



Seizing the philanthropic prize

The role of the UK government in growing philanthropy

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Summary

Each year, members of the UK public voluntarily donate nearly £20 billion of their own funds to help make possible the work of tens of thousands of charities, employing hundreds of thousands of people and providing services, opportunities and stronger communities for millions across the country. This generosity has long been a part of British culture, and that has never been more evident than it was during the pandemic and the Ukraine crisis.

There is a clear and recognised need to steward how this money is both raised and spent to ensure it has the greatest possible impact, roles fulfilled to varying degrees by the Charity Commission and the Fundraising Regulator.

However, there is also a significant opportunity to grow this stream of funding towards public good. If the British population gave a similar share of their wealth to charity as the New Zealand or Canadian populations, this would generate an additional £5 billion in annual donations.

All sectors have a role to play in achieving this. The private sector is an important source of both cash and skills. The charity sector and its institutional funders have to innovate and adapt to changing trends in donor behaviour. And governments – both local and national, UK and devolved – have a number of powerful levers in their hands which they could utilise to grow charitable giving in the UK.

Governments can help to set the tone about philanthropy in the areas they're responsible for, directly and indirectly encouraging individuals to give. They can convene across sectors to unite organisations with a common purpose. They can actively partner with philanthropists, grant-makers and charities to leverage greater funding through match-giving schemes. And the UK government in particular can improve regulation, guidance, taxation and the measurement of philanthropy to make giving more effective and impactful.

Summary

Action by the UK government to bolster giving across the country would not only support the charity sector, communities and beneficiaries, but also actively help the government to better achieve its goals.

Philanthropy and the UK government will never have perfectly aligned objectives, regardless of leadership or priorities at any given time. They both have their own functions to fulfil within society, with philanthropy often able to take greater risks, move more quickly and invest for the longer-term though at a smaller scale than government. But there are benefits to be had in both sides leveraging the strengths of the other, for example for government to harness learnings from the innovative programmes philanthropy funds, and for the philanthropy sector to have greater insight into government's direction to identify opportunities of its own. And there is a wealth of overlap between what both sectors are trying to achieve. Philanthropists and the charities they fund are working every day to improve employment outcomes, to boost education and skills, and to reduce inequalities in life expectancy – to name but a few.

But with only a third of a civil servant's time currently dedicated to philanthropy policy, alongside a small number of civil servants responsible for some relevant taxation, the UK government current does not have the **coordination, resource and expertise** needed to seize these opportunities.

Looking at how the UK government works with businesses and how the US government works with philanthropy can provide us with the building blocks by which to achieve more philanthropic investment and collaboration. These models tell us that government needs individuals in leadership positions who are able to translate between sectors and are accessible to both the rest of Whitehall and the philanthropy sector; individuals who draw on the knowledge of philanthropists either directly or by working closely with the sector. Those individuals needs to have a helicopter-view across government activity to identify practical opportunities, and to be trusted by the rest of government.

Recommendations

A Philanthropy Champion

The appointment of a senior civil servant with responsibility for driving forwards the UK's approach to philanthropy is essential. That civil servant needs to be visible to both the philanthropy sector and to the rest of Whitehall, in order to act as a gateway for both sides – to receive insights from philanthropy on the barriers to investment and to communicate to philanthropy the strongest opportunities the rest of government identifies. This individual also needs to have the resources and authority required to coordinate cross-government action on measurement, regulation and taxation of philanthropy in order to unlock its potential.

Were the government to appoint a Philanthropy Champion or equivalent, the philanthropy sector should respond constructively and actively. It has a responsibility to coordinate and provide opportunities for input and both sides should listen to and work with each other. Secondments should also be considered.

A 'leveraging philanthropy' best practice drive

Philanthropy sector organisations and government should work in partnership to accelerate knowledge of philanthropy in the civil service, with a focus on how policymakers can leverage its expertise and resources through innovative financing models such as match-funding.

A best practice drive across Whitehall should be launched to increase understanding of the opportunities philanthropy presents – ideally led by the Cabinet Office Learning and Development team. Guidance and training on this topic should be embedded within civil service development as standard, and a bank of best practice examples grown over time and shared.

The philanthropy sector should actively support government in pursuing this. That might include convening 'lunch and learns' with philanthropists to exchange perspectives and collaborating on joint principles for what good partnership looks like.

