PHILANTHROPY MANIFESTO

FOR THE GENERAL ELECTION 2015
This manifesto has been produced with careful consideration of the Electoral Commission’s new rules on lobbying. It is not intended to influence people’s voting choice, but provide a call for whichever government takes power to promote community philanthropy.
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In the words of renowned philanthropy researcher, Dr Beth Breeze, “philanthropy is a social act, not an economic transaction”. Our experience is that if people are more engaged, they give more and they do so more effectively. Philanthropy enriches the lives not just of recipients but also of donors. The more that each can be brought to understand the conditions and motivations of the other, the more impactful the philanthropic act.

The aim of this manifesto is to create a positive culture of giving across the UK, which assumes philanthropy as the norm rather than the exception.

Our recommendations will make giving both easy and impactful and will capitalise on the sense of community, empathy and charity that already exists across the UK.

Philanthropy managed and enabled locally through a community foundation has been an exciting growth story over the last parliament.

With £65 million invested in community led charities last year, and £450m of endowed funds under management, community foundations already provide invaluable funding and support across the UK. We see how the philanthropic acts of many accumulate to develop highly resilient webs of support for communities across the nations. But we are working in challenging conditions, with growing demand and decreasing funding. The recommendations in this manifesto are a strategic response that will mobilise people to make local communities more resilient and self-reliant.

Philanthropic investment in local communities also needs to become custom and practice, not only for individuals, but also for companies that want to be seen more clearly as a force for good in the areas where they operate and where their employees and customers live.

The aggregate amount of philanthropy is small in comparison to government spending.

However its autonomy, flexibility, and capacity for innovation make philanthropic funding economically and culturally important. Using modest amounts of government finance to both encourage, and facilitate this strategic philanthropy has the potential for enduring social change, well beyond the reach of government money alone.

Our full table of recommendations can be found on page 14. Our key insights and recommendations, which will be worth more than £1bn over the life of the next parliament, are.....
Key Recommendations

1. INCENTIVES THAT WORK
We call upon government to continue to use match-funded challenges, like Community First, an incentive that helped community foundations add £75m to their total endowment last year alone, to promote more local giving. A £20m annual investment in match funding over the life of the next parliament managed and matched by UKCF would accelerate the growth of grassroots funding, delivering at least £450m of philanthropic finance.

2. INVESTMENT THAT DELIVERS
We call upon government to establish a one-off £30m ‘Philanthropy Infrastructure Investment Fund’ providing seed capital for projects that release giving. There are few sources of investment for philanthropic platforms that enable more giving. Such an investment would provide 20 times return on investment.

3. VOLUNTEERING THAT MATTERS
As well as continued investment in inspiring volunteering, we call upon government to invest in smaller organisations that have high impact volunteer work that could be scaled up. Community foundations see and can target funding to local charities using volunteers in a high impact way.

4. ELIMINATE INEFFECTIVENESS
We call upon government to work with the Charity Commission to take further steps to discourage the establishment of new private trusts, which are expensive, have increased risk of dormancy and are more open to abuse. Foundations with independent trustees, such as community foundations, offer an effective and proven alternative.

5. FOCUS RESOURCES
Our evidence is that philanthropists who have created their own wealth are interested in ways of using that wealth to achieve social good beyond traditional grants. We call upon government to explore the creation of special giving zones with favourable tax treatment and/or challenge funds, designed to prioritise investments in services in geographical areas of greatest need.

6. CELEBRATE PHILANTHROPY
We call on leaders in parliament to champion and recognise companies and individuals whose approach to investing philanthropically will inspire others, and who are finding new ways of sustaining social change. This should include supporting existing processes like the Beacon Awards.
“I want the legacy of my generation to be powerful thriving local communities.

If we can achieve this then we will deliver lasting social change that will benefit our society for years to come.”

Sir Terry Leahy
Former CEO Tesco plc
Introduction

Our aim is to create a positive culture of giving to support your local community, wherever you are in the UK, which assumes philanthropy as the rule rather than the exception. We know that the voluntary sector cannot expect donations. To create a positive culture of giving, it is our role to make giving both easy and impactful, and to demonstrate it as such, in order to capitalise on the strong sense of community, empathy and charity that already exists across England and Wales.

