

## House of Lords Select Committee on Charities Call for Evidence – Charity Sustainability



**Submitted by:**  
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### **Who is MHA?**

MHA is an award-winning charity providing care, accommodation and support services for older people throughout Britain. We are one of the most well-respected care providers in the sector and amongst the largest charities in Britain, providing services to older people for more than 70 years. Our aim is to eliminate isolation and loneliness among older people by connecting older people in communities that care.

MHA delivers a range of high quality services to 17,000 individuals:

- 4,350 older people living in 84 care homes - residential, nursing and specialist dementia care
- 2,500 older people living independently in 72 retirement living communities with flexible support and personalised care, with a further ten sites in development
- 10,000 older people supported through 66 Live at Home services in the community.

Our services are delivered by 7,000 dedicated staff and enhanced by the commitment of 5,500 volunteers.

MHA recognises that loneliness is an increasing challenge that affects many of us as we age and it is manifested physically, emotionally and spiritually. Our ambition is to ensure that every older person can be connected within a community of their choice so they can live an independent and fulfilled later life as they age.

MHA is pleased to submit evidence to the call for evidence on Charity Sustainability and our response focuses on our perspective as a large charity with a long heritage serving 17,000 older people.

### **Executive summary**

- **What makes charities different?** Charities have an important and distinct role as they operate for public benefit in a 'third' space between the private sector and the public sector. This key distinction gives us the freedom to pursue our long term vision and goals focussed on public benefit and the difference we can make to our direct beneficiaries, their families and friends and wider society. This enables us to invest every penny of our surplus, including our fundraised income, into maintaining and developing new services for the benefit of more older people.
- **Experience and responsiveness:** Charities like MHA were originally set up to meet needs within the population that were not being met any other way – in our case, the needs of older people. As those needs continue, and are increasing as well as evolving, we bring a breadth and depth of experience in meeting needs effectively and in the ability to develop responses to emerging needs.

- **Our amazing volunteers:** At MHA, like most charities, we champion the importance of our volunteers. They are invaluable and we could not deliver all that we do without them. Demand for volunteers is increasing and we have responded by improving the quality of our 'offer' to volunteers and better recognition of all that they do.
- **Governance - does one size fit all?** We also champion the essential role our trustees play. However, the current governance arrangements for charities mean that one size fits all – once you are a trustee, your duties and responsibilities are the same regardless of the size and type of charity it is. There are thousands of small charities that are not comparable in any way in terms of scale, size and impact - is it right to have the same expectations and duties of all trustees, regardless of this? We suggest there needs to a debate about a more pragmatic tailoring of trustee responsibilities to the focus, scale and purpose of their charities for which they are responsible.
- **Balance of accountability:** In large charities like MHA, members of the senior executive will recognise their accountability for how they run the charity on behalf of the trustees. While the Charities Act has strengthened some of the powers of the Charity Commission in relation to trustees and senior officers, does this ensure sufficient accountability for the senior executive team in a large charity?
- **Resist the temptation for more regulation/ bureaucracy:** Large charities are complex organisations, with diverse income streams, working across a range of sectors. At MHA, we already operate in a highly regulated environment – the care we provide is regulated, the housing we provide must meet key standards, the volunteers we recruit must be DBS checked. Government policy for the third sector needs to recognise the bigger picture of the current regulatory environment in which many charities operate, beyond the fundraising activity of charities. We would not wish to see the Government pursue a more heavily regulated approach for charities working across a range of sectors.

