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FIRST CHOICE FOR NON-PROFIT MANAGEMENT

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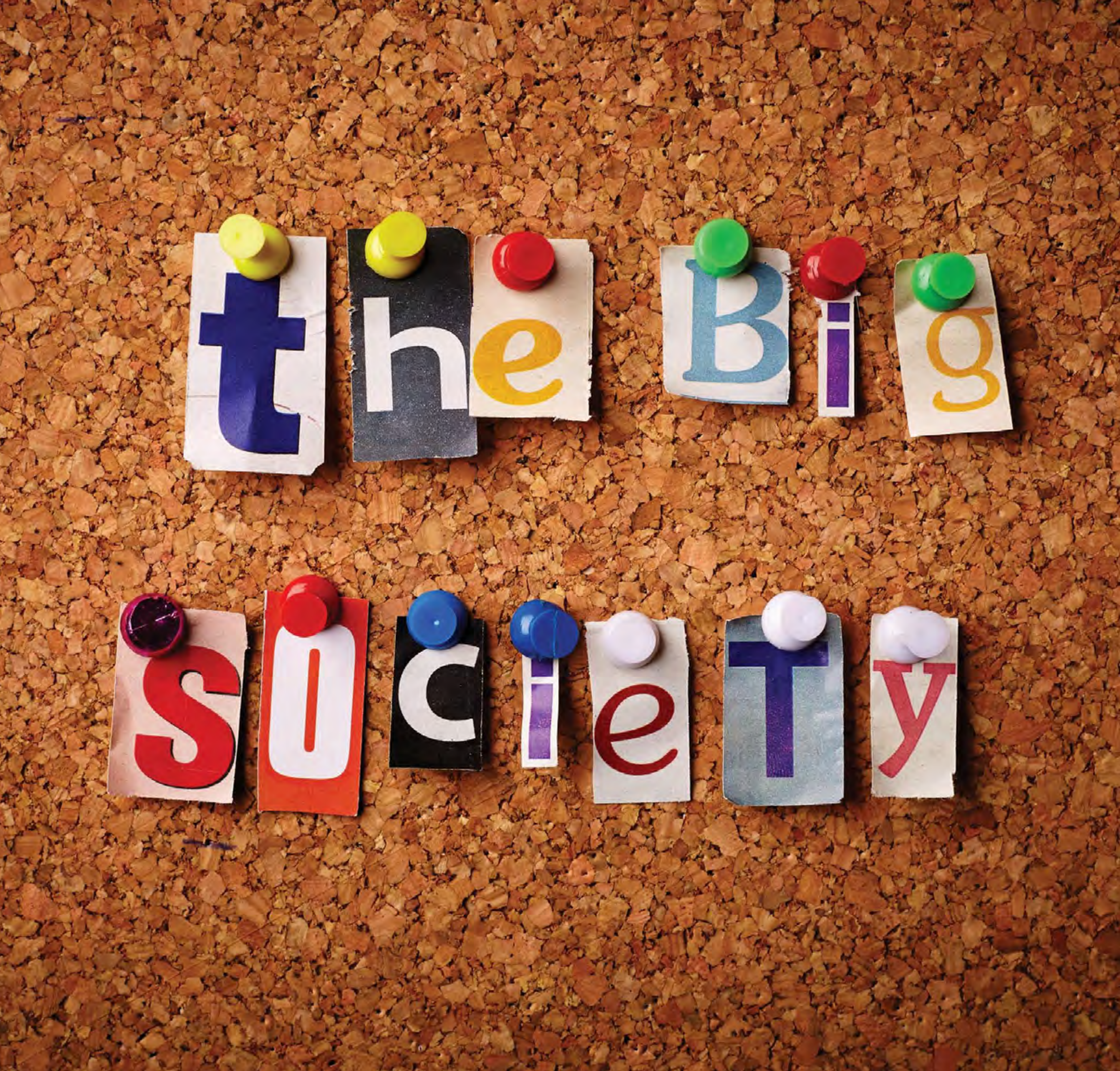

**Editor**
Andrew Holt
andrew.holt@charitytimes.com
020 7562 2411

**Contributing Writers**
Dawn Austwick, Rachael Badger, Anna Bloch, Dan Corry, Nicola Davies, Harry de Ferry Foster, Peter Holbrook, Julie Howell, Tris Lumley, Paul Palmer, Jayne Phenton, Antony Savvas, Asheem Singh, Sam Simmons

**Design & Production**
Matleena Lilja
matleena@perspectivepublishing.com
020 7562 2400

**Commercial Manager**
Cerys Brafield
cerys.brafield@charitytimes.com
07766 662 610

**Advertising Manager**
Sam Ridley
sam.ridley@charitytimes.com
020 7562 4386

**Subscriptions**
Joel Whitefoot
joelw@perspectivepublishing.com
020 8950 9117

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**Managing Director**
John Woods

**Publishing Director**
Mark Evans

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# Positive mergers

**One interesting** but little focused on trend, is the one that highlighted charities involved in mergers transferred over £225m to form new organisations last year. This is considerable.

Together, the 189 organisations undertaking mergers turned over almost £1bn, or some 2.4 per cent of total voluntary sector income. This was according to *The Good Merger Index*, the first overview of charity sector mergers, produced by management consultancy Eastside Primetimers.

There was significant activity amongst health and social care organisations, which accounted for more than 50 per cent of mergers, with a disproportionate bias towards mental health and disability charities, reflecting commissioners' preoccupation with lower costs and pan-disability provision.

*The Good Merger Index* also revealed comparatively high levels of merger activity in supported housing, community development, minorities, intermediary and religious charities.

Broken down into approaches: mergers represented: 23 per cent, takeovers: 43 per cent, subsidiaries: 23 per cent; group structures 7 per cent and asset exchanges 5 per cent.

Sector hotspots were health & social care (53 per cent of all deals), intermediaries (23 per cent); faith-based organisations (17 per cent), community (15 per cent) and housing (14%).

Richard Litchfield, CEO of Eastside Primetimers, noted that the data for 2013/4 shows that many negative perceptions of mergers are misplaced, which, of course, is a good thing for the sector.

In 75 per cent of deals, the acquired organisations were able to retain some form of identity, management control and Board representation. The study shows that mergers come in all shapes and sizes, and reach into almost every part of the charity sector.

This suggests the sector is consolidating; or, put another way, becoming leaner and fitter for the future. This can only be a good thing for the sector going forward.

On a final note, this is my last issue of Charity Times as Editor, as I move on to pastures new. I wish you all the very best in your endeavours and outstanding work in the sector.

**Andrew Holt**
**Editor**

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**THE CHARITY COMMISSION** has opened a statutory inquiry into **Ummah Welfare Foundation**, registered charity number 1150190. The charity has objects to relieve poverty and sickness and advance education throughout the world by the provision of services. The Charity Commission carried out a compliance visit to the charity in June 2013, which included an inspection of the charity's books and records. During the visit, concerns were identified regarding the governance and financial management of the charity, which the regulator provided specific advice and guidance on.

**UK BUSINESSES AND INDIVIDUALS** who are solving social problems will be celebrated in October at the first-ever **Social Investment Awards**, backed by the Cabinet Office and RBS. The UK social investment market is worth over £200 million, supporting social enterprises that contribute over £55 billion to the economy each year. The market now employs over two million people in the UK. The market enables ventures that might otherwise struggle to access finance to grow and make an impact on local communities.

**POLITICIANS FROM ALL PARTIES** should pledge to turn around the nation's most deprived social housing estates within the next decade, says a leading think-tank. In a new report, *The Estate We're In*, leading think tank Policy Exchange argues that the condition of many of Britain's social housing estates is nothing short of a national embarrassment. The paper says that the results of decades of neglect and ghettoization have led to acute social problems that are entrenched and generational.

**TODAY'S EDUCATION SYSTEM** is failing many young people from disadvantaged backgrounds — according to a new survey published by an alliance of organisations led by **Impetus — The Private Equity Foundation**. On the eve of GCSE results day, the alliance is calling for schools to do more to prepare their students for life after education. The responses pointed to two main areas of concern: 1. Schools need to do more to prepare young people for the world of work. 2. Young people are crying out for more relevant, structured and substantial work placement opportunities so they can develop transferable skills and gain the right experience that will help them land a job when they leave school.

A new guide entitled **BRIDGING THE GAP: MOVING ONTO TO NONPROFIT BOARDS** has just launched as part of the legacy support materials from the **Lord Mayor's Charity Leadership programme 2014**. The free to download guide has been written and produced by **Cass Centre** for **Charity Effectiveness**, **Mazars,** and **Trustees Unlimited,** and is primarily aimed at people working in the private sector who wish to take up a trusteeship or other volunteer roles in the charity and nonprofit sector. It is also recommended reading for charities who wish to recruit people from outside the sector to help them learn how best to use the skills and experience of people, irrespective of their sector background. The guide covers four main areas: The Sector — context, composition and character; Governance; Culture; How to become a trustee.

**In what was generally a tough year we are pleased to have increased our overall income, excluding donated goods and services, by 7%**
**Caron Bradshaw, CEO of CFG**

**THE CHARITY FINANCE GROUP** has released its 2013-14 annual report, showing a year of continued change and development, despite the tough economic climate. During the financial year **CFG** underwent a complete change management programme, successfully shifting the skills base of the staff, particularly at a senior level, and driving forward changes to the way in which CFG develops and delivers support to the sector. Caron Bradshaw, CEO of CFG said: "In what was generally a tough year we are pleased to have increased our overall income, excluding donated goods and services, by 7%. At the same time we embarked on a major change programme which required a significant investment from our reserves. However this year, on the back of our most successful annual conference ever, in May, with 15% more delegates attending, and unprecedented levels of booking for our SORP training sessions, with over 1,000 bookings already, I am confident our calculated risk is paying off."

**THE CHARITY COMMISSION** has opened a statutory inquiry into **Human Aid UK**, registered charity number 1138111. The charity has objects to relieve the need and suffering of victims of natural or other disasters, to advance the education of the public and to promote racial harmony. Human Aid UK specialises in providing aid and support to orphans and vulnerable women, carrying out humanitarian work, development work and building infrastructure. The Commission has also identified that the charity has been involved in delivering aid to Syrian refugees. The regulator is investigating concerns about the charity's management, including concerns about poor financial controls and record keeping, including inadequate fundraising controls, and concerns about a lack of trustee oversight.

**The UK's biggest companies have almost doubled their donations to charities over the last five years, but most people are unaware of their work in this area**

**THE NATIONAL CITIZEN SERVICE** provided good value for money, according to an independent evaluation published in August. The impact report into the government's flagship youth volunteering scheme in 2013, commissioned by the **Cabinet Office** and carried out by **Ipsos Mori**, found it cost £49m for its summer programme and £13m for the autumn programme. Comparatively, the summer programme in 2012 cost the government nearly £37m to deliver. In 2013, 31,738 young people took part in the NCS summer programme and 7,828 in autumn. NCS aimed to provide up to 50,000 places in 2013.

The programme is expected to have 90,000 places available this year. The report said the programme provided between £1.39 and £4.80 of benefits per £1 spent in the summer, and between £1.09 and £4.71 in autumn. This included increases to education, future benefits to young people, and volunteering delivered.

**THE UK'S BIGGEST COMPANIES** have almost doubled their donations to charities over the last five years, but most people are unaware of their work in this area, according to new research. The **FTSE** 100 gave £2.5bn to good causes in 2012, a £1.2bn rise since 2007 — despite the economic downturn.

However, consumers are largely unaware of this commitment, people thinking that just over a third (36%) of the FTSE 100 make donations to charity every year when in reality nearly all of them (98%) do. The report also shows that younger people are a lot pickier when it comes to the companies they choose to do business with. Nearly two-thirds (65%) of 18–24 year olds are more likely to buy a product or service from a company that makes donations to charity. This is compared to 51% of the general public. The report, Corporate Giving by the FTSE 100, calls for a more consistent way for companies to report and measure their giving so they can be clearer and more vocal about their work with charities.

**THE DISASTERS EMERGENCY COMMITTEE** is warning that with debate about the **Gaza** crisis sometimes falling into anti-Semitism and Islamophobia, the undoubted need to provide help to hundreds of thousands of people in desperate need could be reduced to a political football. DEC chief executive Saleh Saeed said: "The DEC's launch of a public appeal in response to the humanitarian crisis in Gaza has been wrongly interpreted in some quarters as a political statement. It is nothing of the sort. Giving aid is not taking sides."

**THE CHARITY COMMISSION** and **OSCR** as the joint SORP-making body have announced that the **Chartered Institute of Public Finance and Accountancy** have been awarded a contract to provide support for future updates of the Charities SORP including the secretariat for the SORP advisory committee. Currently, the Charity Commission and the Office of the Scottish Charity Regulator as the joint SORP-making body also provide the secretariat support involved in developing the SORP. This has included preparing the technical briefing papers for the SORP committee and drafting the text of the revised SORP for input from the SORP committee.

As the **CHARITY COMMISSION** uses its latest consultation to up the ante on the highly sensitive issue of campaign spending, think-tank **NPC** has warned the regulator about how this move might be perceived. The latest Charity Commission consultation proposed new requirements on charities to declare their campaign spending. NPC's response welcomes the proposals, with clear provisos to ensure that any new rules don't create an unfair burden for charities. But chief executive Dan Corry also warned the Commission that it risks questions about its 'motivation' in looking so closely at this issue, alongside other controversial questions about executive pay and earnings from private and public sources.

## The DEC's launch of a public appeal in response to the humanitarian crisis in Gaza has been wrongly interpreted in some quarters as a political statement

**Saleh Saeed, DEC**

In response to **CHANNEL 4'S DISPATCHES PROGRAMME**, *How to stop your nuisance calls*, the UK's charity fundraising regulator has expressed concern over allegations of dishonesty and poor practice by telephone fundraising agencies. The Fundraising Standards Board is contacting the relevant charities and agencies to examine the issues raised by the programme and to consider whether further investigation or action is required. Alistair McLean, chief executive of the Fundraising Standards Board, said: "Telephone fundraising is an important and effective means for many charities to recruit new donors and fund vital services. By working with agencies, charities have the opportunity to extend their reach, working with dedicated and experienced professionals. But, it is critical that any ask for funds is carried out in line with industry standards, always treating donors with respect, honesty and openness."

**NAVCA** said that the **Charity Commission**'s proposals for the 2015 Annual Return need a major rethink and should not proceed in their current form. The proposals, which the Charity Commission has been consulting on since June, would require every charity to state how much income it receives from public service delivery, how much it spends on campaigning, whether it has a remuneration policy for paying executive staff and whether it has conducted a review of its financial controls.

All charities with income between £10,000 and £500,000 would have to provide more financial information than currently required. NAVCA said that proposals will impose significant additional burdens on charities, in particular smaller ones, without providing meaningful and useful information.

**ACEVO**'s chief executive **Sir Stephen Bubb** warned the **Charity Commission** that they risk alienating themselves from the charity sector in their strategy and approach to regulating the charity sector. The comments emerged as the Charity Commission closed their eight-week consultation on new questions for the charity Annual Return in 2015, the document used by the Commission to monitor and gather information on charities. The Commission is seeking to gather data on campaigning activities, public service delivery and chief executive pay.

**THE CHARITY COMMISSION** has opened a statutory inquiry into **Kids Integrated Cancer Treatment**, charity number 1129394. The charity has objects to provide integrated cancer treatments for children by fundraising and to provide financial assistance and educational information to families who have children suffering from cancer. Concerns about the charity and its links to an individual were raised with the Commission in January

2012. At the request of the Police and the Crown Prosecution service, the Commission did not engage with the charity until a criminal case against the individual was completed.

**THE CHARITY COMMISSION** has appointed an interim manager to the charity **Christ Embassy,** registered charity number 1059247. The Commission used its powers under the Charities Act to appoint Rod Weston of Mazars as interim manager of the charity to the exclusion of the charity's trustees as a temporary and protective measure. The charity's trustees have been informed of the decision, and the Interim Manager will be communicating with the charity's beneficiaries.

**THE PUBLIC FUNDRAISING REGULATORY ASSOCIATION (PFRA)**, the regulatory body for street and doorstep direct debit fundraising, has slammed a report on chugging by **Charity Aid** for its "unfounded and unsubstantiated claims" that chugging is the most damaging form of charity fundraising. Peter Hills-Jones, head of policy and communications at the PFRA, said: "The arguments put forward by many who oppose street fundraising, while clearly passionate, simply fail to deal with reality or take into account uncomfortable truths." See pages 10-11.

Results for the first group of 1000 prisoners on the **PETERBOROUGH SOCIAL BOND** were announced, demonstrating an 8.4% reduction in reconviction events relative to the comparable national baseline. The project is on course to receive outcome payments in 2016. Based on the trend in performance demonstrated in the first cohort, investors can look forward to a positive return, including the return of capital, on the funds they have invested. The momentum in the project reflects the significant advantages of the model — that long term funding provides the scope to build a deep understanding of the complex needs of offenders and the flexibility to invest in meeting them. The Ministry of Justice and the Big Lottery Fund will make payments to investors in 2016 if there is a reduction in reoffending of more than 7.5%; but the project does not qualify for a payment at this early juncture.

**CHARITY THINK TANK NPC** has cautiously welcomed some of the initiatives in the latest Commissioning Strategy from the Department of Work and Pensions. NPC raised concerns with the DWP last year about the damaging effect that payment-by-results (PbR) contracts can have on some charities and the people they are trying to help. Under this system, charities face incentives to place people into immediate employment. However, where they are dealing with the 'hardest-to-help', who often have a variety of complex needs, rushing somebody back into work may produce unsustainable or even negative results. Charities on the ground have the expert knowledge to see what the best course of action is and to take a more nuanced approach in the journey to employment. The way in which the PbR system is currently structured also creates incentives for prime contractors to pass risk down to charity sub-contractors, to the detriment of those charities and to the vulnerable people with whom they work.

