

Charity Finance



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‘Looking for income sources is a challenge for us, and every charity at the moment’

Photo: Erroll Jones

Jill Scarfield talks to Priya Kantaria about Cats Protection’s theory of change and its ambition to do more for cats.

“WHAT’S ALWAYS been interesting to me is looking beyond the finance to what difference it makes,” says Jill Scarfield, director of finance and strategy at Cats Protection.

Comparing her earlier work in the public sector and local government to her role now, Scarfield says, “In a way it’s easier in a charity like Cats Protection, because you have a single focus, and a very appealing one. With cats, you have animals, they’re lovely, they’re cuddly, they’re affectionate and they appeal on a very broad level.”

Scarfield believes charities have much more freedom than the public sector, and she says she’s enjoying her time at Cats Protection too much to think about taking the lessons she’s learned there back to local government.

“The great opportunity that charities have because we’re not

dependent on government funding is that we’re the masters of our destiny. I think that’s what’s really refreshing for me working in the charity sector, it’s all in our hands to shape our future.”

A language graduate and CIPFA qualified accountant, Scarfield was encouraged into finance by a careers adviser who told her the main skill that businesses looked for was being able to communicate the relevance of the figures. But her first step towards the charity sector and Cats Protection was when she adopted a ginger cat named Oli from an adoption centre before she landed the job in finance and strategy there three years ago. She says she likes to think of him as her talisman, although ginger cats are known to be the laziest. Not so for Scarfield, as she entered Cats Protection at a period of phenomenal growth, which has continued under her lead, with

an 84 per cent increase in income since 2012 with £68m of income reported in December 2018.

But she is clear that money raised and spent is not a good enough indication of success at Cats Protection. “I think impact is more and more important, it’s not just a case of looking at how much money we spend,” she says. “Finance is always going to be important, but for me the key questions have always been the ‘so what?’ questions – what impact has the money we’ve spent had and what’s it enabled us to deliver? That’s very much a part of our thinking at the moment.”

The cats charity, which has 11,000 volunteers and 1,000 employees deployed “from the Scottish Highlands to Lands’ End” in Cornwall, has been working on a strategy it first produced before Scarfield arrived in 2015. Scarfield says it gave a high-level sense of direction, but that more strategic work was needed to embed that sense in the organisation. Now she is working on a theory of change

BIOGRAPHY

2016-present Director of finance and strategy, Cats Protection

2015-2016 Head of finance and operations, Diocese of Chichester Academy Trust

1993-2014 Concluding role: head of strategic planning and performance, Horsham District Council

1983-1993 Principal accountant, Brighton Borough Council

Degree University of Kent, French Language and Literature

within the charity, which means understanding critical paths and interdependencies between departments and prioritising goals.

“The advantage of a theory of change approach is that it’s a way of working across the whole organisation and building consensus and agreement for what it is we’re trying to do,” she says, before explaining that theory of change is a process to help an organisation be clear about its goals, about the outcomes it’s looking for and the impact it wants to make. “So the starting point is to be very clear on what impact it is we want to have and then to look at what change we need to make in how we operate at the moment to deliver that outcome. That means looking at our activities and our ambition too. It’s a charity-wide exercise.”

theory of change, and we can’t produce a crystal clear path from now to the end,” says Scarfield. “That can certainly be challenging for finance people who like clarity and like certainty.”

The complete process focuses on impact. Scarfield explains: “If we’re much clearer about the impact we’re trying to achieve, then we can be clearer on performance measures that will help us. That’s always a challenge for any charity.” But she is clear on her goals for Cats Protection. “We know that we want to get to a position where all cats have a good quality of life,” she says.

