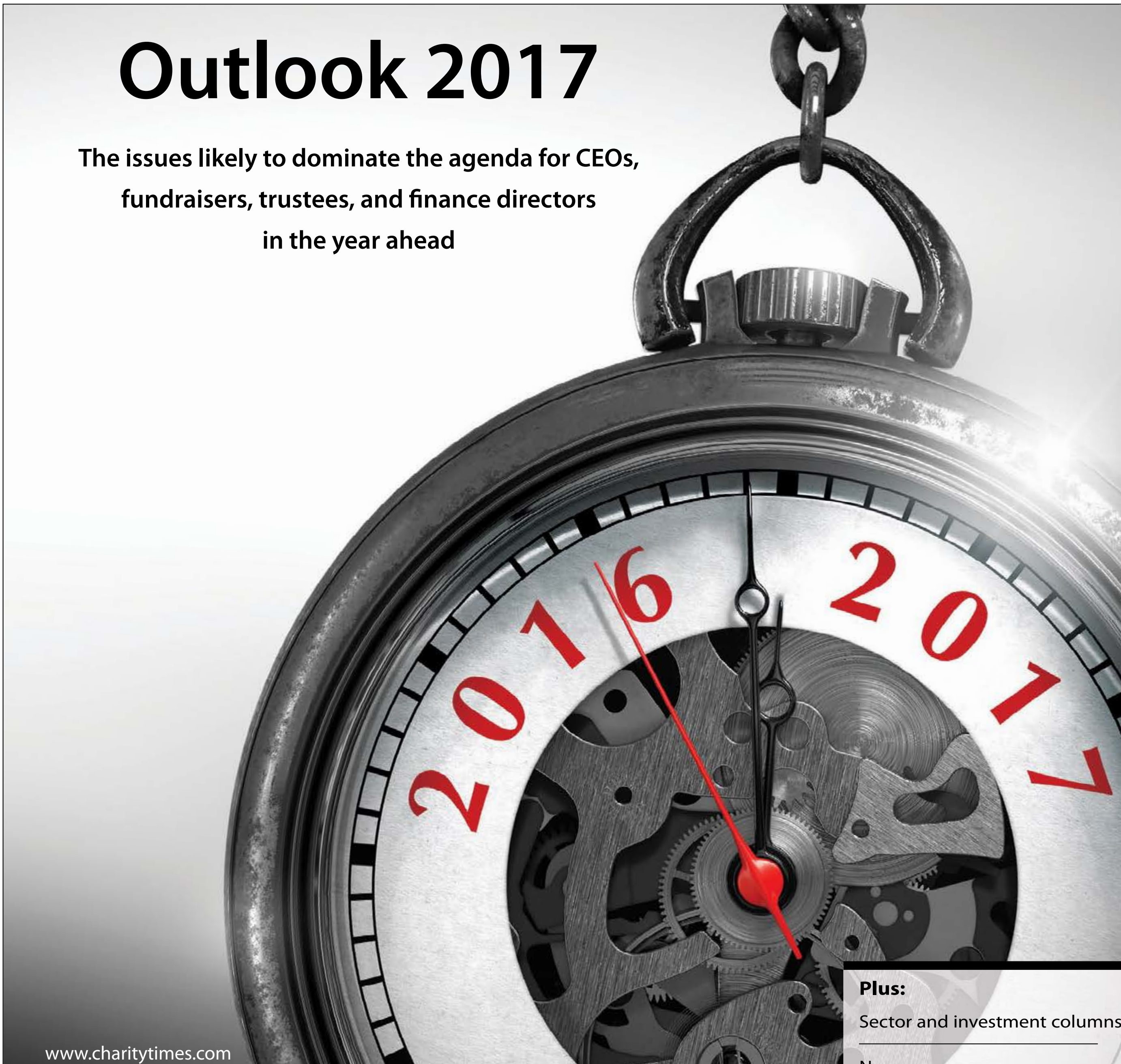
charitytimes

December/January 2016/17

Outlook 2017

The issues likely to dominate the agenda for CEOs, fundraisers, trustees, and finance directors in the year ahead



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See page 45 for charity suppliers directory

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charitytimes

Expect the unexpected

As we put the finishing touches on this, our final issue of 2016, it is nearly six months since the EU referendum and just over a month since the United States elected its next president.

The impact of these two historic votes will continue to be felt for years to come, let alone into 2017. The UK charity sector will certainly feel the difference; in the short to medium term, at least, the influence of Brexit is expected to be a squeeze on budgets. Further out, who knows?

Indeed, 'who knows' has been something of a catch cry lately. Time and again over the past couple of years those in the business of making predictions have found their best efforts confounded by circumstance.

But, let's not let that stop us. In this issue we gather experts to look over the horizon to learn what the various areas of charity management can expect in the year ahead.

Charity chief executives [*p21*] will need to deal with the fallout from Brexit and cope with a shifting landscape influenced by ongoing English devolution. They will also need to support their fundraisers [*p28*] in a somewhat unfamiliar environment, albeit one over which there is more clarity than there was in the previous two years.

The new regulator for charities in England and Wales is up and running, and the spectre of the Fundraising Preference Service has materialised into something much less spooky than originally feared. In Scotland, the new system of self-regulation takes shape with the panel to oversee complaints and standards just announced at press time.

Data protection looms as a major issue, with charities expected to comply with incoming EU regulations. Further, the news in December that the RSPCA and British Heart Foundation had copped large fines for data breaches was accompanied by warnings from regulators that data management was being watched closely.

For trustees, the development of a new good governance code is a more positive story than those in the headlines last year. Our author [*p24*] hopes a Law Commission review of charity law will make the trustee's job easier.

In finance, the SORP will be demanding as the Charity Commission sets out to identify the necessary changes for the statement.

So, no rest for the wicked (or the virtuous, for that matter). But here's hoping for a peaceful and relaxing break. Thank you to all of our readers who have supported *Charity Times* throughout the year, see you in 2017.

Matt Ritchie, Editor

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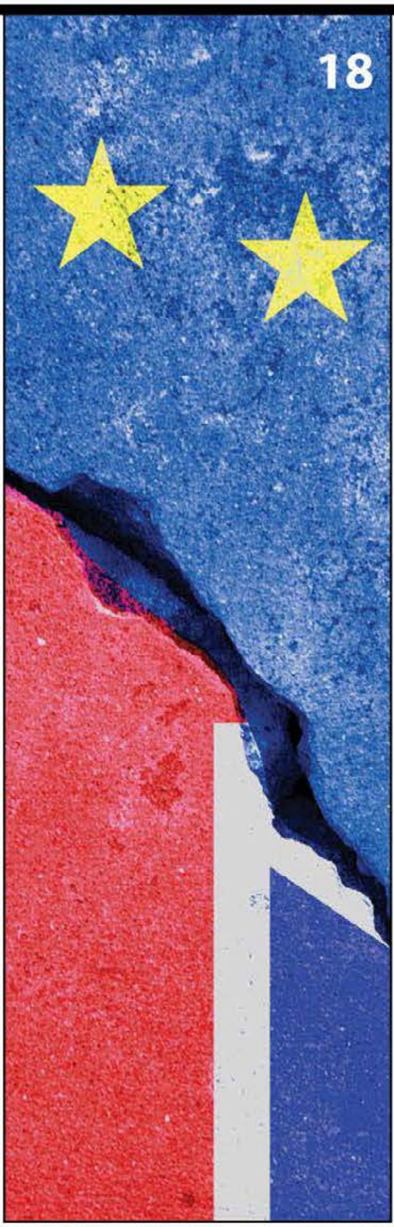
Contents

December/January 2016/17



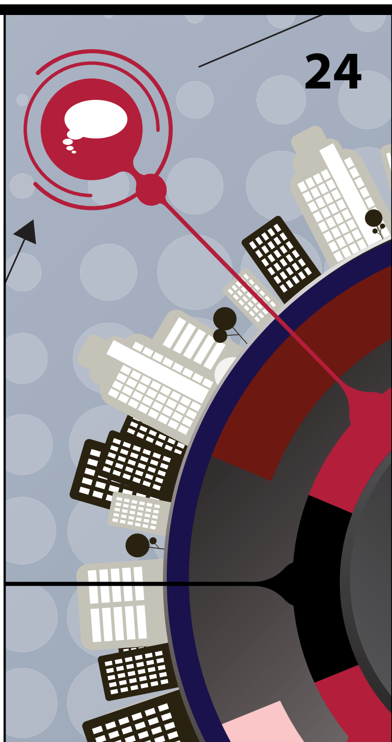
News & views

Regulars

Review

Outlook 2017: The chief executive's agenda

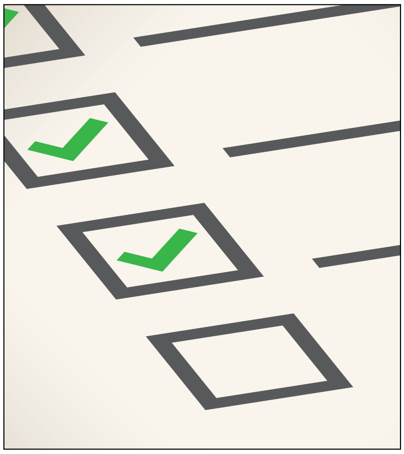
Contents



Features

Guide

Investment



THE FUNDRAISING PREFERENCE SERVICE will enable people to opt out of communications from a particular charity or charities, the Fundraising Regulator announced in December. Announcing its decision on the form of the FPS, the regulator said the service is to be launched in spring or early summer 2017. Opt outs will apply to all forms of communication with a named individual, including email, text, telephone and addressed mail. The service will be IT-based, but have telephone support for those who need it. The regulator will notify named charities of people who have opted out of communication and monitor compliance through a largely automated system. FPS opt-out will have the statutory force of a Data Protection Act Section 11 notice to cease direct marketing. The service will also involve signposting to the Telephone and Mail Preference Services.

BIG SOCIETY CAPITAL HAS PARTNERED WITH THREE CROWDFUNDING PLATFORMS in a £10m crowd match fund to allow the public to invest directly in charities and social enterprises. **Crowdfunder**, **Ethex** and **ThinCats** (through Community Chest) will help connect people directly with causes by listing social sector organisations who want to raise debt and equity finance. The fund will see Big Society Capital match crowdfunded investments made by individuals into Social Investment Tax Relief (SITR) eligible charities and social enterprises. Announcing the initiative, the partners said the fund will be the first of its kind to match different investments made by the public across the social sector. Private investors will qualify for a 30 per cent tax break through SITR.

THIS YEAR'S #GIVINGTUESDAY WAS THE MOST SUCCESSFUL YET, according to **Charities Aid Foundation**. CAF, which coordinates the annual campaign, said an estimated 4.5 million people in Britain did something to support a good cause on 29 November. Activities included donating money, fundraising, volunteering time, or talking to others about charities' work. ComRes research for CAF found 9 per cent of adults in Britain took part in the day, up from 6 per cent last year. This was the third year #givingtuesday took place in the UK. The day follows Black Friday and Cyber Monday, and encourages people to mark the day by doing one thing for a good cause. The research found 13 per cent of people had heard about #givingtuesday this year, up from 9 per cent last year and 5 per cent in the campaign's first year. Of those aware of #givingtuesday, 33 per cent said they would do something for charity in future as a result of it.

"Of those aware of #givingtuesday, 33 per cent said they would do something for charity in future as a result"

AN ADVISORY GROUP HAS BEEN FORMED TO LOOK AT HOW TO MAKE IT EASIER FOR PEOPLE TO ACHIEVE SOCIAL IMPACT with their investments. Minister for Civil Society Rob Wilson has announced. The group will include senior representatives from across the investment industry and will be chaired by vice chair of **Allianz Global Investors** Elizabeth Corley. The group will provide initial findings on how to increase individual participation in socially themed investments and how to mobilise the industry to achieve these aims by Summer 2017. In particular the group will consider how the savings, pensions, and investment industries, with the support of government, can make it easier for individual investors to support the causes they care about through their investments. As part of this, the group will consider the current barriers to development of products with social impact components, and the demand for and distribution of products.

THE VAT ON SALES OF THIS YEAR'S X FACTOR WINNER'S CHARITY SINGLE WILL BE DONATED TO CHILDREN'S CHARITIES, the Government has announced. Together for Short Lives and Shooting Star Chase are set to receive the proceeds from sales of the single, performed by the talent show's winner Matt Terry. All profits from the sale of each download and generated through streaming in the UK and the Republic of Ireland are shared equally between the charities.

DIDIER DROGBA ANNOUNCED HE WOULD WILL SEEK AN APOLOGY AND DAMAGES FROM THE *DAILY MAIL* after stories carried by the paper alleged wrongdoing at his charity and sparked an investigation from the regulator. The Charity Commission ruled in December that the footballer's charity may have misled donors, but found no evidence of fraud or corruption at the foundation. The Didier Drogba Foundation was registered in March 2010, and has objects to benefit the people of the Ivory Coast. The *Daily Mail* in April published reports alleging charitable funds were not reaching beneficiaries, and that the charity was "cynically exploiting children" for publicity. The regualtor's resulting investigation found governance failures including poor record keeping and non-compliant accounts, but not misapplication of funds.

