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## RESEARCH ARTICLE

# Regulatory responses to build charity financial resilience: “Tow Truck” or “Guardian Angel”?

Carolyn Cordery<sup>1</sup>  | David Yates<sup>2</sup> 

<sup>1</sup>School of Accounting and Commercial Law, Victoria University of Wellington, Wellington, New Zealand

<sup>2</sup>Management School, University of Sheffield, Sheffield, UK

**Correspondence**

Carolyn Cordery, School of Accounting and Commercial Law, Victoria University of Wellington, Wellington, New Zealand.  
Email: [carolyn.cordery@vuw.ac.nz](mailto:carolyn.cordery@vuw.ac.nz)

**Abstract**

Charity regulation is increasing internationally, leading to divergent views on what might constitute “better regulation.” The purpose of a charity regulator and appropriate regulation may also be contested. Many modern charity regulators are required to maintain public trust and confidence in charities in order to bolster ongoing charity support from funders and the donating public. Nevertheless, public trust and confidence is precarious. At its nadir, in England and Wales “the person in the street” was deemed more trustworthy than charities, with donations diminishing in the current environment and the charity sector close to crisis. Further, charities contribute to crises when they incite negative media interest in their operations, fail to comply with regulatory filing deadlines, and/or manipulate their accounts. Charity regulators must maintain legitimacy within a changing regulatory space, despite often being resource-constrained themselves. Yet, some suggest regulators could “do more” to increase sector-wide resilience and to increase public trust and confidence. Hence, this raises the question of how charities should be regulated and whether (and how) a regulator could build resilience. We depict charity-sector crises as a vehicular incident and ponder: should the regulator act as a “Guardian Angel” to prevent crises through interventions

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to build and maintain sectoral resilience, or should it appear postincident as a “Tow Truck” to clear the road for other traffic through closely bounded regulatory action focused on sanctions and deregistration. We address this question by analyzing publicly available regulatory data from the Charity Commission of England and Wales and semistructured interviews, which provide additional “behind the scenes” depth to our analysis and findings. We contribute to literature on charity regulation and expected regulatory responsibilities within a confined but permeable regulatory space.

#### KEYWORDS

charity crisis, charity regulation, charity resilience, charity scandals, regulatory space

## 1 | INTRODUCTION

Public trust<sup>1</sup> and confidence in charities is an important prerequisite for these entities' financial resilience, as greater trust leads to increased donation levels (Bekkers, 2003; Chapman et al., 2021b; Furneaux & Wymer, 2015; Gaskin, 1999). Further, charities' dependence on individual and corporate donations has escalated with recent declines in governments' general funding of charities (Salutin, 2023). Yet, while Chapman et al. (2021a) argue that global trust in NGOs has remained stable for many years, and this is reflected in the US-based BBB Wise Giving Alliance's (2022) 5-year study, other jurisdictions record declining public trust. For example, Etherington (2017, p. 60) argues the United Kingdom's “charity brand” is at risk” following “scandals and doubts over public trust and confidence” (Connolly & Hyndman, 2013, p. 946). The United Kingdom has seen a “sharp fall in the number of people who say they trust charities to spend their money wisely,”<sup>2</sup> with negative media coverage further impacting public perception of the charitable sector overall (Chapman et al., 2021b; Irvin, 2005). Hence, the United Kingdom has recorded a dramatic fall in public donations,<sup>3</sup> particularly toward smaller charities (Chapman et al., 2022; Salutin, 2023). Declining donations in an environment of declining public trust will likely reduce charities' financial resilience.

Charities' financial vulnerability has been studied for more than three decades (beginning with Tuckman & Chang, 1991). Yet this and other applications of business model approaches to the charity sector may have negative consequences (Gray et al., 2006). Recent studies instead consider financial resilience as enabling charities to absorb crises, to “bounce back” to their original state through reducing costs, assets sales and other measures (Ahrens & Ferry, 2020). However, entities can also “bounce forward,” “to anticipate and cope with the unexpected [opening possibilities for]... new opportunities” (Barbera et al., 2020, p. 532).<sup>4</sup> Bouncing forward leads to greater self-sufficiency, innovation, entrepreneurship, redefined core activities, and service delivery modes (Ahrens & Ferry, 2020). For example, Irvin and Furneaux (2022) argue Australian charities can build resilience by increasing their reserves. Also from Australia, Kober and Thambar (2021) apply the Barbera et al. (2020) public sector resilience framework to demonstrate how accounting practices, such as budgeting, forecasting, and performance reporting, provide greater capacity to improve charities' financial resilience.

With charities core to social infrastructure, governments have considered how to address declining financial resilience and public donations. Many have established charity-sector regulators to improve charity governance and sectoral public trust and confidence (Cordery & Deguchi, 2018). However, the impact of regulation is often variable (Neely, 2011), although proponents argue regulatory effectiveness can increase public trust and confidence at the

sector level. Nevertheless, Bunea and Ibenskas (2017, p. 589) note that any regulatory change is “susceptible to high levels of political contestation,” reflecting stakeholders’ diverse beliefs as to regulators’ legitimacy. Therefore, regulatory interventions to build charity resilience require both good design and execution, particularly given Hancher and Maran’s (1998) assertions that relationships and structural factors in the regulatory space can increase fragmentation and competition. Combined with charities’ resilience-building efforts as an antidote and futureproofing response to crisis, governments can assist in preventing crises through increased regulation (Six, 2013; Unerman & O’Dwyer, 2004).

This article seeks to understand the role of the oldest charity regulator: the Charity Commission of England and Wales (CCEW) in building charity resilience. Our research is motivated by jurisdictional concerns regarding charity mismanagement and tax avoidance (Cordery, 2019). The CCEW’s extensive history should position it as a case study from which we can learn. It has also been subject to reforms that have increased its powers, which suggests a belief that increased regulation will enable regulatees to weather crises (Six, 2013; Unerman & Dwyer, 2004). While charities answer to other regulators in England and Wales, within this crowded regulatory space the CCEW’s mandate is to increase public trust and confidence (and thus donations), encouraging charities’ financial resilience. The CCEW’s other powers (described in Section 2) potentially also assist charities to build resilience against scandals (particularly fraud) through advocating for better governance and internal control. To further understand the CCEW’s role, we analyzed publicly available data on CCEW interventions, including its inquiries, operational compliance, and other monitoring activities, and we added analytical depth from semistructured interviews with participants closely involved in charity regulation.

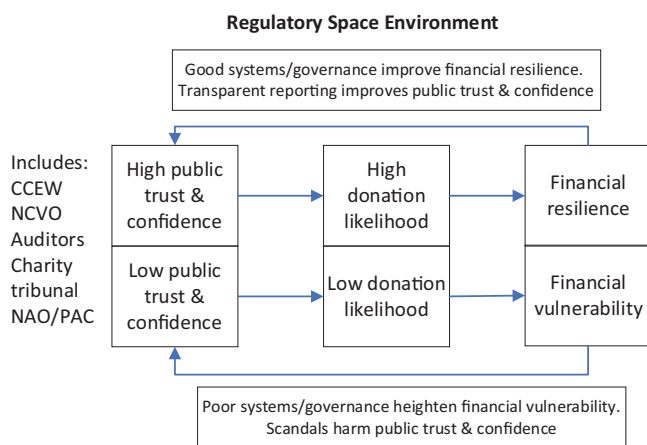
We add to the study of charity regulation and responsibilities within the charity regulatory space through our analysis of the regulatory framework, CCEW interventions, and our recommendations of effective responses that the regulator and charities can make to crises. As the imperative to maintain and build public trust and confidence is endemic in Anglo-centric charity regulation (Cordery & Deguchi, 2018; McGregor-Lowndes & Wyatt, 2017), these lessons should be widely applicable. Further, this multiple method study adds to the literature on regulatory space by considering not merely the regulator and its actions, but possible responses by other stakeholders in the regulatory “ecosystem.”

