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July 2016

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Income:

Philanthropy

What does the changing nature of the financial elite mean for charities?

Finance:

Pensions

Charities face challenges in meeting their retirement income obligations

Profile:

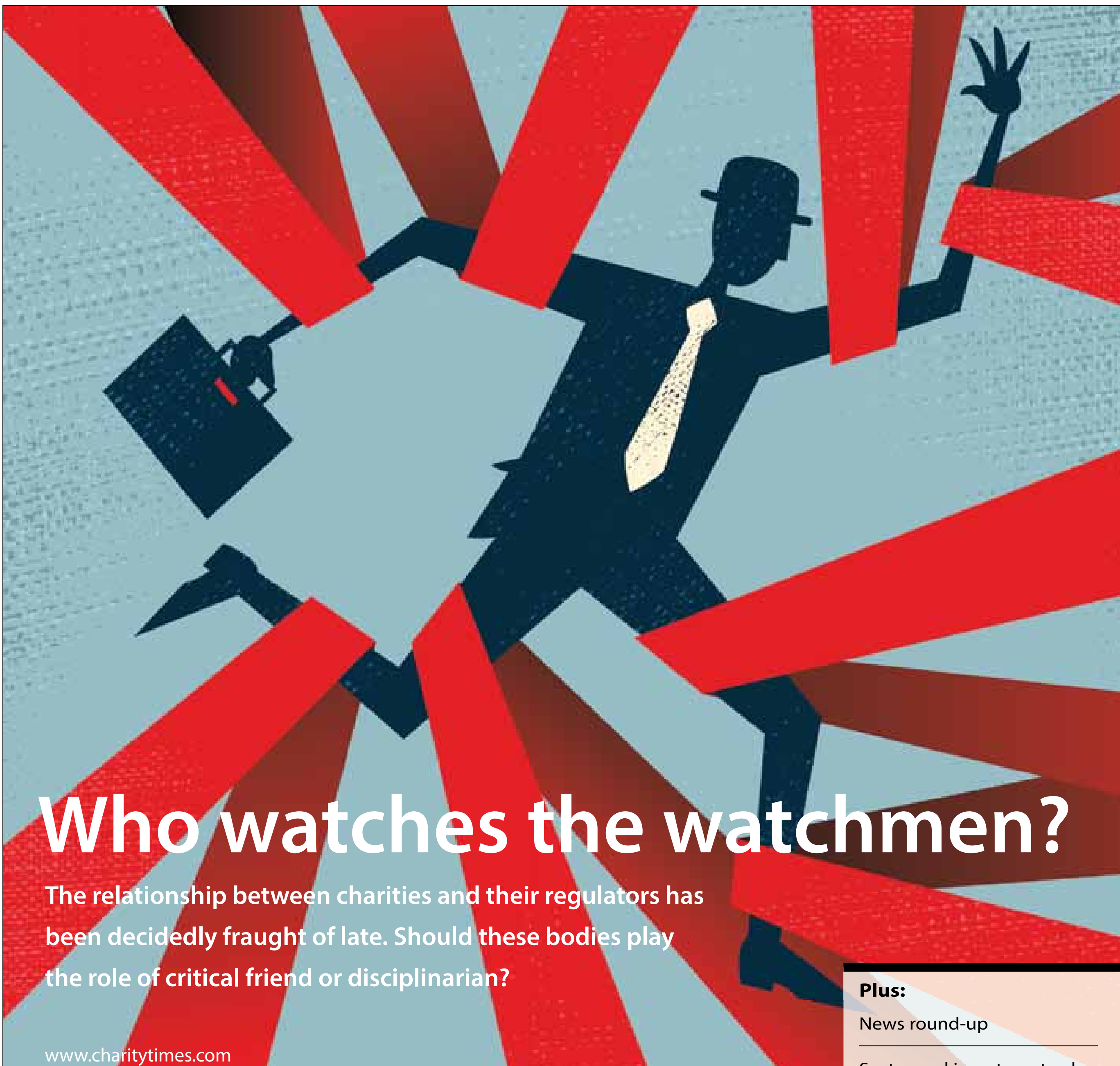
Andrew Wallis

How small, multi-award winning charity Unseen is taking on modern slavery

Management:

Management Guide 2016

Insights and advice for charity managers from sector experts and advocates



Who watches the watchmen?

The relationship between charities and their regulators has been decidedly fraught of late. Should these bodies play the role of critical friend or disciplinarian?

www.charitytimes.com

BETTER SOCIETY AWARDS

Celebrating the winners of the second annual Better Society Awards

Plus:

- News round-up
- Sector and investment columns
- Appointments

See page 77 for charity suppliers directory

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PERSPECTIVE PUBLISHING

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Time to work together

Leadership, democracy, representation. All have been questioned following the referendum on membership of the European Union.

A familiar refrain from Leave voters who had microphones thrust in front of them was that they had felt unrepresented. Democracy hadn't delivered effective solutions for the problems they saw in society. Regardless of what you think of UKIP, the four million people who gave their votes for the party last May could justifiably fell let down that they only received Douglas Carswell in return.

A Prime Minister quitting should dominate the news cycle for weeks. David Cameron's record for fastest post-failure resignation was swiftly snatched by Roy Hodgson, before the headlines were claimed by Johnson, Gove, Farage, and almost the entire Labour front bench. We now have a Prime Minister picked by the Conservatives and a Labour Party so divided that it can hardly be called one movement.

This stood out from Theresa May's statement after being invited to form a new Government:

"…if you're born poor, you will die on average nine years earlier than others. If you're black, you're treated more harshly by the criminal justice system than if you're white. If you're a white, working-class boy, you are less likely than anybody else in Britain to go to university. If you're at a state school, you're less likely to reach the top professions than if you are educated privately. If you're a woman, you will earn less than a man. If you suffer from mental health problems, there's not enough help to hand. If you're young, you will find it harder than ever before to own your own home."

It seems the UK needs its charities more than ever, to help those who need it and provide leadership on the country's future course.

And the sector can scarcely afford for policymakers or regulators to make its job harder. Some of the criticisms levelled at the Charity Commission lately have been fair, some not so fair. It is hardly unusual, in any sector, for the regulated to regard the regulator with scepticism. Nobody particularly likes being told what to do.

In our cover feature this issue the commission and the Fundraising Regulator say they are open to working with the sector to ensure the systems are effective. It is an invitation that any charity with concerns should take up.

Matt Ritchie, Editor

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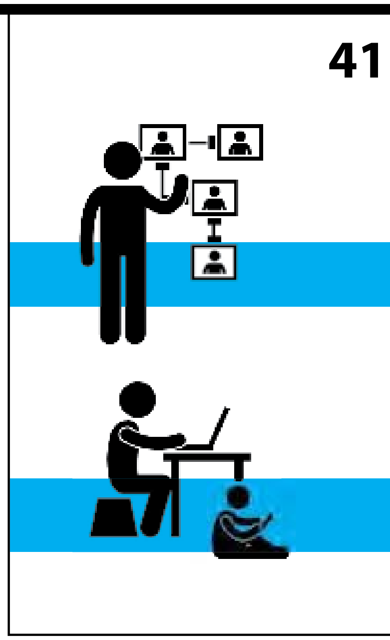

Charity management

Features

Better Society 2016 AWARDS

Better Society Awards

THE REGULATOR LAST YEAR REMOVED NINE TRUSTEES for misconduct. Trustees removed are now permanently disqualified from acting in charities. The **Charity Commission's** annual report showed the number of trustees removed was up from four in 2014/15. The regulator issued 14 notices of its intention to remove people as trustees last year. Four new interim managers were appointed in 2015/16, taking the total number of interim managers in place to 13 as at the end of March. The commission opened 53 new inquiries over the year, compared with 103 in 2014/15. The regulator said the decrease was due to fewer double defaulter cases being opened, as well as more cases being dealt with as compliance cases. Legal compliance powers were used in 1,073 cases, compared with 1,062 times in 2014/15. The commission opened 1,327 operational compliance cases, down from 1,182 the year before, and closed 1,309. The regulator considered 8,198 applications to register as a charity in 2015/16, up from 7,192 the year before. Registrations were up to 5,169 from 4,648 in 2014/15.

A NEW REPORT ON CORPORATE MATCH-FUNDING has found donors are likely to give 2.5 times more to charity on average when match-funded. The research report, *A Great Match*, found more people are likely to donate to charity and give more money if they know their donation will be match-funded by an employer, the government or philanthropic body. The report was funded by **Royal Bank of Scotland**, the **Charities Trust** and **The Big Give** and compiled by Dr Catherine Walker. Analysing data from 138,000 charitable donations, the study found the average value of a matched donation was £333 compared with £132 for those which were un-matched. The report identified growth in the number of leading UK companies offering match-funding to their employees, who donate money via payroll giving schemes or through fundraising activities.

CHARITIES AID FOUNDATION'S SOCIAL INVESTMENT ARM CAF Venturesome has made its 500th social investment. The lender announced it has now helped charities and social enterprises with more than £40m in repayable finance since it was established in 2002. It has been supported by more than 100 funders – many of them getting involved in social investment for the first time. CAF Venturesome provides unsecured loans of up to £350,000 to social organisations with a clear charitable purpose. It has a particular focus on organisations that can demonstrate strong social impact but may be considered too risky for other lenders. Announcing the milestone, CAF Venturesome said the average size of social investment across its funds was £101,000. Fourteen per cent of organisations backed by CAF Venturesome were based in the south-west of England. The east of England accounted for 12 per cent of social investments followed by London and the south-east on 11 per cent each.

"Over 170 investors have invested into SITR deals, significantly high net-worth individuals and angels"

SOCIAL INVESTMENT TAX RELIEF HAS UNLOCKED £3.4M FOR CHARITIES and social enterprises, according to new research. The study, by think tank **NPC** for **Big Society Capital**, found 30 projects have raised investment using SITR deals since April 2014. SITR is a relatively new tax break which offers individual investors a 30 per cent income tax relief on loans or equity investments made to charities and social enterprises. Investments have raised capital of £100,000 for charitable causes on average, in areas including education, homelessness, heritage work, and work in local communities. The market has predominantly boosted organisations outside of London, the research found, with activity focused on Scotland and the south west. Over 170 investors have invested into SITR deals, significantly high net-worth individuals and angels. However, the report found retail investors are increasingly using SITR with the average investment size as low as £230.

FUNDRAISING COMPLAINTS INCREASED 6 PER CENT TO 66,814 LAST YEAR, according to the **Fundraising Standards Board**'s latest annual complaints report. The report found addressed mail and telephone fundraising accounted for 41 per cent and 20 per cent of all complaints, respectively. Complaints involving telephone fundraising jumped 65 per cent year on year, to 13,332. Two-thirds were driven by a dislike of fundraising calls, up from one-third in 2014. Doorstep fundraising accounted for 14 per cent and clothing collections for 8 per cent. Over a third of charity fundraising complaints were prompted by a 'general dislike' of fundraising methods. The report found 500 of the nation's biggest fundraising charities are responsible for 98 per cent of both fundraising activities and complaints, with nine in 10 small charities recording no complaints about their fundraising.

THE £80M LIFE CHANCES FUND HAS LAUNCHED to support the development of social impact bonds to help tackle social issues. The LCF is structured around six key themes: drug and alcohol dependency, children's services, early years, young people, older people's services, and healthy lives. Applications for proposals focused on children's services and tackling drug and alcohol dependency are now open, to be followed by the other themes over the next 12 months. The fund will contribute to outcome payments for payments by results contracts which involve socially minded investors. Contracts must be locally commissioned and aim to tackle complex social problems. The fund will aim for contributions of around 20 per cent of total outcomes payments, with local commissioners paying the majority. The LCF's contribution will be set to reflect the balance in savings that are generated for the wider public sector. **Minister for Civil Society Rob Wilson** launched the fund alongside the **Government Outcomes Lab**. The GO Lab, announced in March, is a partnership between Cabinet Office and the Blavatnik School of Government. The GO Lab is being established as an independent centre of academic excellence for the commissioning of public services.

CANCELLATION RATES FOR DIRECT DEBIT DONATIONS WERE THE LOWEST ON RECORD DURING 2014 AND 2015 despite controversy surrounding the sector. Regular giving and direct debit processing specialist **Rapidata's** *Charity Direct Debit Tracking Report* showed the cancellation rate was 2.86 per cent last year, the second lowest average annual rate ever. The lowest average annual donation cancellation rate was the 2.67 per cent recorded in 2014. The impact of 2015's fundraising crisis appears to have been limited when it comes to regular giving, as direct debit cancellation rates remained below average from May 2015 through to March 2016 despite the negative attention charities received over the period. Early signs were that 2016 will be a healthy year for regular giving, with January's cancellation rate of 2.64 per cent the lowest for that month since recording began.

THE CHARITY COMMISSION IS INVITING VIEWS ON HOW IT PLANS TO EXERCISE ITS NEW LEGAL POWER TO ISSUE OFFICIAL WARNINGS to charities. The new power enables the commission to issue warnings when it considers there has been a breach of trust or duty, or other misconduct or mismanagement in a charity. It was introduced in the latest Charities Act and is expected to be in expect from October. Setting out its

proposed approach to using the new power, the commission said warnings might be issued in cases of unauthorised benefits to trustees where the amounts involved are too small to justify other sanctions. It could also exercise the power in cases where poor trustee decision making has resulted in financial losses too small to justify stronger sanctions. Warnings could be issued in cases of repeated or persistent failure to comply with statutory accounting and reporting requirements, the commission said, or for repeated breaches of a charity's governing document that cause governance problems.

THE CHARITY TIMES AWARDS SHORTLIST has been announced. Find out who is in the running at *www.charitytimes.com/awards.*

> *"500 of the nation's biggest fundraising charities are responsible for 98 per cent of both fundraising activities and complaints"*

THE CHARITY COMMISSION HAS OPENED A STATUTORY CLASS INQUIRY INTO ROYAL AIR FORCE MESS CHARITIES after two suffered significant financial losses due to fraud. The commission said all RAF messes have standardised financial control systems and the regulator wants to be sure similar problems to those that arose at the defrauded charities are not unfolding elsewhere. Announcing the inquiry, the commission said the managing trustee of **RAF Honington Officers' Mess** and **RAF Honington Sergeants' Mess** notified it of the fraud, carried out by a contractor's employee. The employee later pleaded guilty to fraud by abuse of position involving more than £72,000. The charities have a combined annual income of around £225,000.

CITY BRIDGE TRUST AND UBS ARE LAUNCHING THE THIRD ROUND OF THE STEPPING STONES FUND, to support organisations that wish to prepare for social investment. The fund provides targeted support in the form of grants and risk finance. Funding can help organisations obtain capacity building support that will help them access social investment, pilot new ways of achieving better social outcomes, or secure risk finance that can catalyse a social investment package. A total pot of £700,000 is available this round. Applicants can secure tailor made grants up to £50,000, or up to £150,000 for risk finance. Applicants can secure financing for up to 18 months, and commitment for risk finance for up to five years. The programme also provides interaction with social investment and investment readiness experts and service providers, and the opportunity to test the viability of new models of delivering outcomes. Applications are invited until 15 August, from charitable organisations working with beneficiaries in Greater London. The first two rounds of the Stepping Stones Fund saw 32 charities awarded a total of £1.6m for investment readiness projects.

FAITH BASED ORGANISATIONS ACCOUNT FOR ALMOST A QUARTER OF THE ANNUAL INCOME OF CHARITIES IN ENGLAND AND WALES, according to a study from think tank **NPC**. Analysis of Charity Commission and NCVO data found that the 27,535 Christian charities in England and Wales have combined income of £11bn. Nearly 2,150 Jewish charities have combined income of £1bn, while the UK's 2,054 Muslim charities have a combined income of £500m. Income is concentrated in a relatively small number of very large charities, NPC found. Charities worth over £10m account for almost 60 per cent of Christian charities' income, over 40 per cent of Muslim charities' income, and a third of Jewish charities' income. *Faith matters* found Muslim charities in England and Wales represent one in five of charities established since 2011 which remain active today. Muslim charities were 10 years old or younger, while just 10 per cent of Christian charities were registered more than 50 years ago.

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KIDS COMPANY FOUNDER CAMILA BATMANGHELIDJH is to set out her view of the scale of the problem facing Britain's children's services and the thinking behind a different model in a new book. Announcing plans to release the book, Biteback Publishing said *Kids* will make public "two decades of candid exchanges with prime ministers and senior politicians to explain why the sector has not improved since Victorian times". The book will be co-written with journalist Tim Rayment.

LEGISLATIVE CHANGE IS NEEDED TO ENSURE COUNCILS MAKE GREATER USE OF THE SOCIAL VALUE ACT, according to a new report. Freedom of Information requests sent to 353 English councils between February and April found more councils than ever are considering social value when commissioning services, but many continue to make little or no use of the Social Value Act. **Social Enterprise UK**'s report, *Procuring for good*, found 33 per cent of local authorities now routinely consider social value in their procurement and commissioning. Twenty-four per cent have a social value policy. The findings reveal 14

> *"33 per cent of local authorities now routinely consider social value in their procurement and commissioning"*

per cent of councils are fully embracing social value, applying it frequently to contracts. Most of these councils have a social value policy. Almost 20 per cent of councils apply the Act conservatively, SEUK said, but have a social value policy, framework or toolkit. However, 45 per cent of the councils that responded mention social value in their procurement strategy but apply it infrequently, while 22 per cent operate without a social value policy and have little or no mention of social value in their procurement policy. SEUK recommends legislative change to strengthen the Act, arguing guidance has so far proved insufficient to ensuring its aims are met. The report also recommends ensuring commissioners have access to better information and more consistent training on social value, to help them understand the opportunities of the Act.

TAX RELIEF TO CHARITIES INCREASED BY 8 PER CENT TO £3.67BN IN 2015/16, according to the latest estimates from **HM Revenue & Customs**. Repayments to charities in 2015/16 were around £90m higher than in the previous year, driven by a £70m increase in Gift Aid repayments. A £20m increase in income received with tax deducted also contributed. The provisional estimates found the largest contributors to reliefs for charities were business rate relief at around £1.79bn and Gift Aid tax repayments at around £1.3bn. Overall estimated relief for individuals following a donation was up £150m year on year, to £1.47bn. The report said the largest contributors were Inheritance Tax relief at £880m, and Higher Rate Relief at £480m. Payroll Giving amounts have steadily increased over the years, HMRC said, reaching £130m in 2015/16.

TWO OF THE PRINCE OF WALES' CHARITIES ARE TO MERGE FROM JULY. **The Prince's Regeneration Trust** is set to become a subsidiary of **The Prince's Foundation for Building Community**, alongside its international arm **INTBAU**. Announcing the move, The Prince's Regeneration Trust said it will continue to do advisory work on heritage projects and offer its BRICK community education programme. The Prince's Regeneration Trust team will join PFBC at their Shoreditch offices. Its own subsidiary charity, the **United Kingdom Historic Building Preservation Trust**, will operate independently with **HRH The Prince of Wales** continuing as Patron.

THE HOUSE OF LORDS HAS APPOINTED A SELECT COMMITTEE ON CHARITIES, with Baroness Pitkeathley as chair. The ad hoc committee has been tasked with considering issues related to sustaining the charity sector, and the challenges of charity governance. The **Select Committee on Charities** is comprised of Baroness Barker (Liberal Democrat), Lord Bichard (crossbench), Lord Chadlington (Conservative), Lord Foulkes of Cumnock (Labour), Baroness Gale (Labour), Lord Harries of Pentregarth (crossbench), Baroness Jenkin of Kennington (Conservative), Lord Lupton (Conservative), Lord Rooker (Labour), Baroness Scott of Needham Market (Lib Dem), and Baroness Stedman-Scott (Conservative). The committee is required to report to the House by 31 March 2017.

