Chair: Jon Snow
09:00 Registration and coffee
09:30 Welcome
The Lord Mayor, Alderman Michael Bear
09:40 City Bridge Trust – supporting communities
Deputy Joyce Nash OBE
Chairman of City Bridge Trust Grants Committee
09:50 Funding civil society
Lord Nat Wei
Government Adviser for Big Society
10:10 Real returns: the Social Impact Bond
David Hutchison
Chief Executive Officer, Social Finance
10:20 Questions
10:40 Tea and coffee
11:00 New forms of funding
David Carrington
Philanthropy Consultant
11:15 The funding mix
Fiona Ellis
Chair of the National Council for Voluntary Organisation's Funding Commission
11:30 Are grants always good?
Panel session
Panellists
Richard Hawkes Chief Executive, Scope
John Kingston OBE Venturesome Director, Charities Aid Foundation
Sara Llewelin Chief Executive, Barrow Cadbury Trust
Danielle Walker-Palmour Director, Friends Provident Foundation
12:40 Funding fit for purpose
Clare Thomas MBE
Chief Grants Officer, City Bridge Trust
12:45 Close
**Lord Mayor**

Alderman Michael Bear was appointed Lord Mayor in November 2010. As head of the City of London Corporation, his principal role is as ambassador for all UK-based financial and professional services. Alderman Bear’s previous posts include Managing Director at Balfour Beatty Property plc, Regeneration Director at Hammerson plc and Non-Executive Director at Arup.

His voluntary work includes charity projects in South Africa, Bangladesh and the UK. He is a Trustee of CRASH, the Spitalfields Market Community Trust and the Drinking Fountain Association and is a Governor of the Sir John Cass Primary School and the London South Bank University. He has also served as Chairman of the City Challenge Programme in the London Borough of Tower Hamlets and as Director of its successor body, Cityside Regeneration.

**Lord Nat Wei**

Lord Nat Wei was Government Adviser for Big Society until May 2011, based at the Office for Civil Society in the Cabinet Office.

He was introduced in the House of Lords in June 2010 as Baron Wei of Shoreditch in the London Borough of Hackney. He sits as a Conservative peer. After graduating from Oxford, Lord Nat Wei worked at McKinsey & Company for three years. In 2006 he founded the Shaftesbury Partnership, a social business that creates and inspires scalable social reforms working with philanthropic, charitable, private and public sector clients.

He is a member of the founding team of Teach First, a non-profit organisation designed to bring top graduates into inner city schools as teachers and also a founder of Future Leaders, an accelerated development programme for potential head teachers of inner city schools.

**Joyce Nash OBE**

Deputy Joyce Nash OBE is a retired Head Teacher who was elected to the Court of Common Council of the City of London in 1983. A City resident for 33 years and living in Aldersgate, the Ward she represents, she has held six Chairmanships across the City of London Corporation, the most recent as the Chief Commoner.

She has a wide knowledge and experience of Local Authority responsibilities and she serves on the main policy-making committees and advisory groups. She has given many years of public service both for London and her native Yorkshire. She was appointed an OBE in 2000 for services to the Arts and the City of London.

**Clare Thomas MBE**

Clare has been the Chief Grants Officer of City Bridge Trust since April 1996.

Formerly an Adviser to the Voluntary Services Unit at the Home Office on charities and grant-making, she has worked as Deputy Clerk for the Sir John Cass Foundation and as Deputy Director of the Rainer Foundation.

Clare is a former Chair of the Association of Charitable Foundations, the National Offender Management Services Advisory Group and The Building Exploratory. She has been a board member of Trust for London, NCVO, London Bombings Charitable Fund and as adviser to several funds administered by the British Red Cross. Clare is a member of the BBC’s Appeals Advisory Committee.

**Jon Snow**

Jon Snow has been the main presenter of Channel 4 News since April 1989. He is also the Chair of the New Horizon Youth Centre – a day centre for homeless and vulnerable young people located in King’s Cross. He was the Director of the project 1970-73 and has been on the Management Committee ever since. From 1986 to the present he has been Chairman. He is Deputy Chair of the Media Trust.

