## The value of assets

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The need for charities to take more advantage of new IT Apps

## The end of campaigning?

The Lobbying Act and its negative impact on charity campaigning


# charitytimes

FIRST CHOICE FOR NON-PROFIT MANAGEMENT

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# In trustees the sector expects

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# A sector united?

**Two episodes dominated** the sector at the start of 2014: the passing of the Lobbying Bill and the latest, and possibly most damning, criticism of the Charity Commission by the Public Accounts Committee (PAC).

The Lobbying Bill was passed with a tie in the House of Lords with peers voting 245-245 on the final motion proposed by Lord Harries, the former Bishop of Oxford. It was, as one observer noted, like losing on penalties.

It means that politicians and peers have ignored the united voice of civil society. It also means, as ACEVO's Asheem Singh notes on page 16, that many in our sector will question the motives of politicians of all sides of the house. Why did the party of the Big Society not come out in support of civil society? Why did not a single Liberal Democrat peer vote on civil society's side during the last day of the debate? Why did Blue Labour creator and would-be civil society advocate Lord Glasman not vote on the staff costs issue when just one more vote would have swung it civil society's way?

These are big questions that will and should be asked, but the matter now moves to what happens next. As Lord Phillips of Sudbury notes in our feature on charity campaigning (page 44) the issue now focuses on the complexity of the Lobbying Act. "It is going to be a singularly difficult job to both interpret the law correctly and to apply it correctly," warns Lord Phillips. ACEVO chief Stephen Bubb has challenged the main political party leaders to ensure they repeal the unworkable provisions of Part 2 of the Lobbying Act as part of their manifestos for the 2015 General Election. An interesting proposition.

In its latest damning verdict on the performance of the Charity Commission, the PAC claimed the regulator is 'not fit for purpose', to which, not surprisingly, the Commission offered a firm rejection of these findings. Last December the PAC chair, Labour MP Margaret Hodge, suggested that the Commission might be abolished with its functions absorbed by HMRC, however, this threat was not repeated. Not that it mattered, the condemnation was the same (see page 6). The regulator in turn pointed to the number and in-depth nature of inquiries they have embarked upon (pages 6-8). The sector needs an effective, respected and credible regulator. But most sector associations, particularly ACEVO and NCVO, have been reluctant to support the Commission in its hour of need. This is political, dating back to comments made by Charity Commission chairman William Shawcross on excessive charity CEO pay (explored from a trustee perspective from page 23) and made worse by the bizarre intervention from the regulator in scuppering a key amendment on the Lobbying Bill. What the experience of the Lobbying Bill does show however, is that the sector is at its best when it is united.

**Andrew Holt, Editor**

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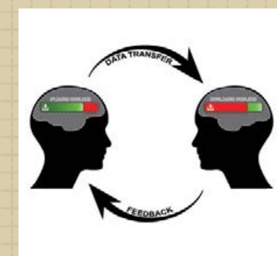


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# Regulator rejects Public Accounts Committee report

Andrew Holt finds the regulator defending itself once more against PAC accusations that it is not fit for purpose

The Public Accounts Committee (PAC) delivered another damning verdict on the performance of the Charity Commission, claiming it is 'not fit for purpose' in its latest report, resulting in a firm rejection of these findings from the Charity Commission.

In their report the Committee accuse the Commission of 'feeble' performance, lacking any strategy and ultimately failing to regulate charities effectively.

The report goes even further than the National Audit Office (NAO) report from last December, which also criticised the Commission's performance and concluded it was not regulating charities effectively.

At the time the PAC chair, Labour MP Margaret Hodge, suggested that the Commission might be abolished with its functions absorbed by HMRC, however, this threat was not repeated.

But Hodge said: "We are dismayed by the fact that the Charity Commission is still performing poorly and failing to regulate the charity sector effectively. It is obvious that it has no coherent strategy and has been simply buffeted by external events.

"It is clear that the Charity Commission is not fit for purpose. The Commission too willingly accepts what charities tell it when it is investigating alleged abuses. It too often fails to verify or challenge the claims made.

"Some of the most serious cases of abuse have not been properly investigated. It has been too slow in removing or suspending trustees and in pursuing investigations promptly — as demonstrated in its feeble investigation into the Cup Trust."

Responding, William Shawcross, chairman of the Charity Commission, said: "I completely reject the suggestion that the Commission lacks a coherent strategy. We have already begun to implement the recommendations of the National Audit Office. We are making rapid, visible progress. The figures on new statutory inquiries and the increased use of our powers demonstrates that our new board and senior management team are implementing significant change.

WILLIAM SHAWCROSS

*"I completely reject the suggestion that the Commission lacks a coherent strategy. We have already begun to implement the recommendations of the National Audit Office."*

"I am confident that we are taking the Commission in the right direction. We recognise that we must strengthen our approach to identifying and tackling the most serious abuses of charity — and we have asked for new powers to enable us to do this. We also have to ensure that the few cases of serious mismanagement and abuse do not undermine public trust and confidence in charities more widely. It is a shame the Committee hasn't recognised this progress."

Shawcross added that the Charity Commission has accepted and is already implementing many of the recommendations set out in the Public Accounts Committee report.

It has already acknowledged that its approach to tackling problems in charities was in the past too cautious at times and that it must improve the way in which it identifies and addresses deliberate abuse in charities. It has also accepted the need to make better use of its own data.

The Commission is opening more statutory inquiries into charities and using its legal enforcement powers more, as was recognised by the NAO.

For example, the regulator said it now routinely uses its powers immediately to gather information during statutory inquiries, rather than asking trustees to volunteer information in the first instance.

The Commission confirms that it has:

Opened 48 inquiries since 1 April 2013; during the previous financial year (April 2012- March 2013) it opened 15 inquiries; used its legal enforcement powers 657 times in statutory inquiries and operational compliance cases since 1 April 2013. The figure for the previous financial year was 216.

The Commission has been clear that its enforcement powers are insufficient and has welcomed the Cabinet Office consultation to extend and strengthen its legal powers, for example by giving the Commission a discretionary power of disqualification to prevent trustees from resigning to avoid removal.

The regulator is hopeful that Parliament will grant these powers, which will strengthen and speed up its most serious investigations into charities.

Other changes made since the NAO reported in 2013 include:

A major increase in the Commission's programme of scrutinising and reviewing charities accounts: in 2012-13, the Commission analysed 5% of the sets of charity accounts received.

To date this financial year, the Commission has monitored 18% of accounts received to help it identify serious abuse in charities and improve the quality of charity reporting.

And a new dedicated operational monitoring team, which promotes compliance by conducting follow-up work with charities involved in non-inquiry compliance cases has been implemented.

And a new Memorandum of Understanding with HMRC, strengthening the provisions under the information sharing gateway. Shawcross noted how the Commission's resources will decline from £32.6 million in 2007-08 to £20.4m by 2015-16, a reduction of 48% in real terms.

And the Commission is now conducting a thorough review of its regulatory and business delivery model, including risk appetite, management, and IT capability, in preparation for the next spending review.

The Committee's report refers to two specific cases in its criticism: Afghan Heroes; and Shawcross noted the Commissions do not accept that this is an example of slow progress. The Commission contacted the charity in September 2013 about how much income was spent on charitable activities and various payments to companies connected to some of the trustees.

At a meeting in October 2013 the trustees were unable to allay the Commission's concerns and so it opened a statutory inquiry into the charity in November 2013 and used powers to restrict the charity's bank accounts. The Commission expects to announce further developments in the case shortly.

Secondly, the Cup Trust: the Commission noted that it opened a statutory inquiry into the Cup Trust in March 2013 and appointed an interim manager to the exclusion of the trustees. The NAO published a detailed report on this case in December 2013.

The Commission do not accept the Committee's suggestion that its investigation was "feeble" and this was not the finding of the NAO, nor of the Charity Tribunal whose judgment in October 2013 reflected the strength of the Commission's investigative processes and procedures

But ACEVO director of Public Policy, Asheem Singh, said this was another wake-up call for the Charity Commission.

"The Public Accounts Committee have issued yet another wake up call for both the Charity Commission and for the Government. At ACEVO, we have argued time and again that the Charity Commission has been crippled by cuts to its budget. These have undoubtedly had an impact on its ability to do its job.

"But the Commission cannot be absolved of all blame. In many cases it has been its own worst enemy. It's crucial that the Commission is capable of upholding the integrity of the sector and we support its call for stronger powers to do so.

"But we are concerned that it is often too ready to lose sight of its core mandate. The Commission's intervention on the Lobbying bill, where it argued against a charity exemption, was particularly unfortunate."

Sir Stuart Etherington, chief executive of the National Council for Voluntary Organisations, was also unsympathetic towards the regulator. He said: "The approach the Charity Commission took to regulation in recent years risked harming the reputation of charitable status.

"The Commission has to be an effective regulator in order to maintain the public's trust in charities. Although cases of abuse are rare, in the past the Commission has been too slow to act when they do arise. We are pleased it is now making moves in the right direction. It has started taking firmer action and is seeking to enhance its legal powers.

"The Charity Commission still has significant work to do in order to restore its reputation but we could not do without its specialist role. I welcome the Public Accounts Committee's plan to review the Commission again in a year and I hope it will be able to demonstrate that it is continuing to improve."

Caron Bradshaw, chief executive of Charity Finance Group, also said of the report: "The Public Accounts Committee report on the Charity Commission is a damning indictment of the sector's regulator."

But she qualified this, by adding: "While there are certainly areas of the Commission's work that need urgent improvement, such as how it registers and investigates charities, it's too easy to make sweeping criticisms and declare wholesale failure. Worryingly, this approach may create a damaging impression of how well charities are run in the public mind and ultimately push the Commission in an unhelpful direction.

"Yes, there have been failings, instances of unchecked abuse and oversights; these must be addressed, but the Commission has also achieved a lot in helping charities to professionalise and comply with their duties. The impression created by the report is that the sector could be awash with rogue charities and cases of mismanagement."

Bradshaw said such impressions are particularly unhelpful at a time when charities are facing sustained and often unwarranted criticism. But she noted: "By and large, charities operate to high standards, demonstrating trustworthiness and probity."

She added: "While we welcome regular scrutiny of the regulator, we are concerned that the requirement to report back to the Public Accounts Committee in a years time will result in a knee-jerk reaction by the Commission's leadership."

The charity Directory of Social Change took a stronger stance, criticising the report. Jay Kennedy, director of Policy and Research at DSC, said: "The Commission clearly needs to improve in some areas and is taking action, which is made increasingly difficult by the fact that its budget has been halved. That's not its fault — that's the utter failure of the Government to value the function they provide to the public and charities.

"Further, these kinds of brickbat statements from politicians like 'not fit for purpose' are totally irresponsible. Frankly I expect better from the PAC. The charitable sector depends on its regulator not just to take action against wrongdoing, but to enable charities to get things right in the first place."

# Charity Commission intervenes in charity cases

Despite being criticised for inaction, Andrew Holt reveals a number of proactive cases where the regulator intervened

As it was being criticised by the Public Accounts Committee for not dealing with questionable charities enough, the Charity Commission contrasted this by intervening in a number of cases.

The Charity Commission has appointed an interim manager (IM) to the charity Afghan Heroes, registered charity number 1132340. The Commission used its powers under the Charities Act to appoint Brian Johnson of HW Fisher & Company as IM of the charity to the exclusion of the charity's trustees with effect from yesterday.

At a pre-arranged meeting the trustees were informed of the appointment. In November 2013 the regulator opened an inquiry into the charity to investigate concerns of whether, and to what extent, there was mismanagement or misconduct on the part of the trustees. In particular, whether there were unmanaged conflicts of interest, unauthorised trustee benefits, financial mismanagement and/or serious governance failures.

After opening the inquiry, the Commission quickly acted using legal powers to restrict the charity's and its trading subsidiaries' bank accounts and the transactions they may conduct. This means that the trustees cannot make payments from the accounts or dispose of property without the consent of the Commission.

The appointed Interim Manager will take over the management and administration of the charity. In addition, he will review the current activities and governance of the charity and take steps to protect its interests and assets. This includes assessing the care and needs of the charity's beneficiaries and implementing a plan to provide for that care and those needs.


*"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."*

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 The Hinckley Concordia Association, charity number 501904. The charity, which is based in Hinckley, Leicestershire, provides facilities for recreation and leisure activities and established a community centre, including a theatre and other facilities, to advance the education of local residents.

The purpose of the inquiry, which opened on 31 January 2014, is to examine various regulatory concerns relating to the trustees' duties and responsibilities in relation to their administration and management of the charity, in particular the safeguarding of charity beneficiaries.

This follows the Commission being informed of the joint criminal and safeguarding investigation by Leicestershire Police and Leicestershire County Council, in relation to several people connected to the Charity's Concordia Theatre.

The Charity Commission also opened two separate statutory inquiries into charities set up to help deliver aid to Syria.

The charities concerned are Aid Convoy, registered charity number 1149015, and Syria Aid, registered company number 8361099.

Statutory inquiries are the Commission's most serious type of engagement with charities.

Aid Convoy is a registered charity that describes itself as an international humanitarian organisation committed to assisting victims of disasters and wars and whose current appeal is for people affected by the conflict in Syria.

The Commission's inquiry into the charity is examining issues relating to the end use of charitable funds, and whether there has been any mismanagement or misconduct on behalf of the charity trustees.

Syria Aid is a company, whose objects include the provision of humanitarian aid to those affected by the crisis in Syria.

Syria Aid is not currently registered as a charity with the Commission, but the regulator is satisfied that the organisation is charitable and should be registered, and that it has jurisdiction over the funds raised by the company.

The purpose of the regulator's inquiry into Syria Aid is to ensure the charity is registered and has proper governance systems in place, in particular a sufficient number of trustees to operate, and proper financial management arrangements.

The inquiry will also examine concerns about its application of its funds. The Commission's investigation into Aid Convoy began on 30 August; that into Syria Aid began on 20 December 2013.

# FRSB reveals importance of charity accounts

Three in four adults would not donate to a charity which had failed to submit its financial accounts, finds Andrew Holt

Three in Four adults (76%) would not donate to a charity which had failed to submit its financial accounts and returns to the Charity Commission, according to an independent ICM poll commissioned by the charity regulator and the Fundraising Standards Board (FRSB), the self-regulatory body for UK fundraising.

The Christmas period just gone is a traditional time for giving and charities work hard to raise money during this period to fund their work. 85% of people give directly to charity at Christmas, donating an average of around £40 to the good causes they care about.

However, charities risk missing out on vital donations if they fail to submit their financial information to the Charity Commission, the independent regulator of charities in England and Wales.

Annual documents are a key way charities remain accountable and transparent to the public.

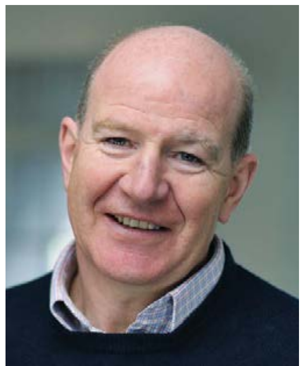
A charity's Register profile highlights that it is a legitimate registered charity, and shows whether it is up to date with its financial accounts and returns.

A red 'late' flag on an organisation's register profile sends a warning signal to potential donors.

With 67% of respondents saying they are likely to make checks before giving in the future now they are aware of the issue, charities should be ensuring their record appears clean to potential donors.

Almost all collections are genuine, but some people will try to abuse the generosity of others for their own gain.

The public has a key part to play in keeping charities accountable by using the resources available to them; however, 43% of adults never make any checks when approached by a collector for a charitable donation.



ALISTAIR MCLEAN

*"Donors give generously, but increasingly questions are being asked and concerns raised with us at the FRSB about the legitimacy of fundraising campaigns"*

Asking the collector for ID, looking for the FRSB 'give with confidence' tick and checking the Charity Commission's online Register are all simple checks the public can carry out to ensure their money goes to the right cause.

When asked about the current checks donors make before giving:

- 39% of donors ask collectors for ID or question them about the organisation
- 27% of donors check that it is a registered charity

One in five (20%) respondents (excluding Scotland) always or mostly check for the FRSB 'give with confidence' tick branding, which indicates that the charity's fundraising is regulated.

Respondents aged 18-24 and over 65 are least likely to make checks before donating, with 49% and 46% respectively failing to do so.

Overall, women make more checks than men, with 30% of female respondents checking for a registered charity number when approached, compared to 24% of males.

The most popular ways of giving at Christmas time are purchasing Christmas cards and other goods (64%), cash collections (53%), raffles and lotteries (44%) and bag/household goods collections (43%).

Men give an average of £52 directly to charities at Christmas time, with women donating an average of £27.

Sam Younger, chief executive of the Charity Commission, said: "Whilst it is encouraging to see levels of giving remaining high and many people taking steps to check whether a charity is registered before donating, this research shows there is still much to be done by both the public and charities themselves to ensure organisations remain accountable.

"We will not tolerate charities that fail to meet reporting requirements, and our enforcement action continues to target these breaches of duty. However, the public needs to work alongside us and use the resources available to them to make checks before giving.

"Last year, there were 6.5 million successful searches for a charity on the Commission's online Register. Charities should be aware that potential donors are checking their details, and we are encouraging those donors not to give to charities that send in their accounts late."

Alistair McLean, chief executive of the Fundraising Standards Board, added: "Donors give generously, but increasingly questions are being asked and concerns raised with us at the FRSB about the legitimacy of fundraising campaigns. Although bogus fundraising remains rare, it is essential that we all do what we can to make it increasingly difficult for criminals to cheat charities and their supporters."

# Pathways for power

ANDREA COOPER EXPLAINS WHY TACKLING THE LACK OF SOCIAL MOBILITY AND ACCESS TO OPPORTUNITY FOR YOUNG PEOPLE IS AN ESSENTIAL SECTOR AND SOCIETY PRIORITY

Ask any politician, business or community leader and they will all tell you of their concern of the lack of engagement of young people in making policies for and delivering change in their communities. Yet despite this sentiment, too little is being done in practical terms to engage young people.

2014 is not the best time to be young in Britain. There are nearly one million young people not in work, education or training, even at a time when the numbers of people in some form of employment is at an all-time high. The recent route to social mobility — attending university — that has worked for so many over the last 30 years, as educational opportunity has been vastly widened, is now not enough, it seems, to guarantee employment and prospects in the longer term.

Indeed the challenges facing many young people are increasingly extreme. In politics, for example, one of the barometers of the importance of young people to decision makers is the make-up of parliament. While the three party leaders are some of the youngest ever, the average age of a member of the current parliament is 52, older than the parliaments of 1979, 1983 and 1987 — meaning the "feeder system" for the party leaders of the future is older than in the past.

