide as possible. Do you allow that in an institution such as the Charity Commission? If you allow it, do you encourage it?

Mark Fisher: We always make a judgment on whether using head-hunters is the right thing or not. On occasion, it is; on occasion, we feel you can spread the net wide enough without going to the expense of employing head-hunters?

Baroness Barker: Can you tell us how Mr Mendoza was appointed?

Mr Rob Wilson: Mr Mendoza was on the panel.

Mark Fisher: Mr Mendoza would not have been found by head-hunters; he was on the interviewing panel.

Baroness Barker: How did he get there?

Mr Rob Wilson: He was appointed.

Mr Rob Wilson: Mr Mendoza is a non-executive director at DCMS, coincidentally, but he was appointed to be the independent person on this panel.

The Chairman: He was the outside assessor.

Mr Rob Wilson: He was the outside assessor, yes.

Q212 **Baroness Stedman-Scott:** Social investment is a big subject for charities, and it has had varying degrees of penetration into charities. Can you help us understand why the Government decided to focus on social investment, given its relatively small role in charity finances, and what actions are the Government planning, to make the social investment market more self-sustaining?

Mr Rob Wilson: Social investment essentially covers a whole suite of different types of finance for the social sector, including social impact bonds, community shares, blended social finance. The key thing is that it is not there to displace other forms of finance, such as voluntary income, trading or grants. It is not there to replace that. It is there as an important source of alternative finance to those organisations that choose to take that route.

The key thing about social investment is that it is a sustainable form of finance: the capital can be re-used to continue delivering social impacts, because it can be reinvested time after time. That gives it enormous potential, and the reason we are putting so much effort into it is that it is a new market. It is something that we believe is going to work. There are very promising signs that it is working. Therefore, we have set up the infrastructure that will allow it to continue to work: Big Society Capital and the intermediaries that flow out of that; and indeed the Access foundation, which supports charities and social enterprises to scale up and to take the finance that is available to them. We think we have done it in a balanced and proportionate way, and a way that, over time, charities will find more and more attractive.

Mark Fisher: We are very proud to be world leaders in the use of social investment and social impact bonds. It is worth saying that social investment is not the only thing we do. We try to look, systematically, at what other things we can do to leverage in help for voluntary sector. That could be social investment; it could equally be volunteering. It could be finding ways to encourage more businesses to get engaged and let their people volunteer. We have had a number of round tables, to see if we can find ways of increasing pure philanthropy. We focus on social investment, and rightly so, but it is not the only thing we put investment in, in the office.

Q213 **Lord Harries of Pentregarth:** We have heard a great number of concerns, Minister, about the new contract culture and the difficulties that charities face because of the commissioning process. Can we have some assurance that you have heard these concerns? There is a whole range of them. What are the Government doing to address them and to improve the quality and reach of public sector commissioning?

Mr Rob Wilson: On the contract culture, as you put it, that big switch really took place between 2005 and 2010. Contracts have stayed pretty flat since 2010, as has grant-making. The big switchover between grants and contracts was before 2010. As a Government, we want small and

medium-sized civil society organisations to access public service contracts, because they want to and because they can really improve the outcomes for their service users. They have talent, ability and expertise that we cannot find anywhere else. We want to use it.

We have, over the past six months, been having an open policy discussion with charities, including 80 of the smaller charities, to explore the scope for government and the voluntary sector to find ways around the barriers that currently exist. We hope we have made good progress on that. The findings and feedback are informing the next policy decisions that we are about to make and hopefully announce in the next couple of weeks.

We have done other things. The Public Services (Social Value) Act is making commissioners think about how they can get social impact alongside spending on other things that they are doing. We are making sure that, where bigger contracts are given, those awarding authorities, through the Public Contracts Regulations 2015, have to explain why they have not split those big contracts into smaller contracts. That is making things much more transparent than perhaps they have ever been before.

Lord Harries of Pentregarth: As you rightly say, Minister, it is not just the smaller charities, but it is particularly acute for them. They complain, first, that they do not have the resources to go in properly to the bidding process. They do not have the resources and finance to compete against the bigger charities and sometimes commercial organisations. The fact that running costs are often not included in the contracts makes that very difficult, not just for them but for others.

