Embracing Change

*Three ways to strengthen your charity’s resilience*

Supported by:
Foster Denovo and Lucas Fettes

July 2016
Agenda

09:00 – 09:10  Welcome and introduction
Neil Poynton, CAF

09:10 – 09:35  Growing income and boosting resilience
Ben Jowitt, CAF

09:35 – 10:00  Pension auto enrolment – Friend or Foe
Matthew Mitten, Enrolsme

10:00 – 10:25  We’re insured, so we’re OK … aren’t we?
Mark Taylor, Director, Lucas Fettes

10:25 – 10:45  Panel discussion and audience questions

10.45 – 11.30  Networking
Three ways to grow your income and boost resilience

Ben Jowitt
Customer Relationship Manager
What does resilience mean?
Why does resilience matter?

Revealed: Cuts could finish off 40 care groups

Cuts to hit services for elderly

End of the line for services

Drug support services

Special Post Investigation

Play days for kids face axe as cuts strip away chances to volunteer

Today, the Post begins a major look at the impact of spending cuts on the voluntary and charity sector. Local Government Correspondent Della Monk begins by assessing help for youngsters

Stop Cuts to Vital Services
Why we’re talking about it

- We hold £1.1bn in custody for donors and distribute over £450m annually

- We work with 75% of the FTSE 100 and more than 3,000 publicly and privately held companies to manage their corporate responsibility

- We support over 3,000 major donors (who give £10k to £100m to charity)

- We run grant-making programmes for major international and local foundations
3 Practical ideas
Idea 1: Sell donors impact

Help potential donors to touch, taste and feel *their* impact
Communicating impact

Key facts & achievements

Photos

Stories

Quotes
The total number of people who attended our Welsh and England Conservation workshop: 140

100% of respondees at the England conservation workshop said that they were more motivated to help Bees as a result of attending the conference.

The potential hectarage that could be managed for bumblebees through the Bees for Everyone 3 year project: 3,500

The number of hectares of land for which we have provided habitat management advice for bumblebees in total since January 2011: 2784

The amount of hectares on north Kent sea walls being managed for bumblebees in conjunction with the Environment Agency: 152

The number of enquiries received from landowners outside of our Bees for Everyone regions who wanted to manage their land for Bumblebees: 67

Potential hectarage gained from giving advice by email/phone to landowners outside of Bees for Everyone regions: 900

The number of farm days delivered by conservation Officers: 7

The number of farmers and landowners the conservation team have engaged with in 2013: 376

BBCT input into the National Pollinator Strategy: 100%

Memorandum of Understanding signed with the Ministry of Justice: 1

Hectares the Sub T reintroduction project has created, advised and assisted in the management of within the release area of Dungeness and Romney Marsh: 830

Bombus Sub T workers recorded on Dungeness – the first in 25 years: 6
“Give your donors small problems they can imagine solving.

Not big problems that emphasise how small they are”

Giles Pegram CBE
Fundraising Consultant
Corporate partnerships example

Five year partnership to improve living conditions for 1 million households. Seen as a joint enterprise using Shelter’s history, expertise and credibility around housing & British Gas’ scale, reach, visibility and practical solutions.

Legal & General sponsors Shelter’s research and reports on housing supply, and events on the future of housing.

“Housing is central to what both Shelter and Legal & General do. We are aware that for every person L&G helps to buy or rent a property, there is someone else living in fear of eviction or repossession, and many thousands more who have no permanent place to call home.”

KPMG provides pro-bono support across Shelter, finding ways to save money across the retail network, creating an impact measurement framework and helping Shelter develop new revenue streams. Also jointly developed “Building the Homes We Need”, a blueprint as to how governments can solve the housing crisis in a single parliament.
Trend towards Engaged Philanthropy
Finding potential major donors

Who sends about 50 Christmas Cards to family and friends?

Who sends a Christmas card to someone in the media or a celebrity or knows someone who does?

Who sends a Christmas card to a company MD or CEO or knows someone who does?

