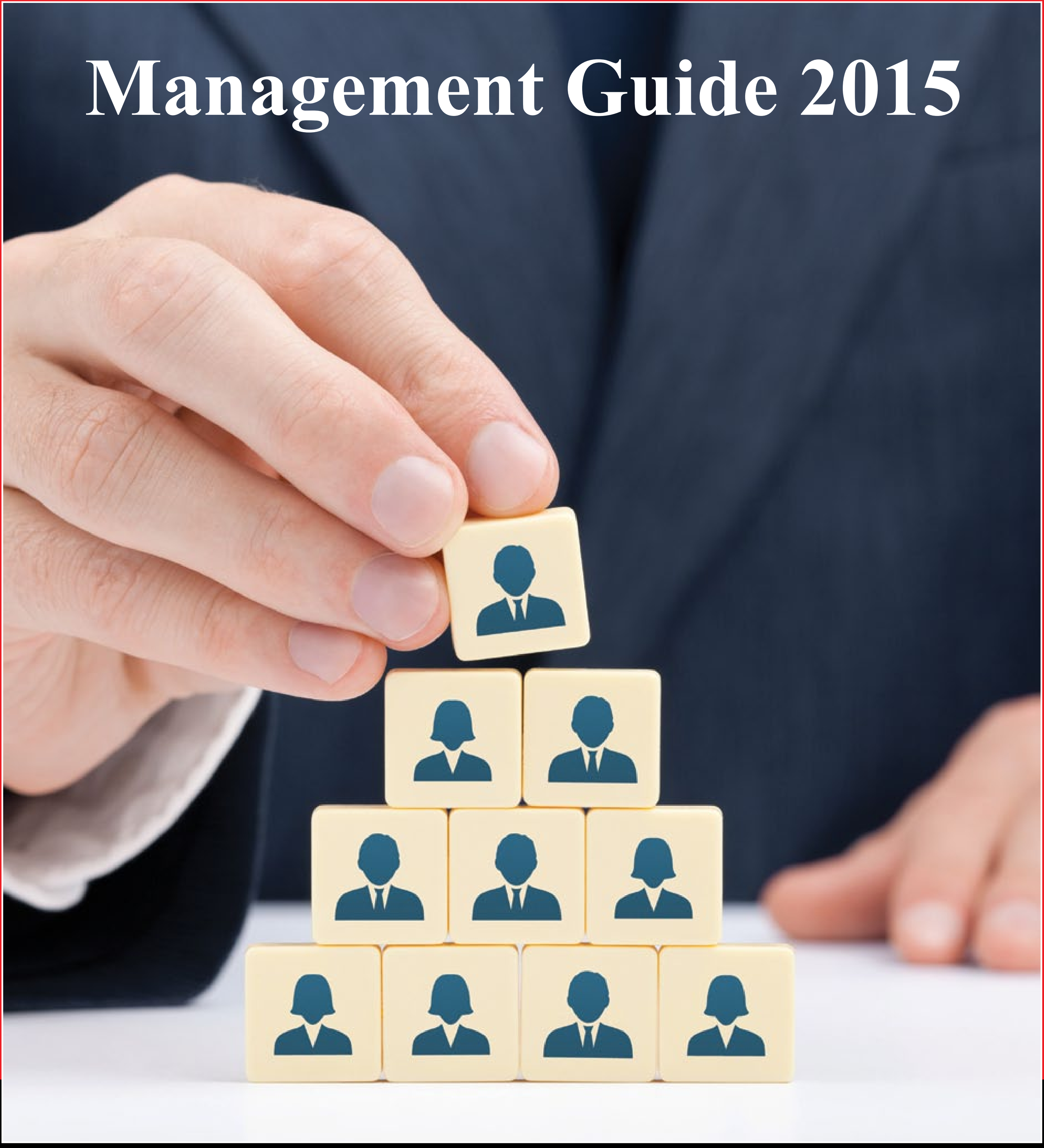
Management Guide 2015



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Management Guide 2015

Sector experts provide insights and ideas on some of the key issues facing charities

Welcome to the Charity Times Charity Management Guide 2015.

The struggle to access secure income streams sufficient to support a charity's work continues. It is widely accepted that it will only get harder for many charities to remain appropriately resourced.

Whether organisations rely on donations, grants, government contracts, trading, investment returns, or other income sources, it is as if not more important than ever to keep a careful eye on the money coming into charities.

Reputational issues have once again come to the fore, most recently around fundraising practices. And there is a growing demand on charities to prove their worth and effectiveness.

The following articles cover all these issues and more, with valuable insights from service providers to the sector and charity advocates and umbrella groups.

We start with New Philanthropy Capital chief executive Dan Corry stressing the importance of setting a charity on course to make the biggest difference possible, through keeping impact at the heart of an organisation's strategy.

Corry argues that the opportunity to look closely at what the charity should be doing to achieve the maximum impact, rather than what it has always done, is one to be grabbed with both hands. Mark Winter is director of ACEVO solutions and head of health at the organisation. He takes us through the opportunities presented by charities increasing their involvement in the provision of health services. Winter argues that greater voluntary sector involvement promises rewards in terms of quality and cost of service delivery. A big part of succeeding will require effective relationships between charities and clinical commissioning groups, and the article provides some pointers for how to approach dealing with CCGs.

