OUTLOOK

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NONPROFIT SECTOR

In association with:

Boardmatch Ireland
inspiring leadership and good governance

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CONTENTS

SUPPORTING IRISH NONPROFITS

Welcome to the 10th in our series of sectoral Outlook reports covering key sectors within the Irish economy. The aim of these reports is to analyse key components of the Irish economic landscape and provide opinion, guidance and advice from some of the stakeholders within each sector. They also provide some important insights into how AIB is working to support these sectors. The nonprofit sector plays a vital role in the societal and economic welfare of the Irish nation. The most recent industry sources estimate an annual income of circa €6 billion generated by around 12,000 nonprofit organisations (of which circa 8,000 are incorporated). These organisations employ over 100,000 people, and engage a further 560,000 as volunteers.

As with previous reports in this series, an important dimension of the report is specially commissioned in-depth research on the sector. Behaviour & Attitudes completed qualitative research which involved focus groups and in-depth one-to-one interviews. This research was focused on understanding the banking needs of the nonprofit sector. Ipsos MRBI also carried out quantitative research which was focused on broader sector issues such as fundraising, governance and resourcing.

One of the biggest challenges facing nonprofit organisations is fundraising. Our research suggests that 72% of nonprofits consider that their current level of income is not sufficient to meet the increasing demand for their services and many are looking at alternative sources to generate additional funds, i.e. corporate social responsibility/ partnerships, income from shop sales/ merchandising followed by donor funding. Nonprofits are also looking to cut their operating costs through reduced investment and/or organisational restructure, followed by some considering a reduction in service levels provided.

With almost 4,800 nonprofits setting up since the year 2000, this has led to increased competition for funding. With constrained budgets from public and private sources it is encouraging to see that nonprofits identified collaborations and partnerships with other similar organisations as their biggest opportunity also highlighting the potential that exists for similar organisations to share costs and resources to achieve greater efficiencies.

MAURA MOORE, HEAD OF NONPROFITS; KEN BURKE, HEAD OF BUSINESS BANKING AIB AND SARAH O'CONNOR, CHAIRPERSON, BOARDMATCH IRELAND.

As greater public disclosure of detailed annual financial statements becomes mandatory, it is very encouraging to see that 94% of those surveyed claim to already report such information.

We recognise the crucial role that nonprofit organisations play in providing vital public services and supports as well as addressing key areas of social need, ever more important given the challenging and difficult socio economic landscape. The research shows that over half of the respondents have their main bank account with AIB and the publication of this report demonstrates our strong commitment to backing our customers and the nonprofit sector in Ireland into the future.

With this in mind we set up a nonprofit sectoral team in January 2014. This team has already garnered extensive knowledge on the sector and provides our front-line relationship managers in our branches and business centres with the necessary knowledge and support for this sector. AIB will support the sector in getting ready to meet industry benchmarks and ongoing compliance within the new regulatory environment by facilating ongoing knowledge transfer within the sector. AIB will also support the sector with funding and other appropriate products, and earlier this year launched a €350 million New Homes Fund, which supports social housing development, a key sub-segment of the nonprofit sector.

My thanks to everyone who took the time to partake in the survey and focus groups and to all of the sector stakeholders who provided elite interviews to further support the production of this report. My thanks also to Boardmatch and to our research partners Behaviour & Attitudes and Ipsos MRBI. I hope you find this report useful and insightful.

Ken Burke
Head of Business Banking, AIB.

EXECUTIVE SUMMARY

The Irish nonprofit sector is a diverse ecosystem of charities, advocacy groups, NGOs and community and voluntary organisations that plays an important role in the social, cultural and economic fabric of Irish society. With a combined turnover in excess of €6 billion a year, assets of €3.5 billion, over 100,000 employees and 560,000 volunteers, the nonprofit sector has also faced some stiff challenges in recent years according to research carried out by Ipsos MRBI on behalf of AIB. These challenges would also be borne out in the focus groups and interviews completed by Behaviours & Attitudes also on behalf of AIB.

Security of funding is one of the biggest challenges facing most nonprofits according to the research. Over the last few years, declines in income were experienced by many within the sector, and 36% of survey respondents are claiming that 2014 total income will be down on 2013, with a further 34% stating that it would stay the same.

Many of the nonprofits surveyed also received a sizeable proportion of their income from Government sources, either directly or indirectly. Indeed some 79% receive funding from Government sources while 21% receive nothing at all. While this varies considerably among nonprofits, depending on the field in which they operate, Government funding does account for, on average, a sizeable part (50.5%) of their total income according to the research. The proportion of total income derived from Government sources has been declining with just 7% indicating that it had actually increased in the last three years.

In light of the difficult socio-economic conditions many nonprofits find themselves in, where the growth in the demand for their services is not being matched by a similar increase in funding, 72% of those surveyed consider that their income is not adequate to meet this demand. This is particularly evident among those nonprofits operating in areas like social housing, health and culture.

The recession also impacted on the day-to-day operations of Ireland's nonprofit sector. With as many as 84% of the respondents saying that their operations have been affected in some way due to reduced funding. This in turn led to greater operational efficiencies and cutbacks in addition to redundancies, salary cuts and a reduced level of investment in certain areas with as many as 24% admitting that service levels were impacted.

Given the importance of fundraising to the nonprofit sector, many of those surveyed already have several tried and tested methods of fundraising with an average of 2.7 methods employed across the sector. Sponsored events and projects were identified by 50% as a good source of fundraising by those surveyed while online and social media platforms were identified by 40% as another valuable income channel followed by standing orders/direct debits (38%) and on-street collections (27%).

The research also identified opportunities for the sector with some 65% seeing greater collaboration with peers as one opportunity, and 55% identifying new fundraising opportunities. A further 56% noted that there were opportunities for greater engagement with the Government while 41% said the corporate sector presented new targeting opportunities for fundraising.

As many nonprofits provide valuable and important services, they also need to have the human resources to deploy them. At the same time they are also heavily dependent on volunteers to assist them. According to the Ipsos MRBI research, a large proportion (44%) employ between one and five people, while just 8% employ over 100 people. However, this varies considerably depending on the nature of the service with some nonprofits in areas like health, education and social services requiring skilled professionals to deliver these services.

With a new regulatory regime in place, following the establishment of the Charities Regulatory Authority (CRA) and indeed the office of the Housing Regulator, many nonprofits believe this will contribute to better governance across the board with 83% singling out CRA as a major improvement.

Other key findings of the Ipsos MRBI research include the following:

- Some 81% rotate their boards, 71% rotate them every three years and 73% have separate committees to deal with specific areas relating to the management of their operations.
- Some 85% also consider their board members or trustees to have adequate knowledge to perform their duties.
- 60% of those surveyed believed it was important that their bank had a specialist knowledge of the nonprofit sector.
- 93% of nonprofits received their Government funding electronically.
- 93% of nonprofits use at least one digital channel.
- Typical bank products used by nonprofits include current accounts (99%), deposit/savings accounts (60%), merchant services (21%), leasing (10%) and hire purchase (11%).
- In terms of volunteers, up to 89% of those surveyed rely on volunteer involvement, 60% of which currently engage up to 50 volunteers rising to over 500 volunteers for 9% of all those surveyed.

FUNDING AND REGULATORY CHALLENGES

Findings from an AIB/Ipsos MRBI survey reveal how the relatively under-researched nonprofit sector is coping in light of challenging funding conditions and increasing regulatory requirements.

The nonprofit sector may not always be one of the most visible, yet it is significant and plays a vital role within both the societal and economic welfare of the Irish nation. The most recent industry sources estimate an annual income in the order of €6 billion is generated by around 12,000 nonprofit organisations (of which around 8,000 are incorporated), with a further €3.5 billion worth held in assets. Furthermore, these organisations employ over 100,000 people, engage a further 560,000 as volunteers and involve around 50,000 in their governance.

Since the year 2000, the nonprofit sector has been characterised by rapid proliferation, with almost 4,800 organisations set up within this period, as well as by an unprecedented increase in the level of demand for their services, largely fuelled by the recession. As such, nonprofits have been impacted both by increased competition among themselves for funding and by considerably reduced budgets available from public and private sources.

In addition, issues of transparency and accountability within the sector have risen to the fore, and there has been considerable media coverage over the last 18 months. The establishment of the Charities Regulatory Authority (CRA) in October 2014, now paves the way for implementation of statutory regulations provided for under the Charities Act 2009. The section on Governance examines the structures and measures nonprofits have implemented to date, or not.

METHODOLOGY

Ipsos MRBI conducted a telephone survey, on behalf of AIB and in association with Boardmatch Ireland, among senior executives working within organisations with charitable status. A wide variety of organisations were surveyed, representing each one of the 12 categories or segments contained within the UN classification system of the nonprofit sector. A total of 131 nonprofits, out of a contact sample of 1,298, were interviewed on a wide range of topics, from understanding of their current operation, funding sources and fundraising initiatives, to exploring issues of governance, investment and financing plans, as well as the challenges and opportunities facing the sector. Fieldwork took place from 27th October – 14th November 2014.

The top three segments represented in the survey sample are Health Charities (19%), Housing Associations (16%) and Culture and Recreation Organisations (10%). Regarding annual income, the majority of nonprofits (59%) receive up to €0.5 million, of which up to 1 in 5 (21%) receive less than €100k. At the other end of the scale, 11% of interviewed respondents are sizeable operators, generating annual incomes in excess of €5 million, including 2% with levels over €50 million.

As expected, 87% of organisations surveyed are companies limited by guarantee, as opposed to charitable trusts, with over one third (36%) part of, or affiliated to, an international group. Remit-wise, around half (51%) of those surveyed mainly have a national/ international focus, 39% mainly of a local/ regional focus and the other 10% a mix of both. The majority (61%) of nonprofits are Dublin-based, 12% in Rest of Leinster, 17% in Munster and 10% in Connacht/ Ulster.

Respondents themselves are made up of a higher proportion of females (55% vs. 45% males), spread across all age groups. Some 30% are aged under 45, through to 8% who were aged 65 or older. Key job titles held are Finance Director/equivalent (29%), Chairperson/President/ Chief Executive (25%) and Manager (17%), all with executive responsibility to answer on their organisation's financial management.

As Ireland recovers economically, this should, in theory, herald brighter prospects for the sector, yet as the research suggests, organisations will still need to work hard at securing their own future, both in terms of funding and compliance with regulatory requirements.

FUNDING

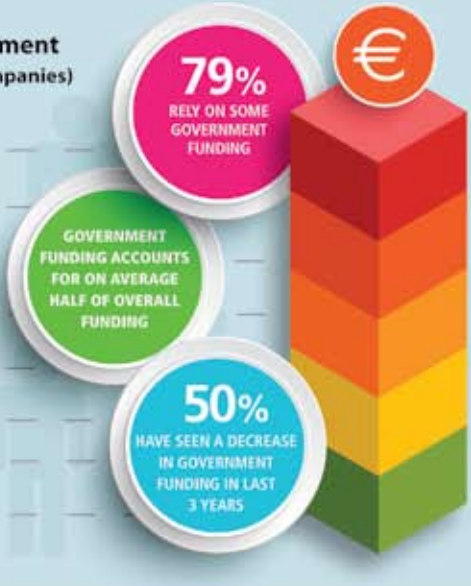
Survey findings reveal a significant proportion of nonprofits, up to 79%, rely to some degree on Government funding, while the other 21% claim not to receive any Government funding at all. The latter group are more likely to comprise organisations

NONPROFIT SECTOR

MY ORGANISATION'S TOTAL INCOME MEETS THE CURRENT LEVEL OF DEMAND FOR ITS SERVICES

GOVERNMENT FUNDING

Funding Received	Government (% of companies)
100%	4
76-99%	31
51-76%	17
50%	5
25-49%	8
1-24%	13
0%	21
Don't know	2



ANNUAL INCOME OF ORGANISATION

METHODS OF FUNDRAISING within the last 12 months

- 50% Sponsored events or projects (sport, cultural and social).
- 40% Local business or corporate sponsorship/ partnership.
- 40% Online (My Charity.ie/Idonate/social media appeals and campaigns.
- 38% Standing order/ direct debits.
- 37% In situ collections (e.g.at church, on street, in supermarkets etc.)
- 21% Draws and lotteries.
- 20% Direct mail/ press inserts.
- 18% TV/ radio/ press appeals and campaigns.
- 3% Charity shop.
- 2% Service charge.
- 2% Memberships.
- 2% Funding from philanthropists.
- 2% Other.

AIB / IPSOS MRBI SURVEY

which are part of an international group and/ or those with lower income levels (defined in this survey as less than €0.5 million per annum).

As to be expected, a wide variation in levels of State dependency exists, with 13% citing that public funding accounts for less than 25% of their income, through to 34% of organisations for which it represents over 75% – within this group, 4% are fully reliant on Government support.

Interestingly, the overall income split between Government and non-Government sourced funding is very even, calculated at 50.5% and 49.5% of total 2014 sector income respectively. In addition, findings suggest these two proportions have been converging, with up to half of organisations claiming that proportionately less income is funded by Government (including local authorities and any EU or foreign government funding) compared to three years ago. A further 30% of respondents state levels remain the same, while only 7% have seen the proportion funded by Government increase during this period.

Indeed, analysis between nonprofits who are mainly Government funded (defined as 51% or more of their income), versus those who are mainly non-Government funded, reveals some key differences in many of the areas researched.

Given the reduced amount of Government support, among other factors, it is perhaps of little surprise, but of concern, that up to 72% of respondents consider that their organisation's current level of income is not adequate to meet the current demand for services. This opinion appears slightly higher still among the larger segments surveyed, i.e. Health Charities, Housing Associations and Culture and Recreation. Of the 27% who consider income levels sufficient, incidence is significantly higher among mainly non-Government funded organisations (39%).

Overall, there is mixed experience in relation to changes in total income levels between 2013 and those estimated for 2014: 30% of respondents claim levels will have increased, 34% expect them to stay the same and 36% consider they will have decreased.

Importantly, as many as 84% of nonprofits have seen their operation affected in some way due to reduced funding or investment in general over the past three years. Findings show that, while seeking cost efficiencies appears to be the first priority for many organisations (73%), a considerable proportion have had to go further and seek rationalisation in terms of reduced investment (44%) and/or an organisational restructure (38%). Inevitably, staff have also been adversely impacted by a reduction in salaries (within 40% of organisations) or, even worse, by a loss of jobs (31%). Around one quarter (24%) of nonprofits have had to reduce service levels or the number of users they are able to provide for. Operationally, organisations with larger incomes and/ or those mainly funded by Government appear to have been impacted to a relatively greater degree overall. Nonprofits which are mainly non-Government funded appear more able to weather the storm, with 21% of this group claiming not to have been impacted in any of the ways mentioned.

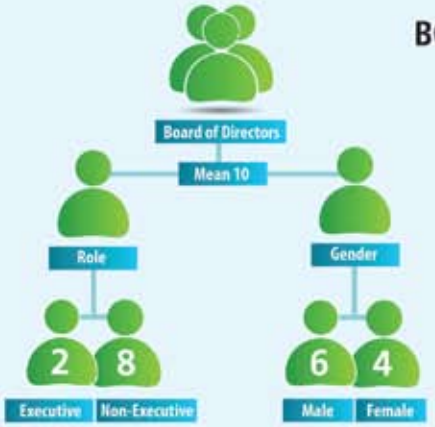
> "As many as 84% of nonprofits have seen their operation affected in some way due to reduced funding or investment in general over the past three years."

Potentially considered an operational efficiency, but now often a condition of Government funding, the receipt of income via electronic or digital means has increasingly become the norm within the sector. According to those receiving any State funding, 93% of this income, on average, is received electronically and for 81% of these organisations, 100% of Government funding is transferred in this way. A small minority (5%), however, claim to receive all their Government funding via non-electronic means.

Perhaps unsurprisingly, the situation is less developed in relation to non-Government funding, where on average 45% of income is received via electronic/digital means, with a relatively wide spread in adoption levels reported across organisations – 19% do not receive any private funding electronically, while, at the other end, 11% receive all non-Government funding in this way. Interestingly, the remit of the organisation appears to be the greatest differentiator in terms of likelihood of collecting these funds electronically: organisations which are mainly locally or regionally focused are significantly more likely to be non-users compared to those with a mainly national or international focus (34% and 11% respectively).

NONPROFIT SECTOR

BOARD REPRESENTATIONS – KEY STATS



IMPROVING STANDARDS

STAFFING

No. of Employees	Employees (% of companies)
100+	8
21-100	18
6-20	21
1-5	44
0	8
Mean	45

	Volunteers (% of companies)
Over 500	9
101-500	11
51-100	8
Up to 50	60
None/not applicable	9
Don't know	2

FUNDRAISING ACTIVITY

In the context of more limited funding and shortfalls in income for many, nonprofits are placing increasing importance on fundraising initiatives from non-Government sources. Survey respondents were asked to identify different fundraising methods used in the last 12 months from a prompted list of eight options, from which 79% cited at least one method of fundraising. The most widely used methods, by over one third of respondents are: Sponsored events or projects – sport, cultural and social (50%); local business or corporate sponsorship/ partnership (40%); online/ social media donations and campaigns – e.g. mycharity.ie, iDonate (40%); standing order/ direct debits (38%) and in-situ collections e.g. at church, on street, at supermarkets etc. (37%). Across all organisations, an average of 2.7 methods have been used, rising significantly among Health Charities, higher income organisations, those part of an international group and those with higher numbers of volunteers.

