Philanthropic Leadership

Social Impact Investment

Report of New Zealand Winston Churchill Memorial Trust Fellow 2015, John Prendergast

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We make a living by what we get,

but we make a life by what we give.

Winston Churchill

An Introduction, and Some Connections

18,888km, the distance from Invercargill in southern New Zealand to Ruthwell in southern Scotland - there are virtually no two places on the planet that are further apart. And yet they share a link:

- in 1810 the Reverend Henry Duncan founded the world's first savings bank, in ***Ruthwell***;
- and then by way of the Disruption of the Kirk in 1843, Presbyterian migration to Otago in 1848 aboard the John Wickliffe and other emigrant ships, and the discovery of gold in southern New Zealand in 1861, the savings bank movement made its way from Scotland in the far north to New Zealand in the far south, with the establishment of savings banks in Otago, and in ***Invercargill***, Southland, New Zealand in 1864.

Figure 1: From The Ends of The Earth

Thus the link between two of the farthest flung towns on earth was drawn.

The Community Trust of Southland was established in 1988 by the David Lange-led fourth Labour Government, and given 100% ownership of the Southland Savings Bank, by that time known as Trust Bank Southland. The Community Trust retained ownership of the savings bank until 1996, at which time the bank was sold to Westpac.

The Reverend Henry Duncan in establishing the Ruthwell Savings Bank in 1810 had two motivations – to make financial services available to those for whom at that time they were inaccessible; and to use surpluses from the banking operations to benefit the community.

Ruthwell Savings Bank **Southland Savings Bank** **Community Trust Southland**

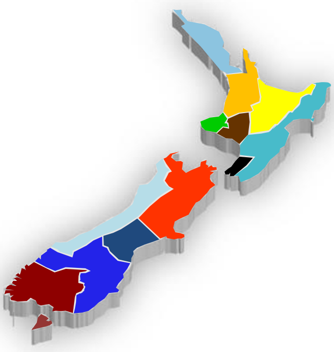
Similarly, the Community Trust movement in New Zealand exists to preserve and grow the significant capital funds they have ended up owning, and to use surpluses generated from those capital funds to benefit their local communities. There are 12 Community Trusts, covering the whole of New Zealand.

100 years after the Reverend Henry Duncan established his savings bank in Ruthwell, Sir Winston Churchill was leaving his own footprints in Scotland; as the honourable Member of Parliament for Dundee, from 1908 through until 1922.

And during that same period my own grandfather, Alexander MacDonald, in 1912 made his way from his home as a crofter on North Uist in Scotland's Outer Hebrides, to Dunedin, New Zealand – and then shortly afterwards enlisted in 1914 with the First New Zealand Expeditionary Force, the First Body, and returned to Europe, landing at ANZAC Cove, Gallipoli on 25th April 1915 – courtesy of the honourable Member of Parliament for Dundee, by then also First Lord of the Admiralty, and the architect of the Gallipoli campaign.

Fast forward 100 years from the Gallipoli landing, and in mid-2015 I travelled to England and Scotland, and to the United States of America, supported by a Winston Churchill Fellowship, to study the leadership of philanthropic trusts and foundations; and social impact investment – so criss-crossing some of the footsteps first trodden by the Reverend Henry Duncan, Sir Winston Churchill, and Alexander MacDonald.

Figure 2: New Zealand Community Trust Boundaries



Questions For Exploration, and Methodology

I have worked as the CEO of the Community Trust of Southland since early 1998, having previously had a career of 15 years working in the commercial sector in New Zealand and in the United Kingdom – in senior management roles in accounting, banking, corporate receivership, and in the electricity and transport sectors.

In moving from the commercial to the philanthropic world I found very limited formal learning opportunities available in philanthropy – in this absence, the best way of learning is to share conversations and learn from the experiences of others working in the same field.

I also found in transitioning from the world of commerce to the world of philanthropy that there are differences in the relationship with customers – providing services in return for payment is the way commerce works; if a customer isn't happy with the product you supply, usually they'll let you know about that, and often a replacement product, a refund, or a new supplier will be required.

The philanthropic customer relationship is a little different - resources, usually in the form of cash grants, are provided with no expectation of any payment by the "customer". If the philanthropic customer isn't happy about what they've received, often they won't tell you, for fear that there won't be any further philanthropy forthcoming if they did.

Does this different customer relationship demand different leadership values? This was something I wished to explore on my Churchill Fellowship.

Perhaps it's the accountant in me, but I have long had an interest in how philanthropic trusts and foundations might look to use their balance sheets for good – so rather than relying only on achieving good by use of their grant funding, might philanthropic trusts and foundations also look to use their substantial balance sheet assets to invest for good community outcomes? And generate an acceptable financial return at the same time?

This was the second question I wanted to explore on my Churchill Fellowship.

The purpose of the New Zealand Winston Churchill Memorial Trust – to fund travel to make a difference - provided the ideal vehicle to support my exploration of these two questions. The Trust provided not only generous financial resource to support my exploration, but at least equally importantly the power of the Winston Churchill Fellowship saw chief executives and directors happily opening their doors and affording me their precious time and experience to learn from.

I met with the chief executives and/or directors of 21 philanthropic trusts, foundations, and social investment entities, 18 in the United Kingdom, and 3 in the United States.

Philanthropic Leadership - Findings

Theories abound on what makes a leader - typing the word ***"leadership***" into Google's search engine elicits 796,000,000 responses!

Trying to distil characteristics of leadership down to a digestible number is a challenge, but here goes - leaders across the spectrum display a large number of these qualities:

- integrity
- confidence
- competence
- optimism/enthusiasm
- calmness
- courage
- caring
- communication

Are the qualities of leadership in a philanthropic setting any different to those required of leaders in a commercial setting? Having explored this question on my travels, overall I don't believe the leadership qualities required are any different, but I do think that the emphasis on some of the above qualities is amplified in a philanthropic leadership setting.

What follows are my learnings from talking with leaders of philanthropic trusts and foundations.