VOLUNTARY SECTOR BODIES HAVE WELCOMED NEW STANDARDS FOR GOVERNMENT GRANTS that safeguard charities' ability to communicate with policymakers. The Government in February announced its intention to include a clause in grant contracts to prevent recipients using the funds for lobbying activity. The proposal gave rise to concerns that the clause would prevent grant-funded charities from having a normal dialogue with policymakers. Implementation of the clause was paused in April and the Government has since been working on a revised approach. New guidance was announced in December, and NCVO, Acevo, and Social Enterprise UK published a joint statement welcoming the "substantially more sophisticated approach". The groups said the new guidance safeguards charities' role in informing policymakers, and should also prevent large grants being issued without proper oversight.

OTHER GROUPS URGED A MORE CAUTIOUS RECEPTION FOR THE NEW STANDARDS. The National Association for Voluntary and Community Action represent an improvement on the 'anti-lobbying clause', they fall short of what charities and grant makers might expect. The association has pointed to several areas of concern. Navca said the standards still do not remove the ability to gag charities because they still ban "attempting to influence legislative or regulatory action" and in-house lobbying. Further, Navca said annual reviews of grants could undermine stability, and that the preference against providing significant portions of funding up front will negatively impact smaller charities. Directory for Social Change said it is treating the standards as a starting point, and there is much more to do to create effective grant agreements and systems.

THE BRITISH HEART FOUNDATION AND RSPCA EXPRESSED DISAPPOINTMENT WITH THE INFORMATION COMMISSIONER'S OFFICE'S MOVE TO FINE THE CHARITIES for breaches of the Data Protection Act. BHF chief executive Simon Gillespie said the charity considers the ICO's findings "wrong, disproportionate and inconsistent". Trustees are considering whether to challenge the decision. RSPCA chief executive Jeremy Cooper disagreed with the ICO's conclusions. The ICO yesterday announced a fine of £25,000 for the RSPCA and £18,000 for the BHF for breaching the Act. The ICO said wealth screening was one of three different ways both charities breached the Act by failing to handle donors' personal data in-line with the law. The watchdog said the RSPCA admitted repeatedly wealth screening all seven million of its supporters. The ICO said the charity did not have the donors'

Photo credit: Barry Barnes / Shutterstock.com

consent to do so. BHF told the ICO it had been screening donors since at least 2009, the ICO said. Between April 2010 and August 2014 it provided records to wealth management companies containing the personal data of several million people. The ICO said this was also done without consent. The ICO said both charities also traced and targeted new or lapsed donors by piecing together personal information obtained from other sources, and traded personal details with other charities through a scheme called Reciprocate. Donors were not informed of these practices, the ICO said, and so were unable to consent or object.

BIDDING FOR THE 2017/18 ROUND OF THE TAMPON TAX FUND OPENED IN DECEMBER. The fund sets out to offset VAT paid on sanitary products with government funding to causes directly benefitting women. Minister for Civil Society Rob Wilson marked the opening with a visit to Standing Together Against Domestic Violence, a London charity that has benefited from £311,000 in Tampon Tax Fund grants to fund work both locally and nationally. Wilson said the fund's continuation was great news, and encouraged organisations working to improve the lives of disadvantaged women and girls to apply for funding.

THE BOOK TRADE CHARITY AND THE BOOKBINDERS CHARITABLE SOCIETY are to merge in a bid to provide more effective and efficient services to a wider range of beneficiaries. The Book Trade Charity, formerly The Book Trade Benevolent Society, was founded in 1837 and has been a registered charity since 2009. The charity provides grants to over 120 individuals and families each year. It offers regular monthly support and one-off welfare grants covering issues such as illness, disability, debt, redundancy and those in carer situations, and recently for educational purposes. A merger with the Matthew Hodder Charitable Trust in 2015 enabled the charity to widen its scope from purely welfare grants to fulfil its charitable objectives in terms of education, training and encouragement of younger people to enter the trade. It also supports initiatives encouraging the appreciation of books and reading amongst younger people.

THREE PEOPLE HAVE JOINED THE CHARITY COMMISSION'S BOARD. Laurie Benson, Paul Martin and Catherine Quinn join the board. All three took up their new posts in December and will each serve a three year term.

CLORE SOCIAL LEADERSHIP HAS REVEALED the participants of its 2017 fellowship programme. The 24 Fellows will be the first trained under a new capabilities framework, which outlines the attributes, behaviours, and skills emerging leaders need to achieve success in their roles. Specialist Fellowships in gender equality, youth social justice, older people's services and migrant communities have also been appointed. **Forces in Mind Trust** are offering three Fellowships to emerging leaders in the armed forces area, under the charity's partnership with Clore Social Leadership. Fellows will participate in tasks and challenges that will help them become proficient in the Clore Social Leaders' Capabilities Framework. The 12-month programme starts in January 2017.

THE NUMBER OF CHARITABLE DONATIONS VALUED AT £1M AND OVER LAST YEAR reached its highest level since before the financial crisis, according to a new report. **Coutts**'s research found 166 donors made 355 charitable donations worth £1m or more in 2015, with a total value of £1.83bn. This represents a year-on-year increase of 19 per cent in the number of donations and an increase of 17 per cent in overall value. There were 267 distinct recipients of million-pound gifts, up from 243 the previous year. Foundations accounted for over half the total value of

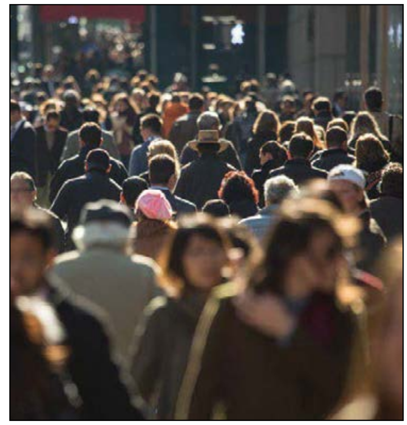
"166 donors made 355 charitable donations worth £1m or more in 2015, with a total value of £1.83bn"

million-pound gifts, increasing their share to 55 per cent compared with 51 per cent in 2014. Individuals and corporations both increased the amount they gave in 2015, but as a proportion of the overall total corporations' share of gifts declined slightly from 23 per cent to 20 per cent and individuals from 25 per cent to 24 per cent. The value of individual donations worth more than US $1m more than trebled year-on-year across the international regions covered by the research. The *Coutts Million Dollar Donors Report* found there were 2,197 donations worth a combined $56bn across the UK, USA and Middle East (Gulf Cooperation Council). Foundations received the greatest portion of the total value of donations, and these figures were boosted by a $32bn pledge from a donor in the Middle East.

HEALTH AND SOCIAL CARE ORGANISATIONS WERE INVOLVED IN NEARLY 40 PER CENT OF ALL CHARITY MERGERS IN 2015/16, according to a new report. The number of mergers overall remained fairly static, with 54 deals compared to 61 in 2014/15. **Eastside Primetimers**' *Good Mergers Index* shows the largest deal was the formation the Masonic Charitable Foundation, which united four central Masons charities in an £82m deal. Intermediary organisations were involved in 17 per cent of deals, employment charities were involved in 9 per cent, and education, community, and justice organisations were involved in 6 per cent of deals each. Analysing deals involving 116 organisations with a cumulative income of £799.4m, Eastside Primetimers found 65 per cent of charities making acquisitions were in financial surplus. Sixty-one per cent of organisations being taken over or merging were in deficit. Among charities, mergers represented 24 per cent of deals, takeovers 61 per cent, subsidiaries 11 per cent and group structures 4 per cent.

AN INVESTMENT SERVICE FROM CAF FOR CHARITIES HAS GONE LIVE. UK charities can use the service to access to the biggest selection of charity-specific investment funds available to buy and manage in one place online. The platform provides access to more than 4,000 funds, including some which are only available to charitable organisations, like Common Investment Funds.

THERE HAS BEEN A MARKED REDUCTION IN THE NUMBER OF RECORDED RULE BREACHES BY STREET FUNDRAISERS, according to figures from the **Institute of Fundraising**. First half figures revealed recorded rule infractions by street fundraisers fell by 62 per cent compared to last year.The average number of breaches has fallen to 17 per month, the institute said, compared to 38 per month in 2015/16. Recorded breaches for failure to provide solicitation statements had fallen by 74 per cent. Many rules, including around



wearing clearly branded clothing or approaching members of the public while they work, had seen zero reported breaches. The IoF said it carries out over 2000 undercover 'mystery shops' across the UK each year.

Better Society
NETWORK

charitytimes

CHARITY PARTNERSHIPS CONFERENCE

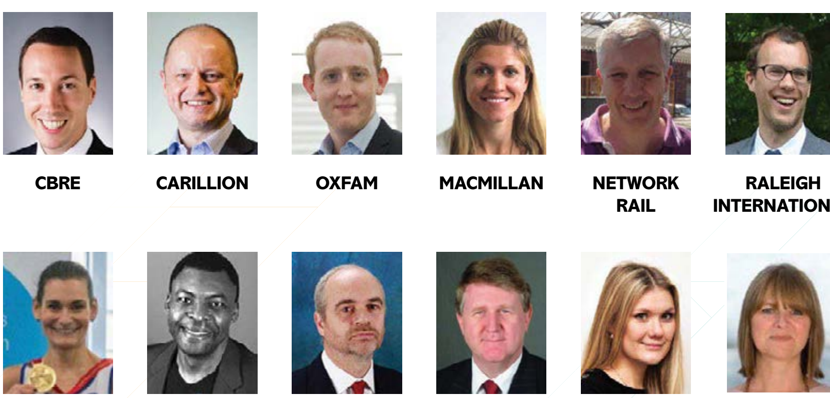
16 March 2017

Charity Times and The Better Society Network are delighted to be hosting the 2017 Charity Partnerships Conference. This one-day conference will give charities and corporate organisations the opportunity to learn from award-winning partnership experts and industry leaders.

CHARITY AND PUBLIC SECTOR RATE TICKETS AVAILABLE

Venue: London Marriott Hotel County Hall

Speakers include



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January 2017

CHARITY PARTNERSHIPS CONFERENCE
16 March 2017
London Marriott Hotel County Hall, SE1 7PB
Better Society Network's 2017 summit will be looking at corporate and charity partnerships. Learn what makes an effective partnership strategy, from the view point of corporates and charities. Issues considered include insights into corporate expectations and selection strategies, the social impact of partnerships, negotiating on-going partnerships, and raising awareness through partnerships.
http://bettersociety.net/conference

CHARITY TIMES ANNUAL CONFERENCE
04 May 2017
The Waldorf Hilton, WC2B 4DD
Our conference this year takes place as the outlook for the sector is settling in some respects but heading toward unprecedented change in others. The conference covers charity finance and management issues, seeking to offer practical solutions to problems sector leaders face in their roles. The event is free for chief executives, trustees, finance directors, fundraising directors, and other key decision makers in registered charities.
http://bit.ly/2hpGVpi

BETTER SOCIETY AWARDS
11 May 2017
London Marriott Hotel Grosvenor Square, W1K 6JP
The Better Society Awards were created to reach out beyond the horizons of any one sector to assess and reward those who are helping create a better, more equal, ethical and sustainable world. The awards are designed to recognise the efforts that commercial companies make to help create a better society for all. With every effort the world becomes a safer, fairer place, and it is time to recognise the work that aids progress to this goal.
bettersociety.net/awards

Not to miss...

MANAGING PERFORMANCE AND CHANGE
19 Jan 2017
Crowe Clark Whitehill, London, EC4Y 8EH
http://bit.ly/2gExrYy

RESEARCH CONFERENCE
7 and 8 September 2017
Nottingham Conference Centre
http://bit.ly/2hpPHnn

UNDERSTANDING AND USING DATA
23 February 2017
NPC, 185 Park Street, London, SE1 9BL
http://bit.ly/2hg8ALs

CHARITY TIMES AWARDS 2017
04 October 2017
Park Plaza, Westminster Bridge, London
charitytimes.com/awards

People on the move...

The latest appointments from around the charity sector

If you have any appointments to announce please contact matthew.ritchie@charitytimes.com

WILL JONES

Will Jones has been promoted to chief executive at **Brainstrust**, from his previous role as director of development. Jones has been with the charity for seven years, and currently also fulfils advisory roles with Cancer Research UK and the National Cancer Registration and Analysis Service. Brainstrust supports tumour patients and caregivers across the UK.

CAROL MACK

The **Association of Charitable Foundations** has promoted Carol Mack to chief executive. Mack has spent the past 12 years as deputy chief executive to David Emerson CBE. Prior to joining ACF, Mack worked advising charities on governance and charity law, and on national policy formulation at the Charity Commission.

SALLY-ANNE HUNTER

Raeburn Place Foundation has appointed Sally-Anne Hunter as its new capital appeal director. Hunter will lead the capital appeal and manage the fundraising team, with immediate effect. Hunter trained as a barrister before becoming a multi-award winning professional fundraiser.

ADAM STACEY

Sailors' Society has appointed Adam Stacey as director of development as part of a new approach to growing the charity's resources. Stacey joined the charity as commercial director in November 2015. He previously spent three years as CEO of a local Hampshire charity and brings experience of running social enterprises and involvement in commercial businesses.

ALAN PALMER

The Brain Tumour Charity has appointed neuroscientist and entrepreneur Professor Alan Palmer as its new life sciences trustee. Professor Palmer is visiting professor at University College London and the University of Reading, as well as Life Science Entrepreneur in Residence at the University of Bristol.

