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Back to basics

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The seeds of distrust

TWO YEARS on from the creation of the Coalition Government, severe cracks are beginning to emerge. Gone are the days of the happy marriage of Cameron and Clegg in the Downing Street Garden.

The sector is still seething from the Budget. Ian Theodoreson, chair of the Charity Finance Group, summed up the feeling well, proclaiming it was "categorically the worst budget for charities that I have experienced in 25 years in the sector." As condemnations go, that is decisive.

Even Conservatives have accused the Government and in particular Cameron, of being "out of touch".

The recent fifth Managing in a Downturn report Managing in the new normal - a perfect storm? produced by PwC, CFG and the IoF, showed that charities are already battling to cope with a 'perfect storm' of increased demand and reduced funding and support and have a real sense of uncertainty about the future, and a growing suspicion of the Coalition Government.

Trying to look at the situation positively, given the economic environment and on-going cuts, charities that survive these dire circumstances will undoubtedly emerge stronger for the experience. A point made by Theodoresen (page 15).

As an example of having to radically readjust after massive cuts, Tracey Bleakley's admirable enthusiasm and professionalism stands out (page 20). As the new CEO of Personal Finance Education Group she has remodelled the charity's funding focus and scaled back the deep level of some of its work, while staying on the road of continually pursuing and promoting the charity's mission.

George Osborne's U-turn on the tax cap on charity donations was though, and should be, welcomed. But it left many in the sector asking, like Stendhal's hero in The Charterhouse of Parma, wandering battle weary: where are they now?

Where philanthropy goes from here is a key question of our philanthropic analysis of the whole schizophrenic nature of the charity cap debacle (page 24). Within this, dissecting the many faces of George Osborne and his changing, inconsistent use of language towards philanthropists, from insulting, to intransigent, then face-saving are examined.

But the feeling left from the whole tax cap fiasco is the seeds of distrust have been sown which will make charitable giving less attractive to future donors. Regaining that trust should be a priority task for the Government.

Andrew Holt
Editor

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Andrew Holt analyses the strange case of three avatars of George Osborne and the damage done by the tax cap

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UK Corporate Citizenship in the 21st Century

At a dinner event we held with some of our supporters recently, part of the pre-prandial warm up involved pondering a few questions, one of which was as follows: how can the private sector contribute to wider society? The question was not purely academic; around the table were an assortment of sector folks and thinkers that we consider our closest friends, but there were also business people, at least one of whom took umbrage at the proposition. "We're here to work for our companies' self-interest and growth. That's how we contribute," he said. "This question was probably a waste of our time."

That gentleman's position would be disputed by Catherine Walker and Cathy Pharoah, authors of a new report from Cass Business School on corporate social responsibility (CSR) and corporate giving: 'UK corporate citizenship in the 21st century'.

The title might be dry, but don't let that fool you. Powerful people support the thrust of it. Steve Hilton, the erstwhile ideas man to the Prime Minister even wrote a book, 'Good Business', and set up a consultancy to take advantage of what he perceived to be a gap in the market around advising on CSR strategies.

In a speech to Business in the Community earlier this year prior to Hilton's departure on sabbatical to California, the Prime Minster extolled CSR's virtues and argued against what he perceived to be an inverse, perverse snobbery about capitalism, when, as he pointed out repeatedly, companies such as Unilever and Procter & Gamble have created special products that cater for the needs of the developing world's poor.

Walker and Pharoah cite approvingly from a number of sources that CSR, variously, creates 'new paradigms' of business, is good for business and in a rather more spurious claim, can even help make businesses 'recession proof.'

Yet their paper falls into a trap that can be summed up as follows: how good a citizen you are can be measured by how much you give to charity. By that measurement, CSR is on the wane. While their figures are slightly out of date, they argue that corporate donations by the top givers to UK charities fell by 4.3% in real terms between 2007/08 and 2008/09. Donations to communities around the world fell by 1.4% over the same period (excluding major product donations), and picked up slightly by 0.7% in 2009/10.

Whether there would be a similar pick up in the UK figures after the trauma of the 2008/9 banking collapse mollified corporate endeavour is unclear. Tough times do not appear to bring our fellow corporate citizens closer to us, but cause them to retreat further.

The problem with this statement becomes clear, however, when we consider both the changing nature of the nexus between business and society and the constant nature of citizenship itself. Take for example in-kind donations.

In-kind donations account now for nearly a third of all CSR activity, and while they can be controversial, they can also be transformational. Most of the time corporations produce things we don't need – like iPads – rather than things we do need – like cancer drugs.

The hybrid space that connects business and society is developing in myriad directions and diversions, beyond the strait-jacket of traditional charitable giving.

The worker-shareholder-contractor nexus is an ongoing question of corporate governance. When it comes to corporate citizenship, one may go so far as to say that the first duty and contribution a corporation can make to wider society is to make that nexus better and fairer, to provide an environment of training, learning and improvement for its employees, to keep up graduate training schemes and apprenticeships, rather than shed jobs and splurge a percentage of the cash saved thereby on charitable donations.

Good business is restless and continues to try to innovate in this as it often does so well in other areas. There is everything right with the model of a corporation as a good citizen – and insofar as it recognises this, the paper must be congratulated – as long as we recognise that in business, as in life, as around a dinner table, the question of just how to be good brings irreducible dilemmas as well as unbounded opportunities.

ASHEEM SINGH ENJOYS A PAPER THAT STATES THE CASE FOR THE MODEL OF A CORPORATION AS A GOOD CITIZEN


CGAP
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CGAP Briefing Note 9

UK corporate citizenship in the 21st century

May 2012

Catherine Walker and Cathy Pharoah, with Marina Marmolejo and Denise Lillya

Summary of key points

What is the private sector's role in society? Does it extend beyond creating employment, providing goods and services, and generating profit for shareholders?

This briefing paper outlines the history of its wider role, referred to here as corporate citizenship, and, bringing together a new analysis of corporate giving data, focuses specifically on the ways in which UK-listed companies currently support the communities in which they operate. The key findings are:

- Corporate donations to UK charities are estimated at around £1.6 billion annually.
- Cash donations make up around 70% of the top companies' community support portfolios to good causes and charities in the UK, with the rest being in-kind: eg donations of goods and services, specialist pro bono contributions and employee time.
- Donations to good causes and charities in the UK from the top 300 UK-listed companies are estimated to make up around 70% of their overall worldwide community investment portfolio (excluding major product donations[1]) with the remaining 30% going to causes around the world.
- Corporate donations by the top givers to UK charities fell by 4.3% in real terms between 2007/08 and 2008/09.
- Donations to communities around the world fell by 1.4% over the same period (excluding major product donations[2]), and picked up slightly by 0.7% in 2009/10.

[1] Including major product donations in the calculations means that cash makes up around 40% of the overall contribution.
[2] Including major product donations in the calculations means that worldwide community contributions grew by a real-terms 13.1% over the same period.

May 2012 CGAP Briefing Note 9 UK corporate citizenship in the 21st century 1

Asheem Singh is director of strategy and policy at the Impetus Trust, the pioneer of venture philanthropy in the UK: www.impetus.org.uk

UK Corporate Citizenship in the 21st Century is available from: www.cgap.org.uk

Sock Puppets by Christopher Snowdon

CHARLOTTE STUFFINS IS UNIMPRESSED BY A MISLEADING, OUT-OF-DATE REPORT FUELLING DISTRUST OF CHARITIES

The Institute of Economic Affairs' (IEA) report 'Sock Puppets: How the government lobbies itself and why', recently published, argues that charities in receipt of Government funding should not undertake campaigning activities.

The IEA report also serves as an exposé of what it calls 'sock puppet' organisations: the theory of widespread state-funded activism for unpopular causes. This sensationalist theory is backed by a sole case study of the campaigning organisation ASH and its links to the Department of Health, which by the author's own admission serves as an "extreme example" of a campaigning group and Government department working together closely.

Many statements in the report are inaccurate and unsupported, often seeking to assume gross misjudgement on the motivations of those working for campaigning organisations. The report is also deliberately misleading and accusatory.

It reads like an analysis of current campaigning activity, yet is actually informed by funding and campaigning datafrom the New Labour era, which is not stated until the penultimate chapter.

Much of the relationships and funding arrangements it discusses are no longer relevant under the Coalition Government and in the context of the economic downturn. What is more, whilst the report favours certain voluntary organisations receiving statutory funding – those that provide vital services on behalf of the government seem to be acceptable – it is insistent that such an activity should be separate from campaigning activities.

An ill-informed example that is cited is that of Citizen's Advice, which the report states is an organisation that is "politically inactive" and which "rarely, if ever, uses their charitable halo to influence public opinion and lobby for legislation".

This is factually inaccurate: Citizen's Advice has excellent – and indeed invaluable – policy, campaigning and parliamentary functions, often informed by their experiences as a service provider.

And campaigning is widely accepted as a legitimate activity, central to the work of many charities, voluntary and community organisations.

Campaigning and lobbying activities seek to influence the public policy process to effectuate positive change, which charities are often well-placed to do. The analogy we often use at NCVO is why would a charity continue to pick up bodies at the bottom of a cliff when it can build a fence at the top?

And NCVO is not alone in believing that charity campaigning is a vital activity – a recent poll showed that the vast majority of the public think campaigning and lobbying is the most cost effective activity in which charities can engage.

Far from being mutually exclusive, NCVO research shows that public service delivery and campaigning are activities that go hand-in-hand. Charities running services will have direct contact with service users, which in many cases may be vulnerable or disadvantaged groups. This puts charities in a unique position to provide these individuals with a voice and campaign on their behalf; individuals who are often excluded from mainstream politics and society.

Campaigning is also well-regulated by the Charity Commission and must be compliant with Charity Law, which is reviewed periodically. The Commission's rules on political activity allow organisations to lobby after their trustees have seriously considered whether it is the best use of their resources and any activities must support the organisation's charitable objectives.

Charities cannot support a particular political party or candidate and are subject to stricter restrictions during election periods.

The frustrating inaccuracies and gross misconceptions presented in the IEA's 'Sock Puppets' report must not be taken lightly, as the report's power to earn headline coverage has put its sensationalist findings in the mainstream. Not only is this worrying, it is actually rather dangerous.

Fuelling distrust of the motivations of charities that provide help, relief and a voice for those who are unable to do so for themselves could impact on their donation and volunteering levels. It could also negatively impact on the high levels of public trust and confidence that charities have earned.

Charlotte Stuffins is part of NCVO's policy and research team

Sock Puppets is available the Institute of Economic Affairs: www.iea.org.uk

Volunteering England Annual Membership 2010/11


Volunteering England Annual Membership Return 2010/11

Institute for Volunteering Research

March 2012

Institute for Volunteering Research

VÉRONIQUE JOCHUM FINDS THIS REPORT A VALUABLE SOURCE ON VOLUNTEERING, SHOWING VOLUNTEER CENTRES ARE EFFECTIVE AT ENGAGING UNDER-REPRESENTED GROUPS TO VOLUNTEER

Every year the Institute for Volunteering Research (IVR) publishes The Annual Return for Volunteer Centres(ARVC) - a report on the characteristics and performance of Volunteer Centres. The report provides a snapshot of what Volunteer Centres do and gives key statistics that helps improve understanding of the services they offer and who uses them. It also very helpfully tracks changes over the past three years.

The ARVC collects data through an online survey emailed to Volunteer Centres that have or are working towards Volunteer Centre Quality Accreditation (VCQA) and that are members of Volunteering England. For this edition a total of 263 Volunteer Centres were contacted and 169 responded. The survey provides information for the financial year 2010-11.

So what does the survey tell us? Well here are some of the findings I found particularly interesting:

- Almost three out of four Centres (72%) are not independent; they are integrated to another organisation (the local voluntary sector infrastructure body in nearly all cases that is, the Council for Voluntary Service)
- On average centres are run by 1 to 2 full-time staff and 2 to 4 part-time staff. They could not run without volunteers; they deliver their work with an average of 12 volunteers.
- Their average income (median) which was £56,4K this financial year has decreased in real terms.
- Most of their funding comes from local authorities (42%) followed by grant-making bodies (25%) and central government (10%). The income received from local authorities has declined by 12% over the year. This seems to have been compensated by an increase in the income received by grant-making (+12%).
- Four in ten organisations (43%) generated income by selling services. And although this figure has increased over the last three years it's worth noting that it is still a minority activity.
- The median value of earned income was fairly small - £6K - but it grew by 22% in the last year.

The latest edition of the NCVO Almanac covers the financial year 2009-10, so we need to consider the ARVC results for the previous year for any meaningful comparison. The Almanac shows that small organisations that have an income between £10K and £100K (this category would include most Volunteer Centres) typically received in 2009-10 21% of their income from statutory sources, whereas for Volunteer Centres the figure is 61% which is quite significantly higher.

However, the Almanac highlights that umbrella organisations generated 51% of their income from statutory sources. This puts the Volunteer Centre figure into perspective and clearly demonstrates that the relative importance of different income sources varies according to activity type.

The Almanac also indicates that umbrella organisations earned 6% of their income in 2009-10, but Volunteer Centres earned 8% of their income by charging for services.

The report is a valuable source of information on volunteering on both the demand and supply side. Although IVR acknowledges the survey's limitations in terms of methodology, there is a clear message to come out of the survey; and that is demand by far outstrips supply. There are more enquiries from individuals wanting to volunteer than the Volunteer Centres have the capacity to respond to.

On the demand side, the mean number of volunteer enquiries was 1,798 in 2010-11 (compared to 1,574 in 2009-10). On the supply side, the report shows that the mean number of volunteer-involving organisations registered was slightly lower in 2010-11 (274) than in 2009-10 (298) and that, more worryingly and somewhat surprisingly, the mean number of volunteering opportunities registered was significantly lower (634 in 2010-11 compared to 1,029 in 2009-10).

The mean number of volunteers placed by Volunteer Centres in 2010-11 was 326 representing an 18% conversion rate of enquiries into placements, which is lower than it has been in the last three years. On a more positive note, the survey shows that Volunteer Centres are particularly effective at engaging groups of people who are often said to be under-represented in terms of volunteering, namely young people, ethnic minority groups, and those not in employment.

Véronique Jochum is research manager at NCVO

The IVR report is available from: www.ivr.org.uk

Northern Prosperity is National Prosperity by IPPR North

Established in July 2011, the Northern Economic Futures Commission consists of high profile opinion formers and decision makers from across the North of England with a variety of backgrounds including business, local government and the voluntary sector.

The Commission set about the ambitious task of developing a vision for the future economic strategy for the North of England, based on research from a range of partners and stakeholders, examining critical issues in depth to draw out the strengths and challenges which impact on Northern prosperity. The context and tone of the Commission has been clearly established through this interim report. It highlights the capacity and potential of the North; home to a quarter of the working age population and, in terms of economic output, if it was a country of its own it would be the eighth largest in Europe.

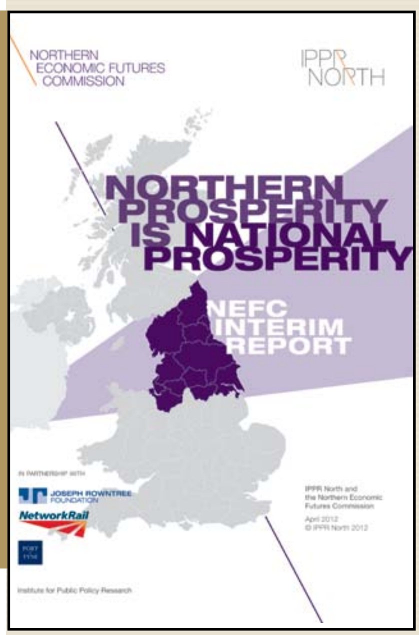
It claims Northern resources such as its environment, land and coastal assets have not yet been fully utilized and will be a huge contributor to future growth in the region and beyond. The report is also up front about the challenges facing the North of England. Long standing issues arising from de-industrialisation are compounding current employment and investment challenges.

