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Larger charities helping smaller counterparts on impact measurement

The Great Rotation
Discussion about the so called Great Rotation from bonds into equities

Green Issues
The politics of climate change and its impact on civil society

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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

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Managing in a new normal

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Challenging days

UK charities have lost over £1.3bn in income from the Coalition Government as spending cuts have kicked-in, according to headline figures revealed in *The UK Civil Society Almanac 2014*. The data, drawn from charities' annual accounts, shows that income from government to UK's charities fell by nearly 9 per cent, or £1.3bn, in real terms, between 2010/11 and 2011/12. Fascinatingly, the figures show that government cut spending with charities at a faster rate than overall spending cuts (pages 10-11).

NCVO CEO Sir Stuart Etherington notes that going forward, the future will undoubtedly require sector organisations to find new ways to adapt, while remaining true to their principles. "Many organisations will need to re-imagine how they deliver services, engage with partners and volunteers, and generate income." This is very true. But also a major challenge for the sector.

The latest CFG, IoF and PwC finance survey was carried out in January and February of this year amidst, what was in relative terms, a more positive outlook and the Government's promise of economic growth. And with the economic indicators looking up, an increase in the levels of confidence was reflected in the responses; a full analysis of the report can be found on pages 25-32. It is evident that despite the fact that public funding cuts continue to bite and charities found themselves in the media spotlight for all the wrong reasons in 2013, the results pointed to a 'cautious optimism' within the sector. Hopefully this will continue.

And Tris Lumley observes that big charities play a huge role in fundraising, service delivery, campaigning and public profile. For them to play an equally huge role in impact, they need to set their sights on their ultimate missions, and how they can help the field work with them towards achieving them (pages 34-38). One way is to help smaller organisations in the process, concludes Lumley.

Also important is the issue of reputational risk and all the negative connotations that go with it (pages 46-48). Once lost, a reputation is seldom restored. A fact that the sector must carry with it everywhere.

And Alastair Harper puts forward a compelling case on green issues and civil society. As a sector, he argues, we should be making sure that the opportunities to deal with climate change over the next two years are taken (pages 50-52.) A necessary, but major challenge

As issues they add up to some very challenging, but also opportunistic days ahead for the sector.

Andrew Holt, Editor

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Features

New chief executive of the Charity Commission

Andrew Holt finds a busy time for the regulator with a new CEO and calls for greater funding for the regulator

The Charity Commission has had a busy period recently: appointing a new chief executive, its chairman commenting the Commission needs adequate funding and stronger legal powers and opening a number of investigations.

Paula Sussex was appointed the new chief executive of the Charity Commission. She will take up the appointment from 30 June 2014.

Sussex joins the Commission from CGI, where she is senior vice president, Public Sector and a member of the CGI UK board.

William Shawcross, chairman of the Charity Commission, said: "I am delighted to announce Paula's appointment and so looking forward to working with her.

"Paula has an impressive track record of managing change and delivering results in the public sector and this is exactly what the Charity Commission needs right now.

"As well as the leadership skills, financial acumen and understanding of the regulatory environment you would expect from someone with her professional background, she is a great communicator with a real commitment to the vital role of the Charity Commission in maintaining public trust and confidence in charity. I said we needed an exceptional chief executive to lead and develop the Charity Commission and I know Paula is exactly that person.

"Paula succeeds our outgoing chief executive Sam Younger who has given outstanding leadership. The Board and I are deeply grateful to Sam for all that he has achieved at the Commission during the last four years."

Paula Sussex said: "I am thrilled to have the opportunity to lead the Charity Commission, which has a key role in maintaining public trust and confidence in

PAULA SUSSEX

"I believe firmly in the vital role of charities in our society and their power to do good, and I want to play my part by building the Commission into a proactive efficient regulator of charity"

charity through effective regulation.

"I believe firmly in the vital role of charities in our society and their power to do good, and I want to play my part by building the Commission into a proactive, efficient regulator of charity.

"I don't underestimate the challenge of change but I know there are significant strengths to build on, including the expertise and commitment of the Commission staff, and the widespread support for the role and purpose of the independent charity regulator."

Sussex has previously held similar strategy and leadership roles at Atos Consulting and KPMG Consulting, working with clients in the public, private and voluntary sectors.

She is qualified as a barrister and holds a Sloan Masters Degree from London Business School.

She has a long-standing association with Crisis, the charity for single homeless people, where she was a trustee for six years.

Commenting on the appointment of Sussex to the role of chief executive of the Charity Commission, ACEVO CEO Sir Stephen Bubb said: "I'm looking forward to working with Paula. Her experience as a trustee of Crisis will give her first-hand experience of the challenges charities face in their campaigning, fundraising and delivery roles. Her leadership and success within the private sector will enable her to bring good management skills to the organisation.

"She has a tough job on her hands to turn around the reputation of the Commission and manage its leadership against dwindling resources. ACEVO will be a friend to her; though a critical friend and as the voice of charity leaders, we will support her along the way."

This follows calls from the chairman of the Charity Commission that the Commission needs adequate funding and stronger legal powers if it is to meet Parliament's expectations.

William Shawcross' comments come as the Commission issued its formal response to a critical Public Accounts Committee report.

In its response, the Commission says the regulator has already implemented many of the recommendations in the report.

The Commission also notes that it has responded both to severe funding reductions and to Parliament's expectation that the charity regulator perform a wide range of functions.

Shawcross said: "I fully accept that the Commission must strengthen its approach to tackling the most serious cases of abuse and mismanagement in charities.

"And indeed we have made significant improvements in this area already. But Parliament has granted us a broad regulatory remit.

"If we are to fulfil all the expectations placed on us while at the same time increasing our serious case work, we must be adequately funded. Our current funding position is simply unsustainable."

Shawcross also stressed that the regulator needs stronger legal powers in order to prevent and tackle abuse and mismanagement: "We have long argued that our powers are inadequate.

"It is absurd, for example, that the Commission has no general power to disqualify individuals who have demonstrated that they are unsuitable to serve as charity trustees.

"Earlier this year, the Cabinet Office consulted on proposals to strengthen our powers, which we fully supported.

"I urge the Government to deliver on those proposals.

"I have written to the Prime Minister asking him to find time to include the extension of our powers in the legislative programme of the next Parliament."

The Charity Commission has also opened a statutory inquiry into the dissolved charity, the Khodam Al Mahdi Organisation and charitable funds purportedly raised in its name.

The charity's objects were "to advance in life and help young people through the provision of recreational and leisure time activities".

In August 2013, the regulator became aware that the charitable company had been dissolved at Companies House since 2012 but the charity had not informed the Commission that it no longer existed, or updated its details on the Register as it was required to do.

In following this up, the Commission discovered that funds had purportedly been raised in the name of the charity after its dissolution and that the funds were used to purchase a property.

Following correspondence with the individuals holding the property, the regulator became increasingly concerned about the basis on which the funds were raised and the protection of the charitable property. In addition, the Commission has concerns regarding the management and financial reporting by the former charity trustees.

The Commission opened a statutory inquiry on 17 February 2014 into the Khodam Al Mahdi Organisation, and funds purported to have been raised in its name.

The investigation is examining the basis on which the funds were raised and is assessing whether the former trustees of the dissolved charity and the individuals holding the property have complied with charity law.

It is the Commission's policy, after it has concluded the inquiry, to publish a report detailing what issues the inquiry looked at, what actions were undertaken as part of the inquiry and what the outcomes were.

The Charity Commission has also opened a statutory inquiry into Al-Fatiha Global.

The inquiry is investigating serious concerns about the governance and financial management of the charity.

The Commission had been monitoring the charity since 2013, and the inquiry, which is the most serious level of the regulator's investigatory work, opened on 21 March 2014.

The charity's objects are to relieve sickness by providing free clinics for the people of northern Pakistan and to provide humanitarian aid globally in areas disrupted by conflict and natural disaster. Its activities include organising and participating in convoys to Syria.

The regulator says it is investigating:
Whether the trustees are effectively discharging their duties under charity law with particular regard to the proper accounting for the income and expenditure of the charity, and the management of the charity in accordance with its governing document and the law.

Regulatory issues in connection with reports in the public domain alleging inappropriate links between the charity and individuals purportedly involved in supporting armed or other inappropriate activities in Syria.

It is the Commission's policy, after it has concluded an inquiry, to publish a report detailing what issues the inquiry looked at, what actions were undertaken as part of the inquiry and what the outcomes were.

The Charity Commission has issued regulatory advice under section 15(2) of the Charities Act 2011 to charities about the risks involved in working in conflict zones such as Syria and trustees' legal duties and responsibilities.

It has been alleged that an Al-Fatiha Global initiative, Aid for Syria Convoy, included trucks named after the terrorist Aafia Siddiqui, who was found guilty in a US court of attempted murder, armed assault, using and carrying a firearm and assault on US personnel.

Recently, Al-Fatiha's top fundraiser, coach firm boss Adeel Ali, was allegedly pictured in Syria alongside masked gunmen. He denies the claims.

Finally, the Charity Commission has also published inquiry reports into four of the charities that were under investigation as a result of double defaulting on their annual accounts and returns. The first phase of the inquiry focussing on 'double defaulting' charities with an income over £500,000 began on 20 September 2013, when the class inquiry opened.

The charities are: Cymmer Workmens Hall and Institute, registered charity number 810098; Markazul Uloom, registered charity number 1090525; Yad Vochessed Association, registered charity number 1112797; and Jamiat-Ul-Muslemeen Quwat-Ul-Islam Masjed, registered charity number 284381.

The Commission started the second phase on 11 November 2013, turning to charities with a last known income of between £250,000 and £500,000. Failure to submit annual documents when required to the Commission is a criminal offence.

Public positive about charities

Andrew Holt finds that despite negative stories over charity CEO pay, the public still has confidence in charities

New research has revealed that a third of the public say their views towards charities have become more positive in the last three years, compared with a quarter who are now more negative.

This is despite recent high profile negative press coverage about the charity sector.

However, the authors of a briefing paper on the research, New Philanthropy Capital (NPC), have warned charities not to be complacent and to find ways to address concerns held by the public.

Mind the gap, based on polling conducted on behalf of NPC by Ipsos MORI, was undertaken to explore whether the recent ongoing attacks on charities from politicians and the media on issues including lobbying and excessive levels of CEO pay, coupled with coverage of the Cup Trust and Comic Relief's ethical investments, had adversely affected the public's attitude to the sector.

The top five concerns were that charities spend too much on executive salaries (42%), are not transparent enough about how they are spending their money (36%), spend too much abroad (29%), put pressure on people to donate (29%) and spend too much on running costs (26%).

Three fifths of respondents (58%) thought that charity CEOs should earn less than an MP, with 16% thinking that CEOs should not be paid at all.

However, only around one in ten (11%) were unhappy about spending on employees' salaries suggesting that the public are mainly concerned with pay at the higher end.

The research also revealed an important gap between what the public think charities should be doing compared to what they think they actually do.

DAN CORRY

"All of those who work for charities in the UK have a role to play in building the reputation of the sector and countering misperceptions"

Over half thought that charities should be helping communities but just 35% think they spend their time doing this.

Some 48% say they pay attention to evidence that an organisation is having an impact when making a donation although 50% pay little attention or none at all. In fact, around one in ten people (9%) say that they pay extremely close attention.

One of the reasons for these findings could be that the public do not really understand what charities — or their leaders — actually do.

NPC chief executive, Dan Corry, says that charities have a role to play in bridging this gap in perception with their own supporters by explaining their role and why they take the decisions that they do: "For example, charity boards should be more vocal about the principles on which they have based a CEOs pay, a perspective that was largely missing from the recent debate.

"Indeed all of those who work for charities in the UK have a role to play in building the reputation of the sector and countering misperceptions."

NPC also argues that the sector needs to come up with a joint strategy to talk to the public about its changing role and to respond more comprehensively to criticism.

Corry added: "Not all charities are perfect and the sector must be open about this, but many of the comments made about the sector are unfair and misleading.

"If the sector can work together, it will be in a stronger position to withstand any erosion of trust it might yet suffer should the attacks by the press and MPs continue."

Commenting on the release of the survey, Asheem Singh, director of Public Policy at ACEVO, said: "Charities and social enterprises need to be relentless in their drive to demonstrate value for money. We know how big our contribution is to society and the economy but that message is still only partially getting through.

"The sector is buzzing with solutions. ACEVO's Good Pay Guide is the leading publication on setting CEO pay and our work with NPC on inspiring impact is about creating tools to get the sector where we need to be - demanding and demonstrating the highest standards for donors and beneficiaries.

"The big story in NPC's research is that public attitudes to charities generally remain in stasis. Support and trust are slowly going up, but 42 per cent of those polled have not changed their opinion on the sector, positively or negatively, in the last 3 years.

"This shows we cannot be wallflowers; we need to be more vocal about what we do, how we do it, and the extent to which we contribute to society.

"With just over a year to go before the election, we must ensure that our sector and the concerns of our beneficiaries are high up the political and public agenda."

Investment by Big Society Capital is big

Andrew Holt finds that Big Society Capital makes its biggest single investment to date

Big Society Capital has made its largest ever single investment — up to £14.5m of ordinary shares in Charity Bank in three successive tranches between 2014 and 2016. The first tranche of £4.5m has been invested following receipt of all requisite regulatory and shareholder approvals.

The Big Society Capital investment represents a significant step towards Charity Bank's goal to increase the amount it lends to charities from its current level of around £55m to around £250m by December 2018. Charity Bank, which seeks deposits from socially-conscious individuals and lends solely to charities, social enterprises and other social sector organisations, took the decision in 2013 to grow substantially because of the unmet borrowing needs in the social sector

Independent research commissioned by the Bank has shown that, while charities increasingly need to borrow money in pursuit of their mission, they are often unsuccessful in obtaining affordable finance from high street banks.

This research, published in September 2013, showed that, while almost two-thirds (65%) of respondents consider that loans could help charities further their mission, less than a third (31%) of those who approached high street banks for a loan ended up taking one, 29% had their application turned down and 40% were offered a loan but did not take it up because it was too expensive or the conditions were too onerous.

George Blunden, Charity Bank's chairman, said: "There are a large number of charities, social enterprises and other social sector organisations that are creditworthy but who cannot secure finance from traditional sources.

"As Government funding remains constrained, social sector organisations must change and adapt. Many are seeking to expand their activities and diversify their income streams. In this environment loan finance can play a vital role. So the need for borrowing on a sound basis will continue to increase.

NICK HURD

"Charity Bank has a decade's worth of experience lending to social ventures and this will allow it to put this expertise into practice on a much bigger scale"

"Charity Bank's board of directors is clear that, in order to respond to this demand, we should grow and be an enduring institution that can be available to respond to the needs of the sector.

"Big Society Capital is the first of what we hope will be a small number of significant new investors over the next five to ten years."

Nick O'Donohoe, Big Society Capital's chief executive, added: "For over ten years, Charity Bank has played a crucial role in ensuring charities and social enterprises can access the finance they need to tackle some of the toughest problems in the UK.

"As a financial institution, Charity Bank is unique in its focus on lending to good causes, and its clear social mission that runs through all of its activities. It is now poised to become a strong, meaningful force in UK ethical banking.

"This investment by Big Society Capital reflects our support for Charity Bank's plans to increase its lending by continuing to meet the needs of its customers, particularly small and medium sized charities in the UK."

Nick Hurd, minister for Civil Society, noted: "This is an important step to support the growth of the social investment market and exactly why we established Big Society Capital — to help ensure that social ventures have access to the finance they need to grow and increase their social impact.

"Charity Bank has a decade's worth of experience lending to social ventures and this will allow it to put this expertise into practice on a much bigger scale, providing finance opportunities for many more organisations working in a sustainable way to do social good."

Patrick Crawford, Charity Bank's chief executive, commented: "Our business is lending to small and medium-sized charities, social enterprises and other social sector organisations.

"We fund this by attracting deposits from individual and institutional savers who want to see their money working for the benefit of society.

"Our aim is quite simply to do more of the same and make Charity Bank an enduring and financially sustainable institution. Big Society Capital's investment sets us on the road to achieving this.

"Charity Bank will always remain the bank for charities and other social sector organisations: the greater their need for loans, the greater our determination to serve them. Charity Bank is open for business in a way that it has never been before."

Losing income

ANDREW HOLT DISSECTS THE IMPRESSIVE ARRAY OF DATA IN THE LATEST UK CIVIL SOCIETY ALMANAC

UK charities lost over £1.3bn in income from the Coalition Government as spending cuts have kicked-in, according to headline figures revealed in *The UK Civil Society Almanac 2014*. The data, drawn from charities' annual accounts, shows that income from government to the UK's charities fell by nearly 9 per cent, or £1.3bn, in real terms, between 2010/11 and 2011/12, the latest data available. Fascinatingly, the figures show that government cut spending with charities at a faster rate than overall spending cuts.