First, we briefly consider motivations for charity regulation before analyzing the current CCEW regulatory model and a theoretical framework based on regulatory space, within which formal charity regulation and the CCEW reside. Section 3 outlines our research methods, followed by the findings and discussion in Section 4. Section 5 concludes the article, including a further explanation of our contributions, research limitations, and areas for further exploration and focus.

## 2 | CHARITY-SECTOR REGULATION—CONTEXT

Charities have long enjoyed public legitimacy, including from governments, as charities can reduce the burden on state spending and benefit society (Hyndman & McMahon, 2011). Neoliberal reforms increased societal dependence on charities, both as state service delivery arms and to fill gaps where the state no longer funds services, increasing charities’ dependence on various funding streams (Cordery, 2012; Salutin, 2023). Many jurisdictions offer benefits to charities including exemption from income taxes, reduced consumption and property taxes, and preferential access to government and philanthropic funds, while donors may also receive taxation rebates (Breen & Cordery, 2022; Breen et al., 2009). Hence, governments may choose to implement regulation to both restrict and hold accountable entities that avail themselves of these taxation benefits, and to promote the responsible use of funds.

UK charities are accountable to donors, beneficiaries, and the general public, but in the first instance, trustees are accountable to the CCEW under the Charities Act 2011 and its 2016 amendments (Charities Act, 2011; Charities (Protection and Social Investment) Act, 2016). The oldest charity regulator in the world, the CCEW generally enjoys legitimacy within its regulatory space, and it has progressively reformed in recent years as outlined in the next



**FIGURE 1** Regulatory space for charities in England and Wales. [Colour figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

subsection. Nevertheless, it is increasingly resource-constrained (National Audit Office, 2015). Challenged with supporting a sector in crisis, such constraints potentially limit the CCEW's ability to "do more" to build public trust and confidence, and therefore to increase sector-wide financial resilience, through its monitoring of charities' compliance with legal obligations and charitable resource use. Our framework (see Figure 1) captures these concepts of high public trust and confidence leading to high donation likelihood and greater charity resilience and the antithesis. As noted next, a core aspect of charity regulation is regular and transparent reporting, which the CCEW makes public in order to bolster public trust and confidence. The CCEW also works with charities to improve systems and governance, contributing to financial resilience.

## 2.1 | Reform—Increasing CCEW's regulatory powers

The CCEW is an independent regulator with five statutory objects under the Charities Act (2011). These relate to increasing public confidence, ensuring charities deliver public benefits, are compliant, care for their charitable resources, and are accountable. A core CCEW function is to restrict registration to eligible organizations established for charitable purposes. Charities must file an annual return, from which "appropriate information" is made publicly available. The CCEW publishes voluminous guidance to assist charity trustees, auditors/independent examiners (IEs), staff, and donors and informs interested stakeholders proactively through a regular bulletin.<sup>5</sup> Its work is enabled through incremental regulatory changes since the 1980s, which culminated in the Charities Act 2011, with McGregor-Lowndes and Wyatt (2017, p. 1) noting that the CCEW:

... has created an accessible public register of charity information, embraced digital technologies, implemented a statutory definition of charity..., tackled regulating political purposes... modernised its work practices and governance, and together with the sector has faced challenges to their independence from government.

Nevertheless, Fries (2017, p. 19) recognizes that CCEW's modernization was not directed toward making it the charity regulator per se, but "to enable [it] to support the effectiveness of charities with advice and guidance and, where necessary, intervention (on carefully limited criteria) and on the other hand to make charities properly and publicly accountable." Thus, the CCEW must strike a balance between "advice" and "policing," or as noted by Driscoll (2017), "empathy and steel." The "empathy" or "advice" approach posits regulatory action as primarily remedial rather than focused on enforcing sanctions for misdemeanors. Action is underpinned by the belief that charity regulation

must support the “fundamental independence of charities” with regulatory interference only in cases of “illegality or impropriety” (Fries, 2017, p. 20). Hind (2011) argues this regulatory notion should operate with proportionality, accountability, consistency, transparency, and in a targeted manner, while Driscoll (2017), considering outcomes, argues that charity law must enable individual charities to uphold public trust and confidence.

In addition to registering charities, the CCEW signs off “permissions” (e.g., to change objects, property sales, etc., and ensure any potential risks to the public interest are managed). It also intervenes through enforcement action following malpractice or misconduct (as described in this article). With more than 160,000 charities registered, the CCEW requires “an active partnership with the sector” (Fries, 2017, p. 26). Additionally, to meet its aims to maintain public trust and confidence in charities, it behooves the CCEW to be aware of and, where possible, to work with other bodies that could increase public trust and confidence and hence, charity resilience. Other organizations operating within the regulatory space include the National Council for Voluntary Organizations (NCVO)—a membership organization for English charities, voluntary organizations, and community groups. Focused on voluntary action, NCVO actively lobbies for better public benefit definitions, for charities to be allowed to campaign, and to undertake political advocacy, manage chief executive pay levels, and raise funds (Driscoll, 2017; Etherington, 2017).<sup>6</sup> Further, NCVO maintains a quality standards task force, and a Code of Governance (re-formed in 2018/2019), which supports charities, their trustees, and employees.

In 2010, CCEW accountability was further enhanced through a Charity Tribunal established to oversee the CCEW's actions (Driscoll, 2017). Further, Etherington (2017) believes the CCEW has benefitted from depoliticization of Charity Commissioner and CCEW Chair appointments, and it has learned from challenges following inquiries by the National Audit Office (NAO) and Public Accounts Committee (PAC) to strengthen its governance and strategy, as well as the media raising issues. Nevertheless, budgets have not increased.

As Figure 1 shows, other sector participants interact with the CCEW while being independently active in their regulatory space. NCVO takes a sectoral viewpoint, the Charity Tribunal, the NAO and its “master” the PAC take a government viewpoint. Charities themselves, as regulatees, operate in the regulatory space, assessing CCEW legitimacy and whether they should comply with regulation. Further, charities' annual filings require many of them to engage auditors, who are now required to alert the CCEW of significant concerns raised in their charity audits. Thus, the regulatory space is crowded with potentially competing interests and influences.