A lack of political leadership and drive is a theme, as is a 'one size fits all' approach and a lack of understanding of the impact of artificially imposed boundaries. The report seeks to a new path for the Northern regions to travel on towards prosperity. A path which takes a pragmatic and positive approach, rejects special pleading, seeks to avoid unhelpful adversarial narratives of the past, yet is clear, confident and in control of its own destiny.

At this time, it is crucial that a strategy for growth is developed for the North of England. This report makes an economic, not a social case for this. The North operates neither in splendid isolation nor as a dependent adolescent. This premise is the first and perhaps the most important of the report's five propositions, 'Northern Prosperity is National Prosperity'. The report sets out a framework based on five pillars which support economic development, and sets out areas for learning and future research which would form the basis of a medium-term strategy for growth.

The first of these is 'Innovation and business growth' which focuses on the opportunity to further explore the potential of the North's key strengths and specialisms, particularly in relation to growing exports and opportunities for 'jobs rich' innovation opportunities. It also includes the development of growth and innovation 'clusters' and a focus on improving the SME sector in the north.

> ERIN MCFEELY SAYS THIS INTERIM REPORT BLAZES A TRAIL TO AN ASSERTIVE, ASSURED AND UNAPOLOGETIC STATEMENT OF INTENT FROM THE NORTH ON HOW IT WILL LEAD AND NOT PLEAD ON ACHIEVING FUTURE PROSPERITY



The second pillar is 'Human Capital' which suggests areas for further research and development to address challenges in the north, such as in work poverty and lack of quality jobs with the potential for progression. Employment projections suggest that the North will not return to 2008 levels until between 2018 and 2020. Recommendations on how to develop a localised approach to skills which matches the needs of employers will form a crucial element of the final report.

The third pillar is 'Infrastructure', characterized by chronic under investment, lack of co-ordination and centralised decision making. The Commission promises to explore the potential for 'Transport for the North' to act as a collaborative body for strategic planning across transport authorities.

Pillar four is 'Investment' and seeks to explore how historical and current inequities in Government investment can be rebalanced. It looks at a range of measures to improve the North's investment potential, including further fiscal devolution and a study on how the North can increase its share of foreign direct investment.

Pillar five focuses on 'Institutions'. It recognises the need for strong and co-ordinated leadership and governance in the north which has suffered from instability and fragmentation focussed largely on regions and city regions. The report explores the potential for a 'pan-northern' collaboration and voice and new approaches to transform leadership in, and for, the North.

The Commission will produce its final report in the Autumn. In the meantime, this interim report blazes a trail to an assertive, assured and unapologetic statement of intent from the North on how it will lead and not plead on achieving future prosperity.

Erin McFeely is head of strategy and development at ACEVO North

Northern Prosperity is National Prosperity is available at: www.ippr.org

Iron Ladies by Beatrice Karol Bucks & Max Wind-Cowie

An increase in the number of Conservative women MPs from 17 to 49 in 2010 was a significant achievement but, as in so many other positions of power and influence in the UK, they still remain a significant minority. This Demos collection of short essays from seven of this most recent intake of MPs provides an interesting challenge to some of the generally held views that the Prime Minister and his party have a 'problem with women'. What is immediately evident in this sample of new women MPs is the diversity of their backgrounds and the wide range of policy issues in which they are making an active and informed contribution.

All of them have had a very successful professional life mostly outside of politics before becoming MPs and several of them only went onto the candidate list ahead of the 2010 election. Their essays present an insightful collection of perspectives about very different policy issues including health, welfare reform, retail banking and personal finances.

There is reference to Big Society but mainly in the context of public service reform. It would have been interesting to hear more of the MPs views about the wider issues in the social sector which are not included here. There is some robust attention to areas of women-specific policy but this is not the main focus.

What is encouraging is an approach that does not seek to reduce the issue of diversity simply to a matter of gender – there seems to be recognition of the value of seeking to also have people of different backgrounds, ethnicity and belief to reflect the diversity in society.

My continuing concern about encouraging diversity in any setting is for the focus to be on the pipeline and not just a few appointments at the top. The current debate about women on boards following the Davies report constantly focuses only on the overall proportion of board members with most of the positive shift in the last year being amongst non-executive directors.

But real change requires a huge shift in the pipeline of executive women which if anything is shrinking, in part, largely unexpectedly, as those women emerging at senior level are moving to non-executive portfolios. Our pipeline in the social sector is not strong either, contrary to what many of us had hoped it could be as demonstrated so powerfully in the recent research 'Close to Parity' by Rowena Lewis, a Clore Social Fellow. We have as much to do as any sector to strengthen the diversity of our governance and senior leadership. We should be building our pipeline too throughout the social sector.

The Conservative party will also face a challenge to maintain their momentum of increasing diversity as they face the next election with an expected reduction of seats, many boundary changes and almost certainly without the large number of vacancies that opened up in 2010 with an unusually large number of MPs retiring.

DAME MARY MARSH FINDS THIS REPORT FROM FEMALE MPS PRESENTS AN INSIGHTFUL COLLECTION OF ESSAYS FROM DIFFERENT PERSPECTIVES ABOUT VERY DIFFERENT POLICY ISSUES

I recently attended a lunch hosted on behalf of the Women 2 Win organisation where this Demos pamphlet was brought to our attention in the same week that I was asked to review it. Women 2 Win started in 2005 to support emerging candidates in the Conservative party both nationally and locally, providing them with support, advice and training. A good example of building a long and deep pipeline as a critical way to stimulate and secure greater diversity in senior positions.

It has some key features that others could learn from. There is strong support from the very top which is made clear and explicit to others. It is led by a small but influential group of experienced Conservative women determined to make a difference. It targets its efforts on encouraging positive engagement first and so it is constantly widening the pool from which leadership candidates can emerge. It has secured a range of wider support while managing to have an impact with only limited resources.

As Helen Grant described very well in her essay how she was 'embraced and encouraged' when she joined the party saying that 'as with entering any new organisation, the first people you meeting and the initial few weeks are critical. Fresh blood goes off very quickly without circulation or nourishment ......'

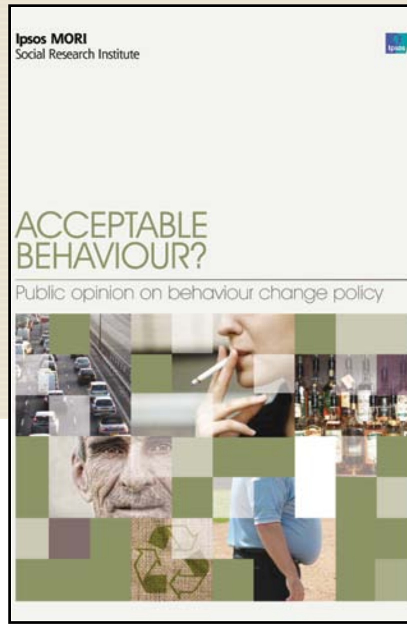
This is a good point for us all to remember as we seek to encourage and include diversity in our organisations now and securely into the future.

Dame Mary Marsh is director, Clore Social Leadership Programme

Iron Ladies is available from: www.demos.co.uk/publications/ironladies

Acceptable Behaviour? by Ipsos MORI/SRI

ANDY THORNTON HIGHLIGHTS A USEFUL REPORT REVEALING A VITAL PLACE FOR CHARITIES ADDRESSING PUBLIC ISSUES



In Switzerland, it's illegal to flush your toilet after 10 pm in shared accommodation.

I mention that to get your attention… and as an example of how some countries will legislate what others might consider to be mild courtesies, to the incredulity of onlookers with differing cultural perspectives. It's true, by the way.

All over the world it seems that some countries will tolerate heavy-handed behavioural prescription whilst others revile Government intervention in any way. This report gives you the numbers on these very issues, taking in the views of 18,500 adults in 24 countries. Thorough!

The research is endorsed by the Cabinet Office in order to establish international comparisons on the acceptability of government intervention on personal behaviours, a matter that this government is much more tentative on than the previous one, as you will well know. Illustratively it traces four behaviour-related issues that have an immediate effect on our national purse: smoking, eating unhealthy foods, saving for retirement and living in an environmentally sustainable way.

For leaders of charities these issues are similarly important. Many of us tackle cause-and-effect issues, particularly health charities, and most pursue some connection between acceptable social practices and public policy. How much better to stop people enacting damaging social behaviours than to run a charity for its victims or consequences? Can such behavioural changes be effected? Of course they can, it's happened in our own lifetime with smoking.

The results are highly engaging, not only in their specifics but also in what they teach us about behavioural research more generally. If like me you've grown weary of seeing new data on 'what people think' about issues that they don't think much about (like how or why they might give to charity) this research illustrates just how common it might be for people to hold entirely contradictory views on the same issue.

For example 53% agreed that 'the government should not get involved in what people choose to save for retirement' whilst 69% agreed that the government should change the law so that everyone has to enrol in a pension scheme'. 36% agreed with both statements! Now if you ask me, that's because they haven't really thought about it before the question was asked; and both perspectives seemed plausible once presented. A cautionary tale.

The thrust of the research backs that up. The population of some countries unquestioningly accept high levels of Government prescription (most noticeably Saudi Arabia, China, India and Indonesia) and other countries, most noticeably USA, stand against it.

But we know that things can change, and not necessarily because the Government mandates it. In the UK, the ban on smoking in public places came at the end of a long line of public health interventions and increasing social pressure against passive smoking. In China the same public smoking ban has been widely ignored; most tellingly, the report says, because only a quarter of the population are aware of the health impacts on smoking and passive smoking.

What of 'Big Society' then? The Coalition sponsors of this report possibly didn't get what they wanted in terms of the public revulsion for the 'Nanny State'. It is in the balance – around 50% think the government should stay out of these issues and 50% support interventions. This probably means that the general population here are at least aware that there's a partnership going on.

"Medium Society; Medium Government, please", we're saying (how British!). That means there's a vital place for charities addressing public issues from within civil society and a similarly important place for government educating the public and occasionally legislating to outlaw publicly damaging behaviours. Some of these are highly costly and in a squeezed time it's vital that the civil/civic partnership thrives. The report makes it clearer why that remains the case, along with priceless references to relevant contemporary thinking on the issues.

Andy Thornton is chief executive of the Citizenship Foundation

Acceptable Behaviour is available from: www.ipsos-mori.com/researchpublica-tions/publications/

Charity shops buck the recession

RESEARCH SHOWS THAT SALES AT CHARITY SHOPS ARE AT AN ALL-TIME HIGH. HANNAH PREVETT FINDS THIS TREND MAY BE HERE TO STAY

There have been many casualties of the recent financial crisis. Businesses have fallen by the wayside in their thousands, leaving empty shops to haunt the UK's high streets. And the tide shows no sign of turning just yet: according to Deloitte, in 2011 some 183 retailers fell into administration, compared to 165 in 2010 - an 11% increase year-on-year. But one group of retailers have risen victorious from the ashes - charity shops.

Research from the Charity Retail Association (CRA) shows that sales at charity shops in the UK were at an all-time high of nearly £1bn last year, with £30m more spent in the stores than in the year before.

And the charities' own figures back that up. At The British Red Cross, profit was up by £1m in 2011, which correlates to 21% growth on the previous year. And at the British Heart Foundation (BHF), the organisation generated an impressive £31million profit from its retail activities, up 20% on year-ago figures.

So what's behind this surge in demand for charity shop wares? Some would argue that it's common sense: a recession means there are less people spending and those who are still parting with their pennies are looking for better value.

Vintage trend

But Mike Lucas, retail director at the BHF, says it goes beyond cost: "We are attracting different customers than we were a few years ago," he explains. "This has been influenced partly by the trend for vintage clothing."

It's safe to say that the BHF has been bullish in its strategy to take advantage of the renewed appetite for second-hand goods. Apart from its traditional high street shops offering clothing, entertainment and general bric-a-brac, it identified an increase in demand for used furniture and electrical items.

The charity now has more than 150 stores to serve these customers, with 33 new shops opening in 2010, 22 in 2011 and 30 by the end of this year. The popularity of these products rests not entirely on price, but convenience too. "If a customer sees an item in one of our shops today, they could have it in their house tomorrow. Most furniture retailers can't offer that," continues Lucas.

The interest in pre-used, but high quality furniture, is also driven in part by the fashion for so-called 'shabby-chic' items, says Marisa Haines, retail division manager at Dove House Hospice. "I think people are realising they can find treasures in charity shops," she says. "And as well as looking for interesting pieces for their own homes, thanks to antique shows on TV you've also got people looking for bargains to resell and make a profit themselves."

Hull-based Dove House Hospice is a good example of a charity adapting to cater for the changing needs of its customers. As it doesn't have the cash reserves of the larger national charities, it has to get a little more creative to generate more business opportunities.

Technology sales

Many of its current projects are technology based, rolling out a Cybertill solution to take full advantage of the Government's Gift Aid scheme, for example. "We really had to push to make every single item worth that little bit more. An additional 25p for every £1 is a substantial amount for a local hospice," she says.

Other efforts to drive sales are also

The changes in shopping habits of the UK consumer may have been driven by the economic climate, but charity shops are here to stay

Matt Coggan
JRA Research

enabled by technology: the hospice sells books on Amazon and items on ebay as well as through its own website. It is also launching a dedicated bridal site to complement a bridal store in Beverley.

That's not to say it's not expanding in bricks and mortar too: a dedicated vintage and retro store will open in July, followed by a 3,000 sq ft 'superstore' in the autumn, taking the number of shops to 33.

But Haines remains unconvinced of the merits of 'the opening a store a week' strategy of some of the nationals: "As high streets are dying, they are getting flooded with charity shops, which can take the edge off what we're trying to do."

And she isn't the only one concerned about the growing presence of charity outlets on the nation's high streets. Richard Dodd of the British Retail Consortium (BRC) says that "charity shops are a perfectly valid part of the overall mix," however "what any given retail location needs is a suitable variety of retailers, to make it a place customers feel is worth going to."

And while a higher vacancy rate (it currently stands at 12%, according to the BRC) might mean lower rents for charities, 'empty premises aren't a good thing for anybody,' says Dodd. "It can create a downwards spiral where more shops fall vacant and fewer people want to go, therefore jeopardising the existing business."

Charity competition

The other difficulty with the proliferation of stores and an increase in demand, is keeping on top of supply. The CRA research found that people are less likely to give away used items, with one in six people saying they have begun selling their unwanted clothes, rather than donating them.

And with less donations forthcoming, competition between charities is fierce. "As more and more charity shops have opened across the UK, there has been increased competition for quality donated stock and we have worked hard to maintain stock levels," says Sue Azzopardi, head of retail operations at Cancer Research UK.

Meanwhile, some charities, including Cancer Research UK and The British Red Cross, have worked with commercial partners to bring in stock. "Some people say it has no place in a charity shop, but with stock under pressure as demand increases, we have to be innovative and find new ways to get items on the shelves," says Paul Thompson, head of retail at British Red Cross. "A couple of high street outlets have given us products that would have gone to landfill, or have been disposed of some other way." In other words, everyone's a winner: the charity, the high street partner, the customer and the environment.

And long may it continue. No one can argue that if any sector is going to benefit from the current financial dire straits, it may as well be worthy causes. While prudence may pay off among the charities who have been reluctant to make bricks and mortar investments during the recession, the likes of the BHF continue to make hay while the sun shines.

