charitytimes

February/March 2020

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www.charitytimes.com

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PERSPECTIVE PUBLISHING

charitytimes

Better together

One of the things that remains so consistent about the charity sector is its ability to provide support. It achieves so much more than any other industry; it saves lives, it gives homes to the homeless, it reunites families, it fights for equality and helps to protect our planet.

The hundreds of thousands of charities operating in the UK collectively achieve life-changing things. But while this sector provides endless support to beneficiaries, it doesn't always succeed in providing enough support internally. Not until it's too late, anyway.

Last year, research from Acevo revealed a shocking amount of charity leaders – women in particular – had experienced online trolling. The report found just under 50% admitted to having been trolled, which included death threats, racism and sexual messages. This is something people – your friends, colleagues and peers – have been enduring silently for years and as a sector, we are only just starting to do something about it.

Furthermore, at the time of writing, an incredibly brave blog post has just been published by a charity leader who reveals her struggles with leading under pressure and what severe work-related stress 'taught her about stopping'. After taking some time out, she was able to recover, but as conversations around wellbeing continue, it occurs to me that such levels of stress shouldn't be given a space to grow in the first place.

If recent news has taught us anything, it is to be nicer to one another; to support one another and to intervene before it's too late. This issue of *Charity Times* shines a light on some of the areas where charity workers can start to bridge gaps and collaborate – not only to provide better services and support to beneficiaries, but to provide more support to each other, too.

Our columnists Caron Bradshaw and Srabani Sen explore how leaders can use their platform to better tackle the inequalities that exist within our sector (p.15,17), while our cover story focuses on fixing the – often strained – relationship between charities and their trade unions (p.28).

In an era where freedom of speech has paved way to hate and where the pressures of society, technology and funding are increasing, it seems more important than ever to come together, team up and create stronger support systems. After all, as the wonderful Lucy Caldicott tells us in this issue's profile interview (p.19), "we can't innovate or challenge ourselves without different kinds of people".

Lauren Weymouth, Editor

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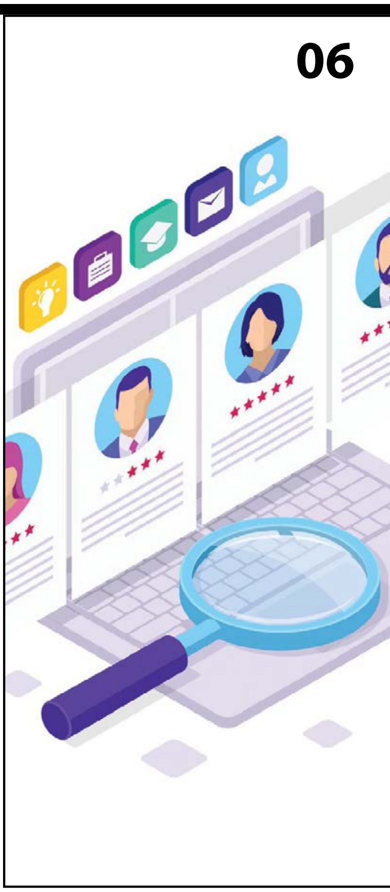

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in brief

CHARITY SECTOR SALARIES ON THE RISE; CAUSES 'HUGE' SPIKE IN JOB APPLICATIONS

Salaries in the third sector are continuing to rise, causing a 'huge' spike in job applications for charity jobs, new research has revealed. According to the latest quarterly job market report from CV-Library, salaries in the charity sector grew by 2.6% in the final few months of 2019, bucking the national trend, which saw salaries generally decrease by 7.8%. The report, which assessed job market data throughout Q4 2019 and compared it with findings from the previous year, found the increase in salaries had coincided with a surge in applications for jobs within the charity sector.

MARRIED TRUSTEES DISQUALIFIED FOR USING CHARITY FUNDS TO BUY HOLIDAYS AND LIVE RENT-FREE

A married couple who held trustee roles at a dog rescue charity have been disqualified for living in the charity's property rent-free and using charitable funds to pay for family holidays. An investigation by the Charity Commission revealed the former trustees of the Chichester and District Dog Rescue Society had withdrawn £316,120 in cash from the charity's bank account and were living for free in the charity's property.

TWO THIRDS OF CHARITIES FAILING TO MEET FUNDRAISING REPORTING STANDARDS

Just 40 per cent of charities are fully compliant with fundraising reporting requirements as set out by the Fundraising Regulator, new figures have shown. Under the Charities Act, charities are required to provide a statement on fundraising in their annual reports, prompting charities to show how they are protecting donors and the public from poor fundraising practices. But research by the regulator has found 60 per cent of charities are not fully compliant with these requirements and are providing inadequate fundraising statements in their annual reports.

REGULATOR TO PROBE INTO CONCERNS AT FOOTBALLERS' CHARITY

The Charity Commission has opened an inquiry into the Professional Footballers' Association charity after concerns were raised about the relationship between the charity and its trade union. The regulator opened a regulatory compliance case into the matter in November 2018, and has since launched an official statutory inquiry – the regulator's most serious intervention – to gain an insight into whether there is a conflict of interest in the charity's relationship with its trade union.

"Salaries in the charity sector grew by 2.6% in the final few months of 2019, bucking the national trend, which saw salaries generally decrease by 7.8%."

PUBLIC SECTOR VOLUNTEERS LESS SATISFIED THAN CHARITY VOLUNTEERS, REPORT FINDS

People who give their time to charities are more satisfied than those who volunteer for public services, such as hospitals, libraries and schools, new research has revealed. New figures by the NCVO have revealed one in four (24%) of volunteers for public services, think their work feels 'too much like paid work' and are more likely to report their experience is 'too bureaucratic' and less likely to 'feel a sense of belonging' to the organisation they are volunteering with.

REGULATOR CRITICISES MARIE STOPES OVER £434,000 CEO SALARY

The Charity Commission has criticised trustees at Marie Stopes International for the 'significant' pay package awarded to the charity's chief executive. The charity came under fire earlier last year when it was revealed the CEO, Simon Cooke, had been paid a 'significant bonus', which boosted his annual salary to £434,000, after the charity's income rose by £700,000 in a year.

OXFAM CHRISTMAS RETAIL SALES HIT EIGHT-YEAR HIGH

Oxfam's 2019 Christmas sales hit highs not seen since 2011, despite a challenging year for the charity and for the high street. The charity's retail sales climbed by 7% over the Christmas period, bucking the trend seen among many high street retailers who have noticed a significant slump as shoppers opt for web-based competitors.

OXFAM TO MAKE RAFT OF REDUNDANCIES IN BID TO PLUG £16M DEFICIT

Oxfam could be about to make a huge raft of redundancies in a bid to plug a £16m deficit, reports have alleged. *The Times* reported the revelation was made in an internal memo, written by the charity's chief executive, Danny Sriskandarajah, which was leaked to employees. According to an article published in the paper, the memo warned Oxfam staff that the charity is approaching a 'difficult time' and that a 'budget gap' would need to be filled by 'reducing core costs'.

FOUR UK CHARITIES NAMED IN LIST OF 100 MOST LGBT-FRIENDLY EMPLOYERS

The UK's most LGBT-friendly employers to work for have been revealed, with four charities making into the top 100. The annual list of employers, which is compiled by Stonewall and ranks employers from across all sectors on how LGBT inclusive their workplaces are, features four UK charities, including Youth Sport Trust, Victim Support, Touchstone and St Mungo's. Youth Sport Trust was the highest ranked charity, landing in at number 21, while Victim Support came in at 25, Touchstone at 44 and St Mungo's at 93.

ST MUNGO'S STAFF VOTE TO STRIKE

Staff at homelessness charity, St Mungo's have voted to strike in a row over terms and conditions. According to union Unite, an overwhelming majority (84%) of

members at the charity voted to take industrial action. There are currently 500 Unite members working at the organisation. The dispute between the charity and staff are in relation to breaches of the 'junior staffing cap', which is an agreement negotiated between the union and the charity. Unite members fear this risks "a reinstatement of race to the bottom terms and conditions".

NATIONWIDE TRIALS CONTACTLESS CHARITY POSTER

Nationwide is trialling a 'smart window poster', which will enable people to donate to a homeless charity through a contactless pay point. When a person taps their card against the poster, £3 will be donated to a local homeless charity. The poster is being trialled in Bath and the charity of choice is Julian House. Nationwide said the plan is to make donating easier for people who may feel uneasy about donating directly to the homeless.

UK'S MOST GENEROUS CITIES REVEALED

The UK's most generous cities have been revealed in a new report, which shines a light on the parts of both the country and the world that give more to charity than others. The research, conducted by social fundraising platform, GoFundMe, revealed Edinburgh is the most generous city in the UK. Cambridge and Bath were the second and third most generous cities in the UK respectively, followed by Norwich and Bristol.

ASTHMA UK AND BRITISH LUNG FOUNDATION MERGER NEAR COMPLETION

Asthma UK and the British Lung Foundation will merge after the final step in the formal process has been completed. Both organisations announced their intention to merge in November ahead of a vote by AUK's members at a general meeting on 2 December and a meeting of the BLF's board of trustees on Monday. The organisations have said the move aims to strengthen the existing collaboration between the two charities and will save a 'significant amount of money' in running costs.

LONDON MARATHON CHARITABLE TRUST GRANTS £2.2M TO UK CHARITIES

The London Marathon Charitable Trust has announced new grants totalling over £2.2m to challenge inequality of access to physical activity across the UK. The funding is the latest batch in a series of grants to UK-based charities, with the total funding amounting to more than £88m. Included in this round is a £1m grant to Activity Alliance, to expand the charity's 'Get Out Get Active' programme to new localities, with a focus on Haringey, Sunderland and the Black Country.

Charity mergers plummet amid fear of 'structual and people challenges'

NEW FIGURES HAVE REVEALED CHARITY MERGERS CONTINUE TO DECLINE AS CHARITIES STRUGGLE TO COMBINE RESOURCES AND NAVIGATE THE OPERATIONAL AND PEOPLE CHALLENGES THAT ACCOMPANY THE PROCESS.

The number of charity mergers has fallen amid a 'reactive rather than proactive' approach, which is stunting the sector's overall development, research revealed in January.

The annual and sixth *Good Merger Index* this year revealed mergers remain a minority activity within the sector and are still seen as a 'last resort' due to 'cultural and people challenges'.

Eastside Primetimer's annual review of not-for-profit mergers found just 58 mergers took place in 2018/19, compared to 81 in the year 2017/18.

The total number of mergers involved 116 organisations – 0.07 per cent of the 168,000 charities registered in the UK.

The total income of the 116 organisations was £374 million and 94% of this value was concentrated amongst the largest 20 mergers.

However, the report said this does not reflect a dominance of larger charities in merger deals – 54% had an income of under £1 million; 23% an income of between £1 million and £5 million and 10% ranged from £5 million to £10 million.

Eastside Primetimers said 'significant' structural barriers to mergers continue to be a major factor in the lack of mergers taking place across the sector, including a 'systemic lack of knowledge and awareness of the merger processes'.

The report said merging generally tends to be a much more reactive process than proactive due to limited funds being made available to support mergers, as well as an absence of motivation or incentive for boards to consider a merger unless it's as a result of financial pressure.

"This year's findings continue to demonstrate the reluctance of the sector to include merging in its strategic toolkit which is why we have included a qualitative look at past merger activity to support the quantitative data and hopefully broaden the conversation," Eastside Primetimers director, Dave Garratt said.

