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EXPLORING THE ROLE OF PHILANTHROPY AS PART OF WEALTH MANAGEMENT

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Philanthropy Impact

MAGAZINE

THE CAMPAIGN FOR GROWING MODERN PHILANTHROPY

FACING OUR GREATEST IMMEDIATE CHALLENGE – THE ROLE OF PHILANTHROPY

THE FINAL PART OF A THREE-PART SERIES

THIS ISSUE: CHANGE BRINGS OPPORTUNITIES

"Donors... becoming more strategic about their giving... [which] includes thoughtful and intentional reflections on how they give, the causes they support, and approaches they choose to amplify impact." Olga Tarasov

SOCIAL INVESTING: WHAT DO INVESTORS WANT?

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PHILANTHROPY IMPACT

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution to philanthropy in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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EDITORIAL

RECONNECT AND REBOOT

CATH DOVEY - WWW.BEACONCOLLABORATIVE.ORG.UK

Reading the articles in this edition of Philanthropy Impact Magazine, the readiness among contributors to accelerate action toward effective social change is striking.

At the height of lockdown, we may not have ventured beyond our front doors, but the pandemic has forced us all to contemplate our interdependence. More importantly, we are counting the human cost of the structural weaknesses and inequalities across our societies.

Before the COVID-19 crisis, we debated how to balance environmental, social and governance concerns to maximise social and financial return. As Greg Davies observes in his article 'Social Investing: What do Investors Want?', ESG (Environmental, Social and Governance) funds focused most on the 'G' and least on the 'E', because 'G' was easier to measure.

If 'E' was difficult, 'S' was even harder.

Back then, 'social' was a theoretical construct. It isn't any more. Today we pine for 'S'. Our daily lives are fractured by the void of social distance. Our societies are suffering the humanitarian and economic damage that happens when we are forced apart.

We are learning the hard way about the importance of togetherness.

So, as our thoughts now turn towards recovery from the immediate crisis, Victoria Papworth from the Coutts Institute urges us to consider that it is not enough to do things differently, we must do different things 'Meaningful Networks, Relevant Contact'.

This edition of Philanthropy Impact Magazine challenges us to do precisely that: to consider what different things we will do as a result of the COVID-19 pandemic.

Clare Wilkins from New Philanthropy Capital suggests advisers encourage philanthropists to move toward unrestricted giving 'Helping Philanthropists Respond to Coronavirus'. This, she says will give charities the resources they need to work flexibly and responsively in the times ahead, and will arguably go the furthest to help charities.

Jennifer Emms of Maurice Turnor Gardner points out that we also need to re-think trusteeship as the volunteer army in the UK faces the unenviable challenge of navigating an economic crisis that may be as deep as the Great Depression of the 1930s 'Implications for Becoming a Charity Trustee in These Difficult Times'.

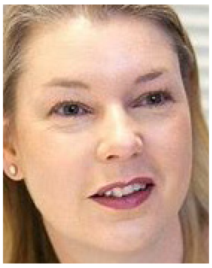
Michelle Wright from Cause4 'Next Generation Philanthropy — What Matters to Millennial Mega-Donors' and Martial Paris from Wise 'Philanthropy is Everyone's Business' argue that the younger generation of wealth owners need a seat at the decision-making table so their voice is heard in the debate about how we can co-create a better society. On a similar theme, Olga Tarasov of Rockefeller Philanthropy Advisors says giving while living will encourage more donors to engage in thoughtful and strategic philanthropy 'Global Trends and Strategic Time Horizons in Family Philanthropy'.

However, what struck me most of all when reading this edition's articles, and contemplating the enormity of the reboot ahead, was the personal story of Darshita Gillies from Maanch. Describing her personal journey from the bottom 1 per cent of society to the top 1 per cent, she suggests we keep this question in mind: what would you do if you considered the whole world your family? 'A Global Community in Adversity: What Lessons can Philanthropists Learn From the World's Response to Coronavirus'.

As you ponder this question, I am sure the notion of togetherness will feature somewhere in your response.

CATH DOVEY, CHAIR, PHILANTHROPY IMPACT AND CO-FOUNDER, BEACON COLLABORATIVE

Cath is a Co-Founder of the Philanthropy Collaborative and is the lead coordinator for a number of the activities of the Beacon Collaborative. Formerly a Co-Founder of Scorpio Partnership, the global wealth management strategy and research firm, she led the firm's high-net-worth and strategy research capabilities for two decades. In the field of philanthropy, Cath headed Scorpio Partnership's global research work with major donors, family givers and family foundations. Cath chairs Philanthropy Impact and Rosa, the UK fund for women and girls. She is an advisory board member of the Family Office Association in the US and the Managing Partners Forum in the UK.



Understanding consumer demand for social investing solutions

SOCIAL INVESTING: WHAT DO INVESTORS WANT?

GREG DAVIES - WWW.OXFORDRISK.COM

SOCIAL GOALS ARE A SUBSET OF INVESTMENT GOALS

People invest to meet needs, usually financial ones. How people invest – their behaviours as investment owners – are also about meeting a need, an emotional one: comfort with owning investments.

Beyond these traditional narrow concerns, there is a growing category of investor needs to account for: using investments to meet social goals.

There are plenty of names for this: social investing, sustainable investing, responsible investing, impact investing.... To classical finance, that an investor could want anything other than the highest risk-adjusted financial return seems strange. However, real life is viewed through a wider lens. This throws up as many questions as the concept has names.

It's possible to see social goals as a subset of investment goals, but does that mean people should? And to what extent? Is designing solutions for these goals a case of build it and they will come? Or build it and they will merely applaud, in the way people get dismayed at the death of a high street they personally haven't walked down in a decade?

What should be built? How should it be marketed? Is better marketing for existing solutions good enough, or is the demand for something new? What stops potential investors from becoming actual investors? Do different groups want to hear different things?

QUANTIFYING SOCIAL-INVESTMENT INTEREST

Oxford Risk, in partnership with the UK's Social Impact Investing taskforce and later with Newton Investment Management (which focused on US investors), researched these questions, providing insight into the drivers of interest in, and ultimately engagement with, social-investment opportunities.

The research (which should of course be seen as early steps in a long and winding journey) revealed that attitudes on several scales cluster around six profiles (detailed in the Newton report[1]) covering a range of interest from evangelical to lackadaisical that distinguish between potential social investors far more usefully than demographics. These profiles are the starting-point for crafting solutions and messaging that ignite interest and inspire investment.

GREG DAVIES

The two most important scales for analysing individual attitudes to social investing are:

- how much investors want to invest in companies making a positive difference to the world; and
- to what extent they will accept some financial trade-off (lower returns, less liquidity, or higher risk) to do so.

Several of the attitudinal scales used in the research have since been built into the Oxford Risk Responsible Investing profiling tool.

MATCHING INTEREST TO OPPORTUNITY

In both the UK and the US, the research is clear: investors are interested… when they're aware there's such a thing as social investing to be interested in. Opportunities to align investments with values are readily seized, when they're known about.

Bridging the interest-awareness gap is the first and most important step to driving social investment. Awareness requires engagement. Potential investors need to be engaged by having solutions talk directly to their needs and in a way they can hear: the right messages, at the right time, and in the right place.

WHAT TYPE OF SOCIAL INVESTOR ARE YOU?

Investment and social goals can conflict. Within those that display a keenness for social investing at all, the starkest division in the profiles is between those that would like these goals to directly align (getting social returns insofar as doing so also generates financial returns) and those who would prefer the opposite, wanting to maximise social bang for buck (giving up returns, or liquidity, or taking on higher risk where doing so is an efficient way of doing social good).