Who sends a Christmas card to a millionaire or knows someone who does?
Idea 2: Get your ducks in a row
The Fundraising Process

Map your proposition
- Identifying key “products” & the impact they make
- What’s our story that will make donors want to engage?
- What are the wider benefits of association to new donors?
- Developing the funding hooks, impact messages and likely audiences

Develop Case for Support
- Answers the question, “Why should you support our cause?”
- The problem we are solving (or opportunity)
- How we tackle this
- Why charity is perfectly (uniquely) placed to do so
- The resources required (the ask)
- The difference this will make

Prospect Research
- Identification of prospective partners, donors and influencers & areas of alignment
- Peer research – who is supporting work in this space & what is the relationship?
- Which existing contacts and relationships can be leveraged?
- Mapping warm & cold leads

Approach strategy
- Developing targeted pitches
- Routes to engagement i.e. the when, how and who in making the ask
- Donor cultivation and partnership building
- Mapping of resources needed to underpin fundraising
A case for support

Answers the question: “Why should you support our cause?”

- The problem we are solving (or opportunity)
- How we tackle this
- Why charity is perfectly (uniquely) placed to do so
- The resources required (the ask)
- The difference this will make
Optimise digital giving

- Keep the donors inside your site
- Obvious donate button on every page
- Match the colours and fonts
- Show them what their donation ‘buys’
- Offer single or regular giving
- Immediate thanks and receipt
ROI: Average return per £ invested

- Legacies £27.27
- Trusts £9.56
- Committed giving £6.44
- Corporate giving £4.28
- Major donors £2.97
- Special events £2.38

Source: Fundratios 2013, Institute of Fundraising
Leave a legacy

Vision for the Future – Leaving a gift in your will

Leaving a legacy in your Will to Glasgow City Mission will help us to continue bringing hope to vulnerable individuals in their chaotic and damaged lives. You should contact your Solicitor who can give you advice and help you through this process.

The most common type of gifts you can leave in your Will are as follows:

Residuary bequest
This is a gift of part or all of the remainder of the estate after all other bequests have been made and debts are cleared.

Pecuniary bequest
This is a gift of a fixed sum of money in your Will. The value of pecuniary legacies will decrease over time, as the cost of living increases.

Specific bequest
This would be a particular named item left as a gift in your Will. For instance, a piece of jewellery.

Contact us to find out more about leaving a gift in your Will.
Idea 3: Look beyond fundraising
The rise of charity as service provider or “social business”

- The sector as a whole earns more income through trading – selling goods and services – than it raises through giving – donations, legacies and grants. In 2010/11 earned income accounted for £21.4 billion, while voluntary income – that given freely in donations and grants accounted for £14.7 billion. This has been the case since 2003/04, when earned income overtook voluntary income to become the largest source of income.

- Compared to 2000/01, earned income has increased by 92% in real terms, while voluntary income is only 3% higher, and investment income has fallen by 23%.

- This is reflective of the ever-increasing tendency for statutory agencies to commission services, rather than provide them directly – income from statutory contracts more than doubled between 2000/1 to 2010/11 – from £4.5 billion to £11.2 billion.

- Charities have also been trading more with the public – while the increase was smaller than that seen from the state, it was still an increase of more than 40% - or £2.3 billion in real terms.
Alternative funding solutions

1. Crowdfunding
2. Social Impact Bond
3. Social Investment
4. Investment Income
5. Bank Loan
Hurdles to loan finance

- Lenders’ limited understanding of charitable sector
- Perceived risk of repayable finance
- Lack of readily available information
Why do charities take out repayable finance?

<table>
<thead>
<tr>
<th>Reason for past use of repayable finance</th>
<th>Reasons for seeking repayable finance in future</th>
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<tbody>
<tr>
<td>Asset acquisition: Building</td>
<td></td>
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<tr>
<td>Refurbishment</td>
<td></td>
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<tr>
<td>Pursue new revenue streams</td>
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<tr>
<td>Scale up what we already do</td>
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<tr>
<td>Bridge a confirmed grant</td>
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<td>Cover shortfalls in cash</td>
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<td>Deliver new products/services</td>
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<tr>
<td>Support delivery of a contract</td>
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<tr>
<td>Asset acquisition: Not a building</td>
<td></td>
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<tr>
<td>Build internal capacity</td>
<td></td>
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<tr>
<td>Build marketing activities</td>
<td></td>
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<td>Pre-fund fundraising campaign</td>
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</table>

Base: All current finance agreements answered on (126); all likely to/might seek finance in the future (183)

Source: In Demand: The changing need for repayable finance in the charitable sector (CAF 2014)
What can loan finance be used for?