**Danielle Walker-Palmour**

Danielle joined the Foundation as Director in November 2004 after six years as Director of Policy and Practice at the Joseph Rowntree Foundation.

Danielle has previously occupied senior policy and research roles throughout the non-governmental sector including the head of policy of what is now The Big Lottery Fund, the Commission for Racial Equality and the Law Society of England and Wales.

She is a member of the Treasury’s Financial Inclusion Taskforce, the Civil Society Advisory Body of the Cabinet Office, Member of the University of York Court and a Trustee of the Geffreye Museum in London.
David Carrington

David is a consultant working on the promotion of philanthropy and social investment and on the funding and governance of charities and social enterprises. His clients include many endowed, corporate and family foundations, private banks and wealth advisers, the UK’s first venture philanthropy ‘pooled fund’, Big Lottery Fund, the European Foundation Centre and the Treasury.

David mentors senior charity staff and has a joint venture (‘On Board’) with Bates, Wells & Braithwaite on charity governance. He has been Chief Executive of three foundations and a member of the Supervisory Board of Triodos Bank. He is a founder Director of the charitable company that publishes Alliance and is an advisory board member for the Centre for Effective Philanthropy in the USA.

Fiona Ellis

Fiona combines being Interim Director of Philanthropy UK with a portfolio of professional and voluntary work. Until 2009 she was Director of the Northern Rock Foundation. NRF funds exclusively in North East England and Cumbria. It invested over £175 million in Fiona’s 11 years of stewardship.

Fiona was Assistant Director (Arts) at the Calouste Gulbenkian Foundation, and has worked with the Baring Foundation and the Esmée Fairbairn Charitable Trust. Her current and past posts include: Chair of NCVO’s Funding Commission; Chair of Mission, Models, Money’s Capital Matters Taskforce; Vice Chair BBC Appeals Advisory Committee; Durham University Audit Committee; Board Member of NAVCA; Vice Chair of Futurebuilders; and Commissioner for the IPPR North Public Services Commission.

Sara Llewelin

Sara Llewelin is the Chief Executive of the Barrow Cadbury Trust and was formerly Deputy Chief Grants Officer of City Bridge Trust. Prior to that she was the Chief Executive of St Giles Trust, an organisation providing services to homeless and vulnerable people.

Sara is Vice Chair of the Association of Charitable Foundations, a member of the Governing Council of the European Foundation Centre, a Board member of Charity Bank and has served on a number of other national Boards, including the lottery distributors and social investors. Her background is in activism, particularly in the domestic violence movement and in local community family provision.

Richard Hawkes

Richard is Chief Executive of disability charity Scope. Prior to this Richard was the International Programmes Director of VSO, with responsibility for VSO’s programmes in more than 40 countries across the world, and the Chief Executive of Sense International, an international charity working throughout the world for people who are both deaf and blind. Richard also holds a number of non-executive roles.

He is a member of the BBC Appeals Advisory Committee and a Trustee of Skills – Third Sector, the sector skills council for the voluntary sector. He was Chair of BOND, the umbrella body for UK based international charities, for four years until November 2008, including the period in which BOND co-ordinated the Make Poverty History campaign.

David Hutchison

David joined Social Finance in 2009 after a 25 year career at Dresdner Kleinwort where he was most recently Head of UK Investment Banking since 2005 and a member of the Global Banking Operating Committee, coordinating the bank’s activities in the UK across the full range of investment banking products, M&A, debt and equity raising and derivatives marketing. Prior to this David was Co-Head of Global Mergers & Acquisitions and Head of Corporate Broking. He gained a wide range of experience which included working in securities markets, structured finance, balance sheet restructuring and capital raising in both the debt and equity markets. David has a BA in History and Economics from Brasenose College, Oxford.

John Kingston OBE

John Kingston is the founder Director of CAF Venturesome at the Charities Aid Foundation. Launched in 2002 to explore the provision of risk capital to charities, Venturesome has now offered over £20 million to 250 charities and social enterprises. John is currently Chair of the Association of Charitable Foundations in the UK and of the Nationwide Foundation, and was awarded an OBE in the New Year Honours 2010 for services to the voluntary sector.
Foreword

Long before the term was coined, City Bridge Trust was engaged in a pioneering form of venture philanthropy. Through careful use of funds built up through tolls, rents and a range of investments, the City of London Corporation was able not only to maintain its bridges, but also to provide charitable support to those in need. More recently the City Bridge Trust has supported several social enterprise ventures through patient loans, and grants that can be used to lever in commercial loans.

