QUILTER CHEVIOT

INVESTMENT MANAGEMENT

ANNUAL REVIEW FOR CHARITIES:

2016 IN PERSPECTIVE

INTRODUCTION – WILLIAM REID

Last year, we launched our first annual review for charities; the idea being to collate articles and produce what we hope is an interesting compilation of third sector related topics. The purpose of this document is to dip in and read those articles that are most relevant to you.

In this second edition, we have widened the net to also look at ways philanthropy is developing, as well as the amazing stories of two charities (Cure Leukaemia and Hope for Tomorrow). We also hear from another charity, the Community Foundation in Wales, which works in a multitude of ways to support its local community. Finally, for many of us who are Trustees, Shonaig Macpherson has produced a brilliantly honest account of the trials and tribulations we face in this role.

Enjoy your reading!

WILLIAM REID
HEAD OF CHARITIES

CONTENTS

EDITOR'S NOTES

We are, as ever, very grateful to those who have contributed:

- Grania Baird, Farrer & Co
- David Fardell, Buzzacott
- Jen Gerrard, Gerrard Financial Consulting
- Liza Kellett, Community Foundation in Wales
- Shonaig Macpherson CBE, FRSE
- Frances McCandless, Charity Commission for Northern Ireland
- James McLaughlin, Cure Leukaemia
- Christine Mills MBE, Hope for Tomorrow
- NCVO
- Fergal O'Sullivan, My Legacy
- Catherine Rustomji, DWF LLP
- Luke Savvas, Buzzacott
- Julian Smith, Farrer & Co
- Thea Thorsen, Founders Pledge

Thank you to those charity Trustees and Officers who completed our questionnaire at charity conferences over the year; and to my colleagues, Alan McIntosh and William Reid, for their contributions, as well as our very kind proof-readers.

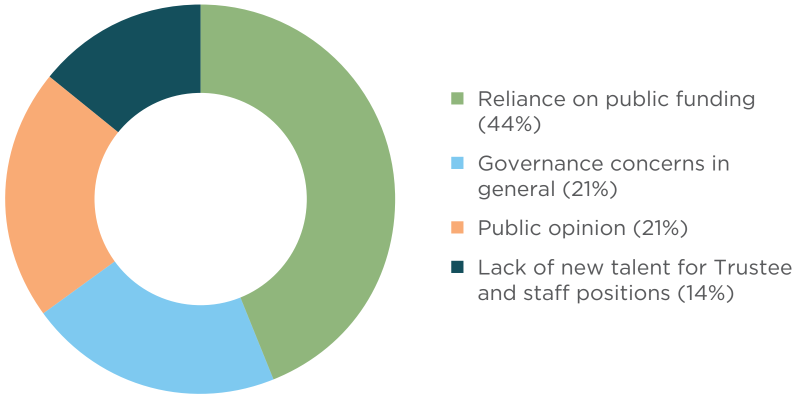
This year, we have tried to include a wider number of different topics; if you have any feedback please contact me at **gemma.woodward@quiltercheviot.com**.

GEMMA WOODWARD
EXECUTIVE DIRECTOR AND DIRECTOR OF RESPONSIBLE INVESTMENT

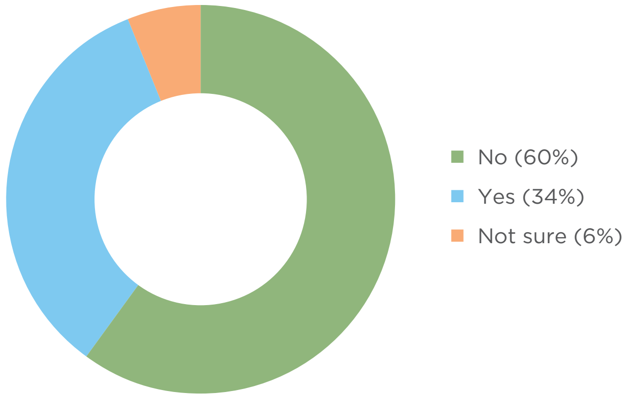
QUESTIONS OF THE YEAR (2016)

Over the year we have attended a number of conferences and also undertaken an on-line survey and these were the results:

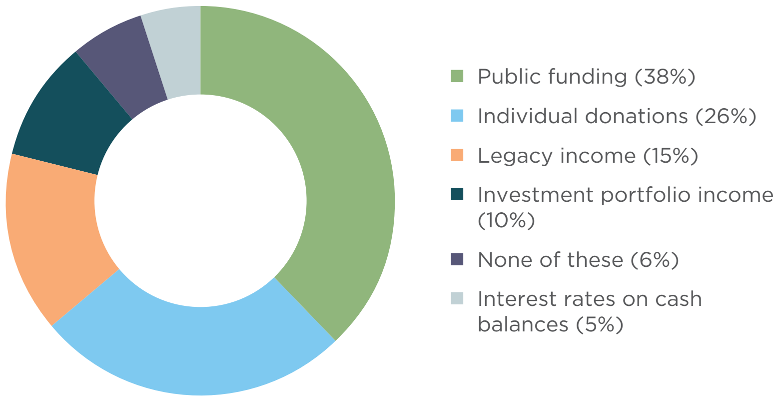
WHICH OF THE FOLLOWING DO YOU BELIEVE IS THE BIGGEST THREAT TO THE SECTOR?



ARE ANY OF YOUR TRUSTEES UNDER THE AGE OF 35?



IN TERMS OF INCOME GENERATION FOR YOUR CHARITY, WHICH IS THE MOST CONCERNING TO YOU?



QUESTIONS OF THE YEAR (2017)

Looking ahead these are the questions we will be posing to charity Trustees and Officers:

DO YOU FEEL MORE CONCERNED ABOUT THE OUTLOOK FOR THE CHARITY SECTOR NOW THAN YOU DID TWELVE MONTHS AGO?

HAS YOUR CHARITY REVIEWED ITS ETHICAL POLICY IN THE LAST THREE YEARS?

EVENTS CALENDAR

EXTERNAL EVENTS

Event	Date	Location
CFG Investment Conference	26 January 2017	London
CFG Midlands Conference	1 February 2017	Birmingham
Charity Investment Forum	7 March 2017	Teddington, near London
NCVO Annual Conference	20 April 2017	London
CFG Annual Conference	May 2017	London
CFG Northern Conference	July 2017	TBC
Charity Accountants' Conference	September 2017	TBC
UK Community Foundations Conference 2017	12-14 September 2017	Cardiff
Association of Provincial Bursars	4 October 2017	High Leigh
Charity Finance Summit	17 October 2017	London
CFG South West and Wales Conference	November 2017	TBC
NCVO Trustee Conference	14 November 2017	London

QUILTER CHEVIOT CHARITY SEMINARS

Confirmed events	Date
Edinburgh	28 February 2017
Dublin	30 March 2017
London	9 & 10 May 2017
Salisbury	14 June 2017
Birmingham & Leicester	11 July 2017
Bristol	September 2017
Liverpool	12 October 2017
Manchester	November 2017

We also hope to be holding events in:

Belfast
Glasgow
Jersey

Our seminars are free of charge. If you wish to attend one of our seminars please contact: **charities@quiltercheviot.com** with your preferred location.

INVESTMENT

CONTRIBUTORS:

ALAN MCINTOSH CHIEF INVESTMENT STRATEGIST QUILTER CHEVIOT
Alan became the company's Chief Investment Strategist on the merger of Quilter and Cheviot and is responsible for global equity strategy. He chairs the UK and international stock selection committees and sits on the asset allocation and fund selection committees. Prior to Quilter Cheviot, Alan was a founding partner of Cheviot Asset Management where he was Chief Investment Officer. Previously, he worked for Laing & Cruikshank Investment Management and Credit Suisse Asset Management as a senior strategist. This followed on from a 12 year career as an institutional fund manager. Alan graduated with an honours degree in economics from Heriot-Watt University.

WILLIAM REID HEAD OF CHARITIES QUILTER CHEVIOT
William has been managing charitable, company and high net worth portfolios since 2003. After working at Laing & Cruickshank and UBS, he joined Cheviot, as a partner, in 2006 and was promoted to Head the Charities in 2013. Prior to his City career, he saw service in the Royal Navy (seven years in the Submarine Service) 1991 – 2001 and holds a BA in Economics. William is a member of the investment oversight committee. Amongst his charitable commitments, he is the independent adviser to the Investment, Finance and Audit Committee of the Royal Navy and Royal Marine Charity (RNRMC), and is a former Governor of Peaslake Free School. He is also a fellow of the Royal Society of the Arts.

GEMMA WOODWARD EXECUTIVE DIRECTOR AND DIRECTOR OF RESPONSIBLE INVESTMENT QUILTER CHEVIOT
Gemma joined Quilter Cheviot in 2015. She is responsible for managing charity portfolios as well as developing the company-wide approach to responsible investment and the faith based investment offering. She has over 20 years industry experience and has spent the majority of that time focused on the charity sector and specifically clients with complex ethical and socially responsible investment requirements. Gemma started her career at Lloyds Bank and she joined Newton in 2002 following the acquisition of the Henderson private client and charity business; and latterly was at Kleinwort Benson. She graduated from Durham University with a degree in history in 1994, is a Chartered Fellow of the CISI as well as holding the Chartered Wealth Manager designation. Gemma is a Governor of Rugby School and a Trustee of The Book Trade Charity (BTBS); additionally she is an independent investment adviser to two other charity investment committees.

IN THIS SECTION:

- CC14 made simple: a practical guide
- Measuring up
- Alternative sources of income
- Fit for purpose – what to consider and how to construct an ethical policy
- The positive attributes of infrastructure for charities
- Which suit is Trumps?

CC14 MADE SIMPLE: A PRACTICAL GUIDE

GEMMA WOODWARD, QUILTER CHEVIOT
FIRST PUBLISHED IN THE CHARITY TIMES MANAGEMENT GUIDE 2016

QUILTER CHEVIOT

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

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

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

REQUIREMENT: KNOW, AND ACT WITHIN, THEIR CHARITY'S POWERS TO INVEST

Understand what the charity's governing documents allow you to do. In some more historic documents there may be significant restrictions on the types of investments permitted.

REQUIREMENT: EXERCISE CARE AND SKILL WHEN MAKING INVESTMENT DECISIONS

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

REQUIREMENT: TAKE ACCOUNT OF THE NEED TO DIVERSIFY INVESTMENTS

This does not necessarily mean appointing different investment managers (depending on how different their investment approaches are, you may not be diversifying at all); but it does mean having a spread of investments.

REQUIREMENT: TAKE ADVICE FROM SOMEONE EXPERIENCED IN INVESTMENT MATTERS UNLESS THEY HAVE GOOD REASON FOR NOT DOING SO

The Trustees may wish to appoint an investment manager who provides advice or an investment adviser; equally there may be sufficient knowledge on the Board through its Trustees or co-opted members to meet this requirement. Whatever the case, the Trustees should ensure that they have sufficient knowledge to constructively question decisions and that any advice they are being given is impartial.

REQUIREMENT: FOLLOW CERTAIN LEGAL REQUIREMENTS IF THEY ARE GOING TO USE SOMEONE TO MANAGE INVESTMENTS ON THEIR BEHALF

If you appoint an investment manager or another type of adviser there should be a contract detailing the relationship. There should be a written investment policy in which it is useful to include what the investments are actually for simply as a reminder of the original purpose of the investments.

REQUIREMENT: REVIEW INVESTMENTS FROM TIME TO TIME

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

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

It is perfectly possible to conduct a full review of investment manager performance without resorting to a full blown 'beauty parade' which can be time-consuming. But if there are significant concerns or unease with an investment manager then this is where the 'criteria for intervening' are important.

REQUIREMENT: EXPLAIN THEIR INVESTMENT POLICY (IF THEY HAVE ONE) IN THE TRUSTEES' ANNUAL REPORT

This does not have to be War and Peace. A few simple sentences outlining what the objective is for the investments and how that is being implemented cover this. There should also be a statement regarding the performance of the investments (does not have to be the actual returns) and if any ethical policy has been adopted and how this is interpreted.

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

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

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

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

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

OF FURTHER INTEREST:

CC14: Charities and investment matters: a guide for Trustees
https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-Trustees-cc14

MEASURING UP

WILLIAM REID, QUILTER CHEVIOT
FIRST PUBLISHED IN CHARITY TIMES

QUILTER CHEVIOT

As Head of Charities at Quilter Cheviot, I spend my working day focusing on providing advice and managing discretionary investment portfolios for a wide range of charities, across the spectrum of the third sector. However, this does not preclude time spent investigating areas of interest that I believe are of growing importance to both the charity sector and investors in general. My time as a governor of a school and as a member of a charity investment committee, have served to reinforce this view. What follows is an insight into a number of my enthusiasms, and one bugbear...

BEHAVIOURAL ECONOMICS

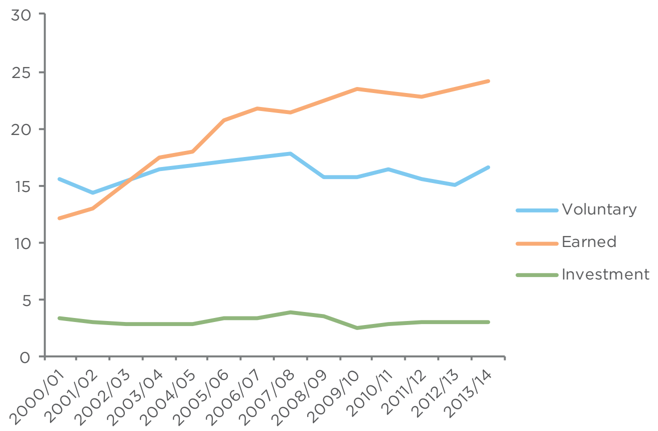
Our regulator, the Financial Conduct Authority (FCA) believes that embracing behavioural economics (BE) will make it a more effective policeman. BE uses insights from psychology to try and explain why people behave the way they do. It may not come as a surprise, that contrary to financial theory, people do not always act rationally, with many decisions made on an intuitive and automatic basis, rather than in a controlled and deliberated fashion. There are two central pillars on which BE rests, the first of which is mental accounting. This is the tendency to value some pounds less than others and thus waste them. Charities may fall foul of this when considering their attitude to risk for proceeds from fundraising, against similar funds held in long-term reserves. This is an anathema to traditional economics, which says all money is 'fungible'. Put simply: a million pounds is a million pounds!

The second pillar relates to prospect theory and is considered the source of behavioural finance. There are a wide number of ramifications, but here I wish to highlight framing. This is a cognitive bias in which divergent results tend to be produced from the same problem when being described differently. When you last renewed your charity's insurance policy were you offered legal cover? If so, was this done as a percentage or cash amount? Are you willing to pay an extra £25 on a £500 policy or does 'for just 5 per cent more' sound more attractive?

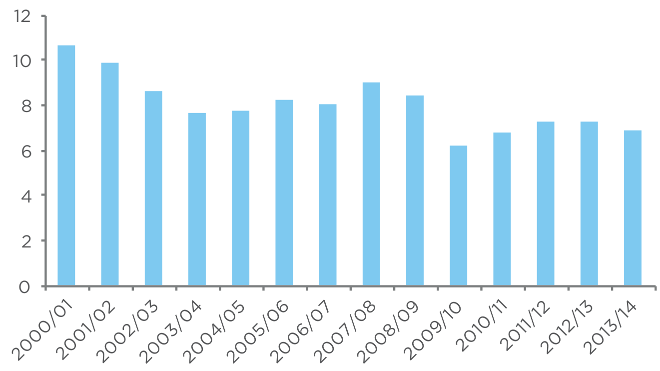
INCOME

Investment management firms tend to see themselves as the single most important deliverer of income to the charitable sector. However, as a recent survey[1] highlights, for the sector as a whole, investment income has stagnated as an overall proportion of real total income in the order of eight to 10 per cent since the turn of the century.

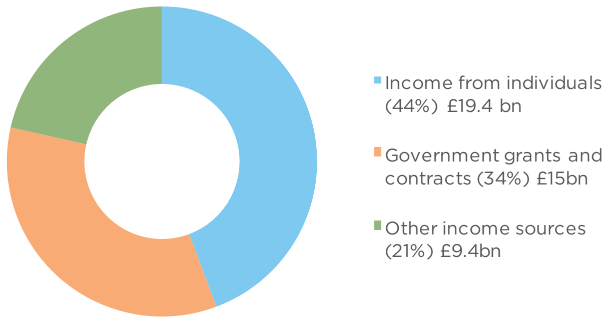
Voluntary sector income type, 2000/01 to 2013/14 (£billion, 2013/14 prices) Source: NCVO



Investment income as a % of overall voluntary sector income, 2000/01 to 2013/14 Source: NCVO



Income breakdown by source, 2013/14 Source: NCVO



[1] National Council for Voluntary Organisations/ UK Civil Society Almanac 2016

The same survey further demonstrates that the individual remains the key source of income, representing over 40 per cent, for all sizes of charity. How then should charities engage with individuals in the new era of fundraising that is encroaching the sector, following the report by the Fundraising Standards Board after the death of Mrs Cooke and the E.ON/Age UK corporate relationship? Time for the sector to embrace innovation; an excellent example is provided by charity Founders Pledge. Here entrepreneurs commit to donate at least two per cent of their share of the proceeds, following the sale of the business, to a social cause of their choice. This reflects positively on both the individual and their company. Compared to the challenges of chasing legacies, the immediate attractions are obvious; develop a bond with a potential long-term supporter, who may in turn choose to support the charity, in a meaningful way, throughout their life and not just at death.

The fundraising tool kit available to the nimble charity has also grown through the expansion of social impact finance, and latterly Social Impact Tax Relief (SITR). However, SITR is currently limited to benefit smaller operations, which may lack the financial expertise to turn an opportunity into reality. The jury is also out on the extent to which SITR will have a negative impact on Gift Aid receipts. It is also clear that frustrated philanthropists are seeking to gain a greater understanding of the issues behind the causes they wish to help. In this regard, I am enthused by the work of Jake Hayman at Ten Years' Time, an organisation aiming to help philanthropists learn about the fields that interest them and take big bets on impactful new ideas. Which brings us neatly onto our next topic...

IMPACT

Working with Keith Ward at RSM, I have witnessed first-hand, since the Charity Commission turned its focus towards public benefit, that there has been a quiet evolution in how Trustees and charities measure their effectiveness and impact. There are three aspects of social impact; firstly, the economic, quantified as the financial and other effects on the micro or macro economy. Secondly, the social benefit, which usually measures the effects on individuals or communities, and how it affects their inter-relationships. Finally, environmental, measuring the effects on the physical environment. To enable Trustees to understand if they are meeting their charitable objectives, it is arguably necessary for them to understand the impacts of their benefaction on the recipients and the wider community. This may range from cost savings to local services; economic value created or perceived value for the individual. Not all measures will be quantifiable in pounds, shillings and pence, but may rely on the collation of anecdotal evidence. I recommend reviewing the impact report produced by The Outward Bound Trust as an example of what is possible.

