

Supporting charities through uncertain times: the Commission's priorities for Wales

Bore da, good morning everyone.

I am delighted to be part of gofod3, and am grateful to WCVA for inviting me to speak today.

I have learnt that gofod translates into English simply as space – an apt motif for this nationwide coming together of charities to celebrate successes, reflect on the challenges ahead, and gain insight and energy from one-another.

The Commission is, of course, the regulator of charities in England and Wales. We take this two-country remit very seriously.

COVID placed limits on everyone's freedom to connect.

We did our best to bridge the gap. For example, the pandemic prompted us to convene regular online meetings with charity representatives to discuss emerging issues and concerns. The aim was to see how we could work together to support the charity sector through the challenges that COVID was bringing.

It has proven a valuable source of intelligence, insight and action, and I'm grateful to WCVA for its contributions, ensuring the distinct voice of Wales is heard in that forum.

But overall, the quality and quantity of our engagement with the sector and other stakeholders in Wales has suffered.

Now, as we emerge from beneath the cloud of the pandemic, I, and our new Chair Orlando Fraser QC, are determined to make up for lost time. And to renew the Commission's commitment to engaging with charities across Wales.

I'm delighted to announce that our Annual Public Meeting will take place in Cardiff in October. It will be a hybrid event, allowing for in person attendance by delegates across Wales and western England and enabling others to join on-line from wherever they are based.

I do hope many involved in charities in Wales will join us.

More information on the Annual Public Meeting will be available very soon.

We have also created an important new role, based in our Newport office. Our new Stakeholder and Policy Manager for Wales is responsible for building relationships with our key stakeholders in Wales, in Welsh Government, the Senedd and the sector, and leads on our policy work in Wales.

I'm delighted that we have recruited a fantastic candidate to the role – Jessica joins us from the heart of the charity sector in Wales, from WCVA itself. And indeed, it's Jessica's very first day, and I'm pleased that she has taken an early opportunity to connect by taking part in gofod today.

There are many things that are distinct about the sector in Wales, and there is work that we are undertaking specifically in Wales that I'll come on to in a moment.

But there are also challenges that, sadly, know no borders. Just as we collectively emerge from the pandemic, we are faced with one of the toughest economic climates in a generation.

The cost-of-living crisis may have a significant impact on charities across Wales and England.

It is to charities that many families will turn for help when they find it difficult to pay the bills.

At the same time, many of those who previously donated regularly and generously to charity will feel the pinch in the months ahead, and some may curtail their charitable giving.

For some charities, this may mean facing a double squeeze of increased demand and reduced income.

In this context – the Commission's work becomes even more vital.

Our role, ultimately, is about upholding the relationship of trust between charities and the public, on whose support all charities ultimately rely – either actively or tacitly.

Times of crisis and strain often show charities at their best, and the public at their most generous. We saw that in the context of the pandemic, and the in the recent fundraising efforts for those impacted by the war in Ukraine.

But when people feel the pinch, when budgets are squeezed, they also crave evidence that charities are what they say they are, and that people's hard-earned money is being put to good use.

It is important that the public knows there is a regulator unafraid to step in when needed, willing to hold trustees and charities to account.

Our new Chair, Orlando Fraser QC, has described his aims to lead an expert Commission that is fair, balanced, and independent.

By expertise, we mean that our people need to be at the top of their game. We regulate 170,000 charities with a staff of around 400, and so we need to punch above our weight – whether that's in our customer service team operating the contact centre, our lawyers, accountants, investigators or policy advisers.

Fair – this is a well understood concept, and in essence is a commitment to

offering a fair legally sound process to all.

Balance refers to our compliance work, and means that we will strike a proportionate balance between supporting trustees to get it right and dealing robustly with serious incidents of wrongdoing or harm

Finally, independence – we must be independent from governments, here and in Westminster, and we must be independent also from the sector we are charged with regulating.

In practice, we must continue in our efforts to help the majority of trustees get it right and run their charities well.

This means, among other things, being available to trustees when they need us.

I'm proud that investment in our Contact Centre meant the team provided an uninterrupted service throughout the pandemic.

