Measuring Impact

Impact measurement can shape alternative methods of funding charities

Absolute returns

Absolute return strategies embraced by charities have increased ten-fold

Charity fraud

The challenge of fraud and why an anti-fraud culture can mitigate risk

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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

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Social enterprises: on a mission

Editor
Andrew Holt
andrew.holt@charitytimes.com
020 7562 2411

Contributing Writers
James Bevan, Caron Bradshaw, James Codrington, Seb Elsworth, Lydia Frempong, Duncan Green, Marek Handzel, Joe Irwin, Caron Kemp, Elliot Lane, Joe Lepper, Ginny Lunn, Paul Palmer, David Pritchard, Hannah Terrey, Nick Temple, Gareth Thomas, Peter Wanless, Ben Wittenberg

Design & Production
Matleena Lilja
matleena@perspectivepublishing.com
020 7562 2400

Advertising Manager
Cerys McLean
cerys.mclean@charitytimes.com
07766 662 610

Advertising Sales Executive
Aisling Davis
aisling.davis@charitytimes.com
020 7562 2423

Subscriptions
Joel Whitefoot
joelw@perspectivepublishing.com
020 8950 9117

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Managing Director
John Woods

Publishing Director
Mark Evans

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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

The death of the Big Society

The Big Society is dead. Our analysis of the Budget (Page 12) concludes that George Osborne finally killed off David Cameron's big idea for good.

The disparity between the rhetoric of the Big Society and reality of Government policy was fatally exposed in the Budget. So much so, that any talk of the Big Society is now meaningless. As a vision, it was always well-meaning, but deeply incoherent and lacking in any depth.

The launch, finally, of Big Society Capital is nevertheless to be welcomed. But the £600million injected into this venture should be measured against the £4.5-£5.5billion the sector will lose in the course of this Parliament through government cuts

How much impact Big Society Capital will have on the sector only time will tell, but the aim seems to be to boost the impact of social enterprises, who as we report (page 24) are an added dimension to the sector and are in a confident position to boost the UK on a civil society level and the economy as a whole.

For some time, charities have been handling statistics that show some form of fall in fundraising.

But new data points to a more difficult, albeit understandable scenario. Individuals who already donate say that they are giving to their limit, according to YouGov research commissioned by the Institute of Fundraising.

As many as 43% of people questioned felt they were already giving as much as they could afford, and have cited having a higher income and earning more money as the biggest factor that would encourage them to give more to charity. This reveals the parlous state the sector finds itself in.

But unlike the concept of the Big Society, the sector will survive and learn new ways to thrive.

Andrew Holt
Editor

24

28

32

COVER STORY: ON A MISSION

Social enterprises are in a unique position: they are experiencing more growth than the private sector, have greater levels of diversity in senior management and are confident going forward, finds Caron Kemp

The Review

Analysis and Profile

Columns

Charity Services

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Features

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Youth unemployment by the ACEVO CoYU

The clue is in the title: "the crisis we cannot afford". This report is not only an invaluable source of analysis covering almost every aspect of youth unemployment, but is a call-to-arms to address what the ACEVO Commission on Youth Unemployment describes as "a time-bomb under the nation's finances". The sense of urgency is explicit, and rightly so. Rather than merely drawing on the human despair brought on by youth unemploy-ment, the Commission frames the debate to illustrate how this is an issue which affects everyone: blighting communities and pulling unrelentingly on the public purse-strings.

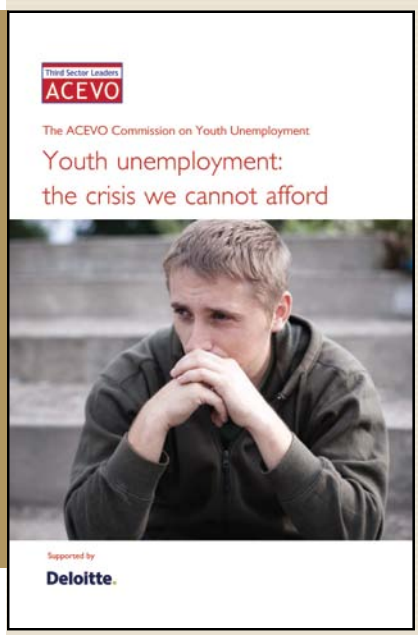
It is hard to think of any social problem which rival that of protracted youth unemployment in terms of its detrimental effect on the population. Prince's Trust research shows the longer the period a young person is unemployed for, the more likely they are to experience "psychological scarring". The Commission has taken a practical approach by gathering evidence to assess the causes of the problem to inform viable solutions. Many who are familiar with the scale of the problem will say that no corner will be turned until the economy begins to pick-up, and that tinkering with welfare to work policies and education targets are unlikely to have an impact. On the contrary, the Commission points to parts of Britain and other countries that have developed impressive systems for getting young people into work in straightened economic times as evidence that things can be done.

Even if the difficult economic climate means it is more challenging to help young people into jobs, increased efforts from governments, employers, and charities like The Prince's Trust could mean thousands of young people moving from unemployment to a positive future. Indeed, last year more than three in four young people on Prince's Trust schemes moved into work, education or training – despite the challenging economic climate.

Although there are many sensible points in the report to comment on, I will pick up briefly on a few. Firstly, it is worth noting that the Commission's research finds that often cited theories about the impact of immigration, an over generous minimum wage, or a benefits system which disincentivises work are largely red herrings. One important point – and one on which the Government has begun to make progress – is the need for more incentives for schools to focus on students who are most likely to become NEET. The introduction of 'destination measures' and 'NEET indicators' should help Ofsted judge the progress of schools.

Schools, charities and employers need to work together to encourage the long-term success of their most disadvantaged pupils. Indeed, The Trust's own xl scheme supports those at risk of exclusion from school, improving their grades and employability skills for the future. Some of the other recommendations are also worth investigating. It would be useful to explore the feasibility of Youth Employment Partnerships in areas worst hit by unemployment, bringing together the public sector, business and voluntary sector to tackle local barriers. A national deal for reduced travel costs for unemployed young people also seems to make sense as we know prohibitive travel costs can be a barrier to work.

GINNY LUNN AGREES WITH THE KEY MESSAGE OF THIS REPORT THAT THE GOVERNMENT MUST WORK WITH CHARITIES AND EMPLOYERS ON SCHEMES THAT ARE PROVEN TO HELP YOUNG PEOPLE INTO JOBS



One of the most interesting recommendations is one which is light on detail. This is the recommendation that every young person under the age of 25 who has held a job for a year should be asked to mentor others to help them do the same. Our own Job Ambassadors scheme matches young people who have faced long-term unemployment and transformed their lives with help from The Prince's Trust with jobless youngsters, to give them the inspiration, advice and guidance they need to get into education, training or employment. We know young people can be excellent role models for their peers.

The report suggests the scheme should be opt-in rather than opt-out – and this is an ambitious proposal but definitely one to explore. Overall, the report provides many timely recommendations. The key message is the Government must work with charities and employers on practical schemes that are proven to help young people into jobs. As always, more needs to be done to tackle youth unemployment, but many of the recommendations featured would be a good place to start.

Ginny Lunn is director of policy and strategy at The Prince's Trust

Youth Unemployment is available from: acevo.org.uk/

The UK Civil Society Almanac 2012 by NCVO

PAUL PALMER SAYS THIS IS THE CIVIL SOCIETY REFERENCE BOOK TO HAVE ON YOUR DESK, COVERING KEY ISSUES AND TOPICS FROM SECTOR BLURRING AND STAFFING TO RESILIENCE OF THE SECTOR AND THE IMPACT OF THE RECESSION

If I am asked what reference book do you have on your desk I always give and have done so for years a very short same answer – the NCVO Almanac. Back in the mid-1990s I was privileged to be part of the team that produced the first Almanac. When I look at that publication compared to the 2012 edition it does feel I have left behind a very different world. Then we just concentrated on the charity sector and attempted to estimate the wider voluntary sector.

The Civil Society Almanac begins with a clear definition of what is meant by civil society and then breaks it down into various constituent groups with appropriate figures on income, expenditure, numbers working and a useful comparative analysis to both the private sector and the UK generally.

Some interesting comparisons include: "The combined income of all 164,000 voluntary organisations in the UK [£36.7billion] is of a similar magnitude to the UK revenue of Tesco [38.6 billion for 2009/10]." Or that the: "Voluntary sector paid workforce is roughly the same size as the number employed in restaurant and catering in the UK (around 770,000)."

The Almanac is not just figures but also an authoritative commentary presented in a readable style with excellent graphics. It is written in a "pracademic" style with evidence based references supporting a readable portrait of the sector. There is the excellent overview and state of the sector analysis given by Sir Stuart Etherington.

Of course the 2012 title is misleading given the data comes from accounts in 2009/10, but once that is understood the Almanac gives a picture of a sector that is now suffering the full effects of the recession. Interestingly, the effects of inflation take precedence. "What is clear from the charts is that the impact of inflation needs to be taken seriously in any consideration of trends income and expenditure, particularly as 'raw' figures overstate growth. After adjusting for inflation (RPIX) the real terms increase in income over the decade has been £9.7billion (36%), whilst the real terms increase in expenditure has been £10.6billion (41%)".

The resilience of the voluntary sector is often commented on but if inflation does not fall then the sector is likely to face even harder times as the returns on its £23billion of cash even if held on deposit are clearly depreciating fast. Certainly the 2013 Almanac I suspect will paint an even darker picture. Though at a micro level we have seen contrasting experiences between those who prepared for the worst and those who have "sleepwalked". Interestingly, the Almanac quotes the Charity Commission research which "suggests that larger charities – defined as those with incomes over £100,000 – have been hardest hit with 79% affected, the very smallest charities, whilst facing their own set of challenges, appear to have been more insulated from changes in the wider economy".

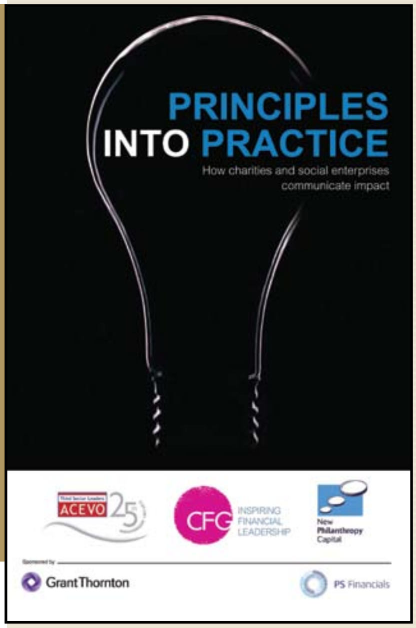
The Almanac analysis showing giving by the public has grown 6.1% in real terms perhaps indicate that small is beautiful or they are of course not reliant on government grants and particularly contracts.

The Almanac is not just about finance with sections on the sector's human resources both paid and voluntary including trustees. The sectors appeal to graduates being nearly double to that of the private sector perhaps displaying that the sector is a first career choice rather than an after thought. Other sections include a useful discussion on social enterprise, after giving the various definitions the Almanac notes: "This estimates that nearly half of registered charities (45%), two thirds of companies limited by guarantee (67%) and nine tenths (90%) of community interest companies are social enterprises."

Paul Palmer is an associate dean, director of the Centre for Charity Effectiveness and Professor of Voluntary Sector Management, Cass Business School, City University, London

The UK Civil Society Almanac is available at: www.ncvo-vol.org.uk/almanac

Principles into Practice by ACEVO, CFG & NPC



SEB ELSWORTH FINDS THIS PAPER A USEFUL READ FOR THOSE SECTOR ORGANISATIONS LOOKING TO FIND OUT MORE ON COMMUNICATING IMPACT AND CHALLENGES THE ASSUMPTION THAT EFFECTIVE MEASUREMENT AND COMMUNICATION OF IMPACT IS SOMETHING THAT CAN ONLY BE DONE BY LARGE ORGANISATIONS

Body and Soul is a small charity which provides a range of services to support people with HIV and their families. The organisation has ten full time employees, 200 volunteers and turns over around £1m per year. Unlimited Potential is a democratically controlled social enterprise based in Salford which provides innovative community based solutions to long standing community problems. Ten years old, the organisation has 35 staff and a turnover of £1.5m. The fact that a these two relatively small and young organisations are amongst the nine to be selected as a case studies in this new publication from ACEVO, CFG and NPC make two important points.

Firstly it challenges the assumption that effective measurement and communication of impact is something which can only be done by large organisations with lots of time and money to throw at it.

Both aligned their relatively limited resources to focus on integrating the measurement of impact as part of the day job rather than it feeling like an excessive and additional burden.

Secondly, their stories clearly tell us that effective measurement and communication of impact is not something that is either present or absent. It is a journey, and we're all somewhere on that journey. No one has reached the destination, and those further along that journey have lessons to share. *Principles Into Practice* has been published to coincide with the launch of the Principles of Good Impact Reporting. At a time when there are a multitude of different methodologies being discussed, the principles are helpful because they remind us of the point of impact measurement and reporting.

The Principles were created to show the sorts of areas in which charities should be able to explain what they do and why. There is no specific approach or methodology proscribed. Rather the Principles are intended to remind us of the purpose of communicating our impact. And as well as knowing those things we should be able to talk about them.

The principles therefore help both charities, and those who care about what charities are doing, agree on a common agenda for how the organisation might be judged. The headlines for that agenda are that organisations should have: clear purpose; defined aims; coherent activities; demonstrated results; evidence for their work; and knowledge of lessons learned. The organisations should then be able to answer questions about each of these areas such as: "why do we exist?"; and "what impact are we seeking against the overall change we seek?"

This guide is designed to demystify the world of impact measurement and bring the theory to life with examples and perspectives from across the sector. It shows why leaders should resist the temptation to ignore impact reporting by showing the advantages which can come from aligning it with performance measurement.

The case studies outlined in the report, from a range of organisations at very different scales and at different points along the journey to impact measurement, highlight a number of key lessons about implementing effective impact measurement.

These include the importance of having a clear strategy. Body and Soul clearly saw that their funding environment was changing in such a way that meant they had to better understand and communicate their impact. They also include the importance of securing buy-in from teams across the organisation.

Crucially though, the case studies show the advantages of making the effort to better understand and communicate impact: from being able to help more beneficiaries and using resources more effectively, to improved relationships with founders and staff with a clearer sense of purpose.

Seb Elsworth is director of partnerships and communications at the Social Investment Business who have just published Investing for Good: www.thesocialinvestmentbusiness.org/the-good-analyst/

Principles into Practice is available at www.cfg.org.uk

Famine & Foreigners by Peter Gill

News coverage follows the dramatic – the tsunami, famine, or grisly civil war. Public perceptions in the UK of events in the developing world are inevitably skewed by that prism. And then it moves on, leaving in the public mind lingering images of starving children, or people being plucked from earthquake-shattered buildings.

In his book, *Famine and Foreigners: Ethiopia Since Live Aid*, Telegraph and ITV journalist Peter Gill sets out to explore the other side of events. In the 'biblical' beginnings of the 1984/5 famine, he was the first journalist to reach the epicentre of suffering, helping to alert the outside world to impending disaster.

In 2008 and 2009 he went back to bring himself up to date on the intervening years, to find out what happened before and after the TV cameras arrived, and how Ethiopians themselves understand the tumultuous last 25 years of their country's history.

He brings a journalist's craft to the task, interweaving reportage and a confident and eclectic grasp of the academic literature on the country. Through human stories, he retells the history of Ethiopia's famines (a less infamous famine in 1973 led to the ousting of Emperor Haile Selassie), the transition years that followed the 1984/5 catastrophe, the fall of Colonel Mengistu and his notorious Derg government, and the rise of its current Prime Minister, Meles Zenawi.

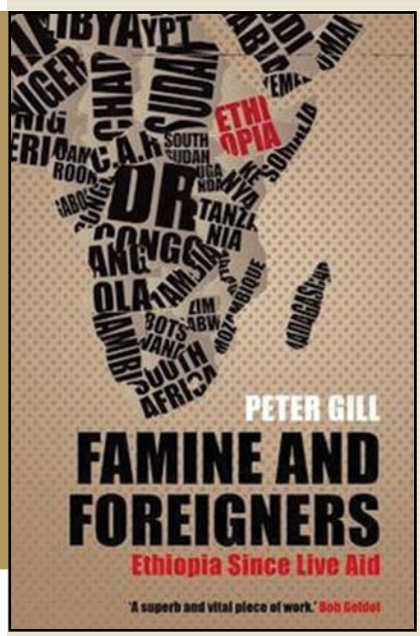
His approach reverses the media order of things. Aid agencies (both big northern governments and NGOs like Oxfam, on which he has written a largely sympathetic book, *Drops in the Ocean*) are not angels, but often bumbling bureaucracies whose actions are driven by a complex mix of altruism and institutional needs. In any case, centre stage belongs to Ethiopians themselves, and in particular the Ethiopian government.