To enable this, community philanthropy needs an infrastructure that: supports effective giving; channels funding into creating effective partnerships; and allows for the leveraging of new and increased giving from donors.

Current economic and demographic developments mean that, at best, state investment in social care and well-being will lag demand. Against this background, our priority is to ask ourselves what more can be done to encourage and sustain giving to those working in local communities; on the basis that this work is a strategic response that equips communities to be more self-reliant.

With voluntary sector income down £700m on the previous year, largely as a result of reduced government funding of £1.3bn (NCVO Civil Society Almanac 2014) it is fair to say that the voluntary sector is having a tough time and will struggle to rise to meet this challenge. As the numbers of charities also continue to grow year on year, charitable and community organisations are not only getting smaller slices of the pie, but the pie itself is shrinking. It is well documented that it is smaller charities, which often provide front line services that are going the hungriest: with the largest 10% of charities attracting over 90% of all income to the sector.

Communities really do matter! Growing numbers want to support them

Despite the headlines and public sector cuts, community spirit is alive and well. The ONS Community Life survey (2013) showed a strong sense of community spirit, with 79% of people reporting they belong strongly to their neighbourhood. Correspondingly, in the Mind the Gap report (New Philanthropy Capital, March 2014) on public perceptions of charities, it was revealed that over half of respondents (56%) thought charities should be helping communities. UKCF’s own Shine a
Light research (December 2013) found that people are nearly twice as likely to feel confident that giving locally, as opposed to nationally, helps those who need it most, and that over half would give more locally if giving was easier and they could see the impact of their donation. It also found that 45% of young people believe it is important to be part of, and to help their local community. This all reflects a renewed interest in community philanthropy across the UK and we know from our donors that the public is increasingly looking to their own doorstep when considering their philanthropic ambitions.

In writing this manifesto, we have asked ourselves what has gone right in the last five years. The passion people have for their local area has meant that local philanthropy and giving have increased throughout the recession. This means that the 48 community foundations which make up the membership of UK Community Foundations (UKCF), have bucked the trend and grown at an accelerated rate throughout this period, with 2013-2014 being one of the fastest growing years in terms of both endowment size and money distributed in grants.

This is good news for community foundations and even better news for the thousands of small charities and community groups that receive community foundation grants every year.

Community foundations, together, support over 15,000 donors: 90% of which are individuals and families.

Community foundations fund over 20,000 community-based charities and groups each year.

In March 2014 community foundations’ average endowment figures had gone up on the previous year by around 25%, meaning that nearly £450m is being managed, in aggregate, by community foundations in charitable endowments across the UK.

Money given out in grants last year (2013-14) through community foundations had increased by around 7% on 2012-13, meaning that around £65m was invested in building thriving communities.

Community foundations collectively rank twelfth in the UK for endowment and grant-making. And are the second and seventh growing respectively.
With this national and growing reach, community foundations provide invaluable pockets of funding and support across the UK. The charities and other groups funded in this way individually change lives and collectively provide an imperceptible but highly resilient web of support for people in communities across the UK.

Is this enough?

The tens of thousands of small charities and voluntary organisations across the UK are the social glue that holds our communities together, and have become ever more critical in times of economic austerity. These organisations are very often below the radar, work hand to mouth, and ‘plugging the gap’; providing support, advocacy, solace and opportunities for some of the most vulnerable people in the UK.

But while these thousands of organisations, often run by committed and passionate volunteers, are working to help those in crisis, they are also working to prevent these crises in the first place and to support thriving communities. Healthy communities engender engaged and active citizens, offering a cost-effective, preventative approach to social renewal. But the organisations that generate the funding that makes this happen need more support.

We have based our recommendations to government on our members’ knowledge of what works, what is needed in communities and the capacity of agencies like community foundations to target those charities that are most effective and to convene joined up working. Our solutions are proposed to those in central and, to a lesser extent, local government.
Since the 1960s, the number of charities has grown steadily. At least 2,500 new organisations register every year and there are currently 161,266 charitable voluntary organisations in England and Wales: 2.5 voluntary organisations for every 1,000 people. This is equivalent to one voluntary organisation for every 395 people and these figures disregard ‘below the radar’ unregistered voluntary associations, which are estimated to be as many as 600,000 (NCVO Civil Society Almanac 2014).

