

Rt. Hon. Oliver Dowden CBE MP
Department for Digital, Culture, Media & Sport
100 Parliament Street
London
SW1A 2BQ

28 January 2021

Dear Secretary of State,

The priorities of the Charity Commission

The appointment of a new chair of the Charity Commission presents an opportunity to rethink the Commission's priorities, in favour of maximising impact, especially at a time when the charity sector has proved itself to be a vital partner in the fight against Covid-19.

The Charity Commission should put impact first

At our recent NPC Ignites conference, Paul Latham, the Charity Commission's director of communications and policy, crystallised the approach of the outgoing chair by saying of the commission's role:

"It's about public expectation of charities and the approaches that the public would expect to see."

The question of what the public expects from charities is hard to definitively answer, though the Commission has made an effort to poll them in recent years. But common sense tells us that charities exist to do good, and this is fundamentally what people expect of them.

Part of 'doing good' means 'not doing bad' and it is natural for a regulator to focus on this. But this is only part of the expectations from the public. For the Commission to really be the champion of the public's expectation of charities, it should put the good the sector does at the heart of its work, seeking ways to promote and encourage this.

Now this is not to suggest the regulator should become the PR body for the sector. The truth is that for every charity involved in a scandal there are thousands more that just don't do very much good. Doing good is hard. But when the good is what is being 'bought' by an individual donation, and supported by the taxpayer, the regulator should take more of an interest in it.

On the face of it, focusing on trust sounds perfectly sensible. After all, nobody would advocate for a sector to be *distusted* by the public. But we think it would be better if the regulator's role was also

about the *impact* of charities, not merely public expectation, and the approaches *that work*, regardless of whether the public would expect them or not. Indeed, the innovation and dynamism the government seeks to unleash across Britain to tackle our intractable social and environmental problems could be stifled by an overemphasis on what is trusted, known, and dependable.

We believe charities are uniquely placed to support rebuilding and renewal efforts post-covid. To help them do so, we need a focus on mission and impact, with the regulator setting reporting requirements around this and encouraging data sharing to support it. Help charities achieve impact, and public trust will follow.

Require charity trustees to report publicly on mission and impact

The Charity Commission's trustee obligations should be re-written to focus on mission and the impact achieved for the beneficiaries the charity serves. Charity trustees should be required to report each year on the impact their charity is achieving in relation to its core mission and how it plans to improve, with the reporting requirement being proportionate to size. This will ensure a focus on improving impact is embedded in the approach of all charity boards. The regulators should have the right to revoke the charitable status of organisations who are repeatedly unable to demonstrate any impact related to their core mission.

Drawing on the success of 'nudge' theories and practice across government, and its success in adding features to the online register of charities, the Charity Commission could embed information about the number of charities with similar aims in a geographical area, along with financial information about them, into the online form through which people register a charity. This would prompt the potential founder to consider if a new charity is really needed, or if they should support an existing one instead. This is intended as a nudge to think about duplication, not a block on starting new charities.

Encourage more transparency from grant makers

Grant-making trusts should be more transparent by publishing both their payout ratio and the reasoning behind it each year. Foundations generally achieve their charitable objectives by making grants to others, so how much money they are giving away as a percentage of their assets—their payout ratio—goes right to the heart of their mission.

It is right that the balance between preserving capital versus providing grants remains a matter for foundation boards, rather than a fixed payout ratio as adopted in the United States. But a more

transparent system would encourage trustees to reflect on whether they are paying out the right amount.

Going further, greater transparency with regards to where grants are going would undoubtedly help other philanthropists to tailor their giving in a joined-up way. As a supporter of the 360Giving initiative, we are delighted that the government has published its own data in this format. If enough progress is not made in opening up information on grants in this way, the government could also consider requiring grant makers to publish their giving data as a condition of tax breaks.

Enable better use of Charity Commission data

The Charity Commission's data needs to be much better used and made available in a far timelier manner than at present. It is very hard currently to use Charity Commission data to understand how many charities are doing what and where. The categories charities are put into, the way they describe the groups they serve, and their area of operations all need to be looked at urgently so we can do better analysis. The Charity Commission should be properly resourced to do this.

Make it simpler for charities to pay trustees

Charities are currently only permitted to pay trustees for their work as a trustee in specific circumstances and with the permission of the Charity Commission. The complexity of the rules makes it harder for smaller charities to do so.

We think all charities should have easier access to this option. Paying trustees will increase the range of professional skills available in charity governance and is likely to increase the diversity of backgrounds that people enter the world of trusteeship from. We recognise that paying trustees would not be the right option for every charity, but we think those who do want to explore this option should be able to do so without a complex process which favours those with greater resources.

We therefore call for the Charity Commission to drop the requirement that charities must seek permission before paying trustees.

In summary: Achieve public trust by focusing first on impact

By adopting these changes, and by putting impact first, the Charity Commission can play a transformative role in guiding the sector towards maximum social impact for the people it serves. Achieve impact, and public trust will follow.

What truly matters are the tangible changes in the lives of people who need charities, not the sensitivities of those who do not. We would urge the next chair of the Commission to be someone who will pursue this agenda.

We look forward to hearing your thoughts on these proposals.

Yours ever,

A handwritten signature in black ink, appearing to read 'Dan Corry', with a stylized flourish at the end.

Dan Corry

Chief Executive, NPC

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A copy of this letter is also being shared with the wider charity sector.