Mark Salway of the Centre for Charity Effectiveness at Cass Business School talks about the potentially game changing impact of social investment for charities. While not appropriate for all, Salway says that with the squeeze coming on other more conventional forms of income charity leaders should be thinking about how they can diversify their funding mix. Carolyn Sims of Charity Bank talks about the role loan finance can play, answering some common questions charities have when considering whether borrowing is appropriate.

Useful insight on investing comes from Robert Boddington of Sarasin & Partners. The debate over whether active or passive investment management is the best way to run a charity's assets continues to play out, but Boddington says it is not a 'black or white' decision. Rather, charities should look at the key components of an asset manager's offering and carefully consider the value their approach will offer with these factors in mind.

Gemma Woodward is on Quilter Cheviot's charities team and leads on responsible investment across the business. She writes here on the things investors should consider regarding responsible investment, rightly stressing that addressing 'external' factors like environmental impact must not be merely a 'box ticking' exercise. Woodward says there is a balance to be struck between negative screening of investment targets and engaging with companies.

Vicky Browning of CharityComms highlights the importance of ensuring the communications function is taken seriously throughout organisations from the top down, and argues that comms should be fully integrated in decision-making rather than merely an afterthought.

John Hemming chairs the Charity Tax Group, and provides a helpful overview of the state of play in tax policy as it impacts upon charities. Proposed and confirmed changes to gift aid feature, along with the crucial business rates review currently underway.

Finally, Ansvar Insurance managing director Richard Lane outlines the sorts of questions a charity should ask itself to ensure it is getting the best and most appropriate insurance cover.

We hope you find the advice and ideas throughout this guide useful.

Matt Ritchie,
Editor of Charity Times

Contents:

Leadership is tough

Strategy creation is a time look closely at the impact your charity has, and presents an opportunity to ensure you are focused on what really matters

CEOs are always revising their strategies. It's what we do – whether we love it or hate it. It's what our board want and, to be fair, our organisations like to have some idea of where we are heading.

But it's often too easy just to set out a strategy that is about survival (no joking matter in the charity sector) or about maximising income generation, and missing out what really matters for us in the charity sector – improving the good that we do for our cause and the people we are dedicated to helping.

That is why we at NPC drone on, in what may sometimes feel a rather hectoring style, about the importance of impact. Your strategy needs to take a view of where you have come from, how much you have really achieved - forget the fluff you might tell to the outside world; I mean what you have really achieved - and where you think you can get to in the next period.

To be able to do that you must be talking about impact. You must be very clear about what you are trying to do and how your activities contribute to that ultimate outcome. That means putting time into thinking about constructing a good Theory of Change (TOC) and establishing whether everyone who matters to your charity shares it. In our work with charity and funder clients, we often find this is by no way the case.

Strong leaders go further. If the TOC shows that some things that you do – maybe for historical reasons, maybe because the board or the volunteers or a particular funder loves it – are not consistent with the TOC then they must go. Run down; closed down; passed over to another charity for which it is core.

And it gets harder still. You then need to analyse all your projects. Ideally you will have had a great measurement framework set up for some years, closely created around your theory of change. Probably you won't – and will have to get some sort of work done to help you. And it's not just about measuring outputs (for goodness sake why do we still hear about such ridiculous things as 'lives touched' in this century?) or even just outcomes. What you really want to know is the difference you made that would not have happened otherwise (always a fraction of the total outcome measures) and the cost effectiveness with which you achieve that net outcome.

And at that point you will come up against another key moment: are you going to take the big decisions or – in all too typical charity fashion – seek to side step them?

"For all the importance of the day-to-day decisions, your eye shouldn't stray too far from the people you are there to serve, the causes that you began your charity to support, and indeed the reasons you get a beneficial tax status"

If you find some of your activities having no real impact or only at some crazy cost, then why are you carrying on putting resources into them? But worse, there may be things you do that pass all these hurdles but still have much less impact than other things you do. So the brave and unusual thing to do is to stop the lower added value projects and put all your energies into the higher added value ones. That is hard indeed.

None of this is easy. Apart from finance, you also have a moving world of external challenges. Technology is transforming what you can do and what others will do to you if you don't get with the programme. The ageing of our population is fast changing the society in which we live, and you need to think where your volunteers and voluntary income will come from as this happens. And of course the government is cutting back rapidly, turning grants into big payment-by-result contracts and trying to push risk onto a sector that does not have the balance sheets to cope with it.

But if you get too distracted by all this you will lose sight of the reason you've been entrusted with leadership of a charity in the first place. For all the importance of the day-to-day decisions, your eye shouldn't stray too far from the people you are there to serve, the causes that you began your charity to support, and indeed the reasons you get a beneficial tax status. Strategy creation is a time to get the focus on what really matters. Make sure you take it.

Knowledge, timing, access

A quickfire guide to getting the best out of health commissioners

NHS managers around the country are increasingly seeing the value of charities and social enterprise. Ask most health professionals and they'll be able to point to great work that our sector is doing in their community. Most Clinical Commissioning Groups (CCGs), too, could tell you how the sector is engaged with decisions that affect local health provision. So how can third sector managers best seize these opportunities? And why is the third sector having such a tough time getting commissioned and putting its services at the heart of redesigned care systems?

New Philanthropy Capital data on CCG contracts (2013/14) showed that private companies are almost three times more successful in winning CCG contracts. Even in community-based services, where they might be expected to thrive, voluntary sector providers were awarded just over 1 in 6 community services contracts. ACEVO's own research (2015) showed that over 60% of our members disagreed or were not sure if they were well engaged with their CCG. 75% either disagreed or were not sure that the CCG understood their organisations' services, aims and ways of working. There is clearly an engagement problem.