The vast majority of government income to charities is in return for running public services. Government contracts with charities fell £500m from £11.6bn to £11.1bn in cash terms from 2010/11 to 2011/12. Adjusted for inflation, the real terms fall was nearly £900m, from £12bn to £11.1bn. Government grants fell £300m from £2.9bn to £2.6bn in cash terms; just over £400m in real terms, from £3bn to £2.6bn.

It was inevitable charities would be hit by public spending cuts, particularly given the tough spending settlements for local government. NCVO though extracts from the data a trend where the government needs to review the way public service contracts are awarded, as charities are often squeezed out by larger, outsourced companies. This reinforces the message in the Big Society Audit 2013 which highlighted that four multinationals: Atos, Capita, G4S and Serco, now control £4bn of government public service contracts. Hardly the Big Society in action.

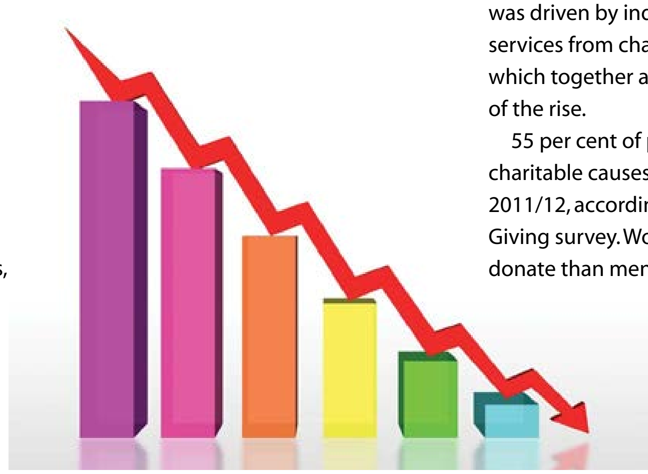
The Almanac shows that civil society continues to be an important part of the economy, as well as the centre of the UK's associational life. With income of £181bn, covering large financial mutual and co-operatives as well as the hundreds of thousands of the small unregistered organisations, civil society plays a part across national life. Its assets are worth £286bn, covering many of the country's most valuable historic properties as well as investment assets.

When it comes to austerity and the voluntary sector, there is clear evidence of reduced income in the Almanac. The voluntary sector saw a net real-terms fall in its total income of £700m, primarily as a result of government spending cuts. At £39.2bn, the sector's total income is higher in cash terms than ever before, but in real terms, it was lower in 2011/12 than in every year since 2006/7.

Fall in expenditure

Correspondingly, the sector's expenditure fell by £450m to £38bn. Whereas in 2007/8 and 2009/10, spending held up even as income fell, this was not the case in 2011/12. This suggests organisations have reduced their spending, rather than draining their rainy-day reserves dry. Spending on grants rose slightly to £5bn, a sign of charitable foundations stepping up their game to support the sector.

Income from government dropped signicantly, as cuts kicked in. The Government's spending cuts had a signficant impact on the voluntary sector in 2011/12. Overall, income from government fell by £1.3bn. The scale of cuts is worse than the most pessimistic "disproportionate cuts" forecast in the NCVO 2013 publication *Counting the Cuts.* NCVO cited here councils having faced frontloaded cuts, which limited their options to make savings, and likely to have had led to many local voluntary organisations experiencing cuts in this year.



Some income may also have been deferred into future years as a consequence of shifting to Payment-by-Results contracting models. Contracts continue to be the main way that the Government funds the voluntary sector, with 81 per cent of voluntary sector income from government earned through the delivery of contracts, an increase from just 49 per cent in 2000/01.

Cuts were largest in income from grants, which fell by 14.5 per cent between 2010/11 and 2011/12. However, contract income was not immune to cuts in funding, as it reduced by 7.4 per cent. Income from individuals continues to be the biggest source of income for the voluntary sector, and rose by over £500m between 2010/11 and 2011/12. This income comes in four forms — voluntary income (donations), fundraised income, legacies and fees for services. The rise was driven by individuals paying for services from charity and fundraising, which together accounted for four-fifths of the rise.

55 per cent of people donated to charitable causes in a typical month in 2011/12, according to data from the UK Giving survey. Women are more likely to donate than men, and people over 45 are more likely to donate than younger people. *The Million Pound Donors Report* suggests the total value of donations worth more

than £1m was £1.35bn in 2011/12.

The sector's assets have continued their modest recovery since falling in value during the recession, back up to £105bn from a trough of £87bn in 2008/09. Key here is that income from investments has also continued to recover, providing £2.7bn income in 2011/12. The recovery in assets has been driven largely by increases in the value of tangible fixed assets, reflecting wider trends in property prices, whereas nontangible investment assets actually fell in value between 2010/11 and 2011/12.

Running on empty?

Sector reserves have not followed the pattern of recovery: because reserves figures are unlikely to include hard-to-sell assets such as property that have driven increases in asset values, the value of reserves also fell by almost £2bn between 2010/11 and 2011/12. So while at first glance the sector's asset base appears to be strengthening, for charities that do not hold property the picture is less promising.

Some charities that have already dipped into their reserves in recent years could find themselves in a fragile position. In 2011/12 the voluntary sector owed around £4bn in loans, with analysis suggesting that around 60 per cent of those loans are secured against an asset.

These loans represent around one-quarter of the sector's total liabilities, with grants committed in advance accounting for a further 31 per cent of their liabilities. With the profile of social investment rising since Big Society Capital was established in 2012, it will be worth watching closely to see if there is an increase in new types of financing over the next few years.

The voluntary sector employed 800,000 people by the end of 2012. This is an increase from the previous peak of 792,000 at the beginning of 2010, and is over 230,000 more than the voluntary sector workforce in 2002.

Employees in the voluntary sector are more likely than other employees to work part-time, with 36 per cent of the sector's workforce working part-time. One in five voluntary sector part-time workers are part-time because they could not find a full-time job — a trend which is also affecting the wider UK labour market.

Volunteering retains its place, as you would expect, at the heart of the voluntary sector's activities. 44 per cent of adults formally volunteered at least once a year in August 2012-April 2013, based on data from the *Community Life Survey*. This is higher than the last year's data from the *UK Citizenship survey* in 2010/11, when 39 per cent of respondents said they formally volunteered at least once a year. The Office for National Statistics estimate that the equivalent economic contribution of this volunteering in 2012 was £24bn — equivalent to 1.5 per cent of GDP.

From austerity to the new normal

With both Conservative and Labour politicians committed to further spending cuts after the 2015 general election, most charities have come to see this more constrained funding environment as the new normal. Sir Stuart Etherington, CEO of NCVO observes: "In our experience, the largest charities have had greatest capacity to adapt: increasing their trading and fundraising efforts, taking on payment-by-results contracts, experimenting with social investment, and leading the development of new consortia.

"The smallest volunteer-led organisations had little money to start with. Yet, others have struggled and some have argued that the impact of cuts, particularly on medium-sized local charities has amounted to a 'hollowing out' of the sector. Some funders report reduced quality and application rates; infrastructure bodies have also noted the loss of core capacity within the sector, including voice and advocacy work."

Etherington notes that going forward, the future will undoubtedly require sector organisations to find new ways to adapt, while reminting true to their principles. "Many organisations will need to re-imagine how they deliver services, engage with partners and volunteers, and generate income. Yet, while we adapt, we must also hold true to the values that have always held our sector together. We must continue to speak up for the communities we serve. We must deliver services and support that helps transform people's lives for the better. And we must be open and transparent, so that our beneficiaries, donors and the wider public can see that we live our values in all that we do."

Many organisations will need to re-imagine how they deliver services, engage with partners and volunteers and generate income

Stuart Etherington, NCVO

Andrew Holt is editor of Charity Times

Towards a More Open Europe by NCVO

STEPHEN BARBER AND ALEX MURDOCK ASSESS A REPORT WHICH SEES NCVO THROW ITS WEIGHT BEHIND REFORM OF THE EU'S INSTITUTIONS

There are three observations to be made about NCVO's new report *Towards a More Open Europe: recommendations for the European elections*. The first is just how important the power of the European Union can be to the success of the sector. Secondly, here is another voice joining the chorus demanding institutional reform. And thirdly is the wry feeling that constructive discussions such as this about engagement with Brussels are unlikely to feature heavily during May's campaign; dominated as it usually is by domestic party politics.

Elections are always an opportunity to influence decision makers and it is instructive that the NCVO's report is aimed directly at those contending to represent Britain in the European Parliament; so often overlooked in the UK. And yet the ambitions of the report highlight the importance and influence of being part of the EU club.

CEO Stuart Etherington's foreword is at pains to express the view that membership is in Britain's best interests even if reform is needed. Specifically, the report argues that the EU should redouble its efforts in terms of social inclusion and community-led delivery. It recommends targeted grants, allocating a fifth of the Social Fund to this end, efforts to develop the skills of civil society and says that the approach to auditing EU funds should be simplified. Clearly the NCVO sees the civic institutions which sit between the state and society as being key to delivering on the needs of citizens across Europe. After all, as the report recognizes, emerging still from an economic crisis, the continent is in a different place than just a few years ago.

In this context or otherwise, what is interesting looking at the proposals from a high level is that the NCVO has thrown its weight behind reform of the European institutions. Prime Minister David Cameron's somewhat mythical renegotiation (to be followed by a referendum) has fuelled a popular debate about Britain's relationship with the rest of the EU.

But there are broader calls here for Europe to improve its transparency and openness. This can only be interpreted as a positive demand since NCVO wants greater and earlier involvement for volunteers in legislation likely to affect the sector.

Specifically the report recommends reform of the Economic and Social Committee which it says is 'inefficient and inward looking, at times cut off from the citizens it serves' while creating an oversight body for engaging civil society. Such demands reflect a growing sense of 'citizens in control' which has emerged slowly but surely since these institutions were established as much as a plea for special interests. Elsewhere there is the familiar call for the European Parliament to end the wasteful practice of packing its bags moving lock, stock and barrel to its second seat at Strasbourg every year.

Perhaps understandably it is not suggested that better use could be made of technology to enable a 'virtual presence' — there is too much political baggage as well as the physical baggage not to mention the aroused interests of the hoteliers and restaurateurs of Strasbourg.

The NCVO document seems to come to a rather abrupt stop at perhaps the most interesting recommendation — Number 10 — relating to a Parliament Group on Civil Society and Volunteering. The well-travelled definition of a 'committee' as a place where good ideas go to die is just as applicable to any EU parliamentary intergroup especially given (in relative terms) the meagre powers of the EU parliament.

Perhaps a bolder ploy would have been for an assertion for a change to the EU commission to encompass volunteering and civil society as a discrete directorate, with the staff involved having all the appropriate powers but being rewarded on the basis of voluntary sector conditions. That would keep the EU professional career bureaucrats out and potentially give the third sector a real position of power in the EU.

But will any of it make a difference? Much to the exasperation of those who wish to engage in the EU debate, such questions have rarely been at the centre of European Election campaigns. For Cameron and Labour leader Ed Miliband, the campaign will be seen as an opening salvo for next year's general election. Expect to hear much more about 'hard working families' and the 'cost of living crisis' than the EU Structural and Investment Fund or the Commission's infrastructure.

Dr Stephen Barber & Professor Alex Murdock are at London South Bank University

Towards a More Open Europe **is available at: www.ncvo.org.uk**

The Sock Doctrine by the IEA

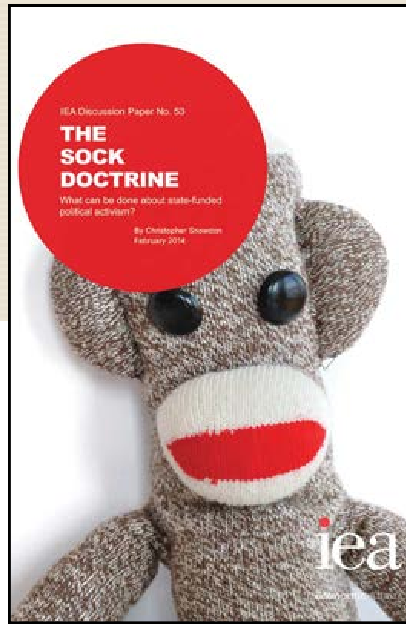
The prominent free-market think tank the Institute of Economic Affairs (IEA) recently released a follow-up to its controversial 2012 report, *Sock Puppets*. The contention of that report was that there is a sinister new trend for the government to fund lobby groups, including charities, to campaign for policies it wishes to pursue in order to create a false sense of grassroots support, and it met with angry criticism from the sector.

The new report, *The Sock Doctrine*, aims to "discuss recent developments and assess the options available to government in addressing the issue." I have a number of problems with this report, two of which I will focus on here. Firstly, I just don't believe the central thesis. And secondly, I think the policy recommendations in the report are misguided. The main issue is that there simply isn't enough evidence to stack up the claim that there is any sort of meaningful trend towards the use of "sock puppet" charities. Almost all the examples given in this new report are not even charities. Furthermore, whilst some of the organisations named in the previous report were charities in receipt of state funding, there was no evidence that government funds were being provided for their campaigning activities. The report makes the false assertion that charities receive more in state support than they receive from individuals. In fact, the *NCVO Almanac* shows that voluntary organisations annually receive over £16bn from individuals and just over £14bn from statutory sources. And over £11bn of this statutory funding is in the form of contracts to provide services, rather than grants. This means that in the majority of cases, when a charity receives money from government it is because there is a contract to provide a service. If that charity chooses to use some of the money it earns to undertake campaigning work, then so be it. This should no more be seen as the government supporting the campaign than my purchase of petrol from a BP service station should be an endorsement of their stance on Scottish independence.

RHODRI DAVIES SAYS THIS REPORT PURSUES AN AGENDA OPPOSED TO CAMPAIGNING BY CHARITIES, AND AS SUCH, IS SOMETHING THE SECTOR NEEDS TO GUARD AGAINST

There are is small subset of examples given in the first report that are more difficult to dismiss; where charities that are primarily campaigning organisations receive grant funding from the state so it does look like government funding for campaigning. However, in these cases — many of which are charities raising awareness on public health issues — although the statutory funding may well be for campaigning work, it cannot (or at least should not) be for lobbying work aimed at the government itself. If it is, then there would be a case to answer.

The report's author, Christopher Snowdon clearly isn't keen on the government raising awareness of issues he considers divisive (such as the health risks of smoking). And he certainly believes that if the government wants to raise public awareness, it should do so itself rather than involving charities. However, I would counter that if the Government thinks a charity is better placed to raise awareness of a given issue then it makes sense to give them the money rather than duplicating their efforts. The only situation in which I would agree with Snowdon is that there is a problem where the Government is deliberately using charities in a non-transparent way to put forward policies that it otherwise wouldn't feel able to promote. However, I don't think any of the examples given in the IEA reports fits this description. Assume for a moment that I accepted the report's central thesis. Would the policy prescriptions work? I don't think so. For instance, one eye-catching recommendation is that the UK should adopt a version of the "Queensland model", where organisations that receive a majority of funding from the state are prevented from campaigning against policy and legislation.



This is a deeply worrying suggestion. Given that most of state funding for charities is in the form of contracts awarded, often after a competitive process, such a policy would effectively punish organisations for success. Logically, this would benefit nobody.

My concern about the "sock puppet" rhetoric coming out of the IEA is they provide an evidence base, however flawed, for those who want to pursue an agenda that is opposed to campaigning by charities. This is something we need to continue to guard against.

Rhodri Davies is programme leader at CAF

The paper is available at: www.iea.org.uk

Saving money by doing the right thing by Locality

CAROLINE SLOCOCK SAYS THIS REPORT MAKES A POWERFUL CASE FOR A NEW PARADIGM FOR PUBLIC SERVICES

Can the voluntary sector help cut costs and improve public services at the same time? *Saving money by doing the right thing*, a new report by Locality and Vanguard, says yes. It's an important step toward a long overdue paradigm shift in public services toward more community based, preventative action.

Politicians have long been promising to give more power to local communities, to make public services more accountable and responsive and to stimulate social action. This isn't just the rhetoric of David Cameron's Big Society. It was also promised by Tony Blair and Ed Miliband is now also committed to "people-powered public services," with more local delivery.

But, whatever politicians say, public service management is still driven by a long-standing belief that it is business disciplines that improve public services. Here, reduced unit costs are sought through efficiencies of scale and competition and quality is driven by targets. With austerity, the foot is even harder on that pedal.

As a result, big private sector suppliers increasingly dominate public service delivery and the focus is on short term efficiency, not longer term value. As I documented in the *Big Society Audit 2013*, 60 per cent of the Government's spending on contracts is with just 100 suppliers, £4bn of which is with four large multinational companies. This has been criticized by the Public Accounts Committee and others for lack of transparency and accountability and numerous problems of non-delivery and even fraud. The voluntary sector is being left largely out in the cold, suffering disproportionate cuts in public spending and experiencing a reducing share of contracts in key areas.

