Manifesto for Community Philanthropists

Community Foundation Network

Content *Page*

Manifesto for Community Philanthropists

Executive Summary

This paper is written from the viewpoint of the community philanthropist and intended to inform the thinking of government and policy makers.

There is a broad acceptance that the public sector is set for a period of bleak austerity. With the public finances tightening, any government that wants to see stronger communities, and opportunities created for the excluded and disadvantaged will have to make its finances and influence go further. The private sector will have to take some of the strain. In this paper, we explore the role that philanthropists can play both in investing effectively and building stronger communities.

Its recommendations are based on the experiences of the 57 Community Foundations across England, Scotland, Wales and Northern Ireland that together make up Community Foundation Network (CFN). CFN members help to match would-be philanthropists with the community groups and projects most likely to motivate them to give. In 2008, CFN's members worked with around 1,400 such donors to support around 20,000 small charities and community groups throughout the UK.

Our Vision

Our vision of philanthropy is of planned, strategic giving, made with a specific charitable end goal in mind. It is enhanced through other support, be it the offer of exceptional skills, experience and social capital. Philanthropy is a two-sided engagement which vastly enriches the lives of not just recipients but also donors by helping each to understand the conditions, motivations and needs of the other.

Community philanthropy recognises that philanthropists are most often motivated to engage with recipients (and continue and extend their support for them) when they share with them a common interest: geographic, ethnic, social or cultural. Community Foundations, for example, aim to identify common interests and develop strategies designed to bring philanthropists closer to the work of recipients – connecting "the doers with the donors".

We believe government should share our interest in promoting community philanthropy because it can:

- **Leverage additional private funds** to tackle need and create opportunities for the isolated, excluded and disadvantaged in ways that are sometimes hard for government to do;
- **Engage social entrepreneurs** to ensure that monies are invested effectively and their impact multiplied through contributions in-kind of skills, experience and social capital;
- **Build a sense of community** by promoting a culture of mutual support and common interests; and
- **Empower local communities** to effect real change with money resources and skills, supporting the political move towards localism.

Our recommendations

This paper sets out a large number of proposals of ways in which government at all levels and across the nations of the UK can and should be encouraging and enhancing community philanthropy. These proposals broadly fall into three categories:

- Creating the right infrastructure for giving by harnessing technology, reforming the banking system, cutting red tape and promoting giving through the workplace;
- Creating the right incentives for giving by promoting match funding programmes, improving the tax system and creating new structures to make it more attractive to give;
- Embedding a culture of giving by promoting philanthropy through schools and encouraging it by example.

Key recommendations are:

- The allocation of a proportion of the unclaimed assets funds to be invested by the proposed social investment bank, in funds that **invest in IT projects that will transform philanthropic infrastructure**;
- The Government to press for **the creation of bank gifting accounts** to make charitable giving easier and more visible;
- **The Government to tackle a range of bureaucratic obligations** placed on voluntary organisations, removing some, simplifying others or, where appropriate, making small groups exempt;

- The promotion of **match funding challenges by the Government** across a longer timeframe and the introduction of such challenges across all the nations of the UK;
- **Reform of Gift Aid** to make it easier for charities to claim while incentivising donors to give;
- The introduction of **a system of Lifetime Legacies** in the UK, to encourage philanthropists to give sooner, rather than leaving money in their wills;
- The creation of **special giving zones** – geographical or issue based – to incentivise giving to target certain issues or deprived areas; and
- The **promotion of philanthropy in schools**, through real life philanthropic experiences and opportunities.

We also believe that the implementation of some or all of these individual recommendations as part of a planned programme would over time usher in the change of culture that is necessary if community philanthropy is to reach new levels and become the norm.

1. Introduction

1.0.1 This paper is written from the viewpoint of the community philanthropist[1] and intended to inform the thinking of the Government and policy makers. It is written in recognition of the fact that, although Britain is a very charitable nation, there is no room for complacency and we know from international comparisons that more is possible. Furthermore, writing as we do in the depths of a global economic slump, philanthropy is a critical underdeveloped and undervalued resource to tackle need and create opportunities for the isolated, excluded and disadvantaged in ways that are sometimes hard for government to do.

1.0.2 There is a broad acceptance that, whatever happens over the next few months, the public sector is set for a period of austerity. Government and Opposition alike - across Westminster, devolved Parliaments and local authorities – are, therefore, casting their nets as widely as possible to ease the strain on creaking public finances.

1.0.3 There has been extensive and sometimes contradictory research into the response of philanthropists to economic hardship. On the one hand, some clearly invest more in response to increased needs. Others are patently unable or unwilling to make the same commitments they might have made in times of plenty. But either way, it is clear that philanthropists have the potential to meet needs and support groups that can reach communities where the Government cannot go. The challenge - addressed by this paper - is to unlock that potential and build stronger communities.

1.0.4 In considering this challenge, we have drawn on the experiences of the 57 Community Foundations across England, Scotland, Wales and Northern Ireland that together make up Community Foundation Network (CFN). CFN members help to match would-be philanthropists with the community groups and projects most likely to motivate them to give. They seek to ensure that, where practical, donors are directly exposed to the work which the beneficiaries they support are doing and that gifts are managed to ensure that money is well-spent, while minimising, in so far as is possible, the burden of red tape associated with tax efficient giving.