Based on the relative amounts of money raised, the same top five fundraising methods just mentioned are considered by respondents to be most successful, and are also ranked in a similar order on this basis. Sponsored events are considered most effective by 28%, almost twice the proportion nominating local business or corporate sponsorship/partnership (16%) and in-situ collections (15%). The former also attracted most mentions as the second most-effective method, however only marginally ahead of standing order/direct debits (14% and 13% respectively among the 70% giving a second answer). Overall, there is little significant difference between respondents in their rating of different fundraising methods used, although online/ social media is not considered as effective by those with a more local/regional remit (5% vs. 19-20% of those with mainly a national/ international remit or a mix of both).

Regardless, however, of which methods have been used, it has generally been difficult to raise funds from non-Government sources in the current environment, according to the vast majority (87%). There are indications that nonprofits with lower income levels are finding it that bit tougher.

Pressure to meet any non-Government fundraising targets (applicable to 90% of the sample) is evident: just under two thirds (64%) expect to finish on or ahead of target and 36% behind target. The latter is biased towards higher income organisations and those which are part of an international group, where targets may stretch more in the first place.

While fundraising activities targeting the general public/private individuals represent the most widespread source of non-Government funding (used by 62% of nonprofits), there are a variety of other sources of income targeted by nonprofits, to varying degrees, depending on the nature of the organisation, as shown in the visual.

Furthermore, findings point to the need for nonprofits to focus more on these other sources, given up to 47% of those who fundraise from the general public have seen a decline in its level of contribution to total income over the past three years (and just 15% have seen an increase). Among those targeting alternative sources, the highest increases in contribution levels are reported to have come through corporate social responsibility or partnerships (43%) and income from services provision, shop sales, merchandising etc (42%), followed by other donor funding, including international donors (30%). Membership fees and legacies/ bequests/one-off donations appear relatively more mixed in terms of changes in their contribution to total income.

As with general fundraising initiatives, 35% of organisations have experienced decreases in contribution from other corporate/institutional donations (excluding corporate social responsibility initiatives) and a further 50% have experienced decreases from income received from investments (portfolios and deposits). Among the minority nonprofits (16%) who receive income via a foundation, relatively few have seen any uplift from this source.

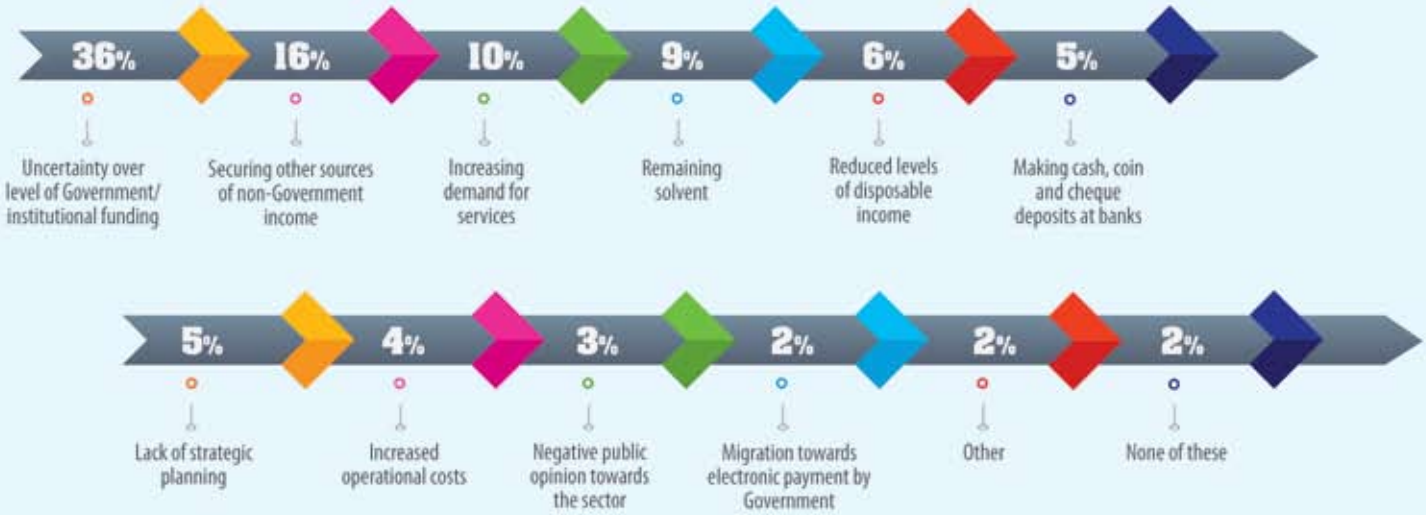
STAFFING

As already highlighted, the nonprofit sector is a major employer within the economy, however, operationally, it also is hugely reliant on voluntary contribution. Indeed, 8% of organisations surveyed do not employ any payroll staff. A large proportion (44%) employ between one and five people, with decreasing representation for subsequent ranges, up to 8% of nonprofits which employ over 100 people. The overall average is calculated at 45 employees per organisation, inflated by the relatively small proportion of significant employers within the sample (all figures represent full-time positions and include a conversion for part-time positions, relevant to 73% of organisations). Findings reveal that organisations with higher incomes and those which are mainly Government funded tend to employ significantly higher numbers of staff (average of 103 and 73 respectively). Segment-wise, higher employee numbers are present among Housing Associations (108) and Health Charities (83).

NONPROFIT SECTOR

OPPORTUNITIES

THE TOP CHALLENGES



INVESTMENT PLANS

On average, salaries account for 48% of total income received across all respondents, with some correlation evident with income level and number of employees. Salary costs are more significant for mainly Government funded organisations, accounting for 61% of total income.

Up to 89% of nonprofits rely on volunteer involvement in their activities, 60% of which currently engage up to 50, rising to over 500 volunteers for 9% of organisations. Those with larger volunteer forces are more likely to be found among nonprofits which are part of an international group. Among the larger segments, indications are Health Charities use relatively higher numbers of volunteers and Housing Associations a smaller number than average.

Encouragingly, year-on-year changes in reported staffing levels indicate a degree of stability overall. The majority of organisations have seen their numbers of full-time and part-time staff remain the same (59% and 76% respectively). Outside of this, there is an even balance between proportions of those who have seen an increase and those who have seen a decrease in numbers, with higher income organisations more likely to have experienced an increase in both full and part-time employees over the past year. In addition, volunteer numbers appear to have seen a net increase during this time period (30% vs. 10% of respondents reporting a decrease). This increase is most significant among organisations with larger volunteer numbers of 50 or more.

Recruitment of staff does not appear a major issue for most (57% of respondents consider it very/fairly easy vs. 29% very/fairly difficult), with Dublin-based organisations more likely to find it easy to recruit compared to those outside. An even higher proportion find retaining their staff very/fairly easy (75%), with no significant difference apparent between different types of organisation.

Evidence suggests staff training and development is a priority, with over three quarters (78%) of nonprofits claiming to invest in this area, the incidence of which increases to around nine in ten of larger organisations with higher income levels and/or more Government funding. Among these organisations, the vast majority (82%) state that training is further extended to volunteers.

Generally speaking, staff and volunteer morale is positive within the sector and is described as high by 67% of organisations. A further 23% consider morale to be average and the remaining 10% on the low side, the latter almost doubling in incidence among larger organisations (19%).

BOARD REPRESENTATION AND GOVERNANCE

Respondents were asked a series of questions relating to the make-up of their organisation's board of directors or trustees. Findings reveal that there are 10 board members on average across all organisations, ranging from 3-6 members among 24% of organisations (with higher incidence among those which are mainly non-Government funded), through to 20 members or more among 7% of those surveyed. Unsurprisingly, it appears the larger the organisation (based on income level and/or number of employees), the larger the board.

Given the nature of the sector, there is a large bias towards non-executive representation. On average, eight members fulfil a non-executive role and two an executive role. Of note, over half (53%) of organisations have no executive board members, incidence of which increases (to 63%) among larger board sizes (of 11 or more). Conversely, 12% of boards comprise executive directors only.

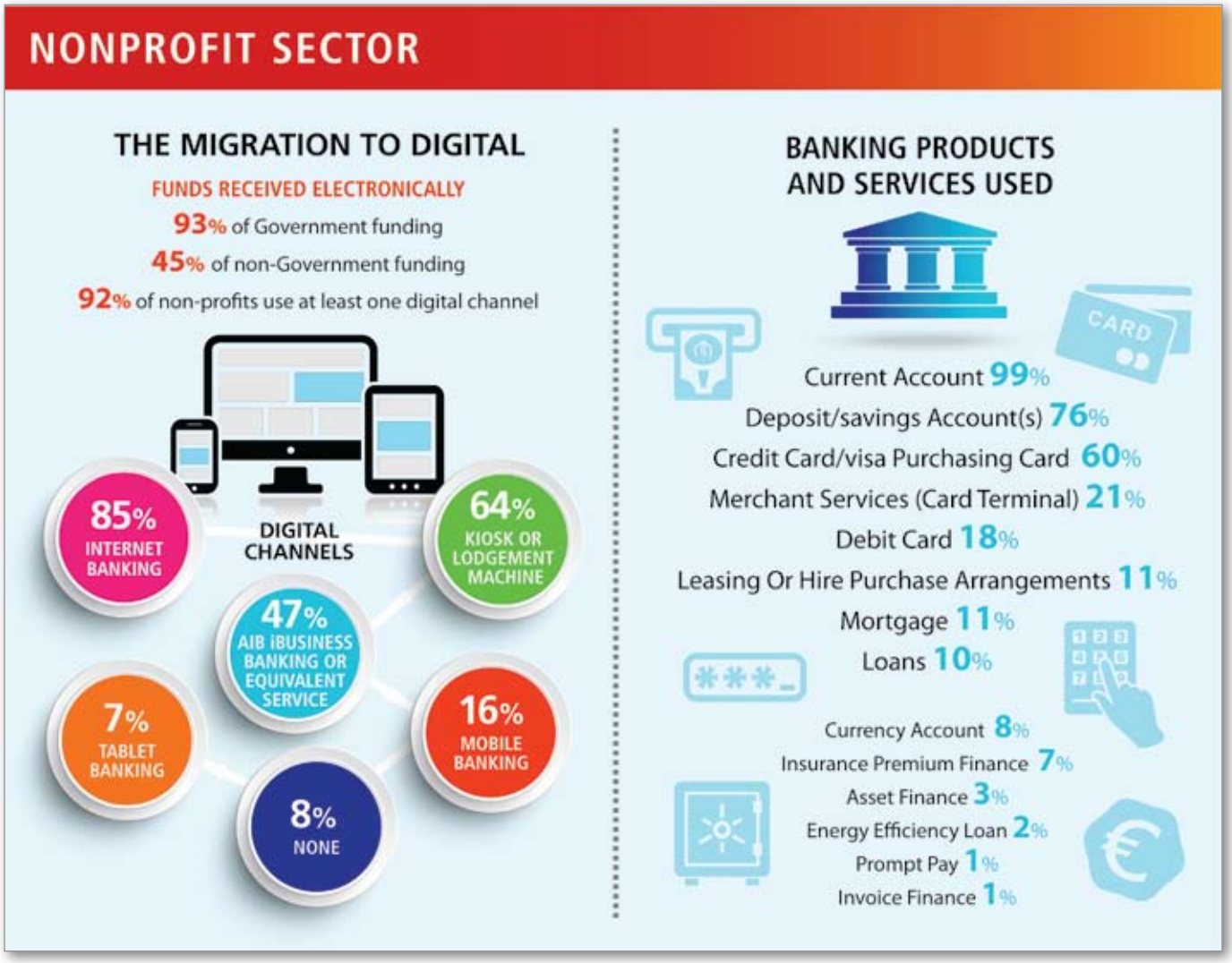
In comparison to their corporate and SME, profit making counterparts, there is a much greater female representation on boards of nonprofit organisations and, as a result, a more even gender balance is achieved. On average, six board members are male and four are female. In addition, there is a small minority with male only or female only boards (3% and 4% respectively). Interestingly, in terms of key board positions, chief executives are more likely to be women (in 53% of organisations), driven by smaller nonprofits (based on income and/or number of employees). The role of chairperson, however, remains more biased towards males (in 66% of organisations), although to a lesser degree within Dublin-based organisations (57%).

Board representation is managed, to varying degrees, by most organisations, via implementation of various policies and practices. The most widely applied policy is related to the appointment and rotation period for board members/trustees (81%), implemented to an even greater degree by higher income organisations (89%). This is in part reflected by the relatively high proportion (71%) of boards which rotate their members at least once every three years. Almost as many organisations claim to target a balance between skills, experience and independence (79%) in choosing board members, and almost three quarters say they have a policy on attendance rates. Related to this, findings show that the vast majority (95%) of boards meet at least four times a year. Board representation policies less likely to be implemented are those around managing diversity (54%) and those involving quotas in relation to the number of representatives from different stakeholder groups such as Government or local beneficiaries (31%).

Encouragingly, up to 85% of respondents consider their board members or trustees have adequate knowledge and training in order to perform their duties effectively. However, those working within mainly Government funded organisations are much more likely to consider knowledge and training inadequate (21% vs. 7% from mainly non-Government funded organisations). Training or induction programmes for new board directors are available within 63% of organisations – to a greater extent in Dublin, where up to 93% consider board members to have adequate knowledge and training.

In terms of additional governance structures currently in place, almost three quarters claim to have at least one committee set up to deal with any one specific area, rising to 91% of higher income organisations, which are more developed generally in this regard. Committees are currently most prevalent in the areas of Audit and Risk (61%) and Strategy (51%), whereas those handling Remuneration (40%) and Fundraising (33%) are less likely to have been established. There is clearly scope for more widespread establishment of such committees, also likely to be driven by impending new regulation and requirements for tighter, more transparent governance.

Until now, nonprofits have had the option of adopting certain industry codes of practice, in preparation for the introduction of the new statutory framework provided for under the Charities Act 2009. Around



two thirds of organisations have signed up to at least one of three Codes in question: The CVC Governance Code – for good governance of Community, Voluntary and Charitable Organisations (51%); UK SORP (Statement of Recommended Practice, Accounting and Reporting) (31%) and the Irish Charities Tax Research Ltd. Best Practice Guidelines for Fundraising (27%).

When asked about what improvements which would most contribute to better governance standards within the sector, over four in five respondents identified public disclosure of accounts (89%), commencement of the Charities Act/Establishment of the CRA (83%), board training (83%) and more focus on ethics/integrity (81%).

Indeed, the top three improvements were the same as those identified in a survey on sector governance, conducted in January 2014, among members of the Institute of Directors (IOD) involved in the nonprofit sector.

OUTLOOK, CHALLENGES & OPPORTUNITIES AND PRIORITIES FOR GOVERNMENT

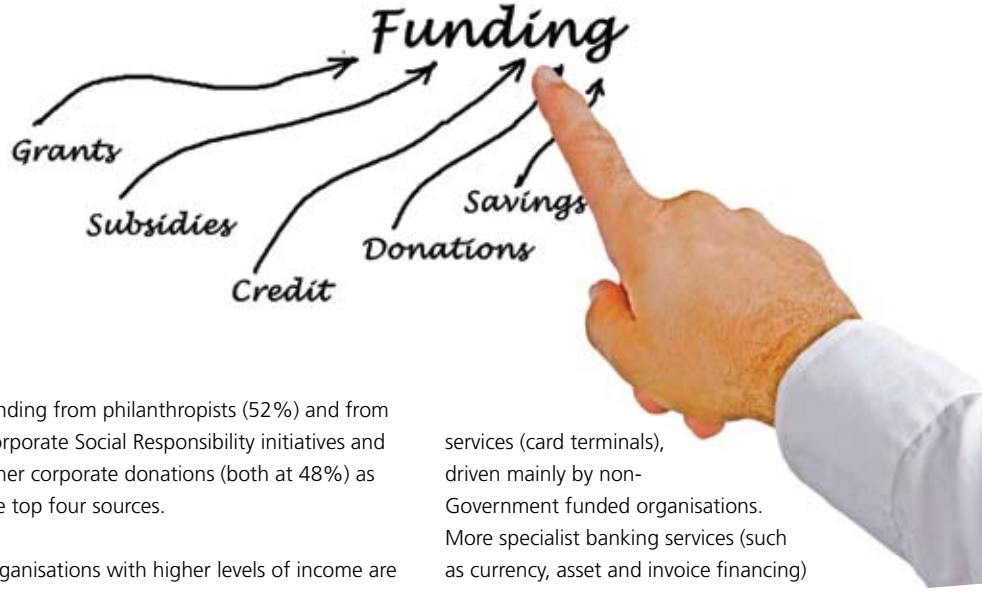
Nonprofits appear to be mildly optimistic regarding their outlook for the sector. The largest proportion (49%) consider the situation will improve within the next three years, although a further 31% think it will take up to five years or more (11% are not able to say). Of the 9% who believe things will get better within the next year, all are Dublin-based organisations, reflecting overall current economic sentiment.

