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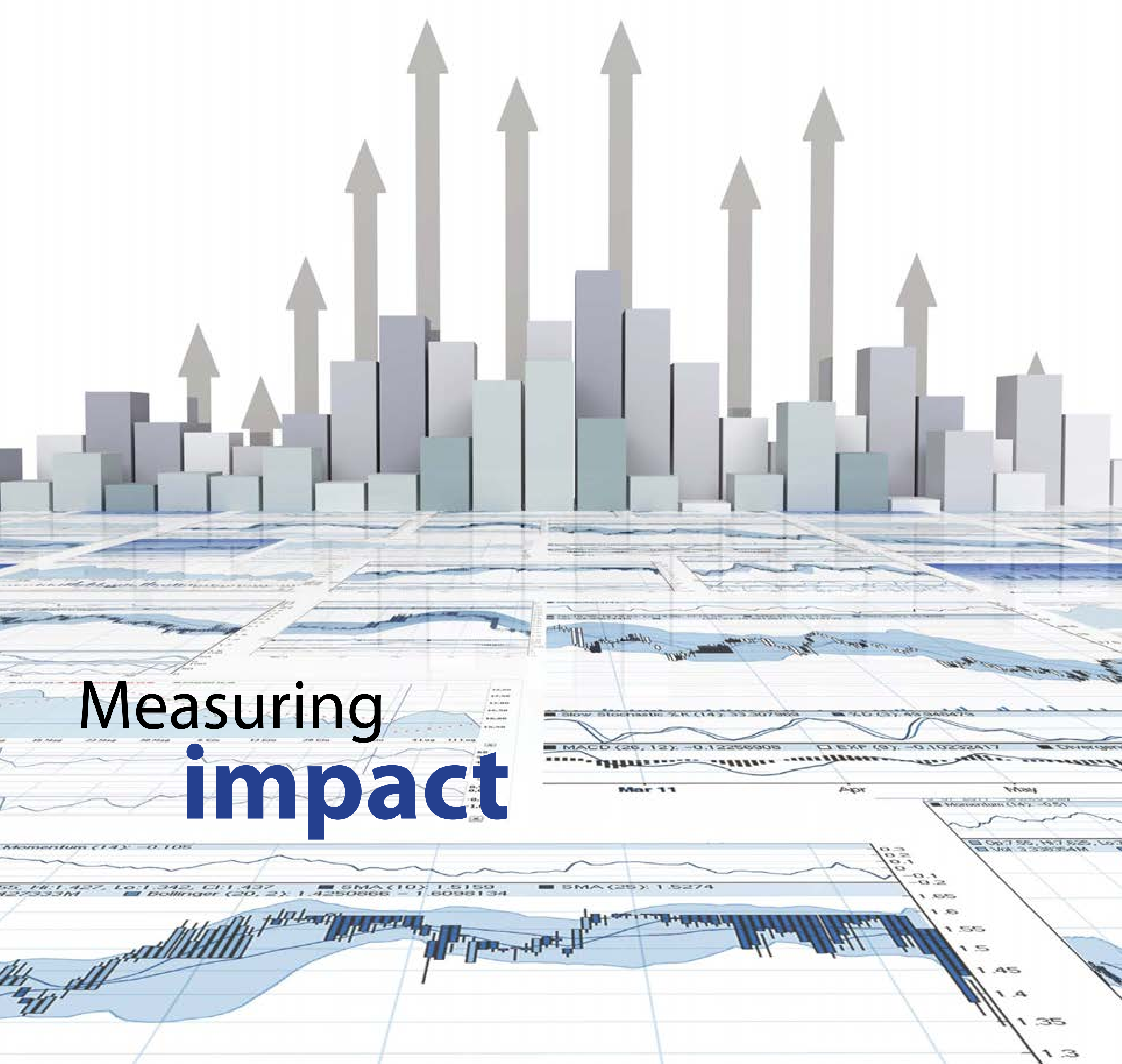

# Measuring impact

# The importance of impact

**The 2013 budget** was not the calamity of last year, partly because there was little in it for the sector.

That said, there were positives: the consultation on social investment tax relief is a much needed incentive for social investment which will have real potential to stimulate growth of incoming funds to this market .

The new tax relief to encourage investment in social enterprise is important to the sector to engage on the development of this to ensure this is directed towards achieving the most social value.

Our analysis on page 10 reveals a sector reasonably contented with the budget, though there are some good pointers raised about where the Chancellor did miss an opportunity or two.

The latest in-depth study on the state of the sector, *Managing in the 'new normal': Adapting to uncertainty*, (pages 9, 13 & 30) reveals that more than nine out of 10 charities have said that they were experiencing a squeeze on fundraising while more than two-thirds said that demand for their services had increased.

Fifty eight per cent of respondents also indicated that Government policies had had a negative impact on levels of funding during 2012.

In short, many charities continue to face a 'perfect storm' of declining income, increasing demand for services and rising costs.

However, there is a suggestion that confidence was perhaps slowly returning to the sector, as charities begin to adapt to economic uncertainty.

And it was good to see the Public Accounts Committee recently examining the sector costs of staging the London 2012 Games. Labour MP Margaret Hodge, chair of the Committee, correctly observed: "Lottery good causes lost money during the period running up to the Games. They need to be assured that they will get some of this back from the financial returns secured from the development of the Olympic Park."

As we noted in the last issue, the DSC is running an impressive campaign to get this issue addressed.

But as our cover feature on impact measurement indicates (page 24), there are things charities should be undertaking to help themselves, and the benefits of good impact measurement are indeed highly significant in this regard.

Charities that can show efficient and effective impact measurement are the way forward for the sector and part of a potentially prosperous future.

**Andrew Holt, Editor**

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## COVER STORY: IMPACT MEASUREMENT

Impact measurement is the current sector zeitgeist. Hugh Wilson finds the benefits of good impact measurement are significant with the idea here to stay

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## Features

# Volunteering dips after golden summer

**Andrew Holt looks at research which says volunteering levels are flat post the Olympics**

Britain's 'golden summer' could have been a false dawn in terms of volunteering, new research shows.

Despite a summer of Olympic glory and the praise heaped upon Games helpers, few people have been inspired to give their time to good causes and there has been no overall increase in volunteering.

The survey of 2,031 adults, carried out by research consultancy nfpSynergy, shows seven in ten adults say the Olympics haven't inspired them to volunteer and only 2% have started as a direct result of the Games.

17% said they were inspired and would like to find out more, but only 10% have increased the hours they do.

The research also shows that overall volunteering levels have barely changed in a decade.

The figures, taken from nfpSynergy's nationally representative surveys of 1,000 adults, show that the number of people giving their time hasn't risen above 22% since research began in 2003.

The study did show more promising results for young people, with nearly half (44%) of the 496 polled saying the Olympics inspired them to volunteer and they wanted to find out more.

Despite this, only 6% had actually started volunteering because of the Games and only 14% had increased their hours. Over a third (36%) said they didn't volunteer and didn't want to start.

In the first post-London Olympic period, the number of people who'd volunteered in the last three months actually fell slightly from 22% to 21%, according to the survey.

JOE SAXTON

*"The time to act was right away to build on the momentum of the Games and it looks like the Government and the Olympic legacy organisations have tried and failed, or missed the opportunity completely."*

The reports reveals:

- Volunteering hasn't gone above 22% in the last 10 years

- There was, however, a slight increase in the frequency of volunteering, with more than half of those who had volunteered doing so once or twice a week

- 70% of adults said the Olympics hadn't inspired them either to start or do more volunteering. Just 2% had started as a result of the Olympics

- 17% said they were inspired to volunteer by the Games and would like to find out more, whereas 10% already volunteered but now give more time

- Nearly half (44%) of 11-16 year olds said the Olympics had inspired them and they wanted to find out more.

- Only a third (36%) said they didn't want to start or increase volunteering

- That said, only 6% have started to volunteer because of the Games, with 14% of existing volunteers now giving more time

nfpSynergy's driver of Ideas, Joe Saxton, said: "For any host country, the Olympics is a once in a lifetime event. To inspire the next generation of volunteers, organisations must capture people's enthusiasm and carry it on to new opportunities.

"The Olympic summer was the perfect springboard. I find it particularly sad and disappointing that nearly half of young people would like to find out more about volunteering, but more than six months after the games they still don't seem to be presented with opportunities.

"The time to act was right away to build on the momentum of the Games and it looks like the Government and the Olympic legacy organisations have either tried and failed, or missed the opportunity completely."

This though, conflicts with the *Cabinet Office Community Life Survey*, which in its last 2012-2013 survey showed a spike in volunteering after six years of decline.

It said 71% of people had volunteered at least once in the last 12 months, with 45 % of people volunteering formally and 61 % volunteering informally, significant increases from 2010-11 (65%, 39% and 55% respectively).

Just under half (49%) of people had volunteered at least once a month in the past year, a significant increase from 41% in 2010-11. 74% of people had given money to charity in the four weeks prior to being interviewed, unchanged from 2010-11 levels.

# Donors deliver stark warning to sector

Only the most financially transparent charities will receive donations says a survey. Joe Lepper looks at its findings

Donors have delivered a stark warning to the voluntary sector that only the most financially transparent charities will receive their money.

The warning comes in a survey of donors carried out by ethical investment company Oikocredit, which found that 48% are more likely to donate to charities that are transparent about their investments and reserves.

Patrick Hynes, Oikocredit's UK national director, said: "We know that among large investors who carry out due diligence that financial transparency is important but we were surprised to see it factor so highly for donors.

"One factor is the increasingly difficult economic times and people want to make sure their money is being used effectively. Another is that the public is much more knowledgeable about financial transparency since 2008. Due to the economic situation they now expect to know much more about an organisation's finances."

Charity Finance Group head of policy and public affairs Jane Tully admits that many charities are not good at promoting their financial reports to the public, beyond filing their accounts with the Charity Commission.

She said a key challenge for charities is knowing what information to make available, with a careful balancing act needed to ensure donors are not confused with too much information or left unsatisfied with not enough.

Information about how donations are spent has emerged in the survey as a key piece of information donors are interested in, with 43% saying this information effected their decision to give money.

But Tully questions whether that information on its own is enough and urges charities to also promote information about how donations improve lives.

PATRICK HYNES

*"One factor is the increasingly difficult economic times and people want to make sure their money is being used effectively."*

She said: "Just saying how the money is spent doesn't tell the whole story. More information is needed to show how it is improving outcomes."

The survey also suggests there is some appetite among the public for information about how a charity invests its money. Of those surveyed 31 per cent said they take into account ethical investment by a charity before parting with their money.

The Jo Walters Trust is among charities to have a policy of financial transparency, particularly in promoting its ethical investments. Charlie Rahtz, its treasurer said: "We looked at investing ethically because we wanted to ensure we can speak transparently and positively about our trust's finances as much as about the work we do."

Another challenge is "time and resources" noted Tully. "Presenting financial information to the charities management is one thing but it can be very time consuming presenting that same information to the public in a digestible form," she added.

Information about how much a charity spends on administration costs was another factor in decisions around donating. This was cited by 42% of those surveyed. But there was far less appetite for data about reserves, with just 15% interested in this information.

While a revelation in financial reports of high administration costs may put some donors off, Hynes said charities shouldn't be afraid to publish information the public may criticise.

He said: "Sometimes investors will look at information and question it. That can lead to a change of policy, which can be a good thing for an organisation. The same could apply with donors having greater access to a charity's financial information."

Publishing information about administration costs could also help dispel myths about the charity sector, Tully suggests. She said: "There are myths that persist that all charities are run by volunteers and they shouldn't be spending money on overheads."

Among tools to help charities improve their financial transparency is the ImpACT Toolkit, developed by the Impact Coalition, of 400 voluntary sector groups including the Institute of Fundraising (IoF).

Oikocredit's total survey sample of 2,016 UK adults also included a further 136 people who did not give to charity.

Among all those surveyed it emerged that the over 55 age group continue to be the most generous givers. While 47% said they gave money to a UK charity at least a month, the figure was 59% among this age group.

Impact Toolkit : **www.acevo.org.uk/impact**

# Report explores the risks of social investment

## Andrew Holt reports on research by the Charity Commission that says good governance is the key to social investment

In March, the Charity Commission published an independent research report into charities and social investment, alongside an analysis of the findings.

The research was carried out by the Institute for Voluntary Action Research (IVAR) on behalf of the Commission.

It aimed to explore the regulatory risks, challenges and opportunities facing charities in this field and gain an insight into the likely development of the social investment market over the next five years, and looked at charities' experiences of both receiving and making social investments.

The research follows the revision of the Commission's investment guidance in 2011.

IVAR interviewed a range of charitable trusts and foundations as well as charities in receipt of social investment.

It also spoke with representatives from a number of social investment intermediary organisations.

*The research found that:*

- The major drivers for successful social investment by charities were a shared sense of mission, good governance, skilled management and strong relationships between investors and investees. The main barriers were concerns about financial risk and reputational damage.
- When it comes to making and receiving investment, some research participants were unaware of the charity law framework that applies to charities. Charity investees had several support needs such as independent advice, help with business planning, peer learning and access to simple and clear investment products.
- Some social investment intermediaries felt that charity investees were excessively risk-averse. However, the investees themselves felt this wariness ensured a responsible and risk-based approach.

SAM YOUNGER

*"This research highlights the importance of strong governance and a clear mission when it comes to social investment."*

*The Charity Commission highlights some key regulatory issues in its analysis:*

- Social investment needs to be clearly understood by trustees. It is vital that trustees are able to make informed decisions when embarking on a particular investment.
- Charities trustees must exercise financial prudence and explain their decisions.
- Charity trustees need to highlight the unique nature of charitable status. Trustees should make sure that the intermediaries and partners they work with are aware of their organisational status as a charity that exists for public benefit.
- Charities should collaborate and seek support. Informal peer learning, networking and independent advice will enable trustees to understand social investment and make informed decisions.

The Commission urges all charities considering social investment to read our guidance on Charities and Investment Matters (CC14), together with the research report which provides an insight into the experiences of charities engaged in social investment.

Sam Younger, chief executive of the Charity Commission, commented: "This research highlights the importance of strong governance and a clear mission when it comes to social investment.

"The Commission's core role is to protect the public's interest in the integrity of charity, so we applaud the fact that trustees are assessing financial risks – however, we don't want trustees to miss opportunities to further help their beneficiaries by being overly cautious. Proper risk assessment, due diligence and good business planning make charities better placed to succeed in social investment."

David Emerson, chief executive of the Association of Charitable Foundations, one of the organisations that took part in the research, added: "Social investment has the potential to transform the way social purpose organisations and funders work together.

"Many charitable foundations are already engaged and many more are keenly watching the space. This very helpful report flags up important issues for policy makers, market builders and investors alike.

"If the emerging market is to take advantage of all that foundations have to offer, it is vital that it takes account of their aspirations, concerns and creativity, as well as the legitimate constraints."

The Commission noted that in this study, 'social investment' is understood as investment that provides a social as well as a financial return.

# Economic climate proves challenging for charities

## A new report highlights the impact of the economy on charities, but there is some optimism ahead, finds Andrew Holt

New figures released by PwC, Charity Finance Group and the Institute of Fundraising just prior to the budget showed that the economic conditions continue to prove challenging to charities.

More than nine out of 10 charities (93%) said that they were experiencing a squeeze on fundraising while more than two-thirds (67%) said that demand for their services had increased.

Just days before Budget 2013, 58% of respondents also indicated that Government policies had had a negative impact on levels of funding during 2012.

In response, major changes are taking place within charities: for 63%, using reserves is on the table and a fifth of charities are considering merger, or had merged in the past year.

While many charities report taking bold steps to cope with the economic conditions, *Managing in the 'new normal': Adapting to uncertainty* did find signs of improvement too, with many charities reporting a slight uplift in income levels and that staff morale is good.

Overall findings from this year's survey appear to show that although the tough economic climate is putting charities under pressure, people are optimistic for the future of their charities as they adapt to meet the challenges it poses.

However, it is unclear if this just means that people are becoming accustomed to uncertainty and learning to live in a challenging environment.

PwC Director Ian Oakley-Smith said: "The latest in the survey series has shown some pleasing signs that charities are adjusting to this environment and importantly that morale in the sector may be improving as people become more used to operating within it.

CARON BRADSHAW

*"These timely figures show that charities are taking bold steps and demonstrating remarkable resilience in the face of increased demand and ongoing austerity measures."*

"In our last report in April 2012, we introduced the concept of 'managing in the 'new normal" and, nearly 12 months on, the characteristics of this "new normal" remain relevant and are likely to continue for some time," he added.

Caron Bradshaw, CFG chief executive, said: "These timely figures – coming out just days before the budget – show that charities are taking bold steps and demonstrating remarkable resilience in the face of increased demand and ongoing austerity measures.

"The sector is clearly doing its bit: the results show more charities are expanding trading activity and exploring merger; however we know unnecessary trading restrictions and pensions legislation still pose barriers in these areas."