Recent UK charity scandals prompted government to increase the CCEW's powers to control charities' fundraising through the 2016 Charity Act amendments. These introduced mandatory filing by larger charities to support their fundraising disclosures in their audited annual accounts (Charities Act, 2011, Section 162A).<sup>7</sup> Further, the CCEW may inquire into a particular charity or class of charities (Charities Act, 2011, Section 46), and issue official warnings where a charity trustee has committed a breach of trust, duty, other misconduct, or mismanagement (Charities Act, 2011, Section 75). The CCEW may also suspend trustees and appoint interim managers (Charities Act, 2011, Section 76), remove trustees and other officers following (or during) an inquiry (Charities Act, 2011, Section 79), otherwise remove trustees (whether disqualified or not) and appoint new trustees (Charities Act, 2011, Sections 79A and 80). In light of its stronger powers that could help charities to build resilience, learnings from US data argue that regulators should publish any sanctions imposed on miscreant charities, in order to increase regulatory legitimacy, increase charity accountability, and serve as a warning to other charities (Brody, 2012). Nevertheless, as we show, the CCEW reports only a sample of its interventions, citing that severe budget cuts since 2014 have reduced its ability to undertake regulatory activity, including withdrawing from targeted advice to charity trustees (CCEW, 2018a). This may reduce its capacity to build financial resilience in charities. Dunn (2014) expresses concern that the CCEW's unwillingness/inability to physically engage with trustees on matters of concern could also lead to poor practice and the literature suggests a lack of action will fail to increase charities' financial resilience.

The CCEW's common response to budget cuts is to require charities to take more responsibility (CCEW, 2018c). This aligns with overseas examples of self-governance and regulation or sector “responsibilisation” (Phillips & Smith, 2011).<sup>8</sup> Two examples are the CCEW's moves to require: (1) registered charities to report promptly and fully any serious incidents along with the charity's response<sup>9</sup>; and (2) charity auditors or IEs to report matters they become

aware of that they believe are likely to be of material significance for the CCEW in carrying out its regulatory functions (Charities Act, 2011, Section 156) (McDonnell & Rutherford, 2019, report on the Scottish operation of this requirement). In support, McGregor-Lowndes and Wyatt (2017) suggest that the CCEW's regulatory strategy now more closely mirrors the United States, where individual charities must demonstrate to their stakeholders that they are accountable and trustworthy.

Aside from charities' obligations to comply with regulatory filing deadlines, trustees engage with the CCEW, for example, when the charity seeks to change its name, merge, liquidate, and/or make other structural changes. Further, while charities must operate according to their trust deed, trustees may approach the court to apply trust property *cy-près* (as near as possible) and replace outdated purposes with those "which are suitable and effective in the light of current social and economic circumstances" (Charities Act, 2011, Section 67(3)). Such actions alert the CCEW of other issues potentially requiring regulatory investigation.

In fulfilling its aim to "promote sound governance and accountability" (Hyndman & McDonnell, 2009), the CCEW requires larger charities to file annual returns of financial information along with a Trustee Annual Report including a statement regarding its delivery of public benefit, its reserves policy, explanations of any deficit funds (Morgan, 2017), along with other voluntary disclosures. Yet, prior literature suggests many charities file later than required, filings can be error-prone; and audited accounts are deficient (e.g., Breen, 2009; Cordery, 2013a; Morgan, 2011; Phillips, 2013). Further, Connolly et al. (2013) report outright manipulation of accounting data to meet specific ratios, and Dhanani (2019) suggests charities' reports use promotional tactics and omit negative outcomes.

As good governance can ameliorate resilience issues, improving governance is important. For example, Phillips (2012) reports that Canadian regulatory efforts encourage good governance and reporting, along with enhanced charities' regulatory compliance. Perego and Verbeeten (2015) similarly found that nonprofit entities adopting a Dutch "good governance" code were more likely to disclose and manage executive pay levels. These examples could be utilized by the CCEW. While the United Kingdom's NCVO developed a "Charity Governance Code" following a collaborative project,<sup>10</sup> a recent report found trustees lacked relevant skills, suggesting further support is required (CCEW, Cass Business School, & Worshipful Company of Management Consultants, 2017). Perhaps relatedly, a "charity trust crisis" existed from 2014 to 2020 (Yonder Consulting & CCEW, 2022) and the 2018 measurement of public trust and confidence found respondents trusted the "person in the street" more than charities (Populus & CCEW, 2018). The most recent survey (Yonder Consulting & CCEW, 2022, p. 6) finds "the trust recovery for charities has plateaued" with an increasing "trust gap" between those with the highest trust (highly educated professionals living in cosmopolitan areas) and the lowest trust (blue collar workers in rural areas and small, traditional market towns). Thus, the current environment, including declining donations, signal financial and ongoing trusts crises within the UK charity sector.

In summary, while the CCEW enjoys greater powers under law to coerce charity accountability and compliance, it has fewer resources to scrutinize compliance. Through "responsibilization," governance codes, charity self-reporting, and requiring auditors to "whistle-blow," charities and auditors have increased responsibilities, including to develop resilience to deal with crises. Yet, McGregor-Lowndes and Wyatt (2017) argue that charity regulators also have a vital role to provide the public with signals of charities' trustworthiness. Hence, we consider how the concept of regulatory space can assist in understanding the role of the CCEW in building charity resilience.

## 2.2 | Changing regulation in response to crisis—Warnings from the theory of regulatory space

Hancher and Moran (1998) developed the concept of regulatory space to explain relationships and structural factors contributing to a regulatory system, recognizing the potential for fragmentation and competition within a regulatory space. Specific political, legal, and cultural settings favor certain arrangements (Hancher & Moran, 1998). For example, some political systems prefer charity self-regulation over imposing state regulation—and the balance may also change over time (Breen et al., 2017). Differing institutional structures within a regulatory space (for example: state versus



federal governments, size, and concentration of nonstate organizations, interest groups, and their support structures) may also explain the structure and purpose of regulation (Irvine & Ryan, 2013).

Several studies utilize regulatory space theory to analyze postcrisis regulatory change. For example, Canning and O'Dwyer (2013) and Hazgui and Gendron (2015) study crises leading to regulation being realigned and superimposed. They find key actors resisted new regulation, withheld information, and downplayed the need for change. These studies and others show actors fear they will be required to cede power or influence within a regulatory space, with contestations potentially leading to unintended consequences (Breen, 2020; Breen & Cordery, 2022; Nicholls, 2010).

Actors' expectations of the role and purpose of any regulator within this environment constrain the boundaries constructing the regulatory space and any development of regulatory solutions and structures. Thus, Nicholls (2010) argues that when the United Kingdom developed its community interest companies' regulation, its "light touch" logic accelerated social enterprises' adoption of this new legal form and underpinned other initiatives the UK government launched within the wider environment to encourage innovation and growth. Nevertheless, Nicholls (2010) questions whether resource providers' expectations were unmet because the interaction of light touch regulation and a growth logic resulted in scant data to inform their decision and future policies.

Breen (2020) and Artiach et al. (2016) (in Ireland and Australia, respectively) analyze the legitimacy of new charitable organizations within the broader regulatory space environment, defined as a state where their actions are seen as proper and desirable. In both cases, the new regulator struggled to establish legitimacy within a disparate and conflicted regulatory space, to find their identity and carve out their own niche (Artiach et al., 2016). While the CCEW is a well-established regulator, the volatile environment in which charities now operate has led to calls for readdressing its regulatory legitimacy (The Law Family Commission on Civil Society & Pro Bono Economics, 2023), especially given its stronger powers and legal mandate, which require it to build public trust and confidence. Hence, as outlined in the theory of regulatory space, the CCEW must navigate environmental challenges to extant regulatory arrangements and regulatory boundaries, and possible contestations (Breen & Cordery, 2022; Hazgui & Gendron, 2015).

