



CHARITY COMMISSION
FOR ENGLAND AND WALES

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Our ref: AB/C-432886-PCT

Date: 19 October 2016

Dear Andrew

The Institute of Economic Affairs (235351) (IEA)

I am writing further to your email dated 9 March and our update of 15 July to let you know the outcome of our enquiries into the concerns you raised with us about IEA. I am sorry that we have not been able to respond fully before now, but we have been in continuing dialogue with IEA.

Transparency

In the overall context of giving the public confidence in charities, the Commission's Strategic Plan for 2015-18 sets out our commitment to encouraging greater transparency and accountability by charities.

Whilst the Commission commends to all charities that they should publicly acknowledge the source of their funding, there is no legal requirement to do so - unless it is from a trustee or related party and has conditions attached to it that influence how the charity proceeds.

However, as you may know, the next update of the SORP framework is likely to take effect from 2019 and so in advance of this the Commission is carrying out research across the four charity law jurisdictions covered by the SORP (England and Wales, Northern Ireland, Scotland and the Republic of Ireland). From May until mid-December we are seeking views as to what changes should be made to improve the SORP and deliver information needed by the general public looking at a charity's report and accounts. One of the topics within the charity regulators' list of research topics that we are seeking view on is who funds a charity and whether this should be disclosed in the accounts.

If you would like to comment, the closing date is 11 December (Email to charities.sorp@cipfa.org). The consultation paper can be found at:

<http://www.charitySORP.org/media/642814/charities-sorp-consultation-paperv4.pdf>

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t: 0300 066 9197 (General enquiries)
0300 066 9219 (Textphone)

w: www.gov.uk/charity-commission

If agreement on disclosure was agreed, the earliest we would see the results is late 2020 when 2019 accounts are filed.

Therefore, in the absence of any legal requirement to disclose, we would only consider requiring the trustees to disclose details of their sources of income in the context of individual cases. In doing so, we would take into account risk and the nature of our concerns. Where, for instance, the funding was inappropriately influencing the way that a charity operates, we might well have grounds for requiring disclosure about its sources of funding.

Nevertheless, we do consider that a charity should be transparent and accountable to their stakeholders. This means providing them with relevant and reliable information in a way that is free from bias, comparable, understandable and focused on stakeholders' legitimate needs. This, therefore, should be the starting point. However there will be individual factors to consider in each case, including the provisions of the Data Protection Act 1998 and the wishes of donors. The decision is for the trustees to make – except in exceptional circumstances the Commission cannot direct the trustees to reveal the source of their funding.

IEA has explained that it does not place a record of the source of its donation income in the public domain for three reasons:

- the trustees judge that to disclose the identity of a donor would require their permission, and that this permission would be unlikely to be forthcoming in the majority of cases;
- the charity regards donations to charities as essentially a private matter; and
- the charity tells us that it is regularly attacked by individuals and organisations (including personal attacks) who disagree with its research output.

It says that it would take a different approach if it received public funding.

We have made our views known to IEA and will reiterate them when we send our closing letter. However, we have no grounds to insist on disclosure of donors and we do not consider that it would be appropriate for us to take regulatory action against the charity in respect of its decision not to identify the source of donations.

Whether in respect of specific and contentious campaigning and lobbying activity the IEA has been acting properly within its charitable objects.

Although you say that a charity cannot promote a particular view of economics, the position is actually more nuanced than that statement implies. As an educational charity, IEA's work overall must present an educational, and not propagandist, perspective. Its purposes can be pursued as a legitimate and recognised (that is non-controversial) branch or aspect of the learning of economic or political science. This learning may have a particular perspective which might border on, or be seen as, consistent with a political perspective. Provided the perspective can properly be regarded as a legitimate aspect of learning in the subject matter, this may be acceptable, as would an approach to the subject from a free market economy perspective. There is also no legal rule that a

charity of this kind (provided it is approaching its work within the rigours required of an educational charity) cannot be involved in subjects which are controversial in this sense.

From our own research, we have not found any evidence to suggest that IEA has compromised its independence and neutrality such that it would conflict with our guidance on political activity and campaigning¹.

IEA is very strongly of the view that it is independent of all political parties and this is borne out by what IEA says about fulfilling its objectives on the 'About us' page of its website².

The trustees have explained that IEA takes opportunities to impact public debate through reaching policymakers, opinion-formers and the wider public and that placing economic research in the public domain furthers IEA's educational objectives and, as part of that work, it occasionally meet politicians and their advisors. Its programme of activities is designed entirely and exclusively to meet IEA's charitable objectives.

The trustees are very clear that IEA is not and never has been a campaigning organisation and do not have an agenda beyond research into the economics of markets in which individuals can make free choices, and the dissemination of ideas thereby generated.

The trustees have also explained that IEA does not accept commissioned research projects from corporations. Its publications programme and its content is set by IEA staff under the general direction of its trustees. While IEA does accept direct funding for research from individuals and charitable foundations for research papers, these are typically acknowledged in the publication. Any corporations who donate funds to the IEA to support its work are not asked to comment on its research and no company is able to guide IEA's research conclusions.

The trustees have assured us that individuals, foundations and companies donate money to the IEA for their own reasons and IEA's role is to ensure that it is "blind" to these reasons and to only use funds these to support its charitable objectives. The trustees have told us that the trustees take considerable efforts to ensure that whatever the source of funding, IEA's research is independent.

The trustees have explained that if IEA comments on political policies, it would only be in the circumstances where such a policy aligned with its charitable objectives. The trustees have been clear that IEA neither engages in policy engineering, does not engage in campaigning nor does it accept Government grants or accept commissioned research from Government.

¹ Speaking out: guidance on campaigning and political activity by charities (CC9)

² *"The IEA is an educational charity (No CC 235351) and independent research institute limited by guarantee. Ideas and policies produced by the Institute are freely available from our website for any individual or organisation to adopt, but we do not "sell" policy. The Institute is entirely independent of any political party or group, and is entirely funded by voluntary donations from individuals, companies and foundations who want to support its work, plus income from book sales and conferences. It does no contract work and accepts no money from government."*

The only sponsored research IEA accepts is from individuals or trusts who do not have a vested commercial interest in the topic under discussion. The sponsorship only goes as far as suggesting topics, not the contents of the paper or other research output. Most of IEA's research is commissioned independently by its Academic and Research Director on the advice of IEA's Academic Advisory Council, whose members are listed on its website under 'Advisory Council' and most of its publications are peer-reviewed.

In the light of this we are of the view that there is no appropriate regulatory action for the Commission to take on this issue.

I hope this is helpful to you. Please do not hesitate to contact either of my colleagues, Neil Robertson or Anthony Blake if you would like to explore any aspect further.

Yours sincerely

A handwritten signature in black ink, appearing to be 'PS', written over a horizontal line.

Paula Sussex
Chief Executive