

A photograph of an ice climber is the central focus. The climber is wearing a bright blue jacket, a red helmet, and dark pants. They are equipped with a harness and various climbing tools, including ropes and carabiners. The climber is positioned on a large, jagged piece of clear blue ice, with their body angled upwards. The background is a clear, light blue sky. The bottom portion of the image is overlaid with a green geometric pattern of overlapping triangles and diamonds.

ENSURING CHARITIES 'DO IT PROPERLY'.

Maintaining Standards in the Charity Sector.

Compiled by Community Matters

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Foreword

Striving for the highest quality of governance, operation, services and support must always be the prime ambition of any charity. Dedicated staff need the confidence that they are working for organisations which are well managed, volunteers need to know that their time is adding to the quality of the services provided, donors need to know that their resources are well deployed and beneficiaries need confidence that their support and care accords to the highest possible standards.

While all organisations must have the opportunity to learn and improve, assurance provided through easily recognised quality standards helps provide that certainty. While the Charity Commission has the overall responsibility of ensuring that charities comply with their statutory obligations and fulfil the requirements the Commission sets out, also having a quality mark which the sector can recognise, can not only aid the Commission in its work, but drive forward innovation and good governance.

Achieving a quality standard must not be burdensome to organisations, but must recognise the achievements that charities are already working towards. At a time when both charities and the Charity Commission are under considerable pressure, any standard developed must work for both, and be a helpful tool to enable them to reach their objectives. Ultimately, such a standard should reduce the number of serious incidents and closures of organisations, bringing benefit to the whole charity community.

Rachael Maskell MP
Shadow Civil Society Minister



Introduction

The importance of charities being able to continue enjoying high levels of trust amongst stakeholders, particularly donors cannot be underestimated. Recent times have seen increasing focus on the integrity of charities' fundraising practices, on our approach to diversity, equity, and inclusion and our HR practices. Often, the media has been keen to highlight the incredibly small number of incidences of bad practices within our sector. Of course, most charities act with integrity and carefully follow robust processes and procedures to ensure adherence to charitable objectives within all appropriate regulation.

A process of assessing compliance against an agreed quality accreditation standard or framework can be an integral part of charities' strategic approach and can help reinforce good practice. Whether this be assessed independently via an external process, as part of a membership or federated structure or through self-assessment against a quality scheme; all can support effective development, compliance, and sustainability.

An effective quality assurance process provides additional protection for a charity's reputation and brand. A good quality process will identify significant gaps, weaknesses, and corrective actions to be taken for improvement. This serves as a periodic due diligence exercise to confirm that charities have the capacity, systems, controls, and capability to deliver. It can also identify excellent practice that can be promoted, as well as ensuring that we keep up with changing priorities, compliance requirements and innovation.

Given the understandable context of public and media scrutiny, alongside the fact that we operate during a global pandemic which has heightened inequalities and vulnerabilities; we must demonstrate that we operate efficiently with robust controls and governance. This can ensure we continue to have donors and stakeholders precious support to allow us to deliver on our charitable missions and advocate for the communities we serve.

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History and Background

It has become noticeable that the number of serious incidents reported to the Charity Commission has increased since 2014 and the number of charities closing, particularly those with under £100,000 per annum of income, has also increased.

The biggest increase was seen in 2009 following the national financial crisis but after a drop, those figures are slowly increasing again. The trend in serious incident reporting is set out below in table 1 showing the steady increase since 2014-15 with a significant increase in 2019-20. Table 2 shows the trends in charity closure since 2007.

Table 1: Serious Incident Reporting

Year	Incidents reported
2014-2015	2,129
2015-2016	2,117
2016-2017	2,181
2017-2018	2,819
2018-2019	3,895
2019-2020	5,730

Table 2: Charities Closing

Year	Closed charities
2007	2,947
2008	4,721
2009	12,384
2010	5,328
2011	6,470
2012	3,776
2013	3,596
2014	3,219
2015	3,452
2016	2,622
2017	2,822
2018	3,903
2019	4,404

Source: Charity Commission Annual Report 2019/20

This has been accompanied by a risk for small charities being tarnished by association with public scandals, which has increased public scrutiny of charities. (Filosof et al, 2020). There has also been media exposure of unethical fundraising practices, which are sometimes seen as a failure of leadership within an organisation, and of those working in bodies that oversee and regulate charities. Running alongside this has been a surge in social media reports of bullying and discriminatory practice within charities leading to a number of compromise agreements being made between departing staff and charitable employers.

These events have taken place in an environment of change within the charity sector. The 2008 financial crisis clearly had an impact on charity closures and there are fewer national, regional and local infrastructure support bodies in existence to provide information, guidance and support. Within Yorkshire alone, nine infrastructure bodies have gone over the past ten years through either closure or merger. Services have often been centralised and less available locally. There have also been greater pressures on the charity sector to deliver services previously provided by statutory bodies and organisations have had to adapt accordingly.

