What regulation, Who Pays?

Public Opinion and Charity Regulation

A report for the Charity Finance Group

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Foreword

Everyone, from donors to beneficiaries, to charitable foundations to the state, want to see a well-funded regulator that not only ensures that charities comply with charity law, but also that they have access to the support and guidance that is critical in promoting good charity governance.

The analysis presented in *What Regulation, Who Pays* confirms this broad support among the public. However, contrary to the view held in some quarters, it shows that there is not a consensus held by the public on how the regulator should be funded – whether it is paid for by the charities, through general taxation or a mixture of both.

This research also confirms that the level of public knowledge of the role of the Charity Commission is minimal, and so to help improve confidence in charities government should invest in meaningful public promotion of the Commission's activities.

CFG believes that government investment in a well-funded charity regulator will not only enable charities to direct as much of their income to delivering public benefit as possible, but will also ensure the Charity Commission's independence, something that participants in this study believed to be critical.

A well-funded Charity Commission is essential in ensuring that charities are well regulated and ensuring continuing public confidence in the sector. It is therefore critical that any change to the way the Commission is stands on its own merits with reference to the complex and nuanced views of the public.

I am pleased therefore to share with you this report as a contribution to the debate on the future of charity regulation.

I also want to take this opportunity to thank Dr Eddy Hogg and the University of Kent's Centre for Philanthropy for conducting this thorough and interesting research.

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Executive Summary

In the 2015 joint Spending Review and Autumn Statement, the Chancellor announced that the Charity Commission's budget will be frozen at £20 million per year over the course of this Parliament. This freeze will be a real terms cut to the Commission's budget which has already seen a 48% fall since 2007/08.

Conversations around what charity regulation in England and Wales should look like, and who should pay for it, have therefore gained momentum. This report contributes to the debate by exploring public attitudes to these questions. It presents the findings of four focus groups with a representative sample of regular and non-regular donors (including non-donors).

By taking a qualitative approach in this research we have been able to provide much needed nuance to the existing research. Through the focus groups we were able to explore the intricacies of the views that participants expressed, particularly around what sort of regulation they wanted to see and whether all charities should have to pay.

Key Findings

The research confirmed that the public have very little knowledge of the Charity Commission and how charities are regulated, but participants were clear that charities should be regulated, and that this should be transparent and publicly accessible.

- **Finding One: The public on the whole know very little about how charities are regulated**
  When discussing public attitudes to charity regulation, what it looks like and how it is funded it is important to remember that people do not on the whole know a great deal about how charities are regulated.
- **Finding Two: Despite a lack of knowledge about what currently happens, the public are clear that charities should be regulated**
  While the public do not know much about current charity regulation, they see it as being important in supporting charities and those who support and benefit from them.
- **Finding Three: People have high expectations of charities and want regulation to deal with areas where they fear charities are falling short:**

fundraising ethics, efficiency, staff costs and 'bogus' charities

People on the whole trust charities, and have high expectations of them. When they feel that these expectations are not being met, they would like to see more done to regulate charitable activities. Yet people are pragmatic and realistic about what regulation can achieve.

Whether or not participants believed that charities should make a financial contribution to the regulator's funding, however, is far less clear cut. There was no consensus from participants on how charity regulation should be funded and so we do not think claims can be made about the views of 'the public' at large. Whilst there was broad support among both regular, non-regular and non-donors for charities making some contribution towards the cost of the regulator, a significant minority felt that the Commission should be funded wholly through taxation and a very few held that charities should be the sole funders. One of the key disincentives for a wholly charity-funded regulator was the threat that this might pose to the Commission's independence.

Where the view that charities should make some form of contribution to the regulator was expressed, participants spoke of relatively small amounts of money that would be in addition to, rather than a replacement of, government funding. This, it was felt, would help boost the Commission's budget - thereby increasing its capacity to both support and regulate charities - as well as symbolising charities' commitment to their regulation.

Participants also discussed the differences in capacity between large and small charities to pay for regulation: there was a consensus that smaller charities should pay less than larger organisations. There was also concern that people or groups may be put off setting up a charity if there were significant regulatory costs involved.

- **Finding Four: Opinion is divided on who should pay for the regulator, although the most widely held view is that both charities and the government should contribute**

  While there is widespread support for some charity payment to help fund the charity regulator, this is by no means a universal view and the amount that people see charities contributing involves relatively small amounts of money.
- **Finding Five: There is a widespread view that smaller charities should contribute less to regulator funding than larger charities**

  The public are clear that the burden of paying for the charity regulator should not fall disproportionately on the smallest charities in a way which may discourage them from registering as charities. A tiered or graded system was proposed, like taxes, which would mean the largest charities made the largest contributions.

- **Finding Six: There is a fear that having a wholly charity-funded regulator might threaten its independence**
  How the regulator is funded and how it operates influences how it is perceived by the public. A wholly charity-funded regulator, people feel, would risk being seen as self-regulation – regardless of its status or who staffs it – and as such may lack legitimacy.

The focus groups also explored the impact on donor behaviour that charities contributing to the regulator's funding might have. It is important to note that stated donor behaviour should not be taken on face value without evidence of actual donor behaviour.

Overall participants felt that their giving behaviour would not necessarily be negatively affected if charities were to make a financial contribution to their regulation. However, any decision to direct money away from the front line services that charities provide needs to be carefully considered.

Further, this neutral or potentially positive impact on donor behaviour is dependent on two related caveats: firstly, that the regulator continues to be majority funded by government, with contributions from charities being complementary and secondly; that this funding model has tangible and transparent benefits for the sector.

- **Finding Seven: People do not feel that charities having to contribute to their own regulation would negatively affect charitable giving. They can even envisage it leading them to donate more.**
  Charities contributing towards the cost of the regulator is unlikely to have a negative impact on the amount donated and that it may even, if the reason for the payment and the impact it has on how charities are regulated is seen by donors, increase it. However, this finding should be treated with caution given the gap between what people say they will do and what they actually do.

Introduction

The concept of charity has a long history in the UK and beyond. As early as the 13th Century, religious organisations were founding hospitals and schools on a charitable basis. Charity regulation too has a long history in the UK: the basic principles of charity law and regulation date back to the 1601 Charitable Uses Act. Within what are legally defined as charities there exists a wide range of organisations, some of which are not viewed in the public conscience as charities – churches, universities and private schools are the most prominent examples of this. This report concerns charities as perceived by the public, rather than the broader legal definition.

Charities today receive their income from a range of sources – from donors, national and local government, fees paid by service users, grants from foundations and trusts, private sector organisations and from National Lottery funders. They provide services for just about every person in the UK – you would be hard pressed to spend more than a few days without interacting with charity in some way, be it as a social welfare service user, a visitor to a stately home or a parent of a Scout or Guide. The central role that charities have in all of our lives, then, means it is important that they are operating effectively and, perhaps more crucially, that they are seen to be doing so.

This research arose out of conversations regarding the role and nature of the Charity Commission, the body which regulates charities in England and Wales. The 2015 Trust and Confidence in the Charity Commission report, commissioned by the Commission and undertaken by Populus, presents some interesting and challenging findings for the regulator and the sector as a whole. It is the aim of this report to explore the complexity in what are presented as relatively black and white findings in the Populus report.

In particular, this report explores the nuance around the finding that, "*two-thirds (69%) of the general public support charity regulation being partly or fully funded by a charge to charities*" (Populus, 2015: 7). This finding would seem to be in tension with the long held view – supported by a range of both research and sector knowledge – that donors want to see as much of their donation as possible go to the front line of a charity's work. It is this tension that we explore in this report. By conducting qualitative research with a representative sample of regular donors, non-regular donors and non-donors we explored public awareness of existing charity regulation, views on what regulation should look like, how it should be funded and what differences a change in the funding of charity regulation would make to their own donations.