Saving money by doing the right thing argues billions of pounds are being wasted by focusing on efficiencies of scale, standardization of services and delivery to targets. Many public services, it is argued, often: "Assess rather than understand; transact rather than build relationships; refer on rather than take responsibility; prescribe packages of activity rather than take time to understand what improves a life." This creates "failure demand," in which people repeatedly seek help without their needs being understood or met.

To gain and deliver contracts, voluntary organisations can end up part of this inefficient system, which can also reduce innovation and advocacy and may compromise their independence. Alternatively, administrative burdens and financial risk make it hard for them to win contracts. Locally based organisations, often working with vulnerable people, are at particular disadvantage.

Vanguard's research suggests failure demand accounts for 80 per cent of demand in health and social care services. The family of Child A, one case study, first sought help unsuccessfully for him in 1997 and by 2012 were being "helped" by over 25 agencies at a cumulative cost of £130,000. By then, Child A was reported missing, probably homeless.

The answer is not more joining up of agencies but, the report argues, services that operate to different principles — where sufficient time is taken to understand and respond to different needs, to build strong relationships and help people help themselves. This also requires commissioning and procurement in which service providers are selected on the basis of their competence to do this, rather than on the delivery of artificially narrow outcomes, delivered at the lowest price. Getting it right first time is better value than doing it many times at a lower unit cost. Finally, the report argues that the default option should not be big, but local, because local organisations often work better with people in context and can draw on community knowledge and strengths. This might better deploy the expertise not just of smaller voluntary organisations but also national charities that have strong local roots.

This report, like the Early Action Task Force's *The Deciding Time*, makes a powerful case for a new paradigm for public services, which reduces needs by providing the right support, early on, and draws more effectively on the voluntary sector's skills through better commissioning. Let's hope public service managers are listening.

The Caroline Slocock is director of Civil Exchange and principal author of the *Big Society Audit 2013*

Saving money by doing the right thing **is available at: locality.org.uk**

Introducing Generation Citizen by Demos

There 'Today's teenagers are more engaged with social issues than ever', declares Demo's new findings on 'Generation Citizen', a proposed name for the final cohort of Millennials who are the subject of the report.

Introducing Generation Citizen is a bright, breezy, confident and generous report into the attitudes of Britain's young people born between 1997 and 2000, now 14 to 17 years old. It was commissioned by National Citizen Service, the government's flagship 'national service' programme rolled out over the past three years across the UK and purports to 'show the face of the next generation'.

The report, written by Demos' Jonathan Birdwell and Mona Bani, introduces us to 'Generation Citizen', taking us through a story of negative media portrayals of young people, interrogating the line between social and political engagement, visiting the subject of teenagers' influences and role models before focusing on social media and social action as new frontiers for activism and aspiration.

The report is ambitious in its scope, starting with an admonition to 'the media' for its demonisation of young people and ending with clear, practical recommendations: encouraging more accurate, positive coverage of young people by media outlets, promoting social action universally, through schools and employers, and exploring opportunities for political engagement online and at a younger age.

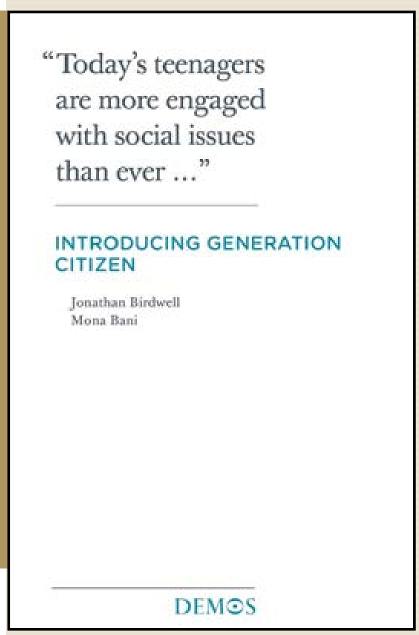
Introducing Generation Citizen acts more as an eye-opening introduction to the emerging dynamics and interplays that are part of being a 15 year-old in Britain than as a deeper analysis of them. For example, it finds higher levels of social awareness and volunteering than previous generations, highlights the importance of social media as a space for political activism and discussion and cites teachers' 'overwhelmingly positive' views on young people in stark contrast to wider perceptions.

It also offers insights perhaps not captured in similar pieces of work. The theme of young people's negative portrayal by the media is commonplace, but the report makes further observations about the impact of this on employability and wider perception.

It also finds a common ideological and political thread supporting civic and social action, seeing the premise of social action in different party political terms, including 'community organising' and 'pavement politics'. Less surprising but still somewhat stark, it finds that only 10 per cent of young people would cite politicians as making a positive change in their community.

It is a little unclear at times exactly what the relationship between the report, social action and NCS quite is: the implication at the outset is that NCS, by virtue of having commissioned the report and rightfully extolling the virtues of social action might itself be the focus of a level of evaluation. However, for better or worse, it steers clear of any review of NCS itself, mentioning fleetingly other programmes in the social action space and perhaps by extension conferring on NCS the positive association of the report's findings.

PAUL PERKINS SAYS THIS IS A THOUGHT-PROVOKING REPORT IN THE RELATIONSHIP BETWEEN GENERATION CITIZEN AND ACTION



This is perhaps understandable, and the report stands alone as an interesting and thought-provoking introduction to the benefits and relationship between 'Generation Citizen' and broader themes of social action, social media, employment and engagement.

However the other question which persists is about the quality and scope of the sample size and how schools participating in focus groups were selected. The conclusions drawn for the study are no doubt accurate, but how universal their themes are is difficult to assert.

Introducing Generation Citizen is a unique and fascinating report first and foremost for its commitment to visiting a number of extremely diverse areas and seeking to weave them together meaningfully in a relatively short and highly accessible publication. Dealing with the issues outlined above is no mean feat and the authors of the report should be applauded for striking a helpful balance between context and insight.

This said, the report feels more like it strikes a blow for fairness in how young people are perceived and starts a conversation about their potential as citizens and makers of change. More robust conclusions about 'Generation Citizen' and the relationship between NCS and any role it might play in fostering young people's civic engagement and identity, will need to be the subject of a more focused report.

Paul Perkins is CEO of the Winch

Introducing Generation Citizen is available at: **http://www.demos.co.uk/**

Politics and the sector

Party politics

GEORGE BANGHAM **says the sector's primary challenge is to make sure all the political parties hear fully the various voices of the sector**

A new, strange era dawned in the lead up to the last general election. In 2015 it won't be tailing off. None of the political parties any longer expect to win parliamentary majorities, and UKIP's rise tells many that the real contest in 2015 will be 'the political class versus the rest'. The pressure focuses politicians on a narrow list of policies over which the election will be fought. Charities and social enterprises slip down the political agenda, crowded out by fears over the economy, over immigration, over Europe, and over the future of our welfare state.

Here at ACEVO — and in the wider voluntary sector — we desperately need to change this, and push our sector higher up the political agenda where it deserves to be. But how? Our message must be that our sector is indispensable, not just useful, in building a stronger British economy and society.

The Conservatives made the loudest overtures to our sector before 2010. Their 'Big Society' promised a new flowering of voluntary action and civic unity. But soon after the election this rhetoric went strangely silent; privately, we are told that these words won't be uttered by the Prime Minister again. That said, the Conservatives have much to offer to civil society. The Social Value Act and the new Commissioning Academy, for example, strengthened our position in public service commissioning.

In the next year of debate we need the Conservatives to commit to give charities and social enterprises a fairer chance when they bid for contracts or work with the private sector. This means not just more money through initiatives like the Investment and Contract Readiness Fund, but a wider strengthening of the spirit of the Social Value Act.

We need local councils and commissioners to prioritise the social value of our sector when looking for support in supplying public services. The Local Sustainability Fund, a £40 million Cabinet Office project, will help charities offer more community services. But the ideal situation will be one where our sector's special value is considered in every part of government decision-making, be it the Treasury's National Infrastructure Plan or in the Department of Health's winter planning.

How do Labour's plans compare? The party made a substantial political and philosophical about-turn after its defeat in 2010. It now puts much greater emphasis on bottom-up community action rather than top-down Blairite managerialism, in its vision for public services. Even if many of the same people remain in charge, and if the leadership is split between managerial, communitarian and Trade Union interests, it seems that our sector will be an indispensable partner in the party's aspiration to renew health and social care and other public services. The hard question is what this means in policy terms. Labour have already decided to repeal the Lobbying Act. Good. We're working with them on a replacement. In health and social care too, Andy Burnham's 'whole person' care reforms promise a much greater role for our sector and longer-term alliance contracting offers stability to community and voluntary groups. Now it's time for the party to widen this approach and build our sector into its plans on early years, economic prosperity, community renewal, and so on.

Last we have the Liberal Democrats. Their role in 2015 is the hardest to predict, not least since they have been lukewarm in recent months about the role of our sector. The Lobbying Act, which passed this February, seems to have originated from the efforts of Lib Dem Peers to reform political finance, though there was at least tacit support from the party's leadership. The party's higher ranks — specially those in ministerial office — now need to work hard to restore the many relationships with our sector that they have soured in recent months. This gives an excellent opportunity to offer new support for civil society.

And what of ACEVO's own efforts? Our sector's primary challenge is to make sure that the parties hear us at all. That means that we must engage early, engage hard, and engage together. One year before the General Election, the ACEVO Gathering of Social Leaders on 7 May brings the sector's leaders together to put their collective case to politicians, including Nick Hurd and Lisa Nandy, the incumbent and shadow Civil Society Ministers. This will reframe the debate from 'what if anything do we offer to the voluntary sector', to 'the sector is integral to our plans; how do we best support it to do more for its beneficiaries?'

George Bangham is a policy officer at ACEVO

Social investment

Innovative social investment

JOE LUDLOW **says charities and social investment are a perfect match on paper. But he asks: what's happening in practice?**

Social investment appears to be booming. With new funds and investment readiness programmes launching, there's a lot going on. And supportive UK Government policy just keeps on coming — Big Society Capital, the Social Value Act, updated CIC regulations, a G8 social investment taskforce, and finally a tax relief that puts social investment on a near level playing field with venture capital investments and charitable giving.

But what's happening behind the scenes? When we launched our social investment fund, Nesta Impact Investments, in November 2012 we took a controversial stance on where we would make our social investments. We recognised the major role that charities and community interest companies play in providing services, campaigning and innovating in our key areas; an ageing population, the education and employ ment of young people and sustainable communities but we didn't see it as a supply of finance exclusively for the registered social sector. We thought that private companies pursuing a social mission would play an equal role in our fund and we modelled it on the assumption our investments would be roughly 50 per cent charities/CICs and 50 per cent private companies. 18 months after launch, only 15 per cent of our applications have come from charities or CICs.

And when it comes to charities making investments, the story is similar. A number of charitable foundations have been pioneering social investment for a decade or more — Tudor Trust and Esmee Fairbairn Foundation are just two organisations using their balance sheet to support their charitable purposes as well as their income. But as a proportion of the overall charity sector, the numbers of charities making social investments remains small, and the sums of capital being invested are very small.

On paper, charities and social investment should be a perfect match but in practice charities seem reluctant — why is this and what needs to happen to change it? It's not as if social investment has just come out of nowhere — the field has been growing for over a decade. As someone who has spent the majority of their career financing charities and social enterprises, I'm keen to explore what's holding back this seemingly good match.

Do charities think taking on social investment isn't for them? Let's be honest, for some charities and social enterprises, social investment may never be the right option. Charities need more support to explore the market and understand that if one social investor isn't right for them, they should approach others and compare. There are now a range of funds that can finance all sorts of different needs, avoiding that 'one size fits all' approach. For example: charities with committed or reliable income streams, but without spare cash in the bank can get working capital from organisations like: the Social Investment Business, CAF Venturesome, or Big Issue Invest. Those charities with established models looking to expand, through public sector contracts, trading or increased donations will find a range of funds now, from Bridges Ventures Social Entrepreneurs Fund to new entrants like Social and Sustainable Capital and FSE Group.

But still we need more examples of how social investment is being used by charities and the challenges and benefits of using this type of finance. This is starting to happen but it's slow progress and there needs to be more action in this area. And on the other side of the coin, charities and grantmakers need to be more visible as investors and recognise the opportunities it offers. Charities are under budget pressures, especially those delivering public sector contracts. It's counter-cultural, but investing in other charities, community interest companies and private companies with aligned missions can help by providing access to innovations that improve services or reduce costs. Larger operating charities are ideal social investors as they bring large scale reach to beneficiaries, as well as brand credibility with third party funders. The advent of social impact bonds is now creating a strong financial connection between investment and evidence of impact, as well as an incentive for charities to collaborate with others on impact measurement. For grantmakers, social investment can help them get more focus on impact from their balance sheet as well as their income. Social investment is becoming established. But over the next few years we have to work hard to demonstrate how this type of funding can really work for the sector, on all sides.

Joe Ludlow is investment director at Nesta Impact Investments

Banking and the sector

Societal finance

ADAM WILDMAN **says that if we want charities to have a banking option that goes beyond the troubled Co-Op, then we need to shore-up those financial institutions that already do so well at serving the third sector but struggle to raise the capital to do so**

The trials and tribulations of the troubled Co-Op Bank have been widely publicised, and not many will doubt that the bank's present misfortune has been detrimental to the charity sector. As the ethical banking practices of the Co-Op were seen as very attractive to charitable organisations, the bank was seen as the "go-to" financial provider. But this is no longer the case.

As part of the remedial and urgent restructuring process the Co-Op had to undergo, its co-operative parent was forced to sell the majority of its stake in the bank, so that is now 70 per cent owned by hedge funds. This has led many to believe that the bank, which prides itself on its ethical brand and does a lot to cater to the needs of the social side of the economy, is likely to lose its more distinctive qualities to become just another standard 'plc' bank.

Given that many charities bank with the Co-Op specifically because of its more responsible practices, and that most charities use the bank as their primary bank, this is particularly worrying. These same concerns were echoed in an open letter sent to the Co-Op Bank from 16 of Britain's leading charities last November, which said many charities will seek to leave the Co-Op if the bank ditches it ethical approach to banking. But where are charities to receive their financial advice and services if they move? The banking system as it stands is not particularly conducive to charities, with little support from mainstream banks for the specific services or tailored require-ments that those in the third sector demand. ResPublica believes a lot of our financial woes, and in particular the lack of good advice and service for charities, is down to the way in which the financial sector is structured.

Our most recent report, *Markets for the Many: How civic finance can open up markets and widen access*, looked at how the scope of current attempts at financial reform could be amended to make the industry more responsive to the needs of charities. This report argues, amongst other things, that in reforming the financial sector, the Government must adopt a more holistic approach to financial reform that assesses the ability of the financial sector as a whole to cater for the needs of society. This it quite clearly fails to do.

For ResPublica, the financial sector as whole is not properly performing its vital societal role and many customer segments, including charities, are consistently underserved by mainstream financial providers. Added to this, with the decline of Co-Op Bank, there seems to be little by way of choice for those in the third sector. But it need not all be despair, as help is at hand for charities in the shape of Community Development Finance Institutions (CDFIs).

CDFIs, which our report endorses as the type of organisation that government should look to promote, are providers of community finance that mostly specialise in providing loans and advice to businesses and civil society organisations. CDFIs have increased their lending to charities by over 37 per cent over the last year, and have handed out £48m worth of loans over the same time period. They fill the gap that others in the sector fill and would, in the future, be in a position to aid charities that feel let down or betrayed by the Co-Op Bank. But there is one significant hurdle in the way of presenting CDFIs as an alternative to mainstream banks.

These social finance providers simply do not have access the appropriate levels of capital needed in order to truly out-compete the large banks. In the US, this problem is largely done away with by the Community Reinvestment Act, which requires all banks to provide credit to charities and communities through CDFIs. We recommend that a similar scheme be implemented here and that all political parties commit to introducing a UK equivalent of the Act in the next parliament. We already have the raw ingredients to implement such a scheme in the UK. The funds the large banks directed into Big Society Capital, combined with the opportunities Community Investment Tax Relief and the Single Local Growth Fund present, if correctly merged and regulated would provide a basis for a UK Community Reinvestment Act.

If we want our charities to have a banking option that goes beyond the troubled Co-Op, then we desperately need to shore-up those financial institutions that already do so well at serving the third sector but struggle to raise the capital to do so. Only then will our charities have access to the level of financial advice and support they deserve.