We wanted to build on this experience, and draw on the expertise of others, by bringing together a range of investors and charities to discuss social finance. In recent months we have seen a great deal of work from government, from charitable foundations, from intermediary organisations and from mainstream investment institutions, all interested in activities that can generate social and financial returns. City Bridge Trust’s February conference was a timely opportunity to bring together some of the leading practitioners, discuss latest developments, highlight some of the outstanding challenges, and consider where we should go next.

Social investment is a broad banner, embracing a range of funding mechanisms that include grant-making. It covers new forms of funding that are still in development, and there has been considerable interest in some high-profile examples. It is important to remember that it will take time to develop the social investment market, and also important to ensure that the right funding vehicle is used at the right time to support the right venture. There is much that charitable foundations like City Bridge Trust can do to support the research and development of this market, and Diana Leat’s excellent conference reflections draw this out.

Clare Thomas
Chief Grants Officer
City Bridge Trust
Notes on some of the terms used in this report

**Venture philanthropy** describes the practice of giving money and skilled support to charities and social enterprises in order to achieve an agreed aim (e.g. growth, or improved effectiveness).

**Payment by results** is a retrospective system of reward where money is given in return for work delivered and/or goals achieved.

**Social investment** is used to describe a type of funding which is motivated primarily by intended social impact, but also where some level of financial return is anticipated (often at sub-market rate).

**Impact investment** is a term often used interchangeably with social investment. It is an investment designed to achieve both social and financial returns.

**Mission related investing** describes a practice whereby a charitable foundation makes investments that further its strategic goals and earn a financial return (often at a sub-market rate).

Diana Leat Ph.D.

Diana Leat is a Visiting Professor at Cass Business School, London and at the Centre for Philanthropy and Nonprofit Studies, QUT Brisbane Australia. Diana has held research and teaching posts in a number of universities and research centres in the UK, the US and Australia including University of Warwick, Policy Studies Institute, Demos, LSE and UCLA. In 2010, Diana was Scholar In Residence at the Rockefeller Archive Centre, New York. She is the author of over 100 articles and books on the non-profit sector and social policy, specialising in philanthropic foundations. Diana is a trustee of the Diana, Princess of Wales Memorial Fund in the UK.
On a dank February morning a gathering of banks, charities, policy-makers, philanthropists and investors met in the splendour of the Mansion House, London to discuss new forms of finance for the third sector. The aim of the gathering was to help funders, from whatever sector, ‘make their money work harder’ for the charitable sector.

Few conferences can ever have been timelier, coming just days after the Coalition Government’s announcement of its plans for the Big Society Bank. And it was appropriate too that the conference was held in the heart of the City – opposite the Bank of England – and arranged by City Bridge Trust, London’s oldest philanthropic foundation. Clare Thomas, Chief Grants Officer, noted that City Bridge Trust was perhaps the original ‘venture philanthropist’ using toll money from those crossing Old London Bridge to support a range of charitable activities.

This think-piece tries to do two things: (1) draw on the conference proceedings to highlight some of the recurring themes and (2) offer one perspective on some issues that would benefit from further discussion.

Introduction
The conference took place at a time of great change for the voluntary sector.

**Changing policy**

The headline in the changing policy context is Big Society. It is probably fair to say that the Big Society agenda is a work in progress. Keynote speaker Lord Nat Wei outlined some of the changes implicit in the Big Society agenda in his presentation.

Emphasising that Big Society is here to stay and has cross party support, Lord Wei defined Big Society as “about supporting citizens to take more control over their lives, so that increasingly we can share in the design, delivery, and even running of services that matter to us, based on our available time, resources, and passions – with the support of government, the private, and voluntary sectors – as well as other citizens”.