## **1.0 Role and purpose of charities in civic society**

- 1.0.1 MHA's view is that charities occupy an invaluable 'third' space, between the private sector, often operating for profit and dividends and the public sector, which can be constrained by funding and short term election cycles. A key distinction for charities is that we do not have to serve the needs of shareholders in the form of dividends, nor do we have direct political masters in the form of locally elected politicians on relatively short election cycles.
- 1.0.2 This gives us the freedom to pursue our long term vision and goals focussed on public benefit and the difference we can make to direct and indirect beneficiaries and wider society. This can also give us more freedom to experiment with what works and try different solutions
- 1.0.3 MHA, like many charities, was set up to meet unmet needs within our population – in our case, the needs of older people. We began to provide services for older people over 70 years ago, filling a gap at that time. Since then, the charitable work that we do has evolved, as older people's needs have evolved, but we still see a need and

purpose for our work as our ageing population increases and as our experiences of ageing change.

- I.0.4 We want to do much more for many more older people to help them stay connected in communities that care and to enable them to have the best possible later life. And we want to have a wider impact on society in the way we view and treat ageing and in the way our communities respond to ageing. When we think we have achieved these aims, we will have fulfilled our purpose.
- I.0.5 Being guided by the principles of public benefit is essential to the work that we do and the change we want to achieve. Increasingly, we also see that charities like us are plugging the gaps emerging from the withdrawal of the public sector in the provision of services and support for older people, as the public sector grapples with significant reductions in funding.

## **I.1 Civic action**

- I.1.1 MHA is a good example of a charity whose purpose is at the centre of social change and social integration, as we have responded to the emerging needs of older people over the last 70 years – so for example, in 1988, we set up our first Live at Home Scheme to support older people living in their own homes with access to community networking and befriending services and in 2008 we introduced our innovative music therapy service for people with moderate to advanced dementia. We also work to ensure the voice of older people is heard in campaigning for policy change and civic action.
- I.1.2 We have clear values including respecting every person as being a unique individual, dignity, being open and fair, being the best we can be and nurturing the body, mind and spirit to promote a fulfilled life that pervade all that we do as a charity.

## **I.2 Volunteering**

- I.2.1 MHA benefits massively from our volunteers. We have approximately 5,500 volunteers and they are at the heart of much of our work, from helping us to deliver services, such as befriending and supporting older people, running activities and helping us raise funds and increase awareness of the change we want to see for older people. A conservative estimate of the economic value of our volunteers is £2.2m per year.
- I.2.2 Our volunteers also tell us that they get immense benefit and satisfaction from giving their time to help the work that we do, so that reciprocal relationship is clearly very important and very valuable. Many of our volunteers are older people themselves, so having an active volunteering role with us also helps to achieve our wider purpose of creating communities that care and helping people stay connected in their communities.
- I.2.3 At MHA, we have always worked hard to really recognise our volunteers and the immense contribution they make, for example each year we host a celebration event in most of our services to celebrate their help, support and achievements. Volunteers are increasingly in demand as many charities are competing for their time

and commitment, so charities now have to do more to attract and maintain their volunteers. This in turn has driven up the quality of charities' offer to volunteers, including better volunteer management, reward and recognition. This can be seen in increasingly professional programmes of recruitment, training, support and reward to make sure that volunteers really do feel valued and can enjoy an improved status.

- 1.2.4 Therefore, like many other charities, we at MHA are reliant on our volunteers and could not deliver the breadth and depth of services we offer without them. However, engaging volunteers is not straightforward, particularly for charities working with vulnerable people. For example, all our volunteers have a DBS check and all activities must be risk assessed for health and safety purposes. Government policy that focuses on volunteers should be mindful of this and avoid additional layers of bureaucracy that might discourage volunteers.

### **1.3 Challenges faced by charities**

- 1.3.1 At MHA, our ambition is to ensure that every older person can be connected within a community of their choice so they can live an independent and fulfilled later life as they age.
- 1.3.2 It is important to us that we meet the challenge of remaining to responsive to the evolving needs of older people and our ageing society. Being flexible and agile in our work can be a challenge. Most charities are competing to have their voice and cause heard, so it can be a crowded market place, in terms of building fundraising, recruiting volunteers, increasing awareness of the cause and achieving policy and wider public influence.
- 1.3.3 Making sure we listen to older people and work with them to evolve our services; keeping up to date with digital and technology developments; working collaboratively with other partners, who share similar goals, to build our voice and influence; cherish our supporters and volunteers; and safeguard our reputation and up hold our values through delivering recognised quality services.

