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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

June/July 2013 | www.charitytimes.com

Fundraising challenges

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Subscription Rates (6 issues pa)
£79pa registered charities
£119pa rest of UK, £127pa EU
£132pa elsewhere

Printed by Warners Midlands

ISSN : 1355-4573

Published by
Perspective Publishing, 6th Floor,
3 London Wall Buildings, London EC2M 5PD

www.perspectivepublishing.com

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PERSPECTIVE PUBLISHING

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A tale of two reports

In June there was something of a tale of two reports for the sector and the charity regulator, The Charity Commission.

The first, by the Public Accounts Committee strongly criticised the Charity Commission's procedures for regulating charities in its examination of the Cup Trust scandal: the organisation that was supposed to have an 'income' of £176 million, but only ever gave a paltry £55,000 to charitable causes.

This report presented the most damning indictment of the work of the Charity Commission: noting the Cup Trust never met the legal criteria to qualify as a registered charity; the Commission's approach to regulation and enforcement lacked rigour and presented evidence suggesting the Cup Trust case could just be the tip of an iceberg, and with it, possible worse scandal for the sector. Margaret Hodge, chair of the Committee of Public Accounts Committee, said the Commission has carried out a few enforcement visits, but rarely mounts prosecutions and removes very few trustees; and in the last four years it had only removed one trustee, only suspended four trustees, and appointed interim managers of charities on five occasions. Hodge also noted that in the past 25 years, the Committee and National Audit Office repeatedly found severe shortcomings in the Commission's performance. All very damning, but also very fair in the context of the investigation.

In something of a slight contrast, the second report, by the Public Administration Select Committee, in its report on the implementation of the Charities Act 2006, said The Charity Commission is being asked to do too much, with too little. A different narrative entirely. This report observed how the charitable sector is at the heart of UK society: involving millions of people and £9.3 billion received in donations in 2011/2012 with around 25 new applications for charitable status are received by the Charity Commission every working day. This viewed the Commission's work from an entirely different perspective. It said though, that the Government should revise the statutory objectives for the Charity Commission and to allow the Commission to focus its limited resources on regulating the sector. Depending on the narrative you wish to create around the Charity Commission, you can cite either of these two reports. But as ACEVO CEO Sir Stephen Bubb noted: "The sector needs a regulator that will use its powers to clamp down on bogus charities that undermine public trust." It is this issue of public trust that is vital. If public trust is broken, then charities will seldom get the support in the future as they have in the past. Therefore the Charity Commission shortcomings identified here need to be dealt with, and fast.

Andrew Holt, Editor

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COVER STORY: FUNDRAISING

Contrasting evidence suggests the fundraising environment is tougher than it has ever been while other data suggests it is equally ripe with opportunity

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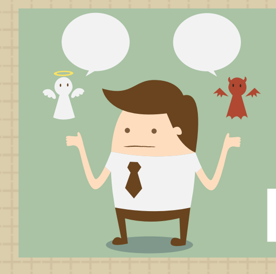

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charitytimes
FIRST CHOICE FOR NON-PROFIT MANAGEMENT

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- Bag Books
- Brightside
- Busoga Trust
- Bromley Mencap
- Create (Arts)
- St Petrock's
- TwentyTwenty
- SkyWay
- Yorkshire MESMAC

Charity of the Year: with an income between £1million and £10million
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- Royal Free Charity
- Missing People
- Westminster House Youth Club
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- Horder Heathcare
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- Dame Kelly Holmes Legacy Trust
- StreetGames
- Orchid Project
- The Fcancer Project
- Stop Hate UK

Outstanding Individual Achievement
- Ray Barnett, founder and CEO, African Children's Choir and Music for life
- Holly Bottomley, chairman, Brighthouse Old Peoples Welfare Committee
- Paul Richard Baron, overseas projects implemen-tation manager, Bhagavat Educational Trust
- Clive Stafford Smith, founder and director, Reprieve

Rising CEO Star
- Delia Donovan, managing director, Berkshire
- East & South Bucks Women's Aid
- Nicky Goulder, chief executive, Create (Arts)
- Clare Algar, executive director, Reprieve
- Sonal Shah,chief executive, London Community Foundation
- Dr Katie Perry, Chief Executive, Daphne Jackson Trust
- Kate Lee, chief executive, Myton Hospices

Fundraising Team of the Year
- Action Against Hunger
- Battersea Dogs & Cats Home
- Cancer Research UK
- MacIntyre
- The Myton Hospices
- SPANA

Charity Principal of the Year
- Henny Braund, chief executive, Anthony Nolan
- Chris Burghes, chief executive, Royal Free Charity
- Timothy Pain, chief executive, Forest YMCA
- Claire Horton, chief executive, Battersea Dogs & Cats Home
- Dr Denise Barrett-Baxendale, chief executive,
- Everton in the Community
- Anna Whitty, chief executive, ECT Charity

Campaigning Team of the Year
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- British Heart Foundation
- Crisis
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- Muscular Dystrophy Campaign
- Prostate Cancer UK
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- Support through Sport UK
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PR Team of the Year
- Alcohol Concern
- Alzheimer's Society
- Battersea Dogs & Cats Home
- Crisis
- Diabetes UK
- Electrical Safety Council/Forster Communications
- Fairtrade Foundation
- Helpless campaign/St John Ambulance
- Muscular Dystrophy Campaign

International Charity
- Action Against Hunger
- Bhagavat Educational Trust
- Muslim Aid
- Laureus
- Environmental Investigation Agency
- Shanti Life

HR Management Award
- Addaction
- Diabetes UK
- Fairtrade Foundation
- Living Streets
- Teach First

Financial Management Award
- Quaker Social Action
- Mousetrap Theatre Projects
- Huntington's Disease Association
- The British School of Osteopathy
- Family Links

Social Investment Initiative
- Big Issue Invest
- Golden Lane Housing
- Golden Giving
- Energise/Adviza
- The Disabilities Trust Foundation
- Shanti Life

charitytimes Awards 2013
Recognising leadership and professionalism

Lancaster London Hotel
16 October 2013

Big Society Award
- Forever Manchester
- Girlguiding
- The Upper Room
- StreetGames UK
- Viewfinder Photography Gallery

Fundraising Technology Award
- Localgiving.com
- The Zombie Revolution/St John Ambulance
- eBay for Charity - PayPal Giving Fund
- Plumpy Nut Challenge/Merlin
- FastStats/Save the Children

Corporate Community Local Involvement
- Brainwave/Shoosmiths
- National Energy Action/E.ON UK
- Save the Children/Morrisons
- Help the Hospices/Allianz
- Demelza Hospice Care for Children/Axis Europe

Corporate National Partnership Champion
- Cancer Research UK/ScottishPower
- Macmillan Cancer Support/Coral Racing
- Royal Aeronautical Society/Boeing
- UK Youth/Microsoft
- Wallace &Gromit's Children's charity/Pasta King

Corporate National Partnership of the Year with a Retailer
- Save Wild Tigers/HS1
- IntoUniversity/White Stuff
- Breast Cancer Campaign/Asda
- CLIC Sargent/J D Wetherspoon
- Cancer Research UK/Tesco
- Marine Conservation Society/Marks & Spencer
- Childhood Eye Cancer Trust/ Vision Express
- Prostate Cancer UK/Keyline Builders Merchant

Corporate National Partnership of the Year with a Financial Institution
- Save the Children/Lloyds Banking Group
- Citizens UK/KPMG
- Money Advice Trust/Nationwide
- Pink Ribbon Foundation/Hastings Direct
- Royal National Lifeboat Institution/Yorkshire Building Society
- Teach First/BlackRock

Cross-sector Partnership of the Year
- Action Against Hunger/ The Department for International Development
- The Prince's Trust/Zurich Community Trust
- Care Quality Commission/Choice Support
- Body & Soul/St George's and St Thomas' Hospitals
- The Brain Tumour Charity/The University of Nottingham/The RCPCH/The Health Foundation
- London Citizens/Mayor of London

Corporate Social Responsibility Project of the Year
- StreetGames UK/Coca-Cola Great Britain
- British Red Cross/Land Rover
- The Lloyds Scholars Programme
- Cancer Research UK/Beiersdorf

Best use of Technology
- Royal Hospital for Neuro-disability
- The Fcancer Project
- Listening Books
- Breakthough Breast Cancer
- Heroix/Blackbaud
- EMMAUS Gloucestershire

Social Champion Award
- Anchor House
- Big Issue Invest
- City Year UK
- Giveacar
- Dartington Hall Trust

Investment Management
- Brewin Dolphin
- Charles Stanley
- Investec Wealth & Investment
- JP Morgan Private Bank
- Jupiter Asset Management
- Rathbone Investment Management
- Schroders Charities

Boutique Investment Management
- J O Hambro Investment Management
- Quilter
- Mayfair Capital Investment Management
- Rothschild

Consultancy of the Year
- Broadway's Real People
- Crowe Clark Whitehill
- International Fundraising Consultancy
- TPP Not for Profit
- Premier
- Roots Human Resources CIC
- Ruthless Research

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Doorstep fundraising sees massive hike in complaints

The latest complaints report reveals some stark numbers for the fundraising community to address, finds Andrew Holt

Charity fundraising regulator, the Fundraising Standards Board (FRSB), published its annual complaints report, revealing a total 33,744 fundraising complaints reported to UK charities in 2012, and shows a 93% increase on doorstep fundraising complaints from 2011.

The FRSB Complaints Report 2013 presents an overview of complaints received by 1,068 charities with fundraising programmes that deliver £4.16 billion in voluntary income annually.

Key findings include:

- 33,744 complaints were raised about charity fundraising in 2012
- Over two thirds (68%) of charities report no complaints about their fundraising
- Half of charity fundraising complaints are incurred by less than 2% of charities reporting
- More than 8 in 10 (83%) of charities that solicit direct debit donations on the doorstep report complaints about it
- Complaints are mainly incurred by larger charities undertaking high volumes of fundraising activity.

Direct mail, telephone and doorstep fundraising remain the three most common methods for complaint, but for the first time since the FRSB began monitoring in 2008, direct mail concerns have fallen, now amounting to 40% of all complaints, down from 48% in 2011.

Charity fundraising varies from one organisation to another in terms of the methods used, the amount of people reached and the messages conveyed.

COLIN LLOYD

"Looking across the full data set, there are a number of fundraising activities and behaviour that the public is unhappy about."

The number of asks continues to grow year on year as charities strive to overcome funding cuts and maintain income levels.

Annual growth in both fundraising activity (38%) and complaints (9%) is also reflective of the increased number of charities reporting to the FRSB as more organisations commit to self-regulation of fundraising.

Colin Lloyd, chair of the Fundraising Standards Board, said: "With so many charities reporting no complaints at all and the overwhelming majority of issues being resolved at Stage 1, the charity sector as a whole continues to perform well.

"But the sector must not be complacent. Looking across the full data set, there are a number of fundraising activities and behaviour that the public is unhappy about."

The FRSB Complaints Report 2013 highlights three key areas of concern:

Doorstep fundraising – Direct debit charity solicitations on the doorstep incurred 5,555 complaints in 2012, a 93% increase on complaints from 2011. More than eight in ten (83%) of charities that fundraise this way report concerns from the public. The lead cause for complaint is fundraisers' behaviour, followed by a general dislike of the method.

Telephone fundraising – Complaints about telephone fundraising rose 64% over the past year to 6,379 against a 15% volume increase. Almost two thirds of charities that fundraise over the telephone report complaints about it.

Data protection - Charities with data protection complaints report that these concerns constitute one tenth of all fundraising complaints to the organisation. This indicates that these complaints are not isolated errors, but a symptom of poor data management.

Data protection is the lead cause for email fundraising complaints.

Lloyd added: "Fundraisers must take great care in what they do and how their actions may be perceived. Often it is a fine line between communicating the cause and need for funding effectively, while ensuring that members of the public do not feel uncomfortable with the way fundraisers go about it. With the majority of charities that fundraise on the doorstep reporting complaints about behaviour, practitioners are advised to listen carefully to consumer concerns, address the issues and, where relevant, adapt accordingly."

The FRSB has published a series of recommendations, also committing to: initiate further analysis into the cause of telephone fundraising complaints and work closely with the Institute of Fundraising and Public Fundraising Regulatory Association to ensure that the key areas of public concern are addressed in standard development, training and guidance.

Charities subdued by financial climate, data shows

Andrew Holt finds the charity sector generated an extra £2bn in income in 2010/11, but rising costs took its toll

New data showed the powerful impact high inflation has had on charity sector finances in recent years.

The UK Civil Society Almanac 2013, published by NCVO, examines charities' accounts for financial year 2010/11.

In cash terms, the charity sector generated an extra £2 billion in income in 2010/11 compared to the previous year, with a total income of £38.3 billion.

However, rising costs – inflation was at 5% – wiped out the effect of this increase and meant that the sector's real-terms income was almost identical to its level in 2009/10.

The Almanac registered its biggest fall in the sector's real-terms spending since it began recording in 1996.

Spending stood at £36.8 billion in 2010/11, a real-terms fall in spending by the sector of £800m compared to the previous year's inflation-adjusted figure of £37.6 billion.

The data covers a period when the UK was no longer in recession, and before government plans to reduce public spending had come into effect.

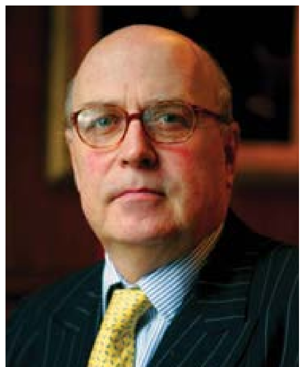
Other data in the Almanac shows:

The proportion of income from government grants and contracts remained steady after a decade in which contract income had consistently increased and grant income decreased

Individuals remained the sector's dominant source of income, with income from individuals increasing by £945m. This trend is consistent with the UK Giving findings for that year.

Sector assets regained value that they had lost during the recession, with the sector's total assets topping £100 billion for the first time.

Income from investments remained low,



STUART ETHERINGTON

"This was clearly the year we started to see charities' struggles reflected in the bottom line. It seems some were running out of steam."

however, and reserve levels did not recover to the same extent as assets overall.

Sir Stuart Etherington, chief executive of NCVO, said: "This was clearly the year we started to see charities' struggles reflected in the bottom line.

"While many charities continued to spend during the recession, perhaps to meet growing demand, it seems some were running out of steam by this point.

"We expect to see the effect of public spending reductions in future years' data, but it's important to remember that while only around one in four charities receive any income from public bodies, all charities feel the effects of inflation.

"We see from the Almanac that inflation completely undermined the increase in the sector's income in this year.

"Since the financial crash of 2008 the economic environment has remained fragile and fractious. These are very different circumstances to those many in the sector had been accustomed to operating in.

"They make prediction and planning difficult. I see much inspirational work despite these difficulties, but it would be a brave person who wasn't planning for these troubles to continue for some time to come."

Commenting on the Almanac's findings, Gareth Thomas MP, Labour's shadow minister for Civil Society, added: "There has always been a gaping chasm between David Cameron's Big Society rhetoric and the stark realities being faced by community and voluntary organisations across the country.

"NCVO's comprehensive data shows that in 2010/11 charities were already facing challenges, sadly we know that in the years since things have got significantly worse with the Government making it even harder for charities to make ends meet with the scale of its funding cuts and the abject failure of contracts like the disastrous Work Programme to deliver for charities."

The UK Civil Society Almanac is the benchmark in data on the charity sector in the UK.

NCVO researchers sample 10,000 charity accounts as filed with the Charity Commission in order to create the most accurate possible picture of sector trends.

Data also showed that many of England's volunteer centres faced a substantial hit to their income in the last financial year.

The results of the *2011/12 Annual Return for Volunteer Centres*, a survey of volunteer centres' income and activities, showed that 40% of volunteer centres for whom there is data for both for the last two years lost over a quarter of their income compared to the previous year. One in five (21%) had cuts of 50% or more. A number of volunteer centres saw an increase in their income – 26% of respondents .