Mr Rob Wilson: I would say to smaller and medium-sized charities: if you do not like the look of the contract and it is not going to suit you, walk away from it. A number of charities are perhaps taking on contracts because they feel they have to. I would strongly advise them not to do that. In government, we are trying to make it a level playing field. That job is not finished yet, but it is under way. We are trying to champion the smaller and medium-sized charities, because we believe they have an enormous amount to contribute, and at the moment, for the reasons that you have said, and as we have realised, they are not able to do that in the way that we want them to do it.

Lord Bichard: The problem is that, whoever was responsible for grants reducing and contracts increasing, which I think is irrelevant, if I may say so, the fact is that grants have reduced very substantially. It is quite difficult for smaller charities, or indeed any charity, to walk away, as you put it, from a contract when that may be the only way, short of fundraising, which is also difficult, of continuing in being. Therefore, the way the commissioning is undertaken is critical to the survival of many of these charities.

Mr Rob Wilson: If you take on the wrong contract, it may be critical in the other direction, so you have to strike a balance.

Lord Bichard: We need fewer wrong contracts, do we not?

Mr Rob Wilson: That is what I have been trying to explain: we are trying to move in a direction where we have a more level playing field, so smaller charities can get involved.

Lord Bichard: Can you be a bit more precise about what that means, in your mind?

Mr Rob Wilson: We will be making some announcements on this in a couple of weeks' time. I do not want to pre-empt those. We have set up the Access foundation, with a big endowment, and it is there to support charities, to grant funds if they have problems getting to scale, to give the support that they need to get to the point where they can take on these types of contracts. We have put mechanisms in place to make sure that the support is there, if they want and need it.

Baroness Stedman-Scott: My point is in line with Lord Bichard's. We are where we are with contracting, and anything you and your team can do to change the system and allow charities that really can deliver access to the contracting market on terms that are not so Russian roulette, if I can put it that way, would be more than appreciated. At the end of the day, the charities have innovation. They are so close to their service users that they have a really good understanding of what they need and what makes the difference, and they will turn over and inside out to make sure they deliver that. They are then presented with a subcontract or a deal that takes no account of all their intellectual property. It is quite shameful that they are treated in the way they are. Anything you can do—and we are counting on you to help them—is good for them.

Mr Rob Wilson: I am certainly going to try to help them. One other thing that we have, which has been very successful, is the Commissioning Academy, which has brought together senior decision-makers across the public sector to improve commissioning practices—the type of practices you outlined—and that is going extremely well and has been very well received.

Baroness Scott of Needham Market: The Commissioning Academy has been a helpful development and I am interested in this Access fund. One of the biggest single investments the Government will make in this sector will be through the National Citizen Service. Are these facilities going to be available to potential providers to NCS, or because they have been set up separately under royal charter will they be outwith this commissioning?

Mark Fisher: We will be talking to the National Citizen Service Trust about how it undertakes its commissioning. Virtually all its commissioning at the moment is done through the voluntary sector. Most of the places are bought from the voluntary sector.

Mr Rob Wilson: And that will increase.

Baroness Scott of Needham Market: The question of smaller providers

is really important as the Bill goes through.

Mark Fisher: The short answer is yes. We will be working with the NCS Trust to make sure that the work we are doing on helping the sector generally is reflected in its approach.

Q214 **Lord Lupton:** In the OCSI's written evidence, you said that through the Centre for Social Action you had supported a large number of organisations to significantly improve their evidence base and secure funding from other funders or commissioners as a result. This may be for you, Mr Fisher. Have you ideas on how charities generally can be helped to demonstrate their impact to both supporters and their beneficiaries? If you have, are there any detailed requirements on showing and measuring impact that will not put a bureaucratic burden on the charities and reduce their ability to deliver front-line services?

Mark Fisher: It is worth noting that there is some confusion about the name: the Office for Civil Society and Innovation. We have left the "innovation" bit in the Cabinet Office. Although we still do a lot of innovation, the formal title is now the Office for Civil Society in DCMS.

In answer to your question about impact, the Centre for Social Action's primary task is to promote social and community action and volunteering. It does this in partnership with others, such as Nesta, to promote examples of great practice around the country. We hope that will lead to the growth of social action, for example in the health system. Are there simple ways we can, through social action, reduce loneliness or isolation in a way that will benefit not just the individuals, but the public sector? That is what it does. It is very careful to put into all its contracts and requirements for its grants the need to show impact.