Meles emerges as an extraordinary figure, who became head of state at 36 and promptly signed up for an Open University degree in business administration, getting one of the best firsts in the OU's history. He then went on to get a masters in economics from Erasmus University in Rotterdam.

Over the course of several interviews, Gill probes Meles' thinking, and is clearly dazzled by his intellect, largely giving him the benefit of the doubt on his commitment to (eventually) stepping down (he has been in power since 1995 and elections have been widely questioned) and engineering a transition to a less authoritarian system.

Part of his admiration for Meles (whose record on human rights is far from spotless), is the transformation in Ethiopia's management of hunger: in 1984, 7.9 million faced starvation and more than 600,000 died. By contrast in a drought on Zenawi's watch in 2003, 13.2 million faced the prospect of famine, yet Gill reports that only 300 people died (no-one at Oxfam believes the figure was that low).

DUNCAN GREEN SAYS THAT IF YOU WANT TO UNDERSTAND WHAT'S HAPPENED TO ETHIOPIA SINCE GELDOF, BONO, AND LIVE AID, THIS IS A GOOD PLACE TO START



Gill puts this extraordinary turnaround down to a massive mobilization by the state (including using its own domestic resources, not just aid – Gill goes into some detail on the Government's impressive social safety net programme) and better reaction by the donors, who this time around, did not wait for TV images before acting.

The book's main weakness stems from its strengths. Gill's journalistic commitment to telling Ethiopia's story through interviews and reportage is engaging, but comes at the expense of political analysis and subtlety, leaving him with little to say on its future, with our without Meles as its head of state.

And oddly, much of the last chapter is devoted to an interview with aid guru Jeffrey Sachs, of Columbia University, whose expertise on Ethiopia hardly rivals the many wise local voices featured in the book.

But overall, Gill gets several important things very right. Famine is the result of politics and conflict, not drought.

His focus on the role of states in reducing the risks of disasters and then responding to them when they occur, is also spot on – Oxfam is revising its thinking on this in a similar direction.

If you want to understand what's happened to Ethiopia since Geldof, Bono, Live Aid and the rest, this is a good place to start.

Duncan Green is head of research at Oxfam GB. His blog, From Poverty to Power is here: www.oxfamblogs.org/fp2p/

Famine & Foreigners is published by Oxford University Press priced £9.99

Writing your charity's investment policy by CFG an CIG

The Charity Finance Group (CFG) and the Charity Investors' Group (CIG) have teamed up to plug a recognised gap for charities wrestling with the challenge of writing their investment policy and is very much a practical response to the requests made by charities wanting to learn from the experience of other charities whilst complying with best practice.

The guide includes a model template and worked examples but it is not a prescriptive guide and nor does it provide specific investment or legal advice.

The guide is intended for those responsible for developing and writing their charity's investment policy and trustees, who have overall responsibility for the investment of their charity's funds and questions are designed to prompt consideration of the areas that might be included in a charity's written investment policy.

The guide notes that the content and exact structure of a written investment policy will vary from charity to charity to reflect different investment objectives and needs, and therefore not all of the questions will be relevant for every charity, or need to be addressed in written policy at all, and similarly the level of detail, length and format may vary.

Accepting the need for a written investment policy, the guide reminds that the Charity Commission have identified that a charity's investment policy will usually include the scope of its investment powers; the charity's investment objectives; its attitude to risk; determination of the assets available for investment, timing of returns and the charity's liquidity needs; the types of investments it wants to make, and that may include ethical considerations; decision taking and takers; management priorities and reporting.

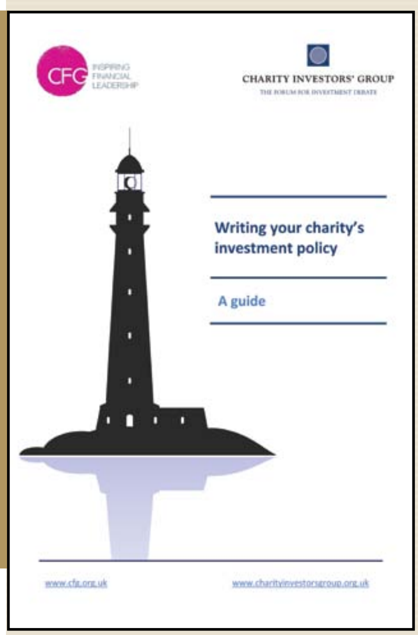
The guide also reminds that for charities using investment managers, the investment policy must cover the responsibility and remit of the investment manager and the principles that any investment manager must follow when taking investment decisions on behalf of the charity. The template and examples included in the guide expand on these issues.

Usefully the guide notes that the level of detail in a policy statement will vary in different charities and is not necessarily dependent on size but what is crucial is that it provides a sufficient steer to inform investment decisions.

The guide template involves a systematic description of the areas to cover in a charity's investment policy statement.

It identifies that the introduction should set out the background to the investment policy and could include general background information and a statement as to the financial objective, confirmation of investment powers and governance.

JAMES BEVAN SAYS THIS PAPER IS AN INVALUABLE AND WELCOME GUIDE TO CHARITIES WHO HAVE STRUGGLED WITH WRITING THEIR INVESTMENT POLICY



The guide explores a charity's investment objectives, including the motive for making investments, return expectations and preferences and time horizons, and attitudes to and tolerance of different types of risk.

This builds on Charity Commission guidance. It reminds that charities must think through their liquidity requirements. It also notes that a charity should specify any ethical investment policy adopted and raises key issues for consideration.

The guide also covers investment instructions, reporting requirements and performance monitoring.

The authors state that while a flavour of the diversity of approaches can be conveyed in the examples provided, these cannot be comprehensive.

Nevertheless it is clear that the examples provide an illustration of what a charity's investment policy statement might look like, including six worked examples: a grant-making foundation, operational ethical charity, a permanent endowment, a cash charity, a pooled family charitable trust and a PRI local foundation.

Importantly, each example includes a wide variety of different underlying conditions and factors, so that readers can adopt a pick-and-mix approach to deciding what they may want to include in their own policy statements.

This guide will be an invaluable and welcome help to charities who have struggled with writing their investment policy.

The CFG and CIG should be congratulated for this useful, succinct and well thought through guide.

James Bevan is chief investment officer at CCLA Investment Management

Writing your charity's investment policy is available at: www.cfg.org.uk

Social Enterprise Schools by Andrew Laird & Justin Wilson

LYDIA FREMPONG FINDS THIS REPORT LEAVES OUT MANY FACTS, BUT ULTIMATELY HAS SOME GOOD EXAMPLES AND PRESENTS A STRONG CASE FOR THE SOCIAL ENTERPRISE MODEL GETTING INVOLVED IN EDUCATION

The Social Enterprise School report took me a while to digest initially, mainly because of the complex jargon to contend with until I was able to get to the root of the argument regarding the consideration of UK schools being run using the social enterprise model as a way to improve the standards of education for young people aged between 4-16.

The report was written by three consultants whose foundations are firmly established in policy, education and Social Enterprise. The angle is geared towards a clear conviction that social enterprise schools are the positive way forward to benefit and improve educational standards in the UK.

As well as increase the selection of schools for pupils, promote accountability of teachers; provide incentives to achieve good results in attendance figures and the exam results. Within the report statistics provided, proves that for profit schools present an incentive for the schools to run more efficiently. For example 45% of secondary schools are already open as Academies, or in the process of becoming one.

This statistic illustrates the UK is leaning towards for profit run schools, whereby teachers are given more autonomy to manage their schools, have more responsibility for the way their educational establishment is managed. The set up is an incentive to for both teacher and pupils to achieve good results.

The main dilemma the report highlights is that the standard of education in the UK is dramatically decreasing; pupils are leaving school without the relevant key skills to be employed or to move into higher education.

The UK is ranked 25th for reading, 28th for maths and science. According to a survey constructed by CBI in May 2011 42% of employers were not satisfied by the basic use of English by school and college leavers and more than third were concerned with the basic numeracy skills.

My area of concern is what happens if the level of achievement in education declines, what will happen to the employer ability factor regarding the young people of tomorrow's future. What we truly need to understand from the report is what the defining factors are leading to Free State schools under performing.

There are a number of factors to consider, that is, the motivation of the teachers, the choice of subjects, identifying learning needs early on, training and understanding of social and environmental circumstances young people are subjected to, cultural backgrounds and diversity of students.

I would like to been informed of the real facts of why we are suffering a decline of education in our schools. You are left here to make my you own assumptions.

The report though provides an excellent case study of educational services being outsourced to improve school programmes. Cambridge Educations were contacted to run educational services in the London Borough of Islington, the value of the 6 year contract for the value of £105 million. Improvements were observed leading to Islington being the most improved London Boroughs. Ofsted rated outstanding overall effectiveness. The report provides good examples of for profit lead schools in Sweden and USA.

I am of the opinion that the best way forward would be to trial out the social enterprise model to give it the best chance of working. A social enterprise model would mean that the education system would have to adhere to the educations standard and support of their pupils, positive educational environment regardless of area, social awareness and surplus should be fed back into the school.

Fairness in education is what our schools must continue to strive for. There is a place for different types of schools. Teachers within Free State schools should be well remunerated to encourage them to perform and the opportunity to develop their skills.

Lydia Frempong is a life coach and founder of Butterfly PR

Social Enterprise Schools is available at: www.policyexchange.org.uk

The Budget and the death of The Big Society

ANDREW HOLT SAYS THE 2012 BUDGET FINALLY PUT THE CONCEPT OF THE BIG SOCIETY TO REST

Much debate has surrounded the sector and the recent budget, but one issue becomes crystal clear: it sounds the death of the Government's Big Society. Cameron's big vision, which has spluttered on for some time, was put to rest and out of its misery by George Osborne's budget. The Chancellor showed that when it comes to the Government dealing with matters of importance, the sector gets nothing more than a passing mention.

As Caron Bradshaw, CEO at CFG, summed it up: "This is very much a budget for business, with little recognition of the contribution that the charity sector makes." And more starkly, Bradshaw added: "It appears recognition of the value of the sector is falling off the agenda." And Dan Corry, chief executive of New Philanthropy Capital, quipped: "the politically savvy Chancellor is not a fan" [of the Big Society].


Photo by bisgovuk

It is Osborne's scrapping of the new cap on tax relief for major donations to charity, announced in the budget, that is a step that reveals a huge gapping hole in the Big Society rhetoric and the real motivations of this government. When it came to Osborne's economics and the Big Society vision, the former is incompatible with the latter. It also makes a mockery of Osborne's budget last year, when he stated he wanted to encourage wealthy people to give more to charity.

Giving as tax avoidance

As Martin Sime, chief executive of the Scottish Council for Voluntary Organisations, astutely summed it up, the cap effectively brands charitable giving as tax avoidance. In Osborne's world, this is probably how he sees things.

Sime expands further on this point: "To risk reducing donations to charity or making giving more complicated is a very dangerous move which flies in the face of the UK Government's pledge to promote philanthropy. These changes could stifle donations from wealthier people whose generosity is helping charities to continue supporting the most vulnerable members of society when their budgets are being squeezed like never before.

"It could seriously affect larger organisations which depend on major gifts from philanthropists and the ripple effect could also see smaller, local organisations lose out as charitable foundations will have fewer funds to distribute. We urge the UK Government to exempt charitable donations from the caps before they can do any damage to third sector organisations."

A point endorsed by Sir Stephen Bubb, CEO of ACEVO, who noted: "It's clear that if the cap is implemented as proposed, it will severely affect the level of charitable giving in the UK. The Chancellor must exempt relief on charitable donations from the cap immediately to avoid undermining the third sector and the beneficiaries who rely on its services."

As a result a group of senior third sector leaders and philanthropists met with Nick Hurd, the minister of Civil Society, to press him for action on the tax relief cap, expressing in the strongest terms its concern that the proposed cap will have the unintended consequence of reducing the level of philanthropic donations to charities, community organisations, higher education institutions, arts institutions and other non-profit bodies. The meeting is unlikely to do any good.

Big Society Capital

Though a recent twist in the Big Society debate, was the arrival of the £600million backed Big Society Capital, promoted by government mandarins as an important milestone in the Government's drive to grow the economy and build a bigger, stronger society; and in turn the Big Society could be said to have had life breathed into it. But this would be a misreading of the situation, as £600million may be coming the sector's way via the BSC, but this has to be compared to the £4.5-£5.5bn that the sector is losing through cuts during the course of this Parliament.

David Cameron naturally played-up the new organisation at the launch. "Big Society Capital is going to encourage

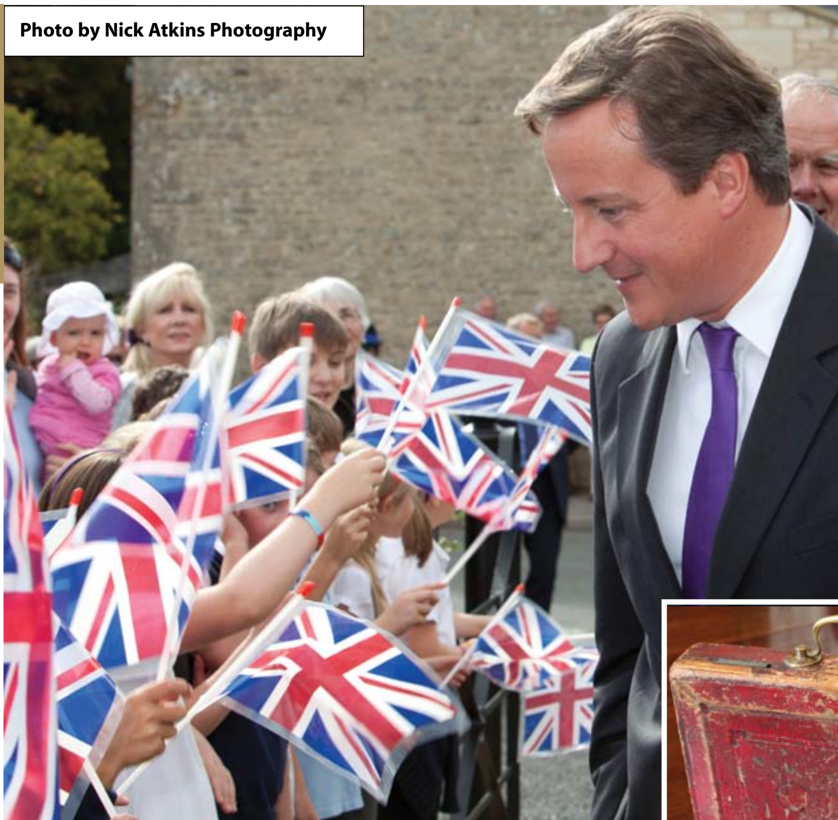


Photo by Nick Atkins Photography

Photo by HM Treasury

charities and social enterprises to prove their business models – and then replicate them. Once they've proved that success in one area they'll be able – just as a business can – to seek investment for expansion into the wider region and into the country."

Justifiably, Sir Stuart Etherington, NCVO's chief executive described Big Society Capital finally become a reality as "a long and arduous journey".

Professor Cathy Pharoah, from Cass Business School's Centre for Charity Giving and Philanthropy noted: "Big Society Capital will face the same fundamental challenge as other top-down initiatives in the history of social investment, namely how to deal with the tensions between social and economic returns."

And more importantly, and at least in part flying in the face of the idea of the Big Society, Pharoah added: "It will not be able to help small innovative social projects dealing with high needs and high risk clients or service areas where social returns may be high and economic returns low."

Give it Back George

The unhappiness at the Budget measures has led to the launch of the Give it Back George: Drop the Charity Tax, a campaign led by the NCVO, CAF and the Philanthropy Review. The campaign against the tax changes has attracted more than 1,500 supporters including hundreds of charities as well as individuals and donors. Though, unfortunately, this is likely to be a futile campaign. Like Margaret Thatcher, George is unlikely to be for turning.