Two key findings of the research were: a) those who had previously invested were not the ones with the highest desire for social outcomes, but the ones most comfortable with making trade-offs to achieve them; and b) the highest-interest group ('Optimisers', making up 15 per cent of all investors) displayed the intrinsic motivation that is currently being ignored, or even potentially overridden, by marketing approaches that deny a trade-off exists, and that all social impact can be achieved for free… that there is such thing as a free charity lunch.

WHAT CAUSES DO INVESTORS CARE ABOUT?

Using the UN Sustainable Development Goals (SDGs) as prompts, the strongest finding was that individual investors tend to care about all goals or none. If you want to do social good, you're quite likely to think all the SDGs are important; if you're less altruistic you're likely to deny any are important. However, there is a pattern in the groups of causes investors favour. These groups divide along the Environmental, Social, and Governance (ESG) lines of existing social-investment options. For example, the 'S' group favour the SDGs that focus on other people (sanitation, hunger, poverty) and the 'G' group on those to do with institutions (industry, innovation, infrastructure).

Existing funds tend to lump E, S and G together, focus most on the 'G' and least on the 'E'. This is understandable – 'G' is easier to establish and measure – but it runs counter to investor interest, which places 'E' on pole and 'G' at the back.

WHAT STOPS PEOPLE INVESTING?

Beyond the initial hurdle of lack of knowledge, perceived reasons not to invest are in effect a reflection of a single underlying factor: people will grasp at perceived barriers of any kind as an excuse not to invest, or they will not. There is, however, another barrier: investors not wanting to work too hard to find their most suitable investment.

It can look as if investors and the industry are each looking to the other to describe precisely what is wanted. The majority of investors, and advisers, will engage only if navigating the complexity of social investment is made easier. The industry should seek to do the heavy lifting for them: use well-designed profiling tools and decision processes to help investors understand what they want, and which investments are best suited to this. Even the most-interested group can't act when it's not clear there's something for them to act on.

START FROM INDIVIDUALS, NOT FROM SOLUTIONS

The ranges of investor desires and investment options need better coordination if suitable matches are to be more readily made. Profiling analysis shows individuals aren't on a single mission. They have different needs and will respond best to different types of communications depending on personality, attitudes and opportunities.

Some messages are universal, some are not, and motivating messages cluster in different ways – it's good to know which amplify each other, and which cancel each other out.

Investors have a need for comfort with their investment decisions. Such comfort most reliably comes from an understanding of what is being invested in, how that fits with personal values, and how it helps in the achievement of certain goals. Social goals are a part of this. Using a refined understanding of these needs to both design social-investment solutions and make potential investors aware of them is a natural extension of the behavioural suitability journey.

GREG B DAVIES PHD, OXFORD RISK

Greg is a specialist in applied behavioural finance, decision science, impact investing and financial wellbeing.

He founded the banking world's first behavioural finance team at Barclays in 2006, which he led for a decade.

In 2017 he joined Oxford Risk to lead the development of behavioural decision support software to help people make the best possible financial decisions.

Greg holds a PhD in Behavioural Decision Theory from Cambridge, has held academic affiliations at UCL, Imperial College and Oxford, and is author of Behavioral Investment Management.

Greg is also Chair of Sound and Music, the UK's national charity for new music, and the creator of Open Outcry, a 'reality opera' premiered in London in 2012, creating live performance from a functioning trading floor.

NEXT GENERATION PHILANTHROPY – WHAT MATTERS TO MILLENNIAL MEGA-DONORS

MICHELLE WRIGHT - WWW.CAUSE4.CO.UK

2019 was another bumper year for The Sunday Times Rich List. There are 150 billionaires in the UK with a joint worth of £525bn – a record number. In contrast, despite low unemployment, wage stagnation and 'poor quality' jobs have resulted in record levels of in-work poverty. It's not a great narrative, and public opinion across the world is swinging against billionaires, with an increasing number of political voices debating whether or not it should even be possible to accrue so much personal wealth.

Last year, historian Rutger Bregman, urged the rich to 'stop talking about philanthropy and start talking about taxes' and it certainly feels like time the US organisation, Patriotic Millionaires, a group of high net worth individuals arguing to end tax cuts for the wealthy, had a UK equivalent.

A digitally connected and informed public isn't likely to take kindly to a 21st century re-run of the roaring twenties — complete with Bright Young Things displays of wealth and Oliver Twist levels of deprivation, and the super-rich recognise that. According to a recent Wealth X survey in the US, 2019 Trends in Ultra-High Net Worth Giving, this self-awareness is affecting how the new generation of tech, digital and online retail billionaires are approaching how they give back. Traditional philanthropic behaviours like immortalising the family name on wings of hospitals and museums aren't going to cut it for the new generation of big donors. Instead, the new UHNWIs are bringing their problem-solving, 'disruptiveness' to their donation strategies. So, what does this mean in real terms for traditional fundraising models and what do we need to bear in mind when engaging with this 'philanthrocapitalist' mindset? There are a few clues that we can surmise from the Wealth X survey:

1. Knowledge is Power – Modern big donors are less inclined to 'drop a cheque and run'. They take a more strategic approach: they want to know exactly how their money will be used, and what impact it will have – backed up by the data to prove it. Charities need to speak their language, demonstrate impact and, in 'business speak', prove a return on their investment.

2. The Under 45s have Different Priorities – Education is the top cause for donors of all ages. According to the US-based Johnson Centre for Philanthropy, younger philanthropists are also drawn to animal welfare, the environment and social activism rather than the cultural causes often supported by their parents and grandparents. The arts comes in second for ultra-wealthy people who are over the age of 65, but far lower down the list for ultra-wealthy people under 45. 65 per cent of older donors have donated money to the arts, compared with just 35 per cent of those that are younger.

3. Getting Involved and Giving Sooner – Younger billionaires want to get actively involved in their chosen cause. Many are allocating their time and skills in a way that has not been seen before. Philanthropy is seen by many as the next phase in their career, post-fortune building. They made it; they want to spend it. Whilst older billionaires tended to focus on philanthropy after retiring, the next generation are getting involved much earlier and are building expertise as they go. This means that their philanthropic work will run alongside their career building activity. The challenge for charities is to ensure that the work these young donors do in their private sector lives matches the values of their charity.

4. Less is More – As younger billionaires get more hands-on, they are engaging more deeply but in fewer philanthropic causes. For example, Bloomberg's David Ramli reported in September 2019 that a group of five Chinese heirs has made climate change the singular focus of their philanthropy.

MICHELLE WRIGHT

"IF WE ARE TO NAVIGATE THE TRICKY FUNDING WATERS AHEAD, WE HAVE TO TAKE THIS NEW CONSTITUENCY SERIOUSLY AND BOLDLY MAKE OUR CASE FOR THEIR SUPPORT"

5. Collaboration is Key – The Giving Pledge was originally developed by an older generation of donors, namely Bill & Melinda Gates and Warren Buffet, to encourage strategic long-term wealth redistribution. It has since inspired over 200 ultra-wealthy people across the globe to commit to giving away the majority of their fortunes. But this style of giving is generally more popular among the younger generation of billionaires than older ones. It makes the patron a partner, directly involved in decision-making and policy planning. This co-creation trend means less museum wings in the family name and more seats on boards.

At a time of national financial uncertainty, heightened public scrutiny and increasing ethical awareness and concerns, incorporating the requirements of this new generation of donors is not without its challenges. We're not suggesting a return to the foibles of 18th century patronage, but rather that we may need to incorporate more co-creation strategies into our fundraising and resource allocation models going forward. If we are to navigate the tricky funding waters ahead, we have to take this new constituency seriously and boldly make our case for their support. The world's richest millennials have a collective worth of $235bn and counting. The biggest problem those disruptive tech billionaires may find themselves faced with over the coming years is continuing to justify the glaring wealth gap. And we ought to be able to help them solve that.