Effective measurement allows Trustees to assess the charity's social impact and the difference achieved. It can also provide a measurement of efficiency and effectiveness of an organisation and highlight areas for improvement – immensely useful to those charged with delivering the charitable objective. For the fundraising departments it provides a means of reporting back to investors, funders and stakeholders to prove that intelligent and quantifiable benefaction is in operation. Not only does reporting meaningfully demonstrate your impact as an aid to fundraising activities, but also should assist in publicising the wider benefits to increase donations. Finally, a potential benefit to the sector is an ability to compare against and influence other organisations' policy, practice or investment decisions. Sharing good practice and innovation may also allow an assessment of negative or unintended consequences.

PERFORMANCE REPORTING AND COSTS

My biggest bugbear (professionally!) is the lack of a common standard of investment performance reporting to investors. At the root of the problem is the theoretical debate about reporting a fund's performance gross (meaning before fees are deducted), against a benchmark, which itself has no fees to pay, or instead showing the actual outcome after charges are taken into account (net). Many reports I have seen lack clarity in stating what is actually being reported. At Quilter Cheviot, we have a passion for transparency and clearly report net returns to our charity clients, even if against a gross benchmark. For most investors, performance is one factor taken into consideration, with service and administration normally featuring higher up the ranks. However, when used in charity beauty parades, Trustees need to clearly state what they wish to see, or else they may draw the wrong conclusions, inadvertently comparing the gross performance of one manager against the net performance of another.

Finally, were you easily distracted whilst reading all this? I suggest you take Simons and Chabris' 'selective attention test' on YouTube to find out.

OF FURTHER INTEREST:

NCVO / UK Civil Society Almanac 2016
https://data.ncvo.org.uk/a/almanac16/

Selective Attention Test (Simons and Chabris)
https://www.youtube.com/watch?v=vJG698U2Mvo

ALTERNATIVE SOURCES OF INCOME

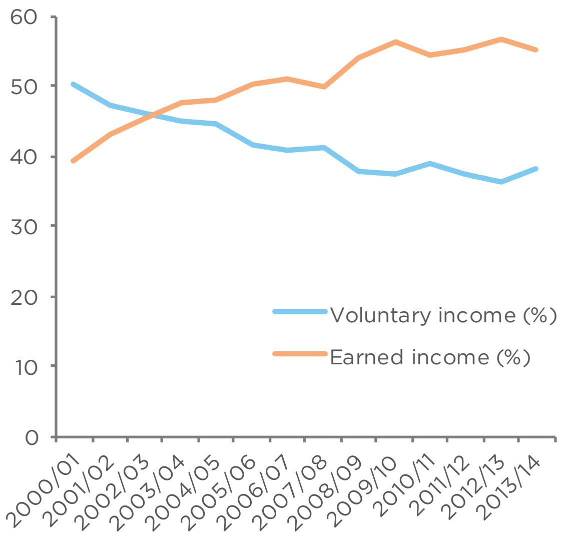
WILLIAM REID, QUILTER CHEVIOT

QUILTER CHEVIOT

There is little doubt that, collectively, charities today find themselves under ever increasing scrutiny in the search for income. The death of Mrs Cooke and subsequent report by the Fund Raising Standards Board, alongside the widely reported E.ON and Age UK corporate relationship highlight the substantial challenges faced in securing alternative sources of income, not helped by a generally negative press and scandals elsewhere in the sector, both in terms of Governance and pay, denting public confidence.

Since the turn of the century, statistics from NCVO[2] demonstrate that as a percentage of overall income, voluntary income has fallen from 50 per cent to below 40 per cent, whilst earned income, such as 'payment by results' has increased from below 40 per cent to over 55 per cent today. Investments, meanwhile, have continued to deliver in the range of eight to ten per cent of overall income. That aside, for all charities, the individual donor remains at the core of income receipts, with a noticeable relationship between size and dependency on Government support and inverse relationship between size and investment income.

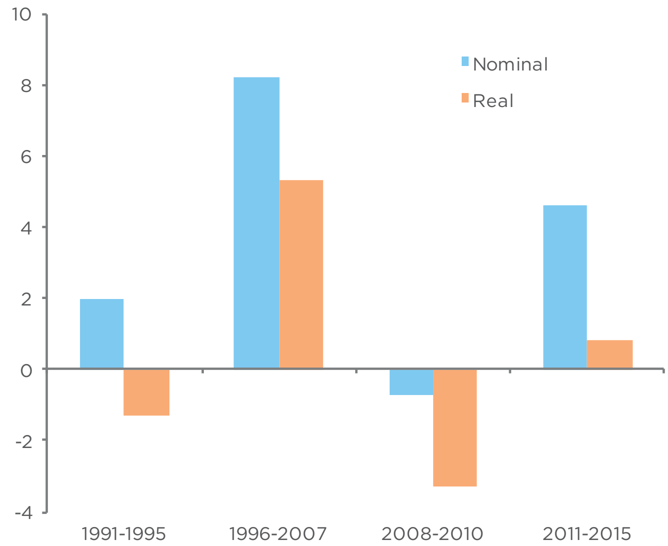
Income as a % of overall voluntary sector income 2000/01 to 2013/14 Source: NCVO



This, in part, reflects the growing number of 'charities' that now exist to deliver Government policy, rather than 'charity' as seen in the eyes of the baying mob of public opinion. How then to tackle the issue of individual donors. There is arguably a need for the largest charities to reflect on how they effectively engage with their wide range of supporters, but for the majority of medium and small charities, it is a case of effectively targeting a few specific individuals. Historically, legacy income has been a major source of funding, raising close to £2 billion per annum, but even that now is under attack in the courts, with the widely reported, strangely successful challenge in the Court of Appeal against the RSPCA, Blue Cross and RSPB[3].

Not only that, but the Appeal took place 11 years after the death of the donor. Again, this did little to help the public mood, especially by the popular press who had less awareness of the duties of Trustees in this regard.

Annual growth in legacy income 1990-2015 (% change per annum) Source: Legacy Foresight



In the previous article 'Measuring Up' I have outlined the approach Founders Pledge is taking in developing a new approach to individual giving.

As previously mentioned, charities can also look to use Social Impact Tax Relief as a means of attracting further long-term investment, although in some cases the benefits of raising funding in this manner need to be squared off against the potential loss of gift aid to the charity.

In terms of investment income, there is an ongoing requirement for Trustees to be aware of the many risks that exist. These include inflation, sustainability, concentration, income at the expense of capital and the broader regulatory environment. This is aside from the wider discussions on reserve policy, the nature of funds (such as an Endowment) investment time horizon and the overall risk appetite of the charity.

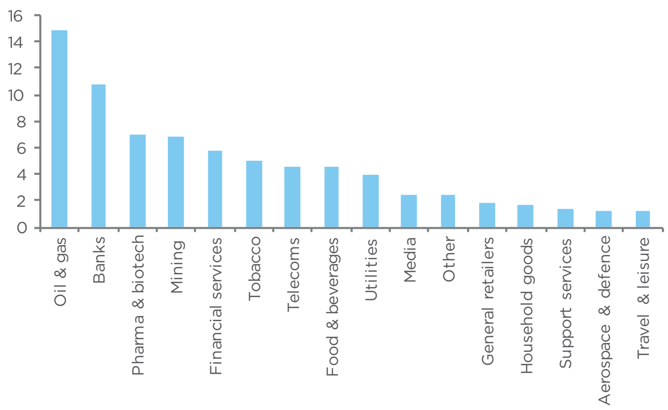
[2] NCVO/UK Civil Society Almanac 2016
[3] 28 July 2015 – BBC News, 'Woman rejected by mother in will wins £164k inheritance'

The problems of inflation are well known, but are especially painful for charities that have substantial cash balances. Returns on cash are derisory, reflecting the general post Financial Crisis actions taken by Central Banks worldwide, however of greater concern is that since 2010, for the most part, rates on offer across the United Kingdom have been below the prevailing rate of the Retail Price Index – the former, but now out of favour, method of recording inflation. Not only is the future purchasing power of the capital base eroded, but the income payments also fail to pass muster.

Where charities, not invested on a total return basis, are aiming for an income from their investments of between three to four per cent, they are increasingly reliant on dividend income to fund pay-outs. This is a reflection of lower long-term gross redemption yields on UK Gilts. However, dividend cover amongst UK equities has fallen sharply over the last five years, to levels not seen since the turn of the century. Furthermore, in 2008 many charities' investment portfolios were heavily reliant on dividend payments from bank shares, which were subsequently cut, whilst today history is repeating itself, with many mining and energy related stocks cutting or suspending dividend payments. The fall in the oil price has also brought oil and gas company dividends into focus. In 2015, the dividend from Royal Dutch Shell represented almost 12 per cent of the total income received from FTSE 100 companies. In fact the top ten largest stocks account for over 55% of dividend income in the UK.

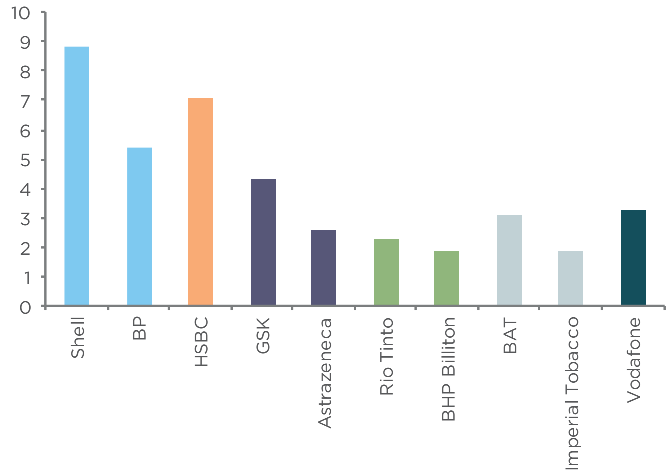
FTSE 100 £ billion dividends 2015

Source: Henderson Global Dividend Index, Capita Asset Services and Financial Times



Top ten payers (£ billion)

Source: Henderson Global Dividend Index, Capita Asset Services and the Financial Times



Trustees also need to be aware of the perils of converting capital into income. As an example, an investment producing an income of over five per cent may have little opportunity to provide capital growth ahead of inflation. Therefore, if their circumstances allow, Trustees may wish, considering the reinvestment of part of this income, to preserve the long-term real value of the capital base, striking an appropriate balance between serving current and future needs.

There are ways of diversifying income, most readily from investments within the alternative universe. This is an area of investment which has expanded dramatically since 2006, with opportunities in infrastructure, renewables, specialist property – such as GP surgeries and student accommodation. Specialist finance has also led to opportunities to be involved in aircraft leasing and mortgage finance. All have differing degrees of risk attached, both to income and capital, but typically pay incomes in the region of four to eight per cent. They can also be used to diversify risk to capital.

Finally, there is the ever present threat of further regulatory and Government intervention. More pressing, in the near term, is the new Fundraising regulator, which will most likely cost the sector in terms of time and money. Overall, these are increasingly challenging times for charities both in terms of how and where they raise funds. Innovation will provide some of the answers, especially when addressing their core source of income, the individual donor. Investment income, which is of varying significance to charities, also faces significant challenges, mostly as a consequence of sluggish global growth. However, here too, there are opportunities for nimble Trustees and their advisors; the glass is definitely half full.

OF FURTHER INTEREST:

NCVO / UK Civil Society Almanac 2016
https://data.ncvo.org.uk/a/almanac16/

FIT FOR PURPOSE – WHAT TO CONSIDER AND HOW TO CONSTRUCT AN ETHCIAL POLICY

GEMMA WOODWARD, QUILTER CHEVIOT
FIRST PUBLISHED IN CHARITY TIMES

QUILTER CHEVIOT

Every charity, should at some point consider whether it is appropriate to have an ethical policy, and if so, revisit it from time to time to ensure that it remains relevant. (Please note that I am not saying every charity should have an ethical policy). The decision to consider or to review the ethical policy may be driven by internal or external factors and the first port of call has traditionally been the charity's investments. However, unless the charity's sole concern is an invested endowment; an ethical policy should embrace more than just the investments. For example, if a charity has an exclusionary policy that means it cannot invest in company X, however it has received corporate support from company X, it all feels a bit wrong.

In simplistic terms, the charity should consider its ethical policy in light of not just its investments, but also its suppliers, supporters and employees. It is true that you cannot please all of the people, all of the time, and there may be a significant divergence of opinion between different groups, however if the charity has developed a sensible framework which covers all of its bases, then it is in a far better position than a piecemeal approach.

Without an overarching ethical framework you may discover that the investment sub-committee has agreed an ethical policy, whilst the supporters have core values and concerns which have not been considered and are voicing disgruntlement. Meanwhile the charity has a completely different procurement policy with no ethical framework, but some employees have very specific concerns and therefore direct policy (and effort) according to these. The result is a muddle of approach and policy, let alone the potential for adverse publicity.

A potential worst case scenario from this muddle is that the investment policy has been constructed and it excludes a number of household names; this in itself is not a problem, however one of these companies is a corporate supporter whilst another company supplies energy to the charity. Meanwhile high profile donors are telling the charity that they are not happy with the ethical policy, whilst employees have influenced the investment policy but not other policy areas.

Ultimately the responsibility for the ethical policy lies with the Trustees of the charity; however this is not always straightforward. Each of us have our views on what is or is not ethical and we sometimes forget that it is not about our views, but about what is right for the charity. It may even be that no ethical policy is the right policy for a charity.

The thought of debating an ethical policy fills most Trustee Boards with dread as emotions may tend to run high when ethical concerns are raised; plus in most discussions there tends to be at least one of the following stereotypes:

- The zealot – anything and everything is raised as a concern
- The denier – never had to bother about this before and it's all ridiculous
- The new-adopter – has read something in the media and this is the new hot issue

However if harnessed in a positive way these stereotypes may be hugely helpful:

- The zealot – good to raise everything and then discuss it and discount/include as appropriate
- The denier – a counter-balance to steaming ahead and creating an over-elaborate policy
- The new-adopter – helpful to know how issues are evolving

> *"Democracy means government by discussion but it is only effective if you stop people talking."*
>
> Clement Atlee

It is possibly easier to harness these if there is a different dynamic to the meeting; by using a facilitator who knows the background but who is not personally invested in the ethical policy you may find that navigating the debate is less painful and it is easier to focus on the question: 'What is right and appropriate for the charity?' Furthermore, there may be unintended consequences of an ethical policy that cannot always be scoped out (the unintended part rather gives that away) in the discussion. One potential way to reduce the possibility of this is to go through a very granular process when considering the elements within the policy.

As an example, an animal welfare charity may (amongst other considerations) wish to avoid investing or having any relationship with companies that are involved in the fur trade as it is felt that this would be contrary to the charity's objectives. The next stage has to be considering what companies or entities might be involved in the fur trade and whether the 'involvement' incorporates the sale of fur as well as the production of fur. If it is agreed that this should include the sale of fur, how is this interpreted? It is unlikely that the charity would enter into a corporate partnership with a local shop that sells fur coats, if it has investments it may wish to steer clear of the luxury brands which incorporate fur into a number of their designs. But does it mean that the charity would not wish to invest or indeed use an online market place which receives a negligible percentage of revenue from its role as a platform for third parties to sell second-hand coats?

The 1991 Bishop of Oxford case[4] set the parameters for charities considering ethical policies for their investments. It concluded that an ethical policy is permitted if one of the following four provisions was met:

1. A particular investment conflicts with the aims of the charity
2. The charity might lose supporters or beneficiaries if it does not invest ethically
3. Where the trust deed so provides
4. There is no significant financial detriment

Whilst these provisions relate to investment, they are helpful in addressing an overall ethical policy; particularly in framing the questions the Trustees should consider when debating the ethical policy.

The 2011 revision of CC14 (the Charity Commission guidance on charities and investment matters) reworded the Bishop of Oxford parameters and stated that Trustees are free to adopt any ethical investment policy which they reasonably believe will provide the best balance of risk and reward for their charity. Considerations for Trustees:

- Aims and objectives of the charity
- The fundamental principle of maximising return; if an ethical policy is adopted, it should be set out in writing and should be clear both on positive aims and any exclusions
- If companies or sectors are excluded, the reasons for exclusion should be clearly thought through; the more restrictive the policy (in terms of exclusions), the greater may be the risk to returns

So taking these parameters here are some suggestions for the questions Trustees should debate when determining an ethical policy:

- What does the charity stand for?
- Is it campaigning against anything?
- Who should the Trustees engage with on the topic?
- Are the implications of the policy clear?
- Is there clarity regarding the policy?

The final point about clarity should not be underestimated. A clear policy which reflects the Trustees' discussions will be valuable in ensuring that its principles may be implemented across all of the charity's activities and be understood by its different constituencies (donors, supporters, employees, beneficiaries and Trustees). This will help to ensure that the policy is applied across all aspects of the charity's activities rather than there being a mismatch of different approaches.

[4] Bishop of Oxford and others – v – Church Commissioners for England 1991

THE POSITIVE ATTRIBUTES OF INFRASTRUCTURE FOR CHARITIES

GEMMA WOODWARD, QUILTER CHEVIOT

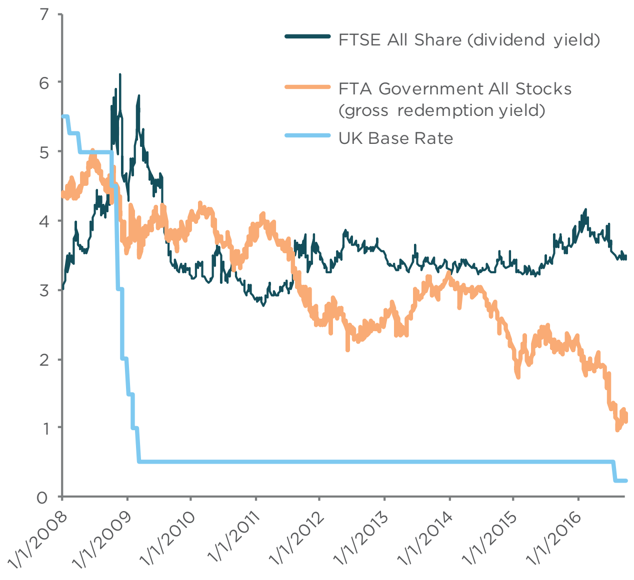
FIRST PUBLISHED IN CHARITY FINANCE YEARBOOK, AN EARLIER VERSION WAS PUBLISHED IN BLUE AND GREEN TOMORROW

QUILTER CHEVIOT

In our role as investment managers for charities we have been faced with one particular challenge over the last few years – how to generate a sustainable and growing income for charities from their investments?

We all are well aware of the back drop: low interest rates (with rumours circulating that banks have plans to charge non-personal customers to hold cash deposits with them) and the bond market continuing to defy conventional mathematics. The result being that investors looking for income have potentially been forced to increase the perceived risk by holding a higher weighting in equities in order to obtain that income stream.

