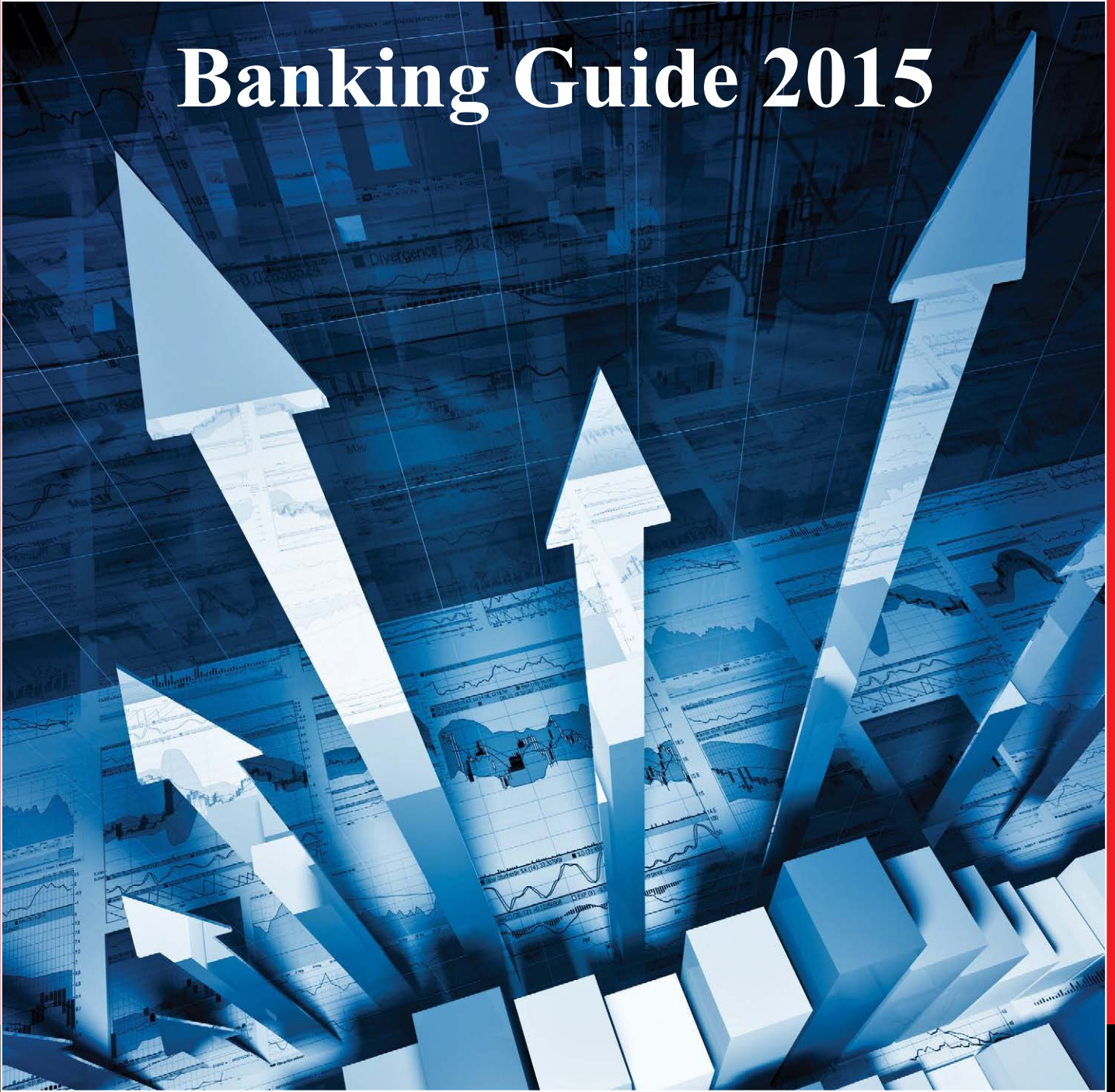


# charitytimes

## Banking Guide 2015



## Contents:

### 33 **Welcome**

Charity Times editor Matt Ritchie touches on the key themes in charity banking

### 34 **Charities face donations dilemma in 2016**

Barclays head of charities David McHattie says the sector has the flexibility and tenacity to thrive despite a challenging 12 months ahead