Peter Lewis, Institute of Fundraising chief executive, noted: "Our research s hows that the fundraising environment remains tough and many charities expect it to get even tougher in the coming year.

"The squeeze of falling statutory funding and increased demand for services that we highlighted from last year's report looks set to hold.

"But, there is optimism for the future. Donors are continuing to give to their favourite charities, and taken together with the generally healthy levels of staff morale in charities there are clear signs of greater confidence for the year ahead."

*Key findings of the 427 charities that responded to the survey:*

- 93% reported that fundraising had got tougher
- 58% reported that government policy had resulted in a negative impact on funding levels
- 67% said there had been an increase in demand for services and 73% expected an increase in 2013
- 50% had taken steps to reduce salary costs during 2012, including restructure or redundancies
- 21% were considering merger or had merged
- 64% planned to increase fundraising during 2013, and 56% said they would explore new fundraising options
- 63% were planning or considering dipping into reserves
- 55% had increased trading or social enterprise activity since the start of the downturn.

The survey, the latest instalment in the Managing in a Downturn series, has been charting how charities are coping in economic decline since 2008.

# As good as it gets

ANDREW HOLT FINDS THE SECTOR BROADLY POSITIVE ABOUT THE 2013 BUDGET

Unlike last year's disastrous budget, the sector responded relatively positively to the 2013 Budget.

Sector associations ACEVO, CFG, NCVO, CAF, the IoF and Social Investment Business all focused on positives in the Budget: primarily measures involving social investment and Gift Aid. But, the Directory of Social Change stressed the failure of the Chancellor to pay back money borrowed from the sector to fund the London Olympic and Paralympic Games and UKSIF stated it was a missed opportunity.

Sir Stephen Bubb, CEO of ACEVO, liked the Chancellor's commitment to introducing tax reliefs on social investment, with the aim of encouraging more private investors to use their money to create social impact: "By committing to introduce tax incentives for social investment, the chancellor has delivered a diamond in the rough of on-going painful spending cuts."

He noted though that further cuts will hurt, and it is essential that the government works with charities to deliver services differently rather than attempting to do the same with less.

"Our sector must be a participant, not an audience, to the upcoming spending review and the big decisions on welfare and spending. But social investment could help charity leaders achieve more against their ambitions."

The Charity Finance Group's (CFG) reaction to the Budget was also a relatively positive one, with Caron Bradshaw, CEO of the CFG, highlighting the social investment angles offered by the Chancellor. "We are delighted to see an announcement of a consultation on Social investment tax relief. This is a much needed incentive for social investment and has real potential to stimulate growth of incoming funds to this market.

"There will also be a new tax relief to encourage investment in social enterprise. It's important the sector engage on the development of this to ensure that this is directed towards achieving the most social value."

**Levelling the playing field**

Also welcoming the government's consultation on a new social investment tax relief, was Sir Stuart Etherington, chief executive of NCVO. He said: "Charities run expert, high quality services, but often struggle to find the finances they need to expand their work. Social investment is an increasingly important way for charities to grow.

"We've long argued that levelling the tax playing field to ensure that social investments are just as attractive as other investments is a crucial part of supporting this burgeoning market. Currently, most social investment products are outside the scope of existing tax reliefs, so investors have had greater incentives to invest in traditional companies."

Recent research by Big Society Capital suggested an extra £480m could be attracted into the social investment market if social investors were able to access existing tax reliefs.

John Low, chief executive of the Charities Aid Foundation (CAF), reiterated the sector's positive approach to the social investment measure. "Britain leads the world in using social investment to make a difference to people's lives. We need to increase the flow of investment capital to our pioneering social enterprises so they can create new ways of working, and innovative solutions to intractable social problems in Britain today."

Jonathan Jenkins, CEO of the Social Investment Business Group, also noted that the social investment market can play a key role in backing innovative ways of delivering essential services to communities across the UK.

"A recent survey of 188 organisations that deliver social impact in their communities by the Social Investment Business Group showed that at least £344m in additional finance was needed to grow or start new services. We need more incentives for investors looking for both social and financial returns to meet this growing demand from the social sector," said Jenkins.

**Cumbersome Gift Aid**

The Chancellor's proposal to make Gift Aid fit for the twenty-first century could help charities gain more than £700m a year, at a time when one in six charities fear they may face closure during 2013, noted CAF.

It said it was delighted that the Chancellor has responded positively to long-standing calls for reform and will consult on replacing the current cumbersome system of Gift Aid.

The Budget Document pledges that: "The Government will consult on proposals to make it easier to claim Gift Aid through a wide range of digital giving channels, including options for enabling donors to complete a single Gift Aid declaration to cover all their donations through a specific channel."

John Low observed: "It is excellent that the Treasury has responded positively to our long-standing call for a single Gift Aid declaration that people can use to cover all their charity donations. Such a reform will make it easier for people to add Gift Aid to all their donations whether via smartphones, tablet computers or more traditional methods. Gift Aid is vital for charities, but it simply isn't fit for purpose in the twenty-first century. By bringing it up to date, charities stand to gain hundreds of millions of pounds a year."

Taking this on, Institute of Fundraising chief executive Peter Lewis said: "This is also an ideal opportunity to look at the simplification of Gift Aid declarations that will help take up across all channels. We look forward to working with the Treasury on the consultation."

**Pay it back George**

But the Directory of Social Change (DSC) noted that despite the Government's focus on repaying its debts, the Chancellor offered no news for the tens of thousands of charitable good causes which it borrowed from to fund the London Olympic and Paralympic Games.

The last Government annexed £425 million pounds of lottery money from the Big Lottery Fund to help pay for the Games.

DSC noted how this money should otherwise have been available to support charitable causes across the UK. The Big Lottery Refund campaign, run by the Directory of Social Change, says this amount of money could help at least 10,000 charities to continue to provide vital services to around 8 million people.

In his statement to Parliament, Chancellor George Osborne claimed that £11 billion had been saved in departmental expenditure. This is likely to include the £377 million unspent Treasury contingency for the Games, reported last year.

Despite this, Government continues to hold to the position that its debt to the Lottery good causes won't be fully repaid until 2030.

DSC's chief executive Debra Allcock-Tyler said: "This Budget comes just over six months since the Paralympics closing ceremony, but the Government still needs to pay the £425 million debt it owes to communities and vulnerable people who sacrificed to support the Games.

"Despite some other positive measures for charities in the Budget, there was no reference to paying back the lottery – or anything related to the Olympics legacy for that matter. It's not good enough."

Allcock-Tyler continued: "There is a clear moral case for the swift return of these funds to the thousands of good causes which sacrificed to make the Games a success. It's well past time the Government resolved this scandalous situation and repaid its debt to Britain's charities. The clock is ticking."

**Long-term investment**

The UK Sustainable Investment and Finance Association (UKSIF) also highlighted the 'missed opportunity' in Osborne's Budget to focus on the long-term investment agenda. UKSIF was disappointed that the Budget did not clearly strengthen Government support for measures recommended by the Kay Review of UK Equity Markets and Long-Term Decision Making, nor set out the Government's next steps to encourage a focus on the long-term in capital markets.

Photo: Crown copyright

UKSIF had hoped that the Budget would announce measures to mark developments in the run up to the Government's scheduled progress report in Summer 2014 on delivering Professor Kay's recommendations.

However, although the Chancellor acknowledged that the financial services industry encompasses much more than banking, he did not make reference to the Review.

Caroline Escott, UKSIF head of government relations, said: "It is disappointing that the first Budget after the Kay Review seems to have been a missed opportunity for the Treasury to strengthen the long-term investment agenda.

"A clear public policy framework would encourage asset owners, asset managers and company directors to take the necessary steps to build a positive culture of long-termism along the investment chain.

"The lack of reference to Professor Kay's report follows recent news that the Treasury decided not to give their backing to an economic review of resource depletion, climate change and growth that had been backed by other Government departments.

"We therefore urge the Treasury to help break down the barriers to effective long-term investment, and ultimately to help secure sustainable growth which boosts the economy while safeguarding the environment for future generations."

Anne Longfield, chief executive of 4Children, said the Budget provided some welcome support to families on two of the big issues: buying a home and covering the cost of childcare.

But she noted that with families set to be financially worse off in 2015 than they were in 2010, many still face an uphill battle to make ends meet against the soaring cost of living. "With the Chancellor announcing that he will make a further £11.5bn of savings in the Comprehensive Spending Review, we will be campaigning hard in the coming months to ensure he does this in a way that is fair for families."

While Leslie Morphy, chief executive of Crisis, the national charity for single homeless people, said any encouragement to build more houses is welcome. "Though the key question will be whether this initiative works better than the many that have gone before and new homes actually get built," she said.

# Money for Good UK by Sally Bagwell et al

THIS REPORTS OFFERS RICH NEW RESEARCH ON THE LINKS BETWEEN DONORS' BEHAVIOURS AND ATTITUDES, SAYS CATHY PHAROAH

*Money for Good UK*, the major new study of giving by New Philanthropy Capital, occupies a unique place in the landscape of UK giving research. It is the first sizeable population survey with a sample weighted towards higher-end donors. It goes beyond actual behaviour to exploring its links with motivational factors like sense of duty, charity communications and evidence of impact on giving.

Thirdly, it has a specifically practical agenda, aiming to identify factors most likely to motivate particular donors, and plans to roll out a training programme for fundraisers. This is ambitious and rooted in the approach of Hope Consulting in the US which shares NPC's values around impact, and whose original *Money for Good* survey scoped US market potential in impact investments and charitable gifts.

NPC are well aware that the proof of their research pudding will be in the eating, an acceptable challenge if it encourages charities to up their game around donor segmentation, communications and impact. The survey's breadth and depth have spawned a wealth of findings to dip into. The survey sample was a substantial 3,000, of which 85% were donors. Its high-value focus meant only donors giving at least £50 last year were included, and one-third had household incomes above £150k ('high-income donors'), with two-thirds below this ('mainstream donors').

The survey found average annual giving of £1,282 for high-income donors, £303 for mainstream. While average donation for mainstream donors went up with age, a finding consistent with other surveys, this age-relationship did not hold for high-income donors. This confirms evidence from other surveys that income is the most important determinant of giving amounts.

Rather surprisingly, collection tins are the most frequent mode of giving for both mainstream and high-income donors. This shows the continuing importance of face-to-face fundraising, and the imperative of getting it right.

High income donors make considerably higher use of cards to donate, but the most striking difference is that 61% of high-income donors give through social events, compared with just 37% amongst mainstream. This finding on the importance of social networks resonates with US research on high-value giving.

Factors including websites, talking to charity representatives, advertising and social media exerted similar influence on high-income and mainstream decisions to give, but high income donors were much more likely to be influenced by information from friends, family members or colleagues (61%).

In other words, social networks not only prompt support for particular causes, but the giving behaviour itself, and are possibly as significant in motivating donations as charitable organisations themselves. A majority of both high-income and mainstream donors pay close attention to how donations are used (around 63%) and evidence of impact ( 61% and 58% respectively).


The findings of the donor segmentation, however, clearly indicate real and significant differences in attitudes to impact. Seven segments are identified: 'loyal supporter', 'ad hoc giver', 'good citizen', 'faith-based donor', 'engaged champion', 'benefactor' and 'thoughtful philanthropist'.

Ad hoc givers are the largest single group (31%), and three-fifths of givers (62%) did no research prior to their largest charity donation last year. Some may have been repeat donations, however, and a substantial two-fifths of donors (38%) reported pre-donation research, of whom one-fifth are deciding between multiple charities. These donors include 'thoughtful philanthropists', who make the highest annual donations by far, and 'engaged champions', the most likely to do research, and give the highest single donation (though not highest average). NPC estimates a gap between levels of donors' interest in and assessments of charity performance, and a potential £700 million additional giving if it were bridged.

There is substantial evidence in this rich new research that there are distinct differences between various donor groups' likelihood of giving more if they rated charities' performance more highly, and that charities might increase their appeal to the donor groups which have the greatest potential to make large gifts.

**Cathy Pharoah is Co-director, at the Centre for Charitable Giving and Philanthropy, Cass Business School**

**The paper can be found here: www.thinknpc.org**

# Managing in the new normal by CFG & IoF

STEPHEN BUBB ENJOYS THIS PAPER WHICH HIGHLIGHTS THE NEED FOR OUR SECTOR TO REMAIN FLEXIBLE, INNOVATIVE AND ADAPTIVE DURING A PROTRACTED ECONOMIC DOWNTURN


Managing in the 'new normal' – adapting to uncertainty

The latest instalment in the series of 'Managing in a Downturn' surveys

Last month saw the release of the latest report in the annual 'Managing in a downturn' series of reports into voluntary sector finances, produced by PWC in partnership with the Charity Finance Group and the Institute of Fundraising.

*Managing in the new normal- adapting to uncertainty* presents the reader with a range of evidence demonstrating the financial challenges that continue to affect the voluntary sector.

The change in title to 'the new normal' reflects the widespread belief that the financial environment for charities is likely to remain challenging for the foreseeable future. Certainly the report feels familiar, painting a picture that has changed little since the financial crash of 2008.

So we are told that "67% of charities are experiencing an increase in demand for services," whilst simultaneously dealing with falling income from both public and private sources. 93% of fundraisers felt that the fundraising climate had got tougher in 2012, while public sector income fell by a sizeable 7%.

Consequently only 25% of charities feel able to satisfy the increasing demand for the services they provide. While there are a few slivers of good news - for example, donor attrition is improving as donors acclimatise to the 'new normal'- they are outnumbered by the bad.

The tough financial climate is widely acknowledged and understood within the sector, and the narrative of 'increasing demand, falling resources' has also been set out many times before.

In this sense the report offers little by way of new information on the financial challenges that charities face, except for some more up-to-date statistics to replace last year's.

It is more interesting, however, when it touches on the strategies that different organisations are using to adapt to difficult circumstances.

The report depicts a sector unafraid to explore radical options. Over a fifth of those surveyed were either considering a merger with another organisation or had already undertaken one.

85% were trying to tap into new fundraising avenues, while 68% had carried out a full strategic review.

The report also shows that impact measurement has taken on increasing importance for the sector, with 59% of charities actively working to improve their impact measurement capacity.

This is clearly linked to the desire to access new sources of income, with an eye on the social investment market and the increasing interest of funders and donors in impact evidence.

ACEVO has long argued that impact measurement can both help attract funding as well as improve an organisation's ability to evaluate and steer its own work, and I expect it to continue to grow in importance as the sector continues to adapt to changing circumstances.

Finally, the report provides more evidence that investment in fundraising capacity can go a long way.

Those charities that invested in fundraising over the long term were found to be most successful at mitigating the impact of the economic downturn.

For those trying to keep up, the key fundraising challenges included tough competition from other charities, and insufficient funds to invest in fundraising- a tricky Catch-22 situation.

Those organisations that invested in fundraising early are now much better positioned to ride out the economic slowdown- a lesson worth remembering for the future.

While it contains no earth-shattering revelations, this year's report is worth reading for an update on the sector and an insight into the different methods used by charities to adapt and survive.

Above all it highlights the need for our sector to remain flexible, innovative and adaptive as we continue to serve our beneficiaries and communities during a protracted economic slowdown.

**The paper is available at: www.cfg.org.uk**

**Sir Stephen Bubb is chief executive of ACEVO**

# Slow Progress by the Paul Garaud & Matthew Oakley


**ANDREW HOLT FINDS THIS THOUGHT-PROVOKING REPORT HIGHLIGHTING HOW WE SUPPORT PEOPLE TO NOT ONLY GET WORK BUT KEEP IT AND PROGRESS IN IT**

This thought-provoking Policy Exchange paper argues that changes need to be made to the government's flagship welfare policy in order to ensure less people in work are reliant on the state to top up their wages. At the moment there are 1.3 million workers who rely on benefits, in the form of Working Tax Credit, to top up their incomes.

*Slow Progress* identifies that while people said they wanted to work more, they did not actually follow their words up with action. Nearly three quarters of in-work claimants: 970,000, are not currently looking for additional work to increase their earnings.

It found that only 30% of part time workers who expressed a desire for full time work were actively looking for full time work and only one in five part time workers on Working Tax Credit were actually seeking additional hours. This has stark and obvious consequence for welfare reform. It also has an impact on third sector organisations and their work.

Most of this group are a mixture of ages and family types: most work between 15 and 24 hours a week and over half are in fairly stable employment. Some are restricted by the amount of work they can do: around a third have dependent children, over half are over 45, some are likely to have some health or caring related issues.

Around 45% also have relatively low or no formal qualifications. The report makes some sensible recommendations for improving the incentives for Jobcentre Plus and Work Programme providers to give real attention to progression in work: all new in-work claimants of Universal Credit should be required to attend an initial claim interview at a JobCentre where a conditionality regime should be set up to ensure the individual is doing all they can to increase their hours and earnings.