Definitions in this report

Philanthropy is an umbrella term that describes voluntary action for public good. While people often think of ‘philanthropists’ as those who make large donations, anyone who donates their ‘time, talent or treasure’ is making a philanthropic gift. However, in this report, we focus specifically on monetary donations by individuals. This ranges from the small change given by the public to the large gifts made by major philanthropists.

For ease, we have used ‘philanthropy’ as shorthand to describe this range of giving. However, there are elements of the proposals within which skew more heavily towards ‘major donor philanthropy’ or giving by the wealthiest, and there are elements which skew more heavily towards increasing giving by the population overall.

By ‘philanthropy sector’, we mean philanthropists, foundations, grant-making trusts and umbrella organisations.

It is also important to note that philanthropy and private social investment are closely aligned. Philanthropists often engage in social investment as a mechanism to achieve their social impact goals. Many of the conclusions of this report are equally applicable to social investment. For simplicity, however, we refer to ‘philanthropy’ through this paper.

The philanthropic prize



The size of the philanthropic prize

In 2018-19, charities in the UK received £19.6 billion in individual philanthropy. This comprised public donations of £10.3 billion, income generated through fundraising of £5.6 billion, and legacies of £3.7 billion.¹ Private and family foundations give generous amounts in addition to this.

This is a substantial stream of spending by the public – equivalent to 2.1% of public spending or 5.5% of government departments' revenue spend,² or the pre-pandemic revenue of Marks & Spencer, Next and every Premier League football club combined.³ And as the source of around 35% of charities' total income, philanthropy helps to make possible a huge amount of the £180 billion of social value Andy Haldane estimates the sector generates each year.⁴

However, the data suggests there is the potential to unlock even greater amounts of giving.

- The UK population is estimated to give 0.54% of national income to charity, which is significant. Yet the US, Canadian and New Zealand publics give a notably higher proportion. If the British population gave a similar share of their wealth to charity as the New Zealand or Canadian populations, this would generate an additional £5 billion in annual donations for charity.⁵
- Although charity income from public donations has increased overall, the numbers of people donating regularly have been steadily declining. Pro Bono Economics estimates that restoring the proportion of the public that gives regularly to 2000 levels could raise up to £1.4 billion a year for charities, while if the top 1% of earners in the UK who are donating below 1% of their income raised their giving to that level, it could also raise up to £1.4 billion.⁶

To grasp this opportunity, every sector needs to work together. The UK government has a major role to play.

The US leads the world in seizing the philanthropic prize

In the US, 'Public-Philanthropic Partnerships' are growing, and operate in two main forms at every level of government.

Federal-level Philanthropic Engagement Liaisons

The US government has over 40 'Federal Liaisons' – civil servants embedded in, for example, the Department of Transportation and the Department of the Interior. It is their responsibility to:

- facilitate information exchange between the department and the philanthropy sector;
- incubate projects which the philanthropy sector and the state collaborate on;
- train departmental staff in identifying opportunities to increase philanthropic engagement in community partnerships.

Under President Biden's administration, the model is being scaled up with the ambition that all federal departments will have a small team of liaisons in place to leverage the benefits of philanthropy.

Local-level Offices of Strategic Partnership

A growing number of cities and states have Offices of Strategic Partnership, often embedded within their leadership teams – such as within the relevant Governor's Office. They operate quite variably depending on the needs of the state, but they work to establish partnerships and collaboration between the city or state and the philanthropy sector.

Some of the successes various offices have achieved include:

- Leveraging \$400m in New York;
- Brokering \$150m of investment in Michigan;
- Reforming how BIPOC-led organisations receive grant-funding in Boston;
- Raising \$23.5m in LA County for health and child welfare since beginning efforts in July 2021.

“It's in the government's best interest to know and develop these relationships. The philanthropy world is a multi-billion dollar game. It's in our best interest to know how that money is being spent and to know how to leverage that money. To be able to fill the gaps where philanthropy isn't and to avoid doubling what they're doing. Even if you take the funding out of the equation, it's in the best interest of everyone to know what's going on,” – US Federal Liaison

“The advantage of institutionalising a relationship is that you don't have to learn every time you do it. It used to be that every time you want to do a partnership between philanthropy and government, you start from scratch. Go through the steps. Make all the same mistakes. Learn different lessons. Now that we have an office where a lot of that knowledge from past experience is accumulated, we can accelerate and facilitate a number of partnerships all at one, much more effectively,” – Director of city-level Office of Strategic Partnerships

“Everything is about relationships, and we can do much more together than we can do alone,” – US Federal Liaison

The UK has shown it has the potential to do the same

The UK currently works with the philanthropy sector on a programmatic basis – for example through match-funding schemes – and has had significant successes.