This report begins with a literature review which looks at the purpose of charity regulation and how it is conducted elsewhere in the world, at why charities need to be demonstrably efficient and why trust and confidence in individual charities and in the sector as a whole is important. Next the methodology this work used is outlined, explaining how conducting qualitative focus groups with a representative sample of regular and non-regular donors enables us to explore complex attitudes towards charities and how they are regulated. The findings are presented next. While existing knowledge of charity regulation is low, we found widespread support for charity regulation. Views were more mixed on how regulation should be funded, but the most common view was that charities should make some contribution but that this should be alongside, rather than instead of, government funding. People felt that if they could see that charities bought into regulation – both literally and metaphorically – they would be inclined to donate more. The difference between stated and actual donor behaviour however means we need to treat this with some caution.

This report differs from the Populus report and from other pieces on charity regulation in that it reflects the complexity of public attitudes towards charities. The qualitative methods adopted allow the nuance in people's attitudes to charities to be explored and enable us to conclude that while there is widespread support for charity regulation and a desire for it to be visible, there is not overwhelming support for any one model of funding for the regulator. Opinions are nuanced – people may not mind some of their donation going towards funding the regulator if it is seen to be operating in the interests of charities, their donors and their users, but they would not be happy donating to a toothless or under-resourced regulator or if they felt that the charity contributions were simply replacing government funding for the regulator.

Existing Literature

Regulation in England and Wales

Since 1601, charities in the UK have been regulated in one form or another. Today, the regulation of charities requires them to share with the regulator (mostly financial) information about the running of the charity. This, in theory, makes charities more transparent and accountable and allows donors to make informed decisions about future donations (Cordery, 2013). Regulation allows charities to demonstrate their efficiency and effectiveness and allows for the growth of confidence in organisations and trust in the sector as a whole, growth that will potentially leverage higher donations (Keating and Frumkin, 2003; Breen, 2009; Cordery et al, 2015). As applied to the charity sector, public interest theory suggests that an effective regulator helps to encourage charities to be more transparent. This means that philanthropic donations are distributed to those organisations that can demonstrate efficient and effective use of those resources (Gaffikin, 2005). This leads to resources – in the case of the charity sector philanthropic donations – being distributed to those organisations which uses them in the most efficient and effective way to meet their stated goals (Cordery, 2013).

While the nature of charity regulation varies from country to country, the principle of regulation is relatively widespread among the anglophile world. **Figure 1** shows the cost of regulation in the Canada, Australia, New Zealand and, England and Wales, countries with broadly similar charity sectors to the UK. As it shows, the current spend on charity regulation per charity is similar to New Zealand, lower than in Australia and significantly lower than in Canada (Cordery et al, 2015). Appendix A shows the nature of regulation in 26 countries around the world. Few countries have an independent regulator that oversees all charities. More common is that particular elements of regulation – tax benefits, spending controls – are regulated by different government departments.

Country	Registered Charities	Cost of regulator	Spend per charity	Cost for charity to register
Australia	60,000	£8.4m	£140	No cost[1]
Canada	86,000	£18.4m	£207	No cost[2]
New Zealand	27,000	£3.8m	£126	Free for charities with income under £4,235. Around £21-£51 for those over depending on registration method[3]. Contributes 7% of total budget.
England and Wales	165,000	£22m	£129	No cost

Figure 1: The cost of charity regulation (Cordery, 2013; Cordery et al, 2015)

Regulation can have a clear impact, albeit not the clearly positive one that public interest theory suggests. Looking at external monitoring and regulation of charities in the USA, Desai and Yetman (2005) find that the requirements for charities to return financial information results in charities paying their staff less and therefore spending more on their beneficiaries. However the flip side of that is that paying staff less may result in less able/experienced staff being hired who will not run the organisation as effectively (Cordery, 2013). Further to this, Hyndman and McDonnell (2009) state that regulation which results in increased information in the form of simplified accounts, annual reports and other easily accessible documents about charities being available may help to build donors' trust and confidence in charities.

The UK Charities Act 2011 requires the Charity Commission to 'inspire public trust and confidence in charities', to 'enhance the accountability of charities to donors, beneficiaries and the general public' and to 'promote the effective use of charitable resources' (Morgan, 2011; Cordery, 2013). The independence of the Charity Commission – from both government and charities – is crucial to its ability to achieve this (Cordery, 2013).

[1] http://www.thirdsector.co.uk/charge-not-charge-commissions-question/governance/article/1318072

[2] http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/fqr-eng.html#q1

[3] https://charities.govt.nz/apply-for-registration/fee-summary/

Since 1960, charities in England and Wales have been required to file financial reports, but Bird and Morgan-Jones (1981) found that there was wide diversity in the quality of charity reports and therefore no sector-wide standards for accountability of transparency. Since 1992 it has been compulsory for all charities with annual income of over £25,000 to submit a Statement of Recommended Practice (SORP), and this has driven up the proportion of charities who comply (Hyndman and McMahon, 2011). However, the Commission does not have the resources to undertake detailed checks on the filed accounts that charities require (Cordery, 2013). As such, Morgan (2011) finds that the continued use of a range of financial reporting practices and different interpretations and uses of SORP means that financial reports are not comparable either between charities or between the same charity in different years. As well as this, in order to benefit from tax reliefs available to charities they must register with HM Revenue and Customs although they only have to complete a tax return if they have had any income in the year in question which does not meet the criteria for tax relief. Since 2008, charities have also been required to provide a report on the activities it has undertaken to accomplish its stated public benefit (Morgan, 2011; Cordery, 2013). However, again the diversity of approaches used in this, not to mention diversity in the quality of the returns, makes comparison between charities hard. Indeed, Hyndman and McDonnell (2009) argue that poor practices such as this may undermine public trust and confidence in charities and may potentially jeopardise public donations and government funding to charities.

There is some evidence that over-regulation in England and Wales has in the past placed a particular strain on charities – research by Morgan (2008) analyzing the Charities Act 1993 found that the imposition of new requirements led to a number of charities' volunteer administrators and treasurers resigning. It is crucial, then, that the benefits that charities receive from being regulated outweigh the cost to them, just as it is crucial that the benefits that the government – the largest single funder of charities by far – receive from regulating charities outweigh the cost to them (Cordery, 2013)

Why are transparency and efficiency important?

This report reflects the views of a representative sample of the English public, both regular and non-regular charity donors. As such, it is important to consider what previous research has told us about the extent to which charity efficiency – or more pertinently perceptions of charity efficiency – has an impact on donors and the amount they give. Of course, donors are not the only group who benefit from charities being seen to be well regulated – local and national government funders, trusts and foundations, service users and other stakeholders all too have an interest in charities being transparently well run. Nonetheless, this section concentrates on individual donors in order to contextualise the findings of this report.

When people donate to charity, they do so because they want the cause they are giving to – whatever it is – to benefit and to thrive (Duncan, 2004; Bekkers and Wiepking, 2007). To deliver these benefits donors want their financial gifts to be used effectively, to ensure that as much good work as possible can be done. This means that when donors are deciding which charity to give to, one of the factors they consider is the perceived performance of the charitable organisations that they are considering donating to (Sargeant and Jay, 2010). Indeed, propensity to donate to charity is influenced by, among other things, perceptions as to whether the charity uses its resources efficiently (Bennett, 2003). Donors are more inclined, unsurprisingly, to give to charities who have a reputation for being efficient and well run (Beldad et al, 2014; Meijer, 2009). There is broad agreement, then, from those who research donors and their attitudes to giving, that efficient use of donated funds by charities is attractive to donors and likely to result in further, potentially larger, donations (Breeze, 2010).

The perception that donors have about the competence of charities (both of specific charities and of the sector as a whole) is one of the key factors in decisions regarding whether to donate and what to donate to (Breeze, 2010). Research on UK donors has found that decisions to give are often based on factors such as how well run the charity is, how efficiently it uses its resources, how much they pay their staff (particular senior staff and CEO) and what proportion of charity spending is on overheads (Breeze, 2010). Perceived mismanagement by those running charities can impact negatively on donations (Baily and Bruce, 1992), with Breeze (2010) finding that in interviews with donors, numerous unprompted mentions were made of fears that charities inefficiently spend resources.