"Insights of charity leaders from recently merged organisations and infrastructure bodies has been both

consistent and revealing and will help to frame the debate that we believe is necessary to help the sector to develop."

New sector 'hotspots' of merger activity in this year's index included health and social care broadly (53%), intermediary (13%) and justice (12%).

The largest deal to take place over the 2018/19 period was the merger between Breast Cancer Now and Breast Cancer Care, which was worth a total of £46.7 million.

This was closely followed by the merger between Blenheim CDP and Humankind, which was worth £40.9 million combined.

Significant structural barriers continue to be a major factor in the lack of mergers across the sector, including a 'systemic lack of knowledge and awareness of the merger processes'.

Last year's report revealed takeovers were more common among the sector than 'mergers of equals', which it claimed to show a reluctance for charities to form strategic alliances.

The 2017/18 index revealed 81 mergers took place in the year 2017/18, compared to 70 in 2016/17. This equated to under 0.05% of all 168,000 charities in the UK.

Of the transactions that took place, 69% were takeovers (an increase of 13% from 2016/17). Subsidiary models accounted for 7% and asset/service transfers and group structures accounted for 1% respectively.

Mergers in 2020

Shortly after this year's index was published, Pancreatic Cancer Action and Pancreatic Cancer Scotland announced their intention to merge this year.

The merger will bring together the two organisations, which have the shared vision to 'make the 2020s the decade for change for Pancreatic Cancer'.

Both organisations were founded in 2010 out of a need for a pancreatic cancer charity focussing on improving symptom awareness, early diagnosis and patient care in Scotland and the UK. They will both celebrate their 10th anniversary this year.

The CEO of Pancreatic Cancer Action (PCA), Ali Stunt, is a 12-year survivor of pancreatic cancer and development manager of Pancreatic Cancer Scotland, Fiona Brown, lost her mum at age 56 in 2003 to the disease.

It is anticipated that Stunt will be the CEO of the merged organisation, with Brown managing the Scotland office.

"By coming together, both charities know we can make greater strides in making our vision, a day when everyone is diagnosed early and survives pancreatic cancer, a reality," Stunt said.

"The pancreatic cancer charity world is very fragmented; this merger will reduce any potential duplication of effort and resources and means we can make a bigger impact".

The two charities will continue initially as separate entities but will eventually merge into one organisation, subject to approval from OSCR (Office of The Scottish Charity Regulator).

Asthma UK and the British Lung Foundation are also set to merge this year after completing the final step in the formal process at the end of 2019.

Both organisations announced their intention to merge in November 2019 ahead of a vote by AUK's members at a general meeting on 2 December and a meeting of the BLF's board of trustees shortly after.

The organisations have said the move aims to strengthen the existing collaboration between the two charities and will save a 'significant amount of money' in running costs.

Completion of the merger is expected to release up to £2 million each year to fund research and support services for asthma and lung disease.

Commenting on the merger, Asthma UK CEO, Kay Boycott said: "This marks the start of a new era, which promises to bring significant benefits to people affected by asthma and other lung diseases. Bringing together our joint vision and strategy will allow us to make even more impact, with more money to spend on ground-breaking research and support.

"Our new organisation will combine the energy and passion of the UK's top respiratory health charities, creating a powerful voice for change.

"It is an absolute privilege to be the first chief executive of the new organisation leading the start up of this innovative new venture."

Both charities' core activities – research programmes, campaigning, nurse helplines, and websites – will continue as normal.

Leading experts in asthma and lung health back the proposed merger, claiming it will bring 'real benefits to patients now and in years to come'. ■

People on the move...

The latest appointments from around the charity sector

If you have any appointments to announce please contact lauren.weymouth@charitytimes.com

OLIVER DOWDEN

Nicky Morgan has been replaced by Oliver Dowden as the new **Secretary of State for Digital, Culture, Media and Sport**, the department overseeing charities. Dowden joins the DCMS from the Cabinet Office, where he served as Minister for the Cabinet Office and Paymaster General since July. He was also previously a special adviser to David Cameron between 2010-15.

KATE LEE

Alzheimer's Society has appointed CLIC Sargent's Kate Lee as its new chief executive, with effect from April 2020. Lee has been the chief executive at CLIC Sargent for four years, where she oversaw the charity's re-brand, successfully campaigned for the government to fund the funerals of all children under the age of 18 and won a £15m partnership with Morrisons.

ED MAYO

Pilotlight, the charity that connects the business and charitable worlds to achieve positive social change, has appointed Ed Mayo as its new chief executive. Mayo is currently secretary-general of the business network Co-operatives UK, a post he has held since 2009. He previously held roles at the New Economics Foundation and National Consumer Council.

CAROLE SAWYERS

Hampshire-based charity, **The Brendoncare Foundation,** has announced that it's chief executive Carole Sawyers will be retiring at the end of June 2020. Sawyers joined Brendoncare in June 2014. Prior to that she was CEO of The Fremantle Trust. She joined The Fremantle Trust as director of finance in 1992 before progressing to chief executive in 2002.

BILL SANGSTER

Variety, the children's charity, has appointed Bill Sangster as chair of trustees for the year ahead. Sangster, who has supported the charity since 1997, has been involved in a range of activities supporting the charity, from assisting with annual balls, sponsoring Sunshine Coaches, co-chairing the fundraising committee and joining the board of trustees in 2012.

JULIE BENTLEY

Julie Bentley has resigned as CEO of **Action for Children** after 18 months in the role. She said in a statement she was leaving for 'personal reasons' and praised her colleagues at the charity. She joined Action for Children in August 2018, and was previously CEO at Girlguiding. She is also a trustee and vice-chair of NCVO and will continue in that role.

DANIEL CHAN

PwC senior manager, Daniel Chan, has been appointed to the **SORP (Statement of Recommended Practice) Committee**, which oversees the rules for how charities across the UK and Ireland report on their finances. Chan is a member of PwC's Charities Management Board and plays a leading role in the firm's audit practice for the charity sector.

STEPHEN PAGE

Creative Access has appointed Stephen Page as its new chair of the board of directors. The organisation facilitates access to the creative industries for those from under-represented communities. Page has been CEO of Faber & Faber since 2001 and has held numerous roles including member of the Creative Industries Council.

KAMRAN MALLICK

Lloyds Bank Foundation for England and Wales has appointed three new charity leaders as trustees including Kamran Mallick, the chief executive of Disability Rights UK. The other two trustees include Ruth Sutherland, chief executive at Samaritans and Darren Knight, CEO at Bolton CVS. Their combined experience spans small and large charities.

CRAIG JONES

The Royal Osteoporosis Society (ROS) has appointed Craig Jones as its new chief executive officer.
Jones, who is currently director of communications for the Advertising Standards Authority, has held leadership roles in membership and regulatory bodies over the last decade and sits on the board of the Royal College of Anaesthetists.

JULIE RANDLES

Power2 has appointed Julie Randles as the charity's new CEO. Randles replaces Joanne Hay who stepped down late last year after five years as CEO. Randles will join the charity from the international development charity Build Africa where she was interim chief executive, helping to guide the charity's recent merger with Street Child UK.

Diary dates 2020

The latest events occurring across the charity sector

CHARITY TIMES LEADERSHIP CONFERENCE
6 May 2020
Waldorf Hilton, London
The annual Charity Times Conference returns in 2020, but not as you know it. Following the success of last year's theme, The Future of Charity Leadership, the brand new Charity Times Leadership Conference seeks to continue the discussion around influential leadership, offering interactive workshops, case studies, panel discussions and plenty of practical advice on the tools needed to be an inspirational leader. Expect speakers from some of the UK's largest charities. More info at:
charitytimes.com/conference

SUSTAINABLE INVESTMENT SUMMIT
18 March 2020
Waldorf Hilton, London
The Sustainable Investment Summit offers institutional investors and corporates the opportunity to both learn and network alongside their peers at such a key time for the sustainable investment industry. This one-day conference takes a new angle for 2020, moving on from general ESG, SRI, Impact and sustainability awareness, to exploring how returns objectives can be met through sustainable investing and the strategies that can be implemented to ensure this is the case. To register or view the agenda, please visit:
sisummit.net

CHARITY TIMES AWARDS 2020
3 September 2020
London Marriott Hotel, Grosvenor Square
The Charity Times Awards returns for its 21st year. The awards aim to honor the outstanding professionals from across the charity sector and celebrate and promote best practice. This year we are introducing five new categories: Trustee Board of the Year; Campaign of the Year; Charity Sustainability Award; Social Media Leader of the Year; and Charities' Bank of the Year. The deadline for entries is 8 May 2020. Visit the awards website for more details on how to enter:
charitytimes.com/awards

Not to miss...

SAVE THE DATE: CHARITY PENSIONS ROUNDTABLE
September 2020
London
charitytimes.com/roundtables

BETTER SOCIETY AWARDS 020
14 May 2020
London Marriott Hotel, Grosvenor Square
bettersociety.net/awards

CHARITY FINANCE GROUP ANNUAL CONFERENCE
14 May 2020
The Queen Elizabeth II Conference Centre, London
cfg.org.uk/ac20

IOF FUNDRAISING CONVENTION
6 July 2020
Barbican Centre, London
new.institute-of-fundraising.org.uk/convention

If you have any charity events to promote please contact linda.libetta@charitytimes.com


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Diversity

"DITCH THE HAMMER. THERE'S A WHOLE TOOLBOX OUT THERE WITH DIFFERENT WAYS OF THINKING AND DOING THINGS AROUND DIVERSITY AND INCLUSION"

There is a brilliant quote by Abraham Maslow (who created the much vaunted 'hierarchy of need'):

"I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail."

It's a brilliant analogy of how we can limit our own thinking without even realising it. This quote kept coming into my head as I was thinking about the recent Parker Review.

On 5 February 2020, Sir John Parker released his review into diversity on corporate boards. It found that 37% of FTSE 100 companies "do not have any ethnic minority representation on their boards". FTSE 250 companies are worse, with 69% having no ethnic diversity on their boards. The report follows a 2017 review and reveals woefully slow progress since then.

The voluntary sector has little to celebrate on board diversity. Around 8% of trustees are from ethnically diverse backgrounds, a third are women and the average age is between between 55 and 64. Given that the 'tap on the shoulder' approach is still a big part of how charities find new trustees, these figures are not surprising.

The Parker Review talks about 'representation' from racially diverse groups on boards. The language is interesting. It suggests an underlying assumption that a key reason for achieving diversity is to do with fairness, and ensuring boards look like the world we live in. Personally, I believe these are good reasons to address the lack of diversity on boards and in our executive teams, but are they strong enough reasons to ignite change?

Whilst we continue to think of diversity as a fairness issue, it remains a 'nice to have', rather than an essential pre-requisite for organisational success.

Things like having financial skills are seen as more important, and an odd 'binary' way of thinking kicks in that assumes there is an 'either/or'. Either we have greater diversity, or we recruit to other skills. As if an Asian woman can't also be the person with the financial skills you are looking for.

To be fair, Parker does say: "To remain competitive in the global market, UK businesses must focus further on…increasing alignment of the board with its customer base at home and overseas."

The problem is that many of us in the voluntary sector struggle to articulate specifically how diversity can make our own organisations more successful, achieve our strategy goals and address the particular challenges our own organisations face. Our thinking tends to be general, fuzzy and well, flabby.

