Introduction

0.1.1. The **Charities Aid Foundation (CAF)** is a registered charity that promotes charitable giving and provides financial services and social finance to not-for-profit organisations.¹ We help individual donors give more effectively; support charities to allow them to thrive; advise businesses to allow them to achieve greater impact; and work internationally, harnessing local knowledge and expertise to help civil society thrive around the world. CAF works with government to improve the different ways that people are able to support charities, making it easier for people to give to the causes they care about. We advocate on behalf of civil society, highlighting the needs and concerns of the organisations that work within it and the people and companies who support them, so that decision makers and opinion formers can create a positive climate for charities to operate in.

0.1.2. CAF believes that charities need to renew their focus on the long-term health and influence of civil society, and that a key part of this is ensuring that their actions are conducive to maintaining the levels of public trust and support upon which donations depend. There is a duty and an expectation on charities to act in accordance with the wishes of their supporters. Due to their unique role in society, there is also a wider expectation that they should hold themselves to the highest ethical standards, and this must be taken into account even when faced with short-term pressures. Charities must retain their strong links to the public, and in order to do so they need to acknowledge certain key principles such as accountability and transparency.

0.1.3. Charities fulfilling their role and achieving impact in a thriving civil society depends on a positive, collaborative relationship with government. This is often viewed through the prism of service delivery alone, but the ability of charities to advocate and campaign on behalf of their beneficiaries is integral to a functioning democracy. Recent policies that have restricted charity campaigning are damaging and represent a direction of travel that must be reversed.

0.1.4. Like all sectors, charities will be affected by Brexit, the process of the UK leaving the European Union. CAF believes that there are many opportunities for charities to be a part of the new settlement that the country develops. This is particularly relevant in areas such as strengthening community cohesion, giving a voice to those who struggle to make themselves heard, making localism and devolution work effectively, and helping to retain and enhance the UK’s role in the world. Delivering Brexit effectively necessitates positive engagement between charities and government who, let it be stressed, share many of the same aims.

1. **The purpose of charities**

*What is the role and purpose of charities in civic England and Wales?*

1.1.1. Charities, in various forms, have existed in his country for more than a thousand years. Traditionally, their role was primarily to provide welfare for the poor and the sick, long before the state accepted any responsibility. Since the

¹ For more information about CAF visit: [www.cafonline.org](http://www.cafonline.org)
introduction of the Statute of Charitable Uses (1601) as part of the package of poor laws, the state has taken on a greater degree of responsibility for welfare provision. The role of charity has thus been shaped by its relationship with the state (and shaped the nature of the state in turn), and the balance of this relationship has shifted back and forth over time. Then in the early 20th century, the groundwork was laid for the eventual introduction of the welfare state in the 1940s, and threw into question the ongoing role of charities. At first, many charities renewed their focus on campaigning for social change as the apparent need for direct service declined, but over time it became apparent that even within the context of a welfare state there was a need for charities to supplement, augment, and challenge public provision.²

1.1.2. Charities make an enormous contribution to communities. CAF’s Charity Street II report found that almost all households have used a charity service at some point in the past, and levels of support and trust in charities compare favourably to other sectors.³ As a result, it is not surprising that donors in Britain compare favourably to those across the world, supporting charities in a number of ways to help them deliver their charitable mission.⁴,⁵ Some of the different ways that charities contribute to communities include through providing support and services, advocating on behalf of their beneficiaries, and working in partnership with government to deliver a long-term shared vision of a fairer society.

1.1.3. Volunteers make an essential contribution in helping charities to have such an influence. Whilst a number of people give their time extremely generously, more work needs to be done to broaden civic participation.⁶ This is particularly relevant to the older generation, with those entering retirement keen to use their skills to make a contribution but unsure about how best to turn this into practical action.⁷ The cross-party Growing Giving Parliamentary Inquiry proposed the creation of a Post-Careers Advice Service to signpost retirees towards volunteering opportunities, and CAF is currently exploring the viability of that proposal.⁸

2. Pressures and opportunities

What are the main pressures faced by charities currently, and what impact have these had?