University Matched Funding Scheme

Between 2008-11, the UK government ran a £200m match-funding scheme to incentivise giving to universities and to encourage fundraising professionalism within institutions. This included an extensive programme of capacity-building training in fundraising and a public information campaign.

Key outcomes

- In England, donors gave £580m, which was matched by £143m from the UK government.
- Donor numbers to higher education accelerated at a time when charitable giving overall declined and higher education giving in North America fell.⁷
- Universities are now recognised as one of the most sophisticated fundraising sectors in the UK, and giving rates continue to rise.⁸

Community First

The Community First programme had two parts: a Neighbourhood Match Fund (NMF) and an Endowment Match Challenge (EMC). The first component was a small grants programme focused on the most deprived wards – with funding awards made by local panels. The second component was undertaken in partnership with Community Foundations with the aim of helping them develop long-term endowments for their localities. Government gave 50p for every £1 the public donated.

Key outcomes

- 18,055 projects receiving £94m in NMF funding.⁹
- Over 9,000 grants worth more than £23m made through EMC in first 5 years.¹⁰
- Endowments worth over £140m in 2017/18 providing long-term investment.
- Increased community organising, funding application and funding management skills in communities with high deprivation, with over 5m volunteering hours.

What could that philanthropic prize achieve?

The public, charities and government all stand to gain from greater philanthropic investment in the UK. Were the British population to give a similar share of their wealth to charity as the New Zealand or Canadian populations, the £5bn in annual donations for charity generated would represent almost a 10% increase in charity sector income. This would increase the charity sector's capacity to deliver what the public most values it for: supporting vulnerable people, delivering valuable services, solving and preventing problems, and building resilient communities. But it would also help to bolster the charity sector's resilience, create jobs and volunteering opportunities, and ultimately contribute to both economic growth and wellbeing.

The government stands to benefit from a growth in philanthropy. The charity sector plays an important role in boosting living standards, spreading opportunity, restoring local pride, and in empowering communities – objectives charities and the government both share. Meanwhile philanthropic investment helps charities to innovate, to operate independently in a position of trust within communities, and to deliver long-term change not constrained by election timelines. And by improving measurement, guidance and regulation of philanthropy, government can play a role in ensuring the monies the public donate to charities are invested more effectively to achieve these goals.

But government can benefit even more directly than that. By working closely with the philanthropy sector, it can garner insights into how policies and approaches can be improved. Both sides can grow their understanding of solutions already operating on the ground which might be scaled or learned from, and avoid duplicating effort. And by more proactively looking to undertake more and better match programmes, government can also benefit from leveraging philanthropic funds which are aligned to its priorities – helping embed fundraising skills in communities and growing a culture of giving at the same time.

Philanthropy: levers for growth



The UK government possesses a number of levers it could utilise to unleash greater philanthropy

1. Tone-setting

Leadership by the UK government helps set the national tone on philanthropy. An encouraging government which uses its platform to celebrate philanthropy sends strong signals to the potential donor community, as the giving behaviour of peers is a big factor in driving donations. The honours system plays a role here, as do the speeches politicians give about philanthropy and the way that government acts to promote the charitable sector's strengths.

2. Taxation and financial structures

A range of significant taxes currently have implications for charitable giving. These include Corporation Tax, Gift Aid and Inheritance Tax. The thresholds set for tax relief, the value of what charities receive, and the processes by which the tax system can be utilised by charities and donors are all powerful tools in the philanthropy toolbox. But there are also other tax reliefs and financial legal structures that the government could be actively exploring, such as Charitable Remainder Gifts which operate in the US, and existing taxes could work harder and be modernised.

3. Regulation and guidance

Regulation and guidance can play an important part in encouraging giving, from the Charity Commission's approach to trusts and foundations, to the Financial Conduct Authority's requirements for financial advisers. There is an international dimension to this, with the UK government possessing the power to potentially unlock more donations from abroad by reducing regulatory barriers. There is also a local dimension, with the UK government able to encourage local authorities to engage with philanthropy including through devolution deals.

