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The new Statements of Recommended Practice for charities

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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

October/November 2014 | www.charitytimes.com

Social impact investment **on the global** agenda

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

Printed by Warners Midlands

ISSN : 1355-4573

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

www.perspectivepublishing.com

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PERSPECTIVE PUBLISHING

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Perception and impact

First impressions are funny things. They can be hard to shake, which can of course be good or bad.

As a very new arrival to the sector I am pleased to report that my first impressions have been positive. It has been a pleasure meeting the people, learning about the causes they champion, and hearing the issues they face.

Less happily, this positive view of charities is not shared universally.

An NPC survey carried out in October found that on average UK adults rate their trust in charities as a 5.9 out of 10. Perceptions varied, with those most likely to mistrust charities being those who perceived them as political organisations, or principally funded by government. Those who felt charities were large, professional organisations were also more likely to mistrust them.

NPC chief executive Dan Corry said the results should be a wake-up call for the sector. He said: "Where charities do terrific work, and can prove the positive impact they have on the lives of people who depend on them, they should be shouting this from the rooftops, starting now."

An unsurprising view, given impact is at the heart of NPC's raison d'être. And it's a theme that runs through this issue.

Our cover story (p26) focuses on social impact investment, which has been to the fore recently thanks in part to delivery of the G8 Social Impact Taskforce's report on building the market worldwide. NPC's Tris Lumley co-chaired the taskforce's UK national advisory body's working group on impact measurement, and writes that "if impact investing flourishes, we can only be sure it will deliver on its potential if it puts impact measurement at its core" (p14).

This extends to charity accounting (p24), an area undergoing change with new statements of practice come into force. Disclosure requirements around charity remuneration have made some uncomfortable, understandably given the controversy around chief executive pay. But the Charity Commission's Nigel Davies argues that charities can use the new framework as an opportunity to better explain what their staff do and the difference they make.

And in this issue we feature the winners of the 2014 Charity Times Awards (p29). These some many organisations making a considerable and positive impact, and it is a pleasure to see that recognised.

Matt Ritchie
Editor

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Average net circulation of 9,426 copies for July 13 – June 14
Publisher Member
PPA

26

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THE NATIONAL COUNCIL FOR VOLUNTARY ORGANISATIONS and **Charities Evaluation Services** have merged. CES staff have moved into NCVO's Society Building offices, joining two departments in NCVO. CES's quality accreditation experts, who are responsible for its PQASSO quality standard, will join NCVO's volunteering and development department. CES's consultants, who specialise in outcome and impact, will join NCVO's enterprise department. Eight CES staff members will join NCVO as employees, while chief executive Sam Matthews and two finance and administration staff will provide consultancy services to NCVO following the merger. CES trustee Jenny Field will join NCVO's board.

CHARITIES ARE LOOKING to active investment management strategies to grow their assets, according to a survey released in November. **Newton Investment Management's** study of 74 charities with almost £6bn in assets found just 2 per cent used passive-only strategies. Sixty-five per cent of respondents took an active-only approach, while the rest used a mix. Sixty-seven per cent of respondents' portfolios were entirely or mostly invested in pooled funds, and just 7 per cent of those surveyed held segregated portfolios alone. Respondents allocated 34.1 per cent of their portfolios to UK equities on average, and 25 per cent to overseas shares. Property accounted for 15.4 per cent of invested assets, followed by UK bonds on 8.2 per cent and hedge and absolute return funds at 7.3 per cent.

BROOKS NEWMARK stepped down as Minister for Civil Society in September over inappropriate communications with an undercover reporter posing as a female Conservative Party activist. **MP for Reading East Rob Wilson** has taken the portfolio. Wilson was the Shadow Minister for Higher Education from 2007 to 2009, and Opposition Whip from 2009 to 2010. He has also served as Parliamentary Private Secretary to the Chancellor of the Exchequer.

PRIME MINISTER DAVID CAMERON has announced £8m in new funding for the **Charity Commission**, to help it tackle abuse including the use of funds for extremist and terrorist activity. Funding will be allocated over three years, and has been announced alongside the draft **Protection of Charities Bill**. The Bill includes changes to the ways individuals can be disqualified from acting as trustees and enables the commission to issue an official warning to charities it is concerned about. The regulator has also received £1m in general funding for 2015-16, to fund immediate resource needs in investigations, monitoring and enforcement.

SUBSTANCE ABUSE CHARITIES Addaction and **KCA** are set to **merge**, the organisations announced in October. KCA will become a wholly-owned subsidiary of Addaction following the merger, scheduled for January 2015. A transfer of staff is set down for 1 June. A spokesperson for Addaction said **chief executive Simon Antrobus** will lead the merged organisation. As KCA is focused on the South East where Addaction has little presence the new organisation will 'bolt on' to the merged charity, the spokesperson said, but final decisions on staffing numbers and governance are yet to be made. Addaction had more than 1,000 employees and an income of almost £51m last year, according to Charity Commission filings. KCA had just under 500 staff, and income of almost £26m.

We expect trustees to identify and address effectively any conflicts of interest that affect the trustees or their charity, taking the appropriate steps
The Charity Commission

TRUSTEES HAVE BEEN REMINDED of their legal duty to act only in the best interests of their charity, and the regulator's expectation that conflicts of interest are dealt with effectively. In a report on an operational compliance case into animal charity **Tag Pet Rescue**, the **Charity Commission** said trustees must ensure they do not put themselves in a position where their personal interests clash with their duties. The commission got involved after complaints alleging **unauthorised payments** were being made to trustees of the charity. It was later determined the payments were unauthorised as the charity's governing document only provided for one paid trustee, but the payments were made in good faith and the charity had benefitted from them. "All trustees have a legal duty to only act in the best interests of their charity," the commission said. "We expect trustees to identify and address effectively any conflicts of interest that affect the trustees or their charity, taking the appropriate steps in line with our guidance".

THE PROPORTION OF OVERALL INCOME attributable to the country's largest charities increased in the year to September. **Charity Commission** statistics showed charities with an income of £5m and over accounted for 70 per cent of charities' income at the end of September, up from 69 per cent at the same time last year. Income for the **largest charities** had risen to **£44.7bn**, up 6 per cent from last September. There were 98 more charities in this income bracket than last year, and they made up 1.2 per cent of the overall number of charities. Overall charity income increased 5 per cent to £64.05bn.

Charities with an income of £5m and over accounted for 70 per cent of charities' income at the end of September, up from 69 per cent at the same time last year

CHARITIES ARE TO BENEFIT from almost **£10m** in funding arising from fines on banks for LIBOR rigging. The **Cabinet Office** announced more than £8m will go to English charities, with the rest made available to the Scotland, Wales, and Northern Ireland governments. It is the first time that **LIBOR** funding has gone to support emergency services personnel. Up to £4m of the English funding will be allocated to help mental health charity MIND in developing a package of targeted support and information for all emergency services personnel. This will include anti-stigma work, establishing peer support groups and embedding training and awareness raising within employers, charities, and other groups.

ST LOYE'S FOUNDATION and **Community Care Trust** have announced plans to merge. The charities will come together in a newly-formed group structure. St Loye's Foundation, founded in 1937, has a turnover of £5m and provides specialist employment, training and support services. It works with around 2,500 people a year through centres in South West and North West England and in Wales. Community Care Trust has a £2.3m turnover, and provides specialist support pathways for people in, or recovering from, emotional distress.

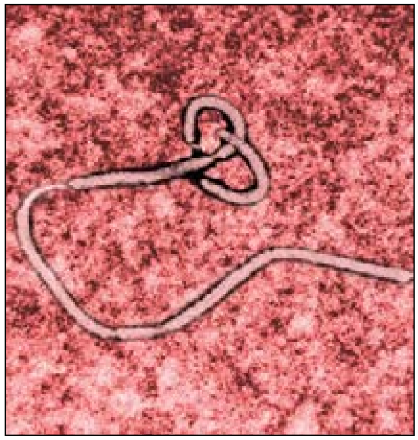
THE LAW COMMISSION has recommended charity trustees be given a new statutory power to make social investments. A report from the commission recommends measures to simplify and clarify the law around social investments. It found that although charities are generally legally permitted to make social investments, some trustees are cautious about taking up opportunities due to uncertainties about their powers and duties. A specific power to make social investments would clarify the law and bring certainty, the commission said. It recommended clarifying that charity trustees can use permanent endowment to make social investments, provided they expect the capital value of the endowment to be preserved.

BATH CHARITY ST JOHN'S HOSPITAL has launched a £4m social investment fund to support growth and development of local charities and social enterprises with social, cultural, and environmental aims. The **St John's Hospital Social Investment Programme** will provide loans from £25,000 upwards, to be made over the next four years. It sits alongside the St John's Community Grants Programme, but will provide for organisations whose turn-over is too high to qualify for that initiative. Examples of services the loans will support include growing and developing organisations, supporting day to day expenses to set up a new projects, buying and refurbishing property, employing more people, and buying equipment.

THE CABINET OFFICE has launched a new **£1.5m grant fund** to help social ventures attract investment and win contracts. Grants between £15,000 and £150,000 will be available until late January 2015. The fund will be managed by the **Social Investment Business** for the Cabinet Office. The fund aims to offer expert support to social ventures, helping to build their infrastructure and skills and showcase their impact. Eligibility criteria include being focused on tackling social problems, demonstrating a strong commitment to securing investment or to delivering public or private sector contracts, and being able to complete the work plan within a maximum period of three months.

ROYAL MAIL GROUP aims to raise at least £2m for the **Stroke Association** over the next two years after selecting it as its **charity partner**. The Stroke Association said funds raised will help the charity provide Life After Stroke grants of up to £300 to help 10,000 stroke survivors. The partnership will aim to raise awareness of the condition and the steps people can take to reduce stroke risk. The Stroke Association was chosen as charity partner after a staff vote at Royal Mail. RMG raised £2.3m for its previous charity partner Prostate Cancer UK.

DEC said the decision to launch the appeal reflects that Ebola's spread is no longer simply a medical emergency but is threatening to become a humanitarian catastrophe



UK PUBLIC SERVICES receive volunteer support valued at around £34bn a year, according to a new study by innovation foundation **Nesta**, and the charity has called for the creation of more opportunities for people to help. *People Helping People: The Future of Public Services* suggests a range of measures that could help further increase volunteer participation in the provision of public services. They include creating senior roles in local government charged with mobilising volunteers to help meet city-wide needs, and publically rewarding the contribution of volunteers. The report also suggests mapping the assets of the local community and considering them in public service planning.

CHARITIES SHOULD BE GIVEN ACCESS to the estimated **£400m** currently sitting in dormant insurance policies and pension funds to further their causes, according to a report from **The Centre for Social Justice**. *Social Solutions: Enabling grass-roots charities to tackle poverty* highlights 'cold spots' in the UK where there are few charities relative to the population, and presents a plan for boosting the social sector in the poorest areas. A Social Innovation Fund using dormant insurance and pension assets would be used to pay for third sector innovations and fund poverty-fighting charities. CSJ compared the model to a fund aimed at expanding third sector activity in the US, and the Irish government unlocking €20m from insurance funds for projects. The report suggests mapping the charity sector to enable better targeting of the poorest areas, and increasing funding via the Big Lottery Fund to help successful charities monitor small community groups.

THE DISASTERS EMERGENCY COMMITTEE launched an appeal in late October in response to a disease outbreak for the first time in 50 years, to address the **Ebola crisis** in West Africa. DEC said the decision to launch the appeal reflects that Ebola's spread is no longer simply a medical emergency but is threatening to become a humanitarian catastrophe. The appeal aims to build on the 2.5 million people impacted by the spread of the virus who had already received aid from DEC members. The appeal had **raised £14m** in its first week, including £5m in match aid from the UK government.

TESCO, DIABETES UK, AND THE BRITISH HEART FOUNDATION has announced a major **new partnership** which aims to raise millions of pounds. Launching in early 2015, the partnership will see Tesco, its customers, colleagues, and suppliers aim to raise funds for the two charities to promote healthy living. The partnership aims to reduce the risk of cardiovascular disease and Type 2 diabetes by focusing on ways to encourage healthy eating and healthy cooking habits, including making it easier to choose foods lower in sugar, saturated fats and salt. The ultimate ambition for the partnership is to be a force for positive change in the health of the nation.

A GLOBAL TASKFORCE ON SOCIAL IMPACT INVESTMENT established under the UK's **G8 presidency** has published recommendations aiming to unlock up to USD $1trn (£620m) of new investment to tackle social problems (see cover story p26). The **Social Impact Investment Taskforce** was announced by Prime Minister **David Cameron** at the G8 Social Impact Investment Forum last June. It aims to catalyse the development of the social impact investment market. "I want to use our G8 presidency to push this agenda forward," Cameron said. "We will work with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges." **Sir Ronald Cohen** chairs the taskforce, which also includes **Kieron Boyle** from the Cabinet Office. The taskforce is comprised of 22 people, including one government official and one representative of the social or private sector from seven countries and the EU, as well as one observer from Australia.

THE GOVERNMENT is reviewing the **Social Value Act** to determine whether it should be widened in a way that continues to support voluntary and community organisations and social enterprises to bid for public contracts. The act was introduced in 2013 and requires public commissioners to think about whether they can secure added economic, social or environmental benefits for their local area when they are buying services. Currently it applies only to service contracts over the EU threshold, at the pre-procurement stage. **Lord Young**, the Prime Minister's adviser on enterprise, will lead the review, with support from t he **Federation of Small Businesses**, **Chris White MP**, **Hazel Blears MP**, and **Michael O'Toole**, the former Crown Representative for the Voluntary Sector and now CEO of Mentor UK.

THE CHARITY COMMISSION announced it had installed an **interim manager** at **Viva Palestina** to the exclusion of the charity's trustees in October, in response to ongoing concerns about the **financial management** at the charity. The regulator announced **Helen Blundell** of accountancy firm **MHA Bloomer Heaven** has been acting as interim manager of Viva Palestina since 15 September. A statutory inquiry into the charity was opened in June 2013 amid "serious concerns" relating to financial management, including trustees' failure to account for charity funds since the inception of the charity. The commission also used its powers to freeze the charity's bank account. The commission said it has been using its legal powers since opening the inquiry to make former and current trustees provide information to ensure the charity submits its outstanding accounts and annual returns. Two separate appeals were lodged as a result, delaying the inquiry's progress. The appeals were subsequently withdrawn, the last one on 03 October.

OLD MUTUAL WEALTH announced plans to acquire discretionary investment manager **Quilter Cheviot** for £585m. Quilter Cheviot was formed in June 2013 with the merger of Quilter and Co. and Cheviot Asset Management. Charity investment is a well-established part of Quilter Cheviot's business and the firm has a dedicated team. Old Mutual Wealth currently oversees £80.3bn in customer investments, and Quilter Cheviot has around £16bn in funds under management. Old Mutual plc had £300.5bn in assets under management at 30 June. The new acquisition will become the discretionary investment management business within Old Mutual Wealth. Quilter Cheviot chief executive **Martin Baines** will remain in his role and will join the executive committee, reporting to Old Mutual Wealth chief executive **Paul Feeney**.