This is despite the potential savings. In Salford, the CCG contracts with 'Start' on an Inspiring Minds programme where their social return on investment report suggests that there is a return of between £6 and £10 for every £1 invested. Cornwall, Kernow CCG, working with Age UK has seen quality of life, confidence and wellbeing of those on the pilot project up 27 per cent, and there has been a 35% reduction in emergency hospital admissions; ultimately achieving a £4.40 return for each £1 invested.

At ACEVO, we advocate for third sector providers to have a much larger role in service delivery and seek to provide both commissioners and voluntary sector providers with the tools they need to make this a reality. In our experience, we find that CCGs are often not engaging as effectively as they could with the third sector. Good personal relationships often exist, but there is often a lack of mutual commercial understanding. As a result, many VCSE providers find themselves excluded from procurement exercises or unable to participate fully.

Some of the typical problems for third sector providers report are; lack of **knowledge** – not knowing about the procurement processes until it's too late. Problems with **timing** – not having enough time to engage with other providers or potentially lead providers to form part of a consortium. **Accessibility** – some commissioning and procurement processes can inadvertently put disproportionate burdens on smaller third sector organisations.

So, in your conversations and dealings with CCG commissioners, we suggest that you promote the following best practice:

1. Encourage them to get early advice around the design of services and procurement/tender processes, to ensure they maximise the participation of third sector providers of all sizes. Catering for VCSE providers' needs in the commissioning process is vital if CCGs want to best harness their creativity and expertise in the delivery of our health services.
2. Get your CCG to run sector specific market warming, shaping and engagement events and workshops to ensure third sector organisations understand your aims and objectives. This can also do a world of good in getting to grips with some of the cultural issues that inevitably exist. Sometimes the NHS doesn't understand the modern third sector and too often thinks of 'do gooders', not the experienced professionals they are.
3. If they have not done so already, suggest that they map the third sector market in the CCG area and support the development of a commissioning strategy that maximises use of the third sector. Money spent with VCSEs to deliver patient services may have any number of other benefits for the whole health economy. For example, a volunteer service will directly benefit a patient but may also provide a meaningful activity for a volunteer who may otherwise feel socially isolated or lonely. However, research by NAVCA suggests that only 4% of CCGs have developed a social value strategy, that is, getting extra bang for your buck from civil society.

We know that services have got to change. With ever increasing need and decreasing money, it's not hyperbole to call the existing health and care system a burning platform. So help CCGs open the door to charities and social enterprise, and make them your partner in shaking things up and trying something new.

Mark Winter is Director of ACEVO Solutions and Head of Health. ACEVO Solutions is ACEVO's in house team of business development experts, helping charities and social enterprises to grow, compete, and succeed.

acevo
Charity Leaders Network

Social investment: demystifying the hype

The current state of charity finance

Everything we do as charities should be focused on the impact we have. We owe this to our beneficiaries, funders, and those who work tirelessly for a better civil society.

Our strategies and 'theories of change' should focus on impact, and should be backed by sufficient funds to deliver real quality and lasting change. However, with the continued squeeze on grants and much tougher competition for donations, charities are being asked to carefully consider their business models to maintain their impact.

In the past, charity finance focused on grants and donations. In addition, a modest level of investment income has been generated from reserves or endowments. With the recent reduction in grants, the move towards more service delivery contracts, and the greater level of competition for donations, how will the sector evolve to maintain its impact and the scope and scale of its work?

Social investment may have a part to play. At Cass CCE we believe that borrowing and debt finance is part of this mix, and a potential way of funding the sector to maintain future impact. It is not appropriate for all charities and relies on income generation to pay back investment finance, but it could be a 'game-changer' for the sector.

There is also the issue of hearts and minds. A recent CAF survey (*In Demand: the changing need for charity finance in the charity sector – 2014*) showed while 71% of organisations saw social investment as appropriate, only 30% of trustees have a favourable view on repayable finance. It may take considerable time for managers and their trustees to consider how these tools could enhance their business model and become comfortable with their application.

We urge charity leaders to start considering these issues now, specifically diversification of income streams and funding mix.

Why borrow?

Charities have four main reasons to borrow:

- **Cashflow** – "cash is king" and borrowing to maintain cashflow is a necessary part of doing business for many organisations. Borrowing typically takes the form of a secured loan against the assets of the charity, or could be unsecured against grants or donations.
- **Asset purchase** – borrowing could be taken to help purchase a building or property, or purpose built facility which meets the needs of beneficiaries.

Borrowing for cashflow and to purchase assets are part of the tools currently understood and used by charities. It is interesting to reflect however that while a nonprofit has typically less than 3% borrowing a similar commercial organisation has 15-20%.

- **Funding the whole charity and its impact** – some charities are starting to borrow money to leverage their fundraising which in turn allows them to have greater impact; or
- **Funding a specific project or service** – investment funds could allow a charity to generate income which links either directly or indirectly to a charity's objectives. For example a coffee shop in a library could generate revenue or could be there to give beneficiaries a job.

Business models are key. Equally investment doesn't have to be complicated. Maybe small unsecured loans are sufficient to leverage investment income into your charity.