This was highlighted further when a policy briefing from the Treasury confirmed charities' worst fears about the £50,000 cap on tax relief on charitable donations. A Treasury issued document confirmed that the cap on tax relief imposed on donors will include Gift Aid claimed by charities, in addition to the personal tax relief available to higher rate taxpayers. Moreover, it raises fears that charities will face months of uncertainty while ministers consult on the changes.

Sir Stuart Etherington was naturally unimpressed. "This note only muddies the waters further. It reinforces our concern that this policy is half-baked at best. Major donors are facing at least six months of confusion and charities are already losing gifts as a result. The Treasury should act more quickly and drop the proposed cap on gift aid tax relief."

John Low, chief executive of the Charities Aid Foundation, was even more scathing. "The Government's handling of this has been shambolic. Far from clarifying matters, it has created further confusion among charities and donors. That's no way to fulfil its vision of a Big Society."

In reality though, the demise of the Big Society simplifies matters. The sector no longer needs to pretend, as it has in some quarters, that the Government has it at its heart. It has probably been naive to view the Government as really caring about the sector anyway. Charities, social enterprises and voluntary organisations have to deal with the Government in a real, everyday, level but can face the fact that the sector is not a top government consideration, and never will be.

The Big Society in this way can be seen as the Conservative Party trying to square the circle of its small-state, free-market philosophy, with an add-on and afterthought of concern for wider society. It is not surprising that it has been cast off into the night.

According to Conservative bloggers and commentators David Cameron's often erratic adviser Steve Hilton was behind devising the Big Society as a concept. But as he recently left Number Ten it looks like he took the Big Society idea with him.

Andrew Holt is editor of Charity Times

The Local versus the Big Society

The Local Society

The Big Society will not work unless the Local Society works and the Government should understand Local Society can have a rosy future, but much help is needed now, argues JOE IRWIN

In the three months since I took on the role of chief executive at NAVCA, many people have said to me how tough it must be to lead a charity in the current climate. My response is that actually I'm very optimistic about the future.

Yes, help for local charities and community groups is needed now. Yes, we are in an age of austerity. Yes, the relationship between state and charities is being shaken up. But underneath all this, looking at the long term future, there's a growing need for – and understanding of – the local voluntary sector and what we do.

Wherever I go across the country, I find truly inspirational people devoting themselves to helping others. Charities that combat homelessness, crime, poverty and injustice. Those that give a voice to the voiceless. Local activists who in a thousand ways bring communities closer together. And yes the work of 'umbrella' support and development charities that nurture, train, advise, encourage and provide practical aid to all these groups so they can fulfil their purpose.

And there's a growing demand for the work of local voluntary organisations. People want the human touch that charities can bring. As distrust in national politics, big media and big businesses has increased, the appetite to support and benefit from the services of local charities grows. Politicians realise this and whatever the merits of labels like the 'Big Society' and 'Blue Labour', the ideas behind them are a response to the public mood.

Politicians want to be part of this. Every Minister I meet says that more decisions are going to be taken at local level – no bad thing in this country, which has been described as the most centralised state in the EU. We also have Chris White's Private Members' Bill (now an Act) to put social value into public sector contracts, the work on Early Intervention championed by MPs Iain Duncan Smith and Graham Allen, the Best Value Statutory Guidance saying no disproportionate cuts to the voluntary sector. Now I know that these haven't transformed the charity world overnight but they all have the potential to make a huge difference.

So I'm optimistic for the future. But we need help now to make sure we don't lose the work of charities that are precious to local communities. Public sector cuts are hurting local charities and community groups, at a time when they face increased demand for their services. Despite Statutory Guidance not to make disproportionate cuts – some councils still are. Witness Nottinghamshire.

And grant funding continues to be hardest hit. Grants give most help to the smallest charities and groups. The National Audit Office also says grants are often the most efficient use of money. But NCVO's Almanac shows public sector grant funding fell by £500 million between 2007/08 and 2009/10. For years the Local Grants Forum has warned about the damage this does. But nothing has been done to reverse this. NCVO's Karl Wilding made a great point recently that the Government grants to charities were dwarfed by those awarded to the private sector.

Bad commissioning continues to threaten the local voluntary sector. Locally, contracts are often parcelled up and made too large for small organisations to bid for. Or we see local commissioners get a bright idea to contract out work previously carried out by grant funding a local group. Too often this ends with the local group being unable to bid or losing out to an organisation more interested in the contract than the local community. Nationally, the Work Programme has highlighted all that can go wrong with sub contracting if the big business does not properly value a local charity.

Without help now, many charities will not be around to help communities in the future. This is why I called the budget a squandered opportunity. There were some welcome measures but there was not enough to help Britain's hardest hit communities. Prior to the budget NAVCA wrote to the Chancellor asking for funding focussed on the most deprived areas.

This is the first time since the 1960s that there is no government regeneration programme to support areas of deprivation We believe it is a low-cost way to quickly inject much needed resources into organisations working in these areas. It could certainly be done with less than the £250 million found to re-introduce weekly bin collections. The Big Society will not work unless the Local Society works as well. The Government should understand the local society can have a rosy future but help is needed now.

Joe Irvin is chief executive of NAVCA

The politics of the Big Society

GARETH THOMAS
says the scale of the cuts in government funding, a series of poor commissioning decisions and the collapse of trust in the Big Society have contributed to a sector facing the toughest of times

The Big Society

David Cameron's Big Society idea, re-launched yet again recently with Big Society Capital, has been widely lampooned ever since its creation. Its apparent promise of flourishing charities and community groups has not materialised.

The Big Society was instead clearly designed to deal with the difficult political legacy of Margaret Thatcher's infamous "There is no such thing as society" line and to provide political cover for the deep cuts in funding to local and national government which David Cameron and George Osborne are pushing through.

NCVO chief executive Sir Stuart Etherington has talked of "a perfect storm" of cuts and rising costs creating a toxic mix of circumstances for charities with increased demand for their services, growing financial pressures and an unprecedented fall in income.

Strikingly charities have been disproportionately targeted for cuts. The now notorious Conservative-led Nottinghamshire County Council is seeing its funding cut by 8% yet has cut funding to the county's charities by 34%. Even the flagship Big Society charity MyGeneration run by Big Society Ambassador Shaun Bailey has had to close "due to lack of funds."

In a secret report for the Cabinet Office leaked last month an analysis of bids to the Transition fund found that charities and community organisations are set to have lost at least £1billion and possibly as much as £5.5billion this year; as a direct result of government cuts.

Two-thirds of the charities most desperate for help to keep services going were in the 25 most deprived areas while charities helping the unemployed back into work were facing an average 50% cut in their funding. Indeed community and voluntary groups in the 20 poorest areas of England lost 40 times as much funding as those in the richest 20 districts.

The changes to tax relief for charitable donations signalled in the Budget are set to cause further uncertainty and financial problems for charities.

As the scale of government funding cuts has become clear, so ministers have talked up the opportunities for charities to win contracts to provide government services. In reality it appears that many charities are not able to compete on a level playing field with bigger private sector businesses able to take on more risk when they bid for the same contracts.

The Work Programme once tipped to offer charities more work in helping the unemployed get back to work has not delivered anything like the level of referrals ministers once promised and charities are beginning to pull out highlighting the frustrations and cost of a Programme that isn't working for them or for many unemployed people.

With the launch of Big Society Capital, a continuation of Labour's policy to create what we called the Social Investment Wholesale Bank, there is a danger that this relatively small amount of money is being oversold as a magic bullet that will solve the huge funding problems facing charities and voluntary organisations up and down the country.

By the time of the next election it is clear there will have been further major reductions in funding for charities, that Local Government will not have the financial muscle to help local groups in the way it once did and that most major government contracts will see at best a secondary role for the charities sector; not as prime contractors but more as subcontractors.

As Ed Miliband has recognised, for too many people the universal ambition to live in strong communities in a nice neighbourhood feels ever more distant.

Charities will undoubtedly have to have a bigger role to play in helping local services become more flexible and responsive. If we want to strengthen the resilience of communities in places as diverse as Hackney and Witney then we will need to find new ways to finance more charity-led community and social action, we will need to engage business more systematically and encourage more individual enthusiasm for community service than before.

The scale of the cuts in government funding, a series of poor commissioning decisions and the collapse of trust in David Cameron's Big Society brand have all made this task far harder.

Gareth Thomas MP is shadow minister for civil society

25 years of financial leadership

The changing sector

There are those who might question the wisdom of celebrating a 25 anniversary in these troubled times, when belts are tightening and the sector is challenged on a daily basis. But, I think it's right to recognise achievements from the past and use the moment to examine our role and look to the future.

Baroness Hayter of Kentish Town, a long-time champion of charities, generously hosted our 25th anniversary celebration at the House of Lords. We welcomed so many members, subscribers and sector representatives, many of whom have been constant companions and supporters of CFG over the years, that at times we were bursting at the seams. At the reception Lord Phillips of Sudbury gave an impassioned speech about the role of charity in today's society.

CARON BRADSHAW **says 2012 is a significant year for the CFG, marking 25 years of supporting finance professionals in the sector, signals the intentions of CFG going forward, and the challenges that hold in store for the future**

25 years ago a small group of like-minded finance directors formed CFDG – the Charity Finance Directors' Group. At that time the professionalism of the sector was patchy, the rules of engagement unclear and the importance of strong financial leadership and management within the sector overlooked. Forming CFDG helped to change that landscape. How things have changed: increasingly financial leadership comes from highly-skilled and professionally qualified individuals, charities are subject to a vast array of rules and regulations and inspirational financial leadership plays a central role in effective and impactful charities.

Finance management in charities has changed – the role is more broadly based and many of those who take lead responsibility for the charity's finances are not called 'Finance Director'. Not all our members – or those outside the membership for whom we are a first port of call for information and access to skills building – are Directors. They are Finance Managers, heads of operations, of resources – but what they all have in common is responsibility for financial matters.

Charity Finance Group – CFG – says very straightforwardly that we are for all those who have financial responsibility in their charity, whatever their job title. Dropping the 'D' does not signify a move away from senior finance professionals. Absolutely not. Instead it embraces the broader church of members we now have and facilitates a deeper connection with the organisations they represent. What we're saying is if you have a financial leadership role within your charity be it as a treasurer, volunteer or financial manager then CFG is here to support you.

Our new name – CFG – better reflects our role as the charity that drives up standards in charity finance and the wider work we do with all finance and resource professionals in charities – although we are a membership body, our public benefit role in improving standards in charity finance is the purpose of our existence.

We will continue to place huge importance on the need for greater coherence in legislation and government rhetoric. We have invested in policy and public affairs work to strengthen our position in understanding and representing the needs of the sector in matters which impact upon transparent, efficient and effective financial management.

In my view inspiring financial leadership is critical for charities and the wider elements of civil society at this time of unprecedented fiscal contraction. So during our 2012 we will be focusing on improving understanding of and reporting on impact, and attempting to crack the perpetual nut of a lack of financial capability across the sector. One challenge is how to reach those for whom finance is a second language – those who arguably need us most but are least likely to view us as necessary to their existence.

After 25 years we've come a long way – but there is more for CFG to do to ensure that confidence in the financial management of the sector instils trust and leads the way in transparency, efficiency and effective financial management. At the House of Lords reception, Ian Theodoreson , chair of CFG Trustees, referred to the work and purpose of the sector as being "a precious commodity - the glue that holds our communities together".

Together CFG and finance leaders within charities have a key role, using financial skills, finding innovative ways to release resources for the front line activities and harnessing their passion (yes, finance professionals can be passionate) for the work of our charities.

Caron Bradshaw is CEO of the Charity Finance Group

How charitable is the Government?

The positive achievements and progress made in the past year have been threatened by the Chancellor's shock announcement in the Budget to impose a cap on the tax relief available to philanthropists for major donations, warns HANNAH TERREY

Government giving

As I write this report card – nearly a year on from the launch of the Government's Giving White Paper – I'm still somewhat shell-shocked following the Chancellor's recent announcement in the Budget of a cap on tax relief for major donations, which will inevitably cut the number and size of major donations to charity.

Therefore, it is almost with a sense of nostalgia that I recall the not so distant days when David Cameron declared that the Big Society was his 'big passion' and cabinet members competed with each other to prove their philanthropic credentials. ("I'll see your ten point plan and raise you a Giving White Paper").

If asked a year ago, I would have said that the attention given by the Government to giving was very welcome, very encouraging, perhaps even unprecedented, and I would have happily awarded it eight out of 10 for intent.

Since then, the importance of promoting giving has become more, not less, critical for charities on the ground – as the sector faces an unprecedented credit crunch, with swingeing central and local government spending cuts and an increased demand for their services.

I know that there are those in the Government who are genuinely committed to building a stronger culture of giving in the UK. Indeed, certain government departments have been working hard on this for years – long before the Big Society spotlight shone on them.

And, while some of the catchy ministerial initiatives, for instance the 'year of corporate philanthropy' and the Giving Summit, have proved more difficult to deliver than conceive, there has clearly been a significant amount of energy and enthusiasm put into taking the Coalition's promises forward.

Responding to the Government's rhetoric on giving, we at CAF set out what we believed the Government should do to promote charitable giving and philanthropy. While, of course, the sector needs to remain independent and apart from government, it is critical nonetheless that ministers play a key role in three fundamental areas: leadership, investing in effective infrastructure, and ensuring a supportive tax environment.

So how has the Government fared on these three counts?

Prior to the Budget, I would have given the Government six out of 10. While more action was needed, I would have highlighted the various cases of real money following good intentions, with the launch of the Social Action and Innovation in Giving Funds, matched funding programmes and investment in modernising infrastructure.

I would also have pointed to George Osborne's Budget in 2011, in which he announced a raft of measures to improve and simplify tax incentives for giving, granted though, the detail of how these initiatives (such as the Inheritance Tax incentives for legacies and the 'Gift Aid' small donations scheme) will work in practise and the impact they will have on donations is yet to be seen. There are, of course, a number of other measures waiting in the wings that we believe could have an even more transformational effect on giving.

We would like Government, for example, to allow a universal declaration to ensure that Gift Aid is fit for the future of digital giving. The long overdue introduction of living legacies would also help to unlock additional philanthropy and encourage greater engagement with donors during their lifetime.

However, all of the positive achievements and progress made in the past year – and the chance to celebrate these at the Giving Summit – have been fundamentally threatened by the Chancellor's shock announcement in this year's Budget that he plans to impose a cap on the tax relief available to philanthropists for major donations.

Not only will this policy put at risk some of the £1.4bn donated to charities each year by wealthy philanthropists, but, perhaps more worrying still, is the message that this sends to donors, the charitable sector and the public about the Government's distrust of generosity.

It is clear from the last few weeks that a healthy culture of giving cannot thrive in isolated departments. This agenda must, instead, be embedded across all areas of government. The Government must act quickly to reverse this policy decision. Without this, it seems the Government is heading towards a 'fail'.

Hannah Terrey is head of policy at Charities Aid Foundation

The sector and Big Society Capital

ELLIOT LANE **looks at the interestingly timely launch of Big Society Capital, what it means for the sector, who is likely to benefit, gets the sector's verdict, and asks whether with this venture the goalposts have been moved by the Government**

Big Society finance

After the post-Budget PR blunders of Pastygate, Fuelgate and selling 'nosh for dosh', it is interesting to see the Prime Minister choose to resurrect his favourite hobby horse, the Big Society project.

It's all in the timing and launching Big Society Capital (BSC) only a few weeks after the Chancellor announced a tax relief cap on charitable donations was an obvious attempt to diffuse the row among the major sector players shouting Give It Back George.

Fundamentally, the BSC is a good thing: it raises the profile of the third sector; it allows a proper channel for social investment initiatives; and offers longevity to community projects and promotes innovation.

But the devil is in the detail. Its use of £400m from dormant accounts and a further commitment of £200m from the Project Merlin banks is a healthy injection to give a sector "already starved of working capital", as the NVCO put it. But the impression that all this cash has just been laying around, hidden behind the back of the sofa, and is now free to spend isn't fooling anyone.

Philanthropy under this Coalition government must come at a price. Over half a billion in the investment pot is a substantial sum, but it is suddenly dwarfed once weighed against the size of the problem. Recent Cabinet papers leaked to the press show charities and community organisations could lose up to £5.5billion this year as a direct result of government cuts.