### **2.0 Main pressures faced by charities currently**

- 2.0.1 In MHA's experience, we benefit from a supportive charitable culture in terms of the British public's propensity to donate their time, money and voice. However, the revelations during the last year about some of the practices being used by big UK charities has, quite reasonably undermined trust in the whole sector. Here at MHA, we have not used and would never use those aggressive fundraising practices and we have a real opportunity to show ourselves as distinctive and separate from that behaviour. Excellent stewardship, openness and transparency are key to building and maintaining public trust and the whole sector has the opportunity to do this well going forward.

### **3.0 Innovation**

- 3.0.1 At MHA, a key challenge for us is making sure we are able to innovate in the way we offer our services to older people and in the way we develop our approach to recruiting supporters to keep up with the ever-advancing digital landscape.

- 3.0.2 More promotion innovation could be done by sharing of best practice between charities and a wider use of partnerships and collaborations, for example academic partnerships and accelerator type pilots and projects. Big funding streams, like the Big Lottery Fund, could be encouraged to do more to fund innovation and help continue development in the sector.
- 3.0.3 However, time and competition may hinder charities capacity to innovate. Charities which deliver frontline services in particular, are focussed on delivering great quality everyday, so funding time and resource to test new ideas can be a challenge.

#### **4.0 What skills are required to lead and manage a charity?**

- 4.0.1 The skills needed to lead and manage a charity effectively do, in reality, relate to the size of the charity, the scale of its work, both financially and in terms of frontline delivery of services, and the focus of its work in terms of intended beneficiaries.
- 4.0.2 At MHA, as we are a large, well established charity, delivering frontline services to 17,000 older people and an employer of over 7,000 staff, we understand the importance of having experienced, capable leadership – both in our executive leadership team and in our board of trustees.
- 4.0.3 Our recruitment process for trustees is driven by a clear understanding of the different capabilities we need on our board to provide excellent governance. Future ‘gaps’ in capability are planned for by a Governance Committee of the Board, which is not chaired by the chair of the Board.
- 4.0.4 We seek the widest possible pool of candidates for trustee roles and use a competitive, competency-based interview process from, which we select the right people to join the Board, subject to suitable references. The Chair of the Board and Chief Executive are on the recruitment panel along with other Trustees as appropriate.
- 4.0.5 Within the sector, there have been suggestions that, if charities cannot recruit the right people as trustees on a voluntary basis, then charities should have the option to pay trustees<sup>1</sup>. While this may be one practical solution, given the current public scepticism about how charities are operating, it does not feel an opportune time to suggest this. If this were to be followed, perhaps sector-wide guidance may help setting maximum fees based on scale and complexity of the organisation to avoid damaging the reputation of the sector.
- 4.0.6 We have a clear job description for our trustee, which outlines what the role requires in terms of personal qualities, skills and expertise. We have a handbook for our trustees, a buddy system to link them up with a member of the executive leadership team and a programme of training, visits and workshops to keep them upskilled. We have a committee structure to make sure that we have the right mix of supervisory competences across the Board as a whole. At MHA, we recognise that

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<sup>1</sup> [New Philanthropy Capital - Should Trustees Be Paid? July 2012](#)

smaller charities may not be able to make this level of investment in the professional recruitment, training and support of Board members.

