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WHEN IS BUYING A WINDOW CLEANER'S LADDER A CHARITABLE PURPOSE?

On 8 November 2000, the Charity Commission did something rather unexpected. It issued a press statement saying that it could be a charitable act to help my window cleaner buy himself a new and longer ladder so that he could work on bigger houses, take on more work, employ his mate and make a better income. And that a charity could help my window cleaner by:

- Giving him some or all of the money that he needed – a donation or grant;
- Lending him the money – interest free or at market or below market rates;
- Taking an equity stake in the new ladder.

John Stoker, the Chief Charity Commissioner for England & Wales, did not exactly use those words, but he did encourage grant-making trusts and foundations to consider using "their funds to provide equity finance and loans, as well as making grants to further their charitable objectives[1]" – and, by so doing, to do more to help regenerate and revitalise some of the country's poorest communities (including the one in which my window cleaner lives).

John Stoker's comments were made in response to the report of the Social Investment Task Force[2]. Social Investment is the use of funds to achieve a double bottom line: a social as well as a financial return. The Task Force had summarised the present position thus: "currently, it is charitable to help people who are poor. However, if you want to help them out of poverty through enterprise, the odds are stacked against you. So, charity ends up as helping the poor, so long as they stay poor."

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[1] Charity Commission Press Release (PR 27/00; 08/11/00): *Enterprising Communities*

[2] *Enterprising Communities: Wealth beyond Welfare;* October 2000. The Task Force report can be accessed, along with supporting papers, on www.enterprising-communities.org.uk or ordered from the UK Social Investment Forum, Holywell Centre, 1 Phipp Street, London EC2A 4PS

Launched in October 2000, the Task Force report recommends a five point programme of action aimed at stimulating sustainable enterprise, investment and wealth creation in what it described as “under-invested communities”. I argues that “for a community to thrive, it needs individuals seeking to create wealth for themselves and their families and investors seeking a financial as well as a social return. Poor communities do not have enough of either, which is why they are better described as under-invested communities”.

The Task Force argues that funds from charitable trusts are an important feature of any strategy to regenerate the poorest communities – but that a broader and more diverse range of finance is needed if small commercial enterprises, social entrepreneurs and community controlled businesses are to flourish. Their recommendations include support for a network of intermediary agencies, Community Development Finance Institutions (CDFI’s), as the route through which finance – trust as well as commercial investment and statutory funds – and relevant business development expertise can reach target communities.

The report also encourages trusts and foundations to consider making loans and equity investments in CDFIs out of their capital as well as grants from their distributable income.

The Task Force also proposes

- A Community Investment Tax Credit to encourage private investment via CDFIs in both not-for-profit and profit-seeking enterprises in under-invested communities;
- A Community Development Venture Fund - a matched funding partnership between Government on the one hand and the venture capital industry, entrepreneurs, institutional investors and banks on the other;

- ➢ Disclosure by individual banks of their lending activities in under-invested areas, and the creation of a rating system to reward excellent performance by banks.

The Chancellor of the Exchequer endorsed the Task Force recommendations in his pre-budget autumn statement[3]. The Charity Commission has already issued new guidance on community capacity building as a charitable purpose[4] though this is not the key to helping my window cleaner. The Charity Commission maintains that that was possible within existing charitable purposes but accepts the task Force recommendation that some clarification is needed.

The positive lead taken by the Charity Commission should stimulate an extensive debate during 2001 among trusts and foundations about the potential of Social Investment to add a new dimension – beyond just grants – to their efforts to help tackle poverty and community regeneration.

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[3] http://www.hm-treasury.gov.uk/pbr2000/report/contents.htm (08/11/00)
[4] *The Promotion of Community Capacity Building*: RR5 – November 2000 from http://www.charity-commission.gov.uk/