Lord Wei stated that Big Society will be funded by “fewer government grants” and more payment by results (estimated by Lord Wei to bring £60 billion of contracts), local budgets and by commercial investment in contract bids. Philanthropy will play a part as will social investment. The Government sees the Big Society Bank as “a cornerstone of the social investment market attracting more investment from wealthy individuals, charitable foundations and ultimately socially responsible everyday savers in social ISAs and pension funds”.

The aim is that “The Big Society Bank will ultimately be financed by an estimated £400 million from dormant bank accounts, accessing up to £100 million in its first year, as well as an additional £200 million given by the UK’s largest banks. It will act as a wholesaler and use its balance sheet to co-invest, underwrite or guarantee investments along with private sources of capital. It is crucial to note that the Bank will not directly invest in social ventures but in and through Social Venture Intermediaries…” The Bank will focus on “impact investing” where the rates of return are likely to be lower than commercial levels, reflecting the high levels of social impact delivered. The hope is that both individual and retail investors will be drawn to such impact investing.

Lord Wei summed up the Government’s aspirations for change in the policy and funding context with the prediction that: “In thirty years time… we will look back on this year and this period as the beginning of another Big Bang, a social one, forged as a part of the Big Society’s own emergence, when it became the norm globally and in every locality for social ventures to have many more ways to finance their growth and impact, and when almost every venture started to have a social dimension”.

**Public expenditure pressures and effects on the voluntary sector**

The changing policy context is, in theory at least, separate from public expenditure pressures. As the Government regularly reminds us, Big Society is not a temporary ploy to save money but is rather about reconfiguring the relationship between state and citizen. But from the voluntary sector’s viewpoint the effects of public spending pressures on the sector are probably as, if not more, important as the Big Society agenda. It is predicted that the sector could lose up to £5 billion.

At the same time as the sector’s resources are reduced it is highly likely that many organisations will face increased demand from users.

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1 Preparing for Cuts – New Philanthropy Capital, 2010
Interest in new forms of funding

Given this context, work to develop new forms of funding is urgently needed. In 2010 the NCVO Funding Commission reported on ways in which the sector might be resourced in future\(^2\). Fiona Ellis, who chaired the Funding Commission, told the conference that one of its over-arching themes is change – new ways of giving, new ways of seeking and new ways of using and managing money. The Commission made four broad recommendations:

1. Make better use of existing resources;
2. Generate new sums;
3. Change the way in which the sector manages and accounts for money; and
4. Attract greater support from government.

The total cost of the Commission’s recommendations including funds to help the sector become more efficient, to modernise its practices and to explore more efficient ways of working is £117.4 million from a combination of private and public funders. “Given that there are an estimated 900,000 civil society organisations with an annual income of £157 billion this level of investment seems quite modest” Fiona said.

Social investment – a coat of many colours

Aside from the recommendations of the Funding Commission, one of the buzz phrases of the last five years has been social investment. This, it is often claimed, is the sector’s best, if not only, hope. But one problem with the social investment movement is that it is a term used to cover many different forms of funding.

David Carrington gave a useful summary of some of the many types of social investment. He distinguished borrowing from savings/reserves; commercial loans from banks; ‘patient finance’ from foundations where there is no immediate expectation of repayment; loans backed by guarantees; shared purchase where funders pool their money; quasi-equity where an investor supports an entrepreneurial plan in the expectation of reward should the plan succeed; and hybrid funding in which, for example, philanthropic funds can be used to leverage commercial lending or public sector funding.

All of these, David suggested, “if applied to voluntary sector organisations, are forms of social investment ie providing financial resources to achieve a social aim but with the possibility of a financial return. Neither return can be guaranteed – the social aim may fail; the financial plan may collapse”.

David struck an optimistic note, covering the range of new activity that indicates social investment might grow further. In the last few years we have seen the emergence of: new funds – like Venturesome or Bridges – actively seeking out (and finding) organisations they can assist; existing funders adding to their repertoire (like the Esmée Fairbairn Foundation); specialist banks serving the sector – Triodos, Charity Bank, and Unity Bank; Government work to grow the social investment market; work done by NESTA\(^3\), The Young Foundation\(^4\) and others to advance thinking on social ventures; growing interest from mainstream investment markets; and by the Charity Commission “to clarify what trustees can do to invest charitable funds and assets more for mission, more in line with their charitable purposes, or at least not blatantly contrary to them”.