But this is no short-term trend. As Gerard Cousins, director of retail and trading at Barnardo's, points out: "Charity retailing was here before the challenging economic [climate] and will no doubt still be here after".

Matt Coggan, managing partner at JRA, which carried out the research on behalf of the CRA, adds that "the changes in shopping habits of the UK consumer may have been driven by the economic climate, but charity shops 'are here to stay'.

"Consumers now expect to buy on promotion as a matter of course, and with their reputation for bargains, charity shops continue to be ideally placed to capitalise on this trend."

Hannah Prevett is a freelance journalist

Sector change and sector challenges

SIR STEPHEN BUBB **on his fear of the scrutiny deficit in Britain, the threat of an emerging "Forgotten Britain", and how third sector leaders must not forget their duty to beneficiaries to speak out for people hardest hit by the cuts**

Sector growth

2012 marks ACEVO's silver jubilee and 25 years since the association of third sector leaders was formed by a small group of charity CEOs as ACENVO.

Back in 1987 we didn't have the luxury of PCs or the internet, Margaret Thatcher was Prime Minister, the Pet Shop Boys were number one in the charts, and the vast majority of our public services were delivered by the state. How the world has changed. And how our sector has changed with it.

We have experienced astonishing growth over the last quarter of a century. During a period characterised mostly by healthy economic growth, we grew, expanded and matured. More people than ever before now benefit from the extraordinary work that charities and social enterprises do every day, in every community in the country. What's more, civil society has come to be recognised as the bedrock of good democracies and stable communities.

Over recent years however our sector like all sectors has faced huge challenges in light of the recession. And the third sector has been particularly hard hit with many charities facing a double whammy; a decrease in funding coupled with an increase in demand for our services.

So this then begs the question, what does society look like a decade from now? What will the environment we operate in look like in 2022? And what does this mean for our beneficiaries, our organisations, and us as leaders? I wanted to use the opportunity of ACEVO's silver jubilee to reflect on these issues and to speak to as many third sector leaders possible about what they are experiencing in these tough times . In mine and my teams discussions clear concerns and messages have come through.

Of course, some organisations are thriving, and are optimistic about what the future looks like for their beneficiaries. But the general picture is sadly far less rosy. Many leaders are making difficult decisions as to whether to cut services or staff. Whether to take significant risks and change the direction of travel of their organisation or continue with their existing strategy. What is most alarming however is the picture of society as a whole which emerged, one in which its tectonic plates were shifting.

The cuts have barely begun to bite and I fear they are clearly set to last not just for the period they have been planned for, but well beyond the current parliament too. On top of long-term demographic changes they will put yet further mounting pressure on resources.

Furthermore, they are being implemented in the midst of a growing scrutiny deficit. Power is being devolved to an increasingly local level; but that power is not being accompanied by greater accountability.

What we're seeing is a society in which 'haves' live increasingly parallel lives to the 'have nots' with many leaders expressing their concern that public attitudes are hardening, with greater suspicion of those who rely on publicly-funded support.

Understandably leaders are therefore extremely concerned about what this means for their beneficiaries, often the most vulnerable members of our communities, whose plight is worsening under the national radar. Rightly so.

The reality is that the result of these tectonic shifts means, we risk creating a "forgotten Britain" in the midst of one of the richest countries in the world.

That's why over 160 ACEVO members wrote to the Chancellor after the budget urging him to ensure there is far greater scrutiny of budget decision making processes going forwards, taking the most vulnerable in to account, either by increasing the responsibility of the OBR or by the establishment of a fairness panel made up of third sector leaders to influence decision making before budgets are set.

After the positive move by the Chancellor to reverse the tax cap on charitable donations last month we look forward to his response on this crucial issue for the sector and our beneficiaries.

ACEVO will also continue to bang the drum about the urgent need for reform of our public services. As one ACEVO member said to me, "spending less is not necessarily a disaster. But spending less and trying to do things the same way is". And we will be working with local government to draw up ways in which local authorities can help make 'responsible business' a reality.

Most importantly however amidst the storm we must never forget our duty as third sector leaders to our beneficiaries to speak out for the people hardest hit by cuts. For if not us, then who?

Sir Stephen Bubb is chief executive of ACEVO

Managing in a New Normal

A better sector

IAN THEODORESEN **says sector finance leaders have a unique contribution to bring to the table – not only in progressing the good work of their own charities, but also in using their skills to bring out the best in the civil society**

This is a time when financial leadership is needed more than ever in the sector. Ensuring financial sustainability has been, and will probably to some extent always be, one of the sector's biggest challenges.

However, faced with an incredibly uncertain and tough economic climate, reduced income streams and rising costs, the demands on charities, are immense and the role of the financial leader has never been so important.

Our recent survey, 'Managing charities in the new normal: a perfect storm', showed for instance that the question of merger is on the agenda for around 20% of the respondents, which is a significant increase on previous surveys.

The majority of charities (over 80%) stated that they had undergone some form of strategic review in the past twelve months with many being prepared to ask difficult questions about their position within the sector and the need to respond differently to the 'new normal'.

Importantly, two thirds of charities said that their finance team's engagement with the rest of the organisation had increased as a result of the recession.

Although, I do wonder where the finance teams in the other third are, and more importantly, why isn't it always like this? Our sector is in the middle of a major re-shaping right now which is testing the energy and competence of trustees and senior managers – and it's crucial that those with financial skills are around that table informing, advising and leading.

The charities that survive in these circumstances will undoubtedly emerge stronger for the experience, but we should not underestimate the scale of the commitment and the importance of the finance team's contribution that will be needed to do so.

The sector's finance leaders have a unique contribution to bring to the table – not only in progressing the good work of their own charities, but also in using their skills to bring out the best in civil society and keep Government focused on the force for good that the sector can be if it is sustainably funded and regulated in ways that enable and not hinder.

The scandals on charity tax and listed buildings arising from this year's budget were rather breath-taking. In categorically the worst budget for charities I have experienced in 25 years, the government achieved something that has eluded the sector since time immemorial – a unified response of protest that said simply 'you have got this wrong – Give it Back George'.

It was hugely distasteful to hear senior government ministers using the phrases 'tax avoidance' and 'charitable donations' in the same sentence. Drawing parallels between renovations to buildings used by charities when delivering their mission and Russian oligarchs building swimming pools in the basement of their Grade 1 listed houses was an equally unpalatable blunder.

I'm pleased that, for the most part, Government have listened to the sector, and recognised that these budget measures made little sense when at the same time seeking to create a culture of giving and a strong and vibrant civil society.

Although I would hasten to add that, while I welcome the additional funding to provide full VAT rebates on alterations for churches and other listed places of worship, the Government could go much further and retain the zero rating on listed buildings for churches and all charities.

However one thing that distressed me in particular over the past few months was the lack of understanding demonstrated by those engaged in the debates both in Government and the media about precisely how the system works at present; the inaccuracy of the numbers, assumptions and calculations bandied around in the Government's own proposals makes me wonder quite what was going through officials' minds when compiling this year's budget.

The sector's finance professionals have a role to play, to champion these issues within their own organisations but also on a wider stage. Together we can develop policy measures and models that work for charities and are supportive of the sector – that tackle the irrecoverable VAT burden on charities, solve the pensions issues, improve models of procurement and commissioning and so on. At CFG we work to bring that unique finance perspective to the table and I am convinced that together we can make this a better sector.

Ian Theodoreson is chair of Charity Finance Group and chief financial officer at the Church of England

Charity Fundraising Complaints

ALISTAIR MCLEAN **says despite some of the headline figures, it is important to note that the level of fundraising complaints when compared to levels of fundraising activity, tells us that the general public is largely happy with how charities fundraise**

A rise in complaints

Take a cursory glance at the FRSB's 2011 Complaints Report and you may be forgiven for thinking that we Brits are a nation of complainers. After all, charity fundraising complaints have shot up from 18,442 to little under 31,000 over the past year. But, an increase of two thirds – though notable – is not particularly worrying against a backdrop where charities increased their fundraising activity by over 140%, making more than 9.6 billion asks over the year.

Delving a little deeper, we can see that charities' increased investment in advertising has fuelled much of this rise. Possibly linked to tumbling advertising rates, billboard, radio and TV advertising have all seen a hefty rise. In fact, when it comes to billboards, charities reached more than seven times the numbers of potential supporters last year than in 2010.

And, since advertising attracts the lowest complaint levels of any media, this has meant that the overall ratio of complaints to fundraising activity is even lower than the previous year, falling from 5 complaints for every 10,000 contacts to just three. So, if complaint levels are respectably low, how much do they really matter?

I believe information about fundraising complaints is crucial. Not only is it key for the charities about which concerns are raised, but from the many organisations that haven't received a single complaint themselves. After all, it is said that behind every complaint, there are another 20 unhappy members of the public who just can't be bothered complaining and some just might walk away. From our perspective, the people we speak to don't want to complain, they know the charity is doing good work and they often feel guilty about raising concerns.

But, their concerns are real. These views give the sector the chance to recognise and anticipate problems, improve their fundraising and, where necessary, to fix things. We know that over 70% of all complaints relate to direct mail, telephone or doorstep fundraising. This doesn't necessarily mean that charities are doing it badly or making mistakes, often it is simply that the public doesn't like being approached that way. But, more often than not, the things that people are unhappy about are the frequency of solicitations and charities' use of data – issues that every charity can easily do something about.

When it comes to the frequency of solicitations, think not only about the number of times a donor is mailed by your charity, but the number of letters, emails and charity bags from all charities that arrive each week. A complaint is often triggered by one out of many approaches and may simply be the final straw. Charities must think carefully not only about their own fundraising programme, but the other asks that supporters will be exposed to on a daily basis, both charitable and commercial.

This year's findings shine a spotlight on email fundraising, about which complaints have almost tripled, against a relatively low activity increase (25%). In fact, emails are now the fourth highest area for complaints overall.

In the past, consumers have been relatively open to being approached by email and at the same time, it suits charities. Email is low cost, quick and easy to deliver. Perhaps we use it too much? Feedback from supporters suggests that their approach to email is changing, many feel inundated by the sheer volume of messages in their inbox.

Nearly one in four email complaints relate to data protection. How did the charity get hold of their email address? Why is the charity emailing them? Who will they share the email address with? Charities and suppliers alike need to ensure that the same thought and attention is given to the use of an email address as a donor's telephone number or postal address. And, with all of these methods, care must be taken to ensure accuracy of donor data. More than 2,500 complaints are attributed to inaccuracies, most of which could be avoided.

Having said all of this, it is important to note that this level of complaints when compared to levels of fundraising activity, tells us that the general public is largely happy with how charities fundraise. For a sector that relies on the public's goodwill and positive response to solicitations, this cannot be understated. The level of fundraising activity emphasises the resilience of the sector in economic instability. While markets suffer, charities have prioritised the needs of beneficiaries, working harder to reach out to supporters using a variety of techniques.

Alistair McLean is chief executive of the Fundraising Standards Board

The lessons of the charity tax

Government policy

After the charity tax cap debacle, SIR STUART ETHERINGTON **says the Government must reset its relations with the charity sector and collectively we must all move forward**

At the end of May NCVO received word from the Chancellor's office that he was planning to announce a full U-turn on the 'Charity Tax' issue. In my experience it's a rare treat in public policy to be able to claim an undisputed victory and the sector should be applauded for coming together to fight against this potentially damaging proposal.

However, now that the dust has settled, it's important to consider the implications of the original decision and the lessons we can learn from our campaign and eventual policy reversal.

The so-called 'Charity Tax' came out of the blue, not only for the charity sector but also for some key figures within Government. Reportedly the decision was made late in the day as negotiations between the coalition partners progressed.

It was clear from the outset that this decision had been taken with little consultation with the key departments normally heavily involved in any policy changes related to giving.

The Chancellor, convinced by evidence that those at the top-end of the income scale were paying less tax than those at the bottom, agreed to introduce a cap on previously unlimited tax reliefs.

Crucially for charities and social enterprises, this would include the relief available through Gift Aid as well as other measures relating to social investment.

We can only speculate as to why this decision was taken. It's easy to understand the attractiveness of a proposal which aims to level out the amount of tax paid between the rich and the poor. The argument eventually made by the Treasury in defence of the measure – everyone must pay tax – is almost impossible to counter.

The key point, missed by most commentators in this debate, is that the money donated is given for public benefit and no private gain is taken by the donor. Additionally the negative implications for the charity sector could not be ignored.

Already struggling against falling income, increasing costs and rising demand it is a simple fact that the charity sector would have felt the sharp loss of over £500million a year had this proposal gone through.

The Give it back, George campaign was a straightforward response to an unfortunate proposal. I'm grateful to colleagues at CAF and the Philanthropy Review for their wisdom and energy in helping us to direct this campaign.

Of course, there are differences of views about the tax system, but membership organisations like NCVO must stand up to proposals that could have a drastic impact on sector income. For us, this campaign was not about defending the rich, but about defending the income of charities large and small.

Some will argue that the media spotlight on this campaign has shifted perceptions about 'charity' itself and that the charity brand as a whole has suffered by association with the richest in our society and their personal tax affairs. However, I firmly believe that the 'Charity Tax' issue leaves us in a much stronger position than before.

The campaign itself brought together some unnatural bedfellows. From cathedrals to cats, museums to medical research it is hard to remember the last time the charity sector coalesced so uniformly around one issue. We have learnt that our voice – as a sector – is louder when we speak together.

It is so often adversity that prompts organisations to overcome their differences and corral around a simple message – like Give It Back, George. I hope to see that deployed successfully around other issues in future.

On their part, the Government has shown that it is willing to listen to reason. The Chancellor was quite rightly lambasted by many for taking this decision and it is only right that we should applaud him for reversing it – a difficult experience for any politician. However, there are a number of lessons the Government as a whole must now take on board.

The experience of the past year has shown that developing policy without engaging the expertise of charities leads to ill-thought out measures. Charities must be engaged fully in the earliest stages of policy making.

This is crucial time where the Government is pursuing a radical reform agenda across a range of issues including health, education, welfare and justice – areas where charities have so much to offer. The Government must reset its relations with the charity sector and collectively we must all move forward from this.

Sir Stuart Etherington is chief executive of NCVO

Social finance and social investors

HARRY HOARE **argues that social investment promises more money to help charities and social enterprises scale-up the good work they do and boost the level of investment into organisations striving for social change**

Social investment potential

Local authorities are facing unprecedented challenges in delivering social welfare amidst a climate of austerity and a growing need for more social services. It would be a missed opportunity if local authorities did not consider the potential of the social investment market and its promise to transform the funding of social programmes for the better.

The ingenuity of a social investment approach is that it offers Government the chance to finance innovation which it might not otherwise investigate and only pay if the service is successful. This means we test more preventative programmes and drive progress. Government pays only when programmes improve agreed outcomes such as reduced reoffending or long-term recovery from substance abuse.

It is important to recognise the importance of – and limitations to – grant funding and ethical screening to understand the problem social investment tries to solve. There are many valuable programmes that do untold amounts of good but which can only be funded through grants.

Social investment is about funding those programmes that are sustainable because they produce social and financial results. It's about bringing business principles to bear on social organisations to open up access to a vast array of potential new investors.

Many charities and social enterprises face serious financial challenges that stop them from carrying out their work effectively. We believe that, if social problems are to be tackled successfully, organisations seeking to solve them need sustainable revenues and investment to innovate and grow. Social investment promises more money to help charities and social enterprises scale-up the good work they do. It promises to boost the level of investment into organisations striving for social change.