**THE CHARITY COMMISSION** is reminding charities with net current liabilities to explain how they are addressing the associated risks in their **Trustees' Annual Reports (TAR)**. In a report, the regulator reveals the results of a probe of charities whose accounts recorded net current liabilities. In other words, current debts are more than the funds available to cover them. The report found that, of the 98 accounts reviewed, nearly half failed to discuss the issue in their reports, meaning that they missed the opportunity to

**Telephone fundraising is an important and effective means for many charities to recruit new donors and fund vital services**

**Alistair McLean, Fundraising Standards Board**

explain to funders and stakeholders how they were managing the risk. Another accounts monitoring review, of charities with pension scheme deficits, produced a similar finding. The report found that most of the charities reviewed were funding their liabilities either through deferred income — payments received ahead of the service being provided — or through bank loans and overdrafts.


**LARGE-SCALE IMMIGRATION** will ultimately have a negative effect on standards of living as any economic benefits will be outweighed by the pressures imposed by a much larger population, a study published by the think-tank Civitas shows. In a new analysis of the economic and demographic consequences of current levels of immigration, distinguished Cambridge economist Robert Rowthorn argues that any gains would be small compared with the strains placed on amenities such as housing, land, schools, hospitals, water supply and transport systems. While GDP as a whole will grow, he says, GDP per capita — a much better indicator of the nation's wealth — will be only marginally affected by the enormous population growth forecast for the coming century.

# Fundraising in the dock

TWO FUNDRAISING REGULATORS WERE CONCERNED ABOUT ALLEGATIONS OF FUNDRAISING FOR DIFFERENT REASONS, SAYS ANDREW HOLT

It has been a difficult time for the more cutting edge approaches to fundraising. The notorious form of fundraising known as chugging has come under fire, as has telephone fundraising, the latter of which was the subject of a Channel 4 Dispatches programme, *How to stop your nuisance calls*, which aired in August and caused much debate and media comment. The programme found that some of the country's best loved charities are paying private call centres millions of pounds to fundraise on their behalf. Not surprising in itself, but it was the methods used that was of concern.

Dispatches went undercover at two leading fundraising companies — NTT Fundraising in Bristol and London based Pell & Bales. Between them, they boast of a range of blue chip charity clients on their websites including Great Ormond Street Hospital Children's Charity, Oxfam, Royal National Institute of Blind People, Unicef and Barnardos. Rules and codes of practice were stretched if not clearly broken in approaches used.

In response, the UK's charity fundraising regulator was keen to express concern over allegations of dishonesty and poor practice by the telephone fundraising agencies. The Fundraising Standards Board is contacting the relevant charities and agencies to examine the issues raised by the programme and to consider whether further investigation or action is required.

Alistair McLean, chief executive of the Fundraising Standards Board, says: "Telephone fundraising is an important and effective means for many charities to recruit new donors and fund vital services.

"By working with agencies, charities have the opportunity to extend their reach, working with dedicated and experienced professionals. But, it is critical that any ask for funds is carried out in line with industry standards, always treating donors with respect, honesty and openness.

"The standard of fundraising in the UK is high, with clear guidance for what can and cannot be done clearly defined within the Institute of Fundraising's Code of Practice.

"The allegations of poor fundraising practices identified within the Dispatches programme are of great concern to us and we have already contacted the relevant organisations to discuss those matters and consider whether further investigation or action is required."

**Code of practice**

The Fundraising Standards Board regulates charity fundraising against the Code of Fundraising Practice, monitoring complaints about charity fundraising and is working to resolve concerns raised by the public.

McLean says: "The Code of Fundraising Practice emphasises the requirement for a solicitation statement to be made when asking for donations. This obliges fundraisers to reveal that they are paid. Contrary to the Dispatches report, this statement does not have to be made prior to the decision to donate, but any time during the call."

In 2013, UK charities made over 14 million fundraising calls and FRSB member charities reported 8,019 complaints about them. With a typical ratio of one complaint to every 923 fundraising calls, complaints are a low proportion of fundraising activity, but the sector cannot be complacent and must strive to learn and improve on the back of these concerns.

Telephone fundraising complaints constitute 17 per cent of the total fundraising complaints filed in 2013 (48,432). The number of complaints increased in correlation with the volume of calls, an annual rise from 2012 to 2013 of 26 per cent and 25 per cent respectively.

The lead causes for complaint about telephone fundraising were the tone / content of the call, closely followed by a general dislike of the method and the frequency of calls.

**Chugging is the worst**

Though this wasn't the only form of fundraising that came under fire. Chugging is the worst and most damaging form of charity fundraising there has ever been — was the grand conclusion of a new report. Charity Aid asked every council in the country about chugging and the responses revealed that many councils regard chugging as "aggressive harassment" of the public.

Chugging is the now much focused on practice by paid professionals of stopping people in the street to ask for charity donations. "Chugging now takes over £100m a year from donations which were intended for charity," claims Charity Aid chairman Peter Quinn. "It's brought words like intimidation and hard sell into what used to be a noble calling. Volunteer groups are unanimous in opposing it and some have disbanded in protest."

Hard words. Despite its name, Charity Aid is not a registered charity, but a fundraising project set up by United Press and involves volunteers from the North West of England. Charity Aid says its survey shows that over 90 per cent of the public are against chugging. It also suggests that because chugging has been going on over 15 years, and records show that 750,000 people are signing up each year, it will eventually reach saturation point where chuggers may adopt more aggressive tactics to reach their targets.

Charity Aid also says that councils

**The pernicious and wilful use of misinformation, such as the claim that public fundraising is taking money from donations is absurd**
**Peter Hills-Wood, PFRA**

complain that site management agreements do not remove the problem, they instead "regularise chugging and give it a seal of approval": and Charity Aid suggests councils may then fear that chuggers feel they have the freedom to be more aggressive.

Charity Aid then makes a leap, saying that rural councils which don't have a problem with chugging are becoming concerned, that because chugging needs to go further to reach the same targets, it will infiltrate into their areas and become a problem for them. Charity Aid says in built up areas town centre businesses are complaining that chugging is affecting their trade.

**Unfounded claims**

Though the Public Fundraising Regulatory Association (PFRA), the regulatory body for street and doorstep direct debit fundraising, presented an effective counterblast, slamming the report for its "unfounded and unsubstantiated claims" that chugging is the most damaging form of charity fundraising.

Peter Hills-Jones, head of policy and communications at the PFRA, says: "The arguments put forward by many who oppose street fundraising, such as those that appeared from Charity Aid, while clearly passionate, simply fail to deal with reality or take into account uncomfortable truths."

Hills-Jones contested that in contrast, the PFRA exists to ensure that where street and doorstep fundraising takes place: it is both authorised and accountable. Hills-Jones says: "To this end, we are now closing in on the signature of our 100th local authority partner, which will bring the total number of jointly managed fundraising sites to well over 300."

He then noted that the latest independent survey by the Local Government Association found that over 70 per cent of councils who had site management agreements in place with the PFRA saw complaints fall; 96 per cent of those questioned also said they were satisfied with how we resolved complaints.

Hills-Jones adds: "We have never, and will never, claim we can make problems disappear. What we do offer is practical solutions. While others may wish to carp from the side lines, the PFRA has rolled up its sleeves and got on with the job of improving things on the ground. We are clear nonetheless that we expect professional fundraising to be just that — professional.

"That is why street and doorstep is the only form of fundraising with a voluntary, self-imposed penalty points system. Unfounded and unsubstantiated claims therefore that 'aggressive tactics' may be used is simply not borne out by the evidence. The average penalty imposed by the PFRA for instance fell from 44 to 39 points last year."

He adds that: "Although we welcome a broad range of voices to the debate around improving public fundraising, we also feel it is not unreasonable to expect responsible commentators to do so on the basis of facts.

"The pernicious and wilful use of misinformation however, such as the claim that somehow public fundraising is 'taking' money from donations is simply absurd. Not least this fails to take into account that according to our own figures, the majority of street fundraising teams are now run in-house by charities themselves.

"All fundraising incurs costs for charities, but according to figures released by the Charities Aid Foundation, money received via direct debits is now the largest single source of donations by value (29 per cent).

"At around £2bn, this income could not easily be replaced by alternative forms of fundraising, nor should it. The role of volunteers, in all aspects of charities' work is invaluable, as is the role of professional fundraisers."

Hills-Jones concludes: "While some may wish to turn people against each other, we at the PFRA prefer to celebrate all who work for charities and focus on those who benefit from the money raised, regardless of the source."

**Andrew Holt is editor of Charity Times**

# Towards Effective Prevention by Early Action Task Force

You could be forgiven for being suspicious when politicians agree on something. It often — not always — signals trouble, a cosy consensus, a stitch-up. Some stitch-ups we poor, benighted voters assent to or ignore as we go about our daily lives. Others take longer to foment, have broader implications and, depending on how they are done, could be a force for immense good or irreparable harm. An example where the politicians did well is race relations legislation. Another example is early intervention.

Westminster types have been into early intervention for some time now. It was traditionally seen as a Labour idea. Tories, so it is said, don't like the state, so why would they advocate government interacting with people who are not in peril? Then, after David Cameron won the Tory leadership election, this all changed. The idea that intervening early could be a better, more efficient way of running things was attractive to the less radically libertarian, one-nation-aligned element of the right. It was, to them, a way of marrying sound money and social justice. Along with the Smith Institute and the IPPR on the left, the Centre for Social Justice think tank on the conservative right were particularly zealous about early intervention, and remain so.

And for some years they have been successful with it. The Coalition, on coming to power, took the point and established the Early Intervention Foundation with support from Iain Duncan Smith and his Social Justice Cabinet Committee. The heavy artillery has thus been massed in the principle's favour for some time. Not only in Westminster, but in the voluntary sector too. ACEVO's 2013 publication, *The Prevention Revolution*, produced by a task force chaired by Sir Hugh Orde, is one example of the extent to which the voluntary sector has come to regard preventative measures as its natural domain. And it is in this frame of mind that we come to consider the work of the Early Action Task Force — an eclectic body from across the voluntary sector — and their publication *Towards Effective Prevention*.

*Towards Effective Prevention* is short. At best we can describe it as a sort of framework; a position statement produced around a year before the 2015 general election. It compares poorly in terms of volume of quantitative or qualitative research to the reports produced by the Westminster players in the area, but then, being fair, quantity is no indicator of merit. This is a signifier, not a broader implementation piece; it is a gestural petition or 'letter to the editor' rather than a fastidious policy contribution. It is a set of ideas rather than a coherent, costed platform. This is a flaw. The sector will one day learn that policy-making by gesture stymies those involved — and their concepts — from the start. Policy is made in the detail, relative to the numbers. But let's put that objection to one side.

ASHEEM SINGH SAYS EARLY INTERVENTION IS BROADLY A GOOD IDEA. THE WORRY THOUGH IS IT IS TOO COSY. A BUNDLE OF IDEAS THAT BEG FOR THEIR COLLECTIVE TUMMY TO BE TICKLED


The central contention of the report is that we need to assess and curate our public services differently if we are to make the case for up front, early action. The most eye catching recommendation is that programmes should be reviewed against a ten year window via 'ten year social and capital investment plans' and assorted infrastructure around those plans. This idea deserves our attention.

The principle of reviewing government programmes against a ten year window and the delivery architecture the report suggests putting in place begs a great number of questions. Why ten years? Why establish a quango to oversee it (the somewhat sinisterly named 'The Office for Future Generations') when the auditing is done by another relatively new quango The Office for Budget Responsibility?

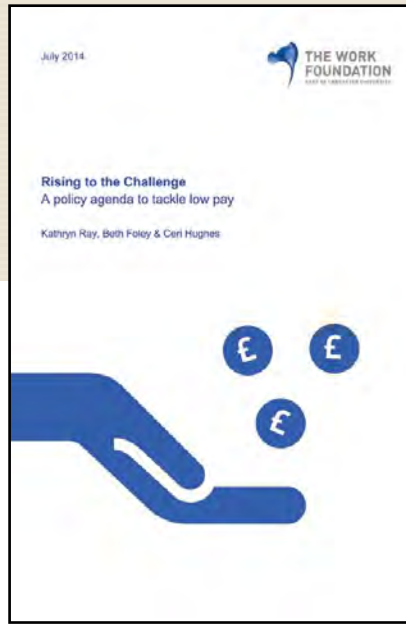
The report has some interesting ancillary ideas on applying early action principles to older people and some case studies on how 'early action has saved money.' I do object to this framing. It is highly instrumentalist; it is not for this group to attempt to corral the voluntary sector into being a vassal for the state's money problems — or anyone else's for that matter. There is a smattering of white board style ideas — social profit sharing agreements, responsibility charging, an early action fund. No numbers, just ideas. Early intervention — despite the slightly weird nature of the term — is broadly a good idea. The worry with all this is that it is too cosy; a bundle of ideas that beg for their collective tummy to be tickled.

**Asheem Singh is head of policy at ACEVO**

The paper is available at:
**www.community-links.org**

# Rising to the Challenge by The Work Foundation

RACHAEL BADGER SAYS THE PROPOSALS IN THIS REPORT WOULD NEED TO BE CAREFULLY IMPLEMENTED IF THEY WERE TO SUCCEED




Although the UK's headline GDP figures herald a welcome new period of growth, it is clear that we are emerging from recession with an economy and a labour market that is materially different from the one we left behind before the financial crisis. Politicians are no longer arguing about who bore the burden of the cuts, but about who is enjoying the fruits of recovery.

The Work Foundation's new report, *Rising to the Challenge: A policy agenda to tackle low pay*, is the final paper in their *Bottom 10 Million* series, looking at the employment prospects of workers earning less than £15,000 a year — many of who are yet to feel the benefits of the upturn.

According to The Resolution Foundations' *Low Pay Britain 2013 report* one in five workers is paid less than 60 per cent of the median wage, which means around £12,700 in cash terms. More and more families find themselves below the Government poverty line even though they are working long hours.

The Work Foundation's new report does not go into the most direct way to address low pay — to supplement wages directly from the Exchequer through further increases to the personal allowance in income tax or through tax credits. They are right not to go there. The current tax credit system reduces the pressure for many, but there remains acute pressure on the public finances.

While wage subsidies relieve some of the pain of getting by on a low income they do nothing to address the structural causes of low pay and may even reduce incentives for employers to increase wages.

The authors contend, however, that we can reduce levels of low pay in the UK in three ways. They argue for raising wage floors, investing in skills to increase productivity and progression, and reshaping the labour market and employment practice to increase demand for higher skilled workers. These proposals would need to be carefully sequenced and implemented if they are to succeed.

First, the authors suggest that accelerating increases in the National Minimum Wage under current economic conditions is possible, but politicians must respect the advice of the Low Pay Commission, which is best placed to assess the risk to jobs and growth. A longer-term perspective on living standards, restoring the value of the National Minimum Wage to pre-crash levels over the next five years, would be a way of meeting their aim.

Second, the report finds that investment in skills to support progression in the labour market should be central to any government's strategy to reduce persistent low pay. The real prize here is to grow the higher-skilled part of the labour market and to support people to move into it. There is already significant unmet demand for skilled labour in the economy as well as many people working in jobs for which they are overqualified.

Sometimes people have to change track to progress at work; so their call for investment in skills must also be part of a grander plan which includes careers advice and retraining for people who want to earn more but lack the skills to do so. Skills funding must also be demand-led; Local Enterprise Partnerships must describe what they need, and locally controlled funding should follow it.

Third, it is argued there is also mileage in reshaping the labour market and employment practice to reduce demand for lower skilled workers. Low-cost, low-skill operating models aren't the only way to generate profits, and rivals in the same sectors do often operate in very different ways. But we should be hard-headed about the real scope for change here; some lower paid jobs are being replaced by new technologies, but others (such as care work and hospitality) are here to stay.

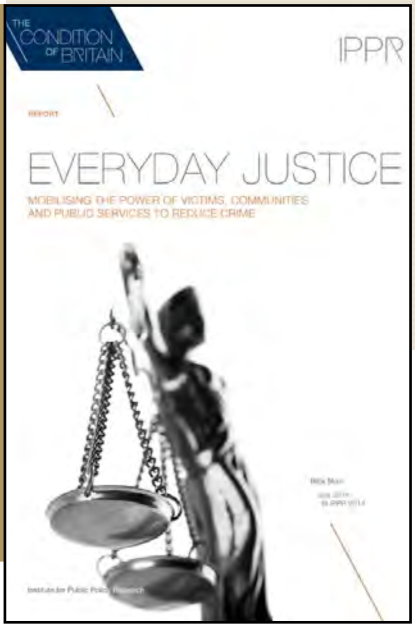
The prevalence of low pay and the consequences for living standards are rising up the political agenda. Citizens Advice is optimistic that any new Government will take firm action to ensure that the fruits of recovery are shared.

But while paying more is challenging in the voluntary sector, particularly in the current funding climate and for smaller charities, there are some important ideas for leaders in the sector to consider.
It is crucial that the voluntary sector does what it can, when it can, to maintain low internal wage ratios, to increase productivity, and to help its seven hundred thousand staff to progress.

**Rachael Badger is head of policy for welfare, families and work at Citizens Advice**

The paper is available at:
**www.theworkfoundation.com**

# Everyday Justice by IPPR




JAYNE PHENTON SAYS THIS PAPER MAKES A COGENT AND ECONOMICALLY ROBUST ARGUMENT FOR APPLYING A STAKEHOLDER SOCIETY APPROACH TO THE CRIMINAL JUSTICE SYSTEM

The concept of a 'stakeholder society' — devolving power and responsibility to people at a more local level — is one which, at least on the surface, might feature in any of the manifestos of the main political parties in the UK. Rick Muir's report for the IPPR, *Everyday Justice,* not only makes a cogent and economically robust argument for applying such a concept to the criminal justice system, but lays out practical mechanisms for doing so.

According to the Crime in England Wales 2010/11 survey, only 43 per cent of people are confident that the criminal justice system is effective. Ministry of Justice figures show the public consistently under-estimate the severity of sentences meted out by the courts.

Both victims and offenders are disaffected by a system which seemingly fails to offer any restitution for the former or prospect of rehabilitation for the latter. Evidence in this report suggests that restorative justice improves' victims' confidence in the criminal justice system and reduces reoffending.

Offenders are encouraged to acknowledge the impact of their behaviour and make some reparation to the victim or wider community. This might take the form of a written or face-to-face apology, financial compensation or unpaid community work.

This report cites growing evidence that restorative justice is one of the most effective measures to reduce re-offending and custodial sentences for young offenders who have committed 'low-level' crimes such as vandalism, damage to public property or other acts of anti-social behaviour.