In-work claimants would be required to attend a quarterly meeting at a JobCentre to be reminded of their responsibility to try to increase their earnings. Sanctions would be applied for failing to attend.

Moreover, *Slow Progress* says measures of Jobcentre performance need to change to encourage staff to help claimants into long-term sustainable work, rather than simply getting them off Jobseekers Allowance and contracts with Work Programme providers need to change to ensure that they are incentivised to help claimants progress from smaller jobs to ones with greater earnings. These are fair and logical suggestions.

It also suggests piloting various other measures, including greater sanctions, to persuade more people to actively try to increase their hours and pay. Responding to the DWP's call for ideas, the report suggests therefore that there must be greater conditions for in-work claimants to ensure that they are doing all they can to increase their hours and earnings.

The recent introduction of Universal Credit has provided the Government with an opportunity to ensure that workers reliant on state benefits are explicitly asked to do more to find more work where possible. Though some will see this as a right-wing agenda imposing itself, what is interesting about the welfare debate is how there is now acceptance on all political sides of the need to reform. Beveridge after all, saw unemployment benefit as a safety net, not as it has become for some, a lifestyle choice. A recent YouGov/Prospect study suggested that three in four people (and a majority of Labour voters) think that Britain spends too much on welfare.

But this Policy Exchange report, as The New Statesmen quite rightly stated, addresses the issue of how we support people to not only get work but keep it and progress in it. This will let them end up earning enough to live decently, without needing tax credits.

Though the report doesn't quite address where more hours and progression will come from. This contrasts with New Statesman research showing that there are already 1.4 million people who want to work full time but are working part time because no full time job is available: the highest figure in 20 years.

But there is no doubt that the situation needs addressing. The paper doesn't offer a panacea but does present a thought-provoking approach that will be one of many hard choices. A million working-age people were on benefits during every one of Labour's 13 years and that's far worse than a waste of money. It is a real waste of human potential.

**Andrew Holt is editor of Charity Times**

**The paper is available at: www.policyexchange.org.uk**

# Responsible Recovery by Julian Dobson

This publication is a contribution to a worthy lineage of policy and similar offerings which offer solutions to the malaise which afflicts many poorer communities in the UK. This malaise is that they do not appear to benefit much from periods of economic growth and then are particularly adversely affected by the economic downturn. The report advocates economic regeneration through more local mechanisms.

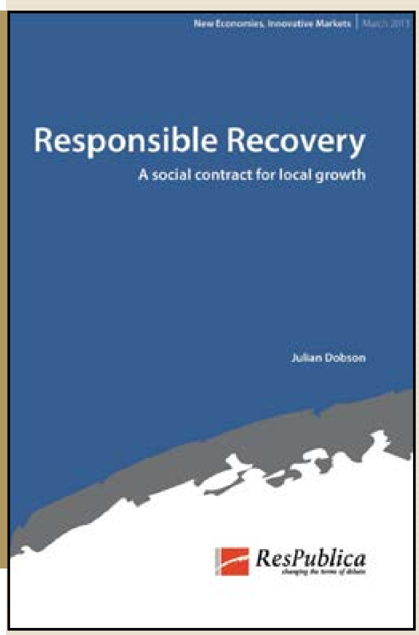
Perhaps the following excerpt from the report gives its' focus: "…lasting recovery should start with the people, aligning with their aspirations and desires in life and helping them to progress from getting by to getting on – a social contract for local growth. By doing so, far from giving people something for nothing, it enables them to contribute – through time, talents and taxation. Of these three, time and talents have the potential to unlock the greatest value and innovation."

The use of the words 'social contract' is, to lift a phrase from Sir Humphrey, 'a bold choice to make'. To those familiar with political philosophy it has a lineage reaching back to the contrast between how Locke and Hobbes perceived the nature of social relations between citizens and government. The former saw it as something freely entered into by citizens to their general betterment whereas the latter saw it as emanating from fears of a situation in nature where life was 'nasty, brutish and short'.

The reader may ponder as to how Hobbes and Locke might perceive the underpinning assumptions of this report. To use the term 'social' in a setting which relates to economic regeneration also could be said to be using the wrong lever for the particular problem. The economic recession is widely laid at the doors of those driven by economic as opposed to social motivations. What the report proposes is "not a formal, legal contract but a set of principles and behaviours which should underscore current government priorities for localism, economic recovery and welfare reform, as well as the relationships between communities and private businesses."

Will such a 'social lever', an instrument lacking any legal teeth, serve to right the economic malaise which afflicts those disadvantaged communities? A key and core issue in regeneration in the UK is arguably the very nature of distribution of power. The UK, more so than virtually any other European or North American democracy, is a centralised state. This is the case notwithstanding devolution which, to a significant extent, replicates the situation but at the level of the various national entities. This centralisation manifests itself in ways that render fostering true local determination a major challenge. Previously localism has been associated with terms such as 'double devolution' which reflect the peculiarly English attitude of a reluctance of the centre to distribute any significant level of power to 'lesser' political entities. I would submit that power and money are potentially the key determinants of local regeneration. This contribution by ResPublica adds to the debate and will no doubt win plaudits from community organisations for the role which it espouses for them in regeneration. Such localism may serve as an effective response to the widely reported hardening of public attitudes towards 'welfare' and conditionality. As with attitudes to health and public services generally the closer to home the more positive the perception of provision (See *21st Century Welfare*, Ipsos Mori, December 2012).

THIS CONTRIBUTION TO THE LOCAL REGENERATION DEBATE WILL WIN PLAUDITS FROM COMMUNITY ORGANISATIONS, FOR THE ROLES IT GIVES THEM, SAYS ALEX MURDOCK




Possibly such a real development of welfare localism might lead to a more positive public dialogue based upon an informed awareness of the situation of people 'like us'. Maybe what is needed is a welfare 'postcode lottery' where people are enabled to contribute to economic regeneration based upon locally determined priorities and 'incentives' as opposed to centrally driven criteria influenced by the headlines in national newspapers. The consequences of such 'real devolution of power and resources' could be interesting where, for example, an area with a high proportion of retired people may choose to prioritise social and economic provision aimed at the elderly as opposed to child care which thus becomes purely a 'safety net' provision: examples of this are in Denmark. With localism, as with other policies, 'be careful what you wish for as you may get it'

**Professor Alex Murdock is head of Centre of Government and Charity Management at London South Bank University**

**The paper is available at: www.respublica.org.uk**

# Impact Measurement

## Improving services

**Charities fulfil their mission most effectively when they measure their impact carefully and systematically, argues** DAVID ROBINSON

Last year New Philanthropy Capital (NPC) asked 1,000 charities across the UK why they invested in impact measurement: more than half said it was to meet funders requirements. Just 5 per cent wanted to improve services.

The main benefit, however, that charities said they found when they did measure their impact was not increased funding – it was improved services.

The sector has always considered itself to be the R and D division of the welfare state, the trail blazers and the radical thinkers.

Perversely perhaps, this time of austerity should be our moment. Are we stepping up? Do we have the practical ideas to do things differently, to do things better? Have we the evidence? Not just in general terms but have we interrogated the models enough to know exactly what it is that works well, what might be transferable?

Impact measurement isn't just about money. It is fundamental to delivering the mission, to the processes of planning, changing, managing how we work, to selecting, training, supporting, developing staff, to choosing how we allocate our resources, where we focus our attention and yes, also but not only, to how we account to our funders, spread the word and raise the funds.

We need the impact measurement, perhaps to compete, but more importantly to change the world. Achieving mission is not a zero sum game limited by the size of a finite funding pot divvyed up between the smartest fundraisers.

We need to raise our sights, collaborate, do better. Our contribution was never needed more. That it should be knowledgeable, authentic and rooted in evidence was never more important.

Some years ago when I was Community Links CEO and preparing a strategic plan I asked various stakeholders if we would be bigger, smaller or the same size in three years time. The answers showed me that it was the wrong question.

Respondents said: 'I don't know,' 'I don't mind,' 'it doesn't matter.' Our strategic plan had to be about making an impact on poverty, on unemployment, on educational underachievement. Size would tell us nothing about how well we had delivered on the mission.

It may be that our greatest achievements as CEOs, project managers, trustees or funders will be with organisations that shut down. Not of course because we did our job badly but because we did it well. We operate in a world that attaches false value to the building of empires. Fix on mission, go where the evaluations lead.

But always be honest.

Honest about what we cannot measure and big enough to say over and over again that some of the things we've not yet to learn to count may none the less be amongst the most important.

The development of the hospice movement over the last 50 years would be high on my list of the third sectors greatest achievements but it hasn't reduced the benefits bill, got the unemployed into work, or equipped the next generation to be economically active. It is, however, civilising, humane and, for those whose lives have been touched by it, of immeasurable value.

Charity is not first and foremost about saving public money and, though many of us will argue that we do, it is not why we are here. Let us not become the generation of third sector leaders that knew the price of everything but the value of nothing.

Competent managers sustain the bailiwick worrying about the headcount and the budgets. Great leaders share these concerns but look also beyond the organisational horizons. They fix on mission. It is the beginning, that which inspires us, and it is the end, that which we are striving to achieve

So in summary here is where I stand:

- Institutions are a means to an end but not an end in themselves. The primary allegiance of a charity is to its mission. It is your pole star.
- We fulfil that mission most effectively when we measure our impact carefully and systematically. Use the learning, it is an operational tool. Go where it leads.
- Never stop questioning; never deny your humanity imagining that numbers alone will tell us what is right. Never lose true north.

**David Robinson is the senior adviser at Community Links and leads the Early Action Task Force**

**david.robinson@community-links.org**

# Impact Measurement

PAUL BRECKELL **says measuring impact is valuable, sometimes helping a charity further its objectives. Moreover, it is here to stay. But he warns, there are risks on an over reliance on impact measurement**

## Monitoring impact

At Action on Hearing Loss we have a vision of a world where deafness, hearing loss and tinnitus don't limit or label people and where people value their hearing. In striving to make this vision a reality it is important to our members, the people who use our services and funders that we can demonstrate the positive impact we're having on the lives of individuals.

It is also essential that we recognise and demonstrate the value we are able to add and take this into account in decision making. To do this we have developed the way we monitor and report on our activities and seek to continuously improve our impact measurement and evaluation techniques. Charities cannot take the general public's trust and confidence for granted and I think it is essential for sector organisations to develop approaches and techniques to measure and demonstrate their outcomes and impact. Measuring social value is valuable, and it is here to stay. It is particularly vital in these times of austerity when the risk is that social value is underplayed when there is a much more sharp focus for funders on the importance of financial value and cost reduction.

What is, however, essential to remember is that what is suitable for one organisation or individual will not be right for others, and impact reporting is much more than producing a single number or ratio. I would encourage charities to think hard about what they are trying to ultimately achieve before diving in and establishing a set of things to measure, just because the numbers are readily accessible. To support our own work, and to prove its benefits, we have now embedded a personalised approach to measuring impact. In doing this we started by talking to people who are deaf, have hearing loss or tinnitus, seeking to understand what positive outcomes are most important to them.

One great example of this was our Outcomes Monitoring Tool which we developed for our care and support activities. The tool allows us to take a personalised approach to planning and monitoring the outcomes for people who use our services. It is an easy system that enables them individually or with their support network to set goals and then regularly monitor how they are progressing towards these – everything from their wellbeing and health to choosing where they live and how they spend their money.

The tool ensures that information about the value we've added for each individual is collected in a consistent way, enabling individuals and staff to review progress and, crucially, allowing us to record and evaluate our impact in the longer term.

Impact measurement can also be used in itself to further a charity's objectives. As part of our work monitoring and shaping the way audiology services are delivered, we've produced a rigorously-tested

We consulted widely across the sector, and with a large number of people who had used hearing services, and together we agreed a set of outcomes that hearing services should be achieving. We also put together the tools to measure services against these outcomes, and with the support of audiology bodies we hope this will soon be adopted across NHS services.

Given the changing landscape of the NHS, tools like this can ensure that patients receive consistently good outcomes and that service quality improves. We believe in measuring our impact. Without doing this, how can any organisation honestly tell if it is being effective? Nonetheless, there are some risks from an over-reliance on impact measurement, particularly for government in the way they commission, fund and regulate their delivery partners in the sector. There are reasons to be cautious as impact measurement and particularly social return on investment has to create a framework and make assumptions that bias the findings towards those things that are easily measurable. However good the work on measuring social value is, can it really capture all of the benefits that a project, program or indeed whole organisation are delivering?

More subtle factors which may strengthen the organisation, give it the capacity to deliver future outcomes, or provide longer term benefits for a community being supported may be ignored, as the focus is on those elements that are most readily quantifiable. The costs of measurement also have to be considered and should be proportionate.

The best partnerships, including those between commissioners and providers, are about more than just a set of performance measures, however sophisticated.

**Paul Breckell is chief executive of Action on Hearing Loss**

# Impact Measurement

## Sharing impact

CERI DOYLE **observes that when it comes to impact measurement funders are keen to support initiatives that help build the case for better evidence of impact and provide a platform for sharing that evidence with others**

Everyone is talking about impact and charities are coming under increasing pressure to demonstrate the difference they are making. In a time of scarce resources, funders want to be able to compare results, know that what they fund works, and find those elusive interventions that deliver high impact for low cost.

All of this points to the need for better measurement and shared approaches that reduce duplication, improve comparison and add value.

So how do we achieve this? At Big Lottery Fund, we have long championed the practice of applicants and grant holders assessing the need for a project, showing how the proposed intervention is based on good evidence, setting intended outcomes and realistic ways of reaching them, measuring that progress and communicating it.

*Getting Funding and Planning Successful Projects* is our basic guide to this process, and is used by organisations across the voluntary and community sector.

There are some obvious benefits for charities in considering impact, even the smallest organisations, like those we fund through our Awards for All programme, ask 'What are we trying to achieve and how will we know if we have done so?'

Proportionate, practical tools can help charities that are struggling with impact measurement to see that they really don't need to start from scratch.

For larger organisations there is more pressure to conduct evaluation, and they too need help with choosing the right methodology, balancing the appropriate amount of rigour against time and cost involved.

But there are some risks. Funders' expectations of charities need to be proportionate.

Thinking about impact requires hard work if it to be done properly and adopting measurement approaches without really embedding them into organisational strategy is unlikely to deliver sustainable benefits (see the Inspiring Impact's *Code of Good Impact Practic*e).

There is also the age-old difficulty of measuring impact when an organisation is but a small contributing part to a long-term goal (how do you show that your wellbeing project has prevented a premature death from heart disease?).

There is also the ever-present risk, much beloved of policy makers, of judging 'impact' too soon.

BIG is keen to support partnership initiatives that help build the case for better evidence of impact and provide a platform for sharing that evidence with others.

For example, The Alliance for Useful Evidence is championing the use of, and demand for, evidence that is rigorous, accessible and appropriate; our partnership with the Institute for Government *Connecting Policy with Practice: People Powered Change* seeks to bring together policy makers from Whitehall and practitioners from the voluntary sector to explore shared stubborn policy challenges.

And our membership of the 'Inspiring Impact' partnership seeks to build common approaches to measurement for charities and social enterprises.

Our funding programmes offer a good opportunity for good practice on impact measurement.

The UK-wide programme for families with complex needs (called Improving Futures) uses common indicators so that different projects across the UK can assess progress in the same way.

Increasingly our strategic programmes adopt common measurement frameworks, so that the projects involved measure the same things and can learn from each other.

At Big Lottery Fund we know 'impact' doesn't happen thanks to our funding alone.

The money is a catalyst to enable organisations and others to make a difference to people's lives.

It is therefore important, as a funder, that we support them in demonstrating that impact, helping them to communicate the evidence of their achievements.

It also helps us to design better programmes and improve our own performance because we have a better understanding of what projects and interventions achieve.

**Ceri Doyle is director of strategy, performance and learning at the Big Lottery Fund**

# Impact Measurement

DEBRA ALLCOCK-TYLER **argues that when it comes to smaller charities and smaller sums, the benefit of knowing the full 'impact' of a grant, is grossly outweighed by the effort required in proving it**

## Proving impact

Recently I visited a charity that had a small grant from the Local Authority to provide a volunteer outreach service to elderly folk who were still living in their own homes but who were unable to get out much and no longer had family around them.

The purpose of the work is to alleviate some of the profound loneliness experienced by the beneficiaries as a result of their situation. The volunteer programme basically consisted of willing folk visiting these elderly people in their homes to provide company and comfort.

They'd turn up for a few hours a couple of times a week to watch telly, drink tea, gossip and listen.

The CEO was in despair. She had just received a communiqué from the LA saying that unless she could demonstrate the impact of the out-reach volunteer programme they would no longer continue to fund it.

The charity already monitors the work of its volunteers, they are debriefed on their visits, asked what further support they or the elderly person might need and so on.

But as the CEO said to me: "Firstly, how do we pay for this additional work? And how on earth do we monitor the 'alleviation of loneliness'." Do we get 89 year old Mr Jones, who's profoundly deaf and riddled with arthritis to fill in a form rating his loneliness levels? And even if that was possible – it isn't particularly good practice to remind people of how lonely they are when you are trying to alleviate that loneliness!'