Its most ardent supporters believe it could significantly reduce social problems caused or exacerbated by a lack of preventative spending. There are growing numbers of trust and foundations, high net-worth individuals,mainstream banks and institutional investors who would like to make social investments. The primary motivation of social investors is to build capacity for greater impact. The first social investors include Charitable Trusts and Foundations, often with a good reason for wanting to develop the social investment market or with a particular interest in tackling the underlying social problem. As social investment products develop a track record, they will become more attractive to mainstream investors such as pension funds and – eventually – the social impact ISA might be available from your local High St bank. These investments aren't complex exotic derivatives – they're investments to fund service providers to help vulnerable children, ex-offenders and unemployed young people.

Social investment can be a particularly valuable means of supporting social purpose organisations and can do the following: fill a funding gap, meeting a need for capital to even out cash flows and provide a cushion against hard times; provide financing for innovation and growth, enabling the provision of more responsive services which might be replicated; and help build financial management capacity and management skills.

This new approach to funding drives a new way of working. By funding smaller, locally-embedded VCS organisations who work to rehabilitate offenders or support recovering drug addicts, social investment allows service providers to compete for larger payment by results contracts without the burdensome "working capital strain" (covering the cost of delivering services until payment). Social investment has the potential to bring service providers together to work towards common outcomes with increased flexibility. Done correctly, social investment contracts can give providers the space to operate as they see fit. Prescribing only outcomes gives providers the opportunity to innovate. This is a double-edged sword.

Innovation is inherently risky – trying something new doesn't always work. Government is reluctant to fund preventative programmes without a guarantee of success, considering what's at stake in social and financial terms. Social investment can bring new money to test innovative, yet risky, preventative programmes and pay only if outcomes are improved. By fostering innovation in preventative programmes we stand the best chance of transforming outcomes and driving positive, lasting change.

Harry Hoare is an analyst at Social Finance www.socialfinance.org.uk; twitter: @socfinuk

Inspirational leadership

In the modern environment, the charity financial leader needs to deliver business as usual. ROBINA CHATHAM **sets out the key attributes of an Inspirational Leader**

Transformational leadership

In the modern business environment, the charity financial leader needs to deliver business as usual through a strong transactional focus, yet, at the same time, enable change and innovation through vision-led transformational leadership. Success requires a form of ambidextrous leadership.

There are four levels of focus. As the leader of a service function you need to strike the balance between: first, service delivery – your license to exist; second, project delivery – your licence to thrive, third, contributing to business thinking – your licence to influence; fourth, transforming business thinking – your licence to decide.

The first, service delivery, is about getting the basics right, "keeping the books in order" that is, delivering a reliable and responsive service that addresses and serves the day-to-day needs of the organisation. However this also involves adopting a service-focus, a service mentality and building a service-oriented culture.

The next level, project delivery, is about responding to the future needs of the business by undertaking new work. This is your opportunity to show what you can do, gain credibility and begin to have a voice within the wider business context; it is the starting point for building trust, partnerships and supportive relationships. But you need to be constantly vigilant that you are not delivering yesterday's projects that meet yesterday's business imperatives that no longer exist.

Having mastered the two transactional levels you may have created enough trust and won enough credit to be invited to "contribute to business thinking". Don't ask what can we do? Ask what could be achieved if looked at with a completely different lens? Become the engine of innovation by asking better questions rather than looking for better answers to existing questions.

On the final level, transforming business thinking, you will have entered that elusive "inner sanctum"; you will be part of that small team shaping the future direction of your organisation. You will be valued, not for your financial knowledge, but for your deep understanding of your organisation as a whole and the environment within which it operates. In order to succeed in each of the levels above you will need to possess and demonstrate the five key attributes of an Inspirational Leader, these are:

Integrity – you must draw on your core values to inform the way you communicate and build trust. It is through honest and open communication that you can ensure your words and actions are always in alignment.

Empathy – you need to deploy empathy in your dealings with others; to exercise consideration, compassion and sensitivity. You will understand that committed action comes from engaging the 'heart' more than the 'mind'. Don't be frightened of emotion; it is the life blood of action. Appeal to and engage emotionally with your peers; emotions drive action and afford you trust, loyalty and respect.

Passion – if you link your words and actions to your core beliefs you cannot help but be passionate about what you advocate. Passion enlists followers and helps people to commit; but only when the passion is real, transparent and congruent with the espoused strategy.

Courage – understand that there is no such thing as low risk coupled with high gain. If you want the big prizes you have to be bold and take difficult decisions when others would prevaricate or seek further data. Learn to trust your heart and your gut and be prepared to challenge authority and accepted wisdom.

Vision – be clear that whilst your tactics may change to suit the prevailing situation your eyes are unwaveringly focused on a greater vision. Use your sense of vision to inform your decision making and anchor your actions.

Finally, you need to develop the three killer capabilities of Transformational Leadership. You will need to focus at least 75% of your time and energy to: communication, innovation and networking. Focusing on these three dimensions will help you imagine new ways of working and release the latent drive and power of your colleagues. You will build the trusting relationships you need to gain acceptance for your ideas and drive delivery. Through open, transparent and congruent communication you can inspire people to act upon your ideas and can build and sustain a better tomorrow for your organisation.

Dr Robina Chatham is visiting fellow at Cranfield School of Management and founder of Robina Chatham

Profile:

Tracey Bleakley, chief executive, Personal Finance Education Group

Making money matter

PERSONAL FINANCE EDUCATION GROUP HAS BEEN THROUGH A TESTING TIME AFTER FACING DRAMATIC CUTS TO ITS FUNDING. BUT ANDREW HOLT FINDS ITS NEW CEO TRACEY BLEAKLEY DEEPLY COMMITTED AT LEAVING A LEGACY OF YOUNG PEOPLE WITH THE SKILLS AND KNOWLEDGE TO MANAGE MONEY

After a major economic crisis and rising debts, the ability to manage money effectively after much mismanagement would seem a central tenet of societal progress. Personal Finance Education Group (Pfeg), an educational charity focused on equipping young people with confidence, skills and knowledge in financial matters, are ideally suited to fill a massive vacuum within education and wider civil society.

But like many charities, they have faced huge cuts at a time when their work is highly pertinent, especially, for future generations. Developments at the charity in recent times are indicative of the zeitgeist of severe salami slicing. Pfeg went from having an income of £2.5m in 2007 to £8.2m in 2010, to the post-cut picture of £1.3m this year.

"We have been very lucky to secure funding in the past and asked to deliver the National Financial Capability Strategy between 2006 and 2011. The funding came from the FSA and the Department for Children, Schools and Families, which stopped in 2010," explains Pfeg new chief executive, Tracey Bleakley, who joined her baptism of fire post in April. Both of the above groups were culled with the arrival of the Coalition Government and their monies went the same way.

But Bleakley is still very much focused on the charity's mission. "We have a simple message, and that is for all young people to have the skills, knowledge and confidence to manage money well, now, and in the future." Understandably, Pfeg believe the school framework is the best place to do this to maximize impact; and this should begin at the age of 4 and go through to the age of 19. "It is a fundamental building block for life," notes Bleakley. Pfeg has thus far worked with 2.6 million children spreading its message, are present in 88% of secondary schools and 54% of primary schools and trained over 10,000 teachers in England.

"We have been very good at working with government to explain the need, and also explain that we have a cohesive plan to sort out that problem." But that has changed since the dramatic shift in funding. A decision was taken to reduce the workforce by 75% so it could buy itself a future and more time.

Bleakley accepts: "It is a massive scale back. We had consultants working in schools to train teachers to help teachers facilitate lessons, and sustainable training, which we do not have anymore: we now have a support line, we have our internet site, we have our resources. We are tying to keep up. But we cannot finish the job at the moment. That is what I want to do." In a worse case scenario, the numbers show Pfeg can continue its work until 2015.

Fortunately the organisation planned for this eventuality. "We started looking for other funding sources and building relationships back in 2009, bolstering our ability to attract corporate funding." Pfeg have built partnerships with some big-hitting city firms including HSBC, JP Morgan, Santander and Prudential. "It is a case of building up those relationships, building up that funding, and having that sustainable path." And staying on that road, means constantly pushing its message. Pfeg are trying to put financial education on to the National Curriculum. Bleakley cites that 93% of parents agree it should be on the curriculum.

In a twist of fate, finance education was due to be part of the Education Bill way back in 2009, but dropped at the eleventh hour, because of an amendment on sex education, and bizarrely, finance education and sex education were bundled together under personal, social, health and economic education, scuppering in turn the plan to include finance education. "It is one of things when you work with policy," says Bleakley diplomatically.

Politically active

Given its subject matter, Pfeg has to be energetically politically active, pushing their message on a number of fronts. Just over a year ago Pfeg set up the All-Party Parliamentary Group on Financial Education in Schools, which now has support from 225 MPs and one of the biggest APPGs in Parliament with, importantly, cross-party support.

"The APPG has been very successful. We submitted a full report to the Prime Minister at the end of last year and as a result finance education is part of the curriculum review going on at the moment. We will not know until the end of that if we are going to be on the curriculum." The decision is expected any time soon.

But even if this is successful there is a whole new challenge with Academy Schools, as they do not need to follow the National Curriculum. "I think it is important to have a mandate from the Department for Education, whether they [Academy Schools] have to follow it or not." Moreover, Bleakley would like to see the UK opt-in to the OECD Programme of International Student Assessments (PISA) for financial literacy in 2015, to commit to monitor financial literacy.

Bleakley is extremely passionate about her mission, highlighting education in money matters is a vitally important part of modern society.

"Children are exposed to money very early," she notes. To back up her point, she cites some fascinating, if some what worrying, statistics: 90% of children worry about money every day; 98% of 11-18 year olds have money of their own; the average to start purchasing online is 10; the average to own a mobile phone is 8; over 75% of 7-11 year olds save, but by the time they get to 17 over half are in debt and 26% see credit cards and overdrafts as a way of extending their spending power. As well as that, student debt and youth unemployment is at 22.2% putting huge pressures on young people.

"The financial downturn of 2008 was largely built up on a framework of unsustainable levels of personal debt. In the UK we are sitting on £1.5trn of credit card debt."

So to say Bleakley has come in as CEO at an extremely challenging time externally and internally, is an under statement. Though she is thriving on the challenge. "I have come in at a point where there are so many opportunities. To help give all young people get the skills, knowledge and confidence to manage money well now, and in the future; the benefits to individuals, families, communities, society and even on a national level are immense – I'm not sure I could find a more satisfying challenge."

She then considers for a moment, and continues: "If I can do this, if I can get financial education embedded in schools, what an amazing social change. Leaving a legacy of young people with the skills and knowledge to manage money that is an incredible thing to do. We also have a fantastic team here as well."

Bleakley joined Pfeg as chief executive in April this year, replacing founder Wendy van den Hende OBE, and followed three years as UK director of MEND, a social enterprise running family community-based programmes to tackle overweight and obesity. She started her career as an engineering management trainee for British Rail, followed by a thirteen year career in management consultancy with Price Waterhouse, Accenture and ITV. She has a mechanical and electrical engineering degree, an MBA, and postgraduate qualifications in International and Social Policy.

Given her experience, does she think there should be more charity CEOs from a private sector? "You need a good appreciation of the third sector: the empathy, as well as strong business skills. So I think it is a great idea to make the transition from outside the sector. I think the sector is becoming warmer to that. But you need that social conscience and approach to come into the sector and evidence of volunteering is very important."

Bleakley also notes that the differences between the private and third sectors are not that stark. "There are a lot of similarities, more than people think," she observes. "One of the things the third sector has had to do in recent years is be more mindful of the link of what they are actually doing in terms of beneficiaries and where the funding is coming from. You cannot do projects until there are going to be funded. Charities need to become more like business." Given that, she expands on to what makes a good charity chief executive. "A charity CEO has three pillars: your fundraising and entrepreneurship; your strong operations, which need to be efficient and scaleable; and your political advocacy. You need all three. You cannot survive without one of them."

Going forward, and despite the cuts, Bleakley sums up her vision. "We need to embed financial education teaching skills into teacher training. We need to provide a range of continuing professional development methods from online training to telephone support to networking meetings; we are looking at a 'hub and spoke' model where Centre's of Excellence and Beacon Schools support and mentor feeder schools in their area. We want to extend our suite of resources, and make them easy to source and deliver. If we do not educate children in matters of finance we are not going to have informed consumers of the future."

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Philanthropy

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Photo by conservativeparty

George's big turn

Andrew Holt analyses the strange case of three avatars of George Osborne, his uncertain approach to philan thropy, and assesses the damage done by the cap on tax relief to charities

LIKE A surreal scene from Richard Brome's *Antipodes*, the world of UK philanthropy has been turned upside down. In 2011, it was a period of potential to plug into a vast, limitless brave new world of finance. This was epitomised by last year's Budget, when the cheery Chancellor George Osborne was enthused by what could be achieved by philanthropy. Generous George then spoke at the launch of the Legacy10 campaign to boost legacy giving, aimed at the 3% of individuals who die each year and are Inheritance Tax payers, with the campaign asking for charitable pledges worth 10% of peoples' estates. And the Philanthropy Review spiritedly called to action business leaders, philanthropists and Government to deliver an extra £2bn to charities.

Then another George came along. This George disliked philanthropy, or specifically a particular type of philanthropist; the really rich ones, and wanted to stop them, because they were a bunch of tax dodgers using their philanthropy to evade taxes and had to be stopped at all costs. By doing this, George spat in the face of the Big Society concept, with the spittle stained idea left to do nothing but retreat into the wilderness.

The second, Godawful George said he merely wanted to crack down on abuse by millionaires who set up bogus charitable trusts to dodge tax, and then channel their 'donations' back to themselves or their families. Godawful George aimed to hit these scoundrels by capping tax relief at £50,000 or 25% of income, whichever was highest.

Triple whammy

Not surprisingly, this left the issue of philanthropy and the Government's approach to it in a remarkably confused state. Understandably, there was an outcry from charities and donors who warned that Godawful George's measures would have a triple whammy impact: hit the most vulnerable in society, raise little additional tax, and damage the culture of giving. On the last point, the deep level of concern about the effect of Godawful George's decision was highlighted in a survey by the Charities Aid Foundation of 120 charity chief executives, revealing nearly nine out of ten top charity CEOs thought the cap on tax relief would hit donations from major donors.

But this became academic, when Godawful George reverted back to being Generous George, to what can be termed Generous George the Second, by dropping the cap on tax relief for charitable donations. Hopes had been raised in the sector after George abandoned his other budget plans for taxing pasties and caravans.

George's U-turn came just after Oxford Economics had revealed a potential £500 million a year drop in charity incomes due to the cap, costing between £1.2 billion and £1.5 billion in lost benefits to society. The study also found that falls in charity income due to the tax cap could also cost nearly 19,000 jobs in charities and the wider economy.

It has been suggested that the employment estimates here could be inflated, because university and major arts facility gifts (UK universities raised some £560m from philanthropic and charitable gifts last year) would have been hit by the tax cap, but would have had little effect on sector employment. But the sector can be forgiven a little over-exaggeration given the mounting anxieties Godawful George created.

Common sense

It was a pleasing end to a somewhat confusing narrative that bemused the most learned of minds. The sector applauded, and was delighted with, the Chancellor in equal measure. Sir Stuart Etherington, chief executive of the NCVO, called it: "A victory for common sense." But the whole debacle left the sector baffled.

Dr Beth Breeze from the University of Kent's Centre on Philanthropy, noted how George had developed a narrative that was ever changing and lacked focus. "In the ten weeks since this proposal was first announced in the March Budget, the mood music from the Treasury has shifted from insulting ("philanthropists are tax dodgers") to intransigent ("this will happen") and finally to face-saving ("how can we fix this without looking bad")."