While the “golden pound” concept first introduced by Children in Need (whereby fundraisers commit that 100% of donations will go directly to the cause) is widely accepted as unrealistic, donors are less likely to give if they believe that an unacceptable proportion of their donations will be spent on administrative or fundraising costs (Hibbert and Horne, 1997; Sargeant and Jay, 2010). Exploring this idea, Sargeant and Jay (2010) draw on the work of Warwick (1994) to suggest that donors feel that the ideal ratio of administration to charitable expenditure is 20:80. However, Warwick’s work suggests that donors believed that actual ratios were likely to be close to 50:50.

However, obtaining information about how and where charities spend their money is not easy for donors (Bekkers, 2003; Beldad et al, 2014). Presented with these difficulties donors instead adopt proxies for assessing the efficiency and competence of charities (Breeze, 2010). For the largest charities, this mainly amounts to assessments of fundraising methods, given that this is the most common point of contact between charities and their donors. Given this, and with current debates around fundraising and the recent acceptance of the recommendations of The Etherington Review, there is a strong case that more could be done to improve information about charity spending and efficiency. Transparency, and in particular information on how charities operate being made easily accessible and straightforward to understand, is very important to ensuring that donors have confidence in charities. Research in Canada by Hall et al (2001) of nearly 15,000 Canadian adults found that 46% would give more donations if they were confident that the money would be used efficiently (Bourassa and Stang, 2015). However, information alone is not enough – the public also need to be aware of this information being available in a useful way. Otherwise the situation remains as it is currently, with the Populus poll funding that just 8% of respondents had accessed charity accounts via the Commission, a number which is if anything an overestimate.

Given the recent criticisms of charities from a number of directions, particularly around spending on core costs and staff salaries, the sector in the UK and beyond has had to pay increased attention to donor confidence, trust, transparency and accountability. This is based on a clear logic – if charities are seen to be well run and efficient, the public will be more willing to donate to them and the charities will be able to do more good work (Bourassa and Stang, 2015). A range of studies of charities and donors are clear on the importance of confidence and trust. For people to donate, and particularly to become repeat donors, they need to believe that they charity will use their gift effectively (Gaskin, 1999; Sargeant and Lee, 2004; Beldad et al, 2014).

Trust and Confidence in Charities

There is however a distinction between trust and confidence. Trust can be seen as a set of ethical relations and beliefs in a concept, while confidence relates to specific knowledge about how effective an organisation is and driven by available information (Tonkiss and Passey, 1999). This distinction suggests that trust relates to the core ethos of charities and the extent to which we believe they succeed in meeting this ethos, while confidence depends on the particular efficiency and effectiveness of individual charities. Yet the two are interrelated –while trust involves moral decisions based on values, these moral decisions cannot be separated from perceptions of individual charity competence, donors' confidence in charities.

Data from polling organization Ipsos Mori conducted on behalf of the Charity Commission found that charities in the UK on the whole benefit from high levels of trust – more than any group of private organisations and lower only than doctors or the police (Ipsos Mori, 2014). Yet this trust cannot be taken for granted. While Sargeant and Lee (2002) conclude that there is little that any individual charity can do to build trust overall in the sector, a sector-wide effort to appear effective and efficient may build trust and therefore be beneficial in terms of engaging donors and increasing both the rate and frequency of donations (Bekkers, 2003; Sargeant and Lee, 2002; 2004; Bourassa and Stang, 2015). Charities can work to build confidence in their own organisation and the work it does - all charities should be giving thought to how they create and protect a positive reputation (Beldad et al, 2014). It is the responsibility of each charity's staff and trustees to ensure that the organisation is well run and is working to meet its charitable objectives. Every charity take individual responsibility for this, while the role of the charity regulator is to ensure certain standards are met by all organisations and that this is communicated to all of the charity sector's stakeholders. This mix of individual charities and regulatory oversight should help to consolidate and grow trust and confidence in the sector as a whole.

Conclusion: Better Regulation, More Confidence, More Income?

There seems to be clear evidence from academic research that donors want charities to be efficient and effective so that they can be confident that their donations achieve what they were given to achieve. Effective regulation can help to build both confidence in individual charities and trust in the charity sector as a whole. It is suggested in the literature – but, crucially, not evidenced – that this would be expected to lead to higher donations and a boost for the charity sector as a whole.

Methodology

This research arose out of a recognition that large-scale quantitative studies can only tell us so much about public attitudes on an issue as complex as the regulation of charities. So while the 2015 Trust and Confidence in the Charity Commission report reports in its executive summary that 69% of the public support charity regulation being partly or fully funded by charities, the picture is likely to be rather more nuanced. Indeed, in a study in which fewer than half of respondents have heard of the Charity Commission and just 8% have used its website, there is a danger that evidence based on large datasets steamrollers over the intricacies and particularities of knowledge in a potentially emotive debate.

In order to address this lack of nuance and explore the intricacies of public attitudes to charity regulation and its funding, this research utilises the qualitative focus group method. In November 2015 we ran four focus groups in Central London which explore public awareness of existing charity regulation, attitudes towards what regulation should look like and perspectives on how charity regulation should be funded and how this would affect decisions to donate. We carried out focus groups because we wanted to understand the complexity of public attitudes and how these are negotiated between people from a range of backgrounds and with a range of attitudes towards charities as they discuss and learn from one another (Bryman, 2012).

The focus groups were recruited by a professional market research company to ensure that the focus groups were representative of the English and Wales population as a whole. Each focus group had 10 registered participants, of which:

- 5 were men and 5 were women
- 2 were aged 18-29, 2 aged 30-39, 2 aged 40-49, 2 aged 50-59 and 2 aged 60 plus
- 2 were socio-economic group A or B, 4 were group C1 and 4 were C2 or D

We had 5 non-attendees over the four groups – an issue recognised by Bryman (2012) as "*almost impossible to control for*" (p351) – meaning that our final sample was as follows:

- 18 were men and 17 were women
- 8 were aged 18-29, 7 aged 30-39, 6 aged 40-49, 6 aged 50-59 and 8 aged 60 plus
- 8 were socio-economic group A or B, 16 were group C1 and 11 were C2 or D

Therefore, due to non-attendees we had an age profile slightly skewed towards older and younger participants and a socio-economic profile skewed towards higher and middle income people – all five non-attendees were from the lower socio-economic group.

Two of the focus groups were comprised of individuals who self-identified as regular charity donors while two were made up of those who did not. However, consistent with Community Life Survey findings (Cabinet Office, 2015) a short pre-focus group survey found that all but a small number (3 out of 35) of focus group participants had donated to charity at some point in the last year. This reflects, as shown by a range of data (ibid; CAF, 2015; Low et al, 2007) that the vast majority of British adults donate to charity. It also demonstrates the problems with accepting people's recollections of their charitable giving as a reliable reflection of their actual giving. As such, it is important not to simply accept on face value when people say they would give more or less in certain contexts – the only way to know this for sure is to measure what they actually do. In this report we make no claims as to what future donor behaviour will actually be, only to what participants have stated as their anticipated future giving.

Each focus group followed the same structure dictated by a small number of key questions, although the direction of the debate was dictated by the attendees and as such each group was quite different. The structure that each group followed was:

- What do you know about how charities are currently regulated?
- Do you think that current levels of regulation are sufficient?
- If more regulation is introduced, what do you think this should look like?
- Who should pay for the regulation of charities?
- Would changes to the way that charity regulation is paid for affect your own charitable giving?

The focus groups were led by two experienced researchers who allowed discussion to develop and flow and only asked follow-up questions when conversation fell dry or when a particularly salient point risked being bypassed (Bryman, 2012).

Each focus group was recorded and the audio was transcribed by a professional transcriber, assisted by the researcher to ensure accuracy. The approach to coding the transcripts was broadly deductive – rather than start with areas that the data could be coded to, instead a first review of the data lead to topics being identified for data to be coded to. A second review then checked that all data had been accurately coded to these topic areas.

The remainder of this report outlines the key findings of the focus groups in seven main areas, concluding with some final thoughts on what these findings on public attitudes may mean for the future shape and funding of charity regulation in England and Wales.