Until we can articulate precisely, specifically the benefits of diversity to our own boards and our own organisations, diversity will continue to be a 'nice to have'. We need to make diversity and inclusion an issue of self-interest. Something we need, crave, ruthlessly hunt down so we can raise the funds we need to raise, change the local and national government policies that would make lives better for those we serve, provide the services that make the life changing difference that we want to make.

In corporate terms, success means making more money or increasing shareholder value. For the voluntary sector, success is about addressing some of the most profound inequalities our planet faces. How much more important is it, therefore, that we get diversity and inclusion right so that we can make the biggest difference we possibly can?

Until we see the issues of diversity and inclusion as ones of self-interest, we will never truly address their lack. On our boards or anywhere else. And the joy of it is, for our sector, self-interest and doing the right thing are so aligned they are pretty much the same thing.

So ditch the hammer. There's a whole toolbox out there with different ways of thinking and doing things around diversity and inclusion. Open it up and see what you find. ■

SRABANI SEN IS CEO AND FOUNDER OF FULL COLOUR AND CHAIR OF 38 DEGREES

Property

"THE NEW PROPERTY SURVEY IS VITALLY IMPORTANT RESEARCH. NO ONE ELSE IS GOING TO ASK THESE QUESTIONS ABOUT YOUR PROPERTY EXPERIENCES IN THE SAME WAY"

ANTONIA SWINSON IS CHIEF EXECUTIVE OF THE ETHICAL PROPERTY FOUNDTION

The other day, whilst wandering along the Thames, I came upon the famous Richmond Lock & Weir, now newly and splendidly restored after a £4 million refit and beloved of so many locals for its Grade II listed metal work and dramatic sweep across the river. Chatting to a workman, I asked what his biggest challenge had been, thinking he would cite the force of the tidal current, the winter rains or the complexities of restoring a working barrage. His answer? "Pigeons!"

It was a lesson in answers depending on the viewpoint of the person asked. He was one of the painting team and so pigeon slime ruining his gold leaf scrolling was obviously the worst occupational hazard over the winter months.

This brings me to the bi-annual property survey, which the Ethical Property Foundation has run since 2012 and which is now live for a fifth edition in 2020 – including a special issue for London. What property questions should we ask voluntary sector leaders and trustees when we want answers that count and can make a difference when we brief funders, policymakers and local authorities and commercial landlords?

Let us not forget that our sector contributes over £17 billion to the economy – more than the agricultural sector and fisheries combined. We employ over 860,000 paid staff and 20 million volunteers, yet there is often wonderment in the voices of policymakers when I discuss the voluntary sector estate. 'You never think about property in relation to charities', they say. But unless one is operating in a field or circus tent how are all the myriad services actually supposed to be delivered?

The new property survey is accessible from the home page of our new website (propertyhelp.org) and it is vitally important research. No one else this year is going to ask you these questions about your property experiences, challenges and needs in the same way. Why? Because we are a charity set up to champion charities and not-for-profits irrespective of size, location, model or cause – not a commercial property business chasing the top charity 1% .

We ask about turnover, sector, the percentage of turnover you spend on property costs, and whether you have a property strategy or if your organisation has received property advice or management training in the last three years.

Other questions simply ask for yes or no answers: do you have a suitably skilled person responsible for property management; do you report on property regularly to trustees? Do you have a property budget? Then we ask if property is a risk to your charity's future sustainability or if you find property issues are a barrier to delivering your charitable objectives.

In our 2018 survey, many respondents told us that difficulty in securing affordable accommodation was a significant challenge and was inhibiting service delivery. For the first time too, the survey revealed that more charities were renting from commercial landlords than local authorities as the public estate was developed or sold off.

This year we are asking a new question about MEES Minimum Energy Performance Standards, which currently prevent new lettings which fill to meet a minimum standard of Energy Performance Certificate. This will extend to all lettings by 2023 and yet there is low awareness within the sector – with profound implications as older, energy-inefficient premises are sold off. This is the harsh reality behind the worthy aim of reducing carbon emissions: in saving the planet – you might find yourself evicted and without an office in 18 months' time.

Hence why we need a national conversation with policymakers of all administrations about a social workplace policy – perhaps as one core contribution about the future of the high street – which is as important and as well funded as social housing. As for grant funders, I hope the answer to the 2020 questions is that providing core funding is not a luxury but a necessity. ■

Leadership

"THERE IS NOTHING WRONG WITH BEING PRIVILEGED OR HAVING A CONFLICT OF INTEREST. IT IS HOW WE RESPOND TO BOTH THAT COUNTS."

A wise woman (Debra Allcock-Tyler, CEO of the Directory of Social Change) once told me there are 'igniters' and 'foofers' in life. Foofers extinguish your flame, thinking it will make theirs burn more brightly. Igniters, on the other hand, recognise there is greater light from multiple candles so seek opportunities to help others shine.

We're rightly being challenged to think about what we are doing to tackle the inequalities that appear to be stitched into the fabric of our sector. Whether it is the imbalance of gender in senior roles (particularly in disciplines such as fundraising and finance), the underrepresentation of those with disabilities in our workforce, the need to increase social mobility or too few people of colour in positions of power – we all need be acting to root out inequality.

But in the conversations around diversity, equality and inclusion, and confronting 'privilege', do you bring light or darkness?

Some people fiercely deny they are: 'I might be a white man/woman but I'm not privileged – I had a tough upbringing'. Some are ashamed that they are and are unsure what to do with it. Then there are the zero-sum gamers; those who believe that in order for one section of society to succeed, someone else has to lose.

When people believe their position is threatened or they must sacrifice their own quality of life to change the environment, rational debate becomes elusive. But it doesn't need to be about snuffing out each other's lights. As with managing a conflict of interest, there is nothing inherently wrong with being privileged. It's how we respond that counts.

Whether privilege comes from our gender, colour, educational background, wealth, health or a combination of them all, we must stop being defensive. Embrace your privilege and use it for positive ends. Treat it like you would a conflict of interest – withdrawing yourself from a competition, speaking opportunity or discussion if appropriate. Being a leader often means getting out of talent's way.

People with privilege have a clear path to the top. They are 'schooled' on stepping forward, speak the language of those doing the appointing and are surrounded by 'people like them'. They are recognisable to society as 'leaders'.

Countless studies have shown cross sections of society judging displayed behaviours differently. Behaviours seen as 'leadership' in a tall, white, middle aged man can be criticised in others. Many of these unwritten rules stem from being conditioned to see our gender, sexual preference, ethnicity or religious beliefs as burdens to overcome rather than differences to celebrate. Society's language has been for too long the language of deficit. We need to embrace differences as strengths. And we need to do more as leaders to pave the way for this talent to shine.

At CFG, we've focussed on culture and individual qualities. We've stopped requiring degrees and we've changed the tone and language we use. Our workforce is increasingly diverse and inclusive. Over a third of staff are BAME (50% of current SMT), 92% are women (we need more men!) and we have made reasonable adjustments for mental and physical health for 12% of our team. I've personally mentored individuals and hosted postgraduate students work 'shadows' and CFG has its own successful mentoring scheme.

Our board similarly has a healthier mix. We have worked to overcome the lack of diversity in age, seniority, ethnicity etc. by drawing in candidates to non-trustee roles; recognising/highlighting diverse leaders; and by providing opportunities designed to raise their profiles.

For our membership, we have introduced training and travel bursaries for our coveted inspiring financial leadership course (with Sayer Vincent and CASS business school), showcased up and coming leaders and introduced our 'inspiring financial leadership awards' amongst other things designed to increase the diversity of our sector leaders.

Whilst no organisation or individual can tackle DEI issues alone – if we all commit to be igniters we can use our influence and privilege to positive effect. ■

CARON BRADSHAW IS CHIEF EXECUTIVE OFFICER OF THE CHARITY FINANCE GROUP

Profile: Lucy Caldicott

Growth and renewal

LUCY CALDICOTT TALKS TO DAVID ADAMS ABOUT CAMPAIGNING TO BECOME AN MP IN THE 2019 ELECTION, THE FIGHT FOR GREATER DIVERSITY AND HER RELENTLESS DESIRE TO MAKE CHANGE HAPPEN.

Lucy Caldicott says that when people tell her she shouldn't do something, it makes her want to it more. She has done some very difficult jobs; and if recent political history had been different, she would now be doing another one. But her bid to become a Labour MP in the 2019 general election wasn't meant to be, so she is now continuing her work in the charity sector, as an experienced consultant, chief executive, trustee, fundraising expert and mentor. In 2019, *Charity Times* readers voted her into our list of the most influential leaders in the sector.

Caldicott grew up in the West Midlands, and went to university in Manchester to study Spanish and French, with no clear idea of what she might do afterwards. A vague plan to become "some sort of international business person" led to the American Express graduate scheme. During five years of working for the company, she became a senior marketing manager, but became uncomfortable with the idea that the primary purpose of her job was to make money for shareholders.

A turning point came when a flatmate started working as a fundraiser for Help the Aged and Caldicott realised how well suited she might be to a similar role. But she was still unsure about leaving the private sector and her first charity job was still focused on business: as a corporate fundraising manager for the Prince's Trust, between 1997 and 1999.

She then returned to the private sector, spending two years as head of marketing for MoneyGram International in the UK, Ireland, Scandinavia and sub-Saharan Africa. That role ended in redundancy, but that pay-off then funded a masters degree in development studies. She moved back into the third sector in 2001, first in an interim role as deputy marketing director for Jewish Care; then becoming head of fundraising and partnership development at VSO, where she worked between 2003 and 2007.

Having an impact

While still at VSO she also began a seven-year spell as a trustee for the St Giles Trust, which helps people who are affected by problems including poverty, abuse, addiction and poor mental health; and may have spent time in the criminal justice system. Caldicott says that in this role and in her work at the Prince's Trust, the experience of coming into contact with young people who had been denied the opportunities that had made a big difference in her own life, had a very big impact on her.

Editorial credit: chrisdorney / Shutterstock.com

In October 2007 she moved to a new day job, becoming director of fundraising at children's cancer charity CLIC Sargent. Part of her role was helping the organisation to complete the unfinished business of the 2005 merger in which it was created, out of two charities with quite different cultures. Although she had moved from an international charity to one that focused on the UK, CLIC Sargent was also complex: at VSO she had led a team of about 35 in a single office; at CLIC Sargent she effectively oversaw the work of more than 200 staff and hundreds more volunteers working in locations across the country. But while at VSO fundraising had generated only 14 per cent of the organisation's income, at CLIC Sargent fundraising generated all the charity's income, giving Caldicott much more influence at a senior level.

"I thought 'I'll go for a couple of years', but I found it so fascinating – the complexity of people change and culture change – that it kept me interested much longer than that," she says. "But the first couple of years were really, really difficult." She persevered, helping to raise funds for four new homes from home for children with cancer and building successful corporate partnerships with Tesco, Santander and JD Wetherspoon.

New challenges

She left CLIC Sargent in 2015, looking for a new challenge – ideally as a CEO – and a different type of cause. She took on interim roles, including maternity cover for the chief executive at Diversity Role Models; and served as a trustee at two other people-focused charities during this period: Hope and Homes for Children and Fair for You. (She also launched a Facebook group, Fundraising Chat, which now has more than 10,000 members.)