It seems to me that what the LA is asking for is what I call an EBO (evidence of the bleedin' obvious). It's bleedin' obvious that there is a real benefit to the lonely elderly having companionship. Does it really want the charity to waste valuable funds, time, energy and effort creating some 'measurement' models that can be put on a piece of paper and fed into a computer?

Much of the problem is that there are some fundamental assumptions (usually negative) about what charities do.

The reality is that most charities already evaluate their work in their own way. But impact measurement often requires charities to report in a way that suits the funder, not the fundee. And so often what the funder is asking for is EBOs.

Further, I'm concerned that, as with most "trends" or "developments" in grantmaking, things that are developed for a specific reason or type of funding/funder, end up trickling down to other funders unnecessarily, and thus create a barrier for smaller organisations. If a funder, whether statutory or trust, makes new hoops, the big boys and girls will learn how to jump through them. They have to because that's where they get their money from. And if they can't do it themselves they'll get consultants to help them. But the smaller charity, that might only ever get 10% of its funding from the local authority, ends up having to play the same game for relatively tiny sums.

So, for smaller groups and smaller sums, the benefit of knowing more specifically what the 'impact' of a grant was, is grossly outweighed by the effort required in proving it. For example, the community centre needs a new roof, and the local trust exists to support the local community, so it gives them a grant for a roof.

The "impact" is obvious, (an EBO) - measuring the relative increase in well-being to the community as a result of them now having a roof is pointless.

Let me be clear. I am not saying that charities shouldn't measure impact – I'm saying that we do, but many of us do it in a way that suits us and our beneficiaries – not the funder.

So for me the over-arching problem with all of this is that we are in danger of ending up with charities doing what they can measure rather than doing what matters because what they can measure will get funded.

My message to funders is to remember that the measurement is not the work and that it is, I'd argue, substantially more useful to measure impact by sitting down and having a conversation with the charity about what their impact has been (which in fairness some of our better funders already do).

And finally I'd remind them that "Not everything that is measured matters and not everything that matters can be measured."

**Debra Allcock-Tyler is chief executive of Directory of Social Change**

# Profile:

## **Claire Horton**, chief executive, Battersea Dogs & Cats Home

## Best of the brand

BATTERSEA DOGS & CATS HOME WAS A STAGNATING CHARITY UNTIL CLAIRE HORTON TOOK THE HELM AND PUT THE CHARITY ON A RADICAL NEW JOURNEY

Effective charity leadership can be identified in a number of ways, whether by instigating a turnaround of a charity or, as in the case of Claire Horton, chief executive of the Battersea Dogs & Cats Home, exploiting a much loved brand to the full. When the highly likeable and impressive Horton took the helm in June 2010, Battersea's income stood at £10.5m, thanks to her vision that has been boosted to £19.1m in 2012.

The changes Horton initiated would be multilayered, but motivated by two core issues. "Firstly, we had stagnated in terms of income and profile. We had not really exploited the brand and capitalised on that opportunity," says Horton.

Secondly, the charity was 70 per cent reliant on legacy income alone. "This was a precarious position to be in: donor profiles are changing, then there is the state of the economy and the size of investment returns is diminishing," notes Horton.

She adds Battersea has benefited hugely from historic legacies over the last 150 years, but observes: "We would not have been in a very good position ten years from now if we had done nothing. We are behind many other charities who have invested in strong fundraising strategies."

She had support from a trustee board and chairman in Heather Love, the successful publisher, entrepreneur and co-founder of Original Source toiletries, to go down the road of radical change.

Horton identifies two recruits as being vital: the hiring of Liz Tait, Battersea's head of fundraising and Dee McIntosh, director of communications. "Both have been instrumental in making a huge difference in the running of the charity.

"People you employ need to be strong players; really dynamic, work at a fast pace and have credibility and experience from other organisations: this is what I have with Liz and Dee. Between them and the management team we collectively put together the vision and strategy."

### Developing strategies

From here, a fundraising strategy arose, as did a communication strategy and a global strategy was formed. This included asking Battersea's supporters: would they help? "People respond when asked," says Horton.

Battersea has since boosted its individual giving programme: it had 4,000 individual givers, giving monthly donations in 2010; that now stands at 50,000. The fundraising team smashed their targets in 2011 raising £3.8m alone, a 123% growth on 2010 and £700,000 ahead of target. In 2012 this was boosted further with more than £7m raised. Central to this success was a highly motivated, committed and driven team with a clear fundraising vision, says Horton.

It was a key reason the Charity Times Awards judges awarded the 2012 Fundraising Team of the Year Award to Battersea, noting it was: "An excellent example of committed, focused fundraising with first-rate financial returns."

Direct debits now bring in £4m a year; £9m is now down to legacy income; the rest is donations, trading, fees for finding animals new homes and investment income. The trading company is another Horton success story, as the retail operation was reviewed and launched licensing and clothes recycling programmes to deliver a profit for the first time in three years.

A silo working approach within the organisation also needed to be dealt with. Horton explains: "We had many historical working practices. We had huge inefficiencies. Almost all of those have been ironed out and we have saved money. We have also integrated customer services teams with animal services: bringing the teams together means anybody can speak to anybody about any animal and they will be able to get an immediate answer."

The other piece in Horton's Battersea jigsaw - to make the shift away from over reliant legacies - was the greater involvement with corporate organisations.

"You need to partner with organisations where your values align with theirs," observes Horton. She adds, to my surprise, that Battersea is not the charity many blue chips will consider as their charity of the year.

"But what we do is work differently with those corporate organisations to come up with individual, innovative ideas where there is a natural affinity." Pedigree is one example. Another is Churchill Insurance with its nodding dog.

**Corporate fundraising**

And in this way, Horton has made sure that Battersea now has a top class corporate fundraising team who work closely with the operational frontline team. This has had amazing corporate results: producing a 2,600 per cent growth since 2010 from £16,000 a year in corporate partnerships to £435,000 today. Its investment portfolio is now £30m with several million committed to developing the site at Battersea, and extending its sites and services in the future.

"We worked with a multi-pound deficit for many years: when I arrived we were running at a £2m annual deficit. We broke even at the end of last year and will do so again this year. What we are making, we are spending, but we are spending it on new services and investing in future sustainable income," says Horton.

Further wider brand promotion was achieved through the Paul O'Grady For the Love of Dogs TV programme, broadcast last year, which won a national TV Award. "It hits 10 million viewers a week, in a warm, positive, but clear, way."

There has also been a move to make more use of volunteers. "Volunteers have always been part of Battersea's history. The value they bring to an organisation is huge: although volunteers were very much used here they were not central to everything we do, so I brought them back into the heart of the strategy and made better use of volunteers."

**"You need to partner with organisations where your values align with theirs. We work differently with those corporate organisations to come up innovative ideas"**

On a wider, civil society level Battersea is now tackling issues like dog fighting at source and irresponsible dog ownership in conjunction with the Department for Environment Food & Rural Affairs, the Home Office and local authorities to develop projects in priority London boroughs where there are real social problems, which manifest themselves in dog problems. Horton plans to increase Battersea's geographic footprint in more inner city areas and over the longer-term, across the country.

The recession and its wider impact has had an influence on Battersea's work, with people bringing in pets because they can no longer look after them.

"Animals are affected because their owners have lost their jobs, then they lose their home, move into rented accommodation and landlords will not take the animal, therefore they bring them to us. Others, because they cannot pay the vets bills or the food is too expensive: people are making the most awful choices.

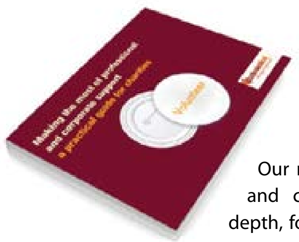
"We make that giving over process as gentle and sensitive as we can, and treat the animal with the sensitivity it requires and find the right home, so it has a second chance."

Given Horton's impressive record as Battersea CEO what is the biggest lesson she has learned? "Always employ people better then you: they make you look great," she jokes. She then adds: "I try to inspire people." There is no doubt, given Battersea's success, she has proved highly inspirational.

Not contented with what she has already achieved, Horton aims for the charity to have an annual income of £30m by 2017.

It is clear that the focused vision behind the changes in Horton's time as CEO have resulted in the charity being in an impressively strong financial position and that under her tenure the charity, it dogs and cats, are in very safe hands indeed.

# Making the most of professional and corporate support



**With charities looking for efficiencies and more innovative ways to deliver services, harnessing expertise and insight from corporate partners, using professional volunteers and testing some micro volunteering initiatives is an appealing option for many charities.**

Our new guide "Making the most of professional and corporate support" looks at this in more depth, focusing on how you can get the professional support your charity needs and the steps you need to take to manage the risks involved. It pulls together a number of resources, including helpful hints, tips and case studies from specialists and national charities to enable you to make the most of the opportunities available. The guide includes:

**Working with corporate partners**

Charities should make the most of corporate partnerships by being flexible and creative with opportunities, seeking to solve problems together, continuously monitoring and clearly measuring outcomes and by spending time together to improve the partnership. Ecclesiastical provides a business view of charitable partnerships.

**Using professional volunteers**

A quarter of charities believe that the impact of the 'Big Society' among other things has been an increase in volunteers in the last twelve months. † Reach, Media Trust, Sue Ryder and NCVO provide tips and advice on using professional volunteers.

**Micro-volunteering initiatives**

From completing surveys to proof reading or submitting ideas, there are hundreds of everyday tasks which could be transformed into micro-volunteering opportunities.

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† Research carried out by FWD amongst 100 charities, November -December 2012

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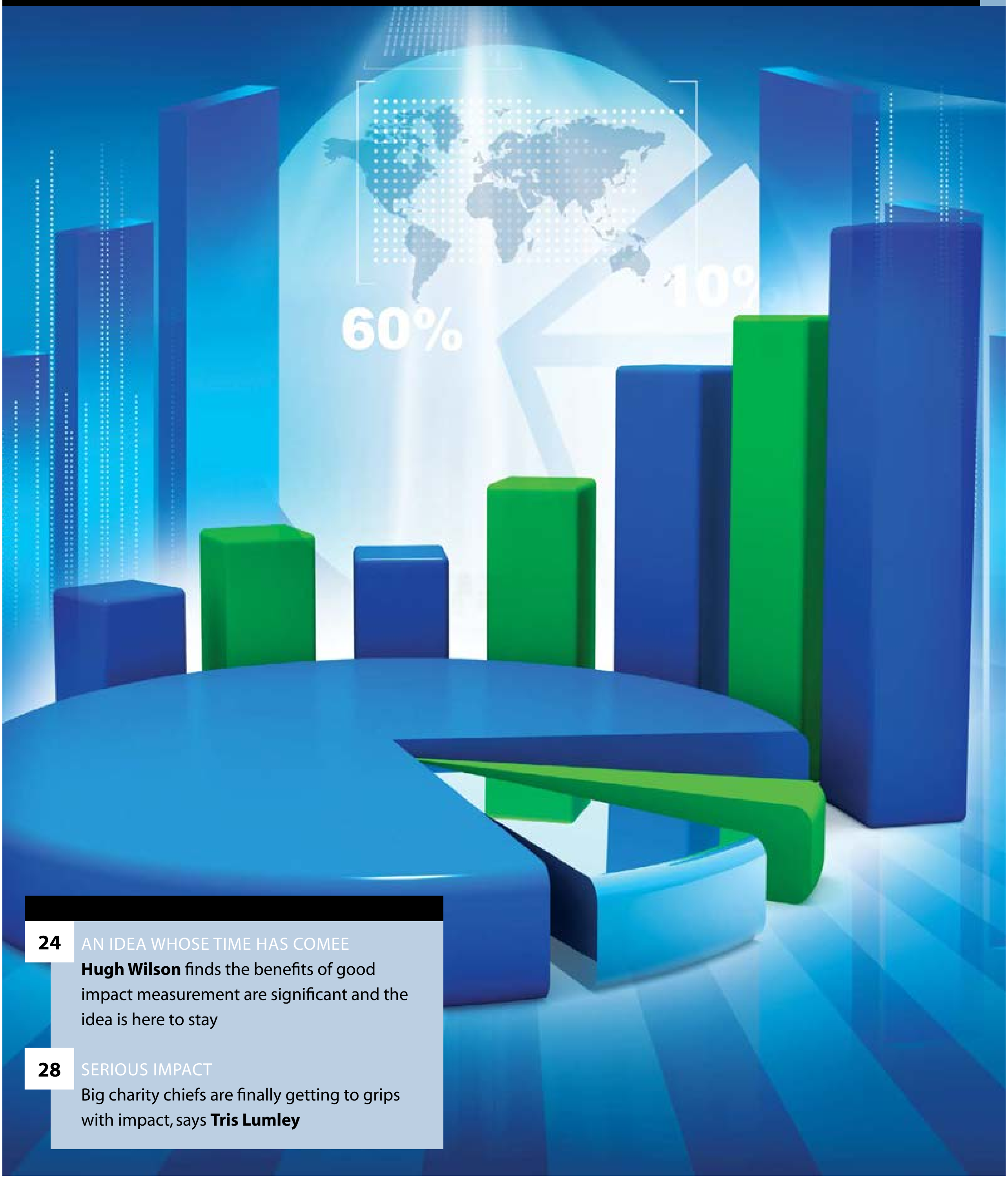
# Measuring impact



# An idea whose time has come

**Impact measurement is the current sector zeitgeist. Hugh Wilson finds charities embracing it to keep funders happy and arguments over the measurement of data, but ultimately, the benefits of good impact measure-ment are significant and the idea is here to stay**

**SOME SAY** it started in the 1990s with Comic Relief and the Big Lottery Fund. Others say that the first (short lived) wave of dot com millionaires in 2001 and 2002 forced the change. Many would cite more recent origins, from the financial collapse of 2008 to the first mutterings about something called The Big Society.

But whenever the steely-eyed focus on impact measurement began, one thing is for certain. For the third sector, it's an idea whose time has come. For those who fund charities and those who commission the sorts of services charities increasingly compete to deliver, the vague assumption that charities know best and will spend money wisely is no longer enough. Large donors and public commissioners want evidence that a charity can deliver real and lasting change, rather than figures showing the number of posters it can put up.

"When we first started, 23 years ago, there was very little impact measurement going on," says Sam Matthews, acting chief executive of Charity Evaluation Services (CES), an organisation which provides support and advice on evaluation systems for the voluntary sector.

"What's changed is not necessarily just funder lead, but clearly there are very strong external drivers coming from funders. At one time funders were quite happy to get a Christmas card, and then – perhaps driven by the Big Lottery Fund, BBC Children In Need and large funders like that – they started requesting more information. And what they started wanting to know is what difference you are making."

## Keeping funders happy

According to the New Philanthropy Capital's (NPC) *Making an Impact* report, three-quarters of charities now say they measure the impact of their work and nearly three quarters (74 per cent) of these have invested more in measuring results over the last five years.

The report suggests that keeping funders happy is still the main driver of these efforts. Over half (52 per cent) say they have increased their measurement efforts in order to meet funder requirements, while only one in twenty (5 per cent) state service improvement as their main motivation

David Pritchard, head of measurement and evaluation for NPC, believes the report is a good reflection of the state of the sector. "Certainly now we do less of trying to convince people that measuring their impact is a good idea than we would've done five or ten years ago," he says. "We spend more time now taking people through the process of actually doing it."

"We use the analogy that it's medicine that donors and funders have required, but medicine

that charities are actually beginning to see is good for them."

Pritchard says that charities have reacted to the need for better impact measurement in the way the public have reacted to – say – official pronouncements on the need to exercise.

Everybody knows it's good for them but while some are already in the gym every night, others are still trying to decide what exercise suits them best, and even whether they can afford the training gear. A stubborn few are stuck on the couch hoping it all might go away.

What's universally acknowledged beyond the couch potato minority is that it won't go away. Impact measurement is here to stay. Large donors and public funders will only want to see more evidence of money well spent in years to come – and lives changed as a result – rather than less. The 25 per cent of charities who do no impact reporting (according to Making an Impact) are living on borrowed time.

Ned Wills, global director of the Laureus Sport for Good Foundation, which supports over 140 sports-based community

**Effective measurement will help an organisation to focus on its fundamentals – what are we trying to do, how effective are we, what improvements can we make?**
**Ned Wills, Laureus Sport for Good Foundation**

programmes around the world, says measuring impact trend is one charities need to get t grips with. "Measuring impact is increasingly becoming a crucial element of the charitable mix. Increasingly well informed funders are rightly asking for proof of the value of their investment. This is a trend that I expect to continue," he says.

Wills says impact measurement does not need to complicated, but it does need to become more embedded in each organisation. "It needs to be part of the culture. Effective measurement will help an organisation to focus on its fundamentals – what are we trying to do, how effective are we, what improvements can we make to ensure efficient and impactful delivery?'"