THE ASSOCIATION OF CHIEF EXECUTIVES OF VOLUNTARY ORGANISATIONS named **Paul Farmer** of **Mind** and **Sharon Allen** of **Skills For Care** as its new chair and vice-chair. Acevo's board have elected the pair to serve a three-year term, starting January 2015. They replace RNIB CEO **Lesley-Anne Alexander** and I CAN CEO **Virginia Beardshaw** who have served as chair and vice-chair since 2009 and 2012 respectively. The association has also opened nominations for four new places on the board. They are particularly looking for new board members with legal expertise, from small charities, who are aged below 44 or who are members of an ethnic minority.

We will work with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges

Prime Minister David Cameron

THE REGULATOR will not require charities to declare campaigning spending in their annual returns, but it may revisit the issue when it next considers changes in 2016. Annual returns for 2015 will include **three new question areas**. The returns will ask how much income was received from contracts from central or local government to deliver services, and grants from central or local government. They will also ask whether the charity has a policy on paying its staff, and whether it has reviewed its financial controls during the reporting period. Proposals to ask charities about campaigning spending were shelved after concerns raised during the consultation.

Political review: party conferences

BECKY SLACK FOUND THE LOBBYING ACT LOOMED LARGE OVER THE FINAL CONFERENCE SEASON BEFORE THE GENERAL ELECTION, WHILE THE RISE OF FORMER FRINGE VOICES LIKE UKIP AND THE GREEN PARTY DESERVES THE CHARITY SECTOR'S ATTENTION

Fear, misunderstanding, rumour. They were all in plentiful supply throughout this year's political party conference season. Not because of the inexplicable rise of UKIP (even though charities should be thinking about what this means for them – more on this later) but because of something deemed much more sinister: The Lobbying Act.

The Lobbying Act has caused the charity sector much consternation ever since it first began its route through parliament and still today – some nine months after it passed into statute – there is a lack of clarity about the rules, leading to confusion around what was permissible at the party conferences. Fearful of falling foul of the law, many of the charities contacted at the Labour, Conservative and Liberal Democrats events described how they had toned down their messaging (often into rather bland communications) and were not being as vocal as they would have liked.

"We have definitely been much more mindful of how we've campaigned at conference, including how we've let the public know what we've been up to", said one charity representative who wished to remain nameless. "For example, we were told that if we tweeted out the names of any ministers visiting our [exhibition] stand that this could be construed as us trying to influence public opinion in favour of a particular party."

Meanwhile, another said their organisation had huge questions around what would happen if a party decided to adopt a policy it had been pressing for. From a campaigning point of view this would be a success, but legally it could spell trouble, particularly if the charity let the outside world know that a party supported its ideas.

Concerns

Ministers have taken steps to reassure charities that the intention was not for the law to trap them. However, the general sentiment among the charities present at conference was that this was not enough: "What ministers say and what the law stipulates aren't necessarily the same thing," pointed out one public affairs representative.

Part of the problem, said campaigners, was that information from the Electoral Commission was very late in being published. Its non-party campaigner guidance was ready only a week before conference season began, while the documents specific to party conferences and to social media were released on 24 September, by which time the Labour event was over. As such, many organisations found it difficult to establish the parameters within which they needed to operate.

The strict spending limits imposed by the act were also problematic. Costs to be included range from the exhibition stands themselves (easy to calculate) to social media (not so easy to calculate). Consequently, charities found themselves having to complete the arduous task of monitoring every single activity they embarked upon, including the amount of time spent on Twitter to ensure every tweet was accounted for.

Ministers of all hues were aware of the sector's concerns. Speaking at the Acevo/Charities Aid Foundation Labour rally, Shadow Minister for Civil Society Lisa Nandy reiterated her party's pledge to repeal the act should it take power in May 2015. Meanwhile, at the same event at the Conservative conference, MPs Dom Raab and Penny Mordaunt insisted charities shouldn't have to bother with the act at all. However, little comfort has been afforded to

"We have now heard all three main parties set out their stall on health and care. It is clear there is a good deal of agreement"
National Voices chief executive Jeremy Taylor

Picture by: Cabinet Office

the sector from the new Minister for Civil Society, Rob Wilson, despite attempts to seek assurances from him. A group of high profile environmental and international development charities were particularly disgruntled to learn that a meeting request to discuss the Lobbying Act had been rejected by the MP.

When questioned by Charity Times as to why he refused this offer of a meeting, the Cabinet Office said: "The new Minister has been inundated with invitations to meet following his appointment. We were originally approached by these charities to discuss specific comments made by the previous Minister Brooks Newmark MP. However, now that Brooks is no longer in post, this is no longer relevant and the Lobbying Act does not fall within the remit for the Minister for Civil Society. Therefore we've decided to decline the offer for a meeting at this time."

Announcements

Brooks Newmark. It would be remiss of this author not to mention how the MP was publically disgraced at the start of the Conservative conference due to allegations of 'sexting' with an undercover reporter. However, that would be to detract from more important announcements that were made throughout conference, such as those that directly related to the work charities do and the communities they support.

The fields of health and social care featured predominantly. Jeremy Hunt, Secretary of State for Health, for example used the Alzheimer's Society's Dementia Friends project as evidence for his call for more charities to deliver health services: "We mustn't stop new ideas that come from outside the NHS – whether from charities, or yes, the independent sector," he said.

Meanwhile, Labour's Andy Burnham insisted that the state must lead the way, with the help of charities, while the Liberal Democrats highlighted their intention for people with mental health conditions to receive the same standards of care as they would for a physical health problem – a plan in which again charities feature strongly.

While these policies were widely welcomed by some - "This is a welcome recognition for the voluntary sector and a call to action from Jeremy Hunt," said Sir Stephen Bubb of Acevo – there was an air of caution from others. Chief executive of health and social care charity coalition National Voices, Jeremy Taylor, said: "We have now heard all three main parties set out their stall on health and care. It is clear there is a good deal of agreement, partially obscured by party politics. But we feel all the parties have underplayed the scale of the challenges we face, especially on funding, health inequalities and the radical implications of genuinely putting people's priorities above those of the 'system'."

Elsewhere, charities reacted strongly to George Osborne's two-year freeze on tax credits and working-age benefits. East London-based charity Community Links, for example, highlighted its research that showed the already "devastating impact" of welfare reforms, saying that the freeze would simply serve to push more people into difficult financial situations.

International development issues received a good airing throughout the conference, in part due to the Global Development Hub, hosted by Bond. This dedicated development space at the three main conferences provided INGOs with the opportunity to highlight vital global challenges, of which the parties appeared supportive. Justine Greening, Secretary of State for International Development, gave a passionate defence of the foreign aid budget during her conference address, highlighting how DfID's work to address global challenges cost the taxpayer just 1.5p in every £1 of public spending. "The next time someone rubbishes Britain's responsibilities, and our work overseas, stand up for what we are doing," she urged, taking a pop at UKIP, a party that has made it very clear it believes too much money is spent overseas.

British politics is no longer about two or three main parties. Alongside UKIP's growth, the Green party is tying with the Liberal Democrats in many polls

Changing landscape

UKIP, with its rising popularity, is a party that is beginning to deserve the sector's attention. Who knows, for example, how it feels about the way charities conduct their business? While its anti-EU stance is well documented, less is understood about the party's other manifesto pledges, such as those around changes to employment law and equal rights, or that which states community groups and volunteers should be supported to provide more facilities and services.

Indeed, if there is one thing that charities should take from this year's party conference season it is that it's likely to be the last one where the focus has been on just the Conservatives, Labour and Lib Dems. British politics is no longer about two or three main parties. Alongside UKIP's growth, the Green party is tying with the Liberal Democrats in many polls. As such, political commentators are predicting a tight race as we head towards the election. This new dynamic is likely to continue long after May 2015 meaning that next autumn charities can expect to negotiate the political nuances of not just three party conferences but possibly four or five.

What next for the Social Impact Investment Taskforce?

TRIS LUMLEY LOOKS AT THE NEXT STEPS FOR THE SOCIAL IMPACT INVESTMENT TASKFORCE AFTER PUBLICATION OF A MAJOR PIECE OF WORK

The Social Impact Investment Taskforce, headed up by Sir Ronald Cohen, produced its reports more than a month ago. The Taskforce promised to be a 'game changer' in how social causes will be funded in the future. So now that the dust has settled, what next?

It has certainly been a gargantuan effort. The Taskforce had to build consensus among a large group of government representatives, impact investors, and other experts. Eight national advisory boards produced their own analysis and recommendations for their countries, and four working groups produced guidance on key challenges for the market. I co-chaired the working group on impact measurement, while others considered asset allocation, mission alignment, and international development.

But will the Taskforce deliver?

At the first Taskforce meeting following the report launches, it was clear that action is now the focus. Debate covered what is forthcoming, rather than details of the reports, and some work is already underway. We discussed Italy's first social impact bond—designed to reduce drop-outs from education—as well as the parallel efforts to encourage a new, outcome-focused culture in the delivery of public services.

The national advisory boards and working groups will continue in one form or another, now morphing into groups working to make sure their recommendations are implemented. So the asset allocation group will help investment managers on including impact investments within their portfolios; the mission alignment group will help the growing world of social enterprise to determine the right corporate form for the entities they establish.

The impact measurement group produced guidelines to help simplify and synthesise all good impact measurement methodologies. Our next task is to help put those guidelines into practice, working with both investors and investees, to develop practical toolkits and step-by-step guidance. We also support the development of training aimed to help build skills, again among both investors and investees. Beyond that, we have more ambitious hopes, too—looking beyond basic practice to work at the field level on common outcomes frameworks, and on data assurance and validation.

In the policy world, the first Impact Readiness Fund has just been announced by the Cabinet Office, to help build the impact measurement approaches of a number of potential investees.

Sir Ronald says the impact investment market feels like the venture capital market did, just before it really began to take off. I have no doubt that the combined efforts of the Taskforce will help impact investment to thrive in the same way. If it does, the Taskforce will be seen as an historic moment in its development.

But the sceptic in me remains cautious. Even if impact investing flourishes, we can only be sure it will deliver on its potential if it puts impact measurement at its core. This is the purpose of the impact measurement working group, and the first recommendation of the Taskforce. But there remains a very real danger that impact measurement will be treated as a hoop which needs jumping through, rather than as a core piece of the puzzle.

The principles of good impact measurement are simple, but putting them into practice is not. If we want impact data that is reliable and comparable, we have a lot of work to do. Enterprises will need to invest in developing their own frameworks, and embed them as a core discipline. They can't just be carried out as a marketing exercise. Foundations and governments will probably need to invest in the development of common frameworks across areas like youth employment and mental health, to avoid everyone starting from scratch and ending up with incomparable results.

And we'll need to change the culture among those in the market who insist they don't need impact measurement for effective impact investing. We'll need the whole market to value impact measurement highly enough to invest in doing it properly. If we don't, there's a danger that the impact investment market will grow to help those involved in it, but not those who might benefit from the enterprises in which it invests.

Tris Lumley is Director of Development at New Philanthropy Capital

The taskforce's reports are available at: **www.socialimpactinvestment.org**

People helping people: the future of public services

NEIL CLEEVELEY FINDS THIS REPORT PROVIDES A GOOD OVERVIEW OF THE ARGUMENTS FOR INVOLVING PEOPLE IN THE DESIGN OF SERVICES

Nesta's *People Helping People* report makes a compelling case for putting social action at the heart of our public services. In fact, the report's underpinning economic analysis puts the value of volunteering in support of public services at £34 billion. Beyond this headline, the report is a valuable addition to the debate about the power of social action to transform public services. The report's main theme is that despite the value and innovation social action can bring, "enabling people to help [each] other is not yet a central organising principle for public services." It certainly is to NAVCA and our members, and I think most would agree with the authors that, as far as public services are concerned, "[i]ts transformative potential remains underdeveloped and there is much more that could be done." That said, public bodies are increasingly alert to the possibilities, often thanks to the persistence of the long-time proponents of social action like our members and many others in the local voluntary and community sector.

The somewhat fuzzy boundary that often exists between public services and voluntary action makes it "difficult to draw hard and fast rules about the appropriate boundaries between citizens and staff and how they can and should work together." This raises the controversial question, which the authors don't shy away from, of volunteering replacing paid employment. They take the view that while some paid jobs will go there are many that will rightly remain central to public services. Whatever the balance, the boundaries must be the subject of careful negotiation. The report argues that service users, staff and the wider public do accept the role of social action in and alongside public services.

The report might have taken a step further by asking whether there are services that only the state can and should deliver. Are there no-go areas for voluntary action? For example, should charities run prisons? It does point out that many services we now expect the state to provide were originally delivered by charities and there are still anomalies where charities run services that we may expect the state to provide. Indeed, many key public service roles, such as magistrates, are filled by volunteers. As much as anything the report is a reminder of the scale and variety of volunteering, and the many different ways in which it contributes to local services. There is a collection of case studies that graphically illustrate the point.

The report also provides a good overview of the arguments for involving people in the design of services. Whilst this is generally held to be a good thing, there is plenty of scope for improvement and the authors might have given it slightly more attention. I was particularly disappointed that they failed to challenge the prevailing view that sees people as individual 'consumers' of public services rather than citizens with common concerns who may wish to join together to affect real change. Similarly, reading the report gave the impression that charities and individuals act alone and there is little consideration of the support that charities and volunteers may require to play a more active role in public services.