Findings and Analysis

Seven key findings were identified in this research, each of which is considered in turn here. While the four focus groups were split between two made up of participants who self-identified as regular donors and two made up of participants who did not, no significant differences were observed between the two groups. In all four groups debate was broad and a range of viewpoints were presented with no more consensus arising between regular donors or non-regular donors than did between the participants as a whole. As such, this analysis acknowledges whether respondents quoted identify as regular donors or not, but does not base any of the analysis on this distinction.

Finding One: The public on the whole know very little about how charities are regulated

Outside of the bubble of those who work in and research the charity sector, it is perhaps unsurprising that knowledge of how charities are regulated is fairly limited. In many cases, attending the focus group was the first time people had ever considered why and how charities are regulated. When the topic of existing knowledge was introduced in the focus groups, a muted silence was usually followed by attendees discussing their limited knowledge. As Keith (male, 30s, regular donor) stated, "*I just assume it's regulated like all other things but I've never looked into it*".

While this attitude was common among both regular donors and non-regular donors, there were some areas of charity regulation which people were aware of. Melissa (female, 20s, non-regular donor) discussed how she knew that "*they have to be, like, registered*". Knowledge of the role of the Charity Commission was not widespread, but in the two focus groups where it was brought up by one respondent, others then discussed having heard of it. Even when it was discussed, there was little knowledge of what the Commission does, as this quote from Jai (male, 30s, non-regular donor) explains,

> "*The Charity Commission sort of regulates the charities but I'm not too sure they look at things like the finances, you know, whether they make companies submit an annual financial return*."

Only one person, George (male, 50s, non-regular donor) discussed having a good awareness of the Commission, mentioning how he checks the financial returns of charities on the Commission's website before making a donation.

There was more awareness of the registered charity numbers which demonstrate that charities have been registered with the Charity Commission. Given the requirement of charities to put this number on their websites and on any fundraising or publicity materials they produce, it should not be surprising that this is the piece of charity regulation which is most visible to the general public. This awareness was only of the existence of numbers and that they signified registration, however, and not of what being registered entailed, as Olivia (female, 50s, non-regular donor) expressed, in saying "*you've got to have a number, haven't you. Is there a sort of charity number? That's all I know*".

While there does not exist an awareness of what having a charity number and therefore being a registered charity entails, there is an assumption that being registered means that a charity has had to satisfy and will have to continue to satisfy some kind of criteria, as Martin (male, 30s, regular donor) explains,

> "*I assume by getting a number, that serial number that you get, you will have gone through quite vigorous, you know, testing or some kind of... you have to overcome certain thresholds to be eligible for that status so I got the impression that that is the regulation itself, that they're not just dishing this out willy nilly and that anyone that's got it will have had to prove what they're about and I assume that that is a regulation, isn't it? I don't know.*"

Nonetheless, Martin finishing his comment with a question – "*I don't know*" suggests that the requirements that registration places on charities are not clear even to those who are aware of charity registration numbers.

One area of charity law that people are more familiar with is Gift Aid, the system by which charities can reclaim some of the tax that donors have paid on their donations. Gift Aid was commonly mentioned and discussed as a reason why people assumed that charities were regulated – because they must have to meet some criteria in order to qualify for tax relief. However, as this finding has shown, they are not at all sure what that regulation looks like.

This finding makes it clear that when discussing public attitudes to charity regulation, what it looks like and how it is funded it is important to remember that people do not on the whole know a great deal about how charities are regulated.

Finding Two: Despite a lack of knowledge about what currently happens, the public are clear that charities should be regulated

While the public do not know much about charity regulation, there is widespread support for a charity regulator which ensures that charities are doing what they say they are doing and that they are doing it in a transparent and accountable way. Having a regulator working in such a way helps to instil public confidence in both individual charities and in the sector as a whole. As Emily (female, 50s, non-regular donor) explains, regulation is important "*to make sure they are a charity, that they are doing something charitable*".

People, whether regular donors or not, feel that charities should be regulated so that donors can have confidence that their donation is going to be used in the way they intend. Stuart (male, 40s, regular donor) feels that if charities are not regulated then, "*people who might otherwise put money in your bucket might be more hesitant to do so*", something which Mary (female, 60s, regular donor) also argued, as did Melissa (female, 20s, non-regular donor), who saw the role of regulation as being to ensure that charities are,

> "…*doing what they're meant to be doing so if somebody's donating to some cause I think the regulator should make sure that the charity's actually doing that and using the money in the way it said it would use it*."

However, it is striking that in this discussion of the importance of donor confidence and of the role that visible regulation can play in that regard, there was no discussion of the importance of confidence to other funders – the state, corporations, foundations and other grant-making organisations.

While we found widespread public support for charity regulation, there was also an argument that regulation should not go too far. On the whole the public particularly want to see larger charities being regulated. Smaller charities working at the local level were seen as needing to be protected from overly onerous regulation which would prevent them from operating, as summed up by George (male, 50s, non-regular donor), "*I think I'd say there's a sliding scale, so smaller organisations are less regulated*". Jai (male, 30s, non-regular donor) was one of those who went one step further, arguing that "*the little ones may not even need regulating*" and that they should be left to "*get on with it*". Were burdensome regulation to be imposed on all charities, regardless of size, there is a concern that this would put off those wishing to set up charities. As Craig (male, 60s, non-regular donor) argued,

> "*I think that if the regulations are too severe it would stop a lot of good people trying to generate local interest in local things and to do that. If we start to get*

too officious with these things – I'm not saying that we shouldn't have regulations – but if the regulations are too severe, people won't start local charities."

Aaron (male, 40s, regular donor) expressed the same view, that blanket levels of regulation across all charities may stop people from founding or registering small charities at all. Shaun (male, 30s, non-regular donor) summed up the views of a number of people on this subject when he said that smaller charities, often without any paid staff, "*already have enough to deal with*".

As well as regulating the activities of charities and ensuring that they adhere to rules which ensure their transparency and trustworthiness, there was a feeling that part of the regulator's role should be to educate and advise charities on best practice. It was felt that the experience held by the Charity Commission should be shared with charities – as Isobella (female, 20s, non-regular donor) remarked, "*they have been around for a long time*". Hugh (male, 40s, regular donor) was keen to outline the guiding role that a regulator can play,

> "*I think the regulators can give guidance as well because if you're starting up on your own and you don't know, the regulator says or actually tells you what you should be doing so you know you're correct. If you haven't got that regulator helping you then really you could be doing things wrong like somebody said and you wouldn't realise*."

The preferred model of regulator that emerged, is one that is clear and transparent but which is not burdensome and which provides guidance to support charities and help them comply with clear regulations which help to build public confidence. This view is perhaps best summed up by a quote from Mary (female, 60s, regular donor),

> "*I think they should absolutely be regulated. Even people, say, like you wanted to set up a charity, you might not maliciously go out of your way to con people but having not been regulated and not knowing what your rules are, you might accidentally do things that are just completely wrong because you haven't got anyone to check what you're doing. So I think regulation is absolutely necessary otherwise it all goes a bit pear shaped really.*"

This finding shows that, while the public do not know much about current charity regulation, they see it as being important in supporting charities and those who support and benefit from them.

Finding Three: People have high expectations of charities and want regulation to deal with areas where they fear charities are falling short: fundraising ethics, efficiency, staff costs and 'bogus' charities

Charities in the UK on the whole benefit from high levels of public trust (Ipsos Mori, 2014), but this cannot be taken for granted and work must be done to maintain and grow trust in charities as a whole as well as confidence in individual organisations (Beldad et al, 2014). This discussion between Paldeep (female, 40s, regular donor) and Greg (male, 30s, regular donor) illustrates this trust in charities,

> Paldeep: *I think the thing is most people when you say charity I think most people automatically would associate that with trust anyway and those words are kind of big in our minds so I think we would kind of have a level of trust.*
>
> Greg: *I think most charities are sort of trusted anyway, aren't they.*
>
> Paldeep: *Yeah.*

Elsewhere, Hugh (male, 40s, regular donor) spoke of his trust in the "*integrity*" of charities while Thomas (male, 60s, non-regular donor) explained how the public associate charities with "*good morals and principles*" and expect them to "*do the right thing*". Further, a number of people differentiated between charities and the private sector, as Emily (female, 50s, non-regular donor) explains, "*business is making this to make a profit but a charity would help people*".