As importantly, and despite recent improvements at Cabinet level — the pipeline of talent in parliament does not represent the ethnicity, socio-economic, or gender profile of the country. The percentage of ethnic minority MPs is 4.2 per cent v 12.4 per cent of the population; MPs are more likely to have gone to private school than at any time in the last 17 years (39 per cent of the total, compared with 7 per cent of the total UK population); the percentage of female MPs, despite an increase in this parliament, is 22 per cent v 52 per cent of the population.

In fact Britain has a lower representation of women in parliament than countries including Rwanda, Uganda and even Uzbekistan: hardly a ringing endorsement of efforts all parties say they are making to make politics and politicians look and feel more like Britain today. Similarly with business the statistics are not encouraging. The heads of FTSE 100 companies are, on average, older than ten years ago. Further down, the numbers of people aged 18-25 in middle management positions across British businesses has fallen from 10.8 per cent to 7.5 per cent between 2005 and 2012.

**Representative democracy**

While none of this appears positive it is worth considering whether any of this is really important. Does it in fact matter that this parliament is older than previous ones, whether or not they are privately educated, or that those over 25 are increasingly taking middle management positions in business? After all, when the economy by most measures is seen to be improving and with that improvement opportunities will inevitably increase over time for everyone, regardless of age, it could be argued that these imbalances may to a certain extent correct themselves. We, at UpRising, strongly believe it does matter. It would be highly unusual to think that our "representative democracy" works better when it does not represent the look and feel of the population as a whole. Similarly, with businesses needing to understand and react with their customers, they are clearly more likely to be successful if they look and feel more like Britain today. And that's why UpRising was created and the reason for our existence is so important.

UpRising was started five years ago as a project of the Young Foundation, the think-tank founded by Lord Michael Young a sociologist whose work in London helped found organisations that increased social mobility, knowledge and opportunity including the Open University and Which?— The Consumers Association.

What was very clear to the Young Foundation was that "pathways to power" — what enables individuals to improve their life-chances and work their way into positions and jobs of influence — wasn't any more a lack of access to university degrees, but rather a lack of access to both hands-on experience, practical skills, an understanding of how key institutions work, and a network of people who could help them.

**Lack of engagement**

For those with family connections, or often those who have attended private school it has never been much of a barrier: these organisations come with ready-made access to those with connections and the ability to grant internships or jobs that can build that experience. But for others this is not the case. Similarly the Young Foundation saw the lack of engagement by young people both in politics and their communities as a challenge that needed solutions. At the 2010 election, the percentage of young people voting was at its lowest ever, having fallen in every successive election since 1970. In terms of community engagement, the percentage of young people involved in any form of volunteering is, according to the think-tank Demos, at 29 per cent, one of the lowest in the developed world.

With this background in mind, UpRising was founded. Taking, over the space of five years 450 young people from four locations — London, Birmingham and the West Midlands, Greater Manchester and Bedfordshire — we created a leadership programme that would assist them with skills such as public speaking, working with the media, management and delivery skills. In parallel we launched two additional phases: creating a network of leading politicians, business and civic leaders from across the country that could act as mentors to our "UpRisers", and then secondly engaging those mentors to assist our young people in creating and running local community projects — or social action campaigns — to address real issues in the places they live.

## We seek to draw from white working class and black and minority ethnic communities

**Andrea Cooper, UpRising**

**Effective results**

Most of the social action initiatives have been not-for-profit. From food awareness campaigns to music and anti-crime initiatives, these campaigns have been as diverse as our UpRisers, who we seek to draw from white working class and black and minority ethnic communities, as well as those from other groups facing challenges such as the disabled.

The results have been astonishing. A five-year survey of our first 450 UpRisers showed that 66 per cent continued to be actively engaged in social action within their communities following the end of the UpRising programme, compared with 29 per cent of young people aged 18-25 in the general population. Others have transitioned from social action to founding and managing social enterprises — indeed with 17 per cent of UpRising alumni engaged in social businesses this is far higher than the European average of 1.7 per cent for young people.

Because of this success, UpRising was ready to take the next step and become its own, independent charity. As part of this transition to independence, three founding Patrons were appointed — David Cameron, Nick Clegg and Ed Miliband — to underscore the importance of this programme to the political parties and Parliament. We have gradually appointed a board of trustees, led by Rushanara Ali MP who was co-founder of UpRising when it was a project of the Young Foundation at which she was director before being elected to Parliament. Leading names in British politics, business and community life have been brought on board to act as mentors and take up the role of Ambassadors to the organisation.

Now, with increased funding from individuals, corporates, foundations and support from the Cabinet Office, in 2014 we will increase the numbers of young people involved in UpRising from 165 per year to 1,800 — more than tenfold. This step-change was announced to coincide with our official launch at the House of Commons at the end of last month.

While UpRising seeks primarily to assist young people, we also want to be seen and understood as an important source of information, research and advice on how opportunities for social mobility and increased engagement in social action can be increased.

To that end, and to coincide with our independent status, UpRising published a report: *Pathways to Power: Leadership in 2020 and beyond* detailing how we can engage more young people in social action and make the leaders of the future more like modern Britain. As well as providing an in-depth study of many of the challenges facing young people in Britain today and offering solutions to them, it also throws down the gauntlet to our political leaders — and UpRising's patrons included — to make the change to their own parties and politics that young people need to see to re-engage.

**Andrea Cooper is CEO of UpRising**

# World Giving Index 2013 by Charities Aid Foundation

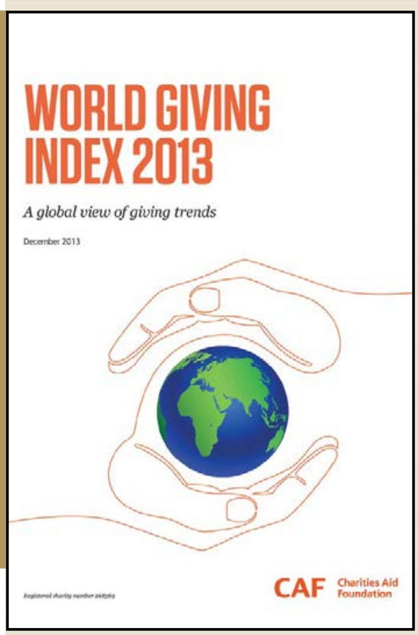
Which country in the world is the most generous? The Charities Aid Foundation has the answer, with The United States of America returning to number one in the World Giving Index after a year's absence. Last year's most generous country, Australia, drops to seventh in the table. Canada, Ireland and New Zealand retain their strong positions from previous years. The United Kingdom comes in sixth.

The *2013 World Giving Index* is CAF's fourth annual attempt to rank the countries of the world in terms of their generosity. The table is compiled by awarding each country a score for how much their citizens give, in terms of helping strangers, donating money and their volunteering. Myanmar — unranked in 2012 — is a surprise entry at joint second in the table. It is boosted to this position by its incredible rate of private philanthropic donations, with the CAF research finding that 85 per cent of people in the predominantly Buddhist country donate to charity regularly. This puts Myanmar well clear at the top of the global giving of money rankings, with 76 per cent of adults in the UK — the next highest proportion of donors — giving regularly. In the USA, the most generous country overall, fewer than two-thirds of the adult population, 62 per cent, give regularly. We must be cautious with these very specific findings, however. While Myanmar's citizens are clearly generous with their money, when it comes to helping strangers they are ranked seventy-first in the world. While their exceptionally high rates of giving boost their overall score, this does not tell us the full picture. More useful, then, is to look at the broad themes that the report highlights. While the same Western nations remain at the top of the Giving Index year on year, quickly developing nations are becoming increasingly significant in global giving. Developing nations with large and growing populations such as Thailand (70 per cent) and Indonesia (63 per cent) have high rates of regular giving of money which as their populations continue to grow will see them become some of the most generous nations in the world. Volunteering, too, is booming in some developing nations, with Sri Lanka (46 per cent) and the Philippines (43 per cent) generous givers of their time. While growing superpowers India and China still have relatively low rates of giving money (28 per cent and 10 per cent respectively) and volunteering (18 per cent and 4 per cent respectively), their huge populations mean that in terms of the total number of people donating money or volunteering, they rank in the top four for both activities.

The comparisons between continents presented in the report are useful only to a point. Oceania, in which only Australia and New Zealand are surveyed, is way out in front with an overall generosity score of 57 , with the chasing pack clustered together and well behind. However, within each of these chasing continents exists significant complexity. Asia's overall score of 32 per cent hides the pockets of exceptional generosity highlighted above, while Europe's overall score, also 32 per cent, obscures the very low scores of a number of European countries, particularly from post-Soviet Eastern Europe. In terms of the broad global trends in giving, we find an increase in helping strangers since 2008, but a decline in both the giving of money and of volunteering, in terms of the proportion of global citizens taking part. All three, however, have risen in the last year. Further, when global population growth is accounted for, the total number of people engaging in each activity has risen since 2008. For all three activities, women globally are more likely to engage than men. The gender gap is wider for those activities that involve the giving of time — helping a stranger and volunteering — than it is for the giving of money.

The usefulness of ranking countries in terms of their measured generosity is not always clear. But the recommendations to governments around the world — regulate transparently and consistently, make sure organisations do so too, encourage charitable giving by making it easy to give — are both clearly obvious and far from straightforward. The main role of such a report is perhaps simply to promote and to encourage people and nations to think about their giving.

ANALYSING THE WORLD GIVING INDEX 2013, EDDY HOGG SAYS IT SUCCEEDS TO PROMOTE AND ENCOURAGE PEOPLE AND NATIONS TO THINK ABOUT THEIR GIVING




**Dr Eddy Hogg is a researcher at the Centre for Philanthropy at the University of Kent**

World Giving Index 2013 is available at: **www.cafonline.org**

# The Big Society Audit by Civil Exchange

NICK HURD VIEWS SOME OF THE PERCEPTIONS OF THE GOVERNMENT IN THE BIG SOCIETY AUDIT AS WRONG AND PUTS THE CASE FOR THE DEFENCE


Making sure that government is making good on its promises is one of the most important roles of the voluntary sector, says *The Big Society Audit*. For that reason, I welcome the report because it shows that the sector is still engaging with our vision to put individuals and groups in control of local decisions, but it also provides a valuable insight into how our efforts are perceived. It would be easy for me to dwell on some of the positives the report found, namely that more communities are indeed taking over local assets, that new forms of volunteering, giving and social investment are all on the rise and that transparency and accountability have all grown. However, it is concerning that those behind the report feel that the Government continues to "turn to the private sector for inspiration for the reform of public services" and leave out the expertise of VCSEs.

This perception is wrong. We believe civil society has unique strengths and that it is crucial that sector organisations play a role if we are to improve public services. I am proud of the range of measures we have put in place. Firstly, we are opening up public services: increasing choice, improving transparency, opening provision up to a wider range of providers and devolving decision-making. Many of the structural changes are now in place — think of Police and Crime Commissioners, or Clinical Commissioning Groups. We are now beginning to see those new players work innovatively with the voluntary sector across the country.

Elsewhere we are continuing to open up new opportunities, such as the Ministry of Justice's ambitious probation reforms, where roughly a third of the bidders are social sector organisations or partnerships involving them. Having opened up these new opportunities we are making them more transparent. New contract opportunities are now freely accessible on Contracts Finder, our online portal. It has published 7,948 low value opportunities and 19,853 contracts.

However, we are well aware that just throwing open the doors will not lead to more opportunities for the sector on its own. That's why we are helping sector organisations to successfully bid for contracts and actively championing engagement between commissioners and the sector. Our Commissioning Academy helps senior public sector staff to design the best models for delivering services in a way that is sensitive to the perspective of civil society. The Social Value Act, recently a year old, is also playing an important role in transforming public service delivery. Commissioners must now think beyond cost and consider how services can be designed better to have a much wider impact on local communities — a move that is helping to open up the supplier market to sector organisations.

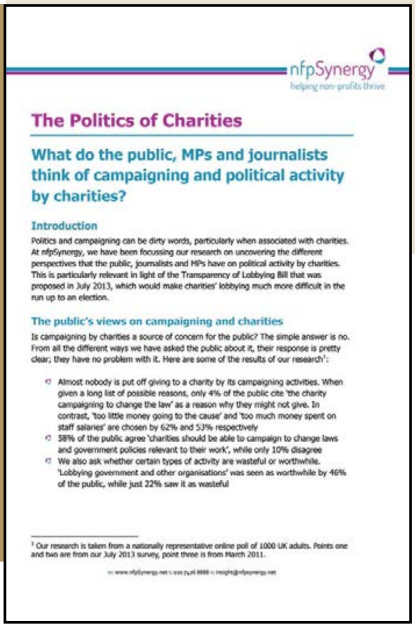
We are helping social organisations of all sizes to reach scale: from high-potential start-ups through the Social Incubator Fund, to established social ventures with our Investment and Contract Readiness Fund. Our support of the Inspiring Impact campaign and specific initiatives, such as the Justice Data Lab, are helping VCSEs demonstrate their impact when tendering. We are committed to helping voluntary organisations, charities and social enterprises play a greater role in the running of public services. Our commitment is real and backed up by policy and investment. And we are seeing the fruits already, in high-quality services provided by VCSEs in communities across the country. As the report suggests, the picture is not all rosy. We understand that funding is tight among charities — as it is across public services. The Government inherited a record budget deficit and spending reductions were unavoidable.

But too often spending cuts blind the Government's critics to the wide-ranging, ambitious structural reforms we are undertaking. New opportunities have been opened up to the sector across our public services. Legislation and support to help commissioners engage with the sector more effectively has been introduced. Substantial investment — despite the pressure on budgets — in the sector's capacity has taken place. And a range of measures that make the UK a world-leader on social investment have been introduced. The Government sees a key role for sector organisations in public service reform, and we are acting to make it a reality. The job is not yet done, but we are committed to seeing it through.

**Nick Hurd is minister for civil society**

The Big Society Audit 2013 is available here: **www.civilexchange.org.uk**

# The Politics of Charities by nfpSynergy


nfpSynergy
helping non-profits thrive

The Politics of Charities

What do the public, MPs and journalists think of campaigning and political activity by charities?

Introduction

Politics and campaigning can be dirty words, particularly when associated with charities. At nfpSynergy, we have been focussing our research on uncovering the different perspectives that the public, journalists and MPs have on political activity by charities. This is particularly relevant in light of the Transparency of Lobbying Bill that was proposed in July 2013, which would make charities' lobbying much more difficult in the run up to an election.

The public's views on campaigning and charities

Is campaigning by charities a source of concern for the public? The simple answer is no. From all the different ways we have asked the public about it, their response is pretty clear; they have no problem with it. Here are some of the results of our research[1]:

- Almost nobody is put off giving to a charity by its campaigning activities. When given a long list of possible reasons, only 4% of the public cite 'the charity campaigning to change the law' as a reason why they might not give. In contrast, 'too little money going to the cause' and 'too much money spent on staff salaries' are chosen by 62% and 53% respectively
- 58% of the public agree 'charities should be able to campaign to change laws and government policies relevant to their work', while only 10% disagree
- We also ask whether certain types of activity are wasteful or worthwhile. 'Lobbying government and other organisations' was seen as worthwhile by 46% of the public, while just 22% saw it as wasteful

[1] Our research is taken from a nationally representative online poll of 1000 UK adults. Points one and two are from our July 2013 survey, point three is from March 2011.

GEORGE BANGHAM SAYS THIS LATEST NFPSYNERGY STUDY IS A TIMELY SPUR TO A STRONG RESPONSE TO THE LOBBYING ACT

The Lobbying Bill is now the Lobbying Act. Such is the will of our parliamentary masters. After a stunning campaign against it by the Commission on Civil Society, a coalition of over 120 NGOs chaired by Lord Harries, the Transparency of Lobbying Bill received Royal Assent on 30 January. Its restrictions on non-party campaigns will start on 19 September 2014, the day after the Scottish Independence Referendum. The Act's effect has been weakened slightly by the Commission's work, but it will still have a chilling effect on democratic debate in the year before general elections.

The Act's passage flouted every convention for the drafting of laws affecting the constitution. Almost no-one outside the Government had a good word to say of it. So why did Parliamentarians get it so badly wrong? This question cuts to the heart of what our charity sector stands for, and how our Westminster representatives perceive it.

Civil society is defined not by who funds us, but by our ability to speak truth to power on our beneficiaries' behalf. This makes for better law and a better society. Participation in party politics is withering fast, and more and more people instead turn to charities and campaigns to get the message out to the public. They know that unlike today's political parties, these organisations still give ordinary men and women a voice and influence over public life.

Last month's survey on *The Politics of Charities* by nfpSynergy, the consultancy, shows that politicians' views on civil society are way out of step with the public. The survey said 58 per cent of the public agree charities 'should be able to campaign to change laws relevant to their work'. Only 10 per cent disagreed. A mere 4 per cent went so far as to say they'd be put off donating by the charity campaigning to change the law. The problem is this attitude is not generally shared in Westminster. Ask a group of politicians or journalists rather than the general public, and the picture is very different. Two-thirds of journalists were ambivalent about charities taking 'political' action. 24 per cent were negative.

Among MPs, a significant number in each party were actively hostile to this role for charities; 78 per cent of Tories, 23 per cent of Labour and 38 per cent of Lib Dems. In other words, our representatives in Parliament take unusual views on how much freedom to give to charities, and the media in the Westminster echo-chamber don't necessarily set the record straight. It is this misunderstanding that results in legislative like the Lobbying Act, when politicians mistake civil society's duty to enrich political life for an attack on their own parties and livelihoods. This is a timely moment for nfpSynergy's survey to expose the scale of the Westminster delusion.

Unlike much of Westminster gossip, this particular problem echoes far beyond the gates of the Palace. Take the ongoing battle between Iain Duncan Smith, Secretary of State for Work and Pensions, and the Trussell Trust, the charity which runs over 400 food banks that distributed food to 732,000 people (up from 40,000 in 2010).

It emerged in December that Mr Duncan Smith was refusing to meet these charities until they stopped 'scaremongering' about the causes of the increasing use of the Trussell Trust's 400 food banks. He decried the 'political messaging' of their organisation, explaining himself by saying: "I understand a feature of your business model must require you to continuously achieve publicity, but I'm concerned that you are now seeking to do this by making your political opposition to welfare reform overtly clear." This is not the first time politicians have taken offence at campaigners telling hard truths about their policies. But in this case they fail to see that the only reason crisis has been averted over hundreds of thousands of people's access to food is thanks to the Trussell Trust and the work of its volunteers and donors. The Trust's public views are not some sort of political opposition for opposition's sake.

Politicians must acknowledge that charities are obliged to be political with a small 'p'. We advocate in the public sphere for our causes and for our beneficiaries, regardless of how this squares with the views of politicians. That is an inherently 'political' role, however much some like to pretend it isn't, and it is carefully controlled by charity law to ensure it is for public benefit. This latest nfpSynergy study is a timely spur to a strong response to the Lobbying Act. We know this law is wrong. The question is how we convince Westminster. With 15 months to the next general election, the challenge awaits.