The UK government possesses a number of levers it could utilise to unleash greater philanthropy (part 2)

4. Convening

One of government's most powerful tools is its convening power. It can wield this power lightly, for example by acting as a steward for philanthropists looking to donate but not sure where to start, or very proactively as it chose to do in the case of the Academy programme. Government can also convene across sectors, for example by bringing the private and social sectors together to collaborate on issues such as new philanthropy products, or by helping interested philanthropists and innovative charities find each other to work around particular themes.

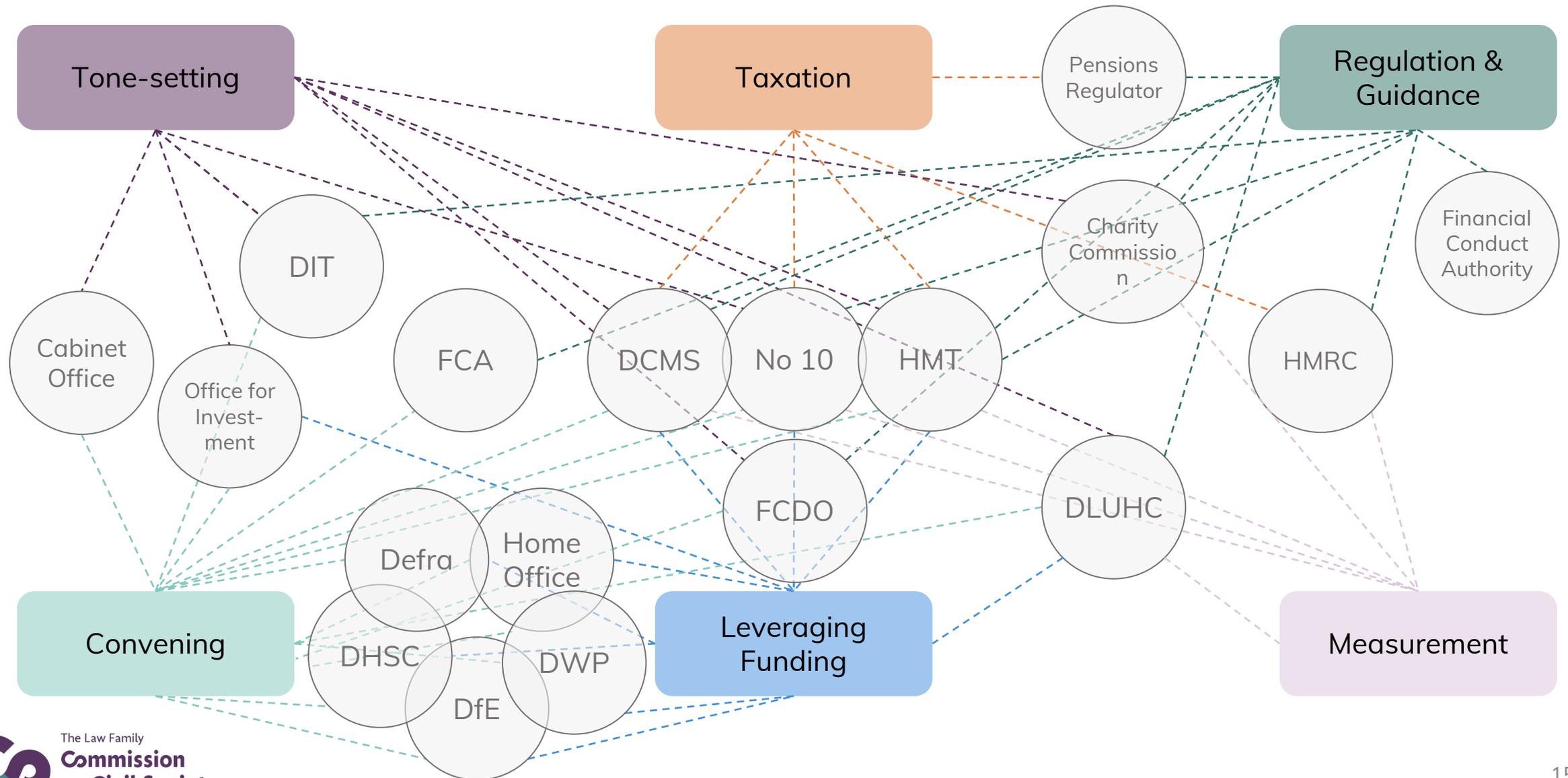
5. Leveraging funding

Beyond taxation, the government has a number of financial mechanisms which it can utilise to incentivise greater giving. This includes match-funding schemes which are one of the most impactful ways in which donations can be encouraged, combining the power of giving and government action to grow the funds available and pool expertise. Government also has the ability to support the funding of effective infrastructure to encourage philanthropy, including at a local level or on particular policy issues.