1. **It's a Privilege!**

   Without exception, those working in philanthropy, irrespective of whether or not in a leadership role, saw it as a privilege to work in the sector. They spoke of the alignment of their own personal values to the work they become engaged in; their joy at coming to work each day; and the vicarious satisfaction and pleasure they are able to achieve through being philanthropic.

   With privilege of course comes responsibility – one leader spoke of the need to always remember that his was a very *responsible* role, and the quality that prevented it morphing from responsible to *powerful*, was integrity.

2. **Organisational Leadership, and Community Leadership**

   Leading a philanthropic organisation is often multi-dimensional – just like in commerce, usually the CEO is interfacing with a governance Board, and leading a team of staff – but often an additional dimension is leadership of community, through the influence of the organisation's grantmaking.

   This is especially so in the case of large grantmakers in small communities, where their influence and profile can often be significant. Retaining community confidence is achieved through leadership based on integrity, competence, clear communication, and at times courage.

3. **Lead By Listening Hard**

   It is not difficult for a philanthropic leader to get convinced by their own publicity – there is very rarely a bad word said to, or about, leaders of philanthropic organisations. And in that somewhat artificial bubble, leaders to keep themselves grounded need to make sure they listen; and listen hard. Listen for constructive but honest feedback, indeed encourage and seek it out.

4. **Actively Work To Even Out Power Imbalances**

   Commerce requires an exchange – the seller has a product or service, and the customer decides whether they are prepared to exchange their money for that product or service. This mechanism by its very essence provides balance – if the customer doesn't like the product or service, they won't buy it. And the economic theory of supply and demand ensures that the exchange mechanism – price – is kept in equilibrium.

   Equilibrium is a concept that isn't necessarily always present in the relationship between philanthropy and the "customer", in fact it is often noticeably absent, and so equilibrium/equity is something that a philanthropic leader needs to actively think about, and actively work to create. Philanthropic leaders need to ensure their antennae remain alert to the potential imbalance that can easily occur in a philanthropic relationship, and actively take steps to even that relationship out.

5. **Often There Are Few If Any External Drivers**

   Philanthropic organisations don't generally have "shareholders" in the way that a listed company has; often their constituency is somewhat nebulous and amorphous; usually they operate under regulatory environments that take a fairly light touch approach; and few if any people, including the third estate, are brave enough to publicly criticise philanthropics.

   If there is an absence of principled leadership, and/or careful listening by the philanthropic, this lack of external drivers creates significant potential for things to end badly.

6. **Trust the Groups You Work With**

   Philanthropy doesn't hold all the knowledge or answers – philanthropy usually holds resource, but the answers to community challenges and issues invariably reside with those working in the community i.e. the organisations that philanthropic organisations channel their grantmaking through in order to achieve outcomes for the community. These people and their organisations know the issues, challenges, resources and opportunities that exist in their communities.

Philanthropic funders need to have trust in those organisations they work with, and need to invest the time and effort necessary to build that trust - relationships between the parties are fundamental. Clear and honest communication, equilibrium between the parties, listening, and integrity are recurring leadership themes.

7. **Use All Of The Gathered Weight of The Trust/Foundation**

   Philanthropic trusts and foundations are more than simply bags of money – they have organisational and individual brands and reputations, community influence, networks, and the privilege of their position in community; and so they should look to use all of those attributes.

   Trusts and foundations that limit themselves to simply writing cheques fail to realise their full potential.

8. **Be Bold and Brave, Curious and Courageous**

   Philanthropic organisations have the platform, and the licence, to be bold and brave, curious and courageous. And arguably they have a responsibility to be all of those things – if not them, then who will be? And by being bold and brave, curious and courageous, they can realise the potential that philanthropy has to create change.

Social Impact Investment - Risk and Return, Financial and Social Outcomes

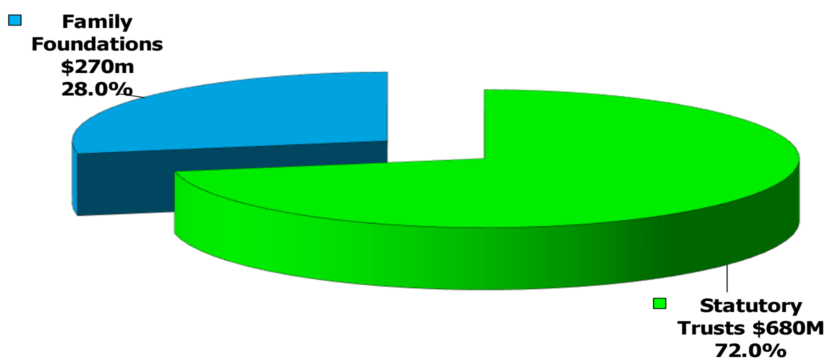
In an investment sense, what is risk?

Risk is often perceived as being quite a negative construct, i.e. one should avoid risk because risk suggests something bad might happen to you. But in a commercial sense, risk is actually a prerequisite, it is the foundation for commerce – if you aren't prepared to take on board any risk, you'll never make any return. Without risk, nobody would ever go into business.

Philanthropy New Zealand's research of philanthropic giving in New Zealand in 2014 – *Giving New Zealand 2014* – highlights that a large proportion of New Zealand's philanthropic trusts and foundations are ***community-owned***, often regionally defined and focused - as compared to the ***family*** foundations which make up the majority of philanthropic giving in most other countries. There are some outstanding family trusts and foundations in New Zealand, but there isn't the weight of such trusts and foundations that exists in most other countries.