It does that for two or three reasons. First, we are never going to persuade the rest of the system of public service to take up these ideas unless we can show that they work and they have the impact on the public funds and on the beneficiaries that we want them to have.

Secondly, it is simply good practice. It is good practice not just for the things funded by the taxpayer, but for things funded by philanthropists. Everybody wants to see that what they are doing has an impact in the real world. Everybody wants to see that there is an impact. It is an important part of all our work. We fund a variety of different things. In the youth system, for example, we funded something called the centre for youth impact.

Mr Rob Wilson: It is making a real difference to how youth services operate.

Mark Fisher: It is all about trying to make sure that youth services, in what they do on the ground, have an impact on young people. Similarly, we funded the Access foundation in a variety of ways. The main focus of our work is to enable charities, however funded, to understand the impact of what they do.

Lord Lupton: How do you make every charity more accountable? You are giving examples of best practice charities.

Mark Fisher: I do not think we can make every charity accountable.

Lord Lupton: Every charity above a certain size, let us say.

Mr Rob Wilson: 75% of charities receive no government funding of any description whatever.

Lord Lupton: I am thinking of best practice for the whole sector, wearing your hat, Minister.

Mark Fisher: We obviously try to share practice, but, as the Minister says, most charities have no public income at all. For most charities, this is a relationship between the charity, the donors and the various people who give them their income. It is up to them to assess what impact they are looking for in their donation and how that works. Clearly, it is good practice and we would insist on it where public money is involved.

Q215 **Baroness Scott of Needham Market:** This is a complete change of tack. I wonder whether you could describe for us the work that you are undertaking at the moment to evaluate the impact of Brexit—all different sorts of Brexit—on the sector?

Mr Rob Wilson: We recognise that charities will be affected by exiting the EU, and there are a broad range of implications. Different parts of the charity sector could be affected in different ways. The important thing is that we are listening to their concerns and talking to them about the opportunities as well as the potential pitfalls that might arise from Brexit. We have looked at some of the funding issues, particularly around the European Social Fund, which is about £200 million worth of funding. One positive thing is that all the legislation is local, in-country legislation, not European legislation, so the disentanglement in the charity sector is not as big a problem as in other areas of the economy.

We have an assurance from the Chancellor about some of the funding issues. He gave that assurance six or seven months ago, with regard to commitments that have been made. If charities show strong value for money in projects going forward, they will continue to be funded. After we come out of the EU fully, we will have to make decisions at a local, in-country level about how we fund the sector and the conditions around that.

The Chairman: Have you discussed it with the Secretary of State for Exiting the EU?

Mr Rob Wilson: We had a round table, which involved a Minister from the Department for Exiting the EU, the Secretary of State for DCMS and me, with all the sector representatives. We are due to have another of those meetings early in the new year, in January or February. We are continuing the dialogue. We have asked NCVO to do some work on that alongside us.

The Chairman: While we are talking about cross-government things, what is your relationship with the new No. 10 Downing Street policy unit for charities and how do you relate to it?

Mark Fisher: We are pleased that there are people in No. 10 focused on the charity sector. That is a great development, if I may say so, and we work extremely closely with the small team there that does this. It is not entirely hand in glove, but we speak regularly and we agree what we are going to be doing and our priorities for action. It is a very close and good relationship.

Mr Rob Wilson: We know that it is very interested in the work that we are doing. I meet on a fairly regular basis with the key people there and we have a very strong relationship, I would say.

Q216 **Lord Bichard:** Could you say a little about what you think the role of charities is, so far as advocacy is concerned? Do you feel that the recently published standard should reassure charities, particularly in terms of lobbying government about policy?

Mr Rob Wilson: My views on this are clearly on record in a number of places. I have consistently said that charities can and should undertake campaigning in support of their charitable purposes, provided that it is within the law and does not stray into party politics, and that it is a legitimate and important role for charities to take.

The so-called anti-advocacy clause was never really about charities. It was about the Government putting their own house in order in relation to grant-making. The voluntary sector was only a very small part—I think something like 7%—of that whole thing. We made an announcement; we paused and listened to what charities were saying and their concerns about the clause, and as a result of that we have taken a different approach that does what we want, but makes it clear what charities can and cannot do. In my understanding, from what I have seen within the sector, there has been a very positive outcome.

Lord Bichard: Just to give you an opportunity to make it even clearer, you do not agree with your predecessor's comment that the money should not be "wasted on the farce of government lobbying".