In 2020-21, the Contact Centre received over 60,000 calls from charities, helping us to support over 30,000 unique charities. The figures have risen since, as we will set out in our annual report next month.

We must also continue to ensure we improve the accessibility of our online guidance, so that all trustees, no matter their experience and knowledge, can understand their basic responsibilities easily, and quickly.

We know that trustees are enthusiastic, engaged, passionate – but our research suggests they are perhaps not always as aware of the governance basics as they should be.

And that often trustees go to their peers for information when they are unsure, rather than coming to us.

That, in part, is why we have developed our suite of 5-minute guides. They set out the core syllabus we expect all trustees to know and are designed to work for experienced trustees who want to refresh their knowledge, as well as those new to their responsibilities.

If you haven't yet used the resources, or you think your trustees could benefit from a refresh – please point them towards our guides. They are, of course, available in both Welsh and English.

During the pandemic and since, we have translated the key guides into short videos, which we've communicated via an online trustee campaign, designed to help trustees be certain in uncertain times.

These are important developments in our offer to trustees – but we must go further in the years ahead – as I'll come on to.

As well as helping the majority get it right – as an independent regulator, we must also be prepared to be robust when charities cross the line.

In 2020-21, we used our legal powers over 2,200 times. Among the powers we use most often are those that help us establish whether wrongdoing has taken place, including powers that allow us to direct charities or third parties to provide documents, accounts or statements. These powers are very effective, allowing us access to information that can, on occasion, support a criminal prosecution.

We also used our power to issue a charity with an Official Warning on 25 occasions, and our power to disqualify a trustee 16 times.

I stress that we don't use our powers lightly – the legislation builds checks and balances into the system, and we follow careful and consistent processes in making decisions about these matters.

But it's vital for the maintenance of public trust that we are unafraid to use the powers Parliament has granted us when that is merited.

For the immediate year ahead, we have set out three priorities. Each one feeds into our wider purpose of ensuring that charities can thrive and inspire trust, so that people can improve lives and strengthen society.

First, we are improving our ability to regulate effectively – that is self-explanatory.

Second, we are working to better communicate with individual trustees – we want to develop an individual relationship with each trustee, so that we can provide you with information that is relevant to you and your circumstances. This begins with the development of a new trustee portal, which in time will allow individual trustees to set up their own Charity Commission accounts to access our online services.

Finally, we are focused on strengthening our organisation.

A golden thread running through each of these priorities is good data.

Accurate, rich data is the currency of effective regulation.

It will help us become more proactive in identifying problems, provide a better service to individual trustees, allow the public to make informed decisions about charities, and – crucially – enable policy makers, researchers and the sector to gain a richer understanding of the charity landscape in Wales and England.

An early step in our longer-term data strategy came earlier this month, when we launched a consultation on changes to the Annual Return.

The Annual return has not been updated since 2018 – but much has changed in the world around us, and we must keep up.

For example, the new questions we are proposing will help us:

- Better understand charities' reliance on certain types of income, and on single sources of funding,

- Gain a richer picture of charities' governance controls and organisational structures, as we know this can be correlated with risk.
- And they will help us develop a more accurate picture of the geographical areas in which charities operate in England and Wales. This data should, with time, directly benefit charities.

Because among other things, it will help policy makers and grant-givers identify geographic areas which are comparatively under-served by charitable work.

The changes we propose mean that charities will answer a greater number of questions, but in many cases the questions have been simplified and clarified.

We've worked hard to ensure the time burden on charities in completing the return remains reasonable and proportionate.

It's important that we hear charities' perspectives on the proposed changes to the Annual Return.

So please do have your say. The consultation runs to 1 September, and you can find out how to take part by visiting [gov.uk](https://www.gov.uk). The consultation is available in Welsh, and of course you can respond in Welsh.

I'd also like to mention our work to implement the Charities Act 2022. The new legislation is good news for charities, as it is designed to remove unnecessary red tape in certain situations.

For example, the provisions make it more straightforward for charities to change their governing documents, they grant more flexibility in using 'permanent endowment funds', allow greater flexibility around the advice needed when selling land, and allow trustees to be paid for goods provided to a charity in certain circumstances.