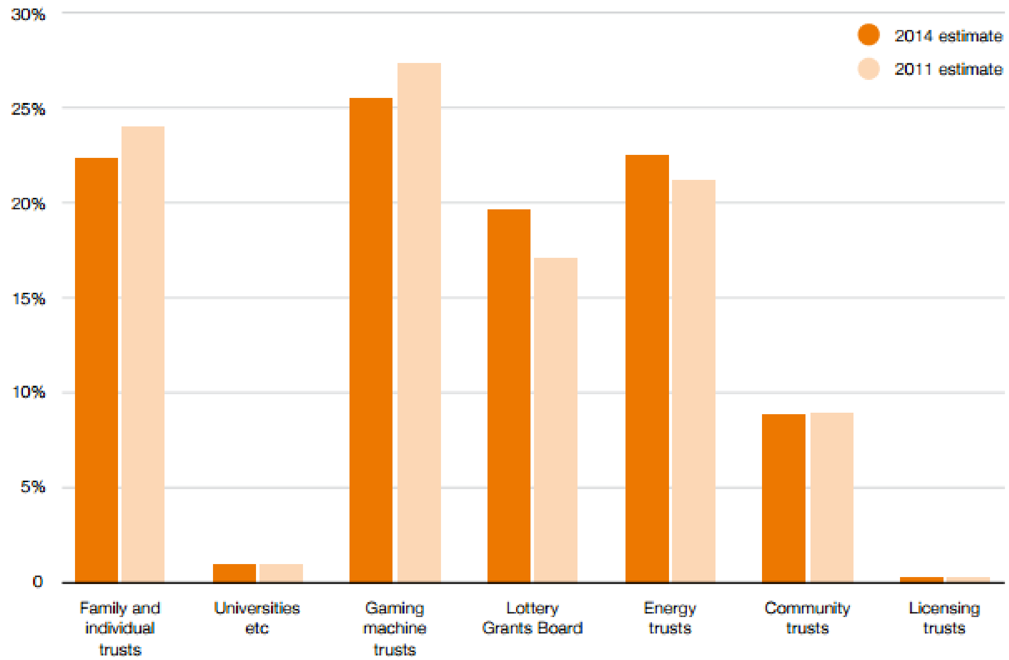
So New Zealand has quite a different philanthropic landscape to that which exists in most other countries, where family foundations are the majority. This has an impact on the appetite for risk amongst New Zealand's trusts and foundations – generally (although not always) there is a smaller appetite for taking on risk, in both their investing and their grantmaking, because those governing and managing community-owned pools of philanthropic capital and grants budgets are the stewards of somebody else's money, rather than their own.

Figure 3: New Zealand Trusts & Foundation Granting 2014



The nexus between who "owns" family trust and foundation wealth, and who governs and manages that wealth, is usually much closer, the mandate and accountabilities are different from community-owned philanthropic wealth, and so family trusts and foundations are generally more open to funding higher risk projects.

Figure 4: Breakdown of Trust and Foundation based giving in 2014 and 2011



Source: Giving New Zealand – Philanthropic Funding 2014

I think it is accurate to say that the mainstream view today of social impact investment within institutional philanthropy in New Zealand is that it is likely to generate a lower *financial* return than the perceived financial risk involved would require – and so institutional philanthropy from a straight financial risk/return analysis is often unwilling to dip its toe in the social impact investment waters.

Often Trust deeds or other governing documents, whilst not ruling out social impact investment, aren't hugely encouraging of it either, e.g.

"The Trustees may invest the Trust fund either alone or in common with any other person or persons in any form of investment for the time being authorised by the law of New Zealand *for the investment of trust funds*." ***Community Trust Deed***

And when thinking about “any form of investment for the time being authorised by the law of New Zealand *for the investment of trust funds*”, one usually turns to the ***Trustee Act 1956***, which provides as follows:

“A trustee exercising any power of investment shall exercise the care, diligence, and skill *that a prudent person of business* would exercise in managing the affairs of others.”

From a straight investment finance analysis, there is often a reluctance to embrace social impact investment, with the result that usually we find New Zealand philanthropic pools of capital conservatively invested in traditional asset classes such as cash, bonds, equities public and private, property, infrastructure, etc.

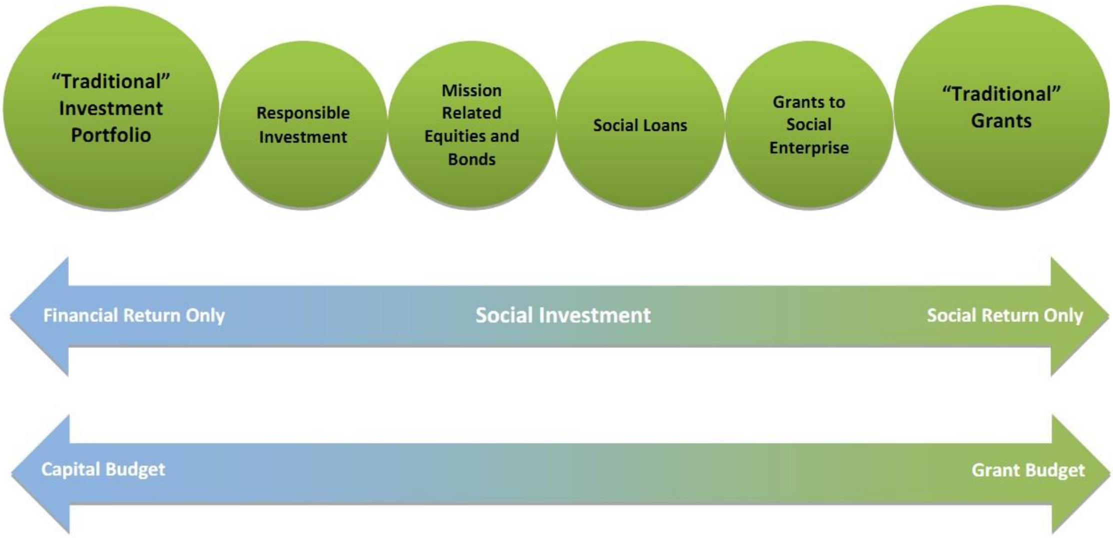
The past decade has also seen movement of some investment capital towards higher risk asset classes such as hedge funds, commodities, distressed debt, emerging market debt and equities, etc. Investments in these higher risk asset classes are justified on the basis that they are usually small allocations within a large, diversified portfolio of assets; and they provide higher financial returns, commensurate with their inherent risk.