We present a model developed from this literature review in Figure 1, and in the following section, we explain the method through which we examine our research question. The literature suggests that donations are correlated to public trust and confidence (Bekkers, 2003; Chapman et al., 2021b; Furneaux & Wymer, 2015; Gaskin, 1999). Empirical studies from the United Kingdom show that when the public have trust and confidence in charities, "the public" will be inclined towards the sector generally and donate to specific charities (Chapman et al., 2022; Salutin, 2023). Financial resilience in charities should ensue (Irvin & Furneaux, 2022; Kober & Thambar, 2021). We have noted governments' propensity to develop regulation in the face of crisis (Six, 2013; Unerman & O'Dwyer, 2004) and the moves to improve charity governance and trust and confidence through establishing new regulators (Cordery & Deguchi, 2018). In the case of the CCEW, new regulatory powers have been added to push for better charity systems and governance (e.g., Charities Act, 2011; Charities (Protection and Social Investment Act), 2016; the CCEW's support of the NCVO's Charity Governance Code). Hence, when the opposite is present (i.e., there is low public trust and confidence, falling donations, and weak regulation), there is a greater chance of financial vulnerability in charities.

Figure 1 also includes other actors within the regulatory space as already noted: charities themselves, their auditors and NCVO, and from the public sector/government we have included the Charity Tribunal, the NAO/PAC, and of course the CCEW itself.

Given that the UK public trust and confidence levels are below those encountered before large scale scandal(s) (Chapman et al., 2022; Connolly & Hyndman, 2017; Etherington, 2017; Salutin, 2023), we believe it is appropriate to examine the role of the charity regulator in building resilience. We use metaphors drawn from concepts in the literature to argue two approaches to regulatory intervention. The first is that of a vehicular incident. Fries (2017) noted the charity regulator should take action "only where necessary," describing this as an unwanted role of "policing" or, as Driscoll (2017) notes, "steel." In this case, we suggest the regulator appears only postcrisis as a "Tow Truck" to undertake action following crises in charities, and it then may apply harsh sanctions and/or deregistration. The other end point is for the CCEW to act as a "Guardian Angel" to prevent crises, intervening earlier, to build and maintain sectoral resilience. This chimes with Fries' (2017) vision of the CCEW as supporting charities' effectiveness,



providing advice and guidance, and Driscoll's (2017) argument for "empathy." We consider these in reverse order in Section 4.

### 3 | CONTEXT AND METHOD

Exploring the role of the CCEW in building charity resilience within the regulatory space environment, we undertook two related inquiries. The first was to seek evidence of CCEW's current regulatory actions. This would enable us to observe how the CCEW acts within the regulatory space in its "policing" or "steel" role (Driscoll, 2017; Fries, 2017). Specifically, we analyze publicly available data on CCEW's interventions from 2014 to 2019<sup>11</sup>: 193 publicly available inquiries and reports on operational compliance and other monitoring. Taking a regulatory space approach, we also analyze charities' responses to CCEW's regulatory actions, seeking to ascertain whether misdemeanor/s highlighted by CCEW are corrected, and if charities publicly disclose their misdemeanor. Additionally, we analyzed significant concerns auditors raised in their charity audits, noting that CCEW reports that less than 25% of charity auditors alert the CCEW of such matters.

The CCEW reports on three types of monitoring activity: inquiries, operational compliance, and monitoring. As the CCEW (2017, p. 9) notes:

*"Our temporary protective and remedial powers include:*

- *restricting the transactions that a charity may enter into*
- *appointing additional trustees*
- *freezing a charity's bank account*
- *suspending or removing a trustee*
- *appointing an interim manager.*

*... Where there are serious concerns of abuse in a charity, we may open a statutory inquiry under section 46 of the Charities Act 2011. We may do this where we are concerned that there may have been misconduct or mismanagement in a charity, when its assets are at risk, or where there is need to protect public trust and confidence in a charity or charities. The purpose of an inquiry is to establish the facts... The ultimate aim is to stop abuse, ensure trustees comply with the law and put a charity back on a secure footing for the future.*

The Charities Act 2011 empowers the CCEW to undertake inquiries for general or specific purposes. It may open operational compliance cases unrelated to its inquiries and monitoring "to promote compliance by charity trustees with their legal obligations" (CCEW, 2018a, p. 16). Operational compliance and monitoring cases may be informed by serious incident reports that charities file (see Table 1, column 9) or whistleblowing reports filed by auditors, concerned charity members or the public (see Table 1, column 10). Within the regulatory space, charities must contribute to developing public trust and confidence and averting terminal crisis; suggesting charities subject to inquiries and cases should make appropriate responses. Thus, we also sought to ascertain whether, if the CCEW had sanctioned a charity, the charity subsequently reported this sanction and whether it corrected the source of the misdemeanor.

We analyzed all inquiry cases published by the CCEW between 2016 and 2019, and the investigated charities' responses. Table 1 shows the number of cases (see columns 2, 5, and 8—column 6 shows the number of operational compliance cases closed, operational cases closed are in parentheses in column 8). The CCEW publishes a select number of reports from inquiries and operational compliance cases (Table 1, columns 4 and 7) so that "trustees learn from them" (CCEW, 2016). Nevertheless, the CCEW does not divulge when it begins a monitoring case, although it states it will release a statement if it believes it is in the public interest, and/or to increase public trust and confidence in charities. The CCEW also reports some registration decisions, those to widen charity objects/*cy-prés* schemes, where

**TABLE 1** Number of new inquiries, operational and monitoring cases opened (data from The CCEW, 2016, 2017, 2018a).

Date from-to	Inquiry cases opened	Live inquiries at year end	Inquiry reports	Operational compliance cases opened	Operational compliance cases closed	Case reports	Monitoring cases (concluded)	Serious incident reports filed by charities	Whistle-blowing reports	Application not registered (rejected)	Charities removed
April 1, 2015– March 31, 2016	53	135	35	1327	1309	25 <sup>a</sup>	414 (426)	2117	143	8198 (2,644)	4422
April 1, 2016– March 31, 2017	187	248	67	1644	1499	16 <sup>a</sup>	503 (586)	2181	142	8368 (2,323)	4556
April 1, 2017– March 31, 2018	135	79	22	2269	1925	12	415 (380)	2819	388	8375 (2,977)	4360
April 1, 2018– March 31, 2019 <sup>b</sup>	103	155	11	2666	2473	7	434 (455)	3895	185	8074 (3,138)	4812
Totals			135			60 <sup>a</sup>					

<sup>a</sup>Some were related to a request to widen their objects, so were not included in subsequent analysis (1 in 2016/2017; 6 in 2015/2016). Total therefore equals to 53.

<sup>b</sup>Data from annual report are not available at the time of writing.

there is a request to remove a charity from the register, a breach in legal compliance, or a review of an order to appoint interim managers or charity trustees. There were 10 registration decisions: 2018 (1), 2017 (2), and 2016 (7).

