**SELECT COMMITTEE ON CHARITIES: Call for Evidence**

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**This response is from Talwrn (www.talwrn.org.uk).** Talwrn is an alliance of twelve diverse voluntary sector organisations with their own individual purposes but which all support disadvantaged people in Wales. Talwrn members challenge each other, provide support and advice, develop new collaborative work, enable learning and, through sharing that learning, seek to inform the voluntary sector as a whole.

**Summary**

* Community cohesion needs to come from within – it can be nurtured and supported, but not procreated, by outsiders going into a community.
* Resourcing support for community development needs to recognise how long it takes, and the characteristics of a cohesive community.
* The way charities are supported is often target and resource (funding) driven, which can result in ‘mission drift’ - and a move away from the need to listen to, involve and understand the people and communities they support.
* Support and challenge for charities needs to become more sophisticated, moving away from measuring and accounting (management processes) to critical review and reflective analysis (development processes) i.e. less focus on what we do than on the difference we make.
* The Welsh policy context provides opportunities for innovation but leaving the EU, austerity cuts and local government re-organisation in Wales all create uncertainty.

1. **The purpose of charities: key points on charities’ role in communities**

1.1 A charity’s role in civic society will be defined by its purpose, which may include supporting community development, developing activism, tackling or alleviating poverty or building cultural strength. Common to all should be a way of working that is independent. During the twentieth century charities adapted as the State took on many of their traditional roles. As the State now moves away from non-statutory interventions, charities will need to change again but it would be wrong for them to just pick up what the State is walking away from, even if they had the resources to do so. The challenge, and opportunity, is to do things differently and better.

1.2 Talwrn’s view is that charities need to approach the challenges and opportunities of the twenty-first century with optimism and innovation. Charities were at the heart of the paternalism of the nineteenth century, promoted a rights based approach in the twentieth and now some are in the vanguard of developing the models for person centred, co-produced structures that share control and power with people and communities. While for some, this is a shift in function, it is rarely a change of purpose. However, we would argue that what many charities currently do is not always distinctive from what other sectors do. This is less a failing in charitable structure, than in managing the balance between survival and staying true to a charitable purpose.

*1.3 Charities and community cohesion:* It is not safe to assume that *because* an organisation is a charity it has an understanding of community development. A charity *can* be very effective in developing community cohesion and civic action, but only if it works *with* the community and with other local groups important to the community. There have been some unhelpful examples of larger charities getting national contracts, ‘parachuting’ into communities and derailing local community activity in order to capture their targets. Charities can be very effective in supporting community cohesion:

* when they are part of a community and provide long-term continuity; robust relationships with people and groups that stand the test of time; and an ‘enabling’ function that builds on community assets, supports communities to come together and to take collective community action; and/or
* when they work alongside communities, offering opportunities to identify and fill gaps (such as skills), getting involved in protecting or preserving what is important to people (such as the environment or the arts), and/or offering support for those within communities that struggle to cope (such as carers).

1.4 Funding regimes have had the (unintended?) effect of limiting community development at a local level by introducing competitive ‘target driven’, time limited approaches which work against community led work or collaborative approaches. This is particularly true when charities shape their approach to the funding, withdrawing when the funding ends and creating cynicism in communities. Contracting, in particular, often focuses on defining very specific tasks and outputs, leaving charitable organisations unable to respond creatively to needs and, in effect, becoming an arm of a public service. *Contracts should be developed with people and communities who receive services, and be flexible enough to allow creativity and innovation.*

1. **Pressures and opportunities**

2.1 Leaving the European Union is a key unknown for charities in Wales. Wales has long been a net beneficiary of the UK’s EU membership and many charities have received funding from European programmes for their work. The EU has also provided an ethical framework around equalities and environmental sustainability for work in Wales and the impact of the changes to come in these areas are also unknown. As in England, decisions about how European money would be spent were taken in Wales, so we would not expect major policy changes. However, there is concern about the deliverability of the promises, made during the lead up to the Referendum, that Wales would not lose out financially.