The most manifest element of the report's commitment to the devolution of power and responsibility is the proposal to establish neighbourhood justice panels across the country. Cases such as neighbour disputes and anti-social behaviour, that is to say non-criminal activity, would be referred to panel meetings. These would be conducted by volunteers trained in facilitating restorative conferences and attended by the offender and the victim, a local coordinator and the referring agencies, generally the police, but possibly the local authority.

The results of a two-year pilot project in 15 areas in England and Wales in 2011 were promising with panels effecting successful resolutions, particularly in cases of neighbour disputes. The report acknowledges there would be 'start-up' costs, but highlights the substantial savings which potentially could be made.

The intention is that early intervention prevents such behaviour escalating and the report recommends the establishment of a neighbourhood justice panel in every unitary or district authority in England and Wales, estimating the cost to be around £50m.

However, this report goes further and examines the implications of the government's plans for reform of rehabilitation processes laid out in the consultation paper *Transforming Rehabilitation: A Strategy for Reform*. These reforms will fracture the probation service with the introduction of new providers to be paid partly 'by results' following a similar model to the government's Work Programme.

It seems likely that given the size of the 21 contracts to be awarded, it will be large private sector companies who will win the bids, and evidence suggests charities with experience and expertise in working with offenders will be side-lined.

This report commends the success of youth offending teams and proposes extending their remit up the age of 21. The intensive support and supervision they provide for young adult offenders, both in the prison and the community, have delivered successful outcomes diverting young adults out of the criminal justice system.

Anti-social behaviour, damage to public property, graffiti and so on, are the issues which impact most on communities and the most vulnerable people that inhabit them. This report presents a persuasive model to allow a more active role for communities and extending restorative justice for victims of low-level crimes.

It could potentially not only increase public confidence in the criminal justice system, but reduce custodial sentences for young offenders and encourage them to be active members of their communities, rather than isolated from them.

**Jayne Phenton is media coordinator with a national charity**

The paper is available at: **www.ippr.org**

# Restoring the Balance by the Centre for Social Justice

Depending on your political orientation you will either be supporting or decrying this report. Irrespective it is a very impressive researched tome.

A committee lead by former Labour MP and well known child poverty campaigner Chris Pond and consisting of a number of respected experts front the report.

A moving memory to Mark Duncan begins "The central theme of this report — that we have a duty to alleviate the suffering of Britain's poorest and most indebted ..." A statement most of us could agree with.

Pond concludes his own introduction with the observation "we don't pretend that our proposals break new ground, but they are practical, workable and we believe effective reforms".

This simple statement belies the issue many from the left will have with the report. Octavia Hill a member of the Poor Law Commission in the late 19th Century was equally a practical person, who founded and ran a number of organisations to assist the poor.

Marshalled against her was the equally redoubtable Beatrice Webb, who frustrated with the Commission's mind-set authored her own minority report on poor law reform, that laid the blueprint of the welfare state in the 20th Century. In essence, the CSJ report, rather like the majority report over a hundred years ago makes a number of worthwhile excellent suggestions that will enable real practical help.

What it does not do is question what are the root causes of these problems and offer big idea solutions.

However, with the current political paradigm that debate is not going to happen.

In therefore keeping to this pragmatic philosophy, the report is excellent and makes some recommendations which should be at the heart of a new government's priorities.

After providing an in-depth synopsis of what the problems are, the report focuses on how to make some important incremental changes. Anyone familiar with this literature will recognise the calls to allow the credit union movement to expand — the Archbishop of Canterbury has equally made a good case for reform.

Rather, like the issue for the charity sector over social finance with some organisations wishing to engage and others not, the credit union movement has always struck me as one of equal diversity, from very small community organisations to large complex professional organisations.

However, unlike charities that have choice, the credit union movement is mired in red tape financial regulation that does not recognise this diversity and entrepreneurism.

Despite the modest ambitions claimed for the report there are some interesting quite innovative nuggets?

I was particularly interested in a "new Social Finance Investment Platform (SFIP)" to facilitate peer-to-peer lending but I felt the section lack detail and could be accused of using the current mantra of seeing social finance as a solution to all evils.

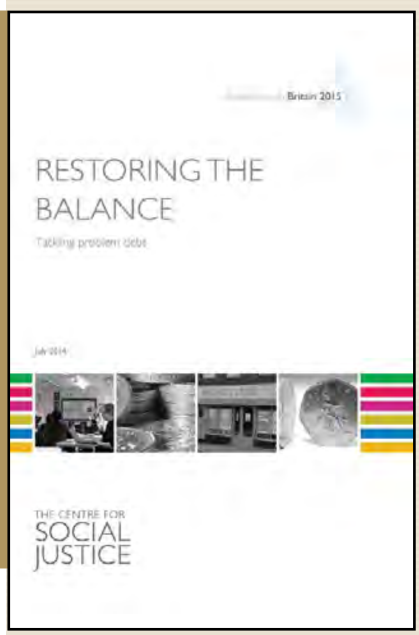
I was not so impressed with the Building a Nation of Savers section. Surely as any pensioner who has seen negative returns on their savings in cash deposits — I am a passionate long term equity investor as a charity trustee, but if I only have a limited time left on the planet then I would want to hold my saving assets in cash — would argue that Government's fiscal policies has been to encourage debt rather than savers.

Think of the buy to let phenomena, let alone what the implications in the long term will be of a policy that is allowing nearly half the eighteen years old in this country each year to embrace debt that most will never pay back.

To conclude for those interested in this field, it is a good report that is worth reading. It will though leave many frustrated who wish for more radical and big idea solutions.

But at the same time, this report has many good practical ideas that a new government should embrace sooner rather than later.

PAUL PALMER SAYS THIS REPORT WILL LEAVE MANY FRUSTRATED FOR MORE RADICAL AND BIG IDEA SOLUTIONS. BUT IT ALSO HAS MANY GOOD IDEAS THAT A NEW GOVERNMENT SHOULD EMBRACE




**Professor Paul Palmer is an Associate Dean and director of the Centre for Charity Effectiveness at the Cass Business School**

**Restoring the Balance is available at: www.centreforsocialjustice.org.uk**

# Sector reputations

## Transparency/Accountability

ANNA BLOCH **says there is a case for striking a balance between transparency, burden and effective regulation**

The last 18 months have been challenging for both charities and the Charity Commission who faced a raft of reputational concerns. First the Cup Trust scandal, then chief executive salaries, criticism from the Public Accounts Committee into the regulation of the sector, and finally a high profile exposé on charities investment and ethical practices. Whether these events were assumed as isolated incidents or an 'identity crisis' for both; they have brought to the fore the need for greater transparency and communication with charities' stakeholders.

The Commission's most recent consultation on additional questions to the annual return on a number of issues including the disclosure of campaigning costs and executive pay policy has to be understood as part of this wider context. It has served as yet another reminder to the sector that public and political appetite for greater transparency is here to stay. At CFG, we want to ensure that the crucial role charities play in civil society is continued to be recognised, supported and respected by the government and the public. We believe that effective regulation and a sector that is deemed both transparent and accountable strongly underpins this aim. However as we highlighted in our consultation response to the Commission; greater disclosure of data will not necessarily equate to a more transparent and better regulated charity sector. The annual return itself performs a number of vital roles for enhancing the transparency of the sector; it provides a reference point for the general public and other stakeholders, and gives an indicator as to whether an organisation is fulfilling its legal obligation. The quality of the information transfer between the sector and the Commission, and between the Commission and the public is fundamental in maintaining trust in the sector and ensuring this accountability. However it is important that the volume and quality of information required in the annual return is balanced. Whether the question is being asked for regulatory purposes or is perceived to be in the public interest, the Commission need to be clear about this. And cost the regulatory balance falling upon charities by asking new questions.

It is also crucial that in the interests of transparency, information is not inadvertently presented in a way that misleads the public or undermines certain types of charities. For this reason, there should be clear explanation on the register about the data on display to avoid the public placing undue value on meaningless data. With the aim in mind of achieving greater transparency and finding the right balance between regulatory purpose and burden for charities, we examined one of the questions that the Commission sought views on following from the PASC recommendations; whether charities should be required to publish their expenditure on campaigning. At CFG member roundtables many raised concerns around the motivation behind the drive for disclosure of this information as it did not chime with the achieving greater transparency or balancing the volume of information required in the annual return. It was questioned how the information collected will be used and understood by the public — data is only transparent when it is meaningful to the reader. Many were also concerned about the practicality of compliance; what would be counted in the figure to be quoted? Further, as this is a matter that was rejected during the development of the SORP as the benefit in making such disclosures did not outweigh the effort and resources necessary to provide the information — why is this different for the annual return if the two processes are inter-related? And all were concerned that any information sought should be balanced against the burden placed on charities to provide it.

Many feared that this is part of a stealth attack on the role of the charity sector to speak up independently, acknowledging the extent to which the political landscape has changed as the drive for transparency through more data has started to place barriers on charities campaigning — for example with the Lobbying Act. Given this, it is crucial the Commission bear in mind that these additional questions should not create undue burden and misleading assumptions about the relative worth of different charities. Striking the balance between improving transparency and ensuring that data presented is meaningful, is a task that needs to be given deeper thought by the Charity Commission.

**Anna Bloch is a senior policy officer at the Charity Finance Group**

# Political outlook

## Sector agenda

ROSIE OLLIVER **asks what is the political vision for the future of the sector? Analysing ACEVO's Red, Yellow and Blue Books and its aims in connecting political and sector issues together**

The voluntary sector was allowed a very brief stint at the forefront of this government's political imagination.

When David Cameron came into office in 2010, it was central to his vision for Britain.

The Coalition's flagship idea, the Big Society, was to give charities a core role in keeping the country running.

Reforms to public service commissioning and delivery were to put charities and their expertise at the heart of the social workforce.

Four years on, things have taken a turn for the worse.

We saw in 2014 with the declaration on the front page of *The Times* that "The Big Society is Dead", from Sir Stephen Bubb, our CEO.

The Government's grand promises of the charitable sector forming the core of public service delivery have never really come to fruition.

Instead, there are no longer policies being made with the sector in mind.

Despite the valiant attempts of many in the sector to resist this decline, charities are steadily being edged out of the political debate.

The Lobbying Act serves to formalise this deterioration, curbing charities' ability to campaign in the run up to the election.

The voluntary sector is strapped for cash and steadily being stripped of its voice.

With just over seven months left until the next General Election, we have a small window of time to reverse this process and impress the issues we care about on the political consciousness for the next parliament.

The party manifestos are yet to be written: now is the chance to influence the policies with which the parties enter the next election.

This is the point in the electoral cycle to stimulate debate and refresh the political dialogue around the sector.

We need to set the agenda; to make the next government, whatever it may be, work for charities.

Across the political spectrum there is a strong tradition of intersection with the voluntary sector.

The three main political parties all have a history of working with charities: relying on their help and creating policies with them in mind.

In their modern iterations, the three main parties may have forgotten their ties with the voluntary sector, but their history is still interwoven.

By tracing the threads that connect the parties and the sector, drawing on their political principles which match so closely with our own aims, we can work to develop once again a vision for the future.

A lot of this is about trust.

Trust of charities towards politicians; trust of politicians towards charities.

It doesn't help when politicians strong arm charities or abuse that trust.

So we are in the position where we need to create situations where the bond can be restored.

ACEVO is setting out to try and do this.

Bringing together MPs and thought leaders of the main political parties, ACEVO is producing three compilations — a Blue, Red and Yellow Books of the Voluntary Sector, as we call them, which we will launched on the politicians' turf at their respective party conferences.

Key players from each party are being given a soapbox for their vision for how the landscape that we share.

With contributors such as Rory Stewart MP, Penny Mordaunt MP, the David Blunkett MP, Lisa Nandy MP, Norman Lamb MP and Philip Collins of The Times, the collections will provide food-for-thought.

By bringing rising stars from each of the major political parties together with civil society leaders, we hope to put the sector's agenda at the top of the political manifestos — and it will also entrench charities and social enterprises deep in political thought.

This is a necessary precursor to any manifesto for 2015.

Indeed it is difficult to see how, given where we are, we can ask anything of government without this work.

It is time to reengage with the perspectives of those with power in the political sphere.

Through this process, perhaps we can begin to exert more influence over the shape of our future.

And we can make sure our agenda and the next government's agenda are one.

**Rosie Olliver is a policy officer at Acevo**

# Localism and scale

## The localism balance

DAN CORRY **and** TRIS LUMLEY **analyse localism in the context of public service delivery**

The concept of localism will play a major role in the debates that lead up to the general election in May 2015. Despite the old adage that oppositions always talk about localism but never want to relinquish the levers of central power when they finally get hold of them, this time things look different — irrespective of who wins the election. So expect our city-regions, local authorities, and local health commissioners to play a greater role in decision-making especially around public service provision. In the charity sector, the 'local' has always been important. While the Big Society was rather still-born as an organising principle and rallying cry, many of its core components are alive and well. Co-production, community asset transfer, social capital, social action, and citizen engagement in service delivery are just a few of the ways in which the local charity and community sector is seen to add unique value to a thriving society. Shift to another view of the policy landscape and the charity sector however, and quite different forces appear to be at play. Public service delivery appears to be shifting towards large or even massive contracts that require charities to have scale and working capital. This is very true in the much maligned Work Programme and also in the new Transforming Rehabilitation contracts.

But we also see it in local government and in health commissioning. A move towards evidence-based programmes, seen for example in the increasing use of payment by results contracts and in social impact bonds, seems to require sophisticated evaluation techniques and capacity that feel out of reach to smaller organisations. Not only is scale something that appears to be almost hard-wired into the procurement and delivery of public services, it also appears to underpin the philosophy of many of the funders and investors who support charities. The assumption for many funders is that they fund an innovative programme or start-up for a few years, help it to evaluate its work and evidence its impact, then it will be picked up by the funding marketplace and scale to reach and help the greatest possible number of people .

At NPC we have often found an extreme polarisation in views. Some say that charities are best when they are rooted in and are part of their communities. Others say that if we want to deliver the best, most effective services, we have to have scale and evidence-based service design. It seems that either you are for localism, or for scale. But should the situation be so black and white?

What we have found suggests that, for charities at least, it need not be a binary matter of localism or scale. We recently published a paper exploring the strengths and challenges of federated charities, which highlighted their potential to fuse what's best about the local charity with the strengths of a national organisation. When they work best, their local branches or organisations are close to communities, have a deep understanding of the people they work with, can mobilise local voluntarism, and respond well to what's needed at the frontline. At the same time, their national office can keep close to government, run powerful national campaigns, help support procurement at local level to deliver good public services, share best practice and encourage effectiveness at the frontline, and fundraise at scale from the public. They can, perhaps, combine the best of both worlds when it comes to localism and scale.

We have been exploring the whole subject of scale for some time, and will this autumn publish a paper sharing some of our thinking about scale, and the myths that surround it. It suggests that much of the discussion in the sector mistakenly focuses on how to scale a programme or organisation, when the real issue is whether there is a genuine appetite among charities and social enterprises and their funders and investors to help organisations reach meaningful scale. The fragmentation, lack of coordination and coherence, and the short-termism of the funding 'marketplace' means that organisations that aim to go to scale are too often building their foundations on quicksand. There is a need for a more balanced and nuanced discussion about how to balance the best of both worlds. Otherwise we may miss what turns out to be the real magic of the charity sector— the ability to marry bottom-up grassroots approaches with top-down influence and power.

**Dan Corry is NPC chief executive and Tris Lumley is director of development at NPC**

# After the Big Society

## Community Issues

DAWN AUSTWICK **expands on the Big Lottery Fund's emerging localist agenda, focusing on a 'post Big Society' narrative from a funders perspective**

'Bottom-up approaches, ones that are grown from and owned by people and communities themselves are the only ones that will work.' (Frontline VCS worker)

We heard similar reflections time and time again during our Your Voice Our Vision conversation to develop the next Big Lottery Fund strategic framework. We set out to explore how best we can achieve our mission of 'helping communities and people most in need', and to make the most of our unique characteristics and resources. What came through really strongly was the belief that it is communities themselves that possess the drive and the solutions to improve their lives — and that neither the state nor the market alone can address increasingly complex and interconnected social issues. I don't think this will be much of a surprise to many of you. We heard a common frustration that individuals and organisations in local communities were still not recognised as the experts on their own lives, that others knew best and determined the solutions that were needed.

'Yes we have all the rhetoric we could wish for...yet we miss the fundamental key of the shift in control and power to communities that denies success in this area of work.' (Frontline VCS worker)

I was particularly taken with a metaphor put forward at one of our Your Voice Our Vision roundtable sessions in Sheffield, which characterised the voluntary, community and social enterprise sector as a garden. You don't grow a vibrant garden with just one flower — and there's no single solution to successfully feeding and nurturing different plants. What matters is local expertise on how to make different flowers bloom.

So what does this mean for funders like us? How should we use our grant-making to cultivate social change, grounded in local communities? We need to think more fundamentally about how we work together with the people and communities we serve. We heard many times throughout Your Voice Our Vision that the nature of disadvantage today is profoundly complex and interconnected — as complex and interconnected as the make-up of a human being. Solutions can only succeed through collective endeavour and recognising we are the sum of our parts, not a single issue. So should we think less about trying to direct and manage social change ourselves, and instead think about how we enable individuals and organisations who are embedded in their local fabric to lead with our funding?

So far, so aspirational. The nuts and bolts of what this means in practice are core to what we're currently working on for our next strategic plan, beginning in April 2015 and running for six years. We need to use this period to build our 'craft' of grantmaking — based on simpler processes, trust in communities, and informed judgements by our funding teams. We need to use knowledge and data better, and we need to exploit the technology available to us to help us become more responsive at a local level. And we all need to think about how to create effective programmes if we really want to cherish the small, human and the local, and to lend momentum to great ideas from the community.

