

# Check against delivery

## **Community Foundation Network Annual Conference 2011**

### **Sam Younger – draft speech**

Thank-you, Kate, for your introduction, and thanks to the Community Foundation Network for inviting me to speak.

I'm delighted to be here and look forward to hearing more about your work during the course of the day.

Because, judging from what I've already learnt about the community foundation movement, you certainly have an impressive story to tell.

The numbers alone are striking:

- 57 community foundations across the country
- 23,000 donors
- endowed funds of over 220 million pounds.

That's not bad, given you've only been working in the UK for a few decades.

There's also evidence that the concept is on the ascendancy around the world.

As you may know, the international grant-maker network WINGS published a report on community foundations last year, which made what is to me a remarkable finding.

It found that the movement has doubled in the space of a decade: There are now around 16 hundred community foundations around the world – up from 900 in 2001.

Most are still to be found in the USA, but many are springing up across Europe, Asia and Africa.

I worked for some time with the British Red Cross, which of course is part of a similarly structured international charitable movement.

The Red Cross is also represented in all corners of the world – and it, too, attempts that delicate balance between autonomy for each organisation and unity of purpose.

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Obviously your objects and your mission are very different to those of the Red Cross – but both movements perhaps prove that the charitable instinct is universal and that good ideas don't respect borders.

Now, before you think I'm singling you out for special praise, let me stress that it's not for the Commission to judge the relative value or 'worthiness' of any charity or group of charities.

That's a judgement for potential donors and supporters to make according to their passions and prejudices.

And it's important to recognise that diversity is one of the great assets of the charitable sector in England and Wales.

One model does not fit all.

But, as regulator, we do tend to notice when people are making our job easier.

And the way Community Foundations are run locally and organised nationally does just that – it takes a load off our shoulders.

What do I mean?

Well, as many of you know, our role as regulator is to help promote public trust and confidence in charities.

But we can't do that on our own.

Encouraging trust requires joint effort between individual charities, the networks you form and the Commission as regulator.

And that, in turn, demands strong relationships between charities and their umbrella bodies.

The community foundation movement is a good example of that relationship working to the advantage of all.

Each of your charities is autonomous, each is registered with the Commission.

And yet, in part thanks to your links with CFN, you are united by a group identity, rooted in a clear set of standards accredited by the Commission.

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For the potential donor to an individual foundation, this system brings reassurance.

It means being able support the smallest, grassroots community projects, with confidence in their good governance and probity.

For the Commission, this system brings real efficiency gains.

We know that, when we need to share a new piece of guidance or an update on charity law with Community Foundations, we don't have to get in touch with 57 individual organisations.

We can contact one charity – CFN – in the knowledge that it can reach individual members much more easily, quickly, and efficiently than we can.

In an age of austerity, when the Commission is adjusting to budget cuts of a third over four years, that kind of multiplier effect is of huge value.

The relationship, as many of you will know, has also been of concrete value to Community Foundations.

Many of you will have benefited from the Boost Project, through which the Commission helped distribute millions of pounds of dormant charitable funds to Community Foundations.

That would simply not have been possible without the strong relationship we built up with CFN.

We're now encouraging other groups of charities to develop similar relationships with their umbrella bodies.

We're saying to charities – if you're not a member of an umbrella body, why not?

Find out what groups are out there and how you might benefit from joining a network.

We know collaboration between charities works – a piece of research we commissioned recently into patterns of joint working between smaller charities revealed that over 80% said their experience had been a success.

Joining an umbrella body is just one form of collaboration – but it can be very beneficial for the individual charity and for the sector as a whole.

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So in that sense you provide a role model for the sector.

But now for the regulatory message:

The community foundation family – close-knit as it may be – does not exist in isolation.

You are all part of a wider sector and issues affecting many other charities have an impact on you.

Sometimes that impact is direct:

I have no doubt, for instance, that many of you are struggling to maintain donor commitment and to bolster your endowments during a time of economic uncertainty.

That is a challenge we know you share with many other types of charities.

Sometimes the impact is indirect:

We know, for instance, that peoples' trust in charities generally declines when they read, hear or watch negative stories about a single charity in the media.

We also know that people who have good experiences of the work of one charity are likely to rate their overall trust in charities more highly.

This means that you as community foundations have an indirect interest in helping to protect, develop and improve standards of governance in the charitable sector generally.

And, in this context, there is one issue in particular that I would like to focus on today.

It emerged from the Commission's strategic review and I think it's particularly relevant to the community foundation movement.

It's the question of the future of the **charity brand** – and how it can be protected for future generations.

