

ACAT Conference 2023

Maximising Resources: Being Efficiently Effective



October 2023



Making the most of your bank.

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Agenda

An introduction to CAF Bank

Who we are and what we do.

Fundamental building blocks

Interacting with banks for success

Policy, risks and controls

Protecting our organisations

Best practice in finance

Communication, clarity and big projects.

A woman with long dark hair, wearing a light blue button-down shirt, is seated at a desk in an office. She is looking towards the left of the frame, where the back of another person's head and shoulders is visible. The woman's hands are clasped on the desk in front of her. The background is a grey brick wall. A dark blue semi-transparent box is overlaid on the left side of the image, containing the text "Who we are:". On the desk to the right, there is a laptop and a stack of papers.

Who we are:

CAF Charity Services – Our family of entities

Supporting you with your finances, the CAF Group offers a range of financial services to help your charity have a bigger impact. This summary is aimed at providing an overview of these entities, their regulators, remits and products.

Charities Aid Foundation (CAF)

- Parent organisation
- **Aims:** To accelerate progress in society towards a fair and sustainable future for all
- Regulated by the Charities Commission 268369 and HMRC
- Common Products:
 - CAF Donate – our electronic giving portal
 - CAF Venturesome – our non-regulated social investment programme
 - CAF Grant Making
 - CAF Advisory
 - CAF Give As You Earn
 - Philanthropy products

CAF Bank

- Wholly owned subsidiary of the Charities Aid Foundation
- **Aims:** Banking with a Purpose to support the third sector
- CAF Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 204451
- Common Products:
 - CAF Cash – our current account
 - CAF Gold – our savings account
 - CAF Bank Loans – our non-regulated lending products
 - Business Debit Card

CAF Financial Solutions Limited (CFSL)

- Wholly owned subsidiary of the Charities Aid Foundation
- **Aims:** Provides charitable investors with access to both savings accounts and longer-term investment options
- CAF Financial Solutions Limited (CFSL) is authorised and regulated by the Financial Conduct Authority under registration number 189450
- Introductions to a range of services provided by partners including:
 - Notice accounts
 - Term deposits
 - CAF Charity Deposit Platform
 - Investments

CAF Bank loans are non-regulated products. Loan applications subject to credit assessment. Security will be required. Charity assets may be at risk if you do not keep up with the repayments for a mortgage, loan or any other debt secured on them. If you're thinking of consolidating existing borrowing, you should be aware that you may be extending the term of the debt and increasing the total amount you pay.

The value of investments may fall as well as rise. You may not get back the full amount that you originally invested. Past performance is not a guide to future performance. There is no guarantee about the level of capital or income returns that will be generated.

Who we are

- We are a fully fledged bank, regulated by the FCA and PRA and authorised by the PRA
- We serve the UK's charity market as a specialist provider.
- Established 37 years ago in 1986 by The Charities Aid Foundation (CAF), one of the UK's leading charities.
- We are still 100% owned by CAF
- Providing core banking services for c.14,400 clients, from micro charities to house hold names
- These clients intrust us with c.£1.5bn of deposits
- Despite this we are a relatively young lender and only started to lend money in 2012
- Since then we have lent in excess of £300 million of which c£230m+ is currently committed/
- Social Housing is our biggest sector for lending, but our lending ranges from heritage railways to Sikh temples.
- We lend throughout the UK and have people on the ground across the country from Bournemouth to Glasgow

Awards and Accreditations



Commended for the “Best Charity Banking Provider” for 10 year in a row

Commended for “Socially Responsible Lender of the Year” for 2 years in a row 2020 & 2021



INVESTORS
IN PEOPLE

Gold

The judges said: *“A clear leader in its field, providing important banking services for charities with the end user consistently at the forefront.”*



“What impressed judges was not just its ability to provide charities with the cash they so desperately needed, but its dedication to simultaneously supporting charities with support, guidance and reassurance. The bank worked tirelessly to improve its customers’ knowledge of cyber security and effective fraud prevention measures, as well as providing charities with individual banking solutions, each tailored to their specific needs.”



Fundamental building blocks



The key parts of the relationship

Mandates and Internet Banking Users

How we tell our banks how we want them to manage our relationship.

Know your banks

Where are your funds?

Keeping the bank informed

Are there changes?

Know your obligations

What do you need to tell the bank?

Keeping your mandate up to date:

- The mandate is a key document, but it is no longer the only one.
 - Business card users
 - Pre paid card users
 - Internet banking users
- Does your organisation keep a record and a regular review of approval levels?
- Does this match your finance policy?
- Is it part of your handover plan? (And do you have a handover plan?)