6. Measurement

With influence across statistical organisations such as the ONS, holders of data such as the financial services sector, HMRC and the Charity Commission, as well as the charity sector itself, government has the power to increase the quality and availability of data which can help to guide effective decisions by philanthropists. This would help to ensure that the supply of philanthropic money is better channelled and can make the most difference.

The levers to act on philanthropy are cross-government



Cross-government coordination, resource and expertise are essential if government is to better use its philanthropy levers

A **coherent and joined-up approach to philanthropy** across departments is key to the government having an impact in this vital area, as the levers of philanthropy are widespread across Whitehall. Number 10, the Department for Culture, Media and Sport (DCMS), and HM Treasury are evidentially the most crucial actors at the heart of progressing any government action on philanthropy, but they are not lone actors.

The Department for Levelling Up, Housing and Communities (DLUHC), HMRC and regulators such as the Charity Commission and Financial Conduct Authority have key roles in tone-setting, funding, measuring and enabling philanthropy through good regulation. The Department for International Trade (DIT), the Foreign and Commonwealth Development Office (FCDO) and the Office of Investment have substantial international convening power. And many departments stand to benefit from greater use of philanthropy e.g. through match-funding.

To coordinate and advance work on philanthropy, some **dedicated resource** is needed – particularly within the departments of DCMS, HMT, DHLUC and HMRC which have major, multi-faceted roles to play. At present, civil service resource dedicated to this is almost non-existent.

And perhaps even more crucial is a wider spread of **expertise**. Civil servants at home and abroad need to know how to talk to potential international investors about social investment and philanthropy. Finance teams in departments such as health and education need to have confidence in how to get the most out of philanthropy when setting up new programmes. And all departments need a better idea of the government's position on philanthropy, to be able to direct potential funders and ideas to where they can have greatest impact.

The way forward



Recommendation 1: A Philanthropy Champion

The appointment of a senior civil servant with responsibility for driving forwards the UK's approach to philanthropy is essential. That civil servant needs to be visible to both the philanthropy sector and to the rest of Whitehall, in order to act as a gateway for both sides – to receive insights from philanthropy on the barriers to investment and to communicate to philanthropy the strongest opportunities the rest of Whitehall identifies. This individual also needs to have the impetus and power invested in them to coordinate cross-Whitehall action on measurement, regulation, guidance and taxation of philanthropy in order to unlock its potential.

It is important that this is a civil service role – embedded within the UK government – rather than an external individual in something of an Envoy or Representative role, because of the nature of the changes to systems needed which can only be carried out by those inside government. This civil servant should, however, be supplemented by external expertise directly from the philanthropy sector, for example through secondments from the philanthropy sector or through a philanthropy sector council or advisory group, as is common throughout departments.

Indeed, were the government to appoint a Philanthropy Champion or equivalent, it is vital that the philanthropy sector respond constructively and actively. The networks which exist in the sector have a responsibility to coordinate and provide opportunities for input and for both sides to listen to and work with each other on the solutions needed to unlock the philanthropy prize.

Recommendation 2: A ‘leveraging philanthropy’ best practice drive

Philanthropy sector organisations and government should work in partnership to accelerate knowledge of philanthropy in the civil service, with a focus on how policymakers can leverage its expertise and resources through innovative financing models such as match funding. This is essential to allowing the government to seize the opportunities which exist through philanthropy, but also to ensure that when it does so, it maximizes the benefits for all involved. Badly-managed match funding programmes can be off-putting for charities, corporate donors, individual donors, foundations and for the civil servants involved.