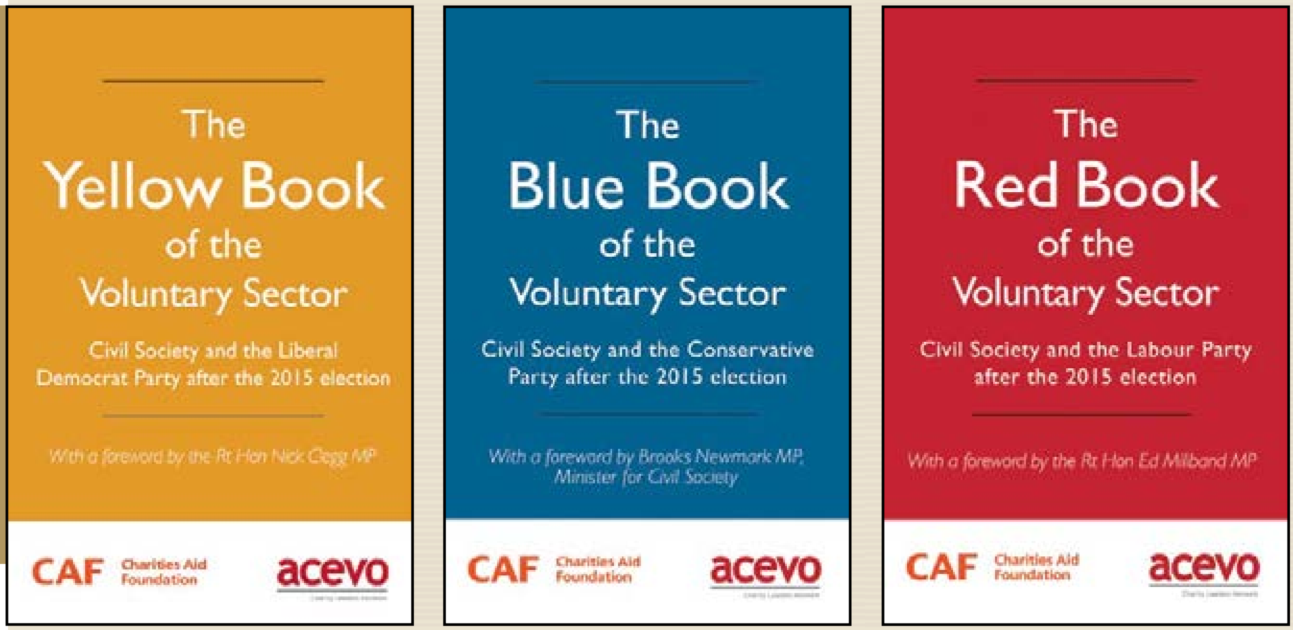
I was struck by the lack of appreciation of the efforts some public bodies are making to transform their services by channelling social action. I got the impression the authors felt the growing role social action was playing in public services was despite, not because of local public bodies. Whilst this may be true in some places, it would not be a fair or accurate picture of what is really happening. Indeed, I worry about a narrative that sees public bodies as a bulwark against change; the reality is that the financial squeeze has put many at the forefront of thinking about transforming services. What can sometimes be missing is the sense that those of us who have encouraged and supported social action for years might be part of it; some public bodies still want to be in control.

And this is important because true partnership and collaboration is the only way that we will grow the role of social action in public services. The real challenge is for public bodies and voluntary organisations to work together to improve local services (and we shouldn't forget that the private sector also plays a role). We will not achieve real transformation unless, to coin a phrase, we are all in this together.

Neil Cleeveley is acting CEO, NAVCA

The report is available at:
www.nesta.org.uk

Red, Blue and Yellow Books: With six months before the election, what do the parties think of charity?



GEORGE BANGHAM SURVEYS THE STRIKING CONTRASTS BETWEEN LIBERAL DEMOCRAT, CONSERVATIVE, AND LABOUR STANCES ON CHARITIES AS SET OUT IN COLLECTIONS OF PARLIAMENTARIANS' ESSAYS ON THE SECTOR, FINDING CHARITIES HAVE EVERY REASON TO PUSH THEIR POLICIES AS HARD AS POSSIBLE AHEAD OF THE ELECTION

It's less than six months to go to the General Election, and we're far from seeing an eye-catching policy for charities from the political party leaders. But ACEVO's work with politicians during party conference season showed that backbench MPs on all sides of the House are devoting time and care to our needs. What do they say?

This year ACEVO and CAF asked a selection of established parliamentarians and rising stars to help us capture the breadth of the three main parties' thinking about civil society. The products were our Red, Blue, and Yellow Books of the Voluntary Sector - books of essays that we launched in early autumn at the party conferences.

The books gave us hope that parliamentarians are thinking hard about their work with civil society. They drew out striking contrasts between the parties' stances, and showed that charities have every reason to push their policies as hard as possible to the political parties before and after May 7 next year.

Where next on the Lobbying Act?

The Lobbying Act has been the biggest political matter for charities in the last two years. MPs in our Red and Yellow books had a lot to say about it, as did Tory backbenchers when pressed to do so at the book launch. Ed Miliband used his introduction to highlight the damage done to civil society's relationship with government by the Act, and he reiterated Labour's commitment to repeal and replace it. It's good to have this in print and we need other parties to follow suit.

Lisa Nandy likewise insisted we need to restore the place of civil society as a 'critical friend' to government, and allow it to lobby for policy change when needed. Baroness Hayter developed this theme of the 'essential' voice of charities for change. The Lib Dems were behind the Act in the first place but it's clear that their support isn't unanimous. Their backbencher Martin Horwood wants to reassess the impact the Act has on charities, and he's adamant that voluntary organisations are vital to democracy.

At a time when charities' and

campaigners' free speech is under significant pressure this is good news. Even better will be when all parties commit to safeguard charity free speech – a call that's central to ACEVO's manifesto for the election.

What happened to the Big Society?

You won't hear the government say 'Big Society' any more, but our books are clear that its ideas live on for all parties. In former minister Nick Hurd's words, "both the public and private sectors need the voluntary sector in ways they did not before". In his Blue Book essay Jesse Norman MP argues that the Big Society remains deeply important. He's clear that attacks on it by political opponents were effective in discrediting the rhetoric, but the original concept underlies much of the Coalition's philosophy and it has efficiently split the statists and communitarians in the Labour opposition. In fact it had even wider scope than its original presentation gave it. So it's not impossible we could see a revival of rhetoric behind the Big Society from the Conservatives in the run up to the next General Election.

Labour remains torn on the roles of state and civic action in public services, but our Red Book has plenty of voices praising civil society's potential to revolutionise government services at all levels. Sadiq Khan MP and Malik Gul of Wandsworth Community Empowerment Network use this local community group to show the importance of innovative ways for the public to access services. David Lammy, Gareth Thomas and Hilary Benn set out their respective visions for charities to transform Jobcentres, service commissioning, and local government.

On the Lib Dem side, Nick Clegg's foreword is clear that 'Whitehall does not have all the answers' and that very often front line charities 'best understand how to help their communities'. But charities will be confused by what he said next. Despite having personally voted for the Lobbying Act he claims 'the sector must also continue to make itself heard in the debate over Britain's future' – drawing out welfare reform, international development and other themes where our voice is needed. Perhaps he misunderstands the Act's effects, but charities certainly have space to take him at his word and push for replacement of the Act to be his party's policy.

The voluntary sector and public services

With the big parties all signed up to spending cuts, the shape of public services is sure to be top of the agenda before the election. ACEVO's position is clear: that all would benefit from greater state-sector partnership working. Our Lib Dem essayists argue for health services to focus on citizens' holistic well-being. Care Minister Norman Lamb argues for a more inclusive, integrated, personal and preventative health service. Two parliamentary candidates, Kelly-Marie Blundell and Ibrahim Taguri, also argue for a local, voluntary sector-focused approach as the key to improving welfare and tackling child poverty.

The books gave us hope that parliamentarians are thinking hard about their work with civil society. They drew out striking contrasts between the parties' stances, and showed that charities have every reason to push their policies

The value of volunteering for both the recipient and the volunteer is prominent in all three books. David Blunkett gives a heartfelt account of the importance of volunteering in his own past. In the Blue Book Sarah Newton MP tells the story of Newquay Pathfinder and how it has brought voluntary and public sector workers together to transform the lives of vulnerable people, increasing their independence while saving money. Likewise Lib Dem MP for Cambridge Julian Huppert calls the UK 'the most generous country in the developed world', and he makes a plea for government to safeguard our historic tradition of participating in charity.

The essays give due importance to social value in public commissioning, as a way to boost the voluntary sector's ability to partner with the state. Chris White MP, originator of the Social Value Act, reviews its impact and calls for a locally-specific approach to commissioning that defines social value in particular areas. Labour's Steve Reed advocates cooperative decision-making processes in which power is shared between councils and service users. Charities and community organisations are close to their service users and so are well placed to involve them in commissioning.

How do we fund the voluntary sector in future?

Labour MPs Hazel Blears and Chi Onwurah champion social investment and social enterprise as the future of voluntary sector funding in the Red Book, while Susan Elan Jones and David Blunkett outline ways to inculcate a stronger civic spirit through tax incentives for philanthropy. In the Yellow Book Baroness Tyler and Julian Huppert call for government to promote charitable participation across the board, as this will both benefit charities' finances and promote voluntary civic engagement as an intrinsic good.

Conclusion

ACEVO's learning from the books is clear. The parties have good ideas about our sector but they are yet to be fully-formed. There isn't yet a grand narrative to rival 'Big Society' that really proves that any party 'gets' how essential the third sector is to our social and our democracy. Over the remaining months until the election we have a lot to tell our political masters. But these essays show that at least some of them will give us a hearing.

George Bangham is Policy Officer at ACEVO, the social leaders' network. Copies of the Red, Blue and Yellow Books are available to download or buy at www.acevo.org.uk.

Collaboration, Commitment, and Community

Government

ROB WILSON **was appointed Minister for Civil Society at the end of September. Writing for Charity Times, he covers off the Government's current work programme and his vision for the third sector**

I've had a busy first month as Minister for Civil Society and would like to thank everyone I have met so far in my new role. I have spent the last few weeks meeting charities, social enterprises and voluntary groups, speaking to those who have years of experience in the field and seeking advice and views from the sector on how I can best support you.

I am hugely excited to have what I think is one of the best jobs in Government – helping the VCSE sector grow in size and strength, fostering innovation and helping smaller charities become sustainable.

First, a little bit about me. I grew up in Oxfordshire and went to Reading University. Before I became an MP, I successfully founded several businesses. I know what it's like to work in an organisation where every penny counts and I am eager to use my knowledge to help the charity sector to thrive.

The best part of being an MP is that I regularly meet wonderful people working hard to improve lives in Reading where I live. As a Minister, I have already been out and about and also have more regional visits planned over the next few weeks, allowing me to see first-hand how projects and organisations supported by the Cabinet Office are helping people in communities across the country.

Whilst it is still early days I already have a vision of what I would like to achieve for the sector.

I am keen to pave the way for charities and social enterprises to deliver more public services through government contracts. I believe charities can deliver high quality services in their local communities, whilst making sure that the taxpayer also gets value for money.

The Cabinet Office runs successful master classes that share skills on winning and delivering contracts between charities and top commercial organisations and I'd like this knowledge sharing to continue. We are also supporting the development of new models such as Social Impact Bonds that enable charities and social enterprises to deliver payment by results contracts without taking on the financial risk of outcomes-based commissioning.

Alongside this I'm keen to continue opening up more government contracts and reducing barriers to charities being able to deliver great work. I'm keen to continue to improve commissioning in the public sector and look forward to hearing the outcome of Lord Young's review of the Social Value Act.

Secondly, I am committed to building on opportunities to give young people the best start in life through National Citizen Service and other initiatives. Over the last three years over 120,000 young people have taken part in National Citizen Service making it one of the fastest growing youth movements in a century and I am determined to see a significant increase in numbers going through the programme. We are also using £10m LIBOR fines to provide young people with more opportunities to take part in social action and enhance their future through the Uniformed Youth Social Action fund.

Finally I am dedicated to strengthening communities so local needs can be met by local people. Projects such as the Community Organisers programme are already helping achieve this. So far over 4,300 Community Organisers have been recruited and trained, with 5,000 to be trained by 2015. They have listened to over 150,000 residents, supported over 1,500 community projects and worked in over 400 neighbourhoods. I also know the powerful impact that social action projects can make in tackling many of the challenges we face, from helping older people to stay well to supporting young people to achieve their potential. So this Government is committed to helping these projects to grow and scale.

Underpinning all of this work is the opportunity for charities, social enterprises and communities to access vital funds through social investment. Whilst not appropriate for everyone, social investment not only supports economic growth but enables VCSE organisations to drive more positive change for individuals and communities across the country. I want to continue to make it easier to become a social investor, enabling new approaches to tackle social problems to be developed across the UK.

So, thank you for your warm welcome so far. I am looking forward to continuing conversations I have started and heading out of the office to see first-hand the passion and dedication of the people who work in this sector.

Rob Wilson is Minister for Civil Society

Charity Commission funding

Regulation

Suggestions that the Charity Commission could start charging charities for their own regulation have recently started to gain some traction. This debate has been around for a while, certainly since the huge cuts to the Commission's budget began in earnest after 2010. It gained momentum with Lord Hodgson's report reviewing the 2006 Charities Act in 2012. DSC's position is that introducing charging is a bad idea – not just for charities, especially smaller ones – but for the regulator too. We'd group our objections into 'five Ps':

JAY KENNEDY **says DSC's objections to suggestions the regulator could gather some of its funding from the sector include practicality, proportionality, PR, precedent, and principle**

Practicality
People setting up (small) charities have a hard time just finding enough cash to get going. Charging for registration is a disincentive to civic action; it adds a barrier when we should removing them.

What about charging for the submission of reports and accounts? The Commission rightly stresses the importance of getting these done properly and on time. They are fundamental to charity regulation – not least through improved transparency and public awareness of charities' activities. Why make this harder? Why add a disincentive for the laggards? Fines for non-compliance might be a more effective option – but shouldn't be seen as a revenue generator.

Would the cost of managing and enforcing payments be worth the income? It's hard to see how the cost/benefit works out well, unless you're charging a significant amount per charity.

Proportionality
Is it fair to make all charities pay? DSC would say no. Commission chair William Shawcross has said there could be an income threshold of £100,000 before charities are charged. Even this would affect many small (but not the smallest) organisations. A charity with £100,000 income might employ some staff, but will usually still operate at a local scale, with work done by volunteers and trustees. Small amounts of money make a big difference.

There are around 31,000 charities above the £100,000 level. Charge each £10 and you raise £310,000 – not to be sniffed at but hardly a game-changer. You'd need to charge closer to £100 to start filling the budgetary hole. Some of this would get absorbed by administrative and systems costs.

Public relations
It's 2016, and you're submitting a digital Annual Return via the Commission's new cyber-portal. Following hours spent at the computer, including your data disappearing three times, you reach the final page and are asked for your bank or credit card details. What is this? Nobody told us we were going to have to pay £100 to comply with the law. I'm making a complaint! There will need to be a public awareness effort. How much does that cost? Is it worth it?

Precedent
The Prime Minister has announced fresh investment for the Commission. However, it looks like this is mainly short-term funding to help the Commission change, rather than a reversal of the long term budgetary decline. The Commission may still pursue charging to help cover its core costs. But if it can show it can raise substantial cash this way, it's an incentive to cut its budget further. It's the thin end of the wedge.

If you are being charged for a 'service' you expect a certain level of responsiveness and quality. The Commission needs to think about how charging could change the expectations charities have of its performance in customer service terms.

Could the regulator of the future be a mutual or self-regulatory association, with income derived entirely from its members? You can see how the current debate could be the starting point.

Principle
When people donate to charities, do they expect x% of their donation to service the budget of a statutory body? What happens when the public realise their donations are basically subsidising public spending cuts?