Is this bold? It is in some ways a return to first principles rather than the outline of a brave new world. It's always been the case that charities and community groups use our funding to transform people's lives – Your Voice Our Vision has again been testament to this. And we've seen these principles really work — from obvious examples such as the Big Local areas in England, or the Our Place initiative in Scotland, to our responsive Awards for All grants which back thousands of great ideas from individuals and communities all over the UK. In Wales, we've recently established the £15million Building Communities Trust, which will give 15 local communities the chance to develop their own solutions to poverty and improve wellbeing. In Northern Ireland, the Colin Neighbourhood Partnership is a really great illustration of what can be achieved through local community leadership — bringing people together with statutory commissioners, VCSE groups, and businesses. They've been able to establish what they want to achieve, and 'lever in' additional resources, including from funders such as ourselves and Children in Need. Their achievements include a social enterprise delivering home care for older and disabled people, early intervention parenting programmes, and a new 'Highway to Health' walking route in the area. The challenge is on for funders like us to get behind the people and ideas that make great things happen, and focus our business on serving them.

**Dawn Austwick is CEO of the Big Lottery Fund**

Institute of Fundraising

# AUTUMN CONFERENCE SERIES 2014

*Date:*
**Monday 22nd to Tuesday 23rd September**
*Location:*
**London**

## i-FUNDRAISING CONFERENCE
– **Digital** for Fundraisers

**Web based and mobile technology is giving charities new and exciting ways to engage with supporters and increase donations.**

This conference will show you how charities are testing, reporting and optimising their digital fundraising strategy to show improved ROI.

Learn how **Google** has drawn from their numerous successes and learning in their field.

Hear from **Just Giving** and **Barclays**, plus hear case studies from: **Crisis**, **Cancer Research UK**, **Thames Reach**, and **Comic Relief** and many more.

*Date:*
**Monday 29th September**
*Location:*
**London**

## TRUST FUNDRAISING CONFERENCE
– Create **stronger**, **lasting relationships** with your funders

**Your chance to question and gain insight directly from major funders including:**

City Bridge Trust, Pears Foundation, Dulverton Trust and more...

Gain a plethora of latest insights directly from funders into what you need to do to make your applications successful.

*Sessions include:*

- **How can your charity increase success through benchmarking and scoping?**
  *Lysa Ralph, Head of Programme Funding, British Red Cross*
- **What to do once you've gone to the usual suspects?**
  *Stuart Sherriff, Managing Director, New Charities*

## OTHER UPCOMING CONFERENCES IN OUR AUTUMN SERIES:

- **Scottish Conference 2014**
  Tuesday 21st to Wednesday 22nd October, Glasgow
- **Innovation Conference**
  13th October, London
- **Heritage Fundraising Conference**
  10th November, London
- **Legacy Fundraising Conference**
  17th November, London
- **Individual Giving Conference**
  1st December, London

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Recognising leadership and professionalism

# 15th Annual Charity Times Awards
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charitytimes Awards 2014

Recognising leadership and professionalism

## 15th Annual Charity Times Awards – Congratulations to the Finalists!

Since their inception the Charity Times Awards have continued to grow at a rapid rate and this year once again sees the level and quality of entries improve, creating an impressive shortlist of twenty eight sought after awards. **Thank you to all who entered the awards and congratulations to the finalists. We look forward to announcing the winners on the 22 October 2014 at the Lancaster London Hotel.**

## The Gala Dinner and Awards Ceremony

The Charity Times Awards provide the sector with a dedicated event to reward the exceptional work carried out in difficult and competitive conditions, and establishes a unique annual congress of the pre-eminent figures in the sector at the premier charity event of the year. The Charity Times Awards will as always be a night to remember. Book your table now at **www.chartiytimes.com/awards**

For the latest news and updates about the Charity Times Awards follow us **@CharityTAwards #CharityTimesAwards**

## 2014 Shortlist

1. **Charity of the Year:**
   **with an income of less than £1 million**
   - Auditory Verbal UK
   - Busoga Trust
   - Clement James Centre
   - Mosaic Clubhouse
   - QED Foundation
   - TwentyTwenty

2. **Charity of the Year:**
   **with an income of £1million - £5million**
   - Horse Trust
   - IntoUniversity
   - North Devon Hospice
   - Rochester Bridge Trust
   - Stratford-upon-Avon Town Trust
   - Teens & Toddlers

3. **Charity of the Year:**
   **with an income of £5million - £10million**
   - Christians Against Poverty
   - Hearing Dogs for Deaf People
   - Langley House Trust
   - National Youth Agency
   - Trinity Hospice and Palliative Care Services
   - UK Youth

4. **Charity of the Year:**
   **with an income of £10million - £30million**
   - Clic Sargent
   - Diabetes UK
   - Muslim Aid
   - Prostate Cancer UK
   - Teach First

**Book your table: www.charitytimes.com/awards**

# charitytimes Awards 2014

Recognising leadership and professionalism

**5. Charity of the Year: with an income of more than £30million**
- Alternative Futures Group
- Citizens Advice
- Guide Dogs for the Blind
- Stroke Association
- United Response

**6. Outstanding Individual Achievement**
- Peter Agulnik, Founder, Restore, The Ley Community, The Elmore Support Team and Response
- Eric Appleby, CEO, Alcohol Concern
- John Jenkins, Club President, Sportable
- Jacqueline Stokes, Founding Director, Auditory Verbal UK
- Bridget Turner, Director of Policy & Care Improvement, Diabetes UK

**7. Rising CEO Star**
- Ava Easton, CEO, The Encephalitis Society
- Nicky Goulder, CEO, Create
- Graham Hodgin, CEO, London's Air Ambulance
- David Houston, CEO, Trinity Hospice and Palliative Care
- Charlotte Keenan, CEO, Tony Blair Faith Foundation
- John Rendel, Founder and CEO, Promoting Equality in African Schools

**8. Fundraising Team of the Year**
- Cancer Research UK
- Christians Against Poverty
- Country Holidays for Inner City Kids
- Everton in the Community
- Voiceability

**9. Charity Principal of the Year**
- Jeanette Allen, Chief Executive, The Horse Trust
- Lorraine Clifton, Chief Executive, CLIC Sargent
- Claire Horton, Chief Executive, Battersea Dogs & Cats Home
- Richard Leaman, Chief Executive, Guide Dogs
- Barbara Young, Chief Executive, Diabetes UK

**10. Campaigning Team of the Year**
- Age UK
- Business in the Community
- Citizens Advice
- Fostering Network
- Meningitis Now
- NSPCC
- Sense

**11. Best Use of the Web**
- Diabetes Research & Wellness Foundation
- Leonard Cheshire Disability
- The National Autistic Society
- Quartet Community Foundation
- Royal Academy of Dance
- Samaritan's Purse UK
- Sky Badger
- United Response

**12. PR Team of the Year for a charity: with an income of less than £30million**
- Battersea Dogs & Cats Home
- Girlguiding
- Prostate Cancer UK
- Royal Academy of Dance
- Samaritans
- Teach First

**13. PR Team of the Year for a charity: with an income of more than £30million**
- The Alzheimer's Society
- Citizens Advice
- Electrical Safety First
- PDSA
- Stroke Association
- WaterAid

**View the judges: www.charitytimes.com/awards**

charitytimes Awards 2014

Recognising leadership and professionalism

**14. HR Management Award**
- Action for Blind People
- Brook
- Fairtrade Foundation
- Living Streets
- Teach First
- Victim Support

**15. Social Investment Initiative**
- Business Connectors Programme
- Key Fund
- Nominet Trust
- Social Investment Business

**16. Big Society Award**
- Affinity Sutton - The Community Ambassadors
- Carers UK
- Caritas Anchor House
- Senior Citizen Liaison Team
- Trussell Trust
- Victim Support

**17. Fundraising Technology Award**
- The Big Give Christmas Challenge
- Horse Trust
- iStreet Giving
- PayPal Giving Fund /eBay for Charity

**18. Corporate Community Local Involvement**
- Ashgate Hospice/Wilkinson
- Community Links/Barclays
- ReachOut/Macquarie Group
- St John's Hospice/John Lewis Oxford Street

**19. Corporate National Partnership Champion**
- Action Against Hunger/Carluccio's
- Action for Children/Network Rail
- Alzheimer' Society/ Lloyds Banking Group
- The Big Lunch/Halifax Bank
- Dementia Consortium/MRC Technology
- Shelter/KPMG
- Prostate Cancer UK/ Royal Mail

**20. Corporate National Partnership of the Year with a Retailer**
- Breast Cancer Care/QVC
- Cancers Research UK/TK Maxx
- CLIC Sargent/ Lidl UK
- Diabetes UK/ Tesco
- Save the Children/Morrisons
- UK Youth/Starbucks

**21. Corporate National Partnership of the Year with a Financial Institution**
- Citizens Advice/Prudential
- Ecclesiastical/ Carers Trust
- Help the Hospices/Clydesdale Bank and Yorkshire Bank
- Lloyds Banking Group/Alzheimer's Society/ Alzheimer Scotland
- Macmillan Cancer Support/Nationwide
- Social Mobility Foundation/JP Morgan

**22. Cross-sector Partnership of the Year**
- Brathay Trust/Common Purpose Charitable Trust/ The University of Cumbria
- The British Red Cross/Blackpool Teaching Hospital NHS Foundation Trust/Fylde Coast
- Coalition for Continuing Care
- The Conservation Volunteers/People's Health Trust
- Everton in the Community/Mersey Care NHS Trust
- Mind/Victim Support
- MND Association/Royal College of GPs
- Samaritans/The National Offender Management Service England & Wales, Scottish & Northern Ireland Prison services
- WaterAid/Belu Water

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**23. Corporate Social Responsibility Project of the Year**

- Foundations Independent Living Trust/RWE npower
- ICAP Charity Day
- Lloyds Scholars
- Restless Development/KPMG
- The Sabre Charitable Trust - Sustainable Kindergarten Project/Arup
- War Child/Forward Internet Group
- Warner Brothers Creative Talent

**24. Best Use of Technology**

- Brightside/the Financial and Legal Skills Partnership: Get In Get On
- The Fire Fighters Charity/Angal/Barclays
- Hospice in the Weald/Cybertill
- Leyton Orient Community Sports Programme/Databarracks
- RNLI/Qbase
- Save the Children/The Purple Agency
- Stand Against Violence

**25. Social Champion Award**

- Bromley Healthcare
- Caritas Anchor House
- Giveacar
- Pluss
- TCV Hollybush

**26. Investment Management**

- Brewin Dolphin
- Cazenove Charities
- Investec Wealth & Investment
- JP Morgan
- Newton Investment Management
- Quilter Cheviot
- UBS Wealth Management

**27. Boutique Investment Management**

- Charities Property Fund
- Heartwood Investment Management
- Mayfair Capital Investment Management
- Rothschild
- Waverton Investment Management

**28. Consultancy of the Year**

- Berkeley Partnership
- CloudSymphony
- Foster Denovo
- Mile 91
- Premier Companies
- Principle Consulting
- PwC
- Qbase

## Contact us


**For general event enquiries:**
Hayley Kempen
+44 (0)20 7562 2414
hayley.kempen@charitytimes.com

**For judging/ nomination enquiries:**
Andrew Holt
+44 (0)20 7562 2411
andrew.holt@charitytimes.com

**Sponsorship enquiries:**
Cerys Brafield
+44 (0)77 6666 2610
cerys.brafield@charitytimes.com

**Sponsorship enquiries:**
Sam Ridley
+44 (0)20 7562 4386
sam.ridley@charitytimes.com


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# Political Visions

# Beyond the Big Society

Nicola Davies looks at the politics and finance that could indicate future visions of the charity sector

**THE BIG SOCIETY** was frequently talked about as David Cameron's flagship idea. It was included in the 2010 Conservative party manifesto, and incorporated into legislation as part of the Conservative-Liberal Democrat Coalition Agreement. The idea was heralded as a radical new form of relegating power from higher-up government structures into the hands of smaller local communities and individuals. Although it received considerable criticism, particularly from parts of the sector, and four years later it does seem as if it has been largely abandoned, the Big Society has served as an important step towards envisioning a more socially active and responsible society.

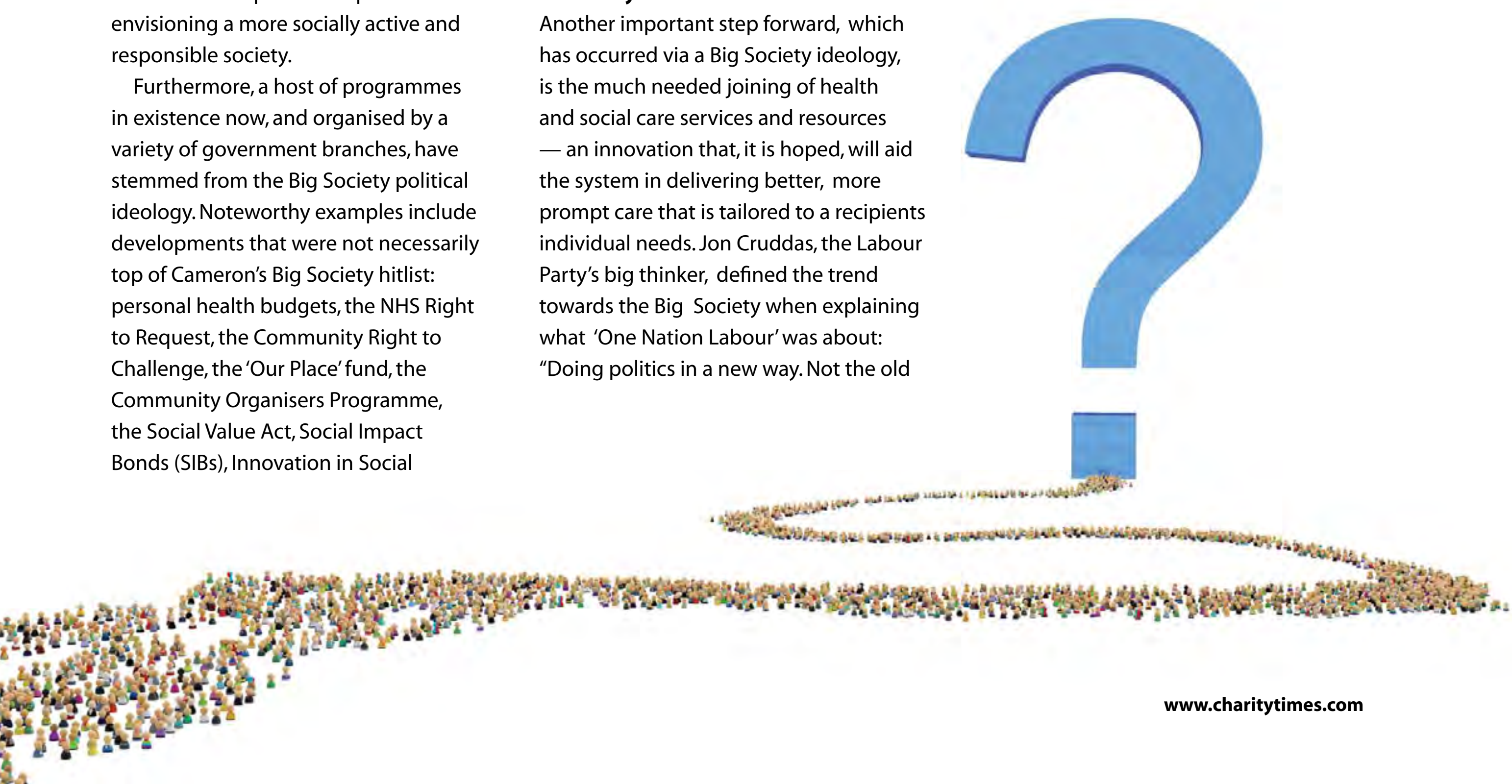
Furthermore, a host of programmes in existence now, and organised by a variety of government branches, have stemmed from the Big Society political ideology. Noteworthy examples include developments that were not necessarily top of Cameron's Big Society hitlist: personal health budgets, the NHS Right to Request, the Community Right to Challenge, the 'Our Place' fund, the Community Organisers Programme, the Social Value Act, Social Impact Bonds (SIBs), Innovation in Social Action, and Open Data.

An important example of this trend is the Care Act, often cited as the first complete reinvention of the health and social care legislation since 1948, and which is expected to be fully implemented by April 2016. The Care Act is based on notions of social equality, well-being, self-governance, and transparency. Under this Act, beneficiaries of a care system will be able to choose the services they wish to pay for, and their feedback on given services should carry gravitas for the provider.

### Aid the system

Another important step forward, which has occurred via a Big Society ideology, is the much needed joining of health and social care services and resources — an innovation that, it is hoped, will aid the system in delivering better, more prompt care that is tailored to a recipients individual needs. Jon Cruddas, the Labour Party's big thinker, defined the trend towards the Big Society when explaining what 'One Nation Labour' was about: "Doing politics in a new way. Not the old top-down transactional politics of doing things to and for people. But a bottom-up transformative politics of the common good that gives people the power and responsibility to take more control of their lives, their work and their communities."

Within this, the social investment market in the UK is arguably the most advanced in the world. According to a Social Enterprise UK (SEUK) study conducted in 2013, social enterprises are performing better than purely profit-driven companies. Also, the charity sector is growing rapidly, at a rate of over 20 per cent per year, serving as both a role model and a testing ground for social



investments and results worldwide. The future of social investing and a new, more involved and efficacious system of affecting positive change in the lives of the underprivileged is being shaped right in front of our eyes. *The Cabinet Office's 2014 progress report* underlines the monumental changes already accomplished in the last three years.

"I think there are big barriers to charity organisations being as effective as they could be," counters Emily Jolly. Jolly is the director of ACEVO solutions, but her views are her own. "If pushed for a catch-all term I'd be tempted to use 'professionalisation'. Terms like professional, commercial, and markets can produce adverse reactions in some charities. However, there remains a general need for organisations to demonstrate the impact they are having, whether money is being spent effectively, that their systems and processes are fit for purpose."

This, notes Jolly, is linked to the phenomena of charity funding from grants decreasing and contracts increasing. "But I'd like to think that professionalisation of charities is good in and of itself. Surely we would all like to see sustainable organisations meeting social needs — if you can do this you stand more chance of expanding and thus increasing your social impact, or even just maintaining the valuable services you deliver for future beneficiaries."

**Role of SIBs**

Within the last two years, the number of social enterprises and their employees has grown considerably; while the *2012 Social enterprise: market trends* report lists the number of employees in the sector as 1.2 million, the 2014 figures show it has now reached close to 2 million. Some of this growth can be attributed to a 30 per cent tax relief for social investments in the charity sector; a measure introduced by the Government in order to alleviate the risks of social investing and create more business.