A best practice drive across Whitehall should be launched to enhance understanding of the opportunities philanthropy presents – ideally led by the Cabinet Office Learning and Development team. Guidance and training on this topic should be embedded within civil service development as standard, and a bank of best practice examples grown over time and shared. The focus of this drive should be on upskilling at scale across the civil service, something which can be accomplished by a small team pushing from the centre. However, other models might be effective over time, such as those adopted by the US Federal government has adopted an approach of a small team in each department training their colleagues, coordinated by a foundation to encourage cross-departmental work.

The philanthropy sector should actively support government in pursuing this. That might include convening ‘lunch and learns’ with philanthropists to exchange perspectives, as takes place in many departments with business leaders and other experts. It could also take the lead on collaborating to develop joint principles for what good partnerships between philanthropy and government looks like, so that all match funding programmes and similar deliver the greatest benefits for both government, charities, and society as a whole.

Moving forward: the first considerations – resource

The evidence from across the models examined within this report is that, in the UK system, the most impactful cross-sector partnerships require some integrated civil service resource. But at a time of substantial pressure on civil service resources, after over a decade of fluctuating civil service numbers, all actors should be mindful of how to make the most of any resource allocated to increasing philanthropic investment. There are three core considerations.

Scale - Evidence from the US models of philanthropic engagement shows that small teams can have a very substantial impact if they have two things in place: laser focus and connection to leadership. This means that whatever resource is dedicated to boosting philanthropic investment should be focused exclusively on philanthropic investment, and have close links into Ministerial private offices. This is particularly important in terms of the Philanthropy Champion role as individual envoy and liaison roles have suffered due to a lack of administrative capacity, so resourcing should not be allowed to undermine ambition.

Placement - Given the wide range of philanthropic levers available across Whitehall, a Philanthropy Champion could be placed in one of a large number of departments or bodies. The crucial element is connection and collaboration: a Philanthropy Champion can only be effective if it coordinates with other departments which possess the levers that they do not. Meanwhile, a 'leveraging philanthropy' drive is most likely to be effective if led by the Cabinet Office, but HM Treasury may also have interest in facilitating greater knowledge on the subject.

Scope - Given the overlap between impact investment, social investment and philanthropy, an early decision should be made as to whether a Philanthropy Champion and/or 'leveraging philanthropy' drive should also be extended to impact investing and social investment. The sector is likely to be supportive in either case.

Moving forward: the first considerations – collaboration

To be successful in working together to unlock philanthropic investment, both sectors need to act with care. While they may share many goals, both sectors have particular sensitivities, particular ways of working, and different ways of speaking about similar things. Examples of these are laid out in the table below.

The different worlds of philanthropy and government

Philanthropy	Government
We have a certain amount of flexibility about timing	We have to adhere to annual budget cycles and/or spending review periods
We see this as a long-term commitment	An election, leadership change or reshuffle can change everything
This initiative is a top priority	This initiative is one of hundreds of responsibilities
We can be selective about what we focus on	We do not have a lot of flexibility in setting priorities
We don't pick up the tab for defunded services	We can't fund this anymore but philanthropy could pick it up
Government is mysterious	Philanthropy is mysterious

