

Helen Stephenson CBE speech to the Charity Commission Annual Public Meeting 2021

Good afternoon,

And thank you again for joining us.

As Ian has said, we are delighted that so many of you have made time to take part in our Annual Public Meeting.

In some ways, I regret that the uncertain circumstances mean that I am speaking to you through a screen again this year.

I miss 'real life' events.

Because it was often in the margins, the tea breaks and cloakrooms of our public meetings, that the real magic seemed to happen for me.

A serendipitous conversation with a trustee over a cup of tea that helped me see the Commission's work from a fresh perspective. A visit to a local charity that grew my understanding of the diverse ways in which charities deliver on their purposes.

Such experiences cannot – or cannot yet – be easily replicated online.

So I hope that a Commission public meeting will be coming to a town or city near you again soon.

In the meantime, knowing that that this virtual event makes us accessible to a larger group of people, and a greater range of charities, than was possible in the past, serves as a welcome silver lining.

The numbers bear repeating:

- there are 170,000 charities on our register
- they are run by 700,000 trustees, volunteering their time almost always entirely for free
- they employ over a million people, in this country and around the world
- and they have a combined income of over £84 billion

Attempts have been made to quantify the value that charities bring. And this really matters.

But I'm not sure it will ever be possible to reduce the role charities play in our society to a purely economic measure, to a fact or figure.

Charities support us throughout our lives, cradle to grave, they curate much of what makes life worth living in the meantime.

And they are a source of immense civic pride. They bring us together.

Events since last March have only served to highlight how tightly charity is woven into the fabric of our communities and our national life.

In the face of national crisis, many charities stepped up to the plate, and visibly so.

Assisting our emergency services. Tackling poverty. Supporting those left lonely and vulnerable.

Conversely, the work of some charities became conspicuous by its sudden absence.

By the many and varied acts of charity that were no longer possible when restrictions were imposed.

In other words – charities have shown the difference they make, both in what they have contributed during the pandemic, and the gap that was left when their work was interrupted.

That visibility may be having a positive effect on public trust in charities.

Research carried out earlier this year showed that levels of public trust have risen, in a small but significant way.

After an all-time low three years ago, there's evidence that people's trust in charities may be recovering.

This is welcome.

But there is no room for complacency, for charities or for the Commission.

The upheaval of the past 18 months may have changed how many charities operate, how they fundraise, how they communicate. More on that later.

But the pandemic has not altered the fundamental relationship between charities, the public, and the state.

Every single charity on the Commission's register runs on the fuel of public support and trust in one way or another.

Whether in the form of voluntary donations.

Through people's willingness to volunteer their time for charity.

Or in the tacit support of taxpayers and citizens for the fiscal benefits and status associated with being a charity.

And it's important to remember that people's basic expectations of charity remain unchanged.

Their sense of what makes charities special, and worthy of the status they hold in our society is unaffected by the pandemic.

These expectations are shared among people from a wide range of backgrounds, and they are simple to understand, if not always easy to live up to.

- people expect charities to show that they make a positive difference
- they expect them to spend a high proportion of funds on the end cause
- and they expect charities to live their values, showing charity not just in what they do, but how they behave along the way

The Commission plays a crucial role in protecting and promoting the relationship between the public, charities and the state.

We are guardians of a covenant of trust that plays such a central role in our communities and in our society.

We do so by ensuring trustees meet what the law requires of them, and understand what the public expects.

How we do so – our immediate focus and priorities – is rightly responsive to the needs of the time.

Since the start of the pandemic, we have prioritised the support we offer trustees, helping them during a time of unprecedented challenge.

Since March 2020, we have regularly updated easy-to-find online guidance on responding to common situations arising in charities because of the pandemic.

This included guidance on the use of reserves to manage financial difficulties, and on holding AGMs during periods of restriction.

We created a new facility for charities to apply for extensions to their annual reporting requirements – we granted nearly 5,000 exemptions in total.

We also launched a new set of 5-minute guides which cover the ‘core syllabus’ we expect all trustees should be across.

The guides were not created in response to the pandemic.