Our second, related inquiry sought others' views on the role of the CCEW in building charity resilience, that is, whether the "advice," "empathy" roles (Driscoll, 2017; Fries, 2017), or principles such as those outlined by Hind (2011) are sufficient to build charity resilience within the regulatory space. First, we analyzed NAO's reports on the CCEW. These suggest the CCEW could "do more" to increase sector-wide resilience and thus, to increase public trust and confidence. We also present findings from seven semistructured interviews with those who have been closely involved in relevant regulation (the Table A1 provides details), utilizing a purposive sampling approach (Lee & Lings, 2008). Interviews took place between December 2022 and March 2023 and were all conducted via video conferencing software. Interviews were automatically transcribed, then subjected to a manual checking process to correct errors in transcription. To maintain confidentiality, we have not associated the role of the participant with their pseudonym, but note that our participants included an academic involved with reviewing regulatory performance, a member contributing to the latest version of the UK Statement of Recommended Practice, two former employees of a regulator geographically neighboring the CCEW, a former executive of the CCEW, a current executive within the CCEW, and a CCEW manager responsible for production of charity guidance.

Interview questions were informed by the initial findings from our first-stage analysis of CCEW inquiry cases. We therefore posed questions related to interviewees' perceptions of the sector, opinions as to the current and desired role of the regulatory approaches to regulation including self-regulation and imposed forms, and sources of sectoral trust (among others). The semistructured approach allowed interviewees a degree of freedom to detail other relevant topics if they wished to. Interviews were coded utilizing a three-stage coding framework based on thematic analysis (Boyatzis, 1998). Organizational codes (Lee & Lings, 2008) were initially applied, establishing a baseline perspective of the interviewee. Following this, an open-coding stage allowed themes concerning, inter alia, enforcement, engagement, self-regulation, and resource requirements to emerge. This was followed by a further interpretive stage, to relate response themes to the research question and theoretical framework. We refer to interview data at appropriate stages in the following section.

## 4 | FINDINGS

Considering the decline in public trust and confidence in charities, our analysis suggests that the charity sector is in (or fast approaching) a state of crisis. To analyze amelioration efforts and attempts to build resilience, we present our findings on our inquiry into the role of the CCEW in building charities' resilience.

### 4.1 | Analysis of CCEW regulatory effort

Following the extraction of the CCEW regulatory activity data (see Table 1) over 4 years, three sets of related data were analyzed: (i) all 135 published inquiry reports; (ii) all 58 operational compliance case reports (some cover multiple charities); and (iii) three of the published decisions directly related to charity misdemeanor (one from noncompliance with the law (2018) and two from appointments of interim managers (2016)). No similar statements are published on operational compliance cases or decisions. We analyzed inquiry and operational compliance case reports against five separate categories: failure to file, fundraising malpractice, misappropriation, mismanagement, and safeguarding, as shown in Table 2. The CCEW notes that inquiries were undertaken against "double defaulters" failing to file describing them as:

*...charities that have defaulted on their statutory obligations to meet reporting requirements by failing to file their annual documents for two or more times in the last five years. During the year 74 charities*

*[were]... tackled [as] double defaulters who fail to comply after warnings... We ... issued 29 production orders to obtain financial information to assist our investigations... [as] a result... 35 charities have made good their default and filed the required outstanding accounting documents during this financial year [hence]... £35.2 million of charity funds is now visible to the public on our register... a further 18 charities had ceased to operate and we removed them from the register of charities. (2016/2017, p. 28)*

The most common CCEW action was to remove the charity from the register (an option taken only after the CCEW ensures that charitable gifts/funds are protected (Morgan, 2010)), following appointing interim trustees or managers. The relevant trustees are also disqualified from undertaking such roles again.

Typically, the CCEW makes a statement upon opening a statutory inquiry and links that statement to the charity's filing on the CCEW website. Hence, we analyzed the website and filing of each charity on which there had been an inquiry case report, an operational compliance case report, or a decision to ascertain the reasons for the case and the charity's response, that is, whether they had corrected their misdemeanor. Additionally, we scrutinized charities' annual reports (and website where possible) to ascertain messages about their misdemeanor. Should the charity acknowledge the inquiry, it would show accountability back to the regulator. This analysis is shown in Table 3.

We analyzed the 11 decisions published between 2016 and 2019, which were additional to inquiries, compliance, and monitoring cases. We considered these to be routine. The data show that the CCEW has increasingly moved to

**TABLE 2** Analysis of inquiries (I) and operational compliance (OC) cases years ending March 31, 2016–2019 (as published).

Accusations giving rise to inquiry (I) or Operational Compliance (OC) case reports	2015/16		2016/17		2017/18		2018/19		Total	
	I	OC	I	OC	I	OC	I	OC	I	OC
Failure to file	28	0	41	0	13	0	1	0	0	63
Fundraising malpractice	0	2	3	1	0	4	2	1	8	5
Misappropriation	1	2	5	2	4	1	2	1	6	12
Mismanagement	4	14	16	12	4	6	4	4	38	29
Safeguarding	2	1	2	0	1	1	0	1	3	4
Total	19	35	15	67	12	22	7	11	53	111

**TABLE 3** Regulatory remedies/reactions from inquiries (I) and operational compliance (OC) cases years ending March 31, 2016–2019 (as published).

Regulatory remedies or charity reactions from inquiries (I) and operational compliance (OC) cases	2015/16		2016/17		2017/18		2018/19		Total	
	I	OC	I	OC	I	OC	I	OC	I	OC
Charity removed from register	5	1	10	2	2	1	6	0	4	21
Interim trustee(s)/manager appointed	1	0	1	0	0	0	4	0	0	5
Officer/trustee(s) disqualified	1	0	0	0	3	0	1	0	0	4
Charity filing overdue again	3	n/a	8	n/a	2	n/a	0	n/a	n/a	10
Charity mentioned I or OC on website/annual report	0	0	2	0	0	1	0	1	2	2

risk-based regulation practices and greater “responsibilization.” Charities’ serious incident reporting and auditors’ requirements show a “proactive” risk approach. However, less than 1% of charities report serious incidents, despite the numbers of these reports increasing dramatically since the well-publicized Oxfam scandal in February 2018 (CCEW, 2018b).<sup>12</sup> Nevertheless, the CCEW does not publish details or summaries of the serious incident reports, potentially reducing opportunities to improve public trust and confidence. Closely linked to the serious incident reports is the 2019 guidance issued by the CCEW concerning the “whistleblowing” responsibilities of auditors and IEs who must report to CCEW when an audit report/IE includes a modification of opinion, has an emphasis of matter paragraph, or material uncertainty (related to going concern).<sup>13</sup> CCEW was concerned that half of the accounts they reviewed did not meet their standards. Nevertheless, few auditors/IEs report, questioning the effectiveness of responsibilization.

In summary, the CCEW assesses regulatory compliance by examining public concerns about charities and taking action “where appropriate” to “put charities back on track.” When they have serious concerns from their regular monitoring, the CCEW uses its powers to investigate through statutory inquiries and deal with other issues of concern to the sector. But given the declines in public trust and confidence and the crisis situation in which charities are now operating, should the CCEW “do more”?