The most vociferous critic of the new venture was Unite claiming the PM was "breathing life into an exhausted corpse" and being "disingenuous" about how the £600m will be spent. "Funding can only be lent to charities if there is a case made that a profit can be generated," said the union.

In a more measured response, Social Investment Scotland wanted to assess the conditions on how funding would be allocated "including lending criteria, application process and turnaround times for distribution funds". Another area yet to be clearly defined is the interest rates charged. John Low of the Charities Aid Foundation wants the BSC to "be clear about the social impact its investments are having and sometimes this will mean accepting a lower financial return".

Repaying the money through sustainable business models will be key for both the BSC and the organisations involved. Many of the intermediaires the BSC will service have operated for over 10 years but growth has been stifled by the lack of return on investment. Cass Business School's Professor Cathy Pharoah believes the overall impact in some sections of the community will be limited. She sees a trend where the intermediaires favour "a bias towards safe lending" and will want "market rates of return while doing some social good".

This will inevitably isolate "small innovative social projects dealing with high needs and high risk clients" where the social returns are great but overwhelm the low economic returns.

Who could benefit from this largesse? Dan Corry of Philanthropy Capital sees social enterprises to be the main benefactors because overall the model is underpinned by achieving a profit. Examples he highlights are the bus company HTC and leisure centre operator GLL. These are safe havens for investors and well-established enterprises which have a wider consumer focus to them. The question is do prisoners, alcoholics and deprived children look so attractive on paper?

The BSC is not a bank, it is a funding pool which offers loan finance. Money will given by results and need to be properly audited and qualified. Lawyer Eversheds said this was an ideal opportunity to re-engage with alternative financing instruments like social impact bonds (SIBs) must be "commoditised quickly" and the sector must "think big" so momentum is not lost. But with only one SIB in the market, the glare will turn on the BSC intermediairies in the short-term.

When this concept was first mooted under the last Labour government, Gordon Brown envisioned a Carnegie-like legacy for the City and the contentious rich to show they cared. Sir Ronald Cohen, the founder of Apax Partners and godfather of the venture capitalist community, has stuck by his commitment and worked with the Coalition to achieve its aims. It is a serious company. The worry is it seems to be the goalposts have not just been moved, but snapped in half.

Elliot Lane is a freelance financial journalist

Profile: Stonewall chief executive Ben Summerskill

The fine art of campaigning

BEN SUMMERSKILL HAS TURNED AROUND THE GAY EQUALITY CHARITY STONEWALL TO BECOME A LEADING CAMPAIGNING ORGANISATION AND IS HOPING TO ADD TO HIS LIST OF CAMPAIGNING SUCCESSES. ANDREW HOLT MET HIM

After overseeing a number of successful campaigns, Stonewall chief executive Ben Summerskill is on the campaign trail once more. The gay equality charity chief sees gay marriage as his present focus and the Government's promise of a gay marriage consultation is potentially another campaign success in the making.

"We are delighted that the Government has announced its intention to move ahead, securing a White Paper Consultation," he notes, before analysing the situation in more Machiavellian detail. "The most important thing tactically is to have secured the support of David Cameron. The reason this is important, and often overlooked, is that we have to be realistic. Everything we have achieved legislatively, we have had to get through the House of Lords; even with a Labour Government with a big majority."

This open, realistic political approach is one of many Summerskill's strengths and has been a key factor in developing Stonewall from a charity on the brink of collapse to a leading campaigning charity it is today. "Having an alliance in the House of Lords is critical to make anything happen," he confesses. "But having a cross-party approach in the Commons [on this issue] is a good start. We are where we hope to be in a campaign of this sort."

He also dissects opportunity in the statements from some parts of the right-wing media, who have stated in the recessionary environment, this is not the time for Gay Marriage to be a Government priority. "When you look at that argument, it is very different to saying we are completely opposed to this measure."

Political campaigning

Summerskill though is not afraid to come out fighting when the situation needs. At the launch of 'Some People Are Gay. Get Over It!' adverts at the beginning of April on 1,000 London buses linked to Stonewall's equal marriage campaign, Summerskill said: "In recent months Britain has been subjected to vitriolic political campaigning from people who want to impose their 19th-century values on 21st-century society."

Who was he targeting here? "We always endeavour not to personalise things. But you only have to go on Google to find senior clerics and slightly more excitable political figures, not all conservatives – that is to an too easy caricature – to find such people. Some have of those have compared those of us campaigning to bigamists, polygamists, abortionists, bestialists, and, I think most charity CEOs can identify with this: you do get this stuff thrown at you. Our priority is to keep our eye on the prize."

Summerskill and Stonewall have made significant progress in shifting public opinion on gay issues. "Our starting point is evidence, not just passion," he says. Soon to be published Stonewall polling on public attitudes reveals this shift: the number of people who think it is right to tackle prejudice against gay people has risen from 73% in 2007 when the last survey was done, to 82% in 2012; support for civil partnerships has increased from 68% to 81%; and support for same sex couples adopting has gone up from 42% to 58%. "These are real signs that public attitudes are moving," says Summerskill. He put a great deal of weight and importance behind this poll. "Two years ago to the trustees, I said if this [survey] did not show progress, then I am not the right person to be doing this job."

He succeeded Angela Mason as chief executive in early 2003, and had to turnaround a charity on the brink of extinction. "I admire Angela hugely, but solvency was not one of her bequests," he says choosing his words carefully. "The first thing I did was insist there was nothing wrong with being businesslike running a charity, because we were about to go bust."

At this time, its income was £1.4m, during which it ran a deficit of £117,000. By last year the income had risen to £3.8m, with impressive reserves of £2.7m, and with the end of Stonewalls' financial year in September this year income will be around £4.1m. The aim is to grow to £5m by 2015. "We have done something of a Holy Grail of the private sector; we have continued to grow the organisation during a recession." Moreover he expanded its work from parliamentary lobbying into other fields.

Successful campaigns

Here Summerskill has since led a number of successful campaigns over his tenure. He successfully campaigned for repeal of Section 28 of the Local Government Act; the introduction of Civil Partnership for lesbian and gay people in the UK; and the introduction of 2007 protections against discrimination in the provision of "goods and services", covering areas from healthcare and housing to hotels and holidays.

Moreover, he also led a successful parliamentary campaign in 2007-2008 for the introduction of a criminal offence of incitement to homophobic hatred and a campaign in 2009-2010 to enable gay people to celebrate civil partnerships in religious premises.

But he modestly attributes these successes to the team not his leadership. "It is more about having a remarkable group of people we have, who are quite fierce and passionate about our ambitions for helping people. We don't have a lot of passengers, and we try to reward people better than they would be elsewhere in the third sector."

It is the Stonewall Diversity Champions programme, promoting good practice among major UK employers which gives Summerskill the most satisfaction. This project has grown from 35 to 605 members, employing 5.7 million people between them, ranging from organisations as diverse as IBM, Tesco, Barclays, the Department for Communities and Local Government, Barnardo's to all of Britain's armed services and MI5. "We have been very keen to talk to an audience beyond the 6% of the population who are lesbian, gay and bisexual."

And Stonewall's Education for All programme, launched in 2005 to help tackle homophobic bullying in Britain's schools, is now supported by 70 major teaching and children's organisations

Knowing your donor

Stonewall receives no public funding and raises all its money through donations, sponsorship and fundraising. Within this there is a philosophy behind the charity's approach. "We treat donors like Sainsbury's treat customers with a Nectar card, so we get to know them. And we have made everyone within the organisation responsible for the bit of the business that they work in. So there are very few people who are not managing an individual research programme." Alongside this, the team is sustained by a committed band of dedicated volunteers. "We shape messages so other people can use them."

Stonewall though founded in 1989, was not given charitable status until September 2003. Summerskill says of the timing: "The Charity Commission had changed its campaigning guidelines and were at that point, relatively supportive, and we could argue we were a cross-party organisation."

In 2006, Summerskill was appointed a Commissioner on the Britain's new Equality and Human Rights Commission, but in July 2009 resigned citing differences over leadership with its chair Trevor Phillips. Five other commissioners resigned at the same time. "It was all a bit sad," he says on reflection. "Trevor is a very nice, sweet man, a brilliant television producer, but he had never run anything. I was chair of the Audit Committee and I was unable to give assurance to the secretary of state that the Commission was being run with appropriate probity."

Summerskill's career began in the restaurant trade, where he was operations director from 1987 to 1990 with Kennedy Brookes, a hospitality company, and was responsible for a £18m turnover at the tender age of 26. He become a journalist in 1990, rising to the position of assistant editor of The Observer in 2000 after having worked as media editor for Daily Express and the London Evening Standard, and other magazines such as Time Out.

Summerskill saw becoming Stonewall CEO as bringing together his interest in politics, communication and his business skills, but reveals his biggest anxiety moving over to the position was could he do it properly? What has happened in the years since, shows he need not have worried.

Advertorial

Making a stand against unreasonable claims

By David Bonehill, Claims & Risk Services Director, Ecclesiastical Insurance

Recent research* carried out by Ecclesiastical in the charity sector found that 27% of those questioned listed public liability issues as their single biggest area of concern.

While any organisation should understand its moral and legal responsibility to claimants to whom it has caused injury, a claims culture is being fuelled which encourages people to believe that they can make easy money through exaggerated, speculative or even fraudulent claims. Stimulating the growth in claims is the proliferation of Claims Management Companies (CMCs) which aggressively market the concept of blame and the right to compensation, pushing the number of claims higher through 'no cost' litigation products.

Insurers will decide, following detailed liability investigations, whether a claim is one to settle on the best terms or whether there is a case to defend because no legal liability is found to attach to the customer. And we, specialist insurers, will make a stand against claims when it is clear they are unjustified and unfair, otherwise we set dangerous precedents for the whole sector by simply continuing to pay out, even when it may cost less than it does to defend.

Any charity can experience public liability claims, but that does not mean that they are powerless to take steps to reduce their risk. Our responsibility as insurers is to ensure that our customers are fully informed and that they understand their risks and responsibilities relating to the different groups of people with which they interface. By helping our customers protect themselves against public liability risks we can offer them reassurance that they are not taking on this fight alone.

*Research by independent research agency FWD, field work carried out in September 2011

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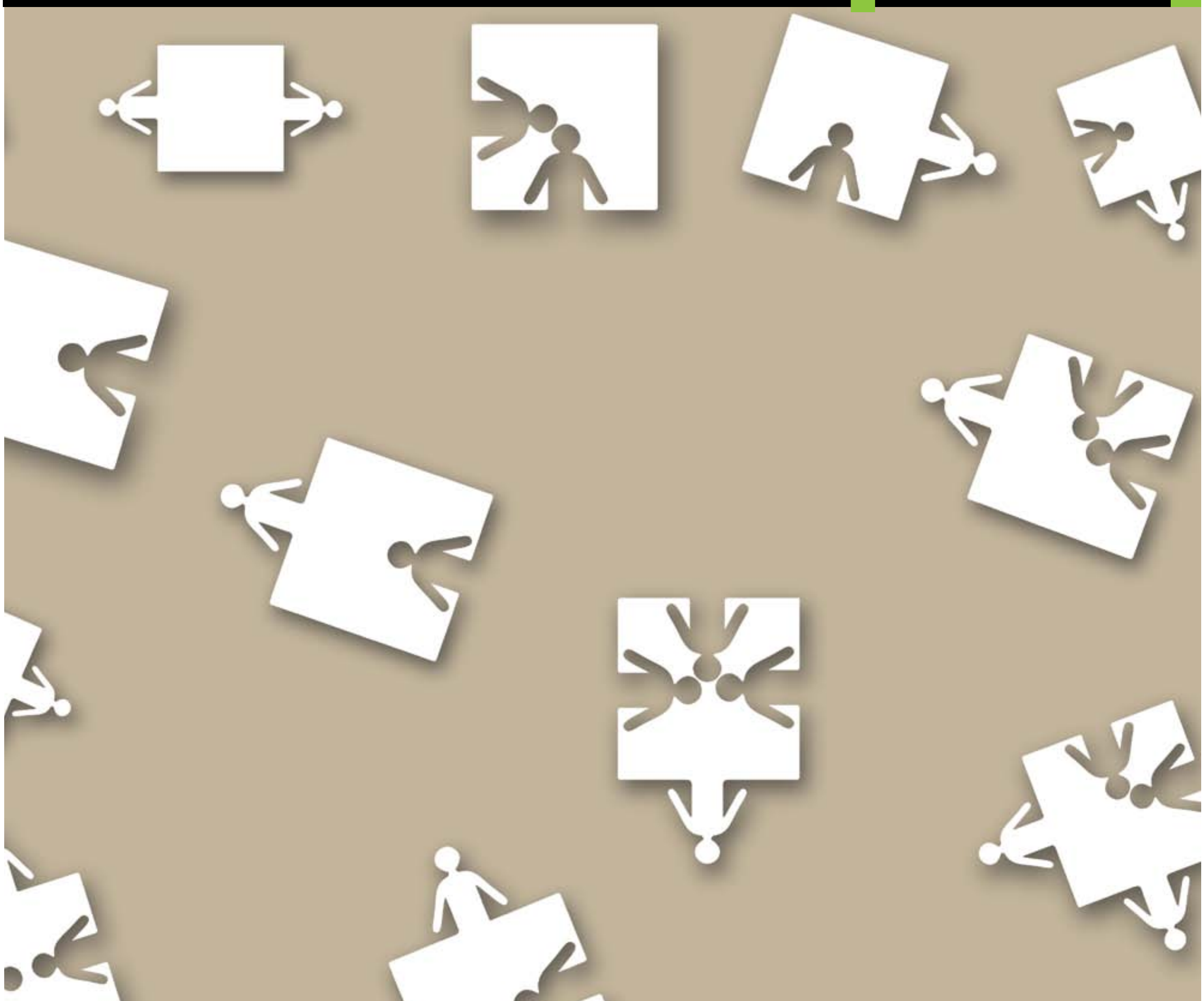


On a mission

Despite debates about their nature, social enterprises are in a unique position: they are experiencing more growth than the private sector, have greater levels of diversity in senior management, and are confident going forward, finds Caron Kemp

HAILED AS the zeitgeist, endorsed by politicians as central to the progress of the sector and believed by many to be the widespread future of best business practise, social enterprises have seen a resurgence in recent years. In the UK alone there are currently 68,000 such organisations contributing more than £24billion to the economy.

Defined by Social Enterprise UK as a business trading for a social or environmental purpose,they will all have been created to make a difference and be armed with a clear social mission.

Spanning a vast spectrum of industries and varying dramatically in size and set up, while some social enterprises reinvest all of their profits, many do not. And now questions are being asked about quite how much a social enterprise can - and should - focus on the enterprise aspect of their work.

Karen Lynch is CEO of ethical water company Belu. Since 2004 her seven-man team has been creating bottles made of recycled materials and promising to be 100 per cent carbon neutral, giving all its profits to Water Aid. She believes the company's success is down to its clear moral stance.

"Here we define what we do and who we are through our branding and our mission. That then seeps out to our customers," she explains. "Our mission is to make the bottled water industry a better place and more aware of its impact on the environment.

"We are first and foremost an environmental brand meaning we don't import or export, we minimise our footprint and we are completely carbon neutral. And in doing that we want to prove that as a business we can be self-sustaining and profitable."

But for Lynch, the profit her company makes serves a very clear purpose. "In the UK market we spend £4bn per annum on bottled water yet 783million people worldwide don't have any access to clean water. So for us, reinvesting all of our profits with Water Aid is at the heart of what we are about. This way our customers know their money is going to a good cause and we are living up to the social enterprise model."

Principles first

And it is this business model which the entrepreneur judges to be the future of commercial practice. "Once you have gone beyond the fact that social enterprises aren't there to make their owners rich anything is possible," she claims.

"We want to make money but would never do that if it meant compromising our ethics and principles first. Really it is no different to any other business. Your product needs to be different and better with the right price and quality."

Offering a range of transport services from London red buses to social services transport and park and ride, HCT Group boasts ten depots across London and Yorkshire and has a fleet of more than 300 vehicles and some 700 employees.

With revenue generated from contracts won in the marketplace, a proportion (a minimum of 30 per cent) of the previous year's profits are then reinvested into further transport services for the communities they serve, training for the long-term unemployed and employment opportunities for people in deprived communities.