Migrant and minority giving

CATHY PHAROAH LOOKS AT A NEW UNDERSTANDING OF THE GENEROSITY OF THE UK'S MIGRANT AND MINORITY COMMUNITIES

It has been reassuring to see how the increasing, often distasteful, economic concerns about migration, and the fall-out from the Lee Rigby murder, are also prompting public expressions of the value and contribution of the UK's migrant population. Recent research shows that the UK's charitable causes are one of the areas to benefit most from the values and altruism of migrants and minorities.1

The findings not only identify high levels of generosity, but highlight the diaspora giving cultures within which these occur. Britain is apparently retreating from civil life towards a more divided society under pressure of austerity (*The Guardian* 15.04.2013). Do models of mutual community responsibility amongst its diverse migrant and minority population groups represent big society in practice?

In focussing narrowly on the economic aspects of migration, how far do we undervalue the positive social gains which the experiences, traditions and generosity of our diverse population bring to the UK?

Giving in global populations

As society becomes more global, we need global approaches to defining and measuring giving and philanthropy. Traditional giving surveys measure generosity solely through donations by individuals to formal UK charitable institutions.

This fails to capture, for example, direct giving of money and other help by families and communities to extended families or communities in the UK and overseas, or collective giving through faith-based institutions for social needs.

Such direct giving, however, is an important aspect of diaspora philanthropy, and is acknowledged in many other national giving surveys, for example: Hungary, Turkey, India and South Africa. Its exclusion from UK surveys is part of the explanation for lower levels of giving sometimes shown amongst minority groups, and leads to an underestimation of both generosity and community responsibility. As the South African giving survey (2005) notes: "Giving within extended families represents an interesting challenge to existing literature on philanthropy…it is part of the responsibility of belonging to an extended family, group or community."

Giving by UK minorities

In trying to get a better measure of diaspora giving, it is important to take account not only of UK giving, but also money sent back directly to communities of origin, or 'remitted'. Annual remitting by individuals is worth £2.4 billion in the UK, compared with giving to international causes of around £1 billion, and its contribution to overseas development aid is widely recognised.

Through studying both 'remitting' and charitable donating through a large dataset on household spending collected by the Office for National Statistics in the annual *Living Costs and Food Survey*, the recent research revealed firstly that participation in charitable donating is at the same level for migrant and minority as other households in the UK when characteristics such as age, income and education are taken into account.

It also revealed that remittance giving is mainly carried out by migrant and minority households, and that households which send money overseas are considerably more likely to donate to UK charities than the general population is (42% compared with 29%).

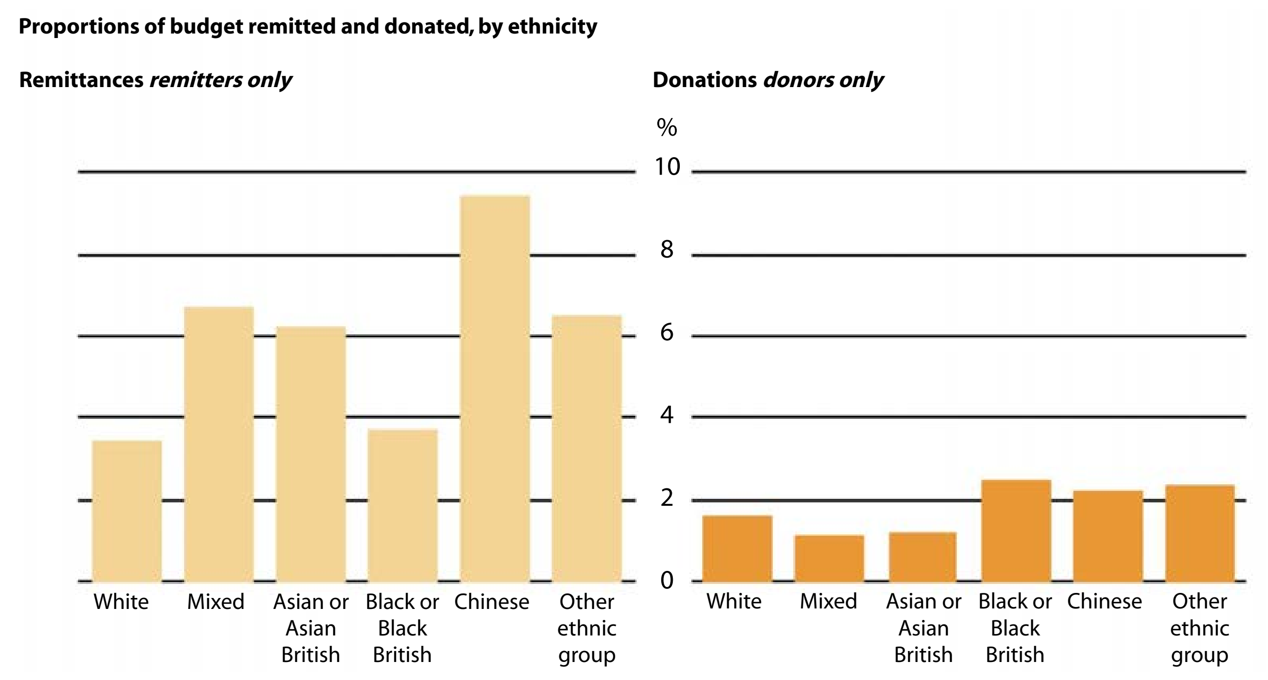
There was also evidence of strong commitment to remitting and giving. One quarter of remitters live in London where the cost of living is amongst the highest in the world, and over one-tenth are at risk of poverty. Many remit and give in spite of the personal and family stresses that they report from the experience of migration.

One interviewee in the research study said her mother never bought herself comfortable clothing in order to be able to send every spare penny overseas. "She didn't dress nicely, she wasn't comfortable. But we understood. We were very happy for her to send the money (back)…'. Charitable donating is worth on average £8 per week, and remitting is worth £31. The proportion donated by black and black British households is higher than the national average, as can be seen opposite.

Remitting and giving

A key research finding was that the link between the likelihood of sending money overseas and of charitable donating goes well beyond shared household characteristics such as composition, income, age, education or ethnicity, indicating that a common altruism and social concern could explain both. This could not be explored through the ONS data, but research interviews with remitters explored it further. Almost all of the remitter interviewees also gave to UK charities.

For example, one remitted £200 to extended family and community 'as often as possible', while also regularly donating £10-£20 to charities including Cancer Research UK, Save the Children and the Refugee Council, because: "I am struggling, so I would like to help others who struggle like me." Another remits £25 per month, while also donating £10 to the NSPCC monthly, and another around £100 per month, while also donating £6 monthly to the RSPCA. While remitting can be aimed at family support and motivated by duty, the money sent overseas in direct



Because diaspora giving is not fully understood or valued in the UK, there is little advice or infrastructure to support it

Cathy Pharoah, Cass Business School

cash gifts and charitable donating can also share characteristics. Remittances are often sent to strangers, for general community benefit, and distributed through intermediaries.

For example, one interviewee reported that money sent back was distributed among 20-30 people. She did not know who they all were, and trusted others to give out the money where most needed. One said: "Sometimes you give to people you don't know. That's good, because there is no obligation." Others said "Charity is part of our culture, it's just that we don't call it that", and "I give religiously. I always think what if that was my kid starving?"

Supporting diaspora giving

Money sent back overseas by migrants and minorities is often sent through informal channels or directly, and the consequence of this is that although frequently aimed at community as well as individual benefit, it rarely attracts charitable tax relief, unlike formal giving for overseas aid.

Because diaspora giving is not fully understood or valued in the UK, there is little advice or infrastructure to support it, or ensure it is used effectively and sustainably for development. International charities already offer models for giving which embody the features important to diaspora givers, in particular of being able to direct help to specific communities, needs or projects which they select and may know. This includes, for example, offering the opportunity to pool funds for specific causes, to sponsor particular children or projects with which donors can build personal relationships, giving direct cash in situations of humanitarian need, selecting specific projects for social investment. Charities, support and infrastructure bodies, and money transfer organisations could do more to provide appropriate donor information, advice and services for migrant and minority givers, and funders could help them develop this.

This research provides new estimates of the giving and generosity of migrant and minority communities, both formal and informal. Diaspora philanthropy will grow as migration grows, and countries of both destination and origin have much to gain from valuing it, supporting it and promoting the cultures of giving and community responsibility which are being transferred across the globe as part of transnationalism.

[1] *Giving back to communities of residence and of origin, by Cathy Pharoah and Tom McKenzie, is published by the Centre for Charitable Giving and Philanthropy http://www.cgap.org.uk/uploads/reports/GIVING_BACK_TO_COMMS_OF_RES.pdf*

Cathy Pharoah is Co-Director, Centre for Charitable Giving and Philanthropy Cass Business School

Applying behavioural insights to charitable giving

Applying behavioural insights to charitable giving brings together four insights suggesting what 'works' in increasing giving (identified from existing research and academic literature) and then tests and trials these in five behavioural trials. The results of these make for some spectacular reading – the trial relating to legacy giving shows that legacy giving could be trebled, and it's suggested that changing the default on payroll giving to 'opt out' for donors on automatic annual increases would grow participation from 6% to 49% an increase which could mean an additional £3m for charities every year. Five trials were set up in partnership with charities and other organisations to test interventions and identify how much of an impact they made. Working in different settings, randomised controlled trials were used to compare the effectiveness of a particular intervention against what would have happened if nothing had been changed.

The interventions that were used ranged from trying to change the behaviour of donors by making it easier to give (through encouraging people to sign up to annual increases in their giving or testing the impact of automatically enrolling individuals to a scheme), looking at the impact of personalised messages from colleagues or direct emails from a CEO, as well as examining how important getting the timing right is by prompting people at particular 'touch points' to ask if they want to give. Sometimes even the most simple of changes seemed to be able to make a real difference. When looking at how to use peer effects to encourage giving, a trial was conducted in December 2012 with staff of the HMRC office in Southend. Employees of the centre were sent winter-greetings e-cards with a message from employees explaining why they give to charity and encouraging their colleagues to do so too. Two different cards were created and sent to different groups. The card that the first group received only had a message, the second group got a card with exactly the same message, but this time a picture of the person was also included. The effect of the inclusion of the picture was marked – more than doubling sign up rates.

The study uncovered four 'behavioural insights', which are highlighted more fully in the report. In brief they boil down to: make it easy for people to give, attract attention (by using personal messages and rewarding behaviour), 'focus on the social' meaning that we are all influenced by how other people act, who they are, and that we are more likely to give to charity if we see it as the social norm, and finally that timing matters. These probably all seem quite obvious, and in some form or another fundraisers know that these factors (as well as others) are key to getting the ask right and encouraging people to give. But even so, seeing the results from the control tests really bring home how much of a difference it can make when the right structures are in place, the message is personalised and made in a way which resonates with existing and potential donors, and that people are engaged and prompted at the right time.

DANIEL FLUSKEY ENJOYS THIS STUDY WHICH UNCOVERED FOUR 'BEHAVIOURAL INSIGHTS' INTO GIVING AND WITH IT, LESSONS FOR THE SECTOR

The other thing which strikes me from this report is how important partnerships are. In all of the trials the behavioural change was outside the more usual 'charity to donor' relationship: they were either changes in processes (like automatic enrolment), introduction of personalised messages from colleagues, or, in the case of the legacy giving trial, a change in how will-writing teams asked customers about leaving money to a charity in their will.

I think this is perhaps the most crucial part of the report – if we are looking at how we want to get more people to give more money to charity then we have to look widely at their social interactions and the factors that influence them. The trial for legacy giving – led by Remember a Charity – generated almost £1m just by getting will-writers to ask people a question about whether they wanted to donate money to charity in their will. If implemented fully, this could generate an extra £4bn for charities every year. Those figures are startling. But they wouldn't have been achieved without different organisations and sectors working together. Maybe what we need now is a real 'nudge' to employers, banks, and businesses to show how much of a difference they can make by making some simple changes and working with charities to encourage more charitable giving.

Daniel Fluskey is head of policy and research at the IoF

The paper is available at: **www.gov.uk/government/publications**

The lies we tell ourselves by Baptist Union of GB et al

NIALL COOPER SAYS THIS PAPER EFFECTIVELY UNPICKS SIX KEY MYTHS THAT ARE COMMON IN PUBLIC AND POLITICAL DISCOURSE ON POVERTY

Poverty, it seems, is now a hot potato. Not of course, for the half million who couldn't afford potatoes – or any other kind of food – at some point during the past year. But in terms of public debate, the nature and extent of poverty is increasingly hotly contested.

Headlines scream: "Benefit claimants flooding system", "the Government must reform the welfare state now", "welfare needs to be tackled", "vile product of welfare UK."

Battle lines have been drawn between supporters of the Government's huge programme of welfare reform (and cuts) and their opponents. But as in all wars, truth is one of the first victims. Sadly, very little of the 'debate' has featured the real live experiences – let alone the voices – of those who are directly affected by welfare reform and benefit cuts.

Instead, the 'debate' has taken on the form of a classic moral panic: an intense and emotive response to an issue that is alleged to threaten the social order. Moral panics have been around for at least the past 180 years – though arguably much longer, if you include medieval witchhunts, or even the practice of scapegoating referred to in Leviticus.

The latest moral panic about 'expensive, entrenched and inter-generational benefit dependency' is, as with all previous moral panics, accompanied by increasingly value-laden and pejorative language when discussing benefits and welfare.

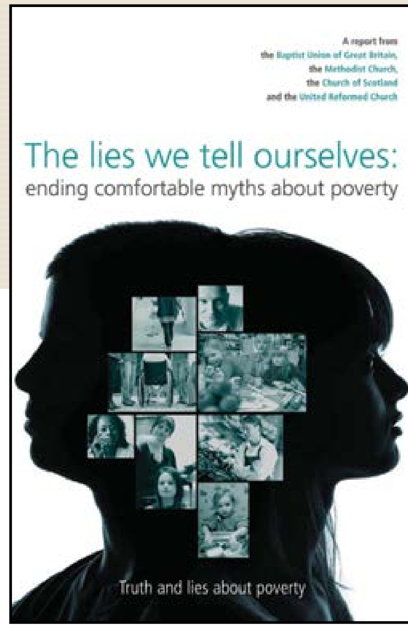
In the past year, the term "benefit cheat" was used 442 times in national newspapers, whilst the work and pensions secretary, Iain Duncan Smith, has spoken of a mass culture of welfare dependency in every speech on benefits he has made in the past 12 months.

Whilst politicians claim to be 'responding' to the public mood, the signs are that (as in all moral panics), public opinion is strongly swayed by the overwhelming tide of negative media coverage. A YouGov poll for the TUC last year, for example, found that, on average, people think 41% of the welfare budget supports the unemployed – the true amount is 3% – and believe the fraud rate is 27%, as against the government's estimate of 0.7%.

The Church is traditionally loth to enter such a febrile and politicised public debate. But to their credit, the Baptist, Methodist and United Reformed Churches and the Church of Scotland took a bold move earlier this year by publishing a powerful report *The lies we tell ourselves: ending comfortable myths about poverty*.

The report seeks to counter the "systematic misrepresentation of the poorest in society is a matter of injustice which all Christians have a responsibility to challenge." Its 32 pages unpick, line by line, six key myths that are common in public and political discourse: 'They' are all lazy and don't want to work; 'they' are addicted to drink and drugs; 'they' are not really poor; 'they' are on the fiddle; 'they' have an easy life and 'they' have caused the deficit. As the Churches argue, these myths, reinforced by politicians and the media, are convenient because they allow the poor to be blamed for their poverty, and the rest of society to avoid taking any of the responsibility.

It's much easier to blame a Feckless Fatherless Family of Five (though only 8% of benefit claimants have three or more children), than to face up the fact that half a million people – including most likely, someone living down your street – have had to turn to foodbanks to feed themselves and their families in the past year.