## 4.2 | Actors' expectations within the regulatory space

Here we assess actors' expectations of the role of the CCEW in building charity resilience. First, we briefly consider NAO's reports on how the CCEW could "do more" to increase sector-wide resilience and thus, to increase public trust and confidence. Then we present findings from seven semistructured interviews with eight participants who have been closely involved in shaping and administering charity regulation.

In four reports within 26 years, the NAO (2013, para. 9) "repeatedly identified concerns about the CCEW's follow-up of regulatory concerns, use of its powers, management of resources, the relevance of its performance targets, and use of information." Its investigation argued the CCEW could not adequately address public complaints (i.e., to rebuild trust by addressing the public's concerns) due to insufficient resources to investigate all cases referred to it. The NAO (2013, para. 24) noted the CCEW's passivity "undermines [its] ability to meet its statutory objective to increase public trust and confidence in charities." Subsequently, the NAO (2015) argued that the government should increase the CCEW's funding, including developing a "sustainable funding model" to assist the CCEW (2017, Section 3) "to regulate charities in a way that means the public can have trust and confidence in them." This provides support for our argument depicted in Figure 1 of the role of the CCEW in the regulatory space.

Thus, we conducted a "deeper dive" into regulatory space issues by interviewing individuals who have/had been closely involved in relevant regulation as to how charities should be regulated and whether (and how) the CCEW can build resilience; that is, should the CCEW act as a "Guardian Angel" to prevent crises, intervening to build and maintain sectoral resilience, or appear postincident as a "Tow Truck" to clear the road for other traffic? Our analysis highlighted several themes as discussed next.

### 4.2.1 | Guardian Angel approach: Advocate, guide, confidant, regulator?

Several interviewees believed the CCEW (and other charity regulators) should provide holistic support to charities and the sector overall. Showing the regulatory space interplay, one interviewee expressed how important it was that the regulator acts as an advocate for the sector:

*championing the public interest in charity... the Charity Commission has to be more than an organisation that just ensures that charities stay on the rails. It has to be an organisation that can help to create the most effective possible charity sector... there are times when the Charity Commission needs to stand up and be counted, and contribute to the debate about what sort of environment should we create as a society, as a nation, as a government with, you know? In order to best enable charities to thrive. (Interviewee 1)*

Advocacy advances beyond merely regulatory sanctions. It enables the CCEW to show its commitment to building and maintaining public trust and confidence in charities, and thus contribute to sectoral resilience. Several interviewees provided other examples of broader regulatory activities where the CCEW promotes self-regulation (responsibilization) to assist in building resilience within the sector, for example:

*I think still that enabling role to [provide] guidance and the support for people to be the best they can as trustees and as charities is really important. (Interviewee 3)*

Many interviewees believed it is necessary for the CCEW to work in an integrated manner within the wider regulatory space, including with sector bodies (umbrella organizations, etc.):

*...for me, it's an ecosystem. it's not just [the CCEW]. You can also think about kind of concentric circles, you know? So [the CCEW is] focused particularly around legal requirements and duties of trustees, but then you*

*know going around outside of that, you've got things like the charity governance code... We're very keen on self-regulation and best practice... We think that sector infrastructure, bodies and other types of groups play a really important role, you know, as sometimes does government. (Group 1 - Interviewee A)*

Interdependence with others in the “ecosystem” is important, yet the CCEW also needs to competently tackle failings within charities, as we discuss in the next subsection.

#### 4.2.2 | Tow Truck approach: Freedom to operate, freedom to crash?

Contrasting to the “Guardian Angel” approach of broader ecosystem activities described in the prior subsection, some interviewees emphasized the limitations to the CCEW's support of charities. One interviewee highlighted that the diverse sector complicates its regulatory approach, and advocated for fewer restraints on smaller charities:

*... we heard very much from smaller charities who felt over-burdened and over-regulated, and not able to keep up with the requirements that were being put upon them. [They] worried about their future sustainability. (Interviewee 6)*

Hence, this mirrors findings from Salutin (2023) who noted the high reporting burden on smaller entities is exacerbated by falling donation revenue they are experiencing. Indeed, the recent version of the Charities Act recognizes the need for proportionate regulation to:

*... provide flexibilities in the law for trustees and enable them to do a lot more themselves or reduce some of the red tape that there is. That's broad in its coverage and touches on a significant number of [the CCEW] guidance. (Group 1 - Interviewee B)*

This approach to less restrictive and potentially constraining regulatory influence reflects how the CCEW approaches charities it has concerns with, as:

*... one outcome of a case, might be to refer it to an inquiry. But in most cases [the CCEW would try] to resolve the issue, give guidance potentially and an action plan, before closing the case. (Group 1 - Interviewee B)*

If misdemeanors are the majority of cases (as suggested above), this may explain the paucity of published inquiry data, especially if they are not particularly newsworthy. While not made public, they could be interpreted as successful interventions. Alternatively, the low number of cases could reflect CCEW neglect, therefore providing “freedom to crash.” This latter option seemed more likely with interviewees raising concerns about CCEW's underresourcing that has necessitated greater use of online platforms rather than direct engagement:

*[resource constraints have] challenged [CCEW] to do what it used to in different ways, and actually in ways that are in tune with today's world. So, putting a lot of information on [the] website. It's not going to serve every single person... but certainly and providing information in a way that's easier to access digitally. (Group 1 - Interviewee B)*

The effectiveness of the online approach was questioned by other interviewees (as well as Dunn, 2014) including an umbrella body executive who stated:

*I've been [in post] for about fifteen years and not once has the Charity Commission approached us and said 'We'd like to come and see you and talk about what's happening in [local region] which surprises me. It really*



*surprises me... [It may be] them saying "well you know we're trying to maintain a respectful distance. And we don't want to kind of impose ourselves" so I can kind of see the argument for it. On the other hand, I think possibly it's a resourcing issue because if they do it in one area then really, they have to do it in every area.*  
(Interviewee 5)

This interviewee believed there would be merit in local engagement to build resilience. Therefore, while freedom to operate is appreciated, moves to increase online advice and support that is less personalized (see also Dunn, 2014) suggests regulatory default to our Tow Truck metaphor. It raises questions as to whether an under-resourced CCEW can contribute towards sectoral resilience.

## 5 | DISCUSSION

This research examines the CCEW's role in building charity resilience. Despite identifying that a "charity trust crisis" existed from 2014 to 2020, the CCEW has failed to increase public trust and confidence, which has plateaued at low levels (Yonder Consulting & CCEW, 2022). Salutin (2023) reports declining donations; unsurprising as public trust and confidence is necessary to encourage a donating public (Bekkers, 2003; Chapman et al., 2021b; Furneaux & Wymer, 2015), and therefore to build resilience within the sector. We find that many of the CCEW's regulatory inquiries relate to charities that fail to file (see Table 2), but often charities respond poorly; sanctioned charities continue to file later than the regulatory deadline, and furthermore, do not publicize their misfilings. These small-scale misdemeanors combine with other charity failings,<sup>14</sup> resulting in aggregate damage to sectoral public trust and confidence and hence, have the potential to adversely affect the financial resilience of not only the individual charities involved, but also the wider sector, as knock on effects of individual events and the associated scandal impact on an aggregation level akin to that of the regulatory space in question. The CCEW's most common regulatory sanction following inquiries is to remove charities from the register, "towing off" the charity from public view, and hence attempting to preserve an image of an effectively regulated space, yet in the process, remaining inconsiderate of the overall impact of this approach to regulation and remedial action on sectoral resilience. Charities may appreciate this in the short term, as our observations show they are reticent to acknowledge they are under the regulatory spotlight, however the lack of a longer term approach to regulation and resilience building within the regulatory space that envelopes the sector is potentially damaging.