Below are the income streams from UK equities, UK government bonds and cash since 1 January 2008 to 30 September 2016:



Source: Datastream

Therefore charity investors have been looking for other sources of income, whilst looking to balance their risk profile at the same time. It goes without saying we would all love a 5% return with very little expectation of losing capital (remember pre-2008 with interest rates at 5%, albeit your real return, less inflation would be half that); however we believe (based on our estimated forecast returns: see below) that to achieve an inflation (CPI) plus 3.5% one has to move further into the equity and 'alternatives' realms than you did in the past. Put simply, bonds and cash do not produce a return that will ensure a charity's investments will keep pace with inflation, and more. The official UK rate of inflation (CPI) has started an upward trajectory, and is likely to increase further given the fall in the value of sterling, causing imported goods to cost more.

Asset class	Estimated nominal returns (%)
UK government bonds	0.60
UK sterling corporate bonds	1.50
UK equities	7.00
Overseas equities	7.00
Alternatives	3.80
Cash	0.00

Source: Quilter Cheviot as at 10/08/2016. Estimated returns represent our estimate of long-term investment returns over a full cycle of seven years, or more. Any data shown is for illustrative purposes only. It does not and cannot constitute a projection of the future which is unknown. Past performance is no guarantee of future performance and the value of investments and income from them can fall as well as rise.

Within the alternatives space, we favour for charity investors those which have transparency and produce an income: we do not invest in hedge funds within this area. One area we particularly favour – although the purchase price is critical, is infrastructure funds.

The development of liquid and easily accessible infrastructure funds over the last decade has enabled new investors to participate in this asset class. The first infrastructure investment company was listed on the London Stock Exchange in 2006. Given the illiquid nature of infrastructure, the permanent capital structure of investment trusts is suited to this type of investment, with supply and demand dictating whether the vehicle trades at a discount or a premium to its net asset value. The attraction of infrastructure funds (be they for the building of hospitals, courts or related to renewable energy projects) is that they offer a level of income which is at a significant premium to that of the gross redemption yield of a UK 10 year government bond; yet the projects have government backing and usually inflation-linked returns. Therefore, from an income perspective, this provides both certainty and sustainability, with growth prospects. This certainty and sustainability of the income stream is of paramount importance; many charities commit to providing funding for projects over a fixed time frame and in many cases meet this funding from their investment income. If the investment income is insufficient then there is a funding gap which ultimately affects the charity's ability to deliver its objects. Obviously, if the charity is able to expend capital, it may then drawdown funds from its portfolio, or it may be able to fund from other sources. However in some cases, if the charity is a permanent endowment it is limited to spending only its income.

For charities, there is a further attraction to investing in infrastructure – it has many positive social attributes. In many cases, charities will avoid investing in certain sectors or activities as they are not in keeping with the charity's objectives or will create reputational risk issues. As we have seen in the past, a charity investing in an area which is deemed inappropriate is manna for parts of the media. Charities have been at the vanguard of ethical investing and certainly much of the focus has been on exclusionary policies, however for many charities the focus has widened from excluding investments on ethical grounds, to also seeking investments which have a positive impact on society. Obviously this does not always make a perfect match: for example a faith-based charity may not wish to invest in GP surgeries which provide abortifacients to patients, despite the other positive attributes of such an investment. It is unlikely that positive factors will ever be so significant that they will mitigate negative issues as the latter are integral to a charity's ethos, and this, of course, needs to be taken into account when selecting any investment, not just infrastructure funds.

For us as investors there is an inherent pleasure in including investments which not only deliver the investment requirements set by charities, but which also provide other tangible benefits – it is a 'feel-good' story which goes beyond rhetoric and delivers societal impact. Obviously this is one factor which has to be assessed alongside others. For example, the income is attractive in this time of low interest rates and bond yields, however one must always be mindful that the income in some instances is a very significant proportion of the total return, and as for many charities preserving the real value of the capital of the portfolio is equally an important consideration, this must be taken into account. Likewise consideration must be given to the overall investment case for the specific infrastructure fund. Sometimes the case for taking ESG (environmental, social and governance) or responsible investment factors into account seems to be lost in the wider investment context; as an example I was at a presentation recently, where the focus was on how an index had been divided into the top 50% ESG performers and the bottom 50%. The performance of these two groups was then plotted and the top 50% ESG cohort had out-performed the other. However the performance differential was not significant and more than one cynic in the audience noted that it did not make a powerful case for including ESG factors in your investment decision making. The point being, of course, that we never judge an investment on one criterion, there are always multiple factors in assessing its efficacy. However, for us, infrastructure with its income generating qualities and its positive societal impact meets the requirements of many of our charity clients.

WHICH SUIT IS TRUMPS?

ALAN MCINTOSH, QUILTER CHEVIOT

QUILTER CHEVIOT

Last year was quite remarkable in terms of events not quite unfolding as expected – the UK voters' decision to leave the EU and the election of Donald Trump being the most notable. What is more reassuring is how well markets coped with these outcomes, particularly given that 2016 started in a bumpy manner. All in all, the year gone by was not bad at all for most investors, whether they were in bonds or equities. The message, as ever, was to stay invested, and not be bounced out of markets at the first sign of trouble.

So what of this year? For global investors, the new President of the United States (leader of the free world anyone?) has potential to have the most significant impact on economies and market returns. While the initial reaction to his election win seemed to range from stunned silence to abject horror, the stock market has decided that he is good news. With the Dow Jones Index hovering within a point of 20,000 last Friday, his pledge to "make America great again" has already had a positive impact, pushing consumer confidence to a fifteen-year high and the US stockmarket to an all-time high. The question is whether he can make good on his economic pledges – namely to cut taxes and spend on infrastructure in order to boost economic growth. While there is likely to be opposition to some of his policies, particularly a big increase in government spending, one could argue that the US economy is already in pretty good shape and doesn't actually require a huge injection of stimulus. Employment is growing and wages are rising. A combination of tax cuts and infrastructure spending will be good for both and should also benefit corporate earnings, a critical component to supporting a rising stockmarket. Meanwhile, the US central bank, the Federal Reserve, nudged interest rates up in December, for only the second time since 2008, and should continue to do so at a gentle pace this year in tandem with a growing economy. There is another Donald Trump, however. The one who talked about building a wall with Mexico and raising tariff barriers in order to protect domestic industries and jobs. So which one are we getting? Probably both in measure, although the rhetoric surrounding the "wall" has been toned down and arguably, lower corporate taxes should offset some of the higher costs of producing more goods in the US.

Closer to home, businesses and consumers will continue to try and figure out the consequences of the UK departing the EU. With the invocation of Article 50 (end of March?) starting a two year clock ticking, there is a long way to go before any meaningful light is shed on the matter. Despite fears of an economic shock in the immediate aftermath of the vote to leave, the economy has performed well, with consumer spending in particular, remaining robust. Time will tell whether the Bank of England's decision to cut interest rates in the summer was prudent or unnecessary. The most immediate consequence of the referendum decision has been the sharp fall in the value of the pound, which, while rendering exports more attractive, will push up the costs of imported goods and materials. As a consequence, the rate of inflation is likely to move higher over the next twelve months with a dampening effect on consumer spending and, as a result, economic growth. Much will also be made over whether we achieve "hard" or "soft" Brexit. Markets are already veering towards the former, as demonstrated by the currency weakness, and if the mood music suggests that outcome, then the pound may fall further still. To add to the mix of market influencing events already experienced, we have a clutch of important elections taking place in Europe over the coming year. Starting with the Dutch general election in March, this is followed by the French Presidential election in May and the German federal election in September. All of these have the potential to create upsets in the form of a move towards more extreme right wing politics.

How is all of the foregoing likely to play out in markets for 2017? Although bonds performed well last year, yields bottomed out in the summer and have been rising ever since. The perception that economic policies in the developed world will transition from austerity to economic stimulus has raised growth and inflation expectations. This trend is likely to continue, with interest rates expected to rise in the US and, at the very least, stop falling elsewhere. Bond yields would be expected to move higher. Higher economic growth driven by more economic stimulus should be good for equity markets, with corporate earnings receiving a fillip from higher levels of demand. OPEC's recent deal to limit oil production should be supportive of oil prices around current levels, allowing a recovery in prospects for the oil & gas sector. Meanwhile, the trend towards higher bond yields should improve profitability for the banking sector, as well as alleviating some of the pressures on funding corporate pension schemes. Taken together, the outlook for corporate earnings looks positive going into 2017.

In summary, this year may well produce more surprises on the economic and political front, although perhaps our capacity for "shock" has been dampened after the events of 2016. Equities should outperform fixed interest against a background of rising bond yields. President-elect Trump will be inaugurated on January 20th. The first 100 days are always seen as critical for a new US president and by April 29th we should know which suit the Donald is wearing and indeed, which suit he is playing.

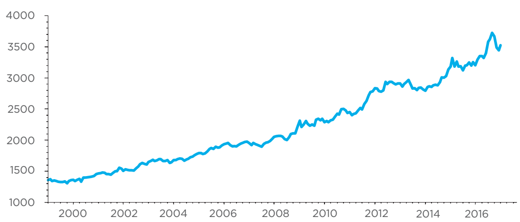
UK 10 YEAR GILT YIELD - three years to end 2016

10 YEAR UK INFLATION EXPECTATIONS (FROM INDEX-LINKED GILTS BASED ON RPI) - Six years to end 2016

MARKET RETURNS (TOTAL RETURN £) FROM 1999 TO END 2016

FTSE ALL SHARE

FTA UK GOVERNMENT ALL STOCKS



FTSE ALL WORLD

Source: Datastream

CHARITY FINANCE

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David joined Buzzacott in 2003 and is Managing Director of Buzzacott Giving Solutions (BGS). BGS is a solution consultancy focused on assisting charitable giving and is the UK and European provider of GIFTS™ grant-making software, implementation and customer support. David himself has more than twenty years' experience in IT, finance and operations, and before taking over leadership of BGS was Buzzacott's Finance & Administration Partner. In that role he oversaw considerable workflow and systems redesign including security, and change management projects and is able to provide advice that goes well beyond the technical and considers clients' organisations as a whole. David continues to lead the group's IT and facilities provision, and participates in several industry forums on IT and business strategy.

JEN GERRARD DIRECTOR GERRARD FINANCIAL CONSULTING
Jen is a Fellow of the Association of Chartered Certified Accountants (FCCA) and the founder and Managing Director of Gerrard Financial Consulting, a specialist accounting firm for the charitable sector. Jen has over 17 years' experience working in accounting and finance and has also worked as an accountancy tutor for a leading training provider. Jen was a Trustee of Self Injury Self Help (SISH) (2013-2016) the Oswestry Food & Drink Festival and Impact AAS (2007-2010). In addition to being a current Trustee of Women's Aid Federation of England, she is also a Trustee of the Southville Community Development Association in Bristol. Jen has been a registered volunteer with Volunteer Bristol for four years and is a Member of the ICAEW Charity & Voluntary Sector Specialist Group. Jen sits on the South West & Wales Regional Engagement Forum of the Charity Finance Group and makes regular contributions to articles in national publications – most recently Accounting Web Magazine and Charity Finance Focus (produced by the CFG). She is also a regular speaker on charity finance and governance matters. Her firm is a corporate member of the Charity Finance Group and has been shortlisted in two categories for the Accounting Web Practice Excellence Awards 2016. This is in recognition of the Company's innovative work with charities and NFPs to streamline their finance functions through adoption of new technology.

LUKE SAVVAS PARTNER BUZZACOTT
Luke is a Partner at Buzzacott LLP heading taxation services in the Charity & Not-for-Profit Team whilst working with other teams in the firm on business tax services. He advises a wide range of charity, not-for-profit and general corporate clients on group structures, property transactions, creative industry tax credits and employment tax amongst other taxation services. He regularly lectures and writes articles on charity taxation matters, and advises charities on trading issues, investment and funding issues, property deals, gift aid matters, other tax efficient giving, and tax advice in respect of fundraising. He has also has experience in property and construction, membership organisations, private banking, publishing, catering and leisure industries. Luke is a member of the Chartered Institute of Taxation and active member of the Charity Tax Group.

IN THIS SECTION:

- The latest on the common reporting standard
- Accounting and beyond
- Cyber crime

THE LATEST ON THE COMMON REPORTING STANDARD

LUKE SAVVAS, BUZZACOTT

WHAT IS IT?

The UK tax authorities have agreed to facilitate exchange of information in respect to account holders and beneficial owners of UK Financial Institutions with other tax authorities worldwide. The intention of these agreements is to crack down on tax evasion. Many charities will not be affected by these measures. However, as well as the obvious banking or investment institutions, other types of organisation can fall under the definition of 'Financial Institution' for these purposes, including certain charities and other non-profit organisations.

WHAT CONSTITUTES A 'FINANCIAL INSTITUTION'?

A charity or non-profit organisation may be considered a 'Financial Institution' if:

- It is managed by a Financial Institution; and
- Its gross income is primarily attributable to investing, reinvesting, or trading in financial assets.

An entity is regarded as being 'managed by a Financial Institution' where it has appointed a Financial Institution (e.g. a professional investment manager) to manage all or some of its assets on a discretionary basis. Note that 'Financial Assets' include most types of investment but income from direct holdings in real estate is specifically excluded.

HOW MAY THIS AFFECT YOUR CHARITY OR NON-PROFIT ORGANISATION?

Charities and non-profit organisations that do not meet the two tests outlined above can rest assured that they will not be affected by these rules. In addition, incorporated entities may not be affected[5] even where both tests are met. Organisations that only make grants within the UK will also have nothing to report. Therefore, most UK charities and non-profit organisations will not encounter the burden of reporting, but still need to confirm their status to ensure compliance.

However, organisations that fall under the definition of Financial Institution making overseas grants must carry out due diligence checks on grant beneficiaries. They will be required to report annually to HM Revenue & Customs (HMRC) certain details about beneficiaries located outside the UK as these recipients will be regarded as 'account holders' for the purposes of these rules. This will apply to recipients who are residents in jurisdictions with which the UK has an AEOI (automatic exchange of information) agreement.

[5] A charitable company or charitable incorporated organisation (CIO) that holds property in a special trust fund (or as permanent endowment) separately from its corporate assets may have a reporting obligation in respect to such assets held in trust that is separate from its reporting obligation in respect of its corporate assets. If a person has a debt interest in (i.e. has lent money to) a charitable company or CIO this may give rise to a reportable obligation also.

In addition, under these rules certain data will need to be held for six years. Concerns have been raised on both the holding and reporting of sensitive data for particular charity beneficiaries who may be considered vulnerable persons. Many charities already encrypt data held but will need to continue to ensure data is sufficiently protected where possible in the new reporting procedures to HMRC.

WHAT STEPS NEED TO BE CARRIED OUT?

- Classification - Determine whether your charitable or non-profit organisation is a 'Financial Institution'.
- Registration - Certain UK Financial Institutions must register with HMRC.
- Due Diligence - Identify potentially reportable 'account holders' (beneficiaries who are resident outside the UK) and collect specific data relating to them. There is a penalty regime for Financial Institutions that fail to comply although we understand from discussions with HMRC that they will not seek to penalise organisations for failing to fully comply during the early stages of the regime.
- Reporting - Report to HMRC by 31 May each year. The report must include details of any reportable account holders in existence in the previous calendar year. This information is then exchanged by HMRC with the relevant jurisdictions.
- Self-certification - Even if not falling under the definition of a Financial Institution, many charities and non-profit organisations will be required to certify their status under these rules to Financial Institutions that they have dealings with by completing 'self-certification' forms.

HMRC has published more detailed guidance for charities with some useful examples.

WHEN?

The first UK reporting deadline for Financial Institutions under the CRS is 31 May 2017 but this report will relate to transactions taking place in calendar year 2016. Grant-making charities that fall under the definition of a Financial Institution may need to revisit some grants that have already been made overseas in 2016 to gather the relevant information. At the very least, existing processes will need to be adapted to capture that information going forward.

FOR FURTHER INFORMATION:

Please contact Luke Savvas on 020 7556 1460 or SavvasL@buzzacott.co.uk

JEN GERRARD, GERRARD FINANCIAL CONSULTING

As 2016 drew to a close, the Charity Sector might have felt like breathing a sigh of relief after the veritable onslaught of regulatory change that late 2015 and 2016 have brought to our front door. With changes to financial reporting standards, Charity Commission guidance, fundraising regulation and various new and updated Acts of Parliament, it has been a lot to take on board.

Is this simply a sign of the times – a reflection of the dynamic world in which we live, a derivative of media scandals for the Sector – or is it an unfortunate coincidence that these updates have come at once?

Either way, charity Trustees and the people who work hard daily to bring their vision to the charity's beneficiaries, have had to find a way to neatly accommodate all this change. The question remains however as to how this can be done, effectively and efficiently, in a Sector which is facing the biggest funding cuts in recent years.

Cue your accountant.

THE ACCOUNTING REVOLUTION

The accounting industry itself is undergoing rapid change. Gone are the days where your accountant would spend weeks poring over boxes of lever arch files and a dodgy software backup (probably provided via a memory stick no less), to produce a set of annual financial statements suitable for filing with the authorities. Of course, the whole process used to be something of a dark art, confined to your accountant's offices, swiftly followed by a bill landing on the mat – files closed until the following year.

At least we hope that this is no longer the case….

It is a view held in our industry that accountants these days should be fulfilling the role of 'Trusted Adviser' to their clients – particularly those in specialist sectors such as charities. In fact, it is, in my humble opinion, no less than charities deserve. Going further, I strongly believe that it is no longer sufficient for accountants to charge an annual fee accommodating only the production of statutory accounts.

With the leaps and bounds in technology over the last few years, enabling automation of key financial processes, a charity's annual accountancy budget should be spent in a strategic manner with the objective of achieving the most value for money. You budget carefully for all other elements of spend and review value for money daily, why should your accountancy fees be any different?

Through this approach, the annual compliance (financial statements and annual return) almost become incidental to the process. Your accountant should encourage this and embrace it.

Before I do my colleagues a disservice however, this is not to say that you should all rush out and seek a reduction in your accountancy fees. Quite the opposite - I'm inviting you to consider ways in which you might be able to streamline your own financial management processes, allowing your accountant to spend their time in a much more beneficial way.

It goes without saying of course that, as a charity, you have specialist financial management and reporting needs. Trustees have a duty to protect and safeguard the assets and longevity of their charities. Ensuring that an appointed accountant has sufficient experience of working with, and advising, the charity sector is imperative.

PAIN RELIEF

We provide pain relief for charities – all done in the cloud, with the efficiencies of a virtual practice. We focus exclusively on the charity and not-for-profit (NFP) sector and work collaboratively with our clients to help improve their financial visibility, boost available funding and enhance impact reporting.

We acknowledge that common pain points for charities are time and money. We work with clients to deliver time-savings and cost-efficiencies – including training up charities to do stuff themselves and achieve proper control over their finances.

We have no desire to be a compliance factory, simply churning out annual financial statements. As adviser to our clients we believe in adding real value to our collaborations, through our suite of accounting, training and consultancy offerings.

Our ethos is to help charities become more efficient, demonstrate good governance and to spend their funding wisely – in doing so, maximising their impact on the world.

WHAT DOES FINANCIAL VISIBILITY LOOK LIKE FOR A CHARITY?