These high expectations mean that people feel particularly let down when they feel that charities are slipping below the high standards that the public expect of them. There were two main areas in which people felt that charities were not trusted or where trust was weak: (1) fundraising and, (2) efficiency and core costs. However, while more regulation in these two areas was deemed desirable, there was also discussion as to whether it was possible to regulate these activities.

Fundraising

In each of the four focus groups, there was an unprompted debate around the ethics of fundraising. Indeed, the issue was raised repeatedly and more often than any other topic. While fundraising regulation is being discussed at length elsewhere and is likely to change significantly in the coming months, it is nonetheless worth reflecting on this discussion here, particularly as there was a feeling that regulation of fundraising is a vital part of regulation of charities.

Fundraising was seen to be particularly important because it is the way in which charities most often interact with the public. As Jai (male, 30s, non-regular donor) said, they are "*probably most people's direct experience of charities*" and as such if fundraising is conducted in ways which anger or upset the public then that risks giving "*a bad impression of charities*". This anger and upset results in a lack of trust, with regular donor Keith (male, 30s, regular donor) stating that he does not "*trust those ones that you see on the street with the clipboards*".

It should be noted though that there was a recognition that fundraising is necessary to pay for the good work that charities do, and that without it they would not be able to achieve their charitable aims. This tension, between a reasonable concern that fundraising practices risk harming trust and confidence in charities and the need for charities to fundraise their income was summed up by George (male, 50s, non-regular donor),

> "*But they're trying to make themselves visible so how else would they? Sorry, I'm just playing devil's advocate but how else would they... their argument is how else would they make themselves visible to the good work that they do?*"

Jai (male, 30s, non-regular donor) similarly responded to discussion that fundraising practices were damaging charities by outlining how "*advertising does work*", explaining,

> "*I mean they spend money on the advertising but then they probably get more money back as a result of that advertising than they would have done if they didn't do it so I mean, yeah, it's bad that other companies are making money from this but the charity's benefitting.*"

While the nature and funding of fundraising regulation isn't per se what is being discussed here, it is clear that this is something that has a real impact on public perceptions on charities. However, public attitudes are rather more nuanced, with an understanding of the need to raise funds, than they are often presented.

Efficiency and Core Costs

We know that donors want charities to be efficient (Breeze, 2010; Sargeant and Kay, 2010), and that when they perceive that they are, they are more likely to donate. There was some debate though over whether measuring efficiency was the role of the regulator and, even if it is, whether this would be possible in any meaningful way. This is illustrated by Thomas (male, 60s, non-regular donor), who explained how he felt that transparency and efficiency were something that charities need to be seen to be maximising and that this is something he would like to see the regulator doing, arguing that it is, "*quite important, especially for big charities*". However, reflecting on this, he stated that he did not "*know how they could do it really*", suggesting that while donors would like to see efficiency regulated they are not sure whether this is achievable. Hugh (male, 40s, regular donor) sums this position up,

> "*Well I should think everyone would like to see efficiency increase. I suppose the question is would the cost of having an oversight over efficiency proved to be cost effective*."

Linked to efficiency, there is considerable concern about the things that charities spend their money on. In particular, spending on overheads is a key concern. Concern was expressed by Craig (male, 60s, non-regular donor) that charities are overspending on "*salaries, rents, rates, etc, etc*", while Olivia (female, 60s, non-regular donor) felt that large charities in particular are guilty of overspending. William (male, 30s, non-regular donor) was one of those keen to see regulation imposed on how charities can spend their funds,

> "*I think it might even be a good idea to regulate them to the extent where they say, "This allocation should be used for administration," and like that so that means that most of it goes into the, you know, for the charity that it's meant for*."

While the ideas expressed around regulation of spending ratios by Mary (female, 60s, regular donor) and others were not widely endorsed by other focus group members – although a concern about them was – it is interesting to note in Appendix B that many countries do regulate this. It should be noted though that on the whole these are less democratically governed countries than the UK, where these regulations are part of a wider package of controls on charities.

Linked to this, the amount that senior charity staff are paid is often cited in the media as an example of charity inefficiency. While people are concerned about how much those who run charities are paid, there is an awareness that charities need to pay the going rate in order to attract the best staff and operate in the most effective and efficient way possible. As such, there did not seem to be a groundswell of opinion that CEO pay is something that the regulator should be responsible for investigating. Two exchanges, one between non-regular donors and one between regular donors show the way in which these debates developed. In the first, Josephine (female, 30s, non-regular donor) and Jai (male, 30s, non-regular donor) debate from different positions how much charity CEOs should be paid,

> Josephine: *There's a charity director gets £270,000 which is such stupid, stupid thing.*

Jai: *I don't think there's anything wrong with people getting salaries commensurate with their responsibilities. You know, you wouldn't get the milkman or someone who works in Sainsbury's with that level of responsibility; you need someone who's capable of basically managing a multinational company which is what it is.*

Josephine: *But why don't they pay them less and put more into the charity?*

Jai: *Yeah, but then you wouldn't...*

Josephine: *Rather than £270,000.*

Jai: *Yeah, but if you, if that's the going rate for someone of that level of responsibility then who are you going to get who's good enough?*

In the second, Fabian (male, 60s, regular donor) and Sarah (female, 50s, donor) discuss the need for professional staff and the difficulty in regulating this

Fabian: *You've got this vicious circle, because you want professionals working for the charities in order that money goes to the best places. So at some point you have to pay them a decent wage because otherwise they're going to go to a for-profit company, they're going to go to non-charities, aren't they?*

Sarah: *If it's a massive charity you need more people to run it but if 50% of your costs are going towards staff maybe it should be 10%.*

Fabian: *But that's actually a hard thing to regulate as well, isn't it?*

Therefore, while there is clearly concern about overspending and particularly the amount that senior charity staff are paid, there is also a recognition that for charities to be run effectively and efficiently they need to be run by experienced professionals.

This finding shows that people on the whole trust charities, and have high expectations of them. When they feel that these expectations are not being met, they would like to see more done to regulate charitable activities. Yet people are pragmatic and realistic about what regulation can achieve.

Finding Four: Opinion is divided on who should pay for the regulator, although the most widely held view is that both charities and the government should contribute

We did not find any real consensus on who should pay for the regulation of charities. The most widely held position was that a mix of government funding and charity contributions should make up the budget of the regulator, however people also argued for an entirely charity-funded regulator and an entirely government funded one.

Those who felt that both the government and charities should contribute discussed how even a nominal fee from each currently registered charity would make a significant contribution to the charity regulator's budget, as this discussion between Sarah (female, 50s, regular donor), Greg (male, 30s, regular donor), Janet (female, 60s, regular donor) and Fabian (male, 60s, donor) illustrates,

> Sarah: *I do think they should have to contribute something. Where the money comes from I don't know.*
>
> Greg: *Well what's five times 160,000? Five times 160,000 is what? It's nearly a million quid. That's a fiver for every charity which is peanuts.*
>
> Sarah: *Yeah, so I do think they should be... they should have to contribute something, whether it's through a nominal subscription, something that's not going to affect them so no-one's going to say, "Oh you're taking all this money away from them," like you said you get £1 million by getting them all to pay £5.*
>
> Greg: *Yeah, I think that's fair enough.*
>
> Janet: *Yeah, yeah...*
>
> Greg: *Like an annual subscription, even if it's a nominal figure, you know.*
>
> Fabian: *Yeah, just to have a charitable status.*

The amounts being spoken about here are small – so small that they would not make a significant difference to the Charity Commission's annual budget, which has been frozen at £20m for the next five years. This represents a fall since its peak of £33m in 2007. However, as the next section explores, there was also a widespread feeling that charity contributions to the regulator should be tiered according to size of charity, which would mean a larger charge could be levied on larger organisations.