Mr Rob Wilson: There is an important principle that I do not think we should back away from, which is that taxpayers' money should not be used to lobby for more taxpayers' money. That is not a good use of public funds and, therefore, I do not have any problem with resisting that. That is an important principle. Nothing in this new agreement has changed that.

Lord Foulkes of Cumnock: I am not sure exactly what you mean by straying into party politics. If, for example, a body such as the Salvation Army felt that the policy of a particular political party would harm the kind of poor people it was dealing with and wanted to make representations in relation to that, would that be straying into party politics?

Mr Rob Wilson: I am not the judge and jury on this. The Charity Commission has quite important guidelines—CC9, I think—that govern this. Charities need to know and understand the rules, and know that if they get it wrong there is a regulator that will haul them up and point out that they have got it wrong. It not for me, as a government Minister, to say which is right or wrong, but it is an important principle that no charitable organisation should be using its funds to support one party or another.

Lord Foulkes of Cumnock: There are some people who think supporting the status quo is not party-political, but advocating change is. Does that sound right to you?

Mr Rob Wilson: Again, it is not really for me to make those distinctions. It is a matter for the regulator of charities to make those judgments.

Lord Foulkes of Cumnock: But you made a speech saying they should not stray into party politics.

Mr Rob Wilson: I did make a speech. I have been clear that, if charities want to campaign on behalf of their beneficiaries, that is absolutely fine and it is an important role that charities have always had. Oxfam was criticised for an advert, which was on social media, called “Perfect Storm”. It strayed, according to the Charity Commission, slightly on the wrong side of the line and was told that it needed to get back on the right side of the line, which is what a regulator is there to do. It is not really for Ministers to get involved in that.

Lord Foulkes of Cumnock: That is why members of the regulator should have a wide range of experience and background, and not represent one particular section of society. Is that right?

Mr Rob Wilson: As I have said, there are challenges in broadening out who sits on a lot of these public bodies. We are trying very hard to make we get a bigger pool of people along to be involved. It is not easy, as you probably know from your time in the Commons.

Q217 **Lord Rooker:** Do you have a plan for seeking to develop digital capacity among charities and the third sector, or do you leave that to somebody else? Do the Government have a role in that area or not?

Mark Fisher: The approach we have taken to this is similar to the approach we take to leadership and management in the sector. We do not regard ourselves as the sole funder, but if there is a coalition of people willing to come forward and do something interesting, we will support it either financially or by convening people, getting people organised and bringing business in to help a particular initiative. We have done a lot of work with many other foundations on whether we can identify the issues in leadership and governance of charities, to see if we can collectively come to some agreement on what needs to be done.

Similarly, with digital work, we are working with other foundations and, indeed, with digital companies to see if we can put some arrangements

together to increase the level of digital skills in charity. We would say we have a role. We would never put ourselves forward as the major funder or something like that, but we definitely have a role in encouraging people to come together to support that sort of initiative.

Mr Rob Wilson: Some charities have seized the opportunities of digital and shown that they can make great strides very quickly with it, but it is for charities to decide how they make it work for themselves. As Mark says, we have a supporting role to play in that. We can convene, help, support, advise and spread best practice, and we are always doing that. Digital will be a really important part of the landscape for charities, and I really hope they make the most of it.

Lord Rooker: You cannot micromanage. No one is asking you to do that, but one area in which the centre—I cannot remember what year it started; it was a long time ago now—was able to help charities was by bringing in “give as you earn”. Nobody has referred to that. Do you have any plans to extend that and make it more user-friendly, so that more people take it up and charities get more funds?

Mr Rob Wilson: Do you mean payroll giving?

Lord Rooker: Yes. I have had a chequebook for years and other people do it. It was a national set-up. Parliamentarians were all asked to co-operate and give it a push.

Mr Rob Wilson: I am writing to quite a few businesses, because there is a campaign going on at the moment to encourage more companies to offer payroll giving to their staff. At the moment, it raises about £130 million a year. It is an easy, simple and tax-efficient way to give, and I would like to encourage a lot more businesses to get involved in it. There is a big campaign going on at the moment.

Lord Rooker: Is every government department signed up to it? They were not when I was a Minister.

Mr Rob Wilson: I do not think every government department is signed up to it, but I do not have those figures with me.