How does a charity demonstrate sound financial management? We believe that this encompasses the following:

- Annual budget, prepared and signed off in advance of the new financial year
- Access to a real-time rolling cash flow forecast, updated regularly
- Knowing in real time how much you have left on each restricted fund and/or project

- Sight of your free reserves throughout the year, rather than simply awaiting your year-end accounts
- The ability to produce a funder report showing actual spend versus planned spend instantly – whether that be at the organisational level or project, department or fund level
- Ability to set, monitor and review the organisation in line with relevant financial Key Performance Indicators (KPIs)

With a suite of cloud accounting tools working seamlessly together, you can achieve all the above – relatively inexpensively - and look forward to making better, more informed decisions, based on accurate financial management.

EMBRACING THE FUTURE THROUGH CLOUD ACCOUNTING

Cloud accounting isn't widely adopted in the charity sector – something we aim to change. We've worked intensively with small and medium-sized charities to introduce the cloud – through a core system of cloud accounting software with various apps bolted on for enhanced functionality.

With cloud accounting, charities get a better overview of their finances – and with the growing focus on being investment ready and funding ready, that's vital. Clients become more organised and we have the data at our fingertips to give clear insights into funding and investment readiness.

Clients value our collaborative approach and the training they get from us but also realise that, through embracing cloud technology, the workload of the finance team can be brought in to balance – freeing them up to switch focus from data processing to data analysis, budgeting, Gift Aid returns and funder reports. The important stuff!

The savings which could be realised from a move to the cloud could have a huge impact on your charity's finances. For an average medium-sized charity, we have seen the impact first-hand of working with cloud technology. We estimate that our clients to date have seen:

- Time saved through automation: 5-7 days per month
- Money saved through efficiencies: £9,802 per annum via:
  - Software saving – moving from desktop to cloud: £724
  - Saving on payroll costs: £9,078

Are you considering a move to cloud accounting? We have developed a free guide and checklist[6] - specifically for charities - tackling FAQs and key things to think about before moving your charity finances to the cloud.

HOW CLOUD ACCOUNTING HELPED BANES CARERS' CENTRE

Bath and North East Somerset Carers' Centre were a charity with a typical desktop accounting set up. In 2015, they were affected by the changes to the audit thresholds for charitable organisations which meant they no longer needed an audit, but an Independent Examination.

This prompted a review of their accounting processes which presented the ideal opportunity to transition the accounting process to the cloud, addressing certain inefficiencies, and improving the way that they worked. It also enabled them to not replace their bookkeeper when she left, saving them in the region of £10,000 per annum.

To read a case study of their journey in full visit http://gerrardfc.co.uk/2016615empowering-charities-to-do-more-how-weve-added-value-for-banes-carers-centre/

IN SUMMARY

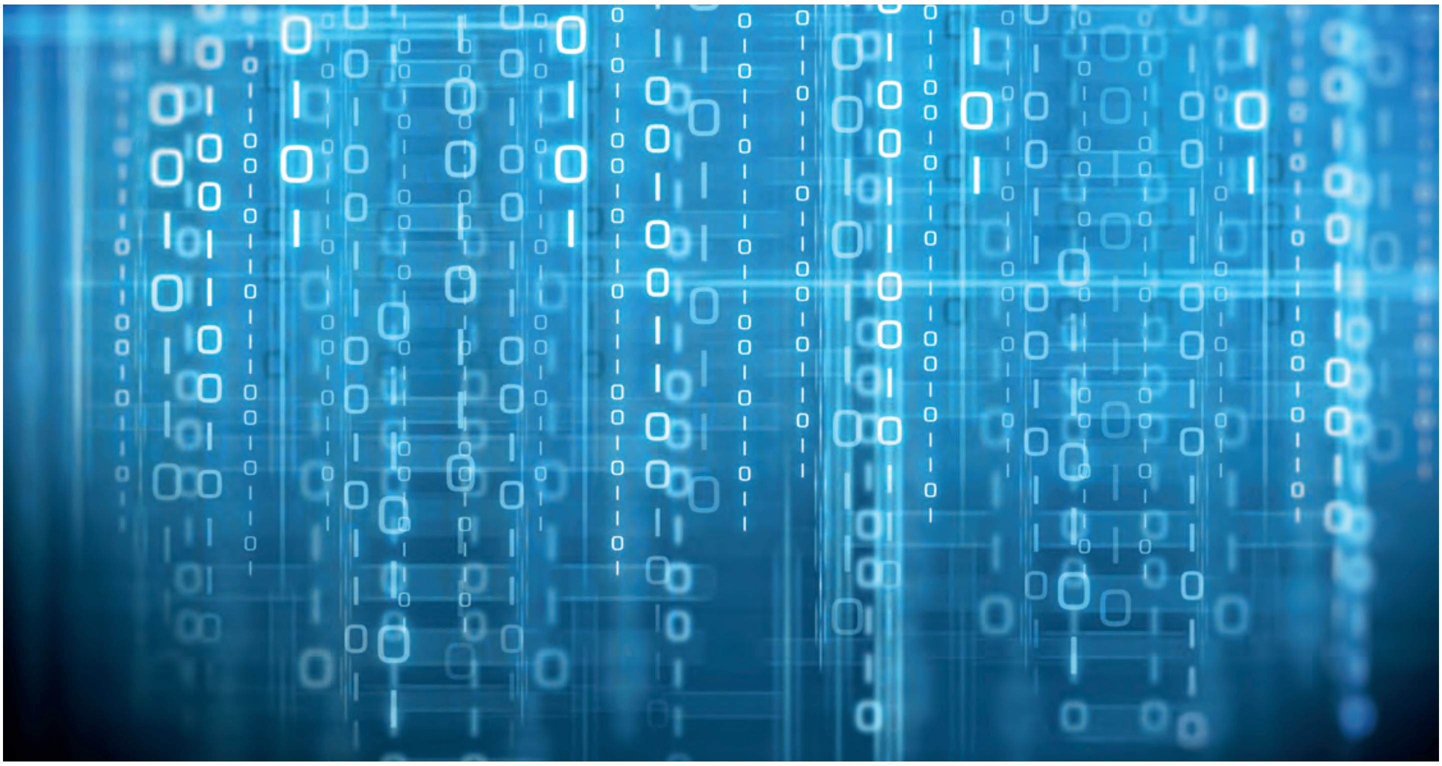
With more pressure on Trustees than ever before to demonstrate good governance and to walk the funding tightrope successfully, the accounting process has entered a super highway of streamlined processes and automated reporting.

It has gone way beyond number crunching and humble spreadsheets to become a tool that helps charities plan, make accurate, well informed decisions, and even boost resources to reach more service users. After all isn't that our raison d'etre?

FOR FURTHER INFORMATION:

Please contact Jen Gerrard on jen@gerrardfc.co.uk

[6] Get your copy here http://gerrardfc.co.uk/charity-checklist/ or email enquiries@gerrardfc.co.uk with Quilter Cheviot in the subject.



The UK leads the field on the growth of economic and cybercrime, outstripping that seen in the USA and China - not a statistic to celebrate. Of UK organisations polled (and prepared to admit) 44% have seen instances of cybercrime; a 20% increase on the results of the 2015 survey. 2015 has been described as a 'stellar' year for cybercrime, with the trend only set to accelerate with predictions of a switch in focus towards businesses and payment crime.

It is now widely understood that IT disruption and crime traditionally seen as the preserve of teenage hackers doing it for fun is long gone. Now, it is firmly the chosen activity of organised crime, terrorism financing and state-led espionage due to its ease of deployment, low-risk and magnitude of reward.

Traditionally, IT security has been seen as the jurisdiction of the IT department, but with the growing risk of cybercrime it must now be considered as a prime Board level strategic risk. Technology has developed as less of a support tool and more of a hyper-connected ecosystem. The digital landscape with the demand for 'always on', multidimensional integration and interoperability requires a security approach that is organisation, supplier and client-focused. Breaches in any one of these, even down to an individual phone or computer terminal could have wide-reaching technological and reputational effect.

The cyber health of an entity requires a conscious collaboration between technology, processes and people (known as the 'cyber trinity'). Technology protection continues to develop with the evolution of low footprint rapid reaction tools, but I fear technology will only ever be in 'catch up' mode. Processes need to be robust to provide all-encompassing protection but more importantly, to react not if an incident occurs but to clean up when they do. One of the more successful criminal activities over the last few years has been the deployment of ransomware. The crypto locker virus and similar variants predominantly rely on the actions of unsuspecting workers to be successful, known as the "click too quick" infection. To successfully tackle this, businesses will need to consider (or revise) budget allocation both on technology and much needed training on cyber-security awareness. Such changes will ensure that the people segment of the 'cyber trinity' is properly informed.

FOR FURTHER INFORMATION:

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Grania advises asset managers, private banks and other financial services firms on all aspects of financial services law. Her work covers both regulatory advice as well as advising on the structuring and set up of investment funds and other products. She acts for both established institutions as well as start-up FCA and PRA regulated businesses. Grania recently served on the CAIF working group formed by the Charities Investors Group, the Charity Commission, the Financial Conduct Authority, HMRC, the Investment Association and the Charity Law Association.

FRANCES MCCANDLESS CHIEF EXECUTIVE CHARITY COMMISSION FOR NORTHERN IRELAND
Frances McCandless was appointed to the Commission in April 2010 as its first Chief Executive. Prior to taking up this post, Frances was employed as Director of Policy at NICVA, an umbrella body which provides advice, information and policy analysis to the 5,000 voluntary and community organisations in Northern Ireland. Frances' career in the voluntary and community sector goes back 20 years and she has worked with young people, women returning to work, in housing, with older and disabled people and as an international volunteer in Prague with the YMCA. She has also been a Board member of organisations working in the areas of environment, ethnic minorities, reconciliation, community arts, audience development, mediation and physical activity.

CATHERINE RUSTOMJI DIRECTOR - NATIONAL HEAD OF CHARITIES DWF LLP
Catherine is an experienced charities solicitor who advises on all aspects of charity law and regulation, in particular governance and constitutional issues, incorporations and advising charity Trustees on their duties and responsibilities. Catherine is ranked in Chambers Legal Directory as a leading charities specialist which states, "She works with a broad range of third sector clients, and receives considerable praise for her client-friendly approach, with sources noting that 'she is able to understand and assimilate our requirements very quickly.' Other commentators value her ability to 'always explain the legal issues in an easy-to-understand way.'" Catherine is experienced in dealing with the Charity Commission, OSCR (Office of the Scottish Charity Regulator), CIC Regulator and Companies House on behalf of charity clients. She lectures widely, delivers training sessions and Board Strategy presentations and contributes to various publications. Catherine was until recently an elected member of the Charity Law Association Executive Committee and former Honorary Secretary. She is also a charity Trustee. She is known for her proactive, problem-solving approach to queries and is recognised in both Chambers and Legal 500 as a market leader in charity law.

JULIAN SMITH PARTNER FARRER & CO
Julian has specialised in advising charities since 1994, and acts for a wide range of foundations and functional charities, including organisations established by statute or by Royal charter. He has particular expertise in the areas of governance, tax, investment, re-organisation and merger. Julian co-authored "The Charities Act 2006, a Practical Guide" and contributes to the current edition of *Tudor on Charities*. He is the current Chair of the Charity Law Association, and lectures on charity law at the Cass Business School. He is also a Trustee of six charities.

LEGAL, GOVERNANCE & REGULATION

CONTRIBUTORS:

SHONAIG MACPHERSON CBE FRSE

Since retiring as Senior Partner of McGrigors solicitors in 2004, she has undertaken a range of appointments particularly in higher education and in cultural institutions. Currently, Shonaig is Chairman of the Royal Lyceum Theatre Company, BT plc's Scottish Management Board, Edinburgh Business School and Vice Chairman of the Robertson Trust. Shonaig is a Board member of Euan's Guide, Futurelearn, Royal Conservatoire of Scotland and the Dunedin Consort. Past appointments include Chairman of each of The National Trust for Scotland, The Prince's Scottish Youth Business Trust, Scottish Council for Development and Industry, the Scottish Council Foundation and ITI Scotland Limited and Vice Chairman of the Royal Edinburgh Military Tattoo Limited. She has also served on the Governing Bodies of the University of Edinburgh, Edinburgh College of Art, the Open University and Heriot Watt University. Shonaig was appointed in 2001 as the first ever non-executive appointee to the Management and Strategic Boards of Scottish Government and the first lay person to chair the Audit Committee of the Scottish Government. This appointment led to further work with the Cabinet Office. Shonaig became a member of the Joint Management Board of the Scotland Office and the Office of the Advocate General in 2015. Shonaig is a Fellow of the Royal Society of Edinburgh.

IN THIS SECTION:

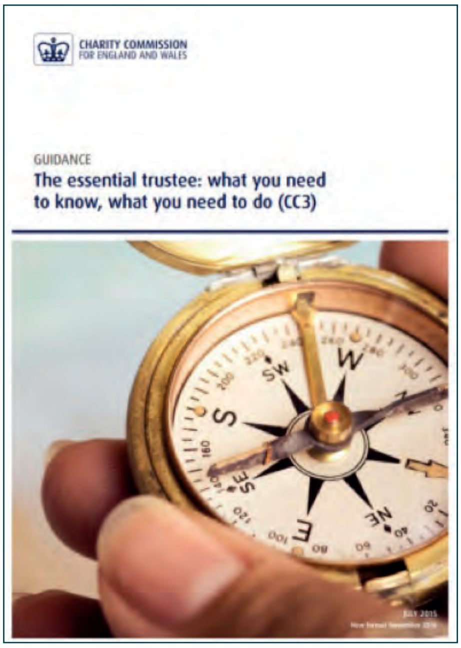
- Charity governance trends
- The trials and tribulations of a charity Trustee: a personal perspective
- The CAIF – a new investment vehicle for the charity sector
- Who trusts charities?

CHARITY GOVERNANCE STANDARDS

CATHERINE RUSTOMJI, DWF LLP

QUILTER CHEVIOT

William Shawcross, Chair of the Charity Commission, recently gave a speech where he stated that "It is crucial that charities invest in governance, with time as much as money". He went on to say that Trustees, the Commission and others, need to "improve the standard of stewardship in our charities".



Further evidence of the focus on governance standards in charities was demonstrated by the comprehensive review and revised guidance issued by the Charity Commission (CC3 – The Essential Trustee) which is the key guidance for all charity Trustees in England and Wales.

The guidance explains what the Charity Commission as regulator expects of Trustees and outlines their responsibilities and also aims to help Trustees to be confident about fulfilling their responsibilities as a Trustee and is designed to help Trustees make decisions as a team. For those Trustees who do not take their legal duties seriously enough, the guidance is the standard against which they will be measured.

There are six key duties of charity Trustees:-

1. Ensure your charity is carrying out its purposes for the public benefit
2. Comply with your charity's governing document and the law
3. Act in your charity's best interests
4. Manage your charity's resources responsibly
5. Act with reasonable care and skill
6. Ensure your charity is accountable

DUTY 1: PURPOSES FOR THE PUBLIC BENEFIT

You should read the objects clause in your charity's governing document and ensure you understand:-

1. What the charity is set up to achieve - its purposes;
2. Who the charity is there to benefit – its beneficiaries;
3. How they will benefit – what the charity will do for them;
4. Any order of priority to the services and benefits the charity provides;
5. Any restrictions on what the charity can do or who it can help – geographical or specific criteria etc.

The Trustees are responsible for deciding and planning how the charity will carry out its purposes.

DUTY 2: DUTY TO COMPLY WITH GOVERNING DOCUMENT AND THE LAW

The Trustees must make sure that the charity complies with the governing document, which usually contains key information about:-

1. What the charity exists to do;
2. What powers it has to further its objects;
3. Who the Trustees are – how many there should be and how they are appointed/removed;
4. Whether the charity has members and if so who can be a member;
5. Rules about meetings, how they are arranged and conducted, how sessions must be made and recorded and so on;
6. How to change the governing document; and
7. How to close the charity down.

Every Trustee should have an up to date copy of their charity's governing document and regularly refer to it.

The governing document should be reviewed from time to time to ensure that it continues to meet the charity's needs and be updated if necessary.

DUTY 3: ACTING IN THE CHARITY'S BEST INTEREST

This means always doing what the Trustees decide will best enable the charity to carry out its purposes, both now and for the future. Sometimes Trustees need to consider collaborating or merging with another charity, or even spending all of the charity's resources and bringing it to a close.

The Trustees are ultimately responsible for deciding what activities the charity will undertake, what resources it will need, how it will obtain them and use them. Collective decision making is one of the most important parts of the Trustee role.

When making decisions, Trustees must:-

1. Act within the powers;
2. Act in good faith and only in the interests of the charity;
3. Make sure they are sufficiently informed, taking any advice they need;
4. Take account of all relevant factors they are aware of;
5. Ignore any irrelevant factors;
6. Deal with conflicts of interest and loyalty; and
7. Make decisions that are within the range of decisions that a reasonable Trustee body could make in the circumstances.

DUTY 4: MANAGE RESOURCES RESPONSIBLY

Trustees must act responsibly, reasonably and honestly. This is sometimes called the duty of prudence. Prudence is about exercising sound judgement.

Trustees should put appropriate procedures and safeguards in place and take reasonable steps to ensure that they are followed. Otherwise, the Trustees risk making the charity vulnerable to fraud or theft, or other kinds of abuse, and being in breach of duty.

Under this duty, risk management is a key area. The risk that your charity might face will depend on factors such as its size, funding and activities. Trustees have a duty to avoid exposing their charity to undue risk and must manage risk accordingly.

DUTY 5: ACT WITH REASONABLE CARE AND SKILL

Trustees must use their skill and experience to inform decision-making and benefit their charity. Trustees must "exercise such care and skill as is reasonable in the circumstances". What is reasonable in the circumstances will depend on any special knowledge or experience that the Trustee has (or claims to have). It also depends on whether a Trustee is acting in a professional or paid capacity and what it would be reasonable to expect such a person to know.

In order to discharge this duty, I would recommend giving serious thought to the time commitment of becoming a Trustee in the first place and giving sufficient thought and energy to your role as a Trustee including preparing for, attending and actively participating in all Trustees' meetings.

DUTY 6: ENSURE YOUR CHARITY IS ACCOUNTABLE

Trustees must comply with statutory accounting and reporting requirements.

In doing so, they will need to demonstrate that the charity is complying with the law and that it is well run and effective.

In addition, the Trustees must ensure accountability within the charity particularly where they have delegated responsibility for particular tasks or decisions to staff, volunteers or sub-committees.

Failure to submit accounts and accompanying documents to the Charity Commission is a criminal offence. The Charity Commission also regards it as mismanagement or misconduct in the administration of the charity. Providing timely, accurate and informative financial information that will help funders, donors, beneficiaries and others to understand your charity and its work will encourage trust and confidence.

GOOD GOVERNANCE

A starting point is always having a clear and shared understanding of why the organisation exists and what success would look like.

A routine agenda format will help to cover standard management reports but should also allow time for discussion of other issues. A governance calendar can also be useful to diarise standard reports, decisions and actions which are needed over the course of a charity's financial year. Reporting against trends, rather than just current performance will help to highlight exceptions.