While the charges made on charities could be small, it was felt by those who favoured charities contributing that this could be a means of growing trust and confidence in charities. Martin (male, 30s, regular donor) and Janet (female, 60s, regular donor) discussed how this might work,

> Martin: *I don't think it's criminal to ask them to pay for their own regulation. At the end of the day it's only serving their own industry and, you know, highering... you know, highering its esteem and, you know, if that makes sense by making it more what was the word? Believable. Not believable. What was the word I used when you said...? I can't remember.*
>
> Janet: *Confidence.*
>
> Martin: *Confidence, yeah. It builds confidence in the public.*

These benefits will only come, though, if people are aware that charities contribute to paying for their own regulation and that charities buy into the idea and spirit of regulation. In this sense, small annual payments are as much as anything a token gesture by which charities communicate to their funders – donors and government – that they are serious about being regulated.

The balance of a broadly even mix of government and charity funding for the regulator was linked to issues of efficiency and charities not spending too much of their budget on overheads, as Mary (female, 60s, regular donor) explains,

> "*I think out of principle it should be half government and half the charity. I do think they should have help from the government because otherwise their overheads are going to shoot up again but I also think that they should be paying a percentage, whatever that may be, towards their regulation. I think 50/50 or some sort of percentage would be good.*"

The 50/50 split proposed here was one which many people agreed with, seen as having the best of both worlds – charities are seen to be contributing but are not seeing their resources eaten into too much. However, it is possible that the neatness of a 50/50 split and participants' desire to provide a reasonable and rational answer, as most of those who favoured some charity contribution were not proposing charities pay sufficient sums to make up half the budget of a suitably resourced regulator.

Not everyone though was happy that charities should have to contribute to funding their own regulation, arguing that it is the government's responsibility to pay. It was felt that continued government funding of The Charity Commission would show that the government is, in Craig's (male, 60s, non-regular donor) words, "*taking regulation seriously and funding it*". The relationship between charities and the state was also used as justification for continued government funding of the regulator, as Paldeep (female, 40s, regular donor) explains,

> "*So I think it should still be funded by the government because I think essentially charities are providing a service that the government maybe should be providing*."

Similar to Paldeep's comment, there was consideration of whether the government had the ability to fund the regulator, given the ongoing funding cuts to government departments. However, as the following discussion between Craig (male, 60s, non-regular donor), Lindsay (female, 40s, non-regular donor) and Olivia (female, 50s, non-regular donor) shows, this can be seen as government spending priorities – if they saw charity regulation as important, they could find funding for it,

> Craig: *Personally I'd like it to come from government.*
>
> Lindsay: *As well, yeah.*
>
> Olivia: *Yeah, but the government can't pay for everything, can they.*

Craig: *Well actually it can pay for what you want it to pay for. It depends whether this is something that people want. The truth is that those 164,000 charities have enormous energy and save this country billions – billions! – in terms of care and help that they give and support and the government has to provide a small amount of money to run the Charity Commission and so-on and so-forth in order to provide the framework to regulate those charities.*

While a significant minority of people support the idea of a wholly government-funded charity regulator (i.e. the status quo), there was very little support for a wholly charity-funded regulator. Most of those who feel it makes sense for charities to contribute to their own regulation feel strongly that the government should also contribute – by both doing so they each signal their commitment to regulation and best practice. Aaron (male, 40s, regular donor) was the only person to speak in favour of charities fully funding the regulator, responding to proposals from others for continued government funding or a mix of the two by saying,

> "*I'd go the other way and say that charities should pay for it all. Because if they want to be regulated then they should pay for it*."

Aaron's view, while not widely held, shows that there is no clear consensus on how charity regulation should be funded.

This finding shows that while there is widespread support for some charity payment to help fund the charity regulator, this is by no means a universal view and the amount that people see charities contributing involves relatively small amounts of money.

Finding Five: There is a widespread view that smaller charities should contribute less to regulator funding than larger charities

While the previous finding shows that there is broadly widespread support for charities making a contribution to the cost of funding their regulation, the public (as evidenced by the focus groups) are clear that this should take the form of a graded level of contribution depending on charity size, rather than a flat fee. The distinction between small charities and the larger 'big brand' charities was made in a number of ways by different groups, and emerges as a clear message in relation to who should fund regulation. As Isobella (female, 20s, non-regular donor) argues,

> "*I think as well depending on the size of the charities, the smaller charities, you know, like realistically I think they should have to pay less than those with a large budget who can afford to pay that*."

This could be achieved by using a tiered or graded system, as Hugh (male, 40s, regular donor) outlines,

> "*It should be a percentage of income so that each charity is paying the same percent, not the same amount. So if you've got a multi-million pound charity it's going to be paying a lot more than a little charity with just two people in the office*."

This method would mean that larger charities are subsidising the contributions of smaller charities and that the burden of funding the regulator is spread according to ability to pay. While the percentage method would potentially be prohibitively expensive to administer, a graded system would seem to have support. This would ensure that, as Janet (female, 60s, regular donor) suggests,

> "*It's like with anything; if you're only earning £5 a year they're not going to ask you to give your whole £5.*"

This parallel between how charities contribute towards regulation and with other forms of contribution or tax was made more explicitly by both Janet (female, 60s, regular donor) and Craig (male, 60s, non-regular donor). In particular, the idea of a charity income bracket in which no contribution is required and then of bands of income with increasing contribution amounts was widely supported.

This differentiated contribution system is seen as necessary, as without it there is a fear that smaller charities would simply elect not to pay if they felt it was unreasonable and would forgo their charitable status as a result. This view is summed up by George (male, 50s, non-regular donor), who considered,

> "*I wonder if the cost of regulations might push some of those smaller charities to not register their charitable status and become more informal so there's that window as well to consider. Maybe if it's too much of a headache then why not just do it informally?*"

The strain that a flat fee in particular would put on the smallest charities was key to the rejection of a flat fee approach.

It is worth noting however that the proportions of income/spending or the amounts that our participants suggested charities should pay varied extremely widely, suggesting that when considering public perceptions we should concentrate more on broad themes than on the intricacies of policy. Indeed, the amounts that charities might have to pay to fund the charity regulator varied from as low as £5 per charity to as high as 50% of total charity income!

This finding makes it clear that the public are clear that the burden of paying for the charity regulator should not fall disproportionately on the smallest charities in a way which may discourage them from registering as charities. A tiered or graded system was proposed, like taxes, which would mean the largest charities made the largest contributions.

Finding Six: There is a fear that having a wholly charity-funded regulator might threaten its independence

Given the clearly expressed view that people want charities to be regulated, and want the process and outcomes of this regulation to be transparent and publically available, there were fears expressed that if charity regulation were to be wholly funded by charities then the regulator may lose its independence and therefore its trust. To some extent this is a contradictory view – part of the argument for charities contributing to the funding of their regulation is that it will mean they are seen to be buying into the principle and process of regulation. Despite this apparently contradiction, it was clear that while the buy-in of charities – both literal and metaphorical – in their regulation is seen as a good thing, people also want to see continued government support in the shape of funding and oversight. This will ensure that the regulator is perceived as being independent of charities and avoid the perception that, as Hugh (male, 40s, regular donor) puts it, "*the charities will be licking their own lollipops*". As Hugh went on to explain,

> "*You want them to have some kind of oversight from somebody who is independent from the charities themselves*."

It did not, then, seem that there would be confidence that a wholly charity-funded regulator would generate the confidence in the regulatory system that people want to see. The exchange between Sarah (female, 50s, regular donor) and Paldeep (female, 40s, regular donor) illustrates these concerns,

> Sarah: *And it can't be that the government then step back and let the charities pay it all. There has to be...*
>
> Paldeep: *But then it will become useless.*
>
> Researcher: *Sorry, can you pick up on that when you say it becomes useless?*
>
> Paldeep: *Not becomes... Well actually... it obviously doesn't because it's got an independent body but I think when it comes to charity because they deal with such large amounts of money I think the government needs to have a look in.*

The preference for funding for charity regulation to come from a mix of charity and government funding was put forward by William (male, 30s, non-regular donor), who says,

> "*There's always risks, aren't there, whether you've got the government funding or just the charity. I think there's always risks there somewhere but it's just to lessen that if you've got the government involved as well is to lessen the risk I think.*"

It was generally felt that a 50/50 split in funding, or thereabouts, will result in the regulator having the most legitimacy in the eyes of the public. As Mary (female, 60s, donor) explains,

> "*I think 50 / 50 because that way no-one is in charge completely because if the charity's completely in charge then that could be a little big foggy and if the government's completely in charge then that is also slightly foggy whereas if there are two – the government and the charity – then I think that makes it more equal and it's not all tax payer, not all charity. I think both is, or appears to be, the fairest way to do it so no-one has power 100% which I think could be dangerous*."