**George Bangham is a policy officer at ACEVO**

The Politics of Charities is available at: **nfpsynergy.net**

# The regulatory effectiveness of the Commission by NAO

There is an old adage familiar to all lawyers that 'Hard Cases make for Bad Law'. Rephrased in regulatory terms it could be said that: 'A big regulatory scandal leads to an NAO report'. The Cup Trust affair is acknowledged as the spur to concerns about the Charity Commission. The Cup Trust represents a situation which would have been familiar to many involved in tax regulation, namely an attempt to game the charity system for purposes intended to achieve tax advantages for wealthy people who must have been well aware of the true intent of what was planned.

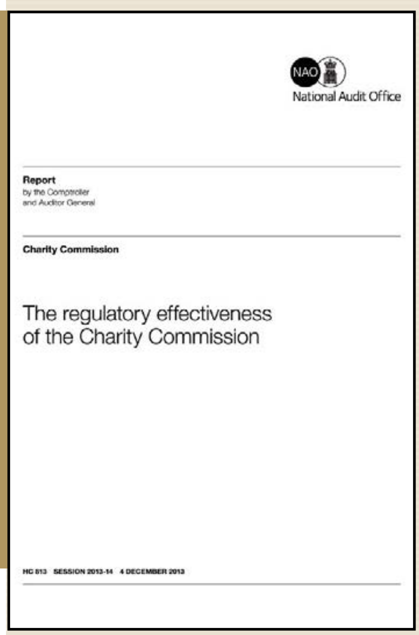
Hopefully the punters lost money on it. The Charity Commission arguably displayed a lack of political awareness when it initially took the stance that it did not see a regulatory issue which required its intervention despite clear charity sector views and public perceptions to the contrary. The reason why this stance is erroneous is set out by the NAO report: "Registration is seen by many donors as a 'kitemark' that increases their confidence in, and likelihood of, giving to a charity. The Commission's regulatory activity is important in upholding the public's confidence and trust in charities generally."

In this respect an analogy with charity registration may be drawn with that of a car MOT. The MOT examines certain aspects of the vehicle on a certain day. It does not represent an assurance that the car is long term 'good value' to a purchaser. It does not represent an assurance that the car is fit for the all the purposes a user may contemplate. However the MOT is seen as conferring a degree of regulatory confidence. The challenge regulators face is not simply that of the scope of their regulatory powers but also the resources allocated to them. A figure which the NAO report could, and maybe should, have quoted is the amount of money allocated per charity on its annual budget. This is an easy calculation and is about £139.

Let us assume that a substantial amount of the budget is committed to overheads, building and infrastructure costs and allow for an average staff cost of about £50 per hour. Even if the staff spent almost the whole of their time on direct charity regulatory and investigation activities then it would amount to less than 2 hours per year per charity. This has to be seen in the context of a regulator which has had its funding very significantly cut.

The NAO report argues that the Charity Commission has to accept an aspect of public probity and hence a need to engage in 'proactive responsiveness' and 'risk analysis'. They need to develop and utilise expertise in targeting those who would (either wittingly or unwittingly) seek registration or continuance of charities which are not in the public interest. However trustees are generally not financially rewarded for either their work or for the success of their organisations. The Charity Commission has to be sensitive to this in the way it works. Actively seeking out trustees to disbar or charities to deregister is at variance with the ethos of charitable engagement and action. Hence we have a dilemma.

ALEX MURDOCK AND PAUL THOMPSON SAYS THIS REPORT ON THE REGULATOR OFFERS SOLUTIONS, THOUGH THEY DO NOT FIND ITS WAY INTO THE RECOMMENDATIONS


National Audit Office

Report by the Comptroller and Auditor General

Charity Commission

The regulatory effectiveness of the Charity Commission

HC 813 SESSION 2013-14 4 DECEMBER 2013

The NAO report perhaps offers a solution though it does not find its way into the recommendations. The largest charities are typically multiply regulated by both professional bodies and by Companies House. The smaller charities are below an income threshold which would permit the employment of more than a couple of part time staff. The current threshold of £5K income, if extended to £10K, would encompass almost half of the charities currently regulated by the Charity Commission. Would the Cup Trust have been formed to secure a tax benefit based on a charity income of under £10,000? Maybe greed has a minimal reward threshold to generate such activity?

Politicians, influenced by public opinion, would also possibly prefer the Charity Commission to target larger fish. With smaller and often local charities activity is typically voluntary and unpaid often inspired by values and engaged enthusiasm as much as by a desire for business like efficiency or regulatory compliance. Where provision of services to vulnerable people are concerned then there are usually regulators other than the Charity Commission able to judge suitability in terms of efficiency, effectiveness quality and public benefit and to impose sanctions which can bite.

**Professor Alex Murdock and Paul Thompson, senior lecturer London South Bank University**

The regulatory effectiveness of the Charity Commission is available at: **www.nao.org.uk**

# After the Lobbying Bill

**The Lobbying Bill will now become an Act, leaving much of the sector despondent. But, argues** ASHEEM SINGH, **while its passing may be a dark day for Parliament, the campaign against it, begins here**

## Sector unity

The last vote on the Lobbying Bill was a dead heat. In the House of Lords, peers voted 245-245 on the final motion proposed by Lord Harries, the former Bishop of Oxford. The amendment would have helped; it would have excluded charities' core staff costs from strict regulation. The tie means that, by convention, the amendment fell, the Government wins and the bill will now become law. I've noticed a certain despondency within the sector around the result. Liz Hutchins of Friends of the Earth, who has tirelessly campaigned as part of the Commission on Civil Society, was at her most succinct when immediately after the result she tweeted 'Noooooo.' The anger expressed by several at the vagaries of the parliamentary process has been palpable and universal. At ACEVO we certainly shared that anger. We've criticised the Lobbying Bill from the start — that's why we helped set up the Commission with representatives from over 100 civil society organisations including ACEVO's chair. And when many said we should stop campaigning on behalf of the sector and stop asking for more from Government, we insisted that this issue was too important to let lie. So the scale of our ambition may have left us a little disappointed, but I contend that, despite this setback, I don't think that we should be so despondent.

Certainly, this is a dark day for Parliament. It means that politicians and peers have ignored the united voice of civil society. It means that many in our sector will question the motives of politicians of all sides of the house. Why did the party of the Big Society not come out in support of civil society? Why did not a single Liberal Democrat peer vote on civil society's side during this last, crucial day of debate? Why did Blue Labour creator and would-be civil society advocate Lord Glasman not vote on the staff costs issue when just one more vote would have swung it civil society's way? These are questions for politicians and civil society to resolve over the next few months. At ACEVO we're determined to make that resolution work for civil society. We have a duty to speak on behalf of the voiceless and the vulnerable. And we won't stop speaking out and neither should our members. So really, now the campaign begins in earnest. The Bill's course through Parliament revealed a striking lack of any evidence base about non-party campaigns for general elections. This gives us a great opportunity to collect yet more evidence on top of that collected by the Commission on Civil Society. At ACEVO we'll be closely monitoring the Bill's impact and surveying and briefing our members on how it works in practice. We'll continue to lead the way on agitating for the political parties to agree on revising this bad bill after the 2015 election.

We have the capacity. The Commission on Civil Society has been a huge success. The group's close engagement with key politicians and forensic analysis of the issues forced the Government to double the amount we can spend without additional regulation in an election year, reductions in red tape for campaigners and a commitment to review campaigning law after the next election. It also managed to 'compress time': it reduced the 'election year'— the period these limits apply — to 8 months.

We can be successful if we stand together.

At ACEVO's parliamentary reception last month, civil society minister Nick Hurd said, in reference to our work, that our organisation works best when its engagement with government is a mixture of collaboration and confrontation. He stressed the importance of both, and welcomed future collaboration — and indeed confrontations — with us. The point is that there are huge issues on the horizon and this is no time for us to neglect the second limb of the minister's prescription. Debates about the definitions of charity, our role in society and the state, will run alongside the debates on the people we support, the causes we care about, the people we serve. At ACEVO we are already engaging with the major political parties on behalf of charity leaders, with our members, and online in a suite of work we call 'Leading the Way' from which will flow our *2015 Manifesto for the Voluntary Sector*. The Lobbying Bill has inculculated us with even greater vigour. You can bet its reform will be right up there on the agenda. Some ideas — liberty, democracy, civil society — are too important to let go and the battle for our ideas is never over. Civil society is integral to a functioning democracy, and always will be. With determination, we can ensure the law will not gag us now — or ever.

**Asheem Singh is director of Public Policy at ACEVO**

# Impact finance

## Social investment

**Local Impact Funds could deliver £100 million to local charities and social enterprises across England within two years argue** STEPHEN BUBB **and** VAL JONES

Anyone who knows what makes their local community tick will understand the importance of charities and social enterprises. All over the UK, they are providing vital services in innovative ways, bringing communities together and helping them embrace change.

They are also making a growing economic impact, generating jobs and wealth in some of the most deprived parts of the country. Nearly 38 per cent work in the 20 per cent most deprived communities in the UK, compared with only 12 per cent of small businesses. Around the country the sector is worth £55billion, supporting more than two million jobs, and 82 per cent of organisations reinvest their profits locally.

Alt Valley Community Trust in Croxteth, Liverpool, is a great example. The Joseph Rowntree Foundation has identified it as a key factor in the improvement of the local area, not only because of its education, training and employment programmes but also for the leadership it provides within its community.

Having invested over £320m into more than 1,200 charities and social enterprises in the past ten years, the Social Investment Business (SIB) knows how the right financing can help transform communities. But we also know just how hard many charities and social enterprises find it to access the money they need to start up, grow and expand the impact they make. Our own research has shown unmet demand of over £350m of investment from the sector. A recent survey by Social Enterprise UK found that lack of finance is the most common barrier to the growth and sustainability of social enterprises. In the North West three in four social enterprises tells us this is preventing them scaling up the good work they do.

They can find it difficult to borrow from banks because they are not set up to maximise profits and often lack business skills. Finance is available from social investors but the average unsecured loan is only £71,000, and too often this falls short of what is needed. Two thirds of the 285 charities and social enterprises that responded to a SIB survey of future financing needs were seeking investments of more than £100,000.

SIB has developed the new Local Impact Fund product to tackle these problems head on. The UK's very first Local Impact Fund launched last month in Liverpool, in partnership with Social Enterprise North West, and it is pioneering a model which looks set to be adopted around the country.

The £2 million Liverpool City Region Impact Fund combines investment from the European Regional Development Fund and SIB's own foundation. It will offer simple finance to local charities and social enterprises, providing affordable, unsecured loans of £50,000 to £250,000. We expect to complete investments in about 20 organisations by the end of 2014, helping them to grow, create new jobs and scale up the impact they make in their communities.

Business support is a crucial part of the Local Impact Fund package. Investees will receive mentoring and "investment readiness" grants to ensure they make the best use of the loan and develop activities that can pay it back.

We believe Local Impact Funds could deliver £100m to local charities and social enterprises across England within a couple of years. Ten further regions, from Devon to Cumbria, have already announced plans to set up their own Local Impact Funds. We believe that 15 to 20 local areas will want to launch one by 2016, and we expect each of these funds to be between £5 million and £10 million initially.

The Liverpool City Region Impact Fund will pioneer the model, allowing us to develop a streamlined process so that other regions can set up Local Impact Funds swiftly and efficiently.

We are calling for ambitious local partners to join us in developing the next cohort of Local Impact Funds. We would love to hear from Local Enterprise Partnerships, local authorities, universities, businesses or any other organisation keen to invest in order to grow their local economy and deliver better public services.

**Sir Stephen Bubb is chair of the Social Investment Business and chief executive of ACEVO**

**Val Jones is chief executive of England's largest social enterprise advisory network, Social Enterprise North West**

# Connecting capital to social impact

JONATHAN JENKINS **discusses why evidencing social impact is vital for charities and social enterprises looking to access the social investment market**

## Credible finance

We are all in the business of delivering social impact. It's in our mission statements, on our websites and drives our charity or social enterprise. But do we really know if our services and products are making an impact at all?

A recent survey of over 1,000 charities and social enterprises[1] revealed that 25 per cent of those organisations did not measure their social impact at all, and that a lack of resources and skills were the main barriers to prioritising impact evidence-gathering.

Our own research across our portfolio of investments has shown that only 35 per cent of our investees were committed and able to evidence their social impact confidently. Our analysis also showed that those organisations best at evidencing their impact were not necessarily bigger or better resourced but simply had leadership and staff who were committed to embedding impact measurement into their activities.

So why should charities and social enterprises worry about evidencing social impact? Quite simply, it makes you a more credible organisation. Our own investees have told us that embedding social impact measurement had made them more effective at meeting the needs of their beneficiaries, helped in raising new capital or winning new contracts, fostered innovation, improved quality and proved their value to the communities they served.

Keeley Charlick runs Sunnyside Rural Trust. The organisation helps people with learning disabilities gather meaningful work experience at their allotment and workshops in Hertfordshire. Hanging baskets put together by the Trust's volunteer workforce adorn large parts of neighbouring Hemel Hempstead. Keeley is enthusiastic about the benefits of measuring the Trust's social impact — both as a management tool to continuously improve the Trust's service, as well as a great fundraising tool to help make the case to local councils, grant-makers and social investors for more funding for the Trust's activities. Most importantly though, having a clear social impact story is a source of inspiration to the beneficiaries who can see evidence of how well they are doing by volunteering at the Sunnyside Rural Trust.

While effective impact reporting should allow organisations to tell their story more fully, a lack of standardised procedures has often made the task seem complicated, and even daunting. Investors as a whole are not worried about the specific tools organisations are using to measure their impact but are more interested in the impact plan which articulates the theory of change. You could be using SROI, Social Accounting or have created your own measurement and reporting system — what matters is the evidence.

We have been making investments in impact-driven charities and social enterprises for over ten years and we know that support is critical to ensuring those investments are successful. As an engaged investor, we want to make it easy for those looking to take on social investment. That's why we've worked with The Good Analyst to create some simple videos, case studies and guidelines on evidencing social impact to help social ventures understand what investors want.

Some predict that the social investment market will be worth £1bn by 2016[2] and one of the key challenges for social investors will be to create new funds that will attract new investors who are motivated by impact, bringing new capital into the market.

The Social Investment Business recently launched the first Local Impact Fund in Liverpool (see page 17), investing £1m through its parent charity which has been matched by a further £1m from the European Regional Development Fund. This model hinges on bringing together local investors to meet local need and could attract up to £100m of new investment into the market.

The performance of the new funds will be judged on the impact it creates, which can further attract new impact-driven investors, creating an ecosystem of social impact of which our investees and other social enterprises will be a vital component.

Charities and social enterprises can find out more about why it's important to evidence social impact and see our suite of helpful impact resources (including de-mystifying some of the jargon around impact) for those looking to take on investment at: sibgroup.org.uk/impact.

**Jonathan Jenkins is chief executive of the Social Investment Business, one of the UK's leading social investors**

*1 http://www.thinknpc.org/publications/making-an-impact/*
*2 First Billion, Boston Consulting Group (2012)*

# Effective data

## Data measurement

**What is the point of data? It is a question that** DAWN AUSTWICK **has been pondering since becoming chief executive of Big Lottery Fund**

It's a question further prompted by the recent debate about the reliability of crime statistics and the different approaches to measuring youth (un) employment.

It's also a timely question for me since Big Lottery Fund is about to start a wide ranging conversation on our future strategic direction.

This will inform how and what we fund from 2015 to 2021 when we'll be distributing over £4billion of National Lottery funding to good causes across the UK.

We're in a fortunate position to do so and our responsibility to distribute funds well has never been greater — it's what makes the discussion of effective data so interesting.

Data is of course critical to a funder: first, it helps inform the design of funding programmes — what areas should we be focusing our work on; secondly, data provided by grant applicants helps us make decisions on what gets funded; thirdly, data helps us understand whether the projects we support are delivering what they set out to deliver; and fourthly, encapsulating all of this, data informs our wider learning about what helps things to work and what doesn't — knowledge and information that should be shared and available for many others too, so that they can comment and contribute their own learning.

But this is not just about numbers, it's about evidence — but data and evidence alone are not worth anything — to bring it alive we need to understand where it came from, what it's for and how we are going to use it to make a difference.

We want to be a more transparent and accessible funder.

How we use and share our data is one such way I believe we can do this — at: data.gov.uk, anyone can look up awards made since 2004.

The scale and number of our grants provides a rich resource but other funders also want to open up their data, and indeed many already do.

How much richer would that resource be if it could paint a broad picture of funding across geography, sector, and funds? This would help improve transparency, help communities map where funding goes and enable us all to better analyse where money is and is not going and ultimately get to the most interesting questions of all: why and why not?

So a crucial challenge for funders such as the Big Lottery Fund is how we collect and use data from our applicants and grant holders.

This is a long running dilemma. Are we too bureaucratic?

Do we put the information we gather to good use?

Do we ask the right questions?

Could there be an entirely different approach?

How could we reach the point where instead of applicants submitting monitoring reports, we funders are drawing down the common data we need from open performance data that each charity posts?

We are a way off this but might it save time and establish greater openness? Might it offer opportunities for common information sharing and learning?

This year the *Inspiring Impact* programme will deliver an online tool which will enable charities to understand and improve their impact practice, and help move us in this direction.

It will enable voluntary and community sector organisations to tackle what have been hurdles for some time and support them to provide effective data:

*What do I need to measure?*

*How do I measure it?*

*Where do I go for help?*

We are also interested in how we can make project monitoring and evaluations more social and in turn more transparent.

This would be a truly effective and transformational use of data. Taking evaluations away from private filing cabinets and into a public space which others can view, comment on and share. We've trialled this with one of our funding programmes called Silver Dreams. I'm keen to see if we can do more.

How far down the road towards this new world can we, and should we, travel? I don't know, but it's our job, as well as to keep funding great projects, to muse, experiment a bit, test out future options and to work frequently with our fellow travellers as we continue on this journey together.

**Dawn Austwick is chief executive of the Big Lottery Fund**

# Profile: Kate Lee, CEO, Myton Hospices

## Jack Russell leadership

KATE LEE TURNED AROUND HER CHARITY TO BOOST ITS INCOME, SERVICE SATISFACTION RATES AND STAFF MORALE. SHE IS A JACK RUSSELL OF THE CHARITY CEO WORLD, SHE TELLS ANDREW HOLT

Innovative leadership is one of the key factors that will see some sector organisations stand out in a new changing sector epoch. Kate Lee, who won the 2013 Charity Times Awards Rising CEO Star Award, showed innovation, a clear vision, strategic thinking and passion in spades leading Myton Hospices, which offers specialist palliative and end of life care for the people of Coventry and Warwickshire. Kate, who joined as CEO of the charity in 2010 from the British Red Cross where she was director of strategy, has overseen a boost in income to £9.2m last year up from £4.1m in 2009, partly down to legacies. "I am not sure I can take the credit for it," she says modestly. "My director of income generation won the IOF Fundraiser of the Year Award last year — she probably has something to do with it."