Wills says that for years a lot of the information collected from Laureus grantees was limited to qualitative data, for example case studies of particular individuals, rather than to outcomes – measuring the number of actual life changes taking place as a result of programmes as a whole.

"This data is increasingly important for funders as it allows us to assess the impact of our grant on the people we exist to help and add the necessary support required to global transfer knowledge and best practice to those who require it. Data will also help us to assess and promote the impact of sport at a macro level as well as on individual communities."

David Pritchard suggests the charities forging ahead are finding that having evidence to wave under the noses of funders is only one advantage of good impact measurement. To stretch a metaphor, they're finding that going to the gym makes them look lean and fit to potential suitors, but it's also giving them an unexpected burst of energy.

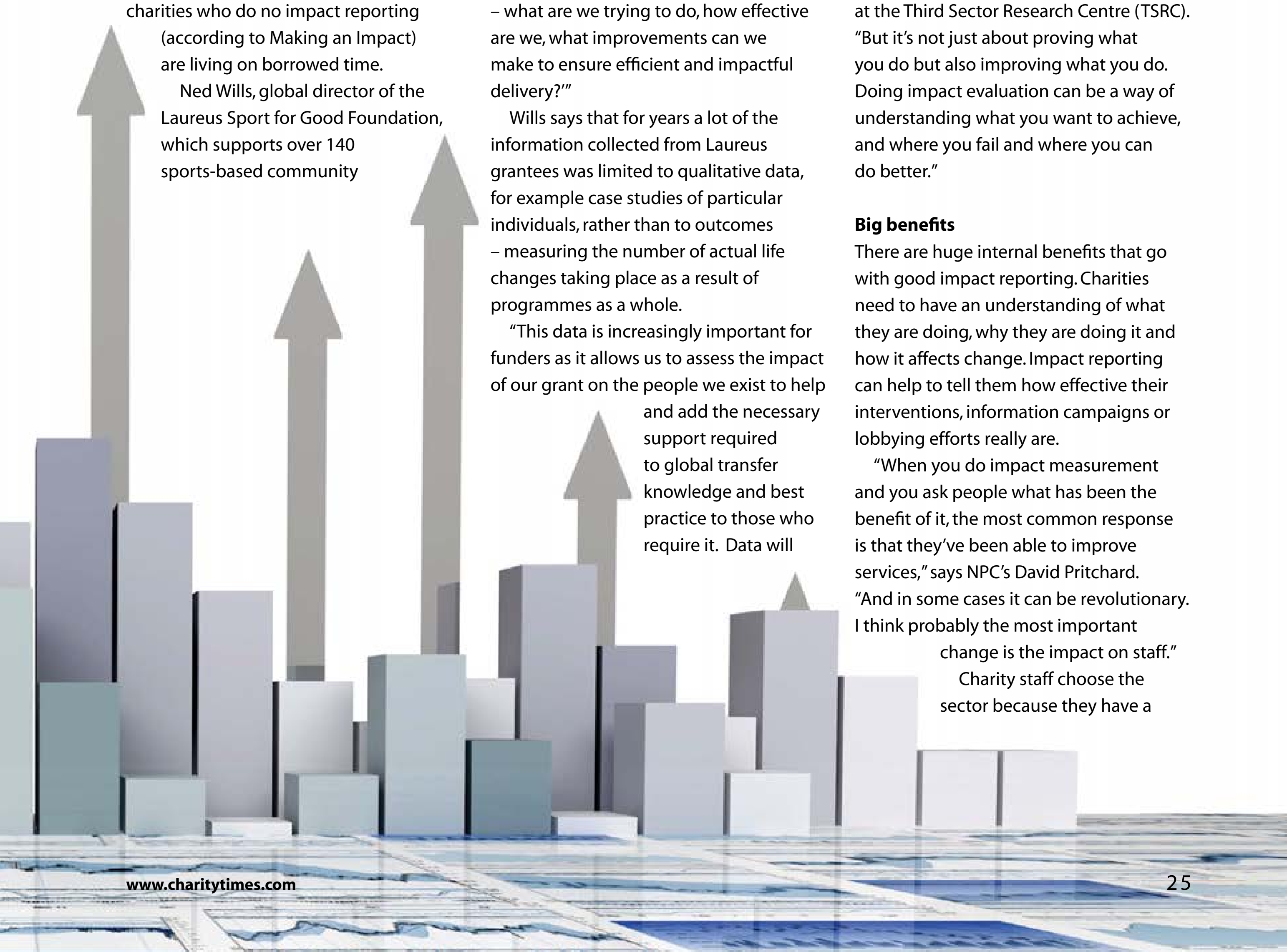
"The policy and funding climate has changed and that's clearly a factor," says Dr Malin Arvidson, senior research assistant at the Third Sector Research Centre (TSRC). "But it's not just about proving what you do but also improving what you do. Doing impact evaluation can be a way of understanding what you want to achieve, and where you fail and where you can do better."

**Big benefits**

There are huge internal benefits that go with good impact reporting. Charities need to have an understanding of what they are doing, why they are doing it and how it affects change. Impact reporting can help to tell them how effective their interventions, information campaigns or lobbying efforts really are.

"When you do impact measurement and you ask people what has been the benefit of it, the most common response is that they've been able to improve services," says NPC's David Pritchard. "And in some cases it can be revolutionary. I think probably the most important change is the impact on staff."

Charity staff choose the sector because they have a



passion to see change. Pritchard believes that, whether evaluation data shows that an organisation is making less of an impact than staff hoped or more, it tends to have the same effect. "In both cases, as long as it's handled well, it can lead to an increase in motivation, and even a sense of, 'can we get more out of this – can we get even better?'"

That's reflected in the experience of charities like the NSPCC, who carry out regular evaluations of the success of their services and the impact they make on children and families. Indeed, according to Gerry Tissier, the charity's head of strategic communications, the NSPCC decided a couples of years ago to make sure their services were designed around much more demonstrable measures of impact.

"Our programmes are designed specifically to enable us to get the best information that we can to assess the impact of the work that we're doing," he says.

The impact on staff has been noticeable. "Research has found that most highly engaged public sector staff believe they can have an impact on public service delivery, and one of the things that we've found important to staff is the knowledge that they're having a personal impact on helping to end child abuse," says Tissier. That comes from knowing just what sort of impact an information campaign or lobbying effort has.

Good impact measurement allows charity staff to tell a story about their own role in change for the better, and to feel good about their jobs.

**Charity courage**

But while staff motivation can benefit from impact measurement, in organisations where impact measurement is done badly or not done at all, it's sometimes staff – and particularly management – that are to blame. Some charity heads just don't want to test their organisation's effectiveness, for fear of hearing some unpalatable truths.

"It takes courage to step up and say you want to know how effective you are, and be open to the fact that you may not be as effective as you hope," says Pritchard.

Malin Arvidson says this fear stops some charities from evaluating their impact at all, and many more from evaluating it in a useful way. When she recently interviewed consultants brought in to carry out impact evaluations, they told her that several large organisations – some boasting large Government contracts – wanted to use impact measurement as little more than a marketing tool.

"They were interested in headline figures and glossy reports, but what about all the narrative – the case studies, the qualitative material? They didn't want to broadcast that because it showed a much more complex picture. And yes, some don't want to find out that they're not working quite as efficiently as they ought to be. There's a lot of : "We've done this for 25 years, it's always been great, so why should we change?"

There are other, perhaps more justifiable, internal obstacles to good impact reporting. The most obvious is a lack of resources.

"I think that there are some in the sector that may not be on board with this whole thing partly because they see it as a diversion of resource and this is a valid perspective, but one I would challenge," says Caron Bradshaw, chief executive of the Charity Finance Group (CFG).

"However, we can't run before we can walk. We have to remember that measuring impact is not straightforward. Social research methods are constantly evolving, and looking at the impact of your organisation takes commitment and investment. For some, some of this is investment better put somewhere else."

Proper impact measurement takes money and manpower. It also takes understanding. Some charities are understandably unsure as to what to measure and how. As social research tools proliferate and become more sophisticated, many charities are also confused about which is the best for them.

"I think charities know the information is useful. The struggle now is how they can do it in a way that enables them to gather useful information given very limited resources and very limited time constraints," says CES' Sam Matthews.

"There's a lot of confusion, and a lot of finger wagging about whether charities are doing enough, but if they're not doing it, it's often because they're struggling with how to do it rather than not appreciating its value."

Matthews says that the way charities gather and analyse data must take into account the context they're working in. There can be no one size fits all approach to impact measurement in the third sector.

**Monetary value**

That much will be obvious to anyone working in it. In many cases measuring output is relatively easy – how many people contacted the helpline, how many attended the group, and so on. Measuring outcomes – how useful those interventions were – is far more difficult.

For some charities, a carefully worded questionnaire to recipients of services may be enough. Many others are turning to SROI (Social Return On Investment), a method that attempts to assign monetary value to social outcomes. Where appropriate, some are undertaking large scale academic studies to measure their impact.

But even with an increasing number of tools and theories at their disposal, many charities find impact measurement hard because of the nature of their work.

"Take charities who work with vulnerable people, for instance," says Malin Arvidson of the TSRC. "The recipients may find it difficult to answer questionnaires with rather abstract questions, some may be difficult to trace, some may have trouble with literacy skills. There can be lots of issues relating to beneficiary groups that make even a basic before and after survey difficult."

But she says the situation is improving. Tools for measuring change are getting better. She cites one interactive tool, the Outcome Star, which allows organisations to plot how an individual is changing over time. Malin says it lets organisations frame impact questions in a conversational manner, and information can be aggregated to show how an organisation

> **I think that there are some in the sector that may not be on board with this whole thing partly because they see it as a diversion of resource**
> **Caron Bradshaw, CFG**

is performing and where its strengths lie.

**Garbage data**

But even when the right tools are available charities don't always choose them. Arvidson says that often, decisions on impact measurement are taken with in-house expertise or previously gathered data in mind, rather than getting the best information from the most appropriate method.

Caroline Fiennes, founder of charity finance consultancy Giving Evidence, thinks that, for all these reasons and more, a lot of impact measurement data is "complete garbage".

For a start, she says, it's being done for the wrong reasons, as NPC's data suggests. Charities are measuring impact to impress funders rather than to try and improve, and they're not even doing that very well.

"Hardly any of that data allows for comparisons between organisations, so as a funder you're basically none the wiser. And second, most of this data is rubbish because charities are only required to measure it themselves," she adds.

"We know in medicine that's there's a massive difference between trials funded by drug companies and trials of the same drug funded independently. Too often with charities your impact measurement is the same as your marketing."

Fiennes believes that, because impact measurement is not done independently, charities can choose to measure what they want, using whatever timescale, to give the most impressive results. And because rigorous social research is tricky, charities tend to measure the things that are easiest. They might not be the things that will tell either a funder or the charity itself how well it is working.

Others take the point about independent auditing but wonder if it is possible to find outside auditors who understand the way many charities work. But most experts agree with another of Fiennes' assertions: that it's too tempting for charities to measure what they think funders want to see, rather than what is most useful. And doing that can lead to funders taking increasing control of a charity's direction.

**The impact journey**

Everyone believes charities need to do more impact measurement, and that done well it can be useful at worst and revolutionary at best. What the debate suggests is that some charities have a way to go when it comes to measuring outcomes accurately, while others are quite far along the road but others – because of resources, confusion over what to measure and how, or occasionally internal reluctance – have barely begun.

Within this, Ned Wills cements his view of the sector and impact measurement. "These are challenging times for the sector. Our stakeholders are ever more sophisticated and they want to know their funds are well invested. Our response is to ensure that those we support are able to provide us with the data we need to continue the flow of funds to important grass root community projects.

"Proving the value of charitable investment is the only way this sector will continue to grow. And I have no doubts that efficient and effective measurement is an essential part of the way to do it," he says.

What is clear is that impact measurement is here to stay. More decisions by funders and charities themselves will be made with impact measurement data as a guide.

**Hugh Wilson is a freelance journalist**

# Serious impact

## Big charity chiefs are finally getting to grips with impact, says Tris Lumley

For many years, NPC has encouraged charities to measure their results — to build evidence into their work, decision-making, and communications. While that often seemed like swimming upstream, against the many barriers that chief execs would cite — cost, complexity, whether impact can really be measured — it seems that the tide finally has turned.

As *Making an impact* showed, most charities say that they measure impact, and that they've increased their efforts over the last five years. And large charities are generally further along the impact road than smaller counterparts — big charities have increased their efforts more, and fewer big charities say impact isn't a priority.

Interestingly, the drivers behind charities' increased efforts on impact vary with charity size too. While meeting funders' requirements is the biggest driver for charities large and small, leadership commitment to measuring results is about twice as important in large charities as in mid-sized organisations.

**Serious impact**

So it's fair to say that the chief execs of large charities are taking impact measurement seriously. But what are the barriers that they face in making impact measurement deliver for them?

Big charities have some clear advantages. They have the resource—both financial and human—to be able to tackle impact measurement head on. But at the same time, there are challenges associated with size that make impact measurement much harder to get right.

First, big charities are rarely simple. They're often a patchwork of different activities, built up over the years, responding to needs in different communities, taking advantage of different funding opportunities. That makes addressing the first, and most important, challenge of impact much more difficult — having clear and explicit goals, and a theory of change that connects activities to how the goals will be achieved.

I got an incredibly clear demonstration of this challenge when I contributed to a leading international development charity's leaders' away day. They wanted to create a framework with less than a dozen KPIs, even though they operated in more than 50 countries, in which programmes fell into a dozen or more 'themes' and a dozen or more ways of working.

You can't have a simple set of results unless you have a simple strategy, and you can't have a simple strategy unless your activities are coherent and focused.

Second, big organisations have inertia. Small organisations can be agile, and change rapidly when they need to. That's not to say all small organisations are good at change — inertia can be hardwired at the individual level! But big charities need change management programmes, and sometimes teams, to make major and lasting shifts in how they operate.

And while many people think the greatest challenge in impact measurement is working out what to measure, most of the time it isn't that at all. It's actually embedding impact in practice, and that means an organisation that is ready to learn and to adapt based on the evidence it finds.

Having all the data in the world is pointless unless you know what to do with it. Otherwise, impact measurement is just fishing for meaning, or else a PR exercise in which you might as well rely on a few case studies and make up some impressive looking (but utterly meaningless) statistics. And if you think I'm wrong about that, consult the websites of some of the largest charities and look for those that proudly state the number of 'lives touched' through their work that year.

**Embedding impact**

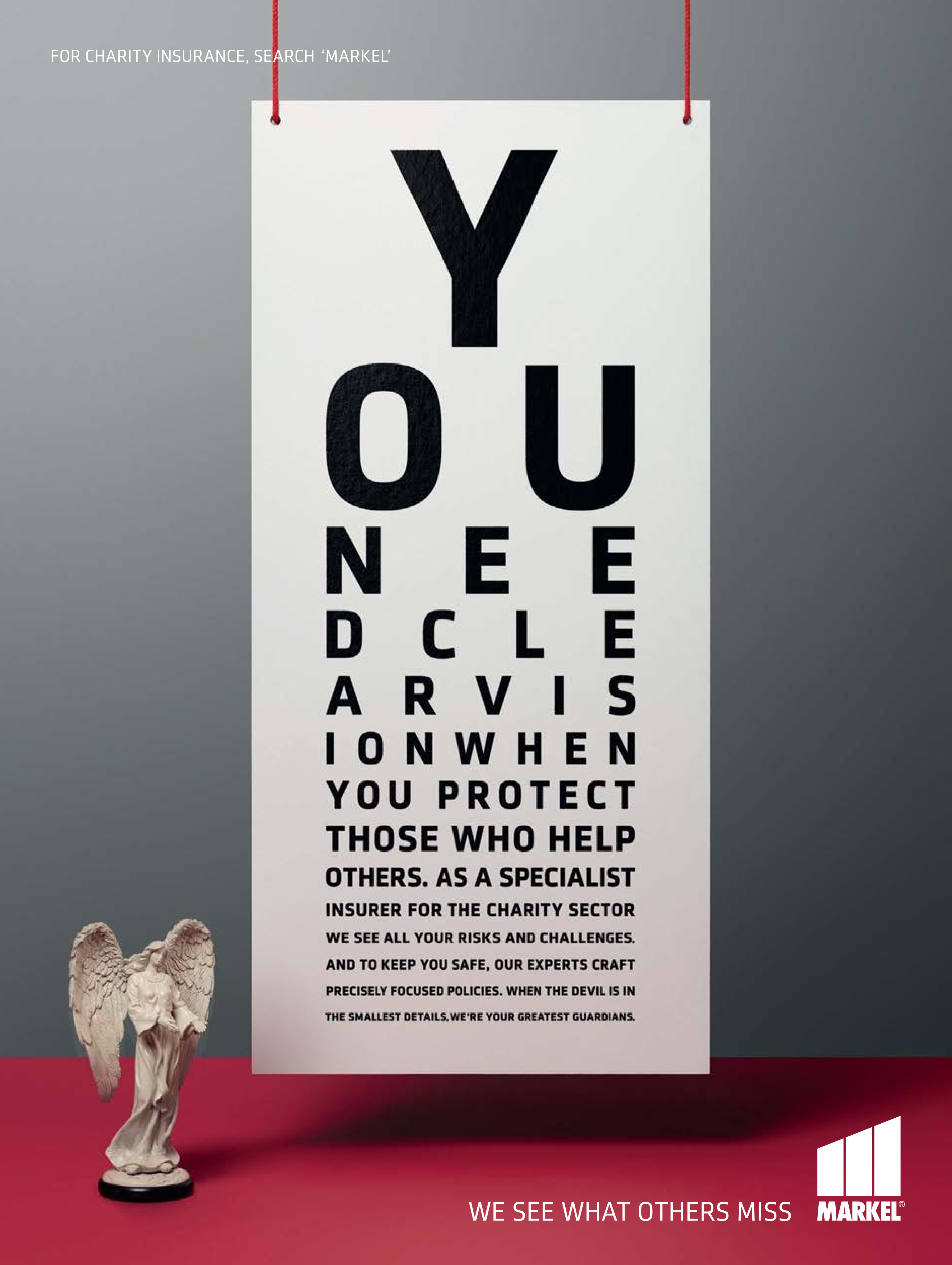
So what can you do if you're sitting in the hot seat of a big charity and you want to tackle impact measurement in a meaningful way that can be properly embedded in your organisation's work?