- Cashflow support
- Change project
- Refurbishment
- Raising capital
Is your charity ready for finance?

- Can you demonstrate need for outside investment?
- Don’t leave it too late to seek help
- Be prepared for lenders’ questions
Does your team have the expertise?

- Project management skills and experience
- Track record
- Access to expert assistance
Are you clear why you need funds?

- What stage of development is your organisation at?
- Why do you need finance?
- How will you use the funds?
- Have you prepared a business plan and projections?
How are you going to repay?

- Are repayments affordable? How will they be funded?
- Think of the “what if’s”
- Share your business plan and financials
Have you done your research?
What security are you offering?

- Provide details of the asset on offer
- Consider all costs relating to placement of security
- Relationship between asset and Loan-to-Value (LTV)
How will you show commitment?

What lenders expect:

- Commitment from the borrower
- A clear repayment strategy
Summary

- Fundraising, borrowing or a combination of both?
- Evidencing your charity’s resilience is crucial
- Donors and lenders seek similar assurances
- If needed, ask for help
Pension auto enrolment – Friend or Foe

Speaker:
Matthew Mitten, Director, Enrolsme
Automatic Enrolment – Friend or Foe?
Agenda:

- Introduction to Automatic Enrolment
- The complexities for charities
- Why problems for the pension industry is a problem for everyone
- What solutions are available
- 5 tips to make AE as hassle free as possible
What is Automatic Enrolment?
Started more than 3 years ago
Largest employers first.....
When does an employer have to comply by?

- TPR have **given written notice** to all employers with at least 1 employee, letting them know the date they need to comply by.

- This is known as your **‘staging date’**.

- You can **bring your staging date forward** with permission from The Pension Regulator.

- You **CANNOT** postpone your staging date.
What does this mean for small businesses?

From your ‘staging date’ you must:

- Set up a ‘Qualifying Workplace Pension’
- Assess your workers
- Issue mandatory communications
- Enrol eligible employees
- Deduct money from their wages
- Make an employer contribution

Do this every month/weekly pay period
It’s complex

There are 250+ pages of technical guidance on TPR website
New processes will be needed…

Data in ➔ Assessment ➔ Data out ➔ Notice Issued ➔ Enrolment ➔ Opt out period
New language

- Eligible Jobholder
- Non-eligible Jobholder
- Entitled worker
Who are these people?

- **Eligible Jobholder**
- **Non-Eligible Jobholder**
- **Entitled worker**

Salary

- £10,000
- £5,824
- £0

Age

- 16
- 22
- SPA
- 74

SPA = Seven Years Post Access
How much does an employer have to pay?

Choice of FOUR earnings definitions
## Set 1 – Basic Pay

**Basic salary only**
**Basic Pay < 85% of Total Pay**

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<thead>
<tr>
<th></th>
<th>Now</th>
<th>From April 2018</th>
<th>From April 2019</th>
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<tbody>
<tr>
<td><strong>Employer</strong></td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
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<tr>
<td><strong>Worker</strong></td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
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</table>
Basic salary only
Basic Pay > 85% of Total Pay

- Total payroll for the business = £1m
- Basic Pay is £850k
- Overtime £100k
- Bonus £50k

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<tr>
<td><strong>Employer – ER</strong></td>
<td>1%</td>
<td>2%</td>
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<tr>
<td><strong>Employee – EE</strong></td>
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### Set 3 – Total earnings

All earnings will be pensionable

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## Qualifying Earnings

All income between £5,824 and £43,000

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Non – compliance may lead to...

Fixed penalty of £400

Escalates to £500 per day

Plus – back date contributions if required...
Compliance so far.....

Latest figures from TPR
• 7,800 penalty notices so far
• 3,000 in Q1 2016
• 2,234 fines issued since 2012
• 1,021 were issued in Q4 of 2015 and 800 Q1 2016
Ultimate sanction

up to 2 years in prison!!!
Will small businesses need help?

Nest: 90% of employers will seek auto-enrolment advice

1 October 2013 0:00 am | By Tom Selby
How long could an auto-enrolment project take?

Source: CEBR research Sept. 2013
How much would that cost?