CHILDREN AND YOUNG PEOPLE OVERTOOK MEDICAL RESEARCH AS THE MOST POPULAR CAUSE FOR PEOPLE IN THE UK TO GIVE MONEY TO LAST YEAR. However, medical research attracted the most support in terms of money donated to a cause area, accounting for 16 per cent of donations. Children and young people attracted 13 per cent of total donations. **Charities Aid Foundation's** *UK Giving 2015* study found 67 per cent of people had given to charity in the 12 months prior to being surveyed, while 42 per cent had given in the preceding two weeks. The survey collected information about charitable giving from 4,160 adults aged 16 and over in the United Kingdom. The survey ran in February, May, August and November, as a module on GfK NOP's face-to-face omnibus study. The most popular way for people in the UK to support a charity was donating money, with 39 per cent of respondents having done so in a typical month. Donating goods followed with 20 per cent having supported charities this way in a typical month, while 9 per cent had sponsored someone.

People on the move...

The latest appointments from around the charity sector

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

JON BURTON

Jon Burton has been appointed chief executive of **International Association of Teachers of English as a Foreign Language**. Burton started his career as an EFL teacher. He holds diplomas in TESOL and ELT management, and has worked as a teacher trainer for TrinityCert. TESOL courses and has a BA degree and Postgraduate Diploma in Urban Planning.

TERRY TYRRELL

Design Council has announced industry veteran Terry Tyrrell, worldwide chair of Brand Union, as its new chair. Tyrrell started his career as a graphic designer and went on to co-found WPP's global brand strategy and design agency, Brand Union. He has been a Design Council trustee for the previous two and a half years.

TOM FRANKLIN

The Citizenship Foundation has appointed Tom Franklin as its new chief executive officer following the departure of Andy Thornton earlier this year. Franklin is currently CEO of Think Global, a charity which works with schools to develop students as active global citizens. He was CEO of The Ramblers.

ANN TIGHE

CAYSH, the south London charity for single homeless people aged 16-21, has announced the appointment of Ann Tighe as chief executive. Tighe, who took up the post on 13 June following the resignation of Kathryn Uche, is a qualified social worker. She worked with local authorities in social services and probation for a decade before moving on to Nacro for 17 years.

CHRIS CHANEY

CW+ has appointed Chris Chaney as its new chief executive. Chaney joins from the University of Cambridge, where he established the University's first schools-based fundraising programme in his role as head of major gifts. Before Cambridge, Chaney spent over 10 years at Great Ormond Street Hospital Children's Charity.

GERRY LEJEUNE

Gerry Lejeune OBE has taken over as CEO at grant giving organisation **Berkshire Community Foundation**. Lejeune joins from Berkshire East & Bucks Women's Aid (now Dash Charity) a charity that she led for 10 years. In 2011 Lejeune was awarded the OBE for supporting victims of domestic abuse.

JONATHAN COHEN

Jonathan Cohen OBE has been appointed executive director of **Conciliation Resources**. Cohen is the former director of programmes at Conciliation Resources, which he joined in 1997. Previously he was deputy director of the Foundation on Inter-Ethnic Relations in The Hague. The appointment follows the departure of Andy Carl after 21 years at the helm.

LISA HOPKINS

Lisa Hopkins has been named chief executive of **SeeAbility**. Hopkins joins from Dimensions UK where she is managing director. She has an extensive background in providing innovative, person-centred support services to children and adults with complex needs, both in Canada and the UK.

DR VICTORIA EDWARDS

Education charity the **Ernest Cook Trust** has appointed Dr Victoria Edwards OBE as its new chief executive. Edwards is currently associate professor and rural programmes director at the University of Reading's Henley Business School. She has been a trustee of the trust since 2007 and has resigned from the board.

SARAH LEE

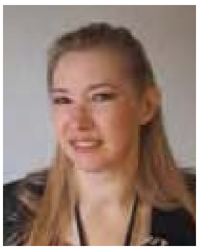
Sense, the national deafblind charity, has announced the appointment of Sarah Lee as its new director of fundraising. Lee joins from Macmillan Cancer Support where she has worked for almost 5 years, most recently leading the mass market fundraising teams and a fundraising regulatory change programme. She recently featured in *Marketing Week*'s 'Vision 100'.

JO COLEMAN

National law firm **Bond Dickinson** has appointed Jo Coleman as a partner to its charities team. A charities specialist, with a national profile and more than 17 years' experience, Coleman will be based in the firm's London office. Whe was recruited from IBB Solicitors where she headed the charities practice.

Consultation

CARON BRADSHAW EXPLAINS WHY FINDING THE TIME TO RESPOND TO THE CURRENT SORP CONSULTATION IS CRUCIAL FOR CHARITIES



CARON BRADSHAW IS CHIEF EXECUTIVE OFFICER OF THE CHARITY FINANCE GROUP

As the chief exec of a charity with over 1,400 other charities as members, I speak to a lot of other charity people from one day to the next.

One difficulty that crops up a lot in conversation is the trap of being stuck 'fire fighting' - not having time to step back, think strategically about what you're trying to achieve, or to prioritise things like responding to surveys or consultations.

You may have seen that the Charity Commission is currently asking for responses to its research consultation on the charities Statement of Recommended Practice (SORP). For those not familiar, the SORP is the guidance that charity accounts in the UK and the Republic of Ireland have to abide by. It is based on the national reporting standard FRS 102, which is expected to be reviewed next year.

Research into reporting standards might not strike you as the most captivating topic high on the priority list. However, it's so important that charities feed in their views and help to positively shape the reporting environment for the whole sector. And not just the finance people - this is something that affects us all.

Why bother responding?

The consultation is a vital opportunity for the sector to work together to improve the standards of reporting in the charity sector, and to ensure that readers of accounts (whether they are funders, donors, beneficiaries or others) can effectively hold charities to account.

You may feel like it was only five minutes since you last engaged with the SORP but this consultation will feed into developments by the Financial Reporting Council and needs to fit with their timeline.

The Charity Commission and the Office of the Scottish Charity Regulator (OSCR) want to look at 6 key areas of research:

1. the SORP's structure, format and accessibility;
2. issues charities might have in implementing the SORP;
3. SORP Committee member suggestions on specific changes to both the annual report and the accounts;
4. whether the themes identified in the consultation by the Charity Commission and the OSCR will help to meet the main purpose of the SORP;
5. recommendations on items to remove, change or add to improve the SORP;
6. recommendations on which disclosures in the notes to the accounts are not required, need changing or are missing.

It's vital that changes to the SORP are not driven by negative media coverage and the actions of a few charities. Transparency in reporting should be encouraged when it helps charities' donors and beneficiaries understand their processes, not because of political or media pressure.

What's good financial governance for one charity may not suit another. Reporting impacts on all charities differently and this consultation is a perfect opportunity to highlight what method of sound financial governance suits you.

A charity's reporting should be an opportunity to show off successes, but also to explain any failures, and to explain and elaborate on anything that might not be apparent simply as a list of numbers. This is something that should be expressed to the SORP committee, through feedback on how to improve the narrative reporting requirements. Allowing greater linkage between the trustees' annual report and the financial information in the accounts can help charities explain themselves to readers.

Charities are increasingly facing a hostile environment, with criticism in the media and in turn from the public. So it's especially important the sector shares its experiences with regulators. Use this consultation to ensure your voices are heard. At CFG, we will be working with our members, and across the wider sector, to ensure that the consultation produces a SORP that is developed with the best interests of charities, their beneficiaries, and their donors, in mind. ■

SORP

THE NEW FRS 102 SORP HAS BEEN WITH US FOR OVER A YEAR NOW, ITS INTRODUCTION HAS NOT BEEN WITHOUT CRITICISM

One of the areas attracting attention has to be the disclosures of transactions with trustees. Section 9.3 of the revised SORP informs us that transactions with trustees must always be considered significant and as such, even small transactions cannot be excluded on the grounds of being immaterial.

Section 9.18 of the SORP requires the aggregate amount of donations from trustees and their close family members to be disclosed. This is not an easy group to identify, particularly when the glossary to the SORP defines 'close family' as:

a) that person's children or spouse;
b) the children, stepchildren or illegitimate children of that person's spouse or domestic partner;
c) dependants of that person; and
d) that person's domestic partner who lives with them as husband or wife in an equivalent same-sex relationship.

This therefore means that trustees must be able to identify the amount of donations from the above persons to their charity. However, the practical application of this provides preparers of the accounts and trustees with a practical challenge.

I believe it is unlikely that every trustee, acting in good faith, will necessarily know what every individual who would be 'close family' may have donated to their charity in the year. They certainly will not have considered it their obligation previously to keep this information and I would therefore be surprised if most charity's systems are capable of producing it.

The thinking behind disclosure of transactions with trustees and other related parties is to determine who may have significant control over a charity which may also serve their personal interest. To this extent it is understandable why all transactions are considered material.

However, on a practical level does this really make sense for every transaction no matter how small to be included?

The identity of who these people are relies on a voluntary disclosure by individual trustees. Even if this could be provided many charities will find it impractical or impossible to try and create accurate records which can demonstrate these lists are a complete list of 'close family' transactions.

There are further considerations concerning the identity of some of the persons involved. I personally find the term 'illegitimate' a bit outdated and its inclusion adds a slightly unwelcome moral tone. Surely we live in a day and age where people's children are their children, regardless of the marital status of the parents when they were born?

Although there will still be situations where illegitimate children will not be known to existing domestic units. In my home town, following the death of a wealthy newspaper magnate, a young woman appeared who claimed and could demonstrate that her son was one of the deceased's children. The marital family had no previous knowledge of this child and had assumed the estate would be split amongst them. However, they had to concede to this new child his share of the estate.

I therefore ask whether this detail is taking personal information to a level that may be unrealistic to expect, invasive and unwelcome when known. We need to reflect on what the true value of including this in a set of accounts is deemed to be.

There are already many pressures on charity trustees to comply with the expectations of good governance. Acting as a charity trustee is not without its risks and some charities have found recruiting good quality trustees, who wish to embrace that risk, a challenge.

The value of asking for information about transactions which can compromise a charity is clear, but have we gone too far down the road of creating lists of people considered a risk and are there better ways of asking trustees review their decisions and actions without this degree of personal scrutiny? ■

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

Fundraising

PETER LEWIS IS CHIEF EXECUTIVE OF THE INSTITUTE OF FUNDRAISING

PETER LEWIS HIGHLIGHTS SOME OF THE KEY POINTS FROM A RECENT REVIEW OF THE STATE OF THE SECTOR

It is perhaps not surprising that the latest edition of our annual survey of charities alongside the Charity Finance Group and PwC – *Managing in the new normal* - suggests that public trust and confidence, and the reputation of the sector, has been at the top of charities' concerns over the past year. At the Institute of Fundraising we know our members have been taking significant steps to review their fundraising practices and activities to better reflect the preferences of their supporters.

The survey also shows that many charities are likely to be diversifying their fundraising activities in the coming year. Encouragingly, it shows that the public who support our causes are continuing to do so as donor retention levels over the last year are up. This may be unexpected to some, but it reflects the continuous and generous desire of the British public to make the world a better place through their support for charitable work.

The overall context for charities continues to be one of high demand, and financial pressures. Sixty-five per cent say that demand for services has increased over the past year, while a concerning 25 per cent say that they do not have the resources to meet the demand they are facing. In this context, the importance of fundraising is even greater – the need to raise money is vital for the causes and people charities work for.

These pressures facing the sector are nothing new. Indeed, the first edition of the survey was titled *Managing in the downturn*. After several years we decided to change this to *Managing in the new normal* to reflect that many of the structural pressures facing charities were likely to remain for years to come. However, what is new this year are the concerns about the public context and the new level of scrutiny facing charities. Asked about the most important challenges facing the sector this year, public funding cuts remain high in charities' minds. However, also of major concern are 'public trust and confidence', 'reputational issues' and fundraising regulation. Increased press and public scrutiny into fundraising practice and charities generally was seen as the greatest challenge by 83 per cent. So we are seeing not only a continuing high level of need for charities, but increasing concerns around the context in which we are able to fundraise.

In many ways, you might expect this concern about public trust, new regulation and media scrutiny to result in charities withdrawing from fundraising work. But this appears not to be the case. Firstly, charities are taking on board concerns and many have already changed their fundraising practices. The majority of charities took action in the past 12 months, and two thirds of those who made changes said they were doing so either to 'adhere to best practice' or because of 'expectations from donors'. One in five said that they were doing so because of direction from their board. Secondly, fundraising remains central to charities' plans for the future. More charities intend to diversify their income over the coming year through fundraising (64%), or by looking at new areas of fundraising (79%), and increasing fundraising in their current area of focus (75%).

Finally, there is encouraging evidence that, despite the falls in public trust in the sector, supporters are sticking with the charities they donate to. Reported donor retention levels are up on previous years. Although fewer new donors have been recruited (likely for a variety of reasons including suspension of fundraising campaigns in reaction to last year's scrutiny), it shows that the vital link that fundraising provides between the individual and the causes they care about remains strong for many.

So after a year of intense scrutiny, it is reassuring our members have taken swift action to review and improve fundraising practice, and that current supporters are continuing to support the causes they care about in growing numbers. The big challenge for the sector, especially at a time of continued reductions in statutory funding, remains the need to find new supporters for the world-improving activities our members undertake. ■

Property

ANTONIA SWINSON ON WHAT A CHARITY'S WORK SPACE SAYS ABOUT THE ORGANISATION

It is a truth universally acknowledged that your office premises, whether owned or rented, make an instant impression on staff, recruits, trustees, donors, volunteers, service users. Yes I know it isn't fair given the wonderful work we do, but the truth is we all make judgements about property all the time: it's all about status, power money and success. The fact that the voluntary sector pretends to inhabit a higher moral plane is moonshine. So let me tell you two true stories from the property front line here at the Ethical Property Foundation. Our first tale takes place five years ago when an experienced property professional turned up for a job interview at the HQ of a major international development charity. Our hero was punctual – five minutes early – and was kept waiting 20 minutes. So he had leisure to look about him and – property professionals being nothing if not observant – he took in the dust, the cardboard boxes piled up across the foyer; the streaky windows, the dead flies on the blinds and the cracked phone mended with sticky tape on the front desk.

They caught up with him in the car park, keys in hand. No doubt the CEO, a veteran of Radio 4 hand wringing, was extremely persuasive and our hero is still working there, although these days no fly would dream of dying in the foyer and the charity continues to save the developing world, but from professional looking premises.

My second tale concerns a young surveyor who decided to raise money running in the London Marathon for a well-connected children's charity. He duly arm twisted family and friends, ran the distance and raised over £2,000. His virtuous glow however became somewhat diminished on visiting said charity's (owned) offices only to find the highest of high office specs. "I felt a right plonker when I realised that they were more interested in feathering their nest than helping the kids. I'd just been raising dosh for the new set of gold taps in the gents."

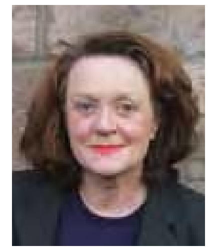
Now, my friend does not believe the voluntary sector should work with sub-standard premises, indeed he works hard to ensure charities have attractive professional offices, but who wants to fundraise to feel stupid?

Enough storytelling, let's do a practical exercise. Stand up, walk out of the front door of your building, and come in again wearing first-timer spectacles. Look at the common parts, the stairs, lifts, and your own offices. What does the building say about your charity to your stakeholders? How are you using the space? How is the building aligned with your values? What we do know at the foundation is that small steps to care for an office every week can make a big difference.

The foundation recently launched the fairplace Award for ethical workplace management (www.fairplaceaward.com). One of our best and brightest award holders is CAFOD for its stunning HQ on London's Westminster Bridge Road. The moment you enter the building there is a feeling of care of people, light, space, and you are made aware of the global nature of their work and their Christian values, not just from info on the walls, but because the premises themselves speak of innovation, inspiration and expertise.

This sets the benchmark for where the foundation itself plans to be soon. I've done this exercise on our own premises and although we have invested in a small jungle of flowering plants, we blitz rubbish monthly and have just paid £200 to our IT firm to sort out our wiring, they reflect our former reality, when we were a small, unassuming grant dependent charity and not the dynamic organisation we are today. We're moving soon anyway because the building's coming down, but just for now our offices are so *Life on Mars*, you expect Gene Hunt to come barging round the corner at any minute, bawling for a Watney's Red Barrel.

But you're very welcome to come in anyway and see our brilliant charity property advice service in action. Actually, thinking about it, as we are based in dynamic 2016 Shoreditch, let me take you out for a hot Chai with cinnamon - a snip at £3.20! ■



ANTONIA SWINSON IS CHIEF EXECUTIVE OF THE ETHICAL PROPERTY FOUNDATION AND AUTHOR OF 'ROOT OF ALL EVIL?'

Profile: Andrew Wallis

Hiding in plain sight

UNSEEN IS A SMALL, MULTI-AWARD WINNING ORGANISATION TAKING ON THE MASSIVE PROBLEM OF MODERN SLAVERY. CHIEF EXECUTIVE ANDREW WALLIS TOLD MATT RITCHIE HOW THE CHARITY GOES ABOUT IT

"Who wants to be in the business of combatting slavery for the rest of their life?"

Andrew Wallis OBE, chief executive of anti-slavery charity Unseen, isn't contemplating a career move. But he is keen to make himself redundant.

Established in 2008, Unseen provides services, advocacy, and advice towards its goal of ending modern slavery. It does this by taking a "micro to macro" approach that combines services for victims of human trafficking with tackling the systemic issues of slavery.

Winner of a Charity Times Charity of the Year Award in 2015, Unseen has an income of under £1 million but is making a difference from its Bristol roots to international level.

There is no doubt it is vital work. The scale of the problem is staggering, with Home Office estimates suggesting up to 13,000 people may be victims of slavery in the UK alone.

Roots

Unseen began when motivated people discovered an unmet need.

A church Wallis was leading was looking at how it could do more to support young people leaving orphanages in Ukraine. When church workers pressed the orphanages on what happened to people upon leaving the facilities, they discovered many end up as drug addicts and/or sex workers, and many more get trafficked.

"The traffickers turn up on turf out day and the kids get into the back of cars and are never seen again," Wallis says. "Then I saw a story that traffickers were moving people through the UK via the regional airports onto the US in order to avoid the big hubs – the Heathrows and Gatwicks – where there is awareness of the problem."

These discoveries prompted Wallis to write to every Member of Parliament, local councillor, and chief constable in the Bristol region to ask whether human trafficking was a problem there and, if so, what help was needed to tackle it.

Wallis learned the problem was real in Bristol, and at a significant scale. At the time police were aware of between 65 and 75 residential properties in the region being used as illegal brothels, through which criminals were profiting from the enslavement and exploitation of trafficked people.

But the police were hamstrung in what they could do about the problem.

"All they could do was arrest the victims for immigration crimes and remove them to a B&B or hotel overnight. They would disappear and the police knew that they were going straight back to their traffickers and being moved to another party of the country."

Services

Safe housing was needed. Unseen launched with the aim of providing it, and opened its first safe house in 2011.

The eight-bed facility is the only safe house for female survivors of human trafficking in the South West offering round the clock support. Unseen has recently opened another similar facility for men.

Unseen is part of the national referral mechanism, as a sub-contractor to the Salvation Army. As a provider offering specialist 24/7 support, the charity gets “all the most complicated cases”. A safe house offering specialist care for children is to be launched this year.

“We take the most at risk survivors, whether that’s at risk from traffickers or at risk to themselves because of the trauma they’ve gone through. In terms of the kids, there’s no specialist provision in the UK at all, so this is our response to the problem,” Wallis says.

In 2013 Unseen launched its resettlement, integration, and outreach service to help people recover and play a part in society after they have left the safe house.

“But we didn’t want to just build a more and more sophisticated safety net,” Wallis says. “We want to fundamentally move the macro levers so things actually improve.”

A big part of that is advocacy work, pushing policymakers to change or introduce laws to help end modern slavery.

Starting in 2011, Wallis chaired the Centre for Social Justice’s work on modern slavery, culminating in an evidence based report in 2013. That report, *It happens here*, called for a Modern Slavery Act and legislation covering businesses’ supply chains, a commissioner on the issue, more integrated policing and better protection for victims.

