Building bridges

Philanthropy strengthening communities

Rhodri Davies and Louisa Mitchell
Advised by David Carrington

policy exchange

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Foreword

By Lord "Eddie" George

Baron George, of St Tudy in the County of Cornwall and Former Governor of The Bank of England

We are living in difficult times. The global financial system has been under severe stress as this report goes to print and has suffered major setbacks. The City, the jewel in our own economic crown, is having to learn important lessons and the economy as a whole is facing the prospect of a period of recession. But Britain must not forget its other great traditions that have endured over the years through economic ups and downs. We have a long history of philanthropy that meets this description and now is an important time to build on that tradition to develop a thriving modern philanthropy that meets the needs of the day and will endure into an uncertain future.

This report is about the role that people can play in addressing the needs of our society when they have created financial wealth that they are prepared to invest philanthropically. It gives motivational examples of individuals acting as leaders in the communities who are not only financially generous, but are dedicating significant time and energy to bridging social divides and making their communities better places to live, work or simply be. It also details community level giving vehicles and other infrastructure available to the mass-affluent who can find it difficult to navigate through this particular jungle.

Whilst some of those who have created their own significant wealth in Britain in the last fifteen years will not create the same levels of wealth in the coming years, many of them will fare better than most in a downturn. All eyes will be on those who have started some of the inspiring new philanthropic initiatives that have emerged and it will be the first real stamina test for our "new philanthropists" since their method of long term support and long term engagement started. I urge them to hold their ground as the effect of their withdrawal from the philanthropy market may be disproportionately negative given the potential wider impact on our culture of giving.

When calm has resumed, as the British economy rebuilds itself, I hope there will be an ongoing focus on responsible behaviour, both socially and in business. I hope that many of the wealth creators who ride the economic storm can continue or start to act as philanthropic leaders, establishing a sustained culture of British philanthropy which may raise less money during years of economic hardship but which pervades our national identity, strengthens our society and raises significant sums in years of economic gain. This requires clear signals from Government and collaborative relationships at the grass roots level with existing local services and representatives of local government.

Such a development is in all of our interests, since state funding, the key engine of growth for the voluntary sector in recent years will necessarily become more constrained given the more difficult economic condition and it is vital that we unlock private philanthropy to support a vibrant civil society that provides for our communities across Britain. We need a modern British philanthropy that takes the strengths of the past and supports our present day communities of mobile and diverse populations with modern techniques and technologies.

Executive summary

Very few people will be unaffected by the global financial crisis, so it may seem an inauspicious moment to be discussing how to expand philanthropy among the wealthy in Britain. The first of our two reports on the subject, *Give and Let Give* – on building a culture of philanthropy among high-earning City professionals – was published when bonuses were still booming in December 2007. Despite the scale of the crash since then, the fact remains that wealthy people will fare much better than most in the imminent recession; what is more, their numbers have grown prodigiously in the past 15 years. The total wealth of the 1,000 richest people increased from £99 billion in 1997 to £412.8 billion in April 2008.[1] Below them, the so-called mass affluent have also grown rapidly and now constitute about 10% of the population.

In America, where a culture of philanthropy is deeply rooted, charitable donations hardly fall during the bad times – an average of 1% during all recessionary years since 1967.[2] In the UK, we start from a much lower base – only 18.6% of adults give in a regular, planned way to charity.[3] But a new breed of philanthropist has emerged from the ranks of the new rich, and they are offering their drive and business skills as well as their cheque books.

It will be crucial for sustaining the development of a philanthropic culture in this country that this new group of philanthropists continue with their activity during the difficult years ahead. If they withdraw their long term funding and engagement at this first hurdle then the negative effect may be felt across the whole voluntary and social enterprise sector, since they have set such an important leadership example for a modern British philanthropy.

In our first report we found both that City professionals liked to act in concert with others from the financial services community and that a significant number were not conducting their philanthropy at a community level. These observations prompted this research, in which we set out to assess the role of communities in building a culture of philanthropy in Britain and the role of philanthropy in strengthening communities and building what Robert Putnam has called "bridging social capital".

We interviewed more than 30 high net worth philanthropists who are involved at grassroots level in order to discover what motivates them to give, how and where they do so, the rewards enjoyed and difficulties encountered. In sections 2 and 3 we let them speak at length in their own words as a series of case studies. From these accounts of their practical experiences we have isolated the positive factors that promote the creation of a sustainable culture of community philanthropy and the barriers that still exist. In the final section, we first describe the ingredients necessary for a flourishing philanthropic culture and conclude with a practical agenda for action that builds on the broader recommendations of last year's report.

Our interviewees had deliberately chosen to concentrate their philanthropy not on a big national or international charity but on a community or project close to their home or work. Some were also deeply involved in a community of interest. Surprisingly, many had found it was not particularly easy to give their money away at this grassroots level. The main difficulty that they encountered at the outset was in identifying the most pressing needs and then finding the right local projects to give to. Many local groups are doing excellent work, perhaps turning round a difficult estate or cleaning up an environmental black spot, but may not even be registered

1 Beresford P, *The Rich List, The Sunday Times,* 25 April 2008

2 *Giving During Recessions and Economic Slowdowns,* Center on Philanthropy at Indiana University, September 2008

3 *UK Giving 2005/6*, Charities Aid Foundation, NCVO, 2006. Planned giving includes direct debits/standing orders, covenants, payroll giving and membership fees

charities. Intermediaries played a vital role in providing contacts and local knowledge; these included specialist advisers, peer group giving circles of different types and above all the Community Foundations, whose work we discuss in some detail. New web-based initiatives such as localgiving.com and globalgiving.co.uk are also being developed which will fulfil many of these functions.

Community Foundations are invaluable for researching the needs of local areas and introducing donors to small charities or projects operating below the radar and which they had carefully vetted. Community Foundations also offer donors the option of remaining anonymous if they wish, administrative support, the ability to pool funds with others on a chosen project and tax-efficient giving. Those people we interviewed who had dealt with a Community Foundation praised their work without exception, but many had not and it turned out that they were largely unaware of their existence.

Once our interviewees had found the right project to back, greater engagement often followed, such as offering strategic advice or taking a board seat – although some felt that charities could make more effort to make the most of their skills. The reward of involvement in an area where they lived or worked was that the philanthropists could regularly observe the impact of their giving and be reassured that their money was being used well. They were often surprised and delighted about how much difference a relatively small amount of money could make – an important observation in this time of straitened circumstances.

A number spoke about the delicate topic of their relationship with beneficiaries, one which does not arise when giving to a large national charity. They were aware that it had to be dealt with sensitively and some preferred to shelter behind the mask of a named trust or complete anonymity. But once they were deeply involved with a community, all said it would be very difficult to walk away – their commitment to an area became long-term, the bridges they had built were solid.

> “If you engage with a cause, then you find yourself not just creating new social networks but bridging social divides, which in turn strengthens the community you live in or work in. You are then embedded as part of the strength of that community and it is very, very difficult to walk away”
>
> Matthew Bowcock

This was one aspect of community building; the other was the growth of communities among donors themselves. Through organisations that are promoting venture philanthropy and social investment as a new method for philanthropy, such as the Private Equity Foundation and Venturesome, or formal giving circles that introduce charities or issues to potential donors such as the Philanthropy Workshop and the Funding Network, or just informal groups that have grown from their local involvement, philanthropists found support and advice that sustained them in their mission.

Our practical agenda for action considers our interviewees’ comments on their motivations and their methods, both the barriers and the positive factors, in order to develop a sustained philanthropic culture in Britain anchored by community giving. We recommend that:

- inspired individuals, intermediaries such as Community Foundations, private banks, financial advisers, companies and charities themselves establish easily accessible giving circles or vehicles that provide formal and informal networks – so that they become as common as book groups and investment clubs
- entrepreneurs and established philanthropists develop virtual matchmaking

and social networking sites using web 2.0 effectively to build online communities and enable good feedback from charities to donors

- intermediaries, from Community Foundations to private banks, provide simple but flexible portfolios of products suited to individual donor needs
- the Government considers tax effective measures that recognize the changing nature of philanthropy today. These may include lifetime legacies, which would enable more people to make significant gifts during their lifetime; tax reliefs on volunteering and the lending of buildings to community organizations; tax incentives to encourage social investment, and ensuring that opportunities for charitable tax reclaim keep pace with the growing use of mobile phones and the internet for making donations
- the media promote everyday role models to develop a widespread culture of philanthropy and cultivate a positive vocabulary for philanthropy

One other source of dissatisfaction was the paradoxical domination of the voluntary sector by central government funding. Private donors did not necessarily want to pool their money in a government scheme pursuing government-defined goals. Off the record, some also mentioned that local councils may obstruct projects where they see philanthropic input as a threat rather than an asset. Above all, there was confusion about what the role of private philanthropy should be, where it fitted in. The Government's generous Grassroots Grants programme should be a step in the right direction to start clarifying the respective roles of government, voluntary sector and private donors.

Frank Field MP was right when he recently described philanthropy as a "counterpoise", or counterbalance, to governments, "a crucial part of sustaining the freedom which a thriving civil society bestows on its citizens".[4] A shift in attitudes is required to build our charitable culture into a fully-fledged philanthropic one – one that must be led by high net worth individuals and embrace the mass affluent.

4 Field, F, "Acceptable behaviour contracts for the super-rich", Allen Lane lecture, February 2008, www.allenlane.org.uk /2008.htm

1

Community and philanthropy

Our aim in this section was to find out what community means to some of Britain's leading philanthropists and what role it plays in influencing their philanthropic activity, not to enter into the often fraught debate about what constitutes community. For the practical purposes of philanthropy we distinguish between a community of place based on geographical location, often neighbourhood, and a community of interest or purpose, based on active involvement in a cause or an issue. We view philanthropy as covering a wide spectrum of activity including donations of money, time and skills, but with financial support at its core. We use as elastic a definition as possible in order to reflect the growth and diversity of philanthropic contributions and initiatives in Britain today.

1.1 Communities of place

Our interviews were focused on philanthropists who we knew operated either in a specific locality or within a defined community at a grassroots level – overwhelmingly this was the place where they lived (some or all of the time) and/or worked. Those outside London tended to live and work in the same area and did not separate the two communities. Grant Gordon, director general of the Institute for Family Business, said: "For many of our members, the word community keeps on coming up when discussing philanthropy. That is because family businesses tend to be embedded in a specific part of the UK and even if they do not do all their business there, they usually have a big footprint in that place."

Definitions of wealth

High net worth (HNW), super-high net worth (SHNW) and ultra-high net worth (UHNW) are terms used in the private banking and wealth management industry to define the level of wealth of clients. HNW individuals are those with over £500,000 of investable assets, SHNWs have in excess of £1.5 million and UHNWs more than £15 million.[5] All three groups in the UK have grown fast over the past few years, and it was forecast (in 2007) that there would be over a million high net worth households by 2017.[6]

The "mass affluent" are people who have liquid assets to invest but not at the level that would traditionally place them in the realm of private wealth management clients. Definitions vary: Barclays Wealth defines mass affluent as having between £250,000 and £500,000 of aggregate wealth,[7] MasterCard as having earnings of between £35,000 and £70,000 per annum,[8] and Charles Schwab as having between $100,000 and $1 million to invest.[9] A useful working definition is the one employed by Philanthropy UK, which defines the mass affluent as the wealthiest 10% of the population.[10]

In this report we use HNW broadly to mean the very wealthy (ultra, super and regular HNWs) and mass affluent as roughly those in the wealthiest 10% of the population who are not HNW.

5 *UK Landscape of Wealth,* Barclays Wealth Insights white paper, 2007

6 Ibid

7 www.mastercard.com/uk/wce/PDF/23323_WorldMasterCard_PressRelease_280907.pdf

8 www.businessweek.com/magazine/content/04_10/b3873084_mz020.htm

9 www.philanthropyuk.org/Resources/USphilanthropy

10 Ibid

Philanthropists who were living and working in London tended to divide their efforts between a focus on a place very close either to their home or work, and a focus on issues of interest that might also be London-wide issues. There was no discernible difference between those choosing work or home as their principal target. David Robins, chairman of New Philanthropy Capital and formerly of investment banks UBS and ING Barings, said: "People who work in the City think of their home as their community more often than their workplace and that is because working patterns have changed – people used to stay with the same company for a long time and felt great affinity to that company, but now they move around much more." However, hedge fund manager Michael Hintze (42) suggested that "home" was no longer a simple concept because many of today's high net worth individuals have more than one home and move around frequently. Wandsworth, where he lived, had a less transient population than areas such as Belgravia and Chelsea that contained many foreigners and people with second homes, and "which might make it hard for them to connect with their community".

Commuting, owning multiple residences and working for global companies have influenced the way people perceive communities of place today. Michael Campbell, chairman of the Ellis Campbell Group and of Hampshire Community Foundation, (36) said that an increasingly mobile population had had a profound effect in his area: "Communities in the broader sense have broken down for different reasons. Most people commute, so they are not working where they live and do not have that same relationship with a place. Many of the old anchors are missing – no pub, no local shop, no local school, and the church is no longer providing the same sort of cement that it used to."

Some economic migrants retain a responsibility to their community back home. A 2002 survey on community giving in Silicon Valley found that 78% of people who had lived in the region for five years or less identified more strongly with the place they grew up in than Silicon Valley itself.[11] "Diaspora" philanthropy has become an important force though it is difficult to put a figure on it.[12] There an increasing number of organizations aiming to encourage and assist diaspora philanthropists: The Asian Foundation for Philanthropy, for instance, is a UK-based charity that aims to help British Asians who want to contribute to social and economic development in India by removing many of the barriers to giving overseas. It enables donors to find effective, credible organisations and advises them on tax. Philanthropists such as Cobra Beer founder Lord Bilamoria and mining magnate Anil Agarwal are notable examples of diaspora givers in Britain.

Although some individuals retain a sense of responsibility to their place of origin, others feel a responsibility to where they are now. One private equity professional said: "I could have decided that my community is my hometown…I still go back a lot but I live here, so I feel that my community is where I am now." His young family had helped him to put down roots. Another interviewee explained: "It is easier to relate to a local community if you are part of a church or your children attend a school. For a single person with no children and no religious involvement it can be difficult to see where the ties with locality are going to come from." Entrepreneur and local philanthropist Matthew Bowcock (34) said: "Many people in Surrey do not come from Surrey – they may come from Liverpool or Bristol or Scotland – but I find they do stop and think about their relationship with, say, Dorking, and whether or not it is just a dormitory, if I say something to them like: 'You might not think that Dorking is your home town, but your children do – your family do'."

11 *Giving Back The Silicon Valley Way*, Community Foundation Silicon Valley, 2002

12 Johnson P, "Diaspora philanthropy: existing models, emerging applications", *Alliance* magazine, vol 10 no 4, December 2005

Dr Helen Bowcock commented in a speech to the Community Foundation serving Tyne and Wear early in 2008 that she saw today's mobility as an opportunity for philanthropy: "If people want to make connections, to be visible, perhaps even to seek status in what has become an increasingly mobile society, isn't philanthropy a way to do that?"[13] Even among highly mobile professionals who may never be in any one place for more than a few years, there are those who recognise the value that attachment to a locality can have. During a career in finance spanning more than 25 years, Nick Ferguson, chairman of SVG Capital, (16) has lived all over the globe, from New York to Singapore, but the moment he found his "home" was still a revelation. "Everybody needs a sense of place. I had always had a funny feeling that I thought was adrenalin, ambition or wanderlust but the moment I closed on buying a small farm in Scotland it went away and it has never come back. That told me I had got my sense of place." The bulk of his philanthropy is now concentrated on Argyll.

A number of interviewees expressed uncertainty about the role of philanthropy in their local community because of the increasingly domination of the State over the voluntary sector. State contributions to voluntary groups have risen by 36% in the past five years and the jump between 2004-05 and 2005-06 (the latest data available) was particularly large – a total increase of £3.3 billion.[14] This increase has been accompanied by a significant shift towards the Government contracting with charities for the delivery of specific services. In 2000-01, 55% of State funding was in the form of grants that allowed charities to operate with a degree of autonomy, but by 2005-06, less than 40% of state funding was of this type with centrally directed contracts now forming the core.[15] This shift has led some to suggest that charities are being "muzzled by contract and neutered by subsidy".[16] Although some philanthropists may be attracted to leveraging State spending, for many such a strong government hold on the voluntary sector can be a disincentive as they do not want their money and efforts simply bolted on to government funding and used to meet government goals.

> "In this country, even when we try to decentralise, all too often we still don't quite manage to get down to the grassroots"
>
> Stephen Hammersley

It is not just the changing nature of state funding to voluntary organisations that deters some private individuals from supporting the sector, but more generally the increasing centralisation of local government – about 96% of its revenue comes from central government.[17] This was explored in detail in Policy Exchange's publication *The Decline and Fall of Local Democracy*, which concluded that: "Local government has its hands tied: it cannot respond to local needs, it cannot raise its own local income, it has little scope for targeting and working in partnership with efficient service providers in the private and non-profit sector and local people have no one to call to account."[18] Philanthropists could be added to this list; our interviewees felt unsure about where they fitted into the jigsaw of local government and other services at the community level.

Stephen Hammersley, CEO of the Community Foundation Network, observed recently in an interview with *The Guardian*: "In this country, even when we try to decentralise, all too often we still don't quite manage to get down to the grassroots."[19] The Government's Grassroots Grants programme (discussed in section 2) is designed to stimulate private philanthropy for such projects, and may help to clarify the roles of the different sectors involved.

13 Bowcock H, speech to the Community Foundation serving Tyne & Wear and Northumberland, 2008

14 *UK Voluntary Sector Almanac 2006*, NCVO

15 Ibid

16 Whelan R, *Involuntary Action: How Voluntary is the 'Voluntary' Sector?*, IEA Health and Welfare Unit, 1999 as reported in an article by Frank Prochaska for the Social Affairs Unit, March 2005

17 Wilson D and Game C, *Local Government in the UK*, Palgrave MacMillan, 2006

18 Travers T and Esposito L, *The Decline and Fall of Local Democracy, A History of Local Government Finance,* Policy Exchange, 2004

19 Brindle D, "Giving a Lead" *The Guardian*, 2008, at www.guardian.co.uk/society/2008/apr/30/voluntarysector1

1.2 Communities of interest

Young, mobile people with high earnings potential may not be inspired by a particular place until later in life when they have a family and feel it is time to put down roots. Nevertheless involving them in giving early in their careers is vital for developing a British culture of philanthropy. For this group, communities of interest, based on schools, universities and faith, or causes, such as the environment or health, are likely to take precedence over locality at first.

Technology – above all, the social networking capabilities of the web – and travel present new opportunities for communities of interest to thrive. Matthew Bowcock (34) summarised the potential: "I think people build their own philanthropic communities, particularly when their community is a cause. With the modern social networking technologies people can build completely new communities out of philanthropy, but they are as likely to be virtual as geographic." Adele Blakebrough of CAN/Breakthrough (45) felt that non-geographic communities would be increasingly important for philanthropy: "I think that community of interest is as important as community of locality. A good example would be Fathers Direct, a community made up of single dads all over the country. Or Amnesty International as a bigger one – it is irrelevant whether their offices are in Enniskillen or in Bedford, people are attracted to it for the issues and form a community around them."

Michael Hintze (42) summarised how communities of interest and place can overlap: "Nowadays with killer telecommunications and travel, the definition of community has changed and community circles can be created from diasporas. Things I support philanthropically because of community connections are my old university, the University of Sydney, the church, and where I live in Wandsworth."

1.3 Social capital

The more connections there are between members of a community, whether based on place or interest, the stronger the community itself becomes. The more connections there are within the network as a whole, the more value, or social capital, all its members get from being a part of it. The concept of social capital is usually associated with the political scientist Robert Putnam: "Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them."[20] Thus social capital has both internal and external features. For the individual, building a strong network of social connections will usually benefit their own interests. Putnam points out: "A well-connected individual in a poorly connected society is not as productive as a well-connected individual in a well-connected society. And even a poorly-connected individual may derive some of the spillover benefits from living in a well-connected community."[21]

But we should not forget that community can be the basis for exclusion rather than inclusion. According to Anthony Cohen: "'Community' involves two related suggestions: that the members of a group have something in common with each other; and the thing held in common distinguishes them in a significant way from the members of other possible groups."[22] For some communities it is vital that they be outward-looking and inclusive, others may be deliberately inward-looking and this might be their main attraction. Putnam distinguishes between those with "bonding social capital" and those with "bridging social capital". He writes: "Some forms of social capital are, by choice or necessity, inward looking and tend to reinforce exclusive identities and homogeneous groups. Examples of bonding

20 Putnam R, *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster, 2000

21 Ibid

22 Cohen A, *The Symbolic Construction of Community*, Tavistock, 1985

social capital include ethnic fraternal organisations, church-based women's reading groups and fashionable country clubs. Other networks are outward looking and encompass people across diverse social cleavages. Examples of bridging social capital include the civil rights movement, many youth service groups, and ecumenical religious organisations."[23]

Communities sharing common leisure, political or academic interests are likely to involve people of similar backgrounds and to have a high stock of bonding social capital. Communities defined by philanthropic goals seem more likely to form links between individuals from different walks of life and so increase their members' stock of bridging social capital. Matthew Bowcock (34) stressed its importance: "Often we live in our worlds in which we associate with our own little strata and we rarely look outside that. So it can be surprising to find there are pockets of deprivation and people living different lives right alongside you and that is the most valuable place to get integrated. It is getting to know the local youth worker who runs the community centre or the person who runs the disabled association that matters. It is supporting them that brings about change."

Philanthropy can both strengthen existing community organisations and build new ones by linking donors to the community they live in. Jim McAllister (24) agreed: "It is not all about money – it is about involving yourself in the community. I have had many instances when people want to get involved once they see I am committed and not just a fly-by-night." Michael Campbell found that he became more involved in the community around his home in Perthshire than he had in his original home Hampshire because in order to get the initiative he became involved with in Perthshire off the ground: "I had to go out and start talking to the relevant local people, meeting people from all walks of life." However he also thought that donors should not have unrealistic expectations about the effect their philanthropy would have on their place in the community: "It can happen that the donor feels more a part of the community through their philanthropy, but that is an added advantage – feeling that the wider community is more cemented and more cohesive is enough."

The relationship between donor and recipient can be uncomfortable, bringing to mind notions of largesse and hand-outs – "a slightly uncomfortable power relationship" as Matthew Bowcock called it. He suggested that three different constituencies were involved: "recipients of projects who might have mixed feelings about it and perhaps even resentment that the donor has so much and they do not; workers – often volunteers – many of whom are easy to form a relationship with because of the common interest; and finally, the big fish in the local pond – the local councillors, community activists, the mayor and other people involved in local activity who are often pleased to see people investing in the community."

Engagement is most likely to develop between donors and those in the second of these constituencies – the workers in community organisations. Michael Head, chairman of Kent-based furniture manufacturer Crown Products, said that through his involvement with local voluntary organisations: "I learnt how difficult it is to raise money, and I learnt how many small organisations there are around us that have committed people running them. They are often good at what they do as their core business, but struggle with fundraising because it is not their expertise."