Why aren’t social impact investments being included in this more recent move to diversification to higher risk/higher return asset classes? Probably because the analysis of social impact investments has usually been only through the “prudent person of business” lens – and on a solely financial analysis, often social impact investments don’t meet the “prudent person of business” test.

But what about the social return that social impact investment can generate? How might we factor that into the analysis of overall “return”? And if we did include both ***financial*** return and ***social*** return in the analysis, might we find that these social impact investments often represent very good investments indeed?

I think we might. It just requires us to look at them through more than just a financial lens.

Figure 5: The Investment - Grant Spectrum



Source: Kate Frykberg Social Enterprise & Social Finance in Aotearoa New Zealand 2012

Most philanthropics, with investment assets on their balance sheets and making grants from their income, have essentially been “bipolar” in terms of this chart i.e. they invest their balance sheet assets in traditional asset classes such as cash, bonds, shares and property, with little or no search for social impact from their investments; and they limit their social impact to their grantmaking activities.

New Zealand’s community-owned trusts and foundations in 2014 gave away ***$680 million*** in grants – and a lot of great outcomes were undoubtedly achieved as a result of that philanthropy. But that is making use of only the grants budgets of trusts and foundations, the bottom line from their profit and loss account.

How much more good might be achieved if some of the estimated ***$24 billion*** of balance sheet assets held by community-owned trusts and foundations in New Zealand were to be mobilised and invested, even only a small portion of it, in social impact investments that achieved a combination of financial and social return? Into that fertile middle ground between investing solely for financial return, and only using grants to achieve social return?

Increasingly, philanthropic investors are exploring this middle ground - of the Trusts and foundations I visited in the UK and USA, two thirds of them are engaged in some form of social impact investing in this fertile “middle ground”. Whilst philanthropic investors were early adopters of “responsible investing”, in more recent years they have increasingly been moving to consciously making direct investments that have a social impact, utilising financial instruments such as loans and equity investments in social enterprises, and newer instruments such as social impact bonds.

The support from government in the establishment of social impact investment market catalysts such as Big Society Capital, and Social Investment Scotland, has sent important signals to philanthropic trusts and foundations in the UK, that it is permissible to move at least some portion of their investment portfolios from the traditional asset classes, to these “middle ground” instruments that offer the prospect of both a financial and a social return.

Social Impact Investment - Findings

When I set out on my Fellowship, I anticipated that the question of Philanthropic Leadership would trump that of Social Impact Investment. I was wrong – as my Fellowship progressed, whilst Philanthropic Leadership proved to be an interesting and relevant topic, the matter of Social Impact Investment became increasingly more topical.

Set out below are my findings relating to Social Impact Investment.

1. **Language**

   The term social impact investment is much used, and much misunderstood. The lexicon is becoming increasingly cluttered and confused, so for the purposes of clarity, when I refer to social impact investment I am referring to the concept of

   using financial capital to invest in enterprises/activities in order to achieve a return that will be a composite of financial return, and social/community benefit.

2. **Who's Doing Social Impact Investment?**

   Rather than relying on achieving good only by use of their grant funding, are philanthropic trusts and foundations also looking to use their substantial balance sheet assets to invest for good community outcomes, and generate an acceptable financial return at the same time?

   In the USA and UK, emphatically yes. The great majority of the 21 trusts and foundations I visited are engaged in some form of social impact investment, be it social impact bonds, community loans, community equity investing, or investing in social/charity banks. This is in stark contrast to New Zealand, where social impact investing, although nascent, is not yet so mainstream.

   Why is that? The UK and USA have been earlier adopters of social impact investment than New Zealand trusts and foundations because:

   - The philanthropic landscape is different to New Zealand's, with a greater weighting of family-owned as opposed to community-owned trusts and foundations; they have a different appetite and a different mandate for risk;

- There is a significant infrastructure that has evolved to support social impact investment in the UK and USA;
- Government has mandated and supported social impact investment.

3. **Not Everything’s A Market**

While social impact investment is a very useful tool for a trust or foundation to have in their toolbox, the vast majority of trust and foundation activity is, and will continue to be, grantmaking.

By way of example, in the past 20 years the Community Trust of Southland, which has been a strong advocate of using their balance sheet for good, has made approximately 10,000 grants to the value of approximately $185million; and just 35 social investment loans, to the value of around $15 million. But their experience has been that there are occasions when a loan is a totally appropriate way of supporting community endeavour, and the capital is able to be repaid and then recycled; as opposed to grant funding, which once gone is gone forever.

4. **Social Impact Bonds (SIBs)**

SIBs have been the subject of much discussion and much scrutiny. They began in the 2000s, with the UK, USA, and Australia subsequently leading the still quite embryonic SIB market. A number of SIBs have been successfully brought to market and capitalised.

Their name is misleading, because they are more equity in nature, rather than a true bond. And the level of risk inherent in them is certainly more akin to an equity rather than a bond instrument.

New Zealand endeavoured to pilot a SIB in 2015, but with very poor results – the pilot was run by the government, who brought their comprehensive procurement processes, and comprehensive risk aversion, to the pilot, effectively suffocating the life out of any prospect that the pilot could succeed.

Despite those criticisms, SIB retain significant potential as a suitable financial instrument for social impact investment.

5. **Supply and Demand Both Needed**

   On the supply side, philanthropic trusts and investors are a definite and appropriate potential source of social impact investment capital. But there needs also to be a demand side. Social enterprises are that demand side. Social enterprise in New Zealand needs to be encouraged and incentivised, nurtured and supported, in order that social impact investors can have a pipeline of investable propositions through which to achieve financial and social returns.

6. **Infrastructure Needs To Be Built**

   The UK and USA are large markets, and have built significant infrastructure in support of social impact investment, e.g.

   - financial institutions such as Triodos Bank, and the Charities Aid Foundation, are sources of social impact investment capital, and advice and support;

   - Big Society Capital, and Social Investment Scotland, as well as being sources of capital also work with an established intermediary market to connect investors with social enterprises offering investable opportunities; and so have as part of their mandate an objective of growing the social enterprise market;

   - entities such as Social Finance have evolved in response to, as well as contributing to, the growing social impact investment market

7. **Government A Major Player**

   Central government is a major influencer of the social impact investment ecosystem. In the UK it was the government who established Big Society Capital as an independent organisation with a £600m investment fund in April 2012. The investment fund comes from dormant bank accounts, and four leading UK high street banks.