### 36 **Mission possible**

Triodos Bank head of communications Will Ferguson argues incorporating a charity's aims into its banking choices can benefit both the organisation and its mission

### 38 **Financing your mission**

Dave Matkin of Unity Trust Bank on how looking at the role borrowing can play in a charity's financial mix can offer valuable rewards

### 40 **Keeping banking services open for charities**

Charity Finance Group head of policy and public affairs Andrew O'Brien makes the case for all parties coming together to ensure legitimate charities do not have their access to banking unduly restricted

### 41 **Company profiles**



## Choice, value, and optimism

*A review of some of the key views and themes that emerge throughout the Charity Times Banking Guide 2015*

Charity banking is big business. This year's Charity Financials *Charity Banking Spotlight* revealed the top 5,000 charities by income, expenditure, or assets had £17.4 billion in current assets cash. These assets were held across almost 90 different banks, which illustrates the choice available to charities in choosing where they place their cash.

And this idea of choice is an important one. It is easy to look at banking as a set and forget relationship, and charities (not unlike individuals and companies) often retain the same provider over long timeframes.

Which is no bad thing in itself. As the columnists in this banking guide point out over the following pages, a good understanding and relationship between a charity and its bank can only be a good thing. But, equally, it is important charities review their arrangements on a fairly regular basis to ensure their funds are providing maximum value and terms are as good as they can be.

### Advice

In the following guide, we hear from three of the top 20 providers by number of charities served.

They cover a lot of ground. The third sector no doubt faces its challenges, but it is clear within there are a number of ways working in partnership with the banking industry could potentially help ease the pressure.

One major banking issue that has arisen over the course of 2015 in particular was access to banking services by those charities operating in conflict-stricken areas such as Syria. Some charities have even had their accounts closed, while others have reported difficulty transferring funds to where they are needed.

Charity Finance Group's Andrew O'Brien covers this issue in detail, calling for a cooperation between charities, banks, and the government to ensure minimal disruption to the operation of charities.

Charities must improve how they communicate what are often very robust due diligence policies, O'Brien says. Meanwhile, while government must accept that it cannot eliminate all risk and needs to set expectations of due diligence at levels that will not lead to charities or banks becoming too risk averse.

Barclays head of charities David McHattie says the level of scrutiny over international payments will only grow in 2016. Encouragingly, he says Barclays is working with the sector to tackle the issue. Barclays has trialled an extended due diligence questionnaire with charities, who McHattie says

recognise the importance of holding information to ensure funds are not misappropriated.

### Optimism

Elsewhere, McHattie takes a refreshingly optimistic view of 2016 despite the challenges ahead. While fundraising is set to go through change on the regulatory side and via the planned Fundraising Preference Service, McHattie eyes an opportunity for those charities who can capture the potential of social media as a tool for raising revenue.

Digital donations are picked to continue to make a stronger contribution, while McHattie also highlights the potential for charities to turn to trading activities other than the traditional charity shop model as an option for generating additional income.

### Finance

Whatever a charity's plans for generating income in the year ahead, commercial finance should be on the radar.

Dave Matkin of Unity Trust writes about the ways in which loans can help a charity achieve its mission, in particular in an environment where public money is harder to come by and there is greater competition for grants.

While stressing that taking on a loan will not be for all charities, Matkin outlines the circumstances in which charities may wish to explore their commercial finance options. Sometimes, he says, an organisation can save itself money by exploring finance options in lieu of or in complement to grant funding.

