

# Philanthropy UK

a project of ACF

November 2002

Issue 5

## Current news from the world of philanthropy

The purpose of this newsletter is to help to foster a connective network between those who are interested in all aspects of exploring and promoting new ideas about philanthropy. It is published every two months and is distributed free via email to anyone who expresses an interest in this field. The current mailing list is over 200. Recipients are drawn from a wide range of organisations including funders, academic institutions and researchers, umbrella bodies and associations, various independent initiatives and consultants. It is also available on the Philanthropy UK website.

This is the fifth issue of a one year experiment. The recipients are themselves the contributors and we understand that not everybody will have something to say for every issue. It would be very helpful if readers could take a moment to send comments about the newsletter via email or the web site, since we are soon to review the future of the newsletter.

## **BRIDGES COMMUNITY VENTURES LTD.**

Budding entrepreneurs and growing businesses in some of Britain's most under-invested communities can now access backing from a new type of venture capital. Bridges Community Ventures Ltd was founded this year with a special mission, to manage venture capital funds that invest for a purpose as well as a profit. All funds raised by this new company will be for social or environmental benefit.

The first funds raised by Bridges Community Ventures are £40 million in "Community Development Venture Capital". They will be invested in businesses with high growth potential that are based in England's most under-invested communities.

By investing in businesses with strong growth potential the company hopes to stimulate economic growth, create jobs, wealth and role models as well as make a return for investors. The under-invested areas are identified through those electoral wards in England that fall within the most deprived quartile according to official government measures<sup>1</sup>. The result is the creation of the first UK example of Community Development Venture Capital, an investment model pioneered in the USA, where there are over 50 community development funds.

| Of the £40 million that has been raised in the funds, 50% has come from private sector investors and 50% in the form of matched investment from the Government. Investors in the funds include the founders of Bridges Community Ventures; Sir Ronald Cohen of Apax Partners, Tom Singh of New Look and 3i. Other companies involved include HSBC, Lloyds TSB Scotland, Merrill Lynch, Railways Pension Trustee Company, The Royal Bank of Scotland and West Midlands Pension Fund.

# Philanthropy UK

a project of ACF

November 2002

Issue 5

Selected businesses will receive investment from Bridges Community Ventures in exchange for a stake of equity of the company. The aim of Bridges Community Ventures is to grow the value of the company. It works closely with the entrepreneurs it invests in, providing ongoing support and guidance. Business expertise is provided by the Bridges Community Ventures team, investors in the funds and members of the Entrepreneurs Club, ensuring maximum mutual benefit over the long term.

The Entrepreneurs Club is made up of successful entrepreneurs and business people across England. The members of The Entrepreneurs Club will provide guidance, support, invaluable expertise and business advice to businesses that the company has invested in.

Bridges Community Ventures Ltd was launched in May 2002 in response to the recommendations of the Social Investment Task Force. A venture capital firm with a difference, it aims to harness the entrepreneurial spirit in under-invested communities to stimulate economic growth and create jobs, wealth and role models of business success.

Funds are provided to a maximum of £2million in exchange for a stake in the equity of the company. Bridges Community Ventures will invest funds in businesses located in electoral wards in England that fall within the most deprived quartile on the Index of Multiple Deprivation<sup>1</sup>. To be eligible, small and medium sized enterprises must have a potential for high capital growth, a winning business proposition and be based in and have strong links with the local area. Bridges Community Ventures provides hands on business advice and guidance to the firms in which they invest, in order to help maximise the entrepreneurs' chances of success.

Bridges Community Ventures Ltd is Regulated by the FSA

[www.bridgesventures.com](http://www.bridgesventures.com)

## THE ETHICAL PROPERTY COMPANY

### SOCIAL INVESTMENT IN PROPERTY

The Ethical Property Company has spent the last few months further developing the scope for charity investment in property through Programme Related Investment. We feel that the key is to find the correct financial instrument that can both meet a charity's needs to stay within charitable law and that can fulfil its investment requirements.