Her fundraising expertise was in demand too: at the Institute of Fundraising, where she sat on the Policy Advisory Board between 2014 and 2016; and then as a board member at the new Fundraising Regulator, between 2016 and 2018, as the sector tried to recover from a series of damaging fundraising scandals. Caldicott is proud of the work she did for the FR, particularly in helping to explain how some policy ideas might play out in reality. But by 2018 she was moving away from a career focused purely on fundraising, so decided to leave the regulator's board at the end of her initial two-year term.

Meanwhile, her involvement in politics had built up over a number of years after joining the Labour Party in 2010, to the point where she decided she would like to stand for parliament. "The more I thought about it, the more I realised that the background I've had is ideal," she says. "I've run campaigns and organisations. I know how to make things happen." She says voters she has met during election campaigns also seem to look favourably on her background in the charity sector.

Being a local councillor with ambitions to become an MP has stopped her taking on a couple of roles in which she might otherwise have been interested, but between 2017 and early 2019 she was chief executive of UpRising, a national youth leadership development charity, supported by all political parties, which seeks to find routes to leadership and employment for young people. She left this post in early 2019, in part because she had been appointed to more

senior roles on the council, which was taking up more of her time outside normal working hours.

Fighting for change

By then she had also founded her consultancy ChangeOut, which is dedicated to increasing diversity in the third sector. Caldicott fears the charity sector now lags behind both the public and private sector in this respect. She points out that men outnumber women on charity boards by two to one, according to Charity Commission research; and that only four charities appear on Stonewall's list of the top 100 LGBT-friendly employers.

She highlights the practical advantages of diversity, as a means of avoiding groupthink, which can blind charities to opportunities and risks. "For me it's not just about social justice, it's about where our ideas are coming from," she says. "I don't think we'll innovate or challenge ourselves without different kinds of people."

For now, this battle to improve diversity within the sector is her top priority, alongside her work as a councillor. With a foot in both politics and the charity sector she also has firm views on how charities should handle political issues. "What charities can do is speak out on behalf of their beneficiaries, to defend or attack policy that will help or hinder their work," she says. "It would be dereliction of their duty if they didn't."

Will she try to be elected as an MP again? "I really enjoyed the [election] campaign, even though I never really thought I was going to win," she says. "The people in Dudley South mostly told me they were not going to vote for me, but they were really lovely, welcoming and friendly; and I learned loads.

"2024 seems quite a long way away. Who knows what I'll be doing? But taking everything I've learned from charities – where I've been on the receiving end of policy decisions – into politics: I still think that's a role I would like to play. Having said that, we're in power in Lambeth, so I can help make change happen there."

Outside work and politics, her life is focused on her partner Clare; and on working on her allotment. "When I'm feeling cross or sad, I always find that gardening helps," she says. "The world keeps on turning, the flowers keep on sprouting." Maybe that is an appropriate metaphor for a career largely spent trying to help organisations and their beneficiaries complete processes of growth and renewal. It will be interesting to see – and difficult to predict with certainty – what she does next. ■

FEATURE

How can charities seek to form a better partnership with the new government?

WRITTEN BY JOE LEPPER

Bridging the gap

Lobbying restrictions, gagging clauses and funding cuts have typified charities' increasingly rocky relationship with government in recent years. Understandably, many in the sector feel abandoned by politicians and are reluctant to campaign. Brexit hasn't helped. This all-encompassing policy has dominated MPs' time since 2016, taking them away from the wider social issues at the heart of charities' work.

The Conservative Party's landslide general election victory in December could be seen as another barrier, due to the party's controversial track record on charity sector policy in recent years. As part of the coalition government (2010-2015) it brought in the 2014 Lobbying Act, which requires charities spending significant sums on lobbying to register with the Electoral

Commission. This has been widely condemned by the sector since, citing concern over its chilling effect on charities' willingness to campaign.

In contrast, The Labour Party's general election manifesto sought to repeal the Act to "free the voices of civil society". An increasing use of gagging clauses, under recent Conservative-led governments, on charities involved in public service delivery contracts is another barrier.

Kristiana Wrixon, head of policy at Acevo, is among sector leaders who want to see these clauses removed or rewritten but "that hasn't happened yet". "From what I've heard, there is poor practice in a number of different departments and I think it is more dependent on the grant manager or civil servant you are dealing with rather than the department as a whole," she says.

New opportunities?

But despite these threats to charity campaigning under the Conservatives, could Boris Johnson's large House of Commons majority present opportunities for the voluntary sector to influence policy and work better with ministers and MPs?

A key change in 2020 is more certainty around Brexit, with withdrawal from the European Union taking place in January and the government now entering a new phase of negotiating its future relationship.

The NCVO's *Road Ahead 2020* report, released in January, says that while Brexit will continue to consume Whitehall resources, charities may find "greater political space to push forward their campaigns".

"The government is keen to move on from Brexit monopolising public debate and this gives the sector an opportunity to push other issues higher up the agenda," says Sarah Vibert, public policy director at NCVO. "We also need to hold the government to account for the spending promises of the election and push for this to translate to more money at community level."

This window of opportunity looks vital for charities especially. As research by nfpSynergy suggests, there is considerable public appetite for charities to campaign and lobby politicians. More than two-thirds (68%) of the public approve of charities campaigning and (56%) back charity's lobbying of MPs, the research found.

nfpSynergy founder Joe Saxton acknowledges that in terms of political campaigning "it's been a pretty poor time for charities", citing the dual challenges of Brexit and "a government that isn't particularly interested in charities".

"If you look back five years earlier, you had the Big Society and the National Citizenship Service and you had a number of things that looked charity-friendly; whether they were is a separate issue," Saxton says. "Under the last Labour government, the relationship was the equivalent of beer and sandwiches at Number 10 for a lot of charities.

"Now it's a much more fragmented picture and not at all

clear, when the government thinks of social care or NHS changes, whether charities are particularly part of that picture." But the government's large majority and impetus to move on from Brexit means "we are starting with a reset here", he says.

Heather Sturgess, nfpSynergy senior researcher, says a practical step for charities in 2020 is to build relationships with the 140 new MPs elected in December 2019. "These new MPs may not have as much knowledge about charities as their predecessors. It is also useful in terms of signposting charity services to their constituents," she says.

Saxton adds that it is "very issue dependent", when targeting backbench MPs. "If you have an issue, such as helping owls or hedgehogs that is non-political, then the humble backbencher becomes very useful. It is up to charities to be astute to know the issue and who their natural allies might be."

Given the government's large majority, backbench MPs are unlikely to have the same clout they had during the minority and coalition governments of the last decade when every MP vote counted. This presents opportunities for other groups to take the reins as influencers of policy.

Wrixon believes that targeting members of the House of Lords could become an increasingly effective way to influence policy. "The fact that it is a large majority will change the way charities campaign. I think the Lords will become more important in terms of building relationships," she says.

"We have already seen around some of the Brexit legislation, with the Lords voting against the Commons. I'm not sure how that will play out long-term but that is something to look at with interest."

She adds that backbench MPs are still able to influence government, through select committees, all party parliamentary groups (APPGs) and their relationships with ministers.

Simon Francis, chair of the Public Relations Communications

"YOU MAY NOT AGREE WITH WHAT THE NEW GOVERNMENT IS DELIVERING, BUT YOU KNOW WHERE YOU STAND WITH IT"

Association (PRCA) and its charity group, believes the majority government is good news for political campaigning as "you may not agree with what the government is delivering but you know where you stand with it". "From the point of view of lobbying it provides some certainty," he adds. "A lot of organisations are going to be clear where they stand. You can work within those parameters."

The government's large majority means that for the first time in recent years, manifesto commitments provide a realistic blueprint for future policy, he adds.

Charities are advised to study the Conservative's manifesto to see how ministers' aims can tap into the objectives of charities. Working in

Partnership

collaboration, with other charities and other sectors, has proved effective in recent years and will continue to be a useful strategy, Wrixon says.

An example she gives is CLIC Sargent's campaign to create the Child Funeral Fund, to help grieving parents cope with funeral costs. This started in 2018 and saw the charity link up with others in the voluntary sector as well as Co-op funeral directors.

Another to impress Wrixon is a campaign spearheaded by bereaved parent Lucy Herd and supported by the charity Sands, to give grieving parents the legal right to leave and pay. In January, the Parental Bereavement (Pay and Leave) Act became law.

"That is where charity campaigning is really effective, where it is based on the direct needs and experiences of the community," Wrixon says. These campaigns were particularly successful as they also showed ministers how charities "aren't party political".

"CHARITY CAMPAIGNING IS REALLY EFFECTIVE WHEN IT IS BASED ON THE DIRECT NEEDS AND EXPERIENCES OF THE COMMUNITY"

"Nothing we do is party political. We are proud and clear about that. We deal with things from poverty to the environment to bereavement to medical care; they are human issues," Wrixon explains.

Sophie Walker, chief executive at Young Women's Trust agrees that campaigns need to ensure they swerve party politics to help attract wide political interest. The trust's work to extend the minimum living wage to the under 25s is an example she gives. Here her team focused on showing politicians evidence of support from the public and stakeholders as well as offering personal testimonies on how low pay is affecting lives.

"I start with creating policy that speaks about the lived experience and needs of the young women whose lives we are seeking to change," Walker says. "In doing so, we present solutions that are better for everyone, in which everyone thrives."

She also believes charities can help alert politicians if their beneficiaries have "lost confidence in them" and offer ideas to improve the relationship between people and their elected representatives.

A strong social media presence can help influence policy, but "face-to-face" meetings between charities and their service users with politicians "is where you get an honest and meaningful conversation", Walker adds.

Many in the sector hope an end to gagging clauses and reform of the Lobbying Act will also form part of those conversations in 2020. ■


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COVER STORY

Forming alliances

Recent pay-feuds at the RSPCA and St Mungo's have highlighted the strained relationship between charities and their trade unions. They share the same vision, so why must they go to battle? WRITTEN BY BECKY SLACK

There is a scene in the film *Made in Dagenham* where the car factory's hard-nosed head of industrial relations is entertaining the main boss at his home. They are discussing the campaign for equal pay and ask Hopkins' wife for her opinion. Was the industrial action the result of "too much velvet glove and not enough iron fist"? They ask. "Quite the opposite," Lisa Hopkins replies. She uses the example of General Motors, which doesn't have any problems with the unions "due to their more collaborative approach", whereas "at Ford, you only deal with the unions because you *have* to; you tolerate them. And as a result, they're more entrenched and aggressive in their dealings with you".

It was an observation that is just as relevant for some charities today as it was for Ford back in the 1960s. While many organisations enjoy positive relations with their union representatives, others do not. For some, it's an old-fashioned perspective of the unions – bullyboy tactics and men thumping the table when they don't get what they want – that has impaired relationships. For others, there is a lack of experience, with charity leadership teams being unaware of the potential benefits unions can bring.

But much like the General Motors example provided by Lisa Hopkins, those charities that take a collaborative approach to their relationship with trade unions can, and do, reap the rewards.

It's difficult to know exactly how many of the trade union movement's 6.35 million members work in the charity sector; figures from the Office for National Statistics only record private and public sector membership. Despite the lack of hard data, it is believed that the figure has increased over recent years, in part due to the increase in government contracts being delivered by charities and the need to bring their pay and conditions in line with public sector colleagues.

According to the TUC, numbers should be higher. "A survey of charity workers calling the TUC's Know your Rights hotline found that the main reason for not joining a union was that they work for a charity and didn't think they could. This is not the case. Everyone in the UK has a right to join a union. It is actually illegal for an employer to dismiss or disadvantage anyone based on union membership," they say.