It may be worth considering your reserve policy and whether this could be relaxed to provide some investment capital. It may also be worth thinking on the stage of evolution of your charity, and while grants may de-risk initial innovation, investment funding may be far more appropriate to take your ambitions to scale. Crowd funding, peer-to-peer lending and other forms of social finance are new models of funding which can make resources available to drive impact.

It just takes the will to think differently around your business model, and not necessarily fall back onto the grants and donations funding mix of the past.

In summary

Borrowing and social investment is a potential new tool in the finance director's and trustees' toolkit to drive impact. However it is not applicable to all.

So dust down your strategy and funding models and think how a small amount of borrowing, or a different business model focused away from grants and donations, could be a 'game-changer' for you.

Mark Salway is Director of Social Finance, Centre for Charity Effectiveness, Cass Business School

This work has been funded by the Worshipful Company of Management Consultants.

Cass Business School
CITY UNIVERSITY LONDON

Active or passive? Not a black or white decision

Most charities adopt a predominantly active approach to the management of their investments which has paid off over many years. Although the passive approach has become cheaper, trustees also need to consider the other components of investment management: strategy and administration

A specialist charity investment manager's offering comprises three parts: strategy, stock selection and administration, all of which are essential.

Administration - Whilst reasonably straightforward, administration is key. It involves safe custody of your assets, preparation of reports to monitor progress and regular meetings. Without this component of the service the burden placed on the trustees would increase.

Strategy - This is probably the most important component whereby an active manager helps the trustees to turn the charity's objectives into an investment policy. All investors have risks to mitigate, whether they be preserving capital in absolute or in 'real' terms, producing a specified level of income, investing in an ethically sensitive way or perhaps something else. The investment policy seeks to mitigate these risks by choosing the most appropriate combination of asset classes to maximise the risk-adjusted return.

However, risks change over time and a charity's strategy and asset allocation need to be reviewed and potentially altered to reflect these changes. One only has to look at the WM Charity Survey to see how asset allocation has evolved over time. A passive approach to asset allocation can mean long term strategy is 'cast in stone' which does not easily accommodate the evolution required to deliver the best risk-adjusted returns, or to meet the specific needs of a charity's changing strategy.

Stock selection - this is the third component of the package. An active approach to stock selection has the potential to produce a return 1% or 2% (or more) higher than the index which many investors find enticing, accepting that if things don't go to plan then it could result in a return 1% or 2% (or worse) below the index. On the other hand the passive approach should produce a return which is the same as the index, less costs.

Whilst the majority of UK equity managers under-performed the FTSE All Share index over the past 12 months, the majority out-performed over the past three years*. If one compares their performance before fees then naturally the number out-performing increases quite considerably. Charities generally pay lower fees than retail investors and so charities adopting an active approach to stock selection have a better chance of achieving the premium returns they seek.

Some asset classes and sub-sectors are more appropriate to track than others. There are two areas that feature highly within the charity sector which make a passive approach difficult to implement: specific income targets and ethical restrictions. Although recent legislation means that most charities are able to adopt a total return policy, many charities' budgets rely on a higher level of income than would naturally flow from their investments. This can in part be achieved through asset allocation but often a portfolio's equities need to be structured to produce a higher level of income which is not easy to achieve via the passive route.

Secondly an increasing number of charities wish their investments to be managed in an ethically sensitive way avoiding investment in specific sectors or companies. Whilst it is perfectly feasible to construct passive funds to incorporate a charity's specific ethical requirements, in reality the choice is limited and they are likely to be more expensive.

Cost - The cost of passive management should be and is lower than active management because of its simplicity, and costs have been falling to reflect this. However, when considering the overall cost of managing a portfolio one needs to remember these three components, strategy, stock selection and administration, all of which come at a price. When assessed in this context, perhaps the premium you pay for active management is not as high as initially thought?

Has active management worked for charities?

Using the WM Charity Survey once again as a proxy, it shows that actively managed charities have achieved excellent returns over the last 30 years or so. The annualised weighted average return from the survey is 6% per annum above inflation**. The return is before most costs but even adjusting for these the return is likely to have met most trustees' aspirations.

Active doesn't have to be wildly active. Whether at the stock selection or asset allocation level, trustees can dictate the level of active risk assumed within the portfolio, by applying operational risk controls like asset allocation operating ranges or restrictions on the 'active money' - both of which control the potential deviation from the index.

Robert Boddington is a Partner in Sarasin & Partners' Charities Team

*Sources: *Morningstar – IA UK Companies Sector – 1 and 3 year performance to 31st March 2015 versus FTSE All Share*
*** Sarasin & Partners LLP*


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The heart of the matter

Seven things you need to know about comms

You've developed an exciting new service for beneficiaries which could drive forward the delivery of your charity's purpose. Your services team is behind it and fundraising's been briefed about the implications for income targets. Now you call in your comms team to bang out a press release, sprinkle a bit of stardust on the scheme and (fingers crossed) get you a slot on tomorrow's Today programme.

But communications shouldn't be an afterthought, to be brought in at the end of a project to "comms up" your latest initiative. Charities don't just communicate to tell the world about the change they're making. They communicate to effect change. Rather than just being the story we wrap around the 'real work', comms is a core ingredient that helps *determine* a charity's work, and how it goes about achieving change.

The difference between those organisations with CEOs that really understand the benefits of investing in communication and those that don't is palpable. Not just in visibility, but also style, confidence and innovativeness. Take a look at the profile of organisations like British Heart Foundation, Macmillan Cancer Support or Scope and you will see organisations that truly value effective communications.