Finally, Will Ferguson of Triodos Bank talks about how a charity can ensure that its banking arrangements are aligned with its mission.

While responsible investing is a common and increasingly discussed practice, Ferguson says for many charities cash represents one of their biggest investments and it makes sense to ensure these funds are not conflicting with an organisation's mission.



**Matt Ritchie**  
Editor of Charity Times

## Charities face donations dilemma in 2016

*The sector has the flexibility and tenacity to thrive despite a challenging 12 months ahead*



**T**here are several factors that charities need to consider when planning for 2016. The first of these is the likely introduction of a new fundraising regulator and the establishment of a fundraising preference service. This will increase the pressure on small and medium-sized charities in particular, who tend to be more reliant on donations.

The largest charities are showing the strongest growth and we expect this trend to continue as these organisations have the balance sheets and profile to run major fundraising campaigns. This will encourage conversations around whether the smallest charities could increase efficiency and deliver a more cost-effective service by merging, especially as cuts in local authority and government contracts are unlikely to be reversed. There are more than 150,000 individual charities in the UK.

### Donations under growing global scrutiny

The charitable sector is also facing increased compliance requirements. Organisations that make international payments will appreciate the need to be aware of where their money is going to, the identity of their donors and the conduct of their distribution partners.

The level of scrutiny of international payments will increase further in 2016. We have trialled an extended due diligence questionnaire with a number of charities, who recognise that both they and their banks need to be capturing more information to ensure funds are not misappropriated. In this area the interests of banks and charities are firmly aligned.

### The digital opportunity

The shift in donations from cash and cheque to digital payments was one of the key findings of research into the changing face of donations conducted by Barclays earlier this year. Most charities have a social media manager but I don't think anyone has found a way of properly monetising their digital profile.

In addition, charities need to spend more time considering their use of social media and digital communications platforms and specifically how to turn 'liking' and sharing into cash.

There is a tremendous fundraising opportunity for charities that can find the answer to this question. We have seen the power of social media through events such as the

ice bucket challenge.

The issue is how to sustain a campaign for a longer period – do charities need to keep coming up with attention-grabbing individual events or is there a way of persuading people to donate on an ongoing basis?

### Digital donations soar

While the sector faces considerable financial challenges, the experience of 2015 suggests that solutions will be found. It was reported in November that the combined income of almost 153,000 charities filing accounts with the Charity Commission over the six months to September 2015 hit £70bn for the first time. This is an increase of 2.5 per cent over the previous six month period and up 11 per cent since the start of 2013.<sup>[1]</sup>

This figure was boosted by increased digital donations, but there is still a need for charities to become more commercial.

As traditional income streams come under greater pressure, charities will have to either cut their expenditure or generate revenue commercially. The traditional approach has been to have a shop or café on the high street, but there is scope for creating other commercial ventures that can contribute a sustainable revenue stream.

### Charities go into business

We are aware of a number of charities that have ambitious plans discussed at board level, including one that is exploring the possibility of acquiring a for-profit operation. This is an approach that we have not seen much of in the past, but with the proliferation of charity shops it is clear that other areas need to be explored.

Despite predicting challenges in the next 12 months, I remain convinced that the sector has the flexibility and tenacity to thrive. Charities have a proven track record of delivering for those that need them, whatever challenges they face. I have no doubt that the drive and passion that has served the sector so well in the past will continue to do so in the future.

### David McHattie is Head of Charities at Barclays

[1] <http://www.charityfinancials.com/charity-financials-insider/new-income-spotlight-report-from-charity-financials-sponsored-by-m-g-investments-1646.htm>



# Continued support for the Charities industry

For over thirteen years, Barclays has been at the forefront in providing support, funding and guidance to the Charities industry. Working with our team of dedicated Charities Relationship Directors, you can be confident that you will always have access to the right specialists, perfectly placed to understand your business and connect you to the expertise you need.