Most of these members are split across three main unions: Unison, Unite and GMB. Unison is the largest with more than 60,000 charity sector members. Of these workers, most will be employed by medium to large charities, as it is these organisations that are most likely to have a recognised union.

What's the point?

The role that unions play within a charity will vary, but in the main it's about helping to maintain a high-quality workforce through improved conditions.

The 2008 *Way Ahead* report by Acevo, which explored the relationship between charities and trade unions, may be old but much of its content is still relevant. It highlights how there are many areas of common interest between unions, employers and employees, where working together would be beneficial for everyone, such as when negotiating on contracts, full cost recovery and fair funding.

Likewise, the report highlights how a happy, well-managed workplace where employees feel fairly treated and like they have a voice is vital to the success of an organisation, and unions have a wealth of expertise in HR-related issues that they can bring to the table to help achieve this. It also highlights how union membership can act like a form of insurance for members, particularly those who work in isolation or in difficult circumstances.

Becky Wright, executive director of Unions21, which exists to support unions to increase their influence, impact and effectiveness within the world of work, agrees: "There's a whole range of activities that unions might get involved with, from helping staff access learning and development opportunities and improving health and safety through

to breaking down stereotypes and prejudices and supporting the mental health and wellbeing of employees," she says.

And, of course, there is the role they play with regards to pay and conditions, advising members on issues such as employment rights and job security, and negotiating with employers to ensure a decent pay rise that reflects the cost of living.

This latter point is important, particularly when you consider that charity workers are often exposed to low pay more frequently than their equivalents in other sectors. For example, in 2017, 26.2% of charity employees were paid less than the Living Wage, compared to the national average of 22%. "The overall trend in the charity sector is one of rising low pay," says the Living Wage Foundation on its website.

Indeed, of the charity/trade union relationships that get the most attention in the press, the issue in hand is almost always a pay dispute.

The RSPCA is a current case in point. At the time of writing, the charity was voting on whether to take industrial action in a dispute over modifications to contracts and performance-related pay. Unite claims the charity is bullying

Trade unions

employees into accepting the changes, even though they mean a two-year pay freeze and will make it easier to sack people.

RSPCA leadership rejects these claims saying base pay will not be affected, there is no proposal to freeze pay and the changes will only affect future allowances and increments. “This pay framework review has been part of a broader piece of work that is aimed at ensuring the sustainability of the RSPCA so we can continue to rescue and protect animals that need us,” a spokesperson says.

Regardless, the claims and counter claims made by both the leadership team and the union have contributed to morale at the charity hitting rock bottom. It has not been a positive experience for anyone.

Forming a partnership

It doesn’t have to be this way. It is perfectly possible to enjoy a productive and mutually beneficial relationship with a trade union. It just takes a little bit of work.

“An effective, quality relationship is one where staff are allowed to have union representatives through which they can voice their concerns and where the employer will sit down and negotiate. A bad relationship is one where the management team won’t recognise the union nor the need to consult and instead tell employees ‘this is what we have decided for you and what you will accept’,” says Siobhan Endean, the national officer for the not for profit sector at Unite.

“We know it’s not always easy, particularly when there is pressure on funds and contracts, but having an early conversation can make all the difference,” she adds.

Brett Terry, people director at NSPCC says how he has aimed to involve the union in everything they do. “This is not about writing a policy and then getting it approved by the union, but instead about involving them from the outset – we always try and shape things together, in partnership,” he says, providing the example of working with the union on a pay survey, both drafting the questions and understanding the results together.

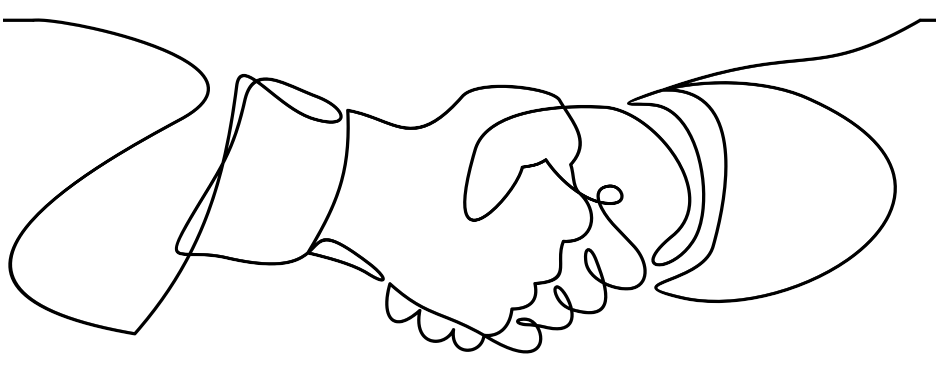
In addition, he and members of the management team meet with the union on a quarterly basis. This includes discussing issues in advance and getting insight from them to help the team deliver change in the best possible way. The union has also been invited to feed into the forthcoming organisational strategy.

“When you work together to shared agenda, vision and prize, the results are quite something. We don’t always get it right as ‘management’, but mistakes are accidental rather than intentional,” he says.

Not all organisations are able to enjoy this type of relationship though. Sometimes the opportunity to have those “early conversations” has been missed and a charity can find itself embroiled in disputes. But even then, it’s not too late to find a mutually beneficial way through.

“Industrial action is always the last resort and we always remain open to discussion and finding a settlement that is acceptable to everyone. People who work in charities tend to be devoted to the organisations. Management that takes the time to understand the perspectives of these employers will benefit. It can sometimes take a while to do this, but it will usefully lead to a well thought out process and one which adds more value over the long term,” says Unite’s Endean.

NSPCC’s Terry agrees. “If you find yourself in a toxic situation, it’s important to pull together the individuals who can shape the biggest changes and use them to find the common ground. Everyone wants the same thing: a healthy and strong organisation that is a great place to work and which delivers for the beneficiaries. If you keep that at the heart of the conversation and focus on where wins can be found as well as just problems, then it can be possible to reconnect and work together positively.” ■



FEATURE

Bucking the trend

Charity retail sales are on the rise amid conscious consumerism. But how can charities tap into this demand?

WRITTEN BY LAUREN WEYMOUTH

Boarded-up windows, abandoned buildings and scaffolding line many high streets across the UK. This is the picture of the aftermath of a decade-long retail tsunami that has destroyed businesses and left thousands of people without jobs. The tidal wave started with Woolworths in 2008 and slowly took out some of the biggest household names: BHS, Virgin Megastore, Toys ‘R’ Us, Maplin, Borders, Focus, C&A, Principles and more. Even New Look, Debenhams and John Lewis are battling the same fate.

Figures by accountancy firm BDO and the CBI show last year was one of the worst years for the UK high street in history; sales fell for the fifth year running and at the fastest rate for 10 years.

But amid what BDO describes as a ‘torrid’ year for the high street, charity shops witnessed an explosion in interest. BDO’s *Charity Retail Sales Tracker* revealed charity shop sales increased significantly in the last quarter – 3.5% in October; 5.8% in November and 3.9% in December – compared to the same months in 2018.

“Despite tough conditions on the commercial high street, charity retailers are bucking the trend and have pulled off another performance to be proud of,” Fiona Condron, partner at BDO says. “There has been a lot of political and economic uncertainty in the last year, and some high-profile retail failures during the summer, which has added to shoppers’ reluctance to spend. However, while low levels of discretionary spend and the rise in conscious consumerism is hitting high streets hard, charity retail seems to be reaping the benefits as shoppers turn to more affordable and sustainable alternatives.”

A boost for charities

The increase in demand for charity shops has coincided with a surge in people looking for more ways to live a more ethical, sustainable and environmentally-friendly lifestyle. Figures released by Oxfam at the beginning of 2020 revealed its Christmas sales hit highs not seen since 2011, despite a challenging year for both the charity and for the high street.

The charity’s retail sales climbed by 7% over the Christmas period, mainly thanks to its *Sourced by Oxfam* range, which conists of ethically sourced and sustainable new products. Sales of this range in high street shops rose by 13%, as shoppers were eager to snap up Christmas tree decorations, such as felt avocados and dinosaurs crafted from recycled saris. The charity also reported an increase in sales of recycled gift wrap and Christmas crackers containing non-plastic gifts, as well as re-useable bamboo coffee cups, lunch boxes and beeswax food wraps.

"This Christmas sales performance is an encouraging sign that the public loves getting quality, ethical products at fair prices," Andrew Horton, trading director at Oxfam said when the charity released its findings. The charity's total sales over the period exceeded £19.3 million, representing a 7% increase on the same quarter in 2018, and a 5% rise like-for-like.

Cats Protection describes how its retail sales in the six-week run up to Christmas also grew – this time by 14%, mainly due to its re-gifting promotion, which involved promoting the unsused and unwanted gifts that had been donated throughout the year to its chain of 131 shops.

"We also launched our Good Cause Santa Paws gift range at the end of October and sales in this category increased by 68%, which demonstrates the increase in people making more sustainable choices," a spokesperson for Cats Protection tells *Charity Times*.

Monitoring consumer trends is essential in predicting what might boost sales in the future. Cats Protection explains how the charity had been monitoring changes to how people have been shopping over the previous year, but it was the 2019 Christmas trading period that demonstrated a more substantial shift in people's shopping habits.

"We saw a strong uplift throughout 2019, with growth in ladies clothing of 9%. We also saw more men seeking out more environmentally-friendly options as sales of menswear grew by 13% in 2019. Sales of shoes and accessories increased by 20% on the previous year, as shoppers increasingly sought more sustainable and affordable pay day treats."

Boutique charity shops

As well as monitoring trends and ensuring items in store represent those in demand, charities are also looking to bring in 'boutique' ranges to their stores to try and entice a wider range of consumers.

The rise of 'boutique charity shops' initially started after the *BBC* broadcasted *Mary Queen of Charity Shops*, which saw retail consultant Mary Portas go on a mission to try to transform charity shops and bring them more in-line with the 21st century, overhauling staff in the process.

In 2009, Save the Children teamed up with Portas to create its boutique Mary's Living and Giving shops and by 2019, the stores celebrated their most successful year since launching. Profits increased by 35% over the year from £1.1 million in 2018 to £1.4 million in 2019. Since opening, the chain has generated an additional £25.2 million in revenue for Save the Children. Last year, the 25 stores raised a total of £3.8 million in extra revenue for the charity.

"It had been a challenging few years for charity shops, and we've really had to change our focus in response to difficult trading conditions," Ian Matthews, trading director of Save the Children says. "Our new-look shops are designed to offer a more boutique shopping experience to encourage people to look at second-hand goods in a new light.

"Recent performance shows what a great opportunity we have to help consumers make ethical shopping choices without compromising on style. We recognise that consumers are increasingly seeking more sustainable shopping opportunities and we're delighted to see shoppers looking to our stores to provide these environmentally friendly options."