Finally, Trustees should be ready to celebrate success while also looking to learn together from things which go wrong.

OF FURTHER INTEREST:

CC3: The essential Trustee: what you need to know, what you need to do:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/570398/CC3.pdf

THE TRIALS AND TRIBULATIONS OF A CHARITY TRUSTEE: A PERSONAL PERSPECTIVE

SHONAIG MACPHERSON CBE FRSE

QUILTER CHEVIOT

It is said that there are over 180,000 charity Trustees serving over 24,000 charities in Scotland so it would appear we are not an endangered species and yet we often hear the cry of how difficult it is to find volunteers as after all that is what we are. I wonder why there might be reluctance on the part of some to engage in the charitable sector. Perhaps it is because like so many other "sectors" in our society trust in charities is at a low ebb? A survey in October 2015[7] found trust in charities has fallen to below 50% of the sample surveyed, falling behind supermarkets and TV and radio stations.

Arguably that is hardly surprising as 2015 was not a good year for the charitable sector with a string of bad news stories – ranging from the fundraising scandal around the death of 92 year old Olive Cooke, the furore over Chief Executive salaries in some large NGOs, the entire Kids Company debacle, questions on whether or not charities should lobby or campaign and more recently the suggestion that Age UK and other major charities have been involved in promoting products and services at the expense of their ultimate beneficiaries.

As charity Trustees are responsible for governance, risk and performance of their charity the buck stops with us so we should all consider how we can improve trust in charities. We can start by ensuring we are excellent charity Trustees, fully performing our role. I have been fortunate to have been involved with charities as a Trustee for over 30 years. The first was in London in my early twenties with a charity that helped women to set up in business.

Since then, I have been involved in a wide range of charities ranging from the performing arts, youth enterprise, grant-making, conservation and higher education institutions. It would be fair to say that I have experienced what might be euphemistically called interesting times with some of the charities that I have worked with and what I would like to do is share with you what I look out for when I agree to become a charity Trustee and how I perform that role to avoid the trials and tribulations that might otherwise befall us.

I have always been flattered and regarded it as a privilege to be asked to become a charity Trustee. But that privilege and honour does not mean that I apply a different set of rules or behaviour to the responsibilities that follow from charity Trusteeship to those that I followed when running a large legal practice.

SUSPENSION OF JUDGEMENT

So I have been somewhat surprised by the extent to which some charity Trustees seem to suspend their judgement and behave in a fashion that they would never do in their "day job", erroneously believing that their responsibilities as a charity Trustee are not as onerous as those in their day job. If you have not read the Charities and Trustee Investment Scotland Act 2005, then I suggest you do as this clearly sets out the powers and responsibilities of Trustees, including the standard of care that should be adopted in the exercise of those powers and responsibilities: namely to act as if one is managing another person's affairs and property rather than one's own. It should also be borne in mind that this is a higher standard than that set out in the Companies Act for directors which many often forget.

What do I mean by suspension of judgement or not acting as one would in the day job? I am sure that I cannot be the only person in the room who has noticed charity Trustees who fail to appear at meetings repeatedly or turn up but haven't read their papers before the meeting or who only turn up at Board meetings with no other involvement in the charity's activity. Or worse sit with their smart phone, dealing with texts, emails, tweets as the meeting goes on.

DUE DILIGENCE

I always carry out my own due diligence before joining any charity. I ask to see the organisations governing documents, previous Board papers including its current strategic plan, risk register and latest management accounts rather than its last audited accounts and the latest auditors management letter. Why do I do all of that? Partly it's my training as a lawyer: I prefer to have more information than less and it also helps me spot "gaps", something I focus on where the unexpected might arise and that has been helpful to me as a charity Trustee in minimising trials and tribulations. I need to be crystal clear about the governance framework of the charity. After all as I have said the governance of the charity is the primary responsibility of a charity Trustee. I need to know what the purposes are, what powers there are to deliver the purposes and how and who makes decisions.

However, it is also based on past experience. The governance documents should be straightforward but through reading the other materials I am trying to assess the culture of the organisation and its approach to transparency.

FINANCIAL PERFORMANCE

I have been a charity Trustee of quite a large organisation where within weeks of being appointed I became concerned by conflicting reports on the charity's financial performance. The management accounts that we were provided with had huge variances from month to month that could not be explained logically by the Head of Finance. Such was my concern that I approached the CEO and Chair of its Finance Committee to suggest someone conduct a review of the

[7] nfpSynergy survey http://nfpsynergy.net/slidezone/trust-oct-15

finance systems to which they agreed. Following the review it was revealed that the finance systems of the charity were not fit for purpose.

The Financial Controller kept what he described as Q accounts, an entirely separate paper based system on project spend and another paper based system on investment income that was not included in the management information provided to the Board. With the systems used, it was not possible to assess the underlying performance during the financial year. The only time at which there was accurate financial information available was in the audited accounts – a rear view mirror of importance but how many of us rely on audited accounts alone to run any organisation? This charity had operated for decades with a pretty impressive Board of Trustees and while there had been gripes about the accuracy of management information no-one had challenged the system. They talked a great deal about it but no-one admitted it didn't make sense and should be addressed.

So I need to be comfortable that I am in receipt of the information that I need, that it's complete, accurate and relevant to assess implementation of strategy and business plan performance.

FACE TO FACE

My next step is that I ask to meet with the Chair, CEO and at least one other Trustee. I also ask if I can observe a Board Meeting before deciding. You might think this is all a bit much, but I can think of at least one occasion where if I had undertaken all of this diligence before saying yes, I would not have taken up the challenge of becoming a Trustee.

What do I hope to find out by doing this? I want to have a good feel for the relationship between the Chair and CEO, the Chair and other Trustees and how the charity Trustees work as a group.

Like me, you may have been to Trustee meetings where the dominance of one or other of the Chair or CEO turns the meeting into an "Audience With" rather than an effective meeting.

I can think of one charity I joined where the Chair thought their role was to be cheerleader for the CEO so there was no formal appraisal of the CEO and he was rarely held to account. I also know of one charity where the relationship was so close that when a new Chair was appointed and in post who asked for various things to be done differently the CEO would complain to the Chair's predecessor who would then phone his successor to complain about how beastly and unfair they were being to said CEO!

I find it helpful to know the collective knowledge, experience and skills of the charity Trustees and how they are appointed, particularly if the charity is involved in a domain that I am not familiar with.

You may also have come across the Trustee who doesn't want to retire. The worst examples that I have come across was while Chair of the National Trust for Scotland. There were a couple of people who through playing the rules around Council had been on it for over 25 years! Thankfully the governance review put an end to that.

DIVERSITY

I cannot be the only charity Trustee to have joined a Board where there was "group think" writ large, mainly due to the failure to build a Board that had a diverse range of skills and experience that were relevant to the charity's purpose. One thing that I find astonishing about Kids Company is that while its Trustees included Alan Yentob, a former Chief Executive of WH Smith, the Vice President of HR for Astra Zeneca and a partner from a City of London law firm there was not a Trustee who was an accountant or had finance expertise - perhaps like me you are used to charity Boards packed with accountants – but even more jaw dropping is that not a single Trustee had any experience of youth work, children's services or psychotherapy which was originally the basis of Kids Company's provision. As a result there was no challenge to the CEO's views on whether service delivery was appropriate, structured properly or whether its results were what could be expected. The PAAC[8] Report is worth a read.

When I joined the Board of the Royal Edinburgh Military Tattoo I was the only person who had not served in the Army – I was also the only female. There was no Trustee with any "entertainment" or business experience in tourism or hospitality. That has now changed and it has a marvellous Board which is supporting it in becoming an international events business.

GONE NATIVE

Another issue I watch out for is whether the charity Trustees have gone native and crossed the executive line. In one charity I became involved with it had acquired a splendid new building through purchasing a company that had been set up by the developers of the building to obtain various tax reliefs. The negotiations for both the purchase of the building and the associated funding necessary to acquire it was led by one of the charity Trustees who was an expert in the field and used his own firm's staff to assist. What became apparent some months after the acquisition was that the Chair, CEO and Head of Finance of the charity had not understood the complexities of the acquisition or the funding, particularly the tax consequences. Various steps that should have been taken were not and this exposed the charity to significant financial risk. The charity Trustee had effectively treated the charity like a client and had not appreciated that what for him was an everyday matter was of such significance and complexity to the charity. He had failed to ensure that the charity and the other charity Trustees fully understood the implications of pursuing the particular acquisition structure. The Chair had assumed that the charity Trustee understood the consequences. No-one asked the 'Daft Lassie' questions that are so important in such situations.

[8] House of Commons Committee of Public Affairs: The Government's funding of Kid's Company http://www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/504/504.pdf

Sadly everyone had gone native, with confused responsibilities and accountabilities. The charity had to be radically reorganised to accommodate the financial consequences of this one decision.

CORPORATE VERSUS CHARITY

This also illustrates the occasion when a charity Trustee who is well-versed in large corporate life, cannot understand why matters that he or she regard as straightforward are not for a charity. This comes as a result of failing to recognise the difference in resources (human and otherwise) available to some charities.

MONEY

And finally, I look at the all-important question of the financial resources of the charity.

I am involved in a couple of charities where we are in receipt of funding from government: one in the arts and the other in higher education. In these difficult times I am keen to understand how further reductions in funding can be addressed by securing new income streams rather than simply cutting costs.

The National Trust for Scotland looks a very wealthy charity, on paper, with over 125 separate endowments. However, the vast majority of them are restricted, many with extremely strict conditions that render it almost impossible to expend income let alone capital.

There is an urban myth in some charities that if the charity has a reasonable level of reserves it makes it less likely that it will secure grant funding from grant makers so the reserves policy is largely aspirational – as in Kids Company. I can only speak for the Robertson Trust where we do consider the level of reserves but it is only one factor in our assessment and the approach to reserves is an indicator for us on the charity's governance and sustainability.

So why do I go to these lengths? Quite simply I want to be able to make a difference and to ensure that each charity I am involved with achieves its charitable purposes for its beneficiaries and that it has a sustainable future. In my view that can only be achieved by a group of charity Trustees who understand their responsibilities, believe in collective responsibility and are prepared to put their shoulder to the wheel when times get tough. I don't want to be in a Kids Company situation where the Trustees, relying on wishful thinking and false optimism, became inured to the precariousness of the charity's financial situation. I have been there.

When I became Chair of the National Trust for Scotland in 2005, I was given a copy of the first handbook of the Trust: it was a hard back written in the 1970s. Its foreword was an essay by the late Earl of Wemyss and March, who commented that the Trust had too many properties and needed to get its house in order. When I turned up some 30 years later, they were still talking about it rather than doing anything which made my job as a moderniser rather more difficult than it needed to be. But that is simply one of the trials and tribulations of a charity Trustee which is much outweighed by the delight in supporting charities to achieve their charitable purposes and do so much good in society today.

SHONAIG MACPHERSON'S CHECKLIST FOR TRUSTEES

- Is there a formal process for Trustee appointment, including a skills matrix or is it a tap on the shoulder so that the Board is effectively the Chair's mates or names that look good on the notepaper?
- Do the Trustees have a genuine interest in the charity's purposes or have they joined for other reasons?
- Are there rules on terms of office? Are those terms observed in law and spirit?
- Is there an induction programme and ongoing training for Trustees?
- How much information is made freely available to charity Trustees?
- Is the information complete and comprehensible?
- Is the relationship between the Chair and the CEO dysfunctional?
- Do the Chair and the CEO each understand and perform their roles?
- Is there a "gap" between the Chair and the other charity Trustees?
- Where does the charities income come from? How does it fund core costs?
- What are the risks associated with those income streams and is there a plan B in case one of the income streams disappears?
- Is it on the treadmill of project funding (like Kids Company living from year to year)?
- As a charity Trustee am I expected to fundraise? What does that mean in practice?
- Does the charity have an endowment? Do you understand the terms of the endowment?
- If the charity has investments what is the investment policy of the charity? How do the investments contribute to the financial sustainability of the charity in the medium to long-term? What is the performance of the investments?
- What is the charity's reserves policy? Is the policy simply a statement of intent or is there a realistic plan to ensure reserves are available?

THE CHARITY AUTHORISED FUND (CAIF) – A NEW INVESTMENT VEHICLE FOR THE CHARITY SECTOR

GRANIA BAIRD AND JULIAN SMITH, FARRER & CO

QUILTER CHEVIOT

The charities investment market is substantial, with the top 10 firms managing £32 billion of assets[9]. Until now, however, the market has not offered a pooled investment vehicle which is regulated directly by the FCA, tax efficient and designed specifically for charity investors. This has changed with the new Charity Authorised Investment Fund (CAIF), first announced in the March 2015 budget.

Here, Grania Baird and Julian Smith of Farrer & Co look at the new vehicle. Grania served on the CAIF working group (made up of the Charity Investors' Group, the Charity Commission, the Financial Conduct Authority, HMRC, the Investment Association and the Charity Law Association) that got the CAIF up and running.

1. WHAT IS A CAIF?

A CAIF is an FCA authorised investment fund and a registered charity, and must comply with the requirements applicable to both. As a charity, it will benefit from direct tax exemptions. As an FCA-authorised fund, management fees will be exempt from VAT.

2. WHY IS THE CAIF BEING INTRODUCED?

None of the fund structures currently used for charity investors is ideal. If unregulated fund structures (including common investment funds (CIFs)) are used, charities can suffer irrecoverable VAT on management fees. In addition, unregulated structures other than CIFs are less appealing and difficult to market to the wider charities market.

Although CIFs have certain useful features for charity investors (such as the ability to operate income-smoothing and/or to have an independent Board representing the interests of unit holders), the Charity Commission has become reluctant to authorise new CIFs.

Even certain existing FCA authorised funds targeted at charities have downsides: some minimise tax leakage, but this brings added administration; and the current FCA rules do not allow for the bespoke features available to CIFs.

For these reasons, and others, there has been a desire for a new bespoke vehicle for charities – and hence the CAIF.

3. WHO REGULATES THE CAIF?

The CAIF will be regulated by both the FCA and the Charity Commission. The Charity Commission will be responsible for registration as a charity and will regulate the CAIF (and the charity Trustees) in respect of compliance with charity law. The FCA will regulate administration of the CAIF as an authorised fund and compliance with financial services regulation including the FCA Rules.

[9] This figure is based on the Charity Investment Spotlight report published by Wilmington Insight in June 2016.

4. WHICH FCA FUND STRUCTURES CAN BE USED?

The FCA has confirmed that a CAIF can be a non-UCITS Retail Scheme (NURS), UCITS or Qualified Investor Scheme (QIS) type of authorised fund. Which structure is used will depend on the target investors and the investment objective and policy.

The Charity Commission is comfortable that a CAIF can be an authorised unit trust. Alternative FCA structures will be the subject of further dialogue with the Commission.

An umbrella authorised unit trust CAIF can be established, provided each sub-fund is capable of being a CAIF.

5. WHAT ARE THE NOVEL FEATURES OF THE CAIF?

A number of optional features are novel in the authorised funds context:

- Advisory committee – this seeks to replicate the advisory Board in a CIF, but with a consultative function only (rather than executive powers). Members of the advisory committee must be independent of the Manager and Trustee and their role will be to represent the interests of unit holders. The advisory committee will be able to convene a meeting of unit holders, and prepare an annual report. If the CAIF has an advisory committee this must be included in the trust deed and prospectus. If there is no advisory committee, any increase in the remuneration of the Manager or Trustee, or in charges, requires Charity Commission pre-approval.
- Income reserve account – the ability of CIFs to hold back income from one accounting period to another and pay out previously held-back income allows a regular level of distributions. The FCA rules allow CAIFs to do likewise (solely for the purpose of avoiding fluctuations in income for allocation/distribution, and subject to certain conditions). If an income reserve account is established, this must be included in the trust deed and prospectus.
- Total return approach – the ability to return capital as well as income in distributions is increasingly familiar to the charities market, particularly those charities which have permanent endowment funds. Under the FCA Rules, there is scope for CAIFs to operate a total return approach. Again, if such an approach is adopted, this must be included in the trust deed and prospectus.

6. WHO CAN INVEST IN A CAIF?

Charities within the definitions in the Charities Act 2011 and Finance Act 2010 (including Scottish and Northern Irish charities that qualify for UK charity tax reliefs). A CAIF can invest in other CAIFs. The Charity Commission accepts that nominee companies can hold units in a CAIF, provided the underlying investors are charities.

The Manager will also be permitted to hold units in the CAIF for box management purposes, provided that any profits from this activity are paid into the CAIF.

7. WHAT IS THE CAIF'S CHARITABLE OBJECT?

All charities must have an exclusively charitable object. The Charity Commission has not prescribed the CAIF's charitable object, and has agreed that a wide clause which expresses the purpose of the CAIF as being to further the charitable purposes of the CAIF's investors would be acceptable. Model wording of this kind is included in the model trust deed (see below).

8. WHO WILL BE THE CHARITY TRUSTEES?

The charity Trustees will be the Manager and the Trustee. Members of the advisory committee will not be considered charity Trustees, nor will delegates of the Manager or Trustee.

9. HOW IS A CAIF CREATED?

A special registration procedure has been developed for CAIFs. A draft application form and a draft trust deed and prospectus will need to be prepared and submitted to the Charity Commission. Once a "minded to approve" letter is received from the Charity Commission, the FCA application for authorisation process can commence.

The normal FCA fund application for approval process will need to be followed, once the "minded to approve" letter has been received from the Charity Commission.

Once FCA approval has been given, the CAIF application will then be returned to the Charity Commission for final registration.

As this is new vehicle for both regulators, it may take a few applications before the process runs smoothly.

10. WHAT INDUSTRY GUIDANCE IS AVAILABLE?

The Investment Association has produced a model trust deed. The FCA and Charity Commission have reviewed and provided comments on it, although have not "approved" it as a binding precedent.

In addition, the CAIF working party's guidance can be accessed from the Investment Association website.

11. CONCLUSION

The CAIF is a positive development for the charities investment market. It has a tax-efficient structure and offers flexibility for charity investors. It opens the door for new charity pooled investment funds, as well as the conversion of existing CIFs.

OF FURTHER INTEREST:

The Investment Association: industry guidance:
http://www.theinvestmentassociation.org/investment-industry-information/policy-and-consultations/industry-guidance.html

FRANCES MCCANDLESS,
CHARITY COMMISSION FOR NORTHERN IRELAND

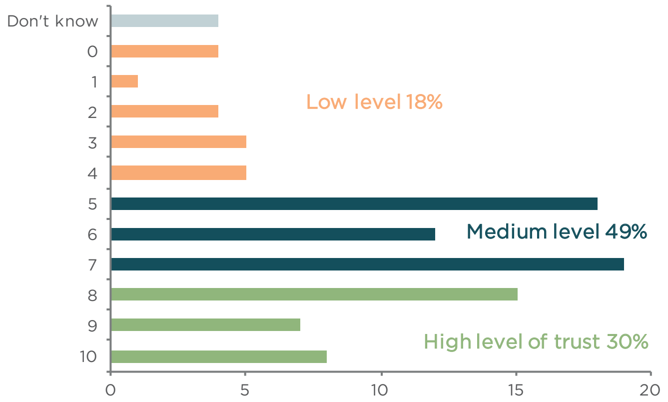
It's been a rough year for the perception of charities. Numerous negative stories about high profile charities have combined to create a narrative about the sector which is not what people working or volunteering in it recognise, or one that they remotely enjoy. Action to ensure the failures that led to this negative media coverage do not happen again is the priority for us as a regulator. But, because we want to see a trusted and efficient charity sector it was necessary for us to better understand the public's attitudes towards charities here and with levels of trust and confidence in Northern Ireland charities in particular.