In summary, the changes aim to be largely enabling and empowering for trustees.

The Commission worked hard, with our stakeholders in government and the sector, to secure the new law, and we're now ensuring it is implemented in a timely way.

We won't be able to make all the necessary changes in one go – some of the changes require secondary legislation.

However, the first set of changes, which include the power to receive payment for goods, and flexibility about how fundraising appeals that don't raise enough money can be administered, will come into force this October.

We will communicate these changes before then, so please do look out for this.

And we will continue to communicate with the sector as we gradually implement all the changes between now and autumn of 2023.

As a rule, the Commission cannot directly alleviate financial pressures charities face.

But there is one project we are unfolding in Wales right now that has the potential to unleash unused resources for charities across the country.

The Revitalising Trusts programme works to ensure that assets lying dormant across the country are put to good use.

The programme was pioneered in England in 2018, and since then has released or revitalised nearly £80 million for charitable causes in that country.

I'm delighted that we have secured funding and support from the Welsh Government, and the partnership of Community Foundation Wales, and so are able to roll out the programme in Wales.

We hope to help release hundreds of thousands – perhaps even millions – of pounds that we believe are sitting idly in charities' accounts. Every pound currently lying fallow into which we can breathe new life will make a difference to a community.

We start by identifying charities that fall within scope – in summary these are charities in Wales whose objects allow for grant-making, and that have either not submitted an annual return for a number of years, or whose expenditure is less than 30% of income over 3 years, meaning they are sitting on accumulating funds that are not being seen or felt by beneficiaries.

We contact the charities, offering its trustees support to help the charity get back up and running if needed. Perhaps by helping to recruit new trustees. Only where charities can no longer operate, will they be wound up and removed from the charity register.

Where that is the case, we ensure funds are redeployed to causes in line with the aims of the dormant charity. Or the trust is transferred to Community Foundation Wales to be managed for the long-term benefit of local communities.

That money can then be granted to charities in need, as well as used to create a regular income stream that will sustain their work to help communities for years.

There are specific opportunities in Wales. For example, there appear to be many inactive/ineffective registered and unregistered charities that are managed by local authorities as the corporate trustee.

We are now working with local councils to understand the status of the charities for which they are trustees. We hope that this might help unlock potential dormant funds.

But as well as opportunities, we're facing different challenges in Wales. It's proving harder to reach trustees here – we believe in part because of

the rural nature of large parts of the country – the sector in Wales is in some ways very closely knit, but we're the greater dispersal of charities is proving a challenge in this respect.

We're working hard with the Community Foundation for Wales to overcome this challenge, and for example are planning to engage local media as we spread the word throughout Wales.

I urge you to help. Please use your networks to raise awareness of the programme and the benefits that it can bring to charities and communities across Wales.

As charities across England and Wales face straightened times, it is all the more important that money lying idly in charities accounts, serving no good purpose is released for the public good.

This leads to my final point.

I spoke earlier about the cost-of-living crisis and its potential impact on charities.

I believe the challenges you face are not just about making ends meet, and securing the donations and funding you need to continue your work.

The months ahead may present a wider test of leadership and resolve.

Scrutiny of charities and their management – especially their financial management – may well intensify, and if that happens, leaders will need to explain their decisions openly and with integrity.

It is not the Commission's role to intervene in the individual management of any charity, or to tell trustees how to run their charity.

And part of being balanced and fair means that we will not pounce on a charity, just because of media scrutiny or because important people have concerns about it.

This forms part of our role in promoting and increasing public trust in charities.

But we cannot protect charities from legitimate scrutiny, or from criticisms for mistakes or misjudgements.

So I urge you, in the months ahead, to ensure that every penny you spend, and every decision you take, serves your purpose and the people you exist to help.

Ensure your accounts and public communications paint a clear and vivid picture of how you translate the money and resources you hold into, lives improved, and communities strengthened.

And as the Commission's engagement across Wales expands post-pandemic, I look forward to visiting charities, meeting trustees and learning from your

triumphs and challenges.

Thank you all, Diolch.