23 Putnam R, op cit

2

Communities of place

2.1. Motivation

Our previous report on philanthropy, *Give and Let Give*, suggested that an individual's philanthropic "journey" followed a similar trajectory to their professional career – "an individual is motivated to start on a jour-

Nick Ferguson, Argyll and London

"Everybody needs a sense of place," said Nick, "I had always had a funny feeling that I thought was adrenalin, ambition or wanderlust but the moment I closed on buying a small farm in Scotland it went away and it has never come back. That told me I had got my sense of place." Nick's family had deep roots in Argyll, but it had taken spells in London, Germany, the U.S. and Singapore to make him realise that this was really where his heart lay, so when he decided to get more serious about philanthropy it was obvious that Argyll had to be a part of it.

Although he had spent a lot of time in the area, and knew that "there were only two EEC deprived areas left in the UK, and that's Argyll and West Cornwall," Nick was still aware that he needed help to find the organisations doing the work on the ground. A chance conversation with a friend in Vermont who had faced a similar problem when starting to give locally offered the solution. "I asked him: will you hire somebody? And he said 'No - I go to the local Community Foundation and give them a donation and they give me some of their staff time to do a mapping of the issues affecting the area.'" Realising that this approach could also work for him, Nick contacted the Community Foundation Network, who were able to put him in touch with the Scottish Community Foundation (SCF).

Nick and his wife Jane established a similar relationship with the SCF as his friend had in Vermont: he outsourced the research into the issues affecting Argyll and the organisations working there to the SCF, in return for a contribution to their core operations. The mapping exercise helped them to determine how to act on their motivation: "We were driven by our passion for Argyll, and then by the wish to help the people living there improve their lives. Then we had to make a decision on where we could have the greatest effect. We decided to focus on young people because we felt that was where we could have most impact and because they are the future. We set out a simple "mission statement" namely to help strengthen communities by investing in initiatives which would improve access to learning, education, training and employment."

The focus on children and young people manifests itself in a number of different ways. Nick believes: "We can help at different stages of their lives, from parenting, advice, building self-confidence, education and training through to creating job opportunities." This has led Nick and his wife to get involved with organisations ranging from Home-Start, which provides mentors for young families – to the Argyll Construction Skills Training Centre in Lochgilphead which provides training and apprenticeships in construction to young people in the area, who previously had to go all the way

to Glasgow if they wanted to qualify as builders.

As well as straightforward grant-making, Nick and his wife have got involved with microfinance through their partnership with the S.J. Noble Trust. This is designed to encourage entrepreneurship in Scotland. Nick explained: "If someone has a need for money that the bank will not supply, or they cannot afford bank rates, we will give them either a grant or an interest-free loan." This loan involves minimal paperwork, as "the loan document is basically a sentence on a piece of paper that says 'I will repay this if I can'". Some people have questioned whether this can even be worth the card it is written on, but Nick said: "It certainly is in a community, because everyone will know if they cheat on you, and will not buy whatever it is they are selling." By his reckoning, their partnership with the S.J. Noble Trust has created about 160 jobs at minimal cost, and because some of the money was given as loans it is now being repaid and can be used again, allowing the initiative to go from strength to strength.

Nick believes that giving locally has two major advantages for the results-oriented philanthropist: "It is easier to have a major effect, and you can also see that effect for yourself. You know when you're having an impact." The ability to go and see for themselves what their money is doing has not only given Nick and his wife confidence in their giving, but has also given them a sense of community with those in the organisations who share their purpose. "It is really interesting to go and meet and talk to these people. And they can see you as a friendly partner – they do increasingly ask us things like 'how do we solve this?' or 'do you know someone who might help on this?'"

Although the impact may be greater and easier to assess, local involvement often requires more work at the outset to find the right projects. Nick pointed out: "We don't need to do an awful lot of work to give £1,000 to the British Museum. We do need to do a lot of work when helping something like the Home-Start expand from Kintyre to Cowal – I want to meet them and feel comfortable about the leaders, and about the issues." But Nick does not really see this as a barrier because he understands the importance of due diligence from his professional experience. He said: "Part of the reason we are doing our philanthropy very carefully is because it is like any other form of investment: if you do it in a hurry you will get it wrong. We were very honest with ourselves about how little we knew, which is why we worked with the Scottish Community Foundation for a whole year before we even started, just to understand what the landscape was, and why we continue to work with them and with S.J. Noble Trust now. Both do a first-class job."

Although Nick is comfortable with some aspects of the visibility that comes with being a philanthropist – he is, after all, chairman of the Institute for Philanthropy and chairman of the Courtauld Institute of Art – he is more circumspect about the work he does in Argyll. In fact, when it came to establishing their own family charitable trust, he and his wife decided to call it the Kilfinan Trust rather than have their own names on it. "Some friends locally know what we do, but blowing your own trumpet is not what you do in that part of the world. If someone asked me if the Kilfinan Trust was mine I would not lie, but I would not offer the information first. But I could not care less if people know what we do in West Kensington and will happily talk about it."

Nick is beginning to overcome this tension, by choosing very carefully the way in which he is public: "What we are doing more of, is telling friends who say 'we would like to do something in Argyll'. They might have come from there and be part of the diaspora, or they might have bought a house up there years ago." Nick and his wife have begun to harness this enthusiasm by encouraging matched funding from those who are interested. Nick explained: "On one project I've already talked to two people and said, 'look, I'll do 20 per cent, would you do 20 per cent too?'"

ney and builds up to a crescendo depending on career development, age and wealth creation".[24] For many the first act of giving is the result of being asked to do so by another member of their community, whether a work colleague, fellow churchgoer or neighbour.

Martin Smith, former deputy chairman of New Star Asset Management, recalled: "I discovered I had some ability to persuade other people to support things that I was supporting myself, as long as I was leading from the front. So I was not shy about saying to others, 'I think this is really worthwhile and if you think it is worthwhile would you like to come alongside me?'" He confirmed our earlier finding that a sense of social responsibility was an important reason for starting the journey: "I formed the view pretty early on that with capital accumulation came the

Michael Oglesby, Manchester

"I think that anyone who works and lives in a region has a responsibility to ensure that the region prospers and works properly and the only way to do that is by getting involved," explained Michael. And he has certainly got involved – as well as being Vice Lord Lieutenant of Greater Manchester and chairing the boards of a number of public institutions such as the Royal Northern College of Music, Manchester Cancer Research Centre and MIDAS (the inward investment body for Manchester) he is also an active philanthropist in the North West. This philanthropy is partly done personally and partly through the company philanthropy of Bruntwood Group, the property company he and his family own and run. He founded the company 30 years ago, and has grown it into one of the leading commercial property owners in the region, with over 65 buildings in Manchester, Liverpool and Leeds. As he looks out over Manchester from his office 24 floors up above the city's central plaza he notes: "We own roughly a quarter of all the commercial office space in the city, and that gives us a real and tangible relation with our locality. As we have expanded into other cities in the region, we have formed the same sorts of bonds in those places. Doing what we do – owning and running property – means that you cannot really help having a strong sense of identity with where you live and work."

For Michael, philanthropy was one obvious way of playing what he saw as his appropriate role in Manchester: "I owe this city a great debt. I arrived here 40 years ago with my family, and during our time here the place has changed beyond recognition. As an entrepreneur, when I set out I never thought that I would get to the situation I find myself in now. It seems only right to put something back, because Manchester played such a large part in my being able to get where I am." The fact that Bruntwood is a family company means that this division between his personal and the company philanthropy is less clear than it might otherwise be; the family's values run right through the company. They give either through the family charitable trust or directly from the company, which on a practical level allows them to separate the grants they make. Michael explains why this is important: "We do not want to completely impose our interests on the company, and we recognise that there are some things we want to fund that are probably not right for the company to focus on."

Michael believes that keeping Bruntwood's giving separate from his family giving is crucial because he sees philanthropy as a key part of defining the ethos of the company. "We want all our employees and customers to understand the values and commitment to community that are at the heart of this company. These have to belong to the company rather than just us as a family, although our values have obviously helped shape those of the company."

24 John R, Davies R, Mitchell L, *Give and let give: building a culture of philanthropy in the financial services industry,* Policy Exchange, 2007

Bruntwood's corporate philanthropy involves all the company's employees through things such as matching individual donations and offering two days paid leave a year for volunteering. The power of philanthropy to unite people is not lost on Michael. As well as bringing together employees, he believes it can play an important role within families, particularly those who own businesses, because it can help them define and maintain shared values outside the framework of the company: "Not all family members are or want to be involved in running the family business, so there is a danger of a gap appearing between those who do and those who do not. Philanthropy brings all the members of the family together and can give them something to share outside the business."

For those who have founded family businesses, sharing their philanthropy with their heirs apparent can help guarantee that any eventual succession does not result in the heart of the company being lost. Michael said: "When it comes to passing on the business to the next generation, you want to make sure that you are not just passing on a business ethic but a much wider legacy. Philanthropy is very much part of that."

As Bruntwood's operations have expanded from its origins in Manchester to cover a greater swathe of the North West, Michael's philanthropy has expanded alongside them. But this expansion will not continue to a national level. He explained: "Although we do give to some national causes, that's never going be the focus of what we do. We tend to give grants in the £10,000 to £20,000 range – the sort of amounts that probably would not make a huge difference to a big national charity, but can have a massive impact on smaller, local organisations. What is more, not only can you be confident that your money is having a greater effect, but you can really see that effect as the outcome of your giving is on your doorstep. For a businessmen like me being able to see that your cash is making a visible difference is incredibly appealing."

responsibility of capital redistribution."

Another interviewee said: "The country house which I have is very nice, but it is not mine, it just happens to be that I am the current generation living in it. In 100 years' time, or even 20 years' time, it will be somebody else living there, so just like with the money, I have a responsibility to use it as a way of giving back to the community it is located in."

Alexander Hoare, London

Alexander is Managing Partner of one of Britain's oldest private banks, C Hoare and Co, and is clear about the motivations for focusing his personal and company philanthropy on the local area in London: "I think a lot of philanthropic engagement is about enlightened self-interest, so I am not ashamed or embarrassed to say that the bank's charitable trust has the local community as one of its criteria for giving. I think it has served us well for 300 years and I am not about to change that."

It is not just the long history that enables him to see the value of giving to organisations "within half a mile" of Fleet Street, but more the daily responsibility of operating there: "Where you work is where you have staff, you have customers and you have suppliers, so there is a sort of nexus of operations around a given place, whether you've been there for 300 years or three years." He does admit, though, that the question of personal affinity with a place is more complex. "I live in Bayswater and I don't really know anyone in Bayswater – but then I've only lived there for two years. Before that I lived in Chelsea, where we have a branch, we have a large chunk of our customer base and quite a few of the family. So when Chelsea Hospital had a huge

appeal, I thought 'we all love Chelsea Hospital – we enjoy driving past it every day, I play cricket facing there, so why not support that?' And he concedes that, "In Chelsea, our home and our work are very closely connected."

Alexander's sense of local community is strengthened by his Christian faith and his involvement with his parish, although as he points out, this may in fact be another factor in his current lack of identification with Bayswater, as he still attends his old church in Chelsea. His churchgoing provides him with a ready-made notion of "local", which those who do not attend any form of formal worship might struggle to find in a city as vast and diverse as London. But he thinks the challenge is "to find the level at which people feel that the benefit is going to the community that they want it to get to." He believes this could address a basic human desire: "Community is a kind of human driver or need. I think most people would rather be in a community than not."

There are further reasons for local philanthropy being appealing, as Alexander explained: "I have more confidence about where our money is going with a local initiative and we get more visible feedback. It certainly is not that we do not give at all to big charities, but we are more minded to give to things where we are really making a difference and we are confident the money is being spent well."

Alexander also feels a sense that it is easier to have an impact with smaller sums at a local level and finds that appealing: "I do not have unlimited sums. I am not the Prime Minister – I have small sums and I target them to people doing good work locally."

Alexander's interest in operating at a grassroots level stems from his approach to business, where he says: "I do believe in small initiatives, businesses which are close to their customers, close to their staff, close to where they live." This led to a similar approach in his philanthropy, where he "found that microfinance is a way of having small sums working really well across much of the third world." The success of his experiments with microfinance raised a question: "Building on that I thought: how can you have similar success in modern industrial Britain? And I latched upon social entrepreneurship as an answer." He now supports a number of social enterprises in London, particularly through his involvement with the charity Training for Life, which runs initiatives such as the Hoxton Apprentice and the Westminster Centre for Independent Living.

Even a committed local philanthropist such as Alexander, who has deep roots and knows the area well, admits that it can be difficult to give effectively at a community level. "There are a lot of charities – small charities – out there with fantastic potential, but the trick is to find them." His solution is to enlist the help of Capital Community Foundation, one of the London Community Foundations. "What they do makes a lot of sense – they aggregate a certain amount of expertise in how to get stuck into the London community. That saves us an awful lot of work, as well as lessening the risks of failure or missed opportunity."

He believes that the strength of Community Foundations lies in their local expertise and is happy to make grants to Capital Community Foundation's central endowment so that it can use this expertise to distribute the money to community organisations. He worries that the increasing focus on creating tailored funds for donors could be detrimental for Community Foundations because "they might all spend too much time worrying about how their investments are managed and not enough time on their core business." Banks, such as Hoare's, could potentially play a key role in overcoming the tension: "One way forward might be for Hoare's bank to have a donor-advised fund and for our several hundred customers to be able to say "do this thing, do that thing, do it this way" and so on. Then the Community Foundation could get on with their core business of applying their local knowledge to make grants to deserving organisations, and we could manage the funds – which, after all, is our core business."

Michael Oglesby (18), chairman of the Bruntwood Group in Manchester explained: "As an entrepreneur, when I set out I never thought that I would get to the situation I find myself in now. It seems only right to put something back, because Manchester played such a large part in my being able to get where I am." Although Nick Ferguson (16) of private equity group SVG Capital, felt his "sense of place" in the highlands of Scotland, he also dedicated significant effort to his philanthropy in London because he spends much of his time there: "Wherever you are you should be involved. If you are giving philanthropically, then part of it should be in your local community, so I am involved in things in London as well as Scotland." Matthew Bowcock (34) in Surrey sum-

Michael Head, Kent

Michael runs a business founded by his father after World War II. It originally made wooden toys, which were in short supply at that time, but over the years Crown Products has become a leading kitchen and bedroom furniture manufacturer. The business started in London but moved to Kent in the 1960s.

Years spent living and building a successful family business in Kent and being one of the largest employers of local people there have rooted Michael in the area and he feels he has "a commitment to the district". When it comes to his philanthropy, he says that he considers his community to be, "Canterbury District because I work and live in it." He feels a deep sense of responsibility and a strong pride in the area and he wants to have a hand in providing better opportunities to the people of Kent. He explained his philanthropy as follows: "Wherever possible we focus our support on things that are close or connected to the business. If we are helping the local school, for instance, there is a reasonable chance that we are helping the children of someone who works for us."

The focus on young people is a running theme. Like many philanthropists, Michael relates this interest back to his own upbringing: "When I was 13 I belonged to youth clubs and tennis clubs that someone somewhere had set up for kids like me to benefit from. I simply want to support people doing that kind of thing and many other things that benefit young people today."

It was an impressive interview by two teenagers from the local secondary school for a project they were doing that really got him started on his philanthropic journey. It was a school with a poor reputation but the girls so impressed him that he called and asked if he could make a donation to the school. Four years of work interacting with that school, together with being involved with Canterbury City Council and an organisation which became Canterbury 4 Business, and leading a £700,000 fund-raising drive for his village hall left him a committed philanthropist.

With Kent Community Foundation he set up the Crown Charitable Fund with a half-million pound endowment to ensure there is a certain amount to give, in perpetuity, to local organisations. Subsequently he has established two more funds with Kent Community Foundation – one for the New Marlowe Theatre and one for the Spires Academy, formerly the Montgomery School in Canterbury, an opportunity that emerged from his involvement with Canterbury 4 Business.

Like many philanthropists who give through Community Foundations, help in finding the right local projects is key. He explained: "It is much harder to give away money at a local level. You can give money to big international type charities or even Save the Children or the RSPCA, but to give money locally and feel that your money is used wisely can be difficult."

He is a strong advocate of local giving, not just because of his sense of responsibility to

give back to the area in which he has had business success, but also because of the positive experience being closely involved with the projects can give. He said: "I want to go and look. I don't want to listen to someone talking to me for half an hour, I can tell in ten seconds for myself. For instance, when I walk into school assembly at the Spires Academy, I can see the difference immediately."

He takes his role as a philanthropist very seriously and he wants his money to bring about positive change. Of the Spires Academy he said: "It is scary as hell. We pretty much own this school which has 350 pupils and I find that a huge responsibility." Although he tries to remain "invisible" (he was clear that he would only participate in this research if it encouraged more philanthropists to act) and he does not "do thank yous", he realises that his role in these projects is somewhat public and he does not want them to fail – although he gives the impression that is more because Michael Head does not abide failure than because he is worried about his reputation. He used the Crown name for the fund with Kent Community Foundation so that any of the family can participate in it should they wish to do so in future but he admits that it has raised the company's visibility in the area, particularly given that its business profile is fairly low.

He is very hands on about his major projects – by his own admission, he is a "lousy chairman, better as a director": "I have learnt so much through my involvement. I have learnt how difficult it is to raise money, and I have learnt how many small organisations there are around us that have very committed people running them. They are often very good at what they do as their core activity, but struggle with fundraising because it is not their expertise."

He also explains that he has learnt just how far his money can go, not just for the major Spires Academy type projects, but the smaller ones funded through the Crown Charitable Fund too: "It is hard for most people to imagine just how much difference five hundred or a thousand pounds can make in a given situation."

But he recognises that giving lots of small amounts effectively to a large number of small organisations requires a lot of administration and careful project vetting – to him that is the beauty of Kent Community Foundation. He says he found the concept of a Community Foundation quite strange to start with, he was not sure he wanted a third party to administer his family's charitable giving, but he could not be more effusive in his praise now: "It can be a difficult concept to sell to people, but once you get involved in it you realise it is genuinely fantastic. How often have you thought 'I'd like to fund X Y Z be it £5,000 or £500 million' but you just don't know how to get started? And if like me, the thought of lots of administration, bureaucracy and other obstacles put you off, then the simplicity and ease of working with a Community Foundation is a refreshing solution – it turned my idea into a workable reality. Normally in life things that appear to be too good are too good, but this one is not like that; it really does work. For anyone interested in getting involved with, or giving to, their local community, I urge them to get in touch with their local Community Foundation."

marised this sentiment: "Will I live in Surrey until I die? Possibly not, but it does not matter – right now it is where I live and I have an obligation to it."

Guy Hands (40) of private equity company Terra Firma felt the responsibility for his whole firm: "As people working here, we are transitional, we come in and we go out, but within the Southwark community there are people who live here all the time and their economic position is very different to ours, their age group is quite often different – very young and very old – and at Terra Firma we feel that we should support the current needs

of the community that houses us." Sir Paul Nicholson, chairman of County Durham Community Foundation, and former chairman of the Vaux Group, shared this view: "If a company is operating in a tangible community, particularly something like a brewing company, it relies on its local people and it must be seen to be a responsible citizen in that community. Employees must be proud of working for the company and customers must feel happy about buying the product." David Robins, formerly of investment banks ING Barings and UBS in London also agreed: "You cannot exist as a company, you cannot exist as an individual and turn a blind eye to what is going on in the community of which you are a part."

This view was echoed by owners of family businesses. Grant Gordon pointed out that the line between the individual and the company is more blurred for family businesses, so it perhaps easier for them to understand their role in the local community: "I do not think family businesses have a magic formula. If you take it back to basics, they tend to be not just about wealth creation and successful enterprise but are underpinned by a family who bring to the business a certain set of values. In those values there is usually an element of realisation that the family has done well by where they are and the people who have helped them along the way, so it is fitting to put something back into that community."

Jim McAllister (24) of Rutland Group is entirely motivated by his ability to improve the communities he becomes a part of through his work in property development: "I do not see how you can possibly work in a community without getting to know it. The first thing I do when I am involved with a community is find out what the problems in that community are and then try and resolve them." Some philanthropists found their motivation was tied to love of a specific place. Londoner David Gold, former investment banker and now CEO of the voluntary sector recruitment agency ProspectUs, said: "I was brought up in London and I love London. I am passionate about it and I hate the fact that not everyone gets the same opportunities". Nick Ferguson (16) felt a "give where you live responsibility", but was also driven by "passion for Argyll, and then by the wish to help the people living there improve their lives". This theme was echoed by Scottish entrepreneur Angus MacDonald: "The West Coast and the Highlands of Scotland is the area I have a real interest in and there is no money there, no indigenous money and there has been a brain drain for 200 years, so it really needs a hand."

The idea of a social contract between individuals and society forms a core part of the teachings of many religions on the virtuous life. Former Prime minister Tony Blair echoed this when explaining his motivation for establishing a Faith Foundation in an article for Philanthropy UK: "So much philanthropic effort has a religious motive. Helping others is a central tenet for every major religion, and countless voluntary groups are rooted in their members' faith."[25] Some religions even go beyond a general endorsement of giving and have a tradition of tithing; stipulating that one must give away 10 per cent of all earnings. Lord Griffiths of Fforestfach, vice-chairman of Goldman Sachs International, reminisced that during his upbringing in post-war Wales, "there was an expectation that people give a tenth of their income; the only question was should the tenth be before tax or after tax?"[26] In a recent interview with Philanthropy UK, Sir Trevor Chinn CVO explained: "Giving to charity is deeply embedded in Jewish life and teaching. The Hebrew word for charity, Tzedakah, means righteousness, for charity is a duty. In Eastern Europe, Jews had charitable organisations for all aspects of communal life – the poor, the sick, the handicapped, for refugees. Everyone was supposed to give to charity; even a pauper was obligated to contribute a nominal sum…. So charity is not a

25 Blair T, "My Philanthropic Journey: Giving Back with passion and Commitment", in *Philanthropy UK Newsletter,* Issue 33, June 2008

26 Lord Griffiths was interviewed for our last report, *Give and let give,* published in December 2007. This quote is part of the profile in that report.

choice."[27] The challenge presented by trying to promote role models to build a philanthropic culture in the UK is that for some philanthropists driven by faith, the compulsion to give comes with the caveat that one's giving must not be spoken about.

Alexander Hoare explained that his faith is an important element of his philanthropic motivation: "I am a Christian and I get some of my kicks out of running a bank, but I remember I've got a 'higher authority' up there and I see the bank as an opportunity for me to try and do His will through philanthropy." He conducts most of his philanthropy around the Hoare's Bank headquarters in central London and is driven by a desire to build the bank into its community but also to ensure that the locale is a safe and desirable place to be. "It is about enlightened self interest. I am not embarrassed to say that one of the bank's charitable trust's criteria is local community. Personally I don't want to get knifed, so if something we do can contribute towards tackling knife crime, then so much the better."

Michael Head told us that as a family business deeply rooted in their area, Crown Imperial was well aware that the benefits of their giving in the community may come back to them in many different forms: "We have worked here as a business for 40-odd years and have a commitment as to the district. Wherever possible we focus our support on things that are close or connected to the business. If we are helping the local school, for instance, there is a reasonable

Jim McAllister, Surrey and elsewhere

"I define community as being anyone or any place that is affected by anything that I am doing," said Jim McAllister, chief executive of property development firm the Rutland Group. Rutland has development projects all over the UK, and Jim has a clear view of his responsibilities: "Wherever we have projects, I get involved in the community. It would be easy just to come in and make money but I don't see how you can work in a community without getting to know it. Anyone who does that is wasting their time and it is the sort of thing that gives developers a bad name. I am an environmentalist though, so I am always trying to leave something behind me that is an improvement to an area rather than just an effect."