So we commissioned some research which was carried out in the early part of 2016 aimed at finding out what those levels are and the factors that drive trust and confidence. The research involved a combination of a public survey interviewing more than 1,000 members of the public in Northern Ireland and a number of focus groups.

The Commission discovered that trust in charities is slightly better than indifferent with the mean level of trust sitting at 6.2 (on a scale of zero to 10). While just 18% of respondents gave charities a trust rating of four or below, 30% enjoyed a high level (between eight and 10) of trust with charities, pushing the mean average up considerably. Almost half of participants ranked charities between five and seven.

HOW MUCH TRUST AND CONFIDENCE DO YOU HAVE IN CHARITIES IN NORTHERN IRELAND?

% response



Source: Ipsos Mori. All adults aged 16+ in Northern Ireland (1,016) 20/01/16 to 8/02/2016

But when we started to drill down into the numbers things became really interesting.

The generally held view would be that older people engage with, give to and volunteer with charities more than other generations. Yet our research found that they were also more likely to perceive charities as untrustworthy. In fact, trust in charities seems to decline with age. Participants aged 16-34 were more likely to award a score of eight, nine or 10 to charities, compared to those aged 35-54 and those aged 55 and over. Meanwhile, a larger proportion of those aged 55 and over (22%) recorded a zero to four score compared to those aged 35-54 (17%) and 16-34s (14%). Older participants were also more likely to say that their trust had decreased in recent years. While 26% of respondents said that their trust had decreased in general, 33% of those over 55 felt this way, compared to just 18% of the 16-34s.

A similar pattern was discernible in relation to social demographics[10], with a higher proportion of C2DEs (21%) ranking charity trustworthiness between zero and four than ABC1s (14%), effectively implying that social class was a differentiator.

Focus groups provided insights which may help understand these attitudes. They suggested the lower levels of trust and confidence could be, in part, a reaction to media stories about CEO and senior management salaries. While there was a general awareness of what they regarded as excessive salaries amongst the participants, some recognised that larger salaries may be necessary to encourage the 'best people' to apply for the post. Others felt that a large salary should not be an expectation of a charity worker, as they are working for a cause. Others referred to negative media stories that have emerged around chugging (approaching people in the street to seek subscriptions or donations to a particular charity) and aggressive fundraising techniques.

Amongst the wider public, key reasons given for a decrease in levels of trust and confidence included media coverage about how charities spend the donations they receive, media stories about charities in general and media stories about fundraising practices used by some charities.

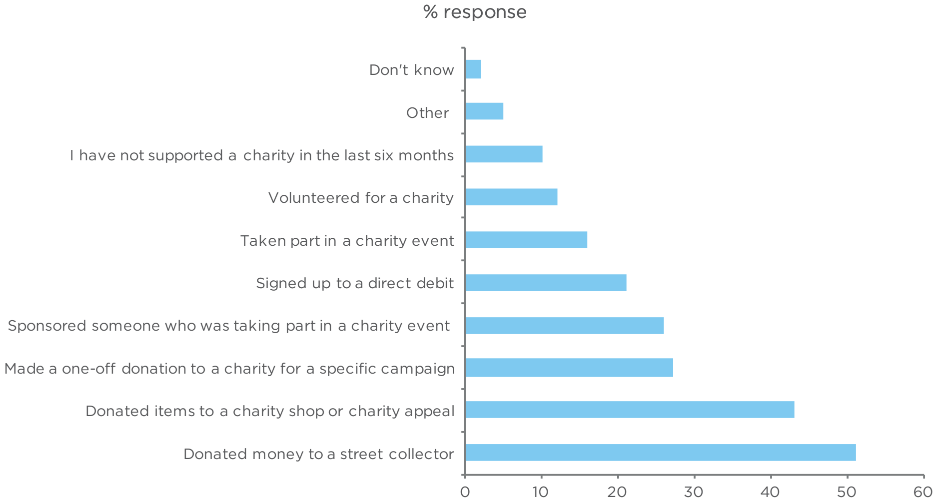
WHAT EFFECT WOULD LOWER TRUST LEVELS HAVE?

Despite lower trust levels, 90% of people had still supported a charity in the preceding six months, so our research suggests that – despite lower trust levels across the UK – support, including charitable giving and volunteering, was not necessarily affected. However what we don't know is how the amount-per-donation or the frequency of giving was impacted.

Most people supported charities in one of two ways - by giving money to a street collector or items to a charity shop or appeal.

[10] As classified by the NRS social grade system

WHICH OF THE FOLLOWING WAYS HAVE YOU SUPPORTED A CHARITY IN THE LAST SIX MONTHS?



Source: Ipsos Mori. All adults aged 16+ in Northern Ireland (1,016) 20/01/16 to 8/02/2016

ABC1s, underlining the higher trust of charities in these social groups, are the most likely to have supported a charity in some way – apart from with regards to street collections. Conversely, the younger demographic were least likely to have supported a charity, despite their apparent higher trust in the sector.

WHAT'S THE SOLUTION?

All is not lost. 6% of our respondents said that their trust in charities had actually increased in the last two years and while this represents a small number against those whose trust had decreased (26%) the respondents did cite a number of reasons why they were feeling more positive.

The top three reasons a person's trust in charities moved upwards were direct personal contact with a charity (35%), volunteering with a charity, and thus gaining a special insight (23%) and seeing the results of a charity's work in the local area (20%). This suggests a link between individuals having a closer, more personal relationship with or insight into the work of charities and increasing levels of trust and confidence, something that charities may wish to consider in their planning, marketing and recruitment.

In a general sense, it was also felt to be important that charities exhibited certain behaviours. 87% of respondents felt that it was important charities used donations properly and 85% claim that it is important the charities have a positive impact on the causes they represent. 84% want charities to be well managed.

Proximity and accessibility are also important. 70% of respondents would trust charities more if they provided services within their local community. 49% trust them more if they are based in Northern Ireland. 47% trust smaller charities more than big ones. If you're closer you're more likely to be known, and therefore more likely to be trusted.

Transparency is also a big priority when it comes to regaining trust with many respondents feeling that charities needed to be more open about how they spent their money and explain their decisions more. Almost everyone agrees that charities should be transparent and open, actively providing information, 92% of respondents. Fewer than half of those people, between a third and two fifths, actually know where they would go to find information, and it is this information that they need to increase trust, confidence and support.

This is an important message for charities, support organisations and the Commission to take away. Knowledge is important and, with the new register of charities, and the growth of charities using websites and social media, there has probably never been more information available. But members of the public have to know where to go to get that information and, importantly, it has to be made available and presented in a way that is accessible and easy to understand.

Finally, charity regulation is itself important. In fact, 94% of respondents to our survey, an overwhelming majority, agree that it is important that charities are properly regulated. That's a lot to live up to.

In short, the public want charities to be prudent, effective, regulated, open and to live up to their mission. But they also want them to be personable and local – easy to access and even easier to appreciate. That's not too much to ask is it?

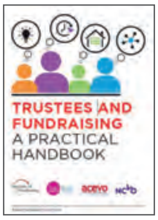
OF FURTHER INTEREST:
Public trust and confidence in charities:
http://www.charitycommissionni.org.uk/media/128201/public-trust-and-confidence-in-charities-research-report-2016.pdf

PHILANTHROPY & FUNDRAISING

CONTRIBUTORS:

JAMES MCLAUGHLIN CHIEF EXECUTIVE CURE LEUKAEMIA

Having held senior roles within sport for 13 years including 2 Premier League football clubs, Nike and Edgbaston Cricket Ground, I became CEO of Cure Leukaemia in 2012; the aim being to develop a co-ordinated strategy with the world class clinical team based at the internationally acclaimed Centre for Clinical Haematology in Birmingham, led by Professor Charlie Craddock CBE. Since 2012, we have seen our fundraising income triple by leading a dedicated multi-talented team of just 4 full-time staff, developing strong charity partnerships with major corporate firms and by establishing a creative and innovative fundraising events programme including Glynn Purnell's Friday Night Kitchen. Such increase in fundraising has enabled the charity to not only provide increased funding for a network of specialist research nurses that run potentially life-saving clinical trials for patients who have exhausted all traditional forms of treatment against the disease, but also now help to fund the planned expansion of the Centre in 2017.



NCVO, the **Institute of Fundraising**, **CFG** and **ACEVO** have produced a new guide 'Trustees and Fundraising: A Practical Handbook'. **NCVO** (National Council for Voluntary Organisations) champions the voluntary sector and volunteering by connecting, representing and supporting voluntary organisations. It is a membership body with over 12,500 organisations in membership. **The Institute of Fundraising (IoF)** is the professional membership body for UK fundraising. **ACEVO** (Association of Chief Executives of Voluntary Organisations) provides support, development and a collective campaigning voice for its members across the UK. **Charity Finance Group (CFG)** champions best practice in finance management in the voluntary sector.

FERGAL O'SULLIVAN CHAIRPERSON MY LEGACY

Fergal O'Sullivan is the Chairman of My Legacy, having joined the Board in January 2015. Fergal is the Chief Executive of the Coeliac Society of Ireland and is also a volunteer member of the Board of HIV Ireland, Fergal has previously worked in a professional and voluntary capacity with Make-A-Wish Ireland, Chernobyl Children International, Boardmatch Ireland and NCBI, as well as in a variety of commercial management roles.

LIZA KELLETT CHIEF EXECUTIVE COMMUNITY FOUNDATION IN WALES

Liza Kellett is the Chief Executive of the Community Foundation in Wales. The Foundation is a charity which promotes and manages philanthropy. Liza has played a leadership role in developing the concept of venture philanthropy in Wales, creating the Foundation's Micro Venture Philanthropy Fund and associated annual giving circle to award micro investments to social enterprises. She sits on the Wales Council for Voluntary Action's Community Investment Fund panel, and the Micro Business Loan Fund, supporting the awarding of loan finance to social businesses. Liza has worked in the third sector in a number of capacities: as Head of Development at West Yorkshire Playhouse (where she completed her Masters in Business Planning for Development); as the Chief Executive of social enterprise Emmaus Leeds; as a consultant advising on business development to arts charities; and as a former Chair of Governors of a primary school and Governor of a college of further education. Liza's recent trusteeships have included a period as Trustee Almoner of St John Cymru, a Trustee of Sherman Theatre, four years' service on the Board of the Wales Council for Voluntary Action, and she is a Member of Glas Cymru.

THEA THORSEN INTERNATIONAL PROGRAMME DIRECTOR FOUNDERS PLEDGE

Thea Thorsen graduated from University College London with a first class honours BASc, specialising in Cultural Anthropology. Before moving to London, Thea worked for Amnesty International Norway, as well as Norway's largest youth environmental organisation, and remains passionate about climate change policy today. Thea currently works at Founders Pledge as their International Programme Director, and focuses on the organisation's International expansion and community engagement.

PHILANTHROPY & FUNDRAISING

CONTRIBUTORS:

CHRISTINE MILLS MBE FOUNDER AND TRUSTEE HOPE FOR TOMORROW
Hope for Tomorrow was founded by Christine Mills in December 2003, after she lost her husband David to cancer. One of the many stresses the couple endured was travelling from their home to the Oncology Centre – a journey of nearly 60 miles. Christine wanted the Charity to focus in a practical way, to alleviate the additional anxieties of travelling. She met Dr Sean Elyan, Consultant Oncologist and Medical Director of the Gloucestershire Hospitals NHS Foundation Trust and discovered that he had a vision to bring chemotherapy closer to the patient. This inspired her to make the dream into a reality and the Charity initially raised £150,000 to build the world's first Mobile Chemotherapy Unit.

IN THIS SECTION:

- Securing charitable support in a competitive environment
- Trustees and fundraising
- The importance of legacy fundraising in Ireland and its potential impact
- Philanthropy Week Wales
- Overcoming methodical challenges in business philanthropy
- Inspiration to innovation

JAMES MCLAUGHLIN, CURE LEUKAEMIA

cureleukaemia
the blood cancer charity

As a relatively new charity (established in 2003) Cure Leukaemia faces tough challenges to secure sustainable and significant support in the third sector. Despite having a powerful name and a tangible and quantifiable result of funds raised for the charity in the form of specialist research nurses, Cure Leukaemia still has to fight to compete with bigger, more established charities.

Cure Leukaemia is a team of five staff based in Birmingham's Jewellery Quarter. Many people are surprised at the size of workforce as the public perception of the charity suggests a larger organisation. Whilst this perception is flattering it does not necessarily translate into financial support. Larger, more established charities can rely on regular giving, trusts and legacies as bedrock for their annual fundraising. Events organised by these charities will raise significant sums but will not provide the majority of the income.

In 2012, when I was appointed as CEO, I set out two key aims for the charity which were to move away from short-term reliance on annual events and deliver long-term, sustainable revenue streams moving forward. Whilst these intentions were sound, the reality is that these aims have still not come to fruition. These events still represent the largest revenue stream for the organisation and, for that reason, the focus of the workforce remains delivering major, profitable events every year. This continues to put enormous strain on the staff and it is simply not sustainable.

Over the last four years the charity has secured record levels of fundraising thanks to the success of these major events. Through the innovative and multi-skilled workforce the events have stood out from the crowd and ensured financial success but this cannot continue forever.

Excitingly, a recent development has given the charity a welcome boost to help propel it to a new level and potentially secure these vital, more reliable revenue streams in the future. Cure Leukaemia has supported the work of the Centre for Clinical Haematology at the Queen Elizabeth Hospital, Birmingham since it was built in 2006. World-class clinicians and scientists based at the Centre continue to drive forward groundbreaking new therapies and save lives in the process.

By delivering world first clinical trials to leukaemia patients that have exhausted standard treatments these trials not only save lives, but also contribute to the understanding and treatment of blood cancer across the world. Unfortunately, patients continue to be turned away from the Centre because there simply is not the infrastructure to effectively treat all blood cancer patients referred to the Centre.

In September this year, a £3.4million expansion of the Centre was approved and the Local Growth Fund granted £2.4million towards the funding of this capital project in October. The expansion of the Centre will double the number of patients treated through groundbreaking clinical trials and allow much of the intensive chemotherapy, currently delivered as an in-patient in the main hospital building, to be relocated to the new Centre with major attendant benefits for patient quality of life. It will also see the creation of new jobs and attract further investment into the local economy.

The advent of an exciting wave of new drug and transplant therapies means there is now a real opportunity to eradicate blood cancer in the next 30 years. The expanded Centre will allow Birmingham and the West Midlands to further extend its vital work developing new treatments for every form of the disease to the benefit of all its patients.

Cure Leukaemia has made a commitment to raise the remaining £1million required for this inspirational project by 31 December 2017. This fundraising will be in addition to the charity's annual budget, therefore, 2017 will be the most challenging and significant in Cure Leukaemia's history. So how can the charity achieve this goal with all these challenges it faces?

The Centre expansion represents a legacy for all involved in its realisation and this could prove pivotal in securing philanthropic support. This tangible manifestation of donations will be vital in attracting one-off donations from companies and individuals who might find the prospect of helping build this transformational and lifesaving Centre appealing. As a result, there are three key areas that Cure Leukaemia will target in the next 12 months.

Firstly, the project allows Cure Leukaemia to approach major companies for one-off donations even though they may have affiliations with other charities. Given the global importance of the Centre, this approach does not need to be restricted to the West Midlands and could open doors into national Corporates.

Secondly, the new Centre will provide a great focus for Trust and Foundation applications moving forward. The build costs can be broken down allowing a specific, targeted approach for each fund as they all have varied donation criteria.

Finally, the Centre will be key in engaging the local community for support. Whilst the larger donations will be secured through Corporates and Trusts the potential for mass support in Birmingham and the wider West Midlands through community fundraisers is limitless. The new build will allow Cure Leukaemia to reengage with supporters, patients and families previously affiliated with the charity in the last 16 years to appeal to them for support. Creativity will be key in maximizing the potential of the community and plans are already in place for innovative ideas that will spark interest around the region.

All organisations go through periods of transition and Cure Leukaemia began its transitional period in 2011. It has taken 5 years but the charity now has a project that can take it to the next level. The Centre expansion will make the possibility of a national corporate partnership a very real possibility for Cure Leukaemia in the coming years and this level of awareness and financial support will be paramount in securing the long-term future of the charity.

Whilst the Centre expansion is vital over the next 12 months the charity must then continue to fund more specialist research nurses because without them the Centre cannot build on its decade of success. The funding of the new Centre could be the catalyst for establishing the long-term, sustainable revenue streams that were key aims for Cure Leukaemia in 2011 and that will become apparent in the coming weeks and months. Despite the charity's struggles to compete in a highly competitive charitable sector, its goal of helping to find a cure for leukaemia can never be questioned and the next 12 months will define the organisation for the foreseeable future.

Below is a photo celebrating the Centre's 10th anniversary in 2016

FOR FURTHER INFORMATION:

Please contact James McLaughlin at james@cureleukaemia.co.uk or visit http://www.cureleukaemia.co.uk/
To donate: https://www.justgiving.com/fundraising/bih

NCVO, the Institute of Fundraising, CFG and ACEVO have produced a new guide 'Trustees and Fundraising: A Practical Handbook'. Below are some useful tips; the full handbook may be found here: http://www.institute-of-fundraising.org.uk/library/Trustees-and-fundraising-a-practical-guide/

TEN QUESTIONS EVERY TRUSTEE SHOULD BE ABLE TO ANSWER:

1. What are your responsibilities when it comes to fundraising?
2. Are you happy that your charity is compliant with all fundraising standards and legislation?
3. Do you monitor how many fundraising complaints have been received?
4. Is your charity transparent and accountable in its approach to fundraising?
5. How is your charity's fundraising approach sustainable?
6. What is your charity's fundraising strategy?
7. Do you have robust processes in place to ensure you have appropriate fundraising policies, systems, culture and control mechanisms?
8. Which fundraising methods do you use?
9. Who delivers your fundraising: staff, volunteers, third parties? Are you confident that they are doing so legally, and to the highest standards?
10. Are you confident your fundraising expenditure is being used as effectively as possible to achieve short and long-term objectives?

A TRUSTEE'S ROLE

As a Trustee, you are responsible for directing your charity's affairs, ensuring that it meets its charitable objectives and that it is properly run. This is essential for its longer term sustainability, and means making sure that – when your charity fundraises – it does so effectively, legally and responsibly.

Your role is to see fundraising as part of the bigger picture – contributing to organisational plans and strategy, making fundraising a priority and ensuring that fundraising is done to the highest standards.