For communications director Frank Villeneuve-Smith, the company's impressive growth since its creation is due to its clear business model.

"Underpinning everything we do is an understanding that in order to get that social side right we must first and foremost be an effective enterprise," he explains. "Unless we get the business side right there can be no impact.

"Furthermore growth is a huge priority for us and that requires investment. A successful business has to be professional at its heart and because of this attitude we believe our future is very bright because we are now beginning to rival the big companies and the bigger we get the more social good we can do."

And having ploughed a relatively modest 37 per cent of last year's profits back into community projects, Villeneuve-Smith is clear that HCT Group is still proof of the success of social enterprises.

"We don't see many trade-offs between being a good bus operator and being a social enterprise. Once you start with your social mission as a driving force you can carry out the business element in a whole different way.

"We are looking at growth in areas of high economic deprivation where we can go and create jobs. Once we look at our business through the lens of social value creation success looks broader. Yes we are

“A social enterprise has to make money. But it primarily wants to balance profit against social impact.”
Peter Holbrook
Social Enterprise UK

an effective business but we are always trying to squeeze out every bit of social value that we can.”

Social mission

For Villeneuve-Smith, the distinctions are clear. “If your motive is profit you are just a company. If your trading leads you to a profit which then enables you to do social good that is a social enterprise. We exist for our social mission and everything that we do is for a social good.”

Fully in agreement, and keen to blur the division between charity and commerce, Phillip Blond, head of think-tank ResPublica, believes the real visionary task is to stop seeing all business as bad. Instead, by encouraging businesses to invest in outcomes that are socially good – in the same manner as social enterprises – he believes we can progress in the marketplace.

“To dismiss business because it creates a profit is to re-inscribe in stone a system that still leaves a large portion of commercial activity as not doing the good and that seems to be wrong,” he concedes.

“We need to move away from the ‘either/or’ logic that constrains charitable or social good to being a permanently tiny enterprise.

“The very idea of social enterprise is a good one and if we have a standard critique that all profit-seeking is evil I think that is mad.”

So supportive is he of a social enterprise model that does not shy away from profit-making, Blond would like to see all businesses adopting this ethos.

“The real issue is the creation of a model that can blend ordinary capital with socially engendering capital return,” he clarifies.

“The most radical thing to do isn’t to have a charitable sector that can’t capture the good that people do but rather to try and turn all business activity towards the pro-social. As such we need to provide paths for conversion for all businesses to social enterprises.”

But for Peter Holbrook, CEO of Social Enterprise UK the distinction lies in the focus of the social good. For him it is only those organisations for which social good is their primary purpose that can fulfil the social enterprise model.

“A social enterprise has to make money,” he concurs. “But it primarily wants to balance profit against social impact. Many social enterprises will forgo profit to invest in opportunities that benefit people or the environment.

“In any business you have to make sure you are trading solvently and returning a profit; this is the only way that businesses grow. But lots of businesses seek to maximise their profit at any cost which social enterprises do not. It isn’t just a bit of philanthropy thrown in round the edges; these are stated social purposes in their governing documents.”

And with 58 per cent of social enterprises growing last year compared with 28 per cent of mainstream small and medium-sized businesses, Holbrook is adamant that as long as profit is sought for continuation and growth as opposed to being a primary objective, social enterprises have a very bright future.

“Taking an ethical approach and enshrining that in everything you do is appealing to customers. The proposition resonates with people,” he concludes.

“They are experiencing more growth than the private sector, they have greater levels of diversity in senior management and on boards, they are much more confident going forwards and trading out of the recession, they tend to be based in areas of higher deprivation as a way of meeting community need and the public visibility of them is growing all the time.

“They will continue to be the obvious choice for people starting businesses simply because they make sense.”

Caron Kemp is a freelance journalist

10 OF THE BEST SOCIAL ENTERPRISES

Clarity
CLARITY makes and sells toiletries and beauty products as a means of giving employment to its blind and disabled staff. CLARITY employs over 75 staff in its main manufacturing plant in London and its telesales centres across the UK. Many of the social enterprise's staff struggled to find jobs in the open job market before joining, and were at home living on benefits and struggling as a result of social exclusion. Some staff stay for years, others long enough to gain skills and confidence before moving on.
www.claritymatters.org

H2ope
This Community Interest Company generates renewable energy through small scale hydro, using the weirs that already exist on its rivers. Hydro schemes offer a creative way of tackling global warming, using existing river weirs or natural falls in rivers, and together with the volume of water in a river, will generate green electricity for many decades. Hydroelectricity has been quietly delivering renewable sustainable energy for over 100 years and accounts for 18% of the renewable energy produced in this country.
www.h2ope.co.uk

P3
Works with some of the most vulnerable people in society. The organisation offers people successful and lasting routes out of social exclusion and homelessness through a variety of innovative and effective services, including housing solutions, welfare to work, offender resettlement and alternative education. P3 has a turnover approaching £10 million, employs 230 staff across the Midlands and London. Almost twenty per cent of the team were once users of similar services.
www.p3charity.com

Divine Chocolate
The multi award winning Divine Chocolate has led the growth in Fairtrade chocolate in the UK, and is co-owned by the cocoa farmers co-operative - Kuapa Kokoo - in Ghana, West Africa. Kuapa Kokoo has two places on the Board and so 'has a seat at the table' and can exercise its influence over how Divine is developed, and receives a significant share of the company's profit. Kuapa Kokoo's motto is "Pa Pa Paa" which means "the best of the best of the best".
www.divinechocolate.com

The Wise Group
Since 1980 the Wise Group's been helping people across Scotland and the North East to gain new skills, get off benefits and into work, reducing reoffending, regenerating communities, working to eliminate fuel poverty and trying to create a greener society. In 2010 they helped almost 5,500 people get a job, improved 150,000 houses and developed significant regeneration projects in 16 different communities across central Scotland.
www.thewisegroup.co.uk

HCT Group
HCT Group delivers a range of transport services in various parts of the UK – from London red buses to social services transport, school transport to Park and Ride, community transport to education and training. Profits are reinvested from its commercial work to fund further transport services or projects in the communities they serve. HCT Group has a track record of employing people who have been out of work for a long time and out-competes big commercial operators.
www.hctgroup.org

Hill Holt Wood
Educates and trains at-risk youth who have been excluded from school, giving them the lasting benefits of education, practical skills, the ability to work in a team, increased confidence and time spent outdoors. The training skills include eco-construction, the manufacture of wooden furniture and the installation of water purification systems. The wood, on the Lincolnshire and Nottinghamshire border, was purchased in 1995 by Nigel and Karen Lowthrop who have transformed a damaged piece of land to a sustainable and successful social enterprise.
http://hillholtwood.com

Coin Street Community Builders
A social enterprise and development trust which seeks to make London's South Bank a better place in which to live, to work and to visit. Since 1984 it has transformed a largely derelict 13 acre site into a thriving neighbourhood by creating new co-operative homes; shops, galleries, restaurants, cafes and bars; sports facilities; by organising festivals and events; and by providing childcare, family support, learning, and enterprise support programmes.
www.coinstreet.org

Elvis & Kresse
Based in Bournemouth, Elvis & Kresse creates high-end life-style accessories by re-engineering genuine de-commissioned British fire brigade hoses and other materials which were otherwise destined for landfill including waste coffee sacks, scrap sail cloth, pallets and parachute silk. Elvis & Kresse re-distribute 50% of their profits to projects and charities.
www.fire-hose.co.uk

Bikeworks
Bikeworks uses bicycles and cycling as a tool to tackle social and environmental challenges in communities across London. With shops in the East and West of the capital, they have supported thousands of people into cycling for the first time, given thousands of old bicycles a new life, and helped hundreds of homeless people gain skills and get jobs in the cycling industry. They reinvest 100% of its profits into community cycling activities.
www.bikeworks.org.uk

Making a difference

The Government needs to help to make this a breakthrough time for social enterprise, argues Nick Temple

MUCH OF the charity sector's response to the Budget has focused on the cap on tax relief for charitable donations and how this might affect philanthropic giving at time of increased need. This concern is justified and important, and needs addressing, but it has also overshadowed the lack of significant progress in the area of social investment as well.

Concrete recommendations to simplify and modernise Community Investment Tax Relief (CITR) had significant cross-sector support, but only a watered-down version made it into the final Budget. CITR was introduced to encourage investment in disadvantaged communities by giving tax relief to investors who back businesses and enterprises in deprived and disadvantaged areas of the country.

The reality is that complications and restrictions around it have meant little additional investment has occurred as a result to date, and this was a missed opportunity to make progress. The Government has committed to reviewing the barriers to finance for social enterprises, which is welcome: to make this meaningful (and to turn review into real action), Social Enterprise UK, along with The Social Investment Business, Big Issue Invest and others, is recommending that an independent chair is appointed for the review.

Big Society

Why is this so important right now? For both good and bad reasons. The good reason is that the social investment marketplace is changing rapidly and positively, with the launch of Big Society Capital, a £10 million Investment and Contract Readiness fund to support enterprises and new initiatives like ClearlySo's Social Business Angels Network and UnLtd's Big Venture Challenge showing how much can be done to attract new investment to the sector.

At a time when other sources of finance are shrinking, these influxes and developments are hugely welcome; and needed. Simultaneously, there is a noticeable, if gradual, mindset change from the practitioner side: recognising that there are possibilities and opportunities in this space, but that they need to work hard to get ready and to understand the investor perspective.

The bad reason is that access to appropriate finance remains the biggest problem for social enterprises. Social Enterprise UK's last state of social enterprise survey, Fightback Britain (2011), found that 44% of frontline social enterprises claim the availability and affordability of finance is their greatest barrier to achieving more impact and sustaining their work.

By comparison, standard SME businesses rank availability of finance as only their sixth biggest problem.

In addition, our work in the field, supporting our members, has shown that there is still much work to demystify and explain the world of investment, making it accessible and navigable to those on the ground.

It is not a panacea by any means, and ensuring that people understand the different financing options and the associated risks and rewards is absolutely crucial.

Removing barriers

Which makes it all the more important that the Government does more to address the regulatory barriers; barriers that primarily exist because the UK is a leader in the field, and practice has outpaced current legislation.

If we are going to get more private investment into social enterprises to achieve greater impact and change on the ground, things need to change: not only in CITR, but also as concerns a retail exemption for social investment (currently, not having this is a problem for crowdfunding platforms and those wishing to establish 'social' ISAs and similar products), amendments to the Financial Services Bill, charitable foundations investing greater percentages of their endowments in social investment, encouraging more community share offers, and, in the long term, accessing pension fund capital to resource the sector.

All of these can help realise a vision of a society in which solving social problems go hand-in-hand with enterprise. Small changes and recommendations can help make a big difference, and make this a breakthrough period for not only social investment, but for social enterprise itself.

Nick Temple is director of business & enterprise at Social Enterprise UK, the national membership body for social enterprise in the UK: www.socialenterprise.org.uk

The measure of it all

Impact measurement models differ and are open to subjective interpretation, but Joe Lepper finds measuring impact is a force for good helping to shape alternative methods of funding charities

CHARITIES ARE facing increasingly tough demands from commissioners and funders to prove they can successfully transform lives and communities.

Nick Carey, policy officer at ACEVO, explains in recent years more sophisticated evidence is being sought focusing on outcomes, such as a family being lifted out of poverty, rather than outputs, such as a family attending a debt management course. He says: "What we have seen is a real change of direction with charities having to show they are having a genuine impact."

This impact model is becoming particularly popular among government commissioners and funders as public spending continues to be tight.

Recent policy initiatives to focus on an impact model of evaluation include last year's government commissioned report *Early Intervention: The Next Steps*, by Graham Allen MP. This has the backing of ministers, including pensions secretary Iain Duncan Smith, and makes clear that only charities and other providers with a "strong evidence base" of improving troubled families' lives should receive contracts and funding.

This shift to an impact model has the potential to give funders and commissioners considerable control over charities and the way they measure success.

But according to a Third Sector Research Centre briefing paper released last November, *Social impact measurement as an entrepreneurial process*, this shift also has the potential to empower charities.

Report author Professor Fergus Lyon says: "In the past charities have seen measurement as a form of regulation, but in reality it has the potential to make themselves distinct, improve their service and impress commissioners. In our research we found charities using evaluation to get donations, contracts and in one case of a homelessness charity, to get planning permissionfor a new centre."

4Children, which supports disadvantaged families and runs children's centres, already focuses on impact by mapping families' transformation from their first contact with the charity.

Anne Longfield, the charity's chief executive, says: "Crucially, this involves the parents themselves, helping them to establish what they want to achieve. We will map progress from a problem arising, making contact with specialists and it being resolved."

Already this detailed level of evaluation has impressed commissioners. In March the charity was handed a contract by Hampshire County Council to run seven children's centres in the area, with the council citing the charity's experience in the sector as a key factor in its appointment.

Involving parents in the evaluation process also fits well with one of the charity's goals of empowering disadvantaged families.

Measurement and mission

This strategic focus on ensuring measurement and evaluation supports a charity's mission statement is among key advice offered in a report by ACEVO, the Charity Finance Group and New Philanthropy Capital in their report *Principles Into Practice: How charities and social enterprises communicate impact*.

Among case studies featured in the report, which was published in March, is the work of HIV charity Body and Soul, which ensures staff, volunteers and services users are involved in developing and updating its impact strategy.

Alison Barnes, Body and Soul health outcomes manager, says: "Having the strategy has given us greater confidence in fundraising and in knowing we are providing the best possible support we can."

Information collected by the charity includes survey data from staff, volunteers and users about the effectiveness of individual projects, as well as latest global research into HIV support. Areas covered include bereavement support and help finding work.

Despite its success in developing an impact based measurement and evaluation strategy Body and Soul is not yet ready to provide commissioners and funders with evidence of long term success, such as the social return on investment. This complex long-term

research attempts to find a value of the work to tax payers through areas such as cutting benefits and health costs and often requires external experts.

Barnes says: "We have looked into it but found it could involve a six figure sum to get the globally recognised evaluation we would require."

Bringing in an external auditor "can also be terrifying as it leaves an organization very exposed," adds Carey.

One charity with the courage to bring in external verification is crime reduction charity St Giles Trust. Two years ago St Giles Trust became one of the first charities to be selected by economics group Pro Bono Economics, which matches charities seeking support with their measurement and evaluation with economic researchers.

Work by Frontier Economics was secured for free and looked closely at the long-term impact of the charity's work on the lives of ex offenders it worked with through a London Probation funded project.

Savings and benefits

The research closely analysed reoffending rates among the group, in comparison with a group of ex offenders not supported by the charity, as well as savings in areas such as benefits and criminal justice costs.

This found for every £1 invested in the service UK taxpayers potentially saved £10, a powerful bargaining tool for the charity when tendering for work, says St Giles Trust chief executive Rob Owen.

Owen says: "Having our work looked at externally gives our measurement real validity."

Pro Bono Economics has matched up 11 charities with economists so far. A Pro Bono spokeswoman adds: "Our work is always done by volunteer economists, for free. Though it is not costless. It requires an investment of time and resources from the charity, which is something that not all charities can spare."

This focus on measuring impact is also helping to shape alternative methods of funding charities and other sector providers to run public services.

"Having a shared measurement structure would make it easier to compare charities."
Professor Fergus Lyon Third Sector Research Centre

St Giles is currently working on a six-year project to help prison leavers in Peterborough using social impact bonds. Investors receive a return on their investment through savings to the taxpayer such as cutting justice and benefits costs.

The government is also looking at how outcomes focused measurement can help shape payment by results funding models.

But according to early analysis of a children's centre payment by results pilot launched by the government last year, commissioners are struggling to find a way of effectively match payments against outcomes.

Early evaluation by the National Children's Bureau and the National Foundation for Educational Research found that making payments based on outcomes and impact such as improving parents' aspirations and self esteem were proving too complex.

4Children, is involved in this pilot and also working with academics at UCL to make this process easier by developing a national outcomes framework for children's centres.

Longfield explains: "This is looking at finding some common outcomes that can be measured to improve the quality of our work and help develop a payment by results system."

But Lyon warns that developing this single system "may disempower charities." He says: "Having a shared measurement structure would make it easier to compare charities but it could leave charities no longer measuring what they believe they should be looking at and moving farer away from their mission."