Research Supporting the Role of Quality Assurance

There is a developing body of research supporting the importance of quality assurance in charitable organisations.

Recent research demonstrates its continued value in terms of:

- **Contributing to organisational development**
- **Evidencing organisational soundness to external stakeholders and funders**
- **Contributing to organisational sustainability**
- **Promoting continuous improvement.**

Filosof et al (2020), described how increasing demands for voluntary sector contribution to provision of public service has led to a need for the public to trust and have confidence in services and effective use of funds. They stress the importance of charities having a good grasp of governance and explored the rationale of implementing quality frameworks in small and medium sized charities. This is described as complex and influenced by multiple perspectives and often a response to the need to be seen to be working towards “best practice”.

“A general rationale for the take-up of quality frameworks and codes of governance is that they offer guidance on good practice for the management and service delivery, which can then be used to assess current practice and identify process improvement” (ibid p 37).

Research carried out in 2012 (Brodie et al) also found that Pre Qualification Questionnaires often award points for having a quality standard in place, as it was seen as evidence of good management. They found evidence of use of them by commissioners and funders as a way of managing risk, ensuring value for money, and demonstrating quality – and giving more of a guarantee than self-assessed standards. They also listed a number of drawbacks, including the resources required, the danger of measuring process rather than outcomes, limited currency, no increase in legitimacy or reputation, and the danger of being a tick-box exercise. From a funders’ perspective, they tended to be looking for evidence about how a quality assurance system was being used and how it was a tool for learning and reflection.

Wales Council for Voluntary Action is carrying out a review of Trusted Charity (previously PQASSO). The process for Trusted Charity now involves a comprehensive review and a self assessment process. Their research showed that the greatest benefits go to those who want to embed a culture of improvement within the organisation. They found that the choice of quality mark depends very much on, among other things, the recognition of the standard among other stakeholders that the charity wants to influence. There was a low level of recognition of the Trusted Charity mark among funders and commissioners, and a general agreement that mandating the use of any one quality mark for all charities would create more problems than would be solved.

However, data supplied by Charities Evaluation Service and NCVO show a fall in the take up of quality assurance schemes with the number of reviews offered for PQASSO falling dramatically after 2017. The figures are given below.

Table 3: Number of reviews offered for quality assurance

Year	Number of reviews
2017-2018	95 reviews
2018-2019	63 reviews
2019-2020	44 reviews
2020-2021	30 reviews

Evidence of Need for Quality Assurance in Charities

Research carried out on behalf of the Charity Commission by Populus (2018) found that public trust in charities has plateaued since 2016, which has led to an aspiration on the part of the Commission to ensure that charities are among the most trusted social institutions. They found that the role of the regulator is viewed as highly important by the vast majority of the public.

Factors which developed trust in the public (p 10) included having the regulator logo on publicity. 49% of a sample of 2,059 stated that it increased their trust in the organisation, and 25% were more likely to donate. Public trust was also increased with an inclusion of the Charity Commission role as regulator. The public believe that the Charity Commission has a highly important role to play in upholding trust and confidence in the charity sector (p 14). 83% of the public consider the Charity Commission's role is essential or very important. 45% of respondents trust charities more, knowing that they are regulated.

**55% think charities are regulated well in England and Wales.
52% have heard of the Charity Commission.**

A report of a strategy review focus group in 2018, found an expectation of the Charity Commission constructing and enforcing a set of behavioural standards. There was a feeling that the regulator should have responsibilities beyond making sure charities stick to the law. (Populus 2018)

Further research in 2020, asking what the public expected from a regulator, found that the regulator status was seen as a mark of confidence, allowing the public to make basic assumptions about efficiency, impact, and conduct.

“They should be making sure that those charities are well run, treating their staff properly, have the right set of ethics, and are using as much profit as possible every single year to have an impact.” (Populus 2020)

Background to Charity Commission endorsement of Quality Assurance Schemes

Charity Commission introduced endorsement of quality assurance systems in 2006 with three purposes:

- **Improvement of compliance in the sector**
- **Improvement of accountability in the sector**
- **Improvement of self-reliance in the sector**

and on the basis that:

“A well designed quality assurance system provides the framework within which charities can continuously plan, monitor and assess their activities and minimise risk and maximise opportunities.”

(P 3 Charity Commission Partnerships – Endorsement of Quality Assurance Application Pack).