The extra responsibility and visibility developers have in a local community also brings the power to effect change in many different ways. Jim said: "I realised early on that developers, particularly property developers, have an enormous opportunity to achieve good if they interact properly with the community and an enormous ability to be able to affect an area where they are working." He also points out that the range of ways to act philanthropically may be broader for a developer: "Philanthropy does not just need to be about giving money; it can take many different forms. Being a developer gives me the ability to be able to put things into a community that would normally be beyond the reach of even wealthy individuals, because I can use the system to improve the community, which is difficult in other ways."

Simply having land and property in an area opens the door immediately for helping the local community, as Jim explained: "We set up a scheme teaching young people to be mechanics. We reasoned: if they are going to steal cars, let's get them away from that and teach them how to build cars and repair them instead. We could do that because of our large land holdings." The community can also benefit directly from a developer's core activities. Jim recounted how, as part of a development project near Heathrow, he had tried to make sure the community was involved: "As we were building headquarters for IBM, Cisco, SAP – all these big companies – we actually took all the local parent-teacher associations round those buildings so we

27 Philanthropy UK Newsletter, September 2008, http://www.philanthropyuk.org/Newsletter/Sep2008Issue34/Makingacapitalcontribution

could show them how a building comes from the ground up. They ended up seeing it before anybody else did in its finished state. And we could say to them, 'If your children stay in school and you encourage them to do so, they can work in buildings like this. There is not a wall between this business community and your community over there; your children can work here.' That is philanthropy but in a different way, if you see what I mean, it is not money, but it is contributing to the community."

In the Hounslow project, as with any sympathetic development, there were also overt benefits to the community from improvements to the local environment. Jim is careful to point out the importance of giving the local residents a sense of ownership: "As part of what we did, we built the largest public park in London in the 20th century and we gave it to that community. Before it ever formally opened to the public, we took all those local residents into it and we walked them round and said, 'This is yours now.'"

"It is not all about money – it is about involving yourself in the community. And that might mean money, but it is most important to have engagement." Jim's work involves many different areas and he considers himself a part of all those communities, with responsibilities to each one. He explained: "I do not see how you can possibly work in a community without getting to know it. The first thing I do is find out what the problems in that community are and then try and resolve them…I have had many instances when people in the community want to get involved once they see I am committed and not just a fly-by-night."

Acting philanthropically in the local community also appeals to Jim's desire to have impact. He pointed out: "I want to affect the communities that I am working in. I cannot do that by giving nationally because it would never percolate down. So I tend to focus at a local level because I feel that is how I can best help." He can also more easily assess what that impact is: "At a community level you can actually see the effect of your giving. When you get a card from a group of kids you have helped that they have all signed, you think, 'that is having an effect'. I would rather do that than go to a wider stage, because I want to see the results of what I am doing."

There can be difficulties: "I have had to refuse to give to some things simply because I felt it would be misunderstood. I have had to say, 'I cannot do this because I do not want to seem like I am trying to gain favour in this community.'" He believes that being engaged helps to overcome misconceptions people might have, but has also found that the vehicle he uses for his giving has made it easier too. He explained: "We have set up a fund at our local Community Foundation and one of the great advantages is that it makes it easier to focus on the things we are interested in. We get hundreds of grant requests, and what I can now do is direct people to the Community Foundation, as all our giving goes through that. So we are not saying no to them, we are saying, 'Send it to the Community Foundation, they will analyse it and if they feel that it fits within our criteria then you will receive a donation.' The beauty of it is that if it does not fit our criteria, it might fit someone else's, so the Community Foundation can point them to a different donor." His involvement with Surrey Community Foundation has led to him taking a position on its board and he is now keen to fly the flag for Community Foundations and local giving. "You must not show off or be boastful about giving. It must be done in a sedate way. But at the same time it is important to get the message across to others who might give in a community. Some of us who are donors at the Community Foundation have been meeting local people who we know are wealthy and who are not yet tuned into the community. Because if we can show them what their peers are doing within the community, it might make them think."

chance that we are helping the children of someone who works for us."

Guy Hands had a word of caution for philanthropists driven by a desire to improve their local community (40). He explained that the more a philanthropist is intent on bringing about social change, the greater the risk that the actions will create tensions: "Once you move from reactive charitable giving to having an effect on how the community acts, rather than just helping at the edges, there is going to be some debate about whether that is good or bad. It is not a completely clear thing."

2.2 Methods

Most of our interviewees who were giving in their locality did so either through their own foundation or were benefiting from the expertise of a local Community Foundation (CF). The very highest net worth individuals with their own family offices or family business usually have the infrastructure and administrative resources they need. They are sufficiently well known in their community that they do not need to go out and search for local causes or projects to support because they are already targeted by fundraisers. For those individuals for whom it does not make sense to start their own foundation, either because they do not have the appropriate level of wealth, or they do not wish to set up the infrastructure required to run it, or because they simply do not know how to go about it, Community Foundations are one solution. They can provide administration and have expert local knowledge.

Even though he already had his own private foundation, Nick Ferguson (16) decided to enlist the expertise of the Scottish Community Foundation (SCF) to hone his philanthropy in the Highlands. He makes a donation to SCF's central endowment each year, and in return it provides a number of hours of research and evaluation by a member of staff. He explained: "Philanthropy is like any other form of investment, if you do it in a hurry you will get it wrong. We were very honest with ourselves about how little we knew, which is why we worked with the Scottish Community Foundation for a whole year before we even started, just to understand what the landscape was, and why we continue to work with them and with the S.J. Noble Trust now. Both do a first-class job."

2.2.1 Community Foundations

Community Foundations (CFs) are charitable trusts whose main aim is to support projects that engage local people in making their communities better places to live. They build endowments and make grants to local organisations, as well as managing funds on behalf of individual and corporate donors. The first CF was set up in Cleveland, Ohio in 1914. There are now over 830 in the US, of which 717 are grant-making. By 2006, these had combined assets of just under $50 billion and made grants of around $3.6 billion in the preceding year.[28] They are among the most generous of American foundations, accounting for only 1% of all grant-making foundations in the country but about 9% of total giving.[29] The Community Foundation model first arrived in the UK in the 1980s. The Charities Aid Foundation (CAF) used funding from government and the Charles Stewart Mott Foundation to cover the administration and start-up costs of six CFs. By March 2007 there were 57, holding over £160 million in endowments and managing a further £40 million in associated trusts. In 2006-07 they made grants of over £75 million.[30]

The early CFs focused on attracting donations from members of the community in order to build an endowment that could be used to make grants to local charities. Endowment funds remain the bedrock funding, although the donor-

28 The Foundation Center, *Key Facts on Community Foundations*, April 2008

29 Ibid

30 Ibid

advised fund is an increasingly important vehicle.[31]

The Community Foundation Network (CFN) is their umbrella body in the UK. Stephen Hammersley, CFN's chief executive, explained that its work includes starting CFs, supporting their growth and creating opportunities for them to develop and raise new funds for philanthropy. "We are a charity where our board is comprised of our members so we are owned by the Community Foundations in that sense." Sir Paul Nicholson, a trustee of the County Durham foundation, described CFN's role as "cross-fertilisation and idea exchange between foundations".

Some of the early CFs are now significant sources of local funding and community leadership. For instance, in the year to March 2007, the CF serving Tyne & Wear and Northumberland managed £43 million on behalf of more than 140 donor funds and awarded £7.8 million in grants to almost 1,700 local voluntary organisations.[32] The typical organisation funded by a CF is not a big-name charity, said Stephen. "It is usually a volunteer-led organisation with three or four staff…they make a good contribution to the local estate by making it a better place to live, or by giving young people something to do, or by helping people coming out of prison to settle back into the community, that kind of thing."

In association with Coutts private bank, CFN has launched the Grassroots Personal Fund, designed to allow individual donors keen to support local and grassroots organisations to take advantage of the money available from the Government's Grassroots Grants. The latter is a £130 million programme of investment funded by the Office of the Third Sector and delivered by the Community Development Foundation (CDF). The programme is scheduled to run from 2008-2011 and is divided into two parts: an £80 million small grants fund for community organisations; and a £50 million endowments programme to enable local funders to generate additional donations on a matched-giving basis and invest them in endowments. The Coutts fund is a straightforward product offered to the bank's clients, allowing them to give money towards the endowment of any CF that is eligible for matched funding through the Grassroots Grants.

The benefit for the donor is that for an effective cost of around £75,000 they can give £256,420 in endowment funding.[33] This provides a real incentive, for those who are keen to make their philanthropic gifts work as hard as their for-profit investments. The benefit of generating endowment funds for CFs, and for local voluntary organisations in general, is that the capital is protected, thus providing a sustainable source of non-governmental money for the community sector. And by donating in this way, philanthropists interested in community-level giving can draw on the extensive local knowledge and expertise of the network. Stephen Hammersley called it "a remarkable initiative with the potential to transform local charitable giving".

Benefits for donors

Interviewees who had used Community Foundations were unanimously positive about their experience, and thought that CFs could help to overcome barriers to local giving. The principal attractions they cited of giving through CFs, were the access to local expertise and projects, the choice to be anonymous or not, the ability to pool funds with others on a chosen project and the possibility of making tax efficient donations to organisations that are not registered charities because the Community Foundation, which distributes the grants, is itself a registered charity. Given that 50 per cent of community philanthropy is distributed to non-regis-

31 A donor-advised fund is a ring-fenced vehicle for charitable giving established by a public charity or other host. Donors put cash or assets into the vehicle and then recommend recipients and the size of grants.

32 www.communityfoundation.org.uk/aboutus

33 An initial donation of £100,000 is brought up to £128,210 by Gift Aid. Then, 100% of matching money takes it up to £256, 420. If the donor is a higher-rate taxpayer, he can reclaim the difference between higher rate and basic rate tax paid on his donation ((40%-20%) of £128,210= £25,642. Then £100,000- £25,642= £74,358)

tered charities, this is an important benefit.[34]

Local expertise

One of the main barriers to giving at a local or community level, according to almost all our interviewees, is simply that of finding worthwhile grassroots organisations and projects to fund. Michael Head (21) thought: "It is much harder to give away money at a local level. You can give money to big international-type charities or even Save the Children or the RSPCA, but to give money locally and feel that your money is used wisely can be difficult." Community Foundations can give donors confidence in making donations to small organisations, by acting in an accreditation role. Many of these organisations will not be registered charities, so it can be difficult for a donor to judge their legitimacy. Michael Campbell (36) said: "If you are talking to a voluntary group doing innovative things in a small village somewhere, you have no idea whether they are valid or not, regardless of how good they may seem on the surface. So at this level you really do need an intermediary to make sure that your money is going to be spent wisely." George Hepburn believed this was an important role for CFs: "It is akin to making small cap investments. You need more advice on picking projects that you do not know – you need somebody to vouch for them." They could also "play a brokering role in putting wealthy donors in touch with good local projects".

> "There are a lot of small charities out there with fantastic potential but the trick is to find them"
>
> Alexander Hoare

Matthew Bowcock (34), a Community Foundation Network (CFN) trustee, thought this could be a huge draw for busy donors: "There is a large mass of people who want to do interesting projects but do not have the time to go out and find them. The Community Foundation's value is brokering the community groups with the capacity to fund them." Explaining why Hoare's bank had decided to use the London CF, Capital Community Foundation, for some of its giving, Alexander Hoare (19) explained: "There are a lot of small charities out there with fantastic potential but the trick is to find them. Capital has a systematic way of finding them, and that saves us a lot of work and reduces the risk of missed opportunity because we can rely on their expertise." Sir Paul Nicholson also saw the value of CFs for his company's philanthropy, calling them "a convenient vehicle for a big organisation to get into the locality". Katharine Barber, director of Capital, said: "Many people in London or elsewhere set up sizeable private charitable trusts, but are not necessarily getting the satisfaction out of that experience that we could offer them. Often they say 'I have struggled to find the local organisations I wanted to reach,' and that is where we can really help."

A donor can use the local expertise of a CF in different ways. Some are happy simply to give their money to the CF and let it decide where best to use it. Entrepreneur Angus MacDonald, for instance, has set up a named fund at the Scottish Community Foundation. Having specified the funding criteria he was happy to let it get on with things. He explained: "I think giving money away is a very special skill and not something I really have any knowledge of." Michael Campbell (36) has enjoyed being more involved, but still thought the expertise of the CF was vital: "It can provide a donor with the ability to be more focused, so he can say, 'These are my interests' and the Community Foundation can say, 'I've got a fantastic case here in Hythe' or 'I've got

34 This is an estimate from the Community Foundation Network based on surveys and feedback from members, but CFN believes the actual percentage may be higher than this

a very deserving cause in Portsmouth and you can go look at them. If you do not like either of those I can point you in another direction.' There is no way that that donor, who is probably very busy, could investigate for himself where those opportunities are. The Community Foundation gives him the ability to learn so much more."

Managing visibility

Philanthropists in Britain are often uncomfortable with being known as a donor. Apart from the cultural barrier presented by the fact that the British do not like to talk about money and the media's tendency to include philanthropists in the celebrity category, there is a practical concern for donors: if they become known as givers, they are likely to be inundated with funding requests. This may be particularly acute when giving within a community of which they are a member, so any tension arising from the imbalance in wealth is felt more keenly. A CF can set up named funds, which allow donors to control the level of visibility they have. Matthew Bowcock (34) explained: "One of the reasons I like the Community Foundation is because it has allowed us to set up a named fund, in our case the Hazelhurst Fund. It does not have our name on it; it is the name of our house. A number of people do know it is us, but it still means that I can go to the local youth group and say 'I am from the Community Foundation…'."

Michael Campbell (36) agreed: "Your degree of visibility as a donor via a Community Foundation can be as high or as low as you want. That is the great advantage. And your degree of involvement can also be as high or as low as you want. You can gear your giving through a Community Foundation in exactly the way you want so you can be really hands on or you can be totally invisible, with an anonymous fund, and nobody would even know that it was you." Angus MacDonald thought that there were limits on how much protection using a CF could give a publicity-shy donor: "In reality it would take people 15 seconds to find out that I was the guy behind my fund. But if I go into the village hall that I have part-funded and look at the list of donors, it says 'the Moidart Trust' thank goodness. It is useful to be that one step removed, but I do not want to exaggerate; it is not a big step."

Maintaining focus

Community Foundations should understand donors' core interests, so that they can filter out grant requests and present them only with funding opportunities likely to be of interest. And if a request is declined, the CF may be able to put it to one of its other donors. This is a huge advantage from the charities' perspective, as any fundraising request they make to the CF will not only be directed to more than one donor, but more importantly they will be the right donors. Jim McAllister (24) explained: "One of the great advantages of setting up a fund at our local Community Foundation is that it makes it easier to focus on the things we are interested in. We get hundreds of grant requests and what I can now do is direct people to the Community Foundation, as all our giving goes through that. So we are not saying no to them, we are saying, 'Send it to the Community Foundation, they will analyse it and if they feel that it fits within our criteria then you will receive a donation.' The beauty of it is that if it does not fit our criteria, it might fit someone else's, so the Community Foundation can point them to a different donor."

Michael Campbell agreed: "One of the attractive things about the Community Foundation is that an application does not go to a fund, it goes to the foundation, and the foundation looks at it and

says 'It is in this poor part of the county and it is for disabled kids – I know just who will be interested in that.' And perhaps one donor is interested in that particular area and another donor at the other end of the county is interested in disabled kids, so they can broker the relationship to say 'Well, let's suggest that this much comes from this fund and this much comes from that fund', which often works well."

The future for Community Foundations

Although the philanthropists who had used CFs were positive about them, most of the rest had never heard of them. Those interviewees who were involved either at a board or executive level in CFs were under no illusions that there was still a huge amount of work to be done for the CF model to fulfill its potential in the UK. They all recognised that there was widespread ignorance, particularly among potential donors, about what CFs are, what they do and what benefits they offer. George Hepburn believed that they should be a natural home for new philanthropists and could promote social change in their communities. Their development had been distorted in recent years by having to manage government grant contracts and by the misapprehension that they only made small grants. "A clearer sense of purpose and direction is needed."[35]

Donors as champions

Matthew Bowcock (34) recalled that: "Once the director of the Community Foundation realised I was willing to give time to help, she wanted me in every single meeting with a potential donor, because I talk not so much as a trustee but as a donor. I say: 'Here is what I've been able to do, and here is why I have enjoyed it and here is what you have to be careful of' and give a little bit of advice and guidance. And the best salesmen for CFs are the donors, because if one donor says to another 'This worked really well for me', that is one of the most powerful messages." Michael Campbell (36) likewise said that he was happy to act as an ambassador: "I am a client and also chairman of a Community Foundation, but it is like the chap who liked the razors so much that he bought the company – I really do think the product is exceptionally good." Michael Head (21) echoed this sentiment, saying: "It can be a difficult concept to sell to people, but once you get involved in it you realise it is genuinely fantastic."

Building strong donor communities

There are all round benefits of forming a strong donor community, not just attracting other donors. George Hepburn said that in his experience: "One of the best things we can do is just put people in touch with someone who is a few years ahead of them in philanthropy, to talk about some of the issues." Rosemary MacDonald told us that at Wiltshire and Swindon Community Foundation, where she is director, they have consciously decided to make a selling point of their donor community: "One of the things we are offering to our donors is engagement with the local community, a social life and introductions to other people who are like them. And that is appealing because when people buy their farmhouse in the middle of a field with no neighbours, it can be a massive culture shock."

Matthew Bowcock (34) has witnessed firsthand the attraction for many donors of meeting like-minded people in a relaxed atmosphere: "We find that inviting our existing fundholders along to events with prospective fundholders works very well. Philanthropists can influence other people enormously, and often organisations forget that rich people like to hang out with rich people, they like sharing the same problems. If you can put philanthropists together with other

35 Hepburn G, *Gazing Idly into the Obscure Distance: Directions for Community Foundations over the Next 20 Years*, Community Foundation Network, 2007

London: a special case

A survey of individual giving for 2005-06 showed that Londoners gave more on average than anywhere else in the country per head of population. Only 53% of Londoners were donors, one of the lowest figures in the country, but their gifts were substantially more than those of donors elsewhere.[36]

The sprawl of separate communities and the capital's sheer size makes motivating community philanthropists a challenge. A recent report reviewing London's needs referred to its communities as: "less coherent than those in other parts of the country".[37] Nevertheless, London has some historic charitable trusts with large, established endowment funds which have provided consistent support to the capital for generations such as The City of London Corporation's City Bridge Trust and The City Parochial Foundation. London's new Mayor, Boris Johnson, is soon to launch The Mayor's Fund with philanthropist Sir Trevor Chinn as the Chairman. Details of The Mayor's Fund are yet to be announced but there is likely to be a strong focus on tackling some of the deep rooted social problems in the capital through finding and supporting existing successful grass roots projects across boroughs. Michael Brophy, former CEO of Charities Aid Foundation and now vice-chairman of the Capital Community Foundation, thinks that a pan-London identity may be starting to emerge: "People associate with bits of London. In the past it has been said that there is no such thing as a pan-London identity, although arguably with events like 7/7, the Olympics and shared concerns like gun and knife crime, this is changing."

London's working population is highly mobile and diverse in terms of background with many commuters coming in from outside the capital, or living on one side of the city and working on the other side. Several interviewees thought the gruelling work and commuting schedule of the City's financiers was a deterrent to them connecting locally. Jim McAllister (24) summarised: "Sitting there in a glass box, they will never get involved in the community. And they never see the community in which they live because they leave early in the morning and come back late at night. Somehow there has to be a way to get them to see the communities both in which they work and live and that will change their attitude to both."

Fred Mulder has witnessed this lack of local connection in The Funding Network (TFN), the giving circle he set up in London to which charities are invited to make presentations: "I do not think that people in London have a great sense of community and at TFN we do not do much to foster local support of the local community in London, but elsewhere we do; TFN Oxford is doing very well in that regard." One reason was the number of international organisations based in London which meant that the demands were often different to elsewhere in the country: "Outside London, the proportion tends to be about 80% local organisations to 20% national or international organisations at TFN events, whereas in London it is more like 50:50." He felt this was not only because of the nature of charities available, but also that the workforce in London had greater diversity of backgrounds and a more global perspective.

Katharine Barber, Capital Community Foundation's director, recognised the diversity of London's population compared to other cities when she said: "The challenge for any Community Foundation is to respond to the identity of Londoners on many different levels." Katherine also believed that focusing on citywide themes, such as gun and knife crime, but with individual projects operating at a grassroots level in London's communities would be vital. And of course, building donor relationships would be critical to its success: "We need to create a donor base with some super-high net worth individuals to act as leaders to others who are keen to give at a less substantial level." Capital CF is trying to attract more private philanthropists and build up a London Endowment Fund. Michael Brophy has written that London needs "a

36 *UK Giving 2005/06,* CAF/NCVO

37 *The Collaborative City: Working together to shape London's future,* Young Foundation, 2008

powerful injection of private capital."[38] There was a previous attempt from 1997 to 2003 to form a London-wide organization which could strengthen the development of the existing CFs in the capital, of which there are five.[39] Money that had originally been raised for the development of this London CF was instead used to commission a comprehensive review into its future prospects.[40] It noted that there are peculiarities to London which suggest a pan-London CF has significant challenges. Michael Brophy said of the challenge for CFs in London: "We have got a huge journey to travel down to unlock people's imagination about what they can actually achieve with philanthropy in London. The private donor to date has ignored our sort of philanthropy which is not the case in the regions."

prospective philanthropists, they really enjoy the freedom of that environment." This was echoed by Angus MacDonald, who emphasised the benefits for CFs in encouraging these sorts of donor networks: "It is a great opportunity for them because if they can get the rich philanthropic people with interests of their own together so that they bounce ideas off each other and stimulate thoughts, then they will benefit too."

Building strong donor communities also means considering the mass affluent. CFs need to consider getting such donors involved early in their careers, using their relatively small amounts of money collectively to bring about greater change than would be otherwise possible and establishing long-term relationships with them so that they can act for them when they have bigger gifts or investments to make. Sir Paul Nicholson told us that "the best description of Community Foundations came from America: they enable people with more modest means to make a major contribution."

Offering flexible service to donors

Our interviewees agreed that one of the greatest attractions of Community Foundations for donors was the ability to make the service fit the client's needs, and that this message needed to be communicated effectively to potential donors. The traditional role of a CF was to collect donations to build an endowment that could provide long-term funding to organisations working in the community. However, community philanthropy expert Shannon St John has argued: "The widespread perception that traditional Community Foundations sustain their operations by building endowments for that purpose is a misconception."[41] George Hepburn explained: "It is asking a lot for people to give us £1 million or £10 million for endowments just like that. They need to build their trust in us and we need to earn their respect. We try to involve them in how their money is spent and never forget it is their money. And some people will never want to give up that control in perpetuity and prefer to hand us the money year on year." Nick Ferguson (16) is an example of someone who wanted to manage his money himself, given that is partly what he does for a living, but wanted to give through a CF in order to access their local expertise, and the Scottish CF were able to provide a structure that worked for both them and the Fergusons.

