



Changes to Social Investment

Charity Commission Guidance CC14 and the changes to Social Investment

Professor Paul Palmer and Honorary Visiting Fellow David Rowe
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Professor Paul Palmer

Professor of Voluntary Sector
Management, Centre for Charity
Effectiveness (CCE)



David Rowe

Honorary Visiting Fellow,
Bayes Business School

Today's Programme

1. Introduction – Professor Paul Palmer
 - CC14
2. CC 14 Social Investment – David Rowe
 - What we were asked to do
 - What we recommended
 - What the Commission did
 - What we think
3. Discussion

Charity Commission Guidance - CC14

“Everything needs looking at again after some time, I think our knowledge of social investments has increased so much, we've all been developing our thinking about it.”

- Last revised in 2015 (?)
- Underpinned by the Charity Act 2016
- Distinction made between
 - Financial investment
 - Social Investment
- Legal requirements (main ones)
 - Ensure investments are diversified and suitable
 - Seek advice from someone experienced in investment matters
 - Review the investments “from time to time”

What we were asked to do

“One of the mistakes the Commission makes is that it doesn't try and get under the skin of charities and understand how they think.”

- The Commission were seeking to redesign CC14 and for our research, how terminology is used.
- In the course of our research:
 - We conducted interviews with 51 organisations.
 - We carried extensive literature review both UK and internationally
 - We used pilot and sense check interviews with experts
- The data accumulated from the research we estimated to be more than 1,200 pages.

What we recommended

1. The language of the guidance should be less focussed on risk (both legal and financial)
2. Social Investment should be separate section
3. The guidance could be clearer about what advice is needed
4. The guidance should retain Mixed Motive
5. The guidance should look to imbed 'impact' in its language

What the Commission did

1. It is much shorter and less focussed on risk.
 - The definition of what return is needed is clearer whilst still reflecting the legal underpinning.
2. Social investment is a prominent part of CC14 as its definition is nearer the beginning.
3. There is greater clarity on advice and far fewer references to it.
4. Specific definitions of a social investment have been removed.
5. Impact is not mentioned except as an example of the benefits of a social investment.

What we think

- The Commission heard what we and the sector said and went further. We applaud them for that.

- 1. Trustees can be confident that social investments which do not earn any financial rewards are acceptable.
- 2. The need for advice is consistent with that for financial investments.
- 3. Any potential barriers over the definitions of a social investment have been removed.
- 4. The potential for confusion over the use of 'impact' has been avoided.

- It is now up to the sector to decide if it wants or can afford to commit more to social investments

Discussion