1 - 4 employees
£8,900

5 - 100 employees
£12,600

Source: CEBR research Sept. 2013
Essential to plan ahead….

TPR recommends 12 months to plan

Some Pension Providers won’t help if less than 6 months to go
Have things improved since 2013?
Pension Industry....

CAN THEY COPE?
How many new pension schemes were usually setup each year before AE?

3,000

What has the customer experience been like dealing with pension companies?
Numbers needing pensions and auto-enrolment services:

- 3,000 (BAU)
- 46,000 (2015)
- 470,000 (2016)
- 1,000,000 (2017)
...to 2017... and beyond...

Small and micro employers, fewer than 50 people

We’re here

New employers

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<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>2015/2016</td>
<td>17,100</td>
<td>9,700</td>
<td>16,100</td>
<td>110,000</td>
<td>101,000</td>
<td>133,000</td>
<td>168,000</td>
<td>215,000</td>
<td>178,000</td>
<td>137,000</td>
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<td>2016/2017</td>
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<td>2017/2018</td>
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Gone from this...
To this!
Looking ahead for possible solutions – ‘silos’

1. Payroll?
2. Financial Adviser?
3. DIY / NEST?
Our research - Look for a solution that.....

- Is easy to use and avoids jargon
- Delivers fast
- Has unlimited capacity
- Ensures you comply
- Has a fixed cost
- Is backed by strong firms
- Offers a choice
- Covers ‘all silos’
Introducing Enrolsme…

Workplace pensions for small businesses

Helping you set up a workplace pension to comply with auto-enrolment. Click, and you’re compliant.

We’ll guide you through everything one step at a time; from choosing your workplace pension, to auto-enrolment compliance. With our online guided solution, FastTrack, you can set up a pension for your business in less than 30 minutes.

Find out more

Why use Enrolsme for auto-enrolment?

How to set up your workplace pension in 3 steps
Pension set up in less than 30 minutes….. No signatures
Guaranteed capacity....
Financial Security
Simple, fixed fee structure

After Step 1:
Scheme design £495 + VAT

After Step 2:
Scheme application £995 + VAT

Ongoing support from £5pm + VAT
5 Tips to make AE as hassle free as possible

1. Plan ahead

2. Think carefully about scheme selection

3. Think about contribution structure

4. Harness the power of payroll

5. Include AE in budget forecasting
Questions?
Enrolsme Limited is an Appointed Representative of Foster Denovo Limited

Enrolsme offers a simple solution, providing employers with a quick, understandable and fully compliant new workplace pension scheme.

Enrolsme is a non-advised process and other options are available which maybe better suited to your needs. They may be more complex and we don’t offer them under this solution. If you want to explore these options you may want to contact a financial adviser.
“We’re insured, so we’re OK … aren’t we?”

Speaker: Mark Taylor, Director, Lucas Fettes
“We’re insured, so we’re OK ...aren’t we?”

Managing risk through change

Mark Taylor, Director
Public confidence dropped for the first time in 10 years
Increased governance requirements
Political and economic uncertainty
Diversification
Pressure to improve fundraising – increase in digital campaigning
Lack of collaboration within the sector
Data protection and cyber fraud
Pressure to maintain trustee, employee and volunteer numbers
Skill shortages and training needs
Morale in the sector is low
Brexit...

- Reduced investment in the sector (esp. for grant making organisations)
- Fall in sterling / rise in inflation exacerbates a fall in charitable giving
- End of EU structural funds?
- More legislative changes
- Exacerbation of skills shortages
- Divided society / social tensions
- Rising levels of social need = additional pressure on services
The changing nature of risk – The insurers’ perspective

- Funding and financial instability
- Moving away from traditional values and over-diversification
- Continuity planning
- Managing social media
- Cyber threat
- Understanding purchasing frameworks and public service requirements
- The Insurance Act
- Reputational damage
Building resilience –
Good management = good risk management

- Identify and assess risks
- Monitoring and reporting
- Stress and scenario testing
- Risk appetite
- Risk measurement
- Link to business strategy
- Risk culture
Building resilience – Informed decision making

- Accept: Accept the degree of risk and budget for it
- Transfer: Transfer the risk, e.g. to an insurer
- Reduce: Mitigate the risk, e.g. through health and safety measures, business continuity planning
- Avoid: Withdraw from the activity presenting the risk