Many of the recommendations were subsequently taken up and are now on the statute book via the Modern Slavery Act, the last piece of legislation passed in the last Parliament. The report was acknowledged by the Home Secretary as the catalyst for the Bill.

“What we’ve seen in our eight years of existence is a shift from very little reporting and understanding to an Act, much more focus by policing, and it’s up there in the media and public consciousness. But parallel to that we see our services constantly full, and the number of victims identified in the UK growing 30 to 50 per cent every year.”

Finance

Unseen has grown from a conversation in 2008 to a multi-faceted charity turning over more than £755,000 last year. Expenditure of £726,450 left a surplus of almost £29,387 last year, and at year end the charity maintained reserves of more than £411,000.

Wallis is clear that the charity needs to grow rapidly to meet its objective, given the scale of the problem.

Contract income currently covers around 40 percent of the charity’s funding. But Unseen enjoys the support of a host of funders and foundations including Big Lottery, Comic Relief, Police & Crime Commission, Sir Halley Stewart Trust, and more.

Trust income last year made up 39 per cent of Unseen’s funding, and individuals are a growing income stream having contributed 19 percent. Income generating activities raised 2 per cent of the charity’s funding.

It is an area the charity is looking to grow, and invested in a fundraising officer to work alongside Unseen’s fundraising manager last year.

A new income stream has opened up via Unseen taking over a national 24/7 helpline, providing access and support to those affected by and interested in combatting slavery as well as reporting potential occurrences of modern slavery. The UK Modern Slavery Helpline and Resource Centre is set to launch in October out of Bedfordshire and can be contacted on 0800 0121 700.

“We want that to become the resource centre for the UK as well as a place for victims to come forward safely.”

Unseen is also looking to increase its activity internationally. This has involved Wallis contributing to a number of international forums and working groups, and will extend to practical

“WE DIDN’T WANT TO JUST BUILD A MORE AND MORE SOPHISTICATED SAFETY NET”

support when the charity completes the process of establishing a unit to deliver services on the ground in Jordan.

"Eighty per cent of my time is spent at the strategic level and looking to develop the charity internationally. In the last year alone we had 26 different nationalities through our services. We are international by nature."

Collaboration is also a key plank in Unseen's approach. Contributing to the policy debate in the UK and abroad, and working with other civil society organisations form an important part of tackling the problem, given its scale.

Wallis says modern slavery is "hiding in plain sight" in towns right across the country, with the explosion of hand car washes and nail bars highlighted as particular examples.

"But it doesn't end there. If you're wearing cotton clothes, and eating food, and you've got a smart phone – because of global supply chains – 40-50 slaves have probably worked for you to have those items. This issue has become so entrenched in our society it's going to take a collaborative effort to try and stop it."

Working with others is also important, Wallis says, because of the lack of developed and experienced organisations within the space.

He compares it to the initial response to the emergence of HIV/AIDS, where early efforts to tackle the problem were ineffective due to a lack of coordinated or systemic solutions.

Unseen works with NGOs, police, frontline agencies, government, and increasingly, business.

"IF I CAN'T GENERATE PROFIT I CAN'T THEN INVEST IN THE CHARITY TO TAKE IT FORWARD TO REACH MORE VICTIMS"

The private sector is an important partner in tackling slavery, due to the part it plays in many supply chains.

"We can't do this on our own, and the NGO community can't do it on its own. Government can only do so much and really that's limited to legislation and policy – and Government is financially broke as well. One of our big focuses has been drawing corporates in and saying 'this issue does touch you, especially when it comes to your supply chains'. Because they have the smarts and the resourcing to effectively tackle it."

Management

Human resources can be a challenge, due to the specific skills and experiences demanded from the charity's core service of caring for survivors of human trafficking.

Unseen employs around 50 paid staff, in a mixture of part time and full time roles. A smaller number of volunteers supplement this base, but they are deployed in public facing roles rather than providing support.

Volunteers are helpful in delivering Unseen's training programmes, which aim to increase awareness of modern slavery among those who may encounter it and provide them with the skills and knowledge to respond.

Wallis stresses he is focused on keeping costs down within the charity. The chief executive's background in the private sector informs his approach to running the organisation.

Unseen is "run as a business" overall, and Wallis says its charitable status is simply a function of that being the most sensible legal form for an organisation tackling this particular problem to take. There is a close focus on ensuring the back office is as lean as possible.

"We have total quality management procedures across the organisation. We're very driven by hitting and exceeding our targets. Yes, they're fully charitable aims, but I'm always looking at the financials. I keep getting told off because I'm not allowed to use the word 'profit'. But for me if I can't generate profit I can't then invest in the charity to take it forward to reach more victims and achieve our aim of putting ourselves out of business." ■

REGULATION

Who watches the watchmen?

The relationship between charities and their regulators has been decidedly fraught of late. Should these bodies play the role of critical friend or disciplinarian?

WRITTEN BY TOM COLLINGE, A FREELANCE JOURNALIST

Change of any sort brings uncertainty. Change of the kind that has occurred within charities' regulatory environment inevitably is going to cause disquiet. From a shift in the focus of the Charity Commission to the introduction of a new fundraising regulator there have been a number of developments within this space over recent months, and there are lots of people who aren't happy about it.

In the case of the Charity Commission, it seems some in the sector expect more support and advocacy from a body that increasingly sees itself as responsible primarily for protection of the public and enforcement of regulation.

The commission has faced increasing criticism for taking a more interventionist approach, and these criticisms came packaged with others deriving from the regulator's investigation of the Joseph Rowntree Foundation's funding of the group CAGE.

In addition, members of the commission's board have been accused of being non-experts on the sector, chosen for political reasons who have undue influence in directing its investigations towards their own political agendas.

Despite the independence of both charities and their regulators, it is politics that sets the backdrop to much of the discussion on regulation. There is a widespread belief among charities that reform of these specialist regulators was a piece of political opportunism by a Conservative government, grabbing the opportunity to stick the boot into a sector which it suspects is largely hostile to it. The actions of the nominally independent regulators, it is often insinuated, have the hand of the government behind them. Much has been made of the professional and personal relationships between senior Conservatives and Eleanor Shawcross, daughter of William Shawcross, the Charity Commission's chair, and links between the board and prominent right leaning think-tanks have also been widely criticised. The situation is developed enough to give NCVO chief executive Sir Stuart Etherington the motivation to write to the Minister for Civil Society Rob

Wilson with concerns about the appropriateness of appointments to the commission's board.

But do the accusations of impartial or interventionist governance at the commission hold water, and is there accordingly a case for change?

How did we get here?

In 2013, Margaret Hodge, no friend of the Conservative Party, on the back of another charity scandal - this time into a tax avoidance scheme run through the Cup Trust - called the Charity Commission before the Public Accounts Committee of which she was chair and found;

"The commission's approach to regulation and enforcement lacks rigour. It has carried out few enforcement visits, rarely mounts prosecutions and removes very few trustees."

She came to the conclusion it was "not fit for purpose" and a parallel report by the National Audit Office also criticised the commission for making very little use of its statutory powers and warned failure to be tougher "'risks undermining public trust in the whole sector".

It is understandable, set against this context, that when the events of summer 2015 occurred - with scandal piled upon scandal - that policy makers must have felt something must be done. Regardless of the work regulators were doing behind the scenes, public perceptions were that they were failing.

Recounting her experiences, Sarah Atkinson, director of policy and communications at the Charity Commission, described how during and after the Cup Trust scandal they were "challenged by Parliament, challenged by the Public Administration Committee and challenged by the National Audit Office to focus on our regulatory priorities".

These demands were compounded by cuts; the commission was being asked to be more proactive with half the budget and half the staff it had 10 years ago. "In those kind of situations", says Atkinson, "you do have to focus hard on what you're really for. As the regulator and as the only body that can be the regulator for charity, we had to focus on that."

Atkinson is clear in what this means: "we are for the benefit of the public," she says, adding, "any regulator is there to represent the public interest in a sector being effective, operating properly in line with the law and in line with public expectations". In their eyes, this means focusing on enforcement action.

Meanwhile, over in fundraising, a similar chain of events was panning out that began with the tragic death

of Olive Cooke and associated furore over direct mail, and included a number of undercover exposés into the alleged aggressive fundraising techniques used by charities and their telephone fundraising agencies. Among the many outcomes of this period was the creation of the new independent Fundraising Regulator, established in response to criticism that the current system of regulation – delivered via the FRSB and the Institute of Fundraising's Code of Practice – aligned the interests of those regulating the sector with the charities they depended on for funding.

Gerald Oppenheim, head of policy at the Fundraising Regulator, says the new regulator will operate differently despite still being funded by the sector. "Our role is to champion the public," he says.

Charities with a fundraised income of over £100,000 a year will be expected to join and for the first time the power to amend and enforce the code of practice will rest in one body.

Regulation without representation?

However, there are some who would argue that if public interest is at the heart of the both of the new regulators, it comes at the expense of charities.

Take the Fundraising Regulator as an example. Concerns have been raised that the new regulator and the rules it intended to enforce, such as the Fundraising Preference Service, will be overly onerous on charities. In addition, at the time of going to press, just 39 charities have agreed to contribute to the set-up fee, with a number of others, including Tate, the Parkinson's Society and the RNIB, being vocal about their uneasiness with the new system.

"We want to understand why and discuss that with them," Oppenheim says. "There may be perfectly legitimate issues. It's hard to know at this stage."

He stresses the Fundraising Regulator's desire to work with, and taIk to, charities. The standards committee will be the outwards face of the regulator, he explains, liaising with the sector both formally and informally.

While the public takes priority, "what we [the Fundraising Regulator] are about is trying to balance the interest of the public with the interest of the charities and their beneficiaries," Oppenheim says.

He acknowledges that when individual cases come up, there may be differences in interpretation between charities and the Fundraising Regulator but insists they will do everything in their power to resolve them before lawyers needed to become involved.

For her part, Atkinson is clear that Charity Commission believes the sector needs to be involved in the formation of regulations in order for them to be effective. She cites the recent consultation on CC20, shifting the balance of responsibility for fundraising practices towards trustees, where feedback from charities has led to significant changes to the final regulation.

Ultimately, she says, as a regulator, "you need to understand how people are taking what you are saying" and use the experience of people on the ground to mitigate against any unintended consequences. Acknowledging the good and detailed work of the sector bodies, she says the one thing she would like to see more of is individual charities getting in touch to discuss their experiences in implementing regulations.

Both of the new regulators are going to be more muscular than they were in the past but each is clear in its desire to listen to the voice of the sector. To work effectively together, charities need to take them at their word and at least try to engage. While they may not like this new order, there really is no more palatable alternative on the table, as Oppenheim points out "charities do need to remember how concerned Ministers are about what happened in the past and that Ministers don't wish to have a repeat".

With the threat of further government intervention looming and a summer season that could well see another round of salacious stories in the media, charities would do well to listen to Oppenheim's request: "we will work with you, please work with us, to get it right for the people who support and donate." ■

LEGAL VIEW

Regulation overload?

From new authorities to new powers the regulatory landscape for charities has become more complex after a challenging year

WRITTEN BY LAWRENCE SIMANOWITZ, PARTNER AT BATES WELLS BRAITHWAITE

DIRECTOR OF THE FUNDRAISING STANDARDS BOARD

It has been over a year since the death of Olive Cooke, the charity volunteer fundraiser who took her own life for reasons which, it has since transpired, did not appear to be caused by intrusive charity fundraising.

It's a year which has seen the regulatory burden on charities increase significantly. A year in which charity fundraising activity has dropped enormously. And a year which I have no doubt will be looked back on as a turning point in both the methods used by charities, and the income they have generated from their fundraising activity.

The big news has mainly been about fundraising though it is important not to forget that there have been other significant changes in charity regulation, including tighter guidance from the Charity Commission on charity reserves in the light of the collapse of Kids Company; helpful provisions in the Charities Act 2016 enabling social investment by charities; tougher powers granted to the Charity Commission – to give official warnings to charities; and botched guidance by the Charity Commission on electoral campaigning in relation to the EU referendum which was subsequently corrected but still not successfully.

But the main story has been the exposure of scandalous behaviour by professional fundraising agencies and the dangerous overreaction which has led to a tidal wave of regulation.

The summer of 2015 saw a plethora of reports into fundraising, the most prominent of which was produced by Sir Stuart Etherington (others included recommendations from the Fundraising Standards Board, a review by parliament's Public Administration and Constitutional Affairs Committee; and new guidance on direct marketing from the Information Commissioner's Office).

The Etherington report advocated a strengthening of fundraising with three key pillars of oversight: more rigour from charity trustees, a stronger new fundraising regulator, and the backstop of Charity Commission intervention.

The result of all this is a new regime for the regulation of fundraising. Though not yet in final form, the shape of this is becoming clearer. The key elements include:

A new UK Charities Act – the Protection of Charities Act 2016 came into force in March 2016. It covers social investment, Charity Commission powers, and also builds on existing fundraising laws under the Charities Act 1992 and the Charitable Institutions (Fundraising) Regulations 1994. These require professional fundraisers and certain corporate partners have in place a formal contract with charities, and make a statement to the public in a prescribed form to give transparency to their relationship.

The 2016 Act adds further requirements, so the contract must also state what fundraising schemes are being adhered to (Code of Fundraising Practice). It must also explain how vulnerable people will be protected, and describe how the charity is entitled to monitor compliance by the fundraiser or corporate. Large and medium sized charities will also be required to report on all this in their trustees' annual report.

Changes to the Code of Practice – over a dozen new code provisions have been introduced since summer last year, many of which were designed to implement recommendations from the Fundraising Standards Board.

Key changes include:

- a prohibition on knocking at doors of houses which display a notice requesting “no cold calling”;
- a ban on calling telephone numbers registered with the Telephone Preference Service unless the charity has consent to do so – this applies even to “warm” supporters of

that charity;

- a ban on the selling of data;
- a requirement to get explicit consent to share data with another charity;
- an obligation to include on all fundraising communications a clear single-step method for opting out of receiving such communications. The wording of this (and the wording of any request for permission to contact the individual in future) must be in a font which is at least as large as the request for donation or contact details, or if no such request is made then it must be in font size 10 or over;
- a restriction on the number of fundraising "asks" that may be made in a telephone call, to no more than three.

New data protection requirements – the Information Commissioner's Office (ICO) is now beginning to adopt the view that consent must be obtained for telephone fundraising and that such consent is only valid for 24 months. Many in the charity sector regard this time limit as arbitrary and inappropriate. The ICO has also issued new guidance that includes new sections specifically referring to charities.

More significantly there is now a new European General Data Protection Regulation (GDPR) which will be in force in the UK no later than May 2018. This increases the number of mandatory provisions that will need to be put into a charity's contract with its data processors such as fulfilment houses and fundraising agencies. It also contains provisions that relate to the way in which consent can be obtained from individuals for fundraising (confirming that consent must be unambiguous and that consent must be given by a clear affirmative action). However it seems that these will not add a significantly greater burden than current legislation and guidance. Perhaps the key changes are that pre-ticked boxes will not be an acceptable means of obtaining consent (though it remains lawful to have no tick box at all); and the requirement that separate consent is obtained for different processing "operations". At this point it is not clear what is meant by a processing "operation", but what is clear is that more detail will need to be given to individuals, at the point of collection, about the use that will be made of their data. The GDPR also allows the ICO to impose much higher penalties of up to 20 million euros for the most serious breaches.

The Fundraising Regulator is taking over from the Fundraising Standards Board. It will also take over the Institute of Fundraising's code of practice. It will be funded by a levy (proposed to be in the region of £1,000 per year), on charities with more than £100,000 in annual fundraising spend. This significant increase in its funding will mean that it has a bigger staff and more resources to enforce fundraising regulation. But like the FRSB, it will not have any statutory sanctions so perhaps its greatest new power appears to be that the Charity Commission will note against a charity's entry on the commission's website, where the Fundraising Regulator has found a breach of its code.

The FR will also be operating a new fundraising preference service (FPS), which is has faced criticism by charities, the ICO and by parliament. The details have not yet been finalised but the aim is to provide a "reset" button which will mean that individuals can register with the FPS and will then, permanently, be recorded on a "do not contact list". Initial indications suggested this will cover charities with income over £1 million, and will apply even where an individual has previously consented to being contacted, and will prevent the lawful sending of postal mail shots. If carried through, charities and perhaps the regulator itself can expect to receive large numbers of complaints from individuals who have stopped receiving communications that they wished to receive from their favourite charities. It is not yet clear how much, if at all, charities will have to pay to access the FPS register so that they can comply with the requirement not to contact individuals who have registered.

The FR is likely to want to demonstrate its powers in an early show of strength, so any charity being investigated in the first few months of the new regulator's operations will not be in a desirable situation

To date few charities have dared to publicly challenge even the extreme end of this range of new regulatory measures. Understandably no-one wants to face the charge that they are trying to block good practice, even where proposals may be a misguided overreaction. But there is strong evidence to suggest that if the proposed restrictions on charity fundraising are all introduced, the sector's income will be drastically reduced. And the greatest losers will be those individuals and good causes that the charities have been established to help. ■

ANNUAL CONFERENCE

Managing risks, taking opportunities

Charity decision makers gathered in June to hear expert insights on policy and regulation, finance, investment, and more

The Charity Times Annual Conference for 2016 set out to provide delegates with insights into managing the risks their organisations face, and on the other hand taking the opportunities that present themselves.

Around 120 charity decision makers attended the event chaired by James Money Kyrle, to hear expert views from the worlds of policy and regulation, finance, investment, and the frontline of the sector itself.

An encouraging model for future success was put forward by Anna Hoddinott and Erik Mesel of John Lyons Charity. The organisation has pioneered a new Young People's Foundations model to bring the various parts of the sector together in local settings, providing efficiencies and helping address need in a joined up way.

Grants and social investment

Closing the conference, Minister for Civil Society Rob Wilson stressed grants can be a valuable part of the charity funding mix, while arguing for a "mixed economy" of funding streams for the sector.

Wilson said grants, fundraising, social investment, and public sector contracts will all play an important part in funding the sector's work.

"I believe that grants provide a valuable source of finance in the right circumstances," the Minister said. "But no organisation, as I've said many times before, should be reliant on a single grant. So we're helping the sector to explore new options."

Wilson said the Government is providing global leadership on the growth of the social investment market, in particular social impact bonds.

Earlier, Big Society Capital chief executive Cliff Prior talked delegates through social investment's place in the current funding climate, and outlined his organisation's role as wholesale investor and market champion.

"Our mission is that we want you to feel that appropriate social investment is available to you and easy to understand. We want to make it a normal tool in your toolbox."

Prior explained social investment can offer value through being more

flexible than grants, and/or enabling grant income to be directed to where it is most needed. Getting investment ready can in itself sharpen a charity's focus, Prior said.

Barclays' head of charities David McHattie provided some context around the risks and opportunities that that he hears from the bank's charity clients.

McHattie took the audience through the reasons charities typically seek to access bank finance, and the new extended due diligence processes Barclays takes to protect both itself and its customers.

Nicky Wilkins of BluQube explained how modern technology can help charities navigate the current environment. Wilkins outlined how smart devices coupled with cloud technology can make charities more nimble and ensure everyone within an organisation has access to the information they need.

And PS Financials managing

ROB WILSON STRESSED GRANTS CAN BE A VALUABLE PART OF THE CHARITY FUNDING MIX, WHILE ARGUING FOR A 'MIXED ECONOMY' OF FUNDING

director Richard Pierce explained how powerful the information charities hold and gather can be, beyond simply accounting. The audience heard how accounting data can be deployed as business intelligence, providing new opportunities for how charities work and organise their operations.

Regulation

Charity Commission chief executive Paula Sussex gave an excellent overview of the regulator's work and priorities, explaining why it seems the regulator is taking a harder line than in the past.

"It isn't that we do not understand how tough the job is or that we do not applaud the job of trustees and their executives," Sussex said. "It is not easy, it is not glamorous. And nothing we are doing or saying at the moment is intended to put off trustees. But what we are increasingly saying is 'do that job, and do it better'."