Another often advertised achievement for the coalition government was the

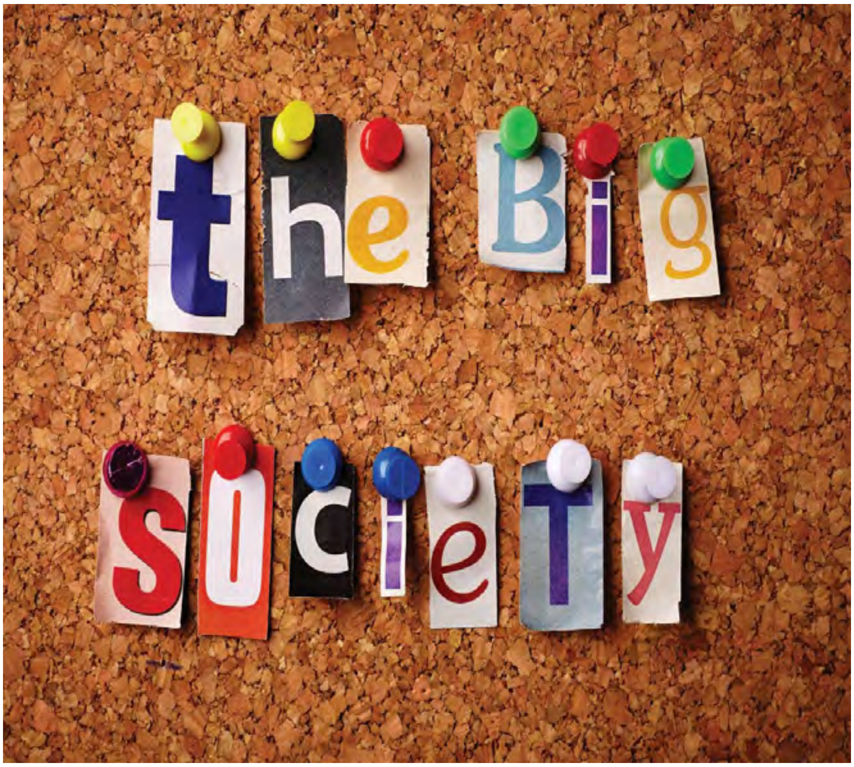
founding of Big Society Capital. Launched in April 2012, as an independent social financial institution with the goal of aiding the growth of the social investment market, the £600m fund started with the Government's share of unclaimed assets and investments from four of the largest UK banks. It aims to allocate funding for investment in bodies that support social enterprises.

In addition, in 2013 the coalition government announced a multi-million dollar package as part of a plan to further boost the social investment sector in order to develop tactics that encourage ongoing progress. The Government is hoping to spur the creation of innovative, effective methods of tackling social issues like homelessness and loneliness, as well as programmes to help disadvantaged young people. The government is designing some of these programmes, while others are being designed by charitable organisations, which, if deemed worthwhile, will then be financed by the government.

One of the new ways financing is being procured for socially responsible programmes is via SIBs — a financial mechanism launched by the public sector, which enables investors to issue funding to charities and social enterprises with the goal of improving social outcomes. When social outcomes are reformed, government commissioners must recompense the investors for their investment, in addition to paying costs for financial risk. When social outcomes fail to meet the required goals, investors lose their investment.

The main objective of SIBs is to connect commissioners to private investors in order to discuss difficult and costly social problems and fund preventative interventions for these problems. These bonds allow new services to be tried without the concern of returning investment cost if the services are unsuccessful. They also provide added flexibility for those administering the services to tailor the service rendering to their experience.

A major benefit of SIBs is that they can assist charities and social enterprises in proposing and overseeing Payment by Results (PbR) projects, in which the government compensates the provider of the service for outcomes achieved. Payments are solely based on outcomes and not on the work that was completed in the duration of the project or service. The return of PbR includes better results for the public and lower cost for the government. As Kevin Munday, investment director at ThinkForward, a private equity foundation working with various charities to transform the lives of 11 to 24-year-olds from disadvantaged




backgrounds, says: "There are some services where the outcome is clear-cut, counselling and grant funding may be more suitable than payment by results. Similarly, if the effectiveness of a service is already established, then there may be cheaper ways for government to fund it."

**Social problems**

SIBs can play a significant role in helping to alleviate difficult social problems that are present within the community. By broadening sources of investment and providing financial services to a larger range of organisations, SIBs expand the diversity of organisations that administer services, which then allows charities and social enterprises to distribute PbR contracts. This elevates levels of innovation and proficiency into the delivery of services, including locations where people using the services are marginalised and difficult to connect with. The external investments that SIBs provide to organisations can be used to pay for preventative services, diminishing the need for more costly services.

By changing the focus of achievement towards outcomes, SIBs enable charities and social enterprises to create preventative methods based on their knowledge and experience of dealing with specific groups and/or addressing social issues. The focus becomes on what works instead of being limited by processes implemented by government commissioners. By doing this, charities and social enterprises can better drive innovation in public services.

Munday says: "At their best SIBs are indifferent on the method of service delivery, as long as agreed outcomes are being achieved. This correctly allows charities to use the knowledge of the communities they service to develop the most effective local solutions. It also enables government and other funders to identify the charities which achieve the greatest impact and channel funding towards them."

**Future of SIBs**

Charities are well placed to positively benefit from the ways in which social investments will be refined and utilised in the future. Richard Sved, director of Third Sector Mission Control, specialists in charity fundraising, says: "In a lot of cases those individuals in the UK are unaware of the extra 'power' they have. I would add to that the growing influence of crowd-funding and micro-loans, which both give individuals power but which charities can also benefit from."

However, as the Government re-evaluates its approach to social investment regarding SIBs for charities and social enterprises, there are a few issues that the government would do well to take into account. In particular, there is no blueprint for the planning and actualisation of a SIB — each one must be approached individually by the bodies managing it; various legal structures and payment systems need to better cater to different delivery models; charities are often exhausted with the daunting task of managing governments and investor expectations via a system that is still in development; and, methods of measuring the result and impact of SIBs is still being refined.

Currently, the charity sector is thought to be undercapitalised due to barriers that include an inability to effectively disburse profits, scepticism by banks who view charities as risky for investment, and low waged income and limitations in management capacity. Social investments, therefore, may be best placed for financing charities, with some noting that social investments could play a major role in the capitalisation of charities since they have the capability to encourage innovation, allow social impact, and support income assortment.

"In the current culture, I can only see a lot of 'consolidation' for the sector mergers and closures," says Alex Swallow, programme director of the Charity Leaders' Exchange. "Too much of our funding provision and contract culture is difficult for smaller charities to get a fair slice of — but I believe the Government are serious in trying to do something about this. What I would prefer is a multiplicity of competing approaches and much more sharing of best practice and information."

**World leader**

According to Ross Palmer at the Cabinet Office, the UK is seen as the world's leader in its support for the social investment market. The policies and programmes currently enacted by legislation alongside social investment innovations, such as SIBS, are beginning to demonstrate a real and sustained impact.

However, Jolly disagrees. Based on her personal experience she says: "SIBs in my opinion are overrated. They are expensive and time consuming to set up and add significant complexity to operational delivery. If commissioning and contract management were done effectively you could create many of the supposed benefits of sibs without the additional cost and complexity."

For instance, Jolly adds: "Supply chains that are incentivised to achieve the overall contract aims, for which alliance contracting is one model but which should be achievable whatever the commercial structure with good management. The perceived need to create an expensive financial product to enable investment in social good is troubling to me."

There is though now a broader diversity of social investment than ever before. In order for the social investment market to expand, however, more than just government financial assistance is required. "The majority of charities are small — finance is not suitable for the scale of work they are carrying out," says Directory of Social Change policy officer, Jude Doherty. But with the support of the Government, social investors, charities and social enterprises will all have key roles to play.

The combination of social investment of the Big Society ideology alongside the charity sector provides a unique position to act as a driving force to enact greater change within the charity sector than ever before. Indeed, the charity sector is now better placed to have considerable influence on government policies and on investment for endowment funds, foundations and trusts. The Big Society as an ideology may no longer be as trendy as it was, but it impact on the way funding is allocated and agency is conceived at the local and individual level is arguably its greatest legacy.

**Dr Nicola Davies is a freelance journalist**

## BIG SOCIETY CAPITAL: FINANCE AND STRATEGY

Big Society Capital, the world's first social investment bank, published its 2013 annual report earlier this year, outlining performance to date and setting out a new three-year strategy.

As of December 2013, Big Society Capital had received £225.4m of funding from the Reclaim Fund and four UK high street banks, making total cumulative commitments of £149.1m, with matching funding of 116 per cent from third party investors alongside Big Society Capital's own signed investments.

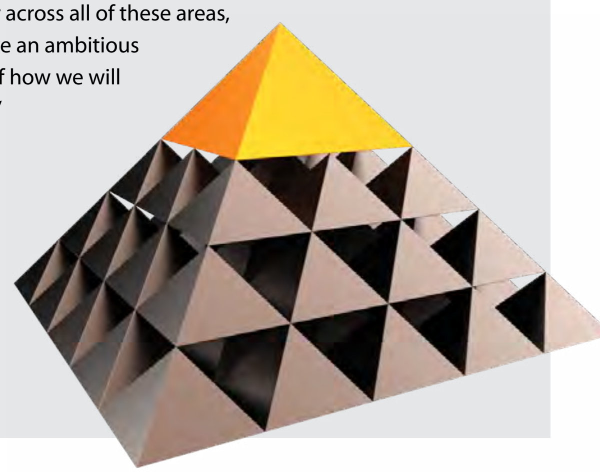
Harvey McGrath, chair of Big Society Capital, explained: "Acting as a market champion and using our investments to encourage others to invest alongside us, we've continued to develop the social investment market. We've done this by funding existing and new organisations, continuing to drive interest in and understanding of the market within the social sector and with mainstream investors, and working to improve the policy environment.

"Internationally and in the UK, interest and engagement in social investment stepped up a gear in 2013, most notably with the announcement of the Social Investment Tax Relief, and the launch at G8 of the Social Impact Investment Taskforce. We're pleased to have played a role in this, and look forward to building on this momentum in the future."

Nick O'Donohoe, chief executive of Big Society Capital, added: "A strong social investment market has the power to change lives. Our mandate is to grow the social investment market, and this year we have started to see that happen. More funds are now available to a diverse range of charities and social enterprises, and organisations are putting that finance to use across a range of social issues, from youth unemployment to elderly social care.

"During our first two years of operations, we prioritised making finance available to small and medium-sized charities, which today comprise the biggest proportion of our £149m of investment commitments. This remains an important focus for us, particularly supporting charities and social enterprises to access the finance now available.

"A thriving social investment market requires a combination of mass participation, finance for small and medium-sized charities, support for innovation, and scale in financing social issues. We have a role to play as a market champion and investor across all of these areas, and have an ambitious vision of how we will do this."



# The big demise

## Millions left behind in the Big Society, says think-tank

**THE DEMISE** of the Big Society was evident by *The Big Society Audit 2013*, which stated that millions of people are being left behind in David Cameron's faltering Big Society project and the charities that help them are being shut out. Published by the think-tank Civil Exchange, the think-tank warned that a radical review of Big Society thinking is needed and says that, despite the rhetoric:

- People with disabilities — 8 per cent of the population — will bear 29 per cent of the cuts, with a similar picture for people living in poverty
- 500,000 people are now dependent on food aid
- Only 1 in 5 people in the most deprived areas now feel they can trust others, compared to nearly three quarters in the most affluent parts of Britain

Funding for charities serving disadvantaged groups has been the most affected since the Coalition came to power, with many now 'running on empty' and further cuts due to fall.

The Big Society Audit also warns that many public services now lie in the hands of a virtual monopoly of unaccountable 'mega-corporations,' despite a Big Society commitment to diversify and make public services more accountable and responsive.

Just four multinationals — Atos, Capita, G4S and Serco — now control £4 billion of government public service contracts, despite revelations in some cases of overcharging, poor performance and an inability to meet obligations.

The Audit also reports a 'race to the bottom' on contracts that is leading, for example, to 15-minute home care visits for elderly and disabled people.

However, on a positive note, the Big Society Audit says that there has been significant growth in communities taking control of local amenities with over 100 pubs listed as community assets, 425 community libraries open or due to open and 303 community shops.

And the level of volunteering has also risen.

Director of Civil Exchange and principal author of the report, Caroline Slocock, said: "Millions of people, especially those who might need it most, are being excluded from the Big Society, as cuts hits them hardest and trust in others – the social glue that holds the Big Society together — fails to bind disadvantaged communities.

"It is the Government's bias towards the private sector that is killing the idea of the Big Society, while the charities to which people in need turn are left out in the cold.

"It's time for politicians to match actions to words. A good start would be to value the not-for-profit experts who have the know how to help them tackle complex and costly social problems and the capacity to deliver public services on a human scale."

**The Big Society Audit calls for:**

- A new model for public services that draws on the specific strengths of the voluntary sector and volunteers in working with people, particularly in local communities
- More investment in early action, using the knowledge of voluntary groups, to help solve difficult and complex social needs at their root
- Increased investment in the social infrastructure that supports disadvantaged groups and communities, ensuring vital voluntary and community groups can thrive
- Bringing the Big Society to business, especially in the delivery of public services, ensuring it operates ethically, pays decent wages and guarantees not to cut costs at the expense of quality
- Increase public sector understanding of the potential of the voluntary sector with joint working and designing services collaboratively.

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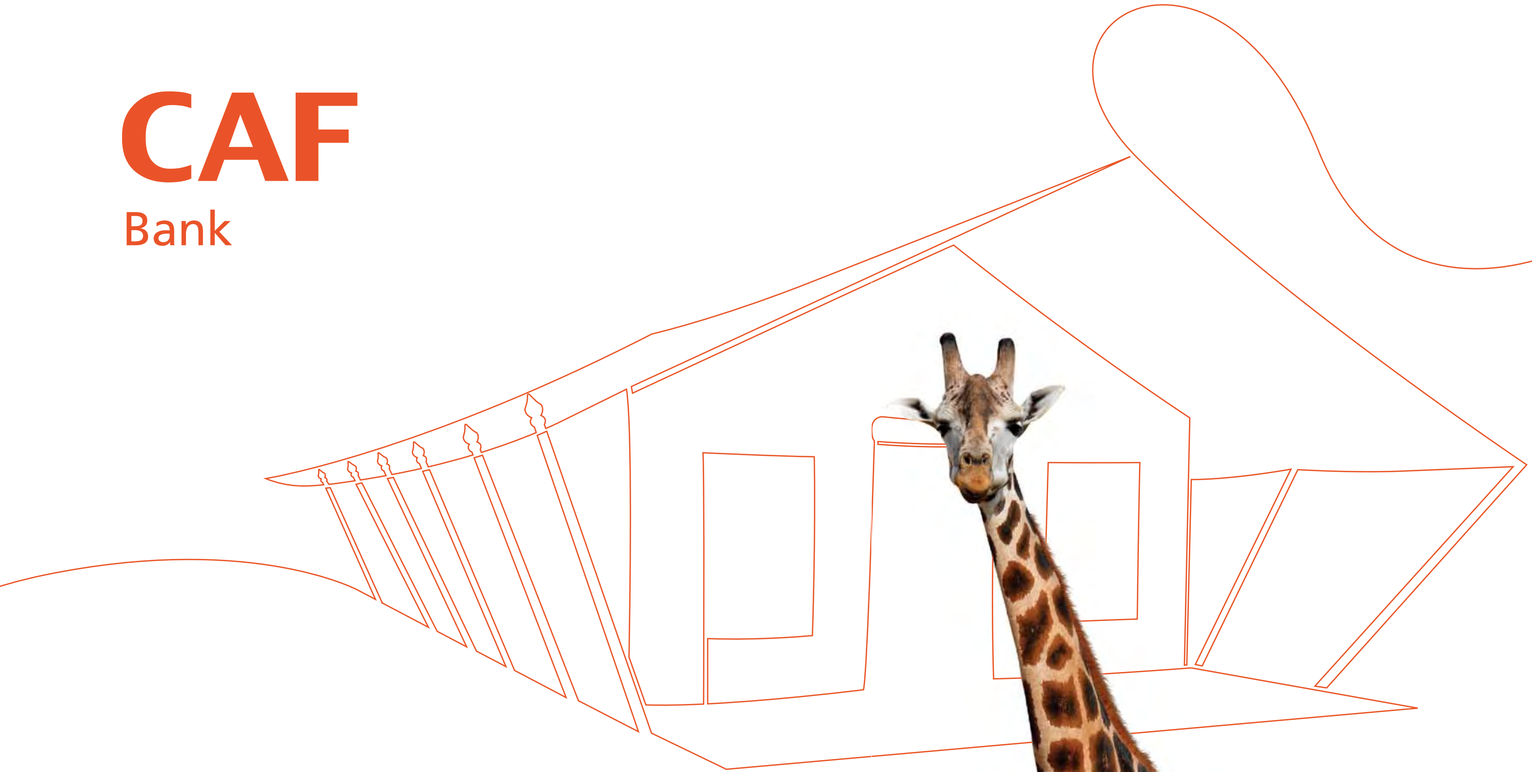

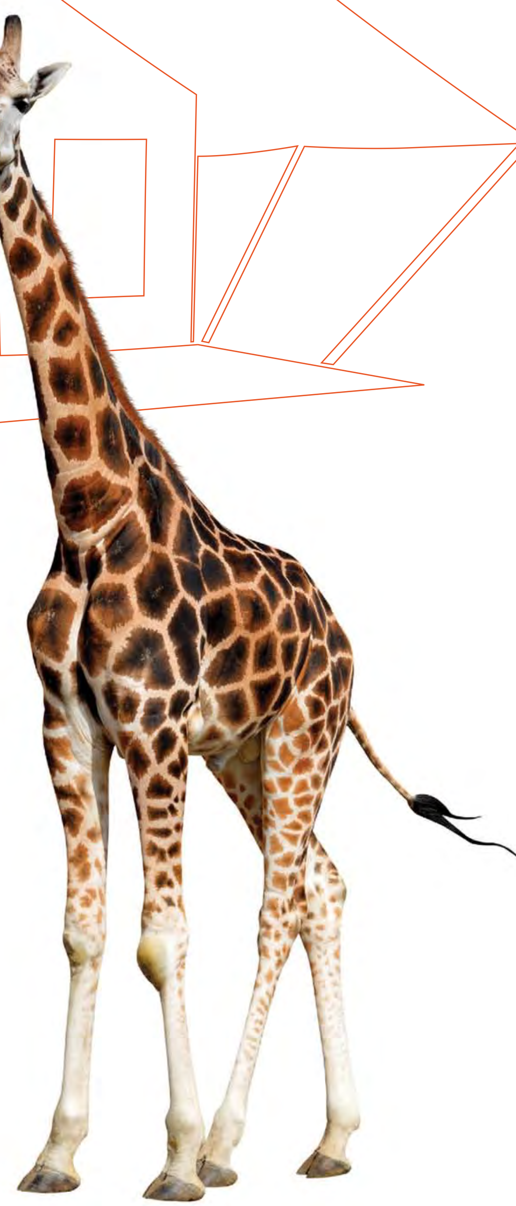

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# Solid foundations

Harry de Ferry Foster answers questions from leading charities on the issues and approach to commercial property investment

**1. I read sentiment towards UK commercial property is improving, after a very tough period for the market since the credit crisis of 2008. Is this correct? And what does it mean for it as an asset class at the moment?**
Property prices fell 45 per cent between 2007 and March 2009, however the market has improved substantially since then and we've seen 15 per cent plus growth in capital values. When added to the high income return this has produced healthy returns over the last 5 years *The Charities Property Fund* has produced 10.8 per cent per annum total returns from June 2009 to June 2014, against the Balanced Fund average of 9.1 per cent per annum. These returns look particularly attractive considering interest rates and bond rates have been at all time lows.