   Government departments and agencies in New Zealand can play a part in growing social impact investment if they have the readiness, capability and will to identify investment opportunities within their own currently grant/contract funded programmes – there will indisputably be community outcomes currently being hunted by way of government contract funding that could more appropriately, and most likely more successfully, be achieved through a social impact investment approach.

Government as a regulator also has a role to play in encouraging and growing social impact investment – be it through mandating more permissive trust deeds, and/or ensuring that legislation such as the Anti Money Laundering legislation, and the Financial Services Providers legislation, doesn't unintentionally ensnare philanthropic trusts and foundations in undue compliance requirements. And they could explore organisational structures and a taxation environment that would incentivise social impact investment.

Government creates, collects, owns and controls much valuable data – ways that this can be shared with and used by social impact investors should be explored. Similarly, the recently-established Social Investment Unit is potentially a valuable resource for evaluation and outcomes measurement, and as such is a resource that should usefully be made available to both government and non-government social impact investors.

Government encouragement and stimulation of both the supply side – the provision of capital for social impact investment – and the demand side – social enterprise – has happened in other countries, and would be a significant accelerant to the construction of a social impact investment ecosystem in New Zealand. Supply side encouragement would include the establishment and partial funding of an Impact Investment Fund for New Zealand - and the encouragement of co-investment in such a fund by philanthropic trusts and foundations, and high net worth individuals.

8. Investment Advisors

Investment advisors working with philanthropic trusts and foundations in the wholesale investment sphere have the ability to act as either gatekeepers, or enablers, of social impact investment. In order for them to play the latter role, advisors need to be convinced that social impact investment is a bona fide way for philanthropic trusts and foundations to invest their capital.

9. Can New Zealand Build Its Own Social Impact Investment Infrastructure?

Possibly not – New Zealand is a small market, and even large markets such as the UK and USA have taken a considerable period to build the infrastructure they need to encourage, support and sustain social impact investment.

But it is not necessarily the case that New Zealand has to replicate all of that infrastructure in New Zealand – opportunities to share various pieces of the required infrastructure that already exist offshore should be actively pursued.

10. May Trusts and Foundations Subsidise Suboptimal Financial Return From Their Grants Budget?

If a social impact investment is going to yield a less than market financial return, is there any ability for trusts and foundations to "pay" for the balance of the return required out of their grants budget?

Possibly.

In New Zealand there is much philanthropic capital that is regionally constrained e.g. whilst Community Trusts may invest globally, they may only make grants for the benefit of their specified geographic areas. If a Community Trust made a social impact investment in an enterprise that was going to generate a less than market rate of financial return, they could only invest in that investment if there was also going to be a sufficient community benefit resulting within their own specified geographic area that would be commensurate in value to the level of financial return not achieved.

Other options might be a comingled investment fund that transcends regional boundaries and attracts investment from trusts and foundations across New Zealand, with a mandate to make social impact investments – government core investment may be needed to catalyse such a fund.

Social Impact Investment – Why Does It Matter?

New Zealand Trusts and Foundations do much good through the $600 million they grant to good community causes each year. Those same Trusts and Foundations own in excess of $24 billion of assets, mostly financial assets that reside on their balance sheets and are invested in traditional financial asset classes such as cash, bonds, property, and equities.

Very little of that $24 billion, perhaps as little as half of one percent of it, is invested in social impact investments – so perhaps $120 million.

If New Zealand Trusts and Foundations were to find a way to invest even only 5% of their assets in social impact investments, that would grow the New Zealand social impact investment market to $1.2 billion. By investing even that small portion of their balance sheets in social impact investments, essentially New Zealand Trusts and Foundations would be leveraging the amount they have available for community benefit from the current $680 million (grants), to instead be $1.88 billion ($680 million grants plus $1.2 billion social impact investment).

Investing is different to granting, and it requires different disciplines and it creates different behaviours. Giving money away with no expectation of financial return, but with some expectation of community return, is distinctly different to investing money, with an expectation of both financial and community return.

The New Zealand not for profit sector is not for profit predominantly because philanthropic funders, and government, fund them in a way that ensures they remain not for profit – they exist on a diet of annual (or at best 3 year) philanthropic grants and/or government contracts, which are usually very tightly prescribed, and which provide no ability nor license to build reserves. So they are funded essentially on a current account basis.

The natural response and consequence is that everything is short term - the present financial mechanisms demand that it can't be anything other than short term. Not for profit organisations have no ability to build their equity base, and therefore no ability to grow their businesses.

If the business sector was financed in the same way, we would have a zero-growth economy – businesses are able to grow only because there is a capital market that provides investment capital (debt or equity) that supports and enables growth.

If individual households arranged their finances in the same way, without recourse to debt or equity financing, nobody would have the ability to materially grow their wealth because they would be trying to finance everything out of their weekly pay.

Given the short term, current account way that the not for profit sector is financed, it is possibly not surprising that despite best endeavours, the dial is not being moved on m/any of the social issues that confront New Zealand.

What Have I Done To Disseminate What I Learned?

Learning from the mouths of philanthropic trusts and foundations in the UK and USA just what was happening there in terms of philanthropic leadership, and social impact investing, was important – but it would have been of only limited value if I was not able to disseminate those learnings to willing ears once back in New Zealand.