You could start by checking out the Inspiring Impact programme, which has been designed to help people in exactly your position. NCVO has produced a *Code of Good Impact Practice* that tries to lay out the fundamentals of impact and measurement in a way that will make sense to you and everyone in your charity. ACEVO is publishing a collection of case studies through which charities that have made progress on impact measurement can share what they've learned. Next year, we'll be building an online marketplace for impact measurement tools and systems, that will help you and your programmes teams to navigate to the right approaches in each case.

NPC will soon be sharing some details of a programme of support and development on impact leadership for chief execs and other senior managers trying to lead their organisations towards creating greater impact. If you're already a fair way down the road towards embedding impact in your practice, perhaps you can help by sharing your experiences.

**Tris Lumley is head of development atNPC and Programme leader at Inspiring Impact**

Find more details about these initiatives at: **inspiringimpact.org**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Joe Lepper finds those charities willing to innovate, and in some cases, overhaul their financial management, will be in a better position to take advantage of opportunities within the sector

# Fundamental finance

**THE CHARITY** Finance Group's latest *Managing in a Downturn* survey laid bare the stark financial realities facing the charity sector.

During 2012 charities reported falls across their corporate, trust and public sector funding streams and almost all those surveyed (93 per cent) said fundraising was tougher in 2012 than the previous year.

Worse is to come in 2013, with 89 per cent believing fundraising will decline further this year and 72 per cent expecting increased demand on their services. Just a quarter believe they are sufficiently resourced to meet this rise in demand and two-thirds are looking at cutting costs or drawing on their reserves to ensure frontline services can be maintained.

Already a half of charities say they were forced to cut their wage bill during 2012, according to this March 2013 published CFG survey headlined *Managing in the 'new normal' – adapting to uncertainty*.

**Reduce the pain**

But according to finance experts, reform of charities' financial management and an innovative approach to securing new income can significantly reduce the pain of the economic downturn.

Nick Sladden, head of charities at Baker Tilly, which has more than a 1,000 charity clients, says charities that are failing to get the basics of financial management right, such as protecting themselves against fraud, will find it far harder to innovate and develop a long term financial strategy.

He recommends the Charity Commission's *Internal Financial Controls for Charities Checklist* document as a useful starting point for charities. "It is a really good bit of guidance with a self assessment check list to help charities easily benchmark their financial processes against what the Charity Commission expects of them."

Areas where charities need to improve include appointing an internal auditor, not involved in the day-to-day running of the charity's finances. Charities also need to ensure all payment are dual authorised.

"In the past when payments were made

by cheques two signatures was standard," says Sladden. "But with BACS and internet banking some charities are just dual approving an invoice, but not the actual payment," he adds.

Timely financial reporting is another basic financial management issue charities need to address.

Charities should file their annual accounts with the Charity Commission within 10 months of the end of their financial year.

But according to the Commission's 2011/12 report 17 per cent failed to do this. Many other charities, says Sladden, are preparing their accounts too near to the deadline.

"It is not a good situation for a charity to wait nearly ten months after the financial year has ended to be doing this. That makes them very backward looking and means they can't effectively plan ahead," says Sladden.

**Public service delivery**

With a more forward looking accounting timetable charities can have more time to explore innovative funding streams. Chief among these is ensuring they can tap into the changing nature of public service delivery.

Changes include a rise in private and charity sector partnerships to work together on increasingly broad public service contracts. CFG head of public affairs and policy Jane Tully says: "Contracts are getting bigger and charities are not in a position to bid for them, in the future will see an increasing move to collaboration."

According to the CFG's survey 69 per cent of charities have undertaken collaborative ventures during 2012 with private and charity sector partners.

A greater focus on payment by results and funding through social return on investment is also changing the way charities can help deliver public services.

Sladden says this is encouraging an increasing number of charities to include non- financial targets in their financial reporting, such as how service users lives are improving. This can prove attractive to potential investors and private sector partners.

Sladden also advises charity finance directors take time to talk to frontline teams, "to find where we can demonstrate in our financial reporting where there has been a return on investment."

Due to the Public Services (Social Value) Act 2012 commissioners are also increasingly impressed by charities that can include evidence of improved outcomes for service users.

This came into force earlier this year and makes it a requirement for public bodies to take into consideration how candidates "might improve the economic, social and environmental well-being of the relevant area." This is for any central government contract worth more than £113,057 and any other public service work worth more than £173,994.

John Maddocks, policy and technical manager at the Chartered Institute of Public Finance and Accountancy (CIPFA), says: "It's a mixed bag in terms of charities being able to show they can meet social value act requirements. Those that are doing that have a real advantage in the tendering process."

Among charitable bodies to realise this is the Consortium of Voluntary Adoption Agencies (CVAA), which this summer is setting up a social impact bond funded project called It's All About Me.

This payment by results system involves private sector investors funding adoption agencies' work securing placements for harder to place children, including siblings and those over the age of four. Councils then pay those agencies involved for every successful placement in stages over a three-year period and investors can expect a 4 per cent return on their investment.

Andrew Thomson, CVAA It's All About Me project lead, says including information on agencies ability to secure stable placements is "crucial to demonstrating the value of the work to investors."

**Risky business**

But bidding for public service work, particularly in a partnership, can be risky.

The size of the supply chain in a large project such as the Work Programme can cause problems if a partner is performing poorly, says Tully.

She says: "What we have seen in the Work Programme for example is that charities are expecting referrals and haven't seen them within that supply chain. That then impacts on the charities bottom line."

Last year's NCVO's report *The Work Programme – Perceptions and Experiences of the Voluntary Sector* also warned of the financial risks involved to charities. This report found that half of charities involved had to subsidise their involvement from their own reserve.

Large public service contracts such as The Work Programme also show how charities can be at risk of mission drift, says James Allen, NCVO head of public services and partnerships.

He says: "The charity should always ask first: how can this work help our mission? But one of the problems with the Work Programme is the in built danger of creaming and parking, where it's easy to cream off the easy cases and to park the more difficult ones. This is not why charities got involved."

In contrast, Allen says Catch 22 and Turning Point's work to support offenders and ex offenders at prisons managed by Serco is a good example of a charity ensuring its principles remain in tact within public service delivery partnership.

Catch 22 chief executive Chris Wright says: "We wanted to collaborate in this way as it gives us access to the people who need our services. That is our primary drive."

Among the trio's latest deals has been a 14-year contract that started in 2011 to run HMP Doncaster. As part of this the first four years will involve a government payment by results pilot, whereby a tenth of Serco's annual revenue is dependent on a 5% reduction in reconviction rates among former prisoners.

The charities involved do not share the risk of reduced revenue as it is a pilot but do get enhanced payments if targets are exceeded.

Wright expects future long-term

payment by results deals to include an element of risk of lost revenue for charities. He says: "I think that is only fair and it does mean that we as an organisation have to look at our attitude to risk. We have to be responsive to different ways of operating public services if you want to be able to work in this market place."

To minimize the potential risk of lost revenue Catch 22 ensures it has a "basket of different contracts" says Wright, "with payment by results making up only some of those."

**Loans & debt**

For some charities the key to surviving the economic downturn will be to expand, but financing growth through loans continues to be a solution the sector is keen to avoid.

In the CFG survey three quarters of charities had not considered secured loan finance and 83 per cent felt the same about taking out an unsecured loan. Tully says: "A couple of charities said they had a no debt policy. I'd never heard of that before."

Sladden adds: "Trustees continue to be risk averse and uncomfortable about signing up to loans."

He is especially "uncomfortable in using a loan to going into a new venture where hasn't been tried and tested. It sounds quite risky to me."

**Long-term we will be looking for social and commercial investors. I can see more charities doing that as interest in social return on investment grows**

**Chris Wright, Catch 22**

Instead charities such as CVAA, that are looking to gain more public service contracts may increasingly turn to social investors. This is an option for financing growth favoured by Catch 22's Wright. He says: "Long-term we will be looking for social and commercial investors. I can see more charities doing that as interest in social return on investment grows."

Another more popular way of financing growth is increasing trading activity. According to the CFG survey 55 per cent of charities have increased their trading or social enterprise activities. Tully says: "It's a marked trend across the sector. It could be selling goods online or through a charity shop for example."

It's a trend Sladden has noticed too, but is warning clients to ensure they have a strong financial management plan in place to deal with this type of work. He recommends charities separate their trading arm into a subsidiary.

"Most of the time these trading activities are not non primary purpose of the charity so trading would not qualify for charitable tax exemption. Separating it makes it far easy to manage financially," he adds.

While the economic outlook continues to look bleak, the picture looks brighter for those who have understood the need to overhaul their financial management and are prepared to innovate and tap into new opportunities in public service delivery.

**Joe Lepper is a freelance journalist**

*Managing in the 'new normal' – adapting to uncertainty, the latest Managing in a Downturn survey by the CFG can be found here: http://www.cfg.org.uk/~/media/Files/Policy/Have%20your%20Say/Managing_in_the_new_normal_adapting_to_uncertainty_report2013.ashx*


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# The austerity budget

## Jane Tully provides an overview of what Budget 2013 means for charities

**BUDGET 2013** wasn't exactly a memorable one for the charities. In terms of impression on the sector and scope for making headlines, it's certainly a poor relation to those of the previous two years – right now, they the 2011 and '12 offerings are those that matter most to charities.

2011, with Big Society at its height, saw a raft of sector facing measures introduced, many of which are only just coming to fruition. In 2012, it seemed at first that the Chancellor had taken a sip of his favourite tipple, something he but no other MP is entitled to do, as a means to refresh himself during the speech when he announced the cap on tax reliefs for wealthy donors.

At the time, the Cup Trust was unheard of in the sector, and although we now have a better understanding of the government's intentions, the medicine being doled out didn't fit the symptoms.

So with two unforgettable budgets under our belt (albeit for different reasons), and despite knowing there was little room for manoeuvre and capacity to include sector-specific measures, expectations were high coming into 2013.

However this year, with the economy under continued strain, the delayed impacts of the recession hitting charities and an economy in trouble, anxiety levels were focussed primarily on the macroeconomic picture.

The legacy from this budget is undoubtedly what it tells us about the long term. With austerity set to continue up to 2017/18 at least, and a new round of public spending cuts due to be announced at the Spending Review in June, current trends in giving and demand for services are likely to exacerbated.

Departmental budgets are facing further average cuts of 1 per cent in addition to those already announced – and the squeeze is likely to be particularly tough for CLG and with them local authorities.

While health, education and aid budgets continue to be protected, traditional protections on welfare look likely to be altered via a new mechanism known as annually managed expenditure. For charities working in this area it will be a real source of concern, and one they no doubt will be lobbying intensely on in the run up to the spending review in June.

The shift to using more 'unconventional' monetary policy tools by the Bank of England is also significant in the longer term as the inflation target, long the sole focus of the bank, appears to be downgraded in favour of a drive for growth.

It looks as though low interest rates here to stay and with charities holding £18m in deposit accounts, many could see their cash basis eroded in real terms. Public sector pay is also being restrained - a trend that will no doubt flow through to charity employers too.

The sector facing measures of 2013 will be welcome, but they're hardly ground breaking. Reform of gift aid for digital giving is badly needed. Although giving through online means is still limited (UK Giving estimated it to be 1 per cent of donations), with overall Gift Aid worth £1.1bn to charities per year, and the use of digital giving growing, this is an area much in need of review.

At present, claiming Gift Aid for online donations is fraught with complexity, as it is for paper donations, but at least the system was built for the latter.

HMT are proving to be quite forward thinking in their review of this area too and have indicated that the consultation will cover the wording of the gift aid declaration and options around universal gift aid declarations. Signs of progress are positive and our hopes are high.

The second significant sector facing measure is the tax relief for private investors in social enterprise. Again this is something many in the sector have called for, notably SEUK and NCVO, for some time.

While we wouldn't suggest that social investment will completely revolutionise charities and are loath to overplay its potential, measures such as this that aid market development are to be welcomed.

Finally, the measure that the Chancellor was keen for us to note this year was the impact of the Employment Allowance on charities – worth £45m to 35,000 charities as HMT were keen to inform us. This is good news, particularly for small charities, but will do little to put a dent in the financial woes of our vast sector.

Our advice to charities is to note the macroeconomic trends and feed in to relevant consultations on sector supporting measures.

But in terms of the day to day work, look back to the measures introduced in Budget 2011 and 2012 that are reaping rewards for the sector now. Is your charity taking advantage of Charities Online, Gift Aid Small Donations Scheme and an easier process for claiming Gift Aid for charity shops?

**Jane Tully is head of policy at Charity**

# An Idiot's Guide To Defining Risks

In my previous article I looked at reasons why performing risk management was not only a good idea, it was essential to do in today's modern charity (you can read the article at http://www.managing-uncertainty.com/index.php/news/item/49-read-the-charity-times-article if you wish). That's all very well and I may now be keen to get going on risk management within my organisation, department or project – but how do I start defining the risks?

I'm the idiot by the way or at least that is how I felt because when I got to this stage when I started, I hit a risk management brick wall. Try as I might, I could not get my head around specifying risks in a logical manner or their likelihood. I knew the business well enough and could think of plenty of things that might happen but each time I thought of something I was not sure whether it was really one risk or several. In addition some risks seemed more like opportunities than risks. This is where many people get stuck and the hurdle to getting on with effective risk management seems too high, so we don't bother – much to our and the organisation's detriment. Thankfully in my case a worldly wise risk wizard offered a very simple approach and since then it's been easy to define risks!

Before we look at the simple approach, there is a very important thing to bear in mind - time. When we are undertaking a risk assessment we need to define a period of time which it covers. Why? Well consider the risk of an earthquake seriously affecting the UK. Is that likely or not? In the space of the next few years it would be very unlikely but over millions of years it would in fact be very likely – two seemingly opposite chances of outcome just separated by the length of time we consider them over. Similarly, your chance of having a motoring accident tomorrow is very small but over the lifetime of your driving, it will be substantially higher. So when undertaking a risk assessment set a time scale. For the business it might be the financial year and for a project it would probably be the duration of the project.

Now having decided that we are going to do a risk assessment and what time period we are considering, we can get on with defining the risks and utilise the simple approach I mentioned. Try using this phrase to capture the information that you need:

**There is a risk that <description>, caused by <causes>, resulting in <impacts>. Call this risk <title>.**

e.g. There is a risk that <fund raising targets are not hit>, caused by <inadequate control of fund raisers>, resulting in <reduced income>. Call this risk <poor control of fund raisers>.

The phrase allows us to capture risk in a methodical manner. The <description> is useful first in defining the risk. We need to know the <causes> of the risk as well because this gives us a good starting point in working out how we might prevent the risk. Note that there can be more than one cause (in fact, there often are with risks). The <impacts> are also important as this gives us a good starting point in working out how to limit the impact of the risk.

Finally, keeping the <title> until last allows us to encapsulate the whole risk in a concise description and potentially allows us to distinguish between this risk and a similar risk such as "heavy reliance on volunteer fund raisers".

In managing a risk knowing the possible causes helps us work out how we might prevent the risk or at least reduce its chance of occurring. The description is telling us what to look out for and the impacts give another clue that the risk might have occurred (e.g. reduced income). The impacts also help in understanding how we might limit the damage, using limiting actions that we can trigger when we see that the risk has occurred.

There is more to describing a risk, in assessing its chance of occurring and its impact if it does occur but this phrase can help you get started! I hope it helps you get over the same hurdles I faced.