Risk
Charities
– Main insurable risks

- Material damage
- Loss of income
- Money
- Public liability
- Employers’ liability
- Professional indemnity
- Trustees’ indemnity
- Cyber liability
- Crime/fiduciary
- Motor

“Insurance provides financial recompense following a loss, but won’t always help in the event of a liability that causes damage to your reputation. Prevention is better than cure...”
Create a business continuity plan that focuses on the major risks identified within the risk register, including a team to own it

Getting the first hour right is critical to a successful crisis response

In the digital age you need to move fast and start talking to the media right away – no charity can afford reputational damage from bad publicity

Implement your business continuity plan and get your communication sorted within 24hrs

Then move on to longer term requirements and a critical appraisal of your response

Providing a manual is not enough. Employees and volunteers need to know exactly what to do in the event of specific crisis, when they need to do it, and have practiced their response
• More and more people engage with you and your brand online, therefore how you manage social media is paramount. New skills are required
• Social media requires you to be prompt and enthusiastic, however, its effect are immediate
• In the event of an issue you need to decide what your message is and get it out there on all channels quickly via a crisis management team containing senior leaders and communications staff with autonomy
• Get the tone right. No-one conquers social media. Success comes from wit, humility and good humour, not from aggression and control
This is still a relatively new area of risk in many ways and the remedial action is a blend of risk management and insurance, however the starting points would be:

- Cyber risk assessment
- Media management plan
- Crisis recovery plan

Traditional insurance policies can respond to elements (libel, copyright, loss of revenue, data reinstatement etc.)

Specialist policies will provide cover for areas like crisis containment, forensic investigation, legal defence costs, legal liability etc.)

Uninsurable areas include reputational damage, fines, upgrade cost, contractual obligations etc.)
Building resilience
– Understanding the Public Sector

- Appreciate both the opportunities and the risks associated with public service delivery, and decide whether it is right for your organisation
- Fully understand the procurement and commissioning process, as well as the award criteria
- Make efforts to establish relationships with prospective customers
- Be sure that service delivery can be maintained and that you mitigate any risks to your organisation’s reputation
- Be clear on what you can do for the commissioner and the communities they serve
- Demonstrate good governance and business continuity arrangements
- Consider forming a consortium and tendering collaboratively
A fair presentation of the risk required clear and accessible disclosure without material misrepresentation, of:

Every material circumstance which the insured knows/ought to know.

Or failing that, sufficient information to put a prudent insurer on notice that it needs to make further enquiries to reveal those material circumstances.

What must be disclosed to insurers

Knowledge of senior management

Knowledge of the insurance team, including brokers

Information which would be revealed by a reasonable search

What is not required to be disclosed to insurers

Information held by the insurer and accessible to the underwriter relevant to the risk

What an insurer writing this risk would reasonably be expected to know

Common knowledge

Insurance Act – Duty of disclosure
Duty of disclosure and representation – The existing duty remains and is clarified with the requirement for businesses to make a “fair presentation” of the risk to insurers.

Remedies for non-disclosure or misrepresentation – Remedies must now be proportionate and reflect the actual underwriting impact, had the correct information been provided originally.

Basis of contract clauses – Are abolished removing mechanisms which allow avoidance if risk information provided is inaccurate.

Remedy for breach of warranty – Warranties can continue to be applied but breach will now mean liability is only suspended for the period of the breach and only where relevant to the claim.

Remedy for fraud – The new remedy removes the option of avoidance. In the event of fraud an insurer remains “on cover” for claims made before the fraud occurs but has the option to cancel the policy with effect from the date of the fraudulent act.
We’re not all Kids Company

- Passion isn’t enough – a clearly defined strategy is essential
- Trustees must act as “critical friends”
- Objectivity and challenge is required – both internal and external
- Skills sets should be aligned to objectives
- Recruitment, training and retention is vital
- Continual review and understanding of risks inherent within the organisation is paramount
Panel discussion and audience questions
Thank you

Charities Aid Foundation (CAF)
We work with a wide range of charities, providing solutions for their funding and finance needs, across banking, investments, fundraising and social investment.

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clientrelations@cafonline.org