And Caron Bradshaw, CEO of the Charity Finance Group, observed that sector organisations setting-up the campaign Give it back George, had contributed to a united sector front, something that is frequently lacking. "Often the sector is accused of failing to speak with one voice, however this is an excellent example of exactly how charities can come together to bring about positive change."

Although while much of the sector was united against George, there was some heavyweight disconcerted voices from some big charities, even if you had to listen carefully to their whispers and decode their statements. And Godawful George's decision had other curious bedfellows such as *The Guardian's* Polly Toynbee, who hailed the decision as "a brave tax reform".

Not that surprising, given Toynbee supports the public, not charity, sector first and foremost. The development of civil society and charitable organisations holds little interest to her as the statist approach she supports leaves little room for the sector.

Gareth Thomas MP, Labour's shadow charities minister, jumped in to warn damage has already been done by Godawful George. "This decision has already done considerable damage, and taken alongside huge cuts in government funding and contracts like the Work Programme not delivering the money for charities Ministers once promised, has been responsible for the toughest year in a generation for Britain's charities and community groups." Given a high level of political grandstanding here, how much damage has really been done? Alana Lowe-Petraske, a solicitor in the charities team at law firm Withers, offered a warning on the whole debacle: "It will remain to be seen if donors and charities trust this Government on philanthropy issues after the unfortunate way the proposal was handled."

The changes in shopping habits of the UK consumer may have been driven by the economic climate, but charity shops are here to stay

Matt Coggan
JRA Research

No endgame

This is a big and key question, and leaves the sector wondering how did it come to this? So where does this really leave the issue of philanthropy, as a much needed growing part of the sector and wider civil society?

Beth Breeze warns that while the Government's decision to drop the proposal is hugely welcome, the sector shouldn't get carried away in the euphoria of success. "We are now simply back to where we were the day before the Budget, when many of us believed there was a need for bigger and better charity tax breaks to further encourage giving.

"The status quo is a damn sight better than the proposed cap, but it is not the endgame. There is still a huge amount of untapped philanthropic potential in the UK, and efforts to build a more substantive philanthropic culture must be redoubled, however exhausted everyone is after this hard-won campaign."

The truth is what Godawful George unleashed cannot be easily put back in the box as if it never occurred. Breeze adds: "The damage caused by the cap fiasco cannot simply be undone by dropping the proposal. The damage was both fiscal and rhetorical, and for some donors that I spoke to, the latter was actually more significant.

"One wryly pointed out that philanthropy was 'the worst tax avoidance scheme ever', because it always costs more than the sums saved, and because donors often give of their time, contacts and expertise as well as their money - hardly the typical approach of someone seeking only to line their pockets."

A point reinforced by CAF chief executive John Low. "Tax relief on major donations is not tax avoidance. It is supporting major donations by people who in some cases are donating the proceeds of a lifetime's work to charity."

In this way the excessive language used by the Government to describe some philanthropy has been deeply unsettling for many philanthropists. "The intemperate language used by both the Prime Minister and the Chancellor, citing the existence of dodgy charities and equating giving with tax avoidance, has caused great offence to many donors and great harm to the efforts to position philanthropy as an aspirational activity for wealth citizens," observes Breeze.

Damage done

This is a deep concern. And it does seem a long time ago (where in fact it is only months) that calls were being made in the sector for the wealthiest members of society to take a lead in increasing giving by pledging to give at least 1.5% of their income to charity. Such moves have been slung to the deepest of back-burners.

It also shows that statistics from the Hope Consulting Money for Good research in the US in 2009/10 that US donors were willing to give $20bn more if the giving experience better met their needs, is nothing but a current pipe dream for UK charities.

At this point in time, it is difficult to fully quantify the scale of damage done by Godawful George. Breeze notes: "It's not possible to identify how many people will be deterred by this careless caricaturing of donors, nor is it possible to calculate the value of donations lost by people concerned their money will be wasted or their acts misconstrued. But safe to say the mountain to climb to get Brits giving on a par with Americans, has definitely got higher and steeper."

Cathy Pharoah, professor of charity funding and Co-Director of the ESRC Research Centre for Charitable Giving and Philanthropy Research at Cass Business School, notes the whole debacle should not unravel current relationships but reinforces the view that there is a big worry about future donor relationships. "The whole tax debacle is unlikely to damage existing relationships between donors and the causes they support, and the favourable tax environment that we still have, by the skin of our teeth, will continue to help make charitable giving a very attractive option for using your wealth.

"My worry is that the seeds of distrust that have been sown will make charitable giving less attractive to future donors, who may worry about whether they will be seen as genuinely benevolent or not. We still have a chwallenge to restore the battered image of giving. Government could help by bringing in an attractive new tax incentive, such as for lifetime gifts."

Andrew Holt is editor of Charity Times

WHO GIVES AND WHY?

Breaking down the amount given by individuals, the wealthiest top 10% of households give around one-quarter of the value of all donations with all groups in society giving, but the richer you are, the more likely you are to give. Over three quarters of ultra high net worth individuals regularly give to charity (JP Morgan Private Bank), with a further fifth (21 per cent) giving irregularly, and 50 per cent giving more than five per cent of their total net wealth to charitable causes.

Giving by the general public amounts to £11 billion (*UK Giving 2011*, CAF/ NCVO); legacies stand at £2 billion (Legacy Foresight); Gift Aid reclaimed by charities is £1.1 billion (HMRC, 2011); plus an unknown amount donated by very high net worth donors – a safe estimate is about £1 billion.

Why Give? There are many reasons cited for giving: faith; altruistic values and family example; concern about a cause; personal experience; sense of satisfaction; personal reward such as leaving a legacy through having the family or company name on a facility; a windfall; being asked, especially by close family, friends, associates. And of course, because they can afford to. When anyone gives several motivations are likely to come together.

NEW STUDY ON WHO GIVES? AND WHY?

Think-tank New Philanthropy Capital (NPC) is conducting a major study on what drives donors to give in this country. This is the first research of this scale in the UK and will include a survey of over 2,000 medium- and high-income households as well as in-depth interviews. *The Money for Good UK* study is being supported by the Pears Foundation, Oak Foundation, Bill & Melinda Gates Foundation and NESTA.

NPC says that by better understanding donor motivations and experiences, its research will improve giving in the UK, helping charities to engage better with their supporters. Dan Corry, chief executive of NPC, says: "This is a great opportunity to find out how charities can understand donors better and ensure they give them the information they need to inspire more giving.

"Understanding this is even more important at present as the state is clearly withdrawing from certain areas and civil society is being asked to pick up the slack. Working as we do with both charities and funders we see the real potential to transform how they work together to improve the lives of all those who benefit from the services provided by charities and social enterprises."

WHAT CHARITY LEADERS MADE OF OSBORNE'S CAP

The survey by the Charities Aid Foundation of 120 charity chief executives, revealed nearly nine out of ten top charity CEOs thought the cap on tax relief would hit donations from major donors.

Breaking this down, the survey revealed that 88 per cent believed George's decision would have a "negative impact on the value of donations from major donors"; 89 per cent said they were concerned about the implications of the tax relief cap on the charity sector; 82 per cent said the decision "will have a negative impact on the relationship between the wealthy and charities"; 78 per cent called on George to reverse his decision and 91 per cent said the Government should have held consultations before deciding on the cap.

Philanthropic relief

Cathy Pharoah argues as the level of philanthropy continues to be vulnerable to falling incomes, it is important to remind ourselves why our society has a system of generous tax-breaks for giving

TALK OF 'moving on' and 'drawing a line under the row' over the proposed cap on tax relief for charitable donations suggests the whole thing was little more than a lovers' tiff and it's time to kiss and make up. No doubt some would like to see it like this, but the reality is that the row over the cap had repercussions which went way beyond the sector and the Government, drawing in the press, major donors, the general public and the Charity Commission.

In fact, the proposed tax relief cap emerged as a blunt tool to address an ever-increasing range of public policy issues, from social welfare and justice, tax and charity regulation to fiscal policy and the most effective use of tax revenues. It had negative effects on the image of philanthropy, providing some of the disaffected with a further opportunity to outpour anger against the very wealthy.

It brought Polly Toynbee, long-standing sector supporter, out in support of George Osborne, writing "Every time anyone gives to charity the taxpayer contributes, willy nilly, with no public accountability..." (*The Guardian*, 17.12.12)

On the other side it cast a shadow over the generosity of those who give away much more than they ever receive in tax reliefs, many of whose peers give nothing at all. So it may not prove quite so easy to put the tax genie back in the bottle.

It is certainly a good moment to take stock. Firstly, the wrangling of the last few months has been a huge distraction from the old income tax relief chestnuts which are still with us – streamlining Gift Aid, making the new small donations Gift Aid scheme work well for the sector, complexities of the rules around substantial and 'tainted' donations, improving the operation of payroll giving.

Poverty of data

And additional fall-out from the cap debacle can already be seen. Sector lawyers are warning that individual charities may now face closer scrutiny from HMRC in its concerns about tax avoidance, and the Charity Commission is consulting about providing HMRC with details of late-filing charities, to enable it to adjust Gift Aid payments.

Secondly, the slate has not been wiped clean in relation to mutterings about dodgy charities, tax avoidance, unfairness in tax treatment and poor tax incentive effects, for which no evidence has as yet been put forward (let alone showing how a tax relief cap would have mitigated any of this.)

Thirdly, the debacle has exposed the poverty of data on levels of major giving, and on the impact of charitable tax reliefs, whether as incentive or on public welfare. The general outcry against the imposition of a tax relief cap does indeed bear witness to the importance of tax reliefs, but there is no empirical evidence, and as yet no plans to tackle the gap.

Finally, the emerging debate sparked off by initiatives such as The Philanthropy Review on gearing tax reliefs to increase the level of major giving to the sector has become completely derailed. As the shock-waves of recession continue to hit people, and the level of philanthropy continues to be vulnerable to falling incomes, it is important to remind ourselves why our society has a system of generous tax-breaks for giving.

Public benefit

One reason is that they are part of our pluralist society and an important plank of civil society, enshrining the principle that individuals should have some direct individual discretion over how tax revenues are spent.

This discretionary power leads to the application of such tax revenues every which way, and we may feel that general 'public benefit' criteria are not providing sufficient direction. The use of donations for Michael Gove's mission to provide schools with the King James Bible after this had been deemed inappropriate for public funding will be contentious to some, while others lauded it.

Perhaps charitable tax reliefs should be more targeted on poverty, social welfare and justice, and away from what Toynbee calls "donor whim". Without better evidence of their impact, both the sector and Treasury are vulnerable. But these are the kinds of debates we now need to have.

We have a strong system of regulation to ensure that donations are used for public benefit, and if there are any doubts, it is at this level that they need to be addressed.

Cathy Pharoah is Professor of Charity Funding and Co-Director of the ESRC Research Centre for Charitable Giving and Philanthropy Research at Cass Business School

Weathering the storm

Hugh Wilson highlights a sector in a state of flux, but also finds the sector's fundraising strengths put into action in the toughest of times

WHEN PWC, the Charity Finance Group (CFG) and the Institute of Fundraising released the first *Managing in a Downturn* report in 2008, many charity leaders may have assumed that four years later the worst of the downturn would be over.

That belief has proved to be optimistic. The latest report reveals a sector in flux, and continuing to face a 'perfect storm' of increased demand and reduced funding. It suggests a sense of uncertainty about the future, and a growing suspicion of the coalition government.

The stark figures show that 69 percent of charities that deliver a service experienced increased demand in the past 12 months, at a time when they have also seen a net reduction in income from all income streams. Most expect further reductions in income.

"I think many charities are on the edge right now," says Caron Bradshaw, chief executive of the CFG. "In terms of weathering the storm one of the things that really came through in the survey – in both the results and comments – is that it's the uncertainty that is the real challenge. Some are clinging on to certain sources of funding but uncertainty about the donor behaviour, public sector contracts, investments etc, are making it impossible to plan adequately or model future scenarios."

Sector disillusionment

There also appears to be a general disillusionment with Government. At a local level, uncertainly over budgets stifles long-term thinking. At the national level, the tax relief cap debacle has driven a wedge between the coalition and the charity sector.

"It's good to see that the government have listened (over the tax cap) but we'd really like there to be consultation before such policies are announced," says Bradshaw.

If charity leaders can discern a glimmer of hope in this gloomy picture it is in fundraising. That may come as a surprise, given that – according to the *Managing* *in a Downturn* survey – most fundraisers say it has become harder to raise cash in the past year and will be harder still in the 12 months to come. But many in the sector believe charities are rising to the challenge.

"It's amazing to see the sector's strengths put into action in these tough times; its resilience, its ability to adapt and be innovative and its leadership," says Sir Stephen Bubb, chief executive of the Association of Chief Executives of Voluntary Organisations (ACEVO).

"It's now when sectors leaders will really be put to the test. Leaders will need to be bold when making tough choices about the long term future of their organisations and sharp in recognising and maximising opportunities that the changing environment may present."

Sir Stephen believes one of the ways charities can maximise opportunities and make fundraising easier is to effectively demonstrate impact. He thinks it has never been more crucial for charities to clearly communicate why they exist and what they want to achieve, and how they are meeting their goals.

Communicating impact

To that end ACEVO, with others, published a set of impact principles in 2011 that gave guidance on how charities should communicate their impact, and what they should say to potential donors. Charities who best demonstate their impact will be in the best position to retain existing donors and attract new ones.

Nicola Tallet, director of fundraising and marketing for the MS Society, agrees. "We are proactively making sure that our supporters know how their donations will be spent and the difference it makes to people living with MS," she says.

Like many charities, the MS Society is making greater use of new technology to market themselves and their work to existing and potential donors.

"We have invested in our website and as a result found that we are better engaging with people on our forums, and through social media," says Tallet. "We are combining our messages: in MS Week this year we had viral messages, a new landing page, a direct marketing appeal, celebrity tweets and national press coverage. Our messages were integrated. This has much more impact than fundraising messages alone."

For the MS Society, necessity has been the mother of invention. For charities like Shelter, which see demand for services rocket in touch economic times, innovation has gone further still.

Tracy Griffin, Shelter's director of fundraising, says the perfect storm of increased demand, cuts to statutory funding and pressure on people's disposable income means the charity "needs to be constantly innovating in the way we are bringing in funds."

In Shelter's case, that innovation has included guerrilla marketing techniques to increase profile. It is utilising new digital methods to attract and steward donors like crowd funding and a new emphasis on mobile connected devices like smart phones and tablet computers.

It's now when sector leaders will really be put to the test. Leaders will need to be bold when making tough choices about the long-term future of their organisations.

Sir Stephen Bubb, ACEVO

Targeted messages

According to David Erasmus, chief executive of Givey.co.uk, an online donation service, utilising mobile technology can make charity seem personal, easy, and fun. Targeted messages and social networking allow donors to feel directly connected with a charity's work. Charities can give relevant, localised feedback.

Despite the confusion caused by the recent tax cap, then subsequent U-turn, the Government thinks it's doing all it can to encourage giving and, crucially, make it easier.

"We have introduced new incentives for giving, including new tax incentives and targeted match funding," says Nick Hurd, minister for civil society. "We are also backing new ideas through the Innovation and Social Action Funds, including new ways to give small amounts in everyday transactions like taking cash out, paying a restaurant bill or using a mobile phone."

New methods like these are to be welcomed, says Caron Bradshaw. Many charities are exploring the potential of online and text fundraising, she says, and are looking to benefit from the ATM giving scheme.

But she also has a word of warning. Charities have to match fundraising efforts to their requirements and resources, rather than blindly trusting in new technology.