Many CFs are increasingly focused on providing donor services rather than pure endowment building. This trend began in the US, where increasing numbers of CFs began to establish donor-advised funds so that individual donors or families could set up named funds within the foundation and retain some control over the distribution of grants.[42] This focus on a donor's interests is critical to the future development of CFs in Britain. Michael Brophy wrote in his pamphlet for Capital Community Foundation:

38 Brophy M, *Why London Needs A Rich, Powerful Community Foundation*, for Capital Community Foundation, 2008

39 The five London CFs are: Capital Community Foundation, Thames Community Foundation, St Katharine's & Shadwell Trust, East London Community Foundation and North West London Community Foundation. Capital CF and Thames CF announced in summer 2008 that they were to merge at the end of the year.

40 Carrington D, *The London Community Foundation: Review of Development (1997-2003) and of Future Prospects*, report commissioned by the Charles Stewart Mott Foundation and the Office of the Deputy Prime Minister, 2004

41 St John S, "Questioning the conventional wisdom", *Alliance* Magazine special feature *Focus on Sustaining Community Philanthropy: Looking for New Models*, March 2006

42 This concept of "servicing donors" was first floated in the US by Bill Davidow, a prominent Silicon Valley business leader, in a speech to the fall conference of the Council on Foundations in Miami, September 1990

"We think of our supporters as clients. Clients and providing service may seem to some at odds with charity. We think not. Our value is to work out with a foundation or a company (and its employees) but above all with individual clients how best to deliver in London what they want to achieve."[43] A further development is themed funds, which could give to organisations outside a CF's geographic area and even overseas, though some are uneasy about this shift of emphasis.[44]

43 Brophy M, *Why London Needs A Rich, Powerful Community Foundation*, Capital Community Foundation, 2008

44 Such as Barry Gaberman of the Ford Foundation, quoted in *Alliance* magazine, March 2006

3

Communities of purpose

3.1 Motivation

Guy Hands (40) explained the ethos behind his philanthropic journey: "The overall binding question for what I do philanthropically is this: in an ideal world, what would I want this community to be like? I know that utopia is impossible, but I want to know how my contribution around the edges can be most effective in at least working towards that utopia." All philanthropists want to bring about change, but some are more driven by an innate sense of duty and social responsibility. Others combine their sense of responsibility with a passion for change which makes them incredibly purposeful and if time and skills allow them to become personally involved in a hands-on manner, frequently highly effective.

Matthew Bowcock, Surrey

After living and working all over the world, Matthew sold his technology start-up company to a UK company and moved to Surrey. He had no ties or roots there and, by his own admission, he knew nothing about the local community or its needs. He was very aware that Surrey is commuter territory and has a mobile population. Rather than being deterred by this environment, he saw it as an opportunity: "All the more reason to be community minded." Much of his community philanthropy is undertaken jointly with his wife, Dr. Helen Bowcock, who is now undertaking research into community need in Surrey.

Rather than what is often deemed the more conventional method of the community finding donors and drawing them into charitable initiatives through fund raising activities, Matthew used their philanthropy as a way of integrating himself into the community. When Matthew described his motivations, he said: "It is about building yourself into the community". When it comes to contributing in a community, Matthew believes there are two key drivers: "Either someone gets involved with their geographic community because they come from there and feel a sense of loyalty to it, or they get involved because they actually want to get engaged physically and mentally and they want to belong in their community, to participate in it."

He sees the latter as an opportunity for a new generation of philanthropists today given our more mobile population of the 21st century: "When people move from London or overseas to a new part of the UK at a certain stage in their life, they arrive to live in a place, they have no social networks, maybe just a couple of friends through work, and they want to build social capital. This is an opportunity for philanthropy." In fact, in Matthew's case it is about more than just building himself into the community since he is deeply driven by an innate desire to bring about social change. He just prefers it to be in Surrey so that he understands the role that the organisations he is supporting can play in local society. "Will I live in Surrey until I die?" said Matthew; "It does not matter, right now it is where I live and I have an obligation to it."

Matthew has high hopes for what communities can achieve, believing that strong communities make for better societies. He believes that strengthening relationships between 'haves' and 'have-nots' is vital and that philanthropy has a key role to play. Now that he is an active philanthropists with a thriving trust managed by the Surrey Community Foundation, Matthew has had his eyes opened to the vast divide between the relatively well educated, professional population of Surrey – largely commuters – and the population of local people who are generally in less well paid jobs and some of whom have suffered from the weaknesses affecting many areas of Britain today. Matthew said that until he started to actively support local charitable projects, "there were places I never knew existed – a housing estate down the end of a road just past our house, for example." Matthew tries to address areas of deprivation with social change initiatives and has a particular interest in how to turn housing estates around through initiatives which are led by residents.

But he did not find it easy to uncover causes and projects. Matthew recounted: "To begin with I found it very, very difficult to give our money away in Surrey. It was not until I started to understand the concept of a Community Foundation that I actually started to find the groups to get involved with. Giving away money is much, much harder than people think." Helen reinforced this in her speech to The Tyne and Wear Community Foundation in early 2008 saying: "The Surrey Community Foundation has provided an effective means for us to target and evaluate grant applications. Perhaps of most importance, it has connected us with our local community, provided connections which had not existed for us since neither of us is from Surrey. It has opened our eyes to the social needs on our immediate doorstep to which, I hate to admit it, we were completely oblivious."

So impressed were they with what Surrey Community Foundation could offer them, they threw themselves wholeheartedly into it. Helen is now undertaking research into the scope for community philanthropy in Surrey and Matthew is on the boards of the Surrey Community Foundation and the umbrella organisation, the Community Foundation Network (see page 26).

Matthew is a great believer in carrots instead of sticks and he is very clear that "the biggest motivational carrot of all is engagement." He expanded: "Encouraging an individual to become involved with a cause, participate in a group's activities, visit the site of the group's activity, join the discussion about the organisation's future, become a trustee or whatever it may be is the single biggest trigger for maintaining someone's interest." It is not about "performance targets and growth" but in the "qualitative dimension, the impact that the service has on people's lives and what would happen if that service was taken away." Conducting philanthropy locally, in his geographic community allows him to "engage" with groups he supports with his efforts and his money. Matthew summed it up as follows: "I find the ability to live and breathe exactly what our support is offering is a key motivator to keep going."

His enthusiasm for bringing about social change and for understanding what Matthew calls "the social dynamic of change" appears to have helped him to overcome what both Matthew and other interviewees have referred to as "a slightly uncomfortable power relationship." By this they mean the tension that sometimes exists between donors and the workers in charitable organisations, but most frequently and more acutely, between donors and beneficiaries. He tries to be careful that his actions are not divisive. He recognises the value of philanthropic activity in building bridges in communities – the bridge among the donor community itself (Matthew refers to donors as "the best salesmen" for bringing other donors on board to

a cause) and the bridge between the donor community and the people operating the charitable organisations can be very rewarding and relationships are relatively straightforward. However, the bridge between donor and beneficiary can be more complex depending on the issue being addressed and he is sensitive not to patronise or cause resentment at this level.

He believes that much of this possible tension can be avoided through communication. He explained that experience as an entrepreneur building businesses can be valuable to the many social purpose organisations he visits today – site visits are a key part of his activity as they help him to connect with his community, understand local needs and ensure that he uses their money to great effect. Matthew finds it difficult when determining how to spend his money whether to aim for "a large impact on a small number of lives or small impact on a large number of lives" and whether to "treat the symptom or try to address the cause."

Ultimately he is driven by a sense of responsibility to where he lives today and to improve the quality of life for people around them. This is driven by an interest in social change and a desire to be able to "touch" his philanthropy. He recognises that, in today's world of mobility, philanthropy will not necessarily be defined by geographical community. Matthew summarised the future for philanthropy by saying: "I think people build their own philanthropic communities, particularly when their community is a cause. With the modern social networking technologies people can build completely new communities out of philanthropy, but they are as likely to be virtual as geographic."

Matthew Bowcock said: "I find the ability to live and breathe exactly what our support is offering is a key motivator to keep going." Many find it equally important to have some control or to observe the results of their philanthropic endeavours. David Gold explained that a desire to take an active role in their philanthropy had influenced his family's decision to focus on London: "We insist that the trustees visit all of the projects twice each year in order to ensure we are using our money wisely, so logistically it is much more straightforward if we limit ourselves to London. And frankly there is enough need here." Jim O'Neill (38), chief global economist at Goldman

Michael Campbell, Hampshire and Perthshire

"I have always had a pro bono element to my working life," said Michael, chairman of the Ellis Campbell Group. He explained that being self-employed has allowed him great freedom in this regard: "I have always been able to do roughly what I want, so I suppose I've always spent on average about 30 per cent of my time on pro bono things. For a long time though, our family charitable giving was reactive, as it so often is – we dealt with things as they appeared or waste-papered them. Then around the end of the 1980s we decided as a family to refine our thinking and set up a charitable foundation that would have a local emphasis."

Michael is clear about what underpins his philanthropy: "Communities in the broader sense have broken down for different reasons. Most people commute, so they are not working where they live and do not have that same relationship with a place. Many of the old anchors are missing – no pub, no local shop, no local school, and the church is no longer providing the same sort of cement that it used to for communities." Michael firmly believes that local philanthropy, done properly, can be a tool to help rebuild and strengthen weakened commu-

nities. He said: "I think without a doubt it can, and we try to focus our giving as much as possible on anything that we think will help reconnect communities. Anything that helps to reform community is, to my mind, terribly important because with community goes responsibility, and it seems – although this may be a generalisation – that responsibility is something that is lacking today."

Although community breakdown is the issue Michael addresses, he is driven by his active involvement in the projects he supports. It is important to him to be close to projects and engage in a hands-on manner. "You have got to have a hand somewhere close to the tiller." Having a greater level of engagement with the organisation and causes he is donating to is more rewarding for him than passive giving. "The benefit of getting more closely involved is that you can understand the issues and organisations that much more. There are some people who like to write a cheque and others who like to get their hands a bit dirtier. I think there is a huge benefit to getting a bit closer to some of these projects and seeing if there is something to be done to help them work more effectively." Michael believes that in most cases philanthropists will be able to add value: "Many of the people who might be philanthropists have got skills in terms of management or specialisms which they could bring to bear and would be enormously helpful." Michael does warn, however, that a local philanthropist should not assume that their involvement will automatically connect them with the other members of the community they might be trying to help: "I do not think one should look for a close relationship between donors and beneficiaries. It is unreasonable to expect this as generally people do not want to be the subject of philanthropy and the closer they get to the source of the money the more uncomfortable they get."

However, Michael's own experience has strengthened his connection with the community. As well as the work he does in Hampshire, he and his family are also involved in Perthshire, where they have had a home for many years, and their philanthropy there has had a huge impact on their relationship with the place. "Although our day-to-day involvement in Perthshire is less, we have probably become more involved in the community through our activities Perthshire than through most of our involvement in Hampshire." When they first decided to focus their giving in Scotland as well as Hampshire they realised that it was a different experience, as they were more removed from the recipients of their gifts. A chance conversation with a friend led them to the door of the Scottish Community Foundation, where they set up a fund to handle their giving in Perthshire, which "turned out to be an enormous success."

A few years later, Michael decided to narrow their focus in the area: "I wanted to establish an initiative in our local town to address a particular problem, which was that the police presence had been removed. There was drug pushing going on in front of everyone's eyes and the young people were becoming disconnected from the community, from ambition and from everything else. I wanted to get a youth initiative established, but I knew it would be hard from a distance. So I spoke to the Community Foundation and said 'this is my idea, can you help me?' and they said 'of course'. I helped set up the initial committee, but they then took over the running of it. And it has proved to be a great success, and even spread to the rest of highland Perthshire." The project has forged links for Michael across the local community. "In order to get the initial committee together it meant I had to go out and talk to the relevant people who would help. So I met people from all different strata and walks of life which helped me become more bound into the community even though I do not live there all the time."

He subsequently became involved with his local

Community Foundation in Hampshire, which he currently chairs, and he is happy to extol the virtues of these vehicles to other philanthropists. "I am like the chap who liked the razors so much that he bought the company," he joked, "I really do think the product is exceptionally good." One of the main benefits is the level of local expertise Community Foundations have: "They can provide a donor with the ability to be more focused, so he can say, 'These are my interests' and the Community Foundation can say, 'I've got a fantastic case here in Hythe' or 'I've got a very deserving cause in Portsmouth and you can go look at them. If you do not like either of those I can point you in another direction.' He pointed out that this level of attention to a donor's specific needs can be incredibly helpful: "There is no way that that donor, who is probably very busy, could investigate for themselves where those opportunities are. The Community Foundation gives them the ability to learn so much more." When it comes to making donations, Community Foundations can also offer another advantage to donors who might be worried about becoming a magnet for fundraising appeals because they act as "an intermediary." Michael explained: "Your degree of visibility as a donor via a Community Foundation can be as high or as low as you want. That is the great advantage. And your degree of involvement can also be as high or as low as you want. You can gear your giving through a Community Foundation in exactly the way you want so you can be really hands on or you can be totally invisible, with an anonymous fund, and nobody would even know that it was you."

Sachs, said that this was also one of the key factors in the decision to focus the charity he co-founded, SHINE (Support and Help in Education), on London in the early days: "We wanted to make sure that we could properly monitor the effectiveness of the money we were giving."

Michael Hintze (42) was clear that bringing about change was an important motivation for him. But he needed to give within frameworks that allowed him to understand the level of influence he was having. So by focusing his giving to projects near his home in Wandsworth, to his alma mater in Sydney, to a community he is part of through his faith, and to a community he is part of through his interest in the built environment for example, he can stay in control of his activities and understand their influence. He concluded: "If I was giving money

Jim O'Neill, London and Manchester

Jim O'Neill, chief global economist at Goldman Sachs and founder chairman of the children's educational charity SHINE (Support and Help In Education), admits that his upbringing had a huge influence on his approach to philanthropy: "I came out of school in Manchester with people who were very disadvantaged and it has always stuck with me. There were people who were a lot brighter than me, but because of their background and family circumstances had no real chance of getting anywhere, and that has always influenced me."

A visit to the charity, Kids' Company, through the Goldman Sachs Community Teamworks program was the spur to serious philanthropy. He explained: "The influence was always there, so as soon as I came into more significant wealth following the Goldman IPO I was easy bait to think about doing something in terms of giving money. Then Kids' Company just crystallised in my mind that I wanted to focus on education." This also appealed to his professional outlook. "I am an economist and I believe the

most important thing is to raise productivity, and education is critical for that. SHINE as an organisation believes in projects to help highly disadvantaged but aspiring children, particularly at primary level."

Along with a handful of like-minded City colleagues, Jim set up SHINE to try to address the problems of education in deprived parts of London. But they did not allow their enthusiasm to rush them into anything. Instead they approached it as they would a new project at work. Jim said: "We got three people we knew to do a ton of research for us for six months on everything that was going on in education." The organisation started with a board of five trustees, all of whom came from City backgrounds, and were keen to apply the rigour and focus on results that they shared in their work to the way SHINE operated. This approach is a defining characteristic of the organisation. "New trustees or new people we associate ourselves with have to buy into our philosophy otherwise it does not work."

SHINE's work is primarily focused on projects in London, and the successes it has had so far indicate that it has a positive impact on the communities in which it operates. When asked whether he feels more a part of these communities as a result of his philanthropy, Jim is cautious: "I would not be arrogant enough given my current situation to think that being involved in SHINE means I am going to be hanging out with the kids in one of our schools in the East End!" But he is sure that it has built a community among those who get involved in funding SHINE and are brought together by the common goal of improving educational provision for children. By way of evidence he said: "We are just embarking on selling tables for our annual fundraising dinner. I have sent out messages to people that otherwise I would not really touch base with, but there is a sense that many of them are kindred spirits, so their response is 'Yes, definitely! SHINE is such a good thing, and you guys do it in such a way that the dinner is a fun night as well.' That is really strong."

As well as dictating the central theme of his philanthropy, Jim's upbringing led him to the conclusion that the majority of his efforts should be focused on London, where he lives and works. "I was so aware from my school days of the disparity between rich and poor that can exist in the space of a few miles, so it was obvious to me that we should do what we were going to do here in London." Acting locally also has another benefit that appealed greatly to the results-oriented philanthropists involved with SHINE. "One of the strong beliefs we had - and this just comes with who we are as business people - was that we wanted to make sure that we could properly monitor the effectiveness of the money we were giving. That has been a huge influence on what we do with SHINE, and keeping track of our impact is so much easier when our staff can just hop on the tube and go and see the projects we are funding." The SHINE model has, to a lesser extent, also been rolled out in Manchester, but Jim admits that the greater distances involved can present a challenge to the desire to monitor impact: "We have three-and-a-half full-time staff here in London. In Manchester we have to rely on a link person, so find we are a bit less comfortable with what we do there, as we are so used to having it all within touching distance."

Because he is so close to the projects that SHINE funds it is much more apparent when the relationship with a grantee is not going according to plan. And Jim is honest about this being one of the realities of philanthropy. "There have definitely been decisions we have regretted and pulled away from. There are no hard feelings on the organisations we were funding, it is just that some of the things we touch will turn out not to have been the right thing for us to have done with our money, based on subsequent information."

to aid in Africa, it is not clear to me that I would feel able to manage that properly in my current set up." Michael Campbell (36) summarised that in order to have influence: "You have got to have a hand somewhere vaguely close to the tiller."

Michael Oglesby (18) said: "Not only can you be confident that your money is having a greater effect, but you can see that effect because the outcome is right on your doorstep. For a businessmen like me, being able to see that my cash is making a visible

Guy Hands, Southwark and Kent

Guy is Chief Executive Officer of Terra Firma, the private equity firm which was established in 2002 as the independent successor to Nomura Principal Finance Group set up in 1994. Terra Firma invests across a range of industries including renewable energy, aircraft leasing, residential property and gas distribution but is best known for its ownership of Odeon, the cinema chain, and EMI, the record label. Guy and his wife Julia are active philanthropists and Terra Firma supports a number of charities and causes in Southwark, where their office is located.

Guy has experienced many diverse communities at different stages in his life including his secondary school, university, home and work place. It is his desire to support these communities that drives his philanthropy. He explained: "The overall binding question for what I do philanthropically is this: in an ideal world, what would I want this community to be like? I know that utopia is impossible, but I want to know how my contribution around the edges can be most effective in at least working towards that utopia."

For each community he supports, the needs are very carefully assessed. In Sevenoaks, a fairly wealthy area of Kent, his generosity fills the gap of non-government funded projects such as hospices and caring communities for the elderly. In Southwark, Terra Firma focuses on the development of a more equal and diverse society. Guy explained: "As people working here, we are transitional, we come in and we go out, but within the Southwark community there are people who live here all the time and their economic position is very different to ours, their age group is quite often different – very young and very old – and at Terra Firma we feel that we should support the current needs of the community that houses us."

Giving cannot just be about the past, so in thinking about supporting their secondary schools, for example, Guy and Julia feel that it is important that the schools do not rely solely on support from their alumni. They also encourage the parents of current pupils to get involved in projects. Guy explained: "It's almost saying, if I was there today, what would I want?"

Guy is frank that his first efforts at giving were not especially rewarding. "My initial experience at community giving was quite disappointing because a number of the charities I chose to support were inefficient and disorganised and I did not feel that my support had any lasting effect."

It is important to Guy to be able to see the effect of giving, and to be certain that the support is fostering long-term change. "If you cannot see the impact, it is very difficult for a businessman to give. A community charity may not always have the advantage of scale, but it does have the advantage of closeness and being able to demonstrate first-hand what it does."

And like many hands-on philanthropists, he wants to remain connected, to establish a relationship with the recipient organisation. Such relationships form the bedrock of an on-going desire to give, and he summarised his expectations as follows: "For the smaller size gifts, a thank-you letter is fine, for the medium size gifts, I want to understand the effect and whether the objectives have been achieved

and for the larger size gifts I want to understand that and I also want to understand what effect that charity or appeal is having on culture and wider system change."

He is realistic about the challenges of making lasting system changes, particularly when operating at the local level. "It is rare to come up with a local approach that could both be scaled up nationally and that is unique. It is similar to business in this regard – the number of times one comes up with a business idea that is different, that nobody else has thought of, that can then be scaled out nationally, is pretty small." Despite this, he does acknowledge that the success of his efforts to persuade Mansfield, his Oxford College, to take more applicants from less privileged backgrounds has led other colleges and universities across the country to adopt the same approach. Similarly, providing grants for less economically able children to attend the international baccalaureate private school Sevenoaks is another initiative which can be rolled out elsewhere.

Guy's reaction regarding the volume of funding requests that land on his desk is typical of a visible philanthropist. He clearly finds it emotionally tough to make the decisions on what to support. "Each year we try to weigh up how to spend our budget for our philanthropy and each year it is very, very difficult because the people around us have expectations and they can be difficult to deal with. There are excellent charities addressing critical causes, but perhaps they can easily raise money elsewhere. There are important charities that have got themselves hopelessly into debt and perhaps we can clear that debt and move them on or perhaps they will just get into debt again. There are friends doing fundraising that we perhaps do not think will be very efficient or effective and they can be the most difficult to handle because we know them."

These decisions are difficult because with system-changing philanthropy comes a debate about whether the cause is worthy or not, and he is very keen for his philanthropy to be an overall force for good. Although he is dependent on his wife for his philanthropic direction at home and on the employees' charitable trust committee at Terra Firma for their work in Southwark, it is clear that his leadership and deep consideration of the best way to conduct his charity is essential to what he does. Colleagues describe his involvement at work as "symbolic as well as practical" in that he acts as a role model and also matches all employee donations to the charitable trust.

He hopes his employees see him as a role model in philanthropy and unusually for a financial institution, the first item on the agenda of the Monday morning meetings is often a report from the charity committee or a presentation from a beneficiary charity. However, he does not want to be seen to impose, saying: "I do not judge people on whether they give or not, in fact I do not know who has and who has not given, but I think it is important as an employer to provide an outlet for people to give and to show them that I think it is important."

Giving employees the option to donate to charities, he believes, gives them a greater sense of civic participation: "It shows that there is something beyond doing the business which is important because it gives people a real connection and a realism. It is very easy in the City to get disconnected from society, yet understanding that society is multilayered is very, very important." He is keen to clarify that it is not just his employees that benefit; additionally he believes it is beneficial to society if the charities they support recognise that Terra Firma employees are "not just suit-wearing bean-counters, but have a human side as well."

He recognises however, that monetary donations help only up to a point. It is up to individuals to build bridges across the different layers of society which requires time and effort as well as money. He notes

that for the majority of society, large sums of money become impossible to relate to, saying: "For most people in society, a £1,000 gift is an enormous amount of money, and so to hear that someone in the City has given £5 or £10 million, does not really register in the same way as it is impossible for most people to visualise that sort of money, so they hear it, but then it is gone. By contrast, meeting someone and seeing that person cares and is willing to give some time, is probably more effective in building bridges."

difference is incredibly appealing." Michael Head (21) was clear that for him being able to see the results of his giving was much more effective than having it reported to him: "I want to go and look. I don't want to listen to someone talking to me for half an hour, I can tell in ten seconds for myself. For instance, when I walk into school assembly at the Spires Academy, I can see the difference immediately."