The regulator's strategy of focusing on compliance, enforcement, and robustness means it has a "difficult line to tread", Sussex said, but this approach can provide confidence to the public.

Earlier, the new Fundraising Regulator's head of policy Gerald Oppenheim provided an outline of how the regulator will operate - in particular its role in setting standards, taking responsibility for the Code of Fundraising Practice, and the Rule Books. Registration and Levy proposals and the Fundraising Preference Service will also be covered, and all those issues are currently being consulted on.

The new regulator has been established in response to the crisis that gripped fundraising from summer 2015. Institute of Fundraising chief executive Peter Lewis talked about the response the fundraising community had made to the issues, and underlined the institute's commitment to making the new regime work.

Investment

Good intelligence on managing assets is especially valuable in uncertain times like today.

Following Sussex's address, Quilter Cheviot's head of charities William Reid took the audience through the benefits of a multi-asset approach to investing, and what a multi-asset portfolio actually looks like. GAM's head of private clients and charities Joe McLoughlin was joined by portfolio manager Amy Browne, to highlight some of the factors charities should bear in mind when making the crucial decision of what asset allocation mix to set for their investments.

Earlier, Baillie Gifford's head of global income growth Dominic Neary had outlined how charities can secure a stable and growing income stream from their investments, by pursuing an equity investment strategy emphasising dependability, growth, and income.

Head of charities at Rathbones Andrew Pitt explained one of the great modern charity investment debates: whether to take an absolute or relative return approach to investing.

The Charity Times Annual Conference will return next May, and more details will be announced soon. ■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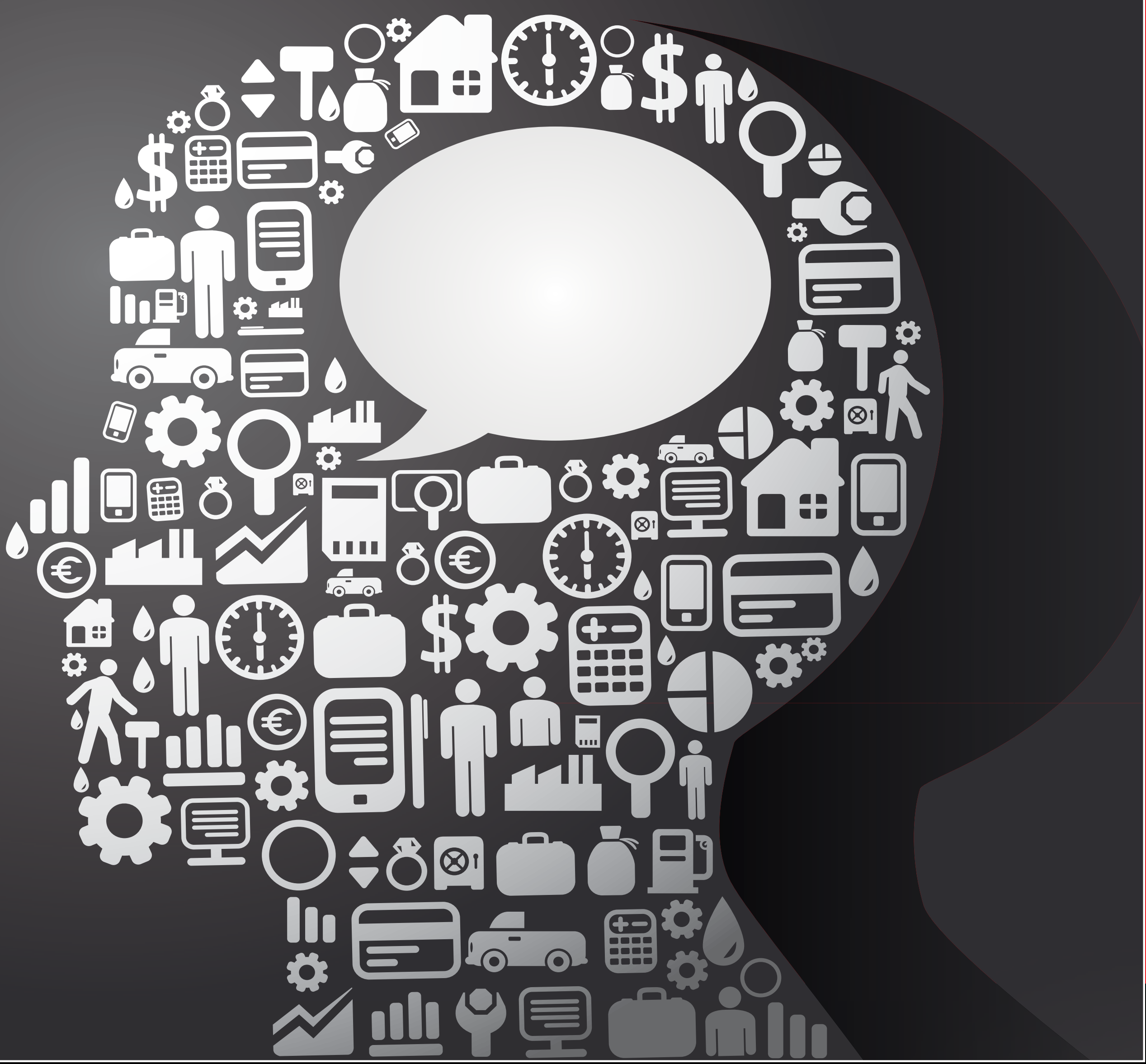

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Must haves:
The social value of investing in leadership

Why taking the time and the space to improve should be at the top of every leader's to do list

'We don't do leadership development' said one CEO of a well-loved charity to me. 'I can't justify it, I don't learn anything and it's mostly bullshit.' Fair enough: we have all been turned off by this or that huckster running 'leadershit' courses as they have in some quarters become known. Interminable seminars about 'leaning in' , 'finding the better you', or 'winning friends and influencing people.' Second rate public intellectuals or over-the-hill Olympic athletes who interrupt a perfectly good conversation over a perfectly serviceable coffee to give you the benefit of their wisdom about 'pushing for the burn' or 'looking into their team mates' eyes.' Leadership development: a relic of an era of plenty where charities and their heads played at being corporations. Good riddance to all of that.

That perhaps, was the way it was, or the caricature of it. But it is certainly not how it is or should be considered now. And the case I want to make today is twofold. First, that leadership development is changing and becoming more vital in its best form than ever before. Secondly, that it is worth any charity CEO's time considering the leadership development that they need to achieve the things they want to achieve – and taking the plunge.

It is a sad fact that investing in leadership development can be just about impossible to justify for charity leaders, especially in an absurdly tight financial climate. Leaders are required to tangibly 'prove' the value of their disbursements. Boards are edgy. Leadership development involves investment in the head or senior staff of the organisation, so it is said, at the expense of the more junior staff, or indeed the beneficiaries. Charity chief executives are open to enough criticism without adding spurious training to the list of items on that apocryphal expense account. And trustees just do not wish to go there.

But this is almost certainly a case of 'penny wise pound foolish.' For investing in strong and effective leadership benefits more than just the individual. Part of the journey may be to learn about oneself. This may seem nebulous at first, sure, but part of the development an individual needs may focus on quite tangible skills. For example good management and development of staff, finding and building client relationships and collective leadership across the sector. And alongside those tangible skills, perhaps sitting through some of the more nebulous stuff will actually allow the individual to do all those other things that much better, to focus and apply the mind - and to build personal reserves and resilience.

This goes to the heart of what it means to lead a socially minded organisation today. The challenge to all leaders today is to make things happen, and bring people with them, in a world that is more networked, faster-changing and more uncertain than ever before. Leaders are having to learn soft influencing and subtle collaborative skills that enable them to work for, with and through partners, to listen to their staff, appreciate them and develop their skills rather than simply ordering or directing them. More than ever, as we understand the interdependent nature of social change. More than ever, leaders are not respected as charismatic juggernauts. They are having to learn to 'let go,' to be humble and to understand the limits of the possible. This can be hard for people whose personal vision, drive and impatience has got them where they are – or for those who have served their leadership apprenticeship alongside the proverbial 'force of nature' of another generation. The truth is: to imitate, ape or uphold this fiction is to build one's leadership on sand.

Resilience is also at a premium. Acevo, the organisation I lead, is the UK's leading network for charity and social enterprise leaders. We run a 'CEO in crisis line' for every one of our members, for times when things get too much. It has become a key resource and in some ways, while I am beyond proud of the work my team does to support our members, I am sad that increasingly things are coming to this. The support and legal help we offer are increasingly crucial at a time when from a governance and infrastructure perspective, charities are against the wall. For charity leaders, these challenges are magnified by uncertainty over income, by changes to the funding base and the need for diversification, and by tensions that can arise between the mission and values of one's enterprise and the priorities of funders. All of these things can be punishing, not only professionally but personally as well.

It is lonely at the top. Leading is always in part a solitary meditation, especially in charities without the resources enjoyed by larger counterparts in this sector or in others. And the extant attitudes in our sector mean that charity and social enterprise leaders whose development has been restricted to the sector are more likely to have missed out on the systematic approaches to personal and career development that are well established in public and commercial worlds. That is the reality, not only of limited funding, but of seeing training and personal development as a 'nice to have' or worse a distraction from the core mission.

We love our charity and social enterprise leaders. They are typically passionate, enquiring, vocal, innovative and resourceful, challengers of the status quo. All qualities that mark out the leaders who get things moving and people motivated and so make a difference. At Acevo we are at our best when we provide and nurture the networks that provide vital support, learning and encouragement to these makers of social good; these interpreters (to paraphrase football coach and personal developer extraordinaire Arsene Wenger) of what is beautiful about mankind.

The case for investments in leadership development when made properly are not about individual aggrandisement but about investing in outcomes of the whole. Leadership investment is not 'taking money away' from a cause but building the vital personal resources that enable charities to best serve their missions.

At a time when public goodwill is increasingly reserved for organisations that not only help others but that also are 'good' in every respect of their operation, charities that prove their worth as investors in their people should become not the exception but the norm. Of course, none of this applies when vast expenditures are lavished on dud courses. And no amount of training can take the place of engaging with beneficiaries and employees, doing well and making mistakes, out there, in the field. But taking the time and the space to improve, not only your skills, but yourselves, should be top of the list of every leader. And for every leader that needs a helping hand filtering out all of the stuff that's out there: well that's where organisations like Acevo and more importantly the 1,400 likeminded peer leaders that populate our network come in. Our members, your peers, give you the best advice you will get anywhere. Yes, it is lonely at the top, but together we can make it that much less lonely. And the view will be all the better for it.

Asheem Singh is acting chief executive of Acevo

acevo
Charity Leaders Network

Building better, more effective charities

How reflecting on impact measurement can change the way charities work

Sometimes at NPC we bring together people from a single charity, and ask them to tell us about their organisation.

Part of our consultancy work is to get charities thinking about the essentials. Do they have a shared vision of what they want to achieve, and a plan for getting there? What changes do they want to make to society over the next week, year or decade? Can they measure the impact they are having, with an eye to improving it?

Some senior teams debate these things reasonably often. We also find — less often but more memorably — that these conversations can uncover strikingly different assumptions about the values and fundamental mission of their charity.

One thing above all emerges clearly. You aren't likely to see much lasting change without a united leadership team, especially at large charities where there are so many priorities to juggle and stakeholders to keep happy. The chief executive needs to buy into the ideas, and senior managers need to be committed to following them through with their own staff. Without this, even carefully laid plans aren't likely to lead anywhere.

So how can teams deliver on their mission? Part of the answer is knowing what you have achieved, and using this to inform what you do next.

NPC knows as well as anyone that impact measurement can be driven, in the first instance at least, by funders' demands. More than half the charities we surveyed in 2013 conceded this; barely 5% said it was to improve services (which is, after all, the point).

The good news is that this seems to be changing. Charities are doing serious work on impact measurement, and are starting to place it at the heart of their strategic plans. For those of us who care deeply about charities being as effective as possible, and indeed talk about it for a living, this is very welcome indeed.

So we are doing more to learn about how reflecting on impact measurement can change the way charities work. Once the data has been collected and the projects evaluated — and, yes, the information shared with funders — how does it inform the way the organisation works? This data could be used for developing promising pilots, tweaking established services to work better for beneficiaries, identifying what is ripe for scaling-up to reach more people, and (occasionally) what should be ditched because it isn't as effective as hoped.

Impact should provoke plenty of challenging conversations. It should be a rolling process, from which charities are constantly learning and reacting.

Lots of management teams get that this is ultimately the reason that it's worth investing so much time integrating impact work into their day-to-day planning. The key thing is to help them make it into a reality.

There is progress beyond this, too, although it is still in its infancy. Once a number of charities working in a similar field are conducting high-quality evaluations, they can start bringing all these together to pool their knowledge.

Here, too, leadership is crucial. A single chief executive trying to steer his or her charity through rough waters is quite enough, without adding some rather techy, high-level co-ordination on top of it. Co-ordination works best where several forward-looking leaders recognise the benefits of working collectively — for their organisation and for the sector of which they are part.

In recent months we have seen these sorts of coalitions built, and very effectively. NPC's *Untapped potential* report on health charities and the NHS, published in May, resulted from the Richmond Group and partners — fifteen top health charities along with Public Health England — getting together to look at all of their evaluations of a whole range of programmes.

These charities are looking not only at their own impact, but comparing notes to make the case for extending the most effective services to more beneficiaries. This approach meant the voluntary sector had collective clout to show where charities had helped the NHS, and can contribute to re-shaping the health system for the future.

This may be possible only for the largest charities, but it shows how far it gets you to engage fully with impact. It can build better, more effective charities, and a stronger, more coordinated sector, which is what we should all be after.

Sally Bagwell is Deputy Head of the Charities Team at NPC

NPC
New Philanthropy Capital

A guide to finance system technology

You've more choice than ever when it comes to the technology your organisation uses. But how can you be sure you're getting what you really need?

It's important to know more about what's going on behind the scenes when choosing a system to ensure it can meet your requirements. After all, who knows what your department needs better than you?

Cloud vs on-premise

Software used to be 'on-premise'; installed and run on computers on your physical network. But recently more organisations are turning to the Cloud to access the software.

So which to choose? On-premise may seem the easy option, giving you in-house control over the systems and data and bringing simple, tangible security. But these days, with developments in Cloud security, your data could be more secure there. With on-premise, you'll also benefit from in-house IT support staff. But realistically, how much of their resource will end up coming your way? With Cloud, the very people building the system manage it, so it's far less likely to go wrong. And if it does, who better to resolve things? Plus, they typically have one system to look after, unlike your internal tech team.

Then there's the investment. IT can be expensive, and new on-premise solutions can seem a pricey initial investment, which is why Cloud is such an appealing option to some. Little or no upfront investment is required and you only pay for what you use, meaning you can add or remove features as and when you need to.

So make sure your providers give you both Cloud and on-premise options. There's no right or wrong choice, but the fact you have a choice in the matter means you can tailor the solution to your needs.

Behind the scenes

Back-end technology is an important, commonly overlooked factor in choosing a system. When looking at on-premise solutions you'd naturally ensure it fits in with your current architecture. So carry out the same checks for Cloud solutions.

One aspect to consider is whether the finance system is able to share data with the rest of your organisation's systems. Interoperability is increasingly important for today's organisations, so ensure you ask your provider if this is achievable with any of your other chosen software.

Something else to think about is the underlying database. The two most popular are Oracle and Microsoft SQL Server. But which is going to suit your needs best?

If you're after flexibility, then find out the tools the supplier uses. With SQL Server you are limited (to a degree) to Microsoft tools, but with Oracle there is more choice and scope, giving you an end product with more options in functionality and design.

However, one common criticism is that Oracle is too specialised for the average in-house IT team. Well, in our experience you can get an Oracle database up and running just as quickly as SQL Server. But where Oracle comes into its own is in its complexity. At the highest level it's just as easy to look after as other databases, but it has better automated management tools that constantly monitor and tune the system, so the front end of your finance software operates smoothly allowing you to focus on your day job. This is why it's a popular choice when it comes to moving to the Cloud.

However it's all about you and personalising your platform for your organisation.

Pay for what you use

"But Oracle is so expensive" is another criticism. Yes, if you are running it on large environments. However, if you're working on-premise, an embedded software licence would allow you to use all the functionality and power of an Oracle backend database but at a fraction of the cost should you only need it for one application. But if your organisation needs Oracle for multiple systems, then a full license is probably the way to go.

A cloud-hosted system means you latch on to the supplier's license and so the cost is spread across your cloud provider's customers meaning you only pay for a fraction of the cost.

There is far more choice than ever before, so whatever you sign up for, make sure it's scalable, reliable, able to talk to your other systems and affordable with no hidden costs.

Ask about the technology each supplier uses and why, ensuring you're getting the best for your organisation.

Nicky Wilkins is Head of Customer Engagement, BluQube

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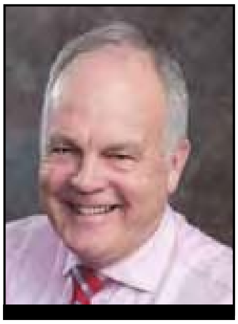
Is your charity making a good job of employment law?

It's all too easy for charities to trip up over the complex business of Employment Practices Liability. Richard Lane explains why – and what you can do about it



In many ways, a charity is a business like any other. The moment you engage directors and staff, you enter the complex and ever-changing world of employment law. Everything from paternity leave to harassment needs to be scrupulously managed. For charities, having trustees and volunteers in the mix adds an extra twist.

Woe betide the organisation that gets its employment practices wrong. While most people know little about areas of law like conveyancing and probate, they tend to be much more clued up about their rights as an employee. Which means you can end up in litigation faster than you can say discrimination grievance.

The consequences for your charity can be costly and time consuming. And not just in staff time and legal fees. Being dragged through courts, tribunals and the press can damage your reputation and have a knock-on effect on donation income. If it's serious enough, the future of the organisation could even be at risk.

So what can you do?

A good first step is to make sure every employee understands their role, the terms of their contract and what's expected of them, right from the word go. It pays to invest in clear contracts and policies, expert training and a comprehensive handbook that covers everything they need to know.

Never assume. For instance, it may seem obvious to you what discrimination is. But if it happens in your organisation and nothing has been done to define and prevent it, your charity may find itself on the wrong side of a claim. On the other hand, if your staff and volunteers have been trained to understand exactly what's acceptable in the workplace and what isn't, you have happier people – and a stronger defence if things go wrong.

Proper training goes a long way when it comes to prevention, especially for sensitive areas such as whistleblowing. The law protects employees who speak out to expose what they see as wrongdoing. Once the issue has been raised, it's vital the employee isn't penalised for having done so or more legal action can follow. Staff need to be very clear about how to navigate potential minefields like this.

It's a question of good practice

Having strong HR practices in place is essential. It's also important to have a system for dealing with any disputes quickly and effectively.

It's not unheard of for trustees to claim against each other over a dispute in the boardroom. With a good internal dispute handling system in place, you can prevent issues escalating and ending up in court – and the public eye.

It's worth remembering that if donors become aware of damaging claims against your charity the fallout for your reputation could discourage further donations. So you could be dealing with double trouble. Which brings me to my third tip…

The sooner the better

Getting good HR and legal advice early on can save a great deal of heartache and money. Small charities are especially at risk: with smaller, fragile budgets, HR is often the last thing they add or the first thing to go.

This can prove a false economy. The task of managing a charity's workforce is a complex one; there are often staff, volunteers and trustees, each with their own rights and needs. It can be a real minefield.

If you can't afford to have the expertise you need to manage employment issues in-house, it pays to outsource. Experts can help you get the HR systems you need in place – and provide legal guidance if things go wrong, to help prevent a situation escalating.

You might also want to consider employment practices liability insurance to help cover the legal costs of handling employee grievances. A good specialist broker can advise you on the best choice for your needs.