"Things like online and text fundraising are very exciting and can work extremely well – although it's not entirely clear whether these always attract new donors or simply donations by a different vehicle," she says.

"Investing in this type of fundraising can be risky and the return on investment not clear from the outset. Sometimes it's about adapting things people do already to modern technology – so a great example is allowing people to collect sponsorship money and make Gift Aid donations online."

Nevertheless, Bradshaw, like others, is encouraged by the sector's proactive response to the continuing economic gloom, and cites the RSPCA's partnering with a phone company to launch its own mobile phone service as one particularly innovative example.

And for every charity, improved fundraising is one way to weather the storm. By making the most of new and existing methods, charities are doing all they can to retain existing donors and attract new ones.

Hugh Wilson is a freelance journalist

Joe Lepper finds that, within the seemingly defunct Big Society concept, the Government made welcome steps to encourage volunteer-ing, but that is only part of the story

A lost vision

LAST YEAR'S Giving White Paper attempted to put some flesh on the bare bones of the Government's Big Society agenda by outlining measures to support voluntary and local community groups.

A £10m Innovation in Giving Fund to explore news ways of encouraging volunteering and supporting voluntary groups was among key pledges as was a £1m investment for Youthnet to develop its online volunteering database.

But with public sector cuts decimating voluntary and community groups' budgets many in the charity sector are questioning whether the White Paper and the Big Society agenda are effectively redundant.

Civil Exchange's Big Society Audit, which was published in May, was particularly damning. This detailed £3.3bn of cuts to the voluntary sector up to 2016 with deprived areas, which are most reliant on council funding, the hardest hit.

Volunteer centres that support voluntary groups are also struggling financially.

According to Volunteering England's latest figures, council funding for volunteer centres fell by 12 per cent on average between 2009/10 and 2010/11.

Dan Sumners, senior policy and communications officer at Volunteering England, says: "Small voluntary groups can only go so far. At some point they will need business support or training. How are they going to access that if that support infrastructure is losing its funding?"

Key problem

In this regard, the reversal of the Government's proposals to cap tax relief for charitable donations is welcome, but there is a disjointed government approach to volunteering, through the Big Society, says ACEVO director of strategy Ralph Michell.

"The government is taking welcome steps to encourage volunteering, but they are yet to give a key problem the attention it deserves: what to do about the fact that some communities have less of a volunteering base than others. There is a clear correlation between deprivation and volunteering, and that link is not sufficiently reflected in Government policy."

John Drummond, chairman of Corporate Culture, a communications agency aimed at delivering social benefits, is even more damning of the Big Society, when taking as its central tenets volunteering and localism.

"The implementation of Cameron's so-called 'driving mission' has been an embarrassment. Remember, it was not just about volunteering. It was about three things: government reform and transparency; community empowerment; and social action. None of these have been achieved."

But the Cabinet Office's Office for Civil Society and organisations involved in Giving White paper projects are adamant the Big Society agenda has a future.

A Cabinet Office spokeswoman says voluntary groups are being supported to "adapt to reductions in public spending" through £107m worth of transition funding. The Government is also supporting the infrastructure of charities through a £40m package of funding, including the Social Action Fund, she says.

Community clean-up

Helen Goulden, a director at the National Endowment for Science, Technology and the Arts (NESTA), which is managing the Innovation in Giving Fund, says: "The fund has real value and is looking at helping local community and voluntary groups be more resilient when there is less money around."

Among projects Nesta is supporting is Spice, the social enterprise which is developing time credits, which reward volunteers with vouchers that can be exchanged with other volunteers or used to access leisure services.

Another is FutureCleanUp, which is run by Dan Thompson of Revolutionary Arts, who used social media to help organise a community clean up operation following last summer's riots.

FutureCleanUp has been handed £100,000 through the Innovation in Giving Fund to use similar social media techniques to organise voluntary activity UK wide.

Thompson said: "As well as using Facebook and Twitter we are creating an open source website full of resources which voluntary groups can take and tailor it to what they need it for."

Thompson says this use of social media is crucial to promoting volunteering among a new generation who have not volunteered before, in particular younger people.

Research by Third Sector Research Centre based on the 5,000 strong British Household Panel Survey between 1996 and 2008 found the over 60s were among the most likely to volunteer.

But Dan Sumners is concerned this digital focus in the Giving White Paper fails to do enough to encourage volunteering among "those who do not have 3G phones and broadband at home."

Volunteering opportunities

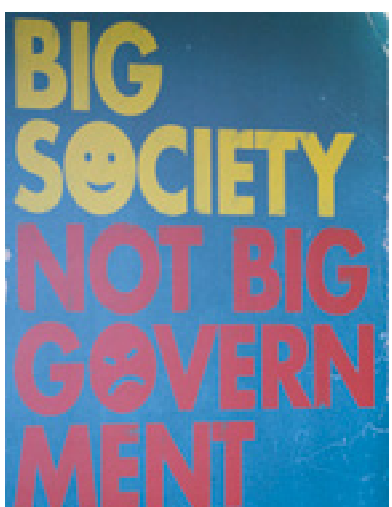
This is rejected by Olly Benson, who as head of projects at Youthnet is overseeing the development of its database, which has 942,000 volunteers and one million volunteering opportunities.

He says the database is available to a wide range of potential volunteers as it can be used in volunteer centres and libraries. Also Youthnet is working with NESTA to introduce a search function from next year to enable organisations with volunteering opportunities to contact suitable volunteers direct.

Another focus of the Giving White Paper is to encourage partnerships between voluntary groups and the private sector.

Urban Forum is working with the Centre for Local Economic Strategies in Manchester looking at how such links can be improved in Manchester. Successes include the Manchester Fort Retail Park offering space to voluntary groups to meet.

The Civic Exchange's Big Society Audit suggests that the relationship between small voluntary and community groups and the private sector is already strained, due to increased competition in public service delivery casting them as rivals rather than partners.



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The audit found "small, local voluntary and community organisations find it hard to gain Government contracts, as tendering practices seem to have an implicit bias toward larger organisations, mainly in the private sector."

Sumners says the Work Programme, where contracts to help the jobless find work and were largely won by private sector firms, is indicative of the rift between the private and voluntary sectors.

Sumners says: "Companies involved in the Work Programme are coming to voluntary centres and presuming they can access volunteering opportunities for their clients for free. In reality private firms have been given money that has been taken away from the voluntary sector. If they want help they need to pay for it."

Last year's Localism Act aims to further support small community and voluntary groups by giving them rights to bid to run community assets and council services as well as direct neighbourhood planning.

The Office for Civil Society is now considering a report it commissioned from Urban Forum to find practical ways to help voluntary and community groups take advantage of these new rights.

The Cabinet spokeswoman says: "In opening up the public service market the Government wants charities and voluntary groups to play a greater role in the delivery of public services."

But Sumners is sceptical the Act will give community groups genuine power.

"How can small community groups, who are seeing their funding cut, realistically compete with commercial competitors," he adds.

It is clear that the Government still has a long way to go before it can convince an increasingly cash strapped voluntary sector that the Big Society agenda and Giving White Paper initiatives will genuinely strengthen volunteering and give meaningful power to local community groups.

Joe Lepper is a freelance journalist

Big volunteers

Justin Davis Smith says to reach the goal of a society that is big enough to support itself, in which diverse individuals and communities come together, there needs to be investment to succeed

WHEN THE 'Big Society' emerged as a key plank of David Cameron's 2010 election campaign and subsequent programme for government, we, like many others in the sector, received it with some excitement and some trepidation.

On the one hand, emphasising the importance of people feeling "both free and powerful enough to help themselves and their own communities" was clearly to be welcomed. Such a feeling is at the heart of all volunteering, the sense that you are ready to do what needs to be done.

On the other hand, there was concern the Government was speaking without an appreciation of the high level and long tradition of volunteering in the UK, as if our society wasn't already 'big'.

At the same time, there were fears the Government was using the policy as a cover for spending cuts. Whilst we didn't share this analysis, we did see a lack of historical context to the push to deliver more public services by involving volunteers.

In *The voluntary tradition: philanthropy and self-help in Britain 1500-1945?*, I recounted how the voluntary sector at the end of the 19th century found itself simply unable to meet the scale of need in, for example, social housing, despite the efforts of the Peabody Trust and others.

Expanding civil society

When the calls for increased state action began, the voices of many of the leaders of the voluntary movement were the loudest.

Voluntary organisations, aware of their limitations, were therefore instrumental in the formation of the welfare state, something which has lifted millions out of poverty and provided them with the chance to realise their potential.

An understanding of these historical facts is necessary for anyone intent on strengthening and expanding civil society.

When the *Giving Green Paper* was published, we welcomed its emphasis on grassroots action, recognition that volunteering is inherently a reciprocal relationship, interest in stimulating informal volunteering, and moves to make giving time simpler and easier.

In particular, we welcomed its acknowledgement of the importance of properly resourced, good quality volunteer management.

Reduction in funding

However, the scale of the reduction in funding to the voluntary sector has dwarfed any aspiration to improve the volunteer experience.

In its August 2011 report *Counting the Cuts*, the National Council for Voluntary Organisations estimated that the voluntary and community sector is facing a reduction in funding of nearly £3 billion up to 2015.

As the report said, whilst the voluntary sector understands it must tighten its belt along with everyone else, cuts at this level "will significantly hamper the ability of organisations to support those most in need".

This was brought home for us when we analysed the results of the Annual Return for Volunteer Centres 2010/11. We found that funding from local government across the network had declined on average by 12 per cent, and this before the cuts had really begun to bite.

In addition, this decline comes at a time when almost half of all Volunteer Centre enquiries are from people who are unemployed and government is promoting volunteering as a route back into employment.

Key Government policies

Volunteer Centres also continue to be particularly effective at engaging with other sections of society that are targeted by key Government policies, such as young people.

Shortly after we published the report, we received reports from Volunteer Centres who had lost their core funding from the local authority. We are very concerned that this will lead to the fragmentation of the Volunteer Centre network and undermine the vital support they provide to the local community.

What this demonstrates is that at a time when volunteering is higher on the political agenda than ever, the funding unfortunately does not match the rhetoric.

This in a year when, with 70,000 volunteers helping run the London 2012 Olympic and Paralympic Games and tens of thousands more welcoming visitors and celebrating in their communities, the essential role of volunteers is clearer than ever.

We all support the goal of a society that is big enough to support itself, in which diverse individuals and communities come together to meet their own needs, but to reach that goal we need to invest for success.

Justin Davis Smith is chief executive of Volunteering England

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Back to basics

Times may be volatile, but charity investors should arguably have taken their seats for the next equity ride, notes Marek Handzel

BACK IN the days when Quantitative Easing was something that only happened in Japan and politicians in the UK still eulogised the Euro, charity trustees could rely on a steady income stream by placing the majority of their reserve capital in fixed interest deposits, picking up rates close to 6%.

Today, of course, the Bank of England has ruled out such luxuries, pushing more of the third sector to allocate assets into investments that can deliver a half-decent return. But with vast swathes of the developed world in the grip of a cancerous banking and sovereign debt crisis, picking the right places to invest in is daunting.

Which is why John Bearman, CIO at Thomas Miller Investment, advises that charities play a waiting game before they seek higher yields. Given the unprecedented financial crisis the world is experiencing, he advocates that trustees swallow very low or even negative returns on government bonds as a palatable side effect of protecting their assets.

Thomas Miller uses a number of indicators to judge the state of a country's economic health, using between 80-100 variables per major country. Their research has not thrown up any surprises (US and China looking on an upward trend, UK neutral, Europe negative), but it has suggested that their caution is merited.

"Short-term concerns are over-weighing the market at the moment," he says, making investment calls all the harder to make.

But, he adds, if a longer-term view is taken, then equities can look attractive. And for charities needing a new steady flow of income from somewhere, they can look positively irresistible.

Richard Macey, associate director, charities, at M&G Investments, is also drawn to equities, and far less cautious than Bearman. So much so, that it has shifted the way that the investment house treats charity investment.

"Traditionally, the first step (for us) is to look at a pooled fund of gilts and sterling denominated bonds for a charity investor then, in ideal circumstances, we might look to see if they would consider a longer-term interest in equities," he says.

"But people are now saying that we have come to the end of a 20-30 year bull run in bonds, and looking forward 5-10 years from now, on our valuations, we would argue that equities - in particular developed market equities - is where a lot of the value seems to be in terms of the yield you're getting at the moment,"

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says Macey.

In an ideal world, he says, charities would be willing to consider allocating an agreed portion of asset into equities straight away, but he recognises "what a difficult decision that is with the news that we see on the economy".

A number of managers agree with Macey, and like the look of emerging markets and Asia, in particular, despite recent jitters over growth figures.

The number of dividend paying companies has risen in the region to 80% from under 60% about a decade ago. Oliver Burns, director of private clients and charities, at Jupiter points out that this "culture of dividends" has grown so much that firms now pay out more than in the UK – and their share prices are growing faster than their Western counterparts as well.

It's not where, it's who

But in today's globalised world, picking stocks on the basis of geography or local macroeconomic policy is a dangerous game. As Charles Smyth-Osbourne, director and head of charities at GAM, says, the world's major companies operate on an increasingly global basis, so where they are listed is less important.

"European equities as an index have dived quite sharply this year, but some of those big companies in Europe have done very well as they have large exposures to the Far East, Latin America and other growing parts of the world," says Smyth-Osbourne. Which is why GAM and other managers now take a much more theme-based approach to equity investment.

This stance can also help investors gain from emerging market growth while circumnavigating some of the awkward governance issues and lack of shareholder rights that can exist in regions outside the G7.

The themes that Smyth-Osbourne talks of include infrastructure, power generation, vehicle manufacturing, and luxury goods; industries that are thriving in the developing world where demand is fuelled by rising living standards.

M&G's Macey says that picking winners in such markets is the key to growth at the moment.

Concentrating on companies that have a genuine competitive edge, is vital, he says: "So not only are the services/products highly regarded, but their competitors will find it hard or even impossible to replicate the skill or expertise that company has in that space. A good example of that would be Rolls Royce."

Currency concerns

Focusing on geography can also have an overly negative impact on returns, due to large currency variations, but could, in turn, lead charities back to UK-listed firms.

James Pike, director at JO Hambro, takes the investment house's current 'top pick' list of companies as an example. If someone where to invest in firms on the list, then they would find themselves with a top-heavy exposure to the US, where, he claims "a lot of the best ideas" can be found right now.

"That may be fine when the dollar is strengthening, but when the dollar is weakening, which it has been, then you'll have a big currency hit on your portfolio."

Perhaps the best way to counter this is to find a UK company in the same sector as for example, one identified in the US and pick that: "So if you don't want to be bumped around by currency you might be prepared to pay a bit more for a high yielding dividend in sterling. Currency will still affect you, but not quite as much as if you're in UK-listed shares."

Getting the right time

Times may be volatile, but charity investors should arguably have already taken their seats for the next equity ride. But this can be missed if concerns over macroeconomic policy and assessing which areas of the global economy are likely to fare better takes precedent over decisive action.

James Bevan, CIO at CCLA, warns that if a charity has determined that equities are the right asset class for them, then waiting for good news to be confirmed will mean missing out.

"The purchase price will likely be a lot higher than when the news flow is relatively sombre and investors are despondent. It is so much easier not being contrarian – but so much less rewarding – all the evidence is that long-term investment returns are significantly dependent on buying at low valuation levels," says Bevan.

"The is always a danger of buying yesterday's news rather than tomorrow's in periods of fear, and prices can fall to levels where bad news is more than fully reflected."