Voluntary sector total expenditure figures reveal an increase from £28 billion to £38 billion between 2000-01 and 2011-12 while total income per year, £39.2 billion, is down £700m on the previous year largely as a result of reduced government funding of £1.3bn (source: NCVO Civil Society Almanac 2014).

According to The Centre for Social Justice's *Something's Got to Give* report (December 2013), charities with annual incomes of £100,000 or less account for only 3.5% of the voluntary sector, down from 5.4% in 2006. A significant skew in income persists with the largest 10% of charities attracting over 90% of all income to the sector. While social enterprise and social investment are reported to be growth areas, and this may well be the case, the numbers are hard to pin down and are still very modest in the context of sector income as a whole. “Fees for services” of £5 billion in 2013 were only 4% up on the previous year. A significant increase in funding via social impact bonds would be welcome, but if not calibrated well they run the risk (that is shared with contracting) that the pressure to hit targets lessens the focus on the least advantaged and hardest people to reach.

Against such a challenging backdrop, the voluntary sector is increasingly relying on private donations to support vital work. Making it exciting for people to engage in community giving is primarily down to individual charities, but government has an opportunity to create the right infrastructure to unlock new giving, to work to remove bureaucratic obstacles inadvertently put in the way and to incentivise effective giving.
New match funding through community foundations

Government needs to continue to invest in order to incentivise more community philanthropy.

In 2013, £15 million was available under the Community First Endowment Match Challenge and community foundations raised the £30 million required to claim all of the available funding. However, the successes of a match challenge also lie in the momentum they generate over and beyond the specific targets, as demonstrated by the fact that the £45 million Community First figure was only part of community foundations’ overall endowment increase of £75 million.

The Community First initiative has been a hugely beneficial and successful programme. NCVO called for the continuation of such a match challenge through community foundations in its manifesto for the 2015 General Election, as has the Centre for Social Justice in its Breakthrough Britain 2015: Social Solutions. The Endowment Match Challenge has brought great benefit and significant impact to communities across the UK. We call on government to continue match-funded challenges to promote more local giving. A £20 million annual investment in match funding over the life of the next parliament, managed by community foundations, would accelerate the growth of grassroots funding, delivering at least £450 million of long term finance for the sector.

Philanthropy Infrastructure Investment Fund

There are very few sources of investment for philanthropic infrastructure platforms that can produce as much as a 20 time return on investment in new local giving. An investment in philanthropy infrastructure would support a stronger sector through more strategic partnerships at infrastructure level. We call upon government to establish a £30 million ‘Philanthropy Infrastructure Investment Fund’ to provide seed capital to support projects that release more giving. This could produce up to £600m of new giving over the life of the next parliament.
Special Giving Zones

Government routinely prioritises its own regional or local investment in the economy to take account of local or national needs and has incentivised private investment, including Enterprise Zones, where reductions in business taxation and relaxed regulation and statutory controls have been offered to encourage greater private sector economic activity. Similarly investments in particular types of companies considered to be critical to the economy have been incentivised through the Business Expansion and Enterprise Investment Schemes, offering favourable tax treatments to investors.

Our evidence is that philanthropists who have created their own wealth are interested in ways of using it to achieve social good beyond traditional grants. They frequently want to treat their charitable investment as a form of social entrepreneurship. In recessionary times when the impact of unemployment becomes an increasingly pressing issue we believe the opportunities for social entrepreneurship should be greater.

We call upon the government to explore the creation of special giving zones with favourable tax treatment and/or challenge funds modelled on social exclusion funds, designed to prioritise investments in services in areas of greatest need.

Investment in the demand-side of volunteering

Rates of formal volunteering peaked in 2005, but the ONS Community Life survey in 2012/13 suggested that 72% of respondents had volunteered in the last year. Volunteering not only benefits both the charities, groups and the individuals who volunteer, it also indicates that people are interested in coming together within their communities to make them better places.

From a community foundation perspective, we see a demand for funding that exceeds supply from local charities that already use volunteers and have the potential to use more volunteers in hugely impactful ways. This leads us to question whether greater social benefit might have been obtained from support for organisations that use volunteers in this way, rather than investing in programmes that just increase the supply of volunteers who may or may not do useful work.