It's easy to let employment practices slide when you're focused on the pressing job of pursuing your charity's mission. But it's worth the investment. A sound and happy ship is much better at weathering storms.

Richard Lane is Managing Director of Ansvar Insurance

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CC14 made simple

A practical guide

We are often asked what is the difference between investment management for charities and other types of investors? In simple terms the differences are probably time horizon and the governance framework around investing for charities. Trustees' and charities' responsibilities regarding investment are encapsulated in the Charity Commission guidance *Charities and investment matters: a guide for trustees (CC14)* which for expediency we will refer to as CC14.

CC14 may not be known for its brevity – it is 56 pages long – but it provides a comprehensive guide to charity investment and provides trustees and investment managers with a clear framework as to their responsibilities. For trustees who are experts in the field in which the charity operates and who are responsible for making decisions about their charity's investments, CC14 is a useful handbook as they are seldom also investment experts.

CC14 notes that so long as trustees have 'considered the relevant issues, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions or adopting a particular investment policy'. CC14 sets out a number of legal requirements for charities, as well as recommendations. What follows is a pragmatic guide (not a legal one) to these requirements.

Know, and act within, their charity's powers to invest
Understand what the charity's governing documents allow you to do. In some more historic documents there may be significant restrictions on the types of investments permitted.

Exercise care and skill when making investment decisions
The trustees may delegate day-to-day management for the investments to another party however they retain overall responsibility for the charity's investments. Ultimately it comes down to 1) do you have all the right information? This is probably a result of knowing what questions you should be asking (see section 6.4 of CC14), and 2) what may be the right investment solution for your personal portfolio or pension pot may not be the right one for the charity.

Take account of the need to diversify investments
This does not necessarily mean appointing different investment managers (depending on how different their investment approaches are, you may not be diversifying at all); but it does mean having a spread of investments. Previous Charity Commission advice was that no more than 5% of a portfolio should be in one holding (this usually excluded government issued bonds, and diversified pooled funds); for many charities this remains apposite.

Take advice from someone experienced in investment matters unless they have good reason for not doing so
The trustees may wish to appoint an investment manager who provides advice or an investment adviser; equally there may be sufficient knowledge on the board through its trustees or co-opted members to meet this requirement. Whatever the case, the trustees should ensure that they have sufficient knowledge to constructively question decisions and that any advice they are being given is impartial.

Follow certain legal requirements if they are going to use someone to manage investments on their behalf
If you appoint an investment manager or another type of adviser there should be a contract detailing the relationship. There should be a written investment policy in which it is useful to include what the investments are actually for simply as a reminder of the original purpose of the investments.

Review investments from time to time
This is sometimes interpreted as 'every x number of years we must have a beauty parade to see how our current manager(s) compare to the industry'. This process involves whittling down a long list of potential managers to a short list of managers who are invited to come and 'pitch' for the business. In a number of these instances the trustees are reasonably happy with the incumbent manager and feel they have to go through this full blown process to meet this legal requirement. This is not really the case; 'review investments from time to time' is defined in CC14 as:

- Measuring investment performance
- Deciding who should conduct the review [of the investment performance]
- Reviewing the service offered by the investment manager
- Frequency of reviews
- Criteria for intervening

There is no mention of a full formal review here – it is perfectly possible to conduct a full review of investment manager performance without resorting to a full blown 'beauty parade' which can be time-consuming. But if there are significant concerns or unease with an investment manager then this is where the 'criteria for intervening' are important.

Explain their investment policy (if they have one) in the trustees' annual report
This does not have to be *War and Peace*, or the full SIP. A few simple sentences outlining what the objective is for the investments and how that is being implemented cover this. There should also be a statement regarding the performance of the investments (does not have to be the actual returns) and if any ethical policy has been adopted and how this is interpreted.

Equally CC14 provides clear guidance as to what should be included within a charity's statement of investment policy (SIP) and indeed when a charity is legally required to have an investment policy (i.e. when the charity has appointed an investment manager on a discretionary basis), it is also best practice that a charity have a SIP no matter what arrangement it has in place. In our view the SIP is a very good home for the 'must have' (i.e. legal requirements) and the 'should have' (best practice) requirements of CC14.

Apart from the legal requirements, CC14 provides helpful pointers on a number of other issues including ethical investment which for many charities remains one of the most interesting questions – should an ethical policy be adopted? Or if a policy is in place – is this the right ethical policy?

CC14 is very clear about the circumstances when trustees may adopt an ethical policy (and reinforces the findings of the 1991 Bishop of Oxford versus the Church Commissioners legal case) i.e. when one (or more) of the following criteria are met:

- a particular investment conflicts with the aims of the charity
- the charity might lose supporters or beneficiaries if it does not invest ethically
- there is no significant financial detriment

All in all CC14 provides a very helpful framework for charities with investments to guide them through potential issues to ensure that they have 'considered the relevant issues, taken advice where appropriate and reached a reasonable decision', and therefore that 'they are unlikely to be criticised for their decisions or adopting a particular investment policy'.

Gemma Woodward is Executive Director at Quilter Cheviot

QUILTER CHEVIOT
INVESTMENT MANAGEMENT

What the public thinks about charities

How the sector should respond to the change in public perception of charities

The media storm charities have faced over the past year has touched on many aspects of how modern charities work. We've seen critical articles about fundraising practices, CEO pay, and admin costs, and the scrutiny is far from over.

The result of all of the coverage has been to focus attention on charities as institutions and how they work, rather than on their role in and benefit to society.

The slew of negative stories about the sector has had an effect on the public's trust and confidence in charities. I've been working with the Understanding Charities Group, a cross-sector coalition working to ensure that the public values charities and their contribution to society by increasing trust, confidence, knowledge and understanding of the sector.

Earlier this year, we undertook focus group research with both charity and non-charity supporters to explore the public's feelings about charities today and to understand how and to what extent negative media coverage has cut through to the public. The research revealed some key insights.

1) The trust issue is real and must be addressed

Charities are felt to have become too corporate - advertising spend and CEO pay were used as examples of this - and are not transparent about how donations are spent. Almost everyone could cite an experience of aggressive fundraising techniques, and there was particular concern about the effect of these on elderly or vulnerable friends and family. There was a sense of nostalgia for 'the good old days', when charity was felt to be simpler, more local and more fun. Crucially, too, charity supporters are more frustrated than non-supporters, and more likely to be critical.

2) Media coverage is confirming concerns, not creating them

The media are seen to be exposing bad practice, with charities ultimately to blame. People's underlying suspicions about charities are brought to the fore as the stories are frequently resonating with their own negative experiences.

3) You can't fix the reality by talking about the ideal

The negative stories about charities are being received in a vacuum, with nothing about the positive impact of the sector to balance it out. However, unless people's concerns are addressed, they won't engage with a positive narrative about the sector. The sector needs to change its behaviour, and people need to experience this change.

4) Communicating collective impact is essential to restoring trust

The desire to understand how charities spend donations is actually an expression of a deep underlying concern – people don't really know if their donations are doing any good. While supporters talked passionately about individual charities they had personal connections with – usually through experience of the cause for themselves or a close friend or relative – there was a lack of understanding of the wider part charities play within society. Charities need to find a way to quantify and communicate their collective impact.

These insights have informed the development of a cross-sector narrative which aims to tell a more positive story. It's a story about people making the difference: and how charities harness people's goodwill and combine it with professional expertise and vision to create the biggest possible impact.

It focuses on the impact and benefit of charity, and less on the organisations; how we are all touched by and benefit from it. And it encourages the feeling that giving time, voice and money for social good, is a good, rewarding feeling.

The Understanding Charities Group work is being taken forward by bodies like NCVO, Acevo, CharityComms and the Institute of Fundraising, with the input and support of a range of charities. Next steps include creating a communications toolkit to give charity spokespeople the confidence to speak to the media on behalf of the sector. It will include a Q&A to help charities answer key questions on fundraising, governance and salaries.

Meanwhile, a website is being created to explain how charities work, and initiatives are being developed to encourage more positive stories about charities in the media.

Through understanding better what the public thinks about modern charities, and working collaboratively across the sector, we hope to be able to help people feel confident in the way charities work and inspired by what we achieve.

Vicky Browning is director of CharityComms

CharityComms

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Ansvar have a long history of working with small charities and not-for-profit organisations and is one of the UK's leading charity insurers, with a range of specialist commercial policies. Each year we donate a share of our profits to charities involved in alcohol and drug education and rehabilitation, particularly for young people.

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PHILANTHROPY

Philanthropy's evolution

As the demographics of the UK's financial elite change, so too should the ways charities approach them as supporters

WRITTEN BY JOE LEPPER, A FREELANCE JOURNALIST

The appetite for giving among the UK's wealthiest individuals remains stronger than ever, according to the latest Sunday Times Giving List.

These top philanthropists increased their total spend in the charity sector to £2.66 billion from £2.58 billion the year before.

But the list, compiled in association with Charities Aid Foundation (CAF), also indicates more can be done to ensure this wealthy elite give even more to the charity sector.

While the list's top 50 donors gave away 2.07% of their residual wealth, this was 0.49% less than the year before, suggesting that while the rich are getting richer they are not increasing their donating behaviour at the same rate.

Emma Turner, head of client philanthropy at Barclays Wealth & Investment Management, says keeping on top of latest trends among the wealthy elite is key to ensuring charities can maximise their potential for giving.

She says: "Philanthropy is always in a state of evolution. The smartest charities are those that have agile business models that can quickly react to what funders are after."

This is particularly the case in targeting self-made, wealthy individuals, who now dominate the Giving List.

The new financial elite

According to research by the Institute of Fundraising on major donors in 2012, three quarters of the Giving List is made up of these self-made wealthy individuals. Just a quarter inherited their wealth - a complete reversal on 1997's figures. Amy Clarke, CAF's head of private clients, explains that modern, self-made wealthy donors are more likely to be young, risk taking and keen to get involved in the work of a charity rather than merely fund it.

She adds: "They have been brought up in a world that's surrounded by information on social, economic and environmental injustices. They are well read and informed and want to roll their sleeves up and get dirty with the organisation.

"They are also attracted to charities that have a strong digital presence and are just as happy to fund tried and tested projects as well as untested, high-risk ones that may have a higher impact potential."

To attract and retain this younger, self-made financial elite, charities need to see them not just as donors but also as partners, who can give their time and expertise as strategic advisers on projects, says philanthropy expert Theresa Lloyd.

"The days of them just signing a cheque are long gone. These donors know about IT, marketing and social media and may say to a charity that something needs to change before they will donate," Lloyd says.

"That may be a big change for charities to get used to. They have to accept that a bright young thing may come along and ask why something is being done in a certain way and suggest a better way," she adds.

Another important trend among this group is their strong focus on outcomes and results, says Stephanie Johnson, consultant at New Philanthropy Capital (NPC).

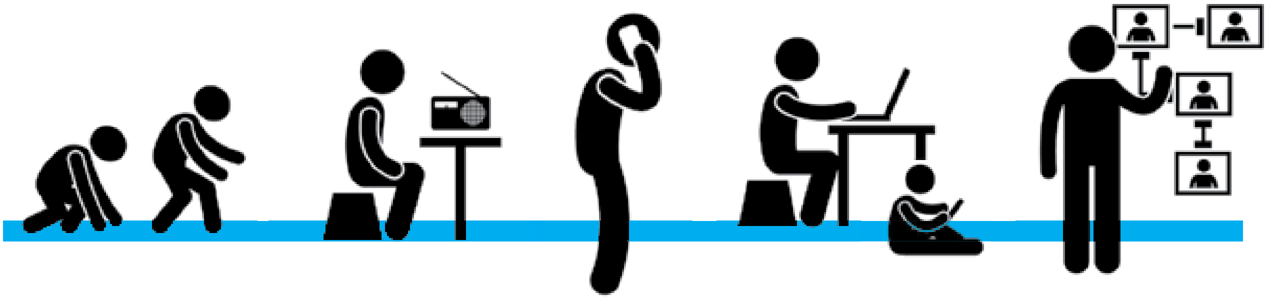
This ethos on ensuring an investment delivers meaningful change is part of what NPC calls smarter giving.

Johnson says: "They are donating in a far smarter way, carrying out research of the area the charity is working in. They will be more likely to look for gaps, which really appeal, as this younger group of donors wants to know they are doing something different."

The Raise Your Hands group is a good example of how younger, wealthy individuals are looking to get more involved in supporting charities, including acting as a catalyst for further funding.

Set up by a former Merrill Lynch hedge funder Ed Wethered and real estate development director Chris Kirkland, Raise Your Hands helps raise funds for a select group of charities each year. For 2016 this includes children's charities Kidscape, which tackles bullying, and Siblings Together, that helps families that have been separated through the care system.

Another example is the Epic Foundation, set up by technology entrepreneur Alexandre Mars to link up wealthy young entrepreneurs



with children's charities.

Clarke says: "Mars is not just donating, he's going further, providing a brand platform for charities to generate funds."

She warns though that many large charities need to work harder than their smaller counterparts to attract this group of entrepreneurs.

"There is a generational change at play and this younger wealthy generation are less comfortable with the established charities. They are looking for smaller, arguably more agile, higher risk charities," she says.

"It's not game over for larger charities though. But they do need to appreciate the desire by younger philanthropists to invest in innovative, perhaps riskier but game changing solutions," Clarke adds.

Her advice to larger charities includes focusing conversations with self-made, younger wealthy prospects on creativity and innovation. She also suggests large charities partner with smaller charities who can offer the innovation this donor group craves.

Understanding donors

But while targeting young self-made entrepreneurs is important that shouldn't mean inherited wealth should be ignored, says Lloyd.

The Sainsbury's family is an example of how important inherited wealth still is, with Lord Sainsbury sitting at the summit of the latest Sunday Times Giving List with £220.5 million in donations.

Lloyd says: "As well as where their wealth is from you also have to look at the family. With the Sainsburys each generation inherited a trust and each time sets up one around their own passion. It is inherited wealth but they have also inherited values around giving."

As well as understanding latest trends charities also need to get better at understanding that a bespoke, long-term strategy is needed to attract wealthy donors, says Lloyd.

"Too many charities target wealthy donors with a direct marketing approach. They also appoint people as major gift managers, who in too many cases have no real understanding of this constituency. They read the *Guardian*, not the *Financial Times*, for example, and don't understand about wealth creation, how money is made and the motivations of rich people," she adds.

Using trustees and other donors as ambassadors, who wealthy prospects respect and trust, to promote the charity's work and encourage them to get more involved is also key, says Lloyd. "If they are not giving it is not due to a shortage of money it is because they haven't been engaged and their passions haven't been stirred," she adds.

Cheryl Chapman, director of City Philanthropy, says that another attractive style of pitching to prospective wealthy donors is to be more "project orientated".

She says: "Charities need to get better at packaging up what they do and offer the chance to donate to specific projects. Wealthy individuals don't want to throw their money into one big pot anymore. They want to know how a specific project will help and how their money can make a difference."

Another trend among wealthy individuals that charities need to better understand, says Clarke, is their need for strong assurances around governance. This has been fuelled by high profile fundraising issues, and notably the collapse of Kids Company last year.

To help donors feel more secure in making a donation, Barclays has produced *Smart Giving: A Guide to Donating*, which encourages them to ask a series of key questions around governance.

Turner says: "We want them to lift the bonnet and make sure the engine is fit for purpose."

For charities that are able to offer wealthy individuals a role in their organisations, as a donor, ambassador, or expert advisor the rewards can be huge.

But charities need to also ensure that once they have attracted such a wealthy partner they are able to keep them interested for a number of years, says Chapman, who adds "it is a marriage not a one night stand."

By keeping on top of the evolving aspirations of the wealthy elite, charities stand a good chance of succeeding in not only attracting their money, but keeping them as a long term partners that want to give more for years to come. ■

Communication focus:

ONLINE PRINTING

Integrating print in the digital age

Understanding the role of printing in fundraising can maximise donor potential

PAGE 44

The communications mix

Using the right combination of channels can be key to effective supporter engagement

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COMMUNICATION

Integrating print in the digital age

Understanding the role of printing in fundraising can maximise donor potential

WRITTEN BY SARA TRUMPP, SAXOPRINT CONTENT MANAGER FOR THE UK MARKET

Brainstorming for your fundraising campaign can take forever. With so many marketing opportunities at your fingertips, it is difficult to choose the right strategies for your campaign. In the digital age, there are many outlets where you can advertise your charity, but does advertising online attract donors? Picking the right channels to convert donors is crucial. Statistics show the most successful fundraising campaigns use a balance of both print and digital media. Those charities with an understanding of how each type of media can complement the other increase the chance of converting donors. Understanding the integral role of printing in your fundraising, can maximise your donor potential.

Face to face, brochure in hand

Naturally, the best way to bring in donors is face to face, whether you plan a personal meeting or get the opportunity to talk to donors at events. A physical reminder of your conversation leaves your donors something tangible to help them to feel connected to the cause. Having a printed item in their hands, whether it be a flyer, brochure or business card, allows the donor to physically interact with your charity. The tactile quality of having something in hand helps the donor to retain more information in comparison to passively reading an email. Online printers like SAXOPRINT can help you create original, high quality and affordable print material to leave your donors with a long lasting impression.

The science behind printed advertising

With the increase in tablet and smartphone usage, there have been multiple studies in the past few years comparing the ability to comprehend reading material on paper and on screens. One study, from the University of Stavanger in Norway, shows that reading on paper supports a better understanding and a longer retention of the material. The physicality of paper allows the brain to connect with the body in a way that screens cannot provide. The brain creates a bond when reading on paper. For example, you can actually touch it, thus creating a physical bond. Reading a text on a screen leaves you with the exact opposite reaction: distance between you and the text. In contrast to screens, you can feel the weight and texture of paper allowing it to interact with your senses. If you apply this knowledge to your fundraising campaign, your donors will more likely read, comprehend and remember your cause if they have a physical item to reference. Furthermore, screens put an added strain on the eyes and drain our mental faculties which makes it

harder to remember what we have read. To help you create this visual and tactile experience, SAXOPRINT offers a wide range of products which you can personalise to your own needs.

Paper is personal

Most of us experience today's world moving from screen to screen. Having personalised print material in hand is in this sense both unique and memorable. As the popularity of digital advertising increases, the more saturated we are with it in our daily lives. Therefore, it is increasingly important to supplement your digital efforts with tangible print materials. Donors are becoming numb to online advertising and can no longer remember the images on the screen long term. Printed items give your charity a unique and memorable touch, which could just make the difference for an on-the-fence donor. Choosing a printing service that understands this personal touch can help you to achieve your fundraising aims. For instance, SAXOPRINT is proud to offer a human touch to online printing.

Print and digital campaigns in tandem

With all the benefits of a successful print campaign, it is important to have an equally strong digital campaign. Multiple studies show that businesses that use cooperative digital and print campaigns have the most success persuading customers, one can only assume the same goes for charities and your donors. The two campaigns should complement each other. For example, effective print material will drive people to donate online. Use the staying power of print to direct your donors to a convenient and user friendly website where they can leave a donation. Integrate your social media pages or website in your tangible printed items. You can also allow your donors to print your material themselves by providing a downloadable pdf. You can even make your printed advertisements more tech-savvy and interactive by including QR codes.

The power of 'thank you'

One last step on your road to a successful fundraising campaign: don't forget to thank your donors. Personalised thank you cards done in the style of your print and digital campaigns give you one final chance to leave a lasting impression on your donors. Sure, you are excited for every donation that supports your cause, but creating a donor base and a sustainable support system for your charity is the best way to ensure a successful campaign for years to come. Saying thank you helps the donor to feel valued and lets them know how important their contribution is to your organisation. We see the tangible power of paper again with personalised thank you cards, in so far as they provide the donor with a final impression of your charity and its aims. This small gesture can have a lasting and emotional impact on the reader, making it easier to remember you for future fundraising campaigns.