DSC has long called for more resources for the Commission. It's vital that the Commission is adequately resourced to regulate the sector, which underpins public trust and confidence. But the Commission may find in hindsight a decision to pursue charging was 'penny-wise but pound foolish'.

Jay Kennedy is director of policy and research at Directory of Social Change

Making social mobility a reality for NEETs

Youth

JENNY NORTH **argues there needs to be somewhere for the 'buck to stop' in politics when it comes to disadvantaged youth**

There's been much talk recently about social mobility – or the lack of it – and how the UK is at risk of becoming a nation 'permanently divided' by the ever-widening gap between rich and poor. Poverty and wealth perpetuate themselves: your parents are poor, you're likely to be poor. Your parents are rich, chances are only a major error of judgement on your part will stop you being rich too.

Children born into disadvantage are more likely to fail at school and become NEET (or 'Not in Education, Employment or Training'). Their situation is often passed on through generations.

At Impetus-PEF we believe the best way to break this cycle is through interventions that improve the educational prospects and work readiness of disadvantaged youth. We've been talking about successful school-to-work transitions for some time and it's gradually gaining ground: think tanks, politicians and advisory bodies agree something must be done. But, despite the promises and the billions spent, there's been no real change in NEET numbers since records began in 2001.

Why? Because responsibility is split over three Whitehall departments and there is nowhere for the buck to stop. That's why we're calling for a Secretary of State to Make NEETs History, who can deliver on a new vision for disadvantaged youth.

So where does the voluntary sector feature in all this?

A Secretary of State would need to take a lead from those on the front line. Youth charities understand the barriers disadvantaged young people face in education and employment and they know which programmes work to overcome them.

At Impetus-PEF, we identify high-potential youth organisations and – through a package of funding and advice – help them become even better at reliably delivering programmes that help young people go from learning to earning.

Young people who don't attain five GCSEs are seven times more likely to become NEET. Two charities in our portfolio, Action Tutoring and Team Up, target pupils at risk of underachieving and give them extra English and Maths tuition prior to GCSEs. This extra attention can make all the difference in getting the golden five GCSEs and progressing either to the next level of learning or into a job.

London-based charity ThinkForward provides in-school 'super coaches' to struggling students. Each pupil gets a personalised action plan, access to training initiatives, workplace mentors, and introductions to business networks and work opportunities. At the beginning of the programme, less than 30 per cent of students are predicted to get five GCSEs – by the end of it, double (65 per cent) are celebrating exam success.

National charity Street League uses the power of football to engage unemployed young people. Its Academy programme focuses on building employability skills, nationally-recognised qualifications, CV-building and interview skills with volunteer corporate partners. Currently, 81 per cent of Academy graduates achieve a positive outcome.

Work readiness is crucial for young people struggling to get into work. City Gateway helps NEETS overcome obstacles and secure long-term employment by helping them develop the skills and qualifications needed for employment, and by building their work-readiness and brokering them into an apprenticeship. It has partnered with over 130 firms that offer apprenticeships to 16-24 year olds. Over 90 per cent of participants successfully complete their apprenticeships – between 14 and 17 per cent above the national average.

WorkingRite individually matches young people to local businesses for work placements lasting up to six months. The programme gives young people essential work experience, providing good role models, building confidence and offering a quality vocational alternative to academic learning. Eighty per cent of trainees who complete the programme progress to jobs, apprenticeships or purposeful learning.

These organisations are striving to make a meaningful and lasting impact on the lives of disadvantaged young people. What we need to see is a government committed to learning from those who know what works and funding programmes proven to make a difference. A Secretary of State to Make NEETs History could cut across Whitehall and focus on solving this problem for good.

Jenny North is director of policy and strategy at Impetus-PEF, which published 'Ending the NEET crisis for good: A blueprint for the next Prime Minister' in October 2014

Profile: Joe Irvin

Stepping out

JOE IRVIN RECENTLY JOINED AS CHIEF EXECUTIVE OF LIVING STREETS AFTER HELMING NAVCA FOR TWO AND A HALF YEARS. HE TALKS TO CHARITY TIMES ABOUT HIS WORK AT THE GROWING ORGANISATION, ITS RECENT SUCCESSES AND GOALS FOR THE FUTURE

Joe Irvin took the helm at Living Streets in September, the latest role in a career that has covered the private sector, politics and government, trade unions, and charities, and it is one he is clearly relishing.

He joins the charity after spending two and a half years as chief executive at the National Association for Voluntary and Community Action. Irvin speaks fondly of his time at NAVCA and maintains an affection for the organisation, but the more 'hands on' role of Living Streets was attractive.

"What attracted me to Living Streets is that it's a more direct campaigning cause, and it's one that I've been associated with before," he says.

He brings valuable experience to the role. Irvin's work in government, at one time a special adviser to then Deputy Prime Minister John Prescott, gives him insight into how things work at Westminster and how to approach policymakers.

Irvin says he will also look to apply some of the principles he learned while working in a major trade union to supporting Living Streets' local activists.

Living Streets

Living Streets works to make streets safe, appealing spaces and encourage people to walk. Irvin points to a range of benefits that accrue to society from the charity's work, with the potential health payoffs from increasing people's activity levels a significant positive.

Government and local authorities are also attracted to the potential for greater uptake of walking to reduce traffic congestion, and Irvin says there is now a proven track record of benefit from the charity's work.

"For every £1 spent on our Walk to School programme there is more than £7 return in public benefit. We've had external bodies verify that.

"We're quite pleased that we got such a good return. That was really a feather in the cap for the organisation," Irvin says.

Success breeds success, and Living Streets has benefited from the Department of Transport's Local Sustainable Transport Fund, working in conjunction with a collection of local authorities to encourage more children to walk to school.

The traffic congestion reduction from these initiatives is considerable, as the school run is one of the main causes of traffic bottlenecks. The charity recently delivered a petition to Downing Street on the issue, and increasing the number of kids walking to school is being adopted as a Government ambition. This will be a focus for the charity in the years ahead.

"When we work with schools we find the number of children walking can increase by 25 per cent," Irvin said. "It's about giving parents and children confidence that it's safe, overcoming obstacles like unsafe crossings, together with a bit of motivation and making it fun."

Growth

Living Streets has enjoyed success at attracting grant funding, upon which it relies for much of its support. Securing service contracts with local authorities and private organisations is also a growing income stream.

Income last year was almost £3.5m, according to the Charity Commission, while expenditure was just under £3.7m.

The organisation is currently expanding, growing from around 60 staff to about 85. For the first time Living Streets will have more posts outside London than inside.

"We're planning to have a stronger presence across the UK, because more decisions are being taken locally and actually that's where the action is," Irvin says. "We've got to get the right people in place, get the right structure, and make sure that we're delivering as well next year as we already have on a smaller scale."

While ensuring Living Streets is appropriately structured to deliver on its current commitments is a pressing issue, Irvin also has an eye to the future and ensuring the charity is in a sustainable position.

The chief executive acknowledges that local authorities will face a "difficult time" financially in the next few years, but he is comfortable that the benefits from Living Streets' work will mean it continues to attract funding.

"Even when you're a bit tight on money these are quite good things to spend on."

Also, the charity is increasingly winning contracts with private companies. For example, it has secured deals with rail operators to use its expertise to help them ensure there is easy access to and from their stations for people of all abilities.

Challenges

Asked about the challenges Living Streets faces when trying to further its aims, Irvin twice mentions the way that government can operate in 'silos' and the difficulty where departments do not effectively work together on issues of mutual concern.

Living Streets' work delivers both health and transport benefits, bringing at least two government departments into play and the accompanying risks of a lack of communication holding initiatives up.

A current example is a proposal to set a target of doubling cycling, and increasing walking to school.

"That's gone out among government departments, every department has a little say on it, the Treasury has a big say on it, and it's a real effort to get everybody to buy into that. Credit to those who manage to steer it through," Irvin says.

"It's the silos that are often the biggest problem – not thinking through the consequences of things that are done on one side to another."

Irvin says Living Streets also faces a challenge in lifting the profile of the issues around walking. Cycling has received a lot of attention in recent years, with some high profile incidents in London in particular grabbing headlines.

"We work closely with the cycling organisations – because 90 per cent of the time if it's good for cyclists it's good for walkers,"

"We're planning to have a stronger presence across the UK, because more decisions are being taken locally and actually that's where the action is"

Irvin says. "Walking has not been in the spotlight as much, so we've got to find the language and the issues that are going to make people take it seriously because obviously it's very important to all of us.

"We do it for a reason, it's not to raise the profile for its own sake but to get practical action."

Campaigning

Part of Living Streets' work naturally involves pushing the importance of its cause to policymakers. As someone who has worked on both sides of the political fence Irvin is well placed to comment on the issues surrounding this currently controversial area.

The contentious debate around charities engaging in campaigning activity has built steadily in the approach to the election, given added impetus by the Lobbying Act. Some comments from the political establishment warning charities away from campaigning have increased the bitterness around the issue.

Irvin identifies three schools of thought. One takes the view that there is a "grand conspiracy" to keep charities quiet, particularly in the run up to the election. Another, from a "minority" of politicians and thinktanks fears that charities have become too political and should steer clear of campaigning.

"The third school of thought, probably the one I'm closest too, is that there's an undercurrent of hostility which is represented by that second group. But it's a very small group really, and I don't think most of the government politicians, most of the opposition politicians or the public think that charities are being heavily political or shouldn't campaign. But nevertheless we've got an act of parliament on lobbying that's come out of this which has certainly muddied the waters."

Joe Lepper reviews the opportunities and potential pitfalls that accompany the new Statement of Recommended Practice for reporting charity accounts

A new era for accounting

A NEW ERA in financial reporting for charities begins next year when the sector's Statement for Recommended Practice (SORP) is overhauled.

This first update since 2005 brings charities in line with changes last year to the Financial Reporting Council (FRC)'s Financial Reporting Standard. A key aim of the change is to boost transparency, offering the public and funders far greater access to details such as pension deficits and staff pay.

For larger charities, Financial Reporting Standard 102 (FRS 102) will be the key document.

Meanwhile smaller charities have the choice of using the less complex Financial Reporting Standard for Smaller Entities (FRSSE). But this is likely to be a temporary option as the FRC is looking to scrap this in 2016 and replace it with a new section in the FRS 102.

Pension liability reporting is among the biggest changes those using FRS 102 will encounter. Under this new SORP charities in a multi-employer pension scheme making deficit reduction payments will have to disclose their full pension liability.

Charity accountancy experts warn this will need careful explanation within trustees' reports.

"The danger is that anyone looking at a balance sheet may just see the headline figure of the total payments and think that's payable within a year," says Nick Sladden, head of charities at accountants Baker Tilley. "The trustees report presents a free form opportunity to explain that it is part of a structured repayment plan over time," he adds.

Simon Atkins, charities partner at accountants Clement Keys, adds that failure to properly explain that this is a long term commitment could lead to the impression that a charity is "technically insolvent."

Remuneration

Changes to the way staff remuneration is reported is another potential area of controversy.

Under the revised SORP charities with an income over £500,000 have to detail the total remuneration of key management as well as explain their remuneration strategy.

Heightened public interest in staff pay and how performance is measured within charities has contributed to this change, says Nigel Davies, head of accountancy at the Charity Commission.

But he urges the sector to see this as an opportunity to clarify the important role staff have in achieving a charity's aims. "The fact that there is so much public interest in salaries may indicate that so far the charity sector has not been good at telling this story. This is a good chance to explain how and why staff are hired and the difference they are making," adds Davies.

Research into salary levels of similar roles at comparable charities is among the remuneration details Sladden recommends are included.

Charity Finance Group training consultant Ray Jones is another that sees greater transparency around salaries as positive. He believes any fears the move will have a negative effect on staff moral if they compare their pay with counterparts in other charities will prove unfounded.

"For most people who work in the sector there are other motivating factors than pay. I left accountancy to join the civil service, but I did that in the full knowledge

Charities need to use their websites in a much better way. People want more than just the accounts. If you can have tabs about parts of the operation to take people there quickly that would be useful

Charity Finance Group training consultant Ray Jones

I wouldn't earn as much. That's the same attitude in the charity sector," Jones says.

Investments and income

A clear explanation in the trustees report will be needed to tackle another change under the new SORP, related to the way investment gains and losses are reported.

Under the current SORP investments are presented as other gains and losses but under FRS 102 they will be included within profit and loss. This has the potential to give a misleading impression of a charity's financial state, warns Atkins.

He explains: "At the moment it is clear what the results of operating activities are and what the results of investment activities are.

"For example, take a charity that makes a £100,000 surplus at an operating level most years but also had a stonking year on investments where it gained £500,000. The two figures are separate under the current SORP. But under FRS 102 it would say that operating results for the year are £600,000.

"Charities will have to have far more narrative in their trustees report to explain this, otherwise to the man on the street it would look like the charity is going from £100,000 to £600,000 in operating surplus."

The inclusion of investment gains and losses could also in theory push a charity above the Charity Commission's threshold for auditing. But Davies says this issue will be reviewed and "we will probably recommend that we disregard investment loss or gain."

A change to the way income is recognised in the new SORP could also have an impact on charities, particularly around legacy donations, says Sladden.

"Under the current SORP income is recognised once it is certain. But in the new SORP it is recognised when it is probable, which means charities can accelerate money into their accounts for the current year rather than having to wait," he says.

"This will have an impact on legacy income where there is often a gap between being told you will get the cash and actually getting it. If the charity is left a property for example, it still needs to be sold. Under the new SORP you can carry out a property evaluation and bring that income into the accounts much sooner," adds Sladden.

Tailored approach

Another innovation in the new SORP is a modular approach so that it can be tailored to fit different charity types.

Atkins says: "The Charity Commission has set up a micro website which asks you questions about the fields you operate in and then generates a bespoke SORP only including the parts that are relevant."

But Sladden warns charities need to make sure that each year they factor in any changes of circumstances, such as being involved in a merger. "Charities need to regularly review what applies to them. If a charity is inadvertently disregarding a requirement it would be a danger," he adds.

A knock on effect on new SORPs' focus on transparency is charities will have to improve public access to their financial reports to ensure the full story is being told, says Sladden.

Sladden says: "Access to accounts is often overlooked. It should be on the charity's website but can be difficult to find and perhaps not easily accessible via the home page."

Good presentation, particularly online, is key to ensuring the public can quickly and easily see beyond headline figures around pay and pension liability, says Jones.

"Charities need to use their websites in a much better way. People want more than just the accounts. If you can have tabs about parts of the operation to take people there quickly that would be useful. Also include summaries with plainly written explanations on key policies as well as graphs or imagery where applicable," he says.