Its also easy to get lost in a sea of statistics, claims and counter-claims (which, if you want, you can read the Centre for Social Justices' somewhat less impressive attempt to 'set the record straight' in response to the Truth and Lies report).

In the end, poverty is not a matter of statistics, myths and stereotypes. Increasingly, as the impact of austerity and cuts start to bite, poverty is the daily struggle to make ends meet, to heat or to eat. Or in the words of Lorna, a working mother from Tower Hamlets, who was interviewed for our recent *Walking the Breadline* report: "I couldn't do what a mum should do for them – look after them. I couldn't even feed them. I do get angry because we are struggling and it's like nobody seems to take any notice."

Niall Cooper is chief executive of Church Action on Poverty

The lies we tell ourselves is here:
www.jointpublicissues.org.uk
Walking the Breadline by Church Action on Poverty and Oxfam is here:
www.church-poverty.org.uk

Achieving social impact at scale by the Cabinet Office

DESPITE SOME RESERVATIONS, RHODRI DAVIES FINDS THIS A VALUABLE REPORT IN BRINGING TO LIGHT A NUMBER OF IMPORTANT ISSUES ABOUT THE ROLE OF FOUNDATIONS IN THE SOCIAL INVESTMENT MARKET


Cabinet Office

Achieving social impact at scale: Case studies of seven pioneering co-mingling social investment funds

Achieving social impact at scale: Case studies of seven pioneering co-mingling social investment funds, focuses on the idea of "co-mingling": this is where foundations put their money in social investment funds alongside money from other sources, such as government, individuals and commercial investors. The centrepiece of the report is seven case studies of co-mingling funds, five of which are from outside the UK. Learning from other countries is particularly pertinent here. Foundations play a crucial role in UK social investment, but looking abroad suggests that there is plenty more to be done. In particular, programme-related investment (PRI), where foundations put some of their endowed assets rather than their grant-making funds towards achieving social goals, is more developed in markets such as the US. There are encouraging developments in the UK, and hopefully the work of the Charity Commission in clarifying the CC14 guidance on investments has paved the way for more PRI, but it is useful to look at what we can learn from other countries.

The report's key finding is that there are three ways in which a co-mingling fund can typically be structured: "Pari-passu", where all investors in the fund are on an equal footing in terms of the risks they take and the rewards they can expect. Both of the UK examples in the report are of this type.

"Risk-Reward", where social investors take on higher investment risk within the fund due to their greater interest in the potential social returns, but they also receive a greater proportion of any financial returns. "But-for", in which social investors take a subordinate position in the fund, so they accept a higher level of risk and also receive a smaller share of any potential returns. These models are interesting for what they say about the potential role of foundations in building the social investment market. In the "pari-passu" model, foundations are simply providing reassurance to other investors by their presence. In the "risk-reward" model, foundations are being asked to take greater risks but are also able to achieve greater financial rewards, so there is a clear commercial rationale at play. It is in the "but-for" model, however, that things get really interesting: here social investors are being asked to make investments that carry higher risks and also lower financial returns than investments by other participants in the same fund. The "but-for" model raises some concerns. Firstly there is an ethical question about whether it is right to use social investors in order to shield commercial investors from risks and to subsidise their returns. This might be OK if all parties are comfortable with their roles within the fund, and foundations are clear on how taking such a position fits with their charitable mission, but it is an important issue.

This leads to a second, regulatory challenge: how do you interpret CC14 guidance to justify a "but-for" investment? The Charity Commission have helpfully offered their perspective in the report, but this brings us back to the fact that any such investment would have to be justified in terms of the foundation's mission. Unless "developing the social investment market" is a specific element of that mission, it seems as though the investment would have to be justified on the grounds that taking a subordinate position will leverage new money towards addressing social issues that the foundation is concerned with; and that this money would not otherwise have been forthcoming. This argument can certainly be made, but is a difficult one for trustees to put forward.

The other concern about the "but-for" model is what it suggests about the future of social investment. If the idea is that social investors take subordinate positions in order to draw new investors into the market, with the aim of eventually being able to invest alongside them on an equal footing, then this seems like a reasonable strategic decision. What concerns me is the possibility that commercial investors are attracted to social investment by the promise of levels of risk and return that are only ever going to be possible if there is a social investor willing to offer some kind of guarantee or subsidy. This does not seem a sustainable or desirable situation. Despite these concerns, I think the report is valuable in bringing to light a number of interesting and important issues about the role of foundations in the social investment market.

Rhodri Davies is CAF's policy manager

The paper is available at: **www.gov.uk/government/publications**

Better Public Services by Sean Worth

The Chinese Leader, Deng Xiaoping, perhaps could have provided a neat subtitle for this report by Policy Exchange. In justifying the move away from state domination of the economy he said "does it matter if a cat is black or white so long as it catches mice". The author of the Policy Exchange Report might also care to add a caveat that the possibility to choose the colour of the cat may also be germane.

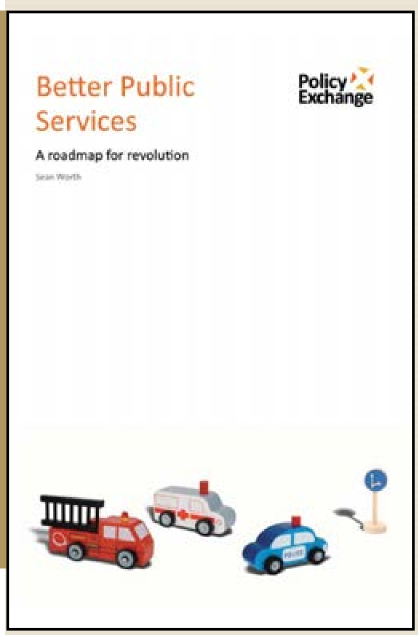
The Policy Exchange report highlights the dilemma confronted by the public sector not just in the UK but in a number of other countries. This is that as people expect more from public services and more is invested in them then there is not a consequent rise in productivity. Indeed there is evidence that productivity may even decline. The significant gains from technology and innovation found in manufacturing and information contexts are not so easy to replicate in a human services context such as health and social care. In part this is because a high proportion of the cost is human labour. In addition to the YOU Gov survey commissioned for this report the author furnishes a generous selection of evidence from various surveys to support (to varying degrees) the contention that quality of public services is best attained through a combination of quality of service and choice of service.

This is interpreted by the author to support certain assertions regarding the way forward for better services. Some of the assertions such as curtailing the right to strike (or indeed the right of trade unionists to exercise citizens rights to join NHS panels) carry with them an aura a greater engagement of the state than may be considered commensurate with the exercise of open democracy. Arguably such withdrawal of the rights of Trade Unions could be matched with a compulsion (backed perhaps by similar legal sanctions on company directors) for private companies which engage in public service contracts to fulfil their contractual obligations regardless of whether it leaves their shareholders taking a major loss.

Whilst there is undoubtedly excellence in private sector provision of public services we are all aware of the accounts of poor behaviour and performance. Requiring the posting of performance bonds is a form of compulsory insurance, the cost of which the contractors factor into the contract cost (though it does serve to exclude most of the charitable and third sector providers). The issue of public services is not necessarily about choice but about quality, efficiency and responsiveness to users.

The provision of a range of alternative motorways, or railway lines, from London to Birmingham is not the most efficient way to solve a public transport.

ALEX MURDOCK TAKES ISSUE WITH SOME OF THE ARGUMENTS PRESENTED IN THIS PAPER PURPORTING TO ADDRESS A LACK OF PRODUCTIVITY AND QUALITY IN PUBLIC SERVICES



In public services most people would probably prefer quality (with no choice) to choice with a consequent diminution of quality. In respect of a perception that private provision is better than state provision the author rather skates over the evidence about dentists from the survey in which 31% (the highest figure of the choices) of respondents reported a perception of a poor choice or no choice. This is an area of public services which is arguably more contracted out to the private sector than either alternatives of education or primary care. The logic here is perhaps that the public sector should enter and directly compete in order to create better quality and choice though provision of salaried state employed dentists. The focus of reports like this is perhaps too often upon 'public service failure'. There is also private sector (or third sector) failure where the public sector may need to come in and retrieve the situation. One area the report touches on is the area of personal budgets and here there is significant evidence (through academic research) that these have served to enhance choice and improve provision. Personal budgets (and personalisation) has been a significant innovation which has continued under the Coalition (though somewhat slowed by austerity). Also the report could have considered service user engagement. Some regard as crucial for improved public services the various 'co's' – co-commissioning, co-design, co-provision and co-evaluation: here the engagement of service users could represent a real opportunity for the transformation of services. It is in this area that the sector could play a major role in enabling the improvements in both quality and choice of public service.

Professor Alex Murdock is at the Centre for Government and Charity Management , London South Bank University

The paper is available here:
www.policyexchange.org.uk

Sector accountability

Financial Stewardship

The recent CFG annual conference addressed many questions surrounding accountability. KATHERINE SMITHSON **looks at these different perspectives and why it is a fundamental issue for the sector**

It's never a dull day when you've got 600 charity people in one place – even if the subject is finance. The opening plenary at the recent CFG annual conference, delivered by Matthew Taylor from the RSA, certainly helped to put the importance of financial stewardship into context.

Professing that financial management should not be about 'control' but instead should be an enabler for 'conversation about what else could be done', Matthew brought us back to the simple idea of what charitable resource is, an 'enabler' for impact. Managing it well is critical, but those holding the purse strings also need to be able to accept a bit of risk for that bigger return.

The trick is to stay innovative, challenge the status quo and develop the sector's leaders by allowing risk to be taken where necessary, while also being accountable. This is something charities grapple with consistently; maintaining reputation among donors and avoiding failure is at the core of risk management.

The flip side is that these fears impact on transparency, and with that, on accountability.

Even those that are working hard to crack the 'impact measurement' nut are challenged in articulating efficiency and finding ways to tie impact to direct spend.

While SROI is attractive, it's not always meaningful when donors are looking to compare one charity with another. The conversation becomes more difficult still when high salaries and other costs are brought in. So, if we believe the decisions we are making on how to run our organisations are well judged and measured, why can't we explain this to those we are accountable to?

Kate Lee, CEO at Myton Hospice Group, at the same conference addressed this very issue. We can't simply bring the cash in, deliver outputs and just say something magical happens in the middle. For Kate: "We need to build the UK's understanding of charities and how they work." While the sector enjoys high levels of public trust and confidence, the notions of what this is based on are not necessarily an accurate depiction of how charities work.

The ImpACT Coalition aims to promote greater transparency in the sector. On June 20, the coalition is publishing a selection of thought pieces exploring some of the evidence and the challenges we face with fundraising, measuring our impact, and reporting on how charitable resource has been used. The hope is that this will further encourage innovative approaches in this area, stimulate debate and encourage more charities to start asking themselves difficult questions.

Following Kate's case for transparency, Joe Saxton from nfpSynergy explored the concept of accountability in more detail, using an 'accountability pie' (a pie chart splitting different elements of accountability)to give a coherent picture of what it might mean to be accountable as an organisation.

Producing an annual report and putting it online doesn't automatically equal accountability. Who do you think you are accountable to? Can they find the information they need? Can you explain why the decisions you have taken support your objectives? Tools such as the accountability pie are very useful in helping to frame reporting on in finance and beyond.

The truth is that not everyone is going to agree with every decision charities make.

However, the push for transparency aims to aid understanding of why charities do things that might on the surface seem contentious.

We have an opportunity in the coming months to look at the guidelines by which charities report on their financial position and use of resource. The SORP consultation may seem like a dry topic, but it forms the foundations of how a lot of our charities give an account of their activity year-on-year.

In order to improve the extent to which charities can be held to account we need to improve the way charities give an account. Charities have taken huge steps in this area over the past few decades, but there is arguably a need to make the shift faster in response to growing demand.

These themes tie in to broader debates around impact measurement and reporting, efficiency measures, and volunteers versus staff. Ideally, instead of asking about fundraising costs and administration ratios, in the future charities will be more concerned about being held to account on their impact; being asked (in the words of Matthew Taylor) "what else could be done?"

Katherine Smithson is policy and public affairs officer at CFG

Fundraising Complaints

Fundraising self-regulation

ALISTAIR MCLEAN
cites a noticeable shift towards greater transparency in the latest fundraising complaints report, but also notes that the sector has not yet gone far enough in addressing some donor concerns

Charities' commitment to transparency has become increasingly visible in recent years, in part driven by growing demands from donors. And there is no better example of this than sharing information about fundraising complaints, a core requirement for organisations that commit to self-regulation of fundraising through the Fundraising Standards Board (FRSB).

The sector doesn't always want to talk about where things have gone wrong, but complaints are a strong barometer of public opinion and can help guide future fundraising campaigns. It is important that charities – even those with no complaints – consider the key areas of concern and what can be done to improve fundraising programmes on the back of it.

This year's fundraising complaints report reveals that 33,744 complaints were generated on the back of 13.2 billion donor asks in 2012. Over 1,060 charities, with voluntary income exceeding £4.1bn, filed a complaint return, revealing some key concerns that have a bearing on all fundraising organisations.

Complaints tend to be driven by larger charities undertaking high volumes of fundraising activity. In fact, half of all fundraising complaints were incurred by less than 2 per cent of charities reporting to us and two thirds of organisations cited no complaints at all.

Does that mean that these few charities have committed major breaches of fundraising standards or done something terribly wrong? No of course not. Fundraising is typically conducted to a high standard and this continues. Follow-up activity with those organisations reporting complaints suggests that complaints are most typically down to one particular event or activity that was not well received, the frequency of asks or that there was an error in the delivery of the campaign.

This is particularly true when looking at mass market fundraising approaches, like direct mail, where complaints can amass quickly. Nine in ten fundraising complaints relate to direct marketing or public collections. Direct mail remains the most common method for complaint, but for the first time since the FRSB began monitoring, concerns about it have fallen, narrowing the gap with rising telephone and doorstep face-to-face fundraising complaints.

As opposed to many other methods, complaints about telephone and doorstep fundraising are not fuelled by a few poorly performing campaigns, but are widespread amongst the charities reporting to us. The public certainly seem more inclined to object when they receive personal solicitations directly at their home, with the lead cause reported as fundraisers' behaviour on the doorstep and the tone of telephone calls.

Both charities and suppliers must ensure that training and guidance materials adequately covers these issues and that fundraisers take great care in how their behaviour and language may be perceived.

The good news is that, despite the thousands of complaints voiced to charities and almost 200 dealt with by the FRSB at Stage 1, only 14 complaints were formally escalated to Stage 2 or 3. The main cause for escalated complaints was a lack of transparency, often relating to misleading fundraising activity. Beyond the self-regulatory scheme, the FRSB handled 110 complaints about non-members in 2012, many of which portrayed a sense of distrust about the charities concerned. Regarding non members, the public questioned the legitimacy of some fundraising organisations, made allegations of fraud and reported a general lack of transparency in fundraising. What's more, over one tenth of these complaints were voiced by former or current staff at a charity.

We would be wrong to ignore these indicators that people want more information about what charities do, why they use the methods they do to fundraise and, of course, how much it all costs. If we are to minimise distrust, the sector must work harder to address some of the trickier and more contentious issues around fundraising. Better and clearer communication about these sensitive areas may indeed serve to prevent complaints from arising in the future. Charities must stand behind their decisions and, if they have made a mistake, be bold, admit it and communicate how it has been addressed. A fully-fledged commitment to transparency is essential if we are to succeed in continue to build confidence in charitable giving.

Alistair McLean is chief executive of the FRSB

Civil society

Charity challenges

MARK CANN **attempts to dissect the Third Sector and civil society impact of the horrific killing of Drummer Lee Rigby**

The horrific killing of Drummer Lee Rigby on the streets of London shocked the nation. To lose our brave servicemen and women on the frontline has tragically become all too commonly accepted but the brutal murder on home soil by 'home-grown' terrorists has brought the reality of faraway campaigns to home. A revenge attack for the troops presence in Afghanistan being all the more ironic, as one of the Troops aims is to prevent such brutality on the Afghan people by their fellow countryman.