First, though, for those among you who haven't been following the Commission's strategic review episode by exciting episode – I'd like to provide a quick recap, just to put what I say in context.

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About eight months ago, the Commission launched a thorough review of our priorities and activities, prompted in part by a cut to our budget of around a third over four years.

Our first step was to hold a full consultation to find out how others see our role and what they expect from us.

We spoke to charities, MPs, peers, think tanks, academics, charity advisers and members of the public.

We also received hundreds of responses to an online consultation.

Among other things, we asked our stakeholders what they considered the biggest risks facing the sector in the years ahead – in terms of impact and of likelihood.

We also asked them what the Commission's approach to various areas of our work should be – usually providing a rough choice between a more robust and a more light-touch approach.

And we asked them to identify areas of our work that we can share with other organisations, such as umbrella bodies.

What emerged from that consultation, which closed earlier this year, were a few simple propositions, based on a remarkable level of consensus among respondents.

1. The first is that the Commission exists to serve the public.

Clearly we work with charities and they are among our most important stakeholders. But we're not here to act on their behalf or to represent them. There are many other organisations much better placed to fly the flag for the charitable sector and to tell of its successes.

2. Second, given the reduced funding available to us, we have to focus on our core regulatory duties.

These include maintaining the register, providing online guidance on charity law, holding charities to account through our reporting requirements and, in serious cases, investigating individual charities.

3. Third, we need to help increase the autonomy of the sector, to imbibe trustees with a greater sense of confidence that they know what is right for

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their charities. That, so long as they follow our guidance, and consult professional advice where relevant, they can trust their own best judgement. This means that we will be doing less 'hand-holding' of trustees. We'll be moving away from interactions with charities whose purpose is simply to provide reassurance the decisions they're about to make are 'legit'.

What follows from these three propositions is that we will scale back the amount of one-to-one advice we provide to individual charities.

We know many, especially smaller, charities have valued the role we've played in providing advice. But, on the basis of the outcome of the review – and the reduced resources available to us, we cannot make the provision of individually tailored advice a priority.

This doesn't mean that we'll leave charities whose trustees have relied on our advice in the past 'high and dry'.

As mentioned, I do think changes at the Commission will, in the medium and long term, enhance the sector's self-reliance.

But we will also be looking to help infrastructure organisations and umbrella bodies increase their capacity for tailored advice to individual charities.

We are now working to restructure the organisation and our activities according to these principles. The 'new Commission' will be operational from October this year.

So - that is the short version of the Commission's strategic review so far.

You might ask what it has to do with the question of the charity brand.

It was among the 'key risks' that many respondents to our consultation said they felt face the sector over coming years.

Although it wasn't always expressed in those terms.

Some charities said they were concerned about collective mission drift within the sector – a sense that the sector's identity might become hazy to the point of meaningless as a result, for instance, of charities' increasing role in delivering public services.

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Others said they were concerned that cuts at the Commission could lead to an increase in governance problems which in turn might damage the charity brand and threaten public trust.

Some said that charities facing financial problems might come under pressure to develop funding models – perhaps based on those of social enterprises – that are not appropriate and that amount to mission drift.

What this adds up to is a general anxiety about a decline in levels of public trust in the idea, the concept of ‘charity’.

Of course, in legal terms, the answer to the question ‘what is a charity?’ has not really changed substantially in centuries;

A charity is an organisation whose objects are exclusively charitable in law and which operates for the public benefit.

But when charities say they’re concerned about the charity brand, they’re not really talking about the legalities.

They’re talking about the image people have in their minds when they think about what a charity is and should be.

And charities are worried that an increasing gap between that public image and the true nature of the charitable sector in the 21<sup>st</sup> century could become a problem.

You might argue that this concern isn’t relevant to the community foundation movement.

After all, you display many of the characteristics people associate with ‘classic’ charities, including a reliance on private and corporate philanthropy and a focus on grass-roots projects.

So you could argue that you’re covered.

But I’d warn against complacency. Because, in a sense, your strengths here are also what make you – potentially – vulnerable.

It’s precisely because you rely on good relationships with existing and potential donors that you have an interest in maintaining a strong charity brand.

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One that says more about its members than that they all have a certain status in law.

That conveys a sense that these are organisations that turn our collective good intentions into action.

So what to do about it?

In the very long term, I wouldn't rule out some form of legislative change – perhaps a system of sub-categorisation of charities that helps people understand what sort of organisation they're dealing with.

I must stress, however, that this is not on the table for the foreseeable future – and I'm optimistic that we can do a lot to uphold and future-proof the charity brand without developing new legal definitions.

But it requires that partnership I mentioned earlier – that three-way relationship between us, charities and umbrella bodies such as CFN.