MICHELLE WRIGHT, FOUNDER AND CEO, CAUSE4

Michelle trained at the Guildhall School of Music & Drama and played the violin professionally before moving into the charity sector. Michelle is founder and CEO of one of the UK's leading B-Corporations Cause4 and is Programme Director of the Arts Fundraising & Philanthropy Programme an Arts Council England SSO.

Michelle's portfolio of work across the charity sector includes major strategic and business development projects, including campaign developments with a number of national charities and consultancy work for FTSE 100 brands, developing their sponsorship and CSR programmes. Michelle also specialises in philanthropy, having recently developed a number of major philanthropy projects for charities and corporates, and having set up new philanthropic foundations for sports stars, artists and entrepreneurs.

Michelle leads a range of charitable governance programmes and runs the national Trustee Leadership Programme supporting talent and skills development onto charity Boards across both service and grant-based charities, as well as delivering governance reviews for a wide range of national charities.

Michelle is a regular key note conference speaker and writer. She was awarded the Freedom of the City of London by the Guild of Entrepreneurs in 2016 and was voted the most influential woman in fundraising in the AI Global Awards 2018. Her company Cause4 was voted one of the the top 10 philanthropic businesses in the UK in 2018 by readers of Real Business magazine.

"FAMILY FOUNDATIONS ARE THE MOST COMMON VEHICLE FOR GIVING, WITH MOST RESPONDENTS (64%) USING THEM FOR THEIR PHILANTHROPIC CONTRIBUTIONS"

GLOBAL TRENDS AND STRATEGIC TIME HORIZONS IN FAMILY PHILANTHROPY

OLGA TARASOV - WWW.ROCKPA.ORG

Across the world, family philanthropy comprises a rich fabric of giving cultures, legacies, approaches, motivations and structures. For all the nuances and differences, however, the one consistent commonality is that in the 21st century family donors are becoming more strategic about their giving and their commitment to improve lives and the state of the world. This includes thoughtful and intentional reflections on how they give, the causes they support and the approaches they choose to amplify impact.

To explore this further, in 2019, RPA conducted a global survey of more than 200 ultra-high-net-worth family philanthropists. The average assets under management of the associated philanthropic organisations was $155 million, and over the 12 months preceding the survey, the philanthropists gave an average of $12 million each to various causes. The respondents spanned 28 countries representing North America (50 per cent), Europe (25 per cent), Asia-Pacific (20 per cent), and South America (5 per cent).

This analysis surfaced important findings and trends related to many aspects of global philanthropy, including giving vehicles, main motivations, causes supported, views on and approaches to strategic time horizons in giving, and engaging the next generations in philanthropic endeavors. The study's key insights, which we hope will inform and advance the field and practice of philanthropy, are as follows:

PREFERRED VEHICLES

Family foundations are the most common vehicle for giving, with most respondents (64 per cent) using them for their philanthropic contributions. Direct donations to non-profit organisations or charities is the second most popular vehicle for family philanthropies. In terms of regional differences, in Asia-Pacific giving is evenly split between family foundations and direct donations, and donor advised funds were considerably more popular in the United States than in the rest of the world.

OLGA TARASOV

REASONS FOR GIVING

Giving back to society is the top reason for philanthropic support for 75 per cent of respondents. This is followed by a desire to influence social change, put values into action and address social inequality. Looking across the regions, those in Asia-Pacific are the most likely motivated to give back to society and address social inequality. Europeans are the least likely to cite as motivations leaving a legacy, engaging the next generation or giving back to society. Meanwhile, Americans are the least likely to give to address social inequality.

CAUSES SUPPORTED AND MOTIVATIONS FOR SUPPORT

Education receives the highest percentage of philanthropic dollars, constituting 29 per cent of the average philanthropic portfolio. Health ranks second, followed by the arts, culture and sports. Families in Asia-Pacific tend to allocate more to education, while families in Europe give more to the arts, culture and sports than those in other regions. In terms of the relationship between the motivations to give and causes supported, families motivated by leaving a legacy allocate a greater share of their funds to education. Those motivated by leaving a legacy also allocate a greater share of their funds to the arts, culture and sports.

STRATEGIC TIME HORIZONS

Strategic consideration of philanthropic time horizons is on the rise. Although the in-perpetuity model remains dominant, there is a growing interest in time-limited giving, with nearly two-thirds of respondents who use the time-limited model adopting this approach after 2000. Regarding reasons for adopting a time-limited philanthropic horizon, close to one-third of respondents say that it supports their desire to see the impact on beneficiaries during founders' lifetimes, while nearly a quarter say that it allows them to make a greater impact by narrowing their focus. The most common reason for adopting the in-perpetuity approach is that it can enable sustained and long-term support to address persistent challenges. The second most common reason is the belief that it can strengthen a family's purpose and values, followed by its ability to impact beneficiaries across multiple generations.

ENGAGING THE NEXT GENERATION OF FAMILY PHILANTHROPISTS

The next generation of wealth holders is often engaged in family philanthropy, with 81 per cent of respondents saying they are actively or somewhat involved. The highest involvement of the next generation is in the United States. Globally, the next generation most often engage by serving on philanthropic boards, conducting site visits and developing grants. Across all regions and time horizon approaches, instilling philanthropic values and a sense of moral responsibility is the top strategy for engaging the next generation. This is followed by involving the next generation in philanthropic work and creating meaningful roles for them in philanthropic entities.

DECISION-MAKING STRUCTURES

The majority of respondents indicate that key decision-makers in family philanthropy are the head of the family or the founder. The second and third most influential figures are other, less senior family members and trustees. Notable differences in decision-making emerge when viewed through a strategic time horizons lens, with the head of the family or founders serving as the key decision-makers for 70 per cent of time-limited family philanthropies. Family members perform the day-to-day management of almost half of the philanthropies surveyed. In other cases, day-to-day management is entrusted to dedicated philanthropic staff or non-family office staff.

In conclusion, some of the most significant observations from this work include the below key points.

- Philanthropic activity is growing worldwide, and family philanthropists are seeking to become more thoughtful and intentional about their giving, driven at least in part by the desire for greater impact.
- More families are explicitly considering their strategic time horizon. This suggests that no matter what the chosen time horizon, this should be a regular topic of discussion for family philanthropies.
- Time limited philanthropy is on the rise globally and this trend is here to stay. Our research suggests this is driven by a sense of urgency to act, as well as the desire to deliver and see impact within tangible timeframes and the founders' lifetimes.
- Thoughtful engagement of the next generation is key for all models and forms of philanthropy, with many families seeking inter-generational impact and robust legacies.

We hope the meaningful insights and trends illuminated by this survey will contribute to the growing body of work relating to family giving and strategic time horizons in philanthropy to enable donors worldwide to engage in more thoughtful and strategic giving.

OLGA TARASOV, DIRECTOR, KNOWLEDGE DEVELOPMENT, ROCKEFELLER PHILANTHROPY ADVISORS

Olga leads Rockefeller Philanthropy Advisors' knowledge development efforts, overseeing and advancing research, publications, and both internal and external programmes to advance Rockefeller Philanthropy Advisors' role as a thought leader in the philanthropic space. To promote Rockefeller Philanthropy Advisors' expertise within the sector, she assesses and identifies opportunities to share findings, knowledge and experience from current client activities, as well as proposes new uses for existing Rockefeller Philanthropy Advisors intellectual property. She also leads major thought leadership programmes, including the Theory of the Foundation and Time Horizon initiatives, which seek to build knowledge and catalyse collaboration within the philanthropic sector.

Previously, Olga worked at the National Endowment for Democracy, where she administered a grant portfolio supporting efforts to bring about social change, stimulate civic activism and improve local communities in Eastern Europe. Olga also has served as a spokesperson on issues affecting the region and the field of international philanthropy. Prior to NED, Olga served as a Program Manager and Acting Regional Director at the Open Society Foundations. Leading regular in-depth monitoring and evaluation of grantees and projects, Olga helped OSF to optimise its grantmaking, improve institutional learning and communicate achievements.