That the regulator is seen to be neutral and able to operate without any agenda or bias is clearly important, and the evidence is that people feel that having a mixed funding model is the most likely way of ensuring this. That the public have a clear perception of both how the regulator operates and how it is funded are necessary for public confidence in regulation and therefore in the charity sector.

This finding shows that how the regulator is funded and how it operates both influence how it is perceived by the public. A wholly charity-funded regulator, people feel, would risk being seen as self-regulation – regardless of its status or who staffs it – and as such may lack legitimacy.

Finding Seven: People do not feel that charities having to contribute to their own regulation would negatively affect charitable giving. They can even envisage it leading them to donate more

People give to charity because they want to make a difference to a cause they are passionate about. We know from previous research that because of this they care deeply about how charities spend their money and how effective their work is (Bekkers and Wiepking, 2007; Breeze, 2010). Given that charities contributing to their own regulation would divert some funds away from the work they do, it is interesting that people were nonetheless clear that knowing the charities contributed to and, crucially, bought into regulation is unlikely to change how much people give in any significant way, as the following conversation among a group of regular donors shows, Researcher: *If you found out that charity regulation was paid for by just charities or a mixture of charities and government, would that change the amount that you would give?*

Martin: *No.*

Greg: *No.*

Helen: *It won't change for me.*

Janet: *I don't think anyone knows how it's funded now so I don't think it would make much of a difference.*

Sarah: *I think when it comes to deciding which charities to give to, it wouldn't make any difference because the proportion of money that was going, that was leaving the charity to go to the Commission was the same.*

Indeed for those who are not currently regular donors, there was a sense that knowing that charities help to fund and therefore buy into regulation would make them more inclined to give. It is necessary to remember that what people say and what they do are not always one and the same, and that therefore this stated expectation that their giving would not change or would increase may not translate into an actual increase. However, these findings nonetheless suggest that people do not on the whole disagree with the principle of charities making a contribution to the cost of their regulation.

However, for these non-regular donors, the impact of changes to the funding and nature of charity regulation on their own giving depends on two key criteria being fulfilled. The first is that the way that regulation is funded is transparent, as shown by this quote from Olivia (female, 50s, non-regular donor),

"*I'd give more if I knew, yes, it would be... lots of money was going towards regulation and I knew exactly how much.*"

The second is that the regulation is perceived to be effective at dealing with concerns and issues with charities, as Jai (male, 30s, non-regular donor) explains,

"*As long as I was satisfied that it wasn't toothless regulation, that it had a bite, then it would make me more willing to give*."

Charities contributing to the funding of regulation is not on its own enough to increase public trust and confidence in charities nor to increase donations. The public want to see that charities are contributing to the costs of regulation because they believe in being regulated by an effective regulator.

It should be noted that while this attitude was common among respondents, there was a minority who disagreed and did not want their donations to go towards funding the regulator. This is particularly the case among those who feel that it should be the government's responsibility to fund the regulator, as this exchange between regular donors Paldeep (female, 40s, regular donor) and Martin (male, 30s, regular donor) illustrates,

> Paldeep: *I don't know. I kind of see it as like when you give money... I don't know. If the charity was going to do 50% and government did 50%, the charity regulator's going to get their money from government bodies anyway or from the public so then it's like you're donating to the regulator. I don't know. To me it just doesn't make sense.*
>
> Martin: *Yeah, but why wouldn't you contribute to regulating your whole industry?*
>
> Paldeep: *But then for the charity to give to put money towards regulations then that's money that they could use to actually do the work that they said they're going to do.*

It was perhaps striking that this attitude – that donors did not want any of their donation going to fund the regulator and that if it did they might be less inclined to give – was rare. In general when the topic was discussed, those who were unsure were convinced by their peers, as this discussion between regular donors Fabian (male, 60s, donor), Helen (female, 20s, donor) and Greg (male, 30s, donor) shows,

> Fabian: *I agree but regulation costs money in itself, doesn't it, so if you were going to give £10 to a charity and you knew that £2 of that was going to come out to all this regulation and the people that regulate it then I don't know whether I'd be happy with that.*
>
> Helen: *I think it would save money in the end, though.*
>
> Greg: *I think so, yeah*.

In this discussion, the proportions of each donation going to fund the regulator are far higher than they ever would be, but nonetheless it shows that donors on the whole feel that charities contributing towards their own regulation would increase efficiency and reduce waste, thus saving money, and would grow trust and confidence, thus helping charities to fundraise greater sums.

This finding suggests that charities contributing towards the cost of the regulator is unlikely to have a negative impact on the amount donated and that it may even, if the reason for the payment and the impact it has on how charities are regulated is seen by donors, increase it. However, this finding should be treated with caution given the gap between what people say they will do and what they actually do.

Conclusion

This report has presented and discussed public attitudes to charity regulation, including what it entails and how it is funded. It has drawn on data from four focus groups conducted with a representative sample of regular and non-regular donors to show that public attitudes in this area are complex and that therefore any analysis of them has to be carefully nuanced and sensitive to the diversity of public opinion. Charities hold a special place in civic life and are valued and trusted to be a place of strong values. It is important that this trust is respected and that charities are seen as being effective, efficient and transparent. It is this that makes the role of the charity regulator so important – like a parachute or a car with good heating, it is something that people would appreciate the most in its absence. While the day to day workings of the Charity Commission are unknown to most, the presence of effective charity regulation is seen as essential.

Given this crucial role that the charity regulator plays, the way in which it is funded is a significant decision. Its significance is two-fold – *practical* and *symbolic*. In practical terms, who funds the Charity Commission and how much they pay directly translates into its budget and therefore what it is able to achieve. Between 2007 and 2015, the Charity Commission's annual budget fell from £31.7m to £21.4m. If a charge were to be levied on charities – and there is by no means unanimous support for this among the public – it should be in addition to government funding for the regulator rather than as a replacement to it. Public support for robust and visible regulation clearly reflects this. This way, the Commission can increase the effectiveness of its regulatory activities and, hopefully as a result, public confidence in charities. This research suggest that there would also be a symbolic impact of charities making a contribution to the funding of the regulator, as the public would see that charities are buying into not just the cost but also the spirit of regulation. It would need to be seen though – current awareness of charity regulation is low and for the benefits of this public awareness to be achieved, effort needs to be made to improve public knowledge of the activities of the charity regulator. Being seen to be transparent is important for public trust and confidence in charities and the sector as a whole.

The question of whether the public feel that charities should help to fund the regulator is by no means straightforward. We found broad support among regular donors and non-regular donors for charities making some contribution towards the cost of the regulator, but also a significant minority who felt that Commission should continue to be funded wholly through taxation. While few people felt that the Commission should be wholly funded by charities, this view was also expressed. There is therefore no one view on how charity regulation should be funded that we can say that ‘the public’ as a whole hold – even those who hold a particular view expressed some nuance around it, particularly regarding what sort of regulation they want to see and whether all charities should have to pay. In terms of the former, if charities are to contribute to the regulator then people want to see the regulator take a proactive role in supporting charities and helping them to be effective and efficient. A regulator part-funded by charities should help to grow trust and confidence in charities by acting transparently and putting pressure on all charities to also do so. In terms of whether all should pay, is was clear that there would be little public support for a system which charged a small local charity the same fee as a large national charity – fees and contributions need to be linked to the ability of charities to pay.