Joe Lepper is a freelance journalist

Open impact

David Pritchard says measuring social impact is underpinned by a culture of transparency as to what works for the people that charities are seeking to help

MY HEART sinks when a report promoting a charity's Social Return on Investment Analysis (SROI) crosses my desk. This might seem odd considering I champion measurement of social impact by charities. I believe SROI is a useful tool, and I also believe that, in general, charities do good work.

The reason I react this way is because I face three options, all equally unappealing. First, I could take the results at face value. I would like to do this out of respect of the time and effort that someone has put into coming up with the results. But I have seen enough poor quality SROI analyses—and some by people who should have known better—that I am reluctant to do this. So, my second option is to assume the analysis is weak and the results exaggerated and so ignore them. But this seems unfair. Maybe this charity is making a big difference.

Why ignore their results because someone else over-eggs their impact? My third option then, is to read the report—which usually means poring over the methodological details—and assess the methodology and results for myself. But this can take a few hours, which is difficult to justify.

Breaking the rules

This problem does not apply just to SROI. It can occur with other methods of measuring social impact. I find myself envious of financial analysts who can glance at a company's accounts with confidence they, by and large, represent the truth. Not that accounting financial reporting rules are watertight. Enron is a classic example of what can go spectacularly wrong.

But Enron broke the rules. When it comes to measuring social impact there are no rules to break. There are only guidelines and methods. And these are subject to the incentives facing charities—and companies that report their corporate social responsibility—to highlight or exaggerate the positive, and underplay or ignore the negative. While this can be done in estimating social impact, accounting and financial rules limit the abilities of companies to do this for financial statements.

Misrepresentation of social impact need not be deliberate. NPC's Measurement and Evaluation team often works with charities that only have anecdotal evidence of their impact. This is not really convincing to anyone who isn't already persuaded by the rightness of what the charity does. The problem of charities underplaying their impact is arguably as serious a problem as overestimating it.

So what are charities to do? The answer, I believe, is two-fold. Individual charities can become smarter about measuring their impact. In NPC's ten-year lifespan we have seen significant and positive changes: the debate has moved from whether to measure social impact, to how. A few leading charities capture their impact efficiently and rigorously by building on the findings of academics. But in our experience many more spend too much time collecting data of variable quality and value, hence they are typically not used.

Three pillars

In addition, the sector should continue working to replicate the three pillars that underpin rigorous financial reporting.

The first pillar is authoritative, sound, and well-understood practices of measuring social impact. It needs to go further than the guidelines found in, for example, the UK Treasury's Green and Magenta books.

The second pillar is the development of a cadre of experts in measuring social impact. They should be accountable to their peers across organisations, not just colleagues in their own organisation. The creation of the Social Impact Analysts Association is a good step towards this.

The third pillar is the independent validation of measures of social impact. Few people would want to see scarce charitable funds used to finance a group of social impact auditors. But why not have charities peer review each other's impact measures or have academics do the same?

Charities could be more transparent, publishing both good and bad results, in the same way that public companies have to be. The challenges in getting charities to do this are significant, after all who wants to be the first to come out and say their results are disappointing, but this could be addressed over time.

Various initiatives looking at all of this are already underway. But if they are to succeed, they need to ensure all work on measuring social impact is underpinned by a culture of transparency and spirit of inquiry as to what works for the people that charities are seeking to help. Because this, in the end, is the point.

David Pritchard is head of measurement and evaluation at New Philanthropy Capital

Measuring impact: what can **funders do** to help

There's work for both funders and charities in agreeing and evidencing what impact they want to achieve and how to measure and act on it, says Peter Wanless

WITH EVER greater pressure to prove effectiveness and to demonstrate results, charities may sometimes wish they could be left alone to get on with the job. Reporting to funders on what a charity is seeking to achieve and then on what subsequently happens is a tiresome chore if the information gathered is purposeless and not wacted upon.

But intelligent funders and charities ultimately want the same thing – to achieve positive impact with the money they spend and to learn how they – and others – might do things even better in the future.

Consideration of what success would look like, and how you'd know it when you saw it, is time well spent at the planning stage of any new piece of work. Organisations – big and small – increasingly realise that and funders need to enable it through their application requirements.

At the Big Lottery Fund we constantly try to design our application forms to help people through a process of thinking about outcomes for users of the proposed project and the ways of measuring progress towards achieving those outcomes. Our evaluations show that even unsuccessful applicants value engaging with that process.

Challenging existing practice

Evidencing impact is important to the Big Lottery Fund because there are so many more good causes we could support than there is cash available to distribute. We must judge between competing bids and understanding outcomes is one important way of doing that. In difficult economic times, more than ever, we must seek not just to fund good things but to do the best we can with our cash in the most cost effective way.

Within charities, planning for impact, and measuring it over time, can be a challenge to existing practice - it requires leadership and commitment. But it's very clear to me that the organisations which take up that challenge and integrate impact thinking at every stage of their work are the ones that end up achieving the most.

Funders like BIG need to do what we can to help that integration rather than slapping on our own slug of unique measurement or accountability requirements. I am encouraged by moves made by funders in Scotland to harmonise their reporting requirements. All funders, BIG included, can go further in the direction of reducing unnecessary demands and go with the grain of good practice reporting.

Equally, from a charity's point of view, there is no point in inventing one's own measurement wheel. Although impact discussions need to reflect individual context, there is a lot that can be learned from peers when it comes to choosing the right approach.

Our evaluations show that even unsuccessful applicants value engaging the process.

There are a host of useful tools on the web and established 'best practice' ways of measuring progress in areas ranging from work with young people to substance misuse to wellbeing. Our guide to *Getting Funding and Planning Successful Projects* signposts some of the main sources of such information. We're also supporting a more coordinated approach to impact measurement across the voluntary and community sector called 'Inspiring Impact'.

Systematic approach

At BIG, aware of the power we have to influence practice, we have been cautious about requiring a particular form of impact measurement. We have set an outcomes approach within our applications process and reporting and encouraged self-evaluation.

However in our targeted funding programmes we feel the time is right to adopt a more systematic approach, alongside other funders, within our England programmes for young people and older people, building on the good practice out there in the sector.

Take a look too at our Improving Futures programme, which takes a rigorous and systematic approach to measuring outcomes for children and families across the UK. With tightly focused programme outcomes, and organisations working to common goals, data can be aggregated and collective impact demonstrated.

This is something that is beneficial to all involved and has the power to leverage policy and practice change for the future, well beyond these specific investments.

Progress, impact, learning

There is also an opportunity, with demands for greater transparency and moves towards more open data, to consider how we make our funding evaluations more accessible to others – both to positive supporters and more cynical armchair auditors. We plan to test some of these approaches at BIG, looking at how we can use social media and blogs for funded projects to share more widely their progress, impact and learning.

Reporting then has value not just to funders but also to the communities and people the projects support. This approach, handled appropriately, can aid transparency but could also inspire others by helping them see what is being achieved elsewhere with Lottery funding.

So there's work for both funders and charities in agreeing and evidencing what impact they want to achieve, how to measure it and how they will act on what they learn.

Now more than ever, as competition for scarce resources increases, that is a fundamental part of doing our best for the communities and people most in need we all care so much about.

Peter Wanless is chief executive of the Big Lottery Fund

There is an opportunity with demands for greater transparency and moves towards more open data to consider how we make our funding evaluations more accessible.

Reliable returns

Marek Handzel finds absolute return strategies for charities have increased ten-fold, can help reduce portfolio volatility, provide downside protection and should be part of a charity investment portfolio

TOWARDS THE end of 2002, Cazenove Capital Management unveiled a new investment fund called The Absolute Return Trust for Charities (ARTC).

Created to give stable returns through a fund of hedge funds, it was the first such product on offer to the third sector, reflecting the growing investment sophistication of charities at the time.

A decade later, the ARTC is now just one of many.

Charities can now choose from a wealth of absolute return funds and managers, offering a number of ways that claim to achieve 'smooth' returns, despite market conditions. And the strategy, whether employed as part of a portfolio, or as the over-riding focus of investment policy, has gained some followers.

The WM Company has calculated that the use of absolute return strategies by charities increased ten-fold from 0.7% by value in 2008 to 7% by the end of 2010.

Absolute return strategies target a positive return, usually measured against cash plus inflation, rather than a benchmark index. They also aim to take investors on a less bumpy ride.

Managers make use of hedge fund-like flexibility to do this. So they may take long equity positions, for example, and guard against them falling by sitting in cash, taking short positions or even purchasing gold Exchange Traded Funds (ETFs).

Protection in tough times

Given its idealism, it is no great surprise that charities have warmed to the sector.

As Andrew Pitt, head of charities at Newton, explains, there is a very good argument to be made for charities to embrace absolute return-style strategies, given the mountain of debt the Western world is sitting on.

"We are in the process of reducing debt," he says. "That means lower economic growth and a more volatile environment in the next few years as deleveraging is actually a very difficult process."

The Newton house thesis on how this will play out involves continued Keynesian policy from central banks and governments in order to 'keep the show on the road'. As a result, further bouts of quantitative easing and prolonged low interest rate levels will lead to periods when markets will rally, tempted by the belief that the financial crisis is over. With equity markets towards the end of March up by 20% since last October, Pitt believes that we are in such a position at the present moment.

"But we're also going to get periods where investors become concerned again and markets are likely to sell off again sharply when that happens," he says. "We feel that is going to be the picture for the short to medium term until debt levels are down to a more sustainable level".

Nick Orr, head of charity investment at Schroders, agrees, saying that a number of absolute return managers have shown resilience in times of stress or market dislocation, particularly during 2008, after the collapse of Lehman Brothers.

"Certain absolute return funds can help reduce portfolio volatility and

provide downside protection," he argues, advocating some exposure to low volatility hedge funds with a material weighting to more liquid, and transparent absolute return funds.

"These types of funds tend to have a number of characteristics that are beneficial to charities: simplicity (tending not to use derivatives), transparency, relatively low cost and income producing."

Investing on an absolute return basis or including such a strategy as part of a diversified portfolio could be particularly appropriate for charities at an earlier stage in their development. Brewin Doplhin's head of charities business development, Ruth Murphy, believes that the strategy is most appropriate for cautious first-time investors.

Not an easy sell?

Given the predicament that investors face, some question why there has not been more interest from charities in a strategy that offers protection in risky times.

"Perhaps [it is] surprising that there has not been a greater take up, but maybe trustees are more perceptive than we give them credit for," says Tim Maile, head of Charity Investment Management at Quilter.

"The fact of the matter is that all investments carry a degree of risk, whether they are designed for short-term absolute or long-term relative returns. The risks are just different."

Then of course, as Pitt points out, there are charities that have been there, done that, and got the T-shirt.

"Many charities will say 'we've been around for 200 years and had lots of our money invested in equities which has worked well'. It's hard to make an argument against that in some respects, as equities have certainly delivered inflation-beating returns over the long-term," he says.

Added to this is the bad press the sector has had in recent times, following evidence that many funds are more correlated to equity markets than some would expect.

Take Cazenove's ARTC. Its net compound return, since inception, is 4.4%. But its journey has not always been a smooth or uncorrelated one. Its performance, net of fees, from 31 January 2008 to 31 January 2009 was -10.86%.

And earlier this year, multi-manager specialist Thames River Multi-Capital, used data from investment analysis firm Lipper, to show that absolute return funds delivered -1.22% over 2011.

Murphy says that this is a reflection of the fact that many absolute return strategies have "succumbed to the value on offer in the equity markets and perform 'directionally' in a similar manner to the stock market".

Missing out

The other end of the spectrum on equity exposure in absolute return is not so attractive to some charities either. Managers who have successfully dampened volatility when equity markets have fallen, have usually registered returns that have been in single digits during most bull runs. High fees,in some cases, have also accentuated losing out on growth afforded by a rally in equity markets.

This puts investors at a distinct disadvantage, says John Greenwood, CEO at Creechurch Capital, who says that absolute return funds have a point to prove.

"Although in theory, this is a compelling story, the reality is that it has not delivered in the short term. Longer term, this could be catastrophic for investors, who will miss a large part of the next equity market move," he warns.

However, perhaps a little more patience is in order. Absolute return is still in its infancy and characterised by a very diverse set of funds, not only in terms of positioning and asset class, but also in cost.

"It's a very complicated area, and charities should be very wary of the options available," says Jupiter's director of charity investment, Oliver Burns.

"That's not to say that some of them won't be suitable because some of them clearly are. (But) they should be part of a portfolio, rather than the one strategy you follow."

Marek Handzel is a freelance financial journalist

Measuring your manager

James Codrington analyses the measurement of returns, highlighting there is a risk of lengthy periods of underperformance versus benchmarks and indices which can make trustees and fund managers nervous. But it is the long-term that is important

The frequency with which performance is measured has prompted much discussion on the best time-frame for reviewing one's investments. The economist John Maynard Keynes noted that "The Stock Exchange revalues many investments every day and the revaluations give a frequent opportunity to the individual… to revise his commitments. It is as though a farmer, having tapped his barometer after breakfast, could decide to remove his capital from the farming business between 10 and 11 in the morning and reconsider whether he should return to it later in the week".[1] More prosaically, the Myners Report on institutional investment concluded that quarterly trustee meetings led to a focus on short-term performance.[2]

However, the report cited one response to accusations of short-termism: if there was a focus on quarterly figures, this was not necessarily wrong as 'the long term is composed of a series of short terms' – in other words, the consistent delivery of good short term performance was the best way to deliver good long term performance.

Such an argument is informed by the 'Efficient Market Hypothesis',[3] part of which suggests that returns are 'independently and identically distributed', that is, there is 'serial independence' (under this assumption, the past behaviour of, for example, a particular asset class is irrelevant to its subsequent behaviour – 'markets have no memory'). If this were valid, then a long term investor should behave as a short term one.

But this hypothesis has been subject to heavy qualification,[4] especially in recent years, with Warren Buffett noting that: "I'd be a bum in the street with a tin cup if the markets were efficient". So a long term investor should not make the same decisions as a short term one, and those decisions should not be judged over the short term.

A long term perspective, though, is unnatural: part of the human brain is hard-wired to value short term reward over delayed gratification – when faced with the possibility of a short term gain we get carried away and forget about the long term.[5]

Keynes foretold such findings when he wrote that "human nature desires quick results, there is particular zest in making money quickly and remoter gains are discounted by the average man at a very high rate..."

In a similar vein, we all dislike losses much more than we enjoy gains. The work of Daniel Kahneman, who won the economics prize for his work on this phenomenon of loss aversion, suggests that the coefficient of loss aversion in gambling experiments was 2.5, that is, a 50-50 bet to win $25 or lose $10 was barely acceptable.

Potential pain (that is, losses) leads to the desire for control by, for example, looking at returns each quarter. But such control is illusory: the information provided every three months may have limited value. For example, a stock like Royal Dutch Shell might have a price range over three months of perhaps 10 per cent. It is unlikely that the value of Shell's businesses would have changed by this much; the ability to predict and to explain this sort of price movement is virtually impossible.

Equity volatility makes the value of frequent measurement dubious. Furthermore, above a very low hurdle, more information does not translate into greater accuracy, just greater confidence;[6] indeed, studies on consumer choice suggest that 'less is more' in the context of decision making – too much contemplation gets in the way of good decision-making.[7]

If comfort-seeking behaviour leads to most investment decisions being made for the short term, then there should be a comfort premium paid to contrarian investors, albeit with the difficulties that Keynes outlined in 1936: "It is the long-term investor, he who most promotes the public interest, who will in practice come in for most criticism, wherever investment funds are managed by committees or boards or banks.

For it is in the essence of his

"Judging a long-term investment strategy based on the results of a five-to six-month period is foolish beyond words."
David Swensen
Yale University CIO

behaviour that he should be eccentric, unconventional and rash in the eyes of average opinion. If he is successful, that will only confirm the general belief in his rashness; and if in the short run he is unsuccessful, which is very likely, he will not receive much mercy. Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally."

To embrace this approach, then, risks lengthy periods of underperformance versus benchmarks and indices. Such periods have the potential to make both trustees and fund managers nervous and to prompt the hiring and firing of managers at precisely the wrong moment (one study has shown that if US pension plan sponsors had stayed with fired investment managers, their excess returns would be no different than those delivered by newly hired managers[8]).