Here are seven key things you need to know about communications.

1) Communications isn't a luxury. Many CEOs or finance directors promise they'll invest in comms in better financial times. But that's looking down the wrong end of the lens. Effective comms will help get you to those better financial times. In fact you probably won't ever get there without it. Internal, external, traditional, or digital organisations cannot exist without properly resourced, integrated marketing and communications. They will miss opportunities to grow, to benefit beneficiaries and will put their reputations at risk.

2) You don't need big bucks for a big bang: but you do need to prioritise. Investing in communications isn't something only large charities should be thinking about. A budget of £500, well-spent, can mean a lot to the impact of a small charity and deserves as much attention, relatively speaking, as a £5 million budget in a £150 million operation. But if budgets are tight, prioritisation is crucial. Don't spread your budgets too thinly with endless projects, and don't expect your comms team to do everything for nothing. Bringing in your comms colleagues at the planning stage will save you money in the long term: they'll help you focus on core audiences, develop coherent and purposeful messages, show where collaboration can save money and allow for greater impact on every channel you use.

3) Your communications activities should be directly linked to your strategic objectives. All of your organisation's comms should be helping to deliver your strategy and objectives. Effective communications will build and protect your brand and reputation, reinforce the organisation's narrative and tell engaging stories that encourage support.

4) Comms should deliver a return on investment. Good evaluation knowledge and skills should be part of the toolbox of every communicator. Professional, experienced comms people will be able to demonstrate the value of their work. This may involve showing how your activities have impacted the latest audience research, how your brand is performing, competitor activity, channel performance, and analysis of media coverage by issue. These indicators should help you build a picture of how communications is contributing to the delivery of your organisation's objectives.

5) Comms shouldn't be viewed in isolation. The best charities understand communications must involve integration. This means your comms team should be working with services, fundraising, policy and public affairs colleagues, for example, to develop mutually supportive programmes of activity that will have better results for everyone. The key to delivering integrated comms is about cross-departmental working and promoting a culture of collaboration: that's a culture that needs to be encouraged from the very top.

6) CEOs should be communicators-in-chief. Any CEO's job description will include effective communications; they are core to the role. To be a good leader you have to communicate well, and a key part of the CEO's job is to consistently remind the organisation and re-affirm the strategic principles of its direction. Working with your comms colleagues on delivering both internal and external messaging will give your organisation's brand and communications authority and consistency.

7) You don't have to reinvent the wheel. There are lots of great charities communicating in really interesting, creative and impactful ways. Innovation is 90 per cent adapting somebody else's great idea to your own circumstances. CharityComms is a membership network which enables communications professionals to share best practice and great work. Encourage your comms colleagues to join: it's a cost-effective way to improve your own charity's communications by learning from others and developing your team's skills all in one go.

Vicky Browning is director of CharityComms

Charity tax in 2015

Charity Tax Group chair John Hemming provides an introduction to some of the opportunities and pitfalls that charities are liable to encounter in the next 12 months

Business rates relief is financially the most important tax relief for the charity sector (worth around £1.6bn a year) and enables many charities to deliver services that otherwise would be too expensive to operate. Until 2012, charities were able to claim 100% relief on business rates for non-residential properties being used for charitable purposes. This system changed in 2012. This relief is now set nationally at a mandatory level of 80% and the remaining 20% is 'discretionary': it is up to local councils to decide whether or not to give discretionary relief. So business rate reliefs vary across the country.

Earlier in 2015 the Coalition Government announced a review of business rates, with the intention of making the system more simple and efficient. Charity reliefs were not the target of this review but could still be caught in the cross-fire. There was subsequently a formal consultation, to which the Charity Tax Group submitted a joint response together with the National Council for Voluntary Organisations, the Charity Finance Group and the Institute of Fundraising. We called upon the Government to state its intention to protect charity business rate relief – and look forward to a positive response some time later this year.

Do you send marketing materials to your donors by post? In August 2014, HMRC stated its view that the **zero-rating of print and delivery of charity mail packs** as a composite supply of delivered goods was no longer possible, insisting this was existing policy despite it being widely understood in the charity sector and the print industry that it was zero-rated.

Following extensive discussions, HMRC has accepted that its guidance was not clear and had resulted in misunderstandings. It therefore agreed to postpone the implementation of these new rules from 1 October 2014 until 31 July 2015, and agreed further that no retrospective action will be taken except in cases of clear avoidance or abuse. This transitional concession is estimated to have saved the sector millions of pounds. However, the exact scope of the new guidance is still being negotiated, so this is one to watch.

In May 2015 the First Tier Tribunal heard a case challenging the **current VAT treatment of temporary staff**, which since 2011 has been uncertain.

The appeal challenges HMRC's decision that output VAT was due from Adecco [the appellant] on all payments collected from its clients in relation to temporary workers. Adecco's view is that output VAT is chargeable only on the introductory fee it charges for its services and not on the wage-related payments – a view supported by the decision of the First Tier Tribunal in the Reed Employment case in 2011. The issue has significant implications for employment bureaux in the temporary labour market and for any organisations using temporary workers where those businesses are unable fully to recover VAT on the costs – which includes charities, housing associations and universities.

