

COMMITTEE FOR SOCIAL DEVELOPMENT

OFFICIAL REPORT

(Hansard)

Charities (Amendment) Bill: Accelerated Passage: Ministerial Briefing

9 December 2010

NORTHERN IRELAND ASSEMBLY

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Charities (Amendment) Bill: Accelerated Passage: Ministerial Briefing

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Members present for all or part of the proceedings:

Mr Simon Hamilton (Chairperson)
Ms Carál Ní Chuilín (Deputy Chairperson)
Mr Sydney Anderson
Mrs Mary Bradley
Mr Mickey Brady
Mr Jonathan Craig
Mr Alex Easton
Ms Anna Lo

Mr John McCallister

Mr John McCalliste Mr Fra McCann

Witnesses:

Mr Alex Attwood) Minister for Social Development

Mr Philip Gunn

Departmental Solicitor's Office

Ms Maeve Walls

Department for Social Development

The Chairperson (Mr Hamilton):

We will now receive a briefing from the Minister for Social Development on accelerated passage for the Charities (Amendment) Bill. We are joined by the Minister, Maeve Walls, who is the director of the voluntary and community unit in the Department for Social Development (DSD),

and Philip Gunn from the Departmental Solicitor's Office. You are welcome to this morning's Committee meeting. I remind everyone to switch off their mobile phones. The proceedings are being reported by Hansard staff.

The departmental briefing paper on the Bill has been tabled. The Minister is under time pressure, so I invite him to provide a briefing on the Bill, its implications and the implications of accelerated passage.

The Minister for Social Development (Mr Attwood):

I hope that the briefing notes are helpful. I will elaborate on them and on some issues on which, I am sure, the Committee will want to probe me. Thank you for the opportunity to speak to you and to advise you about how I intend to proceed in rectifying the matter. I will outline why I am requesting the Committee to endorse accelerated passage of the two-clause Bill.

I previously advised the Committee that legal uncertainty had been identified in respect of one element of the relevant legislation. It revolves around section 3 of the Charities Act (Northern Ireland) 2008, as members are aware. In particular, it revolves around what is known as the "public benefit" test. Section 3 of our legislation borrows from the respective English and Welsh and Scottish pieces of legislation that address the issue of charities and the public benefit test. When the legislation was consulted on, developed and passed by the Assembly, the relevant clause was a hybrid of two other pieces of legislation.

When the legislation was being developed by the advisory panel, just three elements of the Scottish legislation were adopted for the Northern Ireland Bill. One was section 3 in respect of the public benefit issue and the other two, in respect of which there are no legal issues, I am advised, were to do with the fact that we have a land border with the Republic of Ireland and charity issues that could arise therein. A model was adopted from Scottish legislation that provided greater protection to charitable status and religious institutions. The only one that has given rise to any issue of concern is section 3, the public benefit test.

During the process by which the original Bill was developed, two public consultations were conducted. At no time during the public consultations was this issue flagged up. Before

devolution, following its restoration and during the consultation, this issue was not flagged up, save that two responses — just two — recommended that the English and Welsh model be adopted. However, no particular matter was raised during the public consultation.

In 2006, in the days prior to the restoration of devolution, when consideration was given to proceeding by way of an Order in Council, the Office of the Third Sector in London questioned why it was proposed to adopt the hybrid model and whether we in the North were satisfied that that model would fulfil our ambitions. At that time, the Department said to the Office of the Third Sector that we were taking the English and Welsh model but selecting from the Scottish approach in order to have a more robust mechanism for dealing with the issue of public benefit. When the matter was raised between my Department and the Office of the Third Sector, it was not pursued.

The legislation was tabled, considered, consulted on, debated by the Assembly and subsequently passed. The Charity Commission was established, and it conducted a consultation on guidance on the public benefit test. During the Charity Commission's assessment of the 300 responses to the consultation, the issue was flagged up. In the early days of the commission, that was a substantial number of responses to handle. To take best advice and demonstrate due diligence, the commission decided earlier this year to seek legal advice from senior counsel in respect of the potential difficulties with section 3 on the application of the public benefit test.