We recommend investment in smaller organisations that have high impact.
volunteer work that could be scaled up. We call on government to align programmes that increase the supply of social action and volunteering with this investment. We want more befriending schemes for isolated people and fewer ‘team days painting walls’.

Lifetime legacies
Charities need to offer reciprocal relationships to donors. Giving is very often financial. In return charities should be able to give the donor ‘bang for their buck,’ including a comprehensive impact report, as well as evidence that the money is being leveraged to its full potential for both the donor and the beneficiaries.

Lifetime legacies allow a donor to retain the benefit of the income for their lifetime while reaping the benefits of tax efficiency. Allowing a donor to make deductions against Capital Gains Tax at the time of the gift and for its value to not be included as part of their estate would ensure that the donation is ‘efficient’, while letting charities grow a new demographic of donors who, while unable to make a financial commitment immediately, would feel able to take advantage of this opportunity.

We recommend that government establishes a system for lifetime legacies, to enable philanthropists to release funds earlier from their estates.

Celebrate Philanthropy
For philanthropy to become a norm we need to tell the stories of how individuals and companies choose to enrich the lives of others and celebrate those whose work finds new solutions to chronic problems.

We recommend that leaders in parliament consciously champion and recognise companies and individuals whose approach to investing philanthropically will inspire others. This should include supporting existing processes like the Beacon Awards.
It is in everyone's interest that organisations that collect and hold donors’ money are efficient and effective over the long term: using funds strategically and effectively; contributing to a healthy and thriving sector; and ensuring that giving is enabled to its full potential.

The Charity Commission

UKCF has developed stronger links with the Charity Commission and, as part of newly released guidelines, community foundations are now a suggested alternative to those considering setting up a new charity. Community foundations are also suggested as an option to existing trustees whose private trusts are moribund or ineffective, or to take over trusteeship of an active trust fund with a view to continuing to deliver the current objectives. This is a great step forward and will reduce the administrative burden on the Charity Commission while supporting trustees looking for alternatives for their trust fund and peace of mind for the future of their cause.

The Charity Commission needs to take further steps to discourage the establishing of new private trusts, which are expensive, have increased risk of dormancy and are more open to abuse. Foundations with independent trustees, such as community foundations, offer an effective alternative.

Big Lottery Fund

Big Lottery Fund (BIG) is good at strategic issue-based interventions but not at joining up work locally and is not good at supporting high potential but early stage community groups. BIG must look to work in partnership with agencies that know local communities if it wants to see thriving communities. For similar reasons, we recommend that BIG needs to shift the balance away from programmes largely driven from the centre out, and increase the share of funds that embrace and support the strategies of local charities that really know their communities and the issues that matter to volunteers and the people that they are helping.
Charity campaigns and the Lobbying Act

As the new rules come into force for the regulated period beginning in September for the 2015 general election, we are yet to see the impact of the Act on charitable organisations’ campaigning. UKCF’s experience of managing the Fair Share Trust demonstrated the power of communications to mobilise people to build social capital and community capacity. While we are as yet not aware of the full implications of the Act, our recommendations are that government takes care not to restrict campaigning that limits the mobilising of individuals, which is central to creating thriving and healthy communities.

We are also aware that the funding restrictions on lobbying activity could potentially take organisations, working collectively, over the threshold. We recommend that government takes care not to confine the collaborative efforts of charities in campaigning, which is critical to the effectiveness, independence and collective voice of the sector.
Between 2010-11 and 2011-12, the charitable sector saw a fall in real terms in government income of 8.8%. £11.1 billion of total income received by the voluntary sector is now from government contracts, accounting for 80% of the sector's total government income, with only 20% of government funding now coming from grants to support its work.

This is a significant shift from the funding split at the start of the last decade. In 2000-01 only 49% of voluntary sector income from government was from contracts (NCVO Civil Society Almanac 2014).

Contracts and grants

With government contracts now forming such a substantial and increasing proportion of the sector's income, this is having a profound impact: smaller charities find it difficult to access contract income; charity pay apparently has to reflect the demands of contract delivery; public perception of charities as independent and capable of challenging government is questioned by some.

We call upon the government to publish the costs associated with contracting to enable the public to see that the cost benefit analysis justifies contracts over grants.