The way charities collect, claim and process **Gift Aid** is also changing. Through the HMRC/HM Treasury Gift Aid Working Group, CTG has played a key role in securing important simplifications to the Gift Aid Declaration, including the removal of unnecessary references to council tax and VAT. Work is ongoing, with a new declaration expected later this year. The new declaration must be simpler than the current manifestation but it must also satisfy HMRC's requirements that donors know their responsibilities while reassuring fundraisers that those eligible for Gift Aid are not put off from making declarations.

Later in 2015 there will also be a formal consultation into and review of the **Gift Aid donor benefit rules**. CTG has long called for clearer guidance on the 'in consequence' rule and greater help for charities in valuing benefits and understanding the treatment of new fundraising initiatives.

The **Gift Aid Small Donations Scheme** (GASDS) will definitely be extended in April 2016, so charities can continue to reap the benefits. However, there remain a number of important obstacles facing small charities in accessing the scheme (including the requirement for a Gift Aid history). Charities can expect this to be raised in next year's scheduled review.

In all, the coming year is likely to be a busy one for charities and their finance managers. Many of the consultations and reviews will require concentrated input from the sector so that their results fully take into account charity perspectives. However, the opportunities that they present mean that engagement with the Government could be very rewarding indeed.

John Hemming chairs the Charity Tax Group, which represents more than 400 members of all sizes engaged in all types of charitable activity

How could loan finance support my organisation?

Carolyn Sims, head of banking at Charity Bank, provides answers to some popular questions on loan finance

The first thing you need to do when considering different types of finance is to ask questions and make sure you understand your options. If you've not come across Charity Bank before, we exist to lend to organisations with charitable goals and help them to access loans. To help guide you through the terrain of loan finance, here are the answers to four questions we are often asked. We hope you find them useful.

What are the key things to think about before you apply for a loan?

Some areas you will need to think about in order to make a successful loan application:

- Your aims – what will you use the loan for?
- Your activities – can you show you're delivering social good?
- Your governance – who is running the charity, how long has the team been there, and does it have the right skills?
- Your income – do you have diverse income streams and are you generating surpluses?
- Your business plan – how do you aim to sustain and/or grow your organisation over the coming years?

What do charities and social enterprises use loans for?

Loans can be used to:

- Buy property, community assets and development sites
- Develop buildings or property to be used by communities
- Refurbish existing property
- Fund new projects or increase the reach of an existing one
- Support running costs during the time it takes for a grant or other funding to arrive (bridge finance)
- Fund day-to-day operations (working capital)

Can you give some examples of how other charities are using loans?

YMCA Birmingham used a Charity Bank loan to help build a block of apartments with training facilities. Our loan was part of a mix of funding which included a Homes and Communities Agency grant to support the project.
Emmaus Glasgow used two Charity Bank loans, one loan to support its running costs as it waited for a grant (bridge finance) and another loan to help fund day-to-day operations (working capital).

Heron Corn Mill received a grant from Heritage Lottery Fund (HLF) because it had a loan from Charity Bank. It borrowed to fund its trading activities and to finance a project to generate its own hydro-electricity. It was able to demonstrate that these activities would cut costs and generate a sustainable income, so the HLF agreed to provide a refurbishment grant.

Why borrow from Charity Bank?

Charity Bank exists to lend to charities and social enterprises, so you can be confident that our team of regional managers is there to be your partner in doing good:

- We're a social enterprise, the only bank with the Social Enterprise Mark, and we exist to help social sector organisations access loans.
- We're not profit-driven and have charitable objects.
- We have been lending to charities and social enterprises for over a decade and have approved over £200 million worth of loans to small and large organisations with charitable goals.
- 100 per cent of our borrowers would recommend us (out of 68 organisations that responded to our 2014 borrower survey).

Talk to our lending team to enquire about a loan
T: **01732 441919**
E: **enquiries@charitybank.org**