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2 See www.ncvo-vol.org.uk/fundingcommission
3 NESTA Big Society Finance Fund – see: www.nesta.org.uk/areas_of_work/public_services_lab/social_enterprise/assets/features/big_society_finance_fund
4 Growing Social Ventures Young Foundation – see: www.youngfoundation.org/publications/reports/growing-social-ventures-february-2011
One of the newest kids on the block – the Social Impact Bond

Social investment covers a variety of forms of funding. The Social Impact Bond is one of the latest kids on the block. David Hutchison from Social Finance (SF) told the conference how Social Impact Bonds (SIBs) are intended to mobilise capital to invest in organisations delivering change in a way which yields return for investors.

To be successful SIBs depend on certain conditions. They require contracts with public sector commissioners in which government commits to pay for improved social outcomes. On the back of that contract investment money is raised from outside the public sector and this is then used to pay up front for a range of interventions to improve social outcomes. If all goes as planned the investors’ financial returns are generated by payments from government for the improved social outcomes. The greater the improvement the greater the return to the investor, but the investor takes the risk that the interventions do not deliver the desired outcomes.

The best known example of an SIB is the work being done at Peterborough Prison. SF raised £5 million capital to fund an intervention with 3,000 prisoners expected to leave Peterborough Prison over the next six years. The investment was raised on the back of a contract with the Ministry of Justice (MoJ) and investors receive MoJ payments if, and only if, there is a measurable reduction in reoffending. The greater the reduction in reoffending, the greater the payment. A sustained 10% reduction in the rate of reoffending would result in an annualised rate of return of 7.5% over eight years.

In this case the money has been raised from charitable foundations and high net worth individuals investing through their foundations. Most are investing from their endowment funds. SF (and the Government) hope that a market in social investment can be built involving trusts and foundations, high net worth individuals, private banks, the mass affluent, institutions and corporate investors. Development of this market will require scope to develop tax incentives, further research and capital underwriting.
Emerging themes – One perspective

Summing up such a rich and complex discussion is not easy. As all good conferences do, this one raised as many questions as it answered. However, some broad themes did emerge. There was:

Something old

One of the constant themes throughout the conference was the need to remember that grants will always be necessary. New forms of finance are an add-on NOT a substitute for the old and always essential grant.

It is tempting to conclude that failure to understand the importance and role of the grant is part of a wider and deeper lack of understanding about the nature and role of the voluntary sector. The voluntary sector exists to fill the gaps, the ‘failures’, of the market and government – to do the things in which there is not sustainable profit or for which there is insufficient political will. If there were a sustainable market for something it would not be done by the voluntary sector. In some cases, of course, things change and what starts off as a narrow, non-profit activity becomes (perhaps through economic or demographic change) a sustainable market into which business moves (eg as in the case of building societies). But, as we have learnt, when something is taken over by the market it changes – it becomes subject to the logic of the market and this is different from that of the voluntary sector.

So social investment is not a magic wand; it is less a matter of out with the old as in with the new and additional.

Something new

The conference was also about the new – and it was clear that many delegates had come to learn. One theme was the new and, for some, nasty world out there. As several speakers noted: “We’ve all got to change”.

It is not merely that the sector faces external changes (in funding, in demands, in expectations) but also that it will have to change, and those changes will bring other changes. As outlined above, social investment covers an array of arrangements, some more challenging than others.

Social Impact Bonds may be, in several respects, the most challenging of all forms of social investment. SIBs will require changes within government – for example, getting government departments to collaborate to fund outcomes. That is a challenge in itself, and it is worth noting that the current Peterborough Prison pilot scheme involves a single ministry.

SIBs will require voluntary organisations to demonstrate outcomes that can be attached to an intervention, and to collaborate to deliver effective interventions. They will require investors who are prepared to take real financial risks on delivery of measurable and attributable outcomes over several years. And they will require a whole new architecture of intermediary bodies and instruments to raise the finance, negotiate the contracts with government, put together the packages of finance and provision, and so on.