Scarfield’s ambition is also very involved with societal behaviour change. “There’s a big piece around that, which will be happening as well – being very clear about behaviour.” Cats Protection has a “small but very active”

“The great opportunity that charities have because we’re not dependent on government funding is that we’re the masters of our destiny”

COMFORTABLE WITH AMBIGUITY

Cats Protection is at the start of that process. Scarfield says the theory should take a year to develop, with the change management that comes with it taking a further two years. Within the charity, however, staff and volunteers are already waking up to the challenges of the change management programme. One of these, she says, “is being comfortable with ambiguity.”

“There are some big pieces of work we’re going to be doing alongside the

advocacy team and one of its activities is to campaign and lobby government. One of its campaigns is to encourage landlords to allow cats and pets in their rental properties. Scarfield says: “So much of the relinquishment of cats, which is what we’re trying to prevent, comes from people in the rented sector having to give up their cats when they move to premises that don’t allow pets.”

The mental health benefits and the relief that cat ownership offers to the lonely are well-documented by Cats Protection. The charity concluded a

survey on World Mental Health Day in October 2019 that showed how many cat owners benefit from having a cat. This included fun findings, such as that half of owners celebrate their cat’s birthday and nine out of 10 let their cat follow them into the bathroom. Half of owners have shared secrets with their cats and four in five make a special effort to say goodbye to their cat when they leave the house.

COMPULSORY MICROCHIPPING

The teams at Cats Protection are also working on compulsory microchipping of cats. They found that 29 per cent of the 11 million owned cats in the UK are not microchipped, and eight in 10 stray cats that come into the charity’s adoption centres are not microchipped, which made it impossible to trace an owner.

The charity welcomed a government consultation into compulsory microchipping of cats, discussed at the Conservative Party Conference in September. This would mean cat owners would be legally obligated to microchip their pets. In August Cats Protection also supported Labour’s 50 point Animal Welfare Manifesto, which included discussion on compulsory microchipping of cats, encouraging more tenancies to allow renting with pets and a ban on snares.

Cats Protection is also working to stop airgun abuse of cats, through stricter controls. In October it welcomed a new Scottish bill to increase maximum penalties for the most serious animal welfare and wildlife offences to a maximum penalty of five years imprisonment.

SUSTAINING GROWTH

Back on finances, even though the charity has seen fantastic growth in income, the main challenge is still to find more sources of income to fund its ambitions. Scarfield says if the charity wants to fulfil its ambitions, “we need the income to deliver that change and enable us to be ‘the’ cat charity. That’s the ambition for us: we want to do more for cats. So looking for income sources is a challenge for us, and every charity, I would say, at the moment”.

There is also a challenge around sustaining sources of income which

have driven the growth since 2012. The 84 per cent increase was due to a plan which saw investment in developing fundraising initiatives, and those have paid off. But she says: “Every charity is facing the same challenges. With legacies for example, one only has to look at changes in society with younger people coming out with substantial student debt and what’s happening with housing prices, to wonder what the future will hold for legacies.”

A NATION OF PET LOVERS

Another work in progress is identity and brand. Cats Protection dropped the word league from its name 20 years ago, but Scarfield says there are people who still think the charity is called Cats Protection League.

“There’s clearly some work to do in terms of our identity with the public.” She adds that James Yeates, Cats Protection’s chief executive, who joined from RSPCA in late 2018 has been talking about Cats Protection not being “a self-promoting charity – we just quietly get on and do what we do – but we should be clearer about the benefit that we have”.

British identity still very much involves pets and cats, and that is clear.

“They call us a nation of pet lovers,” says Scarfield. Testimony to that is 90 years of Cats Protection, during which time it has rehomed 1.5 million cats and kittens. Nowadays Cats Protection is the UK’s largest feline welfare charity with a reach of 200,000 cats every year. And British cats can sleep soundly, as the poem goes, “anywhere, any table, any chair”, with Cats Protection moving from strength to strength. ●

“ We can’t produce a crystal clear path from now to the end. That can certainly be challenging for finance people who like clarity and like certainty ”



Photo: Erroll Jones

Proving your gut feeling with impact measurement

Putting impact measurement in place can seem a daunting task. Priya Kantaria looks at what charities wanting to measure impact need to consider.