The example of the Yale Endowment is instructive: it achieved a ten year average return of 11.8% versus 1.7% from a 60/40 allocation to US equities and bonds.[9] However, even the Yale Foundation fell some 25% in the fiscal year to 30th June 2009.[10]

David Swensen, Yale's investment chief, said in his defence that: "There isn't an investment strategy that can produce the kind of long-term results we've generated at Yale that isn't going to post the occasional negative return… Judging a long-term investment strategy based on the results of a five-to six-month period is foolish beyond words." [11]

1 *Keynes, 'The General Theory of Employment, Interest, and Money', Chapter 12 (1936).*

2 *Paul Myners, 'Institutional Investment in the United Kingdom: A Review', 06/03/01.*

3 *This theory states that it is impossible to 'beat the market' because stock market efficiency causes existing share prices always to incorporate and reflect all relevant information. According to the EMH, stocks always trade at their fair value, making it impossible for investors either to purchase under-valued stocks or to sell stocks for inflated prices.*

4 *The hackneyed joke runs that a finance professor is walking along the pavement with a student. They come upon a £20 note lying on the ground, and the student leans down to pick it up. The professor says, "Don't bother. If it was really there, somebody else would've already picked it up."*

5 *See McClure et al., Science Vol. 306 no. 5695, 15/10/04; http://www.sciencemag.org/content/306/5695/503.short)*

6 *Tsai, Klayman Hastie, 'Effects of amount of information on judgment accuracy and confidence', in 'Organizational Behavior and Human Decision Processes', Vol. 107, 2008; http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1297347*

7 *Dijksterhuis, Bos, Nordgren, van Baaren, 'On Making the Right Choice', Science Vol. 311, 17/02/06:*

8 *Goyal , Wahal, 'The Selection and Termination of Investment Management Firms by Plan Sponsors', The Journal of Finance Vol. LXIII, No. 4, August 2008; http://www.bus.emory.edu/agoyal/docs/hirefire_jof.pdf*

9 *Yale University, 30/06/09.*

10 *Ibid.*

11 *Bloomberg, 02/01/09.*

James Codrington is investment director at Rathbones

Zero tolerance

Elliot Lane finds a criminal fraternity has become involved in charity fraud and hit the heart of the sector. But for charities, an anti-fraud culture should help mitigate the risk and act as a deterrent

FERRY LANE retail estate is a typical inner city industrial park, with identical grey looking business units and white vans snaking in and out, heading for east London and Essex. Driving past, onlookers could blink and miss it, and never know that in the past year this has become the epicentre for major fraud in the charity sector.

Lee Marshall, who heads the charity fraud desk at the National Fraud Intelligence Bureau (NFIB), frequently sees reports across his desk. "Ferry Lane is a name now synonymous with charity fraud cases and keeps appearing in tabloid headlines". In November last year, police seized a shipping container on the estate, stuffed with 300 sacks of secondhand clothes, weighing 20 tonnes and worth £40,000. The bags had been intended to raise funds for the British Heart Foundation, NSPCC and PDSA but instead were heading for sale in Eastern Europe.

Like the rise in metal thefts across the UK, the secondhand garment trade has attracted organised crime. The value of secondhand clothing has escalated since 2006 and according to the Fundraising Standards Board (FRSB), bogus bag collections are denting charities' finances.

FRSB chief executive Alistair McLean says: "This problem has hit the heart of the sector. Charities dependent on collections are feeling the pain as recycling secondhand clothing has become big business. A large majority of recycled garments are placed in charity collection bags and we believe bogus collections represent £50m loss of earnings per annum to the sector.

"The issue has doubled in the past 12 months. The criminal fraternity has got more involved and this is not opportunistic crime; it's organised crime," he adds.

Marshall agrees fraud within the sector has moved from an individual or group of trustees looking to make a quick buck to something more sinister. "The amounts of money being made is significant and is funding other criminal activities such as drug trafficking. In South Wales a fraud gang was recently caught with 50,000 bags they were ready to export," he says.

However there are clear loopholes in the law on what is fraud and what is legal. "What is difficult though is people circumventing the rules. Taking clothing and exporting it for sale abroad is not illegal. It maybe unethical but in the eyes of the law, it is difficult to prosecute."

He highlights a case of a Lithuanian charity dropping bags through letter-boxes for clothing donations which has a Lithuanian registered charity number on it. "However we cannot find this number in Lithuania as it doesn't have an equivalent of the UK Charity Commission. So it is probably bogus, however, it cannot be construed illegal," Marshall admits.

Complaints from the public have increased significantly and a fifth of all calls received by the FRSB helpline over the past three months have been related to collection fraud. Jonathan Prince of the Pink Ribbon Foundation says he receives queries from the public all the time. "I have just been told of another alleged collection bag for Pink Ribbon, operating in Berkshire. The collection company is Intersecond, and it says they are collecting on behalf of a Lithuanian charity called Azzara. There is a registration number on it, and supposedly Pink Ribbon would receive £5,000 a month in donations. Bogus bags are a real menace."

Co-ordinated campaign

There is real concern among many charities that the upset and intrusion these thefts cause, will stop well-intentioned givers from donating in the future.

A co-ordinated campaign was launched in December last year by the FRSB to raise public awareness, which has the support of the Institute of Fundraising (IoF), the Textile Recycling Association (TRA) and Charity Retail Association (CRA).

In only three months it has received the support of 41 MPs, spearheaded by Tracey Crouch MP in her Chatham and Aylesford constituency in Kent. Over half a million households nationally have been targeted with leaflets in crime hotspots including London, Birmingham, Manchester, Liverpool, South Wales, the North-East and South West of England.

The leaflets outline simple guidance on what the public should look for (see box on page 43) to distinguish the bona fide bags against bogus ones. Charities that do not have a high street shop presence are most vulnerable and there is concern that third party collectors could also abuse the system.

McLean notes a distinct difference in charities approach to fundraising. "There are legitimate commercial collection companies which act as third parties for charities that don't have a high street presence. NSPCC are one such charity. The CRA openly advises the public not to use commercial collectors. However we believe people should have the choice to give to who they want and by whatever is the best method for the charity involved. It should not just be a donation on the high street."

A CRA spokeswoman agreed that it would encourage people to take any unwanted garments and gifts to a high street shop. "Though we understand some charities are looking at alternative ways to receive donations not just via door-to-door collections. Some items are now sold online and internet trading seems to be growing in popularity."

Oxfam "does not believe in blanket distribution of plastic bags for house-to-house collection of donations across the UK", says a spokeswoman, blaming the poor quality of the goods. Instead the charity relies on its network of 700 high street stores, and has introduced 600 donation bank sites, in various authorised locations including supermarkets, local authority car parks, household waste recycling centres or collection lay-bys.

NSPCC puts losses to charities through bag theft and bogus bags at around £14m a year, equivalent to a loss of 12 per cent across the sector

The NSPCC's fundraising, however, is heavily reliant on door-to-door collections and employs Clothes Aid to administer the collections. Since the relationship between the two organisations began in July 2009, £2m has been raised and Clothes Aid collectors always carry ID, wear a bright orange uniform and collect donations in marked Clothes Aid vans.

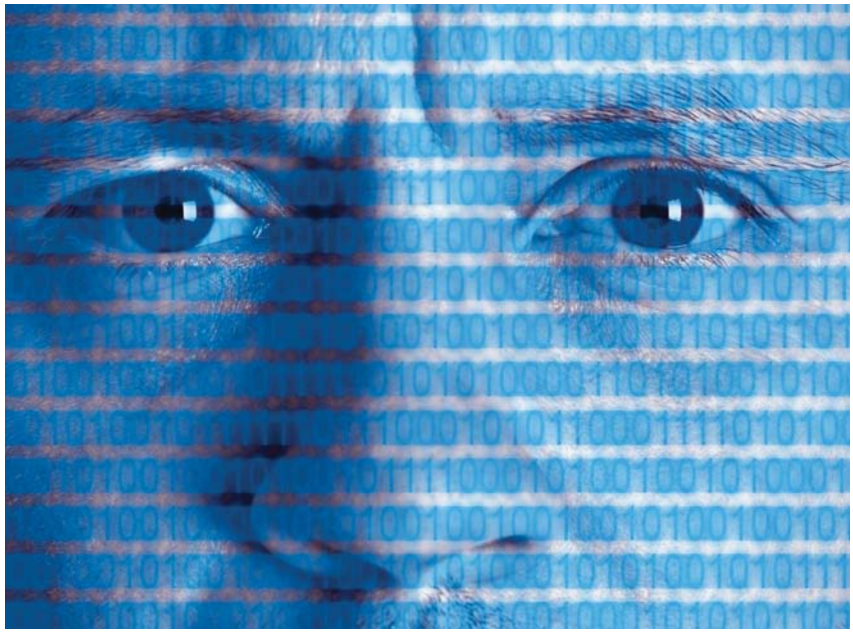
But this still hasn't stopped theft.

NSPCC head of corporate partnerships, Svetlana Kirov, said: "It is hard to quantify how much the NSPCC loses through theft due to a lack of prosecutions and convictions. However, an estimate by Tracey Crouch MP puts losses to charities through bag theft and bogus bags at around £14m a year, equivalent to a loss of 12% across the sector. Based on this, Clothes Aid has estimated that the NSPCC could be missing out on approximately £100,000 a year as a result of stolen and bogus clothes bags.

"To put this into context, £100,000 would enable the NSPCC to answer around

25,000 calls and e-mails to ChildLine from vulnerable children and young people, or to answer over 11,000 calls from adults concerned about the welfare of a child."

Clothes Aid business manager, Michael Lomotey, adds: "Thankfully instances of clothing collection related fraud against charities are relatively rare, but in August 2010, we were made aware of a company distributing leaflets and claiming to be raising money for the NSPCC through clothing collections. Upon this discovery, we worked closely with the NSPCC to investigate, and reported the company to Trading Standards. Warnings were issued to the company that any further action by them would result in criminal proceedings, and the fraudulent collections stopped.



"Smart information sharing is the best way forward for the sector. In some cases there would need to be careful information sharing between some groups."
Melora Jezierska, CFG

Nationwide fraud database

So would a nationwide fraud database, similar to the Motor Insurers Database, which gathers and shares information on potential fraud, work within the charity sector? Marshall believes there is scope for more information sharing which could be held and controlled by the NFIB but worries "that not many charities are happy talking to one another, it's very dog-eat-dog".

As part of the Charity Act consultation, all stakeholders campaigning for tighter controls on fraud and tackling criminal activity have met with Lord Hodgson and his team in recent months. There is speculation this may lead to a new body being created to co-ordinate anti-fraud measures.

The consensus among the majority of charities is that since the Charity Commission was established, fraudulent behaviour has decreased substantially. In the Commission's *Back on Track 2010-2011* report published last year, it stated that of the assessment cases the Commission undertook, fraud, theft, financial and fundraising issues went up from 16% to 26%. Whistleblowing was one of the key reasons more cases had been highlighted.

The Charity Commission is one of 38 partner organisations which has signed up to the government's 'Fighting Fraud Together' strategy. It aims to give a fresh impetus to tackling fraud by mobilising the public, government, law enforcement, public and private sector organisations and the voluntary sector.

A Charity Commission spokeswoman said: "Part of this strategy is looking at the issue of fraudulent clothing collections. Although in general these are not for the Commission to investigate, we are supporting this work by sharing information with our partners to help build a comprehensive picture of the problem. For example, we will be assisting our partners in seeking the sector's views and experiences of fraudulent clothing collections, to inform a strategic response to the issue."

With a myriad of helpful guidance notes and toolkits, the Charity Finance Group (CFG), has decided to publish in April 2012 a comprehensive amalgamation of all the best advice (see Checklist box). Melora Jezierska of the CFG says: "We wanted to bring together the Commission's toolkit which is very useful and then signpost trustees to the other really good information which is out there."

She believes more information could be shared but understands that fraud is a major reputational issue for many charities. "Smart information sharing is the best way forward for the sector. In some cases there would need to be careful information sharing between some groups. What has worked well are online discussions on phishing emails or sham websites.

"Charities should take a zero tolerance approach towards fraud and if an employee or volunteer is found to have acted illegally then they should be automatically dismissed. It is not always necessary to go to the police. If everyone knows that there is an anti-fraud culture, then this should mitigate the risk and act as a deterrent."

Elliot Lane is a freelance financial journalist

IS IT FRAUD, OR JUST UNETHICAL?

Identifying what is a straight fraudulent case and what is just incompetence or unethical behaviour has dogged the charity sector for years. Lee Marshall of the National Fraud Intelligence Bureau (NFIB) highlights that many of the garments stolen in this country, end up in huge clothing emporiums similar to TK Maxx in eastern Europe.

"The problem is we find it hard to prosecute. One case involving a small dog charity in the northeast is typical. The charity was approached by a collection company who said they would administer door-to-door collections. The charity would receive £500 a month in donations and they were delighted. However that collection company was re-selling the garments abroad at five times that amount per month.

"Now we also saw a charity called Troops Aid which was raising money for soldiers in Afghanistan. No soldier ever received the money. That is a direct fraud. The dog charity however is a case of unethical behaviour. More vigilance is needed."

Jonathan Prince of the Pink Ribbon Foundation said he avoids all gift card promotions because "the charity may receive £1 per pack but you find they are being sold for £9 abroad".

Another case involves mobility scooters. Annabelle Waterfield, chief executive of Hertfordshire Disability in Action, says the market is being flooded by cheap foreign products. "You will see container loads of cheap scooters from China and Taiwan that can be bought on the internet. However they are dangerous. We train our members to use the scooters, register them with the Department of Transport and advise on insurance. "The practice isn't fraud but it is highly unethical".

CHARITY FRAUD - THE FACTS

The National Fraud Authority (NFA) estimates that fraud against the charity sector costs £1.3bn a year. Its latest fraud indicator will be published in April which may show the figure has risen slightly due to a rise in organised crime against the sector.

The Charity Commission's headline data from its Back on Track 2010-11 report on fraud: 371 out of 849 (44%) serious incident reports related to fraud/money laundering/theft or significant loss

Issues of fraud and theft featured in:

- 266 assessment cases (14% of the total)
- 38 of 158 completed regulatory compliance cases (24%)
- 13 of 144 new investigation cases opened in the year (9%)
- 15 out of 35 whistleblowing reports (43%)

THE CHARITY FINANCE GROUP'S CHECKLIST FOR CHARITIES AND TRUSTEES ON FRAUD PREVENTION, PART OF THE NEW GUIDE TO BE PUBLISHED APRIL 2012 IN CONJUNCTION WITH THE CHARITY COMMISSION, NATIONAL FRAUD AUTHORITY, FRAUD ADVISORY PANEL AND A NUMBER OF SECTOR UMBRELLA BODIES

Checklist: To help prevent fraud and make your charity alert to risks

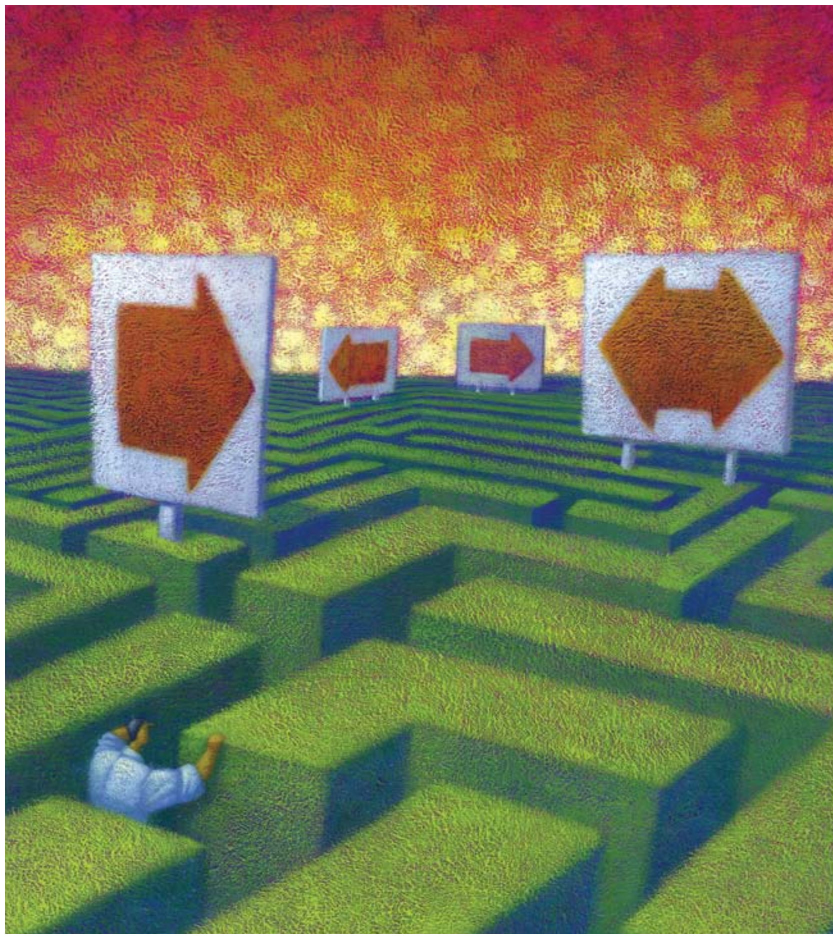
- ❑ Instil a culture of ethical behaviour throughout the charity
- ❑ Develop an anti-fraud policy
- ❑ Understand your risks
- ❑ Implement robust financial controls
- ❑ Ensure there are robust recruitment procedures
- ❑ Develop a whistleblowing policy
- ❑ Encourage awareness throughout the charity
- ❑ Keep records of suspected and confirmed fraud

FRSB'S PUBLIC AWARENESS

FRSB's public awareness leaflet on bogus bags which has been distributed to 500,000 households

Look, Check, Phone and Report.
Look for a Charity Commission registration number
Check for the 'Give with Confidence' tick logo
Phone the number on the clothes collection bag if suspicious
Report it, don't dump it. If it looks suspicious, then contact the FRSB or the Action Fraud number on 0300 123 2040.