Last but not least – choosing your online printing partner

After seeing what an integral role printed material can play in your fundraising campaign, choosing the right printing partner is a very important task. Let's not forget, we are in the digital age and online services are the way of the future. More organisations are seeking out trusted printing services online. Printing online allows you to simply select your product, personalise it and upload your artwork, all from the comfort of your desk chair. Online printers, like SAXOPRINT, offer high quality affordable products, many of which can be in your hands within 48 hours. With SAXOPRINT, you have the added benefit of a free standard artwork check, minimising any chance of printing mistakes. Preparing you with the materials you need to succeed in a memorable fundraising campaign.

In association with

SAXOPRINT

COMMUNICATION

The communications mix

Using the right combination of channels can be key to effective supporter engagement

WRITTEN BY MATT RITCHIE, EDITOR OF CHARITY TIMES

In an age where vast numbers of people can be reached at the click of a button the benefits of printed communications are not as obvious as they once were.

Indeed, nowadays digital communications offer many benefits over traditional printed options. And reaching existing and potential supporters is only getting easier with the oft-discussed rise of social media and increasing connectedness in society.

But it all depends on who a charity is looking to reach and what response they are seeking to elicit.

Studies suggest it would be a mistake to think of the choice of communication medium as a binary one. Using a variety of media in charity campaigns, whether they are seeking to raise awareness or funds, can increase the chances of success through appealing to wider demographics and achieving scale benefits.

Whatever media mix a charity chooses for its communications, there are a range of factors to consider. It should go without saying that communications need to be effective, but there will always be trade-offs between impact, cost, and ethics.

Horses for courses

The Institute of Fundraising's excellent *Fundraising Media DNA* report sets out the range of considerations that face charities seeking to secure donations. And it is clear there is a role for a variety of media in any campaign.

The report, bringing together the views of almost 3,000 donors and nearly 120 fundraisers, concluded that email is people's preferred communication channel. Respondents also unsurprisingly highlighted email communications as convenient and easy to respond to.

However, the study also cautions that just because a channel is easy to respond to does not in itself mean people will.

In contrast, direct mail communications are considered very retainable, and were highly trusted compared with other forms of communication.

Indeed, with supporters reporting they are holding onto emails less than they did in the past, and some groups reporting they no do not find the medium as relevant as they once did, the report suggests there is an argument for mixed media campaigns.

"This insight reveals that despite [email] being popular across the board a one-size-fits-all approach may not produce the best results possible – especially since it fails to maximise the benefits of recipients' perception of the medium as personal," the report finds. "…a multi-channel back-up to email appeals might help to reinforce the message and cut through the inbox clutter."

On the other hand, the IoF's study reveals that the most common response to direct mail is to donate or respond *later*. Naturally this increases the chance that a communication may fail to achieve the desired response, as other priorities get in the way of the recipient answering a call to action.

"…fundraisers may wish to use this insight to consider the inclusion of devices to prompt a faster response, such as reinforcing the message across several channels or including a deadline," the IoF's report concluded.

Printed inserts play an interesting part in the charity communications mix. IoF's study found they scored strongly on retainability, and are considered attention-grabbing in that they stand out from the other marketing in publications they ship with.

Inserts scored very low for personalisation, meaning charities will need to think carefully about how they are deployed.

But it is worth noting that the Fundraising Standards Board's most recent complaints report found that less direct, personalised approaches were generally less likely to lead to complaints than more personalised ones.

Communication

An earlier study by the membership network for communications

professionals CharityComms looked into the approach charities are taking to their printed magazines and newsletters. It found that while there was a move to digital by many charities, many others are continuing to offer their printed materials.

CharityComms' report, *Reading Between the Lines*, also found that more than half of respondents expected to be producing a mixture of printed and digital content into the future.

The study found that charity communicators felt the main reader benefits of printed magazines and newsletters were that they are something tangible that recognises audiences' support.

Phil Foster is UK senior key account manager at SAXOPRINT, an online printing provider that services a range of charities from national membership organisations to local air ambulance services. He stresses the importance of acknowledging supporters and keeping in touch.

"It has been established that communication is key to maintaining consistent donations," Foster says. "It's not just a case of sending out something calling for action, a simple 'thank you' post card works really well for donors. Or even a mailer explaining where their donation has been spent."

THE PRINT INDUSTRY HAS GOT A LOT MORE ENVIRONMENTALLY FRIENDLY OVER THE LAST 20 YEARS

Further, *Reading Between the Lines* found almost 70 per cent of communications professionals responding to the survey felt the ability for recipients to pass a physical item on was an important attribute of print.

Considerations

Foster says that charities can be put off using printed materials, despite the demonstrably useful role they can play in a communications mix, for cost and/or environmental reasons.

Neither can be dismissed out of hand, and are both valid considerations. More than ever charities must consider whether they are making the best use of limited funds and the uncertain economic environment suggests this situation is unlikely to change in any great hurry.

Environmental concerns are a key part of many charities' purpose and they can ill afford to let their back office actions contradict their work and public positions.

"The print industry has got a lot more environmentally friendly over the last 20 years," Foster says. "Where it used to be unusual to be an environmentally printer now it is very rare to be an environmentally unfriendly printer. That's because paper is sourced from sustainable forests 99 per cent of the time, ink is vegetable based rather than petroleum based in most cases."

Like the environmental argument, objections on cost were absolutely fair in the past but new approaches have alleviated these concerns.

Bespoke, highly specialised print materials remain expensive. But Foster says online printers like SAXOPRINT allow charities to take advantage of the suppliers' economies of scale and access high-quality printed materials in the standard formats they often desire.

"Print isn't as expensive as it once was. It used to be, but it has certainly come down," Foster says. "Online printing has totally unlocked that, and a lot of charities are seeing the benefit."

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Better Society 2016 AWARDS

Better Society Awards

Better Society Awards 2016 - The Winners

WELCOME

CARE International, IntoUniversity, and Rays of Sunshine were among the charities recognised at the second annual Better Society Awards.

Hundreds gathered in London at a ceremony in May to recognise the contribution the private sector makes towards making the world a fairer, healthier, and safer place.

A number of categories also recognise the role charities play in partnership with businesses, and reward outstanding service to the voluntary sector from commercial companies.

The awards are run by the Better Society Network and sponsored by Ansvar. The event is supported by Charity Times, Heart of the City and UKSIF.

Hogan Lovells was recognised for its work with CARE International in the Partnership with an International Charity category, while UBS was awarded the Partnership with a National Charity award for its support of IntoUniversity.

The Partnership with a Children's Charity award went to The Fragrance Shop for its partnership with Rays of Sunshine.

All three partnerships are profiled from pages 52 to 54.

Royal Mail Group and Missing People received a high commendation in the Partnership with a National Charity category.

Everton in the Community, Everton FC's official charity, took away the Communication Award.

Nationwide Building Society took away the Innovation Award alongside Macmillan Cancer Support. Commercial firms recognised for the quality of their service to charities include Rathbones Investment Management and Ecclesiastical Insurance as Asset Manager of the Year and Insurance Company of the Year, respectively.

Read more about what made Rathbones Investment Management stand out from page 58.

Aimia was recognised as Pro Bono Company of the Year, while Ethicall won the Ethical Business Award.

Columbia Threadneedle was recognised with the Diversity Award, and PwC UK was successful in the Transparent Reporting of the Year category. East of England Co-op took the Staff Education Award.

The Best Scheme to Encourage Staff Fundraising award went to CBRE, while Abundance Investment was recognised as offering the Ethical Investment Fund of the Year.

Tarnside Consulting was named Consultancy of the Year. Sayer Vincent took the Pro Bono Company of the Year award in 2015, and followed that up this year with success in the Accountancy Company of the Year category.

Triodos Bank took Bank of the Year.

The Commitment to the Local Community Award, sponsored by Ansvar, went to Berkeley Group, while the National Commitment to the Community Award went to Land Securities Group.

Marks and Spencer was recognised as offering the Carbon Reduction/ Offset Programme of the Year.

ALDI UK took the Efficient Use of Energy Award. The Crown Estate received the Built Environment Award, and Greggs took Waste Management & Recycling Programme of the Year.

Congratulations to an impressive list of winners overall, combining the best in business practices with a dedication to improving society for all.

Better Society Awards

Better Society 2016 AWARDS

Categories & Judges

CATEGORIES

1. Waste Management & Recycling Programme of the Year
2. Communications Award
3. Built Environment Award
4. Efficient Energy Use Award
5. Staff Education Award
6. Carbon Reduction/Offset Programme of the Year
7. Innovation Award
8. Partnership with an International Charity
9. Partnership with a National Charity
10. Partnership with a Children's Charity
11. National Commitment to the Community Award
12. Commitment to the Local Community Award
    - sponsored by Ansvar
13. Asset Manager of the Year
14. Insurance Company of the Year
15. Bank of the Year
16. Accountancy Company of the Year
17. Consultancy of the Year
18. Ethical Investment Fund of the Year
19. Best Scheme to Encourage Staff Fundraising
20. Transparent Reporting of the Year
21. Diversity Award
22. Ethical Business Award
23. Pro Bono Company of the Year

THE 2016 JUDGING PANEL

Paul Caulfield
Director of Nottingham MBA, ICCSR

Simon Gillespie
CEO, British Heart Foundation

Simon Howard
Chief Executive, UKSIF

Frank Krikhaar
Global CSR Manager, Dentsu Aegis

Gillian McKay
Head of Charities and Voluntary Sector, ICAEW

Simon Parker
Research Fellow in Ethics, Sustainability and Engagement, Cass Business School

Matt Ritchie
Editor, Charity Times Magazine

Bob Swarup
Principal, Camdor Global

Partnership with an International Charity

WINNER: Hogan Lovells and CARE International

Innovation and impact combined to lift Hogan Lovells and CARE International to the top spot in the Partnership with an International Charity category at the Better Society Awards 2016.

Judges were impressed with the genuine commitment on display from the pair, who have teamed-up to empower female entrepreneurs in the developing world via CARE International's innovative online lending platform Lendwithcare.

Humanitarian and development charity CARE International has been fighting poverty and defending human rights since its launch in 1945.

Today the charity works in 79 developing countries saving lives in emergencies and finding long-term solutions to poverty for millions of people every year.

When international law firm Hogan Lovells went searching for a charity partner with reach to match its own, CARE International shaped as an ideal fit. And Hogan Lovells offered what the charity was looking for in a partner – a company with a global staff and client network it could leverage to generate additional supporters and funds.

The partnership has seen people at Hogan Lovells provide loans through the online platform, Lendwithcare, and chose individuals they want to support.

Once the loans are repaid by the entrepreneurs, Hogan Lovells donates the money to Lendwithcare so they can expand their operations into more countries and reach more entrepreneurs. The partners say this approach has double the impact both financially and socially.

When the partners won their award, more than 2,600 loans had been made totalling £137,500. The partnership had benefitted 11 developing countries and 1,870 of the loans had benefitted women. Over 100 jobs had been created in local communities as a result of the partnership.

Regan Leahy of Hogan Lovells and Nancy Thomas of CARE International collect the award for Partnership with an International Charity, presented by British Heart Foundation chief executive Simon Gillespie

The partnership includes pro bono support, and two major pieces of work in particular have benefited the charity. One resulted in more than £70,000 of Gift Aid being reclaimed by CARE International, and the second allowed Lendwithcare to expand operations into Vietnam providing small loans to women in the northern part of the country.

Judges were particularly impressed by the genuine partnership approach on display. CARE International and Hogan Lovells worked to ensure the goals of both partners were given equal weighting. The organisations met quarterly, and demonstrated clear communication.

The partnership saw 40 per cent of Hogan Lovells' over 5,000 staff engaging, largely through two major fundraising events with key clients. Using Lendwithcare as an engagement tool meant Hogan Lovells staff could sit at their computers, read about people seeking loans for their businesses, and immediately invest. This allowed the firm's staff to connect with the beneficiaries of its fundraising, making the partnership work at a personal level.

CARE International and Hogan Lovells thoroughly deserved to win the award for Partnership with an International Charity, despite the competitiveness of the field.

The organsiations took a genuine partnership approach to deliver impressive and impactful interventions to thousands of people worldwide. The win/win nature of the partnership is a credit to both organisations. Congratulations to the worthy winners.

Partnership with a Children's Charity

WINNER: The Fragrance Shop and Rays of Sunshine

The Fragrance Shop's support for Rays of Sunshine's work granting wishes for children with serious or life limiting illnesses saw the pair take away the award for Partnership of the Year with a Children's Charity.

Judges were looking for a partnership where the corporate has taken a lead in helping a charity achieve its aims.

Partners had to demonstrate a real long-term commitment to a project to be successful in this category, and Rays of Sunshine and The Fragrance Shop delivered.

Since 2003 Rays of Sunshine has been brightening the lives of seriously ill children. More than 3,500 wishes have been granted for sick kids aged between three and 18.

Rays of Sunshine's assistance for seriously ill children includes granting individual wishes, granting hospital ward wishes, and organising events and outings such as trips to Legoland and a Rays of Sunshine Concert for large groups of children.

Corporate partners have played an invaluable role in enabling the charity to help so many people.

The partnership with The Fragrance Shop was recognised in particular for its strong focus on results.

The Fragrance Shop was founded in 1994 with a single store, and it is now a multichannel retailer employing more than 1,000 people across 170 stores nationally and a distribution facility in Manchester.

The London-based charity has worked closely with its corporate partner for the past four years successfully raising money and awareness.

The Fragrance Shop donates 5p from every transaction to Rays of Sunshine, and customers are invited to match the donation via Pennies. Well over £500,000 has been raised by the partnership so far.

Representatives of The Fragrance Shop and Rays of Sunshine collect the award for Partnership with a Children's Charity.

As a result the partnership has sent 19 families to Disney World in Florida, and allowed 72 children and their families to meet global pop superstars One Direction.

The Fragrance Shop also sponsored Rays of Sunshine's 2014 Concert, and a wheelchair platform at the 2015 event.

But the partnership's value goes even further. Awareness is a valuable thing for charities, and the partnership's work has provided a significant boost to Rays of Sunshine's profile.

Coverage of the partnership spanned 12 national print pieces, 9 regional print pieces, and 14 online pieces for a total PR value of £977,784. For a charity with annual income of under £3.9m, this is a major contribution.

The partnership has also involved fulfilling wishes at fragrance launches, and fragrance making and smelling activity at Rays of Sunshine children's events and parties including hospital pamper days.

Rays of Sunshine CEO Jane Sharpe says The Fragrance Shop was the charity's first major corporate partner, and has contributed greatly to its growth.

"Their support and the support of their customers has not only funded wishes for 422 individual children, but also enabled us to touch the lives of thousands of other children and their families through the events that they have supported."

For a partnership that has demonstrated real commitment on both sides, and genuinely made the world a better place, congratulations to Rays of Sunshine and The Fragrance Shop.

Partnership with a National Charity

WINNER: UBS and IntoUniversity

IntoUniversity iu

Direct and measurable impact saw UBS's partnership with IntoUniversity recognised in the Partnership with a National Charity category.

IntoUniversity, an award-winning charity in its own right, runs a multi-faceted programme that aims to provide under-privileged children with pathways into university.

The charity started as a one-site programme in 2002. Today IntoUniversity operates centres across London, Nottingham, Bristol, Oxford, Brighton, Leeds, and Southampton. Each centre has four full-time staff running the programme and between 60 and 80 volunteers working with the children. The charity's growth saw it reach around 21,000 children last year.

UBS has been a key partner of IntoUniversity since 2007. Since then, the financial services company has donated more than £750,000 and over 400 UBS employees have volunteered.

The pair's work overlaps in particular in the London Borough of Hackney. For 25 years UBS has worked to tackle disadvantage in the community through providing funding and skills to support education and entrepreneurship.

IntoUniversity's shared goal, therefore, meant the charity and the corporate are a great fit and well placed to demonstrate the kind of genuine long-term commitment the judges were looking for.

UBS has supported IntoUniversity Hackney Wide, an expansion of the charity's work in Hackney, and provided support for centres in the Borough of Lambeth in the early years of the partnership. This support has helped the initiative develop from a neighbourhood service based in Hoxton to 'Hackney-wide' provision reaching 20 primary schools, secondary schools and colleges.

The eight-year partnership has also seen the pair work together to develop programmes to support young people in new ways and increase the opportunities open to them. Initiatives include the Futures Fast Track programme which matches students aged 15-18 with a mentor from UBS. Volunteers support students in developing CVs, cover letter writing skills, and interview techniques.

The thoughtful design of the partnership also caught judges' eyes. UBS has formal structures in place for partner management, and the partnership is subject to biannual evaluations to analyse impact. The evaluations also provide an opportunity to discuss how the partnership could be improved.

There have been two partnership agreements since the parties started working together, each funding three years of activity at a time. This allows the charity to work and plan with a long-term view. UBS volunteer engagement is a crucial aspect of the partnership, and the partners work closely to plan and prepare for volunteer activities.

But the impact of the partnership ultimately swayed the judges. In 2014, 83 per cent of IntoUniversity Hackney school leavers progressed to university, compared to the national average of 37 per cent. IntoUniversity's student evaluation data for the 2014-15 academic year showed 80 per cent were more likely to go to university, 79 per cent reported improved confidence, and 77 per cent of students attending academic support reported improved school grades or exam results.

Congratulations to UBS and IntoUniversity, for an impactful partnership that is genuinely improving society.

Sarah Craner of UBS collects the award for Partnership of the Year with a National Charity, presented by awards host Lucy Porter and Lisa Robinson of the Disasters Emergency Committee.

THE WINNERS

Waste Management & Recycling Programme of the Year
Greggs

Communications Award
Everton in the Community

Built Environment Award
The Crown Estate

Efficient Energy Use Award
Aldi UK

Staff Education Award
East of England Co-op

Carbon Reduction/Offset Programme of the Year
Marks & Spencer

Innovation Award
Nationwide Building Society and Macmillan Cancer Support

Partnership with an International Charity
Hogan Lovells and CARE International

Better Society Awards

Better Society 2016 AWARDS

THE WINNERS

Partnership with a National Charity
UBS and IntoUniversity

Partnership with a Children's Charity
The Fragrance Shop and Rays of Sunshine

National Commitment to the Community Award
Land Securities Group

Commitment to the Local Community Award -
sponsored by Ansvar
Berkeley Group

Asset Manager of the Year
Rathbone Investment Management

Insurance Company of the Year
Ecclesiastical Insurance

Bank of the Year
Triodos Bank

Accountancy Company of the Year
Sayer Vincent

Better Society Awards

Better Society 2016 AWARDS

THE WINNERS

Consultancy of the Year
Tarnside Consulting

Ethical Investment Fund of the Year
Abundance Investment

Best Scheme to Encourage Staff Fundraising
CBRE

Transparent Reporting of the Year
PwC UK

Diversity Award
Columbia Threadneedle

Ethical Business Award
Ethicall

Pro Bono Company of the Year
Aimia

Better Society 2016 AWARDS

Better Society 2016 AWARDS

Better Society Awards

Asset Manager of the Year

WINNER: Rathbones Investment Management

Rathbone Investment Management was the clear winner as Asset Manager of the Year at the second annual Better Society Awards.

Rathbones is one of the fastest-growing houses serving the charity sector, but its focus on understanding and delivering to its clients swayed the judges in this category.

The judges recognised Rathbones for its strong commitment to customer service, exemplified by the personal relationship each charity client has with the investment director of its portfolio. There are no relationship managers between the charities and the people investing on their behalf.

Clients receive an investment service tailored to their specific requirements, and given the range of organisations that Rathbones serves this requires significant flexibility.

Unlike some other investment managers, Rathbones offers the same level of service to all of its charity clients. And the minimum level of investible assets required to become a Rathbones charity client is just £10,000.

Rathbones' offer includes the ethical considerations that are so important to many charities. Working with its ethical and sustainable investment arm Rathbones Greenbank, Rathbones can cater for a range of ethical requirements. In addition to screening out investments that clash with a client's principles, Rathbones Greenbank's innovative research process 'screens in' the best ethical investment opportunities.

And the firm goes above and beyond investment matters in the support it offers its clients, regularly providing trustee training.