One of the areas which attracted little discussion during the meeting was the practical consequences of the new architecture. What will SIBs do to the distribution of power in the sector? What effect will the new intermediary bodies (such as Social Finance) have on the provider market? Who, for example, puts together and manages the intervention package, at what cost, and who pays? Who will pay for the finance infrastructure, brokerage arrangements, contracts, and development? How do investors learn about new funding opportunities? These are big questions with potentially far-reaching consequences. As yet, we can only guess at the answers.

Other challenges centre on programme delivery. How do you attribute the outcome to one agent or element in the package? How does collective responsibility work, and what happens if it breaks down? Who decides which agency gets sacked if programmes don’t work as planned?

How are providers supported to demonstrate impact? Insofar as new forms of finance require demonstration of results they also create new demands for robust and attributable evidence, and, as discussed below, this will require borrowing from the old world of grants.
Even if, and where, we know what works, there is a question about the potential mismatch between the time required to achieve change and the time investors are prepared to wait for a return.

There are also important issues to do with the credibility of these new investment products and forms of funding, and the fragility of the emerging market. For example, Social Impact Bonds need some quick and fairly easy wins if they are likely to remain attractive to investors. Beyond those first wins the crunch moment will be when work starts in areas where there is less knowledge or where results are harder to attribute. Furthermore, the success of SIBs depends on suppliers of capital, suppliers of services and the willingness of government to supply contracts. Will SIBs be limited by the scope and nature of the work government is willing to pay for, and by our knowledge of what works, and our ability to measure and attribute results?

**Something borrowed**

New forms of funding rely heavily on investment, borrowing language, models and money from the corporate sector.

The models and the terminology are not only borrowed but also, it might be argued, somewhat ambiguous. For example, the comfortably named social impact bond is less like a bond (giving a fixed return over a fixed time) and more like a (riskier) equity investment. Similarly, the impression that the banks are giving £200 million to Big Society Bank conceals the fact that this is to be a commercial investment.

There is another potential area of ambiguity and borrowing. At present the first investors in Social Impact Bonds are charitable trusts and foundations (in some cases borrowing from their endowments), but isn’t this really just another form of philanthropy? Are high net worth individuals simply redirecting what would have been philanthropic gifts into SIBs in order to satisfy their desires for demonstrable impact? If some new forms of funding are just another form of philanthropic giving, and if financial return is not the real driving force, then do we need the extra layer of investment and package management?

It is, of course, early days in the development of a new financial market in which, as so often, foundations are paving the way. But are corporate investors really interested in these products, and on what terms? Will their interest be in addition to, or borrowed from, their corporate philanthropy? What is, or will be, the motivation for getting involved? Equally important, are charities really interested in, or indeed capable of, pursuing these new forms of funding?

Some new forms of funding involve borrowing from philanthropy at another less obvious level. Where new forms of funding, such as SIBs, require evidence of tangible impact this is the end of a longer process involving trials, the refinement of an approach, sometimes failure and beginning again, evaluation, perhaps a replication phase, and finally, the dissemination of evidence. All of this is what in the corporate world would be called ‘R and D’ and the cost would be factored in to the market price of the new product and paid for by the customer. In the case of, for example, SIBs the R and D costs will be borrowed from other funders in the form of grants, and presumably never re-paid by the investors who reap the benefits.

Ironically we may find that some new and fashionable forms of funding only work on the back of the old and, to some, dowdy, frumpy grant. Without the grant to create, develop and evaluate the service/intervention in the first place there is no ‘product’ in which to invest.

**Something blue**

So what and where was the ‘blue’ in the day? Speakers were generally keen to stress their optimism about the sector’s capacity to survive and thrive, but most also hinted at moments of the blues. There were reservations about Big Society and the dangers of it turning into a very small society if the sector cannot recover from its current phase of the doldrums brought about by the changes in policy and funding outlined above.

There were also worries about who will get frozen out in the new environment. Discussion of those in danger of turning blue with cold tended to focus on smaller organisations but, arguably, the danger is much wider than this.