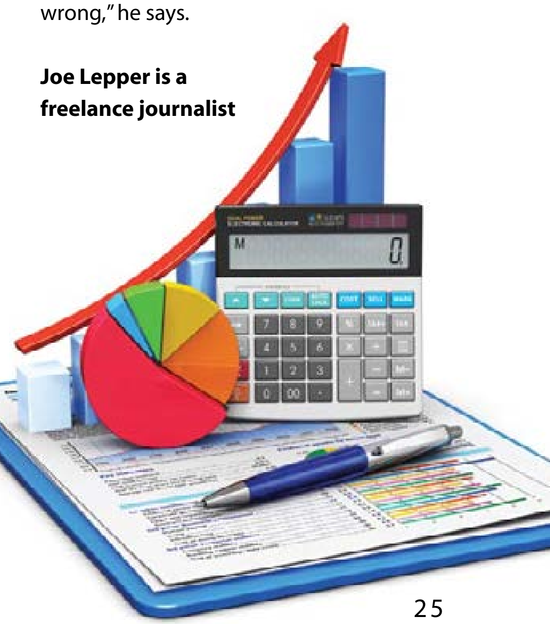
"This is not about providing more data, it is about giving a clear narrative. When you consider improving access you need to ask 'is the information relevant to your stakeholders, is it reliable and is it presented in a way people can understand?'" adds Jones.

Sladden agrees that understanding how stakeholders want to access financial reports is key to improving access and ensuring financial reporting under the new SORP fits well with charities' key messages. "For example one of my clients is a charity for the visually impaired so they do an audio version of their accounts that they send out. It shows they are in tune with what they've been set up to achieve and their audience," he says.

Davies urges against complacency in meeting the potential opportunities and dangers of the new SORP. He also warns against assuming the public do not read charity accounts.

"We need to burst the myth that no-one reads these. At the Charity Commission we did some research in 2012 that found there were a million views on charity accounts on our website. The idea that people do not look at charity accounts is wrong," he says.

Joe Lepper is a freelance journalist



Social impact investment on the global agenda

Maurice McLeod reviews the social impact investment landscape following a recent flurry of activity in the area

SOCIAL PURPOSE and financial gain have not always made comfortable bedfellows. Many of those working towards changing society have long been understandably suspicious of investors whose prime motivation is to turn as large a profit as possible.

But the evolution of using corporate money to improve the world we all live in has meant that terms like 'corporate social responsibility' and 'triple bottom line accounting' have gradually worked their way into the public consciousness.

Globally there are a number of types of organisation and movements which have historically supported social investment. These include: Community development finance in the US, the cooperative movement in Europe and credit unions in Canada.

Social impact investment might not be the catchiest of names but the principle is straight forward.

The aim is to encourage investors to put their money into projects which will not only provide them the return on investment they need but also tackle specific social challenges.

For governments and corporations, impact investment might be a way to tackle the problems without throwing out the whole system.

Critics claim that impact investment can't really be the answer to the world's problems because it is born of the capitalist world which caused many of the problems in the first place. Anti-capitalists would claim that rather than hope for extra crumbs from the corporate table, the real aim should be to turn the table over so that everyone can eat.

The risk structure is also more complicated with social impact investments.

Rather than just considering the usual risk and reward ratio, investors also have to think about impact and, unlike cold hard cash, this is notoriously difficult to measure. Investors need to clarify, at least to themselves, what sort of social impact they are looking for.

The wide variety among social impact investors can make finding funds more difficult. It is also worth remembering that for investors, it certainly isn't 'one size fits all'. Some investors are willing to reduce their returns if the social impact of their investment is high but others are not.

Leadership

Across the world, governments have been trying to encourage more investors to think about impact investing and slowly but surely the message seems to be sinking in. Despite this growth, the global impact investment sector is valued at less than $40 billion, according to the World Economic Forum. This is a drop in the financial investment ocean which sees tens of trillions of dollars moving around the world every year.

However, the amount of money invested by the 125 leading impact investors is forecast to grow by nearly 20 per cent this year, according to the latest study by the Global Impact Investment Network and J.P. Morgan.

Governments are not the only fans of these types of investments.

Pope Francis said: "It is urgent that governments throughout the world commit themselves to developing an international framework capable of promoting a market of high impact investments and thus to combating an economy which excludes and discards".

A number of initiatives have been launched recently to bring impact investing into the mainstream.

One of the most significant came last year when Prime Minister David Cameron took advantage of the UK's presidency of the G8 to place social impact investment high on the global agenda.

Speaking at the World Economic Forum in Davos, Switzerland in 2013, Cameron said: "I want to use our G8 presidency to push this agenda forward. We will work with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges".

Cameron launched the Social Impact Taskforce, led by Sir Ronald Cohen. The aim of the taskforce was to stimulate social investment by bringing together government officials and senior figures from the worlds of business, finance and philanthropy.

In September, the taskforce published its report *Impact Investment: The Invisible Heart of Markets*.

It suggested that as much $1 trillion of capital could be unlocked across the eight participating nations.

"The world is on the brink of a

G8 TASKFORCE SOCIAL IMPACT INVESTMENT RECOMMENDATIONS

1. Set measurable impact objectives and track their achievement.
2. Investors should consider three dimensions: risk, return, and impact.
3. Clarify the responsibilities of trustees: to consideration of social as well as financial return on their investments.
4. Pay-for-success commissioning: governments should consider streamlining pay-for-success arrangements such as social impact bonds and adapting national ecosystems to support impact investment.
5. Consider setting up an impact investment wholesaler funded with unclaimed assets to drive development of the impact investment sector.
6. Boost social sector organisational capacity: governments and foundations to consider establishing capacity-building grants programmes.
7. Give Profit-with-Purpose businesses the ability to lock-in mission: governments to provide appropriate legal forms or provisions for entrepreneurs and investors who wish to secure social mission into the future.
8. Support impact investment's role in international development: governments to consider providing their development finance institutions with flexibility to increase impact investment efforts. Explore creation of an Impact Finance Facility to help attract early-stage capital, and a DIB Social Outcomes Fund to pay for successful development impact bonds.

revolution in how we solve society's toughest problems," the report claimed. "The force capable of driving this revolution is 'social impact investing', which harnesses entrepreneurship, innovation and capital to power social improvement."

"Given that $45 trillion are in mainstream investment funds that have publicly committed to incorporate environmental, social and governance factors into their investment decisions, it would only need a small fraction of this money to start moving into impact investment for it to expand rapidly along the growth path to the mainstream previously taken by venture capital and private equity."

Hundreds of global experts contributed over a 15 month process and the report put forward a number of detailed recommendations for boosting impact investment.

Commenting on the recommendations Paula Goldman, senior director at the Omidyar Network, a US foundation specialising in 'positive returns' said: "Luckily, many of the policy changes recommended require little in the way of new spending or new legislation. Some small tweaks to modernise regulation could make a world of difference".

New approaches

The report claimed that a growing number of 'impact entrepreneurs' were using their creative energy to find new sustainable ways of addressing social problems.

ClearlySo, which helps social entrepreneurs raise capital, recently secured £804,000 in a deal led by Big Society Capital (an existing investor) and a number of private investors including The Body Shop co-founder Gordon Roddick.

The deal marks BSC's first ever follow-on investment on top of the £1 million it committed to ClearlySo in July 2012 and shows that ongoing relationships in the social investment market are possible.

ClearlySo has directly raised £16.4 million of impact investment for over 40 clients; such as a £1.25 million deal from Big Issue Invest and Bridges Ventures for social enterprise London Early Years Foundation.

ClearlySo CEO Rodney Schwartz said there was a clear difference in attitude between this investment round and previous efforts, reflecting a change in how the social impact investment sector is seen in general.

"Previously, the investment could have been seen as 'soft money' – and many of our investors were friends and family taking, at best, a long-term view. This time around, our shares were oversubscribed, and we could have raised even more. Commercially-minded angels now see ClearlySo as an attractive investment which is also supporting and enabling dozens of socially impactful firms to raise capital and generate enormous social impact."

Writing in the Guardian, Social Investment Business chief executive Jonathan Jenkins said organisations looking to access impact investment funds should do their research.

"Read up about social investment and what's in it for you," he wrote. "I would recommend *Social Investment Explained* by Social Enterprise UK, supported by the Big Lottery. Social investment is not a replacement for grant funding, by the way."

"You'll note that I am not recommending tapping up the mainstream independent financial advice (IFA) community – yet," Jenkins wrote. "I would love to be proved wrong, but on the whole I think the IFA community is still in the early stages of education in this area. This is bound to change though as the new social investment tax relief gets off the ground and IFAs start to realise its potential."

Maurice McLeod is a freelance journalist

THREE STEPS TO TAKE WHEN LOOKING FOR SOCIAL INVESTMENT: JONATHAN JENKINS, CEO OF THE SOCIAL INVESTMENT BUSINESS[1]:

1. **Go to the institutions direct**
   If your bank is willing to lend you the money you need at a price that works then there is no need to go on the hunt for money from other sources. There are a number of organisations which specialise in investing in social organisations. These include sustainable banks such as Triodos, social investors like CAF Venturesome or fund managers like Bridges Venures and Social and Sustainable Capital.

2. **Go to the business angel community**
   Whether it is getting yourself in front of business angels like the ClearlySo Angels or applying to the UnLtd Big Venture Challenge, there are people out there who are looking for new projects and ventures to support.

3. **Go direct to the public**
   There is a growing number of platforms connecting investors with opportunities to invest in charities and social businesses. One example is Ethex, which launched 18 months ago and has seen more than 1000 people open accounts there. They have so far invested nearly £6m in more than 30 organisations. There are also platforms like Crowdcube, Buzzbnk and Allia, which can connect investors with opportunities.

1. Originally published in the Guardian, 22/10/2014

2014 charitytimes Awards

Recognising leadership and professionalism

THE WINNERS

22 October 2014, Lancaster London Hotel

charitytimes Awards 2014

Recognising leadership and professionalism

2014 Charity Times Awards winners...

The 2014 Charity Times Awards were celebrated in October, bringing hundreds of charity professionals together to celebrate excellence at a gala dinner at London's Lancaster Hotel.

Alternative Futures Group was named the Charity of the Year with an income over £30m. United Response received a high commendation in the category.

Diabetes UK was the overall winner in the Charity of the Year with an income between £10m to £30m category. CLIC Sargent and Prostate Cancer UK received high commendations.

Charity of the Year with an income of between £5m and 10m went to Trinity Hospice and Palliative Care Services. Hearing Dogs for Deaf People was highly commended for its entry.

The Charity of the Year with an income of between £1m and £5m was North Devon Hospice. IntoUniversity and The Horse Trust were both highly commended.

Charity of the Year with an income of under £1m was the ClementJames Centre. Judges also recognised Auditory Verbal UK and TwentyTwenty with high commendations.

Barbara Young of Diabetes UK won Charity Principal of the Year, with CLIC Sargent's Lorraine Clifton highly commended. Promoting Equality in African Schools chief executive John Rendel was named Rising CEO Star, while Create chief Nicky Goulder was highly commended.

Dr Peter Agulnik was recognised for Outstanding Individual Achievement. Jacqueline Stokes, who sadly passed away earlier this year, received a high commendation.

Voiceability was recognised in the Fundraising Team of the Year category. Campaigning Team of the Year went to Meningitis Now, with Fostering Network receiving a high commendation.

PDSA won for PR Team of the Year for a Charity with an income over £30m, and Citizen's Advice were highly commended. Samaritans won for PR Team of the Year for a Charity with an income under £30m, and Battersea Dogs & Cats Home were highly commended.

Teach First took the HR Management Award with Brook receiving a high commendation. The Social Investment Business won the Social Investment Initiative category, and Affinity Sutton took the Big Society Award. The Fundraising Technology Award went to the Big Give Christmas Challenge. The Corporate Community Local Involvement Award was presented to St John's Hospice with John Lewis Oxford Street. Community Links/ Barclays were highly commended.

Prostate Cancer UK and Royal Mail were recognised in the Corporate National Champion category, where Shelter/ KPMG were highly commended. Save the Children and Morrisons were recognised for their collaboration in the Corporate National Partnership with a Retailer category, while Macmillan Cancer Support and Nationwide won the equivalent award for partnerships with financial institutions. Cross Sector Partnership of the Year went to Samaritans and The National Offender Management Service England & Wales, Scottish & Northern Ireland Prison services. Everton in the Community's partnership with Mersey Care NHS Trust was highly commended.

Restless Development and KPMG were awarded for the Corporate Social Responsibility Project of the Year, with Lloyds Scholars receiving a high commendation. Caritas Anchor House were highly commended in the Social Champion Award category, where Pluss took home the award.

Samaritans and Royal Academy of Dance received high commendations in the Best Use of the Web category, while United Response took the top gong. Stand Against Violence won the Best Use of Technology Award, with Brightside and the Financial and Legal Skills Partnership highly commended.

Investec Wealth & Investment won the Investment Management Award, open to managers with more than £1bn in assets under management. Cazenove Charities and UBS Wealth Management received high commendations. Mayfair Capital won the Boutique Investment Manager of the Year category, for managers with less than £1bn AUM. Heartwood Investment Management were highly commended.

Finally, Consultancy of the Year went to Foster Denovo, while PwC received a high commendation.

charitytimes Awards 2014
Recognising leadership and professionalism

The 2014 judging panel

George Bangham
Policy Officer,
ACEVO

Arlo Brady
Managing Director of Corporate,
freuds

James Brennan
Business Development Director,
Rathbones

Ceri Edwards
Director of Policy and Communications,
Institute of Fundraising

Esther Foreman
Founder and Director,
The Social Change Agency

Christian Guy
Director,
The Centre for Social Justice

Julie Howell
Director,
Julie Howell Communications

Joe Irvin
CEO,
Living Streets

Tris Lumley
Head of Development,
New Philanthropy Capital

Dame Mary Marsh
Director, The Clore Social
Leadership Programme

Professor Alex Murdock
London South Bank University

Professor Paul Palmer
Cass Business School

Professor Cathy Pharoah
Cass Business School

Asheem Singh
Director of Public Policy,
ACEVO

Alex Swallow
CEO,
Small Charities Coalition

Consultancy of the Year:
Foster Denovo

Boutique Investment Management:
Mayfair Capital Investment Management

Investment Management:
Investec Wealth & Investment

HR Management Award:
Teach First

Corporate Community Local Involvement:
St John's Hospice/John Lewis Oxford Street

Corporate National Partnership Champion:
Prostate Cancer UK/Royal Mail

Corporate National Partnership of the Year with a Retailer:
Save the Children/Morrisons

Corporate National Partnership of the Year with a Financial Institution: Macmillan Cancer Support/Nationwide

charitytimes Awards 2014

Recognising leadership and professionalism

Cross-sector Partnership of the Year:
Samaritans/The National Offender Management Service England & Wales, Scottish & Northern Ireland Prison services

Corporate Social Responsibility Project of the Year:
Restless Development/KPMG

Best Use of Technology:
Stand Against Violence

Fundraising Technology Award:
The Big Give Christmas Challenge

2014 charitytimes Awards

Recognising leadership and professionalism

Best Use of the Web:
United Response: Postcards from the Edges

Social Champion Award:
Pluss

Social Investment Initiative:
Social Investment Business

PR Team of the Year for a charity with an income of less than £30 million: Samaritans

Big Society Award
Affinity Sutton - The Community Ambassadors

Judges in the 2014 Charity Times Awards recognised Affinity Sutton's Community Ambassadors programme as a "fantastic, punchy example of the Big Society at its very best", which saw the housing association take the top award in a competitive category.