I referred the matter to the Attorney General, as is my responsibility as a member of the Executive. The outcome of all that is that there are two schools of thought on the public benefit test. Having taken all the advice and discussed the matter with legal representatives and advisers to the commission and with those to the Executive and to the Department, I judged that the best way to proceed is to create certainty, avoid doubt, mitigate the expense of any possible legal challenge, ensure that there is no further delay or cost to the state and to go forward on an absolutely sure footing.

For all those reasons, it is my intention to re-legislate on the matter and to do so, subject to the Committee's consent, by accelerated passage. That is the better, more balanced and more mature way to proceed instead of carrying any further risk of legal challenge, which would result in

further delay, doubts, costs and uncertainty.

I want to proceed by way of accelerated passage, because the Charity Commission is up and running and moving towards assuming its full powers. It is beginning to appoint its own staff and advertised positions recently; heretofore it has relied heavily on secondments from the Department and elsewhere. In the near future, we intend to table further commencement Orders on the relevant powers on investigation, enforcement and bringing certain charities within the scope of the Charity Commission. Therefore, given that the commission's work is developing and maturing, we should enable it to have its full suite of powers, sooner rather than later. In the absence of amending section 3 in the way that is proposed, we will not be able to compile the register of charities, which is a key element of the commission's responsibilities. The commission would not be able to assume its full powers in the absence of an amendment to section 3 of the 2008 Act. In order for it to assume those powers in the lifetime of this Assembly and for the matter to be concluded, I am seeking and recommending accelerated passage.

The Chairperson:

Thank you for that very helpful explanation. The 2008 Act was passed before you became Minister and before I became the Chairperson of this Committee, so we could say that we would have spotted the blip if we had been in our current positions. However, I do not think that we could have spotted it.

It is not in anybody's interest to oppose accelerated passage. Everybody sees the importance of the amendment, and many members were here when the Charities Act (Northern Ireland) 2008 was passed. That Act was robustly scrutinised at the time, so everybody is probably quite content to back accelerated passage for the amending legislation.

In the consultation, some concerns were raised about the public benefit test, particularly from religious charities and Churches. As you know, they were concerned that their deeply held views, because of their religious convictions, might be held against them, and it might be determined that some of their work with vulnerable and poor people is not to the public benefit. I want to seek assurance that nothing in the amendment will in any way do violence to the good work of Churches and religious institutions in Northern Ireland. That issue was raised extensively in the

public consultation, and many members want an assurance that organisations in a particular sector will not be targeted because of views that they have that are separate from their charity work. This is probably a worthy opportunity to raise that point again and seek assurance that no violence will be done by the amendment to Churches and religious charities.

The Minister for Social Development:

You are quite right; there have been some representations from organisations with the background that you describe. The amendment will not do any violence to the interests of those organisations. I am advised that this is the approach that some of those organisations prefer. Moving in that direction, however, does not do any violence to any properly constituted charities, be they of a religious or any other background. It just amends a piece of the public benefit test. It does not do any violence to the legislation per se, or to any of those who properly come within the scope of the legislation, including religious organisations.

Ms Ní Chuilín:

I do not like accelerated passage for such matters. Minister, you enjoyed your scrutiny role, particularly as a member of the Committee for Employment and Learning. This is a messy way to bring in legislation.

Given that there is a Charity Commission and that substantial money is spent on it, this looks as if you are presenting accelerated passage almost as a tidying-up exercise. However, we are not being given the ability to test the legislation, which is regrettable. I accept some of your assurances, but, given where we are, there is a trust issue.

Could the legal advice not have been shared? If I understand correctly, you were given legal advice and will proceed on that basis because you think that is the best way forward. Surely that legal advice should have been shared with the Committee, given that we are being asked to accelerate legislation.

If this legislation does not go through, will that impact on the current work of charities? Will it change how they do their business or impede them from doing their business? I can almost see the headlines if our party were to vote against accelerated passage, so I just want to get that on the

record now.

The Minister for Social Development:

Thank you for those observations. I have sympathy with the broad thrust of your argument about accelerated passage. I have not asked for accelerated passage for any matter — not that I have brought much legislation before the Committee, which is much to my regret. This is very much the exception rather than the rule, so I have sympathy with the broad principle that you outlined.

With regard to the public benefit test, there will be a method for so testing. I understand that the Charity Commission will have to conduct a consultation about its guidance on public benefit. Therefore, the Committee and other interested parties will have an opportunity to comment on the guidance on the public benefit test as and when the Charity Commission goes down that road.