2.1.1. Charities have struggled due to the economic challenges of recent years, with many placed in a position in which they are struggling to do more with less. Indeed, research carried out by CAF and ACEVO has found that charity leaders are acutely aware of the challenges posed by the financial climate.⁹ Whilst charities should of course join other

³ For more information about the usage of charity services, see Charity Street II, available at: www.cafonline.org/about-us/publications/2016-publications/charity-street-ii-a-report-into-how-we-use-charities-in-the-uk
⁴ More information about giving levels in the UK can be found in UK Giving 2015, accessible at: www.cafonline.org/docs/default-source/personalgiving/caf_ukgiving2015_1891a_web_230516.pdf?sfvrsn=2
⁵ International comparisons about charitable support can be found in World Giving Index2015, available at: https://www.cafonline.org/about-projects/publications/worldgivingindexdownload
⁶ More information about participation can be found in Britain’s Civic Core, accessible at: www.cafonline.org/docs/default-source/about-us-publications/cf_britains_civic_core_sept13.pdf?sfvrsn=5.pdf
⁸ More information about the Growing Giving Parliamentary Inquiry, including reports and a series of recommendations, can be found at: www.growinggiving.org.uk/
organisations in seeking to find efficiencies, there is a limit to how far resources can be stretched before an organisation reaches breaking point.

2.2.2. The changing nature of charity funding from government has also had implications. Fewer and fewer charities are now provided with grant funding, with those in receipt of government funding much more likely to obtain it via contracts given to provide services. This has led to charities competing directly with businesses, many of whom have the advantage of experience in bidding for contracts and delivering services, even where they cannot match the expertise and personalisation that charities can offer. This has had particular repercussions for smaller, local charities, which lack contract negotiation skills and cannot demonstrate the scale that larger organisations often rely on when making successful bids.

2.2.3. Brexit is another significant challenge on the horizon; with concerns about what it will mean for policy in a number of areas, how it may affect funding, and possible issues concerning cross-border giving. A lack of clarity exists, but in that regard charities are not alone. However, Brexit also offers an opportunity for charities to shape the development of new domestic policies, and use their undoubted reach and status to help the transition away from the EU. There is also an important role for charities in building community cohesion and seeking to heal some of the divides that arose over the duration of the referendum campaign. A successful Brexit necessitates the involvement of charities at every level, and the Government should seek to draw upon their reach and influence to deliver Brexit effectively for everyone.

2.2.4. Charities must also develop positive relationships with younger audiences. As the Growing Giving Parliamentary Inquiry discovered, many young people have extremely positive attitudes towards charities but lack awareness about how to turn that into practical action. CAF has sought to help unleash that potential by partnering with UCAS and creating advice for young people about how they can use their participation in social action to bolster their university and college applications. However, much more work needs to be done for charities to better understand how the next generation of donors and volunteers plan to engage with charities, and the role they see for them in society.

3. Innovation

How do charities seek to innovate, particularly in the digital arena?

3.1.1. Many charities – particularly smaller organisations – struggle to keep pace with the constant changes and developments in the digital world. Charities often do not have access to the latest technology, which is particularly problematic given the increase in digital engagement, including donations. Support from government for NESTA through the Innovation in Giving Fund to investigate the potential of innovation for charities has been fruitful, and indeed the Growing Giving Parliamentary Inquiry recommended an integral role for government in providing support to help charities develop digitally. The capacity and expertise of government in this area could help to unlock digital opportunities for charities, and should continue to be a focus of activity.

\[10\] A digital version of this guidance can be accessed at: www.growinggiving.org.uk/ucas-give-and-learn
3.2.2. Digital innovation is particularly important to engage with young people in a way that works for them. Research carried out by CAF and YouGov found that young people are much more likely to engage in digital giving than older audiences, with a particular appetite for donating through apps as well as demonstrating their support for causes via social media. ¹¹ Charities must meet these demands to ensure that future generations give as generously as previous ones.