Adam Wildman is a research manager at the think-tank ResPublica

Big Society Capital

Social investing

NICK O'DONOHOE **looks at the challenges and success of Big Society Capital in its first two years, and says that going forward his challenge is to make sure that social investment really can help charities and social enterprises do even more to tackle social issues**

When we first launched Big Society Capital a little over two years ago, I promised that it would "accelerate the development of social investing as an asset class, transform how the sector is funded and make a significant contribution to improving people's lives." Since then, we've been working hard to make that promise a reality. But creating a market doesn't take two years. At best it takes two decades. And although we have made tangible and significant progress in building the social investment market in the UK, there is still a long way to go.

At Big Society Capital, we've now committed about £150m to 30 organisations. That's a significant amount of money, but more important is the range of organisations that have been able to benefit from social finance. There are now a broad range of funds that, with our money and finance from co-investors, are now up and running and lending to charities and social enterprises. In addition, our recent investment into Charity Bank will help enable them to increase their lending by around £200 million over the next four years.

We are, also, seeing more finance available from other sources to help organisations through the transition to being ready to take on social investment, including Cabinet Office's Investment and Contract Readiness Fund and Big Lottery Fund's Big Potential. We know that it's easy for things such as social investment to become very London-centric, and our commitments to investment in funds targeted specifically at the North East of England and to Scotland are particularly trying to address this. In the long term, having more organisations such as Social Investment Scotland who really understand local needs, challenges and opportunities, is going to be of real value to charities and social enterprises. We're beginning to see money reaching charities and social enterprises, which are using investment to increase the reach and impact of what they're doing. Whether that is Oomph! (with investment from Nesta) delivering more chair cheerleading classes in elderly care homes to improve health and wellbeing, or K10 (with investment from Impact Ventures UK) taking on more vulnerable young people to become construction industry apprentices. There are also now charities, such as Action for Children and Tomorrow's People, delivering critical early intervention services as part of social impact bonds. And in the future, we may see some of the larger charities getting involved as social investors.

It's exciting to see, but there is more for us to do in helping charities and social enterprises to access the opportunities. We need to ensure that everyone is clear that social investment is repayable finance, and organisations need to have an income stream that can make those repayments. It is not going to be suitable for everyone, and we want to help organisations understand where it could and couldn't help them achieve their social mission. In large part because it's very new, it can be hard for organisations to find the right type of finance for them, and we need to help streamline this process.

To help organisations navigate the landscape, we have recently launched a free 'ask us a question' service on our website for charities and social enterprises, and will be running finance fairs across the UK. We also want to do more to work in partnership with sector umbrella bodies to provide more help and advice to charities, and make sure social investment becomes one of the broader 'tool kit' available to charities. A key part of what we are trying to do at Big Society Capital is to unlock new sources of capital for charities and social enterprises to access. Beyond the match funding to our investments, the past year has seen some exciting developments in enabling more people to become social investors.

The launch of Threadneedle's UK Social Bond Fund, in partnership with Big Issue Invest, now means the first product is available that is liquid, can provide a reasonable yield, and which can work within an ISA. Alongside that, Charity Bank has reopened its ethical Cash ISA. And the Social Investment Tax Relief has now come into force, offering investors the same tax incentives as EIS schemes. We expect that tax relief alone to unlock £0.5billion of new capital over the next five years, particularly directed as smaller charities and CICs. It's been an exciting first two years. Our challenge now is to build on the momentum, and early activity and make sure that social investment really can help charities and social enterprises to do even more to tackle social issues.

Nick O'Donohoe is chief executive of Big Society Capital

Profile: **Paul Baron MBE**, *overseas projects implementation manager, Bhagavat Educational Trust*

Adventurous accountant

PAUL BARON STARTED LIFE EXPORTING CLASSIC CARS TO THE US, BUT WANTED TO DO MORE, SO LAUNCHED BHAGAVAT EDUCATIONAL TRUST, STARTING HIS FIRST PROJECT IN BHOPAL, INDIA. IT HAS GONE FROM STRENGTH TO STRENGTH SINCE. MAURICE MCLEOD MET HIM

After leaving school, instead of lazing on a Thai beach, Paul Baron set up a business exporting classic cars to the US via American Army bases in Germany. Noticing how much money his company was paying in accountants' fees, when the company was dissolved, he decided to train as a chartered accountant. Baron says: "With business running through my veins, after qualifying, I established an accountancy practice, training company and a property investment company."

He wasn't content to sit back and watch his successful businesses flourish and so instead launched Bhagavat Educational Trust and started his first project in Bhopal, India. "We established a street child carpentry work shop, from which we eventually supplied school furniture to UNICEF," he explains.

He knew the project which had been so successful in India could work in other places too. "Using this as a blue print, my next project was in Uganda. I set up a street child carpentry and tailoring workshop; I approached the Ugandan Ministry of Education explaining that their delivery of the primary school curriculum could be enhanced by using wooden aids such as abacuses, building blocks etc.

"We then set up a guide on how to implement these seamlessly into their curriculum. The Ministry of Education seeing the benefit, placed national orders with the workshops, in Kampala and Jinja."

Baron used his accountancy training to develop the two projects into sustainable enterprises and then turned his attention closer to home.

After seeing a BBC documentary called the Abandoned Children of Bulgaria, Baron decided to try to use his business formula in Eastern Europe. "We set up a network of 23 orphanages and established an SME in each. These would produce craft items such as painting on silk, cards and jewellery. These items were eventually sold online, through Shell Service stations and from the first ever charity shop set up in conjunction with the former British Ambassador Sir Richard Stagg."

Bhagavat is well placed to help the European Union achieve some of the aims it set out in its EU 2020 strategy. These included reducing early school leavers from 15 per cent to 10 per cent and reducing the number of Europeans living below their national poverty lines by 25 per cent and therefore lifting 20 million people out of poverty. The overall aim of the strategy is to make the EU "a smart, sustainable and inclusive economy."

"In order to achieve these aspirations our international mobility strategy primarily constituted the 10 best practice principles, incorporating the eight key competencies. I believe Bhagavat is important through its innovative approach.

"We are firm believers in the ethos 'it is better to teach a man to fish than to provide him with the fish.' Coming from an accounting background it is essential to maximise scarce resources, this often means working in partnerships, benefitting from cross fertilisation of knowledge and considering opportunity costing."

Baron was awarded an MBE in the 2012 New Year's Honours list for services to vulnerable children and at the end of last year, he picked up the Charity Times Award for Outstanding Individual Achievement. The Charity Times Award judges described Baron's work as "an amazing multi-layered and passionate contribution to both UK and European Civil Society."

The children involved in Bhagavat get a nationally recognised qualification, greater employability, greater accreditation and improved vocational skills. "Initially the charity was building schools, donating the funds and then moving on to another school. Although this brought great benefit, I wanted to extrapolate on what we were achieving in several ways."

Bhagavat introduced a Mutual Assistance programme, where one marginalised group assists another to the mutual benefit of both. "We further developed this in Eastern Europe as the official hosting partner to the Prince's Trust and even further in our current 'Living and Learning Abroad' Project, whereby we became a coordinating organisation. We now find suitable sending organisations and host the projects with orphans in Bulgaria or street children in Turkey.

"This has manifested itself in us sending a diverse range of marginalised groups including, ex-offenders, former substance abusers, those in or leaving care all of which refer to the project as life changing." Baron's accounting training and experience put him in a good position to ensure the projects become sustainable. After attending a conference hosted by the EU presidency in Lithuania it became clear that a barrier to inclusion was low numeracy, literacy and ICT. "I am pleased to say that in order to address this we are developing a tailor-made nationally recognised qualification to seamlessly introduce these elements in a variety of learning methods, adopting the blended learning approach. In so doing, aligning our strategy with that of EU, to assist the EU in becoming a centre for social solidarity and human development through promotion of 'Mutual Assistance'."

Baron has worked for Bhagavat for 17 years but is still highly motivated to take the organisation forward. "I have always felt privileged in life and have often wondered what others that are less fortunate could have achieved given my opportunities. I am a firm believer in Maslow's Hierarchy of Needs, by participating in the project we would hope that they could improve their tier or even be elevated a tier, certainly after participation they return with greater confidence and self-esteem and far more receptive to new ideas."

A survey in July 2013, found 84 per cent of participants progressed onto education, employment or volunteering. "Referring again to Maslow, for the remaining 16 per cent we also believe the project is of benefit, for instance if the person was homeless we find upon their return they find a safe haven for later progression."

Baron is also motivated by his family life. "We have adopted all three of our children, all of which have come from marginalised backgrounds, we have been totally blessed with these children," he says. "I often think of their birth parents and what they have given up. In the words of the participants it is a 'life changing experience', if we can through participation in our project, change some bodies life and prevent for instance a child going in to care, then that is sufficient motivation in itself."

Bhagavat has been evolving over many years, having established several different projects in several different countries, through cross fertilisation of knowledge enriching each new project they undertake. "We have always tried to establish a blue print, with perpetual evaluation to improve the effectiveness."

One such example was a Transfer of Innovation (TOI), the aim here was to transfer the innovative project, Mutual Assistance, its ethos and Modus-Operandi to other countries. "We chose Italy and Spain with the two highest youth unemployment rates at the time and Turkey and Bulgaria with the two lowest subsistence rates. Legacies from this project are a website that to a large extent replaces our role as coordinating organisations, the websites facilitates matching suitable sending and hosting organisations.

"However, we realised this was not sufficient as we also needed to impart sufficient skills in order to facilitate a Mutual Assistance project, to this end we have left another legacy a comprehensive guide on how to implement such projects and also a guide on how to apply for funding. We are also currently developing an e-commerce facility, whereby organisations can produce items, Christmas cards as an example, which can then be shown on the site and purchased online."

The idea is twofold, to impart skills to the marginalised groups, but also not to ask for donations but instead for the public to purchase items, demonstrating the worth of the individual and aiding inclusion. "We would like our branding to be recognised and associated with Mutual Assistance, the general public realising such items are made by marginalised groups. The products will not be perfect, but to be honest I feel this will add to the charm, each item will be linked to the organisation producing it, disseminating their plight again encouraging inclusion."

You might imagine that Baron was beginning to wind down his involvement in Bhagavat after such a long stint but he is still looking to the future. "There are several changes; I believe the most important is to influence policy-making and to further change the perception of charity work."

22 OCTOBER 2014

Lancaster London Hotel

Charity Times Awards 2014 Call for Entries

The Charity Times Awards reaches its fifteenth year in 2014 and this highly successful, popular, and growing annual gala event will be bigger and better than ever. The awards continue to be the pre-eminent celebration of best practice in the UK charity and not-for-profit sector. **FREE to enter** and open to any UK-based registered charity, or international charity with registered UK offices (and commercial organisations in relevant categories).

The objectives of the awards have remained consistent since their inception:

- To honour the outstanding professionals in the many and varied fields of charity management
- To support continuing professional development and contribute towards raising the standards of charity management
- To promote and raise the profile of the charity sector
- To provide recognition for those who are providing effective support to the sector

Charity Times Awards 2014 Categories

Section A: For Charities and Not-for Profit Institutions

1. Charity of the Year: with an income of less than £1 million
2. Charity of the Year: with an income of £1million - £10million
3. Charity of the Year: with an income of more than £10million
4. Best New Charity
5. Outstanding Individual Achievement
6. Rising CEO Star
7. Fundraising Team of the Year
8. Charity Principal of the Year
9. Campaigning Team of the Year
10. Best Use of the Web
11. PR Team of the Year
12. International Charity
13. HR Management Award
14. Financial Management Award
15. Social Investment Initiative
16. Big Society Award
17. Fundraising Technology Award

Section B: For Charity/Corporate Partnerships

18. Corporate Community Local Involvement
19. Corporate National Partnership Champion
20. Corporate National Partnership of the Year with a Retailer
21. Corporate National Partnership of the Year with a Financial Institution
22. Cross-sector Partnership of the Year
23. Corporate Social Responsibility Project of the Year
24. Best Use of Technology
25. Social Champion Award

Section C: Professional Services Category

26. Investment Management
27. Boutique Investment Management
28. Consultancy of the Year

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As always, the awards provide an evening networking with hundreds of the biggest names in the charity industry, combined with a night of opulence and entertainment. This year the Awards Gala Dinner and Ceremony will be held on **22 October 2014 at the Lancaster London Hotel**. Join us at the awards and celebrate in style. Early booking is advised as tables will be allocated closest to the stage on a first booked basis.

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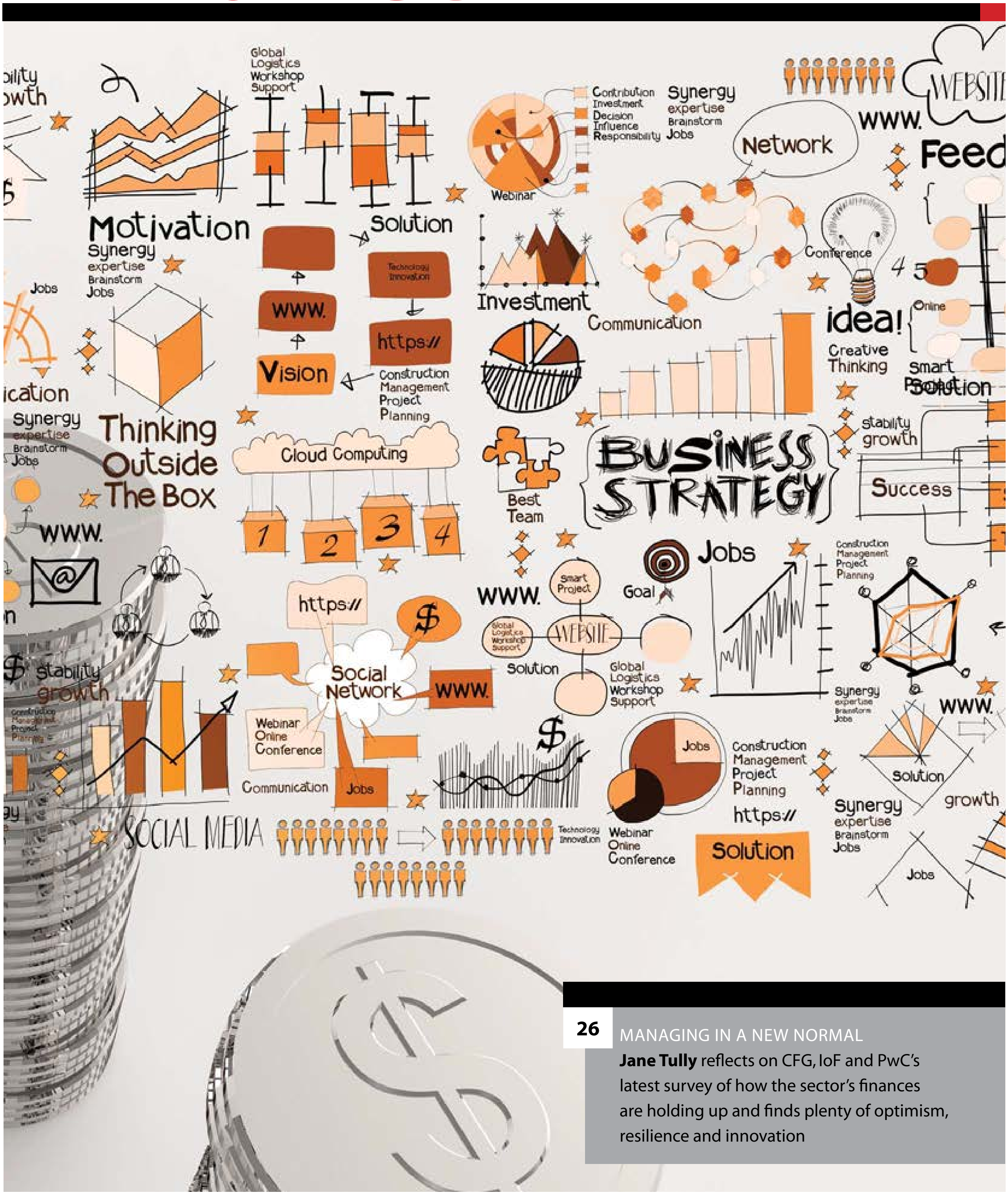
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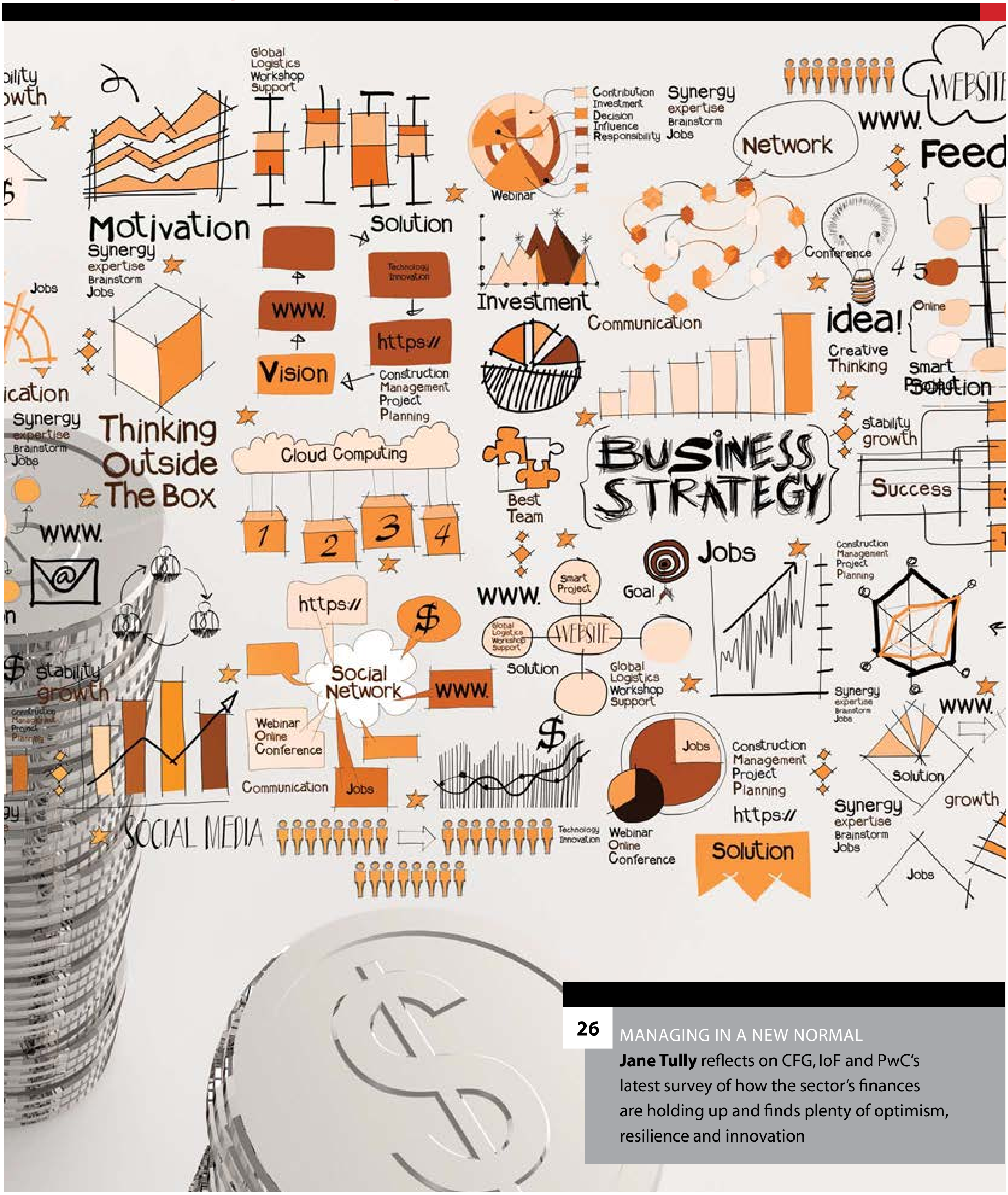
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Managing in a new normal