“SCALE ISN'T THE IMPORTANT THING. IT'S ABOUT QUALITY OF CHANGE AND THE IMPACT THAT YOU ARE MAKING”



Priya Kantaria
is senior reporter
at Charity Finance

IMPACT MEASUREMENT is a concept that has been around for some time, but charities are at different stages of implementing it, in spite of support from regulators and sector advisory bodies.

Some charities have not yet started to use impact measurement or are only using it at a basic level.

At the other end of the spectrum, CLIC Sargent was broadly praised at the end of October for delivering its second annual impact report,

The Good, The Bad and The Ugly, which looks at those three areas – successes, mistakes and ongoing issues.

“ The secret is not to try and do anything too complicated ”

However, even in cases such as this impact measurement will be a work in progress. Charities should be testing and learning from the process, not just to survive or thrive as organisations but to make sure they really are delivering the benefit they intended.

There is a feeling in the sector that charities are not operating on gut feeling alone anymore, and want to prove that they are doing the right thing. Clare Montagu, chief operating officer at Royal Trinity Hospice, says:

“Impact measurement is an integral part of good governance, just as managing your finances well is, and just as having policies in place to support the employment of staff is. This is accountability to your funders, to your communities, to your beneficiaries.”

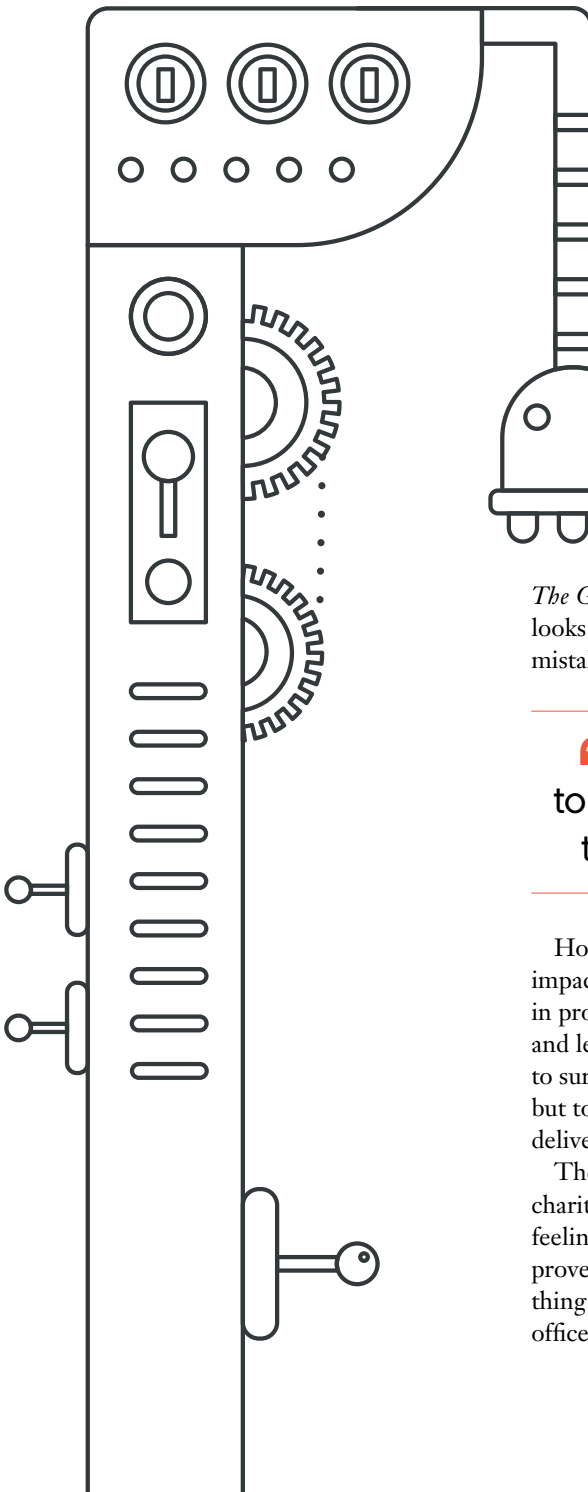
Matt Stevenson-Dodd, managing director at consultancy Trust Impact, says the problem, particularly at smaller charities, is a fear about the size of the process involved, rather than necessarily a fear of the results. He says: “It’s often thought that impact measurement is really complicated and too difficult to do. That’s why small charities can feel like it is the last thing on the list when they’re trying to get on with what they’re doing.”