To find out how we can help your business succeed, call David McHattie, Head of Charities, on 07775540814\* or visit [barclays.com/corporatebanking](http://barclays.com/corporatebanking)



Barclays is a trading name of Barclays Bank PLC and its subsidiaries. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register No. 122702). Registered in England. Registered number is 1026167 with registered office at 1 Churchill Place, London E14 5HP. \*Please note: this is a mobile phone number and calls will be charged in accordance with your mobile tariff.

## Mission possible

*Incorporating a charity's aims into its banking choices can benefit both the organisation and its mission*



**W**hen most charities consider their banking relationship, they're likely to focus on the day to day practicalities – in terms of costs, function, convenience and security. Far fewer consider the wider social and environmental impact of their banking arrangements, and how this relates to their charitable goals. But in doing so they're potentially missing an opportunity to put their reserves to work

in support of their mission, and worse could be unintentionally placing it with institutions that are undermining their work.

### **Mission connected investment**

Conversations in this area have commonly focused on the concept of Mission Connected Investment, where charities put their money into assets that actively further their cause as well as providing a return.

The Charity Commission's publication of CC14 in 2011 gave clarity to trustees around their responsibilities when making decisions on how to invest charities' funds. Prior to publication of this guidance, the impetus was for charities and foundations to invest to achieve the best financial return within the level of risk considered to be acceptable, irrespective of the wider social or environmental impact of those financial decisions.

This led to a juxtaposition where, for example, charities working in health may have invested in tobacco stocks, or conservation charities in fossil fuel companies, in order to achieve the best possible financial return, despite these investments working contrary to their charitable mission and aims.

CC14 provided clarity on when it was acceptable to take lower than market returns when making programme related or mixed motive investment, with the aim of using a charity's assets directly to further its aims in a way that may also produce some financial return for the charity.

We are seeing some positive movements in response to the guidance. While there hasn't been a comprehensive shift towards programme related investment by charities, at least it has opened the door to conversations about it between trustees and charity investors. And the UK's growing social investment market is testament to a wider understanding that investments can deliver social benefits alongside a financial return.

### **Beyond investments**

But investments are only part of the financial equation. For many charities, particularly those without significant assets to invest, their day to day banking arrangements are their greatest touchpoint with the financial system. And just as what you choose to invest in can impact on your charitable mission, so can your day to day banking relationships.

The NCVO estimates that UK charities' reserves are collectively worth around £49 billion, a considerable amount of which will be held as deposits in the mainstream banking sector. And while the funds are with those banks they will be using that money to finance other organisations and enterprises. The impact of this finance can be aligned with charitable goals in some cases, but much of it will not be. Some of it will almost certainly be actively working against those goals.

### **Mission connected banking**

We believe that a move toward mission connected banking, where charities place at least some of their reserves with the UK's specialist social banks - organisations such as ourselves, Unity Trust Bank, Charity Bank and Ecology Building Society - could have a hugely positive impact on the charitable sector and society more broadly. Depositing money with these banks essentially keeps money within the social sector, creating a virtuous circle which provides more capital to finance charities, at a time when access to funding is such a key issue.

Mission connected banking is far more accessible for the majority of charities than programme related investment, particularly for those organisations with smaller reserves. It also requires less of a commitment, as deposits are only tied up for as long as they are on notice, rather than committed for a number of years as is often the case with social investment. And crucially it means that those deposits will be working to support the UK's charitable sector, while still earning a return on your reserves.

Ultimately, choosing a bank that's aligned with your mission can pay dividends for both you and your charitable goals.

**Will Ferguson is head of communications at Triodos Bank**

[www.triodos.co.uk](http://www.triodos.co.uk)

**Triodos**  **Bank**



From loans to social impact bonds -  
explore some of the funding options  
available for charities today.