Jane Tully reflects on CFG, IoF and PwC's latest survey of how the sector's finances are holding up and finds plenty of optimism, resilience and innovation

OUR LATEST finance survey was carried out in January and February of this year amidst positive signs of recovery and the government's promise of economic growth. With the economic indicators looking up, we anticipated the increased levels of confidence would be reflected in responses. We were right.

Despite the fact that public funding cuts continue to bite and charities found themselves in the media spotlight for all the wrong reasons in 2013, the results pointed to a 'cautious optimism' within the sector.

This is the seventh time that CFG, IoF and PwC have collaborated on this initiative, which reflects charity finance professionals and fundraisers views on how charities are faring. While surveys of this type have many limitations, the consistency of the polling approach, sample and response rates over the series mean we can take a fair stab at conclusions as to overall experience, the outlook, and general trends.

With a 'new normal' of low interest rates, low inflation and low growth upon us, this year we did just that, and took stock in our report of how charity's responses have evolved since we started doing the survey in 2008.

What impresses each year when we conduct these surveys is the sector's relentless energy, capacity to adapt and innovate and its resilience in the face of growing demand and squeezed budgets. It's worth being clear at the outset though that it is a mixed picture - some charities are seeing atypical trends of income up, demand down, and some are struggling financially much more than others. But what general trends are we seeing?

Fundraising investment

While the outlook for fundraising remains challenging, this year's survey pointed to a drop in those who expect a tougher fundraising climate next year. Predominant fundraising challenges reported to us include competition from other organisations, followed by less disposable donor income and donor uncertainty about economic security.

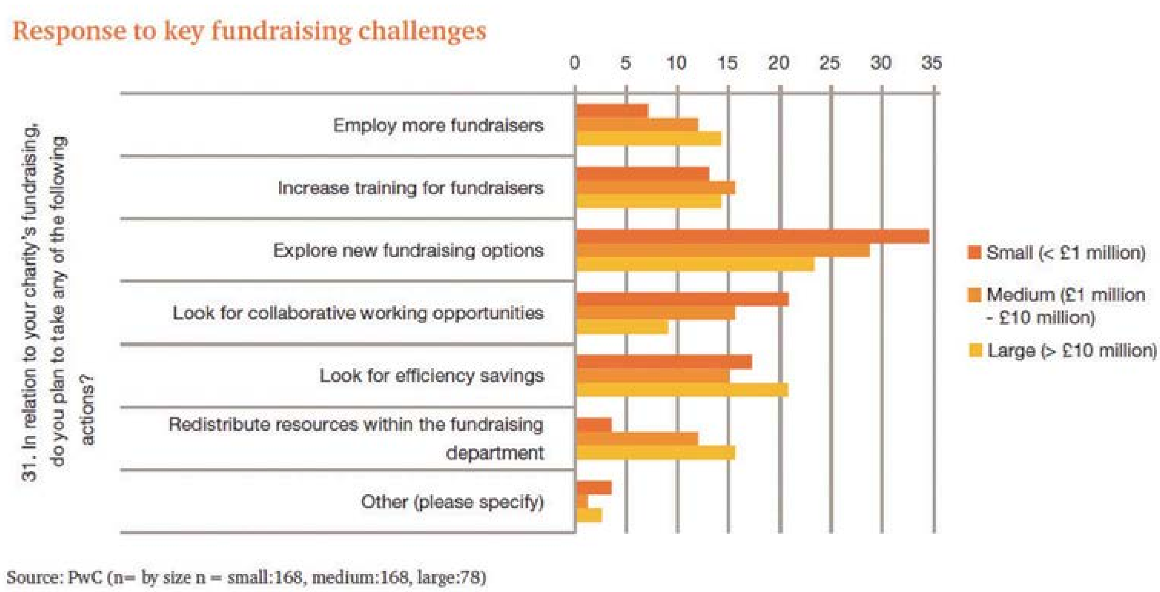
In response more charities are investing in fundraising and more are innovating —

In relation to your charity's fundraising, do you plan to take any of the following actions?

	Response Percent	Response Count
Employ more fundraisers	27.6%	43
Reduce the number of fundraisers	1.3%	2
Increse training for fundraisers	37.8%	59
Explore new fundraising options	**80.1%**	**126**
Look for collaborative working opportunities	44.2%	69
Look for efficiency savings	45.5%	71
Redistribute resources within the fundraising department	24.4%	38
Other (please specify)	6.4%	10
answered question		**168**
skipped question		**311**

It is a mixed picture: some charities are seeing atypical trends of income up, demand down and some are struggling financially much more than others
Jane Tully, CFG

Fundraising: actions charities are planning to take



a fact demonstrated by the number of our largest charities who have set up innovation units in their fundraising teams in the past few years.

Mark Asterita said at the launch of the report that it is clear that charities which have invested in fundraising would continue to flourish over the next few years. With high ROIs, in some charities close to 300 per cent, it is no surprise that compared to last year the proportion who plan to increase training for their fundraisers has almost doubled.

Restructure, merger & collaboration

A second major trend is restructuring — this continues unabated and the old mantra that the only constant is change seems to be equally applicable in the charity sector these days. Interest in merger continues, although perhaps not at the pace many would have expected to see over the past few years. Four per cent of charities surveyed had merged this year and 15 per cent expressed an interest in doing so in 2014.

Collaboration, particularly in service delivery, is increasingly common too, perhaps unsurprising given the financial pressures organisations and funders are under.

Dipping into reserves

In 2009, the Charity Commission suggested that some charities might have hit the 'rainy day' they'd been saving for, suggesting that, if necessary, charities should consider using their reserves. Reflecting on the past year, almost half of our respondents said they dipped into their reserves, but when they have, many are taking steps to ensure reserves are being topped up from other income sources.

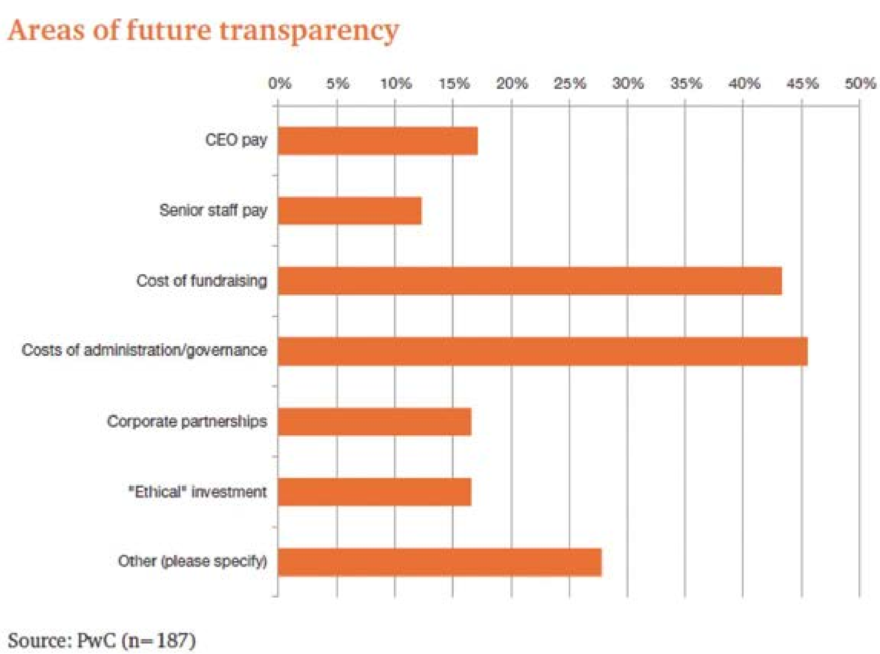
Looking to the future, just under half (47 per cent) are either planning (23 per cent) or considering (24 per cent) drawing down their reserves in the next 12 months — notably less than last year where 63 per cent indicated this (39 per cent 'yes' and 24 per cent 'considering'). Where charities are planning to use their reserves, they say it's to ensure that the core functions of their charity are maintained; serving their beneficiaries (55 per cent) and operating costs (42 per cent).

Taking up trading

When it comes to charities innovating with their funding streams, one of the most common approaches we are seeing is growth in trading. This can be retail or through contract income. Last year when we specifically asked about this, 55 per cent of charities said they had increased or taken up trading since the start of the downturn.

We think this is quite a significant figure, and raises questions for us as to whether more commercial type skills are needed in the sector. It also demonstrates how charities are

Plans to enhance levels of transparency and disclosure of financial information



A second major trend is restructuring — this continues unabated, and the old mantra that the only constant is change seems to be equally applicable in the charity sector
Jane Tully, CFG

In the next 12 months, do you plan to take steps to enhance the levels of transparency and disclosure of financial information in any of the following areas?	Response Percent	Response Count
CEO pay	17.1%	32
Senior staff pay	12.3%	23
Cost of fundraising	43.3%	81
Cost of administration/governance	46.6%	86
Corporate partnerships	16.6%	31
"Ethical" investment	16.6%	31
Other (please specify)	27.8%	52
	answered question	187
	skipped question	280

Despite social investment and social finance being touted as the most innovative responses in charity finance to the economic downturn over the past few years, take up remains slow

seeking to expand income streams over which they might have a greater degree of control.

Social investment

Despite social investment and social finance being touted as the most innovative responses in charity finance to the economic downturn over the past few years, take up remains slow. Last year's finding reported on charities' low take-up of social investment products as only 8 charities who took part in the survey reported having used them.

Significantly, 79 per cent of respondents last year indicted that they had not even considered using the social investment products. This year's findings do not observe any significant change with this attitude as over four fifths (83 per cent) of respondents claimed their appetite for repayable finance through loans or social investment products had not changed over the past year. As the market remains in its infancy and there are limited examples of success in this area available, it is perhaps unsurprising that charities have not changed their risk-averse attitudes.

We probed charities as to why they had not used loans or social investment products and, in line with last year's findings, the majority (72 per cent) said they had no need for them. Other reasons cited were discomfort at a senior level in the charity among trustees and management (13 per cent) and (14 per cent) respectively to take out a loan. These figures and comments left in the survey could be indicative of a continuing risk-averse nature of charities when assessing new financial products. In many charities it appears there is an institutional bias against taking out loans, and there has been limited explanation of how these products might work.

A focus on transparency

Added to the economic difficulties organisations had faced in recent years, were a new raft of 'reputational' concerns. The sector found itself increasingly in the public eye for the wrong reasons. First the Cup Trust scandal, then chief executive salaries, this was followed by a damning report from the Public Accounts Committee into the sector's regulation, and finally a high profile exposé on investment and ethical practices.

Cumulatively, these events have caused many to ask whether charities are facing an identity crisis. Others have seen them as isolated incidents, but there is no doubt that they have made charities more aware of the need for transparency and good communication with stakeholders.

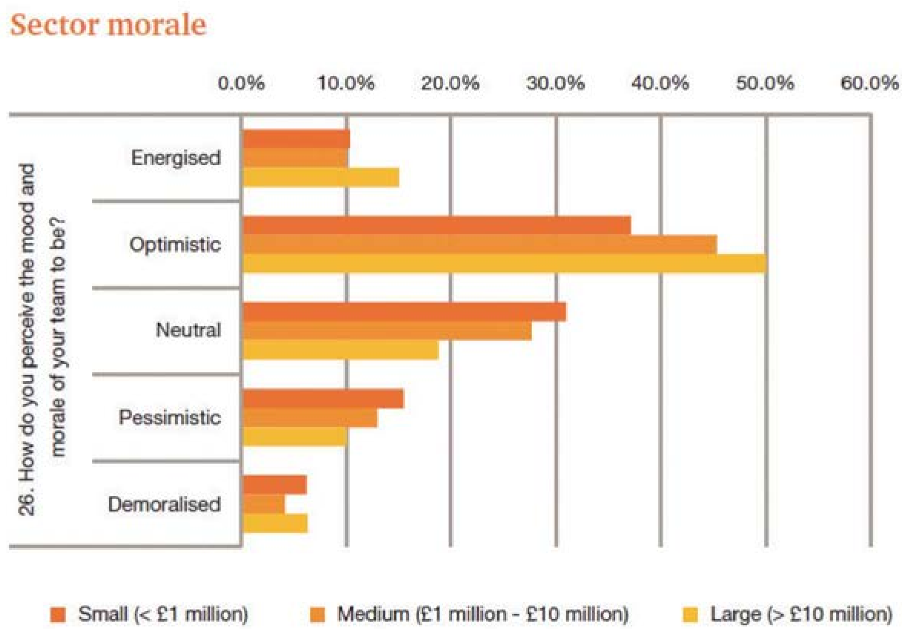
We took the opportunity to ask fundraisers and finance professionals their views directly in this year's survey. Charities clearly felt increasingly under the spotlight in 2013 as 90 per cent reported that they felt the sector had become subject to more media interest and scrutiny.

However, despite this only 22 per cent of respondents said that they thought it had a negative impact on their charity's fundraising. This does not necessarily mean a drop in the amount that people gave them over the year, it could simply mean more complex questions from donors and a challenge to persuade a more sceptical public.

While just over a fifth said that they felt there was a negative impact on their fundraising, half of charities (49 per cent) said that over the last year they had taken steps to enhance levels of transparency and disclosure wof financial information.

Interestingly, many of the respondents who said that their charity had not taken steps to enhance levels of transparency indicated that the reason they had not

Mood and morale in the sector



Source: PwC (small n = 97, medium n = 170, large n = 80)

done more was because they felt that they were already working to a high standard in this area.

When asked whether respondents were planning to enhance levels of transparency over the next 12 months the two most popular areas they had plans to look at were 'Costs of administration/ governance' (45 per cent), and 'Cost of fundraising' (43 per cent).

These are areas of expenditure which donors often say they think are important.

It must be hoped that by organisations doing more in this area, existing and potential donors are reassured and have a greater awareness of how charities are working.