Olga holds an MA in International Affairs from Georgetown University and a BA in International Affairs from The George Washington University. She is a native English and Russian speaker, and counts Polish, Turkish, German and French among her other languages.

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Challenging but rewarding: what does the future hold for charity trusteeships?

IMPLICATIONS FOR BECOMING A CHARITY TRUSTEE IN THESE DIFFICULT TIMES

JENNIFER EMMS - WWW.MAURICETURNORGARDNER.COM

Acting as a charity trustee can be an enjoyable, fulfilling way of furthering a valuable cause one is passionate about. But over the last few years it has become an increasingly difficult role.

I have provided charity law advice across a whole spectrum of matters for over 10 years now, from advising individuals who are excitedly embarking on setting up a new charity, to charity mergers and winding ups, with commercial participation, conflicts of interest issues and grant agreements in between.

I am usually brimming with enthusiasm about the charitable sector. It was only receiving a call from a university friend very recently asking for my thoughts on a potential trusteeship she was applying for that made me stop in my tracks. Acting as a charity trustee can be an enjoyable, fulfilling way of furthering a valuable cause one is passionate about. However, this friend has a busy lifestyle and the charity she was considering joining is a not-particularly-straightforward operating charity. Whilst I gave her the full facts to enable her to make her own informed decision, I did find myself striking a strong word of caution. Why? Over the last few years, I think it has become increasingly difficult to be a charity trustee. This article looks at the key existing challenges, explains how I think they will only increase, considers how those seeking to be charity trustees can best protect themselves and ponders what the future might hold for the trustee role.

Reputation, reputation, reputation. CAF's 2019 statistics show that only 48 per cent of people believe charities to be trustworthy (and 21 per cent actively disagree). The well-known phrase 'there is no such thing as bad publicity' does not seem to apply to the charity sphere as we, the public, have an expectation that charities are morally beyond reproach. You do not need me to remind you of the scandals that have received significant press coverage in recent years. They cover a range of issues from fundraising methods (e.g. the cold calling and aggressive practices scandal in 2015), to safeguarding (Oxfam and Save the Children in 2018) and from "wasting" of charity funds (the Garden Bridge Trust) to not spending enough (the Royal British Legion and other military charities accused of having excess reserves in late 2019). There is a balance to be struck: accountability and identifying, learning from and sharing mistakes are critical to improving the sector. But high-profile exposés and criticism of trustee decisions, which can involve hindsight and/or precede a full appreciation of the facts, create a challenge for trustees. In taking decisions that they consider to be in the best interests of the charity, they also have to consider how any of their actions could play out in the media.


JENNIFER EMMS

The rise of social media has increased this challenge and this is likely to continue. I should acknowledge that social media offers fantastic advantages: for instance, the opportunity to raise the profile of a particular cause or fundraising effort with very little associated cost (look at the success of the Ice Bucket Challenge). It also has downsides: it is fast paced and wide-reaching; any criticism of a charity is rapidly disseminated. The choice of how and when to respond can be a difficult one for a charity faced with a social media frenzy. A trustee's role is supervisory, so trustees do not have day to day presence – if a matter is critical to the charity it should be properly debated and decided by the trustee board but this can take time to mobilise. Giving a holding response, collating the facts and seeking professional advice in the meantime can be the right reaction but expenses in this area can themselves be open to criticism (for instance, MPs criticised the £114,000 legal bill incurred by Save the Children in seeking to prevent media exposure). Charities need to be not just aware of their own social media presence but also to be vigilant of those they associate with (consider the backlash for Balls to Cancer and Muscular Dystrophy UK of a personal comment from Christine Hamilton). These are difficult waters for trustees to navigate.

There are other areas that have proved to be "difficult waters" for all organisations, commercial and philanthropic alike, in recent years. Technological advances being one of them. On the one hand, technology is a blessing, with developments such as contactless giving and cryptocurrencies offering less traditional methods of giving. On the other hand, it brings a whole host of decisions (such as how much to spend on new technologies) and new risks, including the need to ensure that operational infrastructure is robust. This includes protecting against the risk of cyber-attacks and loss of information about charity beneficiaries and donors. In the current lockdown, technology is essential to permit charity functions to operate remotely as far as possible.

On the topic of lockdown and COVID-19, the resulting challenges faced by the charity sector are numerous and merit articles in their own right. I will touch on one aspect here, investment. Charity trustees have a duty of prudence, judged according to what the ordinary business person would do if they were under a moral obligation to provide for others. This raises difficult considerations for charity trustees in normal economic circumstances and I regard this as another area of challenge. Amongst other factors, trustees must consider diversification, the appropriateness of any investment advisor and manager, whether they should be moving away from traditional investments in favour of more socially responsible ones and suitable investment aims to meet the charity's funding needs. Given the current stock market crash and at a time when the International Monetary Fund has warned that the world faces its worst recession since the Great Depression of the 1930s, these considerations must be weighing heavily on charity trustees' minds.

As a general point, the landscape in which charities operate is constantly changing, and staying up-to-date and being adaptable is a current and future challenge. From a regulatory perspective, trustees should already have ensured their organisation grappled with GDPR, serious incident reporting and the Code of Fundraising Practice to name but a few. More will no doubt follow.

"UNDERSTAND THE EXPERTISE OF THE TRUSTEE BOARD AND THE STAFF TO IDENTIFY ANY GAPS"

Pressure from donors is also evolving. With millennials and Gen X increasingly in the driving seat, they are more concerned than previous generations to see that charitable funds are applied in a way that has a demonstrable impact. Charity trustees will need to ensure their organisations keep apace.

So what should you do if you are considering becoming a trustee? Due diligence is critical. Read the charity's governing documents and accounts to familiarise yourself with the organisation, including understanding exactly what it does and its financial position. Get comfortable that it is established with a suitable structure (e.g. if it is an operating charity, is it incorporated to offer liability protection)? Check that it has appropriate policies in place, that staff are aware of them and that they are monitored and followed in practice. Make sure that it has good reporting lines in existence so that, to the extent that there are any issues, they are reported to the trustee board. Understand the expertise of the trustee board and the staff to identify any gaps. Be prepared to take professional advice (whether legal, accounting or other specialist) where necessary. Establish whether trustee or directors and officers insurance is provided and the scope of the cover.

Whilst this is by no means an exhaustive list, it is hopefully a useful guide. As professional advisers, I think it is important that we ask questions of philanthropists wanting to set up and participate in the ongoing running of a new charity to understand their goals, the time and energy they have to commit to trusteeship and to make sure they understand the responsibilities involved. Being a trustee can be an incredibly rewarding experience which contributes huge value to society but it is important to go into it with open eyes, which leads on to the key, final challenge I wanted to flag. Based on the Charity Commission's data, there are over 168,000 registered charities which require not too far short of a million trustees. The basic premise is that a charity trusteeship is an unpaid, voluntary post. Given what we expect of charity trustees and the high standards society holds them to, plus the risk of repercussions to their personal lives and business if it goes wrong, is this still appropriate? Will it become difficult to recruit trustees with appropriate expertise and talent to act on this basis in the future? In my view, this is the most significant challenge of all those I have mentioned. My personal prediction - in order to meet society's expectations, for certain types of charity the shift to paid trustees who are involved in the day-to-day management of the charity is inevitable. It seems odd to expect individuals, in their spare time and without remuneration, to be responsible for large, international charities with multi-million pound service offerings. Only time will tell.

JENNIFER EMMS, PARTNER ELECT, MAURICE TURNOR GARDNER LLP

Jennifer advises on a range of private wealth and charity law matters. She provides advice to charities at every stage of their lifespan. She has extensive experience in providing guidance on structuring, amendments to governing documents, serious incident reporting, grant-making, delegation, duties and liabilities. She also advises prospective donors on how best to achieve their philanthropic aims, including advising on wills and legacies and on gift aid and other UK tax matters.