1.0.5 While philanthropists come from all walks of life and are able to become community philanthropists through a range of mechanisms, CFN's primary experience is of those that the banking industry refers to as 'mass affluent'[2] and high net worth individuals[3]. In 2008, CFN's members worked with around 1,400 such donors to support around 20,000 small charities and community groups throughout the UK. 271 new donors contributed around £34 million, including one gift of £10 million.

1.0.6 Our findings suggest that, even in these difficult economic times, the number of community philanthropists continues to rise, although individuals may be more cautious as to

[1] A term we explain in section 2
[2] £80k plus income per annum and £30k plus of liquid assets
[3] £5 million plus of assets

the amount they give and they may seek to spread donations over a longer time period. Nevertheless, with 8.4m mass affluent individuals in the UK[4] with the right public policy measures there is clearly still room for significant market growth.

1.0.7 We have drawn on the experiences of CFN's members and individual donors to understand what motivates giving (both money and time), how individuals decide how much to give and what might make them give more. We have then used our findings to set out a series of specific recommendations for action by the Government, not for cosmetic purposes, but to change fundamentally the nature of philanthropy in the UK for better.

1.0.8 And that is what this manifesto, ultimately, is all about.

"A planned approach to giving is part of responsible wealth management, not an afterthought"
Amanda Delew, CFN trustee

"The staff of my local Community Foundation understands the needs of the community and have the expertise to decide where the money will make the greatest difference. Donors can tap into this valuable resource when they set up their own charitable fund."
Jay Tidmarsh, Tidmarsh Fund

[4] Datamonitor, 2007

2. Why bother: our vision for community philanthropy

2.0.1 Before we go further we need to explain what we mean by community philanthropy and make the case for the Government to be involved in it.

2.1 What is community philanthropy and what makes it so powerful

2.1.1 We draw a clear distinction between, on the one hand, charity, and on the other, philanthropy:

- In our view charity is generally unplanned, reactive and solely monetary in nature. We do not underestimate the value of charity, but we do regard it as an essentially one-sided transaction in which money is often given and then forgotten.

- In contrast, our vision of philanthropy is of planned, strategic giving, made with a specific charitable end goal in mind. It is often enhanced through other support, be it the offer of exceptional skills, experience and social capital (eg contacts, networks of supporters etc). We see philanthropy as a two-sided engagement which vastly enriches the lives of not just recipients but also donors by helping each to understand the conditions, motivations and needs of the other.

2.1.2 Community philanthropy recognises that philanthropists are most likely to be motivated to engage with recipients (and continue and extend their support for them) when they share with them a common interest: geographic, ethnic, social or cultural. Hence, Community Foundations offer expertise in a specific locality and are able to identify common interests and develop strategies and mechanisms designed to bring philanthropists closer to the work of the recipients – connecting "the doers with the donors".

2.1.3 Community Foundations believe that community philanthropy should embrace not simply registered charities as the recipients of donors' giving but all those organisations that work to benefit their local community without the motive of profit, whether registered or not.

2.1.4 In the UK there are an estimated 600,000 community-based organisations. The vast majority are not registered charities and do their work 'beneath the radar', without access to professional advice or support. Perversely, many of these organisations are ideal partners for philanthropists. They, like their potential benefactors, are entrepreneurs with a "can do" attitude. They, like their potential benefactors, use whatever resources they have to leverage more funds. They, like their potential benefactors, make the most of local know-how to tackle social issues. And they, like their potential benefactors, know that to achieve real change it takes more than cash: it takes skills, intelligence and the willingness to take risks.

2.1.5 Our experience is that the more philanthropists are able to engage with communities through organisations with which they can share common ideals, goals and ethos, the more, and more strategically, they will give and, as a result, the greater the potential to effect real change.

2.2 Why should the Government be involved?

2.2.1 No one doubts that community philanthropy is a 'good thing', but that does not mean that government needs to be involved. Indeed, for many social entrepreneurs and philanthropists the whole idea of government involvement is suffocating and de-motivating.

2.2.2 We believe that government needs to maintain a 'light touch' when it comes to promoting philanthropy. Nevertheless there are a number of ways in which it can support and encourage the development of the sector by:

- Creating an attractive financial environment for giving, for example, through tax reforms and match funding programmes.
- Minimising bureaucratic constraints and regulation
- Inspiring others to follow suit, through education

2.2.3 The rest of this paper sets out in detail, specific recommendations to achieve each of these aims.

2.2.4 But why, with so many competing demands on the Government, should it want to involve itself in the field of philanthropy? We see four reasons why the Government should want to be involved:

- First, what ever party wins the next election, resources will be extremely tight: support for philanthropy offers a cost effective way in which to leverage private funds for investment in local communities at a time when we are already seeing many public programmes being cut back. For example, the most recent endowment challenge in England has, over the course of the past year, generated an estimated £14 million for local community groups from an initial public investment of just £6 million.

- Second, philanthropy offers social as well as economic investment in communities, helping to reconnect increasingly fragmented communities, equip local people with the skills and knowledge to deliver real change at the grassroots, and to go on delivering.

- Third, investment in philanthropy can underpin the political parties' existing commitments to enhanced localism, by empowering local people to take charge of their own communities and localities.