Within the wider military community the incident itself was understandably 'unsettling'. While ever vigilant, being at home in barracks affords them and their families an expected degree of security in comparison to the tours of duty in Afghanistan. That sense of security was seriously shaken. Morale among the ranks, which is The British Forces Foundation area of expertise, took a knock – however briefly. But the resilience and very nature of those who serve our country's Armed Forces meant that it was very soon pretty much business as usual. Let us no forget that we have years of experience of being vigilant at such times having faced the IRA threat for many years. But charities that deal with troubled young people the disaffected and marginalised communities also share a role in that vigilance. Ironically, the out-pouring of support from the masses for the military in the wake of Lee Rigby's death is likely to have left morale levels even higher than before. The power and effect of that connection between the British public and their Armed Forces simply cannot be under-estimated. All too often in the dim and distant past that connection has lain dormant and neglected but that cannot be said of recent times, which has seen that bond rightly grow stronger than ever. In response to it the government have even tried to formally legislate such support in the way we treat our servicemen and women. I confess I have not been in favour of all these attempts. In addition to the reflection of the nation's mood within our national press, individuals have shown their response not only in the thousands of floral tributes adorning the street in Woolwich but also in their giving to military charities. Lee Rigby happened to be wearing a Help for Heroes T-shirt and understandably that direct link meant for many, H4H was their charity of choice. Indeed, in recent years this phenomenally successful fundraising charity has almost become the default setting for those wishing to express their support for the military. Consequently the issue of distinguishing between the work of one charity and another has become a thorny one in the quest to secure donations.

With the draw-down in Afghanistan scheduled for the end of 2014 significant challenges lie ahead for all military charities. Now, with the help of the Armed Forces Covenant Reference Group, is the time to build solid foundations for the future. As ever, when new money arrives this brings with it applications for new projects, but I see this as an opportunity to shore up existing organisations and see existing projects funded properly to their conclusion. It is inevitable that an Armed Forces not directly involved in combat will attract less media, and therefore less public, attention. Less attention will mean less focus on supporting military charities. That, however, should not be confused with the nation's underlying pride and support of their troops as demonstrated so broadly over recent years and so sharply in the aftermath of Lee Rigby's murder. Charities – not just military – must recognise the condemnation by ordinary British citizens of extremism in our society and be prepared to support that feeling and act upon it. All too often people are more concerned about tip-toeing around issues for fear of being labelled intolerant or non PC, than to actually take a stand.

Furthermore, charities have to deal with people on the extremes of existence and society and also have a knowledge and role to play in assisting society as a whole in minimising the threats to the mainstream. By dealing with those on the extremes of society charities must accept a high degree of failure but that failure defines success because it means they are walking close enough to the edge where no others can. As charities we deal with the uncomfortable, the sick, the dying, the marginalised, the poor, but we should never forget the role of society and the inclusion in society as being central to all we do. There is no place for extremism in a democratic, multi-racial, civilised society such as ours and all cultures, religions and communities must play their part in ensuring that. This is not the time to turn a blind eye.

Mark Cann is the chief executive of The British Forces Foundation

Social enterprises

The trading approach

Charities are positive about trading in the social enterprise approach. But, says PETER HOLBROOK, not all charities are able to turn themselves into social enterprises overnight and many are right to test the water first

The latest figures from The National Council for Voluntary Organisations' (NCVO) Almanac reveal that more than half of the voluntary sector's income is now earned through trading – the selling of goods and services, and delivering of public sector contracts. In 2010/11 this accounted for £21.4 billion, whilst income resulting from donations, legacies and grants accounted for £14.7 billion.

It's safe to assume that one of the reasons for this will be down to charities now bidding for contracts to deliver work for local authorities, rather than receiving grants, but enterprise is playing a busier role in voluntary sector organisations. Since the economic downturn hit, 55 per cent of charities have increased trading or social enterprise activity, according to Managing in the new normal – a report by the Charity Finance Group, Institute of Fundraising and PricewaterhouseCoopers.

At Social Enterprise UK (SEUK) we work with charities who have decided that they want to run under more of their own steam, aware that their long term survival and ability to have an impact will rely upon it. Whilst members of our team in their day-to-day work were hearing what people working in charities thought of enterprise – their hopes and ambitions, as well as concerns, it was anecdotal. We wanted to get a sense of the bigger picture and so decided to take a litmus test to discover the attitudes of charities towards social enterprise. We were encouraged to find that charities are positive and interested in trading and in the social enterprise approach. When asked how they feel when they hear about social enterprise, 52 per cent said 'excited' and 29 per cent said 'interested and want to know more'. Only 7 per cent said 'nervous'. The majority (92 per cent) said they want to increase their income from trading and government contracts in the next three years, following in the footsteps of some well-known charities. Some larger organisations have taken the decision to set up trading arms, the profits of which are reinvested back into their central pot. The charity and housing association St Mungo's has established multiple social enterprises including the painting and decorating business, Revive, and Age UK's trading arm has been going strong for some time. In 2011 Age Concern Enterprises returned more than £21m to the charity.

Others are only at the beginning of their journey. One charity that has been working with the SEUK team is CAYSH, the London-based charity that supports young people at risk of homelessness. They're preparing to sell their 'concierge' service – a caring security team that can be on hand to check on people living in supported or rented accommodation. Profits generated through an independent Community Interest Company will flow back into the charity enabling them to fund and provide other support services to vulnerable people.

Not all charities are able to turn themselves into social enterprises overnight and many (very sensibly) test the water first before embarking on bigger plans. It can also take time to bring a staff and trustees on board with the idea. Transitioning to social enterprise means adopting an entrepreneurial culture and mindset throughout the organisation. Lots of people working in charities won't be confident as entrepreneurs, and trustees, who have a legal obligation to minimise risk, can be wary of trading. Our survey found that a fifth of those polled said scepticism from trustees (18 per cent) was a barrier to their charity becoming more enterprising. But larger obstacles stand in their way: a lack of appropriate business skills or experience among a workforce (49 per cent) as well as a lack of access to investments/ loans (45 per cent).

When the charity, the London Transport Museum, in 2010 got the news that its annual £375,000 grant from Transport for London was going to be cut, its Director, Sam Mullins took action that started with diversifying the museum's board by bringing in non-executive directors with retail, merchandise and online experience to support its commercial activities. Charities can train existing staff or bring in new recruits, depending on the skills required – but it's not always easy or quick to do. Grants and other forms of traditional funding pots are quickly shrinking and leaving a void, but other forms of finance are not filling the gap with the same speed. The social investment market, still in its infancy, is fragmented and difficult for some charities and social enterprises to navigate. We hope this will continue to improve.

Peter Holbrook is chief executive of Social Enterprise UK

Profile: Henny Braund, *chief executive, Anthony Nolan*

Back to basics

HENNY BRAUND'S SUCCESSFUL TENURE AS CEO OF BLOOD CANCER CHARITY ANTHONY NOLAN WAS BUILT ON A SIMPLE QUESTION. ANDREW HOLT FOUND OUT MORE

Behind every charity challenge and vision is an outlook that can lead in new innovative directions. Henny Braund, chief executive of blood cancer charity Anthony Nolan, introduced something of a turnaround of her charity by a simple concept and question: why is the charity here? From this, a process of development and growth expanded out and from which the charity is still benefiting and growing.

Anthony Nolan, concluded Braund with simple eloquence, is the charity that saves the lives of people with blood cancer. And there is much need for saving lives as the statistics here are severe: every 20 minutes in the UK someone is diagnosed with blood cancer. There are around 1,700 people in the UK in need of a bone marrow, or blood stem cell, transplant. This is usually their last chance of survival. 70 per cent of patients will not find a matching donor from within their families; Anthony Nolan then matches individuals willing to donate their blood stem cells or bone marrow to people who desperately need lifesaving transplants.

It was set up in 1974 by Shirley Nolan after her son, Anthony, was born with a rare illness. The only cure was a transplant, but there was no system to find a matching donor. Shirley started Anthony Nolan's register – the world's first – to connect potential donors with people like her son.

So when she started in 2009 as chief executive, Braund found the charity was in need of its own boost, so she introduced what became an ambitious five year plan to kick start a number of initiatives and get the organisation out of a silo way of working and develop Anthony Nolan as a new brand. "When I got here everyone was in their own little rooms. I got rid of that. I literally knocked the walls down," she says.

Simple aims

The starting point was a unified charity vision. It was here she asked everyone in the charity: why is Anthony Nolan as a charity here? "The answer is to save lives," was her conclusion. "It was, and is, about getting people to think about that influential focus; think about that as an ambition." To that end she wanted to put a million people on its register. "And think not just about the donor, but the patient, and get the best for them." A simple mission statement would result in many positive ripple effects throughout the organisation. And a process that is still reaping rewards.

This included a commitment of a lifesaving transplant to every person with blood cancer who needs help; for all people with blood cancer to have the best possible chance of survival following a transplant; and to make it as straight-forward as possible for people to join Anthony Nolan's register. Though these were something of big ambitions, her approach, she says is a simple one: "I am a great believer in simplicity. We have four aims: getting the best donor; improving patient outcome; putting customers first and having the right people."

The net result has meant more donors than ever are being selected, which will have benefits for years to come. Key in the whole process has been Anthony Nolan's huge shift from requiring blood samples to saliva samples to join the register. "Moving to saliva was a big moment," says Braund. This means people can now fill out a simple form and spit in a simple tube Anthony Nolan send them through the post. Braund says: "We recently went from 20,00 donors a year to 75,000." As a result, the charity is set to hit half a million donors by the year-end. "And many more lives saved in the future."

As part of this, Anthony Nolan recruited an impressive 10,000 young men, a key demographic for the charity, to the register alone. Remarkably, 41 have already been selected for the next stage of the donation process and one has donated. It also increased umbilical cord blood collection activities including collecting 24/7 at existing hospitals for a year. These huge changes will mean an extra 200 lives a year can be saved.

With Braund's leadership vision, Anthony Nolan made a historical partnership with the NHS Blood and Transplant (NHSBT) which introduced a single search point for UK Transplant Centres, managed by Anthony Nolan and improving the quality of data held on donors to speed up the process for identifying matches. The collaboration with NHSBT required the two organisations, with quite separate cultures and operations, to realise an ambitious vision. It was delivered, on time and within budget, in January last year. Transplant centres are already seeing the benefits of the new system which will continue to save lives.

This collaboration has put Anthony Nolan in a good position to get continued government funding. Anthony Nolan recently got its third tranche of £2m – totalling £6m – from government. "The community understood the benefits of working together: it was not just us, but NHSBT," Braund says of the motivation behind the government supporting its work. There is a wider lesson here in the clear benefits of greater collaboration working amongst sector organisations.

Big numbers

The other benefit of Braund's leadership is that the numbers add up in a whole range of ways. Income has risen to an outstanding £41m, up from £25.9m in 2009, when Braund took the helm. Fundraising income is now £7.5m a year, up by £2m in just two years. And Anthony Nolan has an impressive 3,300 volunteers.

The organisation is growing globally. There are now 67 stem cell donor registries in 49 countries; 47 cord blood banks in 31 countries; the current number of donors and cord blood units in the database is: 20,691,669 (20,130,194 donors and 561,475 Cord Blood Units); and it has just reached the 1 millionth bone marrow transplant worldwide. "From one single mum's vision to helping over a million people worldwide," ponders Braund.

There are though still on-going challenges: White Northern Europeans have a 90% chance of finding a bone marrow donor, but this falls to just 40% for people from Black, Asian, and Ethnic Minority backgrounds. "We urgently need people from Black, Asian and other Ethnic Minority backgrounds to sign up, as they are currently under-represented on the register," warns Braund.

There is also still a need for more young men aged 16-30 to sign up, as they account for 80 per cent of bone marrow donations but make up just 11 per cent of the register. Though Braund says the younger generation are rising to the challenge. "The younger generation for us, are very altruistic," she says. Though she adds:

"Our success has been a testament to the employees here and the trustees for their belief in our vision."

"Currently, we can only find a matching donor for half the people who come to us in need of a lifesaving transplant. We are working hard on recruiting not just more people to the register, but those our research has found are most likely to be selected as donors."

Leaving herself out of the dramatic improvement the charity has experienced, she says of Anthony Nolan's achievement under her leadership: "It has been a testament to the employees here and the trustees for their belief in our vision."

Braund was previously resources director at Shelter, the housing charity, and she draws very effectively, on 20 years experience in the sector. At present she is also trustee for the Small Charities Coalition, but has been chair for Aids and Housing (Health and Housing) and has been a trustee for Thamesreach and Shelter Trading. On her views on what makes a good CEO, she says: "Self awareness, a bit of bloody mindedness and drive."

Given the success of the charity what does the future hold? "It is around insuring we remain on the front foot. That we can always raise the money we want to, to do the things we want to do. Science is changing; we need to be able to be nimble and adapt. Our vision is to try and supply a transplant for everyone that needs one."

Such focused pragmatism mixed with a central belief in the work of the charity has already reaped great success. "It has been quite a journey," smiles Braund. With her ambition and vision it is a journey that has probably just started.

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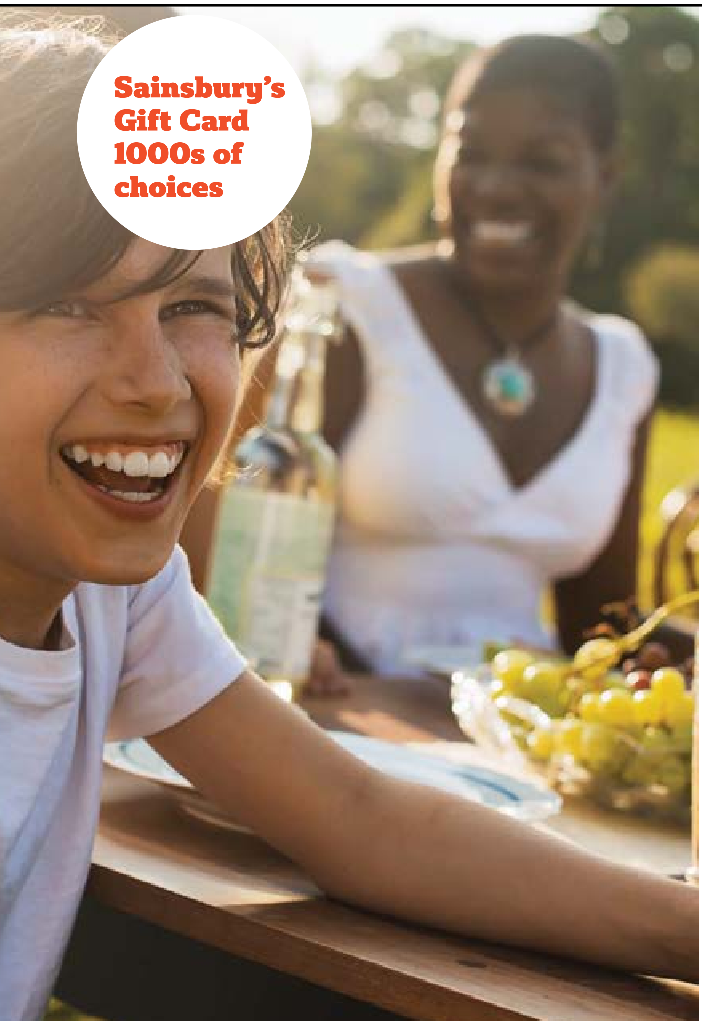

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Fundraising

Testing times, big opportunities

Contrasting sector evidence suggests the fundraising environment is tougher than it has ever been while other data suggests it is indeed tough but equally ripe with opportunity. Hugh Wilson unravels the debate

IT'S A fact that hardly need repeating. Times are tough for charity fundraisers, and a raft of statistics are on hand to back up the universal perception that austerity is biting hard. According to the latest *Managing in a Downturn* survey from the PwC, Charity Finance Group (CFG) and the Institute of Fundraising (IoF), for example, nine out of 10 charities (93 per cent) say fundraising has got tougher, while a fifth are considering a merger or have merged in the past year.