Marek Handzel is a freelance journalist and writer

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The importance of asset allocation

Oliver Wallin sets out what every charity needs to know when it comes to asset allocation

THE LAST twelve months have seen dramatic changes in fortune amongst the varying asset classes. The challenge for portfolio managers has been how to react, if at all, and how to adapt their portfolios to accommodate the short-term market environment whilst keeping the longer term objectives on track. The perceived safe haven of government debt (notably the bonds issued by the US, Germany and even the UK) has swung in and out of favour with investors, with equities on the other side of the see-saw. This has become known as the "risk on, risk off trade", and has provided the backdrop for most of the past year.

We are in a difficult period now where political intervention, in the form of large scale fiscal policy, has become the norm and is influencing markets in a major way. Such policy measures are unpredictable so aside from creating an artificial environment it also creates uncertainty and markets hate uncertainty.

As a result, it would be wise for all investors including charities and trusts to revisit their existing portfolios to ensure they are "fit for purpose" and capable of keeping pace with the fast-changing market environment.

First let's start with the basics. How you apportion your allocation to certain assets (how much equity, bonds, cash, etc) sets out the stall for the long term expectations for your investment portfolio. Our view is the best way to manage asset allocation is to break it down into two distinct approaches: strategic asset allocation (SAA) and tactical asset allocation (TAA).

The SAA policy of an investment is its long-term portfolio structure. As well as determining the basic mix of assets it also defines the expected returns and associated risk likely to be experienced by the portfolio. It could be something as simple as a 60%/30%/10% split between equities, bonds and cash. SAAs don't tend to change much and although they are based in the main on backward looking data (the historical performance of each asset class helps to dictate the right mix of assets going forward), they are usually reviewed on an annual, or ongoing, basis.

But markets have a habit of changing and constantly surprising you. Therefore a well managed active investment portfolio needs to be pragmatic, regularly questioning its long term SAA assumptions and always looking to position itself to benefit from the prevailing environment. The latter involves taking tactical positions against the SAA and is referred to as the TAA. The TAA takes a shorter term view, perhaps 3-9 months, and is defined by the variance a manager chooses to take against their SAA. Remembering that the SAA is the manager's informed road map determining the route and direction towards the long term objective, the TAA offers alternative routes, diversions and possible short cuts to help cope with any obstacles along the way.

Large scale TAA positions introduce big risks which have the potential to completely derail the longer term objective. That is why it is very unusual to see large TAA positions taken in portfolios.

Instead, a more calculated approach is often warranted using multi-layered diversification as a means to control short term fluctuations. By this we mean creating a portfolio that is diversified across asset class, geographic region, style, manager and structure which can tilt towards the more dominant theme. This exploits the environment without introducing unnecessary manager risk into the equation – the risk they may be wrong.

Investors looking to change their SAA based on the current environment should think long and hard about whether this is a prudent response.

At the moment we are at a turning point, when the future of the Eurozone and the Euro currency remains undecided. But there is no clear indication of which way things are going to go. For charities with long term objectives for their capital, an actively managed, multi-asset portfolio will come into its own. Broad exposure to a full complement of asset classes, including alternatives, geographic regions and investment styles offers the only free lunch in investment: diversification. This offers the ability to control risk and keep your capital on track to deliver on those long-term objectives. Once a portfolio is invested, however, the job is not done. Active portfolio management is required to steer the ship through the storm. Portfolio managers are going to have to work harder to ensure they deliver on their clients' long term goals.

Oliver Wallin is investment director at Octopus Investments. The CAF Managed Portfolio Service is managed and operated by Octopus Investments

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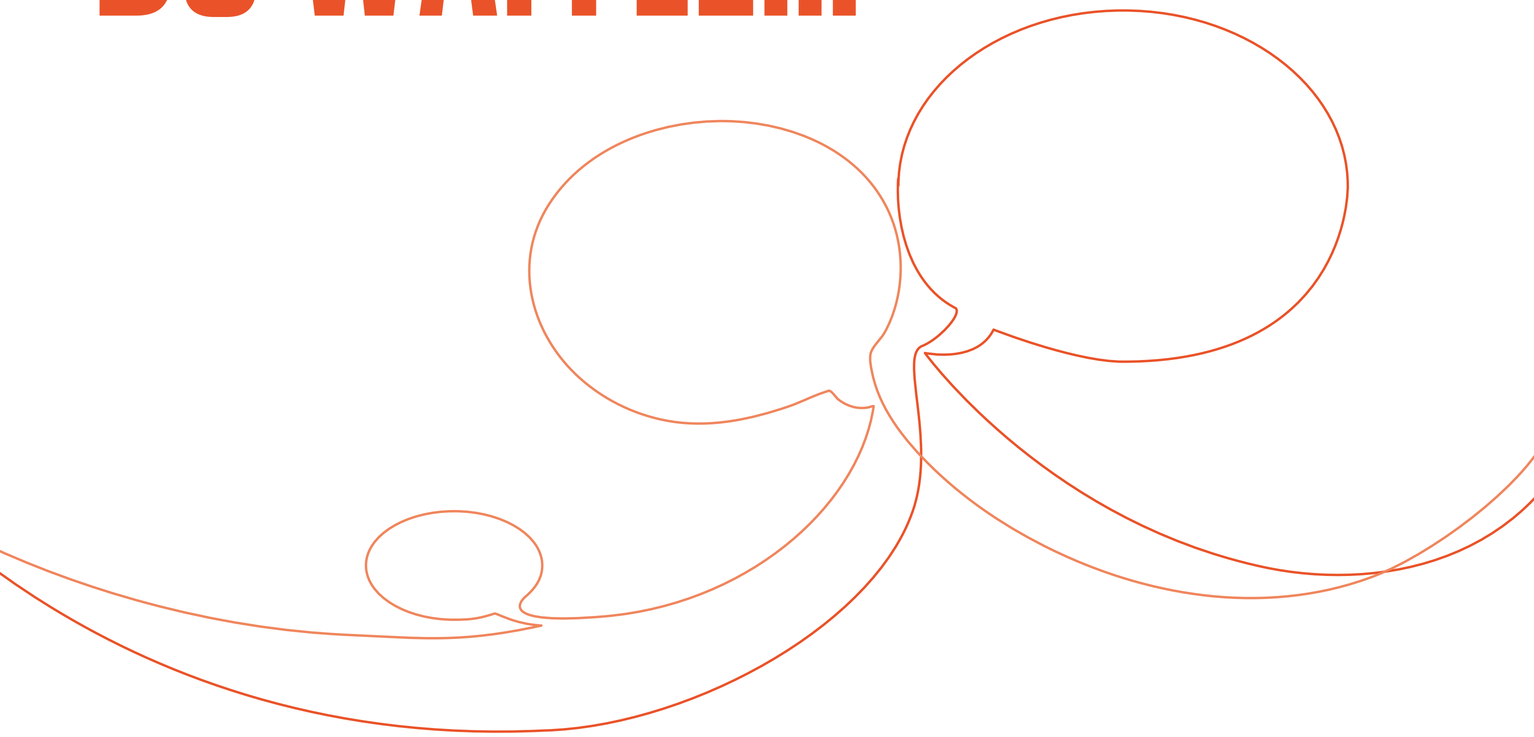

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Damage limitation

Elliot Lane highlights that charity fraud is on the increase, and the size and scope of a charity dictates the risk management approach it takes, but many factors need to be heeded, not least reputational damage

CHARITY FRAUD is on the increase and trustees are being urged to remain alert to potential threats, by placing more emphasis on risk assessment within their organisations. As the National Fraud Authority's (NFA) latest annual fraud indicator showed, fraudulent activity is costing charities' 1.7% of annual income, equal to £1.1bn of the sector's income for 2010/11.

The most common types of fraud were identified as payment fraud; fraud by employees or volunteers; and cyber fraud.

Criminals are becoming more sophisticated and those three areas of fraud, in particular volunteer and cyber crime, are having a knock-on effect on insurance premiums.

Public liability and employers' liability claims are on the rise and premiums are creeping up, according to Ecclesiastical Insurance. Specific figures are vague, but industry sources say double digit percentages are being added in certain areas of the sector, with between 10%-20% in these liability classes.

The campaign to tackle the bogus collection bags epidemic has dominated the agenda, with its focus on organised crime gangs infiltrating the volunteer and fundraising aspects of the charitable donation process.

By its very nature, the charitable ethos is to help those in need without placing too much judgment on the plight of the individual or group. In today's world, however, as Oscar Wilde commented "everyone knows the price of everything, and the value of nothing" and charities must take heed.

"Well-intentioned people are attracted to working within the charity sector, especially in the church, and they are very trusting," says Simon Arundel, Ecclesiastical's Fraud Manager. "Trying to get these people to understand their vulnerability in today's world is difficult. You are asking them to adopt the mind-set of the thief, which is not the way they think and puts them in an uncomfortable position."

Risk management frameworks

The size and scope of the organisation naturally dictates the level of importance risk management takes within an organisation. Larger charities such as Oxfam, Arundel says, will be applying "proper risk management frameworks" using a dedicated resource to assess and mitigate risk. However smaller charities must be vigilant to the consequences of any fraudulent attack which can be devastating.

"What the compensation culture has instilled in people is that a fraud, however minor in their eyes, is against the insurer, which will be hurt by paying the claim. But they don't take into account that this activity has a financial impact on the smaller charities, and can destroy them as a consequence of their actions," says Arundel.

A spokesman for broker Bluefin says that "at the small claim level, it's more the fraud of exaggeration than creating completely fake claims" which is where it sees the highest frequency of fraud.

Big issue

Contrived accidents, a major problem for motor insurers in recent years, has now crossed over into the charity sector. "We also have experience of charities where volunteers driving official vehicles have become victims of third party motor claim fraud. This is where victims are 'forced' into a motor accident by organised gangs. This is a big issue in the motor insurance industry anyway, but we have seen cases where charities and their volunteers have been specifically targeted in such incidents," says the Bluefin spokesman.

Specialist broker Ansvar has developed its Charity Connect range to cater for every size of charity but also to cover all aspects of its activities including fidelity guarantee, professional indemnity, legal expenses, loss of reputation and trustee indemnity. Insurance cover in all these parts of the business could be triggered if the charity is affected by internal or external fraud.

Reputational damage is often forgotten as the destablising by-product of fraud, in particular against a charity's own trustees or staff. Insurer Hiscox is conscious of the potential damage a fomenting incident, amplified by adverse media attention, can do to a susceptible charity. It offers in its professional indemnity policy aimed at trustees up to £25,000 to cover crisis management and access to specialist PRs, such as Chelgate, in regard to this policy.

Employment law has become another problem area. Charities are failing to follow the correct employment procedure when engaging transient or migrant agency workers, leading many to be exposed. "This has become a major political issue because charities must spend more time trying to detect, at the initial employment stage, whether the applicant has come forward with illegal intent," says Arundel.

Charity guide

In June this year, the Charity Fraud Group published its long-awaited guide for charities on how to combat fraud (www.cfg.org.uk/resources/Publications/cfg-publications.aspx). It has been highly praised by various groups, including the NFA, for digesting the plethora of guidance tips and advice into a handy, eight point brochure.

Sam Younger, CEO of Charity Commission says: "This charity sector-led approach is a really important step towards ensuring every charity trustee board makes tackling fraud a priority. We hope that this new guidance will help trustees take real steps to minimise the risks posed to their charities, and in turn protect both the sector and the public's trust in it...Charities don't need to be a soft target for criminals if trustees put robust checks and balances in place."

Elliot Lane is a freelance journalist

A TRUSTEE'S VIEW OF FRAUD

Joanne Smith, chair of the Trustees of Fighting All Cancers Together (FACT) tells Charity Times how she fights fraud and instils a risk averse culture

"We are aware of people collecting door to door - especially clothes bags - who do not represent the charities they say they do, or do not pass on all of the donated goods. As this is a huge problem, FACT does not collect door to door for anything - money or donations for the shop. We collect donations from people's houses, but by appointment so that they know it is definitely one of our representatives, who carry ID.

"Planning is key: good record keeping, volunteer checks and references are all vital to ensure you have reliable, honest representatives. Also good office systems, recording activity and finances to ensure a clear picture at all times.

"Events such as our up coming WIGWALK in September involves a detailed risk assessment. This includes the production of materials in relation to the event being appropriately produced to minimise fraud risk. The risk assessment also involves making sure the charity's policies and procedures are up to date to ensure a safe, well organised event."

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RISK MANAGEMENT TIPS FOR CHARITY TRUSTEES

Organisations must keep good records of events incurring, both financial and operational on risk-related issues such as health and safety and employment.

Payments must not be made without dual signatures and restrict the level of accessibility and flexibility within the finance process. Smaller charities should be aware that a lack of segregation of duties can put them at risk.

Trustees should have a fraud response plan to contain and discover the fraud. The Fraud Advisory Panel has a free factsheet which can be downloaded from: http://www.fraudadvisorypanel.org/pdf_show_138.pdf.

If an incident takes place, always take copious notes of what happened and to whom. Keep thorough notes of interviews and take photographs. These should be kept safely stored away in a secure place. This is especially prevalent in abuse cases, where the investigation may take years before heading to court.

Ensure the right people within the organisation are speaking with each other. For instance in larger charities, individuals responsible for security or IT are not responsible for purchasing the insurance. However they should all be involved in the process to ensure all potential risks are taken into account.

Contact the insurer/broker when an incident or issue arises. Even if you think it is a minor problem, both brokers and insurers will appreciate a heads-up if a claim is made and can also advise on best practice.

Insurers will expect large charities to have implemented a robust risk programme and an update-to-date risk register kept by a designated individual. For smaller charities the advice is find or employ an external risk manager or train a specific individual in risk management.

Employment law is changing all the time. Trustees should educate themselves in the law and keep abreast of any legislative issues that may arise. Good advice sites are http://www.businesslink.gov.uk and when employing foreign nationals http://www.ukba.homeoffice.gov.uk/business-sponsors/preventing-illegal-working/complyingwiththelaw/

Fraud, theft and insurance

Simon Fell argues charities adopting thorough risk management will reduce the likelihood of suffering a major loss

AN INCREASING number of charities have been victims of fraud. The perpetrators may be external, but more worryingly the majority of fraud cases involve employees, managers or even trustees.

The National Fraud Authority estimated that charities in the UK lost £1.1 billion to fraud last year.

Markel Insurance started the year by releasing information that more insurance claims for fraud were being reported than ever before. These thefts are not minor, small change, shortfalls. The amounts of claims run into hundreds and in some cases thousands of pounds withdrawn from the organisation over a number of years.

It is highly unlikely to be a new or very junior person. To be effective in hiding any theft, the people involved need to have a greater awareness of the organisations' systems and procedures. Thus people involved in the thefts continue to be those in positions of trust.

In Markel's experience the majority are also employees/directors who have been involved with the organisation for some time. Typically, the theft is only discovered when the guilty person is away on holiday or has left the organisation.

The recent high profile court case of the charity All Wales Ethnic Minorities Association (AWEMA) highlights that fraud can exist at the most senior level. The consequences can also be fatal to the organisation.

Misuse of funds by the chief executive and finance director attracted negative publicity for AWEMA. Negative publicity made continuing with charitable activities with vulnerable people difficult for staff and service users. In addition, public funding of the charity was terminated. Eventually the trustees were forced to call in liquidators to wind up the charity.

Careful management

Reputational risk is one that charities are very sensitive to. In many circumstances insurance is not able to restore a charity's reputation. It can take years of careful management effort to restore confidence in the charity after a fraud has been discovered.