VICKY BROWNING

Vicky Browning has joined the **Association of Chief Executives of Voluntary Organisations** as chief executive. Browning joins the organisation from CharityComms, the membership network for communications professionals in UK charities, where she has been director since March 2010.

ROB LAY

Kent-based children's charity **Tree of Hope** has appointed former asset manager Rob Lay to its board of trustees. Lay has worked with a number of major financial institutions including Fidelity, JP Morgan, and Barings. He has taken early retirement from his job as head of wholesale, Europe and the Middle East at UBS Global Asset Management.

ANDREW VANDER MEERSCH

Andrew Vander Meersch has been appointed as chair of **The Encephalitis Society**. Vander Meersch is a London-based chartered civil engineer with over 40 years' experience who has worked in the engineering, construction and real estate sectors within Europe, Africa and Asia Pacific.

LIZ WARNER

Comic Relief has appointed Liz Warner as its new chief executive. Warner was the founder and CEO of television production company betty. Previously Warner held senior roles at both Channel 4 and the BBC. She was the commissioning editor responsible for the first Grand Designs, River Cottage, and the first Big Brother.

PAM ORCHARD

The Connection at St Martin's has appointed Pam Orchard as chief executive. Orchard is currently chief executive of East London homelessness charity Providence Row. She has also overseen the launch of the social enterprise Rise Bakery, and before Providence Row was the deputy chief executive of Edinburgh Cyrenians. Orchard replaces Colin Glover.

STUART SHEPLEY

Children's communication charity **I CAN** has announced the appointment of new trustee and treasurer Stuart Shepley, a qualified actuary. A former partner at both KPMG and Grant Thornton, Shepley participates in working parties on topics including reinsurance pricing, risk based capital and reserving.

Society

CHARITIES MUST NOT LOSE THEIR SELF-CONFIDENCE AT THIS CRITICAL TIME

CARON BRADSHAW IS CHIEF EXECUTIVE OFFICER OF THE CHARITY FINANCE GROUP

CFG recently held its annual fundraising dinner, which is a time for us to shine a spotlight on the fantastic work of our dedicated finance professionals but also to raise money for CFG. I'm always surprised by how quickly this evening comes round and usually I take the time to say a few kind (and occasionally amusing) remarks about the year that has passed and to thank our members and our corporate supporters for all their efforts.

But 2016 has been a very unusual year, so I decided to change approach and made a more serious speech about the state of the sector, our country, and the world at large.

I don't think I have lived through a more troubling year than 2016 - and I don't just mean the death of musical legends such as David Bowie or Leonard Cohen.

There is a growing sense of disquiet and unease. It has been thrown into sharp relief by events at home and overseas – most recently by the election of a man with no political experience who is seen by his supporters as a refreshing break from the establishment elite; someone to say it like it is but who is seen by many as a racist, misogynistic, bigot.

I have been alarmed by the ease with which fear and hardship has been capitalised upon and exploited to supposedly give a voice to the voiceless, the forgotten and the disenfranchised.

How many of us involved in politics or social change who are driven by values of tolerance and compassion, suddenly feel silenced and disempowered in the face of sneering bullies telling us that we are disconnected from the 'ordinary' people? We are now facing constant hectoring that we are 'the liberal elite' which has fuelled the intolerance and hate.

We mustn't get depressed or despondent. We must revolt against the accusation that we are disconnected or seated in an ivory tower. Charities acutely understand the plight of real people and are not 'self-serving' or in denial because they are not willing to accept what appears to have been sold to the 'masses'.

The people who voted Brexit and for Trump do not have a monopoly on wanting change; just as those who voted against do not have a monopoly on compassion. I share the fears and concerns, particularly the awareness of inequality, I just don't share their view on the causes or what the right solution is. So I made three requests to those that attended our dinner, and I make them to readers also:

1. Do not give way to hate, intolerance and blame and dress it up as pragmatism.
2. Call people out for their extreme views and never allow discrimination and prejudice to be permitted because those who perpetrate it hold greater power.
3. Deploy all your skills in persuading people that there are other solutions.

2016 has reminded me that charities share a common purpose – making the world a better, more equitable and just place.

Our sector is needed now more than ever. People are crying out for change and we must step forward to offer them a solution that is rooted in compassion and humanity not in blame, separation, intolerance and hate.

We must not lose our self-confidence or begin to doubt whether we are fit to carry out our mission. We must fight to preserve our right to speak and act in the interests of those we serve.

As chief executive of a charity membership body, I know people that work in our sector have chosen to use their skills and talents to serve and improve the lives of others. They are passionate about the causes they serve, and want to do the best that they can.

Unfortunately, political rhetoric is increasingly negative. Fear is in danger of extinguishing generosity. Darkness threatens to overwhelm all of us. But you cannot fight darkness with darkness: only with light.

Recent events have exposed cracks in our communities, but as Leonard Cohen once wrote "There is a crack, a crack in everything. That's how the light gets in".

So let's ensure we see those cracks as an opportunity to do our best work ever and to shine a light into the darkest places. ■

Excellence

EXCELLENT FUNDRAISING GOES BEYOND THE MONEY – IT ENGAGES, EDUCATES AND EMPOWERS PEOPLE TO MAKE A DIFFERENCE

In my last column I wrote about how truly excellent fundraising requires charities, and charity leaders, to put fundraising at the heart of their mission. Recognising that fundraising is an essential part of a charity's mission is not simply important because of the money that it brings in, although this is essential, but also because of the way it can engage, inspire and empower the public around our cause. Fundraising activity, from a local cake sale to a national campaign, is the main way the public engage with our work. Excellent fundraising builds a wider public understanding about the issues that matter and gives people the ability to do something about them, as well as bringing in donations.

At face value excellent fundraising is, of course, about the most engaging ways to ask for support and channelling these donations towards the causes that need to be supported. The collective impact of this work is truly staggering - £19.4bn is given to charities from individuals each year, with £9.4bn of this from public donations. The significance of this is recognised by the public too; 92 per cent of people believe charities play an essential or very important role in society. And as all the evidence shows that if you don't ask, you don't get, it also raises the question, if fundraising didn't exist what would happen to the charities and causes people value?

However, excellent fundraising has a role beyond just bringing in vital donations: it also engages, educates and inspires people. It shines a light on the issues that charities work on and then gives people agency through their gift to do something about it. This leads to the pleasure of giving a donation – seeing and understanding a need for change and knowing that your donation is making a difference to a cause that matters – effective self-actualisation. This is backed up by studies of why people choose to give to charity, with the top reasons being because of their values and a belief in or connection to the cause they are supporting.

What does excellent fundraising look like? At the end of November, the Institute of Fundraising celebrated our annual National Fundraising Awards showcasing some of the best fundraising over the last year. One remarkable thing about all of the nominees for our awards is that their efforts don't only involve generating income for important causes, but doing this in an innovative way to engage and inspire donors. One of the best examples of this over the last year was the winner of our Best Individual Giving Campaign - Water Aid for their Deliver Life appeal. For this campaign Water Aid focused on telling the stories from one maternity ward in rural Tanzania, using this to highlight the devastating impact a lack of clean water has on pregnant women and their babies, and showcasing the journey of this one hospital towards having a clean water supply. In doing this the campaign built awareness about the issue they are working on, built an understanding and empathy with the cause, and offered the public here the ability to make a positive difference through their donation. This approach wasn't only an excellent piece of work to highlight a vital issue, it also generated double the expected level of donations for the campaign meaning that the charity could do even more to bring clean water to maternity wards in some of the poorest parts of the world.

Excellent and inspiring fundraising isn't just a benefit for the individual charity, it has a wider societal benefit too. As charity leaders embed fundraising at the heart of their mission and how they talk to the public about their organisations, we also want charity leaders to be proud of the wider impacts of fundraising – building a public understanding about the issues that matter and giving people the chance to make a difference. As we look to the coming year, the IoF is planning to do even more to lead on this agenda, continuing to highlight amazing examples of fundraising activity, and helping to spread and encourage excellence in fundraising. We want our members, sector bodies and the government to celebrate excellent fundraising too – without it the world would be a far poorer place. ■

PETER LEWIS IS CHIEF EXECUTIVE OF THE INSTITUTE OF FUNDRAISING

SORP

TIME TO REVIEW THE SORP (AGAIN)

GILLIAN MCKAY IS THE HEAD OF CHARITIES AND VOLUNTARY SECTOR AT THE ICAEW

The days are getting shorter, the temperature colder and as Christmas approaches it must be time to review the Charity Statement of Recommended Practice. (SORP).

The joint SORP-making body is seeking responses to the SORP research exercise, with a view to releasing an exposure draft incorporating recommendations and comments by 2018. Plans are then to finalise the new SORP for release in 2019. A recent research consultation provided an opportunity to feedback to the body comments on SORP and proposed changes.

It really does seem that time flies, many charities and preparers of accounts may still be coming to grips with the last FRS (Financial Reporting Standard) 102 SORP introduced in 2015.

However, the review is in line with the requirements to review UK-Irish financial reporting standards on a three-yearly basis. When FRS 102 is reviewed this will have an impact on the SORP, so we can therefore expect three-yearly review cycles for reporting standards going forward.

The review of FRS102 SORP is unlikely to cause quite the same stir as its introduction. Charities had to deal with the introduction of FRS102 SORP, the withdrawal of the FRSSE (Financial Reporting Standard for Smaller Entities) and the lowering of the audit threshold all in a very close period. Hopefully the 2019 changes will not require such rapid adaptation.

It may give comfort to note that it is not only the charity sector that has struggled with the changes to UK GAAP (Generally Accepted Accounting Practice). The November edition of *Accountancy* magazine reported that Companies House is rejecting some small company accounts as following the introduction of FRS102 abbreviated accounts are no longer a filing option after 1 January 2016.

Of course, it is rather ironic that we are reviewing the SORP, because the elephant in the room is that the Charities (Accounts and Reports) Regulations 2008 in England and Wales are yet to be updated to refer to the SORP as the FRS102 SORP. This anomaly sits in sharp contrast with the speed with which the charity audit threshold was lowered. While ICAEW has been asking for this to be updated as a priority we still have the 2005 SORP referred to in the regulations.

Hopefully before we get to the next version of the SORP or, perish the thought, the one after that, this matter will be addressed.

One issue that is always raised when reviewing the charity accounting framework is: what is the purpose of charity accounts and what are they intended to achieve?

Under progressive frameworks charity accounts are becoming increasingly long and complex. There is a very limited audience that can actually read accounts beyond the trustees report, and therefore you have to ask what the impact of all this additional disclosure is.

A perfect example of this is the pension funds note. To be honest, I am unclear as to how these notes really add to my understanding of the charity's impact and achievements. That is just one obvious example, and there are many more.

ICAEW launched its charity manifesto at our annual charity conference in November. The manifesto sets out ICAEW's recommendations for the financial management of charities.

One recommendation is for the Financial Reporting Council and the joint SORP-making body to put the principles of simplicity, accessibility and usefulness into the heart of charity accounting.

Of course the joint SORP-making body has to negotiate the difficult terrain of UK GAAP in any revised SORP and they therefore are not at complete liberty to draft as they see fit.

However, I do hope that in future SORP we see an attempt to reduce the reporting burden on small charities, and a focus on the key information rather than increasing disclosure requirements. ■

Property

TIME FOR A PEASANTS' REVOLT?

The rain is driving against our office windows, orange leaves are clogging the drains outside while here in the warm, we are knee deep in… scout huts.

A curious feature of running a property advice service is that frequently we get the same sort of charity turning to us all at once, despite working in different parts of the country and having diverse property issues. Hence this week is Scouters Week. Last month we were overflowing with a water mill, a new jetty and a water sports centre, while the month before that, Dr Doolittle rocked: cats' home, dogs' home, donkey sanctuary. Before that, how green was our valley - community gardens, asset transfer parks, and legacy fields in custodial trusts. The property god we serve certainly likes a laugh.

Today however, apart from the unprepared agonies of Scouters wrestling with subsidence, I am pondering the historic relationship of ownership and tenancy. If William the Conqueror had not beaten nice holistic Saxon Harold down in Hastings, would the landlord tenant relationship be different today? In every other business transaction, clients are feted and flattered – or at least not treated like mugs to their faces. Yet though we have Facebook and Instagram, there remains that old Norman feudal order, where a tenant is considered a powerless supplicant villein – whether residential or commercial. Perhaps we're missing a trick and should advise clients to do less social media and more tithing of their chickens to the lord of the manor on Lammastide.

It doesn't help our villein voluntary sector, that we are not in general much interested in property because we want to change the world. We also tend to be more enthusiastic about helping others than exploiting them. So let's get more Norman! My advice for your next team meeting: shout altogether Get Off Our Land You Varlet! Great assertiveness training and far more bracing than a group hug.

Last November the Ethical Property Foundation in partnership with the Charity Commission and RICS, published our 2016 Charity Property Matters Survey. It's short, pithy and centred on property knowledge, cost, risk and space...

Hence 48 per cent believe their property is the biggest threat to their sustainability; close to one third worry about lack of security of tenure while 43 per cent have suffered unforeseen property costs. Then there is the fact that over a quarter now rent from the private sector - a fast rising figure since our first survey in 2012 – and a very different relationship to the laissez faire of the local council of yore.