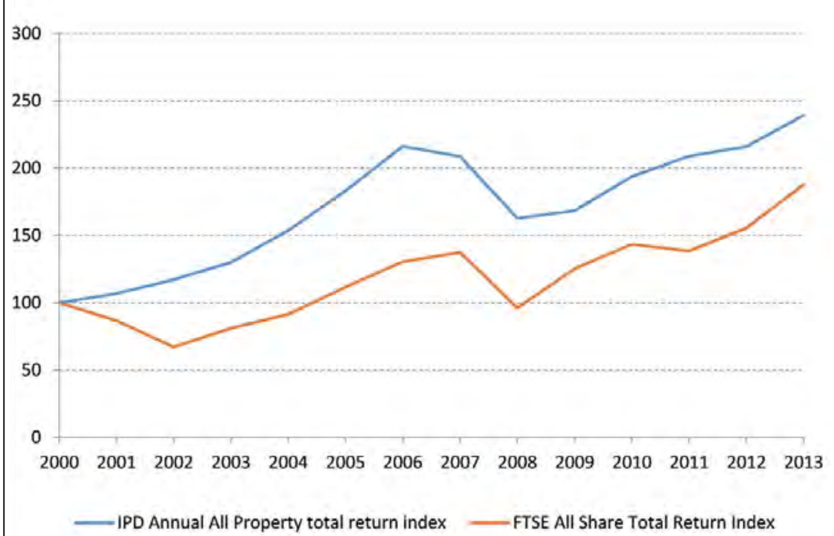
Going forward, the outlook looks reasonably optimistic. The economy is improving which is having a positive effect on rental growth. In addition the market is still 30 per cent below its previous peak and net yields of circa 5.5 per cent remain very attractive when compared to the bank rate of 0.5 per cent.

**2. How has Commercial Property as an investment fared in returns compared to equities over the last 15 years?**
See the graph on the right.

**3. What investment returns are we looking at in commercial property over the next one, three, five years?**
Predicted total returns for commercial property are particularly favourable for 2014 (circa 18 per cent). This level is not sustainable, however, demonstrated by the graph on page 35, which shows forecast returns decreasing going forward. That said, we still anticipate total returns of 10 per cent per annum on average over the next 5 years, which remains an excellent level.

**4. Ideally, what proportion of a charity investment portfolio should be invested in commercial property and why?**
We would advocate investing into a diversified commercial property portfolio rather than into one asset and likewise we would advocate having sensible diversification across other investment sectors (that is, stocks, bonds, cash etc). Normally, a weighting of 10 per cent is seen as an appropriate benchmark for real estate, but some longer term investors (for example Oxbridge Colleges who are comfortable with real estate) are happy with much higher weightings. If you require more income, then it makes sense to have a higher weighting to the higher yielding asset class (such as commercial property). So there is not a "one size fits all" strategy and your allocations should suit your charity's objectives, your appetite for risk, your appetite for income and your need for liquidity

Total return indices (rebased 2000) IPD Annual All Property vs FTSE All Share




*Source: IPD, Bloomberg, Cordea Savills Research*

**5. Should commercial property be held as part of long-term investment portfolio or a more short term-one?**
It should absolutely be a medium-to-long term investment. Over the long term it is relatively stable — over three quarters of returns are delivered through income and it should have some ability at least to offset the effects of inflation — i.e. it is a real asset and as long as a location is not oversupplied, rents should rise in line with GDP. In addition transaction costs are high (more so for non-charity investors) and trading frequently will impact upon your returns. Property is also relatively illiquid, so it is important not to have to sell quickly. Trade little, asset manage a lot, should be your mantra.

**6. What is the role of leverage in commercial property investment?**
Simply to enhance returns. This works very well in a rising market, but don't forget that the opposite is also true — if values fall it will exaggerate negative returns. By way of example if you buy a property asset for a price of £1m and the rent is £80,000 per annum, then it is yielding you 8 per cent (ignoring costs for the time being).

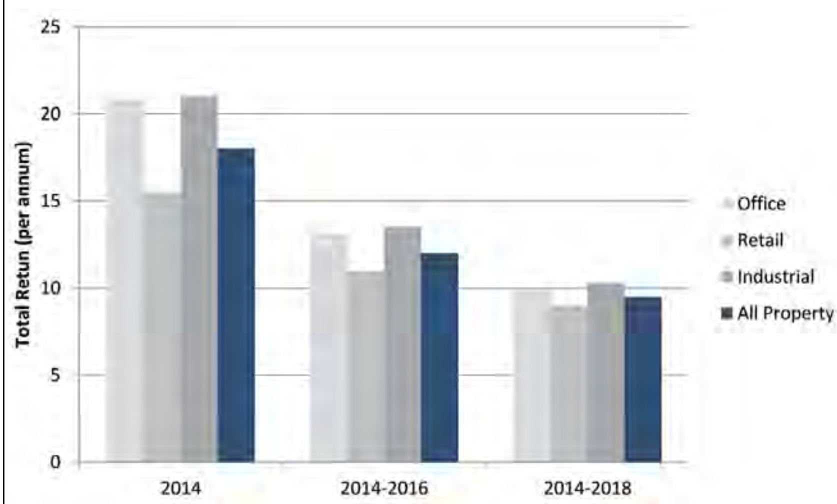
If you introduce leverage (or gearing as it is also called) and can borrow £0.5m from a Bank at 4 per cent per annum, then it will only cost you £20,000 per annum to service the interest on the bank loan, leaving you with £60,000 per annum income on your £0.5m outlay (i.e. a 12 per cent cash on cash return). Now this is a simplistic illustration and there are costs of buying property and arranging finance, plus a bank will insist some or all of the excess income is used to pay down the loan, but ultimately it has just increased your returns by 50 per cent.

In addition if the capital value were to increase by say 10 per cent in the first year of ownership, you will have made £100,000 on £1m (10 per cent), but in reality you only put down £0.5m so you've actually made 20 per cent.

So without leverage you would have made 8 per cent income and 10 per cent capital growth — 18 per cent in total, but with it you would have made 12 per cent income and enjoyed 20 per cent growth on your equity, so you have made 32 per cent on the same property.

On the downside, if the value of the property fell by 10 per cent, then without leverage you would have received a return of -2 per cent, however with leverage you would have received a return of -8 per cent. If the value fell by 50 per cent then you will have lost 100 per cent (and the bank may repossess), whereas if you own outright you will only have lost half and you live to fight another day and potentially make all your money back.

Commercial Property — Forecast total returns (% per annum)




*Source: IPD, Bloomberg, Cordea Savills Research*

**7. As a major charity, we own a great deal of residential, commercial and agricultural property across the country. Where do you consider the new hotspots to buy property?**
As with the residential property market, hotspots are driven by two things: changing habits and supply and demand. For example, the demand for internet retailing has in turn increased demand for distribution warehousing. If you can make the connection early, you can buy into the sector prior to pricing going up to reflect this. Likewise "onshoring" of manufacturing (due to a focus on quality precision goods and wage inflation in China) is starting to increase demand for manufacturing warehouses in the UK.

The dominance of London over the last 15 years has made it a hotspot and it continues to go from strength to strength. Much of this has been driven by overseas interest in both living in and buying property in London. Its geographical location, transparency, and ease of doing business has attracted many people from the Middle East and Russia. The low sterling exchange rate since 2007 has attracted Asian money, whilst its safe haven status (think Ukraine, Syria, Egypt, Eurozone) has also contributed. On top of this there have been transport improvements — Crossrail and potentially Crossrail II, not to mention the Olympic Games effect. Hotspots in London include Tech City and this has been driven by relative affordability compared to City/ West End rents (5 years ago there were 200 tech firms in Shoreditch, there are now over 3,000). Businesses are continuing to move there even still though it has been gentrified and is almost as expensive as the City — because that is where everyone in that sector wants to be. So whilst areas may become popular for economic reasons, firms may remain in-situ for business or emotional reasons. Looking for the next London hotspots we favour areas such as Hackney, Whitechapel and even further afield looking at the likes of Bromley and Brentford. Some of these areas are already starting to experience rental growth.

The planning regime also has a significant effect by restricting development and also creates anomalies, which again is about supply and demand. West End and City rents used to be about the same level in the late 1980s. However today West End rents are double those of the City. Why? Because the construction of Canary Wharf made the City Corporation relax planning laws and allow towers to be built (Gherkin, Salesforce Tower, Shard, Walkie Talkie, Cheesegrater) and these towers (and others) provide almost unlimited supply compared to the West End where building height has been restricted to 6 storeys.

**8. What are the best Commercial Properties to invest in to get the best returns?**

Again this depends on your risk/return parameters. If I had to pick one sector, I think we would favour smaller industrial/distribution warehouses, because you can often buy these cheaper than they cost to build. There is little obsolescence, so often little need for occupiers to move premises. The yields often available are attractive — for example we have recently acquired a small unit in the Midlands for a yield of 7 per cent let to an excellent quality tenant for a further 17 years. The rent is low at £2.50 per square foot and the capital value of the unit is only £32 per square foot. So you have excellent income for a long time, will more than likely experience strong rental growth and no one can build a unit cheaper than you are buying this for. The smaller units also attract the broadest range of occupiers should you lose a tenant. Big boxes of up to 1 million square foot have a limited number of occupiers and should be treated with more caution.

**9. What indicators highlight to you a real opportunity of commercial property investment?**

The old adage of location, location, location remains important, but it comes at a price and occupiers can be footloose. Commercial property is mainly about income streams and managing these streams. If you can keep a tenant happy and in occupation and paying rent then that is where your returns will be delivered in the long term. Probably 80 per cent of all returns on average are delivered through income.

So we really like properties where tenants are wedded to them — for example precision manufacturing facilities (16 out of our 34 industrial properties are used for manufacturing purposes) where it is almost impossible for them to move out, due to expensive alterations and machines that may have been designed for that particular building. The same goes for laboratories or specialist buildings such as Government Court Buildings, where there is extensive internal fit-out and onerous reinstatement provisions (we own two of these buildings in the *Charities Property Fund*).

Other factors may be that the underlying real estate is worth as much vacant as let, so there is effectively no downside (industrial warehouses), or where there is potential for a change of use to a higher value (industrial to car showroom, car showroom to retail warehouse, office to residential, etc). In London alone almost 1 million square feet of offices have been converted to residential use on average every year for the past 10 years. Perhaps the most important factor to consider is supply and demand though. If you buy in an under supplied sector or location, you will struggle not to see growth.

**10. What are the differences and benefits of investing directly in commercial property or through a pooled investment fund?**

Just like buying your own house, investing directly has the benefit of owning the property outright and being in complete control. However, remember that direct

In association with


property can be illiquid due to the long sales and marketing process compared with shares and bonds, plus you will also need to manage the building yourself and decide when is the best time to sell. You would also need to decide whether you will be able to maximise performance by exploiting all the potential angles: refurbishment, redevelopment or change of use, and would you be prepared to suffer the fall in income whilst you do this or if a tenant went bust? This may depend on your charity's constitution — if you are a total return fund this may not matter, but if you are permanently endowed it may be more problematic. Generally owning directly tends to appeal to larger charities because they have the scale to be able to afford a large diversified portfolio of buildings let to multiple occupiers. This means they are insulated in the event of, say a tenant default on an individual property.

Pooled funds are set up with the aim of "pooling" together multiple investors to gain economies of scale and increased purchasing power. They allow access to a much larger and diversified pool of assets than you would be able to afford individually and to professional management. The best known example in the charity sector is the *Charities Property Fund* (CPF). CPF was the first fund set up specifically for charities and is a Common Investment Fund. The Fund itself is a registered charity and is tax exempt, the main benefit being exemption from paying stamp duty (which is normally levied at 4 per cent on most commercial transactions), but there is no withholding tax payable either. The Fund is the largest charity specific fund owning almost £750m of commercial real estate, and is focused on the sectors which we believe have the best chance of outperforming the market. These include: London, industrial/distribution and index-linked alternative assets. In addition, CPF benefits from having an excellent regional diversification with 84 individual assets located across the UK and almost 200 tenants (meaning no individual tenant failure would adversely affect the dividend). The Fund also benefits from having 25 per cent of its income secured on leases with fixed rental increases, meaning you are guaranteed some growth in income in the future. The average unexpired lease term remaining is 10.5 years and the quality of tenants is very good. Over 80 per cent of occupiers are considered to have a negligible risk of failure (compared to the average portfolio of about 70 per cent).

**11. What is the secondary market, and what impact does this have from an investment perspective?**

The secondary market refers to buying units in a pooled fund (a property unit trust) (PUT) or a common investment fund (CIF)) from another existing investor in the fund who wants to sell. This is as opposed to approaching the Fund directly and buying new units in the fund which would have just been created.

The benefits of buying secondary units are that a) you may get a discount if the vendor is a forced seller, for example he/she may sell to you below the Net asset value (NAV) if they simply want liquidity (although the reverse is probably true at the moment when investors think the underlying properties are worth more than the units, because of valuation drag in a rising market) or b) to avoid the bid/offer spread, which is effectively the cost of buying property. This can be up to 6 per cent (mainly made up of stamp duty at 4 per cent), whereas if you acquire existing units, the costs will be negligible.

In CPF we don't really have this problem as the cost of buying brand new units is only a maximum of 1.32 per cent and often is less than this. This is because a) we don't pay stamp duty and b) we use economies of scale to pass on savings in the acquisition process to underlying investors. We therefore operate our own secondary market and merely spread the benefit of any sellers across all buyers.

**12. How do REITs work?**

Real Estate Investment Trust (REITS) are an easy way for individuals to invest in commercial properties without the need to buy any one building outright or to take on the associated hassle of dealing with tenants. Whilst REITs are well established as a form of investment worldwide, they were only launched in the UK on 1 January 2007. If you choose to buy shares in a REIT you will not be buying into an individual property but instead putting your money into a fund which buys properties for letting purposes. This eliminates the risks associated with 'having all your eggs in one basket' as the fund will own various properties, potentially over various sectors of the property market. So, effectively, you will own lots of tiny slices of many properties (which is almost identical to investing in a Common Investment Fund like the *Charities Property Fund*).

Nine UK property groups elected to convert to REITs at the outset on 1 January 2007, and they include the likes of British Land and Land Securities. As part of their requirements to be granted REIT status, a property owning company must distribute 90 per cent of their rental income directly to its shareholders in the form of a dividend. In return the REIT becomes exempt from paying any Capital Gains Tax. There is a tax downside, however, in that tax must be paid by the REIT investor at 22 per cent or 40 per cent (basic or higher rate income tax levels) as the dividends received are classed as 'property letting income' for an individual's tax purposes.

**13. One analysis I read said that commercial property is a mixture of equity investment and fixed interest investment. Is that something you recognise? And how would you explain these two characteristics exist within commercial property investment?**
Yes and no ! I would argue that property is much more like an equity investment, albeit there is a stability of income that a fixed interest investor would recognise. Like stocks, property generates income (dividend) and capital growth. In Bonds you only ever get a fixed coupon and then receive par when the Bond comes to maturity. Whereas in property and equities you will receive a "dividend" and hopefully this dividend will experience dividend growth through growth in profits (be it a company) or rents (be it a building) through demand exceeding supply and through economic growth/inflation — thereby driving rents. Rental increases will then be picked up at rent reviews.

Index Linked Bonds are perhaps the closest to property and equities as they benefit from income growth. Having said that you can often find better value in the commercial property market. For example we acquired a supermarket a couple of years ago let to Tesco for 20 years for a yield of just over 5 per cent. The lease benefitted from annual increases to RPI. Meanwhile the *Tesco Index Linked Bond* (effectively offering the same thing) was available at a yield of 0.86 per cent, i.e 5 times more expensive. It is undoubtedly much more liquid, but that's a high price to pay for liquidity. Plus you won't still own the real estate after the bond has matured.

**14. We are committed to environmental, social and governance issues in our investments: how are ESG issues dealt with commercial property is concerned?**
In terms of an ethical investment approach undertaken by the *Charities Property Fund*, the Fund avoids investments that are let to tenants whose main business is in tobacco, gambling, alcohol, armaments or pornography. We provide complete transparency on investments by listing all tenants in the annual and interim Report and Accounts. All investment proposals, including full tenancy details, are reviewed by an Advisory Committee which is made up of representatives of eight charities that are investors in *The Charities Property Fund* and we would specifically consult with them for their views on whether a proposed tenant was unacceptable.