Not everyone felt they had to be in direct contact with the things they were

Michael Hintze, London

Michael is the founder and chief executive of CQS, one of the largest European alternative asset management groups. While the Hintze family lives in Wandsworth, Michael grew up in Australia where he attended the University of Sydney and earned a place at Harvard Business School, after which his career in finance began. To consolidate their giving and take more responsibility for their philanthropy, he and his wife Dorothy established the Hintze Family Charitable Foundation in 2004.

His early education at St. Leo's College, a school run by the Christian Brothers in Sydney, helped to shape his view of community and fuelled a sense of obligation to give back that continues to this day. Although he works in a global industry and travels all over the world, he has experienced first-hand the opportunities provided by travel and technology: "Nowadays with killer telecommunications and travel, the definition of community has changed and community circles can be created from diasporas."

When asked to define the role of community in influencing his philanthropic activity, Michael explained: "I have my old university in Sydney and Harvard Business School, then there is my church activity which expanded to the Vatican Museums in Rome, then we have got our local community at home where there is no question that the work we have done with the Wandsworth Museum is about supporting the community in which our children are growing up and to which we have an obligation to give back." This view is also reflected through CQS which donates substantial amount to community causes.

Whilst the traditional 'home' community he now lives in with his family and in which his children go to school is one important framework for his philanthropy, he is also influenced by communities that have formed around his interests such as the arts, education, healthcare and religious causes.

For Michael it is the communities in which he gives that provide him with the context and framework that enable him to make sure his money is benefiting people and causes to the maximum effect. He may wish to have broader influence in his philanthropy, but he aims to do so through channels which feel tangible to him. He explains this saying: "One of the drivers for me in my philanthropy is the ability to influence. I think if I was giving to causes in Africa, I would not have the same ability to influence as I have by giving to the communities in which I am involved on a daily basis, whether that is where my children are growing up, the church or my alma mater."

He expands on this point explaining how his day job also influences his philanthropy: "We do like to see what is going on so there is an element of a market place, and as a trustee of the Institute of Economic Affairs, that is quite important to me." He also prefers to do high impact but lower profile philanthropy saying: "Giving to big causes can sometime be a bit of a media event and I prefer the more community type of event."

At home he feels the pull of his local community very strongly but thinks that Wandsworth may be different to other London boroughs in this regard: "I like where I live, I feel very connected to that area and we enjoy our support of Trinity Hospice and Wandsworth Museum enormously. But Wandsworth has a less transient population than London boroughs like Belgravia and Chelsea that have many foreigners in them and many people with second homes elsewhere that it might make it hard for them to connect with their community."

His support of Trinity Hospice has been crucial to the institution. He believes that when the hospice was in dire need of funding it was clever to target local residents and it was right that they supported it: "Trinity Hospice is a hospice that serves the community and is supported by the community, it is good for these organisations that serve the community to be funded and run by community members as a force for good."

Michael believes that if individuals are visible in their support of projects or causes in their community then they will be that much more committed. Of his own support of the Wandsworth Museum which was going to be closed down before he stepped in he said: "I will try my utmost to make this work and that is partly because it is on my doorstep and part of a community in which I feel very embedded."

But all the time that he is operating at this very local level in Wandsworth, he also considers the broader picture and the broader framework in which he has lived his life and had his successes: "The UK has been very good to me in allowing me to achieve things I want to do and much of what I do philanthropically in the UK is driven by that desire to give back to the country for what it has given me. I believe very strongly this is an obligation."

He reflects on how philanthropy can help to build bridges across society and relates a story about giving to his alma mater, the University of Sydney, where he was one of the first people to give a significant amount for a very long time. When he was interviewed by reporters about the gift he was treated with some suspicion as he was not integrated into that community and they did not know him well. Once he started to explain his story and where he came from, the atmosphere softened. The scepticism was highlighted by the fact that he was the first big donor to the University, something which has now changed as more donors have followed suit.

He used to be uncomfortable with people knowing about his philanthropic gifts, but he has become acutely aware of the importance of being public to a certain degree in order to inspire and encourage peers to action and of the importance of acting together in a community of philanthropists in order to bring about change. His recent appointment as a trustee of the National Gallery has allowed him to do this at a new level. He summarised: "No man is an island…Giving to a cause or an organisation can broaden the net and build a peer network of donors, there are friends and colleagues who sometimes support what I do and I sometimes support what they do."

Nonetheless, he is realistic about what such publicity can do to the individual and about the ability to build bridges across different groups in society through philanthropy. "When you start giving the sort of money I am giving and running the sort of organisation I am running, the world becomes pretty strange."

The Arts: a special case

Arts organisations often have strong groups of supporters and are particularly well placed to foster a sense of community among donors. Vernon Ellis, the recently retired international chairman of Accenture, is a keen supporter of the arts, chairman of English National Opera, the Classical Opera Company and a trustee of the Royal College of Music. In his experience, arts organisations can foster a sense of community among their supporters: "At the Classical Opera Company, for instance, we built a network of supporters who all got to know one another, and we would have events to bring them together. We had one event at the Barbican as part of the Mostly Mozart season and got a lot of our supporters along – we then held a dinner afterwards for them and there was an obvious sense of community." And, he added: "People do like to join together with other like-minded donors, but they also like the sense of community they develop with the artists. In some ways, this is easier to achieve with smaller organisations but it is certainly possible also to achieve with larger organisations, for example with a production syndicate or the young singers scheme for supporters at English National Opera."

This greater sense of collaboration between donor and recipient is peculiar to the arts. A patron of the arts and an up-and-coming young musician have a shared interest or purpose in a way that a donor to a homeless charity and a homeless person, for instance, could not be said to have. The donor and the musician, artist or actor are members of the same community of purpose or interest. Michael Campbell (36) noted: "…generally people do not want to be the subject of philanthropy and the closer they get to the source of the money the more uncomfortable they get". But this discomfort is reduced by the more overt element of enlightened self-interest involved in giving to the arts: the end result of supporting arts institutions will usually be a performance or an exhibition that the donor will enjoy in addition to the normal satisfaction derived from philanthropy.

In some cases, this sense of enlightened self-interest on the part of the donor is pretty strong, as Vernon explained: "As well as supporting the art forms that they care about, the privileged access to star performers that can come through philanthropy is also an attraction." The bonds formed between supporters and artists are real and strong: "There is in many cases a sense of truly getting to know and like the artists, who are usually very likeable and interesting people. And the feeling of being closer to the artistic endeavour is very appealing for many donors." Speaking of his own experience, he said: "It is great fun – I have a lovely relationship with a lot of musicians, and sometimes we have had events at my house where people come and play. It is not why I do it, but it is a wonderful extra benefit."

Supporters of the arts may have strong views of their own on what they like and how things should be done. If these views conflict with those of the people running the organisation, it can be problematic. However, Vernon believed that although this occasionally still happened, it is less likely now that donors and artists had a better understanding of each others' concerns and needs: "Often what caused problems was an artistic director having a very purist approach that disregarded the views of both supporters and audiences; it was very producer-led. In most cases now there is recognition that although one does not simply abandon standards, one has to take account of public tastes and the realities of commercial pressures otherwise the organisation will simply go bankrupt." Taking into account the views of donors and audiences was increasingly important according to Vernon, because: "In the past, the danger of going bankrupt was pretty remote because the Arts Council would be on hand to bail you out. That is not really the case now, so arts organisations need to have a better understanding of private funding and the needs of donors."

There is still a substantial amount of public funding alongside the private funding in the arts sector and donors have had to accept an appropriate level of control. Vernon pointed out: "If an organisation is receiving substantial public funding, should a handful of private donors be able to have a huge say in the running of that organisation? The answer, surely is 'no'." But if a small

organisation is almost entirely funded by one person or a small group of people: "In that situation, there does not seem to be anything inherently wrong with that donor completely dictating what happens. Of course, that may not be the best thing from the point of view of artistic vibrancy, and you might struggle to find a good artistic director who was happy with that level of control by a donor, but there is nothing wrong with it in theory." He does not believe that this would arise very often because for most donors: "The attraction of a small organisation is the sense of involvement one has, rather than the level of control one can exert."

funding, but wanted to keep abreast of how their money was being used. Jim McAllister (24) was clear that the fact that he could have impact at a local level of a kind that he could not at a national or international level made him determined to stick to the former: "I want to affect the communities that I am working in. I cannot do that by giving nationally because it would never percolate down. So I tend to focus at a local level because I feel that is how I can best help." Guy Hands (40) said that, in general, "if you cannot see the impact, it is very difficult for a businessman to give. A community charity may not always have the advantage of scale, but it does have the advantage of closeness and being able to demonstrate first-hand what it does." This was a point of view endorsed by Alexander Hoare: "I have more confidence about where our money is going with a local initiative and we have more visible feedback. We also give to big charities, but on the whole we are more minded to give to things where we feel we are making a difference and can be confident the money is being spent well because we can see the effects. We have a finite amount of money, so we either a) pour it into a bottomless pit, or b) put it somewhere where we can see it working really effectively. Which do we do?"

3.2 Methods

3.2.1 Venture philanthropy and social investment

Many of the philanthropists we interviewed who have created their wealth themselves and done so fairly quickly through business or finance want above all to apply their skills. Breakthrough (45), the partnership of private equity firms Permira and more latterly SVG Capital with CAN (formerly

CAN/Breakthrough

CAN (formerly Community Action Network) is a social enterprise practitioner network, which together with private equity firm Permira, launched Breakthrough. Breakthrough is a fund that invests in social enterprises, leveraging the skills and resource of Permira to help social enterprises 'scale up' their activity. CAN helps to find social enterprises from across the UK that are suitable for Breakthrough investment.

Once Breakthrough invests in a social enterprise, Permira partners and investment professionals work closely with the investee company, helping it to grow and develop by offering advice and mentoring alongside the substantial financial support that comes from the Breakthrough funds. Only certain enterprises are suitable for Breakthrough funding. Social enterprises need to be at the right stage of their development, ready to 'scale up' and able to properly exploit the increased funding that Breakthrough brings. The social enterprises operate "like businesses", "they might be not-for-profit", argues Permira, "but they are run efficiently and effectively, utilising the skills and experience of Permira professionals to help them become stronger and more successful."

Ian Sellars, a partner at

Permira, works with Law for All, a social enterprise based in Acton and Cambridge, which delivers high quality social welfare legal advice. What motivates him is the opportunity to apply business skills to a social enterprise that was fulfilling an important community role. Just as with the portfolio companies at Permira, he is driven by "making it a success" – "We want to attach ourselves to a clear social desire but equally we want it to make it work."

Breakthrough measures success in many different ways. It is about efficient use of money, but there are also specific benchmarks for each company. For example, it might be number of people trained or tonnes of furniture recycled: "Generally there is no one magic solution for a social problem - it is different for each area. But it can be possible to use business skills to attack a social issue as Law for All has done, adapting a model that has worked in one area, to work in another, with specific identification of the new area's needs and local characteristics."

The long-term plan for first two Breakthrough funds is similar to a private equity fund, but without the financial return. Ian explains: "Although some of the organisations we back will continue to need funding, for us it is not just about the money, it is about developing the business and when we get to a point where we feel we have done that successfully, then probably the funding should stop. We should suggest other ways of raising money and we should select a new enterprise to develop."

Ian also highlights how much Breakthrough is a part of the Permira culture: "It is just very much a part of Permira, it is what Permira does and everyone knows about it, and everyone knows how we do it."

Denise Holle, CAN's Social Investment Director, thinks that the Breakthrough investment in Law for All and the relationship between the Permira team and the Law for All team has much wider impact and potential: "Two Permira staff have supported this social enterprise for nearly three years. The generalities of this relationship are replicable, and there is wider social impact both in terms of inspiring other Permira staff and partners, as well as the Law for All staff and customers who benefit. Social enterprises like Law for All really value the opportunity to work with Permira, and I know Permira feels the same way."

Adele Blakebrough, former chief executive of CAN and chair of the Breakthrough advisory panel, is enthusiastic about the ongoing effect of Breakthrough and the importance of such models: "This self-sustaining business model has become a vibrant part of our enterprise culture. Permira's business-like approach to generating social change makes it an attractive investment for a growing number of venture philanthropists."

Adele is tireless in her work as a broker between business and social enterprises and believes that despite the very specific needs of individual grass roots organisations, the general model can be replicated again and again to great effect. She concludes that this is one of the key motivators for those from the business community who are motivated enough to volunteer their time and skills: "The thing that really gets the team at Permira excited is making a positive impact on society. So the pitch is always, this solution is great for this social problem, and if you support it and it is successful, it can be replicated."

Adele summarises her view of community when it comes to philanthropy and social investment: "Community is either community of place or community of interest – so that is neighbourhood, geographical location or community of interest of any sort, all of which are equally valid and important when it comes to philanthropy or social investment."

But she has concerns about the over-use of the word community and the fact it can mean different things to different people. She explains why she prefers the word society: "Every time I am about to use the word community, I like to substitute it with 'society'. Some philanthropists feel they ought to make a contribution to 'society' and for business people that society is often global because that is the world they work in, but they also understand that they live in the UK or somewhere where they make their money."

Community Action Network) was established specifically to allow private equity professionals to apply their skills to "investments" in the social sector. This approach, which views charities and social enterprises as investments in need of the capital and advice required for sustainable growth, is often called venture philanthropy. Business entrepreneurs engage with social entrepreneurs to bring about effective and efficient change. Together they form a community united by purpose – the use of skills to deliver an end goal.

Permira says, of its breakthrough fund collaboration with CAN: "They organisations we are working with might be not-for-profit, but they are run efficiently and effectively, utilising the skills and experience of Permira professionals to help them become stronger and more successful." Similarly, Shaks Gosh, CEO of the Private Equity Foundation (PEF) that set out with the ambition of creating a collaborative, industry-wide philanthropy vehicle, explained: "We form SWOT teams, with a private equity person in charge as the deal captain." Although this approach does not suit all charities, it can bring about dramatic changes for those that it does. (There has been much debate about how widely the "social return on investment"

The Private Equity Foundation

The Private Equity Foundation is backed by over 70 private equity firms and their advisers (banks, law firms, consultants, recruitment agencies and accountancy firms) who have come together to create a charitable foundation that represents their industry. They are united in their desire to empower young people to reach their full potential and all of the participant organisations invest both their money and their time through PEF to charities that address this issue. Sir David Walker, author of the 2007 report on UK private equity, has expressed how he sees the role of PEF: "As the private equity industry takes its place in the British business community it needs a voice – that's the BVCA – and it needs a conscience – that's the Private Equity Foundation."

When established in 2006, despite the prevailing criticism of the private equity industry from the public, trade unions and government, PEF was hailed as a milestone in philanthropic collaboration. Its chairman, Ramez Sousou, CEO of TowerBrook Capital Partners, was adamant that its origins predated the attacks on private equity. Its ambitions are to create a collaborative, industry-wide philanthropy vehicle committed to real social impact.

Shaks Gosh, chief executive of the foundation who comes from a non-profit background, said: "The original intention of the trustees was to create a community of like-minded donors. At least in the beginning, that was even more important than the social mission. They were all already doing a lot philanthropically as individuals, and the foundation was not meant as a replacement for this, but as a valuable addition. That has certainly been borne out by our experience, as the value of having a vehicle that the private equity industry can unite behind is enormous."

PEF recognises that this community has the ability to raise large sums of money. Indeed, in its first year of operation it raised an incredible £4.5 million in Europe and a further $1.7 million for the US arm. Shaks recalls how, in the early days, chairman Ramez Sousou challenged the founders of PEF to think about making impact by collectively raising a significant sum, initially targeted at a national children's charity. "The intention was to get people to act collectively to drive social change. But as well as that focus on social change, PEF is also about getting the private equity industry into the mindset of being intelligent donors." Shaks admits that the notion of collaborative philanthropy was not always easy to sell: "At first

a lot of people had the attitude that philanthropy is a personal, private matter. In the 18 months I have been working on this, though, I have seen a real change and now many of them are saying, 'this is really good – we can achieve far more if we work collectively and it makes it much easier to get properly engaged.'"

Although the money is critically important, PEF believes that its donor community also has a wealth of expertise and skills that can help to transform many of the charities in which it invests. Empowering private equity professionals and their advisers to put time, energy and skills into the social sector is part of PEF's mission. "We looked at what private equity firms do in their day-to-day business and picked ten things that we highlighted as the key 'tools and techniques'. We then adapted these to use in our charitable work." The terminology and techniques used are familiar to the private equity professionals who get involved, and so are the methods. "We form SWOT teams, with a private equity person in charge as the 'deal captain', and then assemble a group with an accountant, a lawyer, a strategy consultant and so on. When we grant money to a charity, it is for three years and we also provide the chief executive with the support of the team we have assembled, who can help with strategic planning, financial management or whatever is needed. Just like a business investment, the idea is to work with the charity to ensure that at the end of the three years when we exit, the charity is in a much better position in terms of scale, finances or strategic clarity than it was when we first got involved."

Shaks is certain that acting as the broker that can enable private equity people to give more than just money in an effective way is useful both for the donors and the recipient charities. "Our donors find it really useful to have someone who can say 'if you don't just want to give from the heart, but want to achieve real change, then these are the organisations to back and here is how you can get involved.' We have donors who have been giving for 20 years or more, but still come back from the first meeting we set up with a charity saying, 'that's the first time I have ever really engaged with a charity like that!'" This intermediation role is crucial to bridge the gap in experience and understanding that there can often be between business people and charities. It is often difficult for donors to find good small charities to back, and conversely it is hard for many charities to reach out to these sorts of donors, because as Shaks points out: "They often cannot put resources into dealing with the particular needs of these kinds of donors when they only have limited funds available and they dealing with some of the most in-need people in the country. That is where we can help charities, because we can remove that burden."

PEF's aim of creating a community of socially responsible donors in the private equity industry means that it is aware of the need to inspire people to action and to keep them going. Part of the way it does this is by removing the barriers to getting involved for busy professionals in the industry, and enabling them to engage in a way that plays to their skills and is long-term. And the model has the power to draw in those from beyond the narrow private equity community, as Shaks points out: "The people in the teams we put together, not just the private equity guys, but the lawyers, the consultants and so on, they really get involved with the charities in a heavily engaged way because they are using their business skills." As well as engaging people through the head, PEF also recognises the importance of engaging heart, and enabling people to see the effects of their giving. For instance, Shaks explains that they organise events with the charities and projects they fund: "One example is a community centre in Newham that we have helped to fund. We are organising a day when our donors can come along to see the work that has been done." And this doesn't just help people see the work done by the particular charities

PEF funds, Shaks thinks, but also gives people a wider perspective on their community: "Many of the donors we take along will probably never have been to Newham, so it is not only a chance for them to see the work that is going on, but also gives them a glimpse of a side of London that they perhaps have not seen before."

PEF so far has supported mainly small, community-based organisations, usually with a turnover of below £5 million, but this could change. "The purpose of PEF is to address the problem of young people not in education, employment or training, and not to create great charities for the sake of it. We will support whichever organisations we think can best help us achieve our goal, regardless of their size." She recognises that the choice between supporting small charities and larger ones can be difficult: "There is often a conflict between the desire to work with smaller organisations where you can have a greater impact, and the desire to work with larger organisations where you can have a wider impact. In the future, we will probably have a mixture of the two in our portfolio." Shaks also sees part of PEF's strategy as using the greater impact it can have on smaller organisations to help them expand and achieve wider impact: "The hope is that in three years' time, the organisations we are working with will be reaching two to three times as many people, and hopefully nationwide. We really want to scale up the examples of best practice that we have rigorously tested."

approach that venture philanthropy often demands can be applied because many charitable outputs cannot be easily measured.)

Neither Breakthrough nor PEF is operating in a specific community of place but both are communities of individuals bound by their desire to be an agent of change and with the talent to do so. Such an approach means that they naturally operate at local level. It is their skills and their access to other skills through business networks that allow them to achieve their goals.

David Blood, co-founder of sustainable investment company Generation Investment, is motivated in his personal and professional life by his ability to use his skills for change: "My vision was, and still is, that maybe we can move away from the model of half your life, or whatever proportion, being commercial and some of it not-for-profit. What if you actually combined them – is that possible? And this is in some respects what Generation is trying to do."[45] Angus MacDonald's focus on rural poverty in Scotland has also been partly motivated by the desire to apply a method for achieving the change he wants to see: "My major criterion is to find a venture philanthropy approach which is basically delivering outcomes through encouraging entrepreneurship in rural Scotland."

The social investment market is an emerging market which uses investment practices traditionally used in the private sector to provide capital and financial support for charities and social enterprises. It is prov-

Venturesome

Venturesome is an intermediary that provides its donors with the opportunity to participate in the innovative social investment market. These donors could not participate in this market on their own, and require the expertise, process and infrastructure provided by Venturesome.

John Kingston, who founded Venturesome, says: "Those who have participated in the fund could not have done so on their own because of the high transaction costs involved in our deals and the portfolio approach required to invest effectively. However, I established Venturesome with a view to stimulating a social investment market and it would be overstating my aims if I said that I

45 David Blood was interviewed for our last report, *Give and let give*, published in December 2007. This quote is part of the profile in that report.

also had the specific intention of creating a specialist community of investors, even though that is what has emerged."

John founded Venturesome in 2001 after a career that had spanned the private and charitable sectors. It is a high-risk fund that identifies and serves the unmet capital needs of small and medium-size charities and social purpose organisations. It uses risk capital to explore new approaches to financing these organisations, operating in the space between providers of traditional charitable grants and providers of bank loans at market rates. It carefully balances financial risk with social impact. The money is recycled once repaid in order to achieve more impact. Since its launch, the fund has made 170 commitments, worth £10 million, of which £4.9 million has already been recycled, with losses of only about 5%.

The Venturesome Investment Fund is now £7.8 million, supported by a mixture of, grant-making trusts, banks and generous individuals. Its parent, Charities Aid Foundation, is its biggest supporter having provided the initial backing for the fund in 2001. The funding structure is as follows:

- *Charities Aid Foundation:* £2.8 million / 37%
- *Private individuals* £2.2 million / 29%
- *Grant making trusts* £1.2 million / 17%
- *Banks* £1.4 million / 18%

The five private individuals who have invested in Venturesome are all from the financial services sector, recognising the power of the investment and efficient use of capital in the charitable sector. This enlightened group of investors is physically brought together by Venturesome every year which helps to motivate them and establish them as a specialist community of donors supporting social investment.

Despite the fact that John says the investor community that has evolved in support of Venturesome as an intermediary was unintentional, it is an interesting example of the potential for intermediaries in the future as new investment models are developed. John explained: "As an intermediary, Venturesome has brought together a range of investors. Intermediaries have a crucial role to play in developing donor or investor communities united by their purpose, in this case to build a social investment market."

ing attractive to philanthropists who are keen to see the skills and practices which created their wealth in the private sector adapted for the charitable sector. Venturesome (49) is a social investment fund that provides capital to civil society organisations. It is an example of an intermediary that combines mainstream lending and investment practice in the charitable and social sector. A third of the capital is provided by individual philanthropists, who are attracted by the potential for building a social investment market. John Kingston, founder of Venturesome, said: "As an intermediary, Venturesome has brought together a range of investors who can achieve something together which they could not achieve alone. Intermediaries have a crucial role to play in developing donor or investor communities united by their purpose, in this case to build a social investment market."