Our sector's natural diffidence about bare knuckle negotiation plus our lack of interest in property - added to funny money property economics and the fact that many think we work for free, result in rotten working conditions unless we are careful. This is because we are, and I quote the landlord who rang today offering me a fume filled lower basement in Blackfriars - 'only' charities. The fact 58 per cent of respondents can't obtain grant funding for property costs further tips the balance.

So how can we stand up for ourselves? After nearly three years in this job, I have come to the conclusion that the alchemy of charities and their property is as much to do with attitude as money. It boils down to how much are you prepared to put up with for your cause?

Smart trustees and charity managers need to be celebrated and supported in becoming property savvy so that they can handle property professionals with knowledge and on equal terms. Hence why our National Programme for Property Education launches next year. We're running workshops across England and Wales and offering online resources to help as many colleagues as possible to understand the role property plays in their success.

Many of us are looking to buy commercial property and many more are looking to co-locate. New technology is freeing us to look at hubs and hot desking and flexible working. It's been a thousand years since William conquered: time for a (voluntary sector) peasants' revolt. ■

ANTONIA SWINSON IS CHIEF EXECUTIVE OF THE ETHICAL PROPERTY FOUNDATION. THE CHARITY PROPERTY MATTERS SURVEY 2016 IS AVAILABLE FREE ON WWW.ETHICALPROPERTY.ORG.UK

REVIEW

2016 in the news

Brexit dominated the headlines in a topsy turvy year

WRITTEN BY MATT RITCHIE, EDITOR OF CHARITY TIMES

Photo credit: Joseph Sohm / Shutterstock.com

How does one sum up 2016? Let's be kind, it will certainly live on in the memory. The dual shocks of Brexit and the rise of president-elect Donald Trump have left many of the liberal persuasion wondering if they are in the grips of some sort of horrifying fever dream. Reporting the news has been a frantic job in 2016, making sense of it has been impossible.

Hangover

The year began with some semblance of closure on the controversies that gripped the sector from the second quarter of 2015 on.

The now-defunct FRSB delivered its report on the tragic case of Olive Cooke, the 92-year-old long-time fundraiser who took her own life in May 2015. The then-regulator found sharing of Mrs Cooke's personal data by several charities resulted in her being inundated with fundraising requests.

Less than a week later the Public Administration and Constitutional Affairs Committee reported back following its review into fundraising, with the conclusion that the measures contained in Sir Stuart Etherington's review of the regulatory regime did not go far enough.

Hardly music to the ears of already punch drunk fundraisers.

The report called for the Charity Commission to have an oversight role in fundraising regulation, and put trustees firmly in the firing line for the failings of those who fundraised for their charities.

Meanwhile, the story of Kids Company was drawing to a close. The Government responded to an earlier Public Accounts Committee report on the circumstances around state funding of the charity, pledging to take the committee's recommendations into account in its review of grant processes. The Treasury would await the conclusions of a separate PACAC review of the Kids Company collapse before reaching conclusions.

Treasury did not have to wait

long, as just days later the PACAC reported its findings of an "extraordinary catalogue of failures" of governance and control at every level of the charity.

Almost simultaneously the Metropolitan Police announced an investigation into allegations of sexual abuse at the charity, news of which had contributed to the charity's sudden demise, was to be dropped.

Then it was all over bar the shouting, and the scandals of 2015 will – or at least should – stand as a cautionary tale to charity professionals, trustees, and funders for years to come.

Photo credit: Twocoms / Shutterstock.com

Photo credit: Twocoms / Shutterstock.com

Controversy

Age UK fell foul of the *Sun* in February over its partnership with energy supplier E.ON and it initially felt as though the media horrorshow of 2015 would continue into another year. However, the negative attention was relatively brief.

One of the year's most heated debates kicked off in April when the Government announced plans to restrict charities from using grant funds for lobbying.

Following the furore over the wildly unpopular lobbying act, the move was seen as yet another intrusion on charities' rights to speak out. The sector responded strongly and implementation of the clause was 'paused'.

New guidance was issued close to press time that rowed back on the earlier proposal, and was widely welcomed by umbrella bodies. Navca and the Directory of Social Change counselled caution, however, warning that the sector should not be so quick to praise the guidance until the full implications were known.

Speaking of umbrella bodies, change came to Acevo in May when Sir Stephen Bubb announced his plans to step down.

Tributes flowed for the outgoing chief executive, who had been one the of most prominent voices of the sector for much of his 15-year reign.

Characteristically Bubb was not slipping quietly into the night. His Charity Futures Programme will be a fixture of the voluntary sector landscape for the next two years at least as it seeks ways to strengthen charity leadership and governance.

Association of Charitable Foundations chief executive David Emerson announced in August that he intended to step down, and long-time deputy Carol Mack was confirmed as his replacement in November.

Brexit

It is unclear what impact the UK's looming split with the European Union will have on the voluntary sector. But it doesn't look good; third sector spokespeople for the Britain Stronger in Europe campaign warned before the vote that a result in favour of leaving could cost charities almost £220m in EU funding.

However, Leave campaigners argued that the funding was UK money to begin with, and leaving the EU would simply be a case of cutting out the middle man. That this is "leaving aside issues such as charities relying on taxpayer funded handouts", as Robert Oxley of Vote Leave told Charity Times, could cause some concern over the Brexit camp's views on charity funding.

But shortly after that brief skirmish it became considerably harder for charities to say anything at all about the referendum. The Charity Commission published widely panned guidance warning charities against getting too close to the party political line in the EU debate.

Nonetheless, ever-outspoken Acevo wrote open letters to Leave campaigners Michael Gove and Iain Duncan Smith calling on them to guarantee that EU charity funding would continue in the event of an exit vote. The association also called for an "immediate emergency summit" with charities should the Leave campaign prove successful, to discuss the implications in key

Photo credit: Angelina Dimitrova / Shutterstock.com

Photo credit: MediaPictures.pl / Shutterstock.com

regulatory areas such as child welfare, environmental protection, and workers' rights.

The letter was published at the start of June, when only the most pessimistic Remainers or optimistic Brexiteers were expecting a vote to leave the union. So Acevo's intervention, while entirely reasonable and an example of prudent foresight, could also have been considered window dressing.

But three weeks later the nation woke, those who had taken their eyes off the count to sleep at least, to the news that Brexit had prevailed. 52 per cent to 48. Hardly a landslide, but a clear result.

Aftermath

Pollsters were proved wrong by the result, not for the first time recently (and as it turned out, not the last either). Things got fairly chaotic after the result was announced. But it is hardly surprising that the days (weeks, months) following the referendum were chaotic, as it became clear that no one in a position of influence on either side had made much of an effort to plan for a Leave vote.

The dust had barely settled before the UK was in the market for a new Prime Minister. David Cameron copped some criticism for not sticking around to ensure a successful, or at least smooth, exit. But it was hard not to sympathise with him when he said to a number 10 staffer (allegedly) 'why should I do all the hard shit?'.

A leadership battle ensued, from which Theresa May emerged the clear winner. A new broom brought a new, very different looking cabinet.

Civil society was hardly to the fore in the Conservative party's comprehensive overhaul, all the more as what was left of the Big Society programme and the nascent life chances agenda went out the door with Cameron.

It was eventually confirmed that the Office for Civil Society would move to the Department for Culture, Media and Sport, and that Minister Rob Wilson would move too.

But the developments across the floor of the House of Commons made the Tories' shake-up look like a light rebrand.

One by one shadow cabinet MPs tendered their resignations, a long-simmering dissatisfaction with leader Jeremy Corbyn brought to a head by what was seen to be the North London MP's lukewarm opposition to Brexit. Among those to depart was Redcar MP Anna Turley, who had been Labour's spokesperson on civil society since the 2015 election.

A vote of no confidence in Corbyn was overwhelmingly carried, and a leadership challenge ensued. MP for Pontypridd Owen Smith stood against Corbyn, and was soundly beaten.

Corbyn reassembled his shadow cabinet as the dust settled, and in October it was announced Labour and Co-operative MP for Croydon North Steve Reed would take the civil society brief.

The future

Quite how the situation will pan out from here is anyone's guess. The sector can only put forward its best arguments for the protection of charities and their beneficiaries and hope.

However the situation develops, charities will of course continue to do their crucial work. Read on as we take experts' views on the key items on the charity leaders' agenda for 2017. ■

OUTLOOK

Outlook 2017: The chief executive's agenda

Reverberations from the events of 2016 will continue to be felt throughout the year ahead

WRITTEN BY DAVID ADAMS, A FREELANCE JOURNALIST

The same financial challenges that have dogged the sector for a decade will surely remain the most pressing priority for most charity CEOs in 2017. But what other issues, besides those related to fundraising [see p28] should be at the forefront of chief executives' minds?

Sir Stephen Bubb, director of the Charity Futures Project at the Association of Chief Executives of Voluntary Organisations, hopes this will be a year when more charity leaders speak up more forcefully on behalf of the people their organisations support, many of whom are disproportionately affected by the consequences of public sector spending cuts.

He believes protesting voices within the sector have been muted for reasons including the attacks made on charities by some sections of the press, the effects of the lobbying act and gagging clauses in public service contracts. "I'm hoping

2017 will see us recover our voice," he says.

Brexit

Whatever the eventual form of the UK's exit from the EU, some negative consequences of last June's vote will be felt throughout 2017. "We may see social problems – we've seen an increase in the incidence of hate crime," says Barney Mynott, head of public affairs at the National Association for Voluntary and Community Action. "The public finances are likely to take a hit, inflation is likely to increase and the people who will be hit hardest include some of the most vulnerable groups in society."

On a practical level, economic and financial instability caused by Brexit, in the near and long term will affect many charities directly. A spokesperson for Acevo points out that all organisations operating across borders and/or purchasing goods and services abroad will have been adversely affected by the fall in the value of Sterling since June, with some international charities reporting a drop in spending power of 10 per cent.

But Andrew O'Brien, head of policy and engagement at the Charity Finance Group, fears the Government does not see the impact of Brexit on the charity sector as a priority.

"It's not clear that the Government is taking the concerns of the sector seriously," he says. "There's a lot of focus on business and trade, but the charity sector also has important relationships with Europe: around funding, and around coordinating work such as international humanitarian aid. Our main goal next year must be to make sure the Government listens to our concerns."

Devolution

Further progress on devolution in England is set to continue to devolve responsibility for more public services, particularly health and social care, to local or regional government bodies. "We can be cynical and say that some of that may be about pushing the risk for those services out of Westminster, but there are opportunities for the sector here," says O'Brien.

This is one area where the sector has tried hard to publicise its views. In September 2016, organisations including Navca and CFG published a list of principles that would ensure devolution benefits local communities throughout England. These include a declaration that no financial settlements should be agreed without a full assessment of local needs and resources; and that they should be commissioned on the basis of long term social outcomes not short term financial pressures. The sector will now have to try to persuade public sector bodies to follow those principles.

"Our hope is that devolution will enable the development of services which more closely reflect the needs of the beneficiary," says Acevo's spokesperson. But he also emphasises the need to ensure that larger organisations do not end up taking over public service delivery from smaller organisations with a more local focus. "Instead, leaders need to be focusing on building partnerships and collaboration between national and local organisations," he says. "It is important that charities take steps to be involved in the creation of plans for devolved areas. We need to make sure our voices and those of our beneficiaries are heard throughout this process."

Governance

There will continue to be a focus on the role of trustees in 2017, says O'Brien – in particular on the question of whether they are capable of fulfilling their increasingly onerous duties. "I don't think there's a crisis in relation to charity trustees," he says. "But the level of regulation has ratcheted up – are trustees able to rise to the challenge of managing that?"

Charity chief executives may be under the spotlight to a greater degree in 2017, O'Brien suggests. "In some larger charities there's sometimes an impression that chief executives get off lightly, in terms of difficulties around fundraising and so on," he notes.

"The big issue here is investment in good governance," says Sir Stephen Bubb. His Charity Futures Programme aims to improve and develop standards of leadership and governance. "In 2017 we're going to be trying to get the sector to take good governance more seriously," he says. "We'll be doing more research, looking at what other sectors can teach us and at what the international

experience of the third sector can teach us. We'll also be thinking about how younger people connect to charities and what this means for the way charities are run."

Regulatory and legislative changes

One development that could complicate governance in many organisations will be the use of new powers for the Charity Commission granted by the 2015 Charities Act. "This creates a new range of behaviours around which charities must be incredibly careful – especially as guidance on the new powers is far from comprehensive," warns the Acevo spokesperson. "Keeping track of all these changes will mean CEOs must not only take greater care with their staff but also keep trustees advised of changing expectations."

The changes include new powers enabling the automatic disqualification of charity trustees with certain types of criminal record. "That's going to disproportionately impact charities working in areas like criminal justice," says O'Brien. He says charities should be checking to see if or how they will be affected.

Charities in England and Wales will also need to adapt to changes related to the introduction of the new fundraising regulator [see p28]; while 2017 may also see further consultation on the future funding of the Charity Commission.

"We shouldn't be calling it 'charging' – this is a charity tax," says Mynott. "Charity regulation is in the public interest, and it should be funded through general taxation. We think chief executives should be prepared to stand up and say that this isn't right, especially for smaller charities."

Sir Stephen Bubb is also against a levy. He thinks it would be reasonable for the commission to charge fees for some services: for setting up a charity, or for changing its Articles, for example. "But a general levy? Absolutely not. Or, if they do want a levy, let the sector elect the Charity Commission board."

