All-Party Parliamentary Group on Civil Society and Volunteering

Issues facing small charities
16.00-18.00, 9 Feb 2016, Committee Room 18, House of Commons

Chair
Susan Elan Jones MP

Speakers
- Tor Docherty, Chief Executive, New Family Social
- Pauline Broomhead, CEO, Foundation for Social Improvement (FSI)
- Dr Suzanne King, Trustee, Small Charities Coalition

Apologies
Lord Hodgson and Martin Docherty MP sent their apologies

Extraordinary General Meeting
- The chair asked for proposals of new officers to the group as Nick Hurd MP stepped down.
- Baroness Pitkeathley proposed Lord Shinkwin become treasurer, seconded by Paul Monaghan MP, which was passed. Paul Monaghan proposed Chris White MP become co-chair, seconded by Baroness Pitkeathley, which was passed.
- The chair held a vote to change the name of the group to the All-Party Parliamentary Group on Charities and Volunteering. The vote was unanimously passed.

Welcome from the chair
- The chair welcomed the group, gave an introduction to the speakers and announced the topic of the meeting: the issues, challenges and opportunities uniquely facing small charities.

Tor Docherty, New Family Social
- Tor described some of the strengths of the small charity sector: They have strong links to the communities they work with and are very accessible to those communities, they are lean and efficient and have knowledge of niche areas and they can adapt faster than large organisations, though this always comes at the cost of other work (often governance).
- The weaknesses: their voice is seldom heard, they are highly vulnerable to funding problems and they are disproportionately hit by regulation for which they often lack the specialist skills.
- Government has helped by reducing the administrative burden of audits for small charities, funding sustainability grants and funding free training for leaders in the sector.
- The small charity sector can be helped by ending the perception that they are the incompetent younger brothers of large charities, by diversifying the funding streams available, increasing availability of core funding over grant funding, creating a rescue fund for faltering charities (freeing up £millions held in reserves) and increasing funding of second tier organisations.

Pauline Broomhead, FSI
- Currently a lot of negative media attention on charities, regrettable that there isn’t much coverage of the good work charities do. Pauline presented findings from the Small Charity Index:
- Charities increasingly reliant on donated income, despite increasing scrutiny of fundraising practices. Income for the sector overall is stagnant. Sector trying to build more partnerships with private sector to grow earned income, which comes with dangers. A mutual desire to solve
problems must be at the centre of such arrangements. Government grant funding reduction, and large increase in demand, means people are being turned away from services.

- 25% of small charities have no reserves. Small charities rise to the challenge to meet demand for services, but are approaching a level which is unsafe for staff and service users. Trustees now governing organisations that offer solutions to complex issues to an increasing number of people- we may not be far away from the ‘eye of a perfect storm’.

Suzanne King, Small Charities Coalition

- Presented findings from consultation on small charities’ perspective of changes to fundraising regulation. Many felt they were caught in a problem not of their making.
- There is fear of closure or loss of income due to sanctions, and a desire to find a way for regulation to scale depending on size of charity and severity of problem.
- Governance becoming a problem as trustees and volunteers fearful of engagement with fundraising and regulation, reducing income. Organisations may lose existing small donor base due to Fundraising Preference Service and fear they can’t compete in more expensive fundraising mediums (newspaper adverts etc).
- Reported a desire to see the regulator run a communications campaign to ensure small charities know how to comply, and for changes to be tested on large organisations first.
- Changes may impact income, as donors may not want to fund higher admin costs, and because trust and confidence has been knocked. Regrettable at a time of high demand for services.

Q and A

- Baroness Pitkeathley welcomed the idea of encouraging mergers, but wondered where money for the associated costs would come from? Pauline said funders do look favourably on mergers, but there is no fund set aside for it. Mergers should be done for beneficiaries not cost savings.
- Paul Monaghan MP asked what the impending ‘perfect storm’ would look like and how can we encourage more core grants? Pauline said it would involve charities closing due to stagnant income and sky rocketing demand, coupled with a lack of volunteers. Service users will suffer as government is only funding statutory services. Tor suggested charities could be certified ‘eligible’ for 3-5 year core grants, which would increase stability and shore up services at a much lower cost than reverting to local government provision when charities fold.
- Lord Shinkwin asked what the governance risks are and what do big charities have to learn from small charities on governance? Tor highlighted that many board members lack the required skills, and simply make up numbers. They don’t know their obligations or capacity to scrutinise.
- Amanda Tinknell, Cranfield Trust asked whether this is a blip in interest in governance or serious change. Pauline said if there are serious consequences for failings then change will come. Trustees need to be able to leave boards, which is currently hard with a scarcity of replacements. Demands of governance have increased considerably, and the sector is aware it lacks certain skills on its boards. Suzanne mentioned that where there is training, trustees struggle to access it. Employee Supported Volunteering (ESV) could help with this.
- Shaun Walsh, Together for Short Lives raised the topic of commissioning; favoured by government, but burdensome on charities. Tor highlighted that the admin requirements in a bid to hinder small charities that could be best at delivering cheapest and best service. If funders and commissioners agreed on a core funding document it would relieve much of this burden.
- Kelly Temple, CAF enquired how board positions are advertised, and whether young trustees are discouraged by charities using word of mouth. Suzanne said they encourage members not to rely on word of mouth, as it reduces diversity. It can be hard to appoint young trustees who might not have the experience or skills that older candidates have and that the board requires.
• **Simon Wright, Zurich** asked if there could be a quality mark for charities that reduces admin and shows that you are investable. Pauline said it would be great but charities are too varied. Tor said PQASSO already exists to do that, but lacks the recognition required to make it worthwhile.

• **Tinashe Sithole, Career Volunteer** asked how we can encourage corporates to take a bigger role. Tor said it is important that corporate volunteering works for the charity as well as the company—endless mural painters don’t do this. The sector needs people to lend their corporate skills and experiences.

• **Caitlin Wilkinson, Benefacto** asked how small charities can make best use of ESV if it comes in to place. Tor hoped second tier organisations will broker volunteering to meet the needs of smaller organisations, to avoid swamping charities or turning away keen volunteers.

• **Patrick Murray, NPC** said boards are often all retired, with similar sets of skills. Young board members have the skills that would allow charities to meet the new digital agenda, which many charities are currently failing to do.

• **Lou Coady, Local Giving** said that small charities lose out to the public awareness of large organisations’ fundraising campaigns. How do we help those currently unseen? Tor said she would like to see small organisations work in consortia, coordinating their fundraising and sharing the proceeds, allowing for increased stability and awareness.

• **Lord Shutt** explained that he set up a charity, but took two years to find the right trustees, as they had to be people that the community would have confidence in. As well as rights and responsibilities of trustees we should also look at expectations, which is primarily that the skills required of them will be properly used.