Retail bank Triodos, an ethical bank that offers savings accounts and investments and uses its finances only for projects with social and environmental benefits, believes that its customers are attracted by its ability to connect them with improving their community. Triodos uses depositors' money to lend to social projects and businesses. Whitni Thomas, an investment manager in the Triodos venture capital division, said: "I think that connection within a community is one of the main reasons why people come and put their savings with Triodos. We tell people whom we lend their money to, because they want to know and feel connected to, say, an organic farm in the Midlands or a turbine up near Lancaster

which their deposit is being used to support. I think that sense of community, of feeling more directly connected with the recipients of their money, is one of the main reasons that people bank with us."

Both Venturesome and Triodos are, in their different ways, investment clubs. The investors in Venturesome's case and depositors and clients in Triodos' case are providing the capital to be used for social change and they are all achieving more as a group than they could alone. This notion of achieving more as a group is an important development for the growth of philanthropy and social investment in Britain. Like-minded peer networks made up of individuals with the same skills sets will be critical vehicles for delivering funds and expertise to charities and social benefit enterprises. Shaks Gosh (47) said of PEF: "The original intention of the trustees was to create a community of like-minded donors. At least in the beginning, that was even more important than the social mission. They were all already doing a lot philanthropically as individuals, and the foundation was not meant as a replacement for this, but as a valuable addition. That has certainly been borne out by our experience, as the value of having a vehicle that the private equity industry can unite behind is enormous."

3.2.2 Donor communities

Being part of a defined donor community creates a peer network that can be highly effective in motivating philanthropists to start their journey as well as creating a framework which assists them to continue along it. Most people start giving because they are asked by a peer to give to something they are involved in. This peer pressure is also an important element in keeping philanthropists going. Michael Hintze (42) reminded us: "Giving to a cause or an organisation can broaden the net and build a peer network of donors. There are friends and colleagues who sometimes support what I do and I sometimes support what they do." Joining with peers reduces the risk of getting it wrong in the early days and allows people to learn in a safe environment before branching out on their own. In this way donor communities can act as philanthropy "incubators" and can do so at all levels of giving. There is also an important role for intermediaries, experts and inspired leaders to develop both formal and informal giving circles and donor communities that provide an infrastructure, a network of peers, and above all, confidence, to individuals starting out on their philanthropy journey.

Private banks have unparalleled access to significant numbers of high net worth individuals and tend to have unique and strong relationships with their clients which are an excellent starting point for building donor communities and encouraging philanthropy. Alexander Hoare of private bank C. Hoare & Co said: "I think Hoare's should have a donor advised fund for its several hundred customers." Coutts private bank has recently established two themed donor advised funds – on the environment and on microfinance – that allow clients to club together and either take the advice on the topic and then conduct their philanthropy themselves or invest through the fund as a group. These Coutts funds are being launched in response to direct requests from clients for such a product. Mark Evans, head of family business and philanthropy at private bank Coutts, said: "Although clients are showing equal interest in the Microfinance and Environment Advisory Services and Donor Advised Funds, the Donor Advised Funds are attracting most attention. In addition to market information and signposting, clients are saying they want the opportunity of learning from each other as well as being able to pool their resources to increase the impact of their giving." The new Coutts products point to the role of defined communities in keeping philanthropists going on their

journey as well as providing the framework for motivating them to take the first step.

Some of the Community Foundations are working to form donor communities around their products. Katherine Barber, director of Capital Community Foundation said: "One of the key factors in our success, in addition to leadership, is going to be about putting the donor experience and the causes they can support at the forefront. From this, flows the service and products we offer, the way we communicate impact and the environment in which our donors are invited to operate. Historically the drivers came from the voluntary sector. We need drivers from the City. We need to create a donor base with some super-high net worth individuals to act as leaders to others who are keen to give at a less substantial level."

There are informal ways of creating donor communities and peer groups too. Individuals such as Nick Ferguson (16) have done it without really intending to. He said: "As people get to know about what we do, they come to me and they say: 'We would like to do something in Argyll, can we come in alongside you?' So despite taking our time to understand the needs in Argyll, to define our purpose, to identify the right organisation and our efforts to stay below the radar, we are creating something of a following."

3.2.3 Giving circles

The communities and networks described above are all what Bearman and Rutnik

Rosa, UK Women's Fund launched by Maggie Baxter (www.rosauk.org)

Rosa is the first UK-wide women's fund and its founder Maggie Baxter believes it could be "potentially revolutionary" as a body that is "the only exclusive advocate and funder of organisations working with women and girls throughout the UK." Maggie was grants director at Comic Relief for many years and then director of Womankind Worldwide, where she became convinced that women were the most likely people to fill the huge gap in funding of women's projects. Rosa was launched in spring 2008 to "champion women and invest in initiatives to tackle the problems women and girls still face in the UK."

Specifically Rosa is a philanthropic fund dedicated to supporting women's charitable initiatives across the UK. One of Rosa's core aims is to promote philanthropy by women as well as for women. It aims to create solidarity among women, to develop a "sisterhood" that gives them the courage and confidence to influence change for women through their giving. Rosa's first online campaign, Celebrate Her, encourages donors to dedicate their gift to an inspirational woman in their lives. Maggie explains that getting more women involved in philanthropy is a key motivation for her: "I want it to be new money from a giving circle of new women donors. I do not want to just take existing charitable funds and grant them on."

The philanthropic funds raised will be spent on grants, research and influence on women's issues. The grant-giving will be backed up by strong, evidence-based research in four areas: safety, economic justice, health and wellbeing, and equal representation. Through its grants and research, Rosa wants to encourage policymakers and large trusts and foundations to make women's issues a priority. Maggie explains her vision: "Rosa will have opinion and influence; she will be wise, committed, determined, a little bit sassy and a little bit naughty."

Through her extensive networks Maggie has raised core funding for the first three years and a significant proportion of funding for grant-giving, research and influence on women's issues. She hopes Rosa will award about

£400,000 in small grants at grassroots level each year: "We do not need to be big, we need to be strategic. We do not need £50 million to make a statement. We need to use small amounts of money well to have influence. Rosa will do new and sometimes wacky things, some of which will fail – which is fine if others are successful enough."

Maggie's confidence in women is unwavering: "Women are the ones who keep families together, care for families, educate families and keep war out of communities." All her years at Womankind Worldwide have taught her that "if you empower women, you empower an awful lot of other things to happen." She is also confident that the money can be used in the most effective manner: "Women can achieve an awful lot with £500."

She is confident that the UK is ready for such a fund. There are dozens of women's funds in the US and others across the world in India, Africa and elsewhere. Two of the best known are the US-based Global Fund for Women and Mama Cash, established in the Netherlands in 1983. Mama Cash started as a group of five wealthy women active in the women's movement who clubbed together to make grants to women's projects; it is now an important women's rights organisation.

The response in the UK since Rosa's launch in spring 2008 has been encouraging. Maggie notes: "I have already had a couple of calls from corporates since the launch who have said that this is exactly the kind of philanthropic product they want for women employees and that they want to look at setting up women's giving circles in the company."

She is determined that Rosa will not only encourage more women to engage in philanthropy but will also advance women's rights. She believes the timing is right for both cultural shifts: "It was not at all cool to be green until quite recently and that has turned around. I think the same could happen with women's issues; that it could become cool for women to get involved with empowering other women." Her ambition for Rosa is quite clear: "I want her to be influential and a change-maker."

would call "shared giving" in contrast to giving vehicles.[46] Giving circles are groups of individuals who come together, pool their financial contributions and determine where to donate or invest their money and/or their time. They learn about the cause, the community they decide to support and about philanthropy. All giving circles have their own characteristics. Some are very small, others very large. Some are very exclusive, others highly inclusive. Some are focused on supporting a geographical area, others on a specific issue; some do not have a designated target area or cause for their funds, but are defined by the type of person who is eligible to join them. Anyone can start a giving circle, although it will need a host for holding bank accounts and enabling appropriate tax deductions – to get round this administrative difficulty many circles are hosted by an existing charitable organisation.[47]

Research into giving circles in America concluded that they "promote collective learning, decision-making and giving. They build community by rallying individuals who, over the course of their work together, have meaningful conversations and make real-world decisions. Through giving circles, donors learn more about community issues and become deeply involved in non-profit organisations they may never know existed."[48] The average donation level per year was $2,809 and the most common donation level was $1,000.[49] Not all circles have a defined contribution level. Those that do will not want to set contributions at a level that would exclude potential members, particularly since giving circles are often seen as a way of democratising philanthropy.

46 Bearman J and Rutnik T, *Giving Together: A National Scan of Giving Circles and Shared Giving*, Forum of Regional Associations of Grantmakers, 2005

47 Bearman J, More *Giving Together: The Growth and Impact of Giving Circles and Shared Giving,* Forum of Regional Associations of Grantmakers, 2007. It estimates that 68% of US charitable organisations host circles.

48 Bearman J, op cit. It put the number of circles in the US in 2004 at 200 and the 77 that were assessed in detail had raised more than $44 million and engaged more than 5,700 donors. The same research process in 2006 put the number of circles at over 400 and assessed 160 in detail which had granted more than $65 million and engaged more than 11,700 donors.

49 Bearman J, op cit

The Philanthropy Workshop (TPW) is a programme designed to bring together existing and potential philanthropists to learn about strategic philanthropy, leadership development and collaborative problem solving. It was founded by the Rockefeller Foundation in 1995, and since 2006 has been run by the Institute of Philanthropy in London. Those taking part in TPW attend three modules, in London, New York and a developing country. There is also an alumni network of those who have attended the workshop, and this has itself developed into a powerful tool for shared learning about philanthropy – both successes and mistakes.

Dr Sal LaSpada, CEO of the Institute for Philanthropy, said one of the main reasons for establishing TPW was to bring philanthropists together. "Many of them voiced frustration at how isolated they felt because they did not feel they could talk about their philanthropy with friends. They longed for an environment in which they could discuss it openly in the knowledge that everyone else was in the same position, so that is what we try and provide." This shared learning has already led to action: members of the alumni network have launched three collaborative ventures – on youth justice policy development, on supporting the development of renewable energy projects in the developing world and on encouraging pluralism by supporting human rights and civil society projects in Pakistan. (The latter was set up by a group who attended TPW in New York on September 11, 2001. Having seen the terrorist attacks from the window of the office block they were in, they subsequently decided to look for projects to fund that could address the root causes of disaffection and radicalisation in the Muslim world.)

Alumni of the UK TPW, which started in 2006, have already formed a group specifically to exchange information. Called the "agora", from the ancient Greek word for marketplace, it meets in London four times a year. Sal LaSpada commented: "The group in London is incredibly active and engaged. Their energy and enthusiasm has meant that they

The Funding Network (TFN)

Dr Frederick Mulder, founder of The Funding Network (TFN), explained his motivation for setting it up as follows: "Most of the time when you are spending money you have ways of checking out whether what you are doing is wise, but when you are giving money it is often just you and the organisation you are giving to. So I had the idea that having a peer group of people to check things out with would be a good idea."

First, Fred got involved with founding the Network for Social Change in 1985. This was set up as a giving circle of donors, each with wealth of at least a quarter of a million pounds of liquid assets. It was intended to be a private group because there was a mixture of inherited and created wealth among its members, leading to differing attitudes about visibility. But Fred had a different long-term vision, and in 2002 set up TFN because he "really wanted to take this idea of giving with a peer group and put it more into the public domain, where it was open to anyone of any level of wealth, so there was no barrier." He also thought that the new organisation should not take a lot of people's time, so he decided that TFN would have day events rather than residential conferences, and should have a format that could be easily replicated in other communities.

TFN has certainly been successful in this regard: following the initial events in London, TFN groups have now been set up in Bristol, Leeds, Scotland, Oxford, Toronto, and Johannesburg. The most recent TFN event in London raised over £130,000 for the six organ-

isations invited to make presentations. And recently Youth – The Funding Network (YTFN) has been established in London, based on the original TFN model but aimed at attracting donors under 30. Its first event in June 2008 attracted 140 young professionals between 20 and 30 years old and raised over £6,000 for the nominated organisations, as well as promises of help with website design and pledges to undertake fundraising activities such as a sponsored parachute jump.

The main focus of its work is the events it holds – around five a year in London and slightly fewer elsewhere – which bring together TFN members and give them the opportunity to hear presentations by a handful of organisations before taking part in an "open outcry" bidding session where they can pledge donations to those organisations.

The organisations that are invited to make presentations at an event are put forward by TFN members. Fred explained: "They have to put in a two-page application covering certain points six weeks before the event. Then we have a selection panel that any member can sit on, unless they are sponsoring a project at that event…We usually have, say, three, four, five times as many applications as we have slots for. So there is a lot of competition to get a place."

The focus of the organisations tends to vary depending on the location of the TFN network. Fred explained that networks outside London "tend to favour organisations that work in their local community, or even if they are international in focus, they have roots in the local community somehow, so they probably do more to foster a local sense of community." In the original, London-based TFN network, the balance is about half-and-half local to international, although even then Fred points out, "a lot of the local things have some sort of national dimension." He is not certain why the London TFN has less of a local aspect, but suggests that it might be partly because "there are more international organisations based in London" and also because "people in London just do not have a great sense of community on the whole." Although he does think there is further potential for local giving in London because "people love to support local organisations when they can. It is great when local organisations find a way of tapping into the money that may only be a mile away because too often that can seem a big mile." There are indications that this trend might be starting to take hold – at the most recent TFN event in London over half the money raised was pledged to two organisations focused on the needs of disadvantaged young people in London.

Fred said that there is no set limit on donations – "there are people giving £100 or people giving several thousand and there are people all the way in between" – although most donations "are clustered around the £100 to £300 mark." He is sure that this is one of the advantages of giving communally: "You know that at whatever level you are giving, you are somewhere on a continuum with other people. That is very reassuring, because I think a lot of people do not give because they are not sure if they are being overly generous or overly mean. They do not know what's appropriate."

The members of TFN, Fred thinks, fall into roughly four categories: those at the start of their "philanthropy career" who are dipping their toe; those who simply like communal giving as the way of doing their philanthropy; foundations which use TFN as a way of finding great small projects; and some companies, which also use TFN as a way of directing their corporate giving.

One of the key features of TFN, as with many giving circles, is that its membership is constantly changing. Fred explained: "Some people love us and leave us, or some people will stay around and some will use us to get to a certain stage before moving to something different." The crucial constant, though, is that unlike many philanthropic organisations, "we're a network of donors – all the people on the board give too, so we're a community of donors at various levels."

have taken the lead in developing this initiative." According to Sal, it is only when peer groups and initiatives are developed by philanthropists themselves in this way that they are successful: "It has to be driven by the donors and their interests. If there was any sense that it was top-down or imposed from above, it simply would not last."

Talk in Company (TIC) is an initiative at the very informal end of the spectrum. It is an everyday, giving circle aimed at the mass affluent in South London and largely comprised of professional women who have taken time out to raise a family. Like the Rotary Clubs, it organises monthly lunch events with a high-profile guest speaker, as well as presentations from charities and philanthropy experts, such as New Philanthropy Capital, TimeBank or the Institute for Philanthropy. The events provide a chance to hear directly from the people working in charities, as well as a way to meet like-minded people and to channel some of the energy that they used to put into their job toward something beyond the daily domestic routine. Former Merrill Lynch employee and TIC co-founder Deborah Davidson said: "We all recognised this need to get together and for once in a while to talk about something other than schools, house prices and kitchen extensions. We knew there was this pool out there of bright, sparky, intelligent women who felt neglected." There is no pressure on attendees to give. The hope is that they will be impressed or inspired enough by what they have seen and heard to follow up by themselves. As well as encouraging potential future donations, any profits from the events are divided between a charity chosen by TIC and charities nominated by the speakers. Another new initiative is UK Women's Fund Rosa (52) started by Maggie Baxter which among other things aims to be a formal giving circle designed to create solidarity among women.

The Funding Network (TFN) (54) provides a forum for getting people started on their journey. A number of charities are invited to give a presentation and bid for the support of the audience. It has no barrier to entry, is transparent, provides the infrastructure for individuals to act and allows them to hear firsthand from a charity in a neutral environment with like-minded people. Dr Frederick Mulder, its founder, recounted that he had had "a bad experience" early on in his giving career and thought that if there was a peer group that could check charities out, that would help giving enormously. Youth- The Funding Network (YTFN), an offshoot of TFN aimed specifically at under-30s, has also been a huge success.

3.2.4 Web 2.0

Online giving has increased dramatically. The UK website, justgiving.com, broke through the £250 million mark for its

GlobalGiving, www.globalgiving.co.uk

"A marketplace for goodness" is how the GlobalGiving website describes itself. The new GlobalGiving UK Chief Executive, Sharath Jeevan, explains it as a site "which aims to provide psychological assistance to guide an individual through their giving decision and to support them in their choice of what to do and how to do it." The site enables donors to browse for ways to support international development projects around the world, to select those which inspire their passion and to support them with a financial donation online.

It was set up in the US in 2001 and launched in the UK in September 2008. It is a market place connecting "donors to doers" and has

facilitated $10 million in donations to some of the 450 pre-screened grassroots projects in over 100 countries that are profiled on the website. The aim is to connect what the website calls "generous giver people" with "good idea people". It explains: "GlobalGiving begins with the dedicated, tenacious individuals who are driving change in their communities. From running orphanages and schools, to helping survivors of natural disasters, these people are do-gooders to the core."

It is targeted at the mass retail market since it is a relatively low-cost way to aggregate lots of small gifts. Anonymity is important, however, and Global Giving does not pass on donor details to the charities themselves. In this way it protects the donor from the inevitable tide of funding requests once the first gift has been made.

It also provides an online networking function for donors. Some companies have a special arrangement with GlobalGiving which provides them with the framework for an online donor community to evolve within the company, supported by the company's scheme for matching donations. In the US, 15 companies have already signed up including Ford, Gap, Hewlett-Packard, the North Face and Yahoo!, GlobalGiving also performs this function for community and family foundations.

4,800 charity members this year and global online giving passed $13.2 billion. In the US, online giving rose 51% between 2005 and 2007 to reach US$6.9 billion.[50] However, at the community level many excellent projects remain below the radar and cannot be found online. The launch of localgiving.com (59) next year will enable individuals to search for projects by geographical location and by issue, to set up their own donor profile, and to monitor their gifts and the effect they are having.

Kiva, www.kiva.org

This US-based web resource calls itself "a person-to-person microlending website, empowering individuals to lend directly to unique entrepreneurs in the developing world." Its mission is "to connect people through lending for the sake of alleviating poverty." It has created and connected a community of individuals who provide interest free loans to specific social entrepreneurs in developing countries. The focus is on the individual to individual relationship with phrases such as "helping a real person" used throughout the site.

A recent article in *Forbes* referred to it as mixing "the entrepreneurial daring of Google with the do-gooder ethos of Bono." The same article notes that Kiva "merge[s] two recent socioeconomic trends –social networking and microfinance." Microfinance tries to improve the economic condition of people in the developing world by giving them small loans instead of donations.

The site encourages individuals to lend $25 or more using PayPal or a credit card. Kiva passes the funds on to one of the 100 microfinance institutions (MFIs) it partners with, who distribute the loan to one of their entrepreneurs, often together with training or other assistance. Kiva's lenders aren't allowed to charge interest on their loans, and Kiva doesn't charge interest to the MFIs. But the MFIs do charge their developing-world borrowers.

Over time the entrepreneur repays their loan via payments and updates posted on Kiva. When a lender is repaid, they can recycle their funds to another entrepreneur, withdraw them or even donate them to Kiva itself to help with its operational expenses. However, CEO Matt Flannery has admitted in the past that there was still a significant amount of donor education to undertake since

50 Reported in ePhilanthropy.org and based on research by the ePhilanthropy Foundation.

many donors are not recycling the funds but leaving them in their Kiva account when they are repaid after the first loan.

Kiva funds itself by asking for voluntary contributions, somewhat like a tip, and generally receives about 8 per cent. So for every $1 million raised, it receives $80,000 to pay engineers and programmers. Kiva makes the comparison with eBay, saying on the site: "Like eBay and other online marketplaces, Kiva hopes that an online lending platform will let unproven, riskier, field partners build a great reputation through long-term performance. In the process, they should be able to raise capital from other sources beyond Kiva to serve more of the poor in their area." (Forbes recently reported that eBay's MicroPlace launched in 2007 was an imitation of Kiva.)

Although Kiva's founders have recounted how much resistance they met at the beginning, in June 2008 an astonishing $34 million in loans have been made through Kiva since it was established in 2005 with a 97 per cent of active loans paid on time and a default rate of less than 1 per cent. The site supports around 270,000 lenders who have assisted approximately 40,000 borrowers in 40 countries. Kiva ranks first among its peers in the US, according to Alexa.com traffic ranks (based on a combined measure of page views and users). Almost 50 per cent of its traffic comes from the US. Only 4.5 per cent of its traffic comes from the UK, where it ranks third behind Just Giving and Oxfam. It has about 25 staff and almost 400 volunteers.

It is rapidly creating a global online community of donors who want to support international aid and connecting them with a community of Kiva entrepreneurs in developing countries around the world. There is already a Kiva fellows' programme that provides individual volunteers with the opportunity to work directly with one of the partner microfinance institutions overseas. A further recent development has been the introduction of "lending teams". These are affinity groups created amongst Kiva users, in which members continue to give individually but have their donations count towards the gifts of the group as the whole. Lending teams have been created so far amongst those of shared faith, alumni of universities and inhabitants of particular cities, and Kiva believes that these can strengthen their overall offering: "One of the most powerful things about Kiva is our community of lenders. [Users] now have the option to connect with other lenders and make an impact as a team."

The forums, blogs, instant chat and other facilities of Web 2.0 make it a powerful tool for community building. A recent study of online philanthropy markets declared that they "promise to transform both the quality and quantity of resources for human development."[51] However, if it is to provide more than one-off online gifts and short-term relief it will have to find a way of enabling users to distinguish strong from weak projects, and to measure the effectiveness of their online investments. Kiva (57), a US-based microlending web-based resource, has

Global Greengrants Fund, www.greengrants.org

Global Greengrants Fund (GGF) provides small grants to grassroots environmental groups around the world. Its core aim is "to bridge the gap between those who can offer financial support and grassroots groups in developing countries that can make effective use of that support." Global Greengrants aims to provide a way of overcoming the difficulty of finding the

51 Bonbright D, Kiryttopolou N and Iversen N, *Online Philanthropy Markets: from 'Feel Good' Giving to Effective Social Investing*, Keystone/The Aspen Institute, 2008

right overseas organisations to support because "grassroots groups are key to solving the intractable problems of poverty, powerlessness and environmental destruction."

Over the past 12 years, GGF has made over 3,500 grants to organisations in 120 different countries. These grants are typically between $500 and $5,000. It relies on a network of over 120 international volunteer advisers, linked in a series of regional boards and a global advisory board to select projects. This network of advisers "has the added benefit of building a peer community that can provide moral support, mentoring and monitoring." This aspect of Global Greengrants' approach has become increasingly important. As it explains: "Our adviser network is already beginning to take on a life of its own, driven by collaborative energy, great ideas and a shared vision of a healthy planet. Our advisers now actively seek each other out to confer on issues that may cross continents or oceans. Our grantees, too, are learning where to go for help from groups dealing with similar challenges."