The changing landscape of grant making trusts



Ben Wittenberg notes that DSC research shows funding from grant making trusts remains stable despite the recession, but an increased demand on trusts and foundations' finite resources is inevitable

AT THE Directory of Social Change we've been researching grant making trusts for over thirty years, examining their practices, scrutinising their reporting, and making what they do clear to those organisations that rely on their funding to achieve their objectives. With the latest edition of *Directory of Grant making Trusts*, we'll be releasing a report containing some key information gathered as part of our ongoing research which we think will be of great interest to everyone looking at grant making – from either side of the fence. In lieu of the final version of the report, here are some of the initial findings and discussion points that have been occupying our research team over the last month or two.

No replacement funding

Only 8 per cent of trusts will consider replacing lost statutory funding. This may be unsurprising, given that historically trusts have been reluctant to fund work which is viewed as a state responsibility or to fill the gap when state funding ends. However, this is notable in the current environment which is characterised by deep cuts to public expenditure. It is likely that many trusts will receive more requests for support along these lines in the future, and may need to re-examine their policies and procedures as a result.

Do we know you?

For the majority of trusts (90 per cent) the percentage of successful new applicants was less than 50 per cent.

Many trusts appear to fund a high percentage of the same applicants year-on-year, with the most common response indicating that less than 10 per cent of successful awards were made to new applicants. However the way some trusts make grants over multi-year periods could affect this data. For example if a trust makes three-year grant awards every year, and awards the same total amount of funding each year, then by definition only 33 per cent of applications could be 'new' in any given year. The rest of the funded organisations would be in years 2 and 3 of their grant agreement.

More competition?

Just over half (57 per cent) of trusts reported no real change from last year, although around one third (34 per cent) reported an increase in applications. For a significant group of trusts applications are on the rise, but the level of stability for the majority of trusts is surprising, given the difficulties in the broader funding environment for charities.

A number of those that responded said they were maintaining their overall levels of grant making but reducing the size of individual grants; a few stated that they were in a position to increase the amount of total grants given. Inevitably, a number of them stated that they have been unable to sustain previous levels of grant making.

A question of scale

As for replacing huge cuts in statutory funding, it's interesting to see that 74 per cent of grants made were for £5,000 or less. Only 14 per cent topped £10,000. All of these factors indicate that overall, grant making trusts are not stepping into the void created by the withdrawal of statutory funding in many areas over recent years, and are largely continuing to operate in the same way with the same objectives, as well as supporting largely the same beneficiaries.

Later this year we'll be carrying out some more in depth research analysing the DGMT data against a range of additional geographical and beneficiary data to try and identify any underlying patterns or shifts in behaviour, but at a macro level at least, it's business as usual.

You can't always apply

Grant making trusts are charities, and as such, their money is for the public benefit. You might assume that means anyone can apply for it so long as they meet the trust's criteria, and to an extent that's right, but around 32 per cent of trusts stated that they do not accept unsolicited applications.

Now what that means in reality for fundraisers can be difficult to ascertain. For some trusts it will indicate a specific approach that the trustees proactively seek out organisations to support, and will not support any applications from organisations they do not already know about. For some it may indicate a temporary state, where multi-year grants have been committed and they will not consider any new applications for a period of time. And for some it will be an attempted deterrent, a deliberate barrier intended to reduce the number of applications they have to deal with. Either way, they all have a legal obligation to at least consider any application that might help them further their charitable objectives.

Grant making trusts are not stepping into the void created by the withdrawal of statutory funding in many areas, and are largely continuing to operate in the same way

Ineligible applications

Ineligible applications are still a significant issue, with many funders experiencing ineligible applications rates in excess of 90 per cent of the total applications received. This is why DSC continues to campaign for an end to ineligible applications by providing detailed information on the policies and practices of trusts and foundations and making key recommen-dations to potential applicants, namely:

- Read the guidelines provided by the trust (not doing so being the most common reason for applications being ineligible given by the trusts who responded to our survey)
- Do your research – make sure you apply to the right funders
- Seek clarification if there is anything you are unsure of in the guidelines or application process
- Do not send blanket appeals – funders can tell if an application is a general mail-merged appeal sent to many organisations without due regard for their individual policies and funding priorities
- Make sure your application is clear, concise and jargon-free.

However, as is usually the case with grant making trusts, the overall picture masks a lot of interesting activities by individual and groups of trusts. For example, looking at the top level data on eligible applications and numbers of awards made, if your application is eligible you stand a 45.9 per cent chance of getting funding. However, dip below the headline figure and you'll find 43 trusts with a £16.8million receiving over 12,000 eligible applications, that didn't make a single grant in the last financial year. At the opposite end of the scale, there are 61 trusts with £17.1million that received 6,797 eligible applications between them and funded every single one. Overall, our research suggests that funding from grant making trusts and foundations remains stable despite the recent recession and the prevailing economic challenges. Funders are continuing their efforts to mitigate the worst effects of the financial crisis on the charities that rely on their funding to help to support some of the most disadvantaged members of society.

The austerity measures imposed by the current coalition government however make the likelihood of an increased demand on trusts and foundations' finite resources in the future almost inevitable.

Ben Wittenberg is director of policy, publishing & research at DSC@ben_wittenberg

Figures in this article are taken from a forthcoming report DGMT Analysis 2012 which will be available at: www.dsc.org.uk/dgm

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John Howard
T: 020 7403 1877
E: john.howard@wilkinskennedy.com

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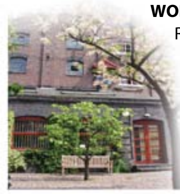

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T: 020 7214 1807
W: catherine.booth@barings.com

We have been supporting the charitable sector since 1926, and were one of the first investment managers to establish our own charities team in 1968, a team that now manages over £1.06 billion on behalf of charities around the world[1].

We work in partnership with charities that operate in diverse sectors, whether you are a national institution or a charity with more local aims.

Our Targeted Return approach is designed to achieve the aims of your charity. Although many investment managers claim to offer an absolute or real return we have a strong and demonstrable track record of producing consistent returns that has been tried and tested in both rising and falling markets.

We would welcome the opportunity to speak to you should you be reviewing your existing investment arrangements or merely want to hear a different point of view.

Issued by Baring Asset Management (Authorised and Regulated by the Financial Services Authority).
[1]Provisional data as at 31/12/11.

Charities Aid Foundation

25 Kings Hill Avenue
Kings Hill
West Malling
Kent ME19 4TA

For further information contact the Business Development team on:

T: 03000 123 222
E: managingmoney@cafonline.org
Or visit www.cafonline.org/investments

Investments designed with charities in mind

As a charity, CAF understands the challenges you face when it comes to investments. Managed by our third party provider, the CAF Managed Portfolio Service places your capacity for risk at the heart of each solution. It provides:

- Returns based on capacity for risk.
- Asset allocation advice and ongoing portfolio management.
- Solutions using a combination of funds from some of the largest investment houses.

Alternatively, the CAF Direct Investment Service allows you to select from a range of investment funds specifically designed for not for profit organisations.

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Cazenove Capital Management

12 Moorgate
London EC2R 6DA

For more information, please contact

Edward Harley or John Gordon

T: +44 (0) 203 479 0102
E: edward.harley@cazenovecapital.com
john.gordon@cazenovecapital.com
W: www.cazenovecapital.com/charities

Cazenove Capital Management is an independent, client focused business providing specialist investment management and high quality investment advice. We have been investing assets on behalf of clients for over 80 years. Today we are one of the UK's leading charity fund managers.

Specifically for charities, we offer an investment approach centred on our excellence in UK equities and fixed interest. This is supported by a strong multi-manager team, providing diversification and access to other asset classes.

Reflecting our commitment to the charity sector, we manage five Common Investment Funds that specialise in:

- UK equities
- Higher yielding UK equities
- Fixed interest
- Absolute return (hedge) funds
- Property

We offer both pooled and segregated portfolios.

Cazenove Capital Management Limited is authorised and regulated by the Financial Services Authority.

To advertise in the Charity Times Suppliers Directory contact **Cerys McLean 07766 662 610** or **Aisling Davis 0207 562 2423**

INVESTMENT MANAGEMENT

Lothbury Investment Management Ltd

155 Bishopsgate
London EC2M 3TQ

Contact: Lucy Williams

T: 0203 551 4900
F: 0203 551 4920
E: lucy.williams@lothburyim.com
W: www.lothburyim.com

Lothbury Investment Management Ltd.* is an investment manager of unlisted property funds with AUM of over £1bn**. We are a market leader with a team of professionals that has over 20 years experience of managing property investment on behalf of institutional investors including UK pension funds and charities seeking indirect exposure to the UK and European property markets. Implementing a core/active investment strategy, our flagship UK fund Lothbury Property Trust has delivered a consistent un-geared outperformance over Q4 2011, 1,3,5 and 10 years of the IPD UK PPFI, Balanced Unit Trust Index Benchmark. This dual strategy is effective in both downward and upward economic cycles as it is a flexible approach which capitalises on a predominately core portfolio of secure prime assets, alongside active management initiatives that increase the opportunities for value. Indeed, the Fund remained open during the downturn and has continued to take in new equity on a monthly basis during the last 18 months and currently remains open to new investment.

**Authorised and regulated by the Financial Services Authority.*
*** As at 31 December 2011*

Quilter

St Helen's, 1 Undershaft
London EC3A 8BB

T: 020 7662 6200
E: charities@quilter.co.uk
W: www.quilter.co.uk

Quilter is the trading name of Quilter & Co. Limited. Authorised and regulated by the Financial Services Authority. Quilter is a wholly owned subsidiary of Morgan Stanley Smith Barney.

Quilter is a wealth manager with £7.6bn* in funds under management. Our clients include UK and international charities, trusts, private investors, pension funds and corporate institutions.

Award-Winning Charity Investment Management Service

- Funds under management of more than £500m*
- A diverse client base including foundations, religious orders, endowed and fundraising charities
- A charity team with local expertise across a network of 13 offices in the UK, Ireland and Jersey
- Specialist investment management with ethical screening capabilities
- Guidance for trustees on preparing investment policy statements
- Comprehensive reporting and access to portfolio valuations via our password protected website.
- A competitive and transparent fee structure

** As at 31 December 2011.*

Rathbone Investment Management

1 Curzon Street
London, W1J 5FB

Contact: Jenna McCabe
T: 0207 399 0195
E: jenna.mccabe@rathbones.com
W: www.rathbones.com

Rathbone Investment Management is authorised and regulated by the Financial Services Authority.

Rathbones welcome charity clients

We endeavour to work alongside our scope of charity clients, giving direct access to the professional managing your charity's investments and to provide solutions and support. Throughout our network of UK regional offices, over 860 charities entrust £1.6 billion of funds to us, covering a wide range of charity sizes and charitable areas within the sector (as at 31 December 2011).

Rathbones evolved into an investment management firm through the stewardship of the Rathbone family wealth. Having remained independently owned and part of a FTSE 250 company, we have been able to remain true to the ethos built by the family based on Heritage, stability, stewardship and Trust. With these values we aim to forge strong, long term relationships with charities, from the national to the local.

Sarasin & Partners LLP

Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Contact: John Handford

T: 020 7038 7268
F: 020 7038 6864
E: john.handford@sarasin.co.uk
W: www.sarasin.co.uk

Leading charity fund manager managing discretionary accounts worth £3.4 billion for 265 charities. Significantly, this represents over 25% of our overall business. In total, as at 31 December 2011, we manage around £11.7 billion on behalf of our clients.

Investment philosophy founded on three main strands: dynamic asset allocation, the importance of recurring income and our well-established global thematic approach to international equity selection.

Tailor-made solutions; via segregated portfolios, single asset class funds or two Common Investment Funds - the Alpha CIF for Endowments and the Alpha CIF for Income & Reserves.

Sarasin & Partners LLP is a limited liability partnership incorporated in England and Wales with registered number OC329859 and is authorised and regulated by the Financial Services Authority.

Williams de Broë Limited

100 Wood Street
London
EC2V 7AN

Head of Charity Services:
David Edwards
T: 020 7072 7520
E: david.edwards@wdebroe.com
W: www.wdebroe.com

Growth. Flexibility. Reward.

Williams de Broë has been working with charities for decades and we continue to offer a traditional, comprehensive and cost effective investment management service.

Our dedicated charities team tailors its approach to meet your specific requirements and objectives. We can help with construction or amendment of your investment policy statement, explain the impact of any ethical restrictions and liaise with the Charity Commission on your behalf.

We also include within our standard service the provision of workshop tuition to ensure that a charity's staff meet the highest requirements in respect of ongoing training.

We value highly the personal relationships that we build with our clients and believe that through a bespoke approach we are able to formulate the best possible investment solutions.

INVESTMENT MANAGEMENT

UBS

1 Curzon Street
London
W1J 5UB

David Rowe - Head of Charities
E: david.rowe@ubs.com
T: +44 20756 87738

W: www.ubs.com/uk-charities

Charity focused, performance driven

Access all the investment insight and guidance your charity needs through our dedicated team of experts, structured and ethical investment process and world-leading research.

The value of your investments may fall as well as rise. You may not get back the amount you invested.

UBS AG is authorised and regulated by the Financial Services Authority.

PENSIONS

The Pensions Trust

Verity House
6 Canal Wharf
Leeds
LS11 5BQ

T: 0845 123 6647
F: 0113 234 5599
E: contact@thepensionstrust.org.uk
W: www.thepensionstrust.org.uk

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RETAIL MANAGEMENT

Torex RBS Ltd

24-26 Vincent Avenue
Crownhill
Milton Keynes
MK8 0AB

E: info@torex.com
W: www.torex.com
Twitter: @TorexRBS

Around £160 million* is spent in Charity Shops annually - are you getting your share?

Sanderson provides retail management solutions to a number of UK charities, covering **EPoS, Head Office, Gift Aid and Ecommerce**.

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**Figures from the Charity Retail Association*

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246-250 Lowerhouse Lane
Burnley
Lancashire
BB12 6NG

T: 01282 412714
F: 01282 415131
E: sales@runnerprintwinner.com
W: www.runnerprintwinner.com

runnerprint / winner are probably the number one supplier of sublimated and screen printed running vests and teeshirts to charities throughout the UK.

Over the past 20 years our client list has grown to include most of the nation's largest charities, but we also cater for the smaller organisation with less resources and are happy to quote for minimum orders of 50 in either vests or teeshirts or other items that we supply.

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Isis Way
Minerva Business Park
Peterborough
PE2 6QR

T: +44 (0)1733 367 330
W: www.psfinancials.com

Used by over 400 charities in 39 countries, PS Financials are the authors of award winning Accounting, Purchasing, Budgeting and Reporting software. Charities deal directly with PS Financials benefitting from cost savings and a direct relationship, where they can suggest improvements, which are incorporated in future product releases. Over 80% of the content of new releases results from charity user suggestions.

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- Museums and Venues
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