- Fourth, philanthropy can have broader social and cultural benefits, such as strengthening communities, enhancing identity and encouraging social entrepreneurship, which in turn ensure that regeneration is sustainable.

2.2.5 We willingly acknowledge the huge commitment which the Westminster Government has already made to the charitable sector, for example by establishing the Office of the Third Sector and significantly increasing public funding programmes. We believe, however, that the benefits outlined above transcend political divides and offer a persuasive case for any government which shares our vision of philanthropy to give serious consideration to the recommendations which follow.

"It's great to see exactly how our money is having a positive impact…transforming the lives of some of the most disadvantaged local young people."
Peter Edwards, Director, Grant Thornton

"It is fantastic to help support such a wonderful and exciting project that is having so much impact on the lives of disabled and non-disabled children."
Lisa Cooke, Ashton Morton Slack, who funded a wheelchair athletes' programme

3. The right infrastructure for giving

3.0.1 Why, we ask ourselves, is it not easy to give away money effectively?

3.0.2 Time and again when preparing this paper we came across technological, bureaucratic and social barriers to giving which were, almost without exception, unintended. We know that much giving is impulsive, and thus easily thwarted if the right infrastructure is not in place to enable the philanthropist to follow through on the intention. Similarly, those that give do not continue to do so if they never hear how their gift has made a difference.

3.0.3 This section explores the obstacles to community philanthropic giving and suggests ways to ease the process.

3.1 Harnessing technology for giving

3.1.1 New technology has transformed most aspects of 21^{st} century Britain but, with one or two notable exceptions such as Justgiving.com, Guidestar and a new project, LocalGiving.com, philanthropy has been left behind.

3.1.2 It is already recognised that the "digital divide" is a contributor to "social exclusion" rather than a consequence, but in the charitable sector we see the emergence of "*philanthropic digital exclusion"*.[5]

3.1.3 Already, the top 10% of charities by size dominate existing marketing channels, so that they receive 90% of all charitable giving. We foresee that this situation will be exacerbated, as the large charities increasingly use their resources to exploit new media channels.

3.1.4 We highlight the paradox that the kinds of "charities" that can be the most engaging for donors, because they offer a direct connection between the "givers" and the "doers", are those that are "digitally excluded" without access to the infrastructure that enables them to tell their story.

3.1.5 We have to assist small community organisations to harness the power of the web to encourage engaged giving. Failure to do this will result in the double whammy for disadvantaged communities whereby isolation breeds disadvantage and philanthropic digital exclusion starves local communities of the resources needed to support grassroots social entrepreneurs and community charities.

[5] A recent study in the US plotted a major decline in the effectiveness of direct mail appeals, mirrored by an increase in donations per head online. In 2000, in the US, on-line giving totalled approximately $250m. By 2007 that had risen to $10.4 billion.

3.1.6 Many organisations are already developing online resources to promote giving without requiring any government intervention, but few include community organisations. To help community philanthropists make the most of the web, we encourage the Government to:

- Allocate a proportion of the unclaimed assets funds to be invested by the proposed social investment bank (and other nations' equivalents), to **create a 'Philanthropy Infrastructure Investment Fund' to invest in social venture funds which target** transformative IT projects for the charitable sector. We suggest a fund of about £30 million[6]
- Require its proposed "Digital Champion" to examine and address issues related to philanthropic digital exclusion.
- Support the development of flexible on-line donation mechanisms ensuring that unnecessary obstacles are not placed in their way.

3.2 Integrating giving with mainstream banking

3.2.1 The provision of tax effective, charitable giving accounts is led by CAF, Charities Trust and some specialist providers such as Stewardship. In recent years, some such accounts have been web-enabled, but they are not integrated with mainstream banking services and have not been supported with large scale marketing campaigns. As a result, their impact is less than might otherwise be hoped.[7]

3.2.2 Contrast this with experience in the US. There, a key driver of charitable giving has been the development of charitable accounts/funds by commercial banks generating hundreds of millions of dollars in charitable giving (although it should be noted, often without much direct community engagement.)

3.2.3 In the UK, there is not a single similarly integrated philanthropic offering. As a result most of the 2.1m significant donors in the UK[8] give, at best, by logging on to a CAF account and requesting a donation or, at worst, using charity vouchers or cash, credit cards or cheques. Many do not maintain records to claim back tax, though entitled to do so. If these donors instead could "save to give", their decisions would become more considered, donations larger and so they would become more engaged in the causes to which they donate. This can be achieved by developing mainstream charitable savings accounts integrated with other financial products so that the "saving" is easy and the "giving" equally easy, visible and engaging. We refer to these as "Bank Gifting Accounts".

---

[6] This is equivalent to the sum originally set aside for investment in physical community buildings to facilitate asset transfer from local authorities. It would allow for: £15m as an online innovations fund to incentivise entrepreneurs to support community organisations; £10 million to web-enable community organisations which would otherwise be unable to compete with much larger charities; and £5m to invest in the IT to encourage collaboration between philanthropists through, for example, the development of private secure email groups etc

[7] In 2008, £93m was given through charity accounts and £83m more through trust accounts and foundations.

[8] Whose gifts comprise over 50% of the total individual gifts to charities

3.2.4 Many banks and financial institutions provide an interest bearing savings account alongside a current cheque account. In the same way, bank gifting accounts should be automatically available to all bank clients alongside current accounts.