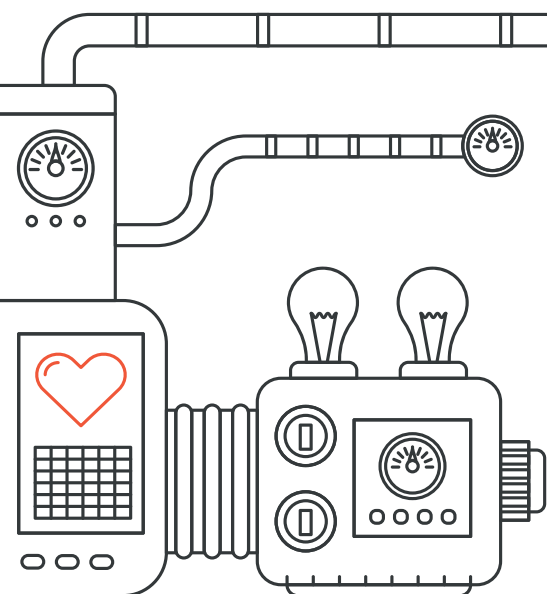
But he urges: “All charities should be impact-led, so that your strategy and the way you run the charity is based on how you can achieve impact rather than just surviving and turning over and being there another year.”

WHAT DATA TO USE TO MEASURE IMPACT

There are questions about how to measure impact: what data to use and what questions to ask. Also, how to do it so that the process of measuring impact drives the outcomes you hope to achieve, whether that is by helping to obtain more or different funding, or by informing improvement in your operations and service delivery.

Montagu says that in measuring impact, charities need to know what they mean by impact, and how the charity achieves it. How useful the





impact measurement process will be will depend on what you're seeking to demonstrate.

An implication of this is that you have to start with a hypothesis: yes, we're impactful or yes, we should be awarded more funding, and then decide what to measure to demonstrate that. Within the process, and in the interests of rigour, the charity has to also test the opposite of their hypothesis and explore failings and inefficiencies. Rather than demonstrating these, charities should resolve them. Whether you share those lessons is a question of how you value transparency.

On the other hand, impact measurement can become too rigorous or thorough an undertaking. Stevenson-Dodd says: "People say the purpose of my charity is x, but they are measuring everything else around it and even things that are well beyond their control, which you could never have influence over as that charity. What they're measuring or trying to measure then all grinds to a halt in massive complexity."

In fact, he says, the process and the data are not what matter; it's about the lessons and changes you make because of the measurements. "Impact measurement has this academic side to it, which says: you must have academic rigour. It's very important that you're not making data up, but it's not the most important thing to be the most academically rigorous investigation. It's not about trying to prove success, it's about trying to learn."

ACADEMIC RIGOUR

Stevenson-Dodd's message for smaller charities and those that might be put off by the seeming complexity of impact measurement, is this: "The secret is not to try and do anything too complicated. Often people think of impact and they think it has to have tremendous academic rigour and has to be incredibly complicated. But actually the starting point is to say: what is the purpose of your organisation and how do you know when you're successful at that purpose?"

The next step is to "just measure the things you can measure." While data is important, asking too many questions and collecting too much data, or analysing every bit of data, isn't. It's more important that the numbers and data are relevant.