How do you perceive the mood and morale of your team to be?

	Response Percent	Response Count
Energised	11.2%	39
Optimistic	44.0%	153
Neutral	26.7%	93
Pessimistic	12.9%	45
Demoralised	5.2%	18
	answered question	**348**
	skipped question	**118**

The finance team engaging with the charity

Over the years, this survey has shown one positive impact from the challenging economic times — namely that the finance teams in charities have become more engaged in strategic management of functions across the charity. Two thirds (66 per cent) of respondents reported that the finance teams felt more engaged with the rest of their organisation.

And finally, we asked about mood and morale, just over half (55 per cent) of respondents reported that staff were energised and optimistic. As is so often the case in these surveys, the sectors inherently positive outlook shines through. It's this optimism that underpins many charity's resilience and capacity to innovate and adapt in challenging times.

Jane Tully is former deputy director of policy and engagement at Charity Finance Group

CHARITIES NEED A REVOLUTION IN AFFORDABLE CAPITAL, SAYS REPORT

When it comes to finance, more needs to be done to offer charities small scale risk capital and loans to help them meet increased demands for services, according to a report commissioned by CAF Venturesome, the social investment arm of the Charities Aid Foundation. The report also urges loan providers to offer more affordable finance for charities.

CAF Venturesome is a leading pioneer provider of social finance to charities and social enterprises and has lent £33m to more than 400 to organisations over the past 12 years and calls on other organisations to follow their lead in offering affordable finance to charities.

The report, based on interviews with over 250 charities about their attitudes to and needs for repayable finance, found that nearly a third of charities (32 per cent) cited cost as a barrier to taking out a loan.

Research conducted by Lake Market Research in partnership with Diagnostic Decisions also pointed to a need for better information about loan finance. 61 per cent of charities planning to acquire finance in the next five years said they would like a guide to repayable finance and 33 per cent would like more information on individual financial products.

CAF Venturesome is also calling for charities to be given clearer information and guidance about borrowing by social investors, including what repayable finance products are available and how investment can be accessed.

The report found that the number of charities relying on government grants as their main source of funding is expected to half over five years, from 13 per cent to 6 per cent .

With charities increasingly looking for new ways to finance investment in their services, the report estimates that borrowing by charities could reach an annual average of £765m over the next five years. However the cost of borrowing and lack of information may be contributing to the fact that 61 per cent of charities have no expectation of taking on any repayable finance in the near future.

Richard Butler, senior investment manager at CAF Venturesome, says: "This report highlights the enormous need for affordable risk capital available to charities on a small to medium scale. The research shows that the need for these products will increase over the next five years and we look forward to leading the way in serving this growing demand.

"We believe that greater involvement by grant-making trusts and foundations in social investment as well as high net worth individuals will support this need. However, a long-term solution to this challenge requires dramatic innovation in the social investment sector."

SOCIAL INVESTMENT TAX RELIEF WELCOMED

On another financial level, sector organisations welcomed the pledge by the Chancellor George Osborne in his budget to set the rate of social investment tax relief at 30 per cent. The relief, which follows the structure of the existing Enterprise Investment Scheme, will now be much more attractive to High Net Worth individuals who are already making venture capital investments, bringing much needed new finance to charities and social enterprises.

Big Society Capital, the world's first social investment bank, welcomed the commitment made by the Chancellor. Research commissioned by Big Society Capital estimates that the social investment tax relief could unlock nearly half a billion pounds in finance for charities and social enterprises over the next five years.

Big Society Capital will produce "how to" guides for investors; work with providers to drive the creation of products which will use the tax relief; and finally be working with legal experts to create generic investment documentation to help investors save on costs.

Nick O'Donohoe, chief executive of Big Society Capital, says: "The Chancellor has given a very welcome pledge to set the rate of social investment tax relief at a level that we believe will encourage a more investors to put more money into social enterprises.

"The introduction of venture capital tax reliefs in the UK 20 years ago led to individuals investing £14 bn into small growing businesses. But finance is changing. Now is the time for investors to seize this opportunity to invest for social good and benefit from tax relief that is equivalent to existing schemes."

The Social Economy Alliance also welcomed the new 30 per cent tax relief-rate for social investment. The group — made up of more than one hundred organisations, including the UK's Social Investment Forum, says the measures have the potential to unlock billions and fuel the UK's growing 'social economy' — made up of social enterprises, cooperatives and trading charities.

According to the Alliance, Britain's social economy is growing fast, thanks to a wave of new and maturing social ventures, and there is demand from investors and social businesses for greater financial support and infrastructure.

Social Economy Alliance spokesperson and chief executive of the Social Investment Business Jonathan Jenkins, says: "It's a critical time for the social investment market. The world is increasingly relying on social economy organisations to tackle some of its most pressing problems. But, like all businesses, they need capital and investment to survive."

Big impact

Charities should measure what works and what doesn't. Tris Lumley knows this can be as complex as it is important, which is why larger charities should consider helping their smaller counterparts

WHEN I started work at NPC ten years ago, one of the first questions I had to ask was: what is the role of big charities in how a field or subsector creates impact? Our sector reports tried to map the field, in terms of funding, activity and effectiveness, and large organisations were always a major element of the whole picture.

I was researching the field of ageing, and it was quite clear that two charities — Age Concern and Help the Aged — played a huge part in determining the contribution of the whole sector to older people's lives. They were responsible for the lion's share of the fundraising, had both local and national reach, delivered services and campaigned, and sat at the top table in terms of influencing policy. When you tried to work out what this sector looked like, these two charities were a big part of any answers you came up with. How did this affect smaller charities like Counsel and Care for example: their prospects for growth, and their own impact?

Today, that question is perhaps even more pronounced in the ageing sector, since these two charities became one — Age UK.

Here, the timeless metaphor of David and Goliath springs to mind; the power and experience of the battle-ready giant, versus the ingenuity and pace of the underdog. Indeed, policy debates often seem to reflect this binary form.

Changes to public service delivery favour Goliath — you need cash and capacity to win contracts. As noted at a recent NPC roundtable on the subject, charities that own the buildings in which they work are much more successful simply by virtue of their balance sheets.

Yet much of the prevailing policy

climate supports David, with his flexible and resourceful approach. The Big Society envisaged small, local and purely voluntary groups running everything from libraries to responses to flooding. And much of the recent criticism over colossal salaries and too much campaigning has been directed at big players in the sector.

At NPC we believe these starkly contrasting, and often stereotypical, charity models need to be explored in more detail, which we aim to do in a programme of forthcoming work. The charity sector is hugely diverse, as most will agree, and yet this basic fact rarely informs claims about its role. The question of how much to pay a chief executive, for example, depends entirely on the charity: is it a local parents' support group or a national service delivery charity?

If policymakers, and the sector itself, move beyond these polarised perspectives and encourage points of interaction between the two, what effect could this have on impact measurement and reporting?

Big charities and impact practice

NPC's research into impact measurement and reporting practices shows clear differences between big and small charities. Nearly half of the smallest (£10-100k income) do not measure any work — this falls to around one in ten of the largest (over £1m). This evidence is backed up by our experience — we know that small charities struggle with impact measurement, and often think it's the sole preserve of their larger cousins.

This need not be the case. But many small charities unfortunately see impact measurement as a bureaucratic burden imposed from without. We've been working hard in recent years to combat this perception, putting it at the heart of the *Inspiring Impact* programme. *The Code of Good Impact Practice*, for example, aims to be equally accessible to the board of a completely voluntary local charity as it is to the evaluation lead of an international NGO.

Given these findings, should big charities help their smaller brethren with impact measurement? And if so, how?

I believe they can play a major role by sharing their experience and learning with others. They should want to do this because of what they are — charities that exist to help beneficiaries for the public good.

Big charities should help

Let's take a step back and think about the purpose of impact measurement. It certainly allows charities to communicate their value and answer to funders — the evidence is abundantly clear on how important funders are in this area. But its primary purpose is undoubtedly to help them be accountable to their beneficiaries — to tell a truthful story about how a service impacts on the lives of the people they serve, both positively and negatively. And this should also drive the desire to refine what they do to benefit those lives even more.

It is in the spirit of learning and improvement that big charities' responsibility to the field should come shining through.

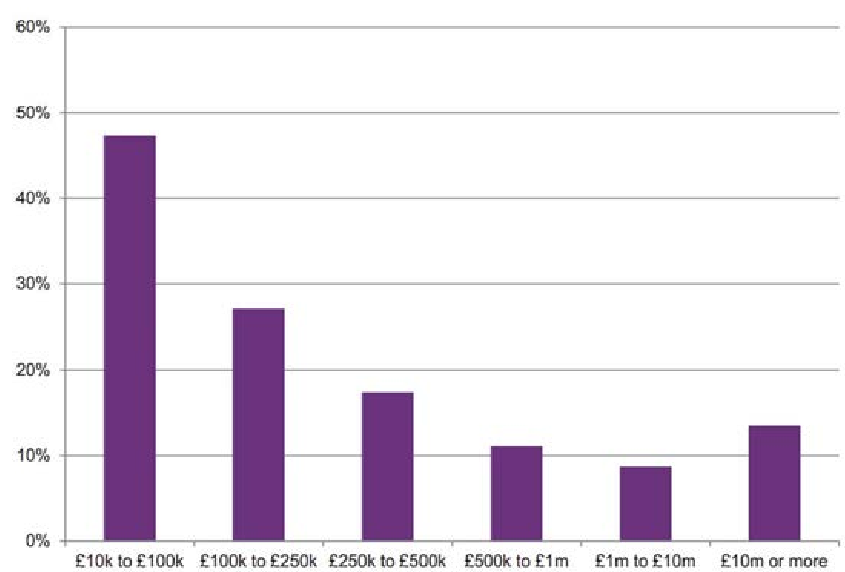
Let's say one of the big children's charities develops a robust way of measuring children's well-being. Having worked hard to make this possible, it is perhaps understandable if this organisation wants to hold onto its intellectual property as a potential source of competitive advantage. And yes, it is in competition, for funding and staff and influence. Yet, in its role as a children's charity, its mission is to improve the lives of children. One of the ways in which it can surely do this is to help the whole field to measure well-being and therefore learn about and improve all interventions for the benefit of children in general.

In NPC's experience, charities are generally reluctant to share their impact measurement frameworks, and do see them as a tool with which to out-bid their rivals. Which is odd — because rather than competing on the basis of results, they are competing on the basis of how they measure those results.

It's a bit like going to a job interview as a graduate and being asked how you measure your academic achievements, not what grades you have achieved.

What I'm saying is that if a big charity has managed to invest the resources required to develop really meaningful

Small charities struggle with impact measurement



Response: We do not measure impact for any of our activities N=223 and practical outcome measurement framework, it should be prepared to share this learning with the field. If the charity is confident that its service outranks all others, it should be happy to compare its results on a like-for-like basis.

At NPC we'd go further than this, and say that, over time, we should get to a position where within any given field there is a common language for outcomes—a shared measurement framework. It doesn't have to be generated by the big charities—in fact, by its very nature, it would need to be agreed across an entire field—but in all likelihood the big names will play a major role in reaching that consensus.

Big charities can help

If we agree that big charities should help the field to develop impact measurement, how can they best do this?

There are a number of options on a spectrum—from being a little supportive of others' efforts all the way through to full-blown partnership.

If a charity wants to help without committing to significant changes to their existing approach, or contributing much in the way of resource, providing some kind of mentoring to other organisations would be a light touch option. This already happens within the Charity Evaluation Working Group (ChEW) and a similar group of evaluation leads in the trust and foundation world. But big charities might consider being more proactive in this regard — could Mind, for example, offer mentoring to smaller mental health charities?

In fact, many national organisations with a federation or branch structure (including Mind and Local Mind Associations) already reflect this kind of approach, designing impact measurement frameworks centrally and providing support to local branches or organisations in how to implement it.

Another fairly straightforward route is for a charity to simply publish its outcomes framework. While easy to do, the organisation will have to overcome competitive instincts to get there, and may feel this represents too great a step in terms of giving away the results of its efforts.

There are, of course, many more engaged and committed ways for a big charity to support smaller charities with their impact practice. I'll touch on two of these here: shared measurement frameworks, and collaborations built on them.

NPC's approach to shared measurement, developed through the Inspiring Impact programme, begins with the need for a measurement framework to be built into practice at the frontline. This means it needs to be developed through bottom-up consensus, rather than imposed from the top-down. The flip side of this is that a real shared framework is unlikely to emerge from any one organisation's practice — it needs to be more independent than that. So a big charity engaging in a shared measurement project will have to establish a balance between its own priorities and approaches to measurement, and those that would work for the field as a whole. This is likely to mean a trade-off between efforts that have already been put into an organisation's impact measurement and a move towards a shared platform they help to develop.

If the charity is confident that its service outranks all others, it should be happy to compare its results on a like-for-like basis

Tris Lumley, NPC

The most intensive way for a big charity to support others with impact measurement is to go a step further than shared measurement, and use this common framework to also guide collaboration. Because once organisations have started to identify their outcomes against a common framework, it is possible for them to see their respective efforts not entirely separately, but as part of a value

chain. A big charity could then potentially integrate smaller organisations into their delivery pathways. This is, of course, already a reality within sub-contracting arrangements in the delivery of services, but basing collaboration more on a shared outcomes framework means that a network of services and impact can be managed in a more distributed way than a top-down prime- and sub-contractor model.

Changing the status quo

It is easy to write about sharing measurement frameworks, developing shared frameworks, and building collaborative impact networks. It is much harder to make them a reality — not to acknowledge that would be incredibly naïve. Yet there is a huge imperative for charities to work better with their peers if we are to succeed in our ambition to change people's lives and society as a whole.

For big charities, the challenge is to look beyond organisational success, and the outcomes they deliver for those they work with, to all the people they could help. It is to think in terms of the total impact of their field, and the unaddressed need within it. Big charities play a huge role in fundraising, service delivery, campaigning and public profile. For them to play an equally huge role in impact, they need to set their sights on their ultimate missions, and how they can help the field work with them towards achieving them.

Tris Lumley leads NPC's development of new strategies, partnerships and initiatives to help transform the sector

SHARED MEASUREMENT FRAMEWORKS

Strong shared measurement frameworks are rigorous and independent of any particular approach; they have great value for individual organisations looking for better evidence, and for the sector as a whole.

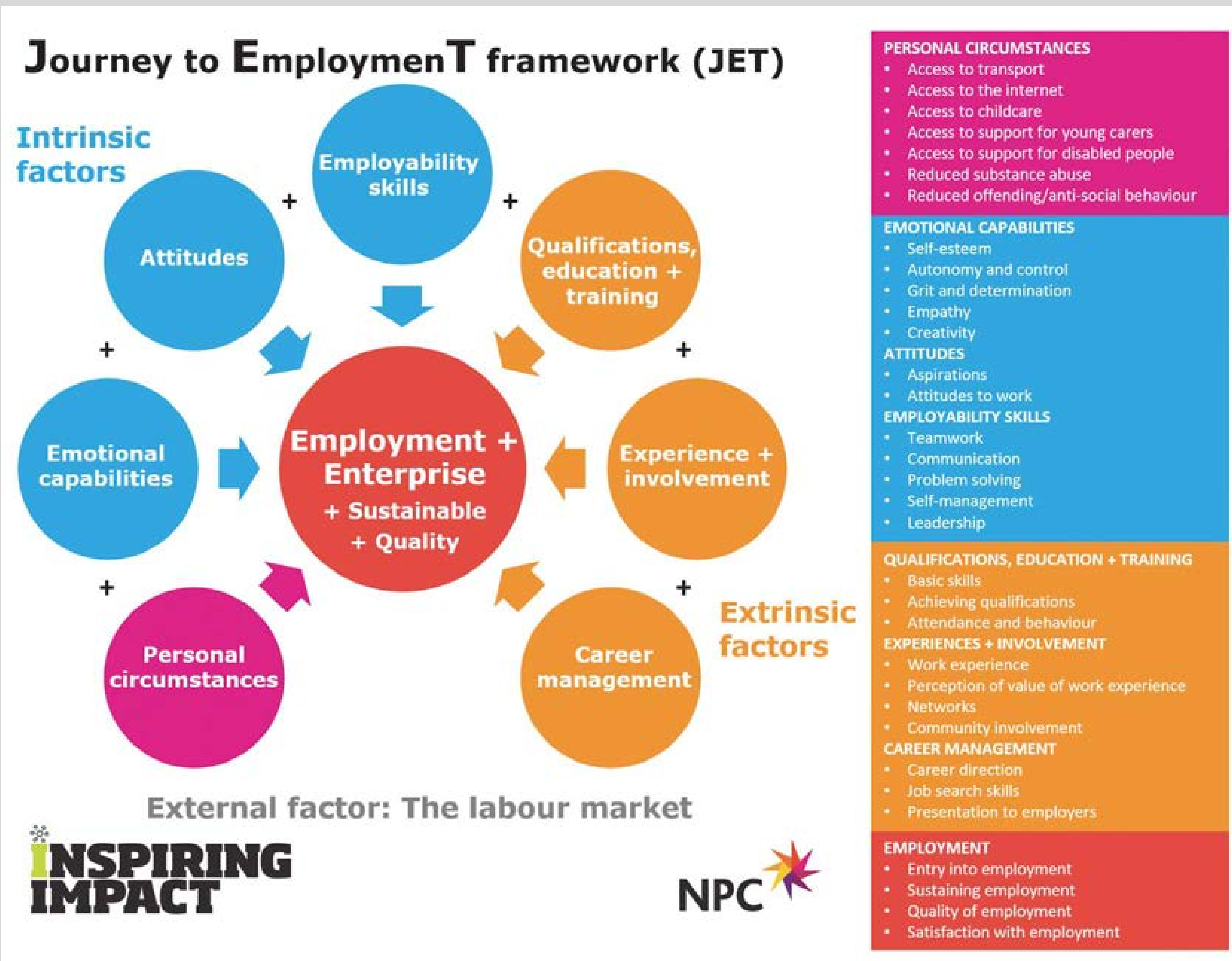
They are transparent and provide clear assurance of a high standard of evidence for funders and stakeholders. With funder buy-in, they can also reduce the burden of reporting for organisations with grants from different funders by allowing them to report in the same way.