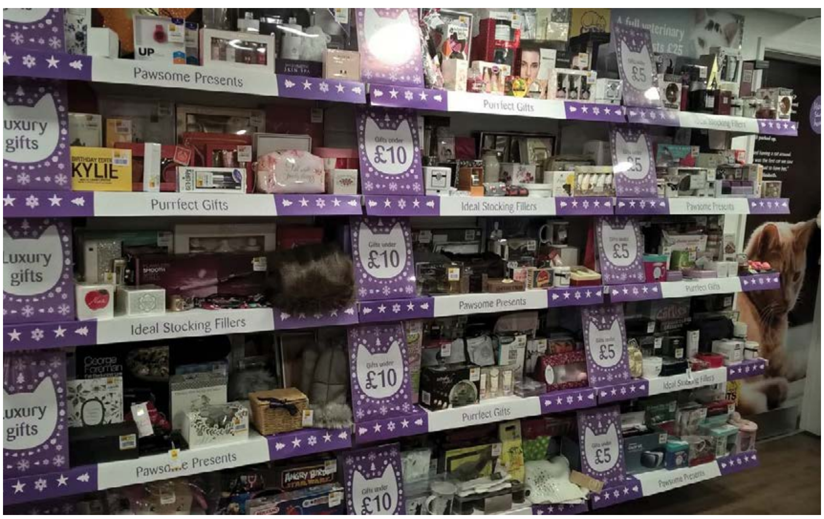
Save the Children isn't the only charity to latch onto the concept of boutique shopping. *Boutique by Shelter* offers similarly high-quality and new products at an affordable cost, as does *Sourced by Oxfam*.

Better engagement

For many charities, these ranges have been pivotal in engaging with a younger audience over recent years. Cats Protection tells *Charity Times* about the launch of its *Cattitude* boutique in Edinburgh, involving VIP personal shopping events, and the rise of charity-shop style tours led by fashion bloggers. Engaging with influencers in this way has driven younger "first-time charity shoppers through our doors as a result".

Back in 2018, nfpSynergy's *Charity Awareness Monitor* found around 50% of the public believed charity shop customers tended to be older, less wealthy and less fashionable than the average consumer. Additionally, it found 47% of 16-24 year olds described charity shops as 'old fashioned' and 34% of the same group think they are likely to sell poor quality items. This is a stark contrast to the 65+

Sustainability



age group, which said they were less likely to be old-fashioned and much less likely to sell poor-quality items.

Mary Portas believes branding will be essential for getting a wider range of consumers on board – both young and old. Not only does the shop need to "look right", she says, but its also important to ensure the shop is branded towards the demographic your charity is aiming to reach. This is likely to vary depending on the location of the shop, but "you've got to have a concept that speaks to all age groups," she says. "They're not just for the young fashion bods, they really are for all age groups".

Save the Children explains how it has worked on establishing a stronger and more engaged volunteer base as part of this process, to help to bring life and a greater sense of community to its range of charity shops. "By strengthening our core volunteer and retail offers, along with developing plans for our shops to reflect their local markets more accurately, we are now able to develop exciting plans in 2020 for our shops to be an integral part of their local community," Matthews says.

"Driven by the commitment, hard work and talent of our extraordinary shop volunteers and staff, we want to enhance the public perception of charity shops by providing a welcoming space for communities to come together as well as enjoy a great shopping experience."

New opportunities

The Charity Retail Association welcomes the work charities are doing to entice new customers and explains the sector has a "great opportunity to thrive" given the growing interest in saving the planet and its valuable resources. But it says the sector will need to come together in order to reach its full potential.

"There seems to be a genuine zeitgeist developing here – environmental initiatives such as the backlash against plastic and a promotion of the environmental benefits of veganism are leading to a general sense that we have a limited time in which to effect enough change to save the planet and its inhabitants from extinction. If you ask a roomful of people what the most significant issue in society is today almost all of them will say unequivocally 'climate change'," they add.

"Charity retail fits beautifully into this zeitgeist. With the shift in consumer attitudes and behaviours towards the environment and recycling, an even higher demand for second-hand goods will surely follow."

"As a sector, we now have a great opportunity to thrive with the growing interest in saving the planet and its valuable resources and we should work together to really maximise this." ■









Pensions roundtable:

FUNDING DEFINED BENEFIT SCHEMES IN THE CHARITY SECTOR

Sponsored by: BARNETT WADDINGHAM beyond the expected

Roundtable

Panel:

Steve Hitchiner is a partner at pensions consultancy firm Barnett Waddingham

Chris Hawley, is a partner at pensions consultancy firm Barnett Waddingham

Jackie Birch is the legacy fundraising manager at The Salvation Army

Jane Hodson-Lewis is the HR Manager at Aspire Sports and Cultural Trust

Paul Hodgkin is the chair of trustees at Friends Therapeutic Community Trust

Many defined benefit pension schemes are now closed to new accrual and are steadily working towards their 'endgame'. Alongside this, several high-profile cases of failing employers leaving behind underfunded pension schemes has put the future of DB funding into the spotlight.

Against this backdrop, The Pensions Regulator will soon be consulting on a revised funding framework for DB schemes, which is set to focus on long-term funding objectives, requiring little or no reliance on the employer. Schemes have also been urged to start thinking about their journey plan and the actions they can take to help them achieve their goals.

Charity Times, together with Barnett Waddingham, brought together a panel of people responsible for charity pensions to discuss some of these issues and to look at what meeting long-term funding objectives really means in practice.

Revised funding regime

Opening the discussion, Steve Hitchiner, partner at Barnett Waddingham describes how the funding of defined benefit pension schemes is "reaching a tipping point". "Schemes are maturing and they're starting to think about their long-term objectives," he says.

National media coverage of high-profile DB scheme failures hasn't helped in recent years. Carillion and BHS – both examples of failed pension schemes at the hands of financially unstable companies – are just two of the most notable cases and which have highlighted the need for greater DB security.

The government has been quick to respond, though, and in 2018, it published a white paper outlining plans to secure a 'clearer future' for DB funding, whilst criminalising wilful pension scheme neglect through giving The Pensions Regulator (TPR) more powers.

Hitchiner tells the panel a new framework, which will be set out by TPR, is set to be consulted on in due course, and will detail – amongst other things – a requirement for pension schemes to firmly set a 'long-term funding target'.

"We expected the framework some time ago, but political uncertainty has delayed it," he explains. "But the consultation should be expected soon."

The requirement for a long-term




funding target is essentially a way to eliminate some of the pressure from employers and place less risk on investments. Schemes will need to allow for their reliance on investment risk to reduce over time, such that it is largely removed when they are substantially mature, and to have sufficient funding in place to pay the benefits promised on this basis. If there is a shortfall, Employers will be able to pay the requisite contributions needed to correct this over an agreed period.

"The regulator has been quite open about what they see the target looking like," Hitchiner adds. "They have alluded to an assumed investment return of around a quarter to a half a per cent per annum above the risk-free rate of return that you get from lending money to the government. This is quite a low investment return, some might say, but a lot of schemes already have similar funding targets in place."

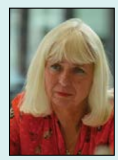
Additionally, schemes also have a new fast-track option for compliance. This means that schemes that can meet a certain number of criteria regarding their long-term funding targets and funding plans and will then be able to go through 'fast-track compliance', without further questions from TPR.

There will also be a bespoke regime which will allow schemes to veer from the fast-track compliance route, but with greater scrutiny from TPR expected. "In other words, the regulator will ask to see their homework, and satisfy themselves that what they're doing is reasonable," he says.

Panel:

Nicola Anson is the interim finance director at the young person's charity Engineering UK

Mike Rutherford is the director of finance at the charity Social Interest Group



Karen Mackenzie is the pensions manager at consumer advice charity Which?

Roger Buckley is a trustee of the Retail trust Retirement and Death Benefits Scheme

Mary Daly is the chief financial officer at scientific research charity The Royal Society

Long-term objectives

But what exactly does this objective mean for charities in practice and how should charities design a strategy to meet it?

One panellist argues that although the framework is "great in theory", more clarity is required around what 'long-term' and 'funding target' really mean.

"It sounds good, but in practice, because of the absurdity of the actuarial calculation process, the long-term target is blown out of the water at the next revaluation. A tiny fluctuation in gilt yields or liabilities might have done this, for example.

"So my message to the regulator would be this: if we are going to adopt 'long-term funding targets', we have to have an actuarial valuation process that is locked in for the long term and isn't

Roundtable

Panel:

Richard Purdue is a trustee of The Institute of Materials, Minerals and Mining

Katharine Horler is the chief executive of learning and development charity Adviza

Richard Hunt is the head of lending business development, charities at CAF Bank

Stephen Joyce is the finance director of the Royal Society of Chemistry

Beci Jones is head of finance and operations at Bobath Children's Therapy Centre Wales

susceptible to tiny fluctuations in abstruse, arcane things – things that I don't understand, let alone my trustees."

Many panellists hope charities will receive a little leniency from TPR, given the nature and lifespan of their operations. "We read in the press about commercial businesses that are in serious trouble, and they can simply 'pop out' of being a business if they really need to. But charities have a much longer life expectancy, and – especially for the larger charities, which so many rely upon – this is simply not possible.

"Surely there must be an argument for charities to have a longer recovery plan?"

So surely there must be an argument for charities to have a longer recovery plan?" one panellist argues.

However, as Hitchiner points out, TPR regulates the entire pensions industry, regardless of individual circumstances. "In its guidance, TPR says trustees of charity pension funds should approach employer covenant in the same way. They should think about how much cash is available – now, and in the future – and what the risks are to that cash," he says.

"Many charities do have long-term horizons," he says, "but if I was a trustee of a charity pension fund, I would still look to ask myself the same questions: how much cash is the charity going to generate? Is that cash going to be available to the pension fund, and what are the risks to that cash? What could make the cash suddenly go away?

"These are all really important questions and I don't think they should be any different. However, I think TPR does recognise that charities are not like private companies who need to take risks to deliver profits, and will often take a less aggressive stance."

"Trustees have a responsibility to encourage members not to 'make the mistake'"

Managing liabilities

Over recent years, liability management has become a useful tool to help employers reach their long-term objectives.

Hitchiner recalls that historically members taking a transfer from a DB scheme was unusual. "But in the last three or four years, we've seen an absolute explosion in interest from members in their options under the scheme to either transfer, retire early or explore other flexibilities with their benefits," he adds.

These flexibilities – introduced as part of George Osborne's 'pension freedoms' in 2015 – have subsequently led to the greater use of liability management, which can mean providing more information, or implementing a bulk communication exercise and providing access to advisors.

"I've spoken to a number of trustee boards about liability management over the years, and the views range from, 'these are valuable options that members will be interested in, we should tell everyone', to 'we will avoid highlighting any of these options because they are not in their interests," Hitchiner adds.

One panellist shares his experience of looking to undertake a bulk exercise, although he claims his advisor fears take-up would be very low. "We haven't seen this so-called 'explosion of interest' yet, but if we do, we want to go big and try and shrink the size of the overall pot by having transfer values in place," he says.

Another panellist argues that transfer values could be "the answer to a lot of the issues we have as a sector". "People love the idea that they can now have more flexibility around their pension and take it early to pay off the mortgage and pay off debts," she says. "The scheme – on transfer value basis – would actually benefit from this. Transfer value basis would not be as generous as buy-out basis, so the scheme would profit from everybody wanting to transfer."

But where do employers' responsibilities lie with regards to members' best interests? A trustee on the panel argues that trustees have a responsibility to encourage members not to 'make the mistake'. "It would certainly help the funding of the scheme, but the encouragement to transfer all of your DB benefits is a mistake and personally, I feel like I would have a responsibility to stop a member from doing that.

"But, alternatively, if you provide them with all the information they need, they seek advice and still come to the same decision, well then surely our work is done? It's a very difficult situation, but I certainly like the idea of moving benefits around. Much more than moving benefits away."

Buyouts

For many charities, a long-term funding target is already in sight and they are closing in on the point of buy-out, whereby they can transfer

their pension liabilities to an insurance firm, which will take on the responsibility of meeting them.