MEANINGFUL NETWORKS, RELEVANT CONTACT

VICTORIA PAPWORTH - WWW.COUTTS.COM

The current crisis has highlighted the need for transformational change and funders as well as advisors have had to react swiftly, flexibly and creatively. Many networks are sharing best practice, advocacy and useful resources, and it is these collaborative practices which have been central to the response to the pandemic. Will this shift continue as we move into the post-covid era?

I started a new job with the Coutts Institute in January, helping our UHNW clients fulfil their ambitions for their philanthropy, and I'm about to reach the point where I have spent more time out of the office and away from my new team, than I did in the office. I'm aware of how lucky I was to have those initial weeks getting to know my new colleagues, and it's made me even more conscious of how important is the challenge and support from them.

In lockdown, I've drawn on my wider networks too, and have experimented with ways to connect with them to share our challenges. (Spoiler, it's not all about Zoom). Working in a crisis has meant those networks have been even more helpful, and I've valued the ideas that have come from so many different places.

The current crisis has highlighted the need for transformational change, and funders as well as advisors have had to react swiftly, flexibly and creatively. Trusts and Foundations as well as those advising them are experimenting with different approaches to the challenges facing critical charity infrastructure, as well as to the pace at which these challenges have developed. Many networks are sharing best practice, advocacy and useful resources, with Dafne and ECFI two European examples of this. These are collaborative practices which are central to the response to the pandemic. Whilst this is in no way to minimise the obvious challenges of change-making, let alone doing so in a world where every person and organisation is changing the very way they work and live, our challenge now is to continue to collaborate and innovate at pace and to find ways to sweat our collective energy and drive in the post-corona world.

Working as a collective, using philanthropy to establish a shared identity and to clarify the common values is not new, but getting and staying connected does feel more urgent, and the possibilities of what we can achieve seem all the more relevant. Our Philanthropy Handbook offers a framework for giving to new donors as well as for those used to giving at scale. We reflect on the importance of the community of support which both philanthropists and professional advisors benefit from, as well as the changing nature of the challenge and advice which we bring to our clients. This echoes the Beacon Collaborative's recent research which places peer influence as a key influencer in changing the way the UK views philanthropy.

At Coutts, we speak a lot about being purpose-led, about how we add value by doing our jobs well, not just to our clients, but to our colleagues and wider connections. Purpose is not just about the professional role we fill, but about the strength and authenticity of our relationships, inside our workplaces, as well as with the many networks to which we connect. This is part of a wider conversation about how businesses genuinely serve our society, and the way we ask and answer these questions is changing. How capable are we of radical change? How loudly do we want different voices to speak? How far are we prepared to challenge ourselves? These are not just philosophical questions; these are essential ways of working in an environment which will likely be dominated for years to come by the crisis to public health and to public, private and charitable finances. We cannot allow that to be the entire story.

VICTORIA PAPWORTH

We know that many of our clients' first thought is "How can I help people who are impacted", and the second thought would be "Oh, but what if the charities who support them are really struggling?" The questions we are asking ourselves and the conversations we are having with clients range across response and resilience; how to mobilise quickly vs understanding at what point speed is no longer the right approach, and how we add sharp injections of support (and working capital) without destabilising strategic direction or the longer-term aims of an organisation. Discussions with clients about the role of the state, their risk appetite, sustainability and impact feel increasingly relevant.

"THE HUMAN CAPITAL FEELS MORE AUTHENTIC SOMEHOW, AS IF THE NOTION OF BEING 'ALL IN IT TOGETHER' HAS CURRENCY"

There have been some ways in which our connections with clients have, if not benefited from recent events, at least had some unexpected upturns. One of these is being able to provide valuable data and insight in a world dominated by single-issue headlines. Filtering the noise, distilling the key issues, clients seem to value this and to be reassured by it. Indeed, what could be an awkward conversation is underpinned by an acknowledgement of a deeper human reality. The human capital feels more authentic somehow, as if the notion of being 'all in it together' has currency. We see people's houses and hobbies, their pets and families in the background, and this doesn't feel unprofessional, it feels natural, personal, a moment of meaningful connection. As well as contacting clients to speak about investment performance, we've been getting in touch to check in, without an agenda for the call. These freeform conversations feel easier, as clients aren't rushing, or travelling, or stuck in another time zone, but are happy to build on the common ground of social, but not human, distancing.

Our networks contain enormous collective knowledge and creativity and the recent crisis has showed that when needed, we can do more, move quickly, and reflect on the way we engage with clients — moving from a transactional notion of service delivery towards the often-cited notion of the trusted advisor. Perhaps the real test is to remember we did this, to embed it as a mind-set, and to flex this part of our behaviour in different times. Will this genuinely build deeper relationships? Will we see a shift in the long term towards unrestricted funding, a greater proportion of capital spend, a mindful way of tackling disinformation and fake news, different language around participation and equity? Perhaps. I've spent my life fuelled by hope, and despite our longing to get 'back to normal', the conversations we have been having with our clients will likely change again. It is not enough to do things differently, we must do different things.

VICTORIA PAPWORTH, DIRECTOR, COUTTS INSTITUTE

Victoria is currently a Director of the Coutts Institute which explores the role of philanthropy in the family and prepares the next generation for inheritance; working with clients to support family wealth and business succession planning, family governance, and developing philanthropy strategies. Victoria is interested in supporting clients' giving and impact, and using skills and energy as a practical strategist to connect local activity with the funding that supports it.

Prior to joining Coutts, experience includes working for UKCF, the network of Community Foundations across the UK, with responsibility for strategic funding relationships and the design of national programmes of grant funding, as well as advising government on these areas. She also worked for Locality, as an accredited business advisor, overseeing proposals for complex and multi-source funding.

Experienced Trustee. MBA. Gardener. Stubborn optimist.

HELPING PHILANTHROPISTS RESPOND TO CORONAVIRUS

CLARE WILKINS - WWW.THINKNPC.ORG

We're all adjusting to a new way of life, one that relies heavily on goodwill and everyone doing what they can. COVID-19 represents an unprecedented challenge for all of us, and philanthropists are in a unique position to help those in need. Many, however, are unsure about what they can do to support our vibrant social sector, and where they can have an impact. Donors and their professional advisers need to think through the issues and decide on the best way to respond.

A HIT TO 'INDIVIDUAL GIVING'

Charity fundraising can sometimes seem opaque, and charities often use terms that aren't well understood by philanthropists. But if there is one area of fundraising that philanthropists need to understand in the current climate, it is 'Individual Giving' — and how it has suffered in recent weeks.

For many charities, Individual Giving is where the bulk of their unrestricted money comes from. It includes monthly direct debits, most one-off donations under £1,000, and also 'Community Fundraising' (which is everything from coffee mornings, to sponsored marathons and book sales).

Right now, Individual Giving is taking a big hit. This is an issue because Individual Giving is often a charity's most valuable income stream — both in terms of size and type of funding. Reduced monthly donations, cancelled fundraising events and halts to street fundraising are delivering major (and ongoing) blows to charities. Not only are we seeing losses in real terms, we're also seeing reductions in vital unrestricted income. This is a charity's most valuable kind of income, as it can be spent on whatever is needed — whether that be project work or just keeping the lights on. For many charities, these losses mean that their balance sheet is rapidly changing, leaving many struggling to pay salaries and unable to continue projects.


CLARE WILKINS

UNDERSTANDING CHARITY FINANCES

So, how can philanthropists respond? At NPC, our new guidance advises philanthropists on how to understand the challenges charities are facing and how to help charities through this crisis. Advisers should inform philanthropists of the current issues around Individual Giving, the benefits of unrestricted funding, and the urgent need for flexible funding. Charities desperately require unrestricted funds to help them reach service users, navigate new challenges, retain skilled staff, and keep their doors open.