Charities using a shared framework do not need to develop their own tools, which saves time and money. Most importantly, it allows for comparison. Service users' outcomes can be easily tracked as they move between different organisations, and the success of similar projects across the sector can be compared. For the sector as a whole, this gives a clearer view of what does and does not work, and builds a picture of the sector's aggregate impact on a complex issue like youth unemployment.

Launched in May 2013, the Journey to Employment (JET) framework is a shared measurement framework for organisations working in the youth employability field. Developed by NPC for the Inspiring Impact programme, and funded by Deutsche Bank, it identifies seven groups of factors that contribute to successful job outcomes for young people, and provides robust measurement tools for each.

The JET framework has been piloted with seven organisations, including Tomorrow's People and vInspired, and we have used feedback to refine and develop it further.

NPC's aims for the JET framework to become the standard outcome framework for charities working in the youth employability field. Only once we start to collect data in the same way against the same outcomes will we truly be able to learn from comparisons between approaches, make better funding decisions, and ultimately improve employment outcomes for young people.



Equities
and the great rotation

There has been much discussion about the so called great rotation from bonds into equities. Andrew Holt finds that it appears to be happening, albeit at a slower rate and is more complex

LAST YEAR investors and analysts spent a lot of time talking about the "great rotation" — how floods of money would exit the fixed-income markets to the benefit of global stocks. It made for great headlines. But it also grasped a very fundamental fact: that bonds were not looking as good as equities.

By the end of last year it emerged that that there could, in fact, be a shift. Despite the uncertainty over the global economic recovery and tapering of the US Federal Reserve's massive quantitative easing (QE), stocks did surge in 2013. US equity markets catalogued their strongest year since 1997 with the S&P 500 putting on gains of 30 per cent, the Nasdaq index was up 38 per cent, and the Dow Jones gained 27 per cent in its best year since 1995. The Dow and the S&P 500 both finished 2013 year at record closing highs. In Asia, the outperformer was Japan's Nikkei 225 which added 52 per cent; helped along by Prime Minister Shinzo Abe's monetary and fiscal policy overhaul to get to grips with the country's 20-year deflationary stagnation.

In Europe, the strongest performer of the major indexes was Germany's Dax which rose 23 per cent. In comparison, France's CAC added 18 per cent, Spain's IBEX rose 21 per cent, and the Italian MIB added 12 per cent. In the UK, the FTSE closed out 2013 up 14 per cent. As a result, one main theme this year seems to be long on European equities.

With recent data from Spain and Italy being very strong — while France's figures raise questions — the early year European equity out performance looks set to continue. Within this, analysts have been commented that European stocks could

easily be up 10-15 percent by the end of 2014

In *Euro Vision — Equities Growing Up*, Peter Oppenheimer, chief global equity strategist at Goldman Sachs, and his team, argue that: "We are in a transition from a 'hope' or value-driven phase of the (expansion) cycle, typical of recoveries from recessions, into a slower but longer 'growth' phase driven by earnings growth." Reinforcing the positive outlook, the authors of the research expect European profits to grow 14 per cent in 2014 led by progress in global growth and margins. They point out the pace of growth would be slow, but there would still be enough momentum to generate a 15 per cent total return through the coming year.

There is a debate however within the investment community about the significance of a potential rotation. This can summed up as those that are great rotation enthusiasts, those that are sceptics and those that sit in-between, so can be cited as in-betweeners.

Rotation enthusiasts

A big enthusiast is Richard Maitland, head of charities at Sarasin & Partners. He says that on a global scale, the rotation out of bonds and into equities is still supported by valuations, rather than mere market euphoria. "While much recent press has focused on the apparent expense of US equity markets, emerging market equities are currently trading on low price-to-earnings ratios, the UK equity market looks fair value and European earnings are still coming in well below trend. For investors taking a global view, equity markets worldwide look fair value as opposed to being expensive. The destination of future investor equity purchases may simply focus progressively on markets outside the US."

Maitland adds that demographic trends and policy responses can muddy the waters here however: in both the US and UK, changing regulations and investment strategies for retirement plans are likely to increase the ratio of bonds to equities over time. "As populations age, and pension funds de-risk accordingly, government bonds and credit are likely to maintain reasonable support. That said, the reverse is true in terms of the appetite for equities from more youthful eastern pension schemes and sovereign wealth funds."

The key point Maitland makes is that in terms of news flow over the period ahead, the wider macroeconomic environment remains supportive for equities. "Ongoing financial repression has created a wide gap between bond yields and the earnings yields. And while markets remain concerned about tapering of quantitative easing in the US, and a 'normalisation' of this gap, we expect that the wedge between rates and growth will persist and remain sizeable.

"This is because, despite signs of economic recovery, the overall pace of monetary stimulus from developed world is unlikely to slow. Against this backdrop of suppressed rates, dependable income alternatives along with risk assets will continue to reflate." Maitland then observes: "It is worth noting that bond bear markets tend to be very drawn out affairs: if interest rates and bond yields are at a secular low point, long-term investors could sensibly shun fixed income investments for some considerable time."

Rotation sceptics

For the sceptics, the idea of a "great rotation" from bonds to stocks is flawed however, and investors expecting that a shift to boost equity prices may be disappointed, says Luke Montgomery, an analyst at New York-based Sanford C Bernstein & Co. In a note to investors, he wrote: "While quantitative easing floods investors with liquid financial assets and can inflate other asset values, this does not mean deposits in aggregate then become a latent source of funds for risk assets."

What's more, he noted, bonds can drop in value without money flowing into other assets. "Wealth destruction in bonds can be an independent event — bond wealth can simply evaporate and need not be offset by wealth created in equities, or any other asset class. Once the rate hike cycle begins, there is a far wider range of possibilities for the future market values of (and allocations to) cash, bonds, and equities than may be envisioned by the great rotation mental model."

An even bigger sceptic is François Zagame, head of Portfolio Management and Asset Allocation MultiManager Funds at Old Mutual Global Investors. Zagame says looking at the MSCI Europe ex UK index, it is difficult to find the region attractive from a valuation point of view. "The mainland Index's Price to Earnings ratio stands currently at 17.6 times compared to a ratio of 17.1 for the MSCI World and 11 times for the MSCI Emerging Markets. Looking at other valuation metrics tells more or less the same story: Europe appears to be valued in line with the rest of the developed World and quite expensive compared to Emerging Markets."

Zagame adds that after sorting the debt crisis, Mario Draghi, president of the European Central Bank,is now doing his best to reinvigorate a struggling European economy. Though he adds: "The legal aspect of QE within the EU is likely to make it a longer and more complicated process that most participants would like and this may lead to some relative weakness in Europen equities." His conclusion is that the recent ECB language is somewhat positive and there is a danger that market expectations may be too high. "As we do not see corporate earnings shooting up in the very near future we believe that equity markets may be at danger of relative weakness. We believe that a massive rotation into European equities would not be justified."

In betweeners

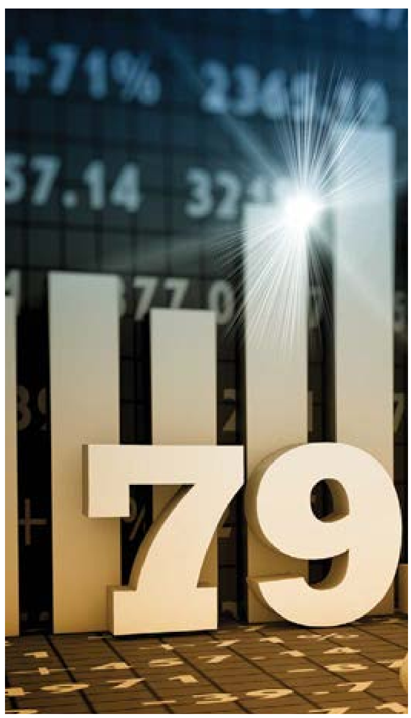
Between the great rotation enthusiasts and sceptics sits James Codrington at Rathbones, is a solid in-betweener. He says: "The normalisation of monetary policy in the US could well mark the end of bonds' out-performance of equities over the last ten years but talk of a 'great rotation' is perhaps over-egging the cake.

"Thanks in large part to a lower fiscal deficit, and assuming existing holders decided to roll over their Treasury holdings, then 'new' buyers are required for only $264bn of the projected new issuance. This equates to 1.58 per cent of total Fed debt outstanding and is less than the sum of annual coupon payments that can be re-invested. Thus it looks like that US Treasuries, at least, will remain well bid."

Andrew Sheaf, director, Cazenove Capital Management, broadly shares the in-betweener position, with a slight bias towards the more positive. He says: "When analysing markets last year, the fundamental relation between price and earnings (PE) for US equities at the start of 2013 was slightly under 16 times; by year-end it was just below 20 times. Of the plus 30 per cent rise in the US market, we believe only plus 5 per cent can be attributed to earnings growth. The remainder was the result of PE expansion, reflecting the considerable value of hope in the minds of investors

"In the UK, meanwhile, virtually the whole of the plus 16 per cent market rise resulted from an expanded market PE multiple. That investors were willing to invest so much in their hopes was due to liquidity and valuation considerations. Analysis of cyclically-adjusted earnings in the UK suggested that the adjusted PE multiple on the market was appreciably lower than its long-term average level in early 2013."

Sheaf says that moving on twelve months, the UK market remains still relatively attractive, but the US market looks quite expensive. Two important conclusions can be drawn for investors, he says. First, there needs to be earnings growth supporting this PE multiple expansion. This is particularly true in UK/ Europe, where earnings outturns over the past two years have been individually and relatively woeful compared to expectations at the beginning of each year. Second, even with better earnings momentum, scope for markets to record further progress looks challenging



Rotation may well remain the dominant theme, in which case effective sector picking this year will be all-important, after a good 2013 for total returns

Andrew Sheaf, Cazenove

The Chancellor has however received a really positive piece of support from the International Monetary Fund. Namely that the IMF has retreated from a previously cautious stance to now predicting that the UK will display the fastest economic growth of any G7 economy in 2014, the largest update for any of these constituent members. "If proven correct," says Sheaf, "then the outlook for corporate UK does still look rather positive and will underpin the current level of UK equity valuations. This consideration will be further helped by expectations for (still decent) further UK dividend growth for calendar 2014, of around 6 per cent for the market as a whole, excluding the Vodafone/Verizon effect."

The one rider to this relatively sanguine scenario, for Sheaf, is that both leading markets are now displaying strong signs of stock rotation, from the highly priced growth favourites over to value names instead. "In particular, we have just seen large setbacks in expensive biotech and internet companies and some recent IPO issues are already standing below issue prices. In our opinion, these stocks are still too highly priced to offer an immediate buying opportunity as yet. Rotation may well remain the dominant theme, in which case effective sector picking this year will be all-important, after such a good 2013 for total returns."

Also being an in-betweener, but a slight upbeat one, Ian Enslin, Waverton's charity director, says that the Great Rotation could just as easily describe shifts within equities as it does the shift out of bonds, after a multi-decade bull market, into equities. "Where once emerging markets (EM) and Asia were the apples of most investors' eyes, they now seem to be no more than investment pariahs. The mighty BRICs have since been replaced by The Fragile Five (Indonesia, South Africa, Brazil, Turkey, and India). In Asia, developed-market Japan has usurped its EM peers (especially China) as the investment destination of choice."

Enslin added that the question is, after two years of underperformance relative to developed markets are the emerging and Asian equity markets now ripe for a bounce back and should investors be reducing their allocations to developed market equities (or bonds) to invest in the former? "While it is difficult to time asset allocation decisions accurately, we can draw some conclusions from the evidence. The first point to note is that emerging markets have underperformed for only two years versus nearly ten years of outperformance from the dotcom-bubble burst through to the end of the Global Financial Crisis rebound. It would be unusual for a ten year trend to unwind in only two. However, we should consider whether the conditions that provided the foundation for the emerging markets boom from 2000-2010 are still intact."

Enslin added that there could be an argument that three, and perhaps more, major building blocks have changed. The first is China, which has enjoyed remarkably strong growth since its accession to the World Trade Organisation in 2001, which has also provided a fillip for its Asian neighbours. There are now serious doubts as to whether China can maintain the growth levels that characterised the first decade of its liberalisation, to the detriment of the region. Secondly, EM economies benefitted from ten years of declining global interest rates and rising demand for the products that they export to developed markets (and other emerging markets).

"Henceforth interest rates are unlikely to fall further whilst demand from the indebted West is unlikely to accelerate as it did for the first ten years of the millennium. The last major trend which is likely to reverse is the hitherto beneficial undervaluation of Asian currencies following the Asian Crisis in 1997. Most

Interest rates are unlikely to fall further whilst demand from the indebted West is unlikely to accelerate as it did for the first ten years of the millennium

Ian Enslin, Waverton

Asian currencies depreciated significantly against their developed market peers and these countries managed to keep them undervalued thereafter. This made their economies very competitive from a trade perspective and allowed them to build significant foreign exchange reserves. However, numerous rounds of quantitative easing in the West has forced these currencies to appreciate (nominally or in real terms), thus reducing the tailwind which they had previously enjoyed."

Enslin added from a macro trend perspective it is therefore difficult to see emerging markets or Asian economies recovering any time soon. "However, we all know that national balance sheets in Asia (including government, corporate, and household) are in a much healthier position than many countries outside Asia. They also have significant catch-up potential in terms of technological adoption and efficiency. But without the tailwinds I mentioned, most Asian economies are going to have to reform to achieve future growth."

In summary, Enslin says, he believes that certain Asian economies are adjusting but this has not yet been fully reflected in some of their company valuations. "Although Asian equities look inexpensive from a top-down perspective, investors need to be discerning as once one excludes Chinese banks, commodity producers, and low profit-margin technology companies, this illusion soon disappears. We therefore think that now is an appropriate time, taking valuation into account, to invest in individual companies which are likely benefit from reform agendas in countries which can institute such changes successfully.

According to the Goldman paper, a continuing secular — investments that can gain in both good and bad times — upswing in stock markets can go on for a long time. This asset shift is part of a long, five-year story. In the wake of the financial crash of 2008, there was the culmination of the greatest bear market since the Wall Street crash. Equities fell 54 per cent from the peaks of August 2000 to the depths of February 2009. In contrast, bonds were on a long-term bull run. Between 2009 and 2011 bonds were, it was said, the only game in town. The game changer though arrived in late 2011 with evidence of a recovery in US real estate. This first recovery in US real estate was an important symbol because it meant the unprecedented stimulus of zero rates and quantitative easing was working. It was the start of a shift from the new normal back to the old normal. But when the market finally woke up in 2013 to find a stealth bull market in equities had started, few believed it had the legs to go the distance.

Complexity of rotation

The great rotation appears to be happening, but is a more complex event. Last year was the year that the 30-year bull market in bonds ended and a secular recovery in stocks began. By December, global stocks were up 19.5 per cent on an annualised basis while bonds were down 1.7 per cent, and commodities were down 3.7 per cent.

The complexity of the situation is highlighted by William Reid head of the charities division at Quilter Cheviot, who says: "In our experience, charitable investors had already adjusted their fixed interest exposure to the lower limit of any implied bands, typically representing 10-12 per cent of a balanced portfolio, some years ago. WM highlight in their 2013 review that over the last 20 years, allocation to bonds within the Total Charities Universe has declined from 17 per cent to 10 per cent at the end of 2013.