---

<sup>1</sup> The Index of Multiple Deprivation is a government measure of deprivation, defined by electoral ward and based on a carefully selected series of statistical indicators, examining factors such as income, employment, education and qualifications, health, housing and geographical access to services.

The three possible options as we have conceived them to date

## 1. Buying Ordinary Shares in the Company

The Charities Aid Foundation is considering investing £25,000 in The Ethical Property Company via Venturesome. This is on the basis that approximately two thirds of the company's floor space is occupied by charities or groups with charitable purposes. CAF can therefore accept a return that is up to two thirds below the commercial rate, as two thirds of the return can be considered a charitable donation. If CAF receives a return above two thirds of the going rate, then this is a very attractive investment.

This is a convincing case for trusts with general charitable purposes. However it would not work for trusts who have a specific charitable objective or who would wish to target their investment more closely.

## 2. Creating a new class of 'restricted equity' in the Company

It may be possible for the company to create a special class of equity with particular rights attached that would reflect the needs of charitable investors. These rights would be for example that the investment can only be used for charitable tenants or for particular properties. This equity might also offer certain financial privileges.

In practice, however, this mechanism is likely to prove impractical to implement as it is unlikely to prove acceptable to the company's existing shareholders.

## 3. A new charity bond

A better option for trusts with restricted charitable objectives might be a special 'Charity Bond'. This also has the advantage for the company that no special powers are needed to create it. The Charity Bond could have the following characteristics:

- Only to be used for specified charitable purposes, such as particular tenants or a particular property.
- A rate of return pegged to the base rate.
- Redeemable with notice after a fixed period of say five years.
- An option to convert to equity.

This seems to better answer a charity's needs for a predictable rate of return and a guaranteed level of liquidity. The company would be able to repay the bonds without the need to sell property by leaving some slack in its loan gearing and borrowing from a bank.

## A seminar on social investment in property

The Ethical Property Company is keen to develop these ideas further in close discussion with charitable trusts and with other ethical business initiatives in the property sector. We would like to propose a small best practice seminar in which trusts and companies can share their experience of developing property for the charitable sector and consider how to improve property provision for the sector.

New address: 2nd floor, 9 Park End Street, Oxford OX1 1HH

[jamie@ethicalproperty.co.uk](mailto:jamie@ethicalproperty.co.uk)

[www.ethicalproperty.co.uk](http://www.ethicalproperty.co.uk)

## THE FUNDING NETWORK

The Funding Network (TFN) had its third funding day on November 16th and once again demonstrated the appeal of the format. A record nearly 60 people came, a good many for the first time, but also many who had been at least once, if not twice, before which is very encouraging. Word is spreading and enthusiasm is growing.

We raised over £52,000 for our ten charities which not only covered a wide range of social change projects in the UK and overseas, but also were presented by a variety of voices - from South America, India, Sudan and London-Bangladeshi as well as English. A number of funders said how much they had learned during the day, and how much they appreciated being able to talk directly to the charities involved and ask questions.

Among the funders were representatives from a number of small trusts who found the day very useful as a form of research. TFN would like to encourage trustees who have discretion to commit funds on the day to use TFN as a tool in this way.

The next funding day is on March 1<sup>st</sup>.

[www.thefundingnetwork.org.uk](http://www.thefundingnetwork.org.uk)

## THE GIVING CAMPAIGN

The Giving Campaign has launched a series of initiatives to raise the profile and increase participation of Payroll Giving in the UK, they are:

### Research

The Giving Campaign has recently commissioned two research projects into Payroll Giving. The research has been published in two reports:

- Giving at the Office – A research report addressing the views of wealthy donors into giving to charity and specifically, to Payroll Giving.
- The Business of Giving – A report that summarises the business benefits of offering a Payroll Giving scheme.

### FT Supplement on Charitable Giving

The Giving Campaign sponsored a supplement to appear in the Financial Times on 17<sup>th</sup> October 2002. The supplement featured key findings and case studies from the Payroll Giving research reports, plus a number of articles addressing further issues relating to charitable giving.