The Social Value Act

While we believe the Social Value Act has potential and have seen it help ensure socially responsible contracting in some parts of the country, community foundations are yet to see the benefit of the Social Value Act across England and Wales. UKCF would like to see the Act given greater profile through increased incentives for organisations to demonstrate their social benefit.

We recommend that, as part of making the Social Value Act more effective, local authorities should be encouraged to appoint local 'referees' to give an opinion on the social value credentials of tendering parties.
## Investment in Philanthropy

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**Making it exciting for people to engage in community giving is primarily down to individual charities, but government has a responsibility both to create the right infrastructure to unlock new giving and to work to remove bureaucratic obstacles to giving inadvertently put in the way.**

**Government needs to continue to invest to incentivise more community philanthropy, to empower local people to take charge of their own lives.**

**Community foundations see a demand for funding that exceeds supply from local charities that use volunteers in a high impact way. This leads us to question whether greater social benefit might have been obtained from an investment in the demand side of the volunteer market.**
UKCF has developed stronger links with the **Charity Commission** and, as part of newly released guidelines, community foundations are now a suggested alternative to those considering setting up a new charity. Community foundations are also suggested as an option to trustees whose private trusts are moribund or ineffective, or to take over trusteeship of an active trust fund with a view to continuing to deliver the current objectives.

**RECOMMENDATION:** The Charity Commission needs to take further steps to discourage the establishing of private trusts, which are expensive, have increased risk of dormancy and are more open to abuse. Foundations with independent trustees, such as community foundations, offer an effective and proven alternative.

**Big Lottery Fund** is good at strategic issue-based interventions but not at joining up work locally and is not good at supporting high potential but early stage community groups. BIG must look to work in partnership with agencies that know local communities if it wants to see thriving communities.

**RECOMMENDATION:** BIG must work in partnerships across all strands of its work as otherwise, with its funds quite healthy and others cutting back, it risks skewing the market.

**RECOMMENDATION:** BIG needs to shift the balance away from programmes largely driven from the centre out, and increase the share of funds that embrace and support the strategies of charities that really know their communities and the issues that matter to volunteers and the people that they are helping.

We are yet to understand the impact of the Lobbying Act on charitable organisations’ campaigning. UKCF’s experience of managing the Fair Share Trust demonstrated the power of communications to mobilise people to build social capital and community capacity.

**RECOMMENDATION:** We recommend that government is careful not to restrict campaigning which could in some way limit the mobilising of individuals, which is central to creating thriving and healthy communities.

**RECOMMENDATION:** Government needs to be careful not to confine the collaborative efforts of charities in campaigning, which is critical to the effectiveness, independence and combined voice of the sector.
With **government contracts** now accounting for an increasing proportion of the sector’s income, smaller charities are missing out on their slice of the pie. Community foundations are yet to see the benefit of the Social Value Act and would like to see the Act given greater integrity through increased incentives for organisations to demonstrate their social benefit.

**Charities and procurement**

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**Celebrating philanthropy**

We call on leaders in parliament to champion and recognise companies and individuals whose approach to investing philanthropically will inspire others, and who are finding new ways of sustaining social change. This should include supporting existing processes like the Beacon Awards.
The UK Community Foundations (UKCF) help individuals, families, entrepreneurs, companies, charitable trusts and public sector bodies connect with, support and invest in their local communities right across the UK.

### What is a community foundation?

A community foundation is a vehicle for charitable giving that enables effective philanthropy.

Community foundations work with individuals, families and companies to design bespoke grant making and philanthropy strategies that target particular issues or focus on particular geographical areas.

There are 48 quality accredited community foundations, providing philanthropy services to all parts of the UK.

### What is UKCF?

UKCF is the umbrella organisation for all community foundations.

We quality accredit our member community foundations to standards endorsed by the Charity Commission and provide advice and support.

We provide philanthropic advice to donors and work to deliver UK-wide philanthropic and grant making programmes through community foundations.

We highlight the extra-ordinary and powerful growth of community foundations and seek the investment in community foundations that will keep this growth accelerating.

In the interests of transparency, we also enable the Beacon Awards for Philanthropy.
The Centre for Social Justice:


This manifesto was produced by UK Community Foundations (UKCF) in Sept 2014

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