The Global Advisory Board is comprised of representatives of five international groups, each of which has a different focus that overlaps with an area of GGF's work. This means that these five organisations can get funding to grassroots projects that they might otherwise struggle to reach; conversely Global Greengrants can use the expertise of these organisations to expand the range of its activities.

Building a viable and vibrant community that is geographically dispersed in this way is only possible with the internet. The founders understand its power: "Communication technologies can now make this dream practical and relatively inexpensive. Better use of these technologies is our next frontier. We need to know each other, learn from each other and work together."

become a beacon for other web entrepreneurs. In a recent Newsweek article, Kiva President Premal Shah explained that it allows all of Kiva's 100 or so fellows dispersed around 45 countries to "co-create Kiva" by logging on to the Kiva Fellows' wiki (a platform for collaborative content which can be accessed and adapted by everyone involved) for ideas, best practice and solutions to problems.[52] GlobalGiving (56) launched in the UK in September, having been online in the US for five years, provides regular updated feedback on projects and direct contact with the overseas entrepreneur receiving the donation. Amnesty International UK has recently launched an online community for its Protect the Human campaign as part of a strategy to activate a community around the campaign. Kate Allen, director of Amnesty International UK, was reported as saying: "Protectthehuman.com is all about giving that community an online home – somewhere people can share views, have an argument or tell others about a film or story they have found."

Localgiving.com

This is a new, web-based resource designed to overcome the barriers that philanthropists face in finding local projects to support. It will profile thousands of charities and offer the opportunity to make an immediate online donation. Marcelle Speller co-founded the www.holiday-rentals.co.uk which she and her partner sold in 2005. Her experience setting up a successful business that enabled users to find and book private-ly-owned holiday properties on the web has led her to set up localgiving.com to enable donors to locate and donate to projects in their area. She is doing so in partnership with the Community Foundation Network, whose 50-plus

52 Huang L, "Power to the bottom", *Newsweek*, 6 September 2008; www.newsweek.com/id/157540

member organisations across the UK have vetted the more than 40,000 small local charities and community groups that will be featured on the site.

Given the constant complaint from philanthropists that they cannot find projects to support, this will be a valuable resource for increasing "give where you live/work" philanthropy. Marcelle said: "It aims to attract individual donors, corporate donors and advisers, as well as charities, intermediaries, local government and others. It will increase the awareness of and donations to voluntary community organisations by giving them an effective web presence and online communications tools."

The site will allow users to search by region or county and/or by cause. Each charity profiled is given a page on which it outlines its purpose, why its community needs it, specific projects for which it is currently seeking funding, key financial information and photographs and testimonials. A large "Donate Now" button makes the closing process easy to negotiate and leaves the browser in no doubt of the site's intent.

Marcelle knows the tricks of the internet trade and the site will be designed with templates to enable local charities to add their own details online, while ensuring optimal presentation and comparability of charities and projects. There will also be an advice component as a way of creating a community of donors around the site who can share their experiences – both good and bad – and recommendations over the website.

Community Foundations are the key to this site as they hold much of the basic information on local projects. Working in partnership with the Community Foundation Network is crucial for the content of the site. But the Community Foundations recognise that they stand to gain from it too given the funds it could generate and the ability it could create for them to establish important guidelines across the network for consistency and comparability of data for communities of interest, not just communities of place.

Over time, the website will form a national online database of charities and potential donors as well as the ability to match one to the other. It will also enable charities and Community Foundations to manage information, online communication systems and networking opportunities better so as to improve operational performance. It will also be a resource for potential beneficiaries of the local charities to find the one that meets their needs. But, if requested, donors will remain anonymous and privacy requirements will always be honoured. Localgiving.com's multiple functions make it unique and a significant step forward in the use of the web for philanthropy.

Although the Charity Commission website and guidestar.org.uk provide information on thousands of UK charities, this is largely financial and organisational and is not always presented in an appealing way to donors, with an ability to donate immediately through the sites. New giving initiatives such as thebiggive.org.uk and globalgiving.com are important web-based initiatives for developing online communities of givers. The distinction of localgiving.com will be its ability to allow people to search specifically for voluntary and community groups in a particular area that is important to them – where they live, work, or where they were brought up – and then to refine their search to issues they are interested in; and above all, due diligence will even have been carried out on the charities by the Community Foundations.

4

Role of communities in continuing action

Embarking on a philanthropic journey is often said to be the hardest step to take. It is usually the step from being reactive in giving to determining a focus and having a plan. The communities that give individuals the infrastructure and confidence to get started also play a crucial role in keeping them interested and active, even encouraging them to expand their activities. Two elements proved especially important: being part of a donor community of like-minded people and giving at a grassroots level. The first provides an enjoyable social network in addition to a certain amount of peer pressure and a sense of risk management rather than going it alone. The second offers the opportunity for direct involvement and observation of results. The relationship between donor and recipient has to be carefully managed at this level, but if successful, then the bridges built with charity workers and across social strata can bind hearts and minds more strongly to a cause.

4.1 Engagement

Matthew Bowcock (34) who is active in his home community encapsulated the situation: "If you engage with a cause, then you find yourself not just creating new social networks but bridging social divides, which in turn strengthens the community you live in or work in. You are then embedded as part of the strength of that community and it is very, very difficult to walk away." The more a philanthropist actively does, the more he or she feels engaged and a part of whatever they are doing. This is self-perpetuating, a virtuous circle. And the more a philanthropist feels involved, the more he or she is likely to give in terms of financial support. It is particularly important to engage the mass affluent in this way early on in their careers so that they expand their activities as their earnings and skills increase.

Michael Campbell (36) put it very simply: "I have undoubtedly given more money to the organisations I got involved with." It is the skills of these individuals that add so much value to their investments of time and money. Naturally, the success or failure of their philanthropic endeavours has a significant influence on the progression of their journey. Major successes are highly motivating. Sir Peter Lampl set up a summer school bringing non-privileged young people to Oxford University, his alma mater, for a week. His practical effort to address social exclusion on a small scale was hugely successful and evolved into the much more ambitious work of his foundation, the Sutton Trust. This supports projects that provide educational opportunities for young people from non-privileged backgrounds and conducts research and policy work in this area too. Sir Peter said: "I had no intention of doing this. It snowballed after the summer school. I was still in private equity then and it was a new area of focus. Now…it is what I do full time." The Sutton Trust has been a catalyst – not only has Sir Peter recently attracted his peers and large foundations as donors, but now the Government also funds summer schools at most universities.

Some philanthropists prefer to offer their time and skills to beneficiary organisations rather than running their own show, but if they are still working hard their time will be limited. Entrepreneur Keith Punler said: "Many charities these days want people's time as well as money and that is not always easy for busy business people." However, our interviewees told us time and again that the more they engaged, the more inspired they felt to continue. At the local level, the philanthropist who gives time as well as money can avoid coming across as flash, and instead be seen as forging links, then building networks and social capital. In this way community-level philanthropy can outdo large-scale, faceless national or international philanthropy by contributing Putnam's "bridging social capital".

Guy Hands (40) believes there is a two-way benefit to engagement: "It shows [my employees] that there is something beyond doing the business which is important because it gives them a real connection and a realism. It is very easy in the City to get disconnected from society, yet understanding that society is multilayered is very, very important." But he also points out that it is not just his employees who benefit, but society as a whole if the people at the beneficiary charities recognise that Terra Firma employees are "not just suit-wearing bean-counters, but have a human side as well."

4.2 Peer influence

All our interviewees confirmed the importance of peer groups. As well as individuals asking their peers to join them in supporting a cause or an organisation, there is an important role for inspired leaders, experts and intermediaries to develop formal and informal giving circles and donor communities. These not only provide the framework, network of peers and, perhaps most importantly, the confidence required to get started, but also provide it on an ongoing basis. The Funding Network (54) was started up by inspired individuals keen to provide potential donors with a community of givers and reference points for how much to give. The new UK Women's Fund Rosa (52) was also the inspiration of an individual, Maggie Baxter, and provides a different sort of infrastructure. It is designed as a formal giving circle specifically intended to create a solidarity among women, to develop a "sisterhood" to give them confidence to improve women's lives through their giving. Private banks have unparalleled access to high net worth individuals and tend to have unique and strong relationships with their clients which are an excellent starting point for building donor communities. The two donor-advised funds being launched by Coutts – on the environment and microfinance as described in section 3 – that allow clients to club together and either take the advice on the topic and then conduct their philanthropy themselves or "invest" through the fund as a group are examples of what private banks can offer.

The potential power of web 2.0, through reporting, feedback and "chat", in generating online communities for philanthropy is immense. Web-based forums such as www.kiva.org (57) and globalgiving.co.uk (56) that unite those wishing to support social entrepreneurs in developing countries are increasingly important not only for getting individuals started but for providing the peer group that influences them to keep going.

4.3 "Touch"

Successful business people who like to have an element of control over their giving also appreciate being physically close to the projects and organisations they are involved with – what we call "touch". Guy Hands noted: "If you cannot see the impact, it is very difficult for a businessman to give. A community charity may

not always have the advantage of scale, but it does have the advantage of closeness and being able to demonstrate firsthand what it does." Michael Hintze (42), who runs his own foundation, said: "We do like to see what is going on so there is an element of market place." One private equity partner echoed the sentiment of many colleagues: "Most things are easier to understand if you can touch them and feel them. If you can meet the people either doing the work or benefiting from the work, it makes it real. One of the biggest problems with donating money is that often you have no sense of ownership or touch. The human touch is a very strong feeling. If you cannot touch something, there is a risk it does not exist and it is much easier to engender that feeling if that thing is in striking distance."

A number of those we interviewed also cited "touch" as the reason that they focused their philanthropy on community and grassroots organisations, rather than on national or international charities. Alexander Hoare (19) explained: "You can have more confidence about where your money is going with a local initiative and you have more visible feedback. We also give to big charities, but on the whole we are more minded to give to things where you can feel you are making a difference and can be confident the money is being spent well because you can see the effects." It is not always the geographic focus of the organisation that appeals, though – the size of the organisation is a key factor. Martin Smith said: "The difference between big charities and grassroots ones is like the difference between backing venture capital start-ups or buying FTSE 100 shares on the stock exchange – both are legitimate activities but the latter has never really appealed to me. I have been more interested in the start-up, venture capital end of things."

Many enjoyed the feeling that they were able to have greater impact with smaller sums than if they were to support a bigger charity. Michael Oglesby (18) explained that he finds giving grants of £10,000-£20,000 to small organisations the most rewarding: "Not only can you be confident that your money is having a greater effect, but you can really see that effect as the outcome of your giving is right on your doorstep. For a businessman like me being able to see that my cash is making a visible difference is incredibly appealing." Nick Ferguson (16) agreed: "Although the amounts we are giving away are not unappreciable, I feel they would not make a dent in the big charities. Whereas if we give that money to small organisations up in the Highlands it makes a huge difference because so few people are really funding up there."

Others echoed that size isn't everything and that much can be achieved with a little if donated the right way to the right organisation. Alexander Hoare (19) said; "I am not the Prime Minister – I do not have unlimited sums. I have got small sums, so I target them to people and organisations doing good work locally." Maggie Baxter (52) said: "We do not need to be big, we need to be strategic. We do not need £50 million to make a statement. We need to use small amounts of money well to have influence…Women can achieve an awful lot with £500."

The publicity given to the large sums of money raised by the super HNWs at events such as the ARK dinner or through the hedge fund, the Children's Investment Fund may be distancing the mass affluent from philanthropy since they could never give on this scale. Guy Hands said: "For most people in society, a £1,000 gift is an enormous amount of money and so to hear that someone in the City has given £5 million or £10 million does not really register in the same way. It is impossible for most people to visualise that sort of money, so they hear it, but then it is gone. By contrast, meeting someone and seeing that person is willing to give some time is probably more effective in building bridges."

4.4 Managing risk

Several philanthropists highlighted that they felt a greater degree of reputational risk with their involvement in projects or organisations especially if they were physically close to their home. It was as if they try harder with those projects because they do not want to be attached to a failed project in their community. Michael Hintze (42) was honest about how he feels about his reputation with regard to his support of the Wandsworth Museum: "I will try my utmost to make this work and that is partly because it is on my doorstep and part of a community in which I feel very embedded and partly because my reputation is on the line!"

Being part of a donor community appears to be an important way of spreading the risk associated with investing in philanthropic projects. Our interviewees usually avoid funding 100% of a project and confine themselves to a 20-25% stake both to spread the risk and also to ensure that the recipient does not become completely dependent on them. Nick Ferguson explained: "We have a rule that we will never fund more than a third of anything, and usually only about 20%. If you fund everything yourself and it does not work, then you can find yourself in a real hole such as closing down a charity. And besides, it is unhealthy for an organisation to have a single funder."

> "Philanthropy is like any other form of investment: if you do it in a hurry you will get it wrong"
>
> Nick Ferguson

Acting together with peers and friends also encourages shared learning about different causes and about different approaches to philanthropy. We noticed that many of our interviewees conduct careful research and take time to understand the issues they want to address. Nick Ferguson (16) said: "Part of the reason we are doing our philanthropy very carefully is because it is like any other form of investment: if you do it in a hurry you will get it wrong." Another private equity professional said: "It is incredibly difficult to find a company to invest in, to turn around, make a success, improve and sell within five years with a return which is commensurate with what we have promised our investors. You cannot just snap your fingers and make it happen. Similarly, it is not easy to find a charity to give a million pounds over four years and be sure it is going to make a difference – and if you get it wrong the magnitude of your mistake is that much greater."

Using an intermediary can be a great help in finding good grassroots projects, and they also offer the donor the benefit of being able to research and vet local projects, mitigating the risk of supporting a failure. Michael Campbell (36) said of Community Foundations: "If you are talking to a voluntary group doing innovative things in a small village somewhere, you have no idea whether they are valid or not, regardless of how good they may seem on the surface. So at this level you really do need an intermediary to make sure that your money is going to be spent wisely." Angus MacDonald echoed this: "The Scottish Community Foundation helps me to find, assess and monitor effective projects. It is a special skill giving away money and it is not a skill I have. If somebody on one of the islands came to me and asked for money for some diagnostic equipment to measure the performance of outboard motors, how would I know whether he was going to disappear to the Bahamas with that money or not?" Entrepreneur Keith Punler said of using the Scottish Community Foundation: "It removes the risk of getting involved with something very close to home where we are quite visible and that could end up being a mistake."

4.5 Providing feedback

In recent years increasing attention has been given to measuring the performance of charities and to improving the quality of reporting to their donors, though how much information donors really want is a matter of debate. David Gold commented: "I think there should be better measurement around outcomes but not outputs. Human capital is very precious, people are precious. It is easier to measure financial return than return on human capital." Nevertheless those interviewed for both our reports confirmed that hearing how and with what effect their money had been spent was vital for keeping them involved. If not, they were much more likely to give up or turn their attention elsewhere.

Philanthropists who were active in a local community had much lower requirements in terms of reporting than those who were not. Michael Head (21) in Kent said: "I want to go and look. I don't want to listen to someone talking to me for half an hour, I can tell in ten seconds for myself. For instance, when I walk into school assembly at the Spires Academy, I can just see the difference immediately." Michael Campbell (36) said that he did not expect too much: "Most of these organisations probably have a twice-yearly newsletter or something like that, and I think that is enough to refresh your interest. You see it and think, 'Are they doing that? I might give them a ring.'" Angus MacDonald said of his attitude to feedback, "I think it was Carnegie or someone like that who said, 'all I want is to be invited for a cup of tea – I may not be able to come, but I would like to be invited.' And I think charities should realise that they would do much better second time round if they have engaged the donor first time round."

Experts in the sector confirmed this. Stephen Hammersley, CEO of the Community Foundation Network told us: "We find that with many of the individuals who do their philanthropy with us, they just want to know that a charity is good at what it is doing, often they want to meet the key players, and then they want to keep things as simple as possible. They do not ask for spreadsheets and analytical reports, they just want to know that the charity is doing good work in as simple a way as possible." Katherine Barber, director of Capital Community Foundation in London has also noticed this: "We all do donor reports but it is definitely the visits that stick in people's minds and that make them see the difference they can make". Keith Punler said: "We support charities that have a strong communication stream so that we know what they are doing and can see measurable outcomes. It is not always necessary to have formal reports, just communication of some sort about outcomes."

But several observed that some financiers who are used to daily detailed reports and spreadsheets will naturally expect such reporting in their philanthropy too. Maggie Baxter said: "How are hedge fund managers who work 24 hours a day ever going to have a relationship with their community? It may be that the only way they know how to engage with a community project is to see a spreadsheet or analysis. It is fine if that is the case, but recipients of their donations need to be able to respond to that. They need to accept that donors engage with philanthropy in different ways and – if they want to attract more and varied donors – they need to be open to developing different kinds of relationships." Without visits or good communication links, it can be difficult for donors to hear the truth at times. As charities become more professional in their fundraising, the more they may tend to tell donors what they want to hear, rather than what is actually happening.

4.6 Managing the power relationship

Several of our interviewees raised the delicacy of relationships between donors and recipients. Michael Hintze (42) self-effacingly

said: "When you make the sort of money I have been lucky enough to make and you give the sort of gifts I have given, the world becomes a very strange place." We found that most of the philanthropists we interviewed were very sensitive about this and about the way they handle themselves in their different donor and recipient communities. "People come to Wiltshire to hide their money, not flash it around," commented Rosemary MacDonald, director of Wiltshire and Swindon Community Foundation.

Matthew Bowcock (34) called the tension that can exist between donors and the workers in charitable organisations "a slightly uncomfortable power relationship", though it applies even more to donors and beneficiaries. He tries to ensure that his actions are not divisive and is careful not to patronise or cause resentment. He believes that much of this possible tension can be avoided through engagement and communication so that philanthropy can be rewarding and effective for all – donor, charity worker and beneficiary. Michael Campbell suggests that an individual should be aware of this tension and take it into account when assessing the way in which they hope to build connections in a community: "I do not think one should look for a close relationship between donors and beneficiaries. It is unreasonable to expect this as generally people do not want to be the subject of philanthropy and the closer they get to the source of the money the more uncomfortable they get."

5

Barriers to community philanthropy

5.1 Finding projects

The most frequently mentioned barrier to giving in a community was the difficulty of finding the right projects. The smallest often fall below the radar of individuals, researchers or other experts yet may offer the best solutions to local problems. Keith Punler said: "The community groups know better than anyone else what is needed at grassroots level." Many of our interviewees had found that giving money away was more difficult than they thought. Guy Hands (40) recounted: "My initial experience of community giving was quite disappointing because a number of the charities I chose to support were inefficient and disorganised and I did not feel that my support had any lasting effect."

Matthew Bowcock (34) said: "To begin with I found it very, very difficult to give money away in Surrey. It was not until I started to understand the concept of a Community Foundation that I actually began to find the groups to get involved with. Giving away money is much, much harder than people think." Michael Campbell (36) confirmed this: "People come across Community Foundations and they have a 'eureka' moment. They suddenly realise: 'This is where the knowledge is.'"

This need for access to projects inspired Fred Mulder to get involved with the Network for Social Change and then to co-found the Funding Network (54). He saw the power of developing a peer group to address the problem. "I would like to see a culture developing of small, informal giving circles based in homes, churches, and social clubs," he said. Organisations such as New Philanthropy Capital, which publishes thorough research-based reports on the charitable sector and individual charities, are improving the quality of intelligence available.

Web-based communities are emerging, such as globalgiving.org (56), kiva.org (57), localgiving.com (59) (all profiled in Section 3), which provide access to vetted projects as well as building communities around issues. LocalGiving.com, currently being established in partnership with the Community Foundation Network, has the potential to transform community giving at the local level where the majority of projects remain under the radar. It will be an important tool for making philanthropy accessible and easy for the mass affluent.

5.2 Visibility

Many of our interviewees were going public for the first time only because they felt that this would encourage others to follow their example.[53] Our interviews were all with self-made entrepreneurs and businessmen who had perhaps not had to live in the public eye previously. Many did not want to attract media attention for being wealthy or for "doing good"; as they felt it was often negatively interpreted in the press. However, Musa Okwonga, Associate Director for Communications at The Institute for Philanthropy believes that the media's relationship with philanthropists has improved over the last few years:

53 Many philanthropists remain anonymous because this is a requirement of their faith

"Philanthropists often have a concern that journalists will be intrusive. Yet in recent years, the media have generally been positive in their coverage of philanthropy: this may be due as much to intrigue at the vast sums being pledged as it is due to interest in the areas that these philanthropists are tackling." Nonetheless, Jim O'Neill (38) said: "I don't mind being known for it within the world in which I operate, I just don't want the intense media coverage." Nick Ferguson (16) varies his approach in London and Argyll: "Some friends locally know what we do, but blowing your own trumpet is not what you do in that part of the world. If someone asked me if the Kilfinan Trust was mine I would not lie, but I would not offer the information first. But I could not care less if people know what we do in West Kensington and will happily talk about it."

Personal status is a sensitive subject in philanthropy. Our interviewees generally did not want to discuss it at all, particularly the effect that philanthropy has on their status in their community at home. But comments from advisers and intermediaries suggest that although recognition within a donor community may be reward enough, greater personal status certainly acts as a motivator. One adviser commented: "For some people public recognition, a national honour, association with the great and the good, the clubbiness of it all is very important. Many of our donors give to us because they can sit next to the Duke at a dinner. And my biggest job is to organise the seating plan at these dinners. I once saw someone complain about only being on the Duke of Edinburgh's table and not the Queen's table!"

The status attached to acts of philanthropy has changed over time with the shift from predominantly inherited wealth to self-made wealth.[54] Unlike the dukes and lords of the past who grew up with the duty to act as stewards to family funds and their community, today's philanthropists have the choice about whether to enhance their personal status in the community and in the public eye more broadly – but it is a subject which it is impossible to discuss directly with them.

There are practical issues too. Many worried that visibility results in a deluge of requests for funding and that can be awkward, particularly at the local level. Guy Hands (40) said: "There are friends doing fundraising that perhaps we do not think is very efficient or effective and they are the most difficult because we know them." In addition it can be awkward living practically next door to somebody who is being supported by your giving. Nobody likes to think of themselves as somebody else's burden or as the object of philanthropy. And most philanthropists are uncomfortable being seen as paternalistic, particularly at home. This can be enough to put some off giving in their local area; others turn to Community Foundations so that they can be anonymous if they wish. Keith Punler said: "I am happy to use the Scottish Community Foundation as a bit of a mask in some ways. First, I do not want to have to justify having given to one cause and not another. Second, while I am happy to divulge what we do if it helps to promote it for others I do not want to shout about it. And third, it removes the risk of getting involved with something very close to home where we are quite visible that could end up being a mistake."

5.3 Undefined role

Several interviewees referred to the fact that the provision of their local services is now highly dependent on the State. Many do not want their funds used simply to prop up state-funded activities supported by state-funded foundations. Like the great Victorian philanthropists they want to have their own distinct role. Alexander Hoare (19) felt particularly strongly about this:

54 76.2 per cent of entrants on The *Sunday Times* Rich List for 2008 had wealth that was classified as "self-made", as opposed to inherited. When the first *Sunday Times* Rich List was compiled in 1989, roughly 25 per cent of the entrants had self-made wealth, with the rest having inherited it

"Before Sir William Beveridge, the community was deeply involved in the hospital, the school and any sort of local provision. The State came along and nationalised it all, interfering and monopolising, and now it does not work. The answer is self-evident; people need to handle it themselves."