3.2.5 With this infrastructure, we believe that philanthropists will find it easier to give, and give in a rewarding way through web-based giving systems, such as LocalGiving.com, GlobalGiving.com or JustGiving.com. People will be more aware of their giving and the tax incentives for giving will be explicit and visible. The UK would have a platform for the introduction of new services to donors that would transform the experience of donating, making giving more efficient administratively and fiscally and more effective as charities exploit this new platform to fund-raise and engage supporters. We therefore encourage the Government to invest in partnerships between financial firms and agencies such as CAF to develop the necessary infrastructure.

3.2.6 We also recommend that, to encourage considered giving among the young, holders of Child Trust Funds could, at a certain age, be offered the opportunity to use some or all of their windfall to establish bank gifting accounts, thus starting a habit of giving that may continue for life.

3.2.7 As the technical infrastructure to offer bank gifting accounts already exists in most major retail banks and would increase retained funds, we believe that such a service could be provided by them at close to neutral cost and would enhance their currently tarnished image.

3.2.8 With a number of the UK's main clearing banks now in public ownership, we encourage the Government to:

- Use its influence to press for the creation of bank gifting accounts.
- Allocate £5m of the proposed Philanthropy Infrastructure Investment Fund to invest in financial institutions and their charitable partners for the development of bank gifting accounts.
- Offer matching schemes to government employees using payroll giving to pay into gift accounts.
- Work with the banks and the Charity Commission, the Office of the Scottish Charity Regulator and the Charity Commission for Northern Ireland to identify the charitable entities that could be the legal owners of the accounts and to secure approval of the necessary processes.
- Enable Child Trust Funds to be paid into bank gifting accounts, thus starting a habit of giving that may continue for life.

3.3 Removing burdens on the charitable sector

3.3.1 Philanthropy is relatively free of bureaucracy except where it interacts with taxation policy. To encourage philanthropy, the Government must ensure that tax policy does not impose excessive burdens on donors, recipients or intermediaries, whilst still protecting the public purse. In other words the Government must “do no harm”.

3.3.2 Fraud in isolated cases must not be allowed to translate into legislation and rules that imply all donors’ motives are suspect. The rules being reviewed by HMRC regarding “substantial donors” are a case in point. It is ill-conceived and disproportionately onerous legislation, the impact of which is only now being understood fully, and could make it almost impossible for intermediaries, such as Community Foundations, to operate. We therefore welcome the review aimed at replacing this legislation.

3.3.3 Many of the other obligations that are placed on the charitable sector result in extra costs to small voluntary organisations which they cannot afford.[9] Understandably, few philanthropists are willing to donate their money to fund Government imposed costs.

3.3.4 We also recognise that some voluntary organisations also interpret legislation in ways which the Government never intended, thus placing upon themselves unintended and unnecessary bureaucratic burdens (gold-plating). We therefore welcome the publication by the National Audit Office of its ‘decision support tool for public bodies in England’, which provides practical guidance on implementing the principles of proportionate monitoring.

3.3.5 We encourage the Government to:

- Consider whether new tax legislation, based upon existing principles of charity law, could be used to replace the substantial donor legislation, enabling its immediate repeal with retroactive effect.
- Examine the wide range of bureaucratic obligations placed on charitable organisations and consider which could be removed or simplified, or where small groups could be exempted.
- Require all Government departments to undertake and publish a “bureaucracy impact test” of any new legislation or regulation which will apply to charities and voluntary groups, including an “appropriateness” test.
- Where new legislation or regulation is required, consider funding the costs of compliance, enabling private funds to be used for the charity’s core purposes.

3.3.6 We also encourage the Scottish, Welsh and Northern Irish devolved administrations to consider publishing similar guidance about proportionate monitoring to that which the National Audit Office has published for England.

---

[9] A recent example is a 45 page long monitoring form for a micro grants programme.

3.4 Harnessing social opportunities for giving

3.4.1 Our experience is that individuals are most likely to make a donation at a point at which they receive a windfall or their circumstances change suddenly for the better. This may occur when they sell an asset (such as a business or property) or move to a new job. A key challenge for the Government is to make it easier for individuals to make donations at such life changing moments and to promote a cultural norm which makes it easier for individuals to opt in to giving than to opt out.

3.4.2 Historically, workplace giving has been approached from a systems perspective in the UK – witness the term “Payroll giving”. This has been detrimental, in our opinion, as it focuses attention on the process by which payment can be made rather than the motivations for giving.

3.4.3 In other countries, where the cultural and people centred nature of giving has been recognised, workplace giving has been more successful. Bearing in mind our identification of windfalls and changes in social environment as key moments to promote giving, we believe that the UK needs to establish a culture of giving to coincide with when people move jobs. This will build on and complement the successes that the Government has had in promoting a culture of volunteering in the workplace. To this end, companies should establish workplace giving schemes with the following attributes:

- Open to employees on their first day and discussed as part of the induction to the firm’s culture.
- Engages employees in workplace donor circles and with beneficiaries (a newsletter is not enough) linked, where possible, to volunteering.
- Treated as part of a broader CSR programme focused on supporting community projects in geographical areas or sectors touched by the business.
- Championed within the company by leaders within the workforce.
- Encourages funds to be paid directly into charitable bank gifting accounts.[10]