But recent disruptions made it all the more important that trustees have access to basic information on how to run a charity well. The guides are about helping trustees be certain in uncertain times.

We want our online guidance to serve as the first stop for trustees who have questions about running their charity.

But there will always be times when a trustee needs more bespoke help. When they need to speak to a human being.

So I am proud of the uninterrupted service our contact centre has provided over the past 18 months.

The team has answered charities’ calls every single working day throughout the pandemic.

During the last financial year, they fielded around 60,000 calls, supporting

over 30,000 individual charities.

We have also continued our work as Registrar of Charities in England and Wales, ensuring only those organisations the law recognises as charities are entered onto the register.

In total, we assessed over 8,300 applications this year, around 60% of which resulted in new charity registrations.

In doing so, we have prioritised applications from organisations responding directly to the pandemic.

And we have launched an improved public register of charities, which makes more information about individual charities available to donors and the public.

Looking ahead, we have ambitious plans to engage more directly and effectively with individual trustees, helping them run their charity well and deliver on its aims.

We are developing a new online portal, which will ultimately be tailored to trustees' specific needs.

I'm excited about the project, as it has the potential to significantly improve trustees' experience of running their charity and their relationship with the regulator.

And in turn to help create better run, more effective charities that are better able to meet their potential.

But as much as we want to engage and communicate more with trustees, we want that to be purposeful, and necessary.

As you may be aware, the Commission is supporting a new Charities Bill which aims to do away with unnecessary red tape.

The provisions would simplify and modernise the way in which trustees can undertake a range of activities, including:

- changing their charity's governing document
- using permanent endowments
- disposing of their charity's land

If enacted, the Bill should make a tangible difference to charities.

And it would help ensure we at the Commission can focus our work where it has the greatest impact in the public interest.

I'm pleased that the proposals have met with support from across the charity sector, as a positive step to simplify the law. And I hope they pass Parliamentary scrutiny.

But as well as supporting charities to get it right, we must continue to

regulate robustly where things go wrong.

We know it matters to the public that there is a regulator fighting their corner, holding to account those who breach the rules and betray the trust placed in charities by donors and taxpayers.

Last year, we opened 59 new statutory inquiries into charities, and used our regulatory powers on over 2,000 occasions to promote compliance with the law.

This included issuing 25 Official Warnings and using our power to disqualify a trustee on 16 occasions.

We also handled a growing number of whistleblowing reports from people involved in charities.

Last year, we received 431, a nearly 75% increase on the previous period.

We welcome the rise. Whistleblowers are a crucial and valuable source of information and intelligence about wrongdoing in charities. It's important people with concerns about a charity they volunteer for, or work in, know they can come to us.

And we have invested in improving the service we give to whistleblowers, including by introducing a dedicated phone line.

But the increase in reports may also indicate growing pressures on board dynamics and good governance in charities, linked perhaps to challenges arising during the pandemic.

As you may be aware, some of our recent compliance work has involved controversial, sensitive issues.

Issues that might broadly be described as relating to the 'culture wars'.

Some have criticised us for opening cases into these matters.

They have questioned the motives of those who raised concerns.

Let me use this opportunity be absolutely clear: the Commission does not, and must not, examine people's world views or ideologies before deciding whether they have a right to have their concerns examined by us.

We will always take concerns raised with us seriously.

And we will assess every concern fairly and consistently.

Where we find no problems, we will say so.

And where we are concerned about trustees' oversight of their charities, we will take action to help them back on course.

Public debate in our society feels increasingly divided.

It sometimes seems we can't even agree to disagree.

So it is vital that regulators like the Commission steer a clear-headed, steady course through sensitive issues. Guided by a legal framework set down by Parliament, regulating on behalf of the public.

The Commission will always strive to do that.

It's also important that charities themselves are alive to the wide range of legitimate views and sensibilities that exist within the public on whose support they ultimately rely.

This doesn't mean avoiding controversy or difficult issues.

But trustees must ensure their decisions and priorities are driven by their charity's aims. Not by their own world view and outlook.