Despite changes to the Charities Act seeking to increase the CCEW's sanctioning powers, only a sample of that activity is publicly available for analysis. Hence, we could not fully ascertain the extent to which the CCEW has utilized its "Guardian Angel" powers to suspend trustees and appoint interim managers, remove trustees, or issue warnings. This therefore leads to questions of transparency and the relationship between this and the regulatory space as viewed by the public (see Cordery, 2013b; Cordery & Deguchi, 2018). Publishing these actions could increase individual charities' resilience and likely build public trust and confidence in the knowledge that charities are well managed, resulting in greater sectoral financial resilience through aggregated effects. The CCEW's decision to limit publication of how it has utilized its regulatory powers (see snapshots of regulatory sanctions in Tables 2 and 3, and its deregistration of charities in Table 1) goes against the advice by Brody (2012) that regulators should publish the sanctions imposed to increase charity accountability and assist sectoral resilience. It is unclear how a lack of transparency in regulatory intervention can build public trust and confidence and be effective in increasing charity resilience. Implications for regulatory space and how we view charities therefore suggest that the regulatory environment in which such charities operate is one that relies on opacity to maintain public trust and confidence (Heald, 2018; Roberts, 2009), in essence, the notion that "ignorance is bliss."

While there is sparse publishing of regulatory activity, CCEW guidance materials recommend good governance (CCEW, Cass Business School, & Worshipful Company of Management Consultants, 2017) arising from its work with NCVO and other "umbrella organizations" within the regulatory space. Such a focus could be considered as a fitting

response to scandals that shine the light of scrutiny on charity governance (Hyndman & McDonnell, 2009). Phillips (2013) and Perego and Verbeeten (2015) note that focusing on governance should increase regulatory compliance, yet mismanagement is a factor in 72% of CCEW's operational compliance cases, and was second only to "failure to file" in the number of published inquiries. This supports other research (Dunn, 2014; McDonnell & Rutherford, 2019) that charity governance remains poor. The finding suggests that the CCEW lacks impact in the regulatory space, and has not increased charity resilience to enable charities to "bounce back/forward" in terms of resilience to crises.

Our analysis is underpinned by the concept of regulatory space (Hancher & Moran, 1998) and acknowledgment of the many actors in the environment including charities themselves. While trumpeting charity "responsibilization" (CCEW, 2018c; Phillips & Smith, 2011), and requiring charities to disclose more, the CCEW has also included auditors in its regulatory space. Yet our interviewees argue the CCEW does not take opportunities to utilize umbrella groups (e.g., NCVO) in helping to remediate charity failures. The CCEW's current approaches confirm Dunn's (2014) concern that, without more integrated and cross-cutting "ecosystem" support, poor practice will increase. Indeed, deregistration sanctions have been the dominant action from the thousands of inquiry reports, operational compliance cases, and monitoring cases. Further, auditors have not enthusiastically embraced responsibilization and, while charities have filed thousands of serious incident reports, the CCEW does not publish their content, nor how the charity or the regulator have contributed to their resolution.

Figure 1 shows the CCEW operates in a crowded regulatory space, but despite this, it has failed to achieve its legal mandate to increase public trust and confidence. The CCEW's actions reflect shifts in overseas jurisdictions toward self-regulation (Breen et al., 2017) or "responsibilization" (Phillips & Smith, 2011). Regulatory space argues that regulatory reconsiderations are expected in the face of crises (Canning & O'Dwyer, 2013; Hazgui & Gendron, 2015); some argue that regulation can avert crises (Six, 2013; Unerman and O'Dwyer, 2004). Nevertheless, prior literature warns of unintended consequences (Breen, 2020; Breen & Cordery, 2022; Neely, 2011; Nicholls, 2010) and the Law Family Commission on Civil Society and Pro Bono Economics (2023) is one commentator that has challenged the CCEW's legitimacy, noting it needs to increase the levels of charitable giving in the United Kingdom and suggesting other government actions to enable this to happen. The push for charity independence is strong within the regulatory space (Driscoll, 2017; Fries, 2017) providing some rationale for the CCEW to lurch toward the "Tow Truck" metaphor rather than being a "Guardian Angel" to manage charity resilience, yet this may not have the desired effect.

Within this ecosystem of regulatory space resides government, umbrella bodies, regulators, charities, charity trustees, professionals, and other stakeholders. While this could suggest broad support, it can also feel like a crowded regulatory space that lacks a personal touch. As charities face crises, the Law Family Commission on Civil Society and Pro Bono Economics (2023) argue for stronger linkages between the public sector and civil society to provide vital insight and connections to reshape the environment (in line with the more integrated approach we refer to earlier). They argue such linkages would "enable charities to maximise their impact and support an operating environment that contributes to the sector's resilience and effectiveness" (The Law Family Commission on Civil Society & Pro Bono Economics, 2023, p. 83), as well as increasing understanding of the wide roles that charities perform in society and their policy and practical needs. Our interviewees similarly expressed that the CCEW has a role to advocate for the charity sector, to educate the media about "the good things that are being achieved"; that is, to act more like a "Guardian Angel" to establish a supportive environment. These interviewees believe that strengthening the linkages between the CCEW and charities could increase charity resilience, so long as charity independence is maintained.

We accept that this research is not without limitations, the most obvious being that we were unable to access reports of all CCEW regulatory activity in the period analyzed as they were not publicly available. Further, the sample of interviewees, whilst small, offered deep insights although we recognize there are opportunities for further research into charity sector regulatory design as highlighted by Bunea and Ibenskas (2017) in the for-profit space. Other examples of greater regulatory openness would also be helpful.

## 6 | CONCLUSION

This research has sought to understand the role of the largest UK charity regulator in building charity resilience. We have analyzed its actions and interviews to explore different ways this longstanding charity regulator can “do more” to help a sector absorb crisis, whether by “bouncing back” through belt-tightening (Ahrens & Ferry, 2020) or “bouncing forward” through taking advantage of new opportunities to grow revenue and thrive (Barbera et al., 2020). While we provide evidence of actors’ support for the CCEW to act as a “Guardian Angel” to prevent crises, intervening to build and maintain sectoral resilience, we also note that resource constraints limit its ability to do so (CCEW, 2018a; National Audit Office, 2015). The CCEW may also argue it lacks powers to undertake further work. Yet, this research suggests that the CCEW could be more open about regulatory activity, using few extra resources and requiring no increase in its powers. Increased transparency regarding its regulatory action, particularly more detailed reports on the outcomes of ex post functions would flag to others (particularly trustees) the need for actions to increase resilience. For the CCEW, “doing more” may also avert its own legitimacy crisis (Law Family Commission on Civil Society & Pro Bono Economics, 2023).