Since returning from my Churchill trip I have undertaken the following:

27 August 2015 - presentation to Board of Community Trust of Southland

16 September 2015 – presentation to Invercargill South Rotary Club

9 October 2015 – presentation at Philanthropy New Zealand Social Finance Seminar, Auckland

27 October 2015 – public presentation together with Lani Evans (WCF), Auckland

28 October 2015 – public presentation together with Lani Evans (WCF), Wellington

29 October 2015 – public presentation together with Lani Evans (WCF), Dunedin

3 November 2015 – public presentation, Christchurch

4 November 2015 – public presentation together with Lani Evans (WCF), Rotorua

5 November 2015 – public presentation together with Lani Evans (WCF), Hamilton

10 November 2015 – public presentation, Nelson

1 December 2015 – public presentation together with Lani Evans (WCF), Invercargill

13 April 2016 – presentation to Community Trusts' national conference, Christchurch

10 November 2016 – facilitated Philanthropy New Zealand Impact Investment Forum, Auckland

Article – "Impact Investing" published in Philanthropy New Zealand's "Giving Matters" December 2016

From September 2015 until May 2017 – participant in discussions with Philanthropy New Zealand, KPMG, Tindall Foundation, Treasury, Social Investment Unit, and Hon. Bill English, Minister of Finance, re the establishment of a social impact investment fund for New Zealand

Acknowledgements

I wish to acknowledge the kind assistance of each of the individuals and organisations who generously shared their time, experience and expertise with me when I visited the UK and USA. Those individuals and organisations are detailed under **Schedule 1 - Interviews** and at **Schedule 2 - Organisations Visited**.

I also wish to acknowledge those organisations which at a macro level contributed to make my visit possible:

- the New Zealand Winston Churchill Memorial Trust, and my employer the Community Trust of Southland, for their financial support;
- the philanthropic membership organisations in New Zealand and in the United Kingdom who untied the knots and connected the dots for me, enabling me to make connections with the trusts and foundations which I visited – Philanthropy New Zealand, and the Association of Charitable Foundations in the UK.

Without this generous support, my rich Churchill Fellowship experience would simply not have been possible.

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Schedule 1 - Interviews

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Schedule 2 - Organisations Visited

Triodos Bank

Charles Middleton, Managing Director, Triodos Bank UK – Bristol, England

Triodos is a global pioneer of sustainable banking. Their mission is to make money work for positive social, environmental and cultural change. Triodos are in business to:

- Help create a society that protects and promotes the quality of life of all its members
- Enable individuals, organisations and businesses to use their money in was that benefit people and the environment, and promote sustainable development
- Provide their customers with innovative financial products and high quality service

FOYLE FOUNDATION

David Hall, Chief Executive, Foyle Foundation – London, England

The Foyle Foundation was formed to implement the terms of the will of the late Christina Foyle. She was the daughter of William Foyle who, with his brother, founded the family owned bookshop Foyles in Charing Cross Road, London, which she continued to manage after her father's death.

The Foyle Foundation became fully operational in its Rugby Street offices in the Autumn of 2001.

Nicola Brentnall, Director, The Queen's Trust – London, England

In April 1977, HRH The Prince of Wales launched The Queen's Silver Jubilee Appeal, giving the nation an opportunity to show its affection for Her Majesty and its gratitude for her dedicated service over 25 years. The Queen chose that the Appeal should focus on raising funds to support young people and, in particular, on encouraging and helping young people to serve others in the community. Over the years the Trust has invested over £100m in charities which give young people the opportunity to do so, and in ways that lead to positive life choices and chances and benefit society in the long term.

David Emerson, Chief Executive, Association of Charitable Foundations – London, England

The Association of Charitable Foundations (ACF) is the membership association for foundations and grant-making charities in the UK. For 25 years they have supported trusts and foundations; respecting and safeguarding their independence, and helping them to be effective in the many ways that they use their resources.

Caroline Mason, Chief Executive, Esmée Fairbairn Foundation – London, England

In 1961 Ian Fairbairn, a leading City figure, decided to endow a charitable foundation with the bulk of his holdings in the company he had joined some 30 years before, M&G. M&G was a pioneer of the unit trust industry in the UK. It grew out of Ian Fairbairn's determination that investments in equities, previously the preserve of the affluent, should be available to all – giving everyone the potential to own a stake in the nation's economy.

His purpose in establishing the Foundation was two-fold. In the interests of wider prosperity, he aimed to promote a greater understanding of economic and financial issues through education. He also wanted to establish a memorial to his wife, Esmée, who had played a prominent role in developing the Women's Royal Voluntary Service and the Citizens Advice Bureau. She was killed in an air raid during the Second World War.

Today, the Esmée Fairbairn Foundation is one of the largest independent grant-making organisations in the UK.

Christopher Graves, Director, The Tudor Trust – London, England

In 1955 Sir Godfrey Mitchell endowed a charitable trust with a gift of shares in the construction company George Wimpey Ltd. The founder determined that the trustees of the new trust should be able to use the funds for any charitable purpose.

In 1979 this trust became known as the Tudor Trust. The Trust's capital of approximately £220m is now held in a wide range of assets managed in a socially responsible way. Grants of approximately £17m - £19m are approved each year.

Trust for London
Tackling poverty and inequality

Bharat Mehta, Chief Executive, Trust For London – London, England

Trust for London is an independent charitable foundation which aims to tackle poverty and inequality in London. They do so by funding voluntary and charity groups with grants each year totalling around £7.5m; funding independent research; and providing knowledge and expertise on London's social issues to policymakers and journalists.

The Trust's assets derive from the philanthropy of the people of London over many years. Over the centuries the 112 parishes within the City of London received around 1,400 separate charitable gifts and bequests. Their income was to be used for the benefit of the church communities or, more often, the poor of those parishes.

By the late 19th century the City had become a financial centre and the number of potential beneficiaries in the area had fallen significantly. In 1878 a Royal Commission was appointed to review this situation, which led to the creation of two funds to administer the majority of these endowments for the benefit of the poor of London and the Church of England in London. These two funds – the Central Fund and the City Church Fund – together made up the City Parochial Foundation and they are still managed by Trust For London.

The government provided an endowment of £10 million when it abolished the Greater London Council in 1986 and asked City Parochial Foundation to manage this new organisation, Trust for London.

In 2010, the Foundation and the Trust were amalgamated into one organisation to form the new Trust for London.