Meanwhile, the most recent national giving survey compiled by the Charities Aid Foundation (CAF) and the National Council for Voluntary Organisations (NCVO) found that donations to charity fell by 20 per cent in real terms during 2011/12. Adjusted for inflation, that represents a cash shortfall of £2.3 billion.

But dig a little deeper and the picture that emerges is more nuanced. The Disasters Emergency Committee (DEC), the body representing 14 major charities in times of crisis, launched its Syria Crisis Appeal on March 31 and had raised £13m

within 40 days.

At the same time, a number of major charities are reporting increases in fundraising revenue over the last 12 months or so. Scope's director of fundraising Alan Gosschalk says the disability charity has just finished its fundraising year and the figures look good.

"We are up about 13 per cent overall in the last year. The environment is obviously challenging and there was the NCVO research a while ago saying that donations were 20% down. But certainly if you look at the bigger charities then there's nobody on the voluntary income side reporting anything like 20 per cent down. When I meet with my counterparts they generally say their figures are fairly flat of they're up."

Fabian French, Gosschalk's counterpart at Marie Curie Cancer Care, admits that charities are, to some extent, pedaling harder to stand still. Collections from its annual Great Daffodils Appeal – held in March – were down on average by ten percent a tin.

But the bigger picture is, again, more positive. French says the charity's voluntary income has increased in each of the last two years. "We are finding it tough and certainly the world is a very different place to what it was in 2008," he says. "But having said that, in the last year – and we have had to work really, really hard to achieve it – we did see our income grow in all our categories of fundraising."

Size matters

So what is going on here? Is the fundraising environment tougher than it's ever been, or hard but ripe with opportunity? How do figures from the IoF, CFG or NCVO tally with the experience of Scope, Marie Curie Cancer Care or DEC?

A lot of it depends on size, says Paul Marvell, director of professional development and membership at the IoF. "The feedback we've had from larger charity members is that many have been able to grow income despite the difficulties. But at the smaller end of the charity sector there are definitely more challenges: the further down you go in terms of size the more you'll find charities treading water or seeing a decrease in income."

Research into donors and the general public shows that information on impact is an increasingly important influencing factor
Katherine Smithson, CFG

Marvell believes that, as statutory funding dries up, more charities of all sizes will come to rely on their fundraising operations. The light in the gloom is that, on the whole, the British public continues to donate, even as household incomes are squeezed.

Fabian French says that he sensed a shift in public attitude about nine months ago. People realised that the economy was not getting better, and wouldn't get significantly better any time soon. But in the 'new normal' life had to go on, and an important part of life for many of us is giving to charity.

Alan Gosschalk at Scope agrees that, for many people, the downturn has made life more anxious, but not difficult enough to stop them donating to causes they care deeply about. He says: "Obviously if you lose your job that's really significant and you're losing a lot of income. On the other hand, if you're still in work and your salary is basically the same but you're feeling a bit gloomy about your prospects, if you're giving ten or 20 or 30 quid a month to charity, there's no particular reason why you should cut that back. So we're not seeing an increase in attrition."

Gosschalk adds that charities may have to work harder for every philanthropic pound, and spend more time explaining exactly what difference donor money makes. That's a sentiment shared across the sector.

"Charities are telling us that they are seeing increasing demand from funders and donors for this type of (impact) information," says Katherine Smithson, policy and public affairs officer for the CFG. "Research into donors and the general public shows that information on impact is an increasingly important influencing factor."

The power of impact

So charities that are weathering the fundraising storm may be investing more on impact reporting. "The importance of an impact-lead fundraising strategy is nothing new – as a trend, it has been afforded varying names throughout recent decades," says Neelam Makhijani, chief executive of the Resource Alliance.

"As we define it today, "impact" is the core of a charity's ambitions – how are you fulfilling your stated mission? How are you changing the world? Impact is the difference we make on the ground, the role we are playing in the lives of beneficiaries," adds Makhijani.

Likewise, donors, sponsors and philanthropists want to know what impact their contributions are having. "They don't simply want to know what a charity has done, or how much money it has raised, but rather how that money is taking tangible effect. Donors want evidence of their philanthropy in action," adds Makhijani.

And it is worth remembering that individuals who regularly give to charity and haven't been personally affected by the downturn may be more inclined to donate rather than less, as the need for their philanthropy becomes ever more obvious.

Günther Lutschinger, president of the European Fundraising Association, says that is true in the UK and across Europe. "Donors are seeing greater need, often far closer to home than expected. Poverty has become an issue for many European countries and solidarity with others is highly valued. Many countries report that while there are less people donating to charity, those that do give are donating significantly more."

If that's the case it begs an obvious question: how do you target these generous donors? How do charities reach those donors that are not only still giving, but may be inclined to give more? According to Fabian French at Marie Curie Cancer Care, you work harder and smarter. You analyse how you can do things better "over all product areas."

"We're focusing on what I would call marginal incremental improvements, " he says. "We're being very analytical about all our fundraising income streams, and we're saying, how could we do this better? How can we grow the income or reduce the costs? It sounds like something you'd do anyway, but to do it very analytically and in such a systematic way as we are – I'm not sure many charities are doing that."

He says Marie Curie is lucky to be able to invest at this time but feels their systems will reap the benefits. For those charities with cash reserves, the downturn may result in more streamlined fundraising operations. When donor money is scarce, charities have to target it more precisely and more efficiently. Those who take the opportunity to learn from tough times may emerge stronger for it.

Cutting staff

Nor is it the time to cut your investment in staff development, says Paul Marvell. "Charities that cut back on training and development will lose out. Investment in people produces a return – by and large you retain them and they deliver to a higher level. I honestly think the decision to cut your training budget is the worst cuts decision you can make at the moment. At times like these you need your people to be absolutely at the top of their game."

He believes there are some real skills deficits in fundraising, and in particular a shortage of fundraisers experienced at dealing with wealthy individuals – the very people that may be inclined to give more in times of need. Charities need to invest in their major donor programmes, recruiting or training fundraisers skilled in the very specific requirements of forming relationships with high net worth individuals. Many charities target these

We are trying to apply learning from social psychology around the idea of giving

Karen Barnes, Scope

individuals, says Marvell, but not all of them do it well.

"You or I might give a tenner to a charity and we'll trust the charity to spend it properly," he explains. "But if you're giving £50,000 you want to know that it will be spent in the smartest way possible and you really want to trust the people you're dealing with, in many cases face-to-face. Very often these high net worth individuals will want to see the work first hand."

Marvell also makes the point that now more than ever everyone who works for a charity should consider themselves a fundraiser, whether they hold the title or not. Staff at every level should be prepared to tell people what the organisation does, who it helps and why that help is needed. Well trained staff will be better at putting the message across and more inclined to do so.

But whatever the net worth of potential donors, the easier you make it for them to give the better. To that end, digital giving is proving its worth, and sometimes spectacularly so. Of the money given directly to DEC by the public during the Syria Crisis Appeal, over half was donated digitally.

"The varied ways donors can now choose to support the appeal has really helped us to reach a wider audience and bolster our fundraising figures," said Helen Calder, DEC's interim head of fundraising. She gives particular credit to a partnership with Paypal that made it easier for anyone to give online and via mobile phones and tablet computers.

That was a one-off crisis appeal that – like Comic Relief-style telethons – perhaps lends itself to one-off digital donations. But social media can also be used to encourage giving over the longer term, by forging close relationships with potential donors and making them feel part of a conversation.

Digital donations

Experts believe there are still huge innovations to be made in the field of digital giving, and some charities have taken that on board. For example, Scope and the World Wildlife Fund are working with psychologists on a scheme that explores new ways to encourage what must be something of a fundraising Holy Grail: mobile regular giving.

"We're trying to apply learning from social psychology around the idea of giving," says Karen Barnes, head of individual giving at Scope. "Practically, that means how we talk about the work that we do and the supporter's role in helping us. We're testing whether the way we approach people and communicate with them has a positive effect on the number of people taking up the mobile giving product and the number we retain."

Marie Curie Cancer Care are also trialing an innovative approach to digital giving. The charity's new online gaming platform, which should go live in the Autumn, hopes to cement relationships with existing supporters and introduce it to new ones, through the fun of video games.

It's an exciting innovation, and Marie Curie has also instigated a complete review of its digital activities by external consultants. Online donations are up 20% year on year, but Fabian French admits that the charity – like others – has been "perhaps behind the curve" on digital fundraising. Digital revenues could be higher.

A brave new world?

Are we entering a new era of digital fundraising? For larger charities, the answer appears to be yes. Research by technology and welfare charity Lasa has shown that seven out of 10 charity professionals think the sector will miss fundraising opportunities if it does not engage fully with digital. Over half said that their charity needed training to maximize digital's potential.

Digital platforms may also help charities engage with a group that can be difficult to target. "We believe that digital fundraising is helping us engage with younger donors in particular," says Brendan Paddy, DEC's head of communications, who doesn't think digital donations simply make it easier for people who would give anyway.

"It's very difficult to tell how many of these donors would have given by other means if we had not offered a full range of digital channels but our assumption is that many would not have done so.

"For charities this is both an opportunity and a threat because our sense is that failing to offer digital giving channels means you may well miss out on a new cohort of givers entirely."

But Makhijani offers a more sceptical view. "There is more work to be done on how digital can be fully integrated with traditional forms of fundraising. For digital fundraising to be used to full effect it should be combined with other fundraising tools and not used a standalone mechanism."

Can digital channels help younger people adopt the giving habit of their parents or grandparents? Günther Lutschinger believes that, more generally, charities who want to grow revenues could do more to encourage younger givers, rather than relying entirely on older donors with more disposable income who seem an easier and more natural target. He warns, though, that attracting younger donors takes time and effort.

"We need to understand that younger people often need other ways of getting involved," he says. "We must offer them action-oriented engagement like voluntary work, sponsorship events, social media appeals, the opportunity to take part in petitions and so on. It might not yield immediate donations, but through continued engagement and activism, charities can benefit from young people's involvement now and secure their support in future years."

Makhijani notes that though it is often assumed that supporters recruited via digital tools will be younger than those recruited using more traditional media, such as direct mail, and while broadly true, there is a qualification. "While many younger donors do give online or via mobile phones, so too do older people. They may not be the early adopters, but once they begin to know and trust a digital platform they will use it a lot and take it seriously," he says.

That could be important, given a recent report by Blackbaud and Xtraordinary Fundraising that uncovered a potential generation gap in funding. The study found that mature donors gave more and did so more consistently. Whether or not the transformation from occasional crisis giver to loyal, regular donor is simply a natural consequence of ageing, or something that needs to be instilled, is a question charities at least need to be asking.

Aside from that, the picture from the fundraising front line is by no means black and white. While many smaller charities are struggling, larger organisations with the means to work harder and smarter, and leap onto the digital bandwagon, are reporting increases in revenue despite the downturn. Whether that is sustainable in the long term remains to be seen, but investing in skills, relationship building and innovation seem to be key.

Hugh Wilson is a freelance journalist

Challenging times

Peter Lewis looks at future fundraising challenges and predicts that fundraisers will rise to the occasion

THIS YEAR the Institute of Fundraising is celebrating its thirtieth birthday. Over that time we've worked with thousands of fundraisers, supporting them to develop and do the best job they can in raising vital funds for good causes. They have generated literally billions of pounds and the commitment, enthusiasm, and imagination that I see from our members never fails to amaze me.

While we have achieved a lot over our first 30 years, I think that the coming together of a number of different factors means that right now fundraisers do have a tough job ahead. With an economy that is stagnant at best and fast-moving changes in technology influencing how people talk with each other and interact with the causes that they choose to support (as well as how they give money), getting the 'ask' right which engages the public and encourages people to give is absolutely crucial.

It's been called a 'perfect storm': falling statutory funding, rising costs, and increased demand for charities services. This is the situation we're in right now, and inevitably it doesn't make for huge optimism. We've been tracking the affects and impact of the recession in the yearly report *Managing in a Downturn* (jointly published by the IoF, Charity Finance Group, and PwC).

The latest report published earlier this year illustrated the challenge of the external fundraising environment. 67 per cent of respondents reported an increase in demand for their services in 2012, and 72 per cent expect a further increase in 2013. At the same time, the vast majority of people, 93 per cent felt that fundraising had got tougher in the last 12 months, and 89 per cent expected that the funding environment would get tougher in the next year.

This year's report was called *Managing in the 'new normal'* – I think that what we are generally seeing now are charities tending to have dealt with the new economic conditions brought about by the recession and are now acclimatising and adapting to a new way of working within a changed financial climate.

We also need to remember that the challenges and opportunities in fundraising, while they might be similar, are not uniform across the board. As Alex Swallow, chief executive of the Small Charities Coalition said the challenges for small charities include 'Whether someone in the staff team (if there are staff) has fundraising skills, deciding who has chief responsibility for fundraising, finding funding sources appropriate for their work, measuring the impact of their work to help with funding bids and developing enough of a profile to receive fundraising from the public'.

Signs for encouragement

While the reasons for feeling pessimistic can sometimes feel a little overwhelming, I firmly believe that it certainly isn't all doom and gloom and I'm heartened to see the signs of resilience and determination to succeed that define our sector.

In our survey 85 per cent of respondents said that they were exploring new fundraising options, and that continued investment in both existing and new forms of fundraising was by far the most common strategy for charities to weather that perfect storm. There are also indications that donors are adapting too, with fewer ceasing to donate to their favourite charities compared to a year ago, and fundraisers are reporting that the financial worries of donors are less of a concern than previously.

The generosity of the British public was illustrated in a recent study from the Halifax which showed that two thirds of people who regularly give money to charity would make some sacrifice to be able to continue to donate if their financial circumstances changed for the worse.

There are also some positive indications over levels of giving – the latest figures from the Charity Commission from the last quarter show an uplift in voluntary income of 5 per cent . And Gift Aid claims from last year are up too: payments of £1,060m were made to charities last year.

Digital is probably the word on everybody's lips, and is an area which is challenging to get to grips with, but is also tremendously exciting. This year JustGiving received more donations on the day of the London Marathon through mobile platforms than through desktop computers, an increase of 52 per cent from last year. The DEC Syria Crisis Appeal also received over half its donations through digital channels – the first time this had happened.

Again, digital giving is probably easier for some organisations than others. Yes it's a culture change to be able to keep up to date with the latest developments in social media and harnessing the multiple channels that are developing, but I'm sure that those that invest in this now will reap the rewards. So, challenging times for fundraisers? Yes, certainly. But I am confident that fundraisers will rise to the occasion as we have seen them do so many times in the past.

Peter Lewis is chief executive of IoF

The sector's beating heart

Andrew Holt analyses the many key initiatives and developments that are contributing to a flourishing social enterprise sector. But also strikes some notes of caution

THE UK social enterprise sector is in a healthy state. The vast range of social enterprises in a wide variety of communities up and down the country is truly impressive. It includes a large proportion of start-ups and high expectations of growth. As a crucial segment of the Third Sector it is hungry for finance. And certain policies are contributing to this, including the Open Public Services White Paper and the Public Services (Social Value) Act. In turn, the Localism Act, in theory, makes it easier for communities to purchase assets and provide local services; and by the mutualisation agenda particularly for health and social care service providers.

For political reasons, social enterprises are often of interest as they frequently thrive in deprived communities and the sector is home to lots of young entrepreneurs, at a time when employment, and especially youth unemployment, is worryingly high. In this way, the UK Government created the world's first ever legal model designed especially for social enterprises, as well as the world's first ever social investment bank, Big Society Capital, created in 2012.

Big Society Capital and the Big Lottery Fund are now developing a £50 million Community Assets Fund which will provide a blend of grants and loans to help communities through the phases of local ownership. This is part of a longer term commitment from Big Society Capital and the Big Lottery Fund to provide a quarter of a billion pounds of finance over the rest of this decade to help communities with ambitions to own local assets.