Uncertainty over funding, from Government institutions, and to a lesser degree from other non-Government sources, dominate as the top challenges for nonprofit organisations (36% and 16% respectively), followed by increasing demand for services, cited by 10%, and remaining solvent, by 9%.

On a positive note, all respondents were able to identify at least one opportunity for their organisation over the next three years. The top mention was collaborations and partnerships with other similar organisations (65%) which has been a key issue for some time, given the considerable potential that exists for similar organisations to share costs and resources in order to achieve greater efficiencies. Further key opportunities identified are around engagement/ renegotiation with Government (56%), increased/diversified fundraising activities (55%), increased regulation within the sector (43%) and more targeting of the private/ corporate sector (41%).

Given smaller organisations are not as far down the line in their preparation for compliance with forthcoming regulation, it is not surprising that up to 40% of them think it should be the Government's first priority (outside of increasing funding) to provide additional support for smaller charities to help them comply with regulation (30% of overall sample). The next most pressing need,

and a long-standing issue highlighted by the sector is for Government to resolve the issue of VAT applied to charities (23%), followed by prioritising the adequate resourcing of the new Charities Regulator (14%), the latter more keenly expressed by larger organisations (24%). A further 13% of respondents consider that the Government needs further clarity on policy regarding the sector.



PLANS FOR OPERATIONAL DEVELOPMENT

Like with any organisation, nonprofits need to seek ways in which to develop their operation and to make plans on how this is to be achieved. A key difference, however, is their dependence on funding which, by implication, limits the degree to which they can plan in advance and the scale of any investment.

Nevertheless, in relation to how they plan to develop and resource their operation over the next three years, three quarters of survey respondents expressed a desire to introduce new services and/or expand existing service offerings. Current and continued pressure on funding means that re-structuring of operations will remain key, with 70% saying they will need to introduce new technologies to drive operational efficiencies. In addition, just over half of organisation will aim to cut costs and to consolidate, while almost half plan to increase staff numbers.

Of the 97% of nonprofits with any planned developments, the amount of investment envisaged is relatively modest: less than €250k for 65% of organisations and between €250k to €1 million for a further 20%, reflecting a certain difficulty to commit beyond funded timeframes.

As to how they plan to finance this investment, the majority (69%) cite securing new methods of fundraising, followed by funding from philanthropists (52%) and from Corporate Social Responsibility initiatives and other corporate donations (both at 48%) as the top four sources.

"The vast majority (93%) of organisations avail of on-line channels for their banking transactions."

Organisations with higher levels of income are more likely to consider most of these options to a greater degree, in particular financing from Corporate Social Responsibility initiatives, from legacies/bequests and via the use of their own (personal) funds.

BANKING REQUIREMENTS

Half of organisations (52%) surveyed have their main account with AIB. When asked spontaneously why they chose a particular bank, recall included more generic elements: existing relationships (28%), competitive fees (23%), ease of access (21%) and quality of customer service (21%). Online banking, cited by 20% overall, features to a slightly greater extent among AIB customers. However, factors more specific to the sector are mentioned to a lesser degree, given these are generally less top of mind, namely the offer of specialist charity services (8%), acceptance of coin/cash/cheque deposits (7%), a good reputation within the sector (5%) and an ethical approach (3%).

However, when prompted, respondents are much more likely to place a higher degree of importance on sector-related factors: 60% consider it important that their bank has a specialist charity or nonprofit division and an even higher 77% consider a bank's ethical or social responsibility important when making a decision on whom to bank with. These findings are in line with a 2012 banking study conducted in the UK among nonprofit organisations.

Banking products and services used by nonprofit organisations mainly focus around current accounts (99%), deposit/savings accounts (76%) and debit cards (60%). Around one in five (21%) use merchant services (card terminals), driven mainly by non-Government funded organisations. More specialist banking services (such as currency, asset and invoice financing) are used only by a small minority. Relative to SMEs, incidence of holding loans or having leasing/hire purchase arrangements in place is significantly lower (10% and 11% respectively), reflecting a concern within the sector to minimise borrowing and extending beyond current means. Indeed securing bank funding was least likely to be cited as a method of financing any development plans (by 13%), although incidence of the latter was more prominent among Housing Associations.

Given the importance of electronic receipt of funding, it is perhaps not surprising to see that the vast majority (93%) of organisations avail of on-line channels for their banking transactions. Most of these use "standard" internet banking (85%), followed by kiosks/ lodgement machines (64%) and AIB iBusiness Banking/ equivalent services (47%). A proportion is also using banking via mobile phone (16%) and tablet (7%). A bank's online offer and the ability to differentiate it from the market therefore presents good potential within the sector.

A quarter (27%) plan to do a review of their business with their bank in the next six months, in line with figures from the aforementioned UK study. A higher likelihood in this regard was expressed by organisations which are mainly Government funded (31% vs. 23% those who are not).

Overall, the research highlights a significant opportunity for further engagement with the nonprofit sector, given its significance and in light of its very specific needs and challenges.

OPPORTUNITY KNOCKS

Qualitative research undertaken by Behaviour & Attitudes on behalf of AIB into the banking needs of the nonprofit sector in Ireland highlights the need for the banking sector to more closely engage with sector stakeholders.

Market research firm Behaviour & Attitudes conducted a series of focus groups and in-depth interviews as part of the market research for this Outlook Report on nonprofits. The purpose of the focus groups was to understand banking needs and requirements of the sector, as well as trying to understand the similarities and differences between nonprofits and similarly sized "for profits" companies. While there are five areas or, sector codes, used by the Central Bank of Ireland to define the nonprofit sector, this market research looked at only three of the sectors; namely charities, recreational organisations and the education sector. Within education, the study solely looked at primary and secondary schools. Interviewing took place in Dublin, Cork, Tipperary and Westmeath to ensure a broad spectrum of views could be thoroughly explored.

While there was, of course, common ground between the three nonprofit segments reviewed, there was substantial difference in evidence too. The size and turnover of the participating organisations varied hugely; the income of the organisation turned out to be the single most differentiating factor in the study. Some of the larger organisations, such as fee paying secondary schools or large national charities showed banking needs, requirements and expectations which would be common to standard SMEs. On the other hand, some of the smaller operations, often staffed by volunteers, and/or, non expert staff members were not dissimilar to mature personal customers, preferring the branch to direct channels, and reluctant to put their faith in digital alternatives.

In reviewing the banking needs and requirements of the sector, it became clear that there were a number of commonalities shared by the different sectors within the segment.

FUNDRAISING BATTLES

One of the most significant common threads to emerge was the ongoing requirement for fundraising. While this in itself is of no great surprise, the time and effort invested in fundraising is very significant, irrespective of whether their goal was to raise millions or just thousands.

The recession has taken its toll on Irish society, and those attempting to fundraise see this at its most stark; collections have shrunk considerably over the past six or seven years, corporate donations have retreated, contributors are now limited to core supporters. In tandem with reduced fundraising abilities, these organisations have seen cuts to their Government funding too. The knock-on effect of this has been increased caution when it comes to committing to financially onerous projects.

INCREASED RED TAPE

Ever more stringent governance structures are part and parcel of the issues all nonprofits have to contend with. Not only are these ever tightening regulations and governance structures welcomed by the sector, there is relief in many quarters about their introduction. The nonprofit segment, but more specifically the charitable sector has suffered significant reputational damage due to malpractices in some of the leading national organisations. As such, regulations that can be used to 'prove' appropriate and responsible governance, are warmly welcomed. Not only were most charities confident that they were well managed and compliant with all governance and regulatory issues, they could also prove it to any journalist or donor with queries. What had previously been seen as necessary bureaucracy, emerged as an unlikely source of solace, in a bleak period for the sector.

LACK OF INSTITUTIONAL MEMORY

Another issue impacting on the nonprofit segment as a whole, is the rotating nature of board membership. In many instances, over the course of five or six years, there could be an entirely new board in place, as people serve a four or five year term, before retiring from

the position. As a result of this, institutional memory was often weak, particularly in smaller or voluntary organisations. A variety of difficulties emerged as a result of this. The focus group encountered many frustrations with banking arrangements which had presumably suited a previous board, but had not been re-organised to suit the new team.

Due to the volunteer nature of this sector, board meetings may be infrequent, with individual board members not necessarily seeing each other in the intervening period. Coupled with this in many instances, was inertia in relation to financial arrangements, resulting in reluctant acceptance of unsuitable arrangements, rather than proactively resolving the issue. Naturally, in larger organisations, with paid staff, finance and administration teams, these issues were more likely to be resolved, as the board could rely on a member of staff to implement the revised approach.

"Due to the volunteer nature of this sector, board meetings may be infrequent, with individual board members not necessarily seeing each other in the intervening period."

- *"Trying to get them all in the room at the same time is a nightmare. They only meet a few times a year. So the focus when they meet tends to be on big things like 'we need to repair the leaking roof' not on banking".*
  (Education Sector)

Interestingly, when staff talked about the role of their board, it was clear that scrutiny of financial details has become more intense. It was apparent that board oversight in relation to financial management and optics of financial reporting was of very significant concern. In some instances it was impeding staff from seeking changes to financial arrangements, as optics could outweigh convenience at present.

- *"We bought new gear for the team, I think it came to €800. At the AGM I was asked why I hadn't sought three quotes. Saying I'd checked the price on a few sites sounded feeble. It was very embarrassing and stressful".*
  (Recreational Organisation)

A further issue common in the sector, particularly recreational organisations, schools and smaller charities, was the reluctance to move to a digital banking platform. Some of the larger or fee-paying secondary schools had clearly embraced digital technology, with the school managing its accounts online, but also facilitating online payment of school fees and ongoing fees and expenses required from parents during term time.

However, for very many operating in this sector, there were a number of barriers to digital migration, including limited internet access, poor or intermittent broadband, and concerns over the costs that might be involved in setting online banking. It was apparent that there was some confusion and indeed misunderstanding over online banking set up costs and ongoing charges.

CASH IS KING!

Looking at channel usage in the sector, and given that the take up of digital options under indexes versus other SMEs, it should come as no surprise that all segments under review were

heavily reliant on branch banking due to their need to lodge coin, cash and cheques.

Despite the fact that some of the fieldwork coincided with Government departments ceasing to issue or accept cheques, it was very clear across all sessions that cheques are a key form of payment into charities, schools and recreational organisations.

- *"Well when they (cheques) are abolished then, that's fine, I don't have a problem. But they're not abolished now are they and that's how my customers want to pay. . . THEY'RE MY CUSTOMERS!" (Education Sector)*

Of particular concern to these organisations was the programme of restructuring in banks over the past number of years, and the impact this was having on their day-to-day banking behaviour. The move to greater automation within banks has not been universally welcomed. Some are nervous and uncomfortable with the automated systems for lodging cash and cheques, while others feel that the volume of cheques they are lodging on particular occasions is too great, with queues building behind them and frustration and security concerns also evident.

In addition there would appear to be confusion over the times when coins can be lodged in branches, with a widespread perception that many restrictions were now in place.

Also, branch closures have taken their toll on this sector also, with many having to adapt to new branches further away, with greater journey times, as well as the loss of staff relationships. This issue was far more prevalent outside the capital, but even the Dublin-based organisations were not immune to branch closures and the ensuing disruption.

When it came to discussing banking product needs and requirements, the previously animated and vocal participants in the discussion became much more demure! It had been very clear throughout each of the sessions that irrespective of size of organisation, or whether staffed by primary paid or voluntary employees, staff working across charities, recreational organisations and in education were inordinately stretched. For many, the number of tasks which were considered 'urgent' each day, was far in excess of what would be realistic to achieve. As a result, weeks could pass, with no non-urgent tasks being looked at. As such, for the majority, banking arrangements were a relatively low priority.

- *"Finance and banking I'd say is about 1% of my day, probably wouldn't even be 1% of my day". (Education Sector)*

When asked about banking products that might be of interest to or have proven benefits for their organisation, it became apparent that there was relatively low awareness of the full gamut of banking products, and in particular products which might have direct relevance to this sector. The sheer volume of work, with increasingly limited staff resources, prevented them from being able to take the time to research banking service and product options, or browse websites to see what was new or coming down the line. Only the larger, fully staffed organisations, with full-time, experienced, profession financial teams in place showed product knowledge typical to SMEs.

- *"If they could tell me that I made 20 of these transactions and if I switched to doing it this way it would be cheaper and faster, that would be amazing. But I need them to do that for me". (Recreational Organisation)*

The sector would very much welcome products and services tailored to their particular needs. Of greatest interest to this audience would be banking initiatives which take into account the mindset, concerns and constraints that are shared by the sector.

Overall, there is willingness on the part of nonprofits to engage more with the banking community, however there is an expectation that the legwork will be done by the banks! ●

Some of the comments noted by Behaviour & Attitudes at the focus groups include the following.

- *"All day Friday, and two hours Tuesday, that's what it is for us now." (coin lodgement).*
- *"Big lunches, people have a few drinks. I am sure we could boost our fundraising activity significantly, if we could just have a pin terminal or something."*
- *"It took four or five attempts to fill in the account mandate correctly and supply everything the bank wanted. I know second time round I'll get it right first time; but there is no second time around. I won't be treasurer next year."*
- *"We are now having more cash coming through our school than we have ever had before, because parents aren't using as many cheques. Because I mean 90% of the parents that I have would be middle class, but they watch their budgets, take out x amount of money per week that's it."*
- *"Trying to get them all in the room at the same time is a nightmare. They only meet a few times a year. So the focus when they meet tends to be on big things like 'we need to repair the leaking roof' not on banking."*
- *"A parent told me they were going back to cash as they were sick of having to write cheques for small amounts. . ."*
- *"We moved to totally digital there last year. . . didn't give parents a choice – if we had they never would have done it – and just moved all payments online. It's been great, a few teething problems obviously but we're nearly there now and it should be great."*
- *"If they (the banks) have something that might be relevant to me I'm all ears. But let's face it we're just not set up to investigate and implement these things ourselves. So they're going to have to come out to us, tell us about it and set it up."*

A FOCUSED APPROACH TO NONPROFITS

Maura Moore, AIB's Nonprofits Sector Specialist writes how AIB is engaging proactively with all stakeholders across the ecosystem, adapting in house, increasing sector specialism and investing in frontline capabilities to support the nonprofit sector.

Voluntary activities and charitable services have always been an integral part of the Irish social and economic fabric. Often influenced by religious, cultural, social and political forces they play a vitally important role in delivering much needed services to communities and individuals in Ireland and indeed overseas.

Non-Governmental Organisations (NGOs) in Ireland number up to 25,000 (notwithstanding a significant majority are very small) and are active in a range of fields, from health and education, sport, arts and culture, environment, development/housing, religious orders and professional associations.

Given the importance of the sector to the Irish economy, the Government published its intent to invest in the reactivation of the Irish Non Profits Knowledge Exchange database (INKEx) and the establishment of a single digital repository of financial, governance and other relevant data and documents.

Of the 12,172 nonprofits in the INKEx database (2012) spanning incorporated and un-incorporated entities, some 22% fall within social and community development, housing employment and training. A further 19% have a social services remit while 16% of them are involved in cultural and recreational activities. The balance is made up of philanthropic intermediaries (11%), education and research (7%), religion (5%), business and professional associations/unions (4%), environment (4%), health (3%) and international (3%) with the remainder unclassified.

Nonprofit organisations in Ireland receive their income from a mix of private giving, fundraising, grants, corporate giving, trusts and foundations as well as Government departments. Education, Health and Social Services remain the dominant recipients of funding. The top 10 charities in the country by income (Charity 100 Index,

MAURA MOORE

Boardmatch Ireland 2013) are dominated by hospitals and four are voluntary hospitals which are grant aided by HSE. Nine overseas aid agencies are listed in the I00 Index. In 2011 the income of the top 100 charities was €2.79 billion, a decline of almost 9% from 2009. Indeed the sector as a whole, receives more than €4.4 billion annually in Government funding, employs more than 100,000 people and has total income in excess of €6.5 billion. In terms of human capital, it is heavily reliant on the active engagement of more than 560,000 volunteers or active citizenship.

As part of this report and further increasing our domain knowledge of this sector, AIB commissioned independent initial research by way of focus groups and in-depth interviews with entities falling within the charities, recreation and schools segments. Researchers further polled 1,298 incorporated entities representative of the entire sector and with CHY status. Structured interviews by telephone were then conducted with 131 participants, yielding valuable insights into this well developed but diverse sector and affording a greater understanding of the challenges, uncertainties and opportunities for supporting nonprofits in accessing finance and improving efficiency.

SOCIAL FUNDRAISING

An ongoing legacy from global recession and post-crisis difficult local conditions is that charities while experiencing increase in demand for services, less income and 'doing more with less' is the new norm. Organisations have had to come up with new ways of raising funds to meet the increase in demand and become active in social networking to this end. Arguably one of the biggest challenges the sector is facing is that resources are often focused on immediate, short-term requirements and often struggle to persuade Government and non-Government funders of supporting longer term transformative initiatives. However change is underway as a culture of impact investing (discussed later) is beginning to gain traction.