As Minister, I have to make judgements, and I made a judgement on the legal issues. If I thought that accelerated passage went to the heart and root of the 2008 Act, fundamentally remodelled it and could lead to a coach and horses being driven through it, that it would do offence to the legislation per se and, more particularly, offence and violence to the charity world — in which we have an obligation to regulate, create best practice, protect the good and investigate possible irregularities — I would not be asking for it.

However, as I understand it — I tested this thinking again with the Departmental Solicitor's Office this morning — England and Wales have legislation that goes so far, which is added to through guidance from the Charity Commission for England and Wales and through legal challenge and testing in the courts. Scotland has put more into its legislation but ends up at the same place. One legislature put more into legislation, another put more into guidance and judicial authority and, over time, interpreted the correct approach.

That is the second reason why I am minded to proceed by way of accelerated passage, using different vehicles to get everyone to the same outcome. The Scottish model and the English and Welsh model are the approach that we now intend to use and, to be fair, when people were developing and consulting on this legislation, they were looking for the best and most robust approach. There may have been particular circumstances [Inaudible due to mobile phone

interference.] inform the mind about why they did, but they were all looking, and, as I understand it, the Charity Commissions in the relevant jurisdictions all end up on the same pitch.

As regards the work of the commission, I indicated that we intend to table commencement Orders in the near future in respect of [Inaudible due to mobile phone interference.] in the scope of the Charity Commission, certain charities have given us a piece of work that has been informed by the work of Revenue and Customs. At the same time, it enables the commencement powers for investigation and enforcement.

The commission has developed its capacity to do the work. It is a body of tender years and is recruiting staff, and so on. As it has built up its capacity, the Department has gone on a parallel path to build up its powers. However, ultimately, the ability to register charities is an essential element of its business, and I want it to get to that point sooner rather than later. Without having a public benefit test, it is not able to have a register, because a charity is unable to register if it does not know whether it falls within the scope of the legislation.

I note what you say about trust. I do not think that this is a matter of trust. This situation has risen from the best of intentions. In one way, it could be viewed as a technical and legal amendment, but in another way, it is essential to the actual operation [Inaudible due to mobile phone interference.]. I do not think that it is a matter of trust, and I hope that it is not a question of the trust in those who prepared the legislation [Inaudible due to mobile phone interference.] or in the work of the commission in taking forward this legislation. I hope that an issue is not being raised in respect of any or all of that.

Ms Ní Chuilín:

To clarify my point: I think that when accelerated passage is presented to members, it is almost outside the norm of what they would expect of accelerated passage. I think that it is a question of trust, because you are asking members to give up their ability to scrutinise something on the basis that it is for the greater good. It is not the trust of individuals; it is trust of [Inaudible due to mobile phone interference.] in the process.

I hear what you said, and I can see that, by and large, it looks like a technical, legal

amendment to strengthen the 2008 Act. However, even when the Charities Act was proceeding through its various stages, some charities had large concerns. You made the point that the Bill is not driving a coach and horses through the process that we went through to get to the Act. You said that this will not fundamentally change it; if anything, it will tidy up and enhance it, and I am happy to hear that.

We are not in the business of voting against something simply to be awkward; this is about making sure that the people out there who are doing good work are supported. It is also about making sure that money is spent on the commission. I know that this is not down to you, but in many respects, it is putting the cart before the horse. In order to get the public benefit test, the commission cannot do much unless the Bill goes through. It is the wrong way to go about it. I accept where we are on the basis that it will enhance and speed up the process for charities to be registered and to do their work.

I do not like accelerated passage anyway. I think that it is messy, and if I am stopped and asked why we agreed accelerated passage, I will struggle to say that it was because of legal impediments or suchlike, because it makes all of us look as if we do not have our act together.

The Minister for Social Development:

I think that, in your final comment, you are clearly overstating the case. I have been very explicit with the Committee about the matter and have gone through how it arose in some detail. I even went into the entrails of it [Inaudible due to mobile phone interference.] Was the matter flagged up in any way during the process, not just during this Assembly mandate but prior to it? I think that your last comment is somewhat overstating the issue, but I appreciate the sentiment of much of what you say.