It is important for everyone on the Board to engage with and understand fundraising. It is worth regularly reviewing the make-up of the Trustee Board to ensure that you have the right mix and levels of skills needed to support the charity's fundraising.

While you won't always need to be a fundraising expert or to get involved in its delivery, you do need to ensure that it is being done well and that supporters are always treated fairly and with respect.

Make sure you understand:

- how fundraising is being delivered;
- who is making the ask;
- what risks there are from any fundraising activity;
- how many complaints are made about fundraising practice, and how they are dealt with;

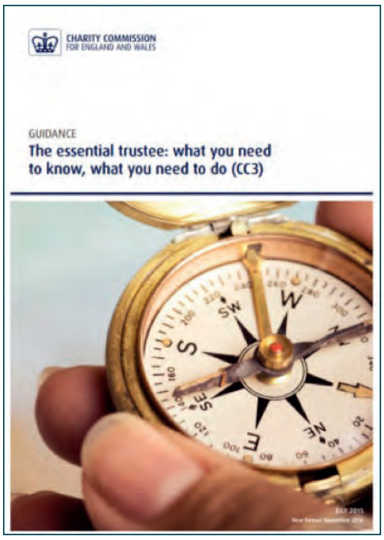
And think about whether:

- fundraisers are sufficiently resourced to do the job;
- fundraising is recognised as a priority and consequently championed and understood across the organisation.

Trustees have a leading role to play in setting and embedding the overall culture and approach across the organisation.

WHAT ARE YOUR RESPONSIBILITIES FOR FUNDRAISING?

Your relevant charity regulator has guidance on Trustee responsibilities for fundraising. The Charity Commission for England and Wales sets out key principles in terms of Trustee responsibilities in its CC20 guidance:



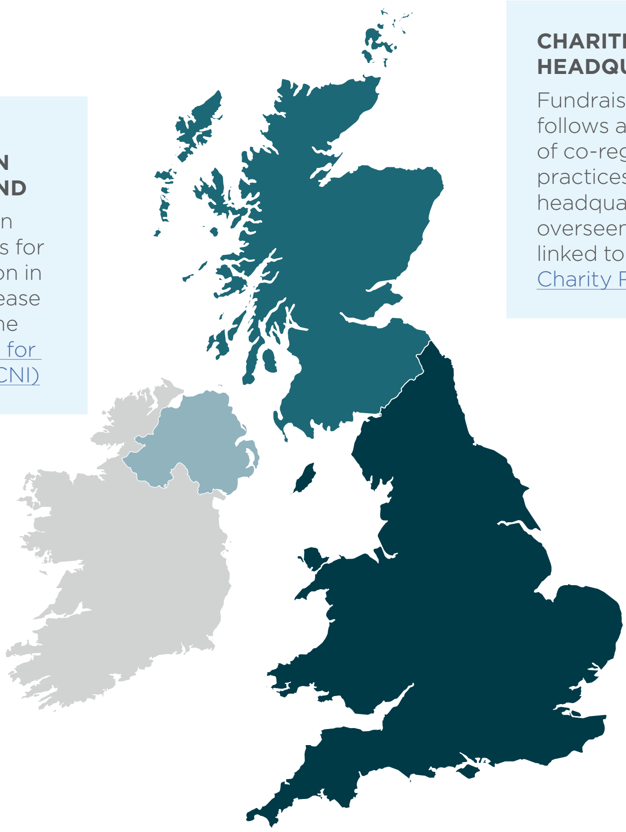
- Plan ahead to ensure your charity has a sustainable future
- Supervise your fundraising activity to ensure that it is being delivered appropriately
- Protect your charity's reputation, money and other assets, minimising risk
- Ensure compliance with the relevant rules and regulations
- Identify and follow relevant industry standards
- Be open and accountable, complying with statutory requirements and addressing queries about the charity's fundraising clearly and honestly

IS YOUR CHARITY COMPLIANT WITH ALL FUNDRAISING STANDARDS?

- Is your fundraising programme fully compliant with the Code of Fundraising Practice and the law?
- Have you registered for self-regulation of fundraising?
- Do you have a complaints process for fundraising, and monitor how many complaints the charity gets?
- Are you legal, open, honest and respectful in all fundraising?
- Is your approach in keeping with the charity's governing objectives?
- Is your charity registered with the relevant regulatory organisation?

CHARITIES WITH HEADQUARTERS IN NORTHERN IRELAND

For more information on the arrangements for fundraising regulation in Northern Ireland, please see the website of the Charity Commission for Northern Ireland (CCNI)



CHARITIES WITH HEADQUARTERS IN SCOTLAND

Fundraising regulation in Scotland follows a 'lead' regulator model of co-regulation. Fundraising practices of charities with headquarters in Scotland are overseen by an Independent Panel linked to the Office of the Scottish Charity Regulator (OSCR).

CHARITIES WITH HEADQUARTERS IN ENGLAND AND WALES

The Fundraising Regulator is responsible for the regulation of fundraising in England and Wales. They also regulate fundraising activites carried out in the UK by foreign based charitable organisations. Charities with headquarters in England and Wales but fundraising in Scotland are regulated by the Fundraising Regulator.

HOW CAN I ENSURE OUR FUNDRAISING APPROACH IS SUSTAINABLE?

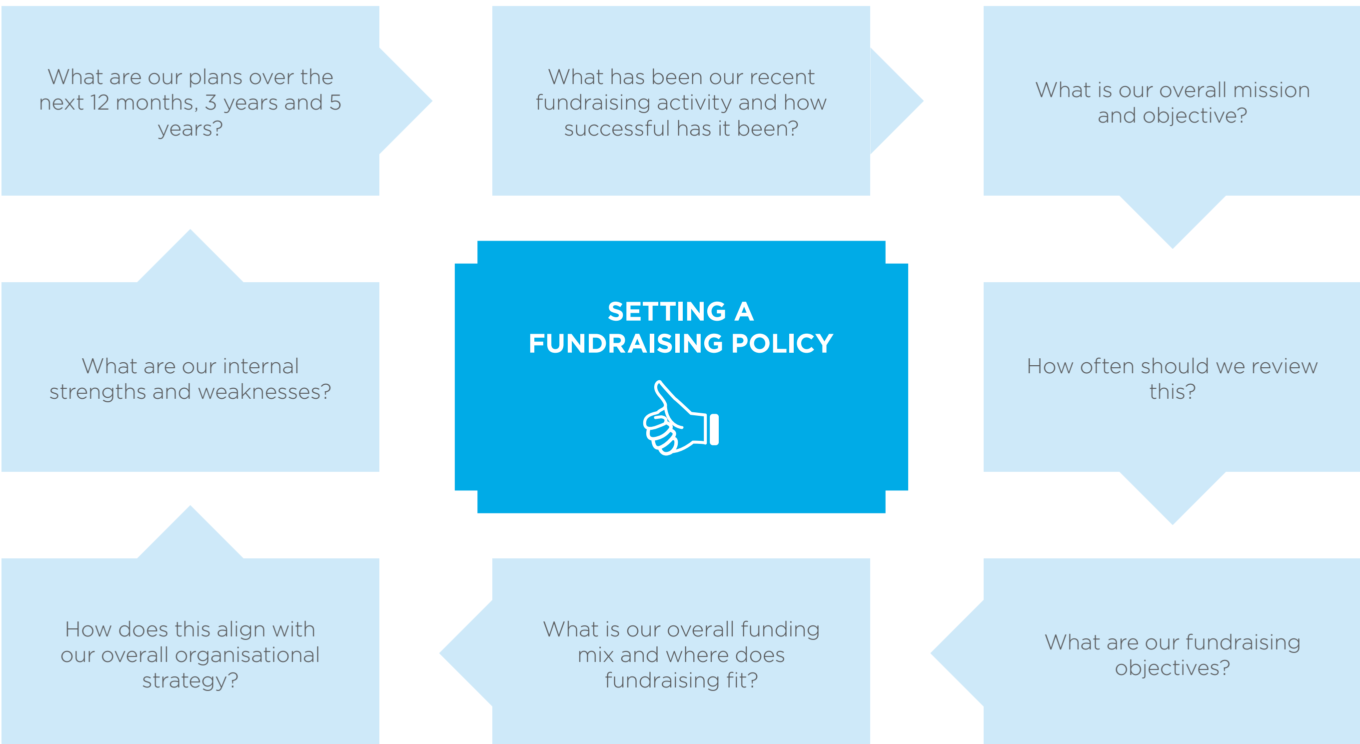
- Make fundraising an organisational priority, tabled at every Board meeting
- Develop a clear, realistic and longer-term fundraising strategy
- Invest in your fundraising and fundraisers, ensuring they have the right level of resources, staffing and training
- Diversify your income streams – don't put all your eggs in one basket
- Monitor and review fundraising activity
- Ensure that the charity considers fundraising activities from the perspective of the donor and wider public
- Regularly review and assess risks linked to your fundraising programmes, setting policies for any sensitive aspects of work

SETTING A SUCCESSFUL FUNDRAISING STRATEGY

When developing or assessing a fundraising strategy, you will need to have a clear understanding of your current fundraising base and its scope for development.

Ask yourself:

- What resources (both financial and staff) do we need to meet these plans?
- Will we rely on paid, freelance or volunteer support, or share the fundraising task among the existing staff or Trustees?
- What areas of fundraising do we rely on to deliver these resources – is the mix appropriate?
- What aspects of our fundraising programme have been most successful and what are we most dependent on?
- How much of the income we receive is restricted (tied to a particular project or piece of work) and how much is unrestricted?
- Do our fundraising and finance strategies line up?
- Is the cost to income ratio acceptable?
- Is fundraising integrated across our organisation?



MANAGING RISK AND REPUTATION

Charities face some level of risk in most of the things they do, including fundraising. The diverse nature of the sector, how it fundraises and its activities mean that individual charities face different levels of risk and exposure.

Identifying and managing the potential risks that your charity may face is a key part of effective governance for charities of all sizes and complexity.

Your charity should have a written risk management plan in place to ensure you are confident and well informed in making your decisions and able to withstand the associated risks. However, it is important that you do not rely purely on written documents.

Risks should be effectively managed – that doesn't just mean ensuring there are no risks at all, but that they are identified and mitigated against. You should strive to create a culture of effective risk management within your organisation. This depends on individuals understanding the risks facing the organisation, the level of risk that the Trustees find acceptable and a clear process for escalating strategic risks to Board level. Risk management needs to be owned by all staff, including fundraisers.

By managing risk effectively, Trustees can help to ensure that their charity is able to take appropriate action, safeguard its reputation and, most importantly, effectively achieve its aims. Without effective risk management there is always the danger that a charity can be blown off course by an unforeseen event.

Ultimately, all risks must be approached from the point of view of your charitable objectives. It is acceptable to take risks where the benefits for beneficiaries are proportionate. For example, developing a fundraising campaign which keeps your charity solvent or generates resources for a new service. However, where the risks endanger achieving your charitable objectives or endanger your reputation, Trustees must think carefully and ensure that they have appropriate risk management processes in place.

WHAT POLICIES DOES/SHOULD YOUR CHARITY HAVE?

Typically, your charity will want to develop a policy statement for any particularly important, sensitive or controversial aspect of your fundraising programme, such as:

- Complaints
- Acceptance/Refusal of Donations
- Working with Vulnerable People
- Working with Third Parties, Commercial Partners and Volunteers
- Financial Processes

TEN GOLDEN RULES FOR TRUSTEES

1. Everything begins with a strategy: successful fundraising is based on clear strategic thinking and your charity's fundraising approach should be integrated with your overall organisational strategy
2. Think long-term: ensure sustainable planning is at the heart of your organisation's fundraising
3. Do the right thing: always consider the legal and ethical implications of your organisation's fundraising, taking into account the values of your charity
4. Don't put all your eggs in one basket: where possible diversify your organisation's fundraising strategy
5. Listen to advice: talk to others about their fundraising experiences and ask relevant charity sector bodies for advice
6. Put yourself in your donors' shoes: imagine yourself as a supporter on the receiving end of one of your charity's fundraising approaches. How would you feel? What would you do? Would you give?
7. Play your part: think about what you can do to ensure your organisation's fundraising is successful and done to the highest standard
8. Ask the right questions: use this guide to identify the issues and questions you need to consider
9. Work as a team: success requires building and sustaining good relationships with staff, third parties and volunteers
10. Keep it on the agenda: you should keep fundraising on the agenda, reviewing regularly and keeping up to date – don't be complacent!

OF FURTHER INTEREST:

CC20: Charity fundraising: a guide to Trustee duties: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566105/CC20.pdf

Code of Fundraising Practice: https://www.fundraisingregulator.org.uk/code-of-fundraising-practice/code-of-fundraising-practice/

CC26: Charities and risk management: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509704/cc26_lowink.pdf

Institute of Risk: Risk management for charities: https://www.theirm.org/media/1238690/CharitiesGuidanceV6FINAL.pdf

Guidance on managing your charity (Office of the Scottish Charity Regulator): https://www.oscr.org.uk/media/1590/easy-read-guidance-for-charity-Trustees.pdf

Northern Ireland Council for Voluntary Action (NICVA): http://www.nicva.org/services/fundraising

THE IMPORTANCE OF LEGACY FUNDRAISING IN IRELAND… AND ITS POTENTIAL IMPACT

FERGAL O'SULLIVAN, MY LEGACY

QUILTER CHEVIOT

BACKGROUND

My Legacy is a lean volunteer-led organisation committed to developing the area of legacy fundraising in Ireland. It was established in 2003 by a small group of Irish charities who knew at first hand the great impact a legacy gift can have on the work of a charity.

My Legacy was founded on the basis that by working together as a group, we can make legacy giving the norm in Ireland; helping to strategically fund and support the dedicated work of Irish charities into the future.

Our founding members knew that, unlike other countries, many Irish people do not make a will despite how important a life document it is. Since then, My Legacy has grown to an umbrella group of almost 70 Irish charities who work together to promote the great importance of making a will and to ask people to consider leaving a legacy gift to a favourite charity, once family and friends have been taken care of and all other important personal decisions have been made.

My Legacy is managed by a volunteer Board of Directors drawn from our member charities and our work is funded by annual membership fees. We seek to provide unbiased, useful information to individuals, charities and solicitors about leaving legacy gifts.

For the last five years, the cornerstone of our activity has been an annual national awareness campaign aimed at increasing interest in and understanding of the whole concept of leaving a gift to a charity in your will. Since 2015, we have worked in partnership with Edelman PR to strategically deliver and significantly grow our campaign.

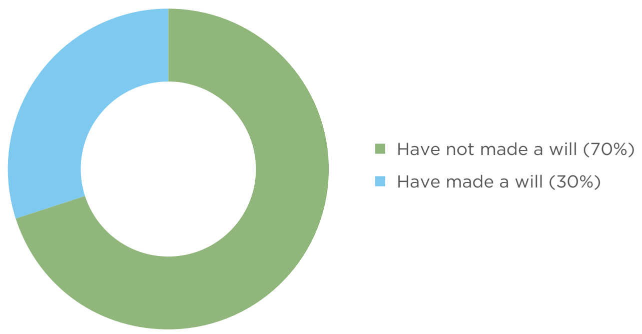
In 2016, Best Will Week took place in the first week in November and it became our biggest and most impactful campaign yet. This was helped in no small part by the kind support we received from Quilter Cheviot, who earned the distinction of becoming My Legacy's first ever corporate supporter, by helping to host a successful launch event for the campaign, something we had never undertaken before and which delivered a new platform to enhance the impact and reach of our work.

WHY MY LEGACY AND BEST WILL WEEK?

Everyone is aware of the importance of having a will in terms of providing security for loved ones into the future. Indeed, a recent omnibus survey conducted by Amárach Research on behalf of My Legacy showed that for 27% of Irish people, their greatest fear about dying is that their family will not be taken care of.

In contrast however, Irish people seem to be somewhat uncomfortable talking about the subject. The survey also showed that almost half of Irish people have never discussed the practicalities of death. As a result, only 30% of Irish people have made a will.

PERCENTAGE OF IRISH PEOPLE WHO HAVE MADE A WILL



Source: Amárach Research for My Legacy
The omnibus survey is a syndicated survey of 1,000 people, with quotas set on gender, age, social class and region to achieve a sample aligned with national population. The Amárach Research omnibus is completed online. The research went to field 15-17 August 2016.

Best Will Week is a public awareness campaign that aims to address this and to encourage people to start the conversation about making a will with loved ones and to make an appointment with a solicitor.

When people make that first step to make their will and plan for the future, they soon realise just how easy and straightforward a process it is. My Legacy asks that once a person has looked after loved ones; that they also consider leaving a legacy gift to a charity that means something to them. For the 30% that already have a will, we ask them to consider updating it to do likewise.

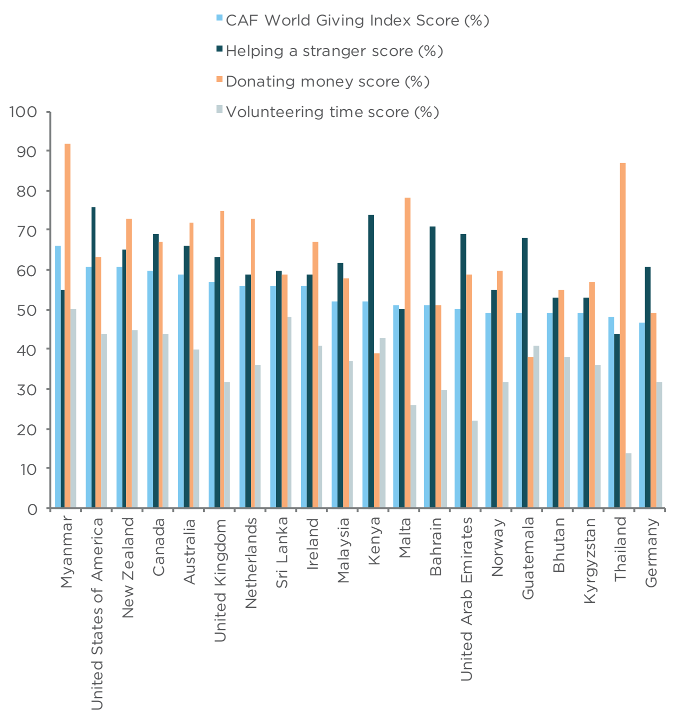
Legacy gifts are an extremely important part of any charity's fundraising efforts, yet in Ireland, one of the most generous countries in the world, only 12% of us plan to leave a legacy gift.

CAF WORLD GIVING INDEX RANKING 2015

Myanmar	1
United States of America	2
New Zealand	3
Canada	4
Australia	5
United Kingdom	6
Netherlands	7
Sri Lanka	8
Ireland	**9**
Malaysia	10
Kenya	11
Malta	12
Bahrain	13
United Arab Emirates	14
Norway	15
Guatemala	16
Bhutan	17
Kyrgyzstan	18
Thailand	19
Germany	20

Source: Charities Aid Foundation, 2015

THE CAF WORLD GIVING INDEX TOP 20



Source: Charities Aid Foundation, 2015

Fergal O'Sullivan, Chairperson of My Legacy and An Tánaiste Frances Fitzgerald

Often people are unaware that leaving a gift to a charity in a will is possible. This is why My Legacy charities work together, to show that legacy gifts are:

- Good for individuals, to take care of their loved ones as well as the causes that are important to them
- Good for the charities they choose to support, as they receive the funds they need to do their work and help their beneficiaries
- Good for the country, as thousands of individuals benefit from the valuable work done by these charities in every part of the country

The work of My Legacy is based on partnership with three core stakeholder groups.

