

BRIEFING NOTE:

18 April 2017

The House of Lords publishes its report on charities: *Stronger charities for a stronger society*

On 26 March the House of Lords Select Committee published its report on issues affecting the charity sector. The report is a lengthy tome of 156 pages and contains approximately 100 conclusions and recommendations. The government must respond to the report. The Charity Commission has responded in part but it is expected to provide a more detailed response. The full report can be downloaded from the link below:

<https://www.publications.parliament.uk/pa/ld201617/ldselect/ldchar/133/133.pdf>

At a glance, the report:-

1. **Recognises that “Charities play a fundamental role in our civic life.”**
2. **Welcomes the Charity Commission’s decision to use the revised Charity Governance Code as a benchmark for good governance – see the following link for details:**
[http://www.filanthropia.co.uk/Briefing_note_draft_revised_Charity_Governance_Code_and_Charity_Commission%27s_Revised_Regulatory_Statement_\(Feb_2017\).pdf](http://www.filanthropia.co.uk/Briefing_note_draft_revised_Charity_Governance_Code_and_Charity_Commission%27s_Revised_Regulatory_Statement_(Feb_2017).pdf).
3. **Recommends the following ways in which governance might be improved:**
 - charities should regularly undertake skills audits of their trustee boards;
 - trustees should have access to training, including induction training and that smaller charities might have free access to a template induction process;
 - the government should launch a public consultation on introducing a statutory duty to take time off work to perform trustee roles; and
 - subject to exceptions, there should be a time limit for individuals to serve as trustees: in our view given the existing pressures on trustee retention and recruitment, this may prove to be unworkable.
4. **Concludes that charity trusteeship should continue to be primarily voluntary.**
5. **Recommends the following ways in which accountability might be improved:**
 - all charities except the very smallest should have a simple website or public social media page;
 - the Governance Code Steering Group should set out best practice suggestions for governance reporting: i.e. in a statement in charities’ annual reports;

- all charities should seek independent evaluation of their impact on their beneficiaries;
 - the Office for Civil Society should develop guidance on how to reduce the bureaucratic burden on charities when they contract with the public sector; and
 - charities should provide, as recommended in the revised Governance Code, regular information to stakeholders to enable them to measure charities' success in achieving their purposes.
6. Recommends that contracts and commissioning processes need to be reformed as the processes are currently *“skewed against smaller charities”*.
 7. Emphasises the important role that public sector grant funding plays in ensuring the sustainability of charities, particularly with regard to innovation.
 8. Recommends that government, funders, charities and businesses should do more to promote and support the role of volunteers.
 9. Recommends ways to make it easier for (a) charities to merge and close and (b) reducing the number of charities being established which have similar purposes to existing charities.
 10. Highlights that charities are at risk if they do not embrace digital technology and that charities' capacity to do this varies.
 11. Looks at alternative forms of charity finance, including the social investment market and the potential for social impact bonds to have a meaningful impact on charities.
 12. Recommends that the Office for Civil Society should undertake an audit of the potential impact of Brexit on charities, including the impact on the loss of funding.
 13. Expresses concern regarding the Charity Commission's proposal to introduce a mandatory charge for registered charities.

Sarah Chiappini
Director and Solicitor (non-practising)
Filanthropia Consulting

filanthropiaconsulting
 for charities and not for profit organisations

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This note provides a general summary only and it does not constitute legal advice. It is recommended that specific advice is sought in relation to the particular facts of a given situation.