Mobile technology and social media are changing the way people donate and interact with charities. Donations through websites, social media and apps now account for a significant portion of non-government income to nonprofits. Charities, particularly the larger ones, are using social and mobile platforms to boost their fundraising efforts, winning support from friends, family and individuals from across the world who can now effortlessly connect with other fundraisers, increasing global charity output.

A recent report by the mobile phone operator 3 Mobile in the UK showed that close to 30% of those who made donations on their mobile phones wouldn't have made them through a different medium. A further 30% of people said they were more likely to donate after seeing someone share charity related content, such as on Twitter or Facebook, while 20% said it inspired them to do something for charity themselves.

PHILANTHROPY

Philanthropic activity is on the increase and not just on the global stage. Philanthropists, who are often also successful entrepreneurs, are increasingly willing to increase their

engagement as strategic partners, rather than simply donors, to tackle social challenges such as education, healthcare and financial inclusion. Philanthropic funding can play a vital role in testing and stimulating innovation that, when proved, business and Government can implement at scale and philanthropic giving can maximise its contribution to society.

In Ireland, The Forum on Philanthropy and Fundraising is a joint initiative between Government and the Philanthropic sector to develop philanthropy and charitable giving in Ireland from its current estimated level of €500 million to €800 million by 2016. One of the drivers for this increase is the creation of a National Social Innovation Fund with a remit to provide growth capital to Ireland's best social innovations tackling social problems in this country. This, in turn, will spawn a new breed of social entrepreneurs (a number are profiled in this Report) championing impact investing with dual social and financial goals. AIB has partnered with The Community Foundation for Ireland on a study looking at the interrelationship between entrepreneurs and philanthropy on this island and the environment for charitable giving based on trust, effectiveness and impact. Research findings will be published early next year.

IMPACT INVESTMENTS

Impact financing investments often only pay out if measurable social benefits have been achieved and the traditional up-front grants model for service delivery is being replaced by release of funds in return for delivering specific outcomes. This results-based drawdown of funding is now prevalent across the charities sector in Ireland, and in particular where multimillion Government financing matched with equity /debt is required for project and programme roll-out e.g. job creation and upskilling pathways.

Critical therefore, to social impact and fundraising for delivery of impact offerings, is a sustainable business model operating in an environment of transparency and public oversight which in turn will pave the way for access to equity and debt finance for development and growth together with sustained public confidence. As with all business, the commercial dimension of each business and provider together with a robust business case are essential for social outcomes to be delivered. Importantly, nonprofit organisations may accumulate a surplus in a given year but this is not available for distribution, instead it is available for investment to further the organisation's core and new activities.

GOVERNANCE AND REGULATION

Finance and regulation have a symbiotic relationship and will benefit the sector and the communities. Regulation heralds a new era for the sector, albeit presenting new challenges for smaller charities who are resource stretched in every sense, notwithstanding their desire to adhere to codes of good practice regarding governance and financial management.

The very recent establishment of the Office of The Charities Regulatory Authority coupled with the enacted Charities Act 2009 is widely welcomed by the industry. Of the 25,000 NGOs in Ireland, some 8,500 charities transferred from Revenue's database to the new Register of Charities published in October 2014.

In our research for this report on the topic of perceived improvements which would most contribute to better governance standards within the sector, over four in five respondents identified: public disclosure of accounts (89%), commencement of the Charities Act/Establishment of the CRA (83%), board training (83%) and more focus on ethics/integrity (81%). Indeed, the top three improvements were the same as those identified in a survey on sector governance, conducted in January 2014, among members of the Institute of Directors (IOD) involved in the not-for-profit sector.

SERVING COMMUNITIES

One segment of nonprofits that is under the spotlight is social housing, with record levels of homelessness and demand nationally for social housing, which is particularly acute in the greater Dublin area. Tackling this has been key for Government with significantly increased multi annual Exchequer funding provided for in Budget 2015 and a commitment to provide 35,000 additional social housing units at a cost of €3.8 billion over six years under the very recently announced *'Social Housing Strategy 2020: Support, Supply and Reform'*.

The Government's capital advance lease model of supporting social housing is predicated on leveraging long term external finance. *'Building for the Future, A Voluntary Regulation Code for Approved Housing Bodies in Ireland'* was launched in July 2013 by Government. The Code is a stepping stone to a legally binding statutory regulatory framework for the not-for-profit housing sector, which the Department of Environment, Community and Local Government (DECLG) aims to have in place by 2016. A Financial Framework (See Page 20) for Approved Housing Bodies (AHBs), Tier 3, is currently being finalised with consultation from key stakeholders including lending institutions.

AIB welcomes the newly-announced social housing strategy. In order to achieve the challenging five year targets detailed above, it is critical that all finance providers, debt and equity, are engaging collaboratively with the emerging regulatory body, the Regulation Office of the Housing Agency, to ensure a robust framework is in place supporting access to finance for providers of social housing led by strong management teams with a track record in the sector. In some instances supply will be delivered under private public partnerships or programmes. It is promising that as our research highlights (65% of participants view collaboration and partnerships as real opportunity for their organisation over the next three years), there is an emerging appetite for scale and AHBs are open to collaboration, at least on a project basis to drive economies and efficiencies and ultimately ramp up the delivery of social housing units across the country.

This bank is engaging proactively with all stakeholders across the ecosystem, adapting in house, increasing sector specialism and investing in frontline capabilities. We are actively working with AHBs, the Housing Agency, county councils and equity investors in financing new build projects and purchase and refurbishment of existing units across the social housing landscape. AIB launched a €350 million New Homes Fund In May of this year to support development of new homes and this fund is also supporting social housing development.

AIB has a dedicated nonprofits sector team with responsibility for internal peer to peer knowledge sharing and specialism, supporting the nonprofits sector as well as external key stakeholder engagement across the public and private sectors. AIB will support the sector with funding and other appropriate products and services. AIB will further support the sector in getting ready to meet industry benchmarks and ongoing compliance within the new regulatory environment by facilitating ongoing knowledge transfer within the sector! ●

A NEW ERA BEGINS

It's been a long time coming but the formal establishment of the Charities Regulatory Authority this year marks a very important milestone in the Irish nonprofit sector according to its CEO, Úna Ní Dhubhghaill.

For the first time in the history of the State, Ireland's charities will now be regulated by a dedicated, independent regulator - the Charities Regulatory Authority (CRA). While the concept of regulation in the charities sector has been the subject of much debate down through the years, with several reports calling for the establishment of a regulator, the Charities Act 2009 finally paved the way for the establishment of the CRA which officially came into being in October 2014.

"Yes, we are talking about something that has been a long time in the making and it's fantastic to have reached this milestone now," says the CRA's first CEO Úna Ní Dhubhghaill.

"The Charities Regulatory Authority (CRA) officially came into being on October 16th and I was appointed to the role of chief executive back in March, so obviously we had been working hard on all the preparatory work that needed to be done to get the doors open."

One of the most significant developments since she took over the role as CEO was the creation and publication of the first register

"It's of course in everybody's interest that we have a charity sector that people feel they can trust so that they can donate money with confidence."

ÚNA NÍ DHUBHGHAILL

of charities which is available online for the public and other interested parties to view.

"We published the first register of charities on the same day as the Authority opened for business and that was another big milestone for us and we were ahead of schedule too. At the moment it's just the first version of what one will see and we have details on over 8,500 registered charities. These were automatically registered with us because they already had charitable status with the Revenue Commissioners and they are tax-exempt charities. At the moment, the information we have on those charities is quite basic but it's a start," she says.

Over time, the CRA will substantially increase the amount of information it seeks from charities on an ongoing basis, ending up with a fairly comprehensive register.

"The information we have on most of those charities at present, is really just names, addresses and charitable purpose. But it is a start, and that's what I want to emphasise because the charity register will be at the core of what we do. In time every organisation that wants to operate as a charity here in Ireland, must come to us and must seek to be entered on that register. So getting the register up and running was a really important step forward. But it is only a first step," she says.

"We have now started to contact each and every one of those 8,500 charities and asked them to provide us with the extra information that we need to put a proper entry for them in the register. That's a big body of work for us as they will each have their own online account that will allow them to upload the information that is required. We hope to have made contact with all of them by the end of January 2015," she says.

"At the moment, for example, you can go into the register and you can look up charities by name, you can look them up by location as well as charitable purpose. In the future you'll be able to use this register to look up much more detailed information and you will be able to search by things like income bracket, activities, accounts, trustees and fundraising practices. Again, it's a work in progress but we will get there," she says.

"The second big thing that we are working on is to get all the charities that never registered with the Revenue to register with us. In the past applying for a tax exemption was never mandatory and some charities chose not to go through Revenue. In other words the 8,500 we currently have on our register is not the final list so all the other charities that are out there need to register with us and they have up until the middle of April 2015 to do that."

As to how many charities exist is anybody's guess but the figure could be as high as 25,000, she says.

"It's hard to know as there are no reliable figures out there but we do have estimates based on some research that has been done in the past and other countries. Within that

research estimates vary considerably from 10,500 to 25,000.. If we look at Scotland, for example, which is not dissimilar in terms of population size, the Scottish regulator regulates about 26,000 charities. I don't think we will end up with that many but it could easily be between 15,000 and 16,000,"she adds.

Although the Charities Act 2009 also provides for extensive enforcement powers, these will not be enacted until next year by which time the work of the CRA will be in full flow.

"Once those powers are in place we will have extensive enforcement and compliance powers," says Ní Dhubhghaill. "For example under Part 4 of the Act, we can appoint a statutory inspector who can request a charity to provide him or her with extensive information relating to its operations. That inspector will then report back to us and we can then decide whether or not we take regulatory action and this could go up to and include the removal of charitable status from the charity concerned. But that's at the hard end of the regulatory spectrum and we hope that the vast majority of work we do with charities would be aimed at never getting to that stage because you can identify the problems and sort them out before you get there. But it is a sanction that's open to us," she says.

"I would add that this is a new regulatory relationship with this sector as it hasn't been regulated in this way before so we need to make sure that we approach it in a proportionate and graduated way. The reality is that most charities will probably be compliant. From our perspective we would clearly begin any compliance work by firstly engaging with the charity concerned and then looking to see what difficulties there are if any at all. We would look at how those might be ameliorated or turned around and if we feel that there is a serious problem then we would move to appoint an inspector."

In terms of the reporting requirements, she says that they will be proportionate and scaled, depending on the size of the charity.

"We don't expect small voluntary organisations to file the same level of detail as a charity that has a multimillion euro income. So there will be a proportionate approach applied but again, the requirement is mandatory and it is comprehensive. Based on all the information coming into us from every single registered charity, we will be able to get a good insight into what's going on in the sector, so that we can then develop a targeted and risk-based approach to our compliance work. In due course we will also be able to take that intelligence on board from the public and this will also inform our risk-based approach.

With a small establishment team of just 11, Úna Ní Dhubhghaill says this will increase significantly over the coming years. "We did get a sizable increase for next year which was announced by the Minister for Justice and Equality in the recent Budget, so we will have an increase in our budget of around 50%, some of which will be allocated to staffing. We do gradually need to build up our staffing over a period of months if we are to fulfil all our functions and that's something we'll be working on with the Department and the Minister over the coming months," she says.

Looking forward to the role of the CRA, she says that charities that comply with the legislation have nothing to fear.

"There are always going to be some problems but what we want to do is to ensure that, as we step into the compliance space, we are working to support good practice where there is good practice and to identify the problems or bad practice where it exists and where that is the case we will work with those charities to turn things around. It's of course in everybody's interest that we have a charity sector that people feel they can trust so that they can donate money with confidence and in the knowledge that there is a public benefit resulting for those donations," she concludes. ●

REGULATING THE SOCIAL

With over 520 Approved Housing Bodies (AHBs) operating throughout Ireland, the social housing market is one of the largest players within the wider nonprofit landscape. Now plans are well in train to regulate the sector, according to the Interim Housing Regulator Rosalind Carroll.

Since its formation in May 2010, the Housing Agency has played a key role in the delivery of much-needed social housing and services to communities around the country. Working closely with local authorities, the Department of Environment, Community and Local Government as well as Approved Housing Bodies (AHBs) around the country, the Agency's mission is to enable everyone to live in good quality and affordable homes.

It is estimated that there around 520 AHBs around the country. These AHBs, including housing associations and co-operatives, provide and manage social rented housing to a range of different families and individuals with housing needs. Between the different AHBs, they manage in excess of 27,000 units around the country. They are all private nonprofit organisations, and work in partnership with local authorities in providing homes for people on social housing waiting lists.

AHBs now lie at the heart of Government housing policy. While Exchequer funding for social housing fell from €1.7 billion in 2008 to just €597 million in 2014, the recent publication of its Social Housing 2020 strategy commits to providing 35,000 new social housing units at a cost of €3.8 billion over the next six years.

ROSALIND CARROLL

In recent years, new funding arrangements have been introduced that are designed to encourage AHBs to borrow private finance for the construction and development of social housing. This is supported by the State with a mixture of capital and revenue-funding.

However regulation is a key requirement of financial institutions considering investing in the sector as they need assurance that robust oversight systems are in place, that the sector is being well managed and financially viable and there are mechanisms in place for intervention if problems arise. With this in mind, the Government gave the Housing Agency responsibility for regulating AHBs in February 2014 and an Interim Housing Regulator, Rosalind Carroll, was appointed to head up the new regulatory regime. An interim Regulatory Committee was also appointed by the Minister to oversee the implementation of the new regulatory structures. With full legislation set to be enacted in 2016 to support the regulatory framework, the Interim Regulator is already fairly well advanced in terms of her plans for the sector.

"The need for regulation in the social housing sector arises because of how we are changing the funding of the sector. Traditionally, we would have given the nonprofit housing sector 100% capital grants. That's no longer a sustainable way to provide social housing going forward and the State would have become increasingly aware of that back in 2009 as the economy deteriorated. So we changed our funding regime to allow the sector to go out and raise private finance. This involves the management of new risks for organisations and Boards of Management, therefore the need for regulation became very apparent. One of the primary objectives of us regulating the sector now is to provide confidence to the banks that will be lending to the AHBs. There is also a need for us to ensure that, from a tenant's perspective, that organisations are managed well, governed well and are financially viable. Of course it's also about the need to safeguard the existing and future public investment as well as ensuring that we can deliver more social housing," she says.

In the past, regulation was piecemeal in nature, she says, and overseen largely by the local authorities and it became clear that this was not conducive to the new funding landscape that was starting to emerge. In 2013, however, a Voluntary Regulatory Code was introduced and the Housing Agency was given the task of overseeing its implementation.

"I suppose the voluntary nature of it is slightly misrepresentative in the sense that any AHB that is looking for development funding from the State needs to sign up to the Code. So it's voluntary only in the sense of non-developing associations. So many of the associations that are out there developing are signed up to the Code already, but legislation will be enacted by 2016 introducing statutory regulation for all AHBs and the Heads of the Bill are being drafted at the moment," according to Carroll.

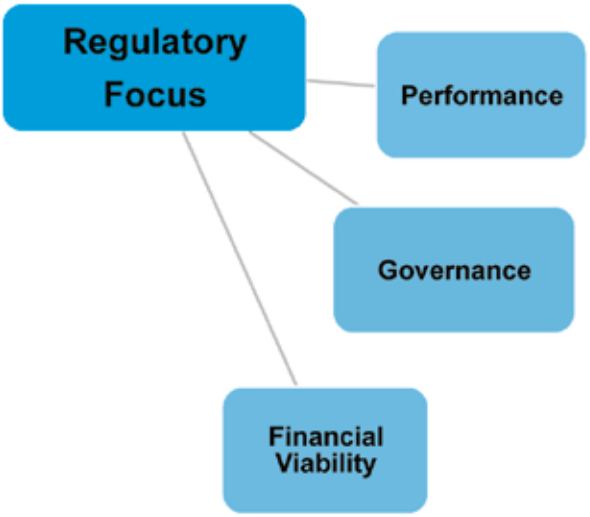
The regulatory framework that's in place operates on a proportionate basis, she says. "We have three tier levels operating within it. Tier 3 is the highest level and covers associations that have over 300 units, Tier 2 then is for those with between 50 and 300 units

while Tier 1 is for the smaller ones that have under 50 units. It's also worth pointing out that many of the 500 or so bodies are relatively small. So when we are looking at the sector and its borrowing capacity in terms of private finance, we are looking primarily at the larger organisations.

"The code is constantly developing and the next piece of it will be what we call the 'Financial Chapter'. This will focus on how approved housing bodies are operating in terms of the financial viability of their organisations, financial governance, are they managing well, have they got appropriate business planning in place, have they got stock conditions surveys in place to ensure their assets are being protected and managed properly. Apart from submitting detailed accounts each year, they will also have to submit a business plan with 30-year financial projections as they need to take account of the long-term nature of their funding. There is normally a huge intake of breath when I bring this up but it's necessary and some of the banks were even surprised when they heard that we are looking for that kind of information. But that's standard in other jurisdictions. The reality is that every time you take on a loan for 30-years, it has an impact on your overall organisation. So when organisations are preparing 30 year financial projections, we want them to look at things like interest rate fluctuations, market rents, external environmental factors that might have an impact, employee and pension commitments and then in terms of the assets that they have already taken on, can they actually manage them into the future.