# Choosing the right funding route for your charity

Download the eGuide:  
[triodos.co.uk/charityguide](http://triodos.co.uk/charityguide)

**Triodos**  **Bank**

Triodos Bank NV (incorporated under the laws of the Netherlands with limited liability, registered in England and Wales BR3012).  
Authorised by the Dutch Central Bank and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation  
Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are  
available from us on request. Registered office: Triodos Bank, Deanery Road, Bristol BS1 5AS. VAT reg no 793493383.

## Financing your mission

*How looking at the role borrowing can play in a charity's financial mix can offer valuable rewards*



**I**n difficult times it becomes increasingly important to ensure every last penny available to a charity is achieving as much impact as possible. A charity's current arrangements warrant regular review, both in terms of the funds available and the nature of outgoings.

Ensuring maximum value is being derived from a charity's banking arrangements can make an important

contribution to the overall picture. This is not as simple as ensuring that the bank is offering the most competitive available rates, although this is important. Working closely with your bank to determine whether and what sort of commercial finance is available and appropriate can yield rewards.

Loans are sometimes seen as a 'last resort' option to help a charity cope with a cashflow issue, but this form of finance can be a valuable tool in enabling an organisation to carry out its day-to-day work in furtherance of its purposes.

The vast majority of charity lending we see is related to property purchase, and there are a variety of reasons an organisation may seek to take on an asset. For example, for social housing providers or shelters a loan can facilitate a property purchase that directly assists with delivering services. In other cases a loan may be a useful cost saving tool. For example, we have helped charities secure the finance to buy their existing premises, and achieve savings through repayment costs that are lower than the rent charge previously in place.

In other cases, charities seek to borrow as a complement to grant funding. Clearly, loans cannot replace grants. But there are a number of reasons to consider the potential of commercial borrowing to help achieve your mission, alongside or in lieu of grants. Not least of these is the increasing competition for grant funding as money from central and local government gets harder to come by.

Grants can also be inflexible, and lead charities to adapt their programmes to meet grant criteria. In doing so a charity can lose some of what really distinguishes the organisation's approach in the first place.

Commercial finance tends to be more flexible, and where there are conditions they are likely to be less onerous. The longer-term nature of commercial finance can also free up some of the energy a charity spends on securing funds, allowing for more time to be dedicated to pursuing charitable objectives.

Naturally, there are costs associated with borrowing.

Choosing to take a loan needs to be justified by the contribution the funds make to achieving a charity's mission. A loan will not always be the best option available to solve the problem at hand.

But, to get a full picture costs must be assessed in the round, and compared against the alternative forms of finance available. For example, the cost of fundraising will sometimes be higher than the costs of commercial finance. Similarly the cost of grant and/or contract bids, and the costs of carrying out prescriptive work programmes, can be higher than the cost of accessing commercial finance as an alternative.

And, rightly or wrongly, meeting the costs of repayable finance will be seen by some as an inappropriate use of charitable funds. It is therefore important to ensure robust processes have been followed in electing to pursue commercial finance. Ultimately finance costs are an overhead like any other, and need to be justified accordingly.

Of course, cost is not everything. Charities have a right to expect the organisations they deal with reflect their own values. Banks have not had uniformly good press in recent years and examples of malpractice have not shown the industry in the best light.

But Unity Trust Bank is different from most banks in a meaningful way.

Established in 1984 by the trade union movement, Unity takes a 'double bottom line' approach to everything we do: pursuing positive social impact alongside sustainable returns. That principle guides how we work in partnership with charities, providing solutions to facilitate their growth and enhance their mission.

In short, commercial finance is not for all organisations. But it can be a valuable tool and warrants consideration. Whatever the conclusion, time spent exploring your charity's financial options is time well spent.

**Dave Matkin, Unity Trust Bank**

[www.unity.co.uk](http://www.unity.co.uk)







# Want a bank that keeps its **customers** **satisfied?**

---

**Unity Trust Bank**  
**rated No. 1 for**  
***Availability of***  
***Finance***

---

More than a third of social enterprises perceive a lack of finance in the sector\* but here at Unity, our customers rated us No. 1 for Availability of Finance in a recent charity banking survey. In fact, our customers also rated us No. 1 in seven other customer satisfaction categories.