But her tenure started tough. Just before Kate arrived at Myton several senior staff had departed: all at the same time. This left a big gap in management, particularly in its nursing and care services. This led to several new initiatives failing to deliver. A huge amount of organisation had gone into opening a new Coventry Hospice, which, was perceived as being at the detriment of the rest of the organisation. And adding to all of this, investment in leadership development had been exceptionally low, or non-existent. "I found an organisation where everyone could clearly articulate what was wrong with the culture, but not what the right culture should look like," she says.

So Kate focused on introducing strategic thinking and strong leadership to Myton. The first thing she embarked upon was to undertake a strategic review to develop some real consensus and realism, including with the Board, around where the organisation was going. Next, she asked everyone if, as an organisation, they were going to exceed the strategy targets over the next three years: what would the culture need to be like? This engaged the entire organisation in the process of agreeing the key values and then started a programme of helping middle managers embed them.

One of the four values she instigated is: 'One Myton'; ensuring every team, from fundraisers to house keepers, wherever they are based across its 23 sites, know they are essential to ensuring its patients get the best care. "I want people to realise in-fighting drains energy and capacity that we didn't have spare," says Kate, revealing something of the early problems she faced. "I have been amazed about how clearly articulating the need to operate as one team and actively challenging practices that segregate the organisation has started to change behaviour and build new teams."

**Strengthening services**

The benefits started to come: as well as income, service satisfaction rates and staff and volunteer morale all increased during her short time at the helm. As a leader, she has an interesting self-analysis of her approach: "I have lots and lots and lots of energy, I love having fun and I am very tenacious — I am the Jack Russell of chief executives."

Kate has been particularly passionate about strengthening Myton's Community Services and has been successful, even in the current environment, in securing new NHS funding to deliver new Hospice at Home Services in Warwick, Leamington and Rugby.

"In the terms of service delivery, I have focussed on strengthening Myton's community services because the strategist in me feels that the UK's aging population and increasing death rates are the Hospices biggest challenge. We need to do what we currently do at significantly greater scale, but that is extremely costly.

"Providing greater choice for patients and families, including to have Myton quality care at home, is better for them and means we can also manage the use of our specialist care beds to ensure they are available for the most complex cases."

In addition she has supported her teams in delivery new services for bereaved teenagers, people with Motor Neurone Disease and bariatric patients. Each of these programmes has increased access to palliative care for people who have found it hard to access traditional services. She has also lobbied the local hospitals to strengthen their palliative care delivery, resulting in significant investment by University Hospital Coventry and Warwick into a joint training initiative with the hospice for senior ward staff.

She is also Clore Social Leadership Fellow, something that helped shape her leadership outlook. "As part of my Clore Social Leadership programme we did an assessment of leadership preferences. I think that if our whole sector had a leadership preference it would be social (relationship-based) rather than analytical, structural or conceptual.

"The whole sector works on who you know and how you interact and that makes it a very small world. Its strength is its relationships and its passionate people, but there are lots of egos to navigate." She then adds an interesting insight: "A general rule I live by is never be unreasonable with anyone as you will probably be interviewed by them for your next job."

She is also involved in other sector organisations, such as a trustee of the charity Coppafeel!, of which she says: "CoppaFeel! is a tiny organisation and I have sat at the Board of British Red Cross — the conversations are different, but the intent is the same — how do we make the world better and fairer."

Her expertise has come from a culmination of working with infrastructure organisations like the Institute of Fundraising through to national charities such as Help the Hospices and The Children's Society. What does she take from these experiences? "Nothing about my life has been planned," she admits. "The variety of what I have done has given me a huge breadth of knowledge on how different parts of the sector work, which I feel makes me a strong negotiator and collaborator. I understand what life is like for other organisations.

**"The variety of what I have done has given me a huge breadth of knowledge on how different parts of the sector work, which I feel makes me a strong negotiator and collaborator."**

She is also a member of ACEVO's Impact Coalition: what can charities do to improve their transparency in order to improve accountability? "Talk about it," she says. "It drives me crackers how many Boards have never even discussed how transparent they want to be, how they feel about it and what they fear.

"I try to run Myton by imagining the Freedom of Information Act applies and constantly ask teams 'what wouldn't you want donors or patients to find out?' I also try to be proactive with putting our information out there in easily accessible ways. I do get frustrated when I hear people say transparency is just about donors and the external environment. True accountability and sustainability comes from strong, confident leadership acting in a way that creates a culture of 'no secrets'; surely that is infinitely more important internally."

**Next challenges**

For all her success, Kate has her sights on her next set of big challenges. "I feel the changes in the NHS have put innovation in hospice care back years. My sense of our local NHS clinical commissioning group's attitude to *End of Life Care* is that the 'spirit is willing but the flesh is weak'. My next biggest challenge therefore is to invigorate them into seeing that even some small changes in the way end of life care works across Coventry and Warwickshire could reap massive rewards. But, if our only discussions are about top slicing budgets or patient postcodes then we just all disappear into a pit of despair."

And within Myton, she says the organisation must strengthen its evidence base: "Particularly around proving the difference we make — not for donors, funders or commissioner, but because it will make us even stronger." She says she is someone who is personally shaped by the causes she works for. "I have been very privileged to work for Myton Hospices, and the one thing it has taught me is that life really is too short: making it brilliant is helped by other people, but ultimately it is down to you."

# Testing trustees

24 IN TRUSTEES THE SECTOR EXPECTS

Trustees came under the spotlight last year because of their reluctance to defend the salaries of their chief executives. The sector has offered trustees to learn from the experience. It is an opportunity they must take, says **Andrew Holt**

# In trustees the sector expects

Trustees came under the spotlight last year because of their reluctance to defend the salaries of their chief executives. The sector has since offered trustees opportunities to learn from the experience. It is an opportunity they must take, argues Andrew Holt

**LAST SUMMER,** the issue of CEO pay at some of the sector's leading charities made national headlines. The pay of chief executives of some of these top international charities, as revealed in *The Daily Telegraph*, was in excess of the Prime Minister's pay of £142,500 a year. These numbers surprised many, and, for a time sent the sector into a tailspin. The situation was not helped by the stifled response from the sector and particularly charity trustees in defence of pay for their chief executives.

Trustees then became the point of focus for this lack of defence. John Low, chief executive of the Charities Aid Foundation, was the most vociferous sector leader to criticise trustees of these major charities for failing to defend the pay awards they make to their chief executives. Low made the valid point that trustees had been "deafeningly silent" when given the opportunity to defend their own charities in the face of media scrutiny. "I was surprised that no trustee who set the salaries spoke out," he said. "They were deafeningly silent. There wasn't a single voice. That's wrong." Strong, but fair words. It was left to the inimitable ACEVO chief Stephen Bubb to make a series of passionate pleas on TV and radio defending charity CEO pay.

Trustees clearly failed in their responsibility here. Trustees have a big duty to communicate value for money to their donors, beneficiaries and the wider public. And in the heat of media exposure they failed to do just that.

**Trustee guidelines**

ACEVO and NCVO stepped into the breach. NCVO launched the Executive Pay Inquiry to draw up guidelines for charity trustees when deciding on pay levels for senior executives. This worked as an effective PR ploy, taking the issue off the front pages. Whether the Inquiry has any long-term impact or sector benefit on the setting of pay we will see when its findings are made public, which will be anytime soon.

ACEVO then launched its *Good Pay Guide* for charities and social enterprises, putting forward a range of recommendations and giving advice to trustees on how decisions on charity pay are taken.

The guide highlighted transparency; proportionality; performance; recruitment and retention; and process as the five key principles that charity trustees and remuneration committees must follow to deliver value for money and retain public trust. "Applying the five principles of good pay contained in the guide will help ensure the sector retains the public trust and good-will that their good works have always merited," says Bubb.

The aim is to also offer a wider focus on much needed trustee professionalism, exposed by the CEO pay debacle. Asheem Singh, director of Public Policy at ACEVO, adds: "ACEVO has always argued the case for a modern, professional charity sector that can help as many people as possible. But we also want to ensure that charities are on the right track to communicating their value for money to their donors, beneficiaries and the wider public. The guide has already received a great deal of positive feedback from charities. It is a means to inform their discussions and practices on senior executive pay."

**Pay: the numbers**

Looking at CEO remuneration, the sector does not pay as much as the charities highlighted in the original Telegraph piece, as they are members of the Disasters and Emergency Committee (DEC) and twelve of the biggest charities going, and very international in scope. In short, they are not typical of the sector as a whole.

The ACEVO *Pay Survey 2013/14* research showed that the median male charity CEO salary in 2013 has increased to £67,000, from £62,000 in 2012. A distance from the salaries of the publicised DEC members.

What the survey does reveal, is a pay imbalance in terms of gender: female CEOs are paid £54,530. These figures are also more than the general public expect a charity CEO to be paid: £35,000. On the last number there is clearly a trustee/charity communication challenge in educating the public. Worse, is a lack of diversity on charity boards: 97 per cent of charity CEOs are of white ethnicity, a higher proportion than in both 2011 and 2012. Another problematic and big issue that charities and trustees need to tackle.

Third Sector Research Centre (TSRC) deputy director Professor John Mohan asks whether this figure is disproportionate. "Are salaries of £60,000 [the CEO sector median] really excessive for such responsibilities? Is the question one of income inequality? By comparison with the private sector very small proportions of the employed workforce in the charitable sector are paid £60,000 or more. Are critics worried about a loss of donor confidence? If so, it should be pointed out that over half of employees paid £60,000 or more are in organisations funded principally by individuals paying high fees for services [private schools and medical establishments], and not in organisations who draw the majority of their income from individual donors, or from government contracts."

Mohan adds that senior staff salaries often account for a minuscule proportion of total expenditure. "If we conducted a thought experiment, and reduced every salary of someone in the charitable sector paid over £60,000 to the current salary paid to an MP, it would certainly save some money. But in practice the amount would be less than one third of one per cent of the total budget of the organisations in the sample. For many organisations the savings would have a limited impact on their overall budget.

## CASE STUDY: CANCER RESEARCH UK

Cancer Research UK is governed by a Council of Trustees. The Council is ultimately responsible for the charity's strategic direction, supported by a number of committees of trustees to which the Council delegates certain authorities. These include a Nomination, Governance and Remuneration Committee.

Cancer Research UK chairman, Michael Pragnell, says: "The charity's governance fully complies with the Code for the Voluntary and Community sector, endorsed by the Charity Commission. Trustees delegate the day-to-day running of the charity to the Executive Board which is led by the CEO. The governance of Cancer Research UK is designed to match the standards expected of a FTSE 250 company.

"Cancer Research UK's trustees perform an essential role in the effective governance of the charity. They do not receive payment for their services but are entitled to claim reasonable expenses for travel and subsistence incurred in attending meetings and events in an official capacity.

"The charity's Nomination, Governance and Remuneration Committee has responsibility for oversight of governance policies and procedures and also determines and agrees the overall policy for remuneration and pension arrangements for employees. The Committee, whose terms of reference are regularly reviewed, consists entirely of trustees."

**The chief executive can never award themselves a pay rise — it is the trustees that determine pay and they should ensure they explain it**
**Dan Corry, NPC**

If this is the target of criticism, the debate should be widened to look at other aspects of cost structures, such as the costs of maintaining central London offices." A good point indeed.

**Abundance of data**

Important for trustees, there is a considerable amount of information available about salary levels in charities — in TSRC's database it captured information for nearly 10,000 organisations — and there is ample scope for trustees to make relevant comparisons in order to inform their decisions about salary levels. "And there is also plenty of information for donors on the performance of charities. If you're thinking about giving money to a charity, consider its impact and effectiveness in the round, and don't focus on a single indicator such as how much it pays its chief executive," argues Mohan.

Reinforcing arguments about the level of pay, Dan Corry CEO of think-tank NPC, says: "Let's be clear, most charity chief executives are not paid a king's ransom — as research by academics at the TSRC shows (see box overleaf) — and as you would expect those paid more tend to be in the bigger charities. Furthermore running a charity is often a complex, multi-faceted role, combining advocacy, leadership, fundraising and stakeholder skills that would stretch many a very highly paid commercial sector chief executive."

That said, what it comes back to is trustees have to justify the pay they give to chief executives. Corry adds: "Expenditure on the chief executive's salary is an important issue for any board and must be taken extremely seriously. Much of what should be done in setting pay, as outlined in the ACEVO *Good Pay Guide*, applies to organisations in any sector. Are you paying what you need to — and no more — to recruit the calibre of person you need to run your organisation, and to retain that talent? Not an easy question to answer in such a varied sector where true comparators are hard to pin down, but one that must be given proper attention."

**Mission driven**

Challenging for trustees is there should also be a different approach taken by trustees to that which exists in the private sector. "We are in a mission driven, not-for-profit world," argues Corry. But there are still ways for trustees to measure pay in an appropriate way. "If you are going to link pay to performance, make sure it is not just about the amount of revenue you raise, or the growth of the organisation via contracts, or mergers. Make sure that improving your impact is core to any pay metrics. Additionally, the sector must surely be transparent about what it pays its chief executives — just as it should be transparent about so many other things," says Corry.

And then, as trustees, when this pay level has been set it should be defended if it is attacked. "I have heard moans from charity staff who tell me that the chief executive just awarded themselves a salary increase. But the chief executive can never award themselves a pay rise — it is the trustees that determine pay and they should ensure they explain it," adds Corry.

Cancer Research UK chairman, Michael

**PAY IN PERSPECTIVE: THE PAY COMPARISON**

There are over 163,361 registered charities in the UK, carrying out a vast range of different activities and varying enormously in size and scope. The median chief executive salary is 60,000. This figure falls to £34,600 for charities turning over less than £150,000 a year, but exceeds the £100,000 threshold as charities reach an annual revenue of £25-50m. Organisational pay ratios in charities with chief executives are typically between 3:1 and 5:1.

This contrasts favourably with ratios in other sectors such as universities [national average around 18:1] and local government [national average around 15:1], and very favourably with large corporations like the FTSE 100 [whose average in 2011 was 262:1].

Also, the latest data from nfpSynergy, drawn from the country's top 50 most recognisable charities, looked back at the last five years of CEO pay and what drives it. It discovered that CEO salaries have broadly increased at the same rate as charitable income and there has been something of a rebalancing in the sector, with higher salaries increasing far more slowly than the lower ones.

The main results found:

- Total income has increased by 17.7 per cent, an average of 3.5 per cent per year
- CEO salaries have risen 18 per cent — almost exactly in line with charities' income
- Staff costs have gone up 24.2 per cent, an average of 4.85 per cent a year
- There has been a re-balancing of salaries across the sector — those paying under £100,000 in 2007 have increased salaries by 38 per cent on average, while those over £100,000 have increased pay by just 6 per cent
- Big charities do pay their CEOs more

## PAY IN PERSPECTIVE PART TWO: THE BIGGER PICTURE

Evidence was produced by Professor John Mohan from the University of Birmingham and Professor Steve McKay, University of Lincoln, on behalf of the Third Sector Research Centre. The authors conducted analyses of available evidence on the payment of salaries above £60,000 per annum in charities.

The principal points are:

- Survey data shows a lower than average proportion of those on higher earnings work in the third sector. Some two thirds (66 per cent) of higher paid staff are found in the 9 per cent of organisations with an income exceeding £10m per year, looking at charities with incomes above £½m.

- Private educational establishments constitute around 9 per cent of the number of organisations, but account for 27 per cent of organisations which have at least one employee paid over £60,000. Fewer than 100 salaries above £250,000 were recorded, largely in private hospitals and medical research

- The authors noted the topic of high pay within the charitable sector has attracted attention and public comment recently. However, the evidence base is limited: one report looked at the 150 largest charities while another company analysed 50 organisations on the grounds that they were among the best known charities according to a charity awareness monitor

- *The Daily Telegraph* focused on a still smaller subset of the charity population, organisations affiliated to the Disasters Emergency Committee. The authors noted, that in none of these cases can inferences be made about the wider population of charities.

- This TSRC draws on data gathered from a representative sample of 10,500 charities in England and Wales, and compares the statistics so generated with national survey data on individuals. This permitted the TSRC to assess how the prevalence of salaries above a threshold value (in this case, £60,000, because charities in England and Wales must report the numbers of staff paid at or above that level) in the charitable sector compares with the public and private sectors; estimate the total numbers of charity employees paid at or above particular thresholds; describe the characteristics of organisations that do, and do not, pay such salaries to their staff.

- Charities with incomes greater than £500,000 are required to report the numbers of staff to whom they pay at least £60,000 in the reporting period. There are some 9,700 charities of this size or larger in this sample and data has been gathered from their accounts, and notes to the accounts, on the numbers of people paid at this level and above for the financial year 2011

- This related to charity chief executive pay, but the data does not allow the authors to identify whether or not the recipient of the largest salary in an organisation is in fact the chief executive.

- An income of £60,000 would be placed just below the top 5 per cent of the income distribution.

- In a wider context, discussion of financial rewards often focuses on FTSE 100 companies. In the recent analysis *KPMG's Guide to Directors' Remuneration 2012* it was found that chief executives in the FTSE 100 companies had annual compensation packages worth a median of £3.1m.

- Their pay was also complex in its composition, with the median earnings figure being 'only' £830,000 of this total — the rest comprising bonuses, benefits and share options. Such rewards are exceptional but for comparison, hardly any salaries in the charitable sector exceed the median for the FTSE 100; and found very small numbers, mostly in medical or other health-related organisations, of salaries greater than £250,000.

- The two highest examples found were one charity employing someone on a salary of at least £990,000 during 2011, and another with a worker on at least £920,000 in 2010. These are high numbers by (almost) any standards, and somewhat removed from the levels found in other charities. Indeed the third highest paying charity in the sample had a top salary below £600,000.

- An Institute of Directors study showed that a typical salary for a small business with a turnover of up to £5m pa was £70,000; for enterprises with a turnover between £5-£50m it was £100,000; and for larger enterprises, salaries averaged £128,000. Since these figures were obtained in autumn 2010 they are broadly comparable with our charity data, which relate to 2010-11.

- In contrast, 22 per cent of charities with turnover of up to £5m in 2010-11 reported that they had any employees paid over £60, 000.

## PAY IN PERSPECTIVE: THE DIVERSITY COMPARISON

The 2013/14 *ACEVO Pay Survey* showed that there is still progress to be made to the gender pay gap within the sector and encouraging diversity within charity boards.