"Because of the no default record, the lending institutions have been able to price the risk at a lower level and offer cheaper and more favourable interest rates."

FOCUS OF REGULATION



"The other thing we need to take account of is notifiable events and AHBs have to notify us of certain things if they become risk factors to them. So examples of that would be resignations of the chair, chief executive or finance director. While in the majority of cases resignations are fine but in some instances they can highlight other things that are going on behind the scenes. So each time things like that happen, we just want an assurance as to why they are happening and who is taking over. Also, we will need to know about the discovery of fraud or potential fraud or any potential litigation which could have an impact on the association. Likewise any material breach of health and safety regulations. So overall the reporting requirements are very detailed, they are also very necessary," she says.

Ireland is one of the last countries in Europe to appoint a housing regulator, she says. "In terms of how we have done social housing in this country, we have been very traditional. Other European countries has been embracing private finance as a way of supplying social housing for many years, and we are one of the last to move in this direction. Any country that has moved to this way of financing has a regulator as it's pretty much a precondition for getting involved in it. However regulation isn't just about finance, it's also about governance and having the ability to step in if an issue occurs. If you look at our UK neighbours, there are four housing regulators within that jurisdiction and their records are impeccable and they have a no default record, even though they have being doing it for 30 years. That's because they are not only monitoring, assessing and overseeing on an ongoing basis, but they are also stepping in where risks become evident, to either put together a rescue package or to move the assets to another body."

Because of the no default record, the lending institutions have been able to price the risk at a lower level and offer cheaper and more favourable interest rates. "Ultimately, this has allowed more social housing to be built," she adds.

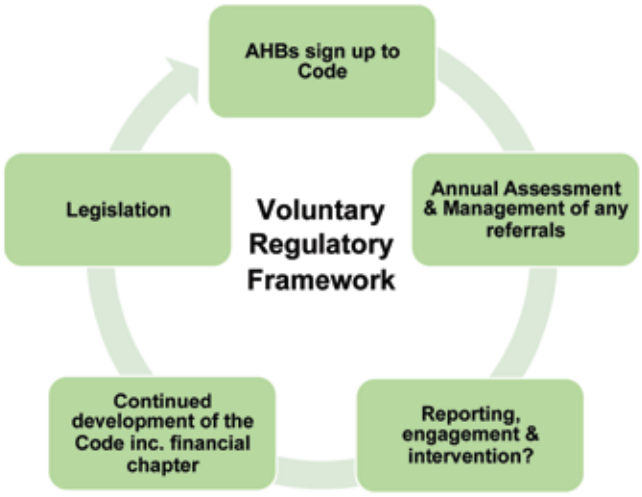
"So for us, there's a dual objective to ensure that assets are managed properly and that tenants are protected while, at the same time, protecting whoever is invested into that sector, including the State."

With over 500 AHBs throughout the Republic, it is easy to see how a case could be made for rationalising the sector to make it stronger and more bankable but it's not something that is on the Housing Regulator's agenda.

"The Regulator will not dictate that associations merge but what it will dictate is that its standards are met. So therefore if smaller organisations, or any organisations struggle to meet

them, they are going to have to find a way to resolve that and, in some cases, that may involve merging while for others it may involve collaboration and shared services. So, for instance, one of the things that we will be asking for in the financial chapter, will be that every AHB no matter what size it is, has to do a stock condition survey of their property, on a periodic basis to ensure the assets are being looked after and identify what maintenance is required over the course of their lifetime. Doing this might be a struggle for a small body that has no employees and is run on a voluntary basis. There may well be cases where people just find it too much and look to merge. We will be neutral on it but at the same time we will expect the standards to be met regardless. If you look comparatively at our Northern Ireland neighbours it only has 28 bodies and there would have been a programme there of actively promoting consolidation. The number of AHBs comparative to the overall stock size is unlike any other country in Europe," she says.

HOW DOES REGULATION WORK?

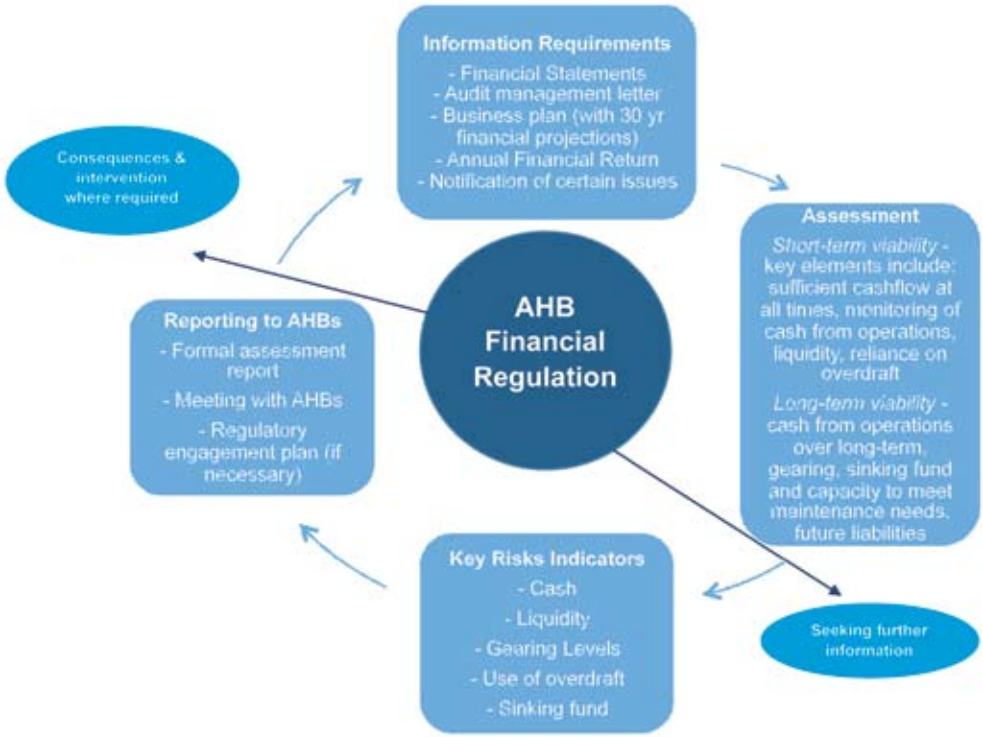


As the vast majority of AHBs have charitable status, it has yet to be decided what reporting procedures they will have to adhere to now that the Charities Regulatory Authority is in place.

"In other countries, where you have a housing regulator and a charities regulator, they tend to offer a derogation so that the information goes through to the housing regulator because it will always look for more information than the charities regulator. In time we hope to be able to come up with arrangements like these once the legislation is enacted and we will be in talks with the Charities Regulatory Authority to try and establish those."

The other big challenge facing the Housing Regulator is the question of appropriate governance structures in the social housing sector.

FRAMEWORK FOR FINANCIAL REGULATION OF TIER 3 AHBS



"We have a huge role to play in this. The sector has a good track record in governance, but the issue of governance is critically important, particularly as financing for the sector has changed and stock is getting older. We are conscious that much of our initial role will be educational. To be honest I think there's still a lot to be done to truly embed good governance into organisations. So after the finance chapter, we are planning to do a specific governance chapter which will look at more specific criteria," she says.

"At the moment we are looking at basic requirements in terms of the board members, how many there are, how long they have been on the board. We are looking to see, when was the last time they had their meetings, how many meetings do they have in a year. We are also looking at important things like who is signing off on things. Our correspondence is actually with the chair of organisations as opposed to the CEO and that's to bring it home that it's actually the chair and the Board of Management that is responsible.

"Then when we examine business plans and strategic plans, (which are expected of all Tier 3 bodies), we are looking to see how governance structures are reflected in things like the risk register and within the strategic and business planning process. So overall we are looking to how good governance at all levels is embedded in the organisations and we want to ensure that it's implicit within the organisation, rather than a box ticking exercise. Above all, our aim is that through the provision of regulation we will support the sector to deliver more homes and to maintain and manage the homes that already exist. ●

THE BENEFITS OF REGULATION

With AHBs increasingly looking to the financial markets for funding, the importance of a strong regulatory regime will provide comfort to lenders, writes Jennie Donald.

Budget 2015 announced an ambitious investment programme for social housing, with €1.5 billion of public expenditure dedicated to increasing supply over the next three years. Coupled with this investment were proposals on maximising its impact by levering in €300 million private finance through public-private partnerships and a special purpose vehicle to secure €400 million funding for Approved Housing Bodies (AHBs). Increased investment, whether public or private, raises questions about the sector receiving that funding. Is it well governed? Is it financially viable? For Government, there will be a need to ensure value for taxpayers' money; for banks and institutional investors, a focus on the ability to service debt though interest cover and gearing ratios. Which brings us to the question: is the sector well regulated?

Finance and regulation are inextricably linked. The mixed funding model has been central to the financing and development of new social housing in the UK for many years. The ability of independent not-for-profit bodies to raise finance that doesn't contribute to public debt has maximised investment. This model has been successful in large part due to the regulation of the sector and the focus on good governance and financial viability. Effective regulation brings a number of benefits: it offers protections for Government and public investment; it ensures that tenants' interests are taken into account; and it offers assurance to lenders and investors, with social housing seen as a long-term low-risk investment. A robust and credible regulatory approach can also generate savings for sector borrowing by facilitating access to low rates of interest and increasing credit ratings. The ability of the regulator to intervene and work with organisations to address problems has also been a crucial element to continued investment in the sector. Statutory powers of intervention and enforcement offer safeguards for all stakeholders, most importantly tenants, and having them in place maintains the confidence of lenders and investors.

AHBs are increasingly looking to private finance to support new development. The change in the economic landscape and withdrawal of 100% capital grant funding means access to private finance is vitally important for continued delivery of social housing. AHBs have not been subject to regulation until relatively recently and the introduction of the Voluntary Code for Approved Housing Bodies in 2013 and establishment of the Regulation Office within the Housing Agency and the Interim Regulatory Committee (iRC) is, in many ways, a response to the sector's need to secure new sources of finance. By

JENNIE DONALD

overseeing the Voluntary Code, developing it as a regulatory framework and advising the Department of the Environment on future structures, systems and standards, the iRC hopes to encourage private investment into the sector. This won't happen overnight and we are endeavouring to put in place a regulatory framework and culture that has taken many years to evolve in other jurisdictions and sectors. However, the response from Approved Housing Bodies has been positive with a significant number of organisations already signed up to the Voluntary Code, which includes committing to governance and financial management standards. As well as some of the larger AHBs who will hopefully be in a strong position to access private finance to support increased delivery, we have seen many smaller AHBs keen to engage with the Regulation Office and work to meet the Code's Charter of Commitments. While sign-up to the Code is voluntary, access to State finance is prioritised on this basis, therefore the organisations signed up represent the vast majority of developing AHBs in Ireland.

I have been encouraged by the willingness of AHBs to engage with the Code and work with the Regulation Office, not only on current requirements but in developing our standards and guidance further. We have consulted extensively on a financial chapter that will become part of the Code and in time we want to add a governance chapter to ensure that the sector is meeting and demonstrating good governance and financial outcomes. A key message that the iRC wants to promote is that regulation is not a one-way process; it can bring real benefits for individual AHBs and the sector as a whole. By setting standards, ensuring that they are met and assuring tenants, taxpayers, elected representatives and lenders that AHBs are well-run, financially-viable organisations, regulation is an important tool in supporting public and private investment to deliver new social housing.

Jennie Donald is Chair of the Interim Regulatory Committee and Deputy Chief Executive of Northern Ireland Federation of Housing Associations.

ACCOUNTING FOR CHANGES

While there is a new regulatory regime for the charities sector in Ireland, the accountancy profession is still waiting on guidance from the Charities Regulatory Authority on a number of key issues relating to the reporting requirements of the sector, according to Tom Cassin of Deloitte.

The issues of transparency, accountability and governance haven't strayed too far from many of the conversations about the Irish charities sector over the last 12 months. While practically every charity within the sector has welcomed the formal and long-awaited establishment of the Charities Regulatory Authority, like any new regulatory regime a number of key issues still need to be clarified.

"If one looks back over the past 19 months or so, the sector did get a lot of bad publicity and the whole issue going forward is about transparency. This goes back to proper governance and accountability and making sure that charities adhere to the proper guidelines in terms of fundraising and reporting," says Tom Cassin, audit partner with Deloitte.

"As it stands, however, there are no prescribed guidelines for Irish charities when it comes to financial reporting standards and there's no provision for them in the Charities Act 2009 yet charities will be obliged to produce accounts in the future. A lot of the bigger Irish charities, however, have embraced the SORP guidelines used by charities in the UK, so the sector is going to need some clarity from the recently established Charities Regulatory Authority. Given that many charities are already using SORP, I think it's probably the best way forward," he says.

The Statement of Recommended Practice, Accounting and Reporting by charities, known as SORP, was developed back in 2005 in the UK in accordance with Accounting Standards Board guidelines and is adhered to by all charities regulated by the Charity Commission for England and Wales and by the Scottish Charity Regulator. It has recently been updated to bring it in line with the new Financial Reporting Standard FRS 102, which is applicable from 1st January 2015.

TOM CASSIN

SORP requires charities to produce financial statements and an annual report that covers a wide range of important issues which are presented in a specified layout that distinguishes, for example, specific categories of income and expenditure; details of the charity's objectives; aims and strategy; major activities undertaken by the charity; reports on achievements and performance; a statement of directors' responsibilities regarding the financial statements; a statement and details in respect of the charity's reserves policy; a risk management statement outlining what the board has done to identify and understand the risks and what steps have been put in place to quantify and rank risks as well as what initiatives are imbedded at board level to oversee the most highly ranked risk exposures.

"It's a statement of recommended practice and it makes the charity and its board more accountable. With SORP accounts there are three categories of funding. The first is what's called a restricted funding and this covers donations or grants for a specific purpose and as such is restricted. So a State grant for a specific purpose, for example, is restricted and can't be used for anything else. The second category is unrestricted and allows the charity to spend such funds in accordance with its charitable objectives, while the third category is endowment. So overall there is a greater degree of clarity and transparency in terms of how things like income and expenditure are classified. From a regulatory perspective in Ireland, it's an easy fix in terms of adapting it here in Ireland and I would expect it will be adopted. The sooner we have clarity on the reporting framework, the better for the sector because as with any new regulatory and reporting regimes, people need time to get their house in order. However I understand that the regulator will allow sufficient lead-in time to implement the newer supporting framework," he says.

According to Cassin, charities that now want to obtain charitable status from the Revenue Commissioners and the new Charities Regulatory Authority may need to be set up under company law, typically as a guaranteed limited company with no share-capital. "So immediately this brings them into the company law arena, which means they have a requirement for audit and they are obliged to file returns and accounts with the CRO. So, for existing incorporated organisations, regulation and the Charities Act, there is not going to be a huge change, because they are already complying with Company law filing requirements. But in the UK, they have to comply with SORP when making their returns and filing their accounts, whereas in Ireland it is still discretionary and as I have said, there is no guidance at the moment.

Under the new regime, he says charities covered by company law won't have to file accounts twice. "It is intended that when a charity files its accounts with the CRO, there will be a link from the CRO to the Charities Regulatory Authority to avoid duplication. We are waiting guidance on the form and content of the annual report that will need to be filed and that's supposed to happen by the end of 2015," he concludes.

THE NEW REGULATORY REGIME

The formal establishment of the Charities Regulation Authority and changes in the Companies Act are significant developments for the nonprofit sector in Ireland, according to Sarah McCague and Philip Smith of Arthur Cox.

There have been a number of changes in the charity law landscape in the past number of years including the enactment and commencement of the majority of the Charities Act, 2009, the commencement of the Charities Regulatory Authority, the introduction of the voluntary Governance Code and the publication of the Fundraising Code of Practice.

THE CURRENT LANDSCAPE

Charitable organisations can be established in a number of different ways including a company limited by guarantee not having a share capital; an unincorporated association (the form often used for clubs and informal membership organisations) or a trust.

It is estimated that there are between 12,000 and 24,000 organisations with charitable status in Ireland. In general the larger organisations tend to be established as companies while grant-making organisations tend to be established as trusts. Smaller operations tend to be unincorporated associations which have not sought charitable tax-exempt status from the Revenue Commissioners as they spend all the income they receive and therefore do not make any profits which can be taxed.

CHARITABLE TAX EXEMPT STATUS

In order to obtain charitable tax exempt status, an organisation must apply to the Charities Division of the Revenue Commissioners with evidence that it is properly constituted, established in Ireland and is wholly and exclusively dedicated to the promotion of its declared charitable purpose. The taxes from which a charity will be exempt, if they receive charitable tax-exempt status, include income/corporation tax on its own assets, capital gains tax, deposit interest retention tax (DIRT) and stamp duty. It is important to note that a charity is not exempt from payroll taxes (i.e. PAYE and USC) or VAT.

> "Where a charitable organisation has had charitable tax exempt status for two years or more, it can apply to the Revenue Commissioners to obtain 'approved body status'."