We build on regulatory space theory (Hancher & Moran, 1998) to consider how actors in a regulatory space can either contribute toward developing charities’ financial resilience and public trust and confidence, or instead through a lack of transparency and collaboration, miss this opportunity. Thus, this case study is a lesson to other charity regulators with similar aims to build trust and confidence (see Cordery & Deguchi, 2018), and who therefore have a role to improve charities’ financial resilience.

We suggested charity regulation to build resilience after crises could operate at two extremes by using the crisis metaphor of a vehicular incident. Current regulatory action takes more of a “Tow Truck” approach to clear the road for other traffic when “responsibilization” and other measures undertaken outside of the public spotlight fail. Rather than building resilience and along with it, public trust and confidence, the charity “brand” is at risk (Etherington, 2017) as evident from the plateaued public trust and confidence (Populus & CCEW, 2018; Yonder Consulting & CCEW, 2022), reducing public donations (Salutin, 2023) and the CCEW sanctions and deregistration examined in this research. In effect, despite the two metaphors that we propose from our findings, the regulation of charities remains a difficult area for policymakers and other actors within the sector. Within such a diverse sector comprising charities of different sizes, functions, and levels of professionalization, our interviewees referred to a complex “ecosystem” and therefore regulatory space, one that remains crowded with different actors, institutions, and sociopolitical factors that mean that a “one size fits all approach” (e.g., the “Tow Truck” approach that we observed in our data) is unlikely to build long-term, sustainable resilience within the sector.

Our study is based on a qualitative methodological framework grounded, focused on reduction from macrolevel, sectoral data to that of interviewee experiences, thus we call for further research into aspects of resilience building and in particular, the effects on public trust and confidence in charities linked to donation levels, and factors affecting the financial resilience of the sector and individual charities. Due to the long-running charity crisis and need to build sectoral resilience, our research shows the appetite for regulators to act more as a “Guardian Angel” to prevent crises, through advocacy for the sector, to provide personalized advice, and to be transparent regarding its actions. This is not to suggest that any regulator is responsible for single-handedly building resilience in each charity. The charity sector is a crowded regulatory space, and the norm of charity independence runs deep.

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## CONFLICT OF INTEREST STATEMENT

The authors declare no conflicts of interest.

## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

## ORCID

Carolyn Cordery  <https://orcid.org/0000-0001-9511-7671>

David Yates  <https://orcid.org/0000-0002-4285-5520>

## ENDNOTES

<sup>1</sup> Although there is no universally agreed definition of trust, we recognize that trust is one of the key elements within the overall accountability and regulatory environment within which charities operate (Hyndman, 2017; Hyndman et al., 2021; Hyndman & McConville, 2018). Definitions of trust include the voluntary subjection of oneself to vulnerability at the hands of another's decision making (Li et al., 2012). Within the charity sector, this can be constituted of generalized trust within a constructed notion of "the sector," as referred to by Hyndman (2017), Hyndman et al. (2021), Hyndman and McConville (2018), for example, or more particularized trust, such as that within a particularized other, for example, a local charity or charitable actor (Yates et al., 2021). For the purposes of this article, we link the notion of a generalized perspective of the charity sector (and therefore a notion of trust in this notional, generalized, sector) with the action of donations (and vulnerability of the donor in no longer controlling their use, once donated) and fostering/maintenance of financial resilience of the sector overall.

<sup>2</sup> Only 43% trusted charities to spend their money wisely, compared to 48% in 2017—see [https://www.thirdsector.co.uk/...lletin&utm\\_source=20190522&utm\\_content=Third%20Sector%20Finance%20Bulletin%20\(4\)::&email\\_hash=\[22/05/2019%2021:03:51\]](https://www.thirdsector.co.uk/...lletin&utm_source=20190522&utm_content=Third%20Sector%20Finance%20Bulletin%20(4)::&email_hash=[22/05/2019%2021:03:51]).

<sup>3</sup> See <https://www.thirdsector.co.uk/donations-plunge-5bn-year-new-study-values-volunteering-giving-23bn/fundraising/article/1820393#:Ü:text=Insight-,Donations%20plunge%20by%20C2%A35bn%20in%20a%20year%20as%20new,and%20giving%20at%20C2%A323bn&text=Charitable%20giving%20more%20than%20halved,a%20new%20study%20reveals%20today>.

<sup>4</sup> Barbera et al. (2017) explain that self-regulating entities take an internal perspective to reorganization, whereas entities dependent on external revenues may struggle with their bounce forward intentions.

<sup>5</sup> See <https://www.gov.uk/government/organisations/charity-commission/about>.

<sup>6</sup> The Charities Act 2006 removed the presumption of public benefit for charities that addressed poverty, religion, or education. Instead it requires a charity to have specific public benefit purposes, that is, the purpose benefits society and the community it benefits is sufficiently broad. This latter (and CCEW guidance) addresses the NCVO concerns that some charities charged high fees, limiting the "public" that benefitted.

<sup>7</sup> Additionally, the fundraising regulator (funded by "voluntary levies" from large charities) works independently to examine charities' practices.

<sup>8</sup> Few UK-specific alternative regulatory schemes exist, despite a number of self-regulatory and third-party nonprofit regulatory functions globally; see, for example, Crack (2018), in humanitarian NGOs—Deloffre (2016), accountability clubs discussed by Prakash and Gugerty (2010), and Sidel's (2005) US and Asia studies. Tremblay-Boire et al. (2016) find clubs in OECD countries or with global membership are less likely to incorporate monitoring and sanctioning mechanisms than others.

<sup>9</sup> CCEW defines a serious incident as "an adverse event, whether actual or alleged, which results in or risks significant harm to ... beneficiaries, staff, volunteers or others ... loss of money or assets ... harm to the charity's work or reputation" <https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity>.

<sup>10</sup> This code was first developed in 2005 and is now in its third iteration; see <https://www.charitygovernancecode.org/en>.

<sup>11</sup> While some data from 2020 and 2021 were available, regulatory activity was severely disrupted by Covid-19 and did not appear to be representative.

<sup>12</sup> There were 3595 reports of serious safeguarding incidents in 2019, compared to 2504 (2018), 1580 (2017), and 1203 (2016) and 604 in the prior two years.

<sup>13</sup> While a statutory duty under Practice note 11 *The Audit of Charities in the United Kingdom* (from the Financial Reporting Council), there are relatively few reports: 662 in 2019 and 2018.

<sup>14</sup> These include the 2018 Oxfam scandal (following the announcement that field staff in Haiti solicited sex acts from beneficiaries), Kidscan and, as outlined by Burt and Mansell (2017), UK charities' poor personnel policies and practices (including

inappropriately high executive remuneration, zero hour staff contracts and failures to pay the minimum wage), manipulation of information distributed to potential donors, donor bullying, and discrimination against potential and actual clients.

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## APPENDIX

**TABLE A1** List of interview participants and interview times.

Pseudonym	Length of interview (min)
Interviewee 1	58
Interviewee 2	50
Interviewee 3	56
Interviewee 4	59
Interviewee 5	57
Interviewee 6	57
Group 1	64
Average	57