The results show:

- The pay gap between male and female CEO's has increased to 18.6 per cent of the median male salary compared to last year's figure of 12.1 per cent. Median male CEO salary has increased to £67,000 (£62,000 in 2012) compared to £54,530 for female CEO's (£54,500 in 2012)
- Most of the gender pay gap appears to be due to there being disproportionately fewer female leaders of large organisations and more female leaders of smaller organisations (<1m)
- 97 per cent of the CEOs that took part in the survey are of white ethnicity, a higher proportion than in both 2011 and 2012
- Although CEOs of small and medium sized organisations are more equally divided between men and women.
- Figures for women working in senior management roles show women held 55.5 per cent of senior management roles in the organisations surveyed.

Pragnell, notes that charities cannot compete with the private sector in setting pay: "We recognise that Cancer Research UK should not and does not compete directly with the private sector in remuneration." However, he notes that as the largest fundraising charity in the UK, raising £460m in 2012/13, the charity and its trustees have a responsibility to its supporters, partners and employees to ensure strong and effective executive leadership: to deliver the best outcomes for the public, for cancer patients and for their families.

Pragnell adds: "The charity's success in recruiting from the private sector is correlated to the breadth, interest and diversity attaching to its roles while recognising remuneration levels in academic, professional, medical and scientific fields. The recruitment process for senior roles includes assessments by both senior managers and trustees."

TSRC's Mohan says many organisations will conduct benchmarking exercises in which senior staff remuneration is compared with that of broadly similar entities operating in related spheres of activity. "The range and complex nature of activities undertaken by large charitable organisations, combined with the sensitive social challenges to which they respond, as well as the multiple demands for accountability from a range of stakeholders, mean that management and leadership in the charitable sector is demanding. Charities are operating in a competitive labour market in which executive talent is in short supply."

Charities in England and Wales must report the numbers of staff to whom salaries of greater than £60,000 are paid. Taking this as a benchmark for comparison, survey evidence on individual incomes suggests that under 3 per cent of those who work in charitable or voluntary organisations are paid at that level or above. This compares to 4.5 per cent in the public sector and over 6 per cent in the private sector. From information provided in the annual reports of nearly 10,000 charities TSRC estimated that around 12,000 individuals were paid at least £60,000. This equates to at most 2 per cent of the sector workforce, although these figures do not include universities, some of which have several hundred people on such salaries (mostly professors and senior managers), or housing associations. "When we looked at which sorts of organisations were most likely to contain individuals receiving high salaries, the pattern is driven by the size of the charity: statistically, levels of expenditure explain most of the variance in the likelihood of paying someone at least £60,000. Certain types of organisations were much more likely than others to pay such salaries — private schools and hospitals, medical research charities, hospices and nursing homes, but also business and professional associations.

"Since many such organisations employ several individuals paid above this threshold value, they account for the majority of high-salary employees in the sector. However, the great majority of organisations in our sample had no more than two people paid £60,000 or above, and in most cases their salaries barely exceeded that threshold," says Mohan.

The on-going analysis here is at variance with last year's media coverage, which emphasised a small number of charities operating in particular spheres of activity — such as international development. "There needs to be an informed debate about what exactly the 'problem' is here. Is it the rewards to individuals that provokes criticism?" asks Mohan. "There are around 2,000 charities with an annual budget in excess of £10m, some 60 of which spend over £100m a year, and those financial figures do not describe the complexity of the workload of charities."

Ian Joseph, CEO, Trustees Unlimited adds that charity boards need not be apologetic for setting salaries that attract the best candidates. However, he adds: "These salaries need to be justified and thought should be given to issues such as pay ratios, benchmarking and the message that it sends out. Ultimately, the delivery of the charity's objects are the things that are most important and if paying a very good salary will attract someone who can deliver this then that is the right thing to do." Within this whole process, Pragnell notes his charity focuses very clearly on an effective use of all money. "We strive for efficiency to ensure that supporters' money is used as wisely as possible such that for every £1 donated, 80p is available to spend on beating cancer with the balance used to raise future funds. Some of the highest paid employees are world leading scientists who have contributed to major advances in cancer research

**We demand the highest standards of trustees and senior execs on the important issues facing the sector, and beneficiaries and donors demand it too**

**Asheem Singh, ACEVO**

and continue to do so. Others are senior leaders with the necessary skill and experience to manage a complex organisation which, like other international biomedical organisations, demands high quality professional management."

Crucially, Pragnell says salaries are benchmarked against market rates to arrive at the appropriate salary ranges to attract and retain the best people, whilst ensuring appropriate levels of charity expenditure and always being mindful of the efficient use of donors' funds. "We take seriously our responsibility to use donor funds wisely." Also important in the debate is the scale and size of the charity. Alex Swallow, chief executive of the Small Charities Coalition, says: "For the majority of small charities, chief executive pay is a non-issue. Most of the sector is made up of tiny charities. Some, if they are lucky, have just a single member of staff. Many others have no paid staff at all and are entirely run by volunteers." Though at a time when the sector faces both pressing challenges and new opportunities, the contribution of trustees to ensure excellent governance has never been more important. For example: safeguarding organisational independence and mission, protecting financial sustainability, assessing risk and setting an appropriate strategy. Asheem Singh says: "Excellent governance is not just a question of having good processes in place. It's about people working effectively together, within the right framework, to fulfil a charity's vital mission and uphold its values."

Important for trustees to remember is that it's not enough to forget about governance until a moment of crisis. At that stage, it's usually too late to make the necessary improvements. "That's why at ACEVO we're working to support charities to ensure that their governance standards are robust and sustainable enough to meet any future challenges. We are working to ensure that the relationships between our senior execs and trustees can survive and thrive, whatever the challenge," says Singh.

Help is now in abundance to assist trustees, with ACEVO offering its members a comprehensive governance review service, and a helpline service for organisations facing particularly intractable governance issues. Further to its guide, ACEVO also established a Commission on Governance which engages widely across the sector and outside to understand the practical challenges that trustees and staff encounter around day-to-day governance issues.

These are challenging but nevertheless exciting times for the sector. But the sector must face them with vigour and rigour and much of that responsibility sits with trustees. "We demand the highest standards of trustees and senior execs on the important issues facing the sector, and beneficiaries and donors demand it too," warns Singh. Trustees must start demanding it of themselves as well.

## HOW ARGUMENTS OVER PAY STARTED

In August last year ACEVO chief Sir Stephen Bubb slammed comments made by Charity Commission chairman William Shawcross on charity CEO pay.

Shawcross said in an interview in *The Daily Telegraph* that large salaries paid to charity staff could "bring the charitable world into disrepute".

Shawcross said organisations must ask if pay levels are "really appropriate".

*The Daily Telegraph* report noted that 30 staff at 14 leading UK foreign aid charities were paid £100,000 or more last year.

The charities detailed by the newspaper make up the Disasters Emergency Committee, which co-ordinates work after disasters overseas.

Shawcross, who was appointed in 2012 on a £50,000 annual salary to work two days a week, said the Commission could not tell charities how much they should pay their executives, but urged them to be cautious.

"In these difficult times, when many charities are experiencing shortfalls, trustees should consider whether very high salaries are really appropriate, and fair to both the donors and the taxpayers who fund charities," he said.

"Disproportionate salaries risk bringing organisations and the wider charitable world into disrepute," he added.

But hitting back, Stephen Bubb said: "This is an disgraceful distraction by Mr Shawcross. Of all the issues facing charities why does he pick on something that is simply not a problem.

"Charities shouldn't be ashamed of paying people what they are worth. It's essential that the sector attracts skilled and experienced professionals, not keen amateurs.

"And if we compare professional levels of pay in the private and public sectors, our CEOs earn much less.

"Shawcross should be defending the sector not undermining it. What donors and what beneficiaries want is high quality services from efficient and effective charities.

"A strong sector needs strong leaders. We must pay to get them.

"Not excessive salaries, but professional ones.

"I suggest Mr Shawcross gets to grip with the inefficiencies of his Commission before criticising good charity leaders."

# The value of assets

There is a hope we have entered a new investment era that could open up a period of dynamic asset allocation. Andrew Holt analyses the investment strategies open to charities

**FOR CHARITIES** assessing an investment approach, asset allocation is where it all begins. As an investment strategy it attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the charity's risk tolerance, goals and investment time frame. It is central to how any charity tackles the whole idea of investment and having an effective investment approach.

A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Asset diversification has been described as "the only free lunch you will find in the investment game." The theory of asset allocation has been explored in academic studies (see box on page 35). "According to investment management theory, or at least one of Grinold's basic versions of it, a manager's ability to generate outperformance is a function of the opportunity set and the manager's skill. So, the more active positions you can take, and the more skill you have in taking those active positions, the more alpha you will be able to generate," says Francois Zagame, head of portfolio management and asset allocation at Old Mutual Asset Managers. "Academics can sometimes resemble a hungry dog digging for a bone and getting so excited with the digging that they lose sight of the big picture," adds Zagame.

The so called traditional asset classes are: equities, bonds, and cash. There are alternative assets: commodities: precious metals, nonferrous metals, agriculture and energy; commercial or residential real estate (also REITs); collectibles such as art, coins, or stamp; insurance products, that is annuity, life settlements, catastrophe bonds, personal life insurance products; derivatives, such as long-short or market neutral strategies, options, collateralized debt, and futures; foreign currency; venture capital; private equity; distressed securities; and SWAG: silver, wine, art and gold.

### Waverton: meeting objectives

There is a hope we have entered a new investment era that could open up a period of dynamic asset allocation. This was highlighted in the eras identified by the *Barclays Equity Gilt Study* that 1982-2008 was The Great Moderation; 2008-2012 The Great Crisis; with 2013 onwards being something of a question mark.

Therefore, which approach should be used by charities, when, and why? James Pike, head of charities at Waverton Investment Management, says: "Selecting an appropriate investment strategy for a charity is broadly about meeting the needs and objectives that will be demanded of the portfolio and a fund manager using the characteristics of different investments to give us the greatest possible chance of meeting these objectives.

"Despite a poor recent experience [of blending assets to spread risk due to positive correlation] we believe the importance of this should not be underestimated as asset allocation positioning is the primary access to diversification benefit, described by some as 'the only free lunch in finance'."

Charity objectives differ a great deal. "Thus we believe asset allocation is the most appropriate place to start when tailoring a portfolio, the objective probably being the biggest initial driver of asset allocation," says Pike.

Taking into consideration the historical and forward looking assertions of each asset class and combining these together with the portfolio objectives is not an exact science, however. "We use sophisticated tools with conservative assumptions to help improve the chances of success. Together with a sensible spending and reserves policy, this should help trustees ensure the perpetual aim of a charity whilst they are at the helm," says Pike.

Return objectives usually centre around the needs of the charity which flow through into the expected demands on the portfolio. "Since no two charities are the same in this regard, managing charitable funds lends itself especially well to the tailored approach to asset allocation and portfolio construction," says Pike. "Charity demands should have a direct flow through into a risk profile and therefore a realistic assessment and understanding of the 'implied' risk is extremely important. Typically, an investment manager (and a board) must balance a compromise between risk, return (capital or total) and yield when deciding an appropriate asset allocation mix in both the long term and short term," adds Pike.

### Old Mutual: access every asset

Zagame says that when it comes to asset allocation, he believes that, especially in the case of charities, a simple and flexible approach is preferable to sticking to a rigid allocation between different asset classes in a portfolio. "You want to be able to access every possible asset class, and ideally be able to go long and short in each class. You may want to have the freedom, at times, to be tactical with assets that have no real practical use in the context of your portfolio.

"A skilled investment manager who is able to implement an information advantage or a processing edge in a timely way will be able to make these types of decisions more effectively, in the process boosting their chances of being right more often than wrong. Clearly, this should help them to generate outperformance from their investments."

**Schroders: Useful framework**

Kate Rogers, manager of the Schroders Charity Multi-Asset Fund, says she is a believer in the benefits of strategic asset allocation, taking a long term view, if appropriate to the charity, and examining likely risk and return characteristics. "This gives a useful framework around which to build your portfolio, overlaying current economic and market views and the specific near term requirements of your charity, for example income or cash flow needs. This strategy analysis allows trustees and executives to evaluate and compare different investment approaches but should not be seen as a guarantee of long term returns, or even guidance on 5 year returns. Any analysis of history will find huge variations in asset class returns, even over decades. In this context, when forecasting asset returns, long-term should really mean over 50 years."

She stresses it is absolutely imperative that the investment strategy selected ties back into the aims and investment policy statement of the charity. "If you are a long term charity, aiming to spend 4 per cent per annum and wish to preserve your capital against inflation then your investment strategy should be targeting this type of return (inflation +4 per cent). Broad diversification of assets has been shown to be beneficial over the long term, enabling a reduced volatility of capital values without sacrificing returns."

However, she stresses, the oft cited point that there is no such thing as a free lunch, before clarifying that diversification is the closest you'll get. Therefore she says trustees should be wary of the following key points:

1. **Correlations are not always stable** — for diversification to work, portfolios need to have a combination of assets whose returns are not perfectly correlated with each other, they go up and down at different times. Great in theory but, as 2008 shows, correlations can and do change, particularly in times of stress. Arguably this is when you need diversification to work best. When there is a shock, markets become more correlated and fall at the same time, diversification does not work as it was designed to. Trustees and managers should be aware of this and could use scenario analysis or some form of portfolio insurance strategy to try and protect against this eventuality.

2. **Diversification away from real assets may open a charity to a risk of real depreciation of assets, should inflation spike higher**. Diversification as a risk reduction tool only focuses on reducing the volatility of values. This is easily measurable and it is understandably used as the key risk metric. However, says she would argue that capital volatility is only important if the charity needs to sell down assets. Otherwise, the key risk is keeping pace with inflation. Capital volatility is uncomfortable but is characteristic of those assets that offer the best inflation protection by being linked to prices and rents, equities and property. Should we have a period of higher inflation, diversification away from these asset classes may be a hindrance rather than a help.

3. **Be careful with liquidity of alternatives, particularly if you**

**Any analysis of history will find huge variations in asset class returns, even over decades**

**Kate Rogers, Schroders**

**need your portfolio to generate income/total return for expenditure**. Alternatives tend to yield less and have reduced liquidity. Some even 'gated' investors in times of market crisis, precluding any sales. She adds: "Although CC14 does not now restrict the asset class choice, trustees should be conscious when investing directly into commodities (for example, SWAG) as these could be treated as trading rather than investment activities. Trustees will need to be able to document the intention to buy and hold for investment purposes, rather than to sell on relatively quickly for a quick buck (trading)." She then adds one final proviso: "Only invest in things that you understand."

**Quilter Cheviot: greater diversification**

William Reid, head of Quilter Cheviot's charities division, reinforces the view that charities will benefit from the greater diversification of assets within their portfolio over the longer term. "This would be both in the form of higher anticipated longer term capital returns from the dynamic assets within the portfolio, together with the prospect of an 'inflation proofed' income stream."

Reid said he is currently comfortable with Consumer Price Index (CPI) + 4 per cent, on a rolling 5 year basis, as a long term objective for either a traditional 'income and capital growth' or 'total return' requirement. Expanding, he adds: "We look for the income derived on the portfolio to cover the majority of the annual distribution, and expect the combination of rising income and capital growth over the long-term, to at least keep pace with inflation. We continue, however, to regard the receipt of significant and rising income from securities as a crucial determinant of a stock's attraction in a charity portfolio during an inflationary era."

A charity's investment strategy needs to consider three main variables, namely the charity's (likely) annual income, its existing level of capital and its commitments. The main issues for charities are that they have little control over their income, they need to protect their capital, and they have a duty to honour their commitments year-after-year.

Zagame says there are comparisons between charities and rock stars in terms of income. "The needs of a typical charity remind me a little bit of old rock stars, who can rely on some level of income every year thanks to a Christmas number one from a few decades back, but who are never too sure about exactly how much is coming in, and have therefore to think long and hard about how to manage their existing capital in order to afford their lifestyle. Furthermore, given most rock stars' conviction that they will live forever, they also have to make sure that their capital remains protected from the pernicious effects of inflation."

**The multi-manager option**

The question is, how is it possible skilfully to access all asset classes? Zagame says: "I believe that to be able to take long or short positions in all asset classes in an effective manner, a multi-manager, multi-asset approach is probably the only one that makes sense. Clearly, no individual can possess superior skill in selecting all asset classes, and it is therefore necessary to delegate the investment decisions within different asset classes to managers with a proven edge in doing so."

In short, charities need to find a way to invest that protects their capital against inflation and helps them to match their income with their commitments. "A real return targeted strategy with a target income tailored specifically to the charity's income gap is, I believe, potentially a very attractive solution," says Zagame. Let's imagine, very simplistically, the example of a charity with capital of £100m, inflows of around £10m every year and annual commitments in the region of £15m. Logically, an investment strategy that protects the capital against inflation and generates a yield of 5 per cent should allow that charity to meets all of its commitments. "Clearly therefore, a multi-manager, multi-asset strategy with a target of CPI + 5 per cent, including a yield of 5 per cent would suit the requirements very well indeed. Such a product would be quite risky — to achieve these returns would require quite a high tolerance for drawdowns but more modestly risky solutions with return expectations in the CPI +3-4 per cent range are perhaps more tolerable and come close to achieving an ideal." He adds he believes that such a strategy should have the flexibility to invest in a mix of cash, global and domestic equities, bonds, alternatives and real return strategies, with the potential to boost the level of income generated through writing covered call options on the equity holdings. "By giving themselves access to all of the tools available to them in this way, I believe charities stand a very good chance of effectively managing their income requirements and inflation risks," says Zagame.

> **Our belief is that the best results come from a mix of styles adapted to the market cycle; our aim is to identify future trends and give these emphasis within portfolios**
> **William Reid, Quilter Cheviot**

**Reid: categorisation**

Investment houses have become increasingly categorised in recent years as "value", "growth" or "alternative". Reid says: "Our belief is that the best results come from a mix of styles adapted to the market cycle; our aim is to identify future trends and give these due emphasis within portfolios." At a strategic level, Reid notes long-term portfolios should centre on the long term returns expected from asset classes. "We aim to enhance these returns by exploiting market inefficiencies, and making active, shorter term, tactical asset

## ASSET ALLOCATION: THE STRATEGIES

There are different types of asset allocation strategies based on investment goals, risk tolerance, time frame and diversification:

**Strategic Asset Allocation** — the primary goal of a strategic asset allocation is to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon.

**Tactical Asset Allocation** — method in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for gains.

**Core-Satellite Asset Allocation** — is more or less a hybrid of both the strategic and tactical allocations mentioned above.

**Systematic Asset Allocation** is another approach which depends on three assumptions: the markets provide information about the available returns; the relative expected returns reflect consensus; expected returns provide clues to actual returns.

allocation calls to enhance returns."