Lord Rooker: I have one final one, which is a plea, having got the Minister here. Every day, thousands of people walk into charity shops in high streets to give goods away for selling, because it is a good cause and they raise a lot of money. If they sign up to “give as you earn”, the charity can get the tax back on what they sell. That is an advantage, but why on earth does the charity then have to write to that person twice a year to tell them how much was raised. That is a classic example of red tape. They have given the goods away for sale. They are not interested in keeping accounts on it. Why should they have to write to people twice a year to tell them? It is a massive red tape issue.

Mr Rob Wilson: Perhaps we could write to you, but not twice a year, on that.

Lord Rooker: It has been raised with me by more than one organisation.

The Chairman: If you can do that for us, it would be useful.

Lord Bichard: I must say that my family quite likes that. You touched on leadership and management, which is critical in terms of the effectiveness of the sector. I was pleased that you said this was something you keep on your radar screen. It is not a trick question. It is not a criticism of what you do, or indeed of the sector, but is this an issue that we all need to do more about? In other words, are you satisfied with the level and quality of leadership and management development in the sector?

Mark Fisher: The sector has been through two quite big experiences recently. One of them was the Kids Company transition. Secondly, there were the fundraising issues, which seemed, at least, to raise questions about leadership, governance and management. You have to remember, of the hundreds of thousands of charities there are, most are managed and led perfectly well, without any particular issues at all. Getting to the bottom of exactly where the gaps were—clearly, we all felt there were gaps—was something we wanted to get into conversation with funders and others about, before leaping in to fund a particular solution.

Our own learning is that, if the Government by themselves decide to fund something, it is unlikely to be quite the right thing. If, on the other hand, you are doing something where other foundations are also saying, “It is the right thing”, you are more likely to be getting the thing right. We have been working with a variety of foundations, such as the Big Lottery Fund and the Charity Commission, to try to work out what the gaps are. It may well be that there is plenty of training and stuff out there, but people simply cannot find it. It may be that there are specific gaps.

Lord Bichard: Can we expect another announcement on this in the next couple of weeks?

Mark Fisher: It probably will not be in the next couple of weeks, but I hope we will say more soon.

Lord Bichard: There is still time.

Mr Rob Wilson: It will be an early Christmas present, perhaps.

Mark Fisher: We are acting very deliberately, as part of a coalition of a whole variety of different foundations, under the Big Lottery Fund.

Q218 **Baroness Stedman-Scott:** The thing is that you do not have to write to them twice a year. When you write to people and say, “From the goods that you have given me, I have managed to derive £200 for my charity”, they go upstairs, get another lot out and take it, so it is a really good thing to be doing.

This is our last question now. I would like one response from each of you, please. What one recommendation should the Committee make in

relation to the sustainability of the charity sector? What would your one wish be?

Mr Rob Wilson: The sector went through a big shock last year with regard to fundraising, and trust and confidence in the sector was really knocked because of that. I saw an article today that said charity chief executives are less trusted than hairdressers today. That particular shock is a bit like the sector has had a mild heart attack and it needs to recover. It needs to embed the reforms that we have been supporting it in making. It needs to get behind the self-regulation of fundraising. All the charities in the sector must get behind it, fund it, support it and accept the decisions. That is the one thing that they need to do, to make sure they are on a long-term sustainable basis.

Mark Fisher: Yesterday, the Government published a review of mission-led business. One of the really powerful things happening in society at the moment is that more and more businesses are seeing the value to themselves in adopting a social purpose or mission, allowing their people to volunteer and all those sorts of things. One thing that would be really useful is to have a bit of a focus on skills brokerage: the function that links businesses that want to let their people volunteer with the charities on the ground that need those skills. We still have too many situations where accountants paint walls. We want skilled businesspeople to engage with their local charities, for the benefit of those charities. Something around that would be brilliant.

Mr Rob Wilson: On 16 December it is Local Charities Day, which is a new initiative, and it would be great to have everybody's support.

Lord Rooker: That is the day of your announcement, is it?

Mr Rob Wilson: It is.

The Chairman: Funnily enough, that might be the time we look for announcements.

Mr Rob Wilson: Have you been in politics?

The Chairman: I thank you on behalf of the Committee, Minister and Mr Fisher, for your time and your very full and useful answers. Thank you very much indeed. That brings the public part of our proceedings to a close.