Adapted from GrantCraft, [Working with Government](#), 2010

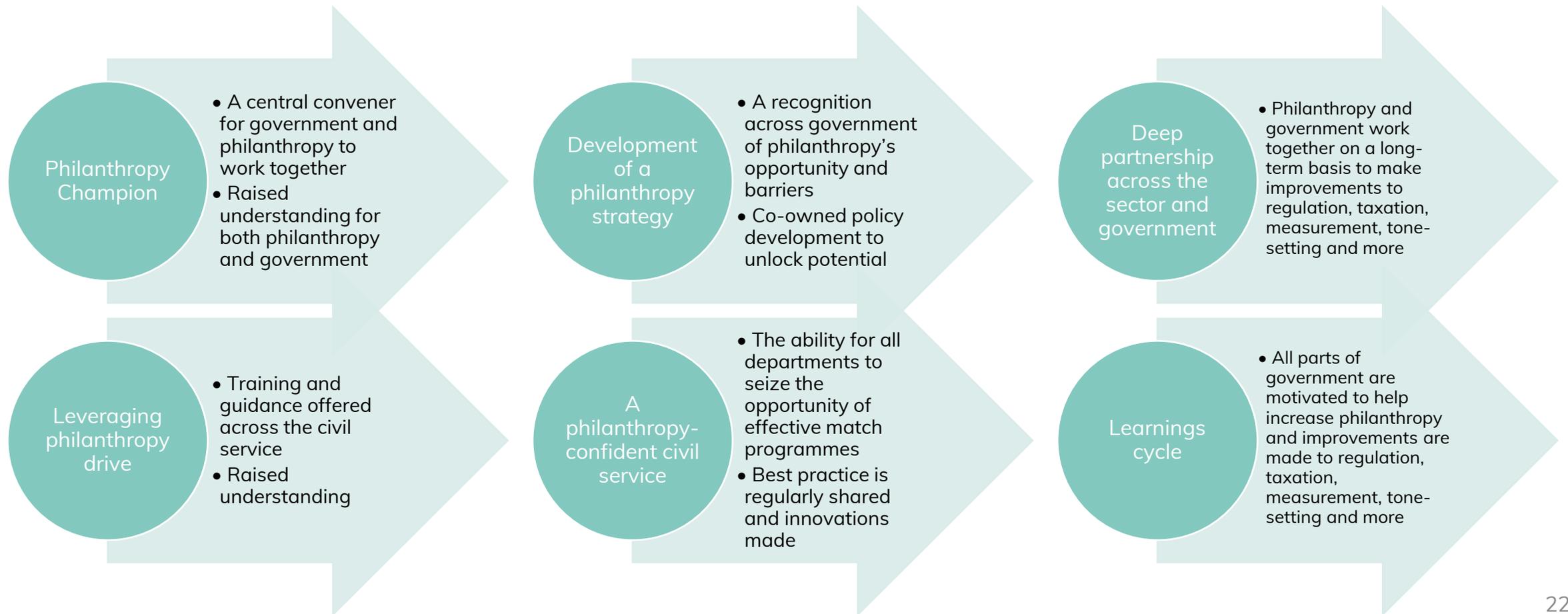
A lack of understanding about these sensitivities can lead to misunderstandings and culture clash souring potentially productive partnerships.

The first priority of any individual or team appointed by government to help unlock the philanthropic prize should be to deepen their understanding of philanthropy, approaching the sector with an open mind and a listening ear.

The first priority of the philanthropy sector, should any such individual or team be appointed, should be to facilitate as much valuable engagement as possible between those appointees and the philanthropy sector, including with foundations of various sizes, donors of different levels of means, and charities.

Moving forward: the long-term goal

The philanthropic prize on offer is a substantial one. And while government is far from the only actor with responsibility for seizing that prize, it has the potential to be a major one. The appointment of a Philanthropy Champion and 'leveraging philanthropy' drive amongst the civil service are not ends in themselves. They are enzymes in this process. It is what they can achieve and help to catalyse that matters. Some of that vision is laid out below.



Conclusion

Working together, government and philanthropy can be a powerful force for good with each multiplying the impact of the other. This is already evident at multiple levels across the US, from the City of Boston to the Department of Defense. In the UK, the opportunity to unlock philanthropy's potential is substantial: if the British population gave a similar share of their wealth to charity as the New Zealand or Canadian populations, this would generate an additional £5 billion in annual donations for charity. This would represent almost a 10% increase in sector income.

If the UK government is to play its full role in unlocking philanthropy's potential, greater **coordination, resource and expertise** is needed within Whitehall. A thorough review of the different forms of cross-sector working between the UK government and business, and of the ways in which the US state and philanthropy works, suggests that government needs individuals in leadership positions who are able to translate between sectors and are accessible to both the rest of Whitehall and the philanthropy sector; individuals who draw on the knowledge of philanthropists either directly or by working closely with the sector. Those individuals need to have a helicopter-view across government activity to identify practical opportunities, and to be trusted by the rest of government.

To achieve this, two things are needed initially. The first is a Philanthropy Champion: a senior civil servant with resources at their disposal and access to a diverse committee of philanthropists, experts and funders to act as a convener between philanthropy and government. The second is a 'leveraging philanthropy' drive across Whitehall, to build a philanthropy-confident civil service with the skills and tools required to run effective match programmes.

These two elements are fundamental if the UK government is to utilise its full range of levers available to unlock philanthropy – to ensure it is well regulated, that taxation operates effectively, that philanthropy is properly measured and championed, that funding is leveraged well and that both sides collaborate to the benefit of the UK.

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