So, if you're a business or organisation that creates community, economic, social or environmental benefit, visit our website to find out more.

**Here to lend**  
[unity.co.uk/loans](http://unity.co.uk/loans)

---

\* Social Enterprise UK, State of Social Enterprise Survey 2015

## Keeping banking services open for charities

*All parties must come together to ensure legitimate charities do not have their access to banking unduly restricted*



**P**olitics has been focused on the UK Government's intervention in Syria but charities have been working in the country since the civil war began. The UK government is spending £1 billion in aid out there, much of it delivered by charities and NGOs on the ground. This is vital work and often goes on without much publicity apart from the occasional appeal for more resources. But one of the

invisible enablers for this support is the provision of banking services so that organisations can transfer money to where it is most needed.

### Challenge

For a variety of reasons, this has become more challenging for charities to do. In late 2014, we surveyed our members on their access to financial services. We published a briefing in spring 2015 with conclusions on the scale of the issue. Although only a small survey, members reported a number of challenges including the loss of accounts, funds being frozen, transfers being delayed and donations blocked. The challenges were particularly focused at small and medium sized charities.

Over the course of 2015, we have not seen these issues go away. If anything, there are concerns that it may be getting worse.

Terrorist attacks in Paris, San Bernardino and Leytonstone tube station have put the authorities on high alert. The most recent National Risk Assessment in the UK reports that "the terrorist financing risks within the charitable sector are medium-high". Banks are increasingly nervous about the possibility of large fines that may come from regulators if money is found to have fallen into the wrong hands. This has also put greater pressure on charities that need to transfer money abroad.

### Solutions

Part of the response has to be charities doing more to communicate the due diligence and counter-fraud processes they already have in place. Many charities, particularly the largest, are already robust in protecting their resources but we need to do more to let banks and governments know this. However, in some cases, it will be necessary for charities to do more to show that they are taking this issue seriously and that they understand the concerns of banks and governments about the risk of terrorism.

But there also needs to be changes at a government policy, national, and international level. At a national level, the UK Government needs to recognise risk cannot be eliminated. If it wants the UK to continue to be a world leader in providing aid and development assistance in fragile environments (and judging by the recent Strategic Defence and Security Review, it does) then there needs to be clarity about what are realistic levels of due diligence that charities can do that will satisfy them (and in turn, banks). The Government has begun to recognise the need for clarity. For example, the Home Office recently published an information note that answered some 'common questions' about counter-terrorism legislation's impact on charity work. However, it is not tenable to have both a policy of active humanitarian intervention whilst not providing clarity as to what efforts it expects charities (and others) to undertake to mitigate the risks they will encounter. Continued vagueness will make both banks and charities more risk adverse as both will fear falling foul of governments and regulators.

At an international level, we need to see agreement that efforts to combat terrorism should not close down the space for civil society to do its work. The Financial Action Task Force has been consulting on Recommendation 8 which refers to not for profit organisations being 'particularly vulnerable' to abuse by terrorists. This has been used by some national governments as an excuse to block the work of charities and has had an impact on the risk appetite of friendly national governments and banks. We need a risk based approach to regulation, but that must not lead to sector-wide 'de-risking' activities (such as closing down accounts) or overregulating to the point where charities cannot carry out their vital work.

This problem may seem like a Gordian knot, but it is one that governments, banks and charities must solve over the coming year. Otherwise, there is a danger that charities will cut back on their work in the areas where it is most needed.