Earlier in 2012 research undertaken by Baker Tilly revealed that even though fraud is a factor gaining press headlines, only 49% of charities surveyed had a coherent response plan to allegations of fraud

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or corruption. In addition, only 44% of charities interviewed recognised that the Bribery Act could have an effect on their organisation.

The Charity Commission has guidance available on their website (see their guide "Our strategy for dealing with fraud, financial crime and financial abuse of the charity sector"). The best way for charities to protect themselves is to ensure that have robust governance, strong financial controls and effective risk assessment and management policies and procedures in place. Insurance is still needed as any system is vulnerable to human frailty.

Handling risk

There are pitfalls to watch out for. Markel Insurance often find there is a different person responsible for handling risk management to the person responsible for placing the charity's insurance. In a lot of charities, someone carries out a detailed risk management assessment, then someone else buys insurance.

As a result, the insurance may not reflect all the risks the charity runs. Intangible risks such as trustee liability, management liability and fidelity cover are often overlooked. An insurance broker with experience in placing charity insurance will be able to help. Technical insurance knowledge is required to tease out the clauses and limitations of some insurance quotations. Often the cheaper quotations do not provide all the cover a charity needs. Using an insurance expert familiar with risk management in charities is a sensible approach.

Overall, the message is to be vigilant. Double check your procedures and review your audit process.

Adopting thorough risk management and insurance will reduce the likelihood of your charity suffering a major loss and have an insurer to support you at a distressing time.

Simon Fell is managing director at Markel UK

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Real Impact:
measurement, assessment, achievement

Andrew Holt chaired a fascinating debate that heard the views of leading sector experts on the issues and arguments surrounding impact measurement

Measuring impact has been described as an 'entrepreneurial process' that gives charity organisations power and influence, according to research from the Third Sector Research Centre. The process of impact measurement, like all research, involves discretion and judgement over what is measured and how. It allows though some organisations to take back control in what is often seen as an imposed activity.

Exploring the ideas and principles behind impact measurement, Tris Lumley cited a list of good impact reporting. "We have worked with a number of organisations, including CFG, the Big Lottery Fund and others that are about simple questions that organisations should be able to answer, if, they are going to achieve their potential.

"These simple questions are: what are the problems you are trying to solve; what are your goals and what are you trying to achieve; how do you know; where's the evidence and how do you learn and improve?

"So fairly uncontroversial questions. I think they also apply in almost every sector. Not just for the not-for-profit sector. They probably get more difficult to answer as you go through the list."

Back to basics

Expanding on these ideas, Jane Tully noted: "The important thing for charities is to go back to basics and look at their charitable objectives, core mission and aims..

"*The Principles of Good Impact Reporting* give charities a helpful framework for this. However, focusing on impact doesn't only help with reporting, it also drives effective management and good internal practices.

"Good management, especially of finances, and clarity of vision leads to better resource allocation, which

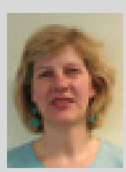
PARTICIPANTS AT THE ROUNDTABLE:

Bond chief executive, Ben Jackson

Ben joined Bond after two years as UK Director at Crisis Action, an international organisation dedicated to helping prevent conflicts and human rights abuses. Here he played a lead role in convening international NGO coalition campaigns to protect people caught up in crises including driving lobbying of key decision-makers and developing strategic relationships. He has 20 years experience in the public and private sectors.

New Philanthropy Capital head of development Tris Lumley

Tris leads on NPC's development, including business development, fundraising, partnerships and strategic initiatives. He has helped build NPC's research, charity analysis framework, measurement team and impact reporting approach, and now focuses on exploring and shaping new initiatives with charities, funders and government. Tris leads the Inspiring Impact programme.



Big Lottery Fund head of research and learning, Sarah Mistry

Sarah has been head of research and learning at Big Lottery Fund since 2004. She is responsible for a programme of research and evaluation to help BIG build its evidence base for funding interventions, understand its impact, share learning with grant holders and influence the policy and practice of others.

Before joining BIG she worked at VSO and the British Council.

Charity Finance Group head of policy Jane Tully

Jane manages policy, public affairs, research and good practice work for Charity Finance Group. She leads their work on campaigning for a better operating environment for charities and promoting excellence in accountability and financial management. Jane joined CFG in July 2011, having previously worked in both the voluntary and public sectors. Just prior to her current role, she worked for the Charity Commission.

ultimately results in a better outcomes for beneficiaries, something the charity can then confidently report back to donors and funders."

Ben Jackson noted that with the nature of his organisation, the power of collaboration is key and there is an issue of cost within that. "It is something of a balance between NGOs, charities, donors and beneficiaries to strike; evaluating properly takes time and money. Measuring what you are trying to achieve is inescapable. There is also a need, both technically, and at bigger policy level, for a grown-up debate on this whole area."

That is why, Jackson noted, collaboration works: pooling resources means not everyone is doing this separately and can substantially reduce costs.

"Sharing data can be sensitive, but also it means there are charities saying 'how can we learn from each other', and come up with practical tools which are doable."

Culture change

One of the tools Bond has developed in this process is on organisational effectiveness, already being piloted by 20 groups. "If the overall organisational machine is not functioning properly you cannot expect it to deliver projects," noted Jackson.

He also observed that information generated by improved evaluation systems will ultimately come into the public domain, which could become controversial as the media and public dissects the data and begins to ask questions.

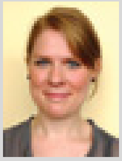
"But as a whole, greater transparency is something that should happen. The International Aid Transparency Initiative to improve transparency by development agencies is also driving this in the international development sector, and NGOs are now closely involved in this," added Jackson.

Moving with the collaboration point, Susanna Eriksson-Lee observed the need for a culture change within the sector. "There is no doubt that we need to continue to learn from what we are doing and to scrutinise our impact. A corollary of that is a very gradual change in culture, towards transparency and learning, and a shift in the dynamic in our relationship with our stakeholders."

Taking the debate on, Sarah Mistry offered a funders' perspective. "There is starting to be real momentum in charities recognizing the benefits and importance of measuring impact.

"And I would like to think that funders are becoming more careful in aligning their reporting and accountability requirements with what is useful and meaningful for those they fund.

"Funders and charities have the same goals. But there should be an awareness of the power funders hold in influencing charities' behaviour. We feel strongly that organisations should take that responsibility themselves: by thinking about impact, planning for it, understanding it, measuring it, learning from it and communicating it, they can ultimately have more impact for their end users."



Action on Hearing Loss planning and review analyst Susanna Eriksson-Leee

Susanna has been working as a planning and review analyst at Action on Hearing Loss for the last year and a half, where she has led the organisational approach to 'inspiring curiosity' about outcomes and embedding an outcomes culture. She is particularly interested in the question of how charities can find new ways of demonstrating impact.

Professor Fergus Lyon, associate director (Social Enterprise), Third Sector Research Centre

Professor Lyon leads the social enterprise strand of the Third Sector Research Centre and has been researching social enterprise issues for the past 15 years in the UK and internationally. Recent work has been focussed on how social enterprises can scale up in different ways and how organisations are currently measuring their impact.

Richard Pierce PS Financials managing director

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Collaboration model

Mistry also raised the issue of charities having to report on impact to multiple donors, presenting its own set of issues and burdens.

Overcoming this is a major challenge and not one charities can overcome on their own, warned Tris Lumley: "I would take fairly extreme view that attribution is almost impossible and to focus on it undermines learning.

"Because if you are trying to demonstrate 'it was us', then you have an incentive to claim as much of the impact you may have created and to ignore the part of other partners.

"If there is a real focus on learning, if funders are able to say we are interested in reaching this goal and funding you to reach this goal, that is a different situation from saying, show us how well you are doing individually to each of those organisations and then those organisations have an incentive to be economical with the truth."

Jackson indicated that it has taken many years of discussion and debate to acquire the collaboration model of evaluation his organisation has achieved. "Part of this is achieving trust amongst people and different groups. And there is a degree of reassurance through a collective approach."

He then suggested that fundamentally, it should be the outcome that is being measured. "But there is no shame in looking at outputs as well as outcomes if they are within a framework of sound analysis."

Is there a tendency here to move the goalposts to satisfy say, philanthropists, who want to see a real return on investment? "There must be that. It is about challenging the sector to show this," added Jackson.

"The other thing is what nature of outcomes: one of the things NGOs have been good at is the kinds of outcome that are not just about a number of say kids in school, so the challenge here is to show the impact in a different way."

Issue of benchmarks

Richard Pierce picked up on the idea of creating a benchmarking system of impact between charities, where some framework for comparisons to exist.

"What I am looking for is what organisations are looking to do with measuring impact. You can measure outputs easily and you can measure costs easily, but you cannot measure impact so easily.

"Benchmarks are good, but can be a double-edged sword, as there are lies, damn lies and statistics, and there are many ways they can be slanted. Great care would also have to be taken to make sure they are comparing like with like."

Eriksson-Lee responded that the debate about 'impact' needs first and foremost to be about outcomes. "Whilst the talk in the sector is about impact, charities are first and foremost grappling with understanding and measuring their outcomes.

"The whole issue of impact measurement goes back to proportionality and getting back to basics. It is about you being clear about what you want to achieve – your outcomes – and being able to measure them. And after that we can then start talking about impact."

Tully noted that benchmarks are indeed a doubled-edged sword. "It can be a dangerous one for the charity sector to latch onto. Whereas some organisations and service delivery agents such as Primary Care Trusts or local authorities work towards shared goals, every charity is unique and has its own objectives, goals, mission and values.

"So great care needs to be taken when considering benchmarks. But the creation of shared resource around themes areas, such as what Bond is doing is hugely exciting, useful and beneficial."

"What you measure is a small part of what is going on in terms of the effects and changes created by an intervention," added Mistry. "Some of the features characteristic of the voluntary and community sector, such as kindness, trust and care, are often not very easy to measure."

"Lumley added: "I think we do need to capture the extremes. You can ask people how they feel [about charities] as the quality of relationship is absolutely fundamental to charities and what makes charities different. At the other end, the cost per outcome dimension is also very important, enhancing better choices on how to spend money. If we can get to agreed outcomes we can start to do something."

Jackson added: "The data though can be misleading. But there are advantages to charity as a whole, especially with transparency."

Benchmarking does allow people to be braver about the data, noted Pierce. "Also, it is about what happens to the data," said Jackson. "We need better benchmarking," countered Lumley. "There are benchmarks out there and they are terrible. Administration costs, fundraising costs, these are things that people think are meaningful but are bad measurements."

Risk management

"Charities need to work together on this," observed Jackson. "As charities have let themselves get in a Dutch auction on this. It is the responsibility of the charity to go out and say they need to spend a reasonable level of money on administration and the like. So we need to have this conversation in a grown-up way."

"It is important to make sure that benchmarks are not then captured by the media and used in a wrong way," warned Tully. "There is a risk in how that is managed."

Lumley noted there are ways to deal with this: "You need a campaign here to speak out and be more robust, to say, 'here are the value of the things we do'. The difference between what the public think what charities spend their money on and the reality of the situation is a massive gap.

"And you have some public charities pretending they do not have much administrative costs. We do need to be grown-up, and for charities to stand up and say this is the value we create."

Bond has undertaken some cost analysis to begin the debate. "This will plan out what the different evaluation systems would be for different size of organisation. So we put some costs on this and what type of infrastructure you need, and what is realistic," said Jackson.

Eriksson-Lee noted this goes hand in hand with our approach to evaluation and to the question of who we think the evaluators are. "Are we talking about a central team? Or is every member of the team an evaluator? Everybody in the organisation in their different roles could be questioning and analysing the value of what they do and making Again, this goes back to culture." This latter element is a process staff at Action on Hearing Loss already embrace as part of their work, which works very effectively, noted Eriksson-Lee.

"Like any culture change you need committed visionary champions in the organisation to run with it," noted Lumley. Eriksson-Lee responded: "For us, we had real success through buy-in from all senior management and from the grass-roots; holding workshops with every team across the organisation and taking fun, interactive approaches to thinking about our outcomes.

"Getting staff involved in this process really helped harness interest in outcomes and unlock motivation and solutions to measuring it."

"Avoiding a top-down approach and not shrouding the idea in jargon is important. Start with the simple questions Tris set out in the beginning," added Mistry. "And funders need to take into account sensible adaptation over time, as circumstances change."

Tully noted: "Also, if you want to drive change like that, it takes investment and an upskilling in staff."

Pierce asked whether impact measurement could restrict innovation. "There is good research that shows process reduces innovation," said Lumley. "But at the same time, the impact measurement that we are looking at in learning supports innovation."

Concluding remarks

Summing-up, Tris Lumley remarked the sector, organisations and individuals are dealing with this issue as urgent, and barriers can be overcome, though it will take hard work and being clear on the aims and objectives.

"And there are technical issues. But these can be resolved and overall, the benefits outweigh the costs. And more the story gets out there and organisations share with their peers, the more the momentum builds-up. This is a genie you cannot put back in the bottle. It will help us all and help charities to focus on what they are there for."

Sarah Mistry noted that the Big Lottery Fund have been part of this since their inception and would like to think they have helped to embed an outcomes culture within the sector.

"We are now going further down that journey in the right direction. It is now about learning for improvement, as well as measurement for accountability. The goal should ultimately be about having more impact with measurement a means to that end."

Susanna Eriksson-Lee added that charities now understand that the debate is an opportunity to deliver more impact, rather than just a requirement for funders.

The challenge now is about finding appropriate ways to measure impact, and capture the often difficult to measure value that we add. "It is about not forgetting the human face of the charity."

Jane Tully noted the importance of promoting good practice as a means of driving up standards.

"Peer support and learning is crucial. Alongside that is the importance of investing in staff and systems to support the process. The value of focussing on impact as a tool for improving management and efficiency within charities should not be underestimated either."

Richard Pierce noted it is a double edged sword: the efficiency on one side with improvement and benefits and the potential negative impact on innovation on the other.

"I am very pleased that benchmarks are being set-up, as it will give charities the opportunity to be braver about providing comparative data.

Ben Jackson cited the exciting opportunities with the right leadership. "And this could reinvigorate, revision and refocus the sector.

"So seeing the importance of impact effectiveness driving the organisation, what the organisation is there for, with practicality impact for different types and sizes of organisation."

"Collaboration is very important to get that practical guidance and principles in place so charities can get on with it," noted Tris Lumley.

Summing up, Fergus Lyon said: "The roundtable discussion shows a range of experience that is being developed on measuring impact.

"The challenge is to see how organisations can find ways of selecting what approach to take.

"This requires them to work out what sort of information they want and how much resource they can put into it.

" I am also finding that lots of organisations are confused by choice of approaches so we have developed tools to help them make the choice"

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LOTHBURY Investment Management

Lothbury Investment Management Ltd

155 Bishopsgate
London EC2M 3TQ

Contact: Lucy Williams

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E: lucy.williams@lothburyim.com
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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.

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Quilter is the trading name of Quilter & Co. Limited, registered in England with number 01923571, registered office at St Helen's, 1 Undershaft, London EC3A 8BB. Quilter is a member of the London Stock Exchange and authorised and regulated by the UK Financial Services Authority.

Quilter provides bespoke investment management for private clients, trusts, charities and pension funds and has £8.1bn* in funds under management.

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**As at 31 March 2012.*

RATHBONES
Established 1742

Rathbone Investment Management

1 Curzon Street
London, W1J 5FB

Contact: Jenna McCabe
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E: jenna.mccabe@rathbones.com
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Rathbones welcome charity clients

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Sarasin & Partners LLP

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Contact: John Handford

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To advertise in the Charity Times Suppliers Directory contact **Cerys McLean 07766 662 610**

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Williams de Broë Limited

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**Figures from the Charity Retail Association*

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