A good place to start is to think about what it is that makes charities so special.

What are the non-negotiable characteristics of charities that we must retain at all costs?

One of the most important, I would argue, is independence.

Independence is a defining characteristic of charities – one that distinguishes you from other types of voluntary and non-profit groups.

Charities must remain independent from government, from party political interests, from the interests of individual donors – no matter how generous – and from all other forms of private interest or benefit.

Upholding independence within a charity is the role of trustees - charity boards must always consider how their decision making processes and their charity's activities help to demonstrate independence.

Umbrella bodies such as CFN also have an important role.

They must respect the autonomy and independence of each of their member charities.



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They must be careful not to exert undue influence over trustees of other charities - no matter how good their intentions.

And, the Commission, too, has a role.

First, some of the changes we're making as part of the strategic review will help to enhance trustees' ability to take independent responsibility for their own charities.

We are, for instance, reviewing the way we deal with legal permissions – so situations in which charities have to ask our permission before taking certain action, for instance selling land.

That review is still underway – we're hoping to publish the results during the course of the summer – I am confident that they will serve to further independence in the sector.

Our role in protecting charities' independence goes beyond our interaction with individual charities though.

We have a responsibility to help create an environment in which independence is valued.

For instance, we have been working recently with the team behind the Public Bodies Bill to help make sure organisations that become charities as a result of the bill are able to operate independently.

Accountability is another non-negotiable.

This came out very clearly during the public focus groups we held as part of our strategic review.

People expect charities to account for the legal and fiscal privileges they enjoy.

On the most basic level, this means ensuring charities comply with their reporting requirements and submit their documents to the Commission on time.

Judging by a quick trawl I made of the Commission's online Register before coming here, Community Foundations are pretty good at filing on time.

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I didn't come across any whose trustees had failed to submit documents within the deadline.

But filing documents on time is where accountability starts. Not where it ends.

Community foundations should, for instance, demand high standards of accountability and transparency from the projects you fund.

And at sector level, I'd say there's need for a generous dose of honesty about what it means to run a professional charity.

I think many umbrella groups are nervous about raising the issue of the proportion of income charities spend on administrative costs.

They're scared that, if the public knew that charities spend money on systems and salaries, they'd stop giving.

We'll, there is evidence to suggest that people care about efficiency.

Our public opinion research reveals that "knowing a reasonable proportion of a charity's income goes to the end cause" is the single most important factor driving trust.

But I would argue that the way to respond to that finding is not for charities to bury their heads in the sand and pretend there isn't an issue.

Because I have become aware of a slight tendency among charities to dismiss peoples' preoccupation with money as proof that they simply don't understand.

That's not really good enough.

So my plea to the sector would be to have faith in your ability to make the public understand.

And charities, like Community Foundations, that have relatively easy stories to tell in this respect – judging by the small percentage of your income that generally goes on so-called overheads – can take a leading role in framing the debate.

Because I'm sure you'll agree with me that the reason your charities are often such tightly-run ships is precisely *because* you employ qualified, competent members of staff.

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So please – this is a plea to CFN also – do what you can to help the public and your donors understand that, while efficiency is a virtue, even Community Foundations can't run on thin air.

The final area I'd like to touch on is the work you do to promote good governance among the charities you support.

I mentioned earlier the multiplier effect of the Commission's relationship with CFN.

A similar dynamic is at play between you and the scores of smaller charities and community groups within your area that you fund and support. And in whose probity and good management you have a direct interest.

Do not underestimate how important a role you play in upholding and increasing standards of good governance across the board.

The Commission will, of course, continue to play our role in promoting what you could loosely term 'compliance' within the sector.

And as I mentioned earlier, we will maintain a capacity to investigate where there is evidence of serious problems in charities.

But as we adjust to working with fewer resources, we are going to rely ever more heavily on the work charities like yours do to help avoid problems from occurring in the first place – the work you do to help keep the sector up to the mark.

In straitened economic times, I imagine it might be very tempting to scale back the work you do to build the capacity of smaller organisations.

The workshops you provide to train applicants for grants, for instance, or the advice you give to donors as to what to look out for in a potential project.

But, in the interests of the good name of charities, please consider such decisions carefully.

By all means consider how you can do the work more efficiently – perhaps by making better use of social networking.

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Or by being more creative in the way you share our guidance or your good practice recommendations online.

But try to hold fast to your role in promoting good governance, because, in doing so, you can make a huge contribution to the future of the charity brand - not just at national level, but within the very communities that you exist to serve and improve.

Thank-you.

3,060 words = 30 minutes at 100 wpm