3.2.3. Charities can also seek to be early adopters of new innovations, which may enable them to take advantage of behavioural shifts generated by technological evolution. CAF’s Giving Thought thinktank has examined the potential that Bitcoin and blockchain technology hold for charities. ¹² These potentially represent a revolution in the way that assets and ownership are recorded, with implications for many areas of life, and we believe that there is a significant opportunity for charities to harness these technologies to further their missions and enhance their relationship with supporters.

5. Governance and leadership

What role should trustees play in the performance and effectiveness of a charity?

5.1.1. Effective charity governance relies on a representative trustee board, reflecting the make-up of society. Concerns about under-representation include an acknowledgment that young people make up a disproportionately small number of charity trustees. The Growing Giving Parliamentary Inquiry recommended that action be taken to encourage more young people to become trustees.

5.1.2. CAF partnered with young trustee Leon Ward to run the Young Trustees Survey, which sought to explore the reality of life as a young trustee and areas in which charities and trustee boards can take action to improve representation. Using the learnings, we created the Young Trustees Guide, which explored some of the different routes into trusteeship, and provided guidance to both charities and young people about how to make trusteeship work effectively. ¹³ CAF has since held discussions with charity regulators across the UK about monitoring levels of young trustees, and believe that engaging young people in charity governance is essential to preserve the long-term viability of the sector.

8. Social investment

What is the potential of social investment and social impact bonds?

8.1.1. Social investment – the use of money to try and deliver both financial returns and measurable social returns – is not actually a new idea. ¹⁴ However, it has come to prominence in recent years, in particular in the form of social impact bonds. We believe that social investment is a powerful tool in some circumstances, and hence we operate one

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¹¹ This research can be found in Appetite for Donation, which can be accessed at: www.yougov.co.uk/findsolutions/whitepapers/appetite-donation/


¹³ A copy of this guidance can be accessed at: www.cafonline.org/docs/default-source/about-us-publications/youngtrusteesreport_1682a_web_080915.pdf?sfvrsn=6

¹⁴ For more on the history of social investment, see this article: https://www.pioneerspost.com/news/views/20160324/the-longer-you-might-think-history-of-social-investment
of the longest-standing social investment funds in the UK, CAF Venturesome.\footnote{https://www.cafonline.org/charity-finance-fundraising/borrowing/socialinvestment}
The ongoing challenge for the development of social investment is to make sure that the needs of charities and social enterprises are at the heart of the products and services being delivered, and that supply reflects demand. The evidence shows that the vast majority of demand is for fairly simple repayable finance in the form of low-cost loans.\footnote{https://www.cafonline.org/docs/default-source/about-us-publications/in_demand_0314.pdf?sfvrsn=7.pdf} But there is a danger that a particular ‘finance-first’ view of the market, coupled with political enthusiasm for complex structures like social impact bonds, results in a proliferation of exotic social investment products for which there is little demand.\footnote{For more detail on the challenges and opportunities for social investment, see our discussion paper \textit{Returns Policy: What the next decade holds for social investment}. https://www.cafonline.org/docs/default-source/about-us-publications/returns-policy-what-the-next-decade-holds-for-social-investment.pdf}

9. The role of the Government

\textit{What should the role of government be with the sector?}

9.1.1. Charities and government both benefit from a collaborative relationship in which government creates a positive climate and framework for charities to operate in, whilst also providing them with the freedom and space to act independently. These relationships should be developed across both central and local government.

9.1.2. Increased devolution and localism offers significant opportunities for local charities, although they are yet to have the input into devolution deals that other sectors have secured to ensure that devolution works for them. Local charities are strongly supported by the public; it is important that this support is met with action by government, and that the potential of local charities to make devolution work for communities is harnessed.