In addition, where a charitable organisation has had charitable tax exempt status for two years or more, it can apply to the Revenue Commissioners to obtain "approved body status" which enables donors to claim tax rebates for gifts to the charity where those gifts are in excess of €250 but below €1 million. Since January 1st 2013, the tax relief is allowed to the body, regardless of whether the donor is a PAYE or self-assessed taxpayers. A donation to which the relief applies is grossed up at the specified rate (currently 31%) and the approved body is deemed for the purposes of the relief to have received the grossed up amount net of tax deducted at the specified rate.

THE FUTURE OF CHARITIES IN IRELAND

The main provisions of the 2009 Act were commenced with effect from October 16th 2014. The Act is expected to enhance public trust and confidence in charities and to increase transparency.

The Charities Regulation Authority's (CRA) first functions will be to create and maintain a Register of Charities to keep annual reports from registered charities, to provide charity services and to investigate complaints about charities. Its investigative powers under the 2009 Act have yet to be commenced. In the meantime the CRA has indicated it will attempt to follow up on complaints received about

charities where this is appropriate and within the powers and resources currently available.

CHANGES AS A RESULT OF THE COMPANIES ACTS

It is anticipated that the new Companies Act will be enacted in December 2014 and commenced in June 2015. The new regime will make a number of changes to Guarantee Companies including:

- an existing Guarantee Company will have to change its name by the end of the proposed 18-month transition period so that it ends in "company limited by guarantee" or a permitted abbreviation (e.g. CLG) – although an exemption can be obtained from this requirement;
- a Guarantee Company will be permitted to have just one member but will be required to have at least two directors (NB this company law requirement does not affect the Revenue's requirement for three independent directors for charitable status);
- a single-member Guarantee Company will not be required to hold an AGM;
- the Guarantee Company can avail of an audit exemption in certain circumstances.

It remains to be seen as to what extent the last two items are affected by separate CRA requirements for regulated charitable entities.

The CRA is currently sending out letters asking that CHY charities supply the additional information needed for a complete entry in the Register. Following receipt of this letter, each charity is required to update its Register details to include other names of the charity, its charitable purpose, charitable objectives, activities, beneficiaries, details of trustees, officers or directors, financial information including most recent accounts, governing documents and a trustee declaration.

The 2009 Act requires all registered charities to make an annual activity report to the CRA within 10 months of the end of the financial year to which it relates. The first reports and accounts for CHY charities with 31st December year ends will therefore need to be submitted to the CRA by 31st October.

NON-CHY CHARITIES

All other charities (non-CHY charities) will be required to make an application to be included in the register, the deadline for which is April 15th 2015. The process for registration of non-CHY charities is now open and must be done through the CRA website, www.charitiesregulatoryauthority.ie.

The CRA is currently sending out letters asking that CHY charities supply the additional information needed for a complete entry in the Register."

Once the Register is in operation it will be an offence for an organisation to operate and hold itself out as a charity if it is not registered. If your organisation is a charity but does not have a CHY number it will be important to register as a charity.

SERVING THE NEEDS OF NONPROFITS

AIB has developed considerable expertise in working with the Irish nonprofit sector says Linda Bermingham, Nonprofit Relationship Manager, however she also welcomes the setting up of the dedicated sectoral team focused on supporting branches and business centres with in-depth knowledge and understanding of the sector.

With no fewer than 12 charities, several churches and GAA clubs and a few golf societies as customers, Linda Bermingham, as the Relationship Manager at AIB's branch on Westmoreland Street in Dublin, has a bird's eye view of the banking needs of the Irish nonprofit sector.

"While they are all uniquely positioned and vary considerably in size and have different requirements, it has given us a very good insight into their day-to-day needs and the challenges they face," she says.

"There is no doubt the nonprofit sector is changing in Ireland. In recent years it has been faced with a number of different challenges ranging from a reduction in Government grants ,pressure on fund-raising, staffing levels, controversies and new governance procedures," she says.

"AIB recognises the importance of supporting our nonprofit customers and the need for them to see AIB as a leading bank within the sector. Research carried out for this Outlook Report, for example, shows that the needs requirements of the nonprofit sector are broadly similar," says Linda.

"As a relationship manager, I understand the frustrations, issues and challenges they face. It's my responsibility as a relationship manager to ease these frustrations and for me, a key to having a successful relationship with my customers, is the knowledge of their sector and understanding of their business and to be their first point of contact regarding their banking requirements. So for me keeping things simple and ensuring the customer comes first are key. For smaller organisations that have volunteers on their team, they don't need complex banking routines and we try to make it as easy as possible for them to do their business".

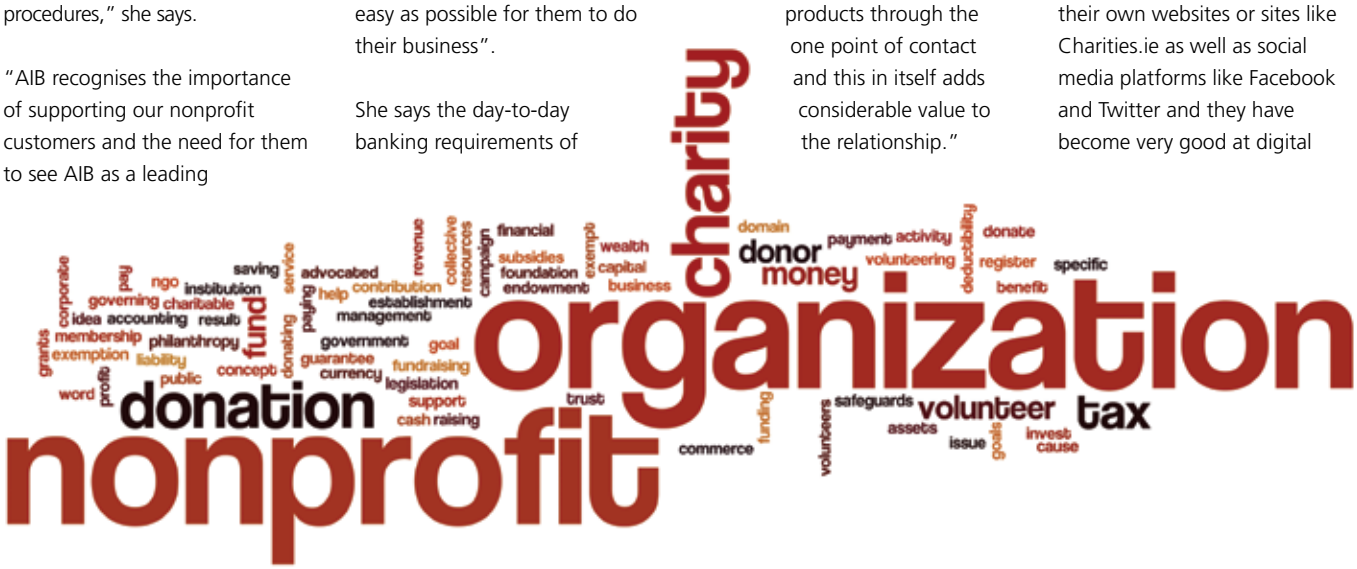
She says the day-to-day banking requirements of nonprofits vary, depending on the size. Smaller nonprofits that depend on cash collections, for example, will have different requirements to bigger and better resourced ones that depend on direct debit mandates for their income and will require online business banking services. What they do have in common, however is the need for a service that is easy to use and efficient.

"For larger organisations technology is playing an increasing role in their day-to-day operations and these nonprofits want a quick and easy way of doing their banking. Simple processes add value. Customers want to have banking services at their fingertips and we are empowering them to do this through AIB's Internet Banking services. AIB's One Bank approach also offers them access to a range of services and products through the one point of contact and this in itself adds considerable value to the relationship."

LINDA BERMINGHAM

The role that technology is playing in the day-to-day operations of charities and other nonprofits and their fundraising initiatives is growing all the time, she says.

"Many of the larger nonprofits have an online presence through their own websites or sites like Charities.ie as well as social media platforms like Facebook and Twitter and they have become very good at digital



"For its part, the bank has invested a huge amount of money in technology over the past few years."

marketing to drive engagement with their target audience and donors. So the use of technology is fast becoming the norm and it makes complete sense for them to do it this way. The reality is that the larger charities and nonprofits want to see how they can collect money quicker and more efficiently and at the same time track their online payments and direct debits," she says.

"For its part, the bank has invested a huge amount of money in technology over the past few years to allow businesses conduct as much as possible of their banking requirements online. For smaller nonprofits and charities that depend on cash collections, we have installed iDD machines in our branches that take notes and cheques and cash machines that accept coins.

"We also tell our customers when we have quiet times in the branch, so that they can come and make their lodgements rather than having to queue at times when the branch may be busy. That way they can plan their day or week."

She adds that AIB Merchant Services recently launched a new innovative mobile chip and pin reader called Pogo that allows charities accept card payments from donors via Bluetooth using a smartphone or tablet, allowing charities and their collectors accept card payments on the go.

"This is particularly useful for charities that have on-street collectors. While it's good for the charity, it also offers a degree of comfort and security to donors when they key in their card details rather than filling out a piece of paper with their bank details, signing it and handing it back to somebody they don't know.

"But we can certainly see it all moving away from cash into the alternative ways of paying. While cash will continue to be important for smaller nonprofits and charities certainly the bigger ones are moving away from it," she adds.

Linda welcomed the setting up of a sectoral team focused on nonprofits. "The Sectoral Team is bringing knowledge and support around key areas such as governance where nonprofits have other more complex requirements e.g. Social Housing development funding requirement."

KEEPING PAYMENT FRAUDSTERS AT BAY

The fight against fraud will never be won, it's an on-going and fluid process in need of constant monitoring. There will always be crime led innovation which will broaden the scope of fraudulent undertakings. In addition, technology is ever advancing and the use of new data types and channels will continue, adding to the complexity of fraud investigation. It is vital, therefore, for the nonprofit sector to keep up to date with the latest developments and movements in this area in order to avoid becoming victims of fraud.

Fraud will flourish in an environment of weak governance and poor financial management so this means that having a robust fraud and security management system is critical. This can be costly, and it distracts staff from revenue-generating aspects of operating the business. The nonprofit sector, like many small organisations, have little time to understand ever-changing fraud trends and prevention techniques.

There are many tools for detecting and preventing fraud transactions:

- In a face-to-face environment, there is an opportunity for organisations to obtain a signature or a PIN during the transaction, minimising the risk of an unlawful transaction.
- In an ecommerce environment, the challenge becomes more difficult to ensure that the customer paying is the actual cardholder.

Fortunately, there are services and solutions available to help nonprofit organisations implement innovative new approaches to data security, such as tokenisation and end-to-end encryption.

Tokenisation: In simple terms, tokenisation turns the 16-digit primary account number (PAN) into a string of characters through a random character generation process. It is considered particularly valuable for card-not-present situations and recurring transactions.

The process can be built into payment authorisation processes and managed by your payment processor, so there is no equipment to buy or install. Tokenisation can reduce costs while acting as an anti-fraud tool. Tokenisation isn't fool proof, but it offers security beyond compliance.

End to End Encryption (E2EE): This refers to the encoding of the primary account number (PAN) into a non-readable form, securing the encrypted data. Security is required to decrypt the data and return it to its original plain text format. This process involves the encryption of card data at the time the consumer presents it (swiping their card or entry into an e-commerce payment solution) and allows it to remain encrypted until the payment processor receives it and authorises it.

Managing fraud solutions needs to be an on-going process, not a one-time fix. Payment processors and other service providers can help nonprofit organisations keep up with the constantly changing security landscape and/or supply inexpensive payment solutions to assist in taking payments.

For more information, you can speak to AIB Merchant Services about our leading edge fraud prevention and risk management solutions. You can contact us on 01 218 2100 or sales@aibms.com or visit our website www.aibms.com.

FOR THE GOOD OF COMMUNITIES

Outlook profiles three of Ireland's leading nonprofits.

Kilmacud Crokes GAA Club

With well over 4,000 members, over 2,000 players, in excess of 500 volunteers and 116 different teams playing either hurling, football, Ladies' football or camogie at all levels, it's fair to say that Kilmacud Crokes is one of the biggest GAA clubs in Ireland.

Located in a well-developed and sprawling suburban neighbourhood, Kilmacud Crokes has also been one of the more successful GAA clubs on the pitch in recent years and has served as a breeding ground for aspiring Dublin and other county GAA players for many years. The south county Dublin club has also been an important part of the local community since the late 1960s, providing a valuable social centrepiece for young and old.

"It's not our objective to be the biggest club, that's not what we are about, even though we are up there in the top three somewhere, but it is our objective to be the best club we can be for the community we serve," says club chairman Kevin Foley.

While the GAA club is at the heart of everything that takes place, a separate company, Kilmacud Glenalbyn Sports Club Ltd, has a remit to manage and administer the facilities and ancillary revenue streams of the club which also includes other non-GAA activities including the likes of tennis and snooker, according to company treasurer, Brendan Sheridan.
"While the GAA club is the mainstay of everything we do, the overall club is more than that and the idea in principle behind Kilmacud Glenalbyn Sports Club is to serve the community and we do that in different ways. Not all people play hurling, football or camogie and so we have a tennis club and a snooker club for example. A lot of other activities also take place on the premises and the meeting rooms are used by a range of different interest groups and local organisations. We also have a bar, function room and café during the day and all of these make a contribution to the overall running costs. But the important thing is that these facilities are here to serve the community and that is of primary importance to us," he says.

"If you come up here on a Saturday morning, you will see up to 400 kids out on the pitches every week. That's phenomenal," adds Kevin Foley. "In addition, you will see anything up to four adults per 20 kids every Saturday. These are people who gladly give up their time at weekends to coach and help out with the kids. It's also a reflection of the strong community spirit in action and

KEVIN FOLEY

that's hugely important for us as a club," he adds.

To run a club the size of Kilmacud Crokes, as well as the facilities that are an integral part of everything that goes on, costs in excess of €800,000 a year, according to Brendan Sheridan. While raising this kind of money poses all kinds of challenges, the club has been relatively successful in achieving it down through the years.

Like many clubs, it derives its income from a variety of sources with membership subscriptions accounting for the lion's share. In addition revenues flow from the hiring of meeting and function rooms, the bar and café, the tennis and snooker clubs, membership development levies, sponsored events, a club lottery, annual tournaments like the popular All-Ireland Sevens hurling and football tournaments, race days, summer camps and a club shop. In addition, the club derives sponsorship income from its main sponsor WEEE Ireland.

"It costs a lot to run a club of this size," says Brendan Sheridan. "And it's not easy either, particularly over the past few years when every source of income we have was under pressure but it I think it is improving a little now that the economy is picking up a bit," he says.

Planning for the future has always played a key role in the club's vision. With the club expanding all the time and new members swelling its already teeming membership base, there is little room for complacency. "As a club we came together in 2013 to reflect on where we wanted to be in three years' time," says Foley.

"We had hundreds of members coming together, under the guidance of experts supporting us at the behest of Croke Park, to consider these things in a very structured way and we have developed a strategic plan which essentially tells us that the members want a cohesive, well-run club driving to support the playing of the games at all levels and to provide adequate playing and training facilities. One of the biggest challenges to have emerged from this is the need to secure additional playing and training facilities. Essentially

the club, as it stands, is in a landlocked environment with no room to expand. While it had the foresight to buy pitches in nearby Leopardstown about 20 years ago and we have an all-weather facility in nearby St Benildus, on which we have taken a 25 year lease for Saturdays and Sundays, we are still faced with the question of how we expand to meet the growing needs of the club and the community. And the other issue of course is how we fund the expansion," he says.

While the club has been successful in tapping into capital grants to help with its expansion in the past, it is also hopeful that future capital funding will continue to come from membership levies, grants from the Capital Programme operated by the Department of Tourism, Transport & Sport, the GAA and possibly bank finance.

Running a club the size of Kilmacud Crokes also comes with a fair share of management and governance challenges, given its voluntary nature, according to Kevin Foley.

"Like all voluntary organisations, you have to keep on working at replenishing and getting new people in. We do have a policy of compulsory retirement of directors after four years from the Board of KGSC. We have been fortunate when it comes to getting new blood involved and often it's the parents of the kids who turn up every Saturday and they are only too willing to play a role. We have also been fortunate in attracting very good people with a broad range of skills to offer, particularly in areas like finance and accounting, some of whom are leaders in their field. This has been helpful, not just in terms of the financial aspects of running the club but also in areas like corporate governance, having the right structures in place and accountability. We are quite focused on accountability, transparency and ensuring that there are appropriate governance arrangements in place. This is very important to a club that is run by its members on a voluntary basis," says Foley.

Managing the club's relationship with its bank, AIB, has also been important and beneficial to the club, says Brendan Sheridan.

"We work closely with AIB in relation to day-to-day needs, our financial structuring and our development plans. We make sure that the bank understands the club and its needs and what we are planning to do in the future. The bank was very helpful when it came to restructuring loans, we have with it, on terms that were mutually of benefit.

"With any development programme, you have to look at the mixture of funding that goes into it and we have worked closely with the bank on that front and we look forward to a continuing positive working relationship with AIB," he concludes.