3.4.4 We encourage the Government to create a framework which makes corporate giving as easy as possible and to set an example as the UK’s largest employer by:

- Asking the funders of the new Centre for Charitable Giving and Philanthropy – Economic and Social Research Council, the Office of the Third Sector, the Scottish Government and the Carnegie UK Trust - to investigate workplace giving, as a matter of priority, focusing on

[10] The Home Retail Group (which includes Homebase and Argos) is one example where a workplace giving promotion increased the number of donors by over 50%. At bakery goods company, Delice de France, a workplace giving scheme launched at the beginning of 2008 saw over 10% of their employees participating in just two months. When C Hoare & Co’s charitable accounts were established donations through payroll were double-matched by the employer. This has resulted in a third of their employees now using charitable accounts.

the key cultural and leadership success factors that are present in the US and largely absent in the UK;

- Continuing to invest in the Payroll Giving Centre but with an increased emphasis on cultural and leadership issues and linkages with employee volunteering;
- Examining its own record and extending payroll giving schemes in Government offices and throughout the public sector. These trials should include web-enabled processes for engaging employees in selecting issues to work on as well as low cost versions of payroll giving.

"We pride ourselves on creating partnerships and encouraging everyone to get involved, from the community groups and participants through to our donors, staff and local personalities"
Cathy Elliot, Director Community Foundation for Merseyside 2009

"We want to ensure the help we give is long term and an endowment fund like ours is a lasting source of funds for worthwhile causes in the area."
AXA Fund and AXA Enterprise Fund

4. The incentives for giving

4.0.1 There are many ways in which the Government can incentivise giving. In these difficult financial times, it is important that any public money that is available for this purpose is used to maximum effect. This section looks at the ways the Government should support community philanthropy directly through grants and the tax system.

4.1 Match funding programmes

4.1.1 The current environment is perhaps not ideal for match challenges, but where organisations with experience in developing philanthropy are managing challenges we still see new giving emerging and targets being achieved. Evidence from earlier challenge programmes that CFN has managed is that they play a key role in energising participating institutions and philanthropists keep on giving beyond the end of the formal programme. Looking forward to tighter budgets, we therefore see the match challenge route as highly effective in unlocking new giving, with the benefit that every pound invested from the public purse leverages private sector money.

4.1.2 There are currently a number of matched challenge programmes in which the Government seeks to incentivise philanthropy. The most significant are the £130 million Grassroots programme and the time-limited, university endowment matched challenge (both of which apply only in England).

4.1.3 We note that the university programme has built on lessons learned from previous Community Foundation-managed schemes: gifts of shares and property are welcomed over a three year term. In contrast, the Grassroots programme aimed at community philanthropy has three one-year targets and all gifts must be converted into cash.

4.1.4 We applaud the two initiatives currently running in England and particularly the Grassroots Endowment Challenge for playing a major part in driving community philanthropy. In England, we encourage the Government to:

- Continue to use challenges as a key part of its strategy.
- Recognise that philanthropic development does not fit neatly into annual budgeting cycles (even less so in the current environment) and set targets for the life of programmes, rather than annual targets.

4.1.5 In addition, we encourage the devolved Parliaments in the other nations of the UK to consider the early introduction of match funding schemes of their own, including ones modelled on the Grassroots Endowment Challenge.

4.2 Tax reform

4.2.1 The review of charity regulation which took place prior to the 2006 Charity Act and the endless consultations around the reform of Gift Aid mean that it is unlikely that the Government will lightly embark on further legislation in this area. Some will argue that the low take-up of current incentives for charitable giving by charities suggests a low demand. In contrast, we believe that the low take up is because such incentives are unnecessarily hard to access.

4.2.2 We agree that financial incentives are unlikely to attract new donors who would not otherwise give, but our experience (supported by recent research by the Policy Exchange) strongly suggests that they can significantly impact the amount of giving, but only if they can be easily understood. At present, this is clearly not the case.

4.2.3 Britain also lags behind some other countries in its use of charitable investment funds. “Mission-related” or “programme-related” investing (investment of capital resources in ways that contribute to charities’ objectives) are relatively new concepts. Many trustees and philanthropists remain wedded to traditional investment management and grant-making, as a result of confusion and uncertainty about permissible social investment. Philanthropists are often self-made entrepreneurs, who “invest” rather than “give” and seek to recycle their capital through multiple projects. We believe that greater clarity and incentives for social investment could motivate philanthropists and transform the landscape for social entrepreneurship.

4.2.4 We encourage the Government to:

- Return to the issue of reform of Gift Aid to make it easier for charities to claim while incentivising donors to give. Proposals such as bank gifting accounts will make tax reclaim easier and make the tax incentives for giving clear to donors.
- Review whether preferential tax breaks should be granted to foundations that have a form of public ownership and promote engagement with beneficiaries, as our research shows that where giving is purely transactional donors give less.
- Undertake a thorough review of the rules and guidance relating to social investment and examine ways that tax incentives could be used to highlight and encourage investment in social entrepreneurship.

4.3 Lifetime Legacies

4.3.1 Many people leave legacies to charities in their wills. However, one reform that could mobilise philanthropy is the creation of a system of "Lifetime Legacies"[11] to enable would-be donors to enjoy their giving during their lifetimes**.**

4.3.2 People who make charitable bequests miss out on the chance to enjoy being philanthropists, to see the impact of their giving and to build relationships with charities, staff and beneficiaries. A system of Lifetime Legacies would enable donors to take advantage of these benefits while at the same time enabling charities to seek introductions to and build relationships with donors' families and friends. This process of engagement is likely to lead to increased giving.