### Payroll Giving Toolkit for Employers

The Payroll Giving Toolkit was recently launched at the DTI Conference Centre, with the support of Stephen Timms - Minister for E-Commerce and Competitiveness. The event was well attended by representatives of FTSE 100 companies and the key focus for discussion was the numerous business benefits of Payroll Giving.

# Philanthropy UK

a project of ACF

November 2002

Issue 5

## Payroll Giving Events

### SME Pilot

Further research is underway with an SME pilot study now underway in Crawley, a consortium of charities is working with local businesses to promote Payroll Giving to them.

### *Payroll Giving at the Houses of Parliament*

An All Party Parliamentary Group has been established to promote Payroll Giving within the Houses of Parliament. The Speaker, Michael Martin MP, will be presenting the benefits of Payroll Giving at an event on 4<sup>th</sup> December at the Speaker's House, aiming to boost participation of the scheme.

[www.givingcampaign.org.uk](http://www.givingcampaign.org.uk)

## IMPETUS TRUST

Impetus Trust (Impetus) is believed to be the UK's first general venture philanthropy charitable fund. Impetus offers donors the means to make the biggest difference with their money by enabling charities to achieve a step change in their performance. Impetus helps to fill an important gap in funding by focussing entirely on long term, hands-on financing of charities' core costs across a wide range of charity sectors. The need for a step change will arise in three main situations: rapid growth, turnaround and merger.

Impetus's initiator, Stephen Dawson, was one of the founders of the venture capital industry 25 years ago and has been working on the project for over a year on a part-time basis. He has now been joined by Nat Sloane who is a successful entrepreneur and management consultant – most recently at Accenture where he also chaired their charitable foundation. Four other trustees have been recruited: Michael Webber (a former charity commissioner and chief executive of a public company), Julia Middleton (founder and chief executive of Common Purpose), Chris Mathias (successful entrepreneur and trustee of several charities) and Doug Miller (venture capitalist and also involved with several charities). David Carrington has been an adviser to Impetus since its conception. Fundraising is progressing well and Impetus is keen to develop partnership relationships with grantmaking charities, as well as seeking funds from individuals. Impetus is hoping to start operations early in the New Year.

[Stephen.dawson@eciv.co.uk](mailto:Stephen.dawson@eciv.co.uk)

## LEGACY PROMOTION CAMPAIGN

October saw the successful launch of Remember A Charity by The Legacy Promotion Campaign (LPC), to educate the general public about how they can provide for family and friends and still leave money in their will to their favourite charity. The campaign, set up by the largest ever consortium in the UK, is aiming to increase the number of wills that contain a donation to charity.

Targets for membership have already exceeded expectations with current membership standing at 86, comprising members from across the charity spectrum representing all sizes and causes. It has been extremely encouraging to see so many charities willing to share information and resources for the benefit of the entire sector.

Media coverage to date in national, regional and consumer press has reached a total number over four million people. Forty radio stations across England, Wales and Scotland also covered the campaign reaching just under two and a half million people. Direct marketing activities are supporting the campaign.

The success of **Remember A Charity** is dependent on support from the legal and financial sectors. Founder campaign supporters STEP and AIFA and Withers are now joined by over 300 other organisations from influential professional bodies and leading law firms. Campaign supporters will be helping to increase charity income by including a prompt about charitable giving when advising clients during the will-making process.

Whilst the benefits of the campaign won't be realised for some time, we hope that this positive start is indicative of things to come.

[theresa.dauncey@givingcampaign.org.uk](mailto:theresa.dauncey@givingcampaign.org.uk)

[www.rememberacharity.org.uk](http://www.rememberacharity.org.uk)

## NEW PHILANTHROPY CAPITAL

There is a new Executive Summary on the website. This gives details of the mission and services, some recent research and staff. The most recent appointment is Giles Goschen, Head of Client Development. Giles joined NPC in October 2002, with a brief to develop relationships with grant-making trusts, foundations, individual philanthropists, and other donors. Previously Giles was a director of the Barchester Group, an investment banker at Deutsche Bank (1997-2000) and Government Minister for Aviation and Shipping (1994-1997). Between 1988 and 1991, he was instrumental in setting up the Kasanka National Park (Zambia) as the first privately managed national park in Sub-Saharan Africa.