In terms of environmental impact and sustainability we complete an environmental risk assessment for each property at purchase and monitor the occupation of the building to assess the environmental impact. In order to identify further room for improvement, CBRE has been chosen as the preferred provider of sustainability consultancy for Cordea Savills funds. Within this position, CBRE undertake Carbon Management, collecting and analysing carbon data, amongst other services.

In addition, every time we refurbish or acquire or construct a building we aim to achieve energy efficiencies. Our office assets in Edinburgh, Maidenhead and Chancery Lane have all achieved BREEAM (British Research Establishment Environmental Assessment Methodology), 'Very Good' ratings. The same goes for our hotel in Cambridge and we are insisting on the same at our newest project in Poole. We also work with all our tenants to implement sustainability initiatives. We are currently working on a project to install solar panels on a Curry's retail warehouse in Twickenham, which will reduce their energy consumption and feed back into the grid; we have incorporated cycle racks and showers into all our London office buildings and are sharing the cost of a roof replacement with the tenant at one of our industrial units to future proof the building and improve insulation and therefore energy efficiency.

**Harry de Ferry Foster is fund director at Cordea Savills**


# Crowdfunding finance

Antony Savvas says the crowdfunding market for charities is not only a test bed for fundraising skills but also a potential shoe horn into much larger revenue streams

**THE CROWDFUNDING** market is a busy one, helped first by the appearance of Kickstarter in the US and then its launch in the UK. However, Kickstarter isn't really there for charities as it's mainly designed for business projects, so where do charities go and should they bother?

The way crowdfunding usually works is that the organisation that wants the cash will usually set a target and the money will have to be raised over a short period of weeks or months. If the target amount is raised from backers the crowdfunding platform will take a cut.

If the target is not reached then the organisation will either not receive any funds at all, or with some crowdfunding platforms, they will get what amount is raised but will have to pay a higher amount to the crowdfunding company.

Charities entering the crowdfunding market will have to decide whether this type of money raising sits easily with their backers, who may not be happy to donate and then see a percentage of that cash go to commercial interests.

They will also have to take into account money raising "fatigue" among donors, through using a limited number of crowdfunding platforms that are often designed to raise only relatively small amounts.

**Putting the effort in**

But while charities may not want to look a gift horse in the mouth, the amount of work that has to be put into a specific crowdfunding campaign means charities will have to be strategic about their efforts.

Not only must charities have a good cause that can be set out from the other thousands of causes that appear on these platforms, they must also have the time to bring good design to their campaign and good pictures and video clips to stand out too.

After all, the crowdfunding space is, well, crowded, and is also very quirky. One only has to look at one recent campaign on leading platform Crowdfunder.co.uk.

The #SaveJan campaign sounds very personal, but in fact is an attempt to renovate an ice cream van used to sell food and drinks around the streets of Belfast.

The campaign page reads: "Jan, our beloved 1972 Bedford van has been vandalised. With your help, we can get her windscreen replaced, cleaned up and back on the road, good as new!"

The heart strings are further pulled: "Sadly, within a week of Jan's arrival, she was vandalised. I was utterly heartbroken, as I had invested all my savings in bringing her over from London. I have been told there's only a handful of this particular model of ice cream van knocking about, so finding a second-hand windscreen has been almost impossible."

Now, who is to say that Jan shouldn't get the £2,000 renovation being asked for, but that's £2,000 that could have gone to the cause of a registered charity instead of someone who already owns a Belfast cafe.

As of writing this though, the #SaveJan campaign hadn't reached its target, although it still had time. Under the Crowdfunder rules, if it doesn't, it gets zero funding. Crowdfunder only offers "fixed" funding, not "flexible" funding — whereby you get what is raised short of the target but with a higher percentage taken by the crowdfunding platform.

**Don't expect to slap up a fundraising campaign, go away for three weeks, then come back to find that you've raised a fortune. It doesn't work that way.**

**Joe Garecht, the Fundraising Authority**

**Viral marketing**

Charities considering crowdfunding though may also view the overall benefits that don't include the direct funding. As crowdfunding is relatively new, any big success stories are often highlighted across the internet, on trade and technology news websites and "virally" across social media channels.

Those giving to crowdfunding campaigns often tweet about it and post it on channels such as Facebook and Google+. This means that the charity gets valuable publicity and indirect advertising, which may well lead to additional funding from other sources outside the crowdfunding platform.

Charities may therefore see crowdfunding as an essential part of their holistic approach to fundraising, instead of one that is ignored or put on the backburner. Perhaps now is the time for charities that have not already done so to enter the fray while the market is "hot" in marketing terms.

Those that don't, might be seen by their regular donors as staid and old fashioned, which is a trap easy to fall into in our rapidly developing digital world.

**No silver bullet**

That said, Joe Garecht, of the US-based Fundraising Authority, which helps the third sector boost its marketing campaigns, warns: "Many non-profits that find out about crowdfunding websites get very excited and make the mistake of thinking these sites are magical cures for all their revenue woes. Crowdfunding sites can be a huge help but they are not a fundraising panacea."

He says: "Don't expect to slap up a fundraising campaign, go away for three weeks, then come back to find that you've raised a fortune. It doesn't work that way. You'll need to get the word out first, get some traction from your own established supporters, and then you may get some unexpected help."

Usually the most successful crowdfunding campaigns are those where charities fundraise for a specific project, as potential backers want to see where their money is going.

Once the project has been chosen charities have to budget for the final fees

**It is the custom on crowdfunding platforms to reward backers. In the case of commercial deals it could be a sample of the product, shares, or closer access to the company**

## THE CROWDFUNDING PLACES TO GO

**Sponsume** offers fixed and flexible funding with charges of between 4 percent and 9 percent based on whether you reach your target or not

**Indiegogo** -
fixed and flexible terms with charges of between 4 percent and 9 percent

**Crowdfunder** -
fixed terms only at 8 per cent

**BuzzBnk** -
fixed and flexible using a "milestone" system that levies a 5 per cent charge

**Please Fund Us** -
both fixed and flexible with a 5 per cent charge

Other crowdfunding sites to check out include **Razoo**, **Causes**, **StartSomeGood**, **Crowdrise**, **CauseVox**, **Rockethub** and JustGiving's **Yimby**

Terms should be studied closely as PayPal, credit card and debit card fees vary greatly.

## CAMPAIGN GROUP CALLS FOR SOCIAL ENTERPRISES TO UNITE TO RIVAL BUSINESS LOBBYING POWER IN CROWDFUNDING CAMPAIGN

The Social Economy Alliance — the campaign group for social enterprises and cooperatives made up of 450 organisations — has called on the sector to back a crowdfunding campaign, and be the first lobby group to blitz Westminster in the new political year.

The Alliance is planning a takeover of billboards, posters and ticket barriers at Westminster Underground station, giving the sector exposure to the country's political leaders, ahead of the General Election in 2015.

Low-cost advertising space in the station has already been won by the group and will coincide with the new parliamentary term in September. The crowdfunding campaign, which runs for eight weeks, will fund the space and a top agency to work on the creative for the adverts.

The group says the adverts are a 'rare opportunity' for the social enterprise and cooperative sector, and one which 'needs the whole movement's backing'.

Rewards are available to any individual or organisation that backs the campaign, including the chance to have their name appear on posters.

Celia Richardson, director of the Social Economy Alliance, says: "This is a rare opportunity for our sector. We now have the chance to dominate the most sought-after, high-impact ad space in Westminster."

they have to pay to the crowdfunding platform. In addition, they also have to consider what "rewards", if any, they give to their backers.

It is the custom on crowdfunding platforms to reward backers. In the case of commercial deals it could be a sample of the product, shares, or closer access to the company. Some charities may want to consider sending out a free gift, depending on the amounts being donated. In the case of #SaveJan it was a free breakfast to groups of people donating £100 or more.

After writing the pitch, photos and videos should be prepared, and those preparing the marketing will have to plan a social media blitz via Twitter, Facebook and all the other social media channels out there.

Those involved also need to refresh the campaign before the end to give it a kick and add extra impetus to the fundraising. So the pitch will have to be updated with new photos or video clips or extra information to rally the troops.

Whether the crowdfunding campaign is a financial success or not, charities can learn more about their marketing strategies and skills, and perhaps discover how they can be improved.

### Corporate carrots

In addition, they can also learn whether certain projects have the ability to gain traction among other backers, including in the much valued corporate world.

When it comes to corporate fundraising, the charity will find it very helpful if it can show, let's say, that it quickly raised £5,000 or £10,000 on a crowdfunding site well before the target date to fund a project. A corporate sponsor will be impressed at such firm backing among the public, and it may well tip the balance in your favour when that potential wealthy backer has many other charitable projects to consider.

The crowdfunding market for charities therefore is not only a test bed for fundraising skills but also a potential shoe horn into much larger revenue streams.

**Antony Savvas is a freelance journalist**

# Big returns

Charity funds produced an impressive 10 per cent average return over the last 12 months, finds Andrew Holt

**UK CHARITIES** made an average investment return of 10.4 per cent over the 12 months to 30 June, according to the *WM Charity Fund Monitor* from State Street.

The annualised return for the three years to the same date was 7.9 per cent. The best-performing asset class was property, returning 17 per cent, while UK equities made 13.1 per cent.

Overseas equities were the next best performers, returning 9.7 per cent, while alternatives returned 8.9 per cent, pooled bonds 5.3 per cent, overseas bonds 5.1 per cent and UK bonds 4.6 per cent. The worst performer was cash, returning only 0.4 per cent.

David Cullinan, a consultant at State Street Global Services, says: "Returns for the average charity fund for the one year have been very robust at around 10 per cent, led by the performance of risk assets — principally equities — which comprise the bulk of funds' assets. Monetary asset returns — Gilts, for example — have been much more pedestrian."

**Returns for the average charity fund for one year have been very robust**
**David Cullinan, State Street**

Cullinan notes that the second quarter of 2014 saw markets globally recording modest, but positive gains. "On the back of a relatively flat first quarter, returns for the year to date are just over 2 per cent," he says.

*The WM Charity Fund Monitor* is based on 230 UK charity portfolios worth an aggregate £8.5bn as at the end of June.

### Equity high

The latest figures are based on results up to end-March 2014, while returns for the following quarter are obtained by applying the asset mix of the universe to the returns from standard market indices for that period.

The biggest single asset class held by charity investors is UK equities, which made up 34.8 per cent of charity portfolios as at 31 March. The next biggest class is overseas equities, with a 27.5 per cent allocation in portfolios.

The largest segment — 9.6 per cent of total portfolios — is held in North America, with 6.4 per cent in Europe and 6 per cent in emerging markets. A further 11.1 per cent of portfolios is held in alternatives.

The bond component is much smaller, with 6.3 per cent in UK bonds, 2 per cent in overseas bonds and 1.1 per cent and 0.7 per cent in pooled and index-linked bonds, respectively.

On longer-term performance, Cullinan comments: "Three-year returns have averaged 8 per cent per annum and five year returns a very significant 12 per cent, led again by the performance of equities, which have rallied strongly from the depths of the global financial crisis."

This comes after UK charities hit the heady heights of 15 per cent returns for the 2013 calendar year, according to figures from State Street's *UK Charity Fund Universe*.

Returns were made up of an estimated 3.2 per cent yield and capital gains of about 12 per cent.

The strong performance was largely because UK equities — the biggest single component of most funds — gained 22.1 per cent over the year, with small and mid-cap issues outperforming the mega-cap stocks. UK equities make up 37.7 per cent of assets in charity universe portfolios.

The charity universe is made up of 240 individual funds with a combined asset value of around £9bn.

**Overseas and regions**

The results are actual up to the end of November, with estimates for December. Some 26.3 per cent of charity portfolios are invested in overseas equities. The best performing regions last year were North America and Continental Europe, returning 30.2 per cent and 26 per cent, respectively.

David Cullinan comments: "There was more optimism over the US economy than other developed region. In Europe, pessimism has been lifted, with certain of the 'troubled' periphery economies, such as Spain, coming out of recession. Japan was actually the strongest performer, but the weakness of the yen halved observed returns for UK investors."

In this picture, some of the steam seems to be coming out of emerging markets, which returned only 2.3 per cent.

Cullinan said China's lower demand for commodities had hit markets supported by their exports, while economies reliant on cheap money were hit by the US Fed's decision to 'taper' its asset-buying programme (quantitative easing).

On the fixed income side, UK bonds — which lost 0.4 per cent — performed badly, as an improved outlook for the UK economy hit Gilt prices. Bonds as a whole make up 10.4 per cent of UK charity universe portfolios.

Cullinan said equity exposure had grown within the charity universe in recent years, but claimed this was due to their superior performance compared with monetary assets.

However, he has also seen a shift towards funds investing in absolute return and diversified growth-type products.

**Different perspectives**

As at 31 December 2013, alternative investments made up 13.5 per cent of charity universe portfolios. Taking a wider outlook on 2014, Cullinan says: "A continued measured recovery in global markets, combined with an orderly unwinding of artificially loose monetary policy, should see charity funds perform well again. But shocks cannot be ruled out."

In comparison to charities, the S*tate Street UK Defined Benefit Pension Fund Universe* returned 11 per cent over calendar 2013. The five-year performance for pension funds was around 10 per cent per annum and 10-year returns were 8 per cent, which State Street said comfortably exceeded most actuaries' assumptions for asset growth.

Cullinan says: "Broadly, pension funds have a much lower exposure to equity than charities and a correspondingly higher proportion in bonds, reflecting the fact pension funds are increasingly moving to better match their liabilities. Charity funds tend to have a much longer time horizon and so can 'afford' a much greater exposure to real assets."

**Pension funds have a much lower exposure to equity than charities**
**David Cullinan, State**

But he adds: "Interestingly, there is a sizeable portion of the pension fund market, the Local Government Pension Scheme funds, which also has a much longer viewpoint and maintains equity exposures not hugely different from that of the charity sector."

Looking at what happened this time last year, UK charity returns powered ahead for the first six months of 2013, delivering as much as 8.3 per cent for the half-year to 30 June, and 17.6 per cent over the 12 months to the same date. This was achieved in spite of negative returns for the second quarter of the year. As has happened in previous reporting periods, gains increased with the amount of risk in the portfolio.

*The ARC Cautious Charity index* returned 7.4 per cent for the 12 months to 30 June, while the *ARC Balanced Asset Charity index* returned 12 per cent. *ARC Steady Growth* gained 15 per cent, but the biggest returns came from *ARC Equity Risk*, which posted 17.6 per cent.

These figures were in sharp contrast to the previous 12 months before that, when returns for the same four indices were 2.9 per cent, 0.23 per cent, -1.0 per cent and -3.1 per cent, respectively.

# Adding social value

Peter Holbrook argues that social enterprises and trading charities should play a greater role in getting involved with public service contracts and greater transparency on this issue should emanate from government

**AS THE** likes of Serco and G4S grab the headlines with increasing regularity we're reminded that over the last decade or so, swathes of the public sector have been outsourced — mostly to a handful of private sector providers. The outsourcing of services — from waste management to children's homes and prisons — has gathered pace in recent years and the market is now worth somewhere in the region of £100bn per year.

While a small number of large providers are dominating, creating dependency and have significant power over procurement teams and commissioners, evidence shows that smaller providers — social enterprises and charities — are being squeezed out of contracts.

Giant private sector providers tell taxpayers that they're getting a good deal[1], but the evidence points to the degradation of vital public services under their management. The conflict between short-term financial rewards and a long-term public service ethos often appear to be irreconcilable.

In children's care, the private sector runs two-thirds (65 per cent) of residential homes but a third do not meet the Government's minimum standards, with private sector providers more likely to be rated as inadequate[2].

In adult social care, 1 in 3 patients in care homes fear physical abuse or harm and 65 per cent of jobs are in the private sector[3]. We now have the most privatised prison system in Europe but services have been taken back into the public sector following serious failings in provision, criminal investigations and scandals. In Welfare to Work services, private providers have been assessed as 'unacceptably poor' and Work Programme providers come under sustained attack.

**Mixed picture**

All the while, it is a mixed picture for social enterprises and trading charities, who were assured open markets in which they could compete for contracts. Some are faring better than others, performing well against the odds, delivering effective local services, delivering value for money for the taxpayer and reducing demands on the public finances. Healthcare spin-outs, co-operative schools, social care spin-outs, housing associations and leisure trusts have thrived since leaving the statutory sector.

The market share of these models is growing, as they deliver against the expectations of commissioners, regulators and service users. Health and social care 'spin-out' social enterprises are expanding, winning contracts and diversifying income sources. Social enterprise and employee-owned mutuals are picking up an astonishing array of awards for outstanding service.

Turning Point, for instance, runs a model of community led commissioning which enables local people to design and deliver local health and social care services in partnership with commissioners. This has delivered improved health outcomes through service redesign, greater focus on early intervention and prevention, and reduced costs of service delivery by tackling duplication, development of low cost community-led service models, and stronger accountability and trust between commissioners and communities.

But experiences on the frontline differ. Other charities and social enterprises are taking a hit, struggling to access and win contracts. Research by Social Enterprise UK reveals that social enterprises cite procurement policy as one of the top three barriers to their growth and sustainability[4]. And 27 per cent of social enterprises whose main source of income is trade with the public sector have made redundancies, compared with 14 per cent of social enterprises operating in other sectors[5].

**Ineffective market**

One of the key problems is that where competition has been introduced, the markets are not at all effective. A handful of providers are now too big to fail and many markets lack any diversity. In prisons, for example, just three firms dominate the market. Barriers to entry are high and transaction costs are considerable — procurement in the UK is the most expensive in the EU at twice the average.

The oligopolies hold the power while the social enterprises and charities (sometimes referred to as bid candy) are subcontracted. Reports from the ground indicate that some partnerships are running smoothly after initial teething problems, other social enterprises and charities have been forced to withdraw from programmes, citing the contracts financially unviable.

This is not all the fault of the profiteers. Commissioning and procurement is too often disjointed within the public sector. Artificial administrative boundaries prevent joined-up services and integration.

KPIs and contractual terms are often complex, clumsy, inflexible and excessive which only adds to costs and shifts them around the system. The scale at which services are commissioned is often unmanageable, with decision-making opaque, removed and distant from the very people who rely on the services.

The problems are complex, and so what are the answers if the UK is to be home to truly plural public service markets made up of mixed providers?