4.3.3 This concept has been explored for a number of years, but it becomes particularly important during recessionary times, when people may be unwilling to reduce still further their assets or realise them at depressed prices because of uncertainty about the value of their residual wealth and the levels of income that they can expect.

4.3.4 Such mechanisms are already relatively commonplace in the US and have recently been adopted in Germany and the Netherlands. The challenge, which has been extensively discussed elsewhere, is to create a system which is effective and deliverable in a UK context.

4.3.5 Our recommendation is for the creation of a system of Lifetime Legacies modelled on those already available in the US. This would mean:

- The full value of the assets would be immediately and irrevocably be transferred to charity
- Donors would be given an income tax deduction to the value of the gift which could be taken to be the actuarial value of the charity's interest in the Lifetime Legacy.
- A non-charity (often the donor or a family member) is able to continue to take an income or annuity from the trust and, following the termination of that interest, the 'remainder' also passes to charity.
- Charities are able to borrow against the future asset.

4.3.6 To introduce a system of Lifetime Legacies in the UK, we encourage the Government to:

- Set up a working group to include representatives of donor organisations, social entrepreneurs and the financial sector as well as Treasury officials and the Office of the Third Sector to agree how this might best be done.

[11] Sometimes known as Charitable Remainder Trusts

4.4 Special giving zones

4.4.1 Our evidence is that philanthropists who have created their own wealth often want to use that wealth to achieve social good through charitable investment rather than traditional grants. The Government should therefore look at ways to encourage such investment.

4.4.2 The Government routinely prioritises economic investment to take account of local or national needs.[12] A recent example in the charitable sector is the £15.5m Targeted Support Fund announced as part of the "Real Help Now" recession action plan.

4.4.3 There have been similar philanthropy-led initiatives to unlock capital investment in areas of need, the best known example being Citylife's Community Investment Bonds launched by Citylife Ltd in partnership with, amongst others, the South Yorkshire Community Foundation. These bonds raised £11.4m for Sheffield, East London, Newcastle and the Welsh Valleys. They were, however, considered too complex and costly to set up and only the interest attracted tax relief. Their tax treatment contrasted unfavourably with the capital allowances available within, for example, the enterprise zone structures.

4.4.4 We therefore encourage the Government to:

- Explore the creation of special giving zones – geographical or issue based – to incentivise giving to target certain issues or deprived areas.
- Look urgently at creating the equivalent of "capital allowances" and/or enhanced gift aid for philanthropic investments in areas designated as being of special social need, perhaps starting with those areas prioritised as part of the Targeted Support Fund
- Invite intermediary bodies (CAF, Venturesome, CFN, Charity Bank, Triodos, registered charities) to compete to launch a number of time-limited and amount-capped charity investment schemes designed to invest in charities providing designated services considered to be priorities in recessionary times.[13]
- Make sure that the planned Social Investment Bank financed by unclaimed assets sticks rigidly to its role as a wholesaler of capital and builds a market for social investment. It must avoid becoming a state monopoly provider that squeezes out other providers.

[12] For example, in 1981, the Thatcher Government created 38 Enterprise Zones, where reductions in business taxation and relaxed regulation and statutory controls encouraged greater private investment. Later Business Expansion and Enterprise Investment Schemes offered favourable tax treatments to investors in particular business sectors.

[13] A key success measure could be the amount of new philanthropic money attracted into the sector additional to those normally available.

"Having lived and worked in Kent for well over 40 years, it seemed highly appropriate to give something 'extra' back to the community…In the past, we had supported numerous local projects, but always as a response to unsolicited requests; now we structure our charitable giving by going out and finding groups and organisations that, for whatever reason, we'd never ordinarily get to hear about."
Michael Head, Crown Community Trust

"I've done well out of Bristol and wanted to put something back. One person can't make a big difference but I had a strong feeling that lots of other professional people in the area probably felt the same.
"So the idea of Bristol Young Professionals (then Bristol 500) was born: a club of like-minded people each giving £5 a month to help tackle some of the big issues in Bristol – and hopefully having a good time doing it"
Jos Harrison, Bristol Young Professionals founder member

5. Embedding a culture of giving

5.0.1 The earlier sections of this document address what we can do today to encourage and support community philanthropy. The only way, however, to achieve a long term shift in the culture of philanthropy in the UK is through peer pressure and education.

5.0.2 Wealthy people are influenced by the behaviour of other wealthy people. We believe that philanthropic giving can be grown by developing peer networks of donors, where they can share experiences, learn effective philanthropy and garner encouragement and support. Development of this movement lies largely outside the role of government, except in so far as it can continue to support organisations that are creating such networks.

5.0.3 There is also a need to nurture in the UK population a habit of giving and to promote effective philanthropy as part of a broader understanding of the rights and responsibilities of citizenship, rather than viewing charity simply as a reactive *ad hoc* response to appeals. For this reason, we conclude our manifesto with recommendations designed to promote more thoughtful, strategic giving in the future through education.