He also makes the case that is central to strategic asset allocation: that is has been the driver of long term investment success both in the medium and long term. Therefore, the logic is to look to history. "We will continue to live in a volatile environment, but, according to a recent survey by WM, over an extended period equities have provided a total return of inflation plus 5 per cent; bonds, inflation plus 2 per cent, and deposits, inflation plus 1 per cent and, whilst it is incumbent on trustees to hold a range of assets, to maintain an appropriate risk profile, we favour first class equity investment for the longer term. An involvement overseas also assists in providing geographical diversification and/or access to companies with better prospects than those available domestically."

### Cerno: Static asset allocation

James Spence, managing partner at Cerno Capital, argues though that from a premise position, questions should be asked about a dynamic asset allocation approach. "Before addressing the particular merits of dynamic asset allocation it is worthwhile examining the attributes of its notional alternative: static asset allocation. Termed in this manner, we might not immediately recognise static asset allocation. To a marketer's attuned ears, it lacks intuitive appeal: stasis being less comment worthy than dynamism. Dynamism, after all, is an appealing personal attribute. Being called static is not often a compliment. It suggests a degree of unresponsiveness and lack of sensitivity to environment.

"The practical application of what we have mischievously called static asset allocation is most commonly found in balanced strategies and mandates. A little bell of recognition is now heard. Balance has much greater intuitive appeal and practical application." The balanced mandate, he says, the exemplar being a constantly held mix of equities and bonds (say, 60/40 in relative proportions), owes its existence to the following four phenomenon: equity and debt are the two key, entirely dominant, asset classes of finance; by holding a proportion of bonds, the investor offsets the perceived high volatility of the equity return stream; the fixed nature of the allocation removes the risk of poor timing decisions and the mixed nature of the allocation somewhat reduces the effects of periods of bad performance in either part of the allocation. "Of course, the balanced approach is not immune to losses. It does not, in any way, address the effects from periods when both equity and debt perform poorly."

Spence notes though, the experience of the 20th century, from which almost all our notions of financial return derive, reveals that, in the US, there was only one month since 1925 (September 1974) over which a 7 year rolling return was negative. "The remarkably positive experiences of twentieth century investors explains the popularity and underwrites the endurance of the balanced (or, static) strategy."

Returning to his original premise point, Spence adds the question: whether the philosophical underpinnings of the static approach, or its dynamic alternative, holds greater appeal for the century we live in notwithstanding what transpired in the last? "Part of the answer to this lies in an imagination of future long term asset class performance and the factors that will shape it. The product of our own meditation on these matters is the ineluctable conclusion that the debt mountain that has been built up in the second half of the 20th century is likely to cause great problems within financial assets in the first half of the 21st."

### Challenge for balance managers

The 2008 crisis had at its cause in indebtedness and the misunderstanding, mis-marketing and mishandling of debts. The solution has been extraordinary dollops of liquidity: liquidity that is now in retreat. Spence therefore observes: "We are deeply concerned that many businesses and the consumer sector, at large, have become accustomed to super low interest rates and will have trouble weathering more normal interest rates. This suggests to us the beckoning of a period when both the equity and debt asset classes may struggle to record positive returns.

"If this indeed transpires, this cratering of returns will pose great challenges for balanced managers on account of the flexibility that they have denied themselves. It will also place a substantial log in the path of the onward marching passive industry. For whilst ETF providers like to trumpet periodic innovations such as smart beta and putative ability to track alternative indices, their assets are substantially gathered in long only, headline index tracking strategies."

The appeal of passive investment rises as bull markets extend, adds Spence. For, during these times, index returns and reduced fee drag appear to be 'just the ticket'. "It is our belief that this appeal will tarnish if the next bear market envelops both bonds and stocks, as we believe it might. To have 'gone passive' will cease to be quite the boast it is today for trustees of charities and educational endowments. The merits of active or dynamic allocation are to be found first in both the flexibility to have sharply different allocations to debt, equity and cash over time and secondly in the ability to seek out and utilise other asset classes or sub classes of the main classes."

Cerno Capital use a three year forward return framework to guide its allocations. "Three years allows us to frame our thoughts outside the very crowded near-term, long enough for valuation disparities and extremes to possibly mean revert but not so long that our clients find themselves disadvantaged by logically sound but practically profitless investment positions," says Spence. Flexibility, says Spence, also allows participation in specific asset classes whose attractions only manifest when the stars periodically align. For example, the corporate credit sector offered, in 2009, a once in a generation set of possibilities: deeply discounted paper with marvellously fat yields to maturity, secured against still robust cash flows. "In the four years since 2009, valuations have travelled full circle to a point where future returns are likely to correlate very strongly with normalising government curves. The opportunity has been fully mined. It does not, therefore, make sense to retain a permanent allocation to corporate credit or its higher yield cousin," he adds.

As a totality of investment ideas, this is a good deal for charity trustees and investment committees to digest. But taken all together, it is clear, with us entering a new economic environment and potentially, investment age, this is the time for charities to consider a more dynamic asset allocation approach.

**Andrew Holt is editor Charity Times**

A Charity Investment Group investment guide is on its website under news: **www.charityinvestorsgroup.org.uk**

## ASSET ALLOCATION: ACADEMIC STUDIES

In 1986, Gary Brinson, L Randolph Hood, and SEI's Gilbert Beebower, the so-called BHB, published a study about asset allocation of 91 large pension funds measured from 1974 to 1983. They replaced the pension funds' stock, bond, and cash selections with corresponding market indexes. The indexed quarterly return were found to be higher than pension plan's actual quarterly return. A 1991 follow-up study by Brinson, Singer, and Beebower measured a variance of 91.5 per cent. The conclusion of the study was that replacing active choices with simple asset classes worked just as well as, if not even better than, professional pension managers.

In 1989 the publication of *The Fundamental Law of Active Management* by Richard Grinold has been widely used in the quantitative investment community as a tool to assess a portfolio manager's ability to add value. According to Grinold, the fundamental law relates three variables: your skill in forecasting exceptional returns, the breadth of your strategy, and the value added of your investment strategy.

In 1997, William Jahnke initiated debate on this topic, attacking the BHB study in a paper titled *The Asset Allocation Hoax*. Jahnke's main criticism was that BHB's use of quarterly data dampens the impact of compounding slight portfolio disparities over time, relative to the benchmark.

In 2000, Ibbotson and Kaplan used five asset classes in their study *Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?* The asset classes included were large-cap US stock, small-cap US stock, non-US stock, US bonds, and cash. Ibbotson and Kaplan examined the 10-year return of 94 US balanced mutual funds versus the corresponding indexed returns. This time, after properly adjusting for the cost of running index funds, the actual returns again failed to beat index returns.

A 2000 paper by Meir Statman found that using the same parameters that explained BHB's 93.6 per cent variance result, a hypothetical financial advisor with perfect foresight in tactical asset allocation performed 8.1 per cent better per year, yet the strategic asset allocation still explained 89.4 per cent of the variance. Thus, explaining variance does not explain performance. Statman says that strategic asset allocation is movement along the efficient frontier, whereas tactical asset allocation involves movement of the efficient frontier.

Bekkers, Doeswijk and Lam (2009) investigated the diversification benefits for a portfolio by distinguishing ten different investment categories simultaneously in a mean-variance analysis as well as a market portfolio approach. The results suggest that real estate, commodities, and high yield add most value to the traditional asset mix of stocks, bonds, and cash. A study with such a broad coverage of asset classes had not been conducted before, not in the context of determining capital market expectations and performing a mean-variance analysis, neither in assessing the global market portfolio.

Doeswijk, Lam and Swinkels in 2012 and 2013 argued the portfolio of the average investor contains important information for strategic asset allocation purposes. This portfolio shows the relative value of all assets according to the market crowd, which one could interpret as a benchmark or the optimal portfolio for the average investor.


# IT options

There has been a year-on-year increase in donations via IT Apps. But, finds Julie Howell, charities can still take more advantage of new App opportunities

**"CHARITIES NEED** to engage in mobile now. There is no point waiting."

So says Paul de Gregorio, whose company Open Fundraising helps many UK charities (including Christian Aid, Shelter, RSPCA) to dip their toes into the unknown waters of mobile fundraising.

If you are in search of big numbers look no further: "We've recruited well over 80,000 supporters who give a regular gift to charities via their mobile phone. Between them they have donated over £1.5m to 23 charities", says de Gregorio. "This is a real innovation and it's set to grow."

Mobile fundraising has been subject to a number of false dawns over the past fifteen years. While it may always have been obvious that mobile phones would eventually revolutionise voluntary giving in one way or another, the sector has had to wait patiently for consumer confidence in mobile as a viable transactional platform to reach its tipping point.

UK mobile payments regulator PhonepayPlus recently conducted a market map that suggests that mobile donations via SMS will reach £150m by 2015, with estimates of £32m in 2011 and £66m in 2012.

## Mobile as the norm

Unsurprisingly, charities are at different stages with mobile. Despite there being no obvious barriers to entry, and with more mobile handsets in circulation than people living in the UK, it's easier to find examples of pioneering practice from larger charities, with many smaller NGOs yet to discover what mobile might do for them.

Sam Booth, commercial director, at digital agency Reading Room, whose clients include Teenage Cancer Trust and Terrence Higgins Trust, says: "Voluntary organisations which optimise their websites for mobile are experiencing increases in donations. Mobile is now one of the prime factors we consider as it helps increase the virility of social campaigns."

Software and services company Advanced NFP lists 'mobile as the norm' in first place in its *2014 technology predictions for the not-for-profit sector*. According to Advanced NFP's Simon Fowler: "The need for websites to be fully optimised for mobiles is now a pre-requisite."

But mobile isn't simply web-over-the-phone. With iPhone, Apple transformed the mobile phone into a completely new kind of communications device.

Google and Microsoft developed their own mobile platforms and now almost anyone who could want it carries around with them the kind of processing power that even Microsoft's founder Bill Gates said would never be necessary or desirable. When it comes to technology, even the most celebrated pioneers occasionally think too small.

Thinking small is rarely an accusation levelled at the voluntary sector, where a constant and urgent need to generate voluntary income in an increasingly crowded and competitive market drives innovation. However, knowing where and exactly when to invest in mobile when the technology moves on at such a rapid rate can be difficult. For even the smallest charities whose budget barely stretched to cover the most basic website news that all they need to do is to 'mobile-enable' the website they already have must be welcome.

The arrival of tablets to the consumer market (Apple's iPad leading the charge) blurred the lines between mobile and web. So much so that it seems slightly churlish to make a distinction between the two. Consumers are abandoning desk-top computers and lap tops entirely in favour of a single device that has all the functionality of a powerful web-enabled home computer plus portability, Wi-Fi, a high quality digital camera and the ability to send texts and make phone calls. What are charities operating in this climate to do?


**Due to ever-developing online giving tools and tactics we have seen a noticeable uplift in the amount being donated**

**Tom Latchford, Raising IT**

**Tools & tactics**

Continued investment in web fundraising applications wouldn't seem to be a bad idea. In December 2013, Raising IT reported a year-on-year increase in online donations of 88 per cent, the average online donation in 2013 standing at £28 per individual. Tom Latchford, Raising IT's founder, says: "Due to ever-developing online giving tools and tactics we have seen a noticeable uplift in the amount being donated online. The most effective campaigns can often stem from simple, cost efficient social media activities."

According to mobile operator Three, donations through websites, social media and Apps now account for £26 in every £100 donated in the UK, with £2.4billion being donation online and by mobile each year.

In its report *Beyond the Bucket: charitable giving in the mobile age*, Three assuages the popular misconception that mobile is only used by a restricted age demographic: "Younger generations are more likely to donate via mobile (24 per cent v 16 per cent)… yet 97 per cent of people say technology isn't a barrier when it comes to fundraising."

The report finds that 91 per cent of people know they can support charities through their phones, one in three having shared charity-related content.

To truly exploit the platform's potential, charities should cease thinking of mobile as just another way to view a website. SMS alone offers a considerable opportunity for generating voluntary income.

In its *State of the Not-for-Profit Industry* report, software and services provider Blackbaud finds that 49 per cent of the 600 charities it surveyed now use text-giving, with more than 80 per cent of respondents now using social media to communicate with supporters, primarily via Facebook (87 per cent) and Twitter (84 per cent).

Blackbaud's European director of strategy and innovation, Martin Campbell, says: "Using social media to update supporters is great, but not-for-profits need to figure out how best to use it to build the long-term relationships that are so important to future mission success."

Some charities are exploiting mobile to an even greater extent, taking full advantage of the new opportunities that the platform as created to both fundraise and inspire. One of these is Friends of the Earth (FoE), whose 'The Bee Cause' campaign made extensive use of mobile.

Working with mobile strategists Open Fundraising, FoE took a cautious 'test-it-and-see' approach to media placement by purchasing ad space in a variety of OOH (out-of-home) locations. FoE's supporter recruitment manager, Sandra Wild explains: "We chose a campaign that would lend itself well to a text-messaging ask, that is: the description, goals and calls-to-action of the campaign had to be easily understood from a poster."

The cross-channel campaign (comprising SMS and Facebook ads as well as the more traditional posters and inserts), took the form of a £3 cash ask (incentivised with free packets of seeds to create bee-friendly spaces) followed-up by conversion calling. The goal: to create a scalable, 'low value ask/high value response' campaign with conversion to regular giving.

"We sited posters that featured a text shortcode at various test locations, including shopping centres, underground stations, on trains and in motorway service stations", says Wild.

For this particular campaign, trains

proved to be a most effective location, reaching 150 per cent of the cash donations target, a result that surprised and delighted Wild and her team. "Not every location we tried hit the target. You have to try different locations and refine your approach until you find out which sites result in the best response."

**Power of mobile**

While face-to-face fundraising remains the main source of FoE's voluntary income, Wild believes that mobile will continue to open up new opportunities. "Mobile Apps don't replace well-established channels. It's just another way to attract support. By monitoring supporter journeys and observing how supporters respond to different communications we're getting braver at testing technology in different ways."

JustGiving, the online platform for charity-giving, has been monitoring both the increasing power of mobile fundraising and its impact on the growth of social networking. For example, four out of five UK users access Facebook from a mobile or tablet (further proof that the desktop will soon be dead).

One of the areas where mobile seems to be making the greatest impact is 'shares' (users click-to-share a piece of content with their friends). In particular, post-donation shares result in a further donation 21 per cent of the time.

Another not-for-profit that has pioneered a more innovative use of SMS is Save the Children, who first used the technology in 2009 for its *Enough is Enough Gaza Ceasefire* campaign. However, it was in 2011, that the organisation began to realise how mobile could support other media as part of an integrated fundraising campaign.

Alex Bono, individual giving digital manager at Save the Children, explains: "We worked with ITV on a TV programme: *Born to Shine*. The mass audience we had access to during the programme meant we needed a quick and easy response mechanism for donations. This is when we started to understand the true potential for text messaging as a response mechanism for a fundraising appeal."

**Mobile Apps don't replace well-established channels. It's just another way to attract support. By monitoring supporters we're getting braver at testing technology**

**Sandra Wild, Friends of the Earth**


Bono agrees that the key to successful and effective use of mobile is in testing and refining the campaign strategy. "For our SMS cash programme we look at response rates and unsubscribes for outbound messages, much like we do in email. We then use SMS as a response channel for other marketing (outdoor, press, TV, etc).

"We focus on the number of leads we receive, the conversion rate to regular giving on the phones and the attrition rate once donors convert. With our *Regular Giving via SMS* programme we use the attrition rate as the key metric."

**Scale & technology**

If your charity has neither the resources nor the 'courage' required for the test-it-and-see approach, an award-winning partnership between telecommunications company Vodafone (more specifically the Vodafone Foundation) and JustGiving has resulted in JustTextGiving, a platform for 'spontaneous' donations where 100 per cent of the money raised is donated to the nominated charity.

In just over two years, 20,000 charities and 115,000 individual fundraisers have incorporated text donations into their fundraising efforts with JustTextGiving.

Launched in May 2011, the aim was to open a new market for spontaneous donations from new donors, mass participation events (that is, marathons) being the most effective.

Vodafone's head of giving something back, Clare Jones-Leake, attributes the platform's success to its ability to provide the much-needed 'scale, technology and infrastructure' to charities of all sizes.

"JustTextGiving provides a unique shortcode that runners can wear on the back of their shirt", Jones-Leake explains. "Anyone with a mobile on any network can easily text a donation to the unique shortcode. We attribute the success of JustTextGiving to making it quick, easy and spontaneous for mobile phone users to make donations on the spur of the moment as well as appealing to younger donors."

With The Resource Alliance's virtual *Fundraising Online* conference preparing to host a number of debates on the subject, impressive ROI, lost cost of entry (testing is inexpensive and shortcodes and keywords can be rented for one or two hundred pounds) and services like JustTextGiving doing most of the hard work for you why shouldn't you make 2014 the year of mobile fundraising in your organisation?

There must be some drawbacks. "The real issues are old ones", explains Open Fundraising's de Gregorio. "What is your charity's case for support? Why should someone give to you and what happens next? Those questions won't be answered by mobile but including mobile in your mix will help you to maximise response."

**Julie Howell is an IT consultant**

# Turning data into intelligence

Tracey Gyateng argues that a better a use of data by charities helps them improve their operational effectiveness, the service they provide to their beneficiaries and the outcomes they achieve

**BIG OR** small, all organisations collect data — whether it's a simple count of service users or a more detailed database of donors and their attributes. Data is required from funders as part of the reporting process, as well as by the management team and also other stakeholders you're collaborating with. We are all busy collecting data, but are we all collecting insightful data? That is data which can be used to support and improve the functions of our work. If not, or more likely, if the answer is only partially — then how do we move towards making data more effective?

As a sector, we are all at different stages of using data for intelligence. For some organisations, the focus is on the day-to-day deliverables, with data primarily collected to satisfy funder or internal requirements. At the other end of the spectrum, some will be collecting vast amounts of data — but perhaps do not have the resources to make best use of it, or are collecting superfluous data due as processes are not streamlined or funders request it. The ideal goal is of course to minimise wastage, but also to collect meaningful data that can be used. It is a tricky balance to achieve — but the opportunities we can gain from collecting the right information and the time that can be saved by only collecting data we use is something we should all be striving towards.

**Collecting the right data**

Intelligent use of data can significantly increase the effectiveness of charities. Broadly, charities can use data to increase their effectiveness in three ways. First, to improve operational effectiveness in service delivery or support functions such as fundraising. We all know that supermarkets use data collected from loyalty cards to understand our grocery purchases, can the same be said for charities' donor databases? Are we looking at the characteristics and methods of donating for each donor so that we can communicate with them more efficiently? Are we analysing the data collected from social media?