The public sector needs to take on greater responsibility as a market shaper and market steward to ensure more joined-up services, better contract management and greater diversity. Most of all, improved co-operation between government departments is needed. The government must start acting as a single buyer to get a better deal for taxpayers and public service-users.

The new Competition and Markets Authority should be given greater powers to intervene in public service markets, to scrutinise contracting decisions and prevent unfair competition, with sufficient weight and power to challenge and overturn departmental decisions and to issue penalties.

**Social value**

Perhaps most importantly, the government can develop a market of more socially responsible public service providers through applying the Social Value Act to the purchasing of goods and works and the management of assets, including investments and disposals of capital and land. We would like to see public bodies obliged to include social value in their commissioning and procurement and for it to be supported with Statutory Guidance.

The Act is ground-breaking legislation and has the potential to transform the way public services are commissioned. If properly implemented, it can unleash billions of pounds-worth of public spending power to benefit whole communities. Traditionally, the immediate financial cost of services has been the focus — added social cost or benefit has been factored out.

Many argue this has led to a perverse climate in public service markets, where the winners are companies that degrade the quality of services and in some cases fuel further social problems. You only have to look to the crumbling care markets that plunge workers into poverty and spread costs to other parts of the public purse, which must foot the bill with in-work benefits just to sustain the workforce.

Finally, greater transparency is urgently needed — we would like to see the government require public bodies to release data on financial flows to providers and how much is directed towards VCSEs, SMEs, private providers, overseas providers and local providers.

**Peter Holbrook is chief executive for Social Enterprise UK, the national body for social enterprise**

**NCSE**

The National Consortium of Social Enterprises (NCSE) has been created in response to demand from public service commissioners in England to have more social enterprises and trading charities in their supply chains.

The NCSE seeks to address some of the key challenges social sector organisations have in winning public sector business.

Interested social enterprises and trading charities that offer employment opportunities for ex-offenders and marginalised individuals can sign up for free. More than 500 organisations are already signed up.

Visit: **www.3sc.org/ncse-sign-up**

*[1] www.independent.co.uk/news/business/news/serco-says-government-keen-to-put-tagging-scandal-to-rest-9663262.html*

*[2] www.socialenterprise.org.uk/uploads/files/2013/10/out_of_the_shadows_report.pdf*

*[3] www.socialenterprise.org.uk/uploads/files/2013/10/out_of_the_shadows_report.pdf*

*[4] www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf*

*[5] www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf*

# Social economy rising

## The social economy is on the march, says Sam Simmons, and its policies are designed to equip people with some radical tools to build a stronger, more equal and prosperous society

**THE SOCIAL** Economy Alliance first formed in June 2013. It has quickly swelled in size, and now has 26 partners and more than 500 members — social enterprises, think-tanks, cooperatives, and charities including The Young Foundation and Turning Point, among others — collaborating to create a more social economy in the UK. The goal is to work as one bold movement ahead of the 2015 General Election.

We aim to put people and society at the heart of the economy, to use business to address tough challenges that put a strain on communities, like fuel poverty and youth unemployment, and to encourage politicians to support Britain's growing number of social economy organisations.

The Alliance is a sign that the expanse of organisations campaigning for social change — faith-groups, charities, social enterprises, universities, charitable foundations and housing associations — are coming together. There is a growing consensus that our approach to tackle the major challenges of our time needs to change. Business and social policy must be brought together.

Advances in the social economy and the innovations emerging from our movement have the potential to help the UK economy evolve into one that is fit for the challenges we face in the 21st Century. The problem with the UK's approach as it stands is that it ignores a simple idea: economic policy and social policy are entirely interconnected — they depend on one another to succeed. The Social Economy Alliance is trying to get this way of thinking off the ground and show how our sector is already applying it in communities across the country.

Now the main political parties seem to be listening. And not a moment too soon.

In August new figures showed that, despite a fall in unemployment levels and an increase in economic growth, average wages remain well below inflation. The prosperity that promises to follow economic growth is certainly not being felt by everyone. The wealth being created is stored up in small pockets of the country, a catalyst to the 2009 financial crisis that brought the economy to its knees.

The IMF warns that inequality is the biggest threat to sustained economic growth. In the UK, GDP per person in the richest area is nearly ten times that of the poorest area — the biggest gap between richest and poorest in the G7. This is a terrifying figure. It is a recovery at its most dangerous: centralised and driven from the top down for the benefit of a small minority.

**Bottom up growth**

We believe the social economy has some of the solutions to create a more equal society, where bottom-up economic growth helps spread the fruits of a strong economy across the country — and the UK's decisions makers are getting wise to this. Months of hard lobbying and some positive meetings with individuals working at the centre of the party machinery are paying off. There's a strong possibility that we'll achieve our goal and see our recommendations appear in the manifestos of all the main political parties.

We have the collective might of the sector to thank for our progress. When the stakes are high, the social enterprise and charity worlds are good at rallying together to make sure our voice isn't drowned out by other, often heavily financed, lobbyists. Over the past 12 months, we've certainly made a lot of noise. In February we amassed widespread support for our local election campaign, urging local politicians to back the social economy in their area and support local organisations, like credit unions and social enterprise housing groups. Along with hundreds of supporters we took our message to councillors and local election candidates and received positive responses, from Brixton to Bristol.

The ideas behind the campaign are crowd sourced, too. Over the past 12 months, we've embarked on an intense period of policy development to build our sector's solutions to tough social problems like youth unemployment and the housing crisis.

Experts from the Alliance and supporters from the sector shared their thoughts during a 10-week consultation process. 70 big ideas emerged, which fall under six themes: unemployment, economic growth, the cost of living, fair finance, public services and responsible business.

Our policies are designed to equip people with some radical tools to build a stronger, more equal and prosperous society. And in most cases, they are already being implemented by social economy organisations on the ground.

**Rise of the sector**

Take community energy for example. The rise of this sector, which enables people and communities to buy, save, create and sell energy, is helping achieve fairer energy prices for consumers. Demand for this type of initiative is huge — our poll published this year showed the majority of people would switch to providers that are community owned and led, and that reinvest profits back into society given the opportunity.

In housing, cooperative and social enterprise alternatives are providing affordable housing and reducing the cost of living. Co-operative home-share schemes and social enterprise property guardians like Dot Dot Dot are utilising empty buildings and bringing down costs for renters and buyers. Crystal Fountain, a retirement village in Woodchester, Stroud, has been turned by its residents from a private equity-owned village into a mutually owned asset.

There are also emerging opportunities with the potential for new garden cities, eco-towns and other large scale urban extensions to develop models which are pro-social and designed with communities at their heart. These models are working for our cousins abroad. In neighbouring countries co-operative housing represents a much larger percentage of the market than in the UK: 18 per cent in Sweden, 15 per cent in Norway and 8 per cent in Austria, compared with just 0.6 per cent in Britain.

**Party conference season**

In the space of a year our united sector has made enormous progress. But the fight is by no means over. There is still a great deal to play for and a critical window remains to convince politicians to support the social economy. September is one of the busiest times in the political calendar. Party conference season kick-starts the final countdown to the General Election next year.

**There is still a great deal to play for and a critical window remains to convince politicians to support the social economy**

**Sam Simmons, The Social Economy Alliance**

These political hootenannies are useful for the sector to create some noise and encourage politicians to support social economy policies backed by voters. The Social Economy Alliance will be out in force, representing social economy organisations on the ground at a number of roundtables and panel debates. These are open to anyone with a pass to the conferences, so please join us if you are attending.

September also sees the Social Economy Alliance takeover Westminster tube station with a high-impact advertising campaign — a rare opportunity to get our message seen by politicians in the right place at the perfect time. The adverts are being crowdfunded by the sector, and will launch the Alliance's own manifesto.

As we turn the last corner before the general election, we need the whole sector to get behind the campaign. We need more social organisations and charities to unite and help turn the Alliance's manifesto asks into a reality. Lobby your MP, arrange visits to social enterprises and charities in your area and share the Alliance's manifesto at every opportunity.

There's still time to add your voice to ours by joining as a member. People-power is what our movement is built on and it is people-power that will get us heard. Be part of the movement that puts the social economy at the centre of the next general election. You can join the Social Economy Alliance as a member by visting: www.socialeconomyalliance.org.uk

**Sam Simmons is campaigns officer at the Social Economy Alliance**

# Digital future

When it comes to innovative web design, charities are taking risks where they promise to deliver substantial return on investment, finds Julie Howell

**I HAVE** watched charities change, innovate and evolve over some fifteen years of judging the Charity Times Awards 'Best Use of the Web' category.

It all began in 1999, when Contact-a-Family became the inaugural winner for a site that set the standard for digital community engagement at the turn of a new millennium. Since then, we have awarded charities for daring to innovate as the web has spread to new platforms and you continue to surprise and impress us with your commitment to innovation even during financially-straitened times.

Year-on-year the bar for excellence is raised a notch or two higher, not by our panel of expert judges but by charities whose work continues to impress. We are proud to shine a spotlight on charities whose websites generate outstanding return-on-investment (ROI). The sector is proving itself able and willing to make digital channels integral to your central strategies enabling you to continually improve upon what you do best: inspire, inform and involve those in greatest need.

**Future change**

Does every charity charge into the digital future without fear of alienating themselves from donors or making costly mistakes? Not if the volume and range of entries in recent years is our guide. Some years we are overwhelmed with high quality projects. Some years only one or two demonstrate true innovation, courage and risk.

When times are tougher innovation is harder to find. In other sectors the opposite is true. Most companies understand that a recession is the best time to take creative risks and those that do often survive as a result. For charities, accountable for the way every pound of public money is spent, there is clearly a feeling that now is not the time to be flashy with cash.

Fortunately, innovation isn't necessarily dependent upon big budgets. The 2013 winner tore up the old rule book. It wasn't even a website. Refuge UK stepped forward with an innovation of which any corporate organisation hoping to prove its ability to stand head and shoulders above the competition would be proud.

*Don't Cover It Up* is an eye-wateringly simple one and a half minutes of innovative genius. On identifying an emerging online trend, Refuge UK forged a partnership with one of the UK's most popular YouTube beauty 'vloggers' Lauren Luke (Lauren's YouTube channel has half a million subscribers). Without prior explanation Lauren posted a powerful 90-second tutorial in partnership with Refuge UK demonstrating how to use make-up to 'cover up' bruising that may occur as a result of domestic violence (the video ends on a tense note before it is revealed that it is linked to Refuge UK's campaign).

Since July 2012, the video has been viewed one and a half million times and generated five and a half thousand comments from the public. While these numbers sound impressive, without knowing how much Refuge UK spent on creating the campaign they don't tell us anything about the project's ROI. Here comes the game-changer: Refuge UK spent nothing at all on this campaign. The idea, the outstanding execution and the timing were the innovation.

The ROI — measured in impact and reach — demonstrates that in the digital economy it is the brightness of the idea accompanied by the tenacity of the charity that raises the bar. An element

of luck is still involved. Some ideas catch light and go viral, others fall flat, but as Refuge UK's example shows success can be about timeliness and courage rather than budget.

**Innovative design**

Creating a presence on emerging platforms is one way to innovate, but what else is there? Leonard Cheshire Disability (LCD), whose newly upgraded website is shortlisted for the 2014 Charity Times Awards, directed £160,000 (a proportion of which covered the costs of an additional digital team staff member) towards digital innovation including BSL (signed) video versions of key pages, increased use of high-impact imagery (rather than block after block of text), and new functionality that enables LCD to experiment with different content types.

For LCD, demonstrable return-on-investment is of central importance. "The new site generates lots of useful data but there's no point having metrics unless we can act on the results", says LCD's digital media manager Will Howells.

"We have very clear conversion goals to ensure we focus on outcomes that support LCD's activities as a whole. Each page on the site gets a score based on how much it has contributed and we use this data to identify which pages are working and which need improving or even removing. We have recently added functionality to run 'content experiments' and this allows us to do even more optimisation."

Site key performance indicators for the first three years include increasing campaign newsletter sign-ups by 100 per cent, service enquiries by 25 per cent and online donations by 1000 per cent. In just four months, LCD achieved its target for newsletter sign-ups, smashed its target for enquiries by more than 300 per cent and donations are up 250 per cent compared with the same period the previous year.

"There are lots of ways the site adds value", says Howells. "To quantify it we assign a value to each goal, starting with


**Innovation is important because we want to reach a younger demographic and a strong digital presence enables us to communicate with our supporters**

**Hannah Asquith, Chilterns MS Centre**

an average single donation of £50. We then work with colleagues to assign a relative value. Using Google Analytics we get an idea of the value the website contributes to the organisation beyond just the business case targets. We calculate that it has averaged a 'goal value' of £18,000 a month. By this measure the site will have paid for itself within the first year of operation."

Chilterns MS Centre, a smaller, regional charity with a budgeted income for 2014 of £750,000 may not have the capacity to devote as much money to developing its online presence but this is not to say its ambition is small.

**Social media**

Focussing on social media, and from a standing start, the charity increased its Twitter following to 282 and its Facebook fans to 561 in just four months. Although the numbers are not huge, even this level of participation has enabled the charity to achieve a number of wins. For instance, it has attracted runners to take part in the British 10K, secured raffle prizes and galvanised followers to nominate the Centre for a donation of £500 during National Small Charities Week (which it subsequently won).

Hannah Asquith of Chilterns MS Centre says: "Innovation is important to us because we want to reach a younger demographic and a strong digital presence enables us to communicate with our supporters in 'real time'."

You will not find examples of innovation for innovation's sake in this sector. Charities do not seek to update or upgrade their digital activity every time trends change. Innovation tends to happen when a site refresh is scheduled rather than when

**The ROI — measured in impact and reach — demonstrates that in the digital economy it is the brightness of idea**

there is a new social media bandwagon to catch.

There is no doubt that charities of all sizes are getting smarter about how and when to use digital channels and it is very pleasing to see Charity Times Awards winners holding their own in mainstream competitions.

While we may not innovate at the same time or for the same reasons as for-profit corporations there is a determination to use new technology and emerging digital channels for the benefit of service users and, as 2014's crop of entries shows, plenty of enthusiasm for taking calculated risks where they promise to deliver substantial ROI.

**Julie Howell is an IT consultant**

## CHARITIES FAILING TO CREATE DONATION-FRIENDLY WEBSITES, SAYS STUDY


Environment and health charities have the least 'donation-friendly' websites and the charity sector as a whole is failing to address the opportunity to maximise fundraising through mobile devices, according to a new study from Eduserv, the not-for-profit web and IT services provider to the charity and public sector.

The study, *Optimising Charity Websites for Donations,* found that animal charities came top when it came to having the most donation-friendly websites.

This was largely down to the fact that charities in this sector had made the greatest efforts to adapt their websites to the increasing volume of visits via mobile and tablet devices.

The widespread failure among charities to address the new challenges presented by the shift to mobile and tablet devices as the primary point of access to the internet is highlighted by the following findings:

Of the charities audited, only three (6 per cent) had created donation journeys specific to mobile devices.

Four in ten charity (42 per cent) websites are not optimised for mobile devices in any way.

Even where a site is optimised for mobile devices, the donation screens of four in five charities (80 per cent) then revert to desktop donation journeys which are poorly suited to mobile.

Beyond the issue of mobile fundraising, the audit revealed broader challenges for charities in improving the fundraising effectiveness of the desktop sites.

These were:

**Accessibility and website speeds**: the adoption of rich media, without upgrades to infrastructure to support the content, is undermining the performance of leading charity websites.

**Donation experience**: onerous data capture and a high number of clicks is introducing high levels of friction to the donation journey. Seven pages and 20 clicks is the worst example.

**Options to donate**: either very limited donation options or the lack of adoption of new forms of donation such as paypal or text giving.

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National Head of Charities
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Rathbones' history is grounded in philanthropy and for over a century we have been working alongside our charity clients to better understand their requirements, creating tailored investment solutions to suit their objectives. From the local to the national, over 960 charities entrust £2.68 billion* of funds to us through our network of 13 regional offices, all managed on an individual basis.

At Rathbones there is no relationship manager or customer service centre; you have direct access to your investment professional for all aspects to the administration and management of your portfolio. Providing comprehensive trustee training, seminars and collaborative networking opportunities, our dedicated charities team apply their expertise to develop discretionary portfolios reacting to market movements and delivering the returns desired through global opportunities.

(*as at 31 December 2013) For further information contact Francesca Monti on 020 7399 0119 or at francesca.monti@rathbones.com

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**Ruffer LLP**

80 Victoria Street
London
SW1E 5JL

For more information contact:
Christopher Querée

T: +44 (0)20 7963 8100
F: +44 (0)20 7963 8175
E: cqueree@ruffer.co.uk

A focus on capital preservation and consistent returns

Ruffer is an absolute return investment manager. Instead of following benchmarks, we aim not to lose money in any single year and to deliver a return significantly greater than the risk free alternative of cash on deposit. Capital stability is essential to provide a sound platform for income generation and for growth of capital and income. By aiming to avoid the cyclical gyrations of the market, we aspire to provide a less volatile experience for our charity clients.

We manage over £15bn of assets including £1.5bn for over 200 charities. Our charity clients span all major charitable sectors and include some of the largest endowments in the UK. A dedicated portfolio manager works with each charity to build an appropriate segregated portfolio, which may include ethical screening if required. We also manage a Common Investment Fund, the Charity Assets Trust.

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To advertise in the Charity Times Suppliers Directory contact **Cerys Brafield 07766 662 610** or **Sam Ridley 0207 562 4386**

## INVESTMENT MANAGEMENT

**Sarasin & Partners LLP**

Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Contact: John Handford

T: 020 7038 7268
F: 020 7038 6864
E: john.handford@sarasin.co.uk
W: www.sarasin.co.uk

Sarasin & Partners manages investments of £4.8 billion* for over 320 charities, representing 35% of the firm's total Assets under Management. We also manage investments for UK private clients, pension funds, and other institutions with total funds under management of £13.8 billion (as at 30.06.14).

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*Sarasin & Partners LLP is a limited liability partnership incorporated in England and Wales with registered number OC329859 and is authorised and regulated by the Financial Conduct Authority.*

**UBS**

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Andrew Wauchope - Head of Charities
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## INVESTMENT REVIEW SERVICES

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