Carolyn Sims is head of banking at Charity Bank

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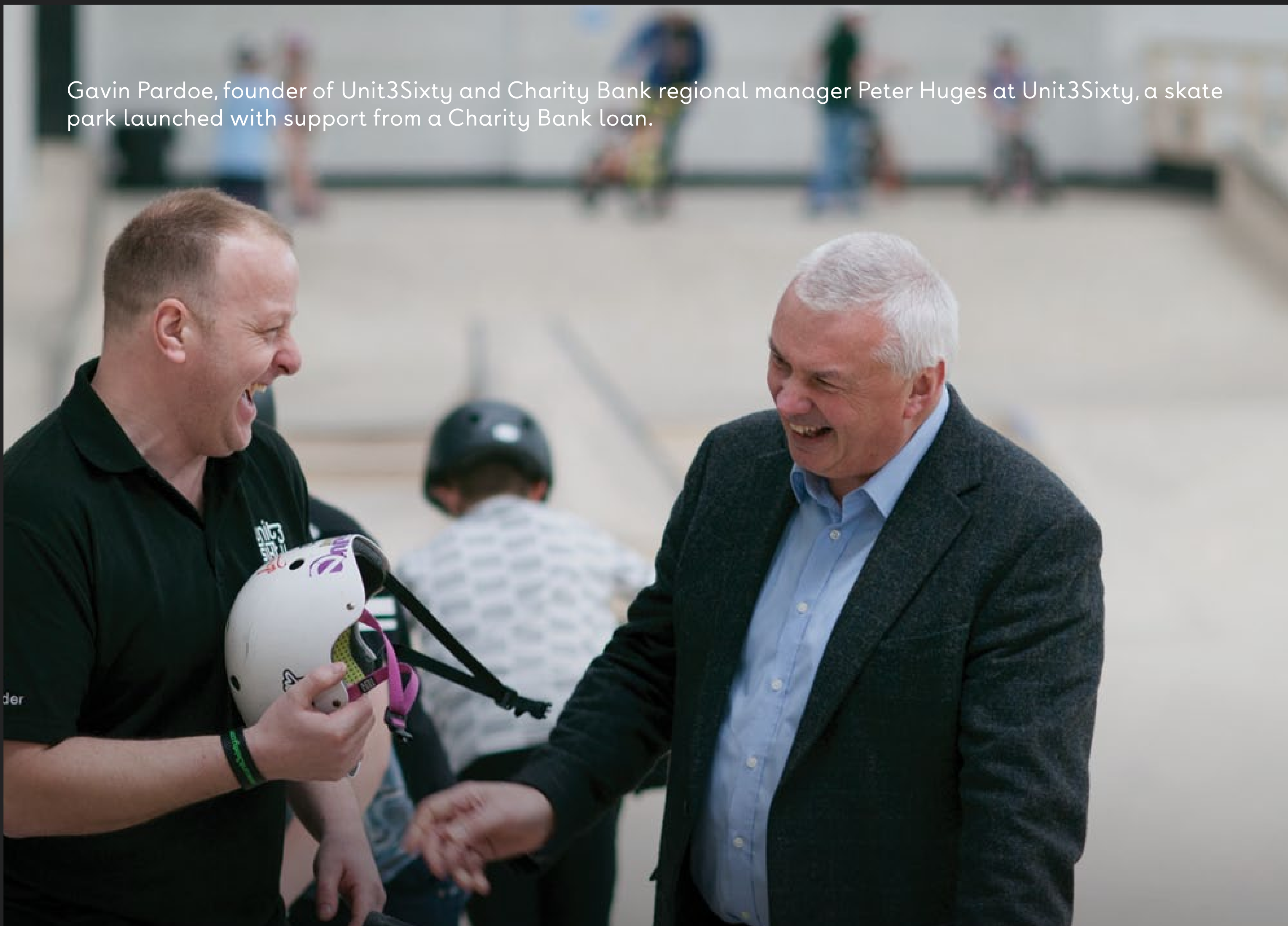

Gavin Pardoe, founder of Unit3Sixty and Charity Bank regional manager Peter Huges at Unit3Sixty, a skate park launched with support from a Charity Bank loan.

Socially responsible investment in 2015: a snapshot

Gemma Woodward on the increasing trend for charities and asset managers to look at wider factors in their investments, and how it should not become a box ticking exercise

During the time I have worked in the investment industry (two decades and counting…) there have been distinct trends within socially responsible investment. Whilst a sizeable proportion of charity investors have implemented negative screening policies to avoid investing in areas that would be at odds with their ethos; there have always been wider themes which have exercised investors. Back in the 1980s South Africa was paramount in investors' minds; in the 1990s anti-personnel landmines became a concern. A few years ago the question was whether there was enough oil to continue to fuel the global economy (there was no talk of stranded assets then) as we know this has now moved onto the fossil fuel divest / invest campaign and investors' thoughts are being focused (pro- or re-actively) on determining how best to address this challenge.

There is another resource that we think we should be worrying about. This is not a new topic but you realise that water scarcity is becoming a 'thing' when an article in the *Evening Standard* (apologies for being London-centric) on avocados notes that it takes around 100 litres of water to grow one avocado in California. When you order that jug of tap water in a restaurant you may congratulate yourself that you haven't paid for a bottle of water, hence having saved money, and chosen a more environmentally friendly alternative (no plastic or glass bottles and fewer miles travelled). If a restaurant charged for tap water we would probably not be too happy. However it probably should; the cost of the tap water would have been captured historically in the now rare 'cover charge'.

Paying for your tap water in a restaurant (Thames Water estimates that a litre of tap water is 0.097 pence) might not be the worst idea. In socio-economic terms tap water drinkers in restaurants are externalising the cost of the water they drink as they are not bearing the cost of the water or the associated costs such as the washing of the glasses they used and jug that the water was provided in. If these costs were internalised (i.e. the tap water drinker had to pay these costs) that would make an economic difference to them: albeit it would still be less expensive than buying a bottle of still or sparkling water.

Many companies are adopting a 'tap water' mentality, as they are not paying the full cost of the water they are using: the cost is being externalised. Apart from the societal issues relating to water scarcity, as cold-hearted, rational investors we need to be concerned as well. At the most basic level: what happens if these costs become internalised and companies have to start paying for the true value of the increasingly stretched natural resource they are using? How are companies managing their water usage? The driest provinces in China - the Dry 11 - account for 51% of total industrial output and 40% of its agricultural products. This sounds completely paradoxical until you realise that the official price of water here is amongst the lowest in the world. To state the obvious this is not a sustainable position.

For asset owners (charities) and for asset managers there is an increasing requirement to think about how factors such as water impact their investments. This is an increasing trend and is a positive; with the caveat that it should not be a box ticking exercise, undertaken by asset managers to enable them to remain signatories to the UK Stewardship Code and the UN Principles for Responsible Investment. (Full disclosure: Quilter Cheviot is not signed up to either; we are in the nascent stages of formalising our approach to environmental, social and governance factors and want to be able to walk the walk before we do so. Our parent company, Old Mutual is a signatory of both). It remains important for a significant number of charities that they simultaneously implement or maintain negative screening policies. These dual approaches may work in tandem, with the caveat that if you are avoiding investing in certain market sectors or companies it may be harder to engage with them in order to change practices within those areas.