The Community Ambassadors programme aims to find young people on Affinity Sutton estates who want to be a part of positive social action in their communities. It offers young people opportunities through volunteering and accredited training, and seeks to provide them with a 'voice' in the organisation and their neighbourhoods.

The programme was an excellent candidate for the Big Society Award, which recognises individuals or organisations empowering communities and promoting social action by encouraging people to be more involved in their communities.

Affinity Sutton is one of the country's largest housing associations, providing 57,000 homes across the country. A business with a genuine social purpose, it can trace its approach back well over 100 years.

While Affinity Sutton is large, the Community Ambassadors programme has a local focus and is tailored to the needs of each community. However, it is supported by a national framework and while it is entirely youth-led, Affinity Sutton works closely with delivery partners to ensure the Ambassadors receive the support they need.

After the first year of the affordable housing provider's programme, Community Ambassadors across its first five teams had contributed more than 2,500 volunteer hours. Community events had resulted in engagement encouraging 20 new young people to volunteer, while empirical data suggested a 20 per cent improvement in self-confidence, planning projects, and feeling valued.

Social action projects have included refurbishing a disused estate office to create a youth hub for young residents, and securing grant funding to set up an IT hub for people with no access to computers at home.

Ambassadors also arranged community events for local residents, and created short films to educate locals about being good neighbours, and the dangers of loan sharks.

There are now eight teams of Community Ambassadors working across the country, and benefits from the programme are manifold.

Not least among them is the influence of the scheme on the perception of young people on Affinity Sutton estates. While young people can often be perceived as the cause of problems, facilitating the desire many have to effect positive change can improve perceptions to the benefit of the whole community.

Just as importantly, the programme provides opportunities for young people who often live in challenging circumstances, and gives young people a voice in their communities ensuring the needs of this section of society are addressed.

Congratulations to a most worthy winner in this category, and indeed to the support partners and especially the young people whose efforts have made the Community Ambassadors programme such a success.

PR Team of the Year for a charity with an income of more than £30 million: PDSA

Campaigning Team of the Year:
Meningitis Now

Fundraising Team of the Year:
Voiceability

Charity Principal of the Year:
Barbara Young, Chief Executive, Diabetes UK

charitytimes Awards 2014

Recognising leadership and professionalism

Rising CEO Star:
John Rendel, Founder & CEO, Promoting Equality in African Schools

Outstanding Individual Achievement:
Dr Peter Agulnik, Founder, Restore, The Ley Community, The Elmore Support Team and Response

Charity of the Year with an income of less than £1 million:
ClementJames Centre

Charity of the Year with an income of £1 million - £5 million:
North Devon Hospice

charitytimes Awards 2014

Recognising leadership and professionalism

Charity of the Year with an income of £5 million - £10 million:
Trinity Hospice and Palliative Care Services

Charity of the Year with an income of £10 million - £30 million:
Diabetes UK

Charity of the Year with an income of more than £30 million:
Alternative Futures Group

Congratulations to the winners

2014 charitytimes Awards

Recognising leadership and professionalism

Could your charity benefit from a loan?

Carolyn Sims provides a guide to charity loans and explains why many charities find loan finance empowering

It is understandable why charities may be put off by the idea of taking on a loan when they face an uncertain future, particularly if much of their income comes from contracts with the public sector at a time when spending continues to be cut.

But, in the right circumstances and with the right kind of loan, debt can help a charity to thrive and to have greater control over its future.

Trustees and management need to understand what loan finance can offer in order to determine whether it is a suitable option for them.

How can debt be a good thing?

A loan can help organisations become more sustainable.
For instance, it can allow you to buy a property rather than continuing to pay rent. This is one of the most popular purposes for Charity Bank's loans.

Loan finance can empower: it can help you to grow and expand your services, diversify your income streams, or make the most of a newly available opportunity.

Loans can help you to grow and increase your income.

Borrowing to invest in a new activity that increases income can be a fast track to growth, with the additional income repaying the loan. In this way, loans can reduce reliance on grants and donations, while allowing you to broaden your range of services.

Loans can help bring in grants. Charity Bank's recent social impact study revealed that 41% of the organisations to which it has lent were able to leverage additional funds from sources such as local trusts.

One of Charity Bank's borrowers, Heron Corn Mill, received a £940,000 grant from Heritage Lottery Fund (HLF) as a direct result of its loan. An arts, education and heritage facility, the Mill borrowed just over £170,000 to provide working capital and to finance part of the cost of the purchase and installation of power generating equipment, so that it could become financial self-sustaining through generating hydro-electricity. Through demonstrating the sustainability of this income, the HLF agreed to provide a refurbishment grant.

Even if a charity receives grants, these are usually restricted to a specific activity or project, and so they mould the charity's work to the preferences of the grant-making bodies. Adding a loan to the charity's funding mix can give an organisation more freedom. As long as your idea and your organisation are financially sustainable and deliver impact, you can choose the purpose for which you require a loan.

Loans can be very useful in the short-term, helping smooth cashflow deficits and making it easier to plan and manage your finances. They can also be used to bridge receipt of retrospective grants or payments under service delivery contracts.

And, unlike when you apply for a grant, you do not have to compete with other organisations when applying for a loan.

Why borrow from Charity Bank?

Your choice of your lender matters.
Charity Bank was established in 2002 to be a different kind of bank, making simple loans and only to charities and other social sector organisations so that they have access to the money they need, when they need it.
Charity Bank's commitment to the sector is unrivalled:

- It is a social enterprise that exists to help social sector organisations to access loans; it is not profit-driven, has charitable objects itself and cares about social impacts
- It has already lent almost £200 million to small and medium-sized charities
- 100% of its borrowers would recommend it[1].

Loans to help you make a bigger difference

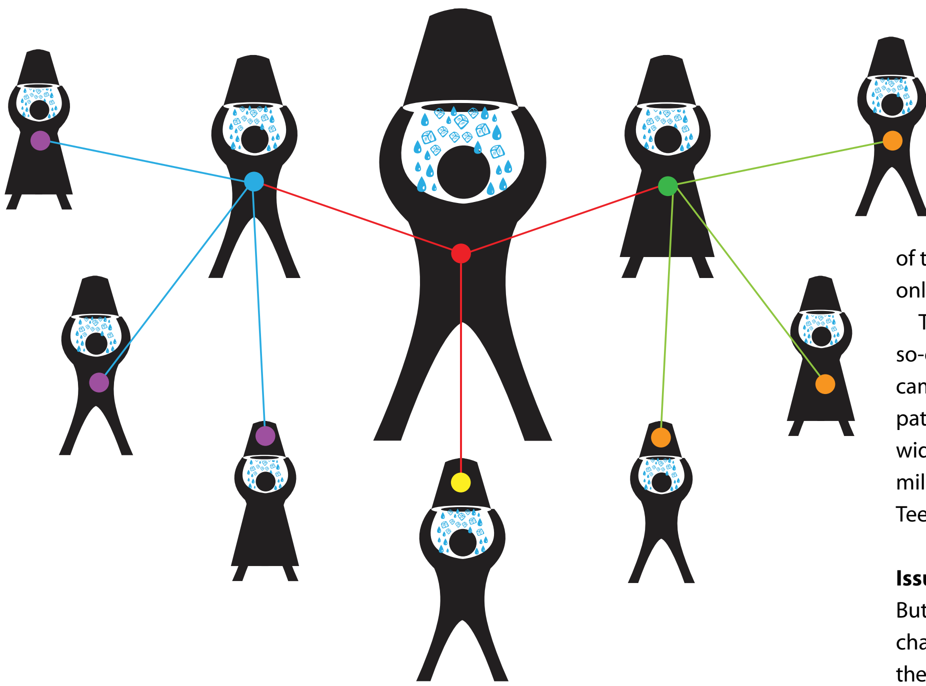
Recognising the benefit and popularity of borrowing to buy property, Charity Bank is refunding arrangement fees on new loans taken to purchase property that are drawn down in full by 31st March 2015. Call Charity Bank's loans team on **01732 774050** or visit **www.charitybank.org/charity-loans** for more information, to discuss the suitability of loan finance for your organisation or to apply for a loan.

__Carolyn Sims__ is Head of Banking for Charity Bank. She is also a trustee of a number of charities and sits on a regeneration advisory board.

CHARITY BANK

[1] 2014 borrower survey. 100% of respondents (out of 68 organisations), would recommend Charity Bank.

New channels, new challenges



Twitter, Facebook, YouTube and other social media platforms are now ubiquitous in modern life, and are increasingly being used to help raise funds and awareness. Antony Savvas looks at what works and what doesn't on these new channels

PR AND SOCIAL MEDIA strategies for charities have historically been grounded in a combination of partnerships, events and traditional media relations. Although these elements of the communications mix make up a great proportion of necessary activity, charities now have the opportunity to properly engage with their audiences and increase donations, by maximising their social media presence - and this means more than the odd tweet or Facebook post about a community project.

Charities that fail to embrace this trend are seriously missing a trick and although not without its pitfalls, the risks for charities in not getting involved can be far greater.

The highest profile recent example is undoubtedly the "ice bucket challenge". A Charities Aid Foundation survey of more than 2,000 UK adults carried out in September found that one sixth of respondents had taken part in the challenge.

However, not all participants donated as a result, with only 10 per cent of total survey respondents saying they gave to charity as part of the challenge with an average gift of only £5 to boot.

The ice bucket challenge followed the so-called #nomakeupselfie drive, and the campaign launched by teenage cancer patient Stephen Sutton, which gained widespread exposure online and raised millions of pounds as a result for the Teenage Cancer Trust.

Issues

But there are risks and challenges for charities attempting to use social media to their advantage. The open and uncontrolled nature of social media has raised questions over whether charities and causes can maintain ownership of their fundraising and awareness campaigns.

There are also issues around the effectiveness of using social media. The disparity between participation in initiatives such as the ice bucket challenge and actual donations is worthy of examination.

Charity technology supplier Blackbaud recently published its 2014 SONI (State of the Not-for-Profit Industry) report, which surveyed how NFPs are fundraising and using technology.

The research found that the use of both peer-to-peer fundraising (when backers promote the cause to other potential givers) and social media is on the increase, with 96 per cent of NFPs now using social media in some form and 69 per cent reporting income from peer-to-peer

The charity sector is just not keeping up with changes in online behaviour amongst its donor audience

CEO of equimedia Andrew Burgess

marketing (a dramatic increase from 38 percent in 2012).

But SONI also showed NFPs felt they "continued to struggle" to use social media effectively. Most NFPs felt that they did not meet expectations in executing their social media efforts in the past year, with more than 60 per cent rating themselves lower than seven out of 10 on a scale of effectiveness.

General manager for peer-to-peer business at Blackbaud Europe John Bird says: "The importance of peer-to-peer fundraising should not be under estimated, and social media is one of the main channels for supporters to ask others for donations.

"But NFPs on the whole feel that they aren't using social media as effectively as they could. Is this true or is it actually a case of having unrealistic expectations about what social media can achieve? Either way, NFPs are taking it seriously with 62 per cent adding staff or responsibilities that focus on social media during the past year."

Bird says all organisations need to see social media for what it is - "low cost, transient, informal, occasionally powerful, occasionally disruptive but certainly not controllable".

Charity staff involved with a social presence need clear guidelines and support from their executive to be allowed to react to any opportunities which may arise. If the organisation is scared of social, they will always be behind the action, he says, and will never be able to "take control of the conversation".

The web

According to research among 130 charity sites carried out by digital and direct marketing agency equimedia, charities have been slow to capitalise on their supporters' shift to online donation methods. This has led to a potential shortfall of millions of pounds in lost donations per year, as 20 per cent of all UK charity donations in the last 12 months have been executed online.

CEO of equimedia Andrew Burgess says: "The charity sector is just not keeping up with changes in online behaviour amongst its donor audience. The occasional instance of a high profile, viral social media craze like the #ALSicebucketchallenge can drive massive engagement and spikes in donations for many charities.

"However, when potential donors reach charity sites, they are let down by poor performance and many organisations do not do enough to convert interest to support."

Even the biggest charities can be caught on the hop when it comes to the interest generated by social media. The #nomakeupselfie campaign, which is said to have raised £8 million for Cancer Research UK in its first six days, sparked so much unexpected web traffic to Cancer Research UK's website, that the head of the charity's IT believed the site was under cyber attack.

Michael Briggs told business IT website ComputerWorldUK.com that the charity's IT is "playing catch-up" with the fast-paced nature of digital data, spiked by outsider viral campaigns like #nomakeupselfie.

During this campaign, which was not started by the charity, social media is said to have driven over 25 times the average amount of traffic to its website. This led to Briggs thinking someone had started a distributed denial of service (DDoS) attack against the website, when attackers try and crash a site with automated and repeated requests to access it.

Trends

Imitation often demonstrates the success of a campaign. The WWF in Denmark and Turkey recently used Snapchat to promote its work around endangered species.

The Snapchat app sends images to app users that are only viewable for a few seconds before disappearing. The WWF's use of the app mirrored what's happening with endangered animals, after tagging those endangered animals' close up images with the hashtag #LastSelfie after the words "Don't let this be my last selfie".

To further illustrate how existing 'trending' social media items can be taken advantage of, several charities used this year's tube strike in London by building short campaigns around the #tubestrike hashtag.

While 'hijacking' hashtags isn't generally seen as the thing to do on Twitter, many thought the move was innovative and fair play considering it was charities doing it.

Save the Children used the #tubestrike hashtag to raise awareness of the problems caused by the civil war in Syria, through creating a colourful custom tube service status graphic. This gave a list of issues affecting Syrian citizens on a daily basis - like no running water, no vaccines and closed schools - instead of showing how well the underground lines were doing.

"By Thursday this week's #tubestrike will be over, no one knows when the disruption in Syria will end," read the tweet and graphic.

Control

On the debate of social media control, social media consultant Andrew Gape told Charity Times, "One element that links the recent campaigns we're talking about here is that they didn't start off as a brand (charity) campaign. Branded hashtags don't tend to get the same level of traction as a spontaneous hashtag."