So assessing concerns, and addressing wrongdoing will remain a crucial part of what we do as a regulator.

But we can't just investigate when things have already gone wrong.

We must also help charities anticipate risks that they face.

That requires us to make better use of the data we hold.

Over the year ahead, we will begin a fundamental review of the data we collect from charities, including through the annual return and charities' annual reports and accounts. We will also review and improve how we make that data work once we hold it.

This will help us become a more proactive regulator, able to step in before risks become entrenched problems. And, of course, one of the greatest risks to emerge for charities this decade, as for the country as a whole, has been the Covid pandemic.

As I described earlier, we have done our bit to help charities get through. To do this best, we need to understand what is happening, in real time.

To keep our finger on the pulse, we speak often to sector bodies and also regularly meet individual charities, as Ian described earlier.

This year, to delve even deeper we commissioned further research into ways in which Covid has impacted charities.

We will publish the latest findings shortly.

But I wanted to use this opportunity to share some early insight the research offers.

It's a complex picture.

Such is the diversity of the sector – in terms of charities' size, activities and operations, that there is no simple way of summing up what Covid has meant for charities.

But what we can see is that Covid had a significant impact on most charities.

72% of those asked told us that they had to change, curtail or halt their work entirely.

Smaller charities in particular saw their services severely impacted – one in four paused their activities completely during the first lockdown.

The impact of this on those who benefit from their work is harder to measure, but it is likely that it was in some cases significant.

But our research also points to charities' resilience.

Charities rose to the challenge Covid presented.

Many were quick to adapt and take evasive action during the first lockdown and the sudden loss of income that followed.

Pivoting their work to respond directly to the pandemic, changing the way they deliver services, including by moving them online. Refocusing on core projects.

Sometimes taking very difficult decisions to cut staffing or spend on things like research.

Others dipped into their reserves to keep afloat.

And throughout the past 18 months, many charities have accessed government support, including the furlough scheme. Over half of the largest charities, so those with incomes of over £500,000, say they made use of furlough, or other emergency funding schemes.

In other words, some charities took strong, early action in response to unprecedented challenges.

This response may be part of the reason that we have, so far, seen fewer charities fail and dissolve than we might have predicted back in March of last year.

Last year, 97 charities reported that they were insolvent, as part of their annual return to the Commission. That is up by a third on last year, but still a relatively small number in total.

Indeed, some charities, especially larger ones, have found they have built up, rather than drawn down their reserves.

And there are some grounds for continued optimism – for example, only 10% of those we asked anticipate financial difficulties in the months ahead to present a critical threat to their survival.

But the sector's resilience has been tested, and many charities will be less able to weather any further storms.

And for some charities the most difficult times may lie ahead.

The challenges will not just be operational, and not just financial.

But also about people, relationships.

About maintaining good governance and a healthy board dynamic, even where there are differences of opinion about how to shape the charity's work into a future that remains uncertain.

We have already seen an increase in disputes in charities.

We expect that may continue.

And so I'd like to use this opportunity to say this.

As you face difficult decisions about how to adapt your charity's work to changing times, be alive to the risk of disagreements escalating.

Don't place being right ahead of doing the right thing.

Prioritise communication with those you work with, and work for, and with those on whose support you rely.

I mentioned earlier that the public want to see charity not just in what you achieve for your beneficiaries.

But also in the behaviour and attitudes you demonstrate when making decisions on behalf of your charity.

I don't underestimate the immense challenges and dilemmas trustees face – especially during these times.

But perhaps the clue, lies in the word itself.

Trustee.

The word implies that you are the custodian – not just of your charity's assets and activities – but of its mission, its reason for existing in the first place.

My advice is to remain resolutely focused on your charity's purpose, in whatever challenges you face.

This may not protect you from making mistakes, or insulate your charity against difficulties.

But it will mean you have played your part in upholding that bond of trust on which all charities, wherever they work and whatever they do, ultimately depend.

So I'd like to thank you, on behalf of the Commission and the public we serve. Both for the work you have done over the course of this most difficult year, and for your continued resolve in the weeks and months ahead.

Thank you.