On whether a change in the way that the Charity Commission is funded would change the amount that people donate, the majority felt it would be unlikely to have a negative impact. Those who were particularly against the idea of charities making a contribution to regulation costs were more likely to say that they may be less inclined to donate if they knew a percentage of their donation was going to the regulator. However, the majority did not think it would make much difference to their donating and some felt that if a better funded regulator with broad charity support were able to increase efficiency, effectiveness and transparency across the sector then they might be inclined to donate more. However, this finding needs to be treated with caution – what people say and what they actually do are often quite different. Further, whether a proportion of the donation is not going directly to the cause and even how efficient a charity is are just two of a wide range of different factors people consider when they donate to charity. Indeed their own values, beliefs and experiences have far more impact. It would therefore be simplistic and dangerous to assume that because people say they may be inclined to donate more in the event of charity contributions leading to a better-funded and more effective regulator, that this would result in an actual increase.

This research concludes that charities making a financial contribution towards the funding of the charity regulator would not be seen as a disaster by the public. However, anything that takes money from the front line services that charities provide needs to be considered extremely carefully. There is a suggestion that donations may increase if charities' contribution to the regulator results in clear and transparent regulation which increases trust and confidence in charities. This alone is not enough to justify such a move – it is not backed up by evidence of actual donor behaviour and it depends on a number of ‘what ifs’ which rely on the regulator continuing to receive government funding and charities' contributions seen as being complementary and beneficial to the sector as a whole.

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Appendix A

Charity Regulation around the World

The recently published Palgrave Handbook of Global Philanthropy (edited by Wiepking and Handy, 2015) includes a section on charity regulation in each of the twenty-six countries it covers. The regulations described are summarised in this Appendix section.

Australia

The Australian Charities and Not-for-Profits Commission was established in 2012, and is responsible for the registering and reporting of nonprofits. There is no cost to charities to be registered. (Scaife et al, 2015)

Austria

Charities are regulated within the areas they work in, rather than across the sector as a whole – term ‘nonprofit’ doesn’t exist in Austrian law, except with regards to tax. For this, organisations can apply for the Austrian Accreditation Seal for Donations – to get this they have to deliver accounts and justify costs. Only 230 organisations have it. (Neumayr, 2015)

Bulgaria

Organisations are regulated through the Nonprofit Legal Entities Act. If organisations operate for public (rather than private) benefit they must submit annual financial reports to the Ministry of Justice. Few organisations can afford to undertake audits. (Bieri and Valev, 2015)

Canada

Charities are tax exempt. They must apply to the Canada Revenue Agency, which regulates them and must adhere to charitable principles, based on British law and the four types of charitable activity. They must annual reports, activities, revenues, expenditure. (Lasby and Barr, 2015)

Caribbean

Regulation is patchy, often out of date and silent on fundraising activities, governance, transparency or accountability. Efforts have been made in recent years to introduce regulation, mainly in relation to tackling money laundering. (Hale, 2015)

China

The Department of Civil Organizations Administration, part of the Ministry of Civil Affairs, regulates nonprofits. Organisations register at the local and regional level. Becoming registered requires sponsorship from a government department, and generally only organisations with close ties with the state find it hard to become registered. (Xinsong et al, 2015)

Egypt

Egypt's Law of Associations requires all nonprofits to register with the Ministry of Social Solidarity and this gives government officials the right to deny registration requests on a number of grounds. There are a wide range of restrictions on what activities nonprofits can engage in. (Herrold, 2015)

Finland

Nonprofits are registered to the Register of Associations, but it is not mandatory for them to do so. Licences to collect donations though are only issued to registered associations who have had a permit issued by the local police or the National Police Board. (Grönlund and Pessi, 2015)

France

Voluntary organisations must be declared to their prefecture (local state administration) to be allowed to use bank accounts, receive subsidies or sue in courts. Organisations qualify for favourable tax arrangements if they: act in the public interest; have part of their activities in France and; operate in a field listed in the French Tax Code. (Gautier et al, 2015)

Germany

Germany does not have a strong public monitoring system for nonprofits. The German Central Institute for Social Issues publishes a list of organisations who they do not consider to be trustworthy. Some states have controls on fundraising but most do not. (Mews and Boenigk, 2015)

Hong Kong

Hong King has no comprehensive legal framework for regulating nonprofits. Oversight of nonprofits is spread across a range of government departments. If nonprofits are registered as a company it has to submit accounts, but otherwise there is no requirement to do so. (Chan and Fung Lan, 2015)

Indonesia

Nonprofit law promotes transparency and accountability, although the regulation which supports this has not been fully implemented. Many nonprofits do not supply accounts, as obliged by the regulation, and the government has not enforced this. (Osili and Ökten, 2015)

Ireland

The Department for Justice, Law Reform and Equality is responsible for charity regulation, but at present a poor regulatory framework exists. There is no regulator nor is there a register of charities. Nonprofits can be tax exempt if they register with the Revenues Commission who have the power to audit accounts. (Breen and Carroll, 2015)

Israel

Nonprofits are highly regulated and the boundaries between them and the state is blurred. The 1980 Law of Associations and subsequent regulation has sought to increase government control of nonprofits. There exist an array of laws, regulations and requirements on nonprofits from a range of agencies, including the Ministry of Justice, the Ministry of Finance, the tax authorities and the State Comptroller. Nonprofits are required to have accountant supervision and an internal auditing committee. (Katz and Greenspan, 2015)

Japan

Nonprofits can register and become eligible for a range of tax incentives. Responsibility for registration has recently shifted from national government and/or tax agencies to local municipalities. (Okuyama and Yamauchi, 2015)

Lebanon

The formal nonprofit regulation system is fairly easy and cheap. Broad mission statements have to be submitted to the Ministry of Interior. The regulatory system is though political and seen as a form of control, and as such some nonprofits decline to engage in it. (AbouAssi, 2015)

Mexico

Regulation is patchy and spread across a number of agencies. Most significant agency is Tax Administration Service which manages permission to be exempt of some taxes. It is difficult to attain this status – only 1 in 6 legally incorporated voluntary organisations are – due to high costs of meeting the regulations and questionable benefits of achieving it. (Layton and Mossel, 2015)

Netherlands

The Ministry of Justice is responsible for regulating charities. Donations are tax deductible only if an organisation is registered with the Dutch tax authority as a Public Benefit Institution. Organisations can also apply for Central Bureau of Fundraising accreditation which imposes restrictions on spending and mandates monitoring. However, this accreditation is not legally enforceable. (Wiepking and Bekkers, 2015)

Norway

The Ministry of Culture has responsibility for regulating nonprofits, but generally organisations are regulated within the fields in which they operate. The Register of Non-Profit Organizations was established in 2009 to provide data on nonprofits. Registration is voluntary but has tax and other benefits. (Sivesind, 2015)

Russia

The Ministry of Justice is responsible for regulation of nonprofits, and are able to make inspections to check nonprofits' compliance with regulations on spending, use of property and activities engaged in. However, there is no provision of other accreditation of nonprofits and therefore of checking reliability, trustworthiness and efficiency. (Mersianova et al, 2015)

South Korea

Individual ministries and cities or districts are responsible for nonprofit regulation. The Tax Authority does not have any control over nonprofits. (Kang et al, 2015)

Switzerland

Regulation is organised at the state level and is therefore not uniform. Nonprofits can apply to their regional tax authority for tax exemption if they act in the public interest and are not members' organisations. (von Schnurbein and Bethmann, 2015)

Taiwan

Nonprofits are exempt from tax if they register with government agencies and file records in accordance with laws and requirements. They commit to spend at least 70% of revenue on their stated main goal. (Lo and Wu, 2015)

United Kingdom

Legal structure of charity regulation dates back to 1601. The Charity Commission regulates charities in England and Wales, with separate bodies in Scotland and Northern Ireland. All charities must register and, depending on their size, provide information about trustees, finances and operational activities. (Breeze et al, 2015)

USA

Regulation varies state by state, with most requiring submission of financial reports. National government monitors charities through the Internal Revenue Service. (Brown et al, 2015)

Vietnam

A range of ministries and committees are involved in nonprofit regulation, depending on the nature of the organisation and its work. However, despite a myriad of laws and regulations, the current legal framework is not sufficient to ensure effective nonprofit operations. (Nguyen and Doan, 2015)