Next time I shall complete my mini-series by looking at how we can start to manage the risks we have identified.


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*In association with*

RiskAid

# More for less

Douglas Hull outlines some of the key findings from CFG's latest, and newly revamped, People and Pay Survey, revealing how charity finance teams are making stretched resources go further

**AT CHARITY** Finance Group we have been carrying out our annual *People and Pay Survey* (formerly Salary Survey) since 2008,to track trends in employment, salaries and benefits in charity finance teams. The survey provides a valuable benchmarking service to CFG members and the wider charity sector, and offers insights into how charity finance teams are evolving and adapting as the economic downturn continues.

This year's survey was completed by 358 CFG members, all senior finance professionals in charities from a range of sizes.

With predictions for the long-awaited return to growth being pushed backwards with every government forecast, and the recovery progressing more slowly than after any recession in the past century, you could be forgiven for thinking that there was little but doom and gloom for the charity sector.

Many are facing a 'perfect storm' of declining income, increasing demand for services and rising costs. However, our latest *Managing in a Downturn* survey, released in March, suggested that confidence was perhaps slowly returning to the sector, as charities begin to adapt to economic uncertainty.

Against this backdrop we refreshed and revamped this year's *People and Pay Survey*, maintaining core questions to continue key year-on-year comparisons, but replacing others to explore new areas where we believe important changes may be occurring.

The results have yielded some valuable insights into ways in which charities are utilising the skills of the finance team to help achieve greater impact, often with limited resources.

| Reward | £6m+ charities | <£5m charities |
|---|---|---|
| General parental pay/ leave | 28% | 16% |
| Life Insurance | 34% | 14% |
| Flexitime | 34% | 47% |
| Working from home | 36% | 41% |
| Non-financial training | 38% | 26% |
| Paid overtime/ time off in lieu | 45% | 44% |
| Financial training support | 53% | 35% |
| Childcare benefits | 56% | 35% |
| Death in service benefit | 65% | 28% |
| 25+ annual leave for new starters | 70% | 68% |
| Defined contribution pension | 81% | 74% |

**The remit of finance teams**

A new section of this year's survey enabled us, for the first time, to better understand and put some figures onto the broad remit and range of responsibilities resting with charity finance teams, which we know, anecdotally, has expanded over time.

Far from working in a silo in the corner of the office, as is often portrayed, finance teams are increasingly integrated across their organisations, playing an integral role in a range of different projects and teams.

Finance appears to be most commonly integrated with the IT function, with this being located within the finance team in 49 per cent of respondent charities, followed by admin (38 per cent ) and HR (35 per cent ).

However, the remit of finance staff extends far beyond their own department; 67 per cent of finance directors reported being responsible for IT, 63 per cent for legal affairs, 51 per cent for facilities and property management and 39 per cent for contract management.

Many staff at more junior levels also have a remit extending beyond the finance function; for example, over a third of finance managers reported being responsible for IT.

Almost half (46 per cent) of finance directors reported being responsible in part for their organisation's strategy and development.

Involvement in this area is something which we have long advocated here at CFG; finance professionals are in an ideal position to contribute to the decision-making process at senior management level due to their unique perspective into the organisation's financial health and needs.

The survey suggests that finance professionals spend on average 30% of their time on strategy and development, as opposed to operational tasks, with this figure rising with seniority.

Providing strategic input also appears to lead to more fulfilled staff: those who spend more time on strategy and development report, on average, a higher level of job satisfaction.

**Are resources expanding?**

One trend we have seen in the surveys is that with their remit widening, finance teams' resource levels tend to be faring better than other departments.

Throughout the downturn, finance teams have appeared to be less vulnerable to other cost cutting measures than the rest of the organisation.

While 53 per cent of respondents said their organisation had taken steps to reduce labour costs in the past year, only half of these said steps had been taken to reduce labour costs in the finance team specifically, and while 16 per cent of charities reported making redundancies in the past year (a significant decline from 40 per cent reported in the 2012 survey), only 11 per cent reported making redundancies in the finance team.

This year also saw a significant jump in the proportion of respondent charities which had recruited for a new position in the finance team in the past year, from 18 per cent in 2011 and 17 per cent in 2012 to 25 per cent this year.

As in previous years, this recruitment was driven predominantly by larger organisations (38 per cent of £11-£25m charities and 51 per cent of £25m+ charities recruited for a new position), but it was actually in smaller organisations where the increase from last year was greatest, suggesting an encouraging rise in confidence in these charities.

The proportion of charities <£1m which recruited for a new position in the finance team rose from 5 per cent to 15 per cent, and for those in the £1-£5m category the rise was from 9 per cent to 20 per cent.

Similarly, there was a fall in the proportion of finance teams who said their recruitment strategy had been affected to some ora great extent by the economic downturn; from 23 per cent in 2012 to 18 per cent this year, and the proportion who said the economic downturn would not affect their recruitment strategy at all next year rose from 54 per cent to 61 per cent.

However, whilst these trends indicate that recruitment may be increasing, the survey does suggest that finance teams are increasingly stretched. Forty one per cent of respondents said their workload had grown during the economic downturn and, on a personal level, over a third said it had increased their stress levels.

Eighty two per cent of respondents said they usually work more than their contracted hours, and 42 per cent said they usually work at least 20 per cent extra; the equivalent of an extra day each week.

48 per cent reported not being compensated in any way for additional hours worked, and a further 38 per cent said they were entitled to time off in lieu, but did not usually have time to take it all.

**Beyond financial rewards**

With excessive hours seemingly a common feature of many charity finance jobs, it is important for charities to consider how they reward staff to ensure that morale and productivity remains high, and that they are able to recruit and retain the most effective staff for their organisation.

This year's survey showed that salaries in charity finance teams had remained flat at best and had fallen slightly at

**Average (Mean) Annual Basic Salary by Job Title**

| Job Title | 2011 (£s) | 2012 (£s) | 2013 (£s) | 2013 base |
|---|---|---|---|---|
| Director of Finance | 63,600 | 66,531 | 61,429 | 198 |
| Head of Finance | 48,149 | 47,583 | 48,611 | 105 |
| Financial Controller | 43,023 | 46,315 | 41,789 | 48 |
| Finance Manager | 35,700 | 35,975 | 35,625 | 155 |
| Finance Officer | N/A | N/A | 23,937 | 183 |
| Accountant | N/A | N/A | 32,305 | 121 |
| Payroll Clerk | 23,093 | 22,802 | 24,176 | 76 |
| Book Keeper | 22,345 | 22,157 | 19,244 | 75 |
| Senior Ledger Clerk | 22,928 | 23,699 | 21,197 | 77 |

**The year's survey showed that salaries in charity finance teams had remained flat at best and had fallen slightly at worst**

**Douglas Hull, CFG**

| Percentage of respondents by size of respondent charity's annual turnover | | | | | |
|---|---|---|---|---|---|
| | <£1m | £1-5m | £6-10m | £11-25m | £25m+ |
| Work same as contract | 26% | 18% | 21% | 7% | 3% |
| Work <20% extra hours | 50% | 40% | 36% | 41% | 34% |
| Work 20-25% extra hours | 6% | 15% | 12% | 20% | 15% |
| Work 26-35% extra hours | 9% | 15% | 22% | 16% | 22% |
| Work 36%+ extra hours | 9% | 9% | 9% | 11% | 24% |
| No Answer | 0% | 2% | 0% | 5% | 1% |

worst, and only just over half (53 per cent) of respondent charities were able to make an across the board pay award last year, not great news when inflation and cost of living rises are taken into account.

For many charities, though, increasing the financial reward to staff is simply not an option.

However, there are other actions which charities can take to make their organisations more appealing places to work. Just 42 per cent of respondent charities currently offer flexitime to staff in the finance department, a similar proportion to last year.

While this figure is higher among smaller charities, this is clearly something that more could consider offering. Flexitime appeared to be highly valued amongst respondents: in respondent charities which did offer flexitime, over 8 in 10 staff reported utilising it, and from a range of possible benefits this was the one which, on average, respondents felt had had the most positive impact on retention of staff.

The proportion of charities offering finance staff the opportunity to work from home increased significantly this year, from 29 per cent to 39 per cent, and this too was used by nearly four-fifths of staff in organisations where it was offered.

As improvements to technology make working from home an increasingly viable option this could be worth more charities looking into, enabling staff to cut out commuting time and plan work around other commitments.

When asked what one benefit they would like to see made available if resources allowed it, the most frequently reported non-financial benefit was additional holiday, and in contrast to the figures above on hours worked, over three quarters of respondents do in fact take all of their annual leave.

**This year's survey showed an increase in the number of charities recruiting finance staff from the private sector: from 13 per cent last year to 24 per cent this year**
**Douglas Hull, CFG**

It could be worth charities exploring how they could improve their offering in this area, for example by increasing employees' holiday allowance, perhaps compensated for by an increase in the length of the working day.

What's more, offering at least 25 days annual leave to new starters was seen by respondents, on average, as having had the most positive impact on recruitment of staff.

**Effectiveness of the finance team**

When resources are stretched cutting training budgets can be an appealing option to quickly and easily reduce expenditure.

However, at a time when charities are increasingly having to adapt to survive in a rapidly changing external environment, this is a risky strategy, and it is encouraging to see this year that a quarter of respondent charities planned to spend more on training and professional development in the finance department in 2013 than they did in 2012, while only 3 per cent plan to spend less.

The demand for training is certainly high among finance staff; eight in ten said they felt they would particularly benefit from additional training in at least one area.

While a third of respondents felt they would particularly benefit from additional training in core finance skills, 43 per cent said training in strategy and development would be particularly beneficial (with this figure higher among younger employees), 28 per cent said IT (higher among older employees) and a quarter said project or change management.

The wide array of areas in which training is sought perhaps reflects the relatively rapid expansion of many finance professionals' remit in recent years as outlined above.

However, even if resources are stretched to the point where training is unaffordable, this year's survey suggests that there is more that charities could do to more effectively utilise their employees' existing expertise.

Only 40 per cent of respondents strongly agreed that their current role makes the best use of their skills and abilities, and one in four did not agree with this statement, suggesting that many charities could benefit from finding out more about what their employees feel they have to offer and capitalising on their skills where possible.

**Private sector recruitment**

This year's survey showed an increase in the number of charities recruiting finance staff from the private sector: from 13 per cent last year to 24 per cent this year.

While there are naturally pay-offs such as a lack of experience of charity accounting and unfamiliarity with emerging trends and issues within the sector, recruiting finance staff from the private sector can bring valuable new expertise and a fresh perspective to an organisation.

Alison Hopkinson, director of finance, IT and trading at Tearfund, recently moved from a senior role at computing firm Dell; and says: "It is sometimes a hard slog to always be the square peg in a round hole: I think so differently from my colleagues and my experience is so vastly different.

"However, it feels great to know that I am valued and making a real difference. For example, we are now encouraging a more innovative, 'let's give it a go' type of thinking to fundraising and communications."

The increasing integration of the finance function across organisations is a potentially positive development in many charities, and should help them to adapt successfully in this continued climate of economic uncertainty. Indeed, the acceleration of this process is perhaps a 'silver lining' of the economic downturn.

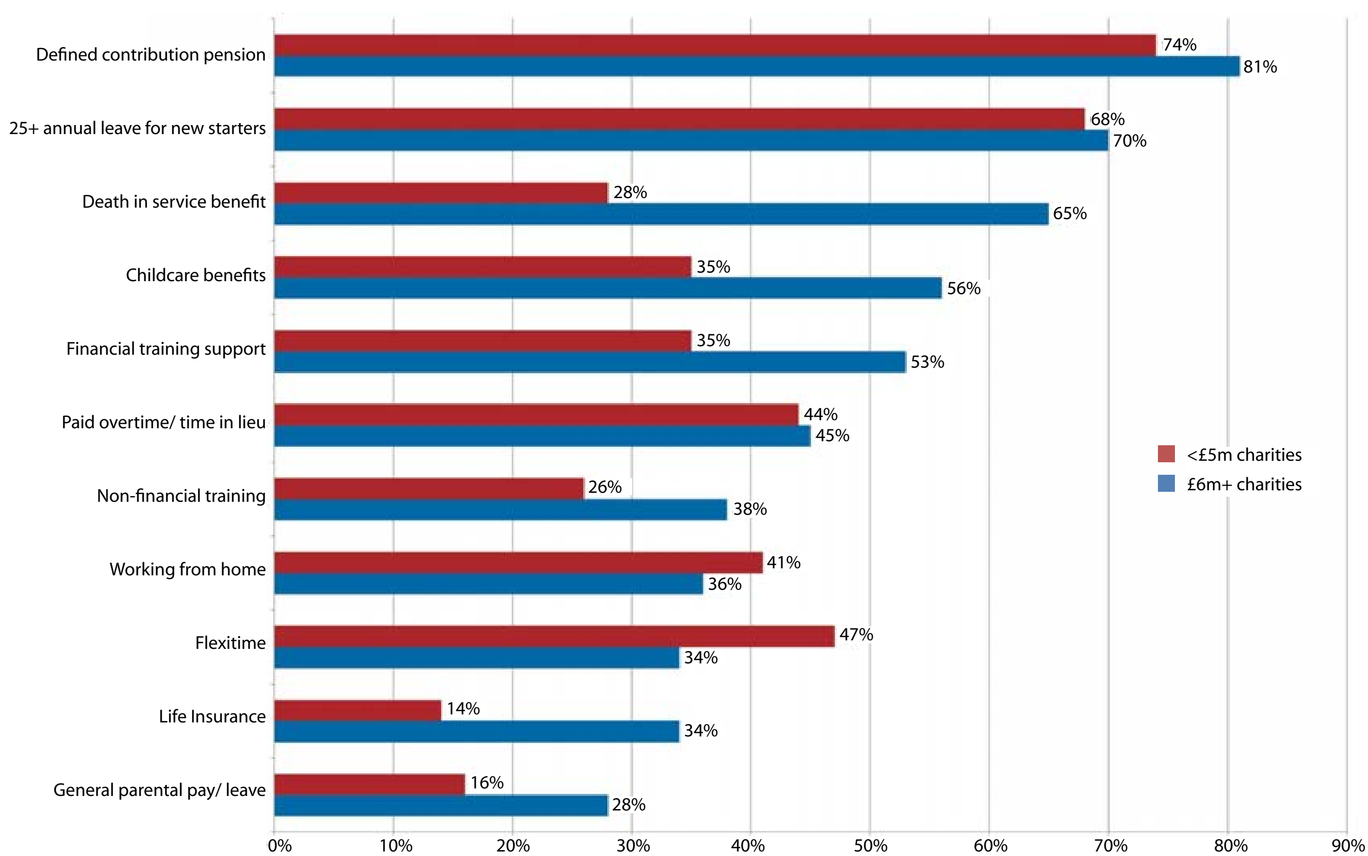
However, as their remit and responsibilities expand it will be vital that the productivity of finance teams remains high and they are sufficiently resourced.

Employers should ensure they are recruiting additional staff where necessary, including perhaps from the private sector, to reflect finance teams' expanding remit; considering non-financial benefits as well as financial ones to promote a good work-life balance; investing in training; and capitalising on employees' existing skills to get the most out of resources.

Getting the most from your finance team will help ensure charities can adapt and thrive in a rapidly changing external environment.

**Douglas Hull is policy and membership officer at CFG**

**The CFG People and Pay Survey 2013 is sponsored by MHA**




The benefits available to at least 75% of staff in the finance department of charities surveyed

# Being social

Many third sector organisations are out-stripping big name commercial brands in terms of online social engagement, finds Julie Howell. But there is still work to be done in exploiting the full possibilities in digital fundraising

**ONE MIGHT** expect charities and NGOs to trail behind big commercial brands in their use of social media. Yet Social Brands 100, a survey conducted by Headstream/Socialbakers in 2012, found that charities occupy three of its top ten positions, with Cancer Research UK, British Red Cross and ARKive keeping HTC, Guinness World Records and Lurpak out of the top ten.

Seventeen of the top 100 brands in this survey are charities. One can only imagine the size of the marketing budgets that Marmite, Sainsbury's and BBC have at their disposal, yet all trail behind WWF, RSPB and National Trust in terms of performance in social media.

So why are so many third sector organisations out-stripping big name commercial brands in terms of online engagement?

**Volume levels**

Firstly, it's not all about volume. There has been an amount of controversy in the mainstream press lately over accusations that some music labels are 'buying' YouTube hits in order to make their artistes appear more popular than they actually are.

This highlights the problem of measuring success by numbers alone Social Brands 100 works around this very modern problem by measuring effectiveness in terms of the evidence it sees of win-win relationships, active listening and 'appropriate' social behavior.

Remove the requirement for high volume clicks and shift focus onto quality of engagement and it becomes clear why NGOs thrive in this medium.

Facebook, Twitter and YouTube continue to dominate in terms of channel, but there's a new kid on the block, Microsoft-owned Yammer which may be on its way to becoming the social media platform de jour for charities wishing to facilitate online discussion between member organisations to fulfill their charter's remit.