Respond! Housing Association

Since it was set up in Waterford in 1982 in response to poor living conditions disadvantaged families were living in at the time, the housing association Respond! has built a total of 5,409 social housing units across Ireland, 4,123 of which are still under its management.

Active in practically every county in Ireland, Respond! also offers a range of other much-needed services to the communities it builds and works with including education and training, childcare and mental health supports.

With an annual income in excess of €15 million in 2013 and property assets valued at around €345 million, it is also the largest housing association in Ireland and with a pipeline of new developments underway, its important reach into communities across the country will continue to expand over the coming years.

One of the founding members of Respond! and its current CEO is the Franciscan priest Fr Pat Cogan who points out that among the key aims of the organisation, set up in 1982 under the Franciscan ethos, is to create a positive future for people by alleviating poverty and creating vibrant, socially integrated communities.

"We do this by providing access to education, childcare, community development programmes, housing and other supports. So we build communities, not houses and despite what some people say, housing is not only about economics," he says.

At the heart of Respond!'s service offering, however, is the provision of much needed social housing around the country.

PAT COGAN

A total of staff 284 work for Respond!, of which around 131 work in its childcare facilities, leaving it with a core staff of

around 150. "This includes its own in-house design team and we design for both local authorities as well as other housing associations. Respond! also has some 50 residents' support workers included in our workforce."

"These support workers are the people who are out there each working day visiting people in the communities we look after. In fact in many cases we are the only people to call to them on a weekly basis. We have also built up considerable expertise in this outreach programme" he says.

Like many other housing associations around the country, it faces many challenges.

"The big issue for us and other housing associations is always funding and where it is coming from," say Fr Pat. "Until the Department sorts out how much funding is available, we can't plan ahead. We need to know this because it can take anything up to three to four years to get the houses on site but more importantly we also need to know so that we can actually go to the banks and discuss financing."

Respond! has worked closely with AIB in recent years on a number of developments. The bank recently committed to providing financial support to Respond!, for the development of three significant social housing initiatives in Waterford City and County, Carlow and Kildare. When complete the proposed €12 million development at St John's College, Waterford, will contain 68 dwelling units in all: 21 self-contained apartments and 11 group home units in the College itself for older persons with a supporting day centre, and 36 new build apartments facing onto The Folly Road. This development was made possible by €8 million in finance from Waterford City Council through the Department of the Environment, Community and Local Government. The remaining €4 million is coming from Respond! and includes €2.25 million in finance which is being provided by AIB. In addition to the finance package being provided for the St John's College development, AIB is also supporting a number of other initiatives by Respond! including the refurbishment of "ghost estates" in Tullow and Kill. The total investment on the three projects, including the St John's College development is €18.5 million of which AIB is providing €5.8 million.

AT THE LAUNCH OF THE ST. JOHN'S COLLEGE DEVELOPMENT WERE (L-R) MORGAN DOYLE, HEAD OF SOUTH EAST BUSINESS CENTRE, AIB: FR. PAT COGAN, CEO RESPOND! AND WATERFORD CITY MAYOR JOHN CUMMINS.

"The bank has been very supportive of us and understands the importance of social housing in Ireland," says Fr Pat.

While the Government has made great strides in integrating social housing into its overall housing strategy, there is, he believes, a lot more that needs to be done. However Fr Pat welcomes the recently published 'Social Housing Strategy 2020 Support, Supply and Reform' and its commitment to a new start for the social housing in Ireland. "But," he stresses, "the Strategy does need to work to a comprehensive National Housing Plan which we have been advocating for persistently over the last 10 years."

Under the Strategy proposals the Government is committed to supplying 35,000 additional social housing units at a cost of €3.8 billion over the next six years. While this will also lead to the creation of an extra 29,000 jobs in construction and promotion of mixed-tenure developments, it is expected to also meet the housing needs of some 75,000 households through local authority provision via the private rented sector – using Housing Assistance Payment and Rental Accommodation Scheme. It also promises reforms in social housing delivery and management in Ireland and the establishment of the Dublin Social Housing Delivery Taskforce, to respond to the current supply difficulties and focus on the delivery of social housing in the Dublin area. In addition it promises to set out a road map to accommodate the estimated 90,000 people on the Housing Waiting Lists by 2020.

"We support this fresh approach which promises to be more responsive, streamlined and aims to modernise the delivery of social housing," says Fr Pat. "We look forward to seeing how the Minister is going to resource the Community Development needs of social housing estates, which resources are sorely neglected in the Strategy."

"We also welcome the promotion of the private rental sector with its cost rental element, which seeks to keep private rents down. Cost rental as opposed to profit rental aims to play an important role in providing the much-needed housing required for low income families.

"With the support of Government and adequate resources, the voluntary sector and Respond! in particular, will not be found wanting in playing an active role in meeting the crucial challenge of housing the families currently on Local Authority housing waiting lists". ●

Barnardos

Delivering much needed services to disadvantaged children and their families throughout the country, Barnardos, like many other Irish charities, has seen steep cuts in its income in recent years, forcing it to make cutbacks including 40 redundancies in 2012 as well as pay-cuts and pay freezes. For any charity that does vitally important work with vulnerable children and their families, it is a difficult thing to stomach.

"Our work is centred primarily on social and emotional difficulties that are caused by socio-economic circumstances," says CEO Fergus Finlay. "Last year we would have worked with around 9,000 children and their families in 40 different locations around the country. The type of work we do can be more or less divided into two broad parts. The first bit is what we call 'Early Years Work' where we work with children from the age of three, many of whom are from families that have experienced acute disadvantage at one time or another. That work is centred on dealing with attachment issues, social and emotional issues, developmental delays, learning delays. We try to get them to a stage where they are ready for school, otherwise many of them wouldn't get to that stage. So it's about giving them a good grounding.

FERGUS FINLAY

"The other half of the heart of our work is what we call family support where we would work with families in crisis. This could involve crisis relationships, domestic violence, alcohol and drug addiction or family breakdown. Generally there will be a range of issues that are causing spiritual, emotional and physical poverty in the family. So our teams will work with them to try and address their problems, and that can mean anything from finding somewhere for a woman to escape from domestic violence or it could involve helping a family to secure better accommodation," he says.

> "So the single biggest challenge we have is to ensure that we have a stable and secure source of funding for the important work we do."

According to Finlay, Barnardos has a staff of 350 in addition to another 400 volunteers. Its total income in 2013 amounted to €23 million of which approximately €17 million were payroll costs. In addition, around 60% of its total income is derived from the State, most of which is channelled through Tusla, the Child and Family Support Agency which effectively outsources a range of important family support services to Barnardos.

"Our income has been cut by 20% over the last three years. Initially we tried to run more fundraising to compensate for that but we ran into a wall. In 2012 we had a deficit of over €1 million although in 2013 we made a surplus of over €1 million but this was largely as a result of the cost savings made on payroll. From a financial point of view, we exist to break even and we are a nonprofit and in recent years it's been very easy not to make a profit," he says.

"So the single biggest challenge we have is to ensure that we have a stable and secure source of funding for the important work we do. The second biggest challenge we have, from a funding point of view, is the way in which funding is organised. For example within the terms of our relationship with Tusla, we have something like 30 different service level agreements, all of which have to be reported on, accounted for, measured and negotiated every year. This is a daft and crazy arrangement. It would be a lot simpler to have one payment and then have separate arrangements about the quantum of work that we do and the measurements required. Unfortunately, the State sector in this area has always been organised on the basis of individual territories all over the country and indeed the creation of the HSE, as everybody knows, resulted in the coming together of a large number of organisations, but not actually the merger of any of them."

In terms of its fundraising activities from the general public and various other trusts and foundations, it raised a total of €6.3 million in 2013. This was down on the €7.02 million raised in 2012. The lion's share of the funds raised, however, are attributable to general fundraising from the public, including schools, corporate events and major donors and this amounted to €4.8 million in 2013, down from €5.2 million the previous year.

"Fundraising is a hugely important part of what we do and probably the single most important income source for us is what we call face-to-face fundraising. While it can be very difficult way to raise money, it's also a very stable way to raise money because when somebody signs a direct debit, they are yours until they remember to cancel it and typically that will be five years later. We apply very high standards of donor care, so the people who signed up have been very loyal. I don't think we have ever lost a donor because of dissatisfaction and people know about and support the important work we do. But we would never ever be complacent. We have to work hard at fundraising and we need to ensure that our income is secure going forward as demand for our services increases and that's always going to be a challenge," he concludes.

THE CASE FOR PHILANTHROPY

While Ireland has a long and proud tradition of supporting charities, we still lag other countries like the USA when it comes to the actual percentage of our annual incomes we donate every year, writes Jackie Harrison, Head of Development of The Community Foundation of Ireland.

As Ireland slowly emerges out of the extended and severe recessionary period of recent years, increased philanthropic giving – in particular in planned and committed ways – could make a significant difference across many areas of society in Ireland. Although never a substitute for State funding and investment in core services, philanthropic investment provides much needed funding to the community and voluntary sector. It can support the delivery of innovative and effective initiatives in health, education, the arts and many other strands of Irish life, making a difference to the lives of individuals, families and communities.

Ireland has a "proud tradition of giving" and the lion's share of the €500 million given to charity each year is given by individuals and families. Despite the economic recession, the proportion of the population giving to charity is consistently very high in Ireland. Only about one in 10 Irish adults do not give to charity. Despite such high levels of participation in giving, the levels of giving in Ireland tend to be low. With only 0.8% of income donated to charity in Ireland, this ranks well below the 2% of income donated in the US. In many countries with

JACKIE HARRISON

a similar government philosophy to Ireland, people are donating more than 1% of their disposable income . Only 15% of people give in a planned way in Ireland, compared to 36% in the UK.

There is a growing interest in encouraging more strategic, engaged and planned giving in Ireland. Through its suite of giving options, The Community Foundation for Ireland facilitates such giving and works with donors, empowering them to make a difference through a model of philanthropy that is based on trust, effectiveness and impact.

The Community Foundation for Ireland is a philanthropic organisation and was established in 2000. The Foundation has made grants on behalf of donors approaching €20 million to date, mainly in Ireland.

Community foundations are testament to the effectiveness of a model of philanthropy which is simple, enduring (the first community foundation was set up in Cleveland, Ohio exactly 100 years ago). There are over 1,800 community foundations in more than 50 countries across the world, managing over €40 billion in assets. The Community Foundation for Ireland collaborates closely with a number of other community foundations including The Community Foundation for Northern Ireland, the UK Community Foundations, as well as the Canadian Community Foundations and Silicon Valley Community Foundation.

A hall mark of community foundations worldwide is that they work closely with professional advisers. A good example of such collaboration is AIB Private Banking's support for The Foundation's current research initiative which is exploring the inter-relationship between entrepreneurs and philanthropy. Almost 50 Irish entrepreneurs have completed a survey and 15 in-depth interviews have been undertaken providing very interesting insights into how entrepreneurs view philanthropy and the environment to support charitable giving in Ireland. It is intended that this research will be launched early in 2015.

With three philanthropic organisations (the Atlantic Philanthropies, the One Foundation and The Joseph Rowntree Charitable Trust) ceasing funding in Ireland by 2016, there is a strong need to foster more philanthropy in Ireland. The Foundation engages in a number of activities – including through its annual Philanthropist of the Year Awards to help promote greater longer term and more strategic charitable giving in Ireland. It also collaborates closely with a number of other trusts and foundations to optimise its investment and to avoid duplication of effort.

Within The Foundation, transparency and accountability are constant priorities of the board, its dedicated finance, audit, investment and governance sub-committee and the staff of The Foundation. Its accounts and annual reports (which list every grant made by The Foundation in a given year) are available on our website for review and can be accessed at any time by visiting http://www.foundation.ie/about-us/annual-reports-research.

FOR THE GOOD OF SOCIETY

Social enterprises have been around a long time and in many developed economies they have become powerful catalysts for social change and job creation. For the past 10 years, Social Entrepreneurs Ireland has been helping enterprises to make a difference, says its CEO Darren Ryan.

The importance of social enterprises was also identified by the Government's Action Plan for Jobs 2012 and in a subsequent report, Social Enterprise in Ireland, which was published by Forfás in 2013, it noted that social enterprises had the potential to create up 50,000 jobs in the economy.

Defining social enterprises as business models set up to tackle social, economic or environmental issues, the Forfás report noted that social enterprises in Ireland already employed 25,000 people and had a combined turnover of €1.4 billion.

It was this potential that the led to the setting up of Social Entrepreneurs Ireland, a nonprofit organisation that wanted to harness and nurture social entrepreneurs and their fledgling enterprises, says Darren Ryan, its CEO.

"SEI was founded 10 years ago in the middle of an economic boom. Even though there was lots of resources going into the social sector at the time, we weren't seeing the needle moving on a lot of our bigger social problems and we weren't addressing many of them fast enough. Yet there were new ideas that were coming through but they weren't really getting

DARREN RYAN

the support to develop into sustainable viable projects. And the really good ones weren't getting the support to grow in scale beyond a certain level," says Ryan.

"We felt that if you don't get the best ideas applied to some of the bigger problems, you are not going to solve those problems. So Social Entrepreneurs Ireland was set up to try and help social enterprises make that difference."

Since it was set up, SEI has invested a total of €5.82 million in 179 companies and the actions of these enterprises have impacted the lives of 290,000 people around Ireland while 1,000 new jobs have been created. Some of the enterprises to have emerged from the SEI programmes include GIY, CoderDojo, The RISE Foundation, Camara Ireland, Move4Parkinsons, Jobnet and Fighting Words, to name but a few.

SEI is backed by a number of blue chip companies and entrepreneurs including the likes of DCC, Smurfit Kappa, The Tony Ryan Trust, Diageo, the Iris O'Brien Foundation, KPMG, the Ireland Funds and Vodafone.

SEI currently runs a number of programmes to attract the best talent to social entrepreneurship. The first of these, the Impact Programme, looks to support social entrepreneurs with established and effective projects that have the potential to scale significantly – creating widespread and long-term social impact.

The second programme, the Elevator Programme, offers support to social entrepreneurs in the earliest stages of their projects and over a 12-month period, SEI mentors will help refine ideas and implement the required structures to build a sustainable and scalable enterprise.

"The whole process kicks off in March when we look for new projects. This year, for example, we got 217 applications, the highest in our history," says Ryan.

"There has always been social entrepreneurship and we certainly didn't invent it but we have put a bit of structure around it," he adds. "There is a need for this kind of early-stage intervention as many funders are reluctant to get in at such an early stage. When SEI was setting up, we said that we are going to take a risk on big ideas, and the differentiators go back to support the individual as much as the idea."

According to Ryan the SEI programmes attract a wide range of social enterprises.

"It's a big mix. We would support everything from a classic social enterprise which would be revenue generating and working almost like a business, all the way through to enterprises that would look a lot more like a traditional charity. The value for us isn't so much the business model, it's more about the impact, the innovation and the new thinking that's coming through. Sustainability is obviously important, but sustainability can be achieved in lots of different ways: it can be achieved through really strong fundraising plans or through securing a Government service provision. Or it can be achieved through sale of goods and services. So again it's all about the innovation and the impact."

A TAXING PROBLEM

One of the bigger issues for most charities in recent years has been the tax treatment of donations from individuals and companies and the somewhat thorny issue of VAT, according to Sheila Nordon, executive director of ICTR.

Since it was set up in 1991, Irish Charities Tax Research Ltd., a membership organisation made up of charities, has focused on creating an environment in which charities can optimise their income through a range of tax-friendly initiatives while at the same time ensuring that any regulation and codes are appropriate to the needs of Irish charities.

"We see ourselves as having very much a fiscal and regulatory role," according to Sheila Nordon, executive director of ICTR.

"This fiscal role revolves around taxation in particular and how charities are treated when it comes to VAT and tax relief while our regulatory role focuses on promoting good practice, particularly in relation to fundraising, and the transitioning to the new regulatory regime for charities now that we have a charities regulator in place."

To date, she says 157 charities have signed up to its Fundraising Principles, the benchmark for fundraising guidelines among charities, including all of the high-profile charities that fundraise from the public. Between them, these 157 charities account for €1,107 million or 36% of the total €2.76 billion income of the top 400 charities (based on the latest accounts available).

"We have also been very active on the regulatory front and welcome

SHEILA NORDON

the establishment of the Charities Regulatory Authority, something which we have been advocating for a long time. The establishment of a charities regulator in Ireland is long overdue and it will instil a lot more confidence in the charities sector after some of the controversies last year. So we will continue to work with the Department of Justice and the new CRA to ensure the smooth implementation of the Charities Act over the coming years," she says.

On the taxation front, ICTR's first success came back in 2001 with the introduction of tax relief for all donations in excess of €250 to an eligible charity. This was then extended in 2006 to include gifts of publicly quoted shares.

Since then it has worked on the simplification of the tax-back mechanisms and how charities interface with the Revenue Online Service (ROS).

"We have worked closely with the Revenue Commissioners to simplify the reclaim process including new CHY 3 and 4 forms as well as getting administration of the scheme fully automated through ROS. These are important developments because a lot of charities depend on personal and corporate donations and the tax they get back," she says.