Dr. John Low, Chief Executive, Charities Aid Foundation – London, England

Charities Aid Foundation's (CAF's) mission is to *motivate society to give ever more effectively, helping to transform lives and communities around the world*.

They help people and businesses support the causes they care about, and for charities, provide simple and straightforward day-to-day banking and fundraising services, freeing them up to concentrate on the real work of making a difference.

For 90 years, CAF have found the most effective and efficient ways to connect donors to the causes that matter to them and for money to get where it's needed.

As a charity, making an impact in the charitable sector is what drives CAF, and they have spearheaded many of the changes that make the UK one of the best giving environments in the world. CAF

- help **individual donors** give more effectively
- help **charities** thrive
- support **businesses** to achieve greater impact
- work **internationally**, harnessing local knowledge and expertise, to help charities and donors give effectively

Nick O'Donohoe, Chief Executive, Big Society Capital – London, England

Big Society Capital Limited (BSC) is an independent social investment institution which provides finance to organisations that support front-line social sector entities to help them grow. BSC was the world's first social investment institution of its kind, established by the UK Cabinet Office and launched as an independent organisation with a £600m investment fund in April 2012. The investment fund came from dormant bank accounts, and four leading UK high street banks. The institution was set up as part of the Dormant Bank and Building Society Accounts Act 2008, which defined BSC as an organisation that exists "to enable other bodies to give financial or other support to third sector organisations"

Big Society Capital is a "social investment wholesaler", which means that BSC does not directly invest in frontline organisations, but in Social Investment Finance Intermediaries (SIFIs). In turn SIFIs provide finance and support to social sector organisations.

As well as a social investor, BSC also acts as a champion to help increase awareness of, and confidence in, social investment.

BIG LOTTERY FUND

Rob Field and Nicola Fairbairn, Big Lottery Fund UK – London, England

Big Lottery Fund is responsible for distributing funds raised by the National Lottery for "good causes". Since 2004 it has granted over £6.2 billion to more than 130,000 projects across the UK.

Big Lottery Fund aims to support projects which help communities and the lives of people it considers most in need. Over 80 per cent of its funds go to voluntary and community organisations, but it also makes grants to statutory bodies, local authorities and social enterprises.

Big Lottery Fund makes grants to projects working in health, education and the environment and the charitable sector. It funds projects in line with objectives set by the government but does not fund services which other parts of government have a statutory responsibility to deliver.

Giles Ruck, Chief Executive, Foundation Scotland – Edinburgh, Scotland

Foundation Scotland is an independent charity established to strengthen local communities by providing a source of funding to community-led projects across Scotland.

Foundation Scotland was established to help people and organisations give to good causes effectively and inexpensively. Since 1996, the Foundation has been delivering innovative funding programmes, distributing over £50 million to charities and community groups. Their knowledge of the sector allows them to find lesser known charities ensuring their funding creates lasting change.

Foundation Scotland is part of a national movement of community foundations that undertake strategic grant making, facilitate philanthropy and contribute to achieving lasting impact in communities across Scotland.

Kenneth Ferguson, Chief Executive, The Robertson Trust – Glasgow, Scotland

The Robertson Trust was established in 1961 by the Robertson sisters Elspeth, Agnes and Ethel who donated the shares in their businesses, founded and developed by their grandfather and father, to the Trust for charitable purposes. The origins of these businesses, based in Glasgow, stretch back to the 1850s when William (W.A.) Robertson began business in the city.

The family business, now operating as the global company Edrington, is one of Scotland's largest private companies and owns the well-known whisky brands, The Macallan, Highland Park, The Famous Grouse, Cutty Sark and Brugal.

When the sisters established the Trust, their purpose was to ensure that the family businesses remained active and independent, and to continue and extend the past support they had given to charities. They were among the first Trustees, serving for a combined total of 71 years, ensuring that the Trust operated along the principles, which they, their father and grandfather had employed in the family business, namely: honesty, integrity and willingness to help people in trouble or need.

Their benevolence and business acumen ensured that profits from the successful Robertson companies would always help people and communities in Scotland, just as they had done since their grandfather's day.

Angus Hogg (Chair) and Martyn Evans, (Chief Executive), Carnegie UK Trust – Dunfermline, Scotland

The Carnegie UK Trust was established in 1913 by Scottish-American philanthropist Andrew Carnegie to seek:

"Improvement of the well-being of the masses of the people of Great Britain and Ireland by such means as are embraced within the meaning of the word "charitable" and which the Trustees may from time to time select as best fitted from age to age for securing these purposes, remembering that new needs are constantly arising as the masses advance."

The Carnegie UK Trust seeks to improve the lives and wellbeing of people throughout the UK, particularly those who are disadvantaged. Their goal is to change minds by influencing public policy and change lives through innovative practice and partnerships.

They have sought to deliver this mission in a number of ways over the past 100 years – investing in libraries, public space, further education, social work, children's rights, rural development and many more.

In its early decades the Trust focussed primarily upon the building of libraries, reflecting Andrew Carnegie's strong commitment to extending equality of opportunity through learning. By the 1920s it had also become a major supporter of adult education, funding the Workers' Educational Association and the creation of Carnegie College in Leeds, (now part of Leeds Metropolitan University), College Harlec in Wales and Newbattle Abbey College in Scotland. It was also a pioneer advocate of rural development and national parks. During the 1930s it began a longstanding programme of funding social welfare projects addressing issues of poverty, unemployment and urban renewal.

The Trust has also had a longstanding interest in the arts and museums and over the decades funded numerous high profile projects at national and local levels from the restoration of the Book of Kells in Ireland and the creation of the Castle Museum in York, to supporting extensive networks of community and voluntary arts workers. National Inquires in this area included its seminal work on film education and on arts and disability chaired by filmmaker Richard Attenborough.

In the nineteen eighties, with a return of high levels of poverty and unemployment in the UK and Ireland, the Trust focussed much of its attention upon national policy and programme initiatives around the Third Age, young people and community and voluntary service.