People issues

Skills shortages will continue to be a problem for the sector in 2017, says O'Brien. Brexit could exacerbate these problems: recruitment and volunteering website CharityJob reports a fall of 12.78 per cent in users of its website from outside the UK between 24 June and 24 November 2016 compared to the same period a year earlier.

Charities of all sizes will be affected by planned increases to the minimum wage in 2017, and larger charities will also be affected by the Apprenticeship Levy. And if inflation rises while the economy stutters, other employees may also ask for more money.

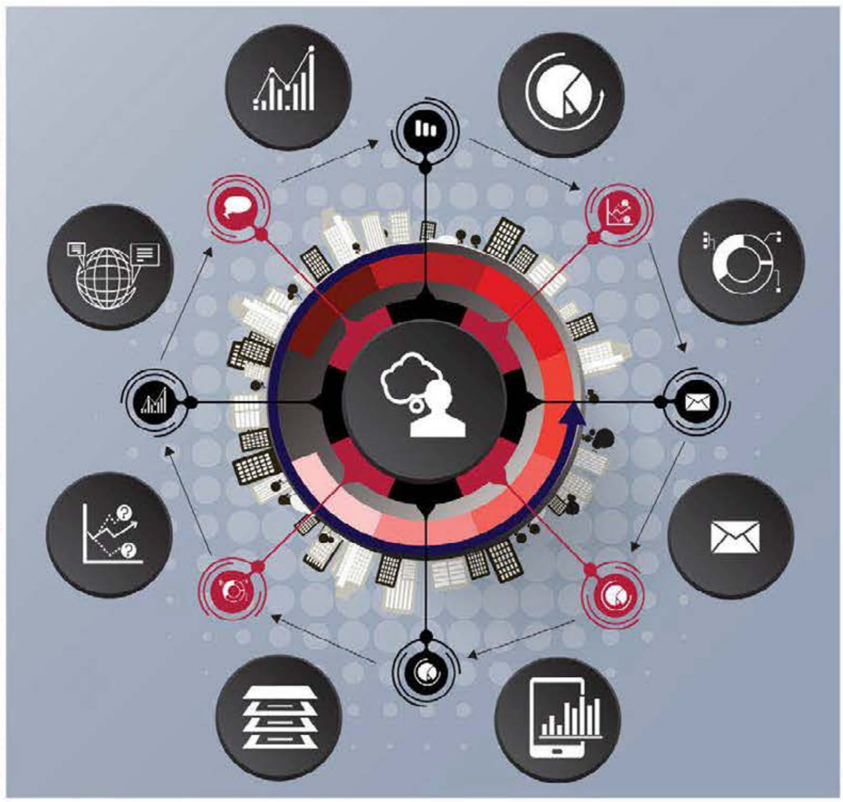
"Some charities are having to reduce the size of their workforce in order to comply with legislation," says the Acevo spokesperson. "The issue here is less the minimum wage per se, but rather the failure of contracting bodies to account for it – public service contracts have often failed to take it into account."

Many charities will also continue to grapple with issues related to the management of volunteers. This is another area where it would clearly be useful for charities to explain more effectively to funders the practical challenges and financial pressures they face.

"Volunteering isn't free," says Mynott. "Funders need to understand this and be prepared to pay for good quality brokerage. All the evidence suggests it improves the experience of volunteers, improves their performance; and increases the number of volunteers." ■

OUTLOOK

Outlook 2017: The governance agenda



The new year offers an opportunity to make a fundamental impact on improving charity sector governance

WRITTEN BY WRITTEN BY LOUISE THOMSON, HEAD OF NOT FOR PROFIT POLICY, ICSA: THE GOVERNANCE INSTITUTE

For a sector keen on delivering change and making a visible positive impact on individuals and the wider community, charity governance is surprisingly difficult to evangelise about.

At a time when charities are facing increased cynicism and challenge to the previously high regard in which the public held them, as well as harsher scrutiny by the media, perhaps it is time for the sector to push aside its own scepticism and regard good governance as one of the cornerstones on which the sector can reverse the tide of negativity.

The new year presents us with an opportunity to actually make a fundamental impact on driving improvements in the sector's governance. The catalyst for such 'conversion energy' may be found in the whole range of activities, reports and initiatives planned and anticipated in 2017; but especially the revised code of governance for charities, the House of Lords Report into the sector, and the Law Commission's report on its review of charity law.

Governance code

February sees the end of the public consultation on the revised Charity Governance Code. The aim for the third version of the code is to move toward strengthening governance in the sector, and increasing expectations to meet the challenges charities now face. Without pre-empting the findings of the consultation, the steering group overseeing the development of the code (ICSA: The Governance Institute along with Acevo, Association of Chairs, NCVO, Small Charities Coalition and WCVA, with the Charity Commission as an observer) is endeavouring for a final version that is stretching and more aspirational.

With the chance for trustees, charity managers and others interested in charity governance to get involved in shaping this version, online and in person at various events, this really does present an opportunity for the sector to discuss what good governance looks like and help construct a convincing narrative as to why investing in it is beneficial for delivering charitable purposes.

With an enhanced focus on the importance of board diversity and the behavioural dynamics of good governance, the revised code should be a balanced blend of clarity of purpose (of the charity and the board), proportionate yet effective policies and procedures, and people issues – such as skills, diversity, ongoing development and engendering professionalism as a state of mind in the boardroom. As with other sectors, the governance trend will be a charity board that strives for continuous improvement in order to achieve the charitable purposes as swiftly and effectively as is prudent.

Of course, without the sector embracing the code and implementing its recommendations and proudly stating within their formal documentation that they apply its principles, the code will not be as effective or helpful as it might be – to the sector and the wider public. The challenge therefore is to encourage charities to embrace the mantra behind the work of the steering group: 'by the sector, for the sector', and to eulogise the benefits good governance delivers to the frontline.

Lords' committee

Spring 2017 has been pencilled in for the delivery of the House of Lords' (HoL) Committee into Charities report. Evidence submitted to the committee has covered the familiar problems and solutions: that the overarching charity governance model – voluntary trustees and the absence of executives on the board – is no longer fit for purpose and needs a serious overhaul. The usual solutions of introducing paid trusteeship and the unitary board have been offered up as the panacea to solve all the woes of the sector. Given that the corporate sector is currently reviewing its governance practices, perhaps there is an opportunity in 2017 for some joined-up thinking and shared learning.

In articles discussing the sector's governance arrangements there has been a call for more support for trustees, the research by NFP Synergy and the AoC to mention two, with the suggestion of a support body specifically for trustees. There is some merit in the concept, but for it to come to fruition this will require not just vision, but a desire for those in the governance arena to collaborate rather than compete. Egos will need to be set aside and business plans amended. Any initiatives must come primarily from the trustees and meet the challenges they represent as a diverse group. Online training, for example, might appeal to a particular type of trustee, but not to all. As with good governance, the solution to the problem is unlikely to be one-size-fits-all.

It is hoped that the House of Lords' Committee produces a report that is as grounded and thoughtful as some of their debates in the Upper Chamber. There is lots to be supportive of in the sector, despite the current wailing and gnashing of teeth. The concept of charity has been with us for centuries, I am certain it can survive this tumultuous time, but it is inevitable that some things will change and they need to. The HoL report provides an opportunity for designed evolution, rather than extinction. Recommendations for treating the trustee role in the same way as school governors would be welcome to some, and could help facilitate a change in the culture of trusteeship. But a report that recognises and values the voluntary principle of the sector, with the appreciation of some governance flexibility, could do far more to stay the confidence of the sector and act as a rallying call for those who still believe in the good the sector delivers – not just to beneficiaries, but to the wider society.

Law Commission

The Law Commission's review of technical issues in charity law should provide a framework for making the life of trustees, and the charities they lead, less confusing and complicated. Expected to report in the first half of 2017, along with a draft Bill, it is likely that matters relating to the following will be covered:

- Changing charitable objects and internal administrative procedures
- Reducing the complexity of cy-près schemes
- Asset transfers when a charity incorporates
- Land acquisition, disposal and mortgages
- Remuneration of trustees for providing goods.

The Charities Act 2016 might have made life slightly harder for trustees, with a sharpening up on the focus of their behaviour and actions by the regulator, but the Law Commission's informed draft Bill has the propensity to reset the scales a little. If 2016 was about empowering the Charity Commission to enable it to perform its job better, then the sector has to take the opportunities available in 2017 to make it the year for supporting and strengthening trustees in order to help them perform their role effectively for the sake of their charity's purposes, and the betterment of a disjointed country. Surely a challenge worth rising to. ■

Outlook 2017: The finance director's agenda

Finance directors must plan with innovation in mind if their charities are to thrive in a very dynamic environment

WRITTEN BY NAZIAR HASHEMI, PARTNER – NON PROFITS AT CROWE CLARK WHITEHILL

The seeds of much of what charity finance directors need to be mindful of in 2017 have been sown in the last couple of years.

Governance

The past two years have seen an increasing focus on charity governance both in the sector press and in the national media. This has been partly due to the collapse of Kids Company, and other high profile media stories covering chief executive pay or excessive fundraising practices. Consequently there has been a greater focus by the Charity Commission on trustees' role in governance and decision making for their charities. Effective governance is about making informed choices to achieve the charity's strategic objectives for the public benefit. The 'tone at the top' of any organisation determines its culture and ethics, and solid corporate governance requires a good tone at the top. In order for charities to continue to hold the public's trust they will require good corporate governance which means effective boards.

The Good Governance Code has just been re-issued for consultation [see p24]. The code introduces the principle of "apply or explain" and has some proposals which finance directors will need to be aware of. For example:

- Where a charity has an audit committee the code requires that the chair is someone with recent and relevant financial experience and the committee includes at least three trustees
- The code requires that the board has a vice-chair, 'senior independent trustee' or similar, who provides a sounding board for the chair and serves as an intermediary for other trustees if needed
- Trustees receive an appropriately resourced induction on joining the board that includes meetings with senior management and covers all areas of the charity's work and gives the opportunity for ongoing learning and development
- The code requires the board to evaluate its own performance and that of individual trustees including the chair. For larger and more complex charities this will be every year, with an external evaluation every three years. There is also a requirement that the board explains how the charity evaluates the board in the trustees' annual report.

Charity finance directors should review and respond to the consultation.

As a consequence of all the above, charity finance directors will see a change in dialogue with their trustees and the requirement for more information (financial and otherwise). More emphasis will also need to be put on to trustee induction and on-going training.

Reporting

2016 was the year charities implemented SORP 2015. In some cases, charities took advantage of the new SORP to implement large scale changes in their reporting and started taking steps towards better reporting of outcomes and impact.

2017 will see a revisiting of reports as the 2016 accounts will have been published and finance directors are able to compare their reporting to that of others. There will also be an increasing push for more transparency from charities.

However, as soon as the dust settled on one SORP the Charity Commission set out to identify the necessary changes for the next Charities SORP. Six themes have been identified which the regulators consider will improve the reporting requirements of the SORP and "better serve user needs and help raise public confidence and trust in charities".

Whilst the principles underlying the consultation (i.e. the need for greater disclosure to demonstrate accountability and making a difference for public benefit) are sound, the detail does need to be examined with great care.

The concept of a "Key Facts Summary" is introduced with the explanation that there should be a "simple summary containing key information as an annex to the report." The consultation proposes that the summary could be either charity specific or a mix of mandated items.

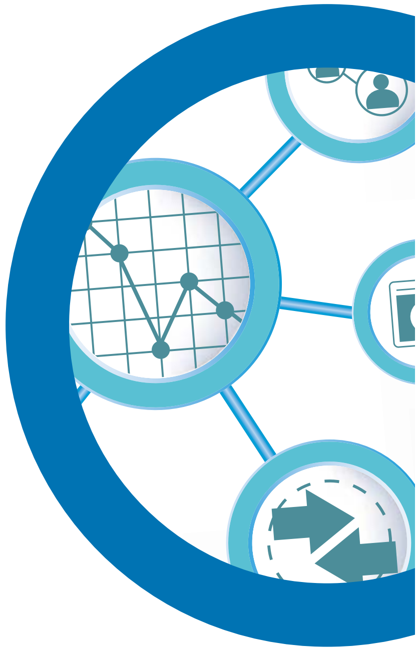
The proposals for executive pay disclosures are gaining momentum as they are proposed in both the consultation document for the next Charities SORP and in the consultation for the Good Governance Code.

Strategy and financial planning

The current economic and political uncertainties arising from Brexit, the US elections and many other variables make planning for the future that much harder. Organisations that survive and even flourish will be those that cope with the uncertainties and make good lasting decisions.

Charities will need to revisit their strategies in 2017 to ensure these are still 'fit for purpose' and achievable. Scenario planning and decision trees are important tools for finance directors. However, care needs to be taken that the focus is on shorter financial planning cycles than those which have traditionally been used, given that it is unreasonable to make accurate assumptions about the future.

Scenario planning will enable finance directors to gain perspective on critical issues facing the charity and make decisions about capital investments and budgeting. It will also enable finance directors to identify those events that will create substantial negative impacts for the charity, allowing contingencies to be built into budgets.



Cybersecurity

Today's organisations collect, process and retain more information than ever before. For charities, this information can be about their own operations, employees, or 'business', or collected from external sources like beneficiaries, donors or customers. Charities have become more dependent on information systems and more vulnerable to attack by sophisticated cybercriminals or even their own employees.