"The new charity-facing module of ROS has been up and running since earlier this year and it's a major improvement on the manual system that was in place before. The feedback has also been broadly positive as it reduces the administrative costs for many charities."

The next big challenge for ICTR and its members is the issue of VAT. At the recent ICTR Annual Conference, guest speaker Chris Macey, director of advocacy at the Irish Heart Foundation (IHF) noted that charities pay an effective "levy" of un-reclaimable VAT on activities such as capital expenditure, fundraising, advertising and promotion, essential equipment, professional fees and other overheads. This, he argued, reduces a charity's capacity to deliver services, is a disincentive to giving, promotes a reliance on State grants and increases fundraising costs. He also argued that it taxes good governance. Using the case of the IHF, he added that of the estimated €5 million it raises from fundraising, approximately €450,000 goes on VAT. The IHF was not alone, he argued. St Vincent de Paul pays around €3.5 million in VAT annually, while Build4Life paid €500,000. For its part, the Irish Cancer Society paid €900,000 in VAT in 2013, more than the cost of its national Cancer Information Service. He also went on to highlight that of a survey of 218 charities with a combined income of €1.7 billion between them in 2010, VAT incurred by all of them amounted to €77.4 million.

"VAT is a big issue for charities and we are now focused on finding a solution to this VAT problem. A few years ago the Minister for Finance Michael Noonan did say he would set up a working group to look at VAT for charities. This hasn't happened yet but we are now looking to try and set up such a working group with the Department of Finance," she says.

"One of the key areas we will be focusing on is getting up-to-date information on the cost of VAT to charities, how the VAT burden can be lessened and what benefits or value to the Exchequer might occur if VAT on fundraised income was refundable. The first priority is to develop the discussion document as requested including compiling up to date data on the cost to charities, potential options for addressing the VAT burden and the benefits to the Exchequer in terms of employment, the value created by charities and the fact that refunded VAT gets spent in the local economy. ●

GROWING TOGETHER

With over 50,000 members in Ireland alone, Grow it Yourself has kick-started a movement that has empowered people to take a greater interest in what they eat by growing their own food.

A light-bulb moment in a supermarket back in 2009 led Michael Kelly down the path to helping people take greater control over their daily food intake by encouraging them to grow and eat their own fruit and vegetables. Now five years later, 50,000 people around Ireland are growing their own while Grow it Yourself (GIY), the social enterprise he subsequently set up, has spread its tentacles into the UK, Australia and parts of Africa.

The light-bulb moment occurred when Michael Kelly was buying a bulb of garlic in a local supermarket in Waterford. Not only was the garlic cheap, it had been grown in China. "I was surprised how the retailer could be selling it so cheaply given that it had been flown all the way from China and I wondered how sustainable that was. That's where the idea to set up GIY originated," he says," he says.

Sustainability issues aside, the role food plays in people's daily lives is important and he believes that through education and some practical know-how guidance, people can be empowered to take greater control over what they eat.

"GIY is also active on the campaign front with a number of educational initiatives aimed at encouraging schools, businesses and communities to grow their own."

"Globally, diet-related illnesses have now surpassed infectious diseases for the first time in human history. Over two billion people are either obese or overweight and a billion people are starving. I think a lot of the problems that we have, particularly with diet-related disease, arise from a kind of apathy. That's the gap we're trying to address by helping people to grow some of their own and get a deeper understanding of food as a result, which we call food empathy. The best way to get people to understand food and its value and importance, is to get them to grow it themselves," he says.

To date GIY, which is a textbook example of a social enterprise in action, has met with considerable success in helping and encouraging people to grow their own food and from humble beginnings in Waterford, where Kelly set up the first GIY group, the movement has spread nationwide.

"We now have over 800 individual GIY groups around the country and between them they have over 50,000 people growing their own. It's a grass-roots movement and people learn from each other and GIY, as the umbrella group, is here to support each group to become self-sufficient and we have an excellent website that is packed with useful information, videos and how-to guides to growing it yourself," says Kelly.

GIY is also active on the campaign front with a number of educational initiatives aimed at encouraging schools, businesses and communities to grow their own.

"Our Sow & Grow campaign, for example, is aimed at schools and it's about helping children to experience food growing for themselves in the classroom environment," he says. "It's a fairly simple campaign and with our partner, Innocent Smoothies, we are

MICHAEL KELLY

aiming to get 100,000 primary school children growing their own food by the end of 2015. If we can get kids growing in schools and as well as at home, they will then understand where food comes from and the important role it plays in their lives on a daily basis. And children can be a powerful catalyst for change in society."

GIY has also met with some success in the workplace with its GIY@Work initiative and a number of companies around the country, including the likes of Diageo, Google and Yahoo are already up and running with their own workplace gardens.

In addition it has set up the GIY Get Ireland Growing Fund, in partnership with AIB, to encourage food growing projects among community groups, schools and nonprofit initiatives seeking financial assistance to develop their food growing project.

Following a four month application and evaluation process earlier this year it was announced that 110 community food projects nationwide will receive grants of between

€500 and €2,500 from the Get Ireland Growing Fund, which is backed by AIB. This year's grants will support a diverse range of community food-growing projects including 46 school gardens and 20 community gardens.

Other winning projects include an 'edible quayside' project in New Ross; a community garden at DCU; a food-growing initiative in a young person's probation centre in Cork; a peat-free growing project at Bog of Allen; a new crisp brand called SPUDs promoting chemical free potato growing; a healing herb garden at Mt Congrieve in Waterford, a gardening project at the Irish Wheelchair Association in Athy and food gardens at Focus Ireland and Galway Simon.

"In total GIY received over 350 applications from projects around Ireland and the level of applications shows the huge appetite that exists for food growing at a local level. We know from working with last year's projects that they struggle to find funding elsewhere and that even a small grant can act as the catalyst to get a transformative community food project started, so we are very grateful to AIB for making this happen," says Kelly.

Managing the growth of the organisation has been a financial challenge says Kelly.

"When we started out we were reliant on philanthropic funding and this accounted for up to 70% of our overheads. That's gone now and we don't get any Government grants so we have had to learn to become self-sufficient. I suppose it's the situation a lot of social enterprises find themselves in – they become too commercial to be social and too social to be commercial. But we are learning to stand on our own two feet and we are building up good partnerships in the corporate world with companies like AIB, Renault, Innocent, Cully & Sully and Bord Bia, all of which have helped us considerably. We also have an income stream from membership subscriptions and selling things like seeds, tools and other things that are needed to grow it yourself from the website."

While GIY will continue to focus on growing the organisation in Ireland, it is also tentatively looking overseas for expansion. "We've always felt the idea could work overseas and I suppose we are just feeling our way at the moment and it's still early days yet. But there are GIY groups in other countries and we are looking at ways of growing it. The UK, in particular, has been a learning experience for us. We've even had great support from the likes of Mark Dianco from River Cottage and Alys Fowler from the BBC's Gardeners World. How we expand there is a different matter and it may not be in the same manner as we did here. At the moment we are thinking that it might take off online and virally and we may need to run some campaigns and events first to create the profile. We're exploring everything at the moment and we're at a really interesting stage," he says.

One of the big challenges for 2015, however, will be developing its own headquarters after Waterford City Council donated a three acre site in the city to GIY. "Grow HQ is a €1.5 million development that will essentially become our headquarters but it will also be a place where children and adults can come and learn all about growing their own food. It will even have its own restaurant and we expect it to attract up to 50,000 people a year. Again, it will have an important educational role, particularly for children because, as I've said before, they can be a powerful catalyst for change," he concludes. ●

PICTURED AT THE MUD ISLAND COMMUNITY GARDEN ON DUBLIN'S NORTH STRAND WERE: EILEEN McDONALD (MUD ISLAND COMMUNITY GARDEN VOLUNTEER), CIARAN WALSH (GIY), JENNIFER BRADY (AIB GROUP MARKETING), ELLA McSWEENEY (EAR TO THE GROUND) AND DERMOT BYRNE (MUD ISLAND COMMUNITY GARDEN VOLUNTEER).

EMPOWERING THE NEXT GENERATION

With a focus on community, peer learning, youth mentoring and self-led learning, CoderDojo has been a resounding international success and is now poised for further growth.

In the space of just three years, CoderDojo has gone has gone from one Cork-based coding club, or dojo as it is known among its global community, to becoming an international phenomenon with 560 dojos operating in 50 different countries around the world.

Founded in Cork by James Whelton and Bill Liao, CoderDojo also oversees 140 dojos throughout Ireland and every week up to 7,000 kids between the ages of seven and seventeen attend a dojo to learn the basics of coding in a fun and safe environment. Entirely voluntary in nature and free to all children, dojos depend on "Champions" or mentors who have practical day-to-day coding experience to teach the children the basics.

"Coding know-how and experience is becoming a very important skill for young people, whether for future jobs or as a basic literacy and problem solving tool, which they use in life," says Mary Moloney, CEO of CoderDojo which is now headquartered in Dublin.

"An important factor in all of it is that the dojos don't feel like a typical classroom environment and all the kids are encouraged to share and be part of the learning experience. There is a focus on community, peer learning, youth mentoring and self-led learning and there is a big emphasis on openness and helping others in your dojo," she says.

MARY MOLONEY

While the Champions are at the centre of everything that goes on at a dojo, it has also developed a broad range of tools for both the children and the mentors that are available online.

"These tools are there for the children to use on the website or download and they can do tutorials or little tests themselves. We would also encourage them to go on to other sites like Khan Academy and Code Academy where there is some great content. So there's a lot they can do themselves when they are not at a dojo and by the time they come back in on a Saturday they have learned a little bit more and they might share it with the other kids."

At any one time, around 27,000 children around the world attend a weekly dojo and plans are afoot to increase this as its popularity and visibility increases in markets like the USA and the UK. "We genuinely believe that we can increase this to over 100,000 in the next 18 or so months, such is the support we have been getting from companies and people who have seen the benefits of it. Over the next 12 months we want to continue to grow, we want to ideally reach 60 countries. Since I took over as CEO during the summer, we had added another seven countries and we have been growing very rapidly by making ourselves incredibly visible. Lots of people and companies that never knew what a dojo was know all about us now and we want to draw on that momentum and encourage people to continue to start up dojos around the world. Ideally we'd like to reach 100,000 kids by the end of 2015. We want to make sure that we have got very strong and tight partnerships with other organisations that are in the same space, so that we are all supporting and helping each other out. In addition we want to get into the harder to reach communities. So, for example, we do want to think very carefully about how we can have more dojos in Africa as there are only eight at the moment. In the countries where we currently exist, we want the movement to continue to grow. In Denmark, for example, where we have three dojos, we would like to grow that to maybe 10," she adds.

"We also want to protect the dojos that we already have. We don't want people to get tired of them and leave. They are meant to be self-sustaining and that involves bringing new people all the time and when necessary replenishing the mentors. We would also like to see some of the more experienced kids become mentors in their own right. Indeed we already have some dojos that are being run by child mentors. We encourage that because it encourages them to start giving back themselves and demonstrate their leadership skills."

Expansion comes at a cost, however. With an annual income of €336,000 in 2013, CoderDojo depends on the lion's share of its funding from the O'Sullivan Foundation, which was set up by technology entrepreneur Seán O'Sullivan while this year it has attracted the support of the global telecommunications company Liberty Global.

"Seán O'Sullivan in particular has been a godsend to CoderDojo. He is absolutely passionate about education and technology and he has been incredibly supportive of us. He gets it and he doesn't look for anything back and as he sits on the board he is also keen to ensure that the money is used effectively and to make an impact and to do good. And he does it quietly and politely in the background while making a considerable input in terms of his wisdom."

The organisation also has a number of important pro-bono partners which enables it to offset some substantial costs. These include the likes of Deloitte, A&L Goodbody, Salesforce.com, Autodesk and Codestarters, which has recently inked a deal to supply free laptops to dojos in the USA.

"Having the support of our great partners has been key to the success of CoderDojo as is the many Champions who willingly give up their time to help the kids, week in week out," says Moloney.

"The companies that we work with also realise the value and importance of what we do, as we hope to be supplying their talent pool in the future," she says.

"We are also on the cusp of bigger conversations with companies right now and we will be bringing them to some level of formality in terms of having their ongoing support for what we need to do," she says.

"It's also important that we make sure that the kids have access to the latest technology available so that they are learning the state-of-the-art stuff and not just the basics. It's important that they get an understanding of where things are going in terms of technology and the internet as well as getting an introduction to putting their own code and their own product out live on the app store and other sites," says Moloney.

Microsoft is a case in point, she adds. "Microsoft has got some great technology and it will make it available to our kids for free to use and play with. The same is true with Raspberry Pi. We have even started talking to some companies in the robotics space."

While she says that she takes great pride when somebody who passes through CoderDojo goes on and excels elsewhere – she mentions Harry McCann the 15-year-old who founded Kid Tech – it's not all about developing the next new hottest start-up.

"Without CoderDojo, there are thousands of kids all over the world who would have had no idea whether or not they were good at technology or if they are good at logic. And maybe they may not end up working in software or the technology industry but at least they had the chance to discover and learn about it. And when they are communicating in their jobs in 10 years time, when technology will undoubtedly assume a more prominent role, they will have the confidence and understanding to engage with people who are priming in technology and that's very important to us." ●

A LABOUR OF LOVE

The two choirs of the Dublin Choral Foundation have been entertaining the masses for nearly twenty years but as its founder, Dr Ite O'Donovan, says, running a nonprofit comes with plenty of challenges.

Established in 1996 as a nonprofit, Dublin Choral Foundation aims to promote the development of choirs of excellence and to provide a musical education for children and adults by allowing them experience the richness of the cathedral choral tradition in a more modern, secular society. Under the direction of Dr Ite O'Donovan, the Foundation is now recognised as one of Ireland's leading choral establishments.

DR ITE O'DONOVAN

The Foundation is home to two choirs – The Lassus Scholars and Piccolo Lasso. Taking its name from the Renaissance composer Orlande de Lassus, the Lassus Scholars is an adult chamber choir in the university tradition while its junior counterpart, Piccolo Lasso, caters for boys and girls aged eight to 15. Both choirs perform regularly and their repertoire varies from the works of Renaissance composers such as Lassus, Palestrina and Victoria to modern choral classics. The children of Piccolo Lasso also participate in operatic productions, recordings and even in modern dance.

For her part, the driving force and visionary behind the Foundation, Dr Ite O'Donovan, has enjoyed a rich and varied career in Dublin since the mid-1970s as a primary teacher and vice-principal as well as a music lecturer in the DIT Conservatory of Music. In March 1982, she made history by being the first woman to be appointed director of the Palestrina Choir at St. Mary's Pro-Cathedral, Dublin. In 1995, however, she decided she wanted to set up her own choral group and in 1996 the Dublin Choral Foundation was born.

"Essentially I decided at the age of 39 that I was young enough to start all over again. I had the energy and I could bring with me all the experience I had gained with the Palestrina Choir over 14 years," she recalls.

"I knew a few people who had sons in the choir who were interested in my project and they helped me set up the company and the board of directors. I read up on company law and fortunately we had good contacts in KPMG who were most supportive of us. KPMG helped with the governance matters and with all of that administration which was new to me including the legal work, running the AGM, auditing the accounts and looking after the documentation that had to be filed, And thankfully KPMG has continued to do it for us on a pro-bono basis ever since."

Running two choirs is a costly business and it takes in the order of €100,000 a year to fund the Dublin Choral Foundation and its various activities.

"Our accounting year begins in November and every September I wake up and wonder where I will get the €100,000 needed to keep the Foundation on the road for the next year. The last few years have been about breaking even or almost breaking even," she says.

Like most nonprofits, funding comes from a variety of sources with donations accounting for the lion's share. These come from friends of the Foundation, personal donors and church donations.

"Most of our donations are small and would generate up to €9,000 per annum. Then we have a few donors who in the past would have received tax rebates themselves, but who actually want to continue to support the choir because of its intrinsic value; depending on the year, that sum can hover between €5,000 and €10,000, but its not something in which one can be secure. The choirs also sing at a certain number of functions, but the fees received often just cover the costs rather than generate a surplus.

"Since we began, Dublin Choral Foundation been grant-aided by Dublin City Council Arts Office and for the last four or five years that's been in the order of €5,000. While it's not a huge amount of money, it has been a big help, certainly during the recession, and it means a lot to us. More importantly the grant is a mark of recognition of the value of our work and we are proud to display the Dublin City Council logo on our leaflets and flyers. But that's the only grant assistance we receive regularly, although on a few occasions when we have gone abroad Culture Ireland has given us some money towards the cost."

Sponsorship is another important source of funding. Every year the two choirs stage a Christmas Concert in the National Concert Hall. "When we started out initially, BMW generously sponsored this event when Frank Keane had the franchise. Then, for a number of years, we had Butlers Chocolates and, since 2009, the 'Great' Christmas Concert has been sponsored by ESB."

According to O'Donovan, funding for the Arts across the board has decreased significantly in recent years in line with reduced Government and Arts Council budgets.

"We haven't been successful yet in getting any funding from the Arts Council. I think it had a policy for a long time of not giving any money to individual choirs as it supported the Association of Irish Choirs and the National Chamber Choir."

OUTLOOK

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