5.1 Philanthropy in school

5.1.1 We welcome the inclusion within the Personal, Social, Health and Citizenship Education section of the national curriculum issues to do with developing students' financial capabilities. Obviously, this provides an opportunity to discuss philanthropy and the potential that people have to become agents for change in civil society.

5.1.2 Moreover, because philanthropy is a practical as well as theoretical discipline, it can build on the principle that "what children hear they forget; what they see, they remember; but what they do, they understand". This sentiment is core to the experience of community foundations: what changes the occasional impulsive charitable giver into a fully fledged strategic philanthropist is the ability to 'do', to see up close and, where possible, directly work with beneficiaries.

5.1.3 This is the model which we believe the Governments (Westminster, Edinburgh, Cardiff and Belfast) - through their curriculum authorities - should be promoting in our schools. Just as a number of schools now entrust students with real money and encourage them to test entrepreneurial market ideas, so we encourage schools to help students to hone their social entrepreneurial instincts with real money and real beneficiaries.

5.1.3 There are a number of successful models. Community Foundations have for many years been hosting "Youth Banks": young people-led, grant making trusts that have had a significant impact in areas like Northern Ireland. These structures could have been given explicit roles in programmes like Grassroots Grants.

5.1.4 Based on successful models from Canada, the Institute for Philanthropy recently finished a successful ten school UK pilot of the Youth and Philanthropy Initiative (YPI). YPI gives secondary school students hands-on experience of philanthropy through which they can explore the social needs of their local communities.[14]

5.1.5 An independent evaluation of this programme found that, *"The overwhelming feedback from students is one of enthusiasm for and interest in YPI and this way of learning."* Students and teachers alike are very motivated by the fact YPI is 'real' and demand for the programme is high, but at the moment the programme is dependent on private philanthropists and can only be extended to a limited number of schools.

5.1.6 We also applaud the development of schemes such as Giving Nation and Go Givers, run by the Citizenship Foundation, which provide practical experiences in youth philanthropy by engaging children in raising their own funds as well as running charitable projects.

5.2 Child Trust Funds and Child Gift Funds

5.2.1 Since 2002, the Government has been investing in the future of children through Child Trust Funds. These funds will be released to the child at the age of eighteen, presenting a unique opportunity to encourage children, particularly those from better-off households, to start on a lifelong journey of charitable giving. The Government should develop a promotional programme to encourage the money to be transferred to a bank gifting account (see above) and consider providing additional matching or top-up funds where this decision is made.

5.2.2 An extension on this concept would be to equip all children with bank giving accounts – Child Gift Funds. As with Child Trust Accounts, the Government would make an initial pump-priming payment into the accounts which could be matched tax free by parents or relatives on an annual or monthly basis. Children would then be able to make payments out of the account, co-signed by their parents in proportion to the amount of savings, or they may choose to pool accounts and share knowledge through school based giving circles. At the age of eighteen, young people could celebrate coming of age and their full participation in civil society by receiving the right to vote and being able to access their fully fledged bank gifting accounts.

[14] Each small team picks the charity they believe is best placed to make a positive contribution and, having learned how to carry out basic due diligence, students visit their chosen organisations to interview staff and beneficiaries. Students then present on the reasons their proposed charity is most deserving of support. The group judged to have made the best presentation in each school is granted £3,000 to award to their charity.

5.2.3 We therefore encourage the Government to:

- Work in partnership with private trusts, to introduce programmes such as Youth Philanthropy Initiative throughout all state schools. For example, in England, it would have been possible to structure the Grassroots Grants Programme so that it provided the grant making capital for schools to disburse.
- Encourage Child Trust Funds to be used to kick-start a habit of philanthropy.
- Explore the possibility of introducing Child Gift Funds for all children above a certain age.

"I've been fortunate to make a lot of money …Clare and I made sure our kids had a good start in life, but you've got to make your own way in the world and our children know they won't be left a huge amount of money. Some people can't make their own way because they are disabled or disadvantaged – that's where we want to help."
Paul Rooney, Rooney Fund

6. Conclusion

Governments across all the nations of the UK have a significant self-interest in the promotion of community philanthropy. Community philanthropy can:

- **Leverage additional private funds** into areas of deprivation;
- **Engage social entrepreneurs** to ensure that monies are invested effectively and their impact multiplied through contributions in kind of skills, experience and social capital;
- **Build a sense of community** by promoting a culture of mutual support and common interests; and
- **Empower local communities** to effect real change with money resources and skills, in line with the current political vogue for localism.

We believe that the Community Foundations are the leading experts in the field of community philanthropy. In drafting this paper, we have drawn on all our experience of supporting and promoting community philanthropy on the ground. This very practical experience has led us to make a range of specific recommendations to:

- Build an **effective technological and financial infrastructure** to support community philanthropy;
- **Eliminate unnecessary barriers and bureaucracy**, which discourage philanthropy and effective implementation;
- Incentivise giving through the **astute use of public funds**, and reform of the tax and banking systems; and
- Embed in Britain **a long term culture of philanthropy**, starting in schools, workplaces and among peer philanthropists.

We believe the result is a programme which should challenge the thinking of any government of any political hue. We recognise also that it is a substantial programme, which requires prioritisation and further development. We present it in a spirit of partnership and look forward to discussing it with all those with an interest in developing public policy, debating its recommendations and working together to ensure its effective implementation.