Bob Jones, CEO of Watford and Three Rivers Trust, chose Yammer after a long search for a social platform that provides "flexibility, a clear development path, integration with Skype and LYNC and permits us to own the data," quite a shopping list for a modest budget. "We measure success on how many independent dialogues occur between our two hundred membership organisations", says Jones.

"While the platform is pretty intuitive, we've still had some difficulty getting momentum going. If we can get 20-30 member organisations using it we'll consider it a success."

The Alumni Association at the University of Brighton is a registered charity, and makes use of social media to fundraise and strengthen relationships with its 115,000 alumni. "Twitter is a great tool for immediate conversations", says senior alumni engagement officer, Sarah Grant. "Our hashtag #brightonthanks trended during our Student Engagement and Philanthropy Day, where our students joined an international initiative to thank our supporters."

An obvious benefit of social media channels is the low entry cost: most platforms being free to use. However, time is a precious and limited resource: "We have to be disciplined about how much time we allocate to it, so where possible we try to schedule our content", says Grant.

**Digital advantage**

The sector has not been slow to grasp the clear advantage that digital has over print for speed and frequency of communication. A recent survey by the Institute of Fundraising (IoF) has found that nearly half (47.5 per cent) of the charities surveyed communicate daily through social media channels, compared to 13 per cent offline.

Organisations such as MIND have developed creative approaches to communication. MIND's ingenious @The_Elephant_ Twitter campaign has attracted the attention of digital behemoth Stephen Fry (apparently, there is no greater affirmation available to Twitter users than this).

Facebook, while failing to set the small business world alight, has succeeded in providing a very successful offering to campaigning NGOs. BUAV, which campaigns for an end to all animal experiments, has attracted in excess of 37,000 supporters via its Facebook page by integrating celebrity support (Kate Moss) with clear calls to action (online petition).

Elsewhere on the web, Prostate UK exploited Facebook, Twitter and YouTube to bring attention to its 'Top Dad' campaign, resulting in 700 per cent uplift in Facebook 'likes' and a top ten position on YouTube's NfP channel.

While 'support' of this kind yields impressive figures, cries of 'slacktivism!' may be heard from the back of the room. Surely, the only metric of value is pounds raised, not pages 'liked'.

According to IoF, charities are failing to make sufficient use of social media channels for fundraising. IoF reports that only 30 per cent of donations to voluntary causes are made through online channels. Of this 30 per cent, the vast majority (90 per cent) are donated via websites, 7 per cent via email and only 3 per cent via Facebook.

Clearly, the public has yet to feel comfortable about making donations through social media channels. Charities committed to raising a greater proportion of income online need to consider how much effort to put into social media fundraising if donors are only comfortable to submit financial details through their main website.

It is worth noting, however, that other sectors make the same complaints of Facebook, which some will tell you is not a good environment for financial transactions as users tend to think of it as a place to chat, not a place to shop (with the exception of in-game purchasing).

### DIGITAL REVIEW: SOCIAL MEDIA AND A LACK OF DONATIONS

The Institute of Fundraising and Give as you Live's *Digital Giving Review 2012* suggested that although a charity's offline audience is more or less equal size to its online audience (49 per cent offline v 51 per cent online), 70 per cent of all donations are received through offline channels.

Even in today's digital world, only 30 per cent of donations are received through online channels.

Of this 30 per cent, the primary online donation channels are online giving websites (90 per cent), email (7 per cent) and Facebook (3 per cent).

No charities in this survey claim to have received donations through Twitter. This survey suggests that social media is not currently being viewed as a donation channel.

Interestingly, charities are communicating more frequently online than offline.

When it comes to daily communication, nearly half (47.5 per cent ) of the charities surveyed communicate daily through social media channels, compared to 13% offline.

Over a third (34 per cent) of charities communicate via email on a monthly basis compared to 11 per cent offline monthly communication.

Whilst quarterly or less was the most prominent offline communication frequency with 43 per cent of respondents, compared to 17 per cent for email and zero for social media.

Meanwhile, the biggest barrier for charities to successfully fundraise online is internal resources (37 per cent), followed by donor resistance (23 per cent).

Charities will be able to access additional statistics including research finding broken down by size of charity.

## When you parcel social media with other social media and digital activity it helps supporters to become an extension of the team

**Laila Takeh, Unicef**


**Fundraising channels**

Research by third sector knowledge and support organisation Lasa has revealed that seven out of 10 charity professionals believe the sector will miss fundraising and income generation opportunities if they fail to engage fully with digital channels.

Unicef considers social media channels as part of a package of digital activity intended to 'retain and attract' support. "In isolation, one social media channel doesn't have a great impact on our fundraising activity", says Unicef's head of digital engagement, Laila Takeh.

"But when you parcel it up with other social media and digital activity it helps supporters to become an extension of our team, enabling us to leverage their support further. It is more effective as a tool when a cross-channel approach is taken."

Unicef has found Google+ particularly effective. "We don't get the same level of engage-ment through Google+ as we do through Twitter of Facebook but we are connected to twice as many people there and it acts as a portal to our website. Being owned by Google it also helps us to be found more easily on other Google-owned media."

In this light, perhaps IoF's findings should not be used as a stick to beat the sector with. It may prove to be that social media is playing a key role in driving donations through the web. Perhaps the future of social media fundraising lies in the hands of the platform owners.

Charities keen to realise the full potential of social media as a fundraising channel would do well to keep a keen eye on the Facebooks, Twitters and Pinterests of the future.

**Julie Howell is a an IT specialist**

### MISSING FUNDRAISING: GRASPING THE OPPORTUNITIES

Research by technology and welfare charity Lasa shows that 7 out of 10 charity professionals (78 per cent) think the sector will miss fundraising and income generating opportunities if it does not engage fully with digital.

Over half (56 per cent) said that their charity needed training to maximise digital's potential, with 55 per cent stating that digital must be a 'core competency for all staff.' Lasa's *Charity Digital Survey* gathered the views of charity professionals from across the UK about their use of digital and its potential.

Two thirds (66 per cent) said that digital is 'essential' to their charities, and that they couldn't 'function without it.' Yet only one in five (21 per cent) believed that they were 'fully engaged with it as an organisation, from board members to junior staff.' If the sector does not embrace digital, 77 per cent of respondents fear that charities could lose supporters by 'not communicating with them effectively.' Over half (56 per cent) are worried that charities will not be able to help as many people unless they embrace digital service delivery.

Terry Stokes, Lasa's CEO, says: "Our research shows how heavily the sector relies on digital, but it needs to be at the heart of what every organisation does. Digital has to be led from the top. Charities must grasp the opportunities that digital offers for fundraising, communications and services, or they will be left behind."

Other key statistics from the survey include:

- 94 per cent of charities surveyed use digital for communications (that is, e-newsletters, social media and apps), 81 per cent use it for essential infrastructure (remote office access and finance)
- 70 per cent for service provision, including online information and advice, and 68 per cent for fundraising
- 50 per cent of respondents described a 'lack of time to get to grips with' digital. 41 per cent felt that there was 'a lack of understanding of digital at board/ director level.' Only 26 per cent cited 'budget cuts' as a barrier
- Almost two thirds (63 per cent ) of charities are not using mobiles for fundraising or apps and did not have a mobile friendly website, whilst 37 per cent do
- 35 per cent have no plans to use cloud technologies, whilst 28 per cent do and 37 per cent are already using it.

# Big on returns

Andrew Holt takes a look at the top charities in terms of investment assets

**THE WELLCOME** Trust tops the table for a charity with the largest investment assets. As of 30 September 2011, the net value of the Trust's investment asset base was £14.6 billion. The charity, which seeks improvements in human and animal health, has an extremely diversified portfolio: direct public equity holdings, multi-asset partnerships, illiquid private equity and venture capital interests and directly held property investments.

Its overall investment objective is to generate 4.5 per cent real return over the long term. This is to provide for real increases in annual expenditure while preserving at least the Trust's capital base in real terms in order to balance the needs of both current and future beneficiaries. The Wellcome Trust uses this absolute return strategy because it aligns asset allocation with funding requirements and it provides a competitive framework in which to judge individual investments.

Second in the list is the Church Commissioners' which manage assets worth some £5.2 billion at the end of 2011. Its portfolio includes stock market and property investments, including UK urban property, rural and development land, and a stake in global property funds. The Commissioners aim for the best return from their assets to help sustain the nationwide ministry of the Church, without undue risk and in line with their ethical investment policy: the Commissioners do not invest in arms or pornography or in any company whose main business is in gambling, alcohol, tobacco, or home credit provision.

Their long term target is a return of at least RPI plus 5 per cent over the long term. The investment strategy is the responsibility of, and regularly reviewed by, the Commissioners' Assets Committee, assisted by the property and securities groups, both of which are made up of staff and trustees.

Third, is the Garfield Weston Foundation, whose investment objectives are to preserve the absolute value of the capital, whilst maintaining its 'real' value. The managers are instructed to adopt a relatively conservative investment strategy investing in a balanced portfolio without geographical, currency or sector restriction, subject to the terms of a Charity Commission Order dated September 2001.

The trustees continue to measure investment performance against the benchmark of RPI plus 4 per cent over a rolling three year period which they fixed in 2008 and also against the WM Index for charities constrained by income.

The Children's Investment Fund Foundation (CIFF) has a growing portfolio of large scale investments totalling £3.2 billion. Over the last four years, it has increased its level of investment by 40 per cent.

The International Finance Facility for Immunisation (IFFIm) funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. IFFIm has established liquidity and investment policies based on recommendations made by the World Bank.

The World Bank maintains a single, commingled investment portfolio for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group.

The Pool is divided into sub-portfolios to which allocations are made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under IFFIm's investment strategy IFFIm's liquid assets are invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding IFFIm's investment portfolio.

The Leverhulme Trust investment policy of the Trustees is in accordance with the Trust Deed which states that they may at their discretion invest the Trust Fund in stocks, shares, securities or other investments, and appoint investment managers.

The performance target of the investment managers for the non-Unilever capital assets was changed at the start of 2011. The target for these managers is now primarily to match or exceed the yield of the Unilever shares whilst maintaining the value of the capital assets. Performance against the new target will be measured on an annual basis starting in 2011. The combined return for its four investment managers in the year to the end of December 2011 was 7 per cent compared with the benchmark of 5.4 per cent.

The table overleaf overall goes some way in showing how charities currently command a total of over £84 billion in investment assets. In challenging economic environments it is especially important that trustees are enabled to make their assets work harder for their beneficiaries through effective investments. Moreover, it should be noted that if trustees can demonstrate that they have reached a reasonable decision having considered the relevant issues, they are unlikely to be criticised for adopting a particular investment policy.

## Charities ranked by investment assets

| Rank | Name | year end | investment assets | listed investments | cash & short term inv | investment property inv | other assets |
|---|---|---|---|---|---|---|---|
| 1 | Wellcome Trust | Sep-11 | £14,667m | £5,894m | £480m | £835m | £7,457m |
| 2 | Church Commissioners' | Dec-11 | £5,226m | £3,334m | £252m | £1,640m | - |
| 3 | Garfield Weston Foundation | Apr-12 | £4,951m | £78.6m | £40.4m | - | £4,832m |
| 4 | Children's Investment Fund Foundation (UK) | Aug-11 | £3,296m | £2,425m | £871m | - | - |
| 5 | International Finance Facility for Immunisation | Dec-11 | £2,668m | £2,119m | £549m | - | - |
| 6 | Leverhulme Trust | Dec-11 | £1,850m | £1,806m | £34.9m | £9.56m | - |
| 7 | Charities Aid Foundation | Apr-11 | £1,149m | £475m | £675m | - | - |
| 8 | Allchurches Trust Limited | Dec-11 | £1,078m | £899m | £179m | - | - |
| 9 | The National Trust | Feb-11 | £977m | £850m | £51.1m | £76.6m | - |
| 10 | Equities Investment Fund for Charities (Charifund) | Oct-11 | £943m | £943m | - | - | - |
| 11 | Trinity College Cambridge | Jun-11 | £911m | £343m | £18.2m | £531m | £18.6m |
| 12 | Bridge House Estates | Mar-11 | £853m | £432m | £53.7m | £367m | £0.10m |
| 13 | Alpha Common Investment Fund for Endowments | Dec-11 | £830m | £814m | £16.5m | - | - |
| 14 | Esmee Fairbairn Foundation | Dec-11 | £815m | £769m | £37.4m | - | £8.00m |
| 15 | Health Foundation | Dec-10 | £727m | £617m | £14.8m | - | £94.9m |
| 16 | Henry Smith Charity | Dec-11 | £708m | £683m | £24.3m | - | £0.53m |
| 17 | Wolfson Foundation | Apr-12 | £684m | £683m | £1.03m | - | - |
| 18 | Paul Hamlyn Foundation | Mar-11 | £580m | £565m | £15.6m | - | - |
| 19 | Guy's & St Thomas' Charity | Mar-12 | £548m | £304m | £65.6m | £108m | £69.9m |
| 20 | Gatsby Charitable Foundation | Apr-11 | £483m | £367m | £113m | - | £3.46m |
| 21 | Charities Property Fund | Jun-11 | £422m | - | £27.3m | £394m | - |
| 22 | The Robertson Trust | Apr-11 | £417m | £12.7m | £10.0m | - | £394m |
| 23 | Representative Body of the Church in Wales | Dec-11 | £410m | £344m | £0.10m | £55.8m | £10.8m |
| 24 | St John's College Cambridge | Jun-11 | £360m | £162m | £11.9m | £187m | - |
| 25 | Society of Jesus Trust of 1929 for RC Purposes | Sep-11 | £351m | £218m | £40.8m | £51.2m | £40.7m |
| 26 | National Fund | Apr-11 | £340m | £288m | £30.9m | - | £21.3m |
| 27 | Saint John Baptist College in the University of Oxford | Jul-11 | £337m | £194m | £15.1m | £128m | - |
| 28 | Absolute Return Trust for Charities | Dec-11 | £301m | £291m | £9.80m | - | - |
| 29 | FIA Foundation for the Automobile and Society | Dec-10 | £297m | £283m | £13.8m | - | - |
| 30 | Eton College | Aug-11 | £294m | £257m | £36.4m | - | - |
| 31 | Christ's Hospital Foundation | Aug-11 | £283m | £154m | £14.3m | £115m | - |
| 32 | Khodorkovsky Foundation | Dec-11 | £278m | £278m | £0.09m | - | - |
| 33 | Shell Foundation | Dec-11 | £272m | £222m | £18.5m | - | £31.6m |
| 34 | Kusuma Trust UK | Mar-11 | £259m | £245m | £14.1m | - | - |
| 35 | Charity Projects | Jul-11 | £259m | £43.4m | £203m | £12.7m | - |
| 36 | Monument Trust | Apr-11 | £257m | £254m | £3.13m | - | £0.15m |
| 37 | Royal National Lifeboat Institution | Dec-11 | £256m | £237m | £5.80m | £13.2m | - |
| 38 | British Heart Foundation | Mar-11 | £255m | £207m | £46.4m | - | £1.85m |
| 39 | Growth Trust for Charities | Oct-11 | £251m | £241m | £9.84m | - | - |
| 40 | All Souls College | Jul-11 | £250m | £144m | £9.52m | £96.9m | - |
| 41 | Equity Income Trust for Charities | Oct-11 | £249m | £239m | £10.2m | - | - |
| 42 | Barts and The London Charity | Mar-11 | £245m | £87.7m | £22.9m | £122m | £12.2m |
| 43 | Royal British Legion | Sep-11 | £245m | - | £141m | £95.6m | £8.49m |
| 44 | The Tudor Trust | Mar-12 | £241m | £226m | £14.6m | - | £0.60m |
| 45 | Cancer Research UK | Mar-11 | £240m | £68.5m | £143m | - | £28.9m |
| 46 | Joseph Rowntree Foundation | Dec-11 | £239m | £203m | £12.9m | £4.42m | £18.2m |
| 47 | CAF UK Equitrack Fund | Apr-11 | £238m | £236m | £2.06m | - | - |
| 48 | Trust for London | Dec-11 | £233m | £118m | £24.3m | £90.7m | £0.03m |
| 49 | Nuffield Foundation | Dec-11 | £228m | £167m | £4.16m | - | £57.0m |
| 50 | Rank Foundation | Dec-10 | £227m | £215m | £12.4m | - | - |

## ASSOCIATIONS

**ACEVO**

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London
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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**

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**Chartered Accountants &**
**Business Advisers**

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

Michelle Wilkes
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E: michelle.wilkes@wilkinskennedy.com

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*Source: Civil Society Charity CRM Software Survey 2011

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*[1]As at 31/12/12.*

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**Charities Aid Foundation**

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**As at 31 March 2013.*

### Rathbone Investment Management

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W: www.rathbones.com

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### Ruffer LLP

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For more information contact:
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W: www.sarasin.co.uk

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