Overall, he says, it would be very difficult for charities to plan a hashtag and get the same level of engagement. Even when partnered with TV programmes, such as Battersea Dogs Home and Paul O'Grady's dog programme, the level of online engagement is still not as high as the #nomakeupselfie effort, for instance, points out Gape.

Gape says, "Charities need to simply be part of the social conversation and support their supporters in their campaigns and challenges to help raise as much money as possible."

Blackbaud's Bird stresses that NFPs should "keep things in perspective" when it comes to social media use. "Charities should invest in staff and time to develop a social strategy and maintain their presence, as much as anything to ensure they have the loudest voice on the subjects they care about," he says.

"However, they should keep things in perspective, because social media content is so dynamic, unpleasant conversations among the public that may cause significant internal concern, tend to pass by quickly with little or no lasting damage to the charity."

And Alia Al-Doori, account manager at content marketing firm Smarts Illuminate, says charities can learn a lot from previous social media campaigns to ensure that any mistakes are avoided in the future.

She says, "A campaign that is being fronted largely by the public can ring alarm bells for charities as the control is passed over to people who perhaps may not have their best interests at heart.

"Relinquishing control of a campaign goes against a charity marketer's instincts but opportunities are proving too good to miss. If charities continue to keep these types of campaign at arm's length then they may be left in the wake of their more daring counterparts."

On the ALS ice bucket challenge, she says, "In the beginning, although the celebrity-studded videos raised widespread awareness, it was common for the challenge to be taken on in order to dodge the donation. As the campaign grew in popularity, the message inconsistencies grew with it.

"It was only after a few well-known names highlighted the issue and reiterated that the aim of the campaign was to raise money that the primary objective was brought back to the fore. In real terms, these message inconsistencies could have cost the charity thousands, or even millions in donations."

Al-Doori says: "Handing control over to the general public means that message communications become more important than ever. Messages are always open to interpretation, so leave no room for manoeuvre. You have to keep the objectives and the messaging of the campaign simple and consistent to ensure that the general public knows exactly what is expected from them, how they can get involved and of course, the call to action - how they donate to the cause."

The simple strategy will avoid the teething problems that the ice bucket challenge experienced and will ensure that charities don't miss out on donations.

Antony Savvas is a freelance journalist

WHAT TO TAKE INTO ACCOUNT FROM CHARITABLE SOCIAL MEDIA CAMPAIGNS:

They often aren't started by charities - #NoMakeUpSelfie was started by a single mother from Stoke-on-Trent.

They can divide opinion - parts of the general public feel pressurised to take part, which can cause a backlash on social media itself.

People can put themselves in harm's way by taking part, there were accidents as a result of the ice bucket challenge - which charities risk being blamed for.

Even if many don't give much or anything individually through a social media campaign, by promoting it they potentially create a peer-to-peer network (Facebook friends or Twitter followers for instance) that may be more generous.

The narcissism of those taking part is sometimes what charities have to reach for, not trying to make them feel good about themselves - traditionally what charities have sought.

Charities may well have to take to social networks to praise those who have given, and question those who haven't, despite taking part - with humour or cheekiness of course.

Trust your social media team. To allow your charity to take advantage of social media trends they must not be wrapped up in red tape. They will miss opportunities if they first have to get approval for every clever hashtag or Facebook post they want to use.

Charity pensions roundtable: RISKS AND SOLUTIONS

John Reeve chairs a discussion by a panel of experts which revealed affordability, regulation, and bidding for public contracts are just some of a range of issues with pension provision in the charity sector. Encouragingly though, there are solutions

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Chairman:

JOHN REEVE

Senior Consultant, Premier

John is a qualified actuary focusing on advice to trustee boards and employers on effective and efficient management of their pension arrangements. He heads Premier's Bristol office, works with clients, and acts as senior consultant on a number of key projects for trustee boards and employers. A former MD of pensions administration at Aon, now Aon Hewitt, John has worked as an outsourced pensions manager managing in-house pension delivery. John is a former chair of Raising Standards of Pension Administration, now PASA. John prides himself on the clear explanation of complex issues and on creating pragmatic solutions to the problems clients of all sizes face.

Panel:

GARETH HOPKINS

Pensions Manager, The Children's Society

Gareth has a broad range of experience across DB and DC schemes. He has been pensions manager at The Children's Society since 2013, and has recently moved part time to grow his consultancy business. Previous experience includes consultancy and advisory roles at Capita Employee Benefits, Amey, and Northamptonshire County Council.

TOM KELMAN

Interim Head of Finance & Administration at The International Institute for Strategic Studies

Tom is a chartered accountant with over 28 years experience. Previous roles include treasurer at CMV Action and Interim Director of Resources at CFG. He aims to add value to the entities he works for, ensuring they remain sustainable and operate prudently.

MARILYN ACKER

Internal Audit and Risk Manager, VSO

Originally from Los Angeles, Marilyn qualified as a Certified Public Accountant then moved into general finance and accounting management. She served as Treasurer and Financial Manager for several non-profits before joining VSO in 2012. She is on the Growth Plan Employers Consultative Group due to her experience and interest in pensions.

MARTIN DALBY

Deputy group chief executive, Social Interest Group

Martin qualified as an accountant whilst in private practice and gained an MBA whilst in the commercial sector. His portfolio whilst at Penrose included responsibility for human resources, IT, housing income and accommodation sourcing service, maintenance and Penrose Works.

ISABEL HARTLAND

Director of Operations, NAVCA

Isabel trained as a Chartered Accountant with Ernst and Young, and worked in the private sector before moving to the voluntary sector. With a wide range of financial experience, Isabel is responsible for NAVCA's internal functions in particular finance, HR, and IT. She provides governance support to members.

JOHN TRANTER

Director of Finance, The Children's Trust

John is a non-executive director of social housing provider Golding Homes. He chaired the CFG's Pension Maze Report. He has been Director of Finance for Mencap and Finance Director for Eaton-Williams Holdings. He speaks at events, and has had articles published on topics including pensions.

JIN PARK

Finance and IT Manager, Royal Medical Benevolent Fund

Jin is in charge of the RMBF's pension review, which is currently with the Pensions Trust. She recently completed an MBA at the University of Manchester. Jin is a fellow of the Association of Chartered Certified Accountants, a member of the Chartered Management Institute, and a trustee of HEAL Kid foundation.

PENNY PILZER

Pensions Consultant, National Association of Pension Funds

Penny provides analysis and advice to NAPF on legislative and policy matters. She is an independent occupational scheme trustee. She was Of Counsel in the pensions department of Hogan Lovells, and a partner specialising in benefits at Washington DC law firm, O' Donnell Schwartz & Anderson.

STAN LEE

Trustee, Joseph Rowntree Charitable Trust

Stan chairs JRCT's investment committee. He is a graduate in Economics and Politics from Queen's University, Belfast. A qualified accountant, his career has been in financial and operational management and company administration across sectors. Now semi-retired, he is involved in the charity sector, pension fund trusteeship, and consultancy.

IAN GUTTERIDGE

Director, Premier Benefit Solutions

Ian joined Premier in 2006. He is head of all regulated activities incorporating Premier and Premier Benefit Solutions. Previously he spent 17 years with one employer – albeit under the names of Noble Lowndes & Partners, Sedgwick, and as part of Barclays Corporate Pension and Benefits.

The challenges pension provision pose to those running charities are many and varied. Some are historic and result from legacy issues while others are brand new, and arise out of legislative and regulatory changes as recent as this summer.

But gather charity pensions experts around a table for a discussion on the issues and a handful of key issues emerge as the most pressing problems to tackle.

Problems associated with leaving multi-employer schemes feature highly. In particular, the requirement for a departing employer to meet its share of the scheme's liabilities – its 'section 75 debt' – creates headaches.

This relates to the overall challenge of affording the defined benefit liabilities a scheme has accumulated over time. This is by no means an issue unique to charities. Recent estimates from the Pension Protection Fund suggest around 4,600 UK schemes are in deficit. DB schemes are around 88 per cent funded overall, with a UK-wide shortfall of around £166.5 billion.

The pension implications of charities taking on public sector contracts are varied and fiendishly complex. Indeed, coming to grips with the intricacies of pension provision overall was highlighted as a major challenge, for smaller schemes in particular.

And, overall, increasing longevity and the battering markets took in the wake of the financial crisis have created a "perfect storm" for charity pension funds.

Then there is the issue of the moment, and the years to come. Defined contribution has become the prevailing pensions model across the private and third sectors, with automatic enrolment providing a huge boost to this form of provision. Ensuring that current employees are in schemes that will give them the opportunity of a healthy income in retirement should be front of mind for today's charities.

"Increasing longevity and the battering markets took in the wake of the financial crisis have created a 'perfect storm' for charity pension funds"

But, for all the issues around pension provision no obstacle is insurmountable. Charity Finance Group interim director of resources Tom Kelman cut through the complications: "There is a finite number of issues in pensions, and there is a finite number of solutions," he said.

Multi-employer schemes

To paraphrase The Pensions Regulator, employers participating in a multi-employer scheme stand behind its ongoing liabilities. With some exceptions, when an employer leaves such a scheme their share of the debt (section 75) is triggered.

Multi-employer schemes have been a popular choice for charities' pension provision, not least because they provide small organisations with access to the scale benefits usually only enjoyed by much larger charities.

"The majority of charities are small, and they would've entered multi-employer schemes as a way of ensuring they can offer their staff a reasonable pension," John Tranter, finance director at the Children's Trust said. "But unfortunately as a result of events that nobody anticipated they are now holding a tiger by the tail."

Premier senior consultant John Reeve, who chaired the discussion, said charities were by-and-large doing the right thing when they originally signed up to multi-employer schemes. But times have changed.

"Charities got into these arrangements for very good reasons, it was the right thing to do a few years ago." Reeve says. "A lot of people joined multi-employer schemes to benefit from being in a big arrangement, but actually the opposite has happened. They're now a small part of a large monster that they can't control."

Mergers can also be complicated as a result of the potential crystallisation of section 75 debt. Martin Dalby, formerly director of business and finance at Penrose, recently took up a role as deputy group chief executive of the Social Interest Group. The group was formed as a holding company to help advance the aims of a group of charities.

A full merger proved to be too complex, with the section 75 issues one sticking point. However, Dalby said there are ways around the issue if charities wish to come together.

"If we tried an out and out merger then we would've had crystallisation of either our own deficit or Equinox Care's - who are joining us," he said. "There is a workaround, which is you have a DC scheme with the same pension provider. By having a DC scheme, the section 75 doesn't crystallise. Mergers don't fail primarily because of the pension deficit – but it is in there in the background."

Tranter also points to a lack of understanding around exactly how multi-employer schemes work – where the risk sits and how big it is. The level of complexity suggests there is a systemic risk around the schemes that is not fully understood, he says.

However, work is underway to tackle the issue. The panel rejected the theoretical solution of segregating the schemes, as the impact on some sponsors of immediately being faced with their full defined benefit liabilities could see the charities go under.

"The CFG has made a proposal to treat unassociated multi-employer schemes the way frozen multi-employer schemes are treated," National Association of Pension Funds policy consultant Penny Pilzer said. "This way, a section 75 debt would not arise just because the last active member no longer participated in the scheme.

"So if you stop accrual you continue to owe your debt, and you'll still have to pay down your debt but you will not be accruing any further liabilities. Employers could still go under, but it won't be the section 75 debt that puts them under. A solution like the one that I understand is being contemplated wouldn't stop risk sharing the way segregating would. Frankly I think you'd have a legal problem with segregating because the employees and employers have been promised an unsegregated scheme, which they have funded on that basis, and paid their PPF levies on the basis that the stronger employers are going to rescue the weaker employers. I don't think you can unpick that very easily without paying out a lot to lawyers."

Affordability

Ultimately, the section 75 debt issue is just one element of the various problems of pensions affordability charities face. As Kelman says, "it's all about cash".

"When the new SORP accounting regulations come in some of our members could be technically insolvent," NAVCA director of operations Isabel Hartland said. "What's going to happen then? Are trustees going to have to close them down?"

VSO internal audit and risk manager smaller schemes in particular can be unreasonable.

"Government needs to say 'The Pensions Regulator who has to approve these schemes doesn't need to be so hard and say 15 years and not a day longer'. They could extend it and therefore reduce the past deficit contributions to something we could all afford."

Stan Lee is a trustee of Joseph Rowntree Charitable Trust, and chairs its investment committee. He said that for everyone the cost of the pension scheme has got to be

"Timeframes for closing scheme deficits can put extraordinary pressure on the organisation"

Marilyn Acker echoed the sentiment: "In a couple of years we've all got to put these deficit repayment schedules on our balance sheets. And that's going to give very unusual looking accounts to a lot of charities. I suspect that a lot of reserve sections will go upside down."

Whether a charity runs its own scheme or is a member of a multi-employer arrangement, timeframes for closing scheme deficits can put extraordinary pressure on the organisation.

The Children's Society pensions and reward manager Gareth Hopkins stressed that charities should not be afraid to argue the case for a repayment schedule they can afford.

Trustees should be prepared to have "stern discussions" with the sponsor and Regulator, Hopkins said. He urged charities to set a bottom line, and be prepared to "sit in front of the regulator" if a suitable agreement cannot be reached.

"It's not about not wanting to pay the pension contributions, it's wanting to pay a sensible amount," he said. "A good pensions adviser would be going to the scheme and saying 'test us, we can only afford this'."

A similar principle applies for recovery plans set to meet the guidance of The Pensions Regulator. Dalby said the pressure recovery plans can place on a prime concern. There is also an issue of fairness in a broader sense.

"If you are lucky enough to have been given the option to pay off deficits over say 30 years, you have got to ask whether ultimately that is a sustainable option. When I hear of schemes where the sponsor is being asked to pay it off over shorter periods of time there doesn't seem to be any equity in that. That's an issue which I think is quite important."

Regulation

But the good news is the regulator is listening. Although grappling with pensions issues can be difficult for charities the panel relayed the view that the The Pensions Regulator was approachable and keen to help.

"If you can't afford it, you can't afford it," Reeve said. "The charity sector is probably in a strong position to make that point. I tell trustees 'don't be scared of the Regulator, make your argument'. You shouldn't be worried if they challenge you in the first instance. If you have pushed the negotiations hard enough and come to a good solution then you will not be criticised."

The Pensions Regulator was issued with a new statutory objective last year, requiring it to ensure that recovery plans do not unduly impact on the sustainable growth of pension scheme sponsors.

It has been in the process of implementing the new approach since, and Kelman said it was currently unclear what the new objective means for the treatment of charities. Similarly, he said the regulator's understandable focus on large pension schemes means the needs of the smaller plans typically associated with charities are not as well understood.

"It's very clear they lack knowledge of the small schemes, because they look at the big guys. They do need educating, and it's up to us to support them with that. They have an open door, they are asking for help and we should give it to them," Kelman said.