## **5.0 Trustees role in performance and effectiveness**

- 5.0.1 As trustees are ultimately accountable for their charities, they clearly have an important role in understanding and overseeing the performance and effectiveness of their charities.
- 5.0.2 At MHA, our trustees bring a wealth of experience, insight and time to provide that non-executive role of being a critical friend to the executive team who are running the organisation. We have a good open culture of recommendation, discussion and healthy challenge, but there is a clear hierarchy in that ultimately decisions are made by the board and the key senior executive officers do not have a vote in those decisions.
- 5.0.3 The quality of oversight, decision making and good governance is intrinsically linked to having the right skills and experience within our trustees and in the effectiveness of the paid executive team. The executive team also need to ensure that trustees have all the information that they need to make important decisions about how MHA operates and fulfil their duties as trustees. It is also dependent on effective ongoing training, briefing and support.

## **5.1 Current governance arrangements**

- 5.1.1 The current arrangements for charities mean that one size fits all – once you are a trustee, your duties and responsibilities are the same regardless of the size and type of charity it is. MHA is a large charity, with 17,000 direct beneficiaries, 7,000 staff and 6,000 volunteers. There are thousands of small charities that are not comparable in any way in terms of scale, size and impact - is it right to have the same expectations and duties of all trustees, regardless of this?
- 5.1.2 Is one governance system the best way to ensure good governance? An alternative approach could be to consider difference types of governance to suit different types and size of charities, reflecting the key duties, beneficiaries and responsibilities of the charity in question.
- 5.1.3 There is also the question as to whether the current balance of responsibility between the senior paid executive team and the non-executive, voluntary trustees is right? While the Charities Act (2016) has strengthened the powers of the Charity Commission to remove trustees and senior officers following an inquiry into misconduct/mismanagement and extending the disqualification criteria from trustees to senior officers, does this ensure sufficient accountability for the senior executive team in a charity?
- 5.1.4 In reality, in large charities like MHA, members of the senior executive will recognise their accountability for how they run the charity on behalf of the trustees. In practice, the Board of Trustees and Executive Leadership team are more akin to Non-executive and Executive Directors. We suggest that there is a case, for larger charities, to embrace the practice of companies and the good work done over many

years on the Combined Code and move to a model whereby the Charity Board is made up of a mix of Executive and Non-executive roles. Even with current governance arrangements, it is very likely that as a minimum the Chief Executive and Finance Director could be seen as Shadow Directors, even if they are not members of the Board. Does the Charity Commission need to consider how best to ensure sufficient accountability for the senior executive team in a large charity?

## **6.0 Accountability**

- 6.0.1 The public can access a large amount of information on charities, if they know where to look, for example the Charity Commission's register. However, much of this information may be difficult for many members of the public to understand.
- 6.0.2 It is recognised good practice for charities to provide clear communication and transparency on their impact and fundraising practice. As many large charities do, here at MHA, we publish an annual 'impact statement' to provide information to our beneficiaries, donors and the public. This provides clear information about the outcomes we have achieved, an outline of how much money we have raised and where we have spent it. We also publish our report and accounts in a timely and transparent way.
- 6.0.3 This practice is widespread in large charities, but may be difficult for smaller charities to undertake, as there are no set standards for such publications. It also requires experienced and skilled trustees and executive team to recognise the need for excellent stewardship for donors and clarity of communication to beneficiaries and donors. A guideline for a model Impact Statement may be worthy of consideration.
- 6.0.4 Charities do need to help the public understand the basics of how charities work in terms of structure, with voluntary trustees and paid staff. We all need to ensure that we focus on building and maintaining public trust after the recent revelations of poor practice and aggressive fundraising. The new Fundraising Regulator and the Fundraising Preference Service will help, but each charity has its part to play in ensuring they are properly accountable to their donors, beneficiaries and the public.