Know your banks and investment

- Do you know which banks you are using?
- Do you have a formal listing – and a link to mandate holders?
- Are all in the right name – especially when there have been mergers or consolidations?
- Do any of these relate to restricted or endowment funds?
- Why have you chosen that bank? Services, rates, returns, understanding, convenience?

Keeping the bank up to date

The (almost) day to day:

- Dealing overseas
- Unusual payments out or in.
- Fundamental changes in the organisation – and linking back to the mandate change.

Specific circumstances:

- Financial distress
- Fraud or attack
- Changes in jurisdictions.

Know your obligations:

For everyone:

- Responding to requests for information. Banks have requirements that are driven from regulation.
- All banks will have individual approaches to charity; often related to appetite & understanding levels.
- Responding comprehensively will normally be the best option.
- Link back to policies – see the next areas.
- Take a look at the Charity Commission – is the information consistent.
- Whilst we are on the Charity Commission.....you have obligations if a registered charity.

For borrowers:

- Regular management accounts
- Covenant compliance (and what to do if you don't)

A young woman with dark hair tied back, wearing blue scrubs, is smiling and assisting an elderly man. She has her hand on his arm. The man has white hair, a beard, and glasses, and is wearing a grey cardigan over a blue shirt. He is holding the handle of a silver walker. They are in a well-lit room with a large window in the background showing a cityscape. A grey sofa is visible in the foreground.

Policies, risks and controls

Your organisation needs a policy.....

- Will include both **policies and procedures**.
 - What we are going to do
 - How we are going to do it
- **Why** do we need policies?
 - Protects your volunteers, your staff and your organisation.
 - Clarity
 - Consistency
 - Managing risks – thinking about these before they arise.
 - What does good look like?
- Some **key policies**:
 - Finance
 - Who approves?
 - What do
 - Know your donor
 - What do you expect?
 - How do you identify them?
 - Are you in control?
 - What will they look like elsewhere?
- **Follow the policies** – and check that you do.

Key risks to be aware of:

- **APP / CEO impersonation**
 - Tends to involve a fraudster contacting an organisation, normally impersonating a legitimate person.
 - The ask will be to send money.
 - Red flags often include power imbalance, fear of loss or time pressure.
 - Be suspicious for non regular payments.
 - Use other means to confirm.
- **Bank account details change.**
 - The fraudster inserts themselves into a legitimate relationship.
 - Always verify new bank details and new payees.
 - Bank's may well ask you to double check – this is normal and a good discipline.
- **Bank impersonation:**
 - Banks will not ask for security details such as PINs and telephone passwords.
 - Watch out for red flags – fear of loss, time pressure
 - Be suspicious - ring off and use another line on a known number.
- **Unplanned or evolving risks:**
 - Cash build up in safes
 - People travelling

Key controls:

- **Have a policy** – and follow it.
- **Staff awareness and education:**
 - Fraud risk
 - Governance
 - Policies
 - Sanctions
- **Dual control and/or different mandate levels.**
- **Using the right products**
 - Are your funds in the right product? Current accounts & savings accounts.
 - Do the products do what you need them to do? For example volunteer expenses?
 - Do you have gaps that you are bridging using local practices? Transfers via trustees? Cash movements?
- **Policies and good practice protect our teams.**



Best practice in finance

It is not all about the bank.....

- Finance underpins mission – **plan your finances** if you want to achieve your plan.
- It is **not all about the treasurer** – but the treasurer is absolutely critical.
- **Does the Governing Body:**
 - Have clarity about financial objectives.
 - Balancing out objectives – especially when they can't all be done.
 - Setting & understanding the reserves policy.
 - Understand and agree the risks:
 - Inflation
 - Costs
 - Donation levels
 - Understand the position – the treasurer is not only an expert, but also a key communicator; and linking this to Management Information.
 - Know the triggers for reviewing and re-evaluating.

Management Information

There are 3 key overlapping parts of most sets of management information packs.

Balance sheet.

What we own and what we owe.

Thinking about the balance between current and long term aspects.

Income & expenditure.

Clarity of cash vs accounting.

Thinking about understanding matching – especially when items do not match.

Cash flow forecast.

Focuses on the importance of cash to mission and sustainability.

Terms and details will depend on circumstances.

Thoughts on big projects

Major projects are irregular, important and can allow organisation to make major leaps forward. Delivering these projects is often an iterative and developing process.

Understanding

What is the scope of project.

What is the basis of the costs

Is this nice to do or need to do

Is this finance dependant?

Whose approval is needed?

Planning

How will we fund it?

What is the certainty of costs?

What does our funding mix look like?

What may change these?

Communicating

Who else needs to understand at this stage?

Congregation?

Supporters?

Diocese, overall body,

Bank?



Any Questions?

Do get in touch

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Regulatory Sign Off

CAF Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number: 204451). CAF Bank Limited Registered office is 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ. Registered in England and Wales under number 1837656.

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