"In my only experience of going to them with a scheme I found them to be supportive. TPR in my opinion are there to support and give guidance. They've done a really good job with the guidance and toolkits, it's all there. But it's all scheme specific and situational."

Public contracts

The government has been quite keen to see charities stepping in to provide public services, as have local authorities who wish to continue to see services provided but can perhaps no longer fund them in straitened times.

For example, the Cabinet Office recently launched a review of the Social Value Act, which requires public commissioners to think about whether they can secure added economic, social or environmental benefits for their local area when they are buying services. The review will look at the case for broadening the act to enable even greater participation.

However, charities taking on public sector contracts can be faced with significant additional pension burdens they had not anticipated. The wider consequences could potentially be counterproductive, as charities may be discouraged from taking on work that has the potential to be a win-win for the public and the organisation.

Hopkins highlighted this as a key issue facing the sector.

"Charities are trying to plug their DB deficits, but they're bidding for work and taking on more DB deficit without knowing it. What they're trying to do is fill up a sink with the plug undone. We need to be very aware of that."

And awareness is at the heart of the issue. Tranter spent a large amount of time working with the CFG on its report *Navigating the Pension Maze*, and found that the issue of pension liability transfers was the most difficult to nail down.

"The complexity was just horrendous," he said. "So if you're a small local charity perhaps setting up a respite home or a refuge, where are you going to get the ability to even understand what it is you're getting into? What is even going to alert you that this is something you need to look at?"

"Charities taking on public sector contracts can be faced with significant additional pension burdens they had not anticipated"

But again, help is on the way. The NAPF is doing a big piece of work on the issue, and its work with local authority schemes has revealed that sector has also flagged it as an area that requires attention.

The NAPF is working with the Local Government Pension Scheme Shadow Board – which is testing the LGPS' new governance format in advance of it coming into force. NAPF chief executive Joanne Segars chairs the board.

Pilzer said the association's work with the board includes pushing for a more "uniform approach" to procurement, including "having the pensions risk conversation right up front".

"We've heard that some charities are even walking away in the eleventh hour when they hear what the pension deal is and we probably need to have a more concerted talk about exactly what is being asked and which risks are going to stay with local government and which risks that contractor is going to take on."

Understanding, advice, and access

There was one constant that emerged in relation to every point raised in the discussion: understanding.

And it is unsurprising. Charities are in the business of delivering on their objects, supporting their beneficiaries, and ensuring they remain sustainable. Pensions risk may be a significant threat, but it does not have the profile of many of the other challenges facing charities.

"I see the lack of understanding as a big issue," Reeve said. "I was with a charity not long ago who had just had a 'Strategy Day' where pensions wasn't mentioned – the scheme was 60 per cent funded. I can't conceive of a situation where a corporate would have an 'Away Day' with that liability on their balance sheet and not have that as part of their discussions."

But even when a charity is aware of an issue with its pension scheme, accessing the advice necessary to tackle it in the most effective way can present a major challenge.

The problem is particularly acute for small schemes.

Small charities have only really started looking at this issue," said Jin Park, finance and IT manager of the Royal Medical Benevolent Fund. "Even the MD or FD of many small charities wouldn't have had a great detailed knowledge of pensions previously. The CFG has been very helpful, and I've actually picked up the phone to ring the CFG and ask what we should do. I contacted other charities of a similar size, and they all had the same issues. Everybody's wondering what they should do, because they are in charge of the finances so they should be able to provide advice and knowledge. The issue is that every charity is in a different financial position regarding the affordability of the pension deficit, even though they are in the same multi-employer pension scheme. Getting advice is costly, and not many organisations are able to afford the service."

"Although it may be difficult or costly to secure advice, the cost of mistakes could be greater"

This question around extending the advice available to large organisations to small charities was repeatedly posed. As although it may be difficult or costly to secure advice, the cost of mistakes could be greater.

Reeve said that a key element of solving the problem boils down, again, to understanding.

"Part of it is educating the sponsor that they need to get that advice. There are a number of organisations that specialise in this area now. All these things that charities are suffering from small companies suffer from as well. We need to take the existing knowledge and experience over into the third sector."

Inter-sector dialogue could play an important part.

"We all want to share best practice, there's no competitiveness," Kelman said. "The issues and solutions are all known by professionals. Charities are good at donating services. It needs coordination but at the end of the day you have to go back and make sure you're abiding by the laws, and I think the majority of that information can be made available centrally.

"You can't afford not to get advice."

Reputation

As difficult as it can be to calculate the financial liability or risk a charity faces from its defined benefit scheme, reputational risk can be more difficult to quantify but equally dangerous.

Earlier this year the sector felt a public backlash resulting from press coverage critical of the remuneration offered to some senior executives in large charities. The case for paying charity leaders what they are worth is clear to those in the sector, but getting the message across to everyday people was not so straightforward.

The sector could do without a similar controversy around pensions.

"The public are waking up to this," Lee said. "I sat in a meeting a couple of months ago with a mix of people. The general bad feeling about charities was beginning to bubble - and it's always been there to some extent - but pensions was mentioned. 'Do we as members of the public want to be paying someone's better pension that we're not entitled to ourselves?' I think there's a real issue about that which we need to face up to as a sector."

Dalby echoed the concerns, suggesting that the pensions issue should be on the agenda when the sector is addressing its public image.

In particular, Hopkins said, the "bitter taste" that the issue could leave with the public palate is that the pension deficits and requisite contributions are attributable to employees who ceased working long ago.

"The debate about how many pence in the pound is going to charitable causes is a real, real issue."

How the image question is tackled is certainly worthy of consideration. But, similarly to the conversations around public sector pensions, retirement benefits are in many cases a reward for work that is not well-paid relative to equivalent roles in the private sector.

"I think that's what's actually stopped a lot of charities de-risking and closing their schemes to future accrual," Reeve said. "They're saying 'actually we're not paying that much - we can't cut back on their pensions as well'."

Defined contribution – the future

Fast forward 30 years, and discussions about pensions for charities are likely to revolve around defined contribution. Serious as the challenges posed by DB schemes are, they are known and have been on the radar for some time. But DC represents the present, and the future.

This is in no small part due to automatic enrolment. As of August this year more than four million workers had been placed in workplace pensions under the initiative.

Automatic enrolment has been widely hailed as a success for the low proportion of workers choosing to opt-out. Participation rates have surprised

"The minimum contribution rates under auto-enrolment are widely acknowledged as being too low at present"

policymakers and employers, and VSO is no exception.

"In my charity the head of HR thought that a certain percentage might opt out of auto-enrolment, because VSO employees travel hither and yon," Acker said. "But they didn't, they basically all stayed in."

The DC pension landscape changed dramatically this year, after Chancellor George Osborne announced what many consider to be the most significant reform to UK pensions since the 1920s.

To recap: Osborne announced the tax penalties which effectively forced savers to purchase annuities would be lifted. From next April, DC savers will be able to draw their pensions from age 55 by drawing it as a lump sum or using an income drawdown arrangement regardless of the size of their pot.

People aged 55 and over will only pay their marginal rate of income tax on anything they withdraw from their DC pension above the 25 per cent tax free pension commencement sum – either 0 per cent, 20 per cent, 40 per cent or 45 per cent.

Subsequently, charge caps were announced for default workplace pension funds. The changes are intended to have the combined effect of reassuring savers and employers that their schemes are reasonably priced, and addressing the common objection to pensions that savers were forced into poor value annuities and had very little freedom in how they use their own money.

"The budget is going to give rise to a lot more innovation," Reeve said. "We're talking to a lot of insurance companies now about their ideas about taking this forward. They are coming up with some really interesting ideas. Whether they'll be good or bad we don't know, but providers can now be more flexible because the shackles now are off. I think there will be a better way of securing pension benefits in future and this will help the sector."

Good news, then. But although welcome changes have been made there are issues to be addressed in defined contribution saving.

Not least of which, Hopkins said, is moving this form of provision higher up the agenda.

"We all know about DB issues but what charities should be looking at is DC governance. There's an out of proportion perspective on DB issues, and actually what we need to start doing is looking at the 90 per cent of the population that work for you, and how we get them to save."

The minimum contribution rates under auto-enrolment are widely acknowledged as being too low at present. Hopkins said part of increasing contribution levels was about valuing the current workforce, but it is also important to ensure employees approaching retirement are in a position to leave organisations.

"You'll get to the point where people cannot retire, and it will be a big problem," Hopkins said. "What we should be looking for is not repeating the same mistakes we made in DB, and saying 'actually how is this going to look in 30 years' time?' These people stay in, they get to retirement and find their pensions are small because of low contribution rates."

Reeve said he is concerned that as DC provision grows schemes may not pay sufficient attention to their governance – across both the private and charity sectors.

Whether to go with a trust-based or contract-based scheme will vary depending on the needs of the charity, Pilzer said, and small charities that are coming up to auto-enrolment are working through their options. Governance will be an important aspect of getting the best deal for the member at an affordable price.

"Good governance is important for both trust- and contract-based schemes. There are trust-based schemes that are good and bad - certainly there's a lot more control over what you can and can't do for your members in a trust-based plan than in a group personal pension, but there are some very good value, well-run

GPPs as well."

While Osborne's reforms to the at-retirement stage of the DC journey were broadly welcomed, objections have come from some quarters that allowing people ultimate freedom with how they spend their savings risks providing for poor choices that leave people without an income in retirement.

Those who take this view seized on an off-hand remark from the Minister that the government was "relaxed" about DC savers blowing their savings on Lamborghinis, but Pilzer said the natural change in aspirations throughout life may prove these concerns to be largely unfounded.

"Maybe it's OK to tell a 25-year-old that he's saving for a Lamborghini and he can see that every month that there's a little more there, because probably by the time he's 60 and gets ready to start taking the money he won't want a Lamborghini. But now he can get one if he wants, if that's what he's saved for. So it's not just for an annuity.

"Maybe what will happen is people will see their little pots growing, and they'll be tempted to put in a little more. It's fun to have some money set aside, and it's fun to talk about the investments in that little pot of money with your friends. That's been the 401(k) experience in the States. Because the law worked a little differently there and the law didn't change as often, people feel a little more confident about saving in a 401(k). The jury is still out, of course, about whether they will go through that money too quickly in retirement. But there has been more enthusiasm for saving"

Conclusions

The conversation covered no shortage of challenges in pension provision for charities, but encouragingly, there is a sense that all the current problems can be solved. Indeed, in almost every case work is well underway to addressing the issues.

Issues around multi-employer schemes and section 75 debt are being addressed, and the regulator is open to engaging with charities and acting as a facilitator rather than simply wielding a stick at non-profits. But, as Kelman pointed out, charities must play their part in helping the regulator understand their unique circumstances.

The potential problems charities face when taking on public sector contracts are very much on the radar, and as Pilzer pointed out work is underway with the LGPS ensuring the issue will be a live one under the scheme's new governance framework.

Almost every topic covered raised issues of understanding. On the part of the charities themselves, or those charged with running the scheme. The good news is advice is available, and charities should seek out the services of professionals who can help them make the right choices. Furthermore, the sector can help itself by sharing knowledge. But there are real issues with smaller charities, who form the majority of the sector, having the ability and capacity of resource to understand and tackle the issues they face.

Tranter touched on this at the end of the discussion, making the point that while there remains considerable work for charities to do on pensions the sector has come a tremendously long way in dealing with the issues.

"We couldn't have had this conversation 10 years ago," he said. "If we look at pensions and how the discussion has evolved over the years, I think there's a far better understanding of the issue for the sector and the challenges we face. Now it's getting onto peoples' agendas around how we tackle them. That's a huge step forward and there's a whole bunch of knowledge from advisers, the CFG and others – everyone's starting to get involved and there's a much more holistic view of what's going on. Once you start understanding the problem you start figuring out how to solve it."

"Encouragingly, there is a sense that all the current problems can be solved"

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

ACCOUNTANTS AND AUDITORS

Baker Tilly

Nick Sladden
National Head of Charities
25 Farringdon Street
London, EC4A 4AB

T: + 44 (0)20 3201 8313
E: nick.sladden@bakertilly.co.uk
W: www.bakertilly.co.uk

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Wilkins Kennedy LLP
Chartered Accountants &
Business Advisers

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

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

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

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

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F: 01842 339501

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INVESTMENT MANAGEMENT

Baring Asset Management Limited

155 Bishopsgate
London
EC2M 3XY

Contact: Catherine Booth

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

We have been providing investment management services to the charitable sector since 1926, and were one of the first investment managers to establish our own charities team in 1968. Barings now manages over £854.6 million on behalf of charities around the world[1].

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

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

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

Issued by Baring Asset Management Limited (Authorised and regulated by the Financial Conduct Authority).
[1]As at 31/08/14 ***Investment involves risk.*** *The value of investments and any income generated may go down as well as up and is not guaranteed.*

Cerno Capital Partners LLP

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

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

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

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

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

We invest globally, across multiple asset classes and take a long term outlook to wealth preservation and growth.

We act as both discretionary managers and advisors to charities.

Ecclesiastical Investment Management Ltd

19-21 Billiter Street
London
EC3M 2RY

Mike Goddings
Head of Charity Market Development
T: 020 7680 5839
E: mike.goddings@ecclesiastical.com

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Call us for details on the Amity Charity Funds and learn how our charitable ownership helps us see things from your perspective, and how your investment can make a real difference.

www.ecclesiastical.com/charityinvestments

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C. Hoare & Co.

37 Fleet Street
London
EC4P 4DQ

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

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INVESTMENT MANAGEMENT

J.P. Morgan

1 Knightsbridge
London, SW1X 7LX

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

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Contact: William Reid, Head of Charities
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E: william.reid@quiltercheviot.com
W: www.quiltercheviot.com

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We offer your charity:

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- A competitive and **transparent fee** structure.

**01.03.14*

WAVERTON
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Waverton Investment Management

21 St. James's Square
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SW1Y 4HB

Contact: Stephen Browne

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E: sbrowne@waverton.co.uk
W: www.waverton.co.uk

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Rathbone Investment Management

1 Curzon Street, London, W1J 5FB

For further information please contact Francesca Monti:

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

Rathbone Investment Management is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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

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RUFFER

Ruffer LLP

80 Victoria Street
London
SW1E 5JL

For more information contact:
Christopher Querée

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

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

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INVESTMENT MANAGEMENT

Sarasin & Partners LLP

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

Contact: John Handford

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

Sarasin & Partners manages investments of £4.8 billion* for over 320 charities, representing 35% of the firm's total Assets under Management. We also manage investments for UK private clients, pension funds, and other institutions with total funds under management of £13.8 billion (as at 30.06.14).

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We are well known for our commitment to education having trained over 3,000 trustees. The reference for this training is our Compendium of Investment.

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

UBS

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Andrew Wauchope - Head of Charities
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W: www.ubs.com/charities-uk

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INVESTMENT REVIEW SERVICES

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