Many charity finance directors are also responsible for IT in their charities. Charities are increasingly becoming targets for cybercriminals and it is vitally essential that charities take the necessary steps to mitigate the risks of a cyberattack.

Pension deficit

A report published by NCVO in 2015 found that pension liabilities make up 20 per cent of the sector's long-term liabilities and the amount the sector is committed to pay out in pensions over time is some £7.8bn. Some are calling this a ticking time bomb. The continuing economic uncertainty and the falling bond rates are causing problems for pension funds.

The impact for charities with pension deficits is protracted discussions with pension fund trustees and The Pensions Regulator, and a growing push for increasing contributions and one off payments.

Finance directors are at the forefront of these discussions. We are also seeing more robust discussions taking place with finance directors looking more at the investment strategies of the pension funds to check that these are aligned with the current market realities.

Income diversification and better resource allocation

Whether a fundraising charity, where the new fundraising rules will kick in in 2017 [see p28] or a grant funded charity, most charities have already started looking at ways to diversify their income. There is also a renewed vigour at better resource allocation and 'sweating of assets'. This will be a key theme for 2017 and beyond as more charities will be looking to share in a reducing income pot. The results of this will no doubt be new approaches to raising money from newer more innovative sources such as social investments and impact bonds.

It is clear that we are in unprecedented times. There is much change and great uncertainty. This creates a challenging environment for charity boards and management and the finance director who is at heart of the organisation in charge of financial planning and resource management. There is growing demand for charities' services and a tightening of conditions elsewhere. These factors make it even more important for charities to innovate, collaborate and seize opportunities. The role of the finance director is to budget and plan with innovation in mind, setting aside resources which will enable their charity to take advantage of opportunities and innovation. ■

OUTLOOK

Outlook 2017: The fundraiser's agenda

Changes to the UK's fundraising regimes are starting to bed in after a tumultuous two years for the sector WRITTEN BY JOE LEPPER, A FREELANCE JOURNALIST

The last two years have been among the most grueling charity fundraisers have faced.

Lurid headlines about poor practice, including deliberately targeting vulnerable donors, have dominated the fundraising agenda; with government intervention and tougher regulation also taking place.

Last summer was particularly intense. In May the suicide of 92 year-old Olive Cooke led to a media outcry after it emerged charities had repeatedly asked her for money.

Then the *Daily Mail* published a damning investigation under the headline 'Shame of the Charity Cold Call Sharks', which revealed aggressive techniques by a fundraising company used by some of the UK's largest charities.

The government set up a fundraising review chaired by NCVO chief executive Sir Stuart Etherington. It concluded that the current system of self-regulation was "not fit for purpose".

The subsequent Charities (Protection and Social Investment) Act 2016 kept self-regulation, but crucially gave government reserve powers to make its provisions statutory should fundraising practices not improve.

These provisions include ensuring agreements with third party fundraisers guarantee protection for vulnerable people. Large charities also have to ensure trustees' annual reports detail fundraising policy and practice, including what it is being done to protect the vulnerable.

Regulator

Overseeing this new regulatory landscape in England and Wales is the Fundraising Regulator, which was set up this summer. Meanwhile, fundraising by charities only registered in Scotland is subject to Scottish charity law and the Scottish system of self-regulated fundraising.

Fundraising Regulator head of policy Gerald Oppenheim is optimistic charities will improve during 2017 due to the "clear indication" from government that regulation will become even tougher if they fail to do so, he says.

A commitment to naming and shaming those involved in poor practice offers further motivation.

"We can be very public about that," Oppenheim warns, adding, "charities have to protect their reputation very carefully".

The Charity Commission can also be alerted if the Fundraising Regulator feels there are "wider governance questions that need looking at," adds Oppenheim.

In addition, Oppenheim says unethical fundraising can see charities stripped of the badge they receive from the regulator when they sign up to its standards.

Mike Smith, the Institute of Fundraising (IoF)'s head of media and public affairs, says the sector has already taken steps to improve as "no charity can have missed the headlines".

Among charities setting the standard, in terms of protecting the vulnerable, is Age UK. Since February 2015 it has run its Your Voice Engagement Panel, offering "seldom heard voices of vulnerable donors" the chance "to give us their views", says marketing and fundraising director Esther Jackson.

Questions the panel is asked include "how does receiving communication from charities make you feel? Do you feel overwhelmed, happy, engaged or pressured?"

Age UK also has a "fundraising charter" in place, pledging not to carry out door-to-door fundraising or ask for direct debits via street fundraising.

Fundraising consultant and teacher Stephen Pidgeon says some charity trustees continue to be a barrier to putting in place good fundraising practice.

Too many "still see it as a little bit grubby" and have "not taken responsibility for it", he says.

This is in marked contrast to how trustees prioritise fundraising in the US, where "trustees either give, get or get off," he adds.

Data

Another major challenge ahead for fundraisers is how they prepare for new European Union legislation, the General Data Protection Regulation (GDPR), in May 2018. This will require organisations to obtain consent for collecting personal data, effectively requiring donors to opt in to being contacted by a charity.

Smith says this is set to come into UK law even in the unlikely event the country has fully negotiated its exit from Europe by then.

Age UK and the RNLI are among charities to have put in place such opt in style measures ahead of 2018.

Listed in Age UK's charter is a commitment that only existing donors and those who have given consent will be contacted. Donors are contacted within two years to ensure they still want to stay in contact, "as we understand consent is not forever," says Jackson.

In October the RNLI revealed that from January 2017 it would only contact people who have given permission, a move it concedes could result in a £35.6m loss of income over the next five years.

Smith says that the RNLI and Age UK's stance "is the way the sector is moving" and predicts many more charities will follow its lead over next year as they prepare for GDPR.

In October the NCVO, together with a group of charities including the British Red Cross and Shelter, presented a series of proposals to the Fundraising Regulator backing this donor led ethos. This includes refreshing consent every two years as Age UK already does.

Elizabeth Chamberlain, NCVO head of policy and public services, says: "The vision is having a clear way for donors to say whether they want to hear from charities. It is aimed at developing a relationship with donors that is tailored to what they want."

She concedes those adopting this strategy are likely to take a short term hit in terms of their pool of potential donors.

But long term, "demonstrating to the wider public they are operating in a fairer and more transparent way" will boost both the quality and quantity of donors.

Although the IoF says public donations have held steady over the last two years there have been warning signs income could drop in the long term if charities fail to improve fundraising practices.

Rapidata's *Charity Direct Debit Tracking Report 2016* found that between 2014 and 2015 there was a small increase in the proportion of direct debits to charities that were cancelled.

In July the Charity Commission revealed public trust and confidence in charities had fallen from 6.7 out of 10 in 2014 to 5.7 in 2016. The same survey found charities' fundraising methods made 74 per cent of people feel uncomfortable.

A further change in 2017 is the incoming Fundraising Preference Service (FPS), that will apply to charities covered by the Fundraising Regulator. This will sit alongside similar opt out services already available for telephone and direct mail marketing. The service will enable people to opt out of communications from a particular charity or charities.

Opt outs will apply to all forms of communication with a named individual, including email, text, telephone and addressed mail.

The service will be IT-based, but have telephone support for those who need it. The regulator will notify named charities of people who have opted out of communication and monitor compliance through a largely automated system.

FPS opt-out will have the statutory force of a Data Protection Act Section 11 notice to cease direct marketing. The service will also involve signposting to the Telephone and Mail Preference Services.

Technology

Harnessing technology and making greater use of social media are further challenges awaiting fundraising in 2017.

"Social media is a brilliant tool in recruiting fundraisers as the communication is casual and innovative," says Pidgeon

This is especially important long-term as in 20 or 30 years time "those that have loved that relationship" will be more inclined to leave a legacy gift, Pidgeon adds.

Meanwhile, technology is set to be used more next year to improve face-to-face fundraising, says Smith.

He gives the example of virtual reality headsets where, for example, an international aid charity can "take the public through a refugee camp". "This offers an experience of the good work the charity does in a more engaging way," he adds.

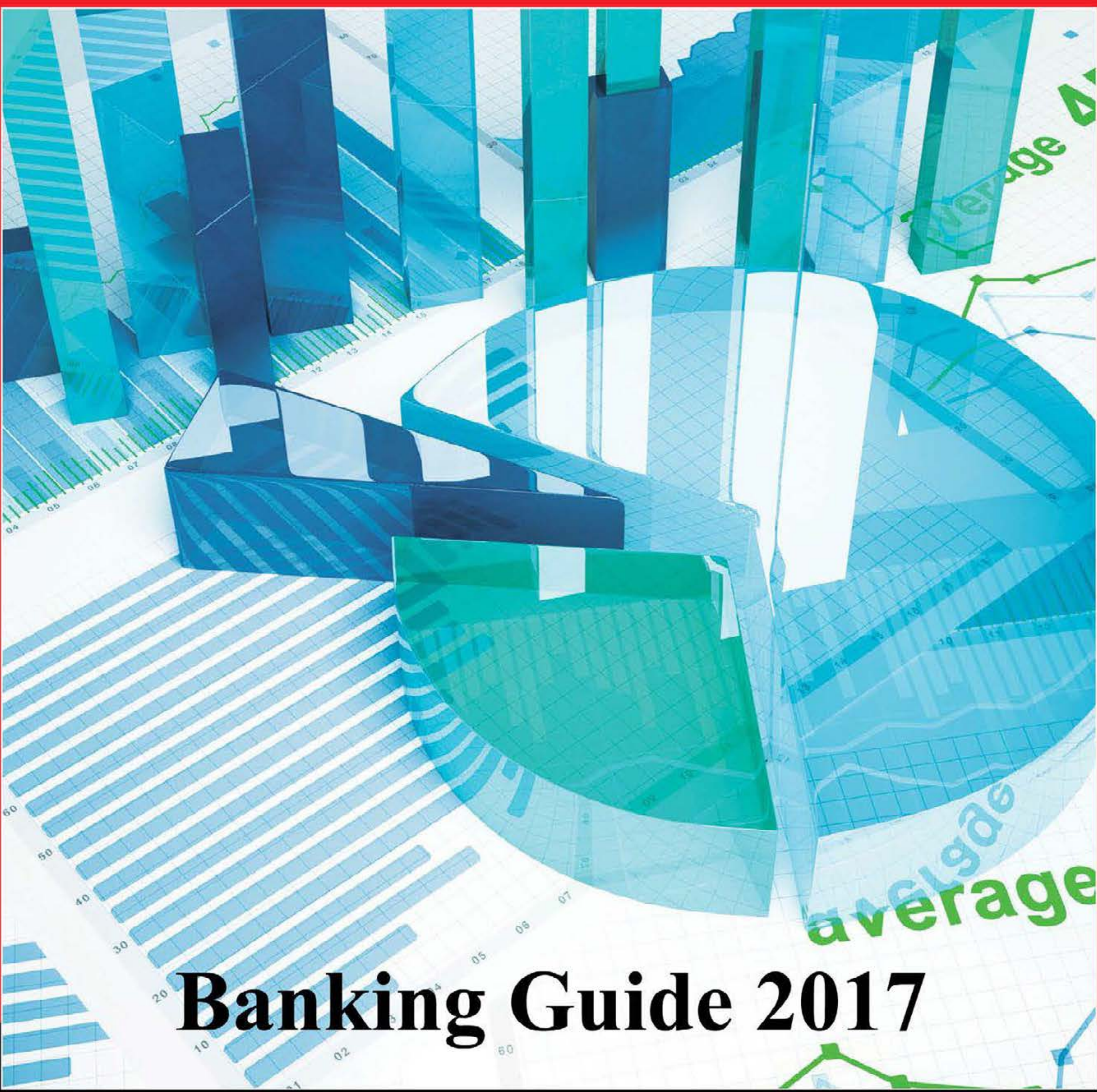
Contactless payments are also set to be used more widely from next year when the Small Charitable Donations and Childcare Payments Bill becomes law and ensures charities can claim gift aid through this method.

Among the most innovative uses of this has been animal charity Blue Cross's 'tap dogs', who wear contactless payment technology coats offering the public the chance to pat them, then give money.

For those fundraisers that spend 2017 tackling poor practice, taking advantage of new technology and offering donors a greater say, the future looks far brighter.

The consequences in terms of long-term income loss and bad publicity could be dire for those unwilling to change. ■

charitytimes



Banking Guide 2017

BARCLAYS

Triodos Bank

CFG INSPIRING FINANCIAL LEADERSHIP

Trust and choice

A review of some of the key views and themes that emerge throughout the Charity Times Banking Guide 2017

The relationship between a charity and its bank is a crucial one, probably even more so than is the case between banks and their private company clients. Collectively the top 5,000 charities hold current cash assets worth £15.5bn, according to the most recent edition of *Charity Financials Banking Spotlight* report.

Within these top 5,000 charities – measured by income, spending, or total funds/net assets – there were 7,746 banking relationships across 80 different providers.

Values

Charities will have a variety of reasons for choosing their banking provider, and Huw Davies of Triodos Bank says the ethical policy of the financial institution can be an important consideration.

Consider the good that could be done with the force of the £15.5bn in cash the largest 5,000 UK charities have at bank. Or, going further, the additional tens of billions that all UK charities have in their bank accounts.

Davies highlights the logical disconnect between charities going to great lengths to ensuring their equity or bond assets are invested in line with their charitable objectives without extending the same diligence to the cash held by their banks.