[ggoschen@philanthropycapital.org](mailto:ggoschen@philanthropycapital.org)

# Philanthropy UK

a project of ACF

November 2002

Issue 5

## PHILANTHROPY UK

We have now launched our new website, with the help of Julia Nelson from Cloudless Computing. We would be very interested in your comments.

[www.philanthropyuk.org](http://www.philanthropyuk.org)

### **SOCIAL BROKERS: A Big Issue Initiative**

Social Brokers is a Big Issue initiative which aims to promote projects which raise money for investment in social businesses and thereby grow the sector. There are currently two major projects under way.

#### **Venture Capital Fund**

Venture capital firm Catalyst will manage the fund which will be launched in December 2002 and aims to raise money for investment in businesses that produce a "social return" in areas including education, health and renewable energy. Catalyst plans to raise £50million and will seek investment from banks and financial institutions, pension funds corporations and charitable foundations.

#### **Capital for Communities (C4C): A Wholesale CDFI**

C4C will operate as an independent company and will raise finance to provide loans at preferential rates to local CDFIs (Community Development Finance Institutions ) involved in financing businesses tackling regeneration and community development, UK wide. Investors in C4C will be able to benefit from the new community investment tax credit arrangements (CITC) introduced by the Chancellor earlier this year. It is intended to launch the fund in Spring 2003 and to raise between £10-20million.

[info@socialbrokers.com](mailto:info@socialbrokers.com)

[www.agents-for-change.com](http://www.agents-for-change.com)

### **VENTURE PHILANTHROPY**

As we note from various items in this issue of the newsletter, there have been several developments and new initiatives which might be categorised under the broad heading of Venture Philanthropy. The conclusions from our workshop in July already seem out-dated, and for our next issue we would like to put together an article or supplement which provides an overview of what is going on in this field and covers a range of initiatives. If you are aware of such activities, or would like to make a contribution to the subject, please let us have the information by 17<sup>th</sup> January 2003.

### **VOLUNTARY SECTOR REVIEWS**

2002 has seen the publication of two important Government reports on the voluntary sector. With wide-ranging recommendations for service-providing charities and interesting things to say about the need to increase and stabilise capacity, the Treasury's '**Cross-Cutting Review**' of the voluntary sector's role in public service delivery, is to be implemented by the Home Office Active Community Unit. Published in October, the report is available at the Treasury website at [http://www.hm-treasury.gov.uk/mediastore/otherfiles/cross\\_cut\\_vol02.pdf](http://www.hm-treasury.gov.uk/mediastore/otherfiles/cross_cut_vol02.pdf).

# Philanthropy UK

a project of ACF

November 2002

Issue 5

From the perspective of philanthropy, the review by the Cabinet Office's Strategy Unit of **voluntary sector law and regulation** – *Public Action, Public Benefit* is far more significant. It proposes the most radical reform for centuries. Launched unexpectedly by the Prime Minister in July 2001, the review's aims were to:

- modernise charity law and status to provide greater clarity and a stronger emphasis on the delivery of public benefit;
- improve the range of available legal forms enabling organisations to be more effective and entrepreneurial;
- develop greater accountability and transparency to build public trust and confidence; and
- ensure independent, fair and proportionate regulation.

The main recommendations are:

## **An updated and expanded list of charitable purposes**

The traditional four heads – poverty, religion, education, and 'other purposes beneficial to the community' are to be expanded to ten. The existing ones, and the body of legal precedent, will remain, with poverty expanded to include prevention as well as relief. The new heads will be: health; social and community advancement; culture, arts and heritage; amateur sport; human rights, conflict resolution and reconciliation; and environmental protection and improvement. These proposals are much clearer than the Charity Commission's *Review of the Register* process has allowed, notably for example in sport. They will much reduce 'wordsmithery' by lawyers, by enabling charities to have formal objects that say what they mean. Grant-makers with broader objects will welcome the removal of ambiguities about their own power to fund charities working in any of these fields. There will be an over-arching test of public benefit, likely to have most effect on charities that charge fees so high as to exclude significant parts of the population from benefiting.