Mr Craig:

With any accelerated passage, there is an element of trust. Ignoring that aspect, I am curious because we had a long debate on the issue. There was a fear that that element would be used to block some people being registered as charities. The fear was more about small religious charities rather than larger bodies, which will automatically be put on the register. What was the legal fear that there was going to be a challenge? Who was going to challenge it?

As I understand it, in the consultation that was concluded late last year by the Charity Commission, a small number of organisations flagged up a view broadly similar to what you said. The Charity Commission then rightly sought best advice, exercised due diligence and subsequently sought legal opinion. One or two organisations may have been considering a legal challenge, but, given the process that has since arisen, that has not matured. In any case, as I said to the Chairperson, the mechanisms that are now in place will create certainty and mitigate the fear that it may be used as a sword against the interests of a small number of charities with a religious background. We have a mechanism that will shield and protect all legitimate charities, whatever their background.

Mr Craig:

Let me clarify: those organisations were going to challenge it because they thought that they were going to be excluded by the existing system.

The Minister for Social Development:

I do not know their motivation — I am not party to that — but I heard that one or two organisations may have had concerns to the point of potentially challenging the legislation. However, let us put that aside because that is not the motivation here. The issue is that legal advice has suggested that, although there were good intentions in the drafting of section 3 of the 2008 Act, we have ended up with a hybrid that has not created certainty in some people's view. In order, therefore [Inaudible due to mobile phone interference.] to go forward on an unambiguous basis to protect all legitimate charities of whatever background, that is the approach that is being adopted.

Mr Craig:

Will there be any safeguards if, in six months' or a year's time, an issue clearly arises, and some people are being exempted because they are failing that test? Is there any mechanism to rectify that situation if it arises?

As I understand it, the commission will consult on public benefit guidance. As the detail of that and the intention of the commission about how it will apply the amended section 3 begins to work through, there will clearly be ways for people to convey to the commission what they think is the best guidance. Over and above all that, any charity or organisation that feels that the Charity Commission is not protecting their interests or is excluding them from charitable status has the right to go to law independently.

There is also a third protection. Maeve may wish to comment further, but, as I understand it, the legislation includes an appeal mechanism against a decision of the Charity Commission in respect of any one or other charity. Therefore, there are safeguards in the legislation by way of appeal, and, presumably, there are safeguards beyond the Charity Commission by way of access to legal remedy. In any case, I hope and anticipate that all those issues can be scoped out and answered satisfactorily or resolved during the consultation on guidance on what the public benefit test will be.

Ms Maeve Walls (Department for Social Development):

An independent charities' appeal mechanism will be established through the Courts and Tribunals Service, and it will operate independently of the commission.

The Chairperson:

Following on from what I said, Jonathan has hit on some of the concerns. You are dealing with very small organisations that have no previous experience of bureaucracy of that type.

Mr Craig:

Many of them will be unable to afford the costs of a legal challenge. If, in a year's time, 20 or 30 charities have been refused charitable status because of the change to the legislation, what will we do? They may not have the finance to take a legal challenge.

The Chairperson:

If there were to be a glut of cases that pose a problem, a red light should be flashing in the Department, rather than organisations having to go down the route of legal challenge.

We should differentiate between the broader principle that Mr Craig raised and what I am seeking today. Whatever the public benefit test and section 3 of the 2008 Act say now or might say in the future, there could be circumstances in which a charity or a group of charities think that their interests are not being protected by the commission. My amendment will add protections to charities rather than impede their work.

I differentiate that from the broader issue, which is the question of what would happen if the Charity Commission were to end up against the interests of a certain sector. There would be much public concern about that, and any relevant Minister would want to address that. However, I do not anticipate that because to date my sense of the nature of the commissioners who have been appointed to the Charity Commission is that they have been attentive and diligent in their duties. I suspect that they feel that their duties are beyond what they might reasonably have expected to have undertaken, but that is the nature of a new organisation settling in. They are being very exhaustive.

Ultimately, there are 7,000 charities in the North. There might be issues with a very small number of them, but those issues will not be about their charitable status but about their governance, accountability, oversight and management. That is where the concern will lie. There may be an occasional case such as might be anticipated, but the business of the Charity Commission will be to enhance and enable charitable work in the North and ensure best practice rather than bad practice.