7. Summary of recommendations

The table below summarises the recommendations to the Government(s) to be found throughout this document.

Section	Recommendation
3.1 Harnessing technology	• The allocation of a proportion of the unclaimed assets funds to be invested by the proposed social investment bank, to developing innovative IT networks for the charitable sector. • Require the proposed "Digital Champion" to examine and address issues related to philanthropic digital exclusion. • Support the development of flexible on-line donation mechanisms ensuring that unnecessary obstacles are not placed in their way. (All 3.1.6)
3.2 Integration with mainstream banking	• Use the Government's influence to press for the creation of bank gifting accounts. • Allocate £5m of the proposed Philanthropy Infrastructure Investment Fund to invest in financial institutions and their charitable partners for the development of bank gifting accounts. • Offer matching schemes to Government employees using payroll giving to pay into gift accounts. • Work with the banks and the Charity Commission, Office of the Scottish Charity Regulator and the Charity Commission of Northern Ireland to identify the charitable entities that could be the legal owners of the accounts and to secure approval of the necessary processes. • Enable Child Trust Funds to be paid into bank gifting accounts. (All 3.2.8)

3.3 Removing bureaucracy	• Consider whether new tax legislation, based upon existing principles of charity law, could be used to replace the substantial donor legislation, enabling its immediate repeal with retroactive effect. • Examine the wide range of bureaucratic obligations placed on voluntary organisations and consider which could be removed or simplified, or where small groups could be exempted. • Require all Government departments to undertake and publish a "bureaucracy impact test" of any new legislation or regulation which will apply to charities and voluntary groups, including an "appropriateness" test (All 3.3.5) • Encourage the Scottish, Welsh and Northern Irish devolved administrations to consider publishing similar guidance about proportionate monitoring to that which the National Audit Office has published for England. (3.3.6)
3.4 Social opportunities	• Ask the funders of the new Centre for Charitable Giving and Philanthropy to investigate workplace giving, as a matter of priority. • Continue to invest in the Payroll Giving Centre but with an increased emphasis on cultural and leadership issues and linkages with employee volunteering. • Extend payroll giving schemes in Government offices and throughout the public sector. (All 3.4.4)
4.1 Match funding-programmes	• Continue to use match funding challenges as a key part of government strategy. • Recognise that philanthropic development does not fit neatly into annual budgeting cycles and set targets for the life of programmes, rather than annual targets. (All 4.1.4) • Encourage the devolved Parliaments to consider the early introduction of match funding schemes of their own. (4.1.5)
4.2 Tax reform	• Return to the issue of reform of Gift Aid to make it easier for charities to claim while incentivising donors to give. • Review whether preferential tax breaks should be granted to foundations that have a form of public ownership and promote engagement with beneficiaries. • Undertake a thorough review of the rules and guidance relating to social investment and examine ways that tax incentives could be used to highlight and encourage investment in social entrepreneurship. (All 4.2.4)

4.3 Lifetime legacies	• Set up a working group to include representatives of donor organisations, social entrepreneurs and the financial sector, as well as Treasury officials and the Office of the Third Sector to agree how to implement a system of Lifetime Legacies. (4.3.6)
4.4 Special Giving Zones	• Explore the creation of special giving zones – geographical or issue based – to incentivise giving to target certain issues or deprived areas. • Look urgently at creating the equivalent of "capital allowances" and/or enhanced gift aid for philanthropic investments in areas designated as being of special social need. • Invite intermediary bodies to compete to launch a number of time-limited and amount-capped charity investment schemes designed to invest in charities providing designated services considered to be priorities in recessionary times. • Make sure that the planned Social Investment Bank financed by unclaimed assets sticks rigidly to its role as a wholesaler of capital and builds a market for social investment. (All 4.4.4)
5.1 Philanthropy in schools	• Continue to support and promote best practice model in schools which allow children and young people to engage directly in philanthropy and with local community groups (5.1.1-5.1.6)
5.2 Child Trust Funds/Child Gift Funds	• Work in partnership with private trusts, to introduce programmes such as Youth Philanthropy Initiative throughout all state schools. • Encourage Child Trust Funds to be used to kick-start a habit of philanthropy. • Explore the possibility of introducing Child Gift Funds for all children above a certain age. (All 5.2.3)

The Working Group

The following have contributed to the production of this paper:

Matthew Bowcock (Chair)	*Chair, Community Foundation Network and Vice Chair, Surrey Community Foundation*
Anne Boyd	*Chair, Scottish Community Foundation*
Beth Breeze	*Researcher, Centre for Charitable Giving and Philanthropy*
Clive Cutbill	*Vice-Chair, Capital Community Foundation*
Sir Christopher Gent	*Honorary Vice-President, Community Foundation Network*
David Gold	*Chief Executive, ProspectUs*
Stephen Hammersley	*Chief Executive, Community Foundation Network*
George Hepburn	*Chief Executive, Community Foundation serving Tyne & Wear and Northumberland (now retired)*
Louisa Mitchell	*Consultant, former Research Fellow, Policy Exchange*
Baroness Prashar	*Honorary President, Community Foundation Network*

Secretariat:
Ben Rich

This paper represents the policy of the Community Foundation Network as agreed by its Board.

Contributing to this paper does not, however, necessarily imply agreement with all of its recommendations.