But the market has become busy, and due to demand, it can often be difficult for organisations to obtain quotes from insurers. "This has meant that it's become increasingly important for schemes to prepare well for buy-out, and that means making sure the trustees and the employer are working well together, and both understand a common set of objectives," Hitchiner explains.

"It means you've got no legal uncertainty with regards to your benefits, so you'll need to have closed everything down, made sure you've got all your deeds tied up and have drawn up an accurate benefit specification. Your data will need to be in good order too. This is just part of a check list for trustees to go through on the path to buy-out," he adds.

One panellist talks about being extremely close to the point of a buy-out, but whilst also being held back by high admin fees.

"We're about £2 million short of a buy-out," she tells the panel. "And as it stands, we could just carry on making no further contributions and we'd be there in 2030. But we've got £100,000 a year of admin fees to pay.

"This has really highlighted how many costs can be accumulated in the build-up to buy-out and just how necessary it is to build these fees into the projections," she adds.

Preparation is key

Chris Hawley, partner at Barnett Waddingham also emphasises the need for preparation, explaining that due to the popularity of buyouts it can be extremely difficult to get traction in such a competitive market.

"This just highlights the need to prepare," he says. "You must make sure you've done your data and benefit work. These are things you can do years in advance of a transaction. Even if you are talking about a buy-out five years away, you can still get your lawyers to go over your benefit specification and see if there are any skeletons in the closet."

Whilst the idea of a long-term funding target may not be appealing to many charities, it does act as a reminder that working towards the future, setting objectives and careful planning are key to avoiding the devastation caused by DB failures.

"Like everything in life, there's a need for balance," Hitchiner concludes. "What the regulator is saying is that every organisation – regardless of their objectives – must simply plan to be at a point in the future where they are no longer on a bumpy journey.

"You can take some time to get there, and you can invest in some exciting things in the meantime, but at the point at which you're substantially mature, you should aim to be funded on a basis that allows you to avoid risk and volatility.

"Of course, this can be costly, especially for non-profit organisations, but finding the right balance will make it worthwhile in the long-run." ■

Barnett Waddingham is a leading provider of pensions consultancy services to the charity sector. For more information, visit: **barnett-waddingham.co.uk.**
To speak to somebody directly, please contact: **steve.hitchiner@barnett-waddingham.co.uk.**

ADVERTORIAL

The future of DB funding: the key facts you need to know

What does the Pensions Regulator have in store for charities?

WRITTEN BY STEVE HITCHINER, PARTNER, BARNETT WADDINGHAM

At the time of writing, the Pension Regulator's consultation on a revised funding regime has not been published, but the high level principles have already been established through various statements made by TPR.

What can we expect from the Pensions Regulator consultation?

- A clearer framework for what constitutes an appropriate funding plan, including what TPR sees as an appropriate 'long-term funding target' (LTFT).
- The concept of a 'fast track' route to demonstrating compliance, with scope for a more 'bespoke' approach subject to greater regulatory scrutiny.
- Clearer guidelines on how the financial strength of the sponsoring employer can be allowed for, and also on acceptable periods for any funding shortfall to be corrected.

Long-term funding target

The fast track regime will require a 'low dependency' LTFT. This means having enough assets to pay the promised benefits without significant reliance on investment returns or on support from the sponsoring employer.

Pension schemes must assume that they will fund on this low dependency basis and reduce investment risk once they are mature – i.e. when the liabilities relate to mostly pensioners. In the meantime, a reasonable level of investment risk can be allowed for.

TPR has indicated a maximum assumed investment return under this low-dependency LTFT of between 0.25% pa and 0.50% pa above the rate of interest available on UK government bonds ('gilts'). Therefore, once the LTFT is reached only a modest amount of risk – for example 10%-20% in equities – is needed.

New funding regime – points to consider

Once the detailed consultation is available, the main question is where a pension scheme sits relative to the fast track approach.

- Broadly in line with the fast track requirements: Funding valuations likely to be straightforward, although some minor tweaks may be needed.
- Broadly in line with fast track, other than contributions to correct a shortfall being paid over a long period: Key consideration is what the employer can afford to pay. This can have challenges for charities.
- Not able to meet fast track approach: May be subject to greater scrutiny from TPR. Consider further analysis of risks and gather evidence to support funding plan.

Time to review objectives and strategy?

Reducing investment risk over time as members retire and become pensioners is a common strategy for UK pension schemes. However, these strategies are often imbalanced, with too much short-term risk leading to excessive funding volatility. A balanced approach would target a more even spread, albeit still with a reasonably modest level of long-term risk.

Many charities can expect to be around for the long-term, but have restrictions on the cash they can pay to their pension scheme in the short-term. If your long-term target is currently more cautious than the fast track LTFT – for example, by assuming investment only in gilts – you should consider whether a more sustainable strategy would allow short-term risk and volatility to be reduced without increasing overall funding requirements. ■

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ADVERTORIAL

How to include impact investing in your strategy

It's a popular way to invest, but what are the pros and cons?

WRITTEN BY NICK MURPHY, HEAD OF CHARITIES, PARTNER, SMITH & WILLIAMSON INVESTMENT MANAGEMENT

For many investors, impact investing is a logical extension to responsible and sustainable investment as they strive for greater purpose in the way they invest. Rather than excluding or including certain areas, impact investing provides capital to companies that directly match a charity's social or environmental goals. Of course, charities will need to be mindful of the statutory and case law guidance relating to their investment policy.

The chief difference between impact investing and a grant, donation or philanthropy is that impact investing with the intention of generating a financial return albeit not always in line with the risk taken.

Current estimates from the Global Impact Investing Network (GIIN) put the size of the impact market at US$502bn* having grown by around 80% in the past four years. Typically impact investment ranges from renewable energy, conservation and microfinance to affordable basic services such as housing, healthcare and education.

However, in embracing impact investing, it is important that charities don't risk their reserves in a way that imperils their main activity – after all, charities are the original impact investors.

First steps

For charities contemplating incorporating impact investment, the first priority should be to define their values. This is key to finding impact investments that chime with the goals of the charity, be that equality, health or social justice. As we see it, there are five key questions trustees should ask before they start:

- What will you invest?
- What problems will you address?
- What steps will you take?
- How will you measure success?
- How can you measure impact?

In our experience, the most common explanation for weakness in an impact programme is not being clear about what success means at the outset.

Definitions

Definition is perhaps the most complex aspect for all types of investing with purpose. A 'good' social impact will ultimately be determined by our individual values, culture and belief system.

The Investment Association uses the GIIN (Global Impact Investing Network) definition, which see impact investments as having four key elements: intentionality, financial returns, investing through any asset class and impact measurement.

Intentionality

The intentionality requirement means that companies that just happen to have a business with good environmental or social impacts are likely to be excluded. This makes 'true' impact investment more difficult in public markets and is why most impact investment is in non-public enterprises and vehicles.

Measurement

Deciding how that impact is going to be measured can often give greater clarity on a charity's values and beliefs. It will open up ideas about impact to scrutiny, often giving a better result in the longer-term. Any measurement tool will need to reflect a charity's priorities, as well as answering the question of whether the impact programme is really making a difference.

More opportunities are likely to emerge as the sector matures. Public market investors can start to measure their exposure to sustainable impact solutions and they can measure their portfolio exposures against the UN's Sustainable Development Goals. This establishes a baseline, so impact improvement can be measured over time. This is not 'true' impact investing perhaps, but a step in the right direction. ■

*https://thegiin.org/research/publication/impinv-survey-2019

ADVERTORIAL

Defying convention

What does the successful investor of the 2020s need to know? WRITTEN BY RICHARD MAITLAND, HEAD OF CHARITIES, SARASIN & PARTNERS

Successful investment always requires lateral thinking and a willingness to embrace change and the 2020s will certainly see some big changes to the investment landscape. In this article, we explore the shifting patterns of economic growth and the secular themes which we expect to create a variety of enduring investment opportunities for charity portfolios in the decade ahead.

Some economic trends can become so enduring that we consider them to be the natural order of things. But the year-on-year economic growth that we have taken for granted throughout our lifetimes has been slowing recently, and in the 2020s we're unlikely to be able to rely as much on growth from the wider economy to generate our investment returns. There are five major challenges to growth:

The first is a slowdown in the increase in the working age population. Each year, with more people earning wages and spending, the amount of money in circulation and the size of the world economy has expanded. But outside Africa, birth rates are below the replacement rate and in many parts of the developed world, there are now more older workers retiring than young people joining the workforce. The key implication is that, with fewer people earning wages, the natural rate of global economic growth in future will be much more subdued.

The productivity growth of the average worker has been fading too. Economists are puzzled why, since the financial crisis, the growth in output no longer seems to be improving. The search for reasons will continue but the prudent investor take-away is not to over-estimate economic growth driven by productivity.

Another factor to remove from your future growth forecast is the beneficial impact of globalisation. The fall of the Iron Curtain and the far-reaching market economy reforms of Deng Xiaoping in China were just part of the massive growth in global trade in the last 30 years. But with the US now in open competition with China, and intent on reducing its massive trade deficit with Europe, global trade growth is unlikely to make such a positive contribution in the next few years.

Economic activity needs energy, and from the industrial revolution onwards, economic growth has been powered by burning fossil fuels. But climate change means that the next decade will see a fundamental shift in the energy supply. This will create huge opportunities, as we discuss shortly, but it will also be disruptive to lucrative industries and lead to a reduction in energy spending.

The fifth significant economic change is in consumption patterns. Consumerism has encouraged the relentless acquisition of goods and services, egged on by advertising and planned obsolescence. But the zeitgeist is changing. A new generation and fashion for conservation may reduce future consumption rates.

As the result of these five changes, we estimate that the 2020s will see average global nominal GDP growth of about 3.5% p.a., which compares to an average of 7.5% p.a. over the last 70 years.

Company profits won't grow in the same way in future. No longer can we ride the wave of the whole stock market on the tide of an expanding economy. Instead the most successful investors will need to be selective and choose companies with stronger-than-average growth tailwinds. Where do we find these? History labelled the 1920s the 'roaring twenties' for good reason. One hundred years ago the developed world enjoyed remarkable change – new technologies had a

dramatic impact, from the car, radio and electricity to the telephone, flight and the movies. The 2020s won't be an exact equivalent, but it is possible to see some significant changes in technology coming.

A wide range of developments stem from 'Digitalisation' – artificial intelligence is bringing natural language processing and 'machine learning' so that machines can comprehend, see and learn. It will transform the relationship between people and technology, boosting our creativity, speed, precision and productivity. Medicine will also start to deliver amazing advances from the ability to process enormous quantities of data and fix single faulty genes.

'Automation' will see more robots doing much more than factory processing: helping in care homes, cooking, cleaning and undertaking multiple basic tasks. Autonomous cars are not imminent but promise a transport revolution. 'Virtual reality' will transform entertainment.

It will be technology and human ingenuity that seek to fix many large environmental challenges, from climate change to biodiversity loss. The late reaction to these crises means the response will need to be larger and faster, with huge new investments required to mitigate and adapt, presenting powerful investment opportunities.

Whilst economic growth in the developed world will slow, living standards for billions of poorer people in the developing world will continue to improve. Many will shift to a 'middle class' lifestyle over the 2020s. And, as longevity improves, populations will see increasing proportions of elderly people – the number of over 65 year-olds will double by 2050. Ageing drives many different consumption patterns, and offers a plethora of commercial growth prospects.