## **Encouraging entrepreneurialism and new forms of charity**

Charities will no longer have to set up separate trading companies, provided they take advice on trading ventures much as they presently have to with their investments. They will be able to campaign more freely, will be encouraged to merge and use quality frameworks and social audit where appropriate, and will have access to a new range of legal forms. The *Community Interest Company*, with legal protection from demutualization, will be a strong new brand to social enterprise through improved access to finance. Industrial and Provident Societies, 'an under-used form' will also be able to opt for protection from demutualisation, either as **Co-operatives** or **Community Benefit Societies**. Limited liability will be available to all charities through the **Charitable Incorporated Organisation**, intended to replace the Company Limited by Guarantee.

## **Increased accountability and transparency**

The lower limit for registration will be £10,000 rather than £1000, removing over half the charities from the existing register, a proposal that is controversial among grant-makers and others. There would be a new 'small charity' status, with continued tax exemption. Charities currently exempt from registration, such as universities, would be regulated as charities either by the Charity Commission or within their own sub-sector.

# Philanthropy UK

a project of ACF

November 2002

Issue 5

Larger charities would have to supply a greater range of information annually – starting at £1 million-plus income, though some think there should be an assets threshold too. Fundraising would be overseen by a new self-regulation body, with legal controls threatened if self-regulation does not work, and public charitable collections would be licensed.

## **Improved regulation and a reformed Commission**

The Charity Commission would become a statutory corporation renamed the Charity Regulation Authority, with an expanded Board meeting in public, clear statutory objectives, an independent tribunal through which its decisions could be challenged at reasonable cost, and an office in Wales. It would produce reports, with sector participation, of performance in diverse areas of charitable provision.

Comments are needed on the report by 31 December 2002. The full text is available at <http://www.cabinet-office.gov.uk/innovation/2002/charity/report/>

*Philanthropy UK* is very grateful to Nigel Siederer for contributing this article pro bono.

Good Foundations Consultancy  
[nigelsiederer@good-foundations.co.uk](mailto:nigelsiederer@good-foundations.co.uk)

## **WINGS**

WINGS, the international network for grantmaker support organisations has announced the appointment of Gaynor Humphreys, currently the Director of Community Foundation Network, as its next Director. Gaynor will take over her new responsibilities in January 2003 when two Secretariats - WINGS (Worldwide Initiatives for Grantmaker Support) and WINGS-CF (the linked network that works with community foundation developers world-wide) - are relocated to their new home in Brussels, where WINGS will be hosted by the European Foundation Centre.

Gaynor leaves Community Foundation Network after seven years as Director (and several years of voluntary involvement before that). Clare Brooks, Assistant Director Network Services, will be Acting Director pending a permanent appointment.

Gaynor is thrilled to have the opportunity of building on her experience of supporting community-based philanthropy in the UK and working with associations and support organisations like Community Foundation Network in a wider arena. “WINGS”, says Gaynor, “has grown out of an international meeting of grantmaker associations which have many tasks in common on behalf of foundations and grant-making organisations. The WINGS network is very much about sharing good practice, and occasionally giving association staff and trustees the opportunity to meet and learn from each other first-hand. The work includes a concern to stimulate philanthropy in countries where it is under-developed and to share expertise that could help create more enabling environments. The rapid development of community foundations in the UK has been an inspiration to many other countries and demonstrated how much two-way learning there can be from international contact.”

[www.wingsweb.org](http://www.wingsweb.org)

## **USEFUL WEBSITES**

On our website we have created two sections for useful links. The first covers links useful for research and finding out what is going on in the sector. These are mainly, but not only, in the US. The second offers links to other organisations and consultants working in the field of the promotion of philanthropy. Suggestions already received have been posted on our website. If you would like to propose an addition please do so via the form on the website.

### **Feedback and comments**

Please send your comments and contributions for the next issue by 17<sup>th</sup> January 2003

[theresalloyd@philanthropyuk.org](mailto:theresalloyd@philanthropyuk.org)

[www.philanthropyuk.org](http://www.philanthropyuk.org)