Though Professor Fergus Lyon, who leads the social enterprise stream at the Third Sector Research Centre and from Middlesex University Business School, offers a few words of caution. "Loans are not for every organisation and they require a really strong business to allow a surplus to be made and to repay the loan. No-one wants to see loans being pushed onto those who cannot afford them."

The political will to support social enterprises is much in evident at all levels of government. Minister for Civil Society Nick Hurd observed: "We have the opportunity to transform the funding environment for social enterprises and ambitious charities. Social investment is the opportunity to move away from hand-to-mouth funding and access long-term affordable finance. It can support much needed growth and social innovation. It is early days and it is not for everyone, but the opportunity is an important one."

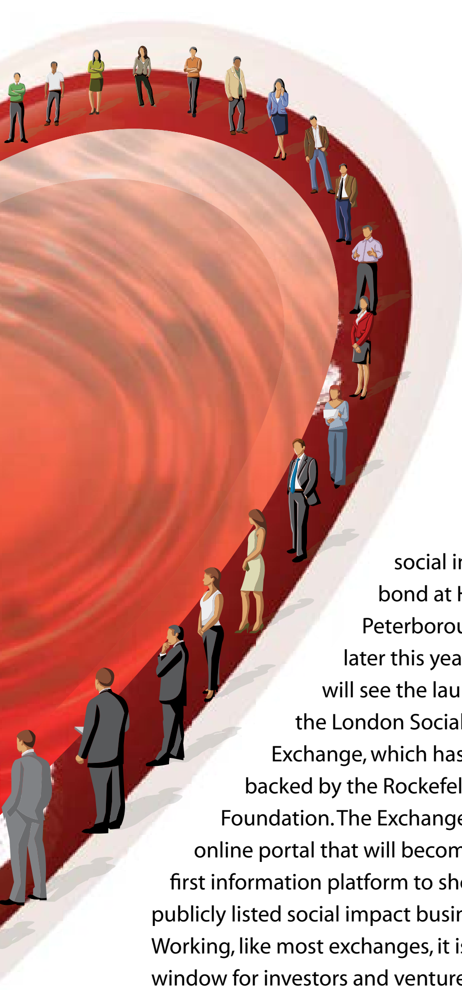
Social justice

To help move away from this hand-to-mouth funding as well as assist in a social enterprise boost, in his spring budget 2013, the Chancellor George Osborne announced a new tax relief would be created to incentivise investment into social enterprises, in recognition that: "Social enterprises play an important role in growing the economy, reforming public services and promoting social justice". This support from the Treasury is currently under consultation with the sector. It has been predicted that this relief could potentially generate an extra half a billion pounds in social investments over the next

five years. This is a solid slice of dosh for social enterprises if it comes to fruition.

The Government's initiatives do not stop there. At the world's first G8 conference on social impact investing, Prime Minister David Cameron recently reinforced the UK's commitment in growing the global social investment market. The PM noted that social impact investment strengthens society by providing finance to social enterprises, charities and community groups enabling them to expand their services and develop better solutions to entrenched social problems such as supporting troubled families, providing job and training opportunities for young people or simply enabling people to invest in community projects.

Two new major initiatives will also help. The UK is already home to the world's first



social impact bond at HMP Peterborough, and later this year we will see the launch of the London Social Stock Exchange, which has been backed by the Rockefeller Foundation. The Exchange is an online portal that will become the first information platform to showcase publicly listed social impact businesses. Working, like most exchanges, it is a shop window for investors and ventures – helping them find investment and make it easier for people to consider the social as well as the financial impacts of their investments meaning more investment, more growth and more impact in communities.

The second important initiative is from Investing for Good, the social finance intermediary that arranged the highly innovative bond for the disability charity Scope in 2012, which is to launch a new Social Bond Issuance Platform for social enterprises, charities and other social purpose organisations to simplify the process of raising investment. It will act as a vehicle to help charities and social enterprises issue bonds.

The platform will enable multiple charities and social enterprises to access the capital markets in a time and cost efficient manner. It will also address the significant shortage in quality social investment propositions that offer a financial return whilst generating measurable social impact. The investment raised by the first organisation to access the new platform will strengthen youth programmes tackling crime and substance misuse and support adults with learning disabilities.

Bryn Jones, fund manager at Rathbone Unit Trust Management, notes: "The bond issued by Scope in 2013 met the social and ethical criteria that our clients are looking for in the Rathbone Ethical Bond Fund. We are optimistic this latest development in the social investment market will offer many more opportunities for our clients to invest for both social and financial returns."

Social Enterprise UK for one have noted that social investments create a 'blended return' for investors – one that combines a social return as well as financial one and can help social enterprises and charities raise capital that they might find difficult to secure from traditional investment sources.

Business orientated

Assessing social enterprises in a wider sector perception context is also important. For example, looking at the attitudes to social enterprises among UK charities has not always met with a positive response, with some in the sector seeing social enterprises as more business-orientated than charity focused. But a report by Social Enterprise UK has noted how this is shifting. The findings showed an 'overwhelmingly positive' response among UK charities. This also reveals a range of data that has implications for social enterprises and the wider sector: in terms of an effective business model.

Currently 45 per cent of registered charities identify themselves as social enterprises and more than half of the voluntary sector's income is earned through trading (selling goods and services) and delivering government contracts, rather than donations or grants. Ninety two per cent said they would like to increase their income from trading and government contracts in the next three years. When asked how they feel when they hear about social enterprise 52 per cent chose 'excited', 29 per cent chose 'interested and want to know more', 12 per cent chose 'confused' and only 7 per cent chose 'nervous'.

But the crucial part was how charities felt held back by a lack of business skills, poor access to finance and trustee scepticism. When asked what are the barriers to their charity becoming more socially enterprising: 49 per cent chose 'lack of appropriate business skills or experience among workforce', 45 per cent chose 'lack of access to investments/loans', 42 per cent chose 'lack of knowledge about social enterprise and where to start'.

But one in five (18 per cent) identified 'scepticism from trustees'. The majority of those surveyed (90 per cent) said they are concerned that traditional voluntary and grant funding will become more difficult to secure in the coming years. And three quarters (74 per cent) of respondents said there is not enough support available to help charities make the transition from voluntary to trading income, and two-thirds (63 per cent) said more government support was needed.

Appraising the overall findings, Social Enterprise UK's chief executive, Peter Holbrook, comments: "Charities are generally very positive about social enterprise and keen to trade to generate income. Social enterprise is gaining real traction and is better understood by the voluntary sector." Then he adds: "It isn't at all unusual for charities to be very business-minded now." In short, the sector must adapt to a new, quickly developing environment.

Working this theme, Holbrook warns that charities wholly reliant on donations and grants can be vulnerable to external forces out of their control. "We have seen legacies tied-up in a slowing housing market and while the jury is out on whether or not giving is down, austere times are here to stay and we've already witnessed some charities closing. The changing landscape is forcing charities to adapt."

Business-savvy

There can be no doubt that as public sector markets are opened up to competition, third sector organisations have to be business-savvy to bid for and win contracts, and be able to prove their social impact. "This is a new way of operating for many," observes Holbrook. And he adds: "But the hard-won Public Services (Social Value) Act that came into force this year provides a critically important tool for charities when selling their services to commissioners." Here, the very idea of enterprise is now at the beating heart of the sector.

Supporting these concepts, Karl Wilding, head of policy and research at NCVO, says: "Enterprise in one form or another is a core part of what many charities do. NCVO's research shows that the proportion of income the sector as a whole earns overtook the amount it receives in donations around ten years ago, and has continued to grow since. We're finding that our members are asking us more and more about commercial skills and strategy."

Social Enterprise UK highlights that charities don't have to change their legal structure; many social enterprises remain as registered charities. For some charities, a social enterprise will be just one part of their activities that will enable them to make a surplus so they can grow and invest. Many large and well-established charities have set-up trading arms to enable them to increase their income from social enterprise.

Lyon adds comment from the TSRC findings: "We have found that social enterprise are scaling up their impact in different ways. Some are growing their organisations while others are sharing their good ideas to allow others replicate. Many are using their own innovation and growth to start advisory services for others and this way creating a big social impact and having new sources of income."

Indeed, some charities have successfully changed the way they operate to be more business-like: such as London Early Years Foundation – winner at the National Business Awards 2013 for turning a vulnerable charity into a financially secure social enterprise. London Early Years Foundation (LEYF) CEO June O'Sullivan says: "Ensuring we had a sustainable model to allow us to support London's children for decades to come was our top priority. The staff and management team at LEYF have been able to create a structure and culture that will enable us to secure the organisation's future."

Another is Auto22, a social enterprise car servicing and repair business, part of the national charity Catch22. It provides servicing and repairs to the public on all makes of cars and light vans whilst offering young people the chance to gain real-work experience in a professional working environment.

And St Mungo's runs a number of social enterprises including the painting and decorating service ReVive. This began in 2009, offering clients who had completed the charity's painting and decorating programme the chance to work on live contracts, gain professional qualifications, and volunteer on a range of projects. During its first year of operating, ReVive completed nine contracts, worth £43,000 and trained 13 homeless people in the skills needed to work on-site on live projects.

And as the social enterprise arm of the charity Age UK, Age Concern Enterprises offers financial products and services to over one million customers. 100 per cent of any surplus made is Gift Aided back to the charity, and in 2009/10 it returned more than £21million.

Not a panacea

Again, Lyon offers a level of vigilance within the debate. "We have to realise that this new world of enterprise is both exciting and risky. Organisations may want to move away from a reliance on grants but contracts and other forms of earned income can also make you vulnerable. Charities and social enterprises need good advice both to guide them in developing a business, and honesty when a business proposition just does not stack up. Social enterprise is not a panacea."

The challenge for social enterprises, adds Lyon, is to make sure those buying services realise they are buying a number of social outcomes. "Social enterprises therefore have to find ways of measuring and demonstrating this social impact in a way that their customers will understand it."

Looking at this picture in its widest canvas, Graham Lindsay, group director, responsible business at Lloyds Banking Group, says the success of social enterprises is very much a product of our time: tough decisions are being made across the length and breadth of the UK and within the sector to be more cost-effective. "On the one hand the transfer of power from central government to local communities forces the application of a more local lens upon community issues. In addition, the ongoing economic turmoil is responsible for many very talented and capable people losing their job.

"Many of these people have been deeply affected by the economic situation and the impact this is having upon both the UK and, as importantly, within their communities. This has galvanised them and using their experience they are actively seeking ways to make a tangible difference within their own community. They are passionate, committed and they have everything to play for." On this basis, the best from the social enterprise sector may be yet to come.

Andrew Holt is editor of Charity Times

Managing Your Risk Data

In the previous two articles I have looked at getting started with risk management and defining the risks themselves. They are two areas that many people, myself included, found tricky whilst finding their feet in risk management. It is important that any organisation comes to terms with the fact that plans rarely work out they way you expect and by managing the uncertainty effectively, you can save your organisation a lot of money and heartache. So please do consider how you manage your risk and what effective actions you can take to mitigate that risk and be ready to take action.

Before going any further into effective risk management, I felt it was important to discuss how you should manage the data itself. This is because many of us start off by doing the same thing when faced with having to record data – we use spreadsheets. Got some expenses to work out, use a spreadsheet. A few contacts to sort through, a spreadsheet. What starts off as a seemingly obvious way to list the initial simple data sets can quickly become a complex and problematic choice when undertaking risk management properly.

This is where we must realise that there is a big difference in using spreadsheets for our own personal lists or data and using them for collaborative decision making within the organisation. Yes you might tally up some of your expenses on a spreadsheet but does your organisation run its finances on them? No, of course no one runs a viable accounting system on a spreadsheet, they use "proper" software packages. Yet many organisations drift into running their even more mathematically complicated risk management on spreadsheets. Organisations start their risk management small and simple with a few risks on a spreadsheet and before long it has all got out of hand.

But why shouldn't you use a spreadsheet? It is "free", widely available and completely customisable. It may be easy to get started but let's consider some of the issues we have seen in organisations trying to use spreadsheets to manage risk.

First of all, you will be surprised just how many risks you end up with for the organisation. It can then get very complicated very quickly if you are trying to program the spreadsheet and do the maths. For each risk you will want to define its likelihood and impact – but they are often quite varied, so are you going to programme in ranges of likelihood and impact? If not, how are you going to define for instance a fire? There is a big difference in impact of a fire in the kitchen or a fire destroying the whole office and the consequences.

You will need to decide what actions to take in order to manage the risks. Are these actions before or after the risk happens (as you need to know whether you need to spend the money before or after the risk occurs and how much it will all cost)? Actions may have an effect on several risks – can you confidently work out all the statistical maths to calculate the likely impacts? I certainly can't!

Someone will have to program all this in...and maintain it. So already you need to be a programmer, risk management expert and maths wizard. And don't forget, spreadsheets have a habit of containing errors that no one notices until it happens to cause maximum distress. So what started out as something that is free is now taking up valuable additional resources and time.

Another common issue is sharing all that information with colleagues. Is it really okay that everyone sees everything? Probably not, so often we try and address these security issues by having multiple spreadsheets used by different departments or locations that someone has to spend many hours consolidating in order that the management can get an overall view and make decisions. How are you going to share all this information in spreadsheets too? Usually it will be sending it via email and then you've got to make some changes and send another version out – how many versions do you want out there floating around?

So, before you reach this nightmare scenario that many are already in, please don't let yourself drift into spreadsheets. There are plenty of collaborative risk managment tools to aid your organisation. Let everyone do what they should be doing, focusing on managing the business – not being forced into becoming spreadsheet programmers or statistical mathematicians!

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Banking on ethics

Rowanne Westhenry finds the banking sector has served the Third Sector well over the years, but there are challenges ahead

THE BANKING and third sectors have had an interesting narrative in recent years. The sector-led 'Better Banking campaign' aimed to create government legislation to ensure greater transparency amongst banks, including measuring levels and areas of investment. While many others have highlighted how the banking sector has served the Third Sector well over the years: the reality of the sector needing good, solid finance to maintain its work.

In this, latter way, charities have found banks and banking operations to be solid and dependable, and true to the principle of trust, while banks have adapted their offerings to service the sector with tailored banking solutions, supported by dedicated managers. Support teams, in conjunction with the Charity Finance Group, have been impressive in helping the sector grow and plan, in a way it would not have been able to do without such offerings.

This has included everything from financial support and advice for smaller local charities at grassroots level, to high profile international organisations, both via direct investment and through offering charitable products through retail banking. All charities need a deposit or current account to hold cash for the day-to-day running of the organisation. There are around 20 banks offering accounts for charities, so the offering is deep, diverse and well managed.

Though whilst the current level of support for charities provided by the big banks is welcomed, since the banking crisis there has been growing concern surrounding the ethics of the current system, and it is in this climate that ethical finance has really found its feet.

Ethical finance

A survey which investigated attitudes towards ethical finance in Great Britain found that 38 per cent of the public are interested in green or ethical financial products, and that 90 per cent of those interested would be likely to switch to a different provider if it offered green or ethical investment products. In this manner, ethical banks and investment funds have emerged as a viable alternative to the standard financial model.

Also of interest is a EIRIS survey which found that 84 per cent of respondents believed that charities should be transparent about their investment portfolios. While 59 per cent of larger charities have a Socially Responsible Investment (SRI) policy, rigorously ensuring that your charity's finances are invested in a socially responsible way will help to avoid contradicting your mission and values. A further 78 per cent of survey respondents stated that they would think worse of a charity if they discovered it had funds invested in activities contrary to its specific work and values.

With many of the major financial institutions investing in tar sands, arms dealing and deforestation, the knowledge that your charity's funds are being invested to bring about positive societal change will minimise the risk of damaging stakeholder relations in the future.

A 2008 EIRIS survey revealed that 52 per cent of respondents would be 'unwilling' to donate to a charity whose investments contradicted their mission, with a further 31 percent stating that they would be 'less likely' to donate. Steps have been taken to improve the ethical value of investments by the big banks, but there is a danger that they do not yet reach far enough to protect charities from the very real risk of reputational damage.