Davies urges charities who wish to ensure their cash is working for good to look into how banks screen the companies they invest in or lend to, and bear this in mind when choosing where to place their funds.

De-risking

Andrew O'Brien, head of policy and engagement at the Charity Finance Group, returns to our banking guide this year with an update on a situation that came into sharp focus in 2015.

A series of terrorist attacks in 2015 put authorities on high alert and charities working internationally were caught by the fallout.

Banks seeking to de-risk their operations and wary of being accused of assisting in financing international extremist groups suspended the accounts of some charities working in highly sensitive environments.

This move would help if an organisation was financing a proscribed organisation, or being exploited by one. On the other hand suspending accounts makes it much more difficult for vital funds to get to where they are desperately needed, which is a major loss when no misdeeds are taking place.

But O'Brien brings good news. While the problem has not been solved or gone away, there has been good multi-lateral work towards making it easier for charities working in troubled parts of the world to keep their cash flowing.

Progress

David McHattie of Barclays stresses that the trust of the public is a core asset for charities, and technology can play a valuable role in building it.

Part of this is simply moving with the times. McHattie points out that people of all ages are growing increasingly comfortable with financial activity online, a trend charities should not ignore.

Meanwhile, younger demographics carry out a large proportion of their overall interactions over web platforms, providing opportunities for charities to increase brand awareness and drive donations.

Contactless solutions are also providing opportunities. Fixed contactless donation terminals can replace or complement the collection tin, while mobile options are increasingly available and have been trialled by a number of charities.

McHattie also highlights Blockchain as a potentially game changing technology.

Essentially a decentralised public ledger, currently best known as the technology underpinning cryptocurrency Bitcoin, Blockchain has the potential to revolutionise the way people give to charity and the way those donations are recorded and managed.

Trust

Trust is a theme that runs through this guide, with all of our authors exploring or touching on the issue from one angle or another.

Obviously it is a key factor between a charity and its bank. But the way a charity manages its cash, and who it chooses to do this on its behalf, can flow through into the relationship with supporters.

Matt Ritchie
Editor of Charity Times

The threat of de-risking continues to haunt charities

There are things charities can do to keep access to their banking services

Over the past few years charities have found it harder to transfer money overseas, open new bank accounts, and in some cases have seen their accounts closed. This has been put under the term 'de-risking'.

Banks are trying to reduce the risks of being fined or sanctioned by regulators by reducing or more closely monitoring banking activity. Increasing compliance in itself is no bad thing but, for many charities, it is becoming a barrier to them carrying out their charitable activities.

The Financial Conduct Authority (which regulates banks) this year commissioned research which found that charities were facing problems in accessing banking services. The report identified three main reasons for this trend.

Firstly, many charities are working in close proximity to potential terrorist and criminal threats. The Middle East, with ISIS continuing to hold large amounts of territory in Syria, is seen as more unstable. The UK government has pledged over £1bn to helping refugees and humanitarian assistance for Syria, and UK charities have spent hundreds of millions more in support of the people there. But it isn't just limited to the 'usual suspects'. CFG has spoken with charities that have had difficulties in places such as East Africa and South America, where banks are judging that the risks of transferring money to these places outweigh the potential rewards.

Secondly, there is no commonly accepted method of identifying criminal or terrorist financing risk. Although charities have been judged as 'medium-high' risk in the UK's National Risk Assessment (despite admitting that actual evidence of abuse is rare), the truth is banks don't really know what the characteristics are of an organisation that is likely to be abused. This means banks fall back on very generic methods for reducing risk – for example, not sending money to 'country X' or increasing due diligence on transactions.

Finally, the 'tone' of regulators and governments makes banks nervous. Governments continue to support charities, but the rhetoric around ISIS and terrorist financing is very strong. Banks are still smarting from large fines handed down for breaking sanctions or having their banks abused for money laundering. This means that banks are cautious and are not in the mood for giving charities (or anyone else) the 'benefit of the doubt'.

However, there has been some progress since last year. Over the summer, the Financial Action Task Force (FATF) which sets global standards on rules for combatting terrorism and criminal financing, clarified that charities were not 'particularly vulnerable' to abuse. Previous guidance had specifically referenced charities as an area for close attention. A global coalition, with the Charity Commission and UK charities such as CFG playing a key role, led an improvement and also made clear that governments need to avoid regulations having a disproportionate impact on legitimate charitable activities. This change is going to take time to have an impact, but it is a start and with the UK due to have a FATF review of its terrorist and criminal financing regulations in 2017, we have an opportunity to embed this change further.

There has also been continued dialogue with the banking sector and government, with acceptance on both sides that something needs to be done. This gives a good platform for 2017, although arguably this is still too slow.

Increasingly, there are things charities can do to keep access to their banking services. Regular communication with your bank is critical. A survey of our members conducted for our Banking Forum in the summer found that nearly 60% of respondents did not regularly discuss work or future plans with their bank. A lack of communication creates uncertainty, which leads to caution from banks. Shopping around for banks that have good relationship managers or services, for example, can help charities help themselves.

Many banks are not aware of the steps charities are taking to improve their due diligence and ensure money reaches the intended locations. Charities need to make them aware, and demonstrate their robustness. Trustees also have to be carefully considered. Unfortunately many banks see foreign nationals as trustees (particularly from fragile parts of the world) as a 'red flag'. Charities need to think carefully about how they get the right balance between getting the expertise and independence of their board, with the need to have the confidence of their bankers.

These issues are not going to go away in 2017, but let's hope that next year there'll be better news to report.

Andrew O'Brien, head of policy and engagement, Charity Finance Group

CFG INSPIRING FINANCIAL LEADERSHIP

Trust: the most valuable asset of all

Barclays' head of charities David McHattie says smart use of technology can be a valuable tool for charities looking to build trust with the public

The UK is still the most generous country in the EU, according to the Charities Aid Foundation World Giving Index. But a recent report commissioned by the Charity Commission found that 33% of people say their trust and confidence in charities has decreased. A third of this group cited media coverage of how charities spend their donations as the reason for this decline in trust.

With 'loss of income stream' cited as the number one risk to charities by 50% of the top 100 UK charities, the relationship between trust and income should not be underestimated.

Head out of the sand

The government has already recognised the importance of trust in the sector. In July 2016, responsibility for the Code of Fundraising Practice was transferred to the Fundraising Regulator to safeguard its independence, although fundraising remains self-regulating.

Charity trustees must now know how their fundraising is conducted and monitored – and ensure any third parties they use also comply with their corporate governance standards.

The importance of demographics

Charities are increasingly using their online presence to improve trust by sharing more information about the work they do, their values and how the donations they receive are spent. In particular, social media is an important tool for this awareness project. A recent report showed that 72% of chief executives of the top 100 charities were using Facebook, LinkedIn and Twitter.

Social media is a useful tool to communicate with younger people. Charities should be communicating with a younger demographic to build familiarity and lay the foundations "for a lifetime of giving".

The importance of this should not be underestimated given the larger increase in donations from the younger generation (30%) compared with the older generation (24%).

Innovation is key

As their donor demographics continue to evolve, charities need to think about the changing donations landscape and how to diversify their fundraising channels in response to this. This is vital given that the majority of charities receive donations through offline channels (76%), compared with a mere 24% of donations being received online.

People of all ages are becoming more comfortable with financial activity online, meaning that use of 'donation apps' and websites will no doubt rise. In recent years, we have also witnessed the steady decline in cash usage and the consequent popularity of contactless payments. As society moves from cash to cards, charities need to ensure they have the facilities in place to accept donations at the greatest convenience to the donor.

In response to this, Barclaycard are currently trialling a product to enable charities to take donations through a fixed contactless solution, thereby increasing the speed, security and efficiency of the donation process and enabling the acceptance of donations from increasing swathes of the population who do not carry cash on them.

New kid on the block

No matter which demographic the majority of your donor base forms part of, there is no doubt that technology will continue to revolutionise the nature of giving to charity. Blockchain is no longer simply a vehicle for cryptocurrencies such as Bitcoin, but could facilitate donations while providing a permanent record of who gave what and when.

In fact, it can also record the transfer of any asset or contract and could, in the near future, open up valuable new fundraising channels for charities.

Blockchain is a young and unregulated area and developments in the charities sector will not appear overnight.

However, given that it is a technology which is attracting investment from both entrepreneurial FinTech companies and established financial institutions alike, it could prove instrumental in rebuilding trust between charities and the people that support them.

- Trust between charities and donors remains a core asset
- Online channels open up new doors for brand awareness
- Fixed contactless solutions can facilitate quick and convenient donations
- Blockchain technology could open innovative donation channels for the sector.

David McHattie, head of charities, Barclays

BARCLAYS

Are your cash reserves undermining your purpose?

Huw Davies says there is huge potential for charities to bring about positive social impact through their cash reserves

Cash reserves play an important role in charities' investment strategies, as they are often accessible at short notice. However, charities don't often apply the same socially responsible policies to deposit accounts as they do to traditional investments.

The social impact of a charity's deposits depends on which financial institutions they are placed with. Each institution will differ in its approach to lending. It seems counterproductive that while trustees often take care to not invest in companies that contradict their charitable purpose, the banks they hold deposits with may finance them anyway.

Ethical investments and cash deposits

While charities invest for a variety of reasons, ranging from generating income to financial security, maintaining liquidity is often high on the agenda for charities of all sizes.

Charities often need access to cash at short notice. The NCVO estimates charities in the UK held a combined £50.1bn in easily accessible reserves in 2014. While, on average, cash holdings make up a fifth of their total investment portfolio, and 8% of charities' gross assets.

This represents a real opportunity for UK charities to have greater positive impact through their cash reserves. While charity trustees are adopting socially responsible policies for traditional investments, like stocks, shares and bonds, more could be done to apply the same policies to cash deposits.

Can you apply an ethical approach to cash deposits?

The Charity Commission is clear that where cash is deposited, it should be considered part of a charity's overall investment strategy, and all the same legal requirements apply.

Trustees must invest a charity's funds in ways that further the charity's aims. Until recently this was limited to those that yielded the best financial return, within the charity's tolerance for risk. The returns would then be spent furthering the charity's aims.

Since the Charities (Protection and Social Investment) Act 2016, trustees have been able to decide to invest ethically, even if doing so might provide a lower rate of return. However, a trustee must be able to justify why it is in the charity's best interests to invest in a certain way.

The Charity Commission provides the following three reasons as justifications for investing ethically:

- A particular investment conflicts with the charities' aims,
- The charity might lose supporters or beneficiaries if it does not invest ethically,
- There is no significant financial detriment.

Screening approaches

An integral part of a socially responsible approach to finance is deciding how to screen potential investment opportunities. For cash deposits, you could compare the bank or building society's screening approach with your charity's own responsible investment policy.

There are three main ways in which financial institutions screen the companies they invest in or lend to, from an ethical point of view.

1. **No screening**. Decisions on whether to lend to an organisation are made from a financial and legal point of view only. So long as an organisation is legal and presents a good financial case, it could be considered. The majority of mainstream financial institutions follow this approach.
2. **Negative screening**. Avoiding companies whose activities are seen to have a negative impact on the world. Exactly which activities these include will depend on the institution, but you would expect policies to cover arms production, environmental protection and human rights.
3. **Positive screening**. Lending only to those companies that demonstrate clear benefits to people and the planet. Again, this will vary depending on the institution, and some are more aligned to certain sectors than others.

Can cash deposits make a difference?

The amount of cash that the charitable sector holds in reserve has huge potential for positive impact.

The Charity Commission supports trustees looking to extend a socially responsible approach to cash deposits. Different institutions apply different screening policies; you can deposit cash with an institution which has a similar policy to your own.

Where cash is deposited makes a difference. The question is, what difference would you like to make?

Huw Davies is head of retail banking at Triodos Bank

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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.

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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.

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INVESTMENT

Investment in 2017

A look at the factors set to shape the world of investment in the year ahead

WRITTEN BY MATT RITCHIE, EDITOR, CHARITY TIMES

Politics was a big driver of investment uncertainty in 2016, with two unexpected outcomes creating headaches for investors. However, it is the more familiar impact of the low rate environment that Asset Risk Consultants group managing director Graham Harrison expects to challenge charity investors in 2017.

Investors targeting income of 3 to 5 per cent will continue to struggle, Harrison says, with gilt yields remaining low.

"I do think it's going to be another year where charities are forced to reconsider whether their spending policies are going to be sustainable," Harrison says.

He says that returns have flattered somewhat this year, with the steep fall in Sterling following the EU referendum resulting in returns of 6 to 10 per cent in in British currency.

Harrison expects a "creep up the risk spectrum" as charities seek to get more out of their assets, with greater proportions being directed towards equities and high yield bonds.

"The outlook is uncertain, but in a sense it always is starting every year," he says. "There's going to be a lot of challenges during the year."

Threats and opportunities

Schroders' head and CIO of global and US equities Alex Tedder and global equities fund manager Simon Webber expect the current cyclical upswing supported by steadily improving underlying economic indicators to continue into 2017.

Tedder and Webber say that a continuing recovery in the US, the slowly emerging positive impact of monetary easing in Europe, and stimulatory policies in China are among factors driving a shift in investor sentiment since the middle of the year "from one of caution, to one of cautious optimism".