Fiona Duncan (Chief Executive) and Mary Craig (previous Chief Executive), Lloyds TSB Foundation For Scotland – Edinburgh, Scotland

In 1810, the Trustee Savings Bank was established by The Reverend Henry Duncan, in Ruthwell, Dumfriesshire. He started the Bank so that everyone, regardless of wealth or position, could benefit from a savings bank.

In 1985, four independent charitable trusts (Scotland, England & Wales, Northern Ireland, Channel Islands) were created by an Act of Parliament when the Trustee Savings Bank Group was floated on the Stock Market. A covenant was implemented which stated that Lloyds

Banking Group should distribute 1% of pre-tax profits, averaged over three years, to the foundations. Scotland receives 19.46% of this amount.

In 1997, the covenant continued following the merger between TSB Group and Lloyds Bank. This merger significantly increased the Foundation's income and the Foundation became the largest Scottish independent grant-making Trust. Following the creation of the Lloyds Banking Group, after the acquisition of HBoS, the covenant still stood until the Group served notice on it in early 2010. The serving of notice on this agreement means they are now in a nine year notice period until the covenant is terminated.

SIS

social investment scotland

connecting capital with communities

Alistair Johnstone (Chief Investment Officer), Debbie Zima (Chief Operating Officer), and Thomas Gillan (Chief Financial & Strategy Officer), Social Investment Scotland – Edinburgh, Scotland

Social Investment Scotland (SIS) were established in 2001 by the Scottish Government and the main commercial banks who each provided capital.

SIS is the largest not for profit provider of business loans to the third sector in Scotland as well as being a social enterprise and registered charity.

SIS is also Scotland's, and one of the UK's, largest Community Development Finance Institutions (CDFI). A CDFI makes loans and other repayable investments to charities, community organisations and social enterprises that may find it difficult to access finance from other sources.

SIS' sole focus is to support growth in Scotland's communities by providing a range of finance products. They invest in third sector organisations that have the capability to make sustainable social impacts and their loan funds have already helped hundreds of charities, community organisations and social enterprises across Scotland. Currently, SIS is supporting local job creation, community engagement and economic development in almost every city, town and region nationwide.

The Scottish Government, as well as other support bodies within the third sector were also actively involved in SIS' conception. Since 2008, Social Investment Scotland has been the fund manager of the Scottish Investment Fund on behalf of the Scottish Government which is the largest fund of its kind in Scotland.

SOCIAL FINANCE

Emily Bolton, Director, Social Finance – London, England

Social Finance is a not for profit organisation that partners with the government, the social sector and the financial community to find better ways of tackling social problems in the UK and beyond.

Their 70-member team comprises individuals with substantial financial, consulting and social expertise who share a common passion for solving entrenched social problems. They work alongside a nonexecutive board of leading figures from the social, financial and governmental sectors. They design financial and advisory services and products for social sector organisations, and look for structures that offer flexibility and long-term funding, and encourage innovation to deliver maximum impact.

Since they started in 2007, Social Finance has mobilised over £100 million of investment and helped to pioneer a series of programmes, including the Social Impact Bond model, to improve outcomes for individuals with complex needs. They have sister organisations in the US and Israel and a network of partners across the world.

John Osterland, Chief Development Officer and General Manager, The Rotary Foundation – Chicago, USA

The Rotary Foundation is a non-profit corporation that supports the efforts of Rotary International to achieve world understanding and peace through international humanitarian, educational, and cultural exchange programs. It is supported solely by voluntary contributions from Rotarians and friends of the Foundation who share its vision of a better world.

The Foundation was created in 1917 by Rotary International's sixth president, Arch C. Klumph, as an endowment fund for Rotary "to do good in the world." It has grown from an initial contribution of US$26.50 to more than US$1billion.

David Hiller, President & Chief Executive, Robert F McCormick Foundation – Chicago, USA

The Robert R. McCormick Foundation is part of the legacy of Col. Robert R. McCormick, the long-time editor and publisher of the Chicago Tribune.

Col. McCormick grew up in a family committed to civic engagement and community service. He was the grandson of newspaper pioneer, Joseph Medill, one of the early publishers and owners of the Chicago Tribune. Col. McCormick built upon his grandfather's legacy, was publisher and editor of the Chicago Tribune for more than 40 years, and built a media empire, which included WGN Radio and WGN Television.

Col. McCormick had many roles in his life, including public servant, citizen soldier, philanthropist, and staunch defender of the First Amendment, especially the freedom of press. His civic leadership helped transform Chicago into one of the world's greatest cities.

Col. McCormick was among Chicago's first major philanthropists, with his generosity shaping the city he loved. Upon his death in 1955, he left an estate estimated at $55 million. His will established what would become one of the nation's leading charitable foundations.

Today, the Foundation continues Col. McCormick's legacy, with the mission of fostering communities of educated, informed and engaged citizens. Since 1955, the McCormick Foundation has invested more than $1.5 billion in the areas of journalism, education, social services, civic engagement, and veterans' programs.

MacArthur Foundation

Debra Schwartz, Managing Director, MacArthur Foundation – Chicago, USA

John D. and Catherine T. MacArthur were quiet philanthropists in their lifetime, giving primarily to organisations in cities where they lived: Chicago and Palm Beach. Their business interests, including the immensely successful Bankers Life and Casualty insurance company and real estate holdings concentrated in Florida, New York City, and Chicago, consumed most of their time and energy.

On October 18, 1970 the documents for the John D. and Catherine T. MacArthur Foundation were completed. When John died of cancer on January 6, 1978, the Foundation assumed his assets, estimated at $1 billion. Since 1978, the Foundation has made grants totalling more than $6 billion in the United States and about 50 countries around the world.

Today MacArthur is one of the nation's largest independent foundations with assets of approximately $6.2 billion and annual giving of approximately $250 million.

Carolyn Sawyers, Head of Policy & Learning, Big Lottery Fund Scotland – Glasgow Scotland

The Big Lottery Fund is responsible for distributing 40% of all funds raised for good causes by the National Lottery. This totals over £650 million each year across the UK.

The Big Lottery Fund Scotland's mission as a funder is to help communities and people most in need across Scotland.