Positive change

However, as banks are forced to become more transparent about their investment portfolios, charities whose fund managers act as active shareholders in corporations with questionable ethical standards are able to act as agents of positive change. Research by Triodos has suggested that the majority of people believe that banks should be doing more to have a positive impact on society, and the public and financial profiles of leading UK charities could be key to forcing these changes.

Using shareholder influence and financial leverage could enable charities to improve environmental, social and corporate governance (ESG) compliance standards across several industries, even furthering the aims of the charity by doing so. With more and more consumers taking an active interest in where the banks are investing their money, financial institutions that actively support charities and social enterprises will have a key advantage over their less ethical rivals. As well as improving the public perception of the banks, ethical investment focuses on the long-term future of the real economy, rather than delivering inflated, short-term profits.

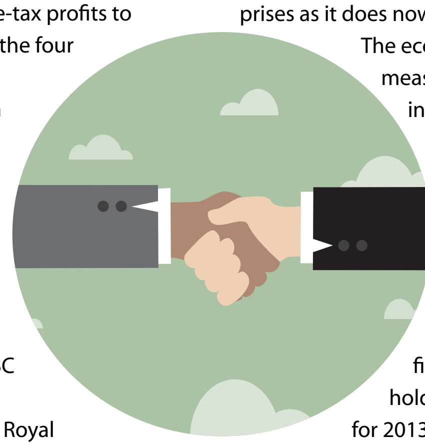
As well as this focus on sustainable, long-term growth, research has suggested that higher ESG compliance standards and an ethical approach to investments does not negatively impact on the fiscal performance of those investments.

Instead, the European Centre for Corporate Engagement have found that "Even though they do not present irrefutable evidence that SRI investments generate higher returns than 'normal' investments, most studies have found that they do not result in worse performance either, while, at the same time, they might actually decrease risk exposure."

This is further supported by research commissioned by the UNEP FI, which found 'robust evidence that ESG issues affect shareholder value in both the short and long term.' When Iceland's banks collapsed in 2009, 48 UK charities lost a combined total of £86.6 million. Choosing to bank with an ethical institution minimises the risk of such losses.

As well as decreased exposure to the risks which brought about the recent banking crisis, ethical banks offer charities an opportunity to affect a positive change to society. At the present time, only a small fraction of the profits generated by the big banks is invested in social and charitable enterprises.

Lloyds TSB won the 2012 Moneyfacts award for the best charity account and in 2010, global banking giant HSBC donated 0.56 percent of its pre-tax profits to charity, compared to the four per cent that the Co-Operative donated in the same year.



That said the leading banks charitable giving add up to significant sums: Lloyds Banking Group gives £85million; HSBC £69million; Barclays £63.5million; and the Royal Bank of Scotland £63 million. What is stark within these numbers is the wide range of sophisticated arrangements that are behind these figures, and benefit a number of charities.

This is evident in the winning of the Lloyds Scholars Corporate Social Responsibility Project of the Year Award at the Charity Times Awards last year and Personal Finance Education Group/HSBC winning the Corporate National Partnership of the Year with a Financial Institution. So, in this way, the contribution to the sector from major banks is multi-layered. Moreover, ethical banks avoid this shortfall as their shareholders are charities or social enterprises.

Financial boost

The Third Sector holds £18 billion of cash deposits in UK banks, giving big charities the opportunity to leverage change within the financial services industry. Caron Bradshaw, CEO, Charity Finance Group, says: "We would like to see banking move from a passive arrangement to one where charities are regularly ensuring they are getting the best service."

The 45 Common Investment Funds in the UK contain £8.2 billion in pooled assets from organisations across the Third Sector. When you consider that in June 2012 the recorded total invested in green or ethical funds was £11.2 billion, the potential for the mutual growth of the two sectors is clear.

With this comes new challenges; which has seen Charity Bank give up its charitable status to meet new banking rules as a result of the recent economic crisis. It will still lend only to charities and social enterprises as it does now and retain its name.

The economic austerity measures that are coming into force in the UK have placed an enormous strain on the Third Sector, as people who previously received government support turn to charities to fill the void. As the UK holds the G8 presidency for 2013, Prime Minister David Cameron has arranged a summit of the G8 leaders to tackle the issues of social impact investment, with the aim of catalysing the movement and increasing its efficiency on a global scale.

This would create an incentive for banks to release more funding for third-sector projects in deprived areas, and with 33 percent of the population feeling indifferent or negative towards their bank, public pressure could force the banks to behave differently and possibly more ethically. This is a future challenge some banks would do well to embrace.

Rowanne Westhenry is a freelance journalist

Transparent ethics

Ethical investment is no longer the poor performer it once was, and with this has come the wider considerations of ethical investment for charities, says Philip Smith

IT IS incumbent on those charged with managing other people's money to seek the best place in which to invest.If it is growth trustees are seeking, it surely makes sense to have the freedom to pick from the widest range of high performing companies.

Which can create a dilemma for charitable funds as the sectors in which donors' money can generate the best returns may be at odds with the core values and mission statements of that association.

The solution has been to seek sanctuary in an ethical fund. Ethical funds, or sustainable and responsible investing (SRI), have been around for some years but,while they adhere to the mission of the charity, have too often failed to deliver the growth sought.

Well, times are changing. Some of the funds with the strictest criteria on where they will and won't invest are now outperforming the FSTE All Share index on a vast scale – more than 100% in some cases. And that is a far better performance than many unrestricted funds, according to some experts.

It's that kind of performance, backed by an increasing awareness of, and interest in, ethical investing among the wider community that has seen the amount of money under such management rocket in recent years.

On the back of that expansion is a growing industry of advisers, analysts and fund managers all looking to provide those with stringent conditions on where their money cannot be invested with a growing range of portfolios from which to select.

Specific guidelines

Sustainable and responsible investing is not new. Many claim the origins go back as far as 1758 when The Quakers prohibited members from investing in the slave trade and later when John Wesley's Methodists added alcohol and tobacco to the banned list.

It's developed somewhat since then, driven mainly by the charitable sector's specific guidelines over which sectors or businesses – over and above the standard tobacco and arms industries – are deemed unacceptable.

The first ethical fund in the 'modern' age aimed at mainstream investors – F&C Stewardship Growth Fund – was launched in 1984. These early funds, however, were seen as poor performers.

No longer. Ethical investment is breaking into the mainstream and it's partly down, say commentators, to the global banking crisis, which has raised doubts over the stability of more traditional funds.

Which goes some way to explaining the sudden burst of interest. According to recent figures from EIRIS, the sustainable investment research firm, there's around £11 billion invested in Britain's green and ethical funds, up from £4 billion 10 years ago, and from £6.8 billion in 2008, when the financial crisis began. And over the last decade, the number of ethical investors has tripled, from 250,000 to 750,000.

Stephen Hine, head of responsible investment development at EIRIS, said the range and diversity of the funds available now means any ethical criteria can be met.

So what constitutes such an ethical fund? According to Simon Howard, CEO of UK Sustainable Investment, it's a fund that has other criteria – environmental, social or governance - rather than purely financial as its motive.

Ethically neutral

It's not a case of a fund manager selecting specific industries or companies to invest in, more a case of excluding others. As Lee Coates, director at Ethical Investors explains: "An ethical fund is one that sets out to avoid certain companies and then invests in anything else. It's not a case of looking for 'nice' companies, it's about avoiding the nasty ones. Most investment in ethical funds is in companies that are ethically neutral."

That's why the performance of many ethical funds can often beat unrestricted funds. Lee Coates cites Kames Capital's ethical fund as exemplary: "Kames Ethical is a vegan fund," he says, "which rules out investing in, for example, supermarkets and train companies because they both sell meat products." (In the case of the train company it's in the sandwiches from the buffet!)

"Kames saw growth last year of 19.4 per cent against 8.57 per cent from the FTSE All Share index. Taking it over three years, Kames grew by 50 per cent against the FTSE 26 per cent." Others cite First State Asia Pacific Sustainability, which concentrates on companies which actively manage sustainability, sustainability developers or those who have a positive sustainability impact, as an example of how SRI funds can outperform the market. That fund tops the Barchester Green Investment lists of top 10 performers over the past three and five years.

The others are no slackers. In the past year CIS Sustainable Leaders Trust TR (19.39 per cent), Jupiter Responsible Income (16.06 per cent) and CIS Sustainable World Trust TR (15.27 per cent) have all performed well.

Mark Morford, product manager for Private Clients and Investments at the Charities Aid Foundation, agreed that ethical funds are holding their own. "Typically ethical funds perform differently to unrestricted funds and there are times when they outperform those in the unrestricted market. But likewise there are times when they have lagged behind. Over the longer term, though, they have proved to be very good investments."

Simon Howard does strike a note of caution, however: "They have been performing well of late but five years ago they were not so good. These things have to be read in context."

Not all investing decisions are as straight-forward as the Kames example, which is clear-cut in that it won't invest in any company which contravenes its vegan principles. While all SRI funds avoid the 'sin stocks' such as pornography and arms, many will work with "bad" companies to change practices or seek to find the 'best' in a sector.

So charities looking to address a specific social or ethical issue can chose to invest in businesses that are also looking to reduce or resolve their impacts in those areas.

It's called positive engagement. "If a clothing company has a manufacturing base in China there is a reasonable chance it is using child labour, forced labour (political and religious prisoners forced to work) and having oppressive working conditions," says Lee Coates.

"So if an investment fund was looking to buy stock in an apparel company that it knew manufactures in China the first thing is to ask to see its child labour policy." If the fund has a big stake, it will be better placed to influence and develop that policy.

The question for the trustees is when to exclude a business and when to engage with it. If the mission – the raison d'etre of the charity – is to end child labour, then working with such a company to change its policy may have a greater impact than simply ignoring it.

"A lot more funds are looking at positive engagement," adds Mark Morford. "They won't necessarily screen out an oil stock if that company is making significant progress or is committed to improving the way in which it operates."

It means trustees have to ensure the ethical fund manager is working to the same set of principles and criteria as the trustees. "They have to be careful to understand what it is they are investing in," adds Morford.

What is key is transparency. The donors and members must be aware of where you are investing and why. "The moment a charity publishes its mission statement and asks the public for money it has to be open about where that money is being spent and invested," concludes Coates.

Philip Smith is a freelance journalist

One step forward, two steps back?

The Co-operative's entry into ethical insurance should be a sign of good things to come in the sector, but is it? Helen Yates investigates

WHILE ETHICAL finance or socially responsible investing (SRI) has been offered by the banking sector for many years, the insurance industry has been slower to follow suit. In 2011, news that the Co-operative had become the UK's first insurer to "ethically screen" the assets that underpins its insurance business was well-received.

However, in March 2013, the Co-op announced it had reached a £220m deal with Royal London to sell its life insurance and asset management arms, including five sustainable screened funds. It follows Alliance Trust's takeover of the Aviva SRI team. Henderson Global Investors also recently pulled out of SRI, with its team moving to join multi-strategy investment boutique WHEB Group.

While insurance companies should be perfectly suited to SRI, in reality the sector still has a long way to go and these recent developments are less than encouraging, thinks Ketan Patel, senior socially responsible investment analyst at Ecclesiastical.

"The larger insurance institutions have dealt with SRI as more of an add-on because most of their investment funds are not screened, whilst at Ecclesiastical the majority of our retail funds are SRI screened, so we're the complete reverse," he explains. "You would think the insurance industry would be a natural bed for SRI, but it's not the case really."

Many of the products underwritten by insurers – such as life and health insurance – are long-term in nature, or "long-tail". This means that a claim could arise many years after a product has been taken out. As a result, insurance firms need to match their assets to their liabilities and thus need investments that are long-term in nature.

"If you're an insurance company and you're matching long-term liabilities over multiple cycles. This should allow for a better alignment towards sustainable or responsible investment, which is focused on delivering long term sustainable returns," explains Patel. "We're optimistic that as more and more firms embrace responsible investing that will catch on."

Can SRI deliver?

Embracing a responsible approach to investing means screening assets to ensure they do not include unethical stocks. This could be firms linked to the arms trade, tobacco manufacture, fossil fuel extraction or the fur trade.

"Where the real skill comes in is picking companies that are doing good things – whether its environmental social or governance (ESG) – and the argument is that by doing these things really well, they're going to have a better risk profile and generate better longer-term returns than their peer group," explains Patel.

While the ethical finance sector has demonstrated impressive growth, even through the recession, there is a school of thought that a screened portfolio of assets delivers a lower return. In the low interest rate environment when investment returns are already reduced, this could prove a deterrent to more insurers wanting to embrace SRI.

"The wider investment community will always argue it is their fiduciary duty to get the best return for the client and there are a lot of firms out there whose time horizon is very different from ours and whose ownership is different – they've got shareholders to answer to," says Patel. "Many investors believe there is a binary choice, that if you invest ethically or socially responsibly you are giving up performance, because certain aspects of the market are not going to accessible to you."

He thinks the industry will only begin to invest more responsibly when the right pressure is brought to bear, most likely through regulation. "Ultimately there's really no incentive and it's got to come culturally from within a firm," he says. "We've advocated the fact we think you can do SRI and make money and we've proved it over a number of years – as long as you run it for the long-term."

Changing behaviour

The other part of the equation is demand and whether there is enough demand for customers for ethical insurance products. The third sector has a role to play here, but again in a tough operating environment it is uncertain whether it is an insurance company's ethical credentials or the premium on offer that is driving purchasing decisions.

"One of the interesting things for us is that ethical investment seems to have become less important for our members over the last few years," says David Membrey, deputy chief executive of the Charity Finance Group. "You could argue it's because SRI is so readily available now or it's because of the economic downturn and that ethical considerations are only important when times are good. That's slightly more cynical view but trustees obviously have a duty to safeguard charity assets and there is an element of that."

"As people understand the market better they realise it's not a simple case of balancing price against values and that's happened to some extent with ethical investment," he continues. "You don't automatically get a poorer return from an ethical fund. There is a wide range of ways of being ethical with investments and as the market gets more mature people understand it's not a simple black and white thing."

"The key is for the individual charity to understand what its values are," he adds. "In some areas it will be easier to work ethically and sustainably and in other areas not so easy. But if a charity decides to go for a slightly cheaper insurance policy, which is not sustainable or ethical, that's going to disillusion the staff and undermine its donor base. You can't be charitable and have very strong values without implementing those values throughout your organisation, not just at the front line where you're delivering services."

It is very early days in ethical insurance and it's fragmented – there's a lot of opposition out there, but in time, hopefully it will turn around

Ketan Patel, Ecclesiastical

Due diligence

Nevertheless, it appears that SRI currently plays more of a role dictating a charity's choice of bank than its insurance product. The advent of price comparison websites has not helped, as it has further commoditised mainstream insurance products. Membrey encourages trustees to carry out due diligence on insurers to discover if they screen their assets can be time consuming.

"The banking and insurance markets are very different and consumer attitudes and perceptions of each vary significantly," says the Co-op's Lee Mooney. "For example, if a person puts £10,000 in a savings account they are likely to know that this would be invested by a bank, and therefore they may well have an opinion about how that money is invested. However, the majority of people may not be aware that their insurance premiums are invested in the same way."

"Ethical and sustainable banking has a much longer pedigree and insurance is seen as one of those boring things that nobody really wants to pull the carpet up and see what's underneath," adds Membrey. "Hopefully people like Co-op will make it their mission to change that and make sure people understand what their insurance is about."

"It would be interesting to see how many companies in the insurance sector held Primark's parent listed company or any of the other companies involved in the Bangladesh factory collapse, or if they're publishing their voting records on corporate governance," says Patel. "It's not just about being ethical, it's also about being transparent. It is very early days [in ethical insurance] and it's fragmented – there's a lot of opposition out there, but in time, hopefully it will turn around."