Restrictions on funding are legally binding, and charities cannot just unlock restricted funds for use on other things, such as remote working technology or salaries. Advisers need to encourage philanthropists to ask grantees to de-restrict their donations, and to consider making future gifts unrestricted. This will give charities the resources they need to work flexibly and responsively in the times ahead, and will arguably go the furthest to help charities.

MOVING QUICKLY

For the social sector, today is the rainy day. The sector will not survive this period unscathed — we will, without doubt, lose excellent charities, and there will be people in need that we just can't help. It is therefore vital that anyone that can step up and support charities with more funds, does so. And does so now. For high and ultra-high net worth individuals, this means identifying available resources, including pots earmarked for future giving, and considering how those resources could be deployed now.

Advisers could, for example, encourage clients with Donor Advised Funds (DAFs) to think about spending them, or advise clients with endowed foundations to dig into the underlying capital. The sector is facing a turning point — NCVO estimates losses in the sector to total £4bn (yes, billion) in the next quarter alone. It is therefore critical that all resources are mobilised. Without this, it is likely that we will not emerge from COVID-19 with the same vibrant social sector that we had going into the crisis.

THINKING BEYOND THE HEADLINES

There are some headline gifts out there, such as the Gates Foundation's pledge of $100m towards COVID-19 health responses. But, as NPC has been saying, health-centred work isn't the only area that needs support. More people are now aware of the need to help food banks source goods and distribute them to families in need. There is also a growing awareness of domestic violence — lockdown is hard for many of us, but if home is not a safe place then lockdown can be risky and traumatic, with little opportunity for respite or escape.

Most of us are now operating in an even more digital world, where tools like Zoom are proving invaluable. But what about the digitally excluded? Those who don't have access to the internet, can't afford mobile data, or don't have a computer. What about those that need one-to-one counselling for help with mental health issues or people living with autism, for whom changes in routine can be very disruptive? Philanthropists should reflect on these and other areas, and consider where help is needed.

ASKING QUESTIONS

Philanthropists looking to give more money during this time are advised to start with their current grantees. We recommend asking questions to understand what they need — this will cut down on the time spent on due diligence, which is especially important because charities may now struggle to contribute much time to this process. Philanthropists that want to fund other charities might want to consider questions such as: Which charities am I interested in but do not currently support? Which charities work in partnership with my grantees? Who are my previous grantees? Who has an important voice in this area? Which new issues do I want to address? These questions can help funders to start to pin down their next stage of funding.

CONSIDER COLLECTIVE FUNDING

For those philanthropists wishing to give right now but without the capacity for sourcing new grantees, collective funds are an option. Donors should consider local community foundations, which could distribute funds in their area. Other collective funds include the National Emergencies Trust and the London Community Response. Or donors might look to join up with other funders so that knowledge, experience and resources can be pooled. These are viable options for funders that feel unsure about where to give in the current circumstances, and they are explained in more detail in NPC's report on cause-related networks. The Beacon Collaborative suggest these networks, which allow philanthropists to collaborate around particular causes, are an important way of increasing philanthropic giving. What is crucial at this time is that donors are not paralysed by the scale of the problem and opt to wait it out.

A STEP CHANGE IN RELATIONSHIPS

The COVID-19 crisis makes it an interesting and important time to be a donor. Charities are finding new ways to talk to their supporters, they are adjusting power dynamics in ways that NPC encourages and are establishing genuinely transparent donor-charity partnerships. Philanthropists can be secure in the knowledge that they are needed and their responses to the unprecedented issues we are facing will be vital. Their understanding, patience and generosity will be appreciated and, in the long run, rewarded with a vibrant social sector in the post-covid world.

CLARE WILKINS, PRINCIPAL, EFFECTIVE PHILANTHROPY, NPC

Clare provides advice on effective philanthropy to a range of clients, including individuals and families, corporate foundations and grant-making trusts. She works with donors that are just getting started with their giving, those that wish to learn more about specific cause areas, funders that wish to review their charitable giving so far, and funders that wish to make a step change in their approach. Clare currently leads on NPC's coronavirus guidance for philanthropists.

PHILANTHROPY IS EVERYONE'S BUSINESS

MARTIAL PARIS - WWW.WISE.NET

One of the most widespread misconceptions about philanthropy is that it is reserved for an elite, a class of people with higher-than-average financial resources – High Net Worth Individuals or HNWI, in other words, with at least US$ 1 million in assets.

In our opinion, this reduces philanthropy to a one-dimensional commitment that begins and ends with the signing of a cheque. We prefer to take a broader view: philanthropy encompasses all the resources that an individual is able and willing to contribute, in a disinterested manner, for the common good.

This approach has the advantage of enriching both our understanding and, more importantly, our practice of philanthropy, by not limiting it to a cash transfer, but combining it instead with all the other resources that a person can offer in the interest of advancing a worthy cause, namely their time, expertise and network.

Based on our experience, there is a strong trend, especially among the rising generation of philanthropists – also known as the "New Gen" – towards associating a financial contribution with a search for meaning and consistency, in an effort to align their philanthropic giving and their everyday concerns. The movement against climate change is the perfect example of this.

NGOs are increasingly integrating this understanding of philanthropy through programmes that offer former beneficiaries the opportunity to share their skills with others. Ikamva Youth, which provides academic support for young people in townships in South Africa, exemplifies this approach: many of its tutors are university students who were themselves beneficiaries of the programme. The results speak for themselves, with an 85 per cent pass rate in high school leaving exams (the national average is 75 per cent).

You don't need a fat wallet to be a philanthropist – philanthropy is everyone's business, and it is up to each of us to decide what we are willing to give in support of a cause we feel strongly about.

MARTIAL PARIS, MANAGING PARTNER, WISE PHILANTHROPY ADVISORS

Since 2008, Martial has advised individuals and foundations in the areas of project identification, strategic planning, grant management and impact evaluation. Martial draws on broad and multifaceted experience in the social development field, and has visited or contributed to over 150 projects in close to 20 countries in South East Asia, Middle East, Latin America and Africa.

Previously, Martial managed projects in the field, including projects for local economic development and human rights in South East Europe and in the Caucasus. He lectures on project management and impact assessment to several Swiss non-profit organisations.

Philanthropy for the greatest challenges facing society over the next 10 years

A GLOBAL COMMUNITY IN ADVERSITY: WHAT LESSONS CAN PHILANTHROPISTS LEARN FROM THE WORLD'S RESPONSE TO CORONAVIRUS

DARSHITA GILLIES - WWW.MAANCH.COM

In recent weeks, the coronavirus pandemic has forever changed our world – and our world view.

With over 2.4 million confirmed cases in 210 countries and territories, many people are discovering for the first time what it's like to face a major global challenge in their own backyard. It's a sobering and sometimes frightening new reality. But among the feelings of fear and anxiety, there is also hope – and a growing sense of our shared humanity.

How we come together to face this unprecedented challenge will undoubtedly have long-term repercussions. But if we get it right, we will do more than tackle a deadly disease; we will also provide valuable pointers for how we might rise to other global challenges with greater efficacy – not just in health and wellbeing but in many more areas equally critical to sustainable development.

IF WE CAN BEAT CORONAVIRUS, WHY NOT HUNGER AND POVERTY TOO?

My formative years were influenced by the poverty my family and community lived in.

We relied on the intricate web of India's social system to feed us and support my education and I remember very clearly, studying for exams by candlelight after our electricity had been disconnected. However, while my determination to create a better future for myself and my family has been rewarded in a rise from the bottom 1 per cent to the top 1 per cent, many millions of people on our planet still face extraordinary challenges, often just as life-threatening as coronavirus.

That's why my focus is on the 100 per cent; the whole-world community.