9.1.3. Governments of all colours look to use their resources to make their mark on civil society; in recent years this has notably included the Big Society agenda, and a focus on youth social action and social investment. Whilst each of these areas is important, difficulties for charities exist if projects become too aligned with a specific party as they are then likely to be dropped when there is a change of government. Government and political parties should seek to work with charities to develop a medium-term view of what the challenges and opportunities for charities are, and work collectively with them to create solutions and projects that are sustainable, meet the needs of the sector and cross party divides.

9.1.4. The Charity Commission has an important role to play, and charities should welcome the presence of a strong regulator, because holding charities guilty of wrongdoing to account is an important part of maintaining public trust in charities. However, over recent years the relationship between the Commission and charities has become increasingly adversarial, with concerns voiced about the regulator becoming politicised. The Commission must remember that a core part of its remit is to increase trust, and that enforcement and public scrutiny are just two of the tools available to achieve that. A more positive, supportive relationship between charities and the Commission would be to the long-term benefit of the sector.

9.1.5. Government has taken an increasingly negative view of charity advocacy, and pursued policies restricting upon the ability of charities to campaign on behalf of their beneficiaries, including the Lobbying Act and the anti-advocacy
clause, which has been ‘paused’ before being implemented in full. This is not restricted to government itself; recommendations from the Public Affairs and Constitutional Affairs Committee (PACAO) would, if implemented, significantly restrict some of the historic freedoms upon which the very nature of charity has developed. In addition, several other backbench MPs have voiced their concerns about charity advocacy. This has led to what has been termed the ‘chilling effect’ in the UK, and a part of the international ‘closing space for civil society.’

9.1.6. Charity advocacy is strongly supported by the public, and there is a sense amongst charities that government has taken action to remedy a problem that does not exist. In turn this has had the effect of restricting scrutiny of government actions. Threats to charity advocacy risk removing a voice that many people rely on in the political process; disempowering donors, who may support charities specifically because of their advocacy remit; worsening public scrutiny and leading to poorer policymaking; and weakening the UK’s status and reputation as a liberal, pluralist democracy. Preserving the freedom for charities to advocate should be an essential part of any future discussions about individual or collective rights in the UK.

10. Lessons from other sectors and countries
What can the charitable sector in England and Wales learn from other sectors and/or approaches taken in other countries, including from Northern Ireland and Scotland?
10.1.1. Members of CAF’s Global Alliance, our network of international offices, will be providing the Committee with independent evidence about the successful approaches to facilitating civil society in the countries in which CAF operates.

10.1.2. CAF believes that charities can play a key role in retaining the UK’s international influence through their contribution to soft power. The concept of soft power has been embraced by a number of government departments, and we urge the Department for International Development to put charities at the heart of delivering their global engagement and influencing strategy. This should include seeking to use the UK’s influence and resources to encourage other countries to put into place the structures and frameworks upon which a thriving civil society depends.

10.1.3. It is also imperative that the UK sets a positive example for other countries. Many countries across the world look to the UK’s model of civil society for guidance, and recent restrictions on charity advocacy have led to the UK being condemned by the United Nations and international civil society organisations. Repressive policies here risk being used to legitimise the silencing of civil society organisations in less free and fair countries, and it is important that the influence that the UK wields via its treatment of civil society organisations is taken into account, and their rights and freedoms respected.

18 A more detailed discussion of threats to charity advocacy can be found in Do As I Say, Not as I Do, accessible at: www.cafonline.org/docs/default-source/about-us-policy-and-campaigns/closing-space-report-2016
19 Ibid, p. 17
20 Ibid, p. 12
21 More information about CAF’s Global Alliance can be found at: www.cafonline.org/about-us/global-alliance
22 CAF’s Future World Giving project has been investigating how governments can build strong civil societies globally. More information about the project, including a series of internationally acclaimed reports, can be found at: www.futureworldgiving.org/