However, the pair point to a variety of "political pitfalls" that are "almost certain" to generate volatility.

David Coombs, manager of the Rathbone multi-asset portfolios, says politics is likely to continue as a key driver of uncertainty.

With the heightened ongoing risk of policy errors, it will be more difficult for markets to discount effectively. Harrison says this should create anomalies that investors can exploit through stock selection and asset allocation.

"But this difficulty to price assets could significantly increase portfolio risk as markets react to every news point," Coombs says. "Investors will have to be nimble and hold their nerve in 2017, because it's not going to be an easy year."

UK

Investec head of investment strategy John Wyn-Evans says some market signals have been encouraging regarding the outlook for UK equities, such as retail sales.

However, he warns that a continuation of the housing market's slower pre-Brexit trend is of some concern given the importance of the housing market to the wider economy.

Coombs says that chances of higher UK inflation in 2017 have risen significantly, with the potential for an already undervalued pound to fall further depending on the market's reaction to Brexit negotiations.

"We are therefore focusing on equities with substantial operations outside the UK and non-sterling revenue streams," Coombs says. "We're steering clear of cyclical businesses, especially retailers, and are avoiding lower-quality corporate credit and index-linked gilts."

Global

Schroders' Johanna Kyrklund, global head of multi-asset investments, says that European politics could be the "wildcard" for 2017.

"With a number of significant elections, a clear anti-establishment mood and a dormant sovereign debt problem, we remain vigilant on this front and avoid European assets for now."

Despite the campaign rhetoric, Coombs says "massive unfunded tax cuts and a splurge of infrastructure" are unlikely in the US, where a fiscally hawkish Republican-led congress will shy away.

A focus on deregulation, moderate tax reductions, and some token infrastructure projects are more likely, Coombs says. ■

INVESTMENT

Q3 charity funds review

DATA PROVIDED BY ASSET RISK CONSULTANTS

Multi-Asset Funds	Investment manager	Fund Size (£m)	Cash %	Bonds %	Equity		Property %	Other %
					UK %	Intl %		
The Targeted Return Fund	Barings	95.2	9.7	33.4	16.5	33.2	7.2	0
Armed Forces Common Investment Fund	BlackRock	303.4	-7.6	19.4	38.3	38.7	8.5	2.8
Charifaith	BlackRock	135.4	0.5	17.4	41	27.9	8.3	5.1
Charity Multi-Asset Fund	Cazenove	461	7.3	1.7	31.1	29.7	9.2	21
CBF Church of England Investment Fund	CCLA	1,114.30	1.4	0.6	28	45.4	5.7	18.9
COIF Charities Ethical Investment Fund	CCLA	321	5.4	0.2	28.2	45.4	4.4	16.4
COIF Charities Investment Fund	CCLA	1,647.80	7.4	0.5	25.9	45.7	4.4	16.1
Amity Balanced Fund for Charities	EdenTree	24.5	2.7	35.4	36.9	25	-	-
National Association of Almshouses CIF	M&G	174.7	1.1	17	55.2	26.7	-	-
Newton Growth & Income Fund for Charities	Newton	591.4	0.1	17.9	43.3	38.6	-	-
Newton SRI Fund for Charities	Newton	97.8	8.9	15.7	33.5	41.9	-	-
Newton Growth Fund for Charities	Newton	47	8.8	17.3	30.6	41.3	-	2
Charity Assets Trust	Ruffer	73.1	11	49	8	23	-	9
Alpha CIF for Endowments	Sarasin & Partners	1,566.5	2.4	14.9	28.4	40.6	7.2	6.6
Alpha CIF for Income & Reserves	Sarasin & Partners	128.9	4.6	73.4	9.7	9.7	0.5	2.1

Peer Group Indices[1]	Provider							
Sterling Cautious Charity Index	ARC		24.1	36.9	7.6	2.1	4	25.3
Sterling Balanced Asset Charity Index	ARC		12.8	24.4	22.3	15.3	4.4	20.8
Sterling Steady Growth Charity Index	ARC		5.5	13.2	37.6	20.2	4.7	18.9
Sterling Equity Risk Charity Index	ARC		1.4	4.5	50.7	21.7	6.2	15.5

Key

[1] The asset allocations presented are based on estimates provided by ARC. The estimates are calculated using statistical methods that attempt to derive a model portfolio whose historical returns most closely match the actual ACI results.

[2] Return is calculated as the annualised 36 month return.

[3] Absolute Risk is the annualised, 36 month standard deviation of excess returns (fund return less a risk-free rate of 1 month LIBID).

Last Quarter	Last 12 Months	YTD 2016	Return[2] % p.a.	Absolute Risk[3] %	OCF	Minimum Initial (£)	Minimum Additional (£)
5.1	10.4	5.9	5.4	6.6	0.86	10,000	2,000
6.5	15.7	10.4	9	7.1	0.49	1,000	100
6.2	13.3	8.5	7.6	6.5	0.58	5,000	1,000
6.9	15.1	10.4	6.3	6.6	1.3	1,000	500
6.3	17.4	11.5	10.7	7.1	0.7	1,000	None
6.3	16.6	11	9.8	7.3	0.76	1,000	None
6.1	16.7	11.3	10.3	7.1	0.75	1,000	None
6.3	11.8	8.9	8.4	6.6	0.83	1,000	1,000
8.8	18.6	14	8.6	7.8	0.55	None	None
7.5	23.8	16.1	12.7	8.7	0.65	5,000	2,500
8.3	20.1	14.6	8.4	8.1	0.79	5,000	2,500
6.3	19	12.2	-	-	0.74	5,000	2,500
4.6	9.3	8.8	5.7	5.2	1.19	500	None
5.7	14.2	8.4	7.5	7.2	0.98	1,000	250
4.2	11.7	10.4	7	4.2	1.05	1,000	250

		Peer Group Indices		
2.6	5.5	4.4	3.9	2.5
4.7	10.9	7.7	5.8	4.8
6.2	14.6	10.1	6.8	6.4
7.3	16.8	11.4	7.3	7.7

INVESTMENT

Bonds bamboozle benchmarking

Charities' disappointment at investment returns in recent years may stem partly from what they are comparing performance against WRITTEN BY GRAHAM HARRISON, GROUP MANAGING DIRECTOR, ASSET RISK CONSULTANTS

Q3 2016 charity portfolio performance review

Equity and bond markets rallied in July, fuelled by speculation that central banks would extend the supportive monetary policy post-Brexit, and a degree of positive correction after pre-Brexit nerves. Bond yields fell again, with the 10 year US Treasury note reaching its lowest level ever. Sterling fell to new lows against the US Dollar and the Bank of England cut the interest rate by 0.25%. August saw a very narrow trading range on developed equity markets, but the Far East and emerging markets enjoyed a strong month. As the summer came to an end, global equity markets resumed their ascent to fresh highs as the U.S. Federal Reserve delayed an increase in short term interest rates, despite significant pressure to do so. There was also a surprise in oil markets as OPEC proposed a cut in oil production, leading to a boost in the price of oil. Ongoing depreciation of Sterling sent equity markets towards new highs in Sterling terms and the companies of the FTSE 100 felt a tailwind on their international earnings. Smaller companies also benefitted as investors hunted for yield in an ever more difficult environment.

For charity portfolios, this translated into a positive quarter across all four ACI risk categories [see figure A]. The impact of Sterling depreciation can clearly be seen in the data.

Three year performance numbers

The three year numbers [figure B, opposite] also continue to look strong and investors who have been willing to ignore the periodic swings in sentiment that have characterised financial markets over recent years have seen a material uplift in their real wealth.

Yet, anecdotal evidence from meetings held with managers and their clients by ARC suggests that many charities have a feeling of disappointment over the level of returns that have been achieved by their discretionary managers over the past few years. There is a sense of opportunity foregone and a questioning of whether a "passive" index-tracking strategy would serve them better.

The benchmark problem

The strange fact is that, despite charity portfolios delivering strongly positive returns over the past three years, many investors may be left feeling short-changed as their portfolios are likely to be well behind typical composite index benchmarks.

Does this mean discretionary investment managers have been performing collectively poorly or might there be another explanation? Indeed, from a practical perspective, should a charity part company with their discretionary manager because that manager has underperformed benchmarks?

The Sharpe chart opposite [figure C] plots (in red) the four WMA Private Investor Indices versus a sample of 500 portfolios from the Sterling ARC Charity Indices Universe of over 2,500 charity portfolios.

Firstly, note that the risk-adjusted return of the four WMA Private Investor Indices is superior to nearly all the charity portfolios (shown by the black dots), with the exception of some international equity focused mandates.

Secondly, even the lowest risk WMA index has a risk of around 0.5 times UK equity markets.

It is reasonable to extrapolate that the majority of Sterling charity portfolios run by discretionary managers will have failed to deliver

ARC Charity Index (ACI)	Risk relative to UK Equities	GBP ACI Q3 2016 Return (%)
ARC Cautious ACI	0 – 40%	2.6
ARC Balanced Asset ACI	40 – 60%	4.7
ARC Steady Growth ACI	60 – 80%	6.2
ARC Equity Risk ACI	80 – 110%	7.3

Figure A

Figure B

ARC Charity Index (ACI)	Risk relative to UK Equities	GBP ACI 3 Year Return (%)
ARC Cautious ACI	0 – 40%	12.2
ARC Balanced Asset ACI	40 – 60%	18.6
ARC Steady Growth ACI	60 – 80%	22.0
ARC Equity Risk ACI	80 – 110%	23.6

a return above or even in line with typical benchmarks employed by the industry, with the under-performance becoming wider as the non-equity content grows.

ARC visits all data contributors every quarter to discuss the results. One trend that has been evident over the past few years has been a consistent view that government bonds have not offered an attractive risk-return trade-off and the risk budget for bond exposure is better expended on credit risk than duration risk. This prevailing view has led to the majority of charity discretionary managers maintaining an underweight exposure to longer-dated government bonds and an overweight exposure to shorter dated corporate debt.

Since mid-2011 the nominal yield on the 10-year Gilt has been below 3% and since mid-2012 the nominal yield has, on occasion, dropped below 2% per annum. Then in Q3 2016 the nominal yield moved substantially below 1% per annum. At the long end of the curve, the yield on the 30-year Gilt dropped below 3% in late 2014 and below 2% in Q3 2016. As yields approach zero, the effect on price of moves in the nominal yield becomes more exaggerated. Thus, the 3-year return from the longer dated Gilt index (maturity >15 years) has been circa 50%, around 10 times that from Gilts with a maturity under 5 years.

With the typical bond component for composite benchmarks, the FTSE Actuaries All Stocks Gilt index, being up circa 25% over the last three years, most discretionary managers have seen the non-equity portion of their portfolios underperform significantly.

But most discretionary managers robustly defend their decision to hold shorter duration bonds claiming that their job is to invest not speculate.

Many ACI data contributors have told us over the past few years that investing in a government bond offering a negative real return and in many cases a negative nominal return as well is speculation not investment. Holding that asset to maturity offers no prospect of delivering what every charity client is seeking, namely a return above inflation.

Conclusion

Despite positive returns in Q3 2016 for all risk categories across the ARC Charity Indices universe, many charity trustees have been left feeling that their managers both could and should have delivered higher returns. This feeling has been growing over the last few years as returns from discretionary portfolios have lagged behind index-based composite benchmarks.

In this unusual and unprecedented environment, it is fair to say that bonds bamboozle benchmarking. Instead, considering charity portfolio performance versus the peer group should be the primary guide in helping to understand if a charity portfolio is performing in line with expectation. ■

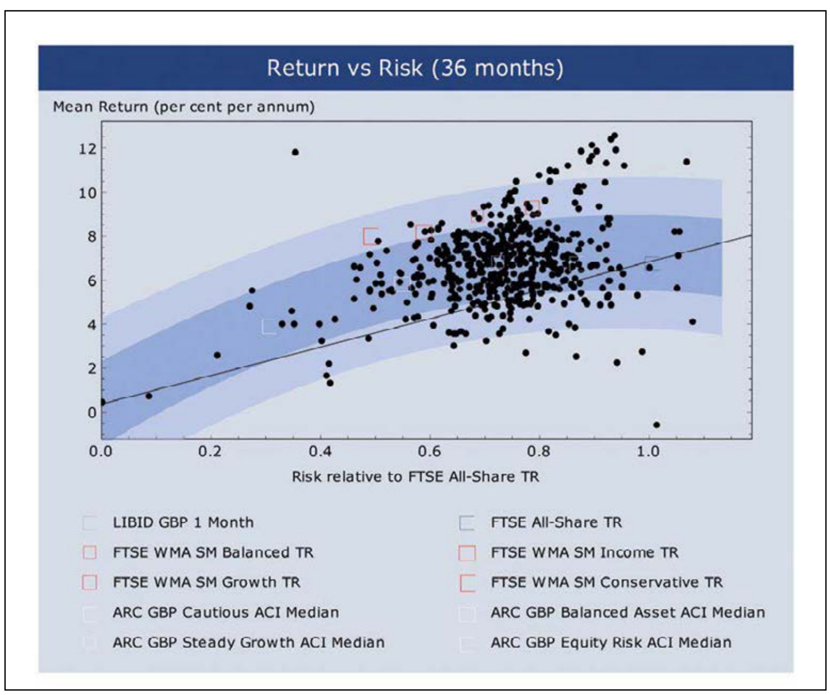

Figure C

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