“Charities need to know what they mean by impact”

"Reach can be misleading," he continues. "A lot of charities will say 'we reached 1,000 people last year'. But did you help them in any way, or did you just say hello to them? Scale isn't the important thing, it's about quality of change and the impact that you're making. It is much better to say 'we changed the lives of 30 people last year,' rather than 'we reached a thousand'."

But reach is often one of the easier quantifiable measurements that charities use to demonstrate impact. Montagu says, "People get very hung up on quantitative measures, but it is all we have."

Beyond this, she says one of the things charities struggle with is thinking about how else to quantify impact, so they often have to use qualitative demonstrations like users' comments.

"Outcomes are the Holy Grail but if you don't have outcomes you have to think creatively," she adds, pointing that the Royal Trinity Hospice has a challenge finding outcomes that can be measured due to the nature of its work supporting terminally ill individuals.

UNIVERSAL MEASUREMENTS

Government and the general public are also asking for quantifications and proof of the impact charities have. In theory this could be used to root out inefficiencies and failures, and to make comparisons between charities. However, elements of that can be uncomfortable, such as the idea of a competition for funding or donations side-lining charities whose contributions are difficult to show.

For Stevenson-Dodd there is an opportunity in impact measurement for charities to tackle problems together. He says charities of all sizes too often get into a habit of trying to show they are successful. "But actually this isn't right because the problems we're trying to deal with as a society are massively complex. One charity working on its own cannot make all those things happen; they have to be working together. So being more transparent and open about what you can bring as a charity to a given situation and what the gaps are and how they can be helped by others is about moving away from proving you're successful, to more of a learning process."

But there is also a conflict in having sector-wide measures for your impact or external oversight of those. Montagu says, "Impact measurement is something you embrace as an organisation as a way of improvement and accountability. But if I have someone telling me I have to use a particular metric, and it doesn't mean anything to me and my business; that becomes the sort of target-led culture that becomes very un-empowering."

Nevertheless, the challenge of impact measurement is one charities needn't be shy of, if it's looked at as one more tool available to help self-improvement. "Charity should be difficult," says Stevenson-Dodd. "We are going to take risks and we're not always going to get those impacts. Sometimes we won't. That is why it matters, to demonstrate what we learnt and how we'll move forward." ●

More trouble than it is worth – how to deal with onerous legacies

Legacies are an important source of income for charities.

Joshua Winfield looks at what a charity can do if a legacy is left with conditions that it can't fulfil.

"IF THAT PURPOSE IS IMPOSSIBLE OR IMPRACTICAL THE LEGACY WILL FAIL"



Joshua Winfield
is a barrister at
Radcliffe Chambers

CHARITABLE LEGACIES are worth around £3bn a year to the sector in the UK, representing 30 per cent of the total gifted. Many of these legacies are simply gifts to a registered charity or for the charity's purposes, which present no problems of construction or administration. However, some well-meaning testators provide for their legacy to be used for a specific purpose. For example, a testator might leave a gift of £1,000 to a well-known dogs' charity on trust "to be used for rescuing and caring for donkeys".

In this article, I will examine the considerations that arise when a charity donee considers that the stated purpose of a legacy is impossible or impractical for it to fulfil.

THE PURPOSE OF THE GIFT

It is axiomatic that the donee of a legacy must try to give effect to the donor's intention. It follows that any charity faced with this problem must first ascertain what the intention actually is, which may not be clear, especially where the will is drafted by the testator. This is usually a task for the personal representatives, but the charity may wish to take its own legal advice.

The legacies that we are considering here fall into two broad categories.

First, there are those left on trust. This type must be used by the donee for the stated purpose, and if that purpose is impossible or impractical, the legacy will fail and alternative arrangements will have to be made, as discussed below.