2.2 Given that there will be radical change (albeit we do not know when), that relates not just to the EU but also to the impacts of austerity on Welsh society and proposed local government reorganisation, there is an opportunity for charities to be involved in shaping thinking about the future of Wales. However, charities are rarely considered as contributors to such debates beyond their role in delivering public policy and, amongst public sector agencies, there is a default towards the larger, national charities which have all the structures and policies the public sector looks for, but which may not have insights into the changes needed locally or regionally. For example, there is an increasing policy interest in locality based work but a lack of confidence in locally based charities to deliver on it. Charities have some responsibility for this situation, where they have slipped into ‘delivery’ mode, thinking more about what they are paid to deliver than what people need and so offering little in new ideas or practices. We urgently need structures that encourage charities to reflect and learn from their work and feed this learning into future planning.

2.3 The impact of austerity is greatest on the poorest and most marginalized. These are the groups that most charities were set-up to support. There are additional challenges from societal changes including immigration and an ageing population. As a ‘double whammy’ another impact of austerity is to erode the ability of charities to meet these increasing demands by cutting resources they can access.

1. **Innovation**

3.1 There is a wide range of charities from multi-nationals to local, community based groups, and innovation will be radically different for each. A positive impact of diminishing resources can be to encourage charities to work much more effectively in partnership. Within Talwrn there are examples of charities seeking to work with others to share administrative functions; to provide people with a wider range of, and better quality, opportunities, and earning income through internet sales.

3.2 Inevitably funders have a role in shaping innovation through what they choose to fund but charities need to take the initiative, rather than wait for innovation to be imposed. The charity support infrastructure (national and county based) should be stimulating innovation to respond to people and communities, to help build capacity, to support cohesion and community action, but is, arguably, too embedded in existing practices and not yet ready to change. A focus on building the capacity of national and county voluntary sector support bodies to support innovation would be helpful.

1. **Governance and leadership**

4.1 Leadership happens throughout a good charity, amongst volunteers, workers and managers. There are many programmes that set out to promote positive leadership in organisations, and charities can access these but the approach needs to be holistic. Developing a positive approach to leadership requires cultural change – most of us still function most comfortably in hierarchical structures, but this change is necessary to enable person, or community, centred work.

* 1. Much of the provision aimed at promoting good governance of charities focuses on controls – whether of finance, staff, or contract work. Whilst controls are important, they are not, of themselves, sufficient to deliver a charity’s purpose. There is a need for a greater focus on developing critical thinking, reflective skills and ethical frameworks within charities. Talwrn is addressing this collaboratively, with organisations working together to develop thinking and skills. Training for trustees, in our view, places insufficient focus the crucial role they play as the protectors of the charity’s aims and objects. Managers can easily become distracted by the need to secure income, preserve jobs and meet funders’ requirements. Trustees need to be able to stand back from this to champion the core role and purpose of the charity. They need to act as a ‘critical friend’, questioning directions being proposed, outcomes being measured and successes being valued.

* 1. How this happens, and the complexity of the task, will differ according to the size and function of the charity and the expectations of trustees must be proportionate. Trustees of a local community regeneration charity that has only one or two employees will, arguably, be much more ‘in touch’ with the charity’s purpose than those of a major national charity working in multiple areas and with a staff of hundreds. The latter can easily find their meetings dominated by their legal accountability role unless specific efforts are made to focus on the charity’s role and purpose.
  2. It is not helpful for funders, especially the public sector, to try to ‘manage’ charities by imposing requirements. This can divert a charity from a focus on its core aims and purpose and lead to an imbalance in its work. It is better to strengthen charity governance from within than to impose an external ‘compliance’ structure. There should be a much greater interest in supporting trustee development for smaller charities.

1. **Accountability**

5.1 Charities are very financially accountable to their funders. Fraud does happen but it is very rare and there is a danger of over-reaction from the public sector and media when it happens. However, there is arguably less accountability to beneficiaries and the general public. At a community level there can be a lack of honesty about what is being done and why, especially where needs are being identified externally and decisions have been made about the work before any conversation has been had with the community, which frequently happens.