Of course, improving life for everyone on the planet is an extraordinary challenge. But I've seen reasons to be hopeful at both ends of the spectrum. I've experienced for myself how much can be achieved with so little. And through my work as and with philanthropists, I've seen how individuals and families with a lot to give aren't just concerned with their personal legacy; they genuinely want to change our world for the better.

To achieve this, they must be able to make informed decisions and that's where technology and data can make all the difference.

DARSHITA GILLIES

TECHNOLOGY HAS BEEN THE 'MISSING LINK' IN ENABLING CHANGE ON A GLOBAL SCALE

I set up Maanch, a global impact platform in 2018 with the aim to find ways of using technology to direct funding towards projects and initiatives with the greatest potential to do the most good; not just according to my own criteria, but to those set out in the United Nations Sustainable Development Goals (SDGs) for 2030; effectively the world's 'to do list' for the next 10 years and a blueprint for a better future for all.

These Goals, such as good health and wellbeing, and an end to poverty and hunger, are laudable. But with each need being met by a myriad of different charities, non-profit organisations, governments and other providers, it has been difficult in the past to keep track of impact, progress and where the gaps in provision lie.

"THE IMPROVED AIR QUALITY, CLEARER WATER AND ABUNDANT WILDLIFE THAT HAVE RESULTED FROM A WORLD IN LOCKDOWN PROVIDE FOOD FOR THOUGHT"

Now, thanks to the metrics we've developed and other initiatives such as the online dashboard for coronavirus projects, we can share meaningful data with philanthropists. We can find the projects that best match their specific interests, by type or place; show them where the need is most acute and how to meet it more effectively; and report back on the impact they are making in a way that fires their enthusiasm, encourages conversation and helps to catalyse further change.

In particular, this enables strategic philanthropy, helping to get un- and under-funded projects off the ground, to fill gaps in provision and to make big strides forward in creating a better system that's fairer for everyone. I like to think of this as a reboot for the philanthropy ecosystem — and everyone within it, from individuals and foundations to wealth advisors, corporates and governments — because it's going to take all of us together to achieve these Goals.

BY JOINING TOGETHER, WE CAN CREATE A BETTER WORLD NOW AND BEYOND THIS PANDEMIC

By building up this clearer world view, the SDGs do more than set a common agenda; they give us a clear set of criteria to judge progress against – endorsed by 193 countries.

This is vital as without a clear way to evaluate what does and doesn't work, we cannot rectify past mistakes and plot our way to a better world both through and beyond the coronavirus crisis.

It's also important to remember that as we respond to this pandemic, we must retain a focus on the longer term if we are to mitigate suffering for millions of people worldwide.

This is not the time to be derailed. In fact, there are new opportunities to be unlocked, even during the pandemic. For example, identifying the most vulnerable communities and connecting them to vital services provided by charities and other non-profit organisations, then connecting those organisations to philanthropic support forthcoming because of the coronavirus crisis can open up pathways for the longer-term care of vulnerable populations.

And we see the unexpected flourishing in other areas too.

The improved air quality, clearer water and abundant wildlife that have resulted from a world in lockdown provide food for thought. They have encouraged us to consider both our personal consumption and the environmental measures we must take to mitigate climate change and protect our planet – something that requires collaborative philanthropic action on a monumental scale.
Finally, as the lockdown has pressed pause on certain aspects of our lives and given us a little more time to think, here are just three points to consider:

1. With our futures and those of our children being brought into sharper focus, what would you want your legacy to be?
2. What might you do if you considered the whole world to be your family?
3. Who should you meet with or talk to if you're inspired to deploy your philanthropy wisely?

Generosity is contagious too, so let's make it count.

DARSHITA GILLIES, FOUNDER AND CEO, MAANCH

Listed among the 100 Most Influential in UK - India Relationships, Darshita's aim is to leverage the power of emerging technologies to address the complex business and societal challenges we face in a more sustainable, conscious and strategic way. Her experience builds on and blends three facets, 'Finance', 'Technology' and 'Planetary Sustainability'. With a professional background as a Chartered Accountant, Investment Banker, Executive Coach, Impact Investing and FinTech/ Blockchain Specialist, Darshita also serves on Boards of 'For Profit' and 'Non-Profit' organisations.

"AS OUR CUSTOMERS HAVE ADAPTED TO MEET THE NEEDS OF THE PEOPLE AND COMMUNITIES THEY SERVE, WE ARE ADAPTING TO MEET THE CHANGING FINANCIAL NEEDS OF OUR BORROWERS"

HOW ALIGNMENT WITH ITS IMPACT-LED INVESTORS IS FUELLING CHARITY BANK'S RESPONSE TO THE COVID-19 PANDEMIC

ED SIEGEL - WWW.CHARITYBANK.ORG

These are challenging times, to say the least. COVID-19 is impacting almost every single person, family, community and organisation in the UK. Charity Bank is no exception. We are adjusting our business to both ensure the continuation of our own long-term viability and to respond to the evolving needs of our charity and social enterprise customers.

It remains to be seen what long-term impacts the crisis will have on the social sector, which makes it more important than ever for us to be collaborative, to use our resources effectively and to play our part in making the right kinds of support available.

It helps that we are supported in our response to the crisis by our current shareholders, who are all organisations led by social purpose. As investors in a bank whose primary focus is on supporting other impact-led organisations, our shareholders join our borrowers in a kind of 'ecosystem' of mutual support and social value creation. It was because of this unique ownership and purpose that we were able to increase our lending to the social sector during and following the 2008 financial crisis, while traditional lenders were withdrawing from the market. Today, when the sector needs us most, we are again stepping up our support.

Charities and social enterprises often struggle to access finance, even at the best of times, largely because mainstream lenders simply do not completely understand the not-for-profit sector. The impacts of the COVID-19 pandemic are now making it even harder for these organisations to access the finance they need. The response of Charity Bank and other social lenders during this period has contrasted sharply with that of many mainstream lenders which were agreeing very few new loans initially and are still moving too slowly to respond to the needs of their borrowers.

ED SIEGEL

RESPONDING TO NEED

As our customers have adapted to meet the needs of the people and communities they serve, we are adapting to meet the changing financial needs of our borrowers. Lockdown and other effects of the crisis are having a significant impact on many of these organisations. Within our own lending portfolio, sectors dependent on customer footfall – heritage sites, charity shops, community cafes and churches – have been hit the hardest.

We're doing what we can to support our customers by fast-tracking forbearance requests and in some cases granting emergency funding. Over a quarter of our borrowers have requested and been granted some form of repayment holiday, although encouragingly some have already returned to regular repayment schedules as they have successfully adjusted their social business models in response to the impacts of the crisis.

EMERGENCY LOANS AND SUPPORT

Our participation in the Resilience and Recovery Loan Fund (RRLF) has been a big help to both Charity Bank borrowers and the wider social sector. Social Investment Business and Big Society Capital did a fantastic job of rapidly securing Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and developing and rolling out the loan programme to meet the specific needs of charities and social enterprises. I'm glad that Charity Bank was able to contribute to the development of RRLF, and even more pleased that we have been able to secure approval for over £3 million in loan funding for applicants in the first few weeks of the programme. Of course, for most social sector organisations, debt is not going to be the answer to the challenges presented by COVID-19, so we are also exploring sources of blended finance and in the meantime we're signposting organisations to grant funding options via the COVID-19 Resource Hub on our website.

ADAPTING TO UNIQUE CHALLENGES

As a social lender and a regulated, deposit-taking bank, we are currently confronting multiple challenges presented by the COVID-19 pandemic. The reduction of the base rate to close to zero represents a significant drop in income for Charity Bank, and the strains that the crisis is putting on many of our borrowers has required us to increase our loan loss provisions. These factors will have a negative impact on our P&L which, in turn, weakens our capital position – the primary determinant of our capacity to grow our lending – at a time when our borrowers need us most.