Secondly, there are those which are in fact outright gifts but are followed

by instructions for the use of the gift using precatory words such as "hope", "request", "desire" or "recommend". Whether or not such expressions create a trust binding on the donee must be ascertained by construing the will as a whole; it is not always easy to predict the outcome of that process, which is likely to depend on the specific words used. If the words used do not create a trust but only express a non-binding wish, it will not matter if the donee charity chooses to ignore them.

“ The donee charity would have to disclaim the gift ”

If the charity ascertains that the gift creates a binding trust, it should conduct a rigorous inquiry as to whether the intended purpose is truly impossible or impractical for it to carry out. The form of the inquiry the charity should undertake, as laid out in *Re White's Will Trusts*, is: "Whether at the date of the death of the testator it was practicable to carry the intentions of the testator into effect or whether at the said date there was any reasonable prospect that it would be practicable so to do at any future time."

It is crucial that the inquiry is carried out correctly, because there is a material difference between (1) a purpose that is in itself impossible or impracticable, and (2) one that is possible but onerous for the particular donee charity to administer.

In respect of the latter situation, the gift to the dogs' charity referred to in the introduction, for example, might be impractical for that charity, since it would require the provision of facilities that it did not currently possess at a greater cost than the value of the legacy. However, the purpose would not in itself be impossible or impractical. In such a case, the donee charity would have to disclaim the gift, and should seek the Charity Commission's authorisation to do so. The purpose would still be capable of being carried out, so the personal representatives would need to seek an administrative scheme from the Charity Commission to appoint alternative trustees.

An example of this is *Reeve v Attorney-General*, where the will contained gifts to the Society for Bettering the Condition of the Poor, and the Society for the Encouragement of Female Servants, for very specific purposes. The two societies disclaimed the gifts as not being within the purposes for which they were constituted. The judge held that he had "no ground, either in the language of the will or the circumstances of the case, for supposing that the discretion of the particular societies named in the will was of the essence of the gifts, so that the disclaimers of those societies is to destroy the gifts altogether."

On the other hand, the precise terms of the gift may create a charitable trust, but make it essential that the named charity administers the trust. Such a gift was the subject of *Re Lysaght*. In that

case, the testatrix left £5,000 out of her residuary estate to the Royal College of Surgeons, to found certain medical studentships that were only open to British-born men not of the Jewish or Roman Catholic faith. The gift made detailed provisions for the operation of the trust, including several discretions exercisable by the College. The College did not wish to accept the gift, since the exclusion of Jewish and Catholic persons was “so invidious and so alien to the spirit of the college’s work as to make the gift inoperable in its present form”. The court held that where “the identity of the trustee selected by the settlor is essential to his intention”, if that trustee cannot or will not act, the trust will fail. In such a case, the gift will be dealt with in the same way as that containing an impossible or impracticable condition.

IMPOSSIBLE OR IMPRACTICABLE

If the purpose is impossible or impracticable, or an essential trustee declines to act, then there has been an initial failure of the gift. This gives rise to two possibilities.

The gift may simply lapse, and be treated like any other failed legacy. In other words, if it is a pecuniary legacy, it will fall into residue, and if it is a residuary gift, it will pass in accordance with any gifts over or cross-accruer provisions or to the next of kin on a partial intestacy. Alternatively, the gift may be applicable “cy-près”, i.e., for a charitable purpose similar to that of the original gift.

“ There is no definitive test for such an intention ”

The determining factor is whether in making the original gift the testator has shown a general or paramount charitable intention. There is no definitive test for such an intention, but the cases suggest that where the impracticable or impossible direction forms an essential part of the testator’s charitable intention, there will not be a general paramount charitable intention and vice versa. This question is fact-

specific, and any charity faced with this question should take legal advice.

If there is a general or paramount charitable intention, the Charity Commission will apply the gift cy-près, although (assuming the court has not decided the question) it will normally expect the personal representatives to have canvassed the views of the donee charity and whoever would benefit if the gift fails, before applying for a scheme. The donee charity will therefore have an opportunity to argue in favour of an application of the gift that ignores the impracticable condition(s) but allows it to administer the funds.