Rathbones also offers broader events to clients and the wider charity sector, with the symposium as the centrepiece. As well as providing a priceless networking opportunity, the event gives attendees insight into relevant topics and offers lively Q&A sessions and keynote speaker interviews.

Rathbones has also added to the sum of investment knowledge across the sector through the publication of its first whitepaper, *Income-only or total return investing?*, which aimed to help trustees understand their options. A second whitepaper to be published this year will focus on absolute vs relative return investing.

But Rathbones provides more than investment services to clients and the sector, displaying the genuine commitment to charities and the overall ethical approach the judges were looking for in this category.

Through memberships and involvement with sector bodies such as the Charity Finance Group, The Funders Network, NCVO, and ICAEW, Rathbones contributes to and learns from the discussions influencing behaviour and shaping opinions across the sector.

Rathbones has also done impactful work that contributes to improving society for all. The firm worked with the Home Office on the Modern Slavery Act which became law in May 2015, to ensure UK companies will report on slavery risks in their supply chains in a meaningful way.

The investment manager has also led on the environment, with Rathbones Greenbank tabling resolutions successfully calling for the leadership of fossil fuel companies to set out their plans for the transition to a low-carbon energy future.

A comprehensive service offering, alongside a genuine commitment to the charity sector and improving society made Rathbones a very deserving winner. Congratulations to Rathbones, Asset Manager of the Year.

Rathbone Investment Management won Asset Manager of the Year. Rathbones head of business development, charities, James Brennan and senior marketing executive for charities Francesca Monti accepted the award.

INTERVIEW

Leveraging City Hall

Matthew Patten, chief executive of the Mayor's Fund for London, talks about how the charity uses its unique position for the benefit of the capital's young people

WRITTEN BY MATT RITCHIE, EDITOR OF CHARITY TIMES

Need takes many forms across Greater London, how does the Mayor's Fund target its work?
The Mayor's Fund is about alleviating disadvantage by accelerating social mobility. The charity is really concentrated on young Londoners from disadvantaged backgrounds. We work with people between the ages of 4 and 24. Our ultimate objective is to help those young Londoners get a job, because for us that is the best way to escape the threat of poverty. That remit is really broad, but we focus on trying to achieve four key outcomes according to our theory of change. We think any person needs four key attributes to get a job. They need to have a sense of aspiration. They need to have some core abilities – particularly the ability to read, write, and count. They need to have an awareness of the opportunities that are available, particularly in a city like London. And they need to have access to those opportunities.

How do you deliver on that?
There are three ways we look to accelerate social mobility. The first and most obvious way is where we fund and deliver specific programmes. A good example would be our numeracy programme, *Count On Us*. Numeracy is a key indicator of life prospects. *Count on Us* is a pan-London solution to help children enjoy and get their maths back on track. We fund it, we deliver part of it in house, and we work with other partners as well.

The second way is convening and commissioning. That's about working in collaboration right at the beginning of things with a range of different stakeholders and specialists, supported by lots of market research and intelligence. A good example of that would be the work we're doing around holiday food and social isolation. We've been a big investor in increasing the number of schools that provide healthy breakfasts and have helped to transform provision in London. It's hard now to find a school in London that's not delivering some kind of additional nutritional programme. But there's a lot of evidence showing that children who are not being fed properly during the holidays return to school having slipped back. And often these children risk social isolation during the holidays too. This is a more complex challenge than school breakfasts, so we're working with partners including the Greater London Authority (GLA), the boroughs, other third sector organisations, and some corporates, to ultimately create a London-wide response to this issue.

The third way we look to accelerate social mobility is around innovation. The Mayor's Fund sits on the Mayor's floor in City Hall. That gives us tremendous access to all sorts of people. We're interested in being a gateway or a bridge for the rest of London's civil society in terms of helping them do what they need to do. A good example of that would be social finance. It's a much discussed but very complex issue, out of reach for 99 per cent of London's third sector. But together with the Cabinet Office and others, we're conducting a feasibility study to create a new social fund for young Londoners. We are leveraging our position and stakeholders with the aim of creating a major new fund, worth over £100m, to be made available to the rest of London's third sector working with young people.

Will Brexit make any difference to your activities?
The referendum has lifted a curtain on some very challenging issues.

In this environment, London needs its charities and civil organisations more than ever. For the Mayor's Fund, that means leveraging our position with others to make sure that the sector is recognised as a key strategic player within policy, for example being involved in issues such as devolution, community empowerment and new funding structures. It also means that we need to get on positively with our charitable activities.

Where do you see the Mayor's Fund's place in terms of facilitating greater collaboration?
We definitely subscribe to collaboration. There are about 610,000 children living in poverty in London and that figure has been pretty unchanging for the past 30 years irrespective of politics or parties or issues. Dealing with that is not something that any one organisation can do by itself in any sector. As well as the GLA and boroughs, we stand shoulder to shoulder with London's funding community, lead foundations such as City Bridge Trust, Trust for London, and others, corporates and individual philanthropists. I also sit on the Board of London Funders. I am particularly interested in a more unified strategic alliance with the Corporation of London to jointly target specific London issues. Key themes for us are increasing the resilience and capacity of London's third sector, motivating greater philanthropic support for London, and taking a more joined up approach to social integration.

What does the new Mayor mean for the charity?
I'm delighted to say that Sadiq is already pushing us to do more and help play a transformational role for young Londoners. We're an independent, apolitical organisation based in City Hall with the Mayor as our patron, but we have our own governance and are obviously registered with the Charity Commission so there are very strict rules around how we operate. We were very deliberately set up that way – we don't receive any funding from the Mayor or the GLA. We're self-reliant on generating funding from trusts and foundations, corporates, philanthropists, and the public. In post-Brexit London, I am certain that we will bring a great deal to helping achieve the Mayor's priorities, particularly around social integration and philanthropy.

Do you lobby the Mayor?
We don't do that. But, as well as brokering relationships from the outside into various parts of the mayoral team and the GLA, I'm really interested in trying to help the Mayor and the GLA get out and reach the parts of London's third sector that they can't reach. I think taking people and showing them things and getting them involved in conversations is a really strong way we can build a much closer relationship between politicians and what's happening on the ground.

How important is corporate support to the charity from a funding perspective?
It's essential and we have a lot of successful corporate partnerships. Probably a third of our funding comes from corporates, a third from philanthropists, and a third from trusts and foundations. I come from a commercial background and it strikes me that there's a real shift going on in how corporates are looking at their charitable partnerships. We moved on a long time ago from these associations being a 'nice-to-have'. And the age of CSR being a 'tick-box' exercise is on the wane. I think corporates, large and small, are genuinely recognising that business with a moral purpose can enhance their bottom line. Charities like us need to keep thinking about how we can help companies achieve that.

How do you balance the need for financing your own organisation against the need to avoid crowding out other third sector organisations competing for limited funding?
It's a great concern. There's a sustainability crisis in the sector, particularly for the vast majority of charities that are not endowed and where the pressures on unrestricted funding for core costs are critical. For me as chief executive, the Mayor's Fund absolutely has a responsibility to try and leverage its relationships and its very privileged position to increase the amount of funding available for these London charities and not-for-profit groups.

How do you demonstrate your impact and the value you offer?
We have to demonstrate our value every moment of the day – to our trustees, to our beneficiaries, and we certainly have to demonstrate it to our funders. Return on investment and performance management in terms of numbers and outputs is pretty straightforward. But we've been really looking at our theory of change in the last 12 months. Those four 'A's that I spoke about earlier – aspiration, ability, awareness and access. They're now the things that we measure all our programmes against. One of the challenges for us in all of that is how do you measure soft skills like aspiration? That is a really difficult thing to do. We had a model six months ago we set about measuring against but it didn't work so we're having to rebuild it. ■

INVESTMENT

Measuring investment performance

Quilter Cheviot's head of charities William Reid joined Matt Ritchie in the *Charity Times* studio to discuss transparency and how charities can evaluate the performance of their investments

Matt Ritchie: Please take us through some of your thoughts on what trustees should consider when they evaluate the performance of their investments.

William Reid: It is a hot topic. As ever performance from the investment manager's perspective is always the most important piece, but one always appreciates that from the charity's perspective other factors such as administration also play a key role. For us it's looking at the differences in terms of what you're being shown. So looking at a figure and saying 'yes my portfolio is up 8 per cent - but what does that actually mean?'. What are you comparing it against? Is that return taking into account costs or is it a gross figure? If it's gross that means managers reporting what the portfolio has done, but not taking into account the cost of their services or any other third party related costs. We believe transparency and actually showing

TRANSPARENCY AND ACTUALLY SHOWING TRUSTEES WHAT THE CHARITY IS GETTING RATHER THAN WHAT THEY'RE GETTING BEFORE CHARGES IS IMPORTANT

trustees what the charity is getting rather than what they're getting before charges is important. Even more so in an era where returns overall in the longer term are going to be lower. If you're saying that from here on for the long term returns may be around 6 per cent, if the costs of business are 1 per cent, that's a fairly meaty part of your return. Where it becomes crucially important then is when you're looking at how you're doing vs the rest of the peer group. When you're looking at a figure and one investment house is showing 7 per cent and the other is showing 6 per cent - is one showing you gross and one net? Ask what you're being shown; is it net or gross? Make sure when you're making comparisons that you're comparing apples with apples, and not apples with pears.

Does the investment community have a role to play there? Perhaps doing a bit better at standardising things; whether that be managers or information providers?
There's certainly a debate going on in terms of the consultants out there. For us the demise of WM/State Street is a bitter blow. Can you find a consultant who can provide a level playing field - asking us questions as the industry and ensuring that the figures they're passing on to the client are the same? But as well maybe it is a time for investment managers to come together and have a slightly more frank and open conversation. Really the key thing going forward is we need some form of independence.

How do you see that void getting filled? Do you have an ideal situation?
In many ways it would be lovely to think someone would come along and buy WM and it would carry on. It's certainly not a perfect survey, it has its critics. But what it has provided historically for the sector - in terms of the asset allocation of the average charity - is a starting point. There are the competition out there – whether that's [Asset Risk Consultants] ARC – they tend to do it in terms of risk and return rather than looking down at the asset allocation level. Then on the back of that you've also got the regulation potentially coming out of Europe. Equally, alongside any form of common agreement across the industry in terms of how we report is looking at expenses and cost.

It sounds like an area in which regulation could play a role. Independence is something you mentioned and you would hope that regulators don't have a vested interest. Where do you see developments there and what will the influence be?
Certainly with MiFID II - obviously there's the question of Europe in the mix - but MiFID II is very clear in that a single figure is going to have to be reported to trustees in terms of the costs they're incurring for management services. The benefit there is you're going to get it both as a percentage and as a pounds shillings and pence figure. In terms of the wider piece to be honest I think it will always be a bugbear. But what I do hope is as an industry we can move away from the argument that 'my benchmark is a gross benchmark – so if it's an index the index doesn't have charges in it'. Well, yes, but if you're choosing active managers that's what we're being paid to do. We're being paid to outperform an index. And in our opinion you should be doing that after costs not before costs.

This is an edited version of an interview that can be viewed in full at www.charitytimes.com

In association with

FINANCE

Costly promises

Charities face a range of challenges in meeting their retirement income obligations to employees past and present

WRITTEN BY DAVID ADAMS, A FREELANCE JOURNALIST

Unfortunately, in a low interest rate/low investment return/low gilt yield world, many final salary defined benefit (DB) schemes have become a dangerous drag on the financial performance of the employers that sponsor them. Charities may find themselves in a particularly difficult position – and those that are part of multi-employer DB schemes carrying very large deficits could find themselves caught in a particularly tricky, potentially ruinous predicament.

Most single employer DB pension schemes run by charities are in a similar state to schemes sponsored by private sector employers of a similar size: they are relatively small, but likely to be closed to new entrants. Many will also have been closed to future accrual of benefits from members, with employees encouraged to join a defined contribution (DC) pension instead. Further impetus to join DC schemes is being provided by auto-enrolment.

Almost all single employer DB schemes in the sector are likely to be in deficit. The most recent annual funding statement issued by The Pensions Regulator (TPR) showed that although many investment asset classes have performed relatively well over the past year, most schemes are still likely to have a larger than expected deficit on their valuation dates. That means trustees and employers will need to adjust deficit recovery plans – which may mean higher employer contributions.

When that employer is a charity this becomes even more difficult, because the way the organisation can spend income from specific sources may be restricted. Anjelica Finnegan, senior policy advisor at the Charity Finance Group (CFG) is currently researching the methods charities are using to reduce these deficits. She suspects they must be using unrestricted reserves, or other assets held by the organisation to do so.

The 2016 UK Civil Society Almanac, produced by NCVO, calculates the voluntary sector has a collective pension deficit of £1.7 billion. About £1.5 billion of this is accounted for by charities with incomes of over £10 million. But far smaller sums may be very dangerous for smaller organisations.

Charities also now have to report these deficits on balance sheets, following the introduction of Financial Reporting Standard (FRS) 102, which applies to all but the smallest organisations.

"We're operating in an environment where charities are being told to cut back on back office spending," Finnegan points out. "When people see money going somewhere other than to the beneficiaries they may think that's a bad thing. So it is important that charities highlight in annual reports what they're going to do to bring down the deficits."

Sarah Woodfield, policy advisor at the Pensions and Lifetime Savings Association (PLSA), fears there may also be implications for Pension Protection Fund (PPF) levy calculations. PLSA is working with the PPF to find a way to ensure charities are not hit by unreasonable demands as a result.

David Davison, director and owner at pensions consultancy Spence & Partners suggests that organisations carrying DB liabilities may also find this restricts their ability to merge with other organisations, to benefit both organisations and their beneficiaries.

Multi-employer schemes

Charities in multi-employer schemes in deficit are likely to have the least room to manoeuvre. In many cases the organisations joined these schemes because they offered a way to share risks associated with pension schemes. In other cases charities may have joined local authority schemes, or absorbed pension liabilities on behalf of former local authority employees, as a result of them being contracted to deliver public services.

Those charities are now unable to escape the spiralling liabilities associated with these schemes without having to pay substantial exit costs: Section 75 debts based on the potential costs of buying annuities for their employees in the scheme.

"The exit debt is calculated on a buy-out basis, so it's very costly – for charities more often than not it's just unaffordable," says Gareth Hopkins, director at GJH Pensions. "Even if the charity has the funds to cover this exit debt, trustees are likely to be resistant to using charitable donations for a non-charitable use, so charities may find themselves handcuffed to the scheme. Worse, they're tied to a scheme where the deficit will increase."

Hopkins suggests the freedom of choice rules for defined contribution pensions may help, in some circumstances, where it is in the interests of both member and scheme for benefits to be transferred to a DC pension. But with serious concerns having been raised about individuals transferring out of final salary schemes to access pension pots, this would need to be an informed decision by the individual. Ideally, they would take financial advice before making a decision.

"We're not suggesting everybody should transfer their final salary benefits – but members with smaller pots may want to do that," says Hopkins. "It's about employee or

member engagement: many schemes will not have made it clear to members that they have that option. In some circumstances a transfer of benefits is a good idea for both member and employer – but caveats do apply."

CFG, PLSA and other organisations continue to work with the Government to try to find a way to reduce the Section 75 exit costs for charities. A Department of Work and Pensions (DWP) consultation gathered submissions from the pensions industry and the charity sector regarding this issue in the summer of 2015, but there is no word yet from the DWP on when or what kind of further action might be taken.

Hopkins is a member of the PLSA Charities Working Group, which is working with the DWP to address the problem and which has made some suggestions as to how legislation could be changed. "The reason it's tough is that if and when you ease the issue for charities regarding exiting multi-employer schemes you open the door for other employers too," he says. "It would be hard to treat charities differently."

In response to a query from *Charity Times* as to when further announcements might be forthcoming, a spokesperson for the DWP said: "We continue to fully assess the detailed views and evidence submitted to our Call for Evidence and are looking at how existing measures are used by employers and schemes to manage the debt".

Local Government Pension Scheme

Meanwhile, the PLSA is also addressing the issue of the growing number of employers joining the Local Government Pension Scheme (LGPS), including some charities providing public services.

There is some concern that charities may lack a full understanding of the financial obligations associated with the scheme. Other public sector schemes have a fair deal arrangement in place which restricts a charity's pension liabilities to the term of the contract for delivering a service, but the LGPS does not yet have such an arrangement. Employers seeking to leave the scheme will be liable for an exit payment likely to be calculated on the same basis as Section 75 debt. The PLSA is producing new guidance to assist employers in the LGPS.

The PLSA is also gathering evidence to inform the work of its DB Taskforce, launched in March 2016 to find ways to make DB pensions more sustainable. It will issue initial findings in the summer, then put recommendations to the Government in the autumn. "If there are representatives out there from charities who would like to tell us how DB pensions are affecting them, we'd like to hear from them," says Woodfield.

All these issues should be considered in the context of the other financial challenges charities face, including reduced donor, grant and/or public service contract income; and the impact both of auto-enrolment and of the introduction of the National Living Wage.

"It is a bit of a perfect storm," says Finnegan. "CFG and other partners have asked before the Budget for charities to get greater payback from National Insurance to be able to match the package of support provided for private business through corporation tax cuts." But there is no indication this will happen anytime soon.

It seems a terrible shame that pension schemes, designed to help employees enjoy a more comfortable retirement, are causing so many problems.

The hope must be that continued efforts from within the charity sector and Government action will bring some comfort to organisations trying to do the right thing by employees, beneficiaries, donors, funders and society. ■

INVESTMENT

Charity investment reviews – 'the great retender'

There is a strange habit in the charity sector, that of trustees associating an investment review with a retender of their investment manager. Retendering of providers can naturally follow a review, but does not replace one

WRITTEN BY MATT LONSDALE, HEAD OF DEVELOPMENT, ASSET RISK CONSULTANTS

Remarkably few charities have trustees who are experienced with investment matters, and many of those suitably experienced are uncomfortable with being liable to the charity for losses made as a result of poor or negligent advice, and so it makes sense that most charities consider some form of external advice. However, charities are often cost conscious, and this position frequently overrides the reasoning for obtaining external advice, so instead we see charities embarking on 'the great retender' because its free, and it shows they are doing something.

'I DID THEN WHAT I KNEW HOW TO DO. NOW THAT I KNOW BETTER, I DO BETTER.' - MAYA ANGELOU

No retender exercise is free, the obvious cost is time, but the cost is rarely counted. The time of the trustees and all the investment managers involved can be significant, and more often than not the outcome sees the incumbent investment manager breathing a sigh of relief until the next time and the trustees settle into the routine established before the retender, nothing changes. That's not to say the result of staying with the current manager is the wrong result, but the process in place to achieve the result is flawed.

There is a simple way to do better, and that is to compare the performance of your investment to the performance received by your

peers. Put another way, what could have been achieved by investing with another manager who took the same level of risk, what is the cost of doing nothing?

Asset Risk Consultants' charity indices (ACI) are compiled using the performance data of over 2000 charity investment portfolios managed by 30 managers. A quick study of the performance of the Balanced ACI over 3 years to 31st December 2015 provides a clear example.

This example excludes the returns made by the best and the worst managers in the peer group and instead focuses on comparing the returns of a 'good manager' to a 'disappointing manager'. For a portfolio of £1 million the difference over three years between 'good' and 'disappointing' is £76,000.

You can log in to www.suggestus.com to obtain a peer group review. The exercise is simple, fill in the data yourself or ask your investment manager to help, and then pay £100 to receive a review of for the portfolios performance versus the charity peer group.

The report might highlight your manager is doing a good job, this might save you and them the time of a retender. Equally the report might highlight that the manager is performing poorly, in that scenario it might be prudent to seek external advice and the cost may well be less than the cost of poor performance.