In the current environment, emergency relief funding and support is what the sector needs most, so in addition to prioritising RRLF loan applications, we are intensifying our work with borrowers in distress as a result of COVID-19. Indeed, much of our 'business as usual' lending pipeline has moved to the 'back burner' as trustee boards hold off on new investments and building projects slow to a halt. Once we emerge from the current situation, however, we expect to be faced with a surge in demand from loan applicants that have put projects on hold during the crisis, and from organisations in need of recovery funding. If we are to meet this demand to the best of our potential, we will definitely need to expand our capital base which in the meantime has been compromised by the effects of the crisis.

CAPITAL RAISING CHALLENGES

We came into 2020 aiming to raise a significant amount of new share capital to fuel our next phase of growth. Many of our customers value the fact that Charity Bank is owned by other charities and social purpose organisations. They like the idea that the interest they pay on their loans will ultimately benefit other organisations that have been set up to create positive social value. Accordingly, our capital raising efforts have been focused on this segment of social investors.

As an alternative to grant-making, an investment in our shares can be leveraged into new lending to organisations that are now more vital to society than ever, at a rate of about £8 lent for each £1 invested. Keeping our shareholding within the universe of impact-led investors was always going to have its limitations, though, and we are now finding this pool of potential capital to be even more constrained as charitable trusts and foundations shift their resources to providing direct emergency relief to frontline organisations in need.

We would argue, though, that as we emerge from the current crisis, the specialist financing and support that organisations like Charity Bank are able to deliver is going to be needed more than ever... and we're quite sure that our customers would agree.

ED SIEGEL, CHIEF EXECUTIVE, CHARITY BANK

Ed joined Charity Bank as Chief Executive in July 2018 from Big Issue Invest, the social investment arm of The Big Issue magazine group, where he was Managing Director for nearly ten years. During that time, Big Issue Invest grew from a book of social enterprise loans of around £2 million to a diverse array of social funds under management of over £65 million. Ed spent the early part of his career in commercial banking, mainly with Credit Suisse, and later headed the Small Business Banking practice of ShoreBank International (now known as Enclude) where he oversaw the implementation of SME finance programmes and advised financial institutions throughout the developing world.

SOCIAL INVESTMENT TAX RELIEF AT THE CROSSROADS – AN UNCERTAIN FUTURE OR A GOLDEN OPPORTUNITY?

JAMES WESTHEAD - WWW.GETSITR.ORG.UK

Social Investment Tax Relief or SITR may not have a snappy title but it is unique – the only tax break for investors wanting to invest in charities and social enterprises which are trading with a positive social purpose.

JAMES WESTHEAD

When it was created in 2014, there was optimism that Social Investment Tax Relief would unlock tens or even hundreds of millions of pounds of new investment for a sector with a double bottom-line – delivering positive social impact and providing a financial return. So far that has not quite happened, with 76 organisations using SITR to raise a total of £14 million. Not bad but not transformational. Now government, investors and social enterprises are debating whether to scrap it or reform it. The timing could not be more critical – with communities and social businesses reeling from the economic impact of COVID-19 and desperate for an injection of capital which could be turbo-charged by an effective tax relief.

SO HOW DOES SITR WORK? AND WHY HASN'T IT TAKEN OFF?

Well firstly, the impact of an SITR investment can be tremendous for both investor and enterprise. Using the tax break, an individual can subscribe for shares in, or lend money to, a social enterprise and claim 30 per cent income tax relief. So, for example, if an investor lends £1,000 to a social enterprise, the real cost to the investor is only £700. But the social enterprise receives £1,000 of much needed funding to help it grow, become more financially secure and achieve more positive social impact. This allows investors to invest in social organisations that often can't afford to borrow money at rates that satisfy the financial requirements of an investor. The 30 per cent tax relief bridges that gap and enables the investor to get a reasonable risk-adjusted financial return while helping a cause they care about. One investor we spoke to recently had invested in the Resonance Bristol SITR fund and spoke movingly about the work of Street Impact Bristol, an organisation helping rough sleepers in Bristol get off the streets through the provision of housing and tailored support. He had never experienced an investment that can elicit such a powerful direct connection and was genuinely excited by how his money was supporting a local grassroots organisation doing crucial work to address a serious and growing problem in the UK.

The tax relief is modelled on the much better known Enterprise Investment Scheme (EIS) but there are some very significant differences, constraints and obstacles which have made it much harder for social entrepreneurs and their often very committed investors to access this tax relief. While SITR can in theory be used to support most trading activities undertaken by charities and social enterprises, there is a list of investments that do not qualify for the relief. That list includes property, energy and leasing – some of the activities that are likely to be most suitable for investment purposes and can deliver significant social benefit such as renewable energy projects and community-owned housing. The reason for the restrictions is sensible – to avoid abuse by unscrupulous tax avoiders – but the crude approach has unfortunately hobbled the tax relief in the process. The poor design of the rules has been compounded by the process of claiming the relief which some have found cumbersome and confusing. Some charities and social enterprises who have applied to HMRC for 'Advance Assurance' that their investment offer is eligible for SITR have faced long waits of many months.

While it has been frustrating for some, a growing number of enterprises and their investors have been using it successfully. Examples include FareShare, which helps tackle food poverty in the South West, and since lockdown has diverted enough food for 500,000 meals and the Jericho Foundation - an upcycling venture in Birmingham that provides training and employment for disadvantaged people facing multiple barriers to employment. SITR has also created a growing community of investors, who care about a social issue or are passionate about their local area and want to gain much more than a financial return. Increasingly social investment fund managers have been creating SITR funds, making it easier for individual investors to realise the benefits of the tax relief. This was typified by social investor, Resonance, which is on track to reach £5 million of SITR funds under management in the North West and £30 million across the UK as a whole.

"SITR HAS A VERY GOOD RECORD OF DELIVERING INVESTMENT TO COMMUNITIES OUTSIDE LONDON"

SO WHAT IS THE FUTURE FOR SITR?

Before COVID-19 struck, the government had promised to publish a review of its future but has since signalled that it wants a bonfire of tax breaks and it could allow SITR to wither away, as a sunset clause in the legislation means it will expire in April 2021 without action. A coalition of social investors, including Big Society Capital, and social enterprises has been lobbying ministers to extend SITR for another two years so that its flaws can be reformed rather than allow it to die. There are hopeful signs that the government may listen, not least because since the election, which the Conservatives won with some key northern swing seats, its agenda of 'levelling up' will depend on getting investment to those communities who have been economically left behind. SITR has a very good record of delivering investment to communities outside London. Of the £14 million in investment to deliver essential services, 35 per cent

of deals to date have been in the South West, 19 per cent in Scotland and 13 per cent in the West Midlands.

Big Society Capital estimates that Social Investment Tax Relief has the potential to generate £300 million in investment over seven years if the government chooses to reform rather than scrap the relief. With organisations accessing the relief typically going on to boost employment by 50 per cent, this could potentially create as many as 15,000 to 20,000 jobs at a time when a global health crisis is turning into a global employment crisis. While the only things that are certain in life are death and taxes, we can't be sure what will happen next, but the time may just be right for this relatively little known tax relief to step up and play its role in helping Britain build back better.

JAMES WESTHEAD, HEAD OF ENGAGEMENT, BIG SOCIETY CAPITAL

James is responsible for building awareness and helping grow social impact investment through communications and relationship management. Prior to joining Big Society Capital, James was the Executive Director of Engagement at Teach First, a charity that recruits teachers and leaders, which he helped build into the UK's largest recruiter of graduates. He previously worked as a television reporter and correspondent, specialising in education, health and social issues for BBC News, including a stint as one of the BBC's correspondents in Washington DC. In addition, James serves as the Chair of the Literacy Pirates charity and on the UK board of the global charity Teach for All.

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To learn more about this course contact Rachele Menditto:

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