So there are many new opportunities resulting from change. With these tailwinds, despite lower rates of GDP growth, there are numerous businesses that can thrive in the next decade, providing a wide variety of investment opportunities for charities. ■

REVIEW

Will easy come easy go?

Last year proved to be a great year for investors and for many, will have been the best years since the start of the millennium. But will 2020 be quite so successful?

WRITTEN BY GRAHAM HARRISON, DIRECTOR, ASSET RISK CONSULTANTS (ARC)

The phrase 'easy come, easy go' has been part of the English lexicon since the 1800's. It is used by way of consolation after losing something that has been acquired with little effort, such as gambling money.

After the best year for investors for a decade and one of the best decades for investors in a century, it is inevitable that those who have benefited from strong absolute and real increases in their wealth will increasingly worry that their fortunes will, quite literally, reverse.

Liquidity wave

The global financial crisis in 2008 resulted in the widespread use of a new form of monetary policy that had been pioneered by the Japanese a few years earlier, that of quantitative easing. The desired response was for companies and consumers to stimulate the economy through increased business investment and increased consumer demand respectively.

To an extent the policy was successful. Ten years on corporate profits are riding high and unemployment is very low. However, it is now recognized that the liquidity wave generated by quantitative easing has tended to benefit providers of capital far more than employees.

Investors have been able to make money over the last decade from both bonds and equities. As interest rates have fallen ever lower, bond prices have risen. It could be argued that purchasing a long-dated bond on a negative real yield (and for Euro investors often on a negative absolute yield) is speculation not investment. But such concerns have been academic in 2019 and indeed over the last decade as a whole as being selective within asset classes has been far less important than being "risk on". Caution has merely resulted in lower returns.

For much of the last decade, discretionary investment managers have tended to position their clients' portfolios at or below the neutral risk level. That caution has cost performance versus risk neutral index-based benchmarks. But, whilst

ARC Index Risk Category	Risk Relative to Equities	Returns for 12 Months to December 2019				
		ACI	USD PCI	EUR PCI	CHF PCI	CAD PCI
ARC Cautious ACI/PCI	0 – 40%	6.9	9.5	7.7	6.8	6.3
ARC Balanced Asset ACI/PCI	40 – 60%	12.2	14.1	12.1	11.7	10.5
ARC Steady Growth ACI/PCI	60 – 80%	15.6	17.9	17.8	15.5	13.1
ARC Equity Risk ACI/PCI	80 – 110%	18.1	23.5	22.4	19.3	16.2

ARC Index Risk Category	Risk Relative to Equities	Annualised Returns for 10 Years to December 2019				
		ACI	USD PCI	EUR PCI	CHF PCI	CAD PCI
ARC Cautious ACI/PCI	0 – 40%	3.9	2.9	2.2	1.7	4.0
ARC Balanced Asset ACI/PCI	40 – 60%	6.1	4.1	3.5	2.9	5.7
ARC Steady Growth ACI/PCI	60 – 80%	7.3	5.3	5.1	4.2	6.6
ARC Equity Risk ACI/PCI	80 – 110%	8.1	6.5	6.4	4.9	7.3

Asset allocation

ARC Index Risk Category	Currency Basis	Cumulative Returns for 10 Years to December 2019				
		ACI	USD PCI	EUR PCI	CHF PCI	CAD PCI
ARC Steady Growth ACI/PCI	Local Currency	103.1	67.9	64.8	50.8	90.1
ARC Steady Growth ACI/PCI	Sterling	103.1	106.3	57.9	97.5	88.8

the last decade has been a case of "easy come", the next is unlikely to deliver such a benign and beneficial backdrop. What that suggests is changes in monetary and fiscal policies across the western world will create an environment in which discretionary investment managers should be able to deliver superior risk-adjusted returns to simple passive index-tracking strategies as fundamental research begins to pay off once more.

How have charity portfolios performed in 2019 and over the decade?

After the experience of 2018, which proved to be one of the toughest years for investors since the financial crisis of 2008, a degree of trepidation heading into 2019 was to be expected. However, concerns that the extended bull market was finally topping out proved to be wrong and portfolios across all currencies and risk categories saw significant gains as the table to the left illustrates.

Annualised returns over the last decade have also been very solid with positive real returns being generated across all four ARC Charity Index (ACI) risk profiles and all ARC Private Client Indices (PCI) currencies. Indeed, almost all investors will have seen their real wealth grow and for those who have fully embraced the equity markets real returns should have been well over 50% and in some cases real wealth will have doubled.

"AFTER THE EXPERIENCE OF 2018, A DEGREE OF TREPIDATION HEADING INTO 2019 WAS TO BE EXPECTED"

The table above shows the 10 year performance for the Steady Growth ARC risk category, which encompasses portfolios that typically have an exposure to equities of between 55% and 75%, for the ACI and the PCI currencies in local currency and calculated in a common reference currency (Sterling).

The table shows local currency returns were highest for Charity investors (in Sterling) and Canadian Dollar investors (up c. 90%) and lowest for Swiss Franc based investors (up c. 51%). However, local currency-based returns can be misleading as they ignore the impact of currency movements on purchasing power. The significant return differences when measured in a common currency (Sterling) are striking, with the strongest returns accruing to US Dollar based investors and the weakest, by some margin, for Euro-based investors.

Choice of base currency should in theory not matter over the longer term. However, home country asset allocation bias has had a material impact on investor returns over the last decade.

Conclusions

- 2019 proved to be a great year for investors across the risk spectrum and across all five PCI currencies. For most investors double digit returns were the norm and 2019 would have been one of the best calendar years since the start of the millennium.
- Partly on account of the unexpectedly strong performance of 2019 but also on account of the ultra-accommodative monetary policy of western central banks since the global financial crisis, the last decade has seen excellent absolute and real returns achieved by investors. Yes underlying corporate profitability has risen but equity market returns have been supercharged by corporate balance sheet manipulations and multiple expansion. The last decade has, in retrospect, been "easy come".
- Discretionary managers have adopted a somewhat defensive stance for much of the decade, including 2019, and have therefore tended to struggle to match or beat passive index-based benchmarks. They have found "easy come" hard to accept and worried that whilst clients are always willing to accept easy come gains they rarely adopt an "easy go" attitude to portfolio losses.
- Looking to 2020 and beyond, if history is any guide, returns are likely to be lower and volatility significantly higher. That will undoubtedly unnerve some investors and we may well see a reversal from passives into discretionary mandates as a result. ■

INVESTMENT

Multi-Asset Funds	Investment Manager	Fund Size (£m)	Cash %	Bond %	Equities UK %	Equities Intl %
Barclays Charity Fund	Barclays	236.3	5.1	11.6	45.2	30.8
Armed Forces Charities Growth & Income Fund2	BlackRock	369	8	12	31.5	29.6
Catholic Charities Growth & Income Fund2	BlackRock	172	3.9	19.1	33.1	28.9
Charities Growth & Income Fund	BlackRock	61.6	2.3	20.5	29.2	31.8
Charity Multi-Asset Fund2	Cazenove	606	4.6	1.3	21.9	44
Responsible Charity Multi-Asset Fund	Cazenove	70.1	6.4	6.7	20.6	49.7
CBF Church of England Investment Fund	CCLA	1649.4	5.3	0	12.7	57.3
COIF Charities Ethical Investment Fund	CCLA	955.8	6.4	0	12	58.8
COIF Charities Investment Fund	CCLA	2820.3	6.3	0.4	12.5	58.4
Amity Balanced Fund for Charities	EdenTree	31.6	1.3	29.1	46	23.7
M&G Charity Multi-Asset Fund	M&G	193.2	6.4	10.7	52.4	30.4
Newton Growth & Income Fund for Charities	Newton	736.5	3.6	14.1	45.1	37.2
Newton SRI Fund for Charities	Newton	108.7	2.2	15.9	37.4	43.1
Newton Growth Fund for Charities	Newton	58.5	9.5	16.4	29.1	44.2
Active Income and Growth Fund for Charities	Rathbones	210.2	9.5	17	26	31.2
Core Investment Fund for Charities	Rathbones	120.7	2.2	7.8	38.9	35.3
Charity Assets Trust	Ruffer	150.4	7.3	34.1	20.4	23.9
Sarasin Endowments Fund2	Sarasin & Partners	1749.6	4	12.9	21.4	48.7
Sarasin Income & Reserves Fund2	Sarasin & Partners	154.4	4.8	73.8	8.7	10.2

Peer Group Indices						
Sterling Cautious Charity Index	ARC		13.1	24	18.9	24.4
Sterling Balanced Asset Charity Index	ARC		27.3	41	1.1	14.5
Sterling Steady Growth Charity Index	ARC		2.5	7.2	46.8	32.2
Sterling Equity Risk Charity Index	ARC		6.9	15.9	35.8	29.4

Market Indices1	
UK Equities	iShares
International Equities	iShares
UK Sovereign Bonds	iShares
UK Corporate Bond	iShares
UK Property	iShares
Cash	-

INVESTMENT

Property %	Other %	Last Quarter	Last 12 Months	YTD 2019	Last 3 Years	Last 5 Years	Last 10 Years
4.6	2.8	2.7	17.7	17.7	26	47.6	-
9.3	9.6	3.1	18.1	18.1	25	48.1	120.6
4.6	10.4	2.1	16.3	16.3	26.3	48.2	115
8.3	7.9	1.5	-	-	-	-	-
8	20.2	2.3	13.1	13.1	16	33.8	86
5	11.6	2.4	15.7	15.7	-	-	-
4	20.7	3.5	22.4	22.4	41	71.4	177.8
5.4	17.5	2.9	22.2	22.2	37.7	65	159
5.1	17.4	2.6	21.7	21.7	38	66	164.8
-	-	4.8	17.1	17.1	19.6	34.6	-
0.1	-	-	-	-	-	-	-
-	-	1.4	18.9	18.9	32.4	58.3	159.5
-	1.4	2.9	19.4	19.4	27.4	48.3	-
-	0.9	1	18.1	18.1	29.1	51.5	-
7.5	8.8	1.3	13.9	13.9	22.9	43.2	-
5.4	10.3	2.8	15.6	15.6	21.4	-	-
-	14.3	1.2	7.2	7.2	4.3	16.6	-
8.6	4.5	3.1	19.6	19.6	26.8	44.9	118.4
1.3	1.3	-0.9	9.4	9.4	11.5	23.6	74.2
1.8	17.9	0.4	6.9	6.9	7.9	14.2	47.1
0	16	1.7	12.2	12.2	15.2	29	80.4
1.2	10.2	2.5	15.6	15.6	20.4	38.5	103.1
1.6	10.5	3.2	18.1	18.1	23	43.4	117.4
		2.6	17.2	17.2	19.5	40.2	104
		1.1	23.8	23.8	33.3	80.4	201.5
		-3.9	6.8	6.8	9.1	20.4	65.9
		-0.4	11.2	11.2	12.9	27.8	86.9
		11.4	27.4	27.4	23	25	124.9
		0.2	0.7	0.7	1.3	2	4.2

Source / Asset Risk Consultants

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.

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W: www.cernocapital.com

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W: edentreeim.com

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M&G Investments,
M&G Charities Department

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Newton Investment Management

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Rathbone Investment Management

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For further information please contact Natalie Yapp:

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All figures as at 31 December 2019

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Royal London Asset Management

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All data as at 31 March 2015.

Ruffer LLP

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