Regular reviews are good practice, and that applies equally to the providers of a service, and the methods used to assess that service, perhaps now a new approach will help you do it better. ■

	Five year Balanced Asset Performance	£1m portfolio invested for three years
Good manager 25th Percentile (i.e. the manager ranked 25th out of 100)	21.8%	£1,218,000
Disappointing manager 75th Percentile (i.e. the manager ranked 75th out of 100)	14.2%	£1,142,000
Difference	7.6%	£76,000

INVESTMENT

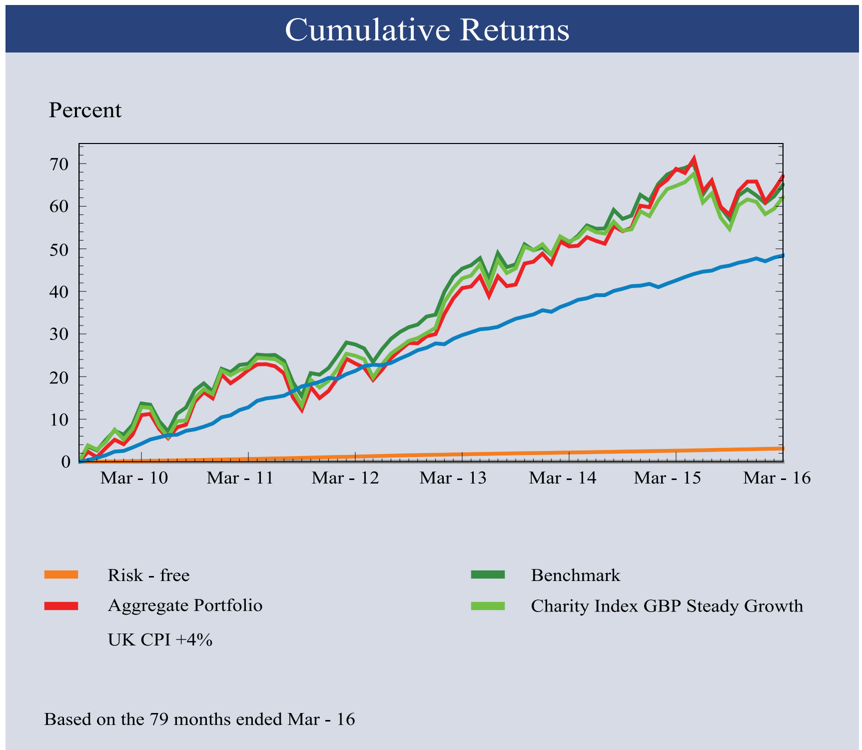
Portfolio review - case study

In early 2013, ARC engaged with the trustees of a grant making charity with investment assets of around £10m, allocated between three investment managers, with the remaining monies held in cash.

The financial objective is to provide a balance between income and capital growth to service the needs of the charity. The trustees wish to maintain the capital value of their aggregate portfolio at least in line with inflation, whilst generating stable and sustainable returns to fund distributions and charitable donations. The target return is to achieve annual returns of UK CPI + 4% over the investment cycle, but it is recognised that the length of investment cycles is variable and substantially longer than the performance reporting cycle. There is an annual withdrawal target of £400,000. A total return investment approach is generally taken.

The charity's investments were initially appraised following a three stage process. ARC reviewed the existing investment policy statement, existing manager performance and whether a change is needed, and oversaw adjustments to existing mandates and phased investment into new mandates as appropriate.

Having completed the review, ARC continues to monitor and review the investments on a quarterly basis. This provides independent and objective assessment of the performance characteristics of the aggregate portfolio in both absolute terms and relative to benchmark and peer group. The below extracts from the review illustrate this in action:



Portfolio, % return	1 Month	3 Months	12 Months	3 Years	5 Years	Since Inception
Aggregate Portfolio	1.9	0.7	(1.0)	18.7	37.4	67.0
Aggregate Benchmark	1.7	1.6	(2.0)	13.6	34.2	65.1
ARC Charity GBP Steady Growth Index	1.7	0.7	(1.6)	13.3	32.8	62.1
UK CPI+4%	0.3	0.4	4.1	14.4	31.6	48.4

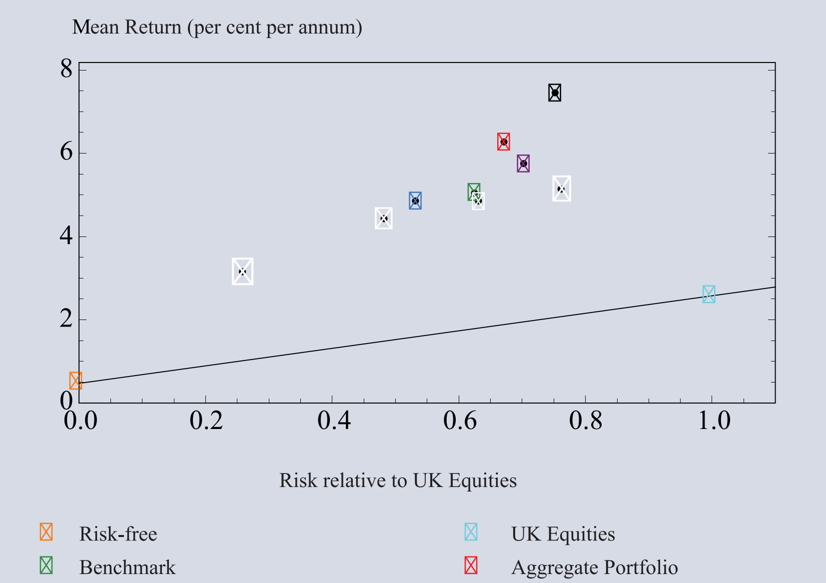
Relative Returns, percentage points	1 Month	3 Months	12 Months	3 Years	5 Years	Since Inception
V Aggregate Benchmark	0.3	(0.8)	1.0	5.1	3.2	2.0
V ARC Charity GBP Steady Growth Index	0.2	0.1	0.6	5.3	4.7	4.9
V UK CPI +4%	1.6	0.3	(5.1)	4.3	5.8	18.6

The tables below summarise the quartile positioning of the aggregate portfolio relative to the peer group of charity discretionary manager averages in the same risk category:

Over the 12 months ended March 2016, the return of the aggregate portfolio is in the 1st quartile versus the peer group. In the 79 months ended March 2016, the return of the aggregate portfolio is in the 2nd quartile versus the peer group.

So how does the charity assess a portfolio in summary? ARC grades performance by ranking the Aggregate Portfolio's risk-adjusted performance over 60 months relative to the ACI universe, using a modified Sharpe ratio. There are six grades: A (highest) to F (lowest). In this case, the Aggregate Portfolio has been ranked Grade B.

Return vs Risk (65 months)



- The risk-adjusted performance of each of the constituent sub-Portfolios can also be readily assessed utilising this approach.
- The rationale for multi-manager allocations is for diversification by manager style to benefit the overall return outcome across a range of market conditions.

1st Quartile **(1st 25th),** **2nd Quartile** **(26th - 50th),** **3rd Quartile** **(51st - 75th),** **4th Quartile** **(76th - 100th)**

Cumalative Returns To Mar 16(%)					
Percentiles	**Last quarter**	**1 year**	**3 years**	**5 years**	**79 months**
25th Percentile	0.9	(1.0)	15.7	37.7	69.4
50th Percentile	0.3	(2.2)	12.6	31.8	60.1
75th Percentile	(0.4)	(3.5)	9.3	26.2	51.5
Benchmark	1.6	(2.0)	13.6	34.2	65.1
Portfolio	0.7	(1.0)	18.7	37.4	67.0

Calendar Year Returns (%)					
Percentiles	**2012**	**2013**	**2014**	**2015**	**YTD**
25th Percentile	11.7	17.0	5.6	3.4	0.9
50th Percentile	10.2	14.6	4.4	1.8	0.3
75th Percentile	8.6	12.5	3.1	0.3	(0.4)
Benchmark	10.3	11.8	7.3	0.8	1.6
Portfolio	11.5	14.5	7.3	3.8	0.7

INVESTMENT

Strength in numbers?

The choice between taking a segregated mandate or pooled fund approach to investing is not clear cut

WRITTEN BY MATHEW LITTLE, A FREELANCE JOURNALIST

One of the most basic decisions an investing charity has to make is whether to opt for a pooled or segregated mandate. A pooled fund means a collective investment vehicle in which a number of investors 'pool' their assets. A charity invests alongside others, owning units in the fund and receiving a pro rata share of returns. Common Investment Funds and some NURS (Non-UCITS Retail Schemes) are designed specifically for the charity market. But charities are also free to invest in non-charity specific pooled funds such as unit trusts or tracker funds which trace the fortunes of the FTSE share index.

Under a segregated mandate, by contrast, a charity directly owns particular shares, bonds or other assets. The charity's investment portfolio is managed for it alone, in a 'bespoke' way, by an investment manager.

However, this binary division between pooled and segregated is not so clear cut in reality. "It's very difficult to put hard and fast definitions on what is segregated and what is pooled," says Kate Rogers, head of policy with Cazenove.

A segregated portfolio will invariably contain some pooled funds. An investment manager may invest directly in selected UK companies or familiar overseas brands, but also buy specialist pooled funds that invest in property or emerging markets.

Choice

Heather Lamont, director of client investments with CCLA, says almost all charities use pooled funds to some extent. "What people usually mean when they talk about 'segregated' is a bespoke portfolio where your manager selects different pooled funds and possibly some individual assets which are held directly," she says. However, some investment houses still offer 'pure' segregated investment in directly-held assets, with only minimal use of pooled funds in areas such as property or absolute return.

Pooled investments are increasingly the investment style chosen by most charities. A 2014 survey of charity investors by investment management firm Newton found that two-thirds of portfolios were exclusively or predominantly invested in pooled funds. Only 7% of respondents exclusively used directly held segregated portfolios. Partly this is a forced choice. Many investment firms do not offer segregated portfolios to charities with under £25 million or even £40 million to invest. So that instantly confines a huge swathe of the charity investment market to pooled funds.

But Jeremy Wells, client director for charities with Newton, says 'market opinion' has also swung round to the view that pooled funds are every bit as good as their segregated alternatives. "There are occasions when segregated is the right solution," he says, "but often it's more a matter of taste or fashion. There are practical reasons that make pooled funds a very sensible and pragmatic solution for a lot of charities."

It's certainly the case that many investment managers are eager to herd charities towards their own 'flagship' pooled funds. Wells says Newton's pooled Growth and Income Fund for Charities "is something we want to stand behind and advertise from the rooftops. And that would be true of BlackRock or Cazenove or whoever."

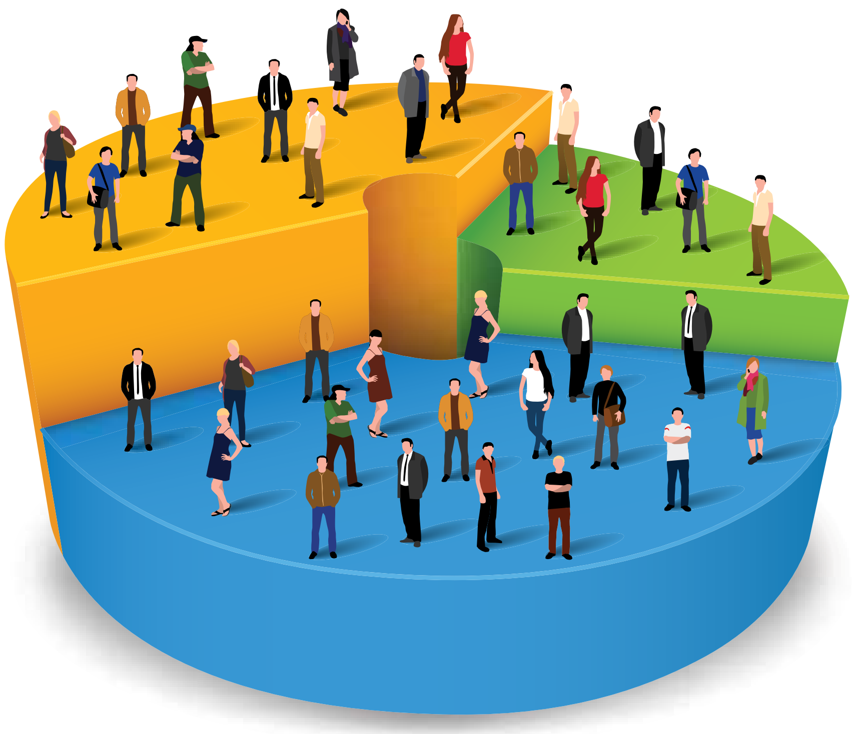
"The top fund managers would suggest you go down a pooled fund route," says Rogers.

One unquestioned virtue of a pooled mandate is simpler administration. "If you have two pooled funds you are talking about no more than a couple of lines of your balance sheet," says Lamont. A segregated portfolio of 100 different shares and bonds, by contrast, entails 100 different lines of stock to account for, in addition to hundreds of dividend payments, transactions, corporate rights issues, stock consolidations and take-overs. "If you are segregated, it can involve quite a lot of paperwork," says Lucy Tusa, investment consultant with investment consultants, Mercer. "Clients have told me they find it somewhat overwhelming at times, particularly if they want to sell."

Cost

Cost is a more contentious issue. "All other things being equal, you'd expect the lower costs of a pooled fund approach to give you higher net returns," says Lamont. Wells agrees that pooled funds are cheaper, estimating a saving of 0.1% compared to a segregated mandate. This translates to £15,000 less in annual fees for a charity with a £15 million portfolio. It is also the case that pooled funds generally don't attract VAT on fees (Common Investment Funds are an exception) whereas segregated portfolios do. The imminent Charity Authorised Investment Funds, a specialist charity pooled fund announced in the 2015 Budget, also will not be subject to VAT. Common Investment Funds, home to £15 billion of charity investments, are expected to convert to CAIF status.

However, not all are convinced that pooled funds offer a cheaper option than going segregated. Rogers says that, on the surface, fees may look much lower for pooled funds than for a segregated mandate, but the 'total expense ratio' – the sum of all the charges the charity incurs – may, in fact, be higher. This is because, if a charity asks an



investment manager for advice and buys into several funds, they will pay for the advice and the underlying cost of each fund. "The sort of multi-manager approach of having lots of diversified pooled funds can be equivalent [in price], if not slightly more expensive," maintains Rogers.

The question arises that if many investment managers proselytise a pooled fund approach and going pooled entails much simpler administration and may well be cheaper, are there any compelling reasons to be segregated? The answer, in some cases, is a definite yes, provided a charity's portfolio is large enough.

Ethics

"The real advantage of segregated portfolios is where you want to do something different," says Wells. This desire can take the form of stringent or particular ethical requirements or individual cash flow or income needs.

Rogers says charities are subject to conflicting impulses. "Efficiency and diversification are pulling more charities towards pooled funds, while the opposite pull is the wish to align your mission and values as a charity with your investments. And doing that through pooled funds is more tricky, sometimes, than doing it directly," she says.

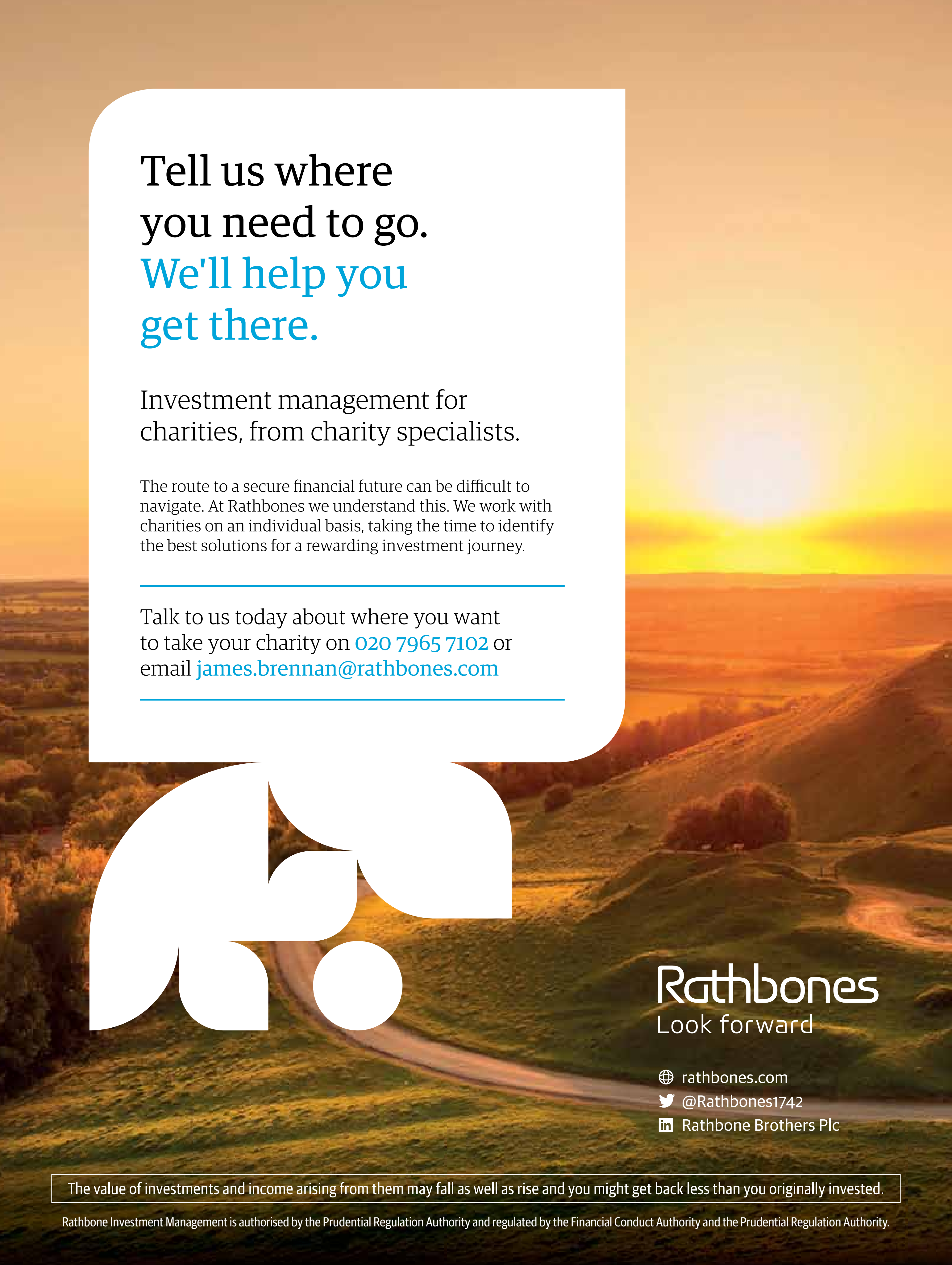
The reason is that, while there are a plethora of ethical or SRI pooled funds for charities, they don't always seamlessly match a charity's ethical demands. "If the ambition is to impose specific restrictions on your investments, then a one size fits all fund is unlikely to deliver what you need," says Charles Mesquita, senior director with Stanhope Capital. "The only way to ensure this is to invest with a manager who is able to invest 100% in direct securities."

The most common ethical exclusion for the sector is tobacco but while many pooled funds cater for this desire, many only exclude companies that derive 10% or 5% of their profits from manufacturing or selling tobacco. If a charity wanted to rule out all companies that sell any tobacco (supermarkets for instance), they may well have to go segregated. Divestment, for example from fossil fuel companies, is also much simpler if a charity owns stocks directly.

Segregated also comes into its own if a charity has particular cash flow needs. This might apply to an endowed foundation only permitted to spend income, not capital, with a requirement for a sum of income to be delivered on specific dates.
The same cash flow stipulations can be achieved by buying bonds that mature on future dates, rather than buying into a bond fund.
In both cases, owning shares or bonds directly, rather than in a pooled fashion, is the logical investment option.

Investment experts agree that charities should not hastily pick a pooled or segregated mandate. First, they need to establish how much they have to invest, what ethical constraints they have and if these are likely to evolve and whether they have particular income or cash flow needs different to most peers in the sector.

"Being clear about the relationship you are looking for and you what you expect at the outset is key," says Mesquita. "Both options should be considered and judged on their merits and for the right reasons." ■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