**Andrew O'Brien is head of policy and public affairs at Charity Finance Group**

[www.cfg.org.uk](http://www.cfg.org.uk)





## Barclays



Barclays is an international financial services provider engaged in personal banking, credit cards, corporate and investment banking and wealth management with an extensive presence in Europe, the Americas, Africa and Asia. Barclays' purpose is to help people achieve their ambitions – in the right way.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs approximately 135,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

Our dedicated team of UK Relationship Directors offers over 100 years' collective charity finance experience and is committed to meeting client's needs. We're at the forefront of this diverse sector, working with not-for-profit and global development organisations, government bodies and registered charities. Indeed, 73% of the 2015 Charity Index

Top 100 charities have a banking relationship with Barclays and 33% use us as their main bank.

We are proud to work with such strong organisations in this vital sector.

For further information, please visit our website [barclays.com/corporatebanking](http://barclays.com/corporatebanking).

### Contact details:

David McHattie  
Head of Charities, Barclays

**Tel + 44 (0)20 7116 4898**  
**Mob +44 (0)7775 540814**  
**[david.mchattie@barclays.com](mailto:david.mchattie@barclays.com)**

## Triodos Bank



Triodos Bank is the UK's leading social banking specialist. It provides range of services for organisations of all sizes, including term loans and overdrafts, deposit and current accounts and capital raising via its corporate finance team.

Triodos lends more than £600 million pounds exclusively to organisations which actively deliver social, cultural or environmental benefits. The charities we lend to receive informed advice, based on our team's in-depth understanding of how to balance financial and ethical business objectives. This is supported by a community of savers and investors who want their money to support a more sustainable economy, and across Europe Triodos manages total assets of more than €11.5 billion.

Triodos is also a pioneer in the UK's social investment market, with a track record of using finance in innovative ways to raise capital, including Community Investment Tax Relief, Social Impact Bonds and retail bonds for charities and social

enterprises. Since 2011, Triodos Bank's corporate finance team has raised more than £70m from a wide range of investors for our clients.

Triodos is one of the UK's leading advisers on social impact bonds (SIBs) and has an excellent record of successful transactions for clients in high social impact areas including youth unemployment, homelessness and edge of care. Its specialism is in advising social organisations who can deliver impactful interventions such as charities and social enterprises. Triodos has helped clients secure contracts with a range of commissioners including DWP (Innovation Fund and Youth Engagement Fund), DCLG (Fair Chance Fund) and Greater London Authority.

### Contact details:

**Tel + 44 (0)800 328 2181**  
**[www.triodos.co.uk](http://www.triodos.co.uk)**

# Banking Guide

## Unity Trust



Unity Trust Bank is a challenger bank with a social conscience and has a clear focus on its 'double bottom Line' strategy to deliver positive social impact whilst achieving sustainable returns. As the Bank grows these principles are as important as they were over 30 years ago when it was founded.

Unity achieves its growth by being socially focused, customer centred and commercially driven. In a 2015 survey it was rated No.1 by charity professionals in 8 out of 9 customer satisfaction categories, including Availability of Finance, Sector Knowledge and Fees and Charges.

If you want a Bank that works in partnership to achieve your charity's mission and growth, we would like to explore how we can help.

### Contact details:

Nine Brindleyplace  
Birmingham B1 2HB

**us@unity.co.uk**

**Tel + 44 (0)345 140 1000**

**www.unity.co.uk**

## Management Guide 2015



## Charity Times Management Guide 2016

We are now taking bookings for the annual 'Management Guide' that will be published with our June/July edition of Charity Times.

Sponsoring your chosen topic in this guide is a great opportunity to promote your services, products and expertise to senior level executives in your target market and to your fellow suppliers, while gaining access to our extremely relevant, and leading circulation.

Please contact us now to be the exclusive sponsor of your chosen topic!

## Charity Times Management Guide 2016

Alessandra Atria  
Alessandra.Atria@charitytimes.com  
t. 020 562 2438

Hannah Stanton  
hannah.stanton@charitytimes.com  
t. 020 562 2424

Sam Ridley  
sam.ridley@charitytimes.com  
t. 020 562 4386