Mr Craig:

My only concern is that clear guidance be given to the Charity Commission that it should try to be inclusive. The reason for the legislation is to have some visibility over what a charity does, on whether it has proper governance, and so on. That will not be possible if charities are excluded from having charitable status. It is better to bring them in and give them guidance.

Ms Lo:

No MLA likes accelerated passage for a Bill that is to pass through his or her Committee, but if it

is needed for this Bill, I will support the Minister in order to make things easier for the Charity Commission.

I am puzzled about how we arrived at the stage whereby, so quickly after the establishment of the Act, we have to amend it. You said that there were two major consultations but that nobody flagged it up. Surely we have plenty of lawyers who should have been able to spot the anomaly.

The Minister for Social Development:

As I said earlier, my understanding of the narrative is that, back in the early part of this decade, when matters were beginning to be scoped out — remember that there was an intention to proceed by way of an Order in Council during the direct rule days — there was a sense that we needed a very robust public benefit test. At that stage, the advisory panel considered that, in the letter of the law, the Scottish public benefit test was more robust than that in England and Wales and that, in the atmosphere of the times, it wanted to create a robust test in law that will be enhanced in practice and in operation. That was the mindset, and most people accepted that the public benefit test in the Scottish legislation is a more advanced model in law than that in England and Wales. It was adopted to establish a more robust legal standard than was in the legislation. There was an exchange, and, when the matter arose, I wanted to find out how it arose, in the same way as Anna does. The answer was that there was an exchange of correspondence at the relevant time — during the days of direct rule — between the Department and the Office of the Third Sector. Has that been renamed?

Ms Walls:

It is now the Office for Civil Society in the Cabinet Office.

The Minister for Social Development:

There was an exchange of correspondence but, when the answer went from here to there, the matter was not pursued by the Office of the Third Sector. It asked whether we were satisfied that we wanted to go that way, and when officials and, presumably, the Minister at that time — I am not sure about that — answered yes, the matter was not pursued. Therefore, the issue might have been identified on the margins, but nobody said that that was not the way to proceed. I believe that that was the way to proceed, and, save some passing reference thereafter, it did not become

part of the wider consultation or political conversation on the Bill.

Ms Lo:

In practice, how did it work out for the Scottish law? Were there any difficulties with it?

The Minister for Social Development:

The problem is that our legislation is a hybrid of that in Scotland and in England and Wales. If we go by the England and Wales model, we are on safe ground. If we go by the Scottish model, we are on safe ground. However, if we go by way of hybrid model, we are, arguably, not on safe ground, although there is an argument that we will be on safe ground. It all comes down to the interpretation of sections 3(1), 3(2) and 3(3). Without going into any great detail on that section, some people view 3(1) and 3(2) as the substantive parts of that section and 3(3) as of lesser importance, whereas other people consider the three subsections as a family and believe that they must be interpreted as a family and not viewed as being of greater or lesser substance. In a personal capacity, I could go either way, but, as Minister, my job is to determine the best way to create certainty, build up powers, avoid legal challenge and mitigate costs. Taking those factors together across the range of differing views, there is an understanding why this approach may be better.

Mr Philip Gunn (Departmental Solicitor's Office):

The difficulty arises from the apparent lack of relationship between section 2 of the 2008 Act, which defines charitable purpose, and section 3, the public benefit test. There is some uncertainty about what, if any, relationship there is between a requirement for an institution to provide or intend to provide public benefit and the statutory test in section 2, which is that a charitable purpose is one that is for the public benefit. The amendment seeks to resolve that uncertainty.

The Chairperson:

Hansard is reporting our proceedings. Will members and witnesses check that their mobile phones are switched off?

When is the Bill's First Stage anticipated? Should the Bill be enacted, will the Charity Commission be able to implement all its measures? What you said suggests that the commission

will probably conduct what amounts to a re-consultation, nearly a rerun, of the public benefit test guidance. At what stage will we have a fit-for-purpose Charity Commission?

The Minister for Social Development:

I have written to the First Minister and deputy First Minister asking for the matter to be discussed at the Executive on 16 December. Whether it will be tabled then or in early January has yet to be determined, but, working on the presumption that it will be 16 December, the consequences would be that the Bill, if endorsed by the Executive, would go to the Assembly in the first week after Christmas recess, in January 2011.