"For us, the more noticeable shift within fixed interest investment has been a move away from Government Securities into Corporate loan stock. In particular, great interest has been shown towards a number of the higher quality newly issued retail bonds. These have frequently been issued with short duration (5 years) and attractive coupons."

The most noticeable shift within fixed interest investment has been a move away from Government Securities into Corporate loan stock

William Reid, Quilter Cheviot

Moreover, according to WM, allocation to Alternative investments has risen from 0.4 per cent in 2004 to 11.4 per cent in 2013. The prevailing circumstances have provided a boom for a range of newly emerging asset classes such as infrastructure. Reid says: "Whilst this asset class will also not prove immune to a rise in interest rates – an as yet fully untested scenario for the sector – the emergence of funds offering index linked, attractively yielding, secure, in many cases Government backed, assets has already mopped up investment previously allocated to fixed interest investment. We do not see this reversing. The biggest loser in the current climate has been the cash depositor and if anything, last year we were more aware of investors reallocating cash to real asset investment, rather than a switch from bonds to equities."

It is true though that fixed income investments will retain a role in a balanced portfolio. However, this is against the background of the long term real returns experienced different asset classes, highlighted again in the *Barclays Equity Gilt Study* and relevant to charities that hope to still be operating for generations to come. A key stat is that over the last 50 years, equities have delivered a real return of 5.5 per cent, gilts 2.5 per cent and cash 1.5 per cent.

Andrew Holt is editor of Charity Times

Risk exposure

Marcus Alcock says effective risk management is vital for all charities: with reputational risk placed at the centre of any charity organisation

RISK MANAGEMENT is a phrase which has gained increasing currency in the charity sector in recent years as organisations, many of whom are under the spotlight, negotiate the choppy waters of a growing litigious environment and increased public scrutiny.

While some may regard the management of risk as an irritating distraction from the main thrust of what the charitable sector has to offer, the reality is that whether large or small, no charity can afford to neglect an area which is becoming increasingly an essential aspect of good governance.

One of the most important areas here is reputational risk. For charities there can be little doubt that their public reputation is absolutely critical to their continued well-being.

Indeed only last year Martyn Lewis, head of a review into the issue, said that people have been switching their donations from big charities to smaller voluntary organisations in protest at what are perceived to be excessive levels of executive remuneration.

Earlier in the year, Sir Stuart Etherington, chief executive of the National Council for Voluntary Organisations, lambasted the Charity Commission for its role into the review of The Cup Trust, further tarnishing the charity sector's image in the wider media.

According to Martyn Turner, head of charity underwriting at Ecclesiastical Insurance, there can be little argument that reputational risk is now a hugely important issue for charity management: "Many charities are looking to move into new areas, perhaps tendering for local authority services where they might get it wrong and can't deliver.

"That can be a massive reputational issue and it's right up there, as it's key to the survival of a charity."

The responsibility to manage risk ultimately sits with the board of a charity; however, a positive risk culture must be driven by strong leadership beyond the senior team, setting the tone for the rest of the organisation.

If the environment is not supportive of good risk management practice, no amount of systems development or restructuring will be able to create an accountable and responsive team.

Risk management

Hannah Clark, head of charities and social organisations at Zurich Insurance, agrees that the management of risk is now a crucial issue.

"All indicators suggest that the issue of risk is moving up the agenda for charities. The ultimate stress test of risk preparation is in how well an organisation can cope with a major incident, be it financial or reputational.

"During this transitional phase, there is inevitably a learning curve in how such

Robust governance is essential to manage reputational risk. It reassures the Government and public there is sensible stewardship of the organisation and empowers charities
Hannah Clark, Zurich Insurance

challenges are addressed.

"While some charities have more resources than others to dedicate to risk management we're seeing more scenario planning and risk management strategies in charities of all sizes which suggests a growing recognition of the importance of risk."

As far as reputational risk is concerned, she says that responsibility must lie with management: "Robust governance is essential to manage reputational risk. Not only does it reassure the Government and public that there is sensible stewardship of the organisation, but it also empowers charities to pursue their agenda more effectively.

"In demonstrating that decisions are being taken for the right reasons, charities are more likely to benefit from the support of their communities and overcome any reputational challenges that may arise."

Surely, though, these are issues that really only apply to the sort of larger organisations which tend to have a greater public profile or potentially 'riskier' operating models?

Detailed process

Not so, according to the Charity Commission, which stresses that effective risk management shouldn't only be viewed as the province of larger organisations, and that while a detailed risk management process is not a legal requirement for charities, it is highly recommended.

A spokesman suggests that trustees of smaller charities with gross income below the statutory audit threshold should be encouraged to make a risk management statement as a matter of good practice.

At present, the Statement of Recommended Practice requires that only charities with an annual income of more than £500,000 or a gross annual income of over £250,000 with assets of more than £3.26m are required to make a risk management statement.

For Ecclesiastical's Martyn Turner, this is not just a matter of turnover. He points out that as charities become more complex and grow in size and diversify into more areas then their insurance needs are broadened.

So while the most basic form of insurance sought by charities might revolve around employment liability, public liability, and property insurance, for many charities the scope of their activities means that the overall risk management package required becomes more nuanced.

Trustee indemnity

Take the trustees of charity, for example, where Trustee Indemnity Insurance (TII) is becoming increasingly popular.

According to NW Brown Insurance Brokers, Trustee Liability insurance provides protection for claims against the governors, directors, council members, officers or trustees of the charity, employees and volunteers for mistakes in the management and administration of the charity and for damage or loss of documents.

Cover can be extended to include Professional Indemnity Insurance for claims arising from errors in the performance or provision of services or advice.

NW Brown says the main difference between TII and other types of insurance taken out for the benefit of the charity is that TII directly protects an individual trustee, rather than the charity itself.

For that reason, TII is regarded as a form of personal benefit to a trustee and a charity will need a proper legal authority before it can buy it using its own funds.

Many charities have long had this type of authority in their governing documents, but if not, s.189 of the Charities Act now provides a general power to buy TII using charity funds.

The cost must be reasonable and trustees must be sure that TII is in the best interests of their charity.

Charities that take a measured approach to risk and innovation it should be possible to open doors on new opportunities which can help the sector thrive
Hannah Clark, Zurich Insurance

Third parties

Turner says that TII is now an integral part of Ecclesiastical's insurance offering, which tackles liability robustly: "At Ecclesiastical we would regard volunteers as employees for the purposes of insurance, as we feel it makes it clear for the charity.

"For some charities they will offer advice and services to third parties: so there are potential risk issues there.

"TII is also automatically written as part of our standard charity package as it's something that crops up a lot.

"We provide a level of indemnity of £100k though we can provide more if a charity requires it."

He appreciates that for smaller charities, many of whom will not have resources to employ an in-house risk manager to tackle these issues, the advice offered by an insurance broker can be particularly helpful.

"The role of the specialist here is absolutely key as charities are extremely diverse.

"Two clients on the face of it may appear similar but once you get under the skin they can be very different. Talking to an expert who can devise a package that can meet a charity's needs is absolutely key."

And this isn't merely a matter of self-protection, says Hannah Clark. Effective risk management can have wider societal benefits.

"For charities that take a measured approach to risk and innovation, it should be possible to not only navigate the challenges of day-to-day service delivery but also to open doors on new opportunities which can help the sector thrive and benefit the communities they serve".

Marcus Alcock is a freelance journalist

WHY BUY INSURANCE COVER

Charity trustees have a duty to protect their charity's assets and resources. All charities face risks, and insurance can be an appropriate way of protecting them against any loss, damage or liability arising from these risks. Insurance is not the only solution to the management of a risk but there are certain types of activity where insurance is required by law.

Examples of types of insurance that might be needed to cover a charity's property against loss or damage are:

- Buildings insurance
- Contents insurance
- Event insurance

Examples of types of insurance that might be needed to cover against a charity's third party liabilities are:

- Professional indemnity insurance
- Public liability insurance
- Trustees may also be required by general law to take out certain types of insurance.

What types of insurance are compulsory?

Charities that employ staff are required by law to buy employers' liability insurance. Charities that own or operate motor vehicles are required by law to buy motor insurance.

Employers' liability insurance: Charities which employ staff are required to take out employers' liability insurance. Under the law,1 all employers are required to have a minimum insurance cover of £5 million for injury or disease suffered or contracted by employees while carrying out their duties. A charity must buy employers' liability insurance from an insurer that is an individual or company working under the terms of the Financial Services and Markets Act 2000.

The charity (as an employer) must prominently display a certificate showing that a valid policy is in force and the minimum level of cover purchased.

Motor insurance: If a charity owns or operates motor vehicles, it must comply with the provisions of the Road Traffic Acts. This makes it compulsory to have insurance against third party injury and property damage.

If trustees, employees or volunteers are using their own vehicles for the purposes of the charity or on the business of the charity, the charity must make sure that the insurance held by the owner of the vehicle covers such use. Any additional premiums necessary may be met by the charity.

There are special requirements in respect of minibuses used to transport people on a hire or reward basis and the charity's insurers should be able to advise the trustees on these.

What is the insurance position for volunteers?

For insurance purposes, charities are advised to treat volunteers in the same way as they do their employees and to ensure that they are covered by the usual types of insurance a charity might buy, such as employers' liability or public liability cover.

Source: The Charity Commission

Climate change: back in the news

Alastair Harper looks at the politics of climate change and its impact on civil society

THIS WINTER professional politicians were taught a lesson in how to deal with a crisis by an old family business. The Prince of Wales was at the flooded Somerset levels before any junior parliamentary researchers had managed to find their boss' Hunter wellies. His sons were hands on at the floods in Berkshire, dishing out the sandbags. The Windsors were also ahead of the game in understanding the wider context of this extreme weather event.

The Prince of Wales cited it as a "classic example" of what happens if society pays "little attention to the accumulating impact of climate change… And it's just perhaps a bit of a reminder, possibly, and a wake-up call, that we have to take a longer term view because if you're going to grow anything and farm it, the weather is hugely important in all this."

Politicians did eventually respond. It is very hard to pretend nothing odd is going on when you are knee-deep in water with a lawnmower floating by. The Prime Minister, the Deputy Prime Minister, the Leader of the Opposition and even Nigel Farage all waded into various part of southern England to point at water in front of cameras. There was plenty enough for all of them. It, of course, won't have gone unnoticed by them that the areas affected, from Cornwall to Wales, contained a lot of target parliamentary seats.

Climate change has not been on the front cover of newspapers for some time, but now it was back. With the political space open, Ed Miliband stepped in, appearing on the Daybreak sofa to tell the nation why this abstract issue matters for them and their lives. Later the same week the Prime Minister followed, defending to the Commons his government's record on tackling climate change. It was one of the only times he has mentioned it as a government ambition since 2010 when he spoke of ensuring the greenest government ever.

Though these extreme weather events fit entirely with what the best scientists have predicted will be the UK's impact from climate change, they are by their nature sudden and extreme. They come and go. The carpets have now dried. The train line through Dawlish has reopened and media attention is elsewhere. So are we to let politics forget climate change until the next crisis hits? We really should hope not.

Updated science

The traumatic winter weather across the UK occurred alongside similar extreme events around the world. It also happened just as a major UN report on climate science was due to be published. Issued every seven years, these reports give the world's governments an update on the reality of climate change, away from the headline shouting or sectoral interests. Split into three parts and produced over six months, they look at the latest understanding of the nature of man made climate change, its likely impact on the world and, in the final part just published, how the impact can be mitigated.

The updated science tells us there's no getting away from the fact that this is our problem — that man made emissions are the cause of the change in our atmosphere. But the science also made clear that we have time to deal with the problem and doing so is not a barrier to our prosperity. Leo Hickman at WWF offered a tweet-sized synopsis of the three mammoth reports: "Climate change is real. We are to blame. It will get worse if we fail to act. The solutions are available and affordable. But time is short."

There are things in train to act on this. We have a series of international processes all headed to conclusion over the next couple of years. First of all a European Union climate and energy policy package is being agreed in 2014 that will have a huge influence on our energy system, where it comes from and how we conserve it. Though it's had very little publicity, this will have an impact on all our lives for the next fifteen years, and the UK has a key role in delivering it. The question is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whether David Cameron will push through an ambitious deal.

Global issues
Second, several things are happening at UN level. A global climate agreement is expected at a conference in Paris at the end of 2015, though whether it will be ambitious enough is still to be decided. Ahead of this is a summit hosted by Ban Ki-Moon in September 2014 where world leaders will be gathering to discuss how to make progress on climate change.

Finally, the UN will agree new global development goals, aimed at ensuring the world's poorest can prosper and develop in a way that can be sustained. These will replace the existing Millennium Development Goals which expire next year.

That is lot of high profile activity in a relatively short period of time, but it is distinct from the last time climate change had global attention. Then, at Copenhagen in 2009, the world's great and good gathered for "one chance to save the world", to quote Gordon Brown at the time. The tone was one of avoiding catastrophe with one blockbuster finale. Unfortunately, it didn't live up to the hype. While progress was made in terms of how the world's governments approached this global issue, expectations were not met. People flew home deflated and disappointed, probably without even bothering to offset their flight's emissions.

Climate change is real. We are to blame: it will get worse if we fail to act. The solutions are available and affordable. But time is short
Leo Hickman, WWF

This time should be different. It isn't about one single event but a series of them, intended to, at the most practical level, correct a global economic model so that it is better to invest in low carbon rather than high carbon activity, each will deal with a different area and build on the others. Second, the global players are definitely in a better place. China has a five year plan to reduce its emissions, Obama has focused on climate change as his big second term issue. Both expect to work together on a deal and the only question is how ambitious they will dare to be.

Green economy
Finally, and most importantly, there are more advocates for climate change this time round. As this years' flooding showed, climate change isn't just an issue for environmentalists. It matters for villages, farmers, insurers. If we don't deal with this problem livelihoods will be lost. But also,

Anyone serious about helping the world's poorest understands why climate change must be dealt with. Oxfam has already led the way with its climate campaign

Alastair Harper, Green Alliance

the start we have made in dealing with it has brought growth to the economy. In fact, analysis by the Department for Business, Innovation and Skills has shown that it was the goods and services coming from the UK's green economy that kept us from continuing to flatline over the past few years. For good reason, businesses large and small are advocates of, rather than barriers to, decarbonisation.

Since that Copenhagen conference climate change may not have been on the front pages, but the idea of a greener, more prosperous and long-term economy has embedded itself in the economy. New, cleaner and efficient ways of producing renewable energy have become major industries. And we see it across other sectors to — we have more efficient building techniques, the UK in particular is a base for green vehicles.

Also bankers are just beginning to consider investment in fossil fuels as risking being a stranded asset. Global businesses like GE and Siemens have been innovating, financing and deploying the low carbon technology that has, slowly but surely, been changing the world's infrastructure.

Business groups like the CBI have championed how businesses from all sectors can be part of the economic shift to a more sustainable economy. Cabinet ministers, though largely not party leaders, have been busy reforming the laws of the land to ensure decarbonisation occurs and our infrastructure is ready for the impact of climate change. We have been quietly changing the way the world works meaning that the next big push on climate change has far broader allies than back in 2010.

Those motivated by the economics will join with those in the charity sector who defend the poor and disadvantaged, both in the UK and abroad. Anyone serious about helping the world's poorest understands why climate change must be dealt with. Oxfam has already led the way with its climate campaign launched recently. Christian Aid, CAFOD and other development groups are soon to follow with revitalised campaigns making this their priority issue.

Speaking up

Meanwhile, at home energy prices soar and the imperative of dealing with energy efficiency to keep people's homes warm has become a priority for health and housing groups, linking together to call for a revolution on energy bills.

The biggest membership charity in the country, The National Trust, along with others has begun to speak up about the threat of climate change to the special places they protect.

Civil society is in a good place to ring the bells of change and make sure we get what we need from the opportunities ahead. The support is wide ranging, covering many interests; so what should the collective message be from the charity sector? To some, it's clearly about the environment, about wildlife and our ancient landscapes.

To others, it's about the opportunities for the developing world, health or economic stability. But is there one single thing that can unite all these concerns to make a single clear call for action? Something that can be printed on a wrist band and shouted by rock musicians? No, there isn't.

And it's all the more powerful for it. Just as there is no one single moment in time or location where we can deal with this problem, there is also no single way of describing it and its impacts. Climate change affects all aspects of life on this planet in a myriad of ways. We all have different things we love, different reasons we do what we do, and it is likely that, whatever that is, it will be threatened at some level by climate change.

From our favourite cup of coffee to much more fundamental aspects of life, climate change is a threat. As a sector we should be making sure that the opportunities to deal with it over the next two years are taken and that we argue the reasons why in our own way. We all have different reasons to stop climate change and it is through the voices of the many that the message will be heard.

Alastair Harper is head of politics at the Green Alliance

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