In summary, any charity faced with what appears to be an impracticable gift should first make sure that any conditions are binding and then that the gift really is impracticable. If so, it should consider whether to seek a scheme that will allow it to take the gift on more favourable terms or disclaim it in favour of another trustee. Given the fact-specific nature of these matters, it should not take any of these steps without obtaining legal advice. ●

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What does a great appraisal system look like?

Calls for appraisals to be abolished are regular but a properly designed appraisal system brings great benefits, says Helen Giles.

"THERE IS A GOOD REASON WHY APPRAISAL SCHEMES HAVE LASTED FOR AROUND 70 YEARS"



Helen Giles is executive director of people and governance at St Mungo's

“AT LEAST once every five years a debate runs in HR and management press as to whether staff annual appraisals are outmoded, irrelevant and should be replaced. The cheerleaders for the abolition of appraisals point to various perception surveys of managers and staff who think they are a time-wasting “tick box” exercise and not dynamic enough.

But there is a good reason why appraisal schemes have lasted for around 70 years. In my experience, where a properly designed appraisal system is well embedded in the organisation, it is the fulcrum of staff engagement, contribution, wellbeing and progression. During my three decades in people management I have observed that those managers who do appraisal and all the things that flow from it will consistently have significantly higher performing and better engaged staff teams than those that don't. They have a far stronger talent pipe in their teams, and there is greater equality and diversity of progression opportunity. Their staff have better mental health because they are given a sense of direction and – through regular one-to-one sessions – the ongoing opportunity to recalibrate priorities and raise work-related anxieties.

A GREAT APPRAISAL SYSTEM

So what makes for a great appraisal system?

- **Scope.** The appraisal process must address all the following questions. What has the employee achieved against the competencies and performance objectives agreed with them? What are the measurable objectives or performance standards I need them to meet over the next 12 months? In what ways do they need to develop their competencies, knowledge and skills to achieve these? What are their career development aspirations? What development activities can we set in place for the next 12 months to support their job-related learning needs and help them to progress towards their future ambitions? Appraisal is about acknowledging work well done and/or identified improvement areas over the past year, but its primary focus should always be future-facing.
- **Evidence.** You can't meaningfully assess people's performance unless you have collected a range of evidence

to support that assessment. Every role holder has internal and external stakeholders, be they beneficiaries, internal customers, external partners or a manager's direct reports. If you don't receive structured feedback from these stakeholders then the appraisal is meaningless.

- **Buy in.** Both managers and staff need training in what the appraisal process is intended to accomplish, and how to mutually engage in the process to make it impactful and rewarding. Managers need training in the softer skills involved in giving high quality feedback and motivating and challenging people through the process. A sound appraisal system should be a two-way process with employees being given the same set of questions as the manager to reflect upon in advance of the appraisal system.
- **Follow through.** You must wholly integrate the annual appraisal with an ongoing series of one-to-one meetings. The appraisal is the annual opportunity to really get under the bonnet of what the employee has achieved and how they have progressed over the past year, and set them a longer-term direction for what you want them to achieve. The one-to-ones are maintenance checks to ensure things are on course as planned and to identify new or changing project or task requirements and emerging support, coaching or development needs.
- **Consistency of application.** The purpose of a great appraisal system linked to ongoing one-to-ones is to promote high levels of employee engagement, contribution and wellbeing, and most boards and senior teams will say these are things they are striving towards. This being the case, it is counter-intuitive to implement a system and not monitor and hold managers accountable for their appraisal and one-to-one completion rates. Managers' own managers should check appraisals to ensure the quality and depth is there.
- **The gift of time.** Some managers will duck out of staff appraisals and supervisions or cut them short. This is unacceptable. The biggest motivator for people is the manager showing they are willing to spend in-depth quality time supporting and coaching them. Appraisal and one-to-ones are the best vehicles to demonstrate this commitment. •