Some charities have large datasets about their donors which are ripe for data analysis. How about looking at your data to classify your donors? Through our *Money*[1] *for Good* work we have developed a free to download tool Know your donors which produces typologies of donors. We are working with a number of charities to help them use the tool to better understand their donors. Another idea could be to map where your donors are in the country to see if there are any opportunities for location specific initiatives.

Not only should we look at how we could expand the use of data, but also cut down on data which is not useful. At NPC we use a timesheet system to track how our time is spent. This can be a challenge to complete when you have to recall and then allocate all the time you've spent during the week. The management team recognised that only the records related to specific projects were being analysed and used, and so removed the burden of having to attribute time spent on non-project work.

This has made timesheet completion easier and faster, as staff no longer have to worry about coding their time spent catching up on admin or conversations with colleagues about tasks — or what they did at the weekend. In all seriousness, demonstrating to staff the need for data collection and how it is valued is vital for engaging them and receiving their continued buy-in, and ensuring that the data collected is used is key and removes wastage and saves time. My ten minute reduction in time sheeting each week reclaims a day of my time over a year.

A second reason to use data more effectively is to understand needs or issues. A recent study by the Centre for Social Justice highlighted that some areas are poorly served by voluntary organisations.[2] Can we be certain that the areas we are delivering in are those of highest need?

The answer is yes, if we have undertaken a needs assessment. For example, a charity working to support disadvantaged adults could make use of The Centre for Economic and Social Inclusion (CESI) Social Justice Toolkit[3] which pulls together indicators at a local authority level and enables benchmarking. And CESI are not alone in creating tools to support needs assessment — Shelter's Housing Bank[4] and Joseph Rowntree Foundation's data store[5] are other useful tools which use open data to help organisations understand need in different areas.

The third reason to collect the right data is to improve understanding of results and impact. It's relatively easy to measure the outputs of a service — how many people were seen, how many courses were conducted — but the real challenge lies in assessing the difference your service make to your beneficiaries. This requires tracking individuals post-intervention, which can be costly and complex.

As a result, many charities only collect data immediately after an intervention and are then reliant on anecdotes for indications of longer-term impact. Often the data needed to measure long-term impact is held by the government — for example, if your intervention aims to support people to self manage a health condition, one outcome could be a reduction in their frequency of A&E visits.

Data held by local hospitals and the Health and Social Care Information Centre could help you measure that. To access this and other types of data, you will often need to have collected the consent of your service users first. However there can be tension in gaining consent, especially when working with vulnerable individuals who may be wary of documentation and form filling.

**Overcoming barriers**

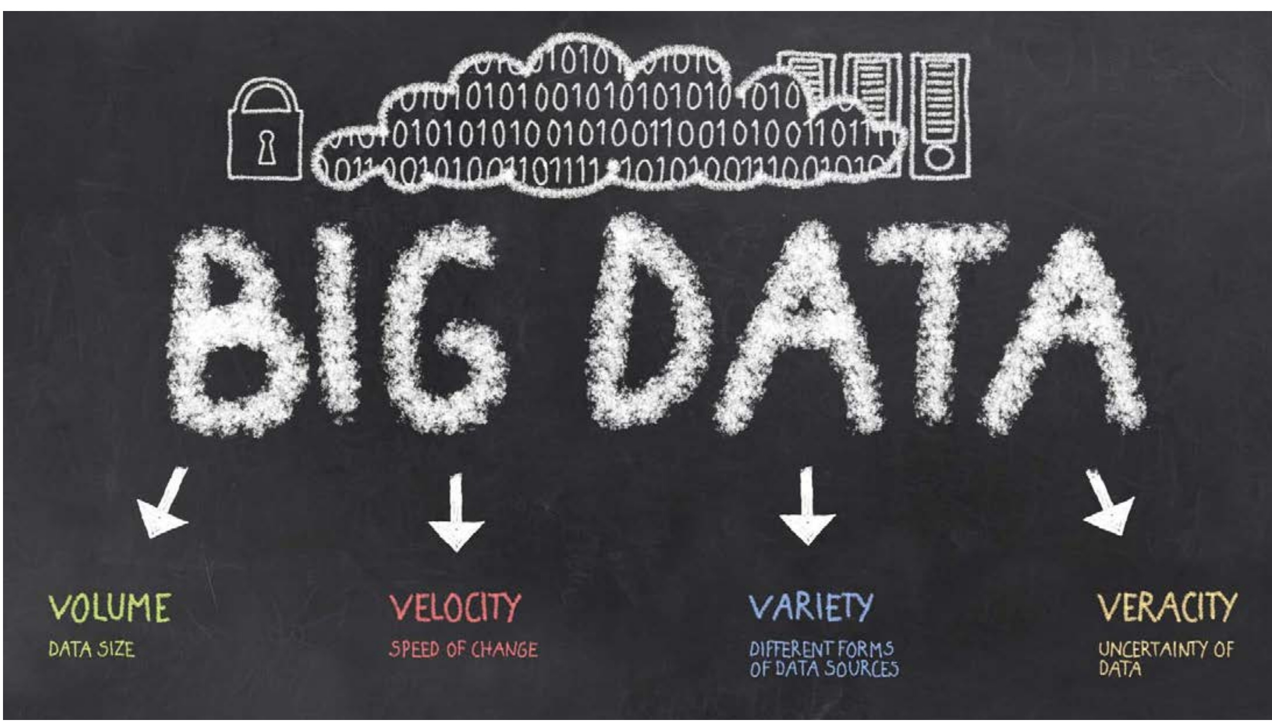
It's clear that the right data can bring important insights both for the operations of your charity and to help the beneficiaries of your service. It's one of the reasons why many organisations, including NPC, are excited about the open data and big data agenda. Increasing the supply of data is certainly important to support the effective use of data. The NPC Data Labs project supports charities to get access to government administrative data to measure the impact of interventions.

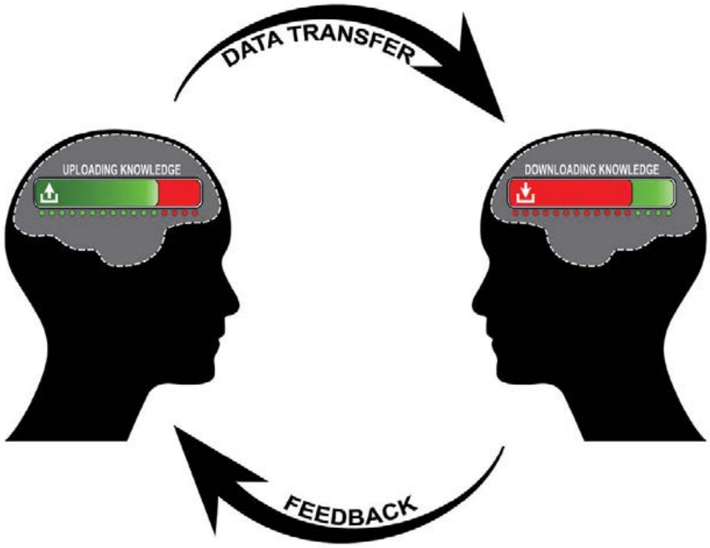
The Ministry of Justice's Justice Data Lab was an outcome of this work and means that charities now have a clear process for measuring reoffending rates of their service users compared to a matched comparison group, a vast improvement to the opaque and incoherent process which stood before. We are currently working to expand this project to enable access to data to support impact measurement within employment, substance misuse and health service delivery.

But increasing the supply of data alone won't automatically lead to an increased use of the data. Firstly charities need to be made aware of the datasets that are relevant to their work and publicly available, or that could be requested, and how to access them. Speaking with academia, infrastructure organisations such as NCVO and working collaboratively with similar organisations can help direct charities to data which will be useful. This of course needs to be preceded by the charity being certain of their mission and understanding how their activity leads to an outcome.

Another barrier to using data effectively for many charities is the lack of staff with requisite skills. At the minimum it requires someone with an aptitude for, and interest in, analysis. For anything more advanced it requires specialist skills and knowledge. Many charities cannot easily recruit for or free up time for staff to dedicate to data analysis. With tight resources, some charities feel they can't prioritise data analysis.

But for those who need help to understand and use their data there is an increasing number of organisations which can provide free support such as Pro Bono Economics, Operational Research






Pro Bono and DataKind UK. Larger charities are also increasingly publishing data visualisation and analysis tools, as are funders such as the Nominet Trust who supported the Global Value Exchange and Data Unity.

There is a missing ingredient however in this call for increased use of intelligent data. Overcoming these barriers — recognising data's potential, understanding its supply, and having the awareness, capability and capacity to deal with it — is still not sufficient. We know from our experience of encouraging impact measurement in the sector that just because something makes sense and is possible, it doesn't mean people will do it.

Data does not always give the answers you expect. It might show that your view of the most important needs, or how well your service works, is only partially right, or even wrong, and that you need to change things. Changing established work patterns can be difficult and sometime staff can be antagonistic to change. Charities, or individuals in them, need a real desire to understand whether they are doing the best work possible and to identify how to improve this — however uncomfortable it might be. It requires persuasive and engaging leadership highlighting the benefits of the change and clear communication of how these benefits have been realised to really happen.

**Moving forward**

Another block is the lack of incentives. Many funders and commissioners do not require charities to use data in an intelligent way. Requests for data, whether on need or results, are generally satisfied with a token effort of inserting a few numbers that offer no genuine insight into the question at hand. This can be compounded by funders and commissioners requesting varying levels of similar but not the same data, which takes time, overcomplicates and can further disengage charities from using the data. Funders could support charities to provide better data by writing clear guidance on what is needed and why and providing training if necessary to skill up charity staff.

Attitudes towards 'failure' in the sector act as a disincentive to real scrutiny of data, in case it highlights that something is wrong. Worse, the pervading narrative in the sector of high-performing charities working to tackle acute unmet needs means that any result less than superb, or analysis of need less than disastrous, can be seen as a weakness. The current environment — reduced funding, fierce competition for resources, more results-related payments, and a readiness to criticise charities — creates an even greater aversion to risk, which in turn is a disincentive to data use.

Results-based funding mechanisms, such as payment by results and social impact bonds, provide a reason for some to engage with their data, but a much wider change across the sector is required. Funders have an important role to play in championing the open reporting of data and should support charities to understand why an intervention may not have worked to reduce the fear that charities have about admitting to 'failure'.

Making use of intelligent data is an essential way for charities to improve their operational effectiveness, the service they provide to their beneficiaries and ultimately the outcomes they achieve. Charities need to continually review the data they collect against their mission and funder requirements, remove unused data and make the most of the increasing amounts of open and big data which is being made available. There's a risk that if charities don't do this they limit their potential to provide solutions to those most in need.

**Tracey Gyateng is Data Lab project manager at NPC: www.thinknpc.org**

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# The end of campaigning?

The passing of the Lobbying Bill means that the nature of charity campaigning could change. But Becky Slack finds many in the sector advising charities to stand their ground

**"I CAN'T** overstate how complex the law will now be. It's going to be wonderful for lawyers. Even in the House of Lords where we gave it some serious attention there were still people who misinterpreted it. It is going to be a singularly difficult job to both interpret the law correctly and to apply it correctly."

These are the words of Lord Phillips of Sudbury, speaking to Charity Times, about the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill — commonly known as the Lobbying Bill or the Gagging Bill — which on 30 January received Royal Assent.

Lord Philips has not been the only person to criticise the legislation. Others have described it as "rushed", "ill-thought through" and, as one Peer stated during a House of Lords debate "the worst piece of legislation ever seen". For charities and pressure groups it is deemed particularly detrimental.

"We are very concerned about what this means for the voice of civil society. It has the potential to have a very chilling effect, particularly for small charities and groups who won't know what they can and can't do so will choose not to do anything at all," says Alice Moore, of the Sheila McKechnie Foundation, an organisation set-up to help campaigners create positive and lasting social change.

So what is all the fuss about and what impact is the new law likely to have on the charity sector?

The Lobbying Bill was introduced to parliament on 17 July 2013 with the aim of "restoring trust and confidence in the political system" and ensuring that the public could identify how third parties seek to influence the political system. Its objectives included the introduction of a statutory register of consultant lobbyists, closer regulation of election campaigning spending by those not standing for election or registered as a political party, and the strengthening of the legal requirements placed on trade unions in relation to their obligation to keep their list of members up-to-date.

**Brunt of impact**

While the intention of the legislation is not in question — restricting the influence of money in politics is both understandable and desired — it is widely felt that the law has failed to achieve its main goal of restoring trust and confidence. As the Commission for Civil Society and Democratic Engagement (CCSDE) states on its website: "Provisions ostensibly designed to target corporate lobbyists have a loophole so big it swallows the rule. In-house lobbyists — who enjoy the most influence in UK government by far — are exempt. That leaves unions and civil society as taking the brunt of the impact."

In other words, large, wealthy organisations can continue to meet junior ministers and special advisers to argue for or against specific policy, while charities and pressure groups will have to comply with a law that is so "opaque" there are concerns it cannot be correctly policed, all of which does not bode well for our free and democratic society.

Before this article attempts further explanation of the impact of the Act, it would be remiss not to mention the various efforts that were made to soften the legislation. The charity sector worked hard to gain changes that would minimise the negative effect on its ability to raise awareness of important issues ahead of a general election.

Indeed, Lord Phillips himself put forward an amendment to exempt charities from the Bill. It was an amendment that received a mixed response. Some felt it was inappropriate to exempt charities but not pressure groups such as 38 Degrees, while others, including many within Westminster, felt it was a fitting suggestion. However, despite receiving much attention during the debates the amendment was ultimately rejected after the Charity Commission raised concerns that people may try and set up sham charities or hijack existing ones as a means of circumventing the measures in the Bill — news of which quickly led to accusations that the Commission had acted inappropriately.

> **The spending requirement is unworkable and places a disproportionate administrative and legal burden on charities**
>
> **Liz Hutchins, Friends of the Earth**

"We're completely stunned by some of its points, which seem to imply that it isn't capable of properly regulating the charity sector's campaigning. The Commission's job is to apply the law, not make it. Its extraordinary intervention clearly had an impact on the debate at a key point," says Jay Kennedy, director of policy at the Directory of Social Change.

**Unified voice**

Meanwhile, the voluntary sector illustrated precisely the power of a unified voice by joining together under the banner of the aforementioned CCSDE. Established with the express purpose of advising parliament about appropriate regulation of civil society during election periods, members ranged from sector membership bodies to large international brands to small grassroots organisations. It was chaired by Lord Harries of Pentregarth and sought various amendments, some of which were successful while others were narrowly rejected.

Included among the successful amendments was the request to reduce the regulated period from 12 months to seven and a half. This is still considerably longer than the law previously allowed — rules governing the behaviour of non-party campaigners would usually only come into effect once an election had been called, typically six weeks ahead of voting day — but nonetheless it was an improvement.

Another amendment that was agreed upon was to raise the proposed spending thresholds for registration with the Electoral Commission. These are to increase from £5,000 to £20,000 in England and from £2,000 to £10,000 in Scotland, Wales and Northern Ireland. Any organisation which exceeds these spending limits and doesn't register with the Commission will be subject to prosecution.

The legislation demands charities jump through various other bureaucratic and accounting hoops, one of the most onerous of which relates to spending.

The amount of money that can be spent during the regulated period is now limited to £319,800 in England, £44,000 in Wales, £55,400 in Scotland and £30,800 in Northern Ireland.

Activities that must be accounted for within these calculations include events, media work, polling, transport, policy documents — and most importantly, staff costs.

Spending is also to be calculated by constituency, when again limits will apply. In England, for example, the most that can be spent per constituency is £9,750.

"This requirement is unworkable and places a disproportionate administrative

and legal burden on charities, very few of whom will operate using constituency borders," said Liz Hutchins, a senior campaigner in the Friends of the Earth Political and Legal Unit.

The limits on spending are further hindered by the fact that if charities work in a coalition or operate a federal structure, spending by each organisation would be aggregated and counted towards a single amount.

One example of what all this means in practice is provided by the CCSDE. It highlights how, had these regulations been in place ahead in 2010, they would have severally restricted the efforts of the Stop Climate Chaos coalition, which organised several events to raise awareness of environmental issues ahead of the last general election. These included local hustings events in 50 constituencies, a march in London and a campaign to encourage supporters to raise climate action when speaking to MPs, pollsters and local parliamentary candidates.

As the CCSDE pointed out, these activities do not represent an unreasonable level of activity either at a constituency or national level. However, as a result of the new constituency regulations and requirement to calculate staff costs, many of them would not have been possible.

### THE LOBBYING BILL — IN BRIEF

The period during which non-party campaigners are regulated will last seven and a half months. The Electoral Commission states this will begin on 19 September 2014 and last until 7 May 2015.

Any organisation which proposes to spend more than £20,000 in England and £10,000 in Scotland, Wales and Northern Ireland must register with the Electoral Commission.

The total amount of money that can be spent during the regulated period has been reduced from £793,500 to £319,800 in England, from £60,000 to £44,000 in Wales and £108,000 to £55,400 in Scotland. The spending limit in Northern Ireland has been increased from £27,000 to £30,800.

Activities that must be accounted for during the regulated period include events, media work, polling, transport, policy documents and staff costs.

The total amount that can be spent in each individual constituency is £9,750 in England. Different, yet to be confirmed limits, will apply in Wales, Scotland and Northern Ireland.

Spending by each organisation working in a coalition or that operates within a federal structure will be aggregated and counted towards a single amount.

The changes will not apply to the European Parliament elections in 2014 but will apply to subsequent European elections. The non-party campaigning rules do not apply to local elections unless those elections occur at the same time as a national or European election.

Responsibility for ensuring charities do not fall foul of the law ultimately sits with the trustee board.

**Breaching the rules**

Responsibility for ensuring charities do not fall foul of this law ultimately sits with the trustee board. However, limited liability insurance is unlikely to cover them for inadvertently breaching the rules and those trustees found to have allowed funds to be expended inappropriately are open to criminal prosecution and large fines that they are personally liable for.

"The law is very, very complicated and the risk is that trustees will think it's too difficult to ensure that they're abiding by

**The matter is not finished. We must be clear: civil society must never lose its voice. We must stand up for our beliefs and refuse self-censorship**
**Stephen Bubb, ACEVO**

the rules and instead will choose to keep quiet," says Stephen Bubb, chief executive of ACEVO.

This must not be allowed to happen, he says, adding how ACEVO will be monitoring the impact of the legislation on its members and pressing for further revisions.

In the meantime, there are various other measures by which charities can protect themselves.

For instance, as was helpfully suggested by Lord Martin of Springburn during the House of Lords debate on 21 January charities could "use their heads" and make the most of the four years and three months ahead of an election that they have before the rules kick in. Then "they should let the general election take its course with the parliamentary candidates".

Alternatively, they could take the advice of Lord Phillips and make sure their campaigns are carefully worded.