5.2 However, with no spare resources it can be very difficult for a charity to genuinely involve the people they want to work with in co-planning their work. It takes time to involve people, and funding that both financially supports, and expects, that involvement is important. Some charitable trusts and foundations are taking the lead in promoting this approach, encouraging and funding applicants to spend time with the community listening before developing proposals that build on local assets to address local needs. The Charity Commission is now mainly concerned with legal issues with larger charities. There is room for infrastructure organisations to potentially fill a gap in provision of low level charitable support, advice and oversight of the sector locally.

1. **Resource management**

6.1 Too many charities in Wales have relied on public sector funding for their work, and even allowed the public sector and its funding to shape what they do. As austerity hits public services (and it is doing so more slowly in Wales than England) these charities are struggling financially and poorly placed to develop their approach. Proportionately little charitable trust and foundation funding comes into Wales and Wales also has few large businesses making sponsorship a rare thing. So charities need to re-think their situation: some could become social enterprises, some could merge or collaborate on their work, and some could re-focus their work and become stronger, if leaner.

6.2 However, survival for survival’s sake, to preserve jobs or maintain a brand, makes little sense. Talwrn’s experience is that different types of organisations working together are more effective than trying to develop ‘sectoral’ sharing e.g. rather than getting all health related charities to work together, there is greater scope in health, carers, employment and education based charities cooperating to meet needs in an area. There is an opportunity to achieve this through the new policy framework in Wales, particularly the ‘Social Services and Wellbeing’ and ‘Future Generations’ Acts, which propose a much more collaborative and coproductive approach to building the capacity of citizens and communities and supporting place based community programmes.

1. **Social investment**

7.1 Our experience in Wales is that social investment funding has been derived from existing sources and can be hidebound by rules and regulations which prevent the innovation that the programmes are designed to bring about. There is potential for social impact bonds and social investment, but these must be accessible and not place all the risk on charitable organisations. They must be focussed on pioneering new ways of thinking and working with communities and of measuring impact.

1. **The role of the Government**

8.1 As noted above, significant cultural change is needed to bring communities and the services that work with them closer together. It will not work for the public sector to simply ‘hand over’ aspects of their role to charities – if these services were not financially viable for a local authority to provide, it is unrealistic to assume that a charity would be able to sustain them. Therefore, we need to do things differently and charities should be focused on modelling how.

* 1. The public sector (local and national government, health authorities, the police) need a new kind of relationship with the voluntary sector that is far more of an equal partnership than the current hierarchical one (where public services set policy and look to charities to deliver it). There is the potential within the policy framework in Wales for a much richer and more equal civil society, with the role of local government and other bodies as facilitators, and the community and voluntary sector and charities taking a leading role in transforming community cohesion and activity by building on the assets and aspirations of local communities. At present, in Wales, there is still a strong culture of control and thinking government knows best and a stress on the deficits and problems within people and communities, which harms society. We need to demonstrate that everyone has something to give and is of value, and how to connect people, associations and institutions on a level playing field to develop a more cohesive and active society.
  2. There are some lessons to be learned from the Welsh experience of devolution. Many large charities have their headquarters in London and Welsh branches or divisions of these charities have been largely disenfranchised from the core resources these charities accrue, especially from corporate sponsorship. They may carry the ‘parent’ charity name but have been ‘floated off’ as a financially independent body, and very much a poor relation. People assume that they are wealthy, given the UK profile of the ‘parent’, disadvantaging them in fundraising without giving them the financial security of a large charity.

1. **Lessons from other sectors and countries**

9.1 Scotland has traditionally has a robust and well-resourced voluntary and community sector with strong infrastructure organisations. The Policy Framework has for some time expressed and facilitated the value and importance of an engaged and active community and voluntary sector that has a pivotal role in supporting people and communities at all levels; and valuing the diversity and different strengths of working collaboratively.