Quality assurance schemes could apply for Charity Commission endorsement provided they satisfied six tests:

- **they operated within England and Wales;**
- **the system is run by a charity or group of charities;**
- **they assessed the governance of the charity and not just the quality of service provided;**
- **they covered the whole of the charity and not just particular activity;**
- **the assessor must be independent of the charity being assessed;**
- **the assessment must include a site visit.**

Two levels of endorsement were available and it was given for four years. However, the Charity Commission endorsement programme ceased in 2016.

Rationale for Charity Commission endorsement

The Charity Commission argued that endorsement gave those organisations who achieved it, a special relationship with them. Endorsement was based on a set of hallmarks of an effective charity, each of which was accompanied by a set of indicators. The bodies receiving Charity Commission endorsement were:

- ACRE
- Age UK
- Charities Evaluation Service
- Community Matters (NFCO)
- Community Transport Association
- Home Start UK
- MIND
- UK Community Foundations
- YMCA England

In order to receive Charity Commission endorsement, the scheme had to look at the organisation in the round and not just one aspect of its work, which limited the number of schemes receiving endorsement. Endorsement was only open to assessments undertaken independently of the assessed charity.

The hallmarks were:

- **Clarity about purposes and directions;**
- **A strong board;**
- **Fitness for purpose;**
- **Learning and improving;**
- **Financial soundness and prudence;**
- **Accountability and transparency.**

Of those nine quality assurance schemes, the following still exist:

- **Trusted Charity (previously PQASSO, operated by Charities Evaluation Service as part of NCVO and is currently under review);**
- **Age UK;**
- **Home Start;**
- **MIND;**
- **Community Foundations Network**
- **(Community Matters but dormant).**

A report produced by Newcastle University Business School in 2011 (Quality in the Voluntary Sector), described the Quality Standards Endorsement Programme as a quality standard for Quality Standards, which recognised the importance of combining external assessment, peer review, and client input. (The future of the programme was under review at the time of this report). It was a verification process sitting above the systems managed by assessing bodies. The commission's guidance was seen as a template of good practice, and the bespoke standards of each scheme as reflecting a specific set of core concerns and values. The Accreditation Providers Forum had been set up at this time by the Charities Evaluation Service and mapped the endorsed standards across to ISO9001 as a benchmark. They found that most mapped across effectively.

Endorsement as a test of whether a quality assurance scheme provides a sufficient test of a charity's governance.

The Charity Commission document “Partnership Development: Quality Assessment Endorsement Programme: Quality Assurance Systems”, was archived in 2019 and the strategy described as no longer current and under review. It described quality management as being about the consistency of a product and being fit for purpose, with a focus on development and improvement, and achieving a constant outcome. It is relevant because a charity should want to be the best that it can and provide the best possible service. Those building quality assurance into their business planning are likely to be more resilient. Research cited above (Brodie et al 2012), found that quality standards that are “accredited”¹ are seen as more reliable and credible than those that are not. The value of benchmarking quality standards lay in the ability it provided to organisations to compare themselves with others they may be in competition with, or looking to collaborate with.

“External ‘accreditation’ helps in benchmarking our services”
(survey respondent, VCO).

This research found that a quality system needs to be endorsed to have value to a funder and to provide reassurance to stakeholders and clients.

¹ The terms ‘accreditation’ and ‘endorsement’ are often used interchangeably but can have slightly different meanings referring to different activities within quality assurance. Accreditation is the term used to describe the process whereby the UK Accreditation Service recognises the competence of bodies to operate quality assurance systems – a process that sits above the process that is managed by assessing bodies. Endorsement is the process that was used by the Charity Commission to recognise the fitness for purpose of sector led quality assurance systems which meet strict terms and conditions. It is a verification process that sits above the systems managed by the assessing bodies. It is similar to the concept of accreditation but endorsement is a test of whether a quality assurance system provides a sufficient test of a charity's governance.

Conclusions

- 1** There is clear evidence of the benefits of quality assurance in the charitable and not for profit sector which need to be reiterated to regulatory bodies.. This evidence is backed up by research cited above.
- 2** Evidence is also available that quality assurance, which can be costly and time consuming, is more likely to be pursued by charitable bodies, if there is clear recognition of the quality assurance mark by public sector bodies and support is provided to pursue a quality mark.
- 3** Clear potential exists for the Charity Commission to re-evaluate its former endorsement scheme. It is not only in the interests of charities and their funders and other stakeholders but also in the interests of the Charity Commission itself. As the Charity Commission capacity is reduced, so the number of serious incidents and closures it is having to handle is increasing considerably. A culture of encouraging charities to become involved in pursuing quality assurance would not only ensure that good systems were in place within organisations but would enable issues to be picked up earlier before they became serious incidents and before organisations have to make decisions about closure.
- 4** Evidence exists that the 'stamp' of the Charity Commission is recognised and valued by the public and by funders and commissioners, and their role of regulator is considered essential or very important.

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