"They would have to have been clear that this [specific campaign] is major part of their work prior to this [issue] coming into the political arena. It would make their case convincing if they'd made it expressly clear that this was one of their ambitions," he explains. "The second thing is they must go out of their way to do it in a fashion that does not aid and abet one party or candidate over another."

There are ways of doing this, he says, such as not pointing out which parties are pro or anti the issue in hand and by issuing a "health warning" on materials which states that the charity is non-political and does not wish this information to influence voter behaviour.

**Law on charities**

Charities will have to wait for official guidance from the Electoral Commission and Charity Commission until at least the summer — indeed while attempting to fact check this article ahead of publication, this author was told by the latter that questions regarding the requirements that the new law places on charities "aren't for us to answer".

Summing up the events, Stephen Bubb says: "The tight margin of the final vote shows how close we were to achieving further breakthroughs. One more Peer voting in our favour would have excluded staff costs from this legislation.

"We are proud of the work on the Commission on Civil Society, which ACEVO helped set-up. They achieved significant concessions from government. Even when others advised them to give up, they kept up the fight for the sector."

ACEVO will now be monitoring the impact of the Bill. "We'll be asking our members how the legislation affects their work. We'll work closely with our members to give advice on its implications. And we'll continue to agitate for political parties to revise this bad bill in light of our evidence after the 2015 election," says Bubb.

Guides and briefing documents are expected from the sector's membership bodies and law firms — although those responsible for writing them have a somewhat unenviable role according to Lord Phillips: "The guidance should be as clear, practical and accurate and as usable as possible — the task of which will tax those producing it to the limit.

"It's going to call on authors of the greatest authorial talent who have the ability to understand something that is innately complex and translate that into language the ordinary mortal can understand and apply."

And until this guidance is available, charities are urged to stand their ground. It is vital that organisations stay strong and continue to speak truth to power, says Bubb: "The matter is not finished. We must be clear: civil society must never lose its voice. We must stand up for our beliefs and refuse self-censorship."

**Becky Slack is a freelance journalist**

# 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).

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- 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

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# The short-term view

Philip Smith finds short-term assets have become more prominent and are being widely used in charity investment portfolios

**SHORT-TERM** investment options are used by charities that need to maintain reserves for use in the current financial year, but which are still needing to generate a reasonable yield without putting significant capital at risk.

A short-term asset is usually defined as: "Commercial paper or commercial bills maturing within 12 months and debt instruments that are due to mature at any time within three years," explains Tom Rutherford, head of Charities UK at JP Morgan Private Bank.

They are also used to lessen exposure, he says, in volatile times. "If there is market volatility, short-term assets can be held to maturity to realise full value and there is an assumption that the shorter time until the payback of the bond lessens the likelihood of default or of significant loss of capital value," says Rutherford. However the use of, and attitudes towards, short-term assets varies considerably from one charity to another as the *Charity Performance Guide* shows.

While the value of the investments held short-term varies significantly, so too does the ratio of short-term assets as part of the overall investment portfolio. For example, in the financial year ending August 2011, the Children's Investment Fund Foundation (CIFF) held £871m in short-term funds (putting it at the top of the league table), which equated to 26.4 per cent of its total. The General Medical Council (GMC), on the other hand, may have held a relatively smaller amount — £69.4m — as short-term during its financial year ending December 2010,
but that accounted for a full 100 per cent of its total investment assets.

**Enough liquidity**

Similarly, the increase or decrease of funds held short term compared to the previous year is also wide-ranging. The CIFF, which works on improving the lives of children in developing countries, again saw a big increase of just under 2,600 per cent up from £33.9m in the financial year ending August 2010,

> **If there is market volatility, short-term assets can be held to maturity to realise full value**
> **Tom Rutherford, JP Morgan**

whereas the Wellcome Trust, for example, saw a drop of around half in the value of its assets kept short-term from £943m to £480m in the financial year ending September 2011 (accounting for just under 3.3 per cent of its total investment assets). Nick Moakes, head of public markets at the Wellcome Trust, the global charity working on improvements in human and animal health, explains: "We always aim to have enough liquidity to ensure that we can meet commitments (including grant payments, internal costs and investment commitments) without needing to resort to selling assets at distressed prices."

That would mean the Trust holding "typically at least 2 per cent in unencumbered cash, together with multiple layers of other liquid assets (such as large market capitalisation public equities)." Moakes adds: "We are presently comfortably above that cash level, in part because the portfolio is quite cash generative, and the portfolio as a whole contains plenty of liquid assets (roughly half is in public equities)."

So can we expect to see that ratio of assets held under short-term to increase as future league tables are published? As Tom Rutherford thinks that is likely: "With very low interest rates available on deposit, short-term assets have become more prominent and are now being widely used in charity investment portfolios as managers look to reduce their exposure to longer dated bonds yet retain some fixed income exposure.

The good news is that dedicated funds allow smaller investors to reap the benefits of such a policy on a rolling programme, Rutherford adds. "Smaller investors can invest in short dated bond funds that continually invest in a variety of such short-term assets in a diversified way such that the funds themselves do not have an actual maturity date but instead aim to generate a low but relatively stable yield."

**Philip Smith is freelance investment journalist**

## Charities ranked by short-term investment assets

| Rank | Name | year end | short-term investment assets | total investment assets incl cash | short-term investment assets last year |
|---|---|---|---|---|---|
| 1 | Children's Investment Fund Foundation (UK) | Aug-11 | £871m | £3,296m | £33.9m |
| 2 | Charities Aid Foundation | Apr-11 | £675m | £1,149m | £557m |
| 3 | International Finance Facility for Immunisation | Dec-11 | £549m | £2,668m | £1,004m |
| 4 | Wellcome Trust | Sep-11 | £480m | £14,667m | £943m |
| 5 | Church Commissioners' | Dec-11 | £252m | £5,226m | £172m |
| 6 | Charity Projects | Jul-11 | £203m | £259m | £120m |
| 7 | Allchurches Trust Limited | Dec-11 | £179m | £1,078m | £187m |
| 8 | Cancer Research UK | Mar-11 | £143m | £240m | £154m |
| 9 | Royal British Legion | Sep-11 | £141m | £245m | £124m |
| 10 | Macmillan Cancer Support | Dec-11 | £123m | £156m | £90.7m |
| 11 | Gatsby Charitable Foundation | Apr-11 | £113m | £483m | £165m |
| 12 | Salvation Army | Mar-11 | £110m | £227m | £117m |
| 13 | Save the Children Fund | Dec-11 | £78.1m | £98.5m | £80.2m |
| 14 | Great Ormond Street Hospital Children's Charity | Mar-11 | £75.9m | £161m | £94.7m |
| 15 | General Medical Council | Dec-10 | £69.4m | £69.4m | £57.4m |
| 16 | Guy's & St Thomas' Charity | Mar-12 | £65.6m | £548m | £21.1m |
| 17 | Adventure Capital Fund | Mar-12 | £60.8m | £166m | £69.0m |
| 18 | Salvation Army Social Work Trust | Mar-11 | £54.8m | £119m | £40.1m |
| 19 | Bridge House Estates | Mar-11 | £53.7m | £853m | £43.4m |
| 20 | Lancaster Foundation | Mar-11 | £52.6m | £62.0m | £54.0m |
| 21 | The National Trust | Feb-11 | £51.1m | £977m | £75.5m |
| 22 | International Planned Parenthood Federation | Dec-11 | £50.9m | £67.1m | £48.5m |
| 23 | Girls' Day School Trust | Aug-11 | £50.8m | £107m | £29.5m |
| 24 | Assessment and Qualifications Alliance | Sep-11 | £50.2m | £95.1m | £52.3m |
| 25 | British Heart Foundation | Mar-11 | £46.4m | £255m | £43.7m |
| 26 | Gilmoor Benevolent Fund | Mar-10 | £44.3m | £66.6m | £48.6m |
| 27 | The Abbeyfield Society | Mar-11 | £43.2m | £43.9m | £44.6m |
| 28 | College of Law | Jul-10 | £42.8m | £53.4m | £38.6m |
| 29 | Society of Jesus Trust of 1929 for RC Purposes | Sep-11 | £40.8m | £351m | £51.8m |
| 30 | Dogs Trust | Dec-11 | £40.6m | £66.8m | £39.2m |
| 31 | Garfield Weston Foundation | Apr-12 | £40.4m | £4,951m | £38.7m |
| 32 | The British Library | Mar-11 | £39.5m | £50.7m | £38.2m |
| 33 | Methodist Church in Great Britain | Aug-10 | £38.5m | £126m | £46.2m |
| 34 | The Maurice and Vivienne Wohl Philanthropic Foundation | Apr-10 | £38.2m | £72.3m | £38.9m |
| 35 | Esmee Fairbairn Foundation | Dec-11 | £37.4m | £815m | £63.1m |
| 36 | Womens Royal Voluntary Service | Mar-10 | £36.5m | £51.9m | £33.8m |
| 37 | Eton College | Aug-11 | £36.4m | £294m | £28.2m |
| 38 | Tate Gallery | Mar-10 | £35.1m | £48.8m | £19.4m |
| 39 | Leverhulme Trust | Dec-11 | £34.9m | £1,850m | £24.7m |
| 40 | British Museum | Mar-11 | £34.6m | £128m | £29.3m |
| 41 | Maurice Wohl Charitable Foundation | Apr-10 | £34.0m | £90.0m | £22.3m |
| 42 | City and Guilds of London Institute | Sep-11 | £33.6m | £53.1m | £30.0m |
| 43 | National Trust For Scotland | Feb-12 | £33.2m | £165m | £16.2m |
| 44 | National Fund | Apr-11 | £30.9m | £340m | £45.4m |
| 45 | Congregation of the Sisters of Nazareth | Mar-10 | £30.7m | £41.0m | £33.1m |
| 46 | A W Charitable Trust | Jun-10 | £30.6m | £111m | £5.24m |
| 47 | Mayfair Charities Limited | Mar-10 | £29.2m | £69.7m | £13.2m |
| 48 | Congregation of the Daughters of the Cross of Liege | Mar-10 | £29.0m | £74.0m | £29.1m |
| 49 | Westminster Roman Catholic Diocesan Trust | Dec-10 | £28.5m | £73.5m | £29.5m |
| 50 | Morden College | Mar-11 | £28.4m | £152m | £43.1m |

## Charities ranked by short-term investment assets

| Rank | Name | year end | short-term investment assets | total investment assets incl cash | short-term investment assets last year |
|---|---|---|---|---|---|
| 51 | Grand Charity | Nov-10 | £27.9m | £64.1m | £33.4m |
| 52 | Shaw Trust Limited | Mar-10 | £27.7m | £38.7m | £28.7m |
| 53 | Charities Property Fund | Jun-11 | £27.3m | £422m | £11.8m |
| 54 | Liverpool Roman Catholic Archdiocesan Trust | Dec-10 | £26.4m | £121m | £29.2m |
| 55 | Thalidomide Trust | Apr-11 | £25.8m | £160m | £30.5m |
| 56 | Legacy Trust UK | Mar-10 | £25.6m | £35.0m | £33.3m |
| 57 | Christian Aid | Mar-11 | £25.6m | £36.1m | £14.3m |
| 58 | Salford Diocesan Trust | Dec-10 | £25.3m | £49.9m | £26.9m |
| 59 | Royal Star & Garter Homes | Dec-11 | £25.2m | £38.1m | £30.1m |
| 60 | Mathilda and Terence Kennedy Institute of Rheumatology | Sep-10 | £24.7m | £122m | £20.6m |
| 61 | Scout Association | Mar-11 | £24.4m | £49.0m | £26.8m |
| 62 | Henry Smith Charity | Dec-11 | £24.3m | £708m | £17.2m |
| 63 | Trust for London | Dec-11 | £24.3m | £233m | £25.2m |
| 64 | Northern Rock Foundation | Dec-10 | £24.0m | £57.8m | £25.7m |
| 65 | Polonsky Foundation | Mar-11 | £24.0m | £43.9m | £27.5m |
| 66 | WWF UK | Jun-10 | £23.5m | £33.6m | £17.9m |
| 67 | Woodard Corporation | Aug-10 | £23.1m | £31.0m | £16.2m |
| 68 | Barts and The London Charity | Mar-11 | £22.9m | £245m | £18.8m |
| 69 | Christian Vision | Dec-10 | £22.2m | £181m | £40.1m |
| 70 | Hexham and Newcastle Diocesan Trust (1947) | Mar-10 | £21.4m | £44.0m | £23.0m |
| 71 | Royal Society for the Protection of Birds | Mar-10 | £20.5m | £30.1m | £17.0m |
| 72 | Royal Opera House Covent Garden | Aug-10 | £19.8m | £48.9m | £19.7m |
| 73 | Underwood Trust | Apr-10 | £19.8m | £32.2m | £21.6m |
| 74 | St Joseph's Society for Foreign Missions | Dec-10 | £19.5m | £49.8m | £17.5m |
| 75 | Shell Foundation | Dec-11 | £18.5m | £272m | £22.6m |
| 76 | Blue Cross | Dec-10 | £18.5m | £39.3m | £14.4m |
| 77 | St Christophers Hospice | Mar-12 | £18.3m | £24.9m | £16.9m |
| 78 | Dolphin Square Charitable Foundation | Mar-11 | £18.3m | £76.7m | £21.1m |
| 79 | Trinity College Cambridge J | un-11 | £18.2m | £911m | £26.1m |
| 80 | Community of the Faithful Companions of Jesus | Dec-10 | £18.1m | £50.3m | £18.8m |
| 81 | Royal Academy of Engineering | Mar-11 | £18.1m | £33.7m | £15.7m |
| 82 | Salvation Army International Trust | Mar-11 | £17.9m | £85.4m | £13.2m |
| 83 | Edward Penley Abraham Research Fund | Apr-11 | £17.7m | £108m | £34.4m |
| 84 | Central Foundation Schools of London | Mar-10 | £17.4m | £39.3m | £19.6m |
| 85 | Thompson Family Charitable Trust | Jan-10 | £17.3m | £74.8m | £23.1m |
| 86 | Marie Curie Cancer Care | Mar-10 | £16.9m | £86.2m | £22.4m |
| 87 | Barnardo's | Mar-11 | £16.6m | £71.8m | £27.3m |
| 88 | Professional Footballers Association Benevolent Fund | Jun-10 | £16.6m | £19.5m | £16.3m |
| 89 | Alpha Common Investment Fund for Endowments | Dec-11 | £16.5m | £830m | £25.8m |
| 90 | Royal Society of Chemistry | Dec-10 | £16.4m | £88.3m | £16.4m |
| 91 | Arthritis Research Campaign | Jul-10 | £16.3m | £104m | £19.5m |
| 92 | Archbishops' Council | Dec-11 | £16.1m | £44.4m | £16.8m |
| 93 | Institute of Physics | Dec-10 | £15.7m | £36.1m | £15.0m |
| 94 | Royal Society for the Prevention of Cruelty to Animals | Dec-11 | £15.7m | £93.9m | £13.2m |
| 95 | Diocese of Shrewsbury | Mar-11 | £15.6m | £39.0m | £10.2m |
| 96 | Paul Hamlyn Foundation | Mar-11 | £15.6m | £580m | £24.6m |
| 97 | Saint John Baptist College in the University of Oxford | Jul-11 | £15.1m | £337m | £15.4m |
| 98 | Marcela Trust | Jul-10 | £15.1m | £81.5m | £0.02m |
| 99 | Ormiston Trust | Aug-10 | £15.0m | £30.0m | £6.15m |
| 100 | University College London Hospitals Charities | Mar-10 | £14.9m | £98.1m | £16.8m |

To advertise in the Charity Times Suppliers Directory contact **Cerys Brafield 07766 662 610** or **Sam Ridley 0207 562 4386**

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**Charity Finance Group**

CAN Mezzanine
49-51 East Road
London N1 6AH

T: 0845 345 3192
F: 0845 345 3193

Company Registration No. 3182826

Charity Registration No. 1054914

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

Michelle Wilkes
T: 01689 827 505
E: michelle.wilkes@wilkinskennedy.com

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**Cerno Capital Partners LLP**

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For more information, please contact
Mustafa Abbas, Nick Hornby,
James Spence

T: 0207 382 4112
E: charities@cernocapital.com
W: www.cernocapital.com

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For more information contact: Melanie Wotherspoon Jupiter Private Clients & Charities Business Development Director

T: 020 7314 5574
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W: www.jupiteronline.com

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For further information please contact Francesca Monti:

E: francesca.monti@rathbones.com
T: 020 7399 0119
W: www.rathbones.com

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(*as at 31 December 2013) For further information contact Francesca Monti on 020 7399 0119 or at francesca.monti@rathbones.com

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**Ruffer LLP**

80 Victoria Street
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For more information contact:
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**Sarasin & Partners LLP**

Juxon House
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London EC4M 8BU

Contact: John Handford

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

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Andrew Wauchope - Head of Charities
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E: info@fi-ltd.com
W: www.fundraising-initiatives.org/en/products-services/Lottery-Canvassing/

Lotteries are a fantastic way for charities to raise money and recruit new donors, but setting it all up can be expensive. Fundraising Initiatives has the answer with Lottery in a Box; a fully managed lottery programme that allows charities to increase their fundraising income and recruit new & long term donors. It's fully compliant, easy to set up and includes on-going management, prizes/jackpots and FREE Marketing Resources. With Lottery in a Box all the charity needs to do is decide how many new donors they wish to recruit and we take care of all the rest!

## TELEPHONE FUNDRAISING

ZEBRA TM telephone fundraising

**ZEBRA TM**

1st Floor
The Barn
11 Bury Road
Thetford
IP24 3PJ

Contact: Anne Short

T: 01842 760075
E: calltheherd@zebratm.org
W: www.zebratm.org

A new breed of UK telephone fundraising agency with a specialist charity team both unique and distinctive.

Providing you with outbound telephone services from our call centre in East Anglia, we offer all charities our core services of donor development, cold and warm acquisition.

ZEBRA TM is ready to welcome you with a new flexible approach to deliver outstanding results that can test and roll out as your campaigns require, no matter how big or small your requirement is.

Supplying your acquisition programmes with passion and insight, we'll work closely with you to recruit happy and committed donors for lifelong supporters utilising a background of over 25 years' experience in charity direct marketing.

Contact us now and join the herd, it's so much more than black and white.

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Of course there's some small print: the offer only applies to our standard arrangement fee and to new loan applicants. Loans must drawdown by 30 June 2014 and other fees may still be charged. And like all loans, they are subject to an accepted application and credit assessment.

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Call our UK-based team dedicated to charities on **03000 123 444** or visit **www.cafonline.org/free** to take advantage of this one-time offer.

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**The right kind of lending.**



CAF Charities Aid Foundation