Gemma Woodward is Executive Director at Quilter Cheviot, where she is a member of the charities team and leads on responsible investment across the business

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Six revealing questions to ask when choosing an insurer for your charity

Good insurance is essential to protect your organisation and those you help. But how can you sort the good from the bad? Insider Richard Lane, of Ansvar Insurance, suggests a few probing questions that can help you make the best choice

Do they understand what we do? When it comes to insuring charities, one size doesn't fit all. The needs of an animal rescue shelter are going to be vastly different to those of a medical research charity. An insurer with experience in your field can help you avoid pitfalls that are costly to your bottom line and reputation.

For example, if an animal shelter fosters a basset hound to a family for a week and it bites a neighbour's child, who's responsible?

A small organisation may not have the resources to inspect foster families first. A specialist insurer could help them create a fostering template to protect both the charity and those fostering. It would then be clear from the outset what the responsibilities of each party were and what the foster family is expected to do. Which means everyone is happier – especially the child and the basset hound.

Will they go the extra mile?
If the time comes to make a claim, you may need more than financial compensation.

Recently, we received a claim for a church that went up in flames. The cost of rebuilding was covered but there were other pressing questions they needed help with too. How would the church operate during the two years it could take to re-open? Where would services be held? How would meals-on-wheels be delivered to elderly locals? How would vital income be sustained?

In complex situations, you need an insurer who's prepared to work closely with you to resolve critical issues quickly.

Can we trust them? Do they care?
It's important to know your insurer is going to be there when you need them and deal with you promptly and fairly. If meals-on-wheels need to be delivered that day, there's no point telling a worried vicar you'll get back to him in a week.

An experienced third-sector insurer will understand meeting your caring commitments is top of your list.

How can you tell if an organisation is ethical and trustworthy? Look at their website for statements of values and their approach to corporate social responsibility. A Google search will provide recent news, while following an insurer on Twitter is a good way to get a feel for what they're like.

See how committed they are to the third sector too. Do their employees volunteer outside work? If so, they're much more likely to understand what you're trying to achieve and support your aims.

Will they fill the insurance gaps?
A specialist insurer will ask the right questions and make sure you have all the cover you need. They'll understand it's not just your employees that must be covered, but volunteers and trustees as well. If not, there could be dangerous gaps in your cover. In the case of a trustee, their home could be at risk if something goes wrong.

Fundamental changes to insurance law come into force in 2016. Then the onus shifts to the customer to present in-depth information on their business to enable insurers to offer adequate cover. An experienced insurer can help you set out your story and get what you need.

Are they worth it?
Now you've ticked most of the boxes, it's time to consider price. Rather than looking for the cheapest premium, check to see which insurer offers best value for money.

This goes back to establishing how well they understand your organisation's work, and what does – and doesn't – need to be covered. Also, the 'added value' they offer, when it comes to providing support and expertise that can help prevent costly claims in the first place.

Should I use a broker?
If you want to be sure you have the best cover for your organisation, for the best price, your safest option may be a reputable insurance broker. Again, it's best to select someone who understands the work of your charity, so dig around their website and ask a few questions before going further.

It can also be handy to opt for someone local; sometimes it's easier to iron out complex issues in person.

Then, armed with your questions, you can assess any prospective insurer with your eyes open and your charity's best interests leading the way.

Richard Lane is Managing Director of Ansvar Insurance, specialists in the third sector

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Our enduring mission is to drive transformation in the sector and to enable sustainability. We continue to innovate, enable outstanding leadership, and deliver sustainable change through applied research, professional development programmes and consultancy; supporting the sector in the UK and internationally.

We are the sector's convenor. We are the place where executives can gain world class Masters degrees, where nonprofit leaders come for cutting-edge professional development, and to meet and network with peers and share their experiences and ideas.

Our inspirational alumni lead some of the UK's most successful charities and return regularly for professional development, consultancy services and networking. They are core to delivering our ongoing mission to drive transformation within the sector and wider society.

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Our promise is to be a bank that enables borrowers, savers, shareholders and staff to work together to create lasting social change in our communities.

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Quilter Cheviot

Quilter Cheviot provides and manages bespoke investment portfolios for private clients, trusts, charities, pension funds and their professional advisers. With a heritage that can be traced back to 1771, we provide professional investment management services for investors who wish to have their portfolio managed on a personalised basis, with their investment manager taking responsibility for investment decisions within the portfolio.

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Ansvar

Ansvar
Insuring the heart of your community

Ansvar means 'responsibility' in Swedish. This gives a clue to Ansvar's roots which go back to 1932 when the company was established out of the Swedish Temperance movement.

Initially our business centred around personal home insurance, but our strong connections with the Church over the years was the catalyst for the development of specialist commercial policies for the not-for-profit sector – charities, churches and voluntary groups who make a positive contribution to society.

Today Ansvar has developed to become one of the UK's leading charity insurers, donating a share of our profits to charities involved in alcohol and drug education and rehabilitation, particularly for young people.

We are extremely proud to have been named Insurance Company of the Year; fantastic recognition of our commitment to the charity sector.

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