1) Our members; all of them registered charities who wish to encourage their supporters to consider leaving a legacy gift. In addition to our Best Will campaign, we support our members by offering advice on various topics relating to legacies throughout the year and by holding bi-annual workshops and masterclasses on international best practice for legacy fundraising and management. This allows everyone involved to develop an approach to legacies that supports and meets their own good governance standards.

2) Solicitors: we work closely with solicitors throughout Ireland, encouraging them to keep legacy gifts in mind when conducting will consultations with their clients. Solicitors are uniquely placed to offer expert advice on making a will as well as making their clients aware that leaving a legacy is something to consider, once all other personal decisions have been made. As of November 2016, we have over 460 solicitor firms on our online database, with more joining each week as our message grows.

3) The public: most importantly, we speak to the general public; to encourage them to consider leaving a legacy, large or small. We do this through a mix of online and offline communication channels including our new, fully responsive listings website, www.mylegacy.ie; via our social media channels and through the press, radio and the TV coverage we secure during Best Will Week. Our message is further amplified by our member charities sharing the message through their own channels.

All of this is achieved on a very tight budget with limited resources, but we still manage to create a significant impact, thanks to the hard work of our volunteer Board and our members. Proof of this ability to punch above our weight was evident when we were fortunate to secure the services of An Tánaiste and Minister for Justice & Equality, Ms Frances Fitzgerald, who spoke passionately about legacy fundraising and the societal benefits of will-making at our launch event this October.

My Legacy is now entering its 14th year and thankfully our organisation is looking stronger than ever. We are beginning to see a significant development in the whole area of legacy fundraising and will-making in Ireland from the perspective of all three of our stakeholder groups. We see enormous potential in what we could deliver, particularly in partnership with others.

Our strategic plans for 2017 and beyond are ambitious; we are focused on significantly increasing our impact on the Irish charity sector and the people and causes they support as well as encouraging and helping many more Irish people to positively plan for the future. After all, as the late Leonard Cohen said in a New Yorker interview before he died, "Putting your house in order, if you can do it, is one of the most comforting activities, and the benefits of it are incalculable."

OF FURTHER INTEREST:

Charities Aid Foundation (CAF) World Giving Index: https://www.cafonline.org/docs/default-source/about-us-publications/caf_worldgivingindex2015_report.pdf?sfvrsn=2

PHILANTHROPY WEEK WALES

LIZA KELLETT, COMMUNITY FOUNDATION IN WALES

QUILTER CHEVIOT

The Community Foundation in Wales is a charity established to promote and manage philanthropy and strengthen local communities. The Foundation works with a broad range of family, corporate and trust donors to deliver their philanthropic ambitions and build a permanent source of funding for charities and community-based projects throughout Wales. By using its knowledge of local needs and the voluntary sector, and on behalf of its donors, the Foundation awards around £3 million in grants each year to enable local people to achieve inspiring change in their communities.

Over the last five years we have developed our approach to raising awareness of the Foundation's role. Newt stories, daffodil jewellery, venture philanthropy, business for social good, community grant-making, philanthropy awards and a virtual global giving circle – all have a role in a philanthropy week at the Community Foundation in Wales!

Philanthropy and community leadership sit at the heart of all community foundations and Philanthropy Week began in 2011 as a pilot, with the objective of positioning the Foundation as 'the place for philanthropy in Wales'. Over the years we've shared stories of everyday and global philanthropy, explored and celebrated what philanthropy means in Wales today, and inspired charitable giving by highlighting needs and showing the impact of philanthropy to address these. Although at times the Foundation has stretched the definition of a 'week', our calendar is now firmly focussed on making November the time of year when we run philanthropy events in Wales which cover a range of themes and focuses driven by philanthropic trends, donor interests and the Community Foundation in Wales's business objectives. We also hold a flagship event in London and occasionally overseas, growing the Foundation's national and international footprint and building our diaspora strategy to encourage giving in, and into, Wales. This year our Development Manager Mari-Wyn Elias-Jones attended the North American Festival of Wales in Calgary, celebrating all things Welsh and encouraging guests to join the world's first global giving circle for Welsh Communities.

This year we held our Philanthropy Stories & Awards evening at Cardiff Castle, and heard from three award winners about their giving. Our guests were particularly intrigued to hear about volunteer Chris Rogers' experiences of being the secretary of the Llyn Parc Mawr community woodland project on Anglesey. From the Community Foundation in Wales's micro venture philanthropy award of £2,000 to seed-corn fund their community group, the committee has leveraged over £50,000 of grant funding, and is now awaiting the outcome of a £1 million application. Chris told us that as well as being the group's secretary and supporting the fundraising, she's been trained in undertaking newt surveys, has liaised with the local College to develop a new woodland qualification, and volunteered to build a yurt – this really is the modern face of community philanthropy.

Chris Rogers of Llyn Parc Mawr receiving her philanthropy award

A forest school at Llyn Parc Mawr

Alun Evans, Chairman; Captain Sir Norman Lloyd-Edwards, Foundation President and Liza Kellett, CEO

Our reception at Westminster Hall with our London friends and donors, featured a law graduate whose course fees and living costs had been funded by one of the Foundation's philanthropic donors. And at our 'Adventures in Venture Philanthropy' evening, we awarded four micro-investments to social enterprises pitching for funding to develop their community businesses. We were delighted to be in Aberystwyth earlier in the month to celebrate the University's Founders Day – a remarkable story of community philanthropy in itself – and took the opportunity to talk to the students who receive bursary funding about their financial needs and how they use their scholarships. One student told us how his dyslexia had been affecting his grades, but with our grant to buy specialist software he'd been able to improve his spelling, grammar and essay organisation, quietly adding that he got a First Class mark for his latest essay.

A new partnership with the Institute of Directors this year introduced us to a different audience of philanthropists and potential supporters, who were entranced by presentations from our speakers at the 'Business of Philanthropy' reception. The Director of Purple Shoots (Wales's only micro-finance charity) and the Chief Executive of successful social enterprise, Vi-Ability, explained how grants from the Community Foundation in Wales had helped them to support unemployed people set up their own businesses, and young people to achieve qualifications and work experience. And the founder, and until 2014 Chief Executive, of Glas Cymru gave a fascinating insight into how he, his board and staff had turned Welsh Water into Wales's - and one of the UK's – biggest social enterprises.

During Philanthropy Week the Foundation launched a collaboration with jewellery designer Emma-Kate Francis. Emma-Kate has previously designed pieces for the Victoria & Albert Museum and renowned international jewellers, Jersey Pearl. The new Community Foundation in Wales collection is called 'Daffodil', inspired by the logo of the Foundation, with each piece handmade from sterling silver, gold plated and complete with a pearl centre. A percentage from each purchase is donated to the Foundation's Fund for Wales, of which HRH The Prince of Wales is Patron. This complements another merchandising partner, woollen mill Melin Tregwynt. Thanks to our donors in 2016 we reached the milestone of £20 million having been awarded in grants to charities, community projects and students in Wales, since Foundation was established in 1999, We will continue work to strengthen communities in Wales by awarding grants to projects that make a sustainable impact on local needs, and to help our donors make the most of their charitable giving.

Micro Venture Philanthropy Award Winners

FOR FURTHER INFORMATION:

Please visit: http://www.cfiw.org.uk/eng/home or http://www.ukcommunityfoundations.org/

OVERCOMING METHODICAL CHALLENGES IN BUSINESS PHILANTHROPY

THEA THORSEN, FOUNDERS PLEDGE

QUILTER CHEVIOT

Navigating the relationship between business and charity can be challenging, and requires diligent reflection, research and commitment. One topic which arises increasingly is how to create relationships which benefit business and align with corporate strategic objectives, while also maximising the social impact of donations. How do you give effectively, beneficially and ethically while complying with the interests of a variety of stakeholders? In this article, we will be exploring this question by giving an overview of some of the most common challenges facing today's philanthropy, and proposing a way to tackle them.

IMPACT OVER OUTCOME

In order to give effectively, one must first have a means of measuring efficacy. It is important to note that impact measurement remains a highly contested area in the charity sector, and that consensus has yet to be reached on any one best practice. However, there are certain factors which should always be taken into account when thinking about how to structure corporate giving.

Recent research has brought into question a range of approaches which have previously been accepted in much of Western philanthropic work, and in particular, a tendency towards methodological focus on outcome rather than impact[11]. A project may report that X amount of subjects were engaged, or Y amount of cases were studied, and although presented as conclusive data, these figures don't necessarily give us any conclusive information on which to base our assessments. In order to meaningfully measure the effectiveness of charity work one must look at the actual impacts and counterfactuals of the work carried out:

What effect did the engagement have on the X amount of subjects, and what would the outcome be if the Y amount of cases had been studied in a different way, or not at all?

These are important questions to ask, whether your philanthropic endeavours consist of original interventions, or are supported through already established charities.

WORKING WITH LIMITATIONS

In the words of the Director of Research at HRDAG (Human Rights Data Analysis Group), Patrick Ball: 'What you know is systematically different from what you don't know, because there is a reason that you don't know.' Having touched on the importance of data analysis in evaluating charity work, it is important to add that in adopting a data driven mind-set we must also remain mindful of the very real phenomenon that are data blind-spots.

Looking at aggregated collections of data, we often assume that what is really a representation of how information has been collected is a realistic representation of a situation.

The reality is that sampling biases (often intertwined in or caused by wider societal and cultural structures and biases) can result in an incomplete understanding of the problem we're facing. And so, we must keep in mind that simply a high volume of data does not necessarily equate to a good statistical representation of reality, and that assuming so can strengthen a pre-existing bias in the wrong direction[12].

[11] Harlock, Jenny (2013) Impact measurement practice in the UK third sector: a review of emerging evidence. Working Paper, University of Birmingham, Birmingham.

[12] Ball, 2016. 'Digital Echoes: Understanding Patterns of Mass Violence with Data and Statistics' https://www.youtube.com/watch?v=z7U9w-q0yAY&feature=youtu.be

Looking unquestioningly at big data can lead to interventions that don't fully address the problem at hand, or to systematic neglect of interventions and cause areas which are potentially high impact, based purely on the volume of data available. To avoid these pitfalls, throughout our data analysis and impact measurement we must always keep in mind the importance of obtaining data points across a diverse array of geographies, ethnicities, methodologies and cause areas.

NEED AND NEGLECT

In corporate responsibility and charity work it is often beneficial to align the technical expertise of the business with the needs of a cause area, in order to create charitable collaborations which are mutually beneficial. This approach has become especially prominent in the last decade or so, following corporate philanthropy's shift from being predominantly focused on societal benefits, towards a focus on mutual benefits to society as well as the company, also known as strategic philanthropy. However, one must be careful to avoid a situation in which the most obvious strategic synergies or expertise overshadow factors such as need and neglect. Crucially, in order to maintain the integrity of business philanthropy, a balance between strategic alignment and neglected cause areas must be found, so as to avoid over-saturation or duplication of interventions in certain cause areas.

CONSIDERING INTERDISCIPLINARY COLLABORATION

As business philanthropy continues to increase in popularity owing to the documentation of its positive effects, new opportunities for interdisciplinary and multifaceted approaches to business charity are emerging. The ground-breaking potential of combining the analytical framework of the finance and technology sector with the expertise and passion of the charity sector, is one which has yet to be explored to its fullest, and is already revealing extremely high impact intervention opportunities which go beyond the scope of purely transactional CSR (corporate social responsibility) initiatives. The business philanthropy of the future will be one of high engagement, and high impact.

In order to encourage this trend, Founders Pledge works on special projects, identifying the specific technical needs or gaps in services within certain cause areas and charities (always keeping in mind the factors mentioned above, such as impact potential, neglect and tractability), and building solutions by matching them up with individuals or businesses with a corresponding skill set.

THE PHILANTHROPY OF THE FUTURE

It is clear that the challenges and nuances of business philanthropy are diverse. However, there is one step that can be taken in order to make progress in all areas: close collaboration and sharing of knowledge. As we continue to uncover the pitfalls as well as the inspiring opportunities that come with contemporary philanthropy, one thing we must start to develop further is the sharing of experiences, expertise and ideas. If we are to succeed in doing as much good as we can, both as businesses and as individuals, we must learn to collaborate and encourage open and in-depth exploration of topics which defy easy categorisation or resolution. Unfortunately, these important conversations are often relegated to the 'to do' list in perpetuity as time constraints and organisational processes get in the way.

Having observed some of the challenges above, Founders Pledge has set out on a mission to start a long-term conversation on all aspects of charitable giving, and to encourage entrepreneurial and analytical minds to think critically and deeply about the challenges we face together in our endeavours to create a better future for the globe. This exploration comes in many forms, including annual forums where we give a platform to experts in fields like impact measurement, data analysis and charitable cause areas, as well as smaller format events and content designed to encourage the analytical skills and creativity of entrepreneurs to be directed towards social challenges.

By organising and tailoring thought provoking content as well as providing research on charities for entrepreneurs who have made a commitment to leverage their success for good (through a pledge to donate a percentage of their proceeds upon an exit), we are determined to overcome the constraints which too often keep some of the most resourceful individuals of our society from thinking about social problems.

As a global community, we still have a long way to go in order to reach the big milestones we've set for our future, such as the UN Sustainability Development Goals. Business philanthropy will undoubtedly play a significant role in reaching these goals, but the scope of its impact still relies on the advancement of new ideas and methods within the sector. What we've found at Founders Pledge is that by engaging business leaders early on in their careers, we can facilitate frank and open discussions around charity which create ripple effects extending beyond the individual members of our community, and hopefully contribute to a more robust set of tools and ideas for taking philanthropy into the future.

FOR FURTHER INFORMATION:

Please visit: https://founderspledge.com/

Hope for Tomorrow is a dedicated charity with a single aim: to bring cancer care closer to patients. Working in a unique partnership with the NHS, its state-of-the-art Mobile Chemotherapy Units (MCUs) travel to different locations around their area, helping reduce journeys, waiting times and the stresses and strains of busy hospitals for cancer patients. The charity aims to have at least one unit in every county by 2025.

Hope for Tomorrow was awarded a Queen's Award for Enterprise, in the Innovation category in 2016.

> *"I believe that charities are often created out of personal experience and have a desire to cut through obstacles in order to achieve change. This is my story." Christine Mills MBE, Founder of Hope for Tomorrow.*

I founded Hope for Tomorrow in 2003, following the sad loss of my husband David to cancer. During his treatment I had been struck by the difficulties we faced in travelling long distances for chemotherapy, including the terrible frustrations of hospital parking and long waiting times. I wanted to help people undergoing chemotherapy in a practical way and I decided to approach Dr. Sean Elyan, Consultant Oncologist and Medical Director of Gloucestershire Hospitals NHS Foundation Trust, with my ideas.

To my delight I found we had a shared vision: to bring chemotherapy closer to patients. Together we developed a pilot scheme that resulted in the 2007 launch of the world's first Mobile Chemotherapy Unit (MCU), in a unique partnership with the NHS. Launching the world's first of anything is no easy task, and this was no exception. I will always be grateful to Dr. Elyan for his constant support and dedication to Hope for Tomorrow and our vision. His guidance has been invaluable, particularly in relation to our dealings with the NHS.

Today we are the proud owners of 11 well-equipped, state-of-the-art MCUs around the country. Hope for Tomorrow builds, owns and maintains the MCUs, which are operated by highly trained NHS staff. The MCUs travel through their areas of operation to places where the service is needed most, visiting local Community Hospitals and other easily-accessed sites such as supermarket car parks or community centres.

The MCUs allow cancer patients to receive treatment in a restful environment closer to home, saving stressful long distance travel and minimising waiting times. Up to 20 patients per day can be treated on board, and I'm delighted to say that patients report a more sociable, less stressful experience. Travelling and parking are easier and less costly and patients can enjoy a cup of tea and a chat on board. We've worked hard to make sure that the experience of being treated on board is as pleasant as it can be, and we've responded to what patients have told us about what they need. For instance, we have installed lifts for those unable to use the steps up into the units; there is a private area for nurses or patients needing a moment to themselves, and there are always biscuits on board. The nursing staff appreciate the calm atmosphere of the units and getting to know the patients.

Our first patient to be treated in Somerset said: "Today I felt a little low but after being treated on the bus I felt I could fly again" – words like this are very special to me and my passionate team.

For our NHS partners, the benefits of increased capacity and flexibility of service are clear: Hope for Tomorrow's MCUs provide the means for up to 15 per cent of an Oncology Department's activity to be completed on board, with the capacity to administer up to 2000 treatments per year, per unit, saving thousands of miles of travel per year and hours of time.

Our Mobile Chemotherapy Units cost £260,000 to build and are bespoke, state-of-the art units. We only start the build once we have the commitment of the NHS Trust partner who requires it and there are stringent criteria for the agreement to supply, including a two-phased business plan, the partner's need for the service, capability, capacity and commitment. We require from them a Board-approved business case as well as details of their background and objectives, their experience and suitability, their ability to deliver and their vision.

We continue to keep the wheels turning on our Mobile Chemotherapy Unit Project with the help of our dedicated supporters through charity fund-raisers, ongoing donations and charitable trusts.

None of this work would have been achieved without the commitment of the team at Hope for Tomorrow, including our core team operating from Gloucestershire, our Trustees, our Patrons and our Ambassadors. When I started the charity I was on my own; now I have a passionate and dedicated group of people around me. We are a small organisation, we all work together as a tightly knit team, and in my experience and as quoted in 'The Little Blue Book' New Philanthropy Capital Feb 2010, the biggest asset to any charity is its staff.

We have a strong Board of Trustees with a wide range of business skills. The Board of Trustees has signed off a carefully structured national expansion for Hope for Tomorrow and is committed to supporting the charity's targets for extending this very worthwhile project right across the country.

I believe charities are often created out of personal experience and have a desire to cut through obstacles in order to achieve change. At Hope for Tomorrow we have stayed true to the original need that I identified when I went through the experience of supporting my husband through his cancer treatment.

When I started the charity I found an inner strength, which helped me through adversity towards my dream. As the book "Grit," launched in May 2016 by award winning psychologist Angela Duckworth, says: people can achieve remarkable things not just by relying on innate natural talent but by practising "The Power of Passion and Perseverance." That has helped me enormously and I am proud that our team at Hope for Tomorrow also have these qualities and dedication to the charity.

Hope for Tomorrow

Bringing cancer treatment closer to home

Christine Mills MBE in one of our MCUs

FOR FURTHER INFORMATION:

Please visit: http://www.hopefortomorrow.org.uk/

To donate: http://www.hopefortomorrow.org.uk/donate/ or text: HOPE to 70660

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THE CHARITY CONTACTS ACROSS THE FIRM:

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