If the Committee accepts accelerated passage, the Final Stage would be by 8 February 2011. I anticipate Royal Assent by 8 March 2011, because the Bill must be referred to the Attorney General, who will examine its legal competence. The legislation would not become live until after a consultation by the Charity Commission on a public benefit test. I do not know the commission's view, but I presume that, by the earliest, that will take us well into the later part of 2011.

Ms Ní Chuilín:

The Charities Act was subject to an equality impact assessment. Will this Bill be subject to the same as part of the 12-week consultation?

The Minister for Social Development:

It is the guidance that will be consulted on.

Ms Ní Chuilín:

Sorry, the guidance.

The Minister for Social Development:

I had better come back to the Committee on that.

Ms Ní Chuilín:

Will you come back, because it is important?

I think that section 75 governs legislation and significant policy. I doubt whether it governs guidance to a public body because of the management, administration, mechanics and bureaucracy around it. My sense is that it does not and Philip Gunn thinks so, but we will come back to you.

Mr Craig:

Minister, do I interpret what I read correctly? Are we talking about being able, in five months' time, to allow the Charity Commission to do what it is actually supposed to do? Am I right in thinking that the Charity Commission is already there? Will we be paying its staff for five months to do, well, I do not know what?

The Minister for Social Development:

Under the legislation, the Charity Commission has a number of roles and functions. Like other public bodies, as the commission establishes its good authority, a parallel process commences each power that it is granted in legislation. In that regard, the Charity Commission is no different from any other public body. Public bodies do not necessarily have all their powers once they are established. It does not necessarily follow that they will have the capacity to fulfil all their powers once they are established. Constituents would be knocking on the doors of public bodies saying that they want X, Y and Z, and representatives from the commission would be saying that it has been in existence for only a week. That could end up in a situation in which the public body, never mind the Assembly and legislation, would be in disrepute.

Once a public body is established, it is wise to roll out the powers when it has the capacity to fulfil them rather than to give it all the powers at a certain point in time. That is what has been happening in respect of the Charity Commission. That is why I said that we anticipate tabling the Bill before Christmas. That will mean that there will be commencement Orders in respect of the commission having responsibility for some charities, and commencing its enforcement and investigatory capacity.

At present, the Charity Commission does not have many of its full-time staff. There was a

recent advertisement for a significant number of full-time staff. Seconded staff have been working on it. It is wise to phase the building up of the capacity of organisations to do what they are supposed to do. The time frame that I outlined for creating the register and doing the preparatory work, including the public benefit test, is the one that you confirmed.

Ms Lo:

Are all the commissioners being paid their salaries? I received the annual report last week.

The Minister for Social Development:

As I said, the commissioners have a significant level of responsibility, as members of a commission in a part-time capacity. Therefore, I appreciate the work that they have been doing. There are 7,000 charitable organisations; this is a very big bit of business. I think that they have inclined themselves in a diligent and attentive manner to it, including on the matter that they flagged up to us in the late spring or early summer. I acknowledge the work that they are doing. I am surprised that they have not said to me that it is a very particular and intense burden.

Ms Walls:

In relation to the transitional and transitory provision that the Minister mentioned earlier, this will not be a sequential process. It does not have to wait until the legislation is amended. Therefore, the subordinate legislation that we will soon bring to the Committee is extensive, and the commission has been working diligently with HM Revenue and Customs in England. We have been working to find a legal solution to make sure that we can find a way of deeming those charities that are on the records of HM Revenue and Customs within the scope and influence of the Charity Commission here. Substantial progress will be possible as a result of those transitory and transitional provisions.

The Chairperson:

Thank you for your time and information.

We have heard the briefing and the explanation for the need for the Bill and for accelerated passage. Is the Committee content that the Charities (Amendment) Bill be subject to accelerated passage?

Ms Ní Chuilín:

Are we talking about this section only?

The Chairperson:

The Charities (Amendment) Bill is small; it has two clauses.

Ms Lo:

What will it change?

The Committee Clerk:

There is a copy of the draft Bill in the tabled items; it has two clauses, one of which is the short title. Clause 1 relates to the issues around the public benefit test.

The Chairperson:

It tidies up section 3 of the Charities Act (Northern Ireland) 2008, which is the problem.

Are members content that the Charities (Amendment) Bill be subject to accelerated passage?

Members indicated assent.