## **7.0 Challenges to financial sustainability**

- 7.0.1 There are lots of charities, many aiming to achieve the same goals and outcomes. There is unquestionably inefficiency and duplication in the sector, especially amongst the smaller charities. Would it be useful for the Charity Commission to have a greater advising role for potential, new and smaller charities to encourage joined up working and possible mergers? A charity 'lite' model may also be useful to reduce bureaucracy, with differing tax bands for different size/types of charity.
- 7.0.2 At MHA we provide a range of services and consequently have a diverse source of income. We invest every penny of our surplus, including our fundraised income, into maintaining and developing new services for the benefit of more older people. It is vital that charities maintain a diverse income stream and are not reliant on one source of funds. Therefore it is important that any changes in the fundraising regulation environment do not impinge or restrict charities to ability to generate

income from other sources and indeed, that a broad spectrum of income sources is encouraged.

## **8.0 Social investment and social impact bonds**

8.0.1 Social impact bonds do offer a potential funding mechanism for the sector to help achieve more impact for more people and to try new ideas and innovate. However, they seem to be fundamentally about helping to reform public service delivery outcomes, so the role of local government is critical to success here, be that local health and social care commissioners or other public service organisations. Social impact bonds do offer opportunities, but they also bring considerable risk. For many charities, having the time, skills and capacity to explore the potential of these bonds, is an issue.

## **9.0 Role of Government**

9.0.1 The charitable sector has immense expertise and experience in providing valuable services to a whole range of different people, we welcome Government recognition of the sector's expertise and that it is often better placed than traditional public services to meet need.

9.0.2 Over the last 15 years or so, the Government has increasingly sought to use the third sector to deliver more services to vulnerable groups. This can be seen through the creation of the Office of the Third Sector/Civil Society, the use of the third sector by local authorities and central Government through directly outsourcing services to charities and the funding derived through the National Lottery. This has resulted in growth across the sector. However, Government also needs to be realistic about the extent to which the sector can continue to deliver mainstream services on behalf of Government, as well as fill gaps in services for vulnerable people given the increasing funding pressure on the third sector.

9.0.3 The Government does need to recognise that charities like MHA provide a range of frontline services for older people, including care homes and retirement living (housing with care), which means we have considerable experience in operating in a highly regulated and frequently inspected environment (e.g. the CQC). While there has been public pressure on the Government to consider the ways in which it regulates charities from a fundraising perspective, it is important that the Government sees the bigger picture of the current regulatory environment in which many charities operate. We would not wish to see the Government pursue a more heavily regulated approach which creates further bureaucracy or that disadvantages charities who work across a range of sectors.

9.0.4 The charity sector must be able to remain independent of and free to comment on Government without fear. Charities are there to serve their beneficiaries, which may include complaining or raising an issue that may be contrary to Government policy direction. Government should welcome challenge and debate and should be open to learning from the sector.

9.0.5 When our work is making a tangible, positive difference to our beneficiaries and supporters, that can be evidenced, the sector needs an open door to influence Government policy thinking longer term.

## **9.1 Local Government**

9.1.1 Local Government is as reliant as national Government, on charities to provide services to people in need. There are local partnerships that do exist but Local Government to develop long term strategies and funding commitments due to a reduced local authority funding by central Government and short term funding cycles based on annual budgets. Working with Local Government for, large and small, national and local charities is challenging.

## **9.2 Role of the Charity Commission**

9.2.1 Being a charity brings with it significant support from the tax payer via the tax benefits charities receive. It is important that the Charity Commission is in place and able to fulfil its role to ensure that charities are operating legally, efficiently and delivering public benefit. It is not clear if the Charity Commission has sufficient resource to do this effectively, given the huge number of charities that exist in the UK.

## **9.3 Devolution**

9.3.1 At MHA, we currently work in a huge number of Local Authority and Clinical Commissioning Group areas. This makes relationship building quite challenging, so devolution may offer a simplification of these relationships which would be welcome and would make it easier to serve local needs. It may also bring opportunities for new innovative ways of working locally and we would hope a reduction in bureaucracy, duplication and red tape. However if devolution comes with further funding reductions as efficiencies are sought, this may encourage local areas to ask the third sector to do even more for less. There is already a postcode lottery in terms of investment in services for older people.