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The wider danger lies in the fact that new forms of funding based on payment by results – on which most discussion focused – set a tough combination of conditions. There must be:

- An objective mechanism for assessing the degree to which the social outcome is achieved;
- An outcome tied to a change which society values and that is a direct cost to the public sector;
- A baseline or control group for which data are already collected;
- A metric that does not create perverse incentives (for example, that does not focus on countable outputs at the expense of less tangible outcomes);
- An easily identifiable and accessible target population;
- Not so many programmes already targeted on the group that one more is unlikely to lead to further change;
- Delivery costs that are less than the saving to the public sector;
- Reasonable estimates of improvement of outcomes as a result of the intervention (ie evidence);
- A development agency responsible for monitoring and collecting data.

What happens to activities that do not fit these criteria? In particular, what will happen to the sector’s preventive work, the work where the outcome is that nothing happens, or nothing gets worse? Perhaps the answer is that trusts and foundations will fund prevention and the, by definition risky, research and development, while the new investors fund tried and tested initiatives. That may not be such a bad model but it would inevitably raise questions about trusts and foundations subsidising the profits of the private sector.

Is there a danger of an element of smoke and mirrors in all this? Are we just moving the pieces, the risk, the responsibility and the costs around in an elaborate game of pass the parcel? For example, when charities become more self sufficient by charging (eg renting out meeting rooms) does that simply move the cost elsewhere (eg onto user organisations)? When offenders re-offend does the blame fall on voluntary organisations rather than government?

Another ‘blue’ note was struck when one person asked if this is the end of giving and the beginning of a new business in profit from misery?
This was a challenging discussion, raising new possibilities as well as new questions. There is clearly an urgent need for more discussion and debate covering the whole range of new, and older, forms of funding.

This gathering tended to focus on new forms of funding based on payment by results, but there is a much wider issue to do with other forms of social and mission related investment.

Mission Related Investing (MRI) might be broadly defined as any investment activity which seeks to generate a positive social or environmental impact in addition to providing a financial return. So MRI is much broader than, for example, SIBs. MRI includes patient capital, as well as active share ownership where foundations as shareholders attempt to influence the social and environmental impact of businesses; MRI includes investment screening, below market investments, guarantees, as well as market rate investments, and so on.

But when foundations invest for very low market returns they inevitably confront dilemmas about their goals and responsibilities. Is the foundation's goal to invest to earn the maximum income for pursuit of the organisation's mission, or is it equally acceptable to reduce the amount of money earned in order to achieve some other social good. Where the best paying investment happens to be in companies engaged in activities directly opposed to the foundation's mission (eg the arms trade for an organisation concerned with peace) the answer may be obvious, but many decisions are far more subtle. In the US, Mission Related Investments are considered as charitable expenditure and an exception to jeopardy investment rules. In the UK the law is less clear, and the Charity Commission is reviewing its guidance on this.

The issue is obviously much more complicated than the simple adage 'at least do no harm'. For example, below market returns and, in particular, investments that risk endowment, however worthy the cause, do raise important issues to do with foundations' responsibilities to future generations. For example, does the foundation have the moral or legal right knowingly to risk the value of its endowment and thus the scope of its future work, or even its future existence?

In order to take these wider funding issues forward we may need a more fundamental debate about the nature of the sector. Why does the sector exist? If, as many would argue, it exists to do those things that neither government nor the market wish or are able to do then there is something rather odd about suggesting that we can turn the sector into a for-profit investment opportunity. The sector finds it hard to get money, arguably not because it is inefficient or stuck in a rut (although there may be some of that too) but because of the very nature of its work. In other words, the sector finds it hard to get money for exactly the same reasons why the activity got left to the sector in the first place. If there was a profit to be made the activity would not be in the sector, and if there were huge popular support for the activity then government would be in there first. And we should not forget that the sector is more than a service provider to the unpopular and needy. It also provides voice for those whose voices are often unheard, and, at its best, works to enhance democracy by holding vested interests to account.

New forms of funding undoubtedly have potential, adding to and enhancing older forms of funding. But in order to find the right mix of old, new, borrowed and blue the sector needs to be clear about its identity, its role(s) and its boundaries.

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6 Jeopardy investments are those that are considered to be high risk and thus likely to jeopardise the ability of the charitable foundation to carry out its charitable purpose.