Helen Yates is a freelance journalist

The independent mission

Charity campaigning and independence have been brought into question by some high profile examples, and, warns Joe Lepper, is still open for debate

According to a recent Independence Panel report the independence of the charity sector is in peril. The January 2013 report, *Independence Under Threat*, pulls no punches in describing how charities' increasing involvement in public service delivery is putting pressure on them to curb their campaigning role.

Gagging orders, self censorship and implied threats of contracts being taken away for those that are critical of government policy, are now creeping into the relationship between charities and politicians, the panel warns.

This is causing increasingly "high levels of non-compliance" with The Compact; the agreement the government has made to uphold charities' independence.

Among the most concerning trends highlighted in the report is the appearance of so-called gagging clauses for sub contractors involved in the Department of Work and Pensions Work Programme.

Those taking part have to agree not to do anything to "damage the reputation" or "attract adverse publicity" for the DWP or the prime contractors involved.

The panel labels this as "explicit contract restrictions on freedom of expression" and a direct contradiction of the national Compact.

Katherine Smithson, Charity Finance Group policy and public affairs officer, says some charities are turning down work because of such clauses. This is particularly the case for smaller charities, she says.

"The gagging orders put charities in between a rock and a hard place. They want to deliver the services but the gagging orders being put in place may not be appropriate and they may not have the resources to employ a legal team to look over them and check them," says Smithson.

According to Caroline Slocock, the head of the Independence Panel secretariat, it is not only overt contract clauses that are impacting on charity independence. Charities' freedom of expression is also being eroded by "a process of innuendo and implication," she says.

"There is also a culture building up of self censorship out of fear of losing contracts. The implication is that for state funded work it would be inappropriate to criticise the government," Slocock adds.

Sock puppets

One of the most high profile examples highlighted in the Independence Panel report of such an implication, is a Department for Communities and Local Government guidance document for councils published in December 2012 called *50 Ways to Save.*

This urges councils to "cease funding sock puppets and fake charities," which it defines as pressure groups that do not deliver services or help the vulnerable.

The DCLG document goes on to reference an Institute of Economic Affairs report from 2012 entitled *Sock Puppets*, which calls into question any campaigning work by charities that deliver public services.

Slocock is highly critical of both the DCLG document and the credibility it gives the *Sock Puppets* report, which she says is "based on a misunderstanding of the notion of what charities do when they campaign."

She adds: "What is being labelled as lobbying is in fact the charity speaking up for the people it is looking to help. What some see as criticism is in fact important work to improve policy."

Alex Massey, senior policy officer at ACEVO, is also concerned that the *Sock Puppets* report is referenced by a government department. He says: "I can't see the logic in the argument. If charities gave up being independent and being critical of the government because they are giving them money to provide a service then surely they would be the sock puppets."

Among the charities to be criticised in the Sock Puppets report for having a dual role as a campaigning body and public service deliverer was Relate. Chris Sherwood, policy and external affairs director at Relate, says: "We bring an enormous insight to policy from our counselling experience. We are not critical for critical sake, we use our experience to guide us."

Chris Snowden, research fellow at the Institute of Economic Affairs and author of *Sock Puppets,* insists he is "not against the politicisation of charities" but is concerned that government money is being "wasted" on lobbying often against its own policies.

He says: "If charities want to lobby that is great and I don't want to see any restrictions on that but they should do it with their own money."

One solution he proposes is greater separation of charity revenue streams to ensure government funding is only used for public service delivery work and campaigning work is covered by other sources of funding.

But he concedes that practically that is difficult to separate the streams of revenue so that no public money is used for lobbying.

"If you have a charity that is 50 per cent state funded and 50 per cent by donations it's rather awkward. It's difficult to say whether they are using taxpayers' money for lobbying. Most will say they are not and there's no way of proving otherwise," he says.

He also wants to see government contracts having tougher terms preventing its funding being used for lobbying activity.

Charity curbs

Another criticism Massey has of the Sock Puppets report is that it assumes that in the provider and commissioner relationship it is only the charity that is benefitting.

Massey says: "The idea that charities are all funding their lobbying through their public service delivery funding is looking at it the wrong way round. The reality is that charities are often funding their public service delivery work through their other funding streams."

ACEVO is also against curbs on how charities should spend their money. "When a charity receives money to provide a service, providing it does this then I don't see what further business the government has in micromanaging a charity's own funds," adds Massey.

The Independence Panel report, which is the second of four reports into charity independence, warns that charities are already curbing their campaigning zeal.

Slocock says: "This is partly due to loss of core funding but it is also due to the fear of losing funding and a worrying expectation that to take government work you cannot criticise the government."

The Independence Panel is calling on the Cabinet Office to take a stronger leadership role to protect The Compact and monitor compliance.

Changes to commissioning arrangements so that they take into account the distinction between charities and private sector providers, is another Independence Panel recommendation.

Nevertheless the Panel welcomes the Public Services (Social Value Act) 2012, which promotes the distinct social value offered by charities in public service delivery.

Elizabeth Bayliss, chief executive of the charity Social Action for Health, says better commissioning, where commissioners work with providers such as charities to develop contracts, is crucial to improving charity's independence and show the

added value charities can bring to public service delivery.

She says :"Voluntary organisations have a role in representing their communities or members but the value of that role is not often accepted by councils who are so hung up on the purchaser and provider split that they can't see beyond it."

Bayliss suggests the best commissioning arrangements are partnerships. "You work out together what is needed in the local area and then you have a tendering process. Councils recognise we bring money into the borough. We raise money nationally from a range of resources. We deserve a place at the table to decide on policy and commissioning."

Social Action for Health has this relationship with the London Borough of Hackney, which it advises on public health issues.

"But many small charities don't know how to do that and are not brave enough to represent their bottom up interest of their members," notes Bayliss.

Leadership visibility

Compact Voice, the charity that represents the voluntary sector on the Compact, shares the Independence Panel's concerns that the ethos of charity independence is not being translated across government.

Its 2012 Impact Report found that "leadership" of Compact issues were "not always visible in government departments."

The report was also concerned that the government's Office for Civil Society has no full time members of staff dedicated to the Compact.

A reduction in government consultation time last year from three months to 30 days has also affected charities' ability to assert their independence and campaign around government policy, says its report.

However, the report did welcome the move by Number 10 in February 2012 to ensure the Compact was one of six departmental business plan priorities and should be embedded into every government department's annual business plan for 2012-13.

Compact Voice said that it would continue to monitor progress and lobby to ensure the Compact is a priority in business plans for all departments for subsequent years.

Tom Elkins, Compact Voice manager, says:"It hasn't always been clear from some departments how they are ensuring that the Compact has been embedded in their plans, so the vocal support they have offered hasn't always been visible."

Campaigners such as Compact Voice also face a challenge in persuading the wider Conservative Party of the value of charity independence.

Last year Brian Binley, Conservative MP for Northampton South, criticised Save The Children for highlighting the plight of UK children living in poverty. In an interview with the Daily Telegraph he said he was concerned about the charity's "political involvement."

A spokeswoman for Save The Children says:"Save the Children is an independent charity and our mission is to speak out on behalf of children. We have done this from our founding days."

Although a Cabinet Office spokesman declined to comment directly on the DCLG document and gagging clauses, he did say that Civil Society minister Nick Hurd is committed to defending charity independence.

The spokesman points to a Public Administration Committee hearing in parliament in December in which Hurd said:"I would be very reluctant to go down a path that sends any message to charities that somehow their campaigning role, their advocacy role and their independence from the state are being challenged or undermined in any way."

But as the DCLG's *50 Ways to Save* document and Work Programme's so-called gagging clauses show the independence of the charity sector is still far from secure.

Joe Lepper is a freelance journalist

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The Association of Chief Executives of Voluntary Organisations (ACEVO) supports members by providing access to:

- Third sector leadership and governance resources to support boards and senior management teams
- Information, publications and reports on key third sector issues
- Conferences, courses and networking opportunities to enhance skills and build knowledge
- Dedicated helplines and support services such as CEO in Crisis - a service for third sector CEOs facing disputes with their board.

ACEVO also acts on behalf of members; connecting members to key contacts in government.

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

The Charity Finance Group (CFG) is the charity that champions best practice in finance management in the charity and voluntary sector. Our vision is a transparent and efficiently managed charity sector that engenders public confidence and trust. With this aim in sight, CFG delivers services to its charity members and the sector at large which enable those with financial responsibility in the charity sector to develop and adopt best practice. With more than 1700 members, managing over £21.75 billion, (which represents around half of the sector's income) we are uniquely placed to challenge regulation which threatens the effective use of charity funds, drive efficiency and help charities to make the most out of their money.

For more information, please see **www.cfg.org.uk**

ACCOUNTANTS AND AUDITORS

Wilkins Kennedy LLP
Chartered Accountants &
Business Advisers

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

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

Wilkins Kennedy deliver personal service and provide proactive and practical advice to help charities achieve their objectives, improve profitability and overcome obstacles.

Our dedicated Not for Profit group consists of a multidisciplinary team of experts with first hand knowledge of and experience in the voluntary sector.

We understand the specific needs and ambitions of our not for profit clients and adapt our services to suit each client's circumstances.

For more information on our services please visit our website **www.wilkinskennedy.com**

CHARITY MARKETING

graffiti media group

The Barn
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East Anglia
IP31 1HG

T: 01842 760075
F: 01842 339501

E: bestdata@gmgroup.uk.com
W: gmgroup.uk.com

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E: info@southportconferences.com
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West Sussex
BN15 8UG

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F: 01903 751044
E: info@unityinsuranceservices.co.uk
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W: zurich.co.uk/insight

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Zurich works with over 10,000 charitable and voluntary organisations to provide insurance and risk management services. We have dedicated teams who work with charities to understand their needs and provide the appropriate cover, guidance and support. We collaborate with a number of organisations, including NAVCA, ACEVO and CTN.

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INVESTMENT MANAGEMENT

Baring Asset Management Limited

155 Bishopsgate
London
EC2M 3XY

Contact: Catherine Booth

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

We have been providing investment management services to the charitable sector since 1926, and were one of the first investment managers to establish our own charities team in 1968, a team that now manages over £1.0 billion on behalf of charities around the world[1].

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

Our Targeted Return approach is designed to balance risk and return. We focus our global perspective, experience and expertise with the aim of successfully meeting our clients' investment management needs.

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

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Charities Aid Foundation

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

For further information, please contact our investments team on:

T: 03000 123 444
E: managingmoney@cafonline.org
Or visit www.cafonline.org/investments

Investments designed with charities in mind

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

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Cazenove Capital Management

12 Moorgate
London EC2R 6DA

For more information, please contact

Edward Harley or John Gordon

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

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

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

We can invest across all areas and can act as a trusted impartial adviser on a range of issues such as strategic asset allocation and socially responsible investment.

We offer both pooled and segregated portfolios.

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INVESTMENT MANAGEMENT

CERNO CAPITAL

Cerno Capital Partners LLP

34 Sackville Street, St James's
London W1S 3ED

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

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

Cerno Capital works closely with charities, helping them organise and manage their investment portfolios.

It is our view that the only way to obtain a reliable investment return is to identify the prevailing macro-economic themes and then follow a robust methodology for selecting investments. We take a real world approach to risk, concentrating on the risks of losing money and not just the measurement of volatility.

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C. Hoare & Co.

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Simon Barker,
Head of Charities
T: 020 7353 4522
E: simon.barker@hoaresbank.co.uk
W: www.hoaresbank.co.uk

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For further information, please contact
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E: fmcsloy@johim.co.uk
W: www.johim.co.uk

Award Winning Boutique Approach

JOHIM's charity business provides trustees with a service that combines accountability with personal attention to detail. All charity portfolios, whatever their size, are managed on a segregated basis and investment goals are agreed to meet individual requirements. We do not run a single charity vehicle or model portfolios as this inflexible approach to investment management is the antithesis of our culture.

- Dedicated charity team
- Direct relationship with fund managers
- Strong performance
- Tailored mandates
- Institutional investment process
- Bespoke trustee training

J.P.Morgan

J.P. Morgan

1 Knightsbridge
London, SW1X 7LX

For more information please contact:
Tom Rutherford, Head of UK Charities
T: 020 7742 2819
E: tom.rutherford@jpmorgan.com
W: www.jpmorgan.co.uk/institutional/charities

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J.P. Morgan is dedicated to helping charities address their investment and financial needs. Drawing on our global resources and 50 years experience in the sector we offer services specific to each Charity's needs.

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JUPITER

Jupiter Asset Management Limited

1 Grosvenor Place
London SW1X 7JJ

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

T: 020 7314 5574
E: mwotherspoon@jupitergroup.co.uk
W: www.jupiteronline.com

Jupiter Private Clients & Charities has been managing assets for over 25 years. At the heart of our ethos is delivering long-term outperformance for our charity clients, without exposing them to undue risk. Our clients include large national charities and small local charities in a wide range of sectors. Charities use our services in order to achieve the aims of their organisation. Through close relationships we seek to fully understand those aims and objectives and use our investment expertise to help realise them. Our dedicated team of professional investment managers look after a limited number of clients, ensuring that we offer and maintain an excellent standard of service.

Jupiter Asset Management (JAM) is authorised and regulated by the Financial Conduct Authority. The value of an investment can fall as well as rise and you may get back less than originally invested.

To advertise in the Charity Times Suppliers Directory contact **Cerys Brafield 07766 662 610** or **Steve Good 020 7562 2435**

INVESTMENT MANAGEMENT

Quilter

St Helen's, 1 Undershaft
London EC3A 8BB

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

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

Quilter provides bespoke investment management for charities, trusts, private clients and pension funds and has £9.2bn* in funds under management.

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- Specialist investment management with ethical screening capabilities
- Guidance for trustees on preparing investment policy statements
- Comprehensive reporting and access to portfolio valuations via our password protected website
- A competitive and transparent fee structure

**As at 31 March 2013.*

Rathbone Investment Management

1 Curzon Street
London, W1J 5FB

Contact: James Brennan
T: 0207 399 0359
E: james.brennan@rathbones.com
W: www.rathbones.com

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With listening comes the insight to serve with full understanding of each charity's circumstances and aspirations; putting their obligations and best interests first. In finding the correct solution, we access investment opportunities globally and have the flexibility to adapt your portfolio as and when your charity's needs change. Our service is underpinned by a direct and personal relationship, which in conjunction with our commitment to the sector, we hope to maintain over the long term. Rathbones manages £2.1 billion of charitable funds for over 900 charities (at 31 December 2012).

For further information contact James Brennan on 0207 399 0359 or at james.brennan@rathbones.com

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Ruffer LLP

80 Victoria Street
London
SW1E 5JL

For more information contact:
Christopher Querée

T: +44 (0)20 7963 8100
F: +44 (0)20 7963 8175
E: cqueree@ruffer.co.uk

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We manage over £15bn of assets including £1.5bn for over 200 charities. Our charity clients span all major charitable sectors and include some of the largest endowments in the UK. A dedicated portfolio manager works with each charity to build an appropriate segregated portfolio, which may include ethical screening if required. We also manage a Common Investment Fund, the Charity Assets Trust.

Ruffer LLP is authorised and regulated by the Financial Conduct Authority

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Sarasin & Partners LLP

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

Contact: John Handford

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

Sarasin & Partners is a leading charity fund manager managing £3.7 billion for approximately 275 discretionary clients. Significantly, this represents over 25% of our overall business. In total, as at 31 December 2012, we manage around £12.4 billion.

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

UBS

3 Finsbury Avenue
London
EC2M 2AN

Andrew Wauchope - Head of Charities
E: andrew.wauchope@ubs.com
T: +44 20756 70166

W: www.ubs.com/charities-uk

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INVESTMENT REVIEW SERVICES

TSA

50 Andover Road,
Tivoli, Cheltenham,
GL50 2TL

T: 01242 263167
F: 01242 584201
E: James@3sector.co.uk
W: www.cc14.co.uk

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T: 020 8381 2430,
E: info@fi-ltd.com
W: www.fundraising-initiatives.org/en/products-services/Lottery-Canvassing/

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