But Nicola Horlick sees a real role for philanthropists alongside the basics provided by the State: "You can't rely on the State to provide the soft elements; the frills. We have a fantastic health service provided by the State, but you can't expect it to do everything."[55] George Hepburn, chief executive of the Community Foundation serving Tyne & Wear and Northumberland, also saw a significant role for CFs in working alongside the State to support the voluntary sector. He commented: "One of my most supportive colleagues remains disappointed that Community Foundations have not become more strategic funders of the voluntary sector. The vast majority of our grants are for under £5,000. There is nothing wrong with that and we know the value of building the grassroots. But it would be a shame if we got trapped in that box. The sector needs more well-funded posts and some of our best grants have been to increase the management capacity in small groups that give them the ability to grow."

However, precisely what the role of today's philanthropists should be is not clearly defined. George Hepburn commented on how different the role of leaders is in different parts of the country. "People have a strong sense of community here [in the North East] and they do not expect others to deal with their problems for them. This stems back to the Jarrow March in 1936 when protestors against unemployment and poverty marched from the North East to London but nothing was done for them. Nobody listened to them, nobody understood them, nobody offered to help them and they realised they were going to have to look after themselves." Magnus Linklater recently wrote that we as a country actively shun our philanthropists. Telling the story of Carol Høgel who he reported has brought £20 million of philanthropic funding into Britain supporting the London Philharmonic Orchestra and the Edinburgh Festival among other things, he suggested that we might cherish such a contribution, "that governments and councils, mindful of the benefits that they have gained…and the money they have saved in the course of it all by not having to do it themselves, would take care to foster good relations with such a valuable source of present and future generosity."[56] However, he explained that when the Treasury introduced its new measures for non-domiciled residents, no recognition was given to those who had made substantial contributions to British society. In fact, he reported, when friends of Carol Høgel wrote to the Prime Minister and the Chancellor of the Exchequer on her behalf about her intention to leave Britain because of the £30,000 that she is required to pay as a non-dom that "feels like a fine imposed on her for having the temerity to bring her wealth to Britain", they received no reply.

> "There is a need for more understanding of the role of private support for social purpose within a modern society in which the state assumes basic responsibilities for social justice"
>
> Michael Brophy

Despite political rhetoric about individual responsibility, there are few signals from the Government that indicate a defined role for philanthropists. Hazel Blears, Secretary of State for Communities and Local Government, at the launch of the recent White Paper, Communities in Control, praised the third sector for supporting democratic communities and volunteering. But she did not mention the contribution of private philanthropy in developing strong community services and

55 Nicola Horlick was interviewed for our last report, *Give and let give*, published in December 2007. This quote is part of the profile in that report

56 Linklater M, "Welcome to grasping Britain" *The Times*, April 2008

sustainable community level organisations.[57] The National Association for Voluntary and Community Action did include philanthropy in the context of giving money or volunteering in its June 2007 report on the importance of local grant aid for thriving communities: "Local people associate to help each other perhaps initially in informal groups and then more formally in recognisable VCS organisations…Others may not have the time to volunteer but express their commitment to their community via charitable giving. Such philanthropists are often willing to allow their donations to local causes to be used to match a grant intended for the same purpose, so that the value of the initial grant can be multiplied several times over."[58]

Frank Field MP highlighted the role of philanthropy in liberating civil society in his 2008 Allen Lane lecture: "…while philanthropy has a role in innovation, I would suggest its role above all else is in establishing centres of power and influence counterpoised to governments. It is in this role that philanthropy becomes a crucial part of sustaining the freedom which a thriving civil society bestows on its citizens."[59] The suggestion that philanthropy is a counterbalance to government goes some way to explain why its role remains undefined. In some cases, which interviewees did not want quoted, we heard of local councils obstructing their involvement in local services and there are frequent reports of such events in the press. Some councils consider local philanthropy a threat, rather than an asset to work with for social change, and therefore prefer to block it.

In a recent pamphlet making the case for the Capital Community Foundation in London, Michael Brophy, former CEO of Charities Aid Foundation, stated: "There is a need for more understanding of the role of private support for social purpose within a modern society in which the state assumes basic responsibilities for social justice." If citizens are to be re-engaged in citizenship, as Michael puts it, and to become a force for social change, there will have to be a cultural shift regarding the role of philanthropists in Britain.

57 *Communities in control: real people, real power,* Department for Communities and Local Government, 2008

58 *Sustaining Grants*, NAVCA, June 2007

59 Field, F, "Acceptable behaviour contracts for the super-rich", Allen Lane lecture, February 2008, www.allenlane.org.uk/2008.htm

6

Community philanthropy and an action agenda

Relatively small investments of money can achieve an enormous amount at grassroots level, something which the vast majority of our interviewees found very rewarding and appealing. However, local solutions to local problems tend to be highly tailored and usually cannot be replicated without adjustments, which requires resources and funds. Given that only a small proportion of the State's support goes to smaller charities, they are in great need of private philanthropy.[60] A recent publication by the Local Government Association Liberal Democrats' Group drew attention to "the hoops and bureaucracies of centralised lottery programmes." It said that "centralised funding regimes and bizarre reporting requirements have transformed the voluntary sector into two halves – the giant agencies delivering government targets and a struggling mass of local activity, constantly forced to prove their own innovation, hopelessly spending their dwindling resources on collecting irrelevant statistics for distant funders."[61]

Our interviewees were unanimous that local solutions tend to be unique. Ian Sellars (45) told us: "Generally there is no one magic solution for a social problem - it is different for each area. But it can be possible to use business skills to attack a social issue as Law for All has done, adapting a model that has worked in one area, to work in another, with specific identification of the new area's needs and local characteristics." Stephen Hammersley of the Community Foundation Network said: "Very often what we fund works because the set of local circumstances makes it work. The specifics of the intervention tend to work because of the locality and we try to think how those specifics could work in another locality with a different issue but it is always more complex that one first thinks". A National Association of Voluntary and Community Associations (NAVCA) report published in June 2007 confirmed that a "bottom-up response to local issues and opportunities is a prerequisite for a healthy community."[62]

6.1 The ingredients for well-functioning community philanthropy

- **Active giving circles and clubs in local and virtual communities around the country – homes, companies, schools, churches, libraries, social networking communities – aimed at high net worth individuals and the mass affluent at all stages of life**

Rationale

- The infrastructure created by a circle provides security, a sense of solidarity among a type of givers or around a cause, a sense of risk sharing, access to projects, reference points for appropriate giving levels, anonymity and control over visibility and a vastly reduced administrative burden
- Networks for the super-wealthy would be private, closed door affairs and networks for

60 For statistics on State support of charities by size of charity see *Civil Society Almanac 2008*, NCVO

61 *Communities Actually*, Local Government Association Liberal Democrats' Group, September 2008

62 *Sustaining Grants*, NAVCA, June 2007

the mass affluent would be more inclusive aimed at democratising philanthropy
- Bringing the mass affluent into a community of givers and connecting them across society at early stages in their lives or careers builds philanthropy into our culture and makes it a socially normal thing to do
- Small gifts pooled together effect greater change
- Strong alliances between active and potential philanthropists
- Philanthropists respond best to other philanthropists, particularly for the first step on their philanthropy journey, but also when continuing along the journey and maintaining momentum
- Super-high net worth individuals respond to other super-high net worth individuals and tend to prefer a closed door approach. For maximum effect their networks would be more exclusive than the inclusive mass affluent networks

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- **Government signals that endorse philanthropy and social investment as a critical component of the development of community organisations**

Rationale

- Although philanthropy is about individuals and leaders, government can send positive signals about its role in society through speeches, publications and policy developments on the changing nature of community and local services
- Tax effective measures would support and encourage community level giving of money and time, through examples like the Grassroots Grants programme
- Philanthropists involved in social investment would benefit from tax efficiencies on provision of capital and loans
- Tax-efficient life time giving vehicles such as lifetime legacies would be in place to enable individuals to allow community members to benefit from their assets during their lifetime
- Tax-efficient methods of donating art or unlisted shares would increase the range of assets that can be deployed for philanthropy
- Small community charities would all be set up to claim tax incentives passed on by donors without added bureaucracy and administrations[63]

- **Efficient use of technology and web 2.0**

Rationale

- The web allows givers of all types to find peers, research issues and shortlist projects and helps to build communities of philanthropists around an issue both connecting donors to projects and creating a circle of people united by the same interest or purpose. The web can assist many of the earlier steps before visiting and immersing oneself in a project and the power of web 2.0 now enables ongoing links with projects and entrepreneurs
- The growing popularity of giving online or by text would be supported by appropriate charitable rates and simple tax efficient incentives[64]

- **Visible everyday role models who are valued by society for philanthropy of any type of scale**

Rationale

- Although large-scale gifts by super-high net worth philanthropists are critically important, many people cannot relate to the enormous sums of money being donated; those at the mass affluent level frequently do not understand the great change that their smaller sums can make at a local or grassroots level
- More visibility of everyday role models would dilute the celebrity media coverage surrounding philanthropists today and appeal to the mass affluent making philanthropy more ordinary

63 According to research by the Institute of Fundraising, 39% of small charities do not claim Gift Aid but umbrella organisations that enable them to do so at minimal expense can be established. The Government has published guidance on how to operate such a scheme on the Gift Aid web information service at www.direct.gov.uk/giftaid and the Office of the Third Sector website

64 Joe Saxton of nfp synergy estimates that if an individual donates £1.50 by text, the mobile phone operator takes 55 pence

- **A positive vocabulary**

  Rationale
  - "Giving for social good or benefit or change" rather than "giving back" removes connotations of paternalistic feudalism and makes today's philanthropy a modern force for good
  - "A portfolio of giving" would include gifts, investments, money, time, skills, knowledge, experience, ideas and consider them as a package. In this way anyone can become a modern philanthropist in their own way and no one way is better than the other

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- **Philanthropists using their money more creatively and effectively including using non-financial expertise alongside financial donations**

  Rationale
  - Forging links across social strata helps to create networks and "bridging social capital". The philanthropist benefits and is more likely to continue his involvement, and society is strengthened too
  - Deeper knowledge and involvement with an organisation encourages more creative offers of philanthropy such as underwriting which in turn encourages a retained interest in a project/organisation

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- **Intermediaries know their clients and offer a simple menu of products that appeals to the new self-made wealthy. Advisers can point clients towards intermediaries**

  Rationale
  - Community Foundations, private banks and other intermediaries have access to today's new wealthy. They would adopt a long-term relationship-building approach to their clients/donors offering flexible products that appeal to an individual's wealth, lifestyle and values
  - Advisers would be able to introduce their clients to intermediaries and philanthropic organisations as part of regular financial, legal and other advice

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- **Strong reciprocity from charities**

  Rationale
  - Philanthropists want to know how their money has been spent and want to feel their investment has been worthwhile and not been wasted. More active dialogue from charities will probably result in greater sharing of skills and experience, longer-term funding and a generally easier dialogue about money since needs will be well understood on both sides

In his 2006 pamphlet, *Providing Together*, Michael Brophy, the CEO of Charities Aid Foundation (CAF) for 20 years, called for a new financial compact between the citizen and the state ending with a rallying call: "Let Britain be the first to marry the 19th-century ideal of private generosity with the 20th-century ideal of state provision, into a 21st-century ideal of providing together." It requires a society that encourages individuals to act as leaders in their communities, providing local solutions to local problems and providing creative solutions all around the world in diverse communities of purpose. Our ideal circumstances set out above require an action agenda that could be seized by individuals, charities, social enterprises and other organisations, and supported by Government and political parties.

6.2 Action Agenda

In our last report, *Give and Let Give*, we made ten core recommendations on how to build a culture of philanthropy in the

financial services industry that were relevant not just for financial services professionals but for all high net worth individuals. The action agenda set out below builds on those recommendations but is designed specifically to develop community philanthropy.

- **Establish easily accessible giving circles or intermediaries that provide formal and informal networks – as common as book groups and investment clubs:**

  Rationale

  - These should range from very private affairs for the super-rich to more inclusive affairs for the mass affluent
  - Inspired individuals can be entrepreneurs and start their own giving circle among their friends and colleagues – donors respond best to other donors, and circles led by a philanthropist are likely to have the widest effect.
  - Intermediaries such as Community Foundations with their existing national infrastructure and experts working in the philanthropic area are unique in the extent of their relationships with both philanthropists and potential recipients of philanthropy. They should highlight their potential as homes for giving circles to both existing and potential donors.
  - Private banks and financial advisers have unparalleled access to high net worth individuals and the infrastructure available to build donor-led communities among them. They should highlight their potential to house and convene giving circles to both existing and potential clients.
  - Companies can use corporate social responsibility frameworks to develop individual social responsibility by encouraging internal leaders to establish giving circles for employees at work, or by offering themed philanthropy funds supported with matching schemes
  - Charities themselves can build communities of purpose by drawing philanthropists in as a peer group to the organisation's activities

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- **Develop virtual matchmaking and social networking sites using web 2.0 effectively**

  Rationale

  - Entrepreneurs or organisations able to develop these sites would fill existing gaps if they focused on: (i) a web interface for building giving circles or communities of interest/purpose around an issue, (ii) a critical connection point between individuals and projects that overcomes a significant barrier currently preventing donors finding projects and vice versa, and (iii) enabling good feedback and using the web as a platform to build reciprocity between charities and donors
  - The launch of localgiving.com in partnership with the Community Foundation Network is a critical tool in the development of local philanthropy in communities of place in Britain
  - Our proposal in Give and Let Give for a web-based resource for City philanthropists, www.givinginthecity.org.uk, is an example of harnessing a donor community of like-minded individuals into a community and of using the web as a one-stop shop for their philanthropy

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- **Provide simple but flexible portfolios of products suited to individual donor needs**

  Rationale

  - Intermediaries from Community Foundations to private banks that can offer simple products that appeal to today's new wealthy will fill significant gaps in infrastructure for philanthropy.

For example, we believe that individuals from the mass affluent level up should hold charitable bank accounts. This means "knowing your donor" and taking long-term approaches to relationship building to offer targeted, tailored products and advice that suits the individual's wealth, lifestyles and values

- Today's new wealthy frequently want to manage their money themselves or have their own fixed ideas on money management on top of which they want the administration and 'hassle' function of their philanthropy taken away from them
- They want their philanthropy made simple but they want products they can understand (for example, today's financiers and entrepreneurs like products that provide leverage – matching, lending) and they want a perfect fit for their values
- Advisers should be able to signpost key intermediaries and philanthropic organisations to their clients as part of regular financial, legal and other advice

Develop the fiscal environment

Rationale

- Tax-efficient life time giving vehicles such as lifetime legacies could be a significant source of capital for community level organisations since individuals are more likely to offer their legacies to organisations they have engaged with at a meaningful level or that operate within a community that is well known to them
- Effective ways of claiming tax incentives or ensuring charitable rates must keep pace with the growing use of the web and mobile phones for making donations
- It is time to revisit the wider tax environment for philanthropy to take into consideration the range of tools being used today – from volunteering time to philanthropic or sub-market loans of capital, the lending of buildings, or new social investment approaches
- Existing tax breaks on shares and gifts of land could be widened to include unlisted shares and/or works of art, to expand the range of assets that can be deployed for philanthropy

Promote everyday role models to develop a positive vocabulary for philanthropy

Rationale

- Large scale philanthropists hit the headlines but individuals engaged in smaller-scale philanthropy at the mass-affluent level are important for building a widespread British culture of philanthropy. More people need to see what relatively small amounts of money can achieve at the grassroots level

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Appendix 1: Where to go from here…

What to do	Where to go	Website
Find further information on philanthropy	• The Institute for Philanthropy	**www.instituteforphilanthropy.org.uk/**
	• Philanthropy UK	**www.philanthropyuk.org**
Find out more about Community Foundations	• Community Foundation Network	**www.communityfoundations.org.uk**
Example	• Capital Community Foundation	**www.capitalcf.org.uk**
Example	• Kent Community Foundation	**www.kentcf.org.uk**
Example	• The Community Foundation serving Tyne & Wear and Northumberland	**www.communityfoundation.org.uk**
Example	• The Community Foundation for Wiltshire and Swindon	**www.wscf.org.uk**
Join a giving circle	• The Funding Network	**www.thefundingnetwork.org.uk/**
	• The Network For Social Change	**www.thenetworkforsocialchange.org.uk**
	• Talk In Company	**www.talkincompany .com**
Give online to community organisations worldwide	• Global Giving UK	**www.globalgiving.co.uk**
Give microfinance loans online	• Kiva	**www.kiva.org**
Join a women's giving circle	• Rosa UK	**www.rosauk.org**
Find community organisations around the UK	• Localgiving.com	**www.localgiving.com**
Find projects to fund	• The Big Give	**www.thebiggive.org.uk**
Understand financial tools for philanthropy	• Philanthropy UK's *A Guide to Giving*	**www.philanthropyuk.org/AGuidetoGiving**

What to do	Where to go	Website
Find information on charity sectors /individual charities	• New Philanthropy Capital	**www.philanthropycapital.org**
Find venture philanthropy organisations	• European Venture Philanthropy Association	**www.evpa.eu.com**
Find information on individual charities	• GuideStar • Charity Commission	**www.guidestar.org.uk** **www.charitycommission.gov.uk**
Set up a charitable account	• Charities Aid Foundation • Charities Trust • Stewardship • South West Charitable Giving • Charity Cheques • Impact Giving Charity Account	**www.cafonline.org/** **www.cafonline.org/Default.aspx?page=7025** **www.charitiestrust.org/content/freedom_account** **www.stewardship.org.uk/sov_account.htm** **www.charitablegiving.co.uk/voucheraccount.asp** **www.charitycheques.org.uk/charity_cheques_account.html** **www.impactgiving.org.uk**
Set up payroll giving	• Payroll Giving Centre	**www.payrollgivingcentre.org.uk**
Find information on tax efficient philanthropy	• Tax Effective Giving • Charities Aid Foundation • The Association of Charitable Foundations • HM Revenue & Customs charity information	**www.tax-effective-giving.org.uk/** **www.cafonline.org** **www.acf.org.uk** **www.hmrc.gov.uk/charities/index.htm**
Give expertise	• Pilotlight • Cranfield Trust	**www.pilotlight.org.uk** **www.cranfieldtrust.org**
Get social investment advice	• Investing For Good	**www.investingforgood.co.uk**
Find out about CDFIs	• Community Development Finance Association	**www.cdfa.org.uk**
Give tax-effectively in Europe	• Giving in Europe	**www.givingineurope.org**
Give tax-effectively to the US	• CAF American Donor Fund	**www.cafonline.org/pdf/CAF%20ADF%20solution%20v2h.pdf**
Set up a donor-advised fund	• Prism	**www.prismcharity.co.uk**

Appendix 2: Methodology

Summary

We analysed practices of local, grassroots and community philanthropy in Britain. Our study was based on a qualitative methodology. The focus was a series of depth interviews with philanthropists and philanthropy experts around Britain. We also conducted a review of literature relating to communities and philanthropy.

Interviews

We chose depth interviews as the central component of our qualitative approach to enable us to gain a detailed understanding of attitudes and behaviour in individual philanthropy, with a particular focus on the motivational role of community. We conducted more than 30 face-to-face depth interviews with individuals and held telephone conversations on specific points with many more. Our interviewees were philanthropists with a known community or local element to their giving, and people working in organisations promoting or providing local philanthropic services. All of the philanthropists we interviewed were men. This was not by choice but perhaps due to the fact that although often they conduct their philanthropy with their partner and are heavily influenced by her, they tended to take the more public role. Many of the professionals working in the sector whom we interviewed were women.

We used a script for all interviews but the process was two-way, enabling us constantly to review and react to our findings and adapt the interview structure accordingly. We kept the interviews unstructured enough to enable us to probe personal matters as appropriate. Because many of our interviewees said that this was the first time they had discussed their motivations our interview technique had to respect that. Interviews lasted 30 to 75 minutes. Most were carried out with one interviewee, but occasionally there were two interviewees or a single interviewee was joined by a colleague or adviser. The majority of interviews were conducted by the same two interviewers, although some were conducted by a single interviewer.

An email was sent to all interviewees in advance to explain the purpose of the research and introduce the interviewers. At the beginning of each interview permission was sought to record the interview, which was granted in all cases. We explained that the interview was carried out in confidence and was non-attributable unless we sought written permission. All tapes were transcribed and "marked up" methodically within the analysis framework. The interviews were conducted in different parts of the country between May and August 2008.

Case Studies

As in our last report, *Give and Let Give*, we decided that using a number of brief case studies would illustrate our points and provide potential philanthropists with real examples. Where an interview successfully illustrated an aspect of our analysis, we sought permission to conduct further inquiry or a supplementary interview in order to build up a case study. Interviewees were given an opportunity to review draft case studies before publication.

Desk Research

We carried out a review of literature to obtain academic perspectives on the role

community plays in philanthropy, the changing nature of modern communities, the development of online philanthropy, and the history and development of community purpose organisations such as Community Foundations.

Scope

Our analysis has focused on the supply of philanthropic capital and not on the demand from charities and social enterprises. We recognise that the demand side has a distinct role to play in generating increased supply of philanthropic capital. There has been a growing focus on the professionalism of charities and social enterprises in their fundraising from all types of individual and corporate donors. Many are developing sophisticated ways of communicating their social impact in a highly competitive environment. These charities and social enterprises have a critical role to play in unlocking donations of money and skills from individuals through the way they approach and communicate with them. How they do this is beyond the scope of this report.

Appendix 3: Glossary

Bonding social capital: value ascribed to social networks which connect individuals from homogenous backgrounds and of similar societal status.

Bridging social capital: value ascribed to social networks which connect individuals from heterogenous backgrounds and of different societal status.

Charitable Account: vehicle that acts like a bank account for charitable giving. Account holders can make regular deposits via direct debit or payroll giving, or ad hoc deposits of cash or shares. All deposits immediately receive all relevant tax relief.

Charitable Remainder Trust (CRT): a form of split interest trust, much used in the US. It allows a donor to make an irrevocable gift to a charity during their lifetime, of shares, property or cash, while retaining the benefit of the income or use of the gift for the term of their life. The donor can make deductions against capital gains tax at the time of the gift and its value is not counted as part of their estate for the purposes of inheritance tax. CRTs are not available in the UK.

Charitable Trusts: tax-efficient vehicles that provide a framework for planned charitable giving. They are legal entities that require a donor, a group of trustees and a declaration of charitable purposes. Many trusts are endowed, so they receive income from an endowment of land or invested capital. Trusts can either be *grant-making trusts*, in which case they give money to other charitable organisations to use, or operating trusts, in which case they directly perform charitable activities.

Community Foundations: charitable trusts whose main aim is to support projects that engage local people in making their communities better places to live. In order to serve this purpose they build endowments and make grants to local organisations, as well as managing funds on behalf of individual and corporate donors.

Community Interest Company (CIC): a new type of limited liability company structure for social enterprises operating for the benefit of the community rather than for the benefit of the owners of the company. CIC status is subject to a "community interest test" and an "asset lock" stipulation, which prevents transfer of assets at less than market value to organisations that are not themselves CICs or charities.

Donor-Advised Fund: a charitable vehicle that acts as a sponsor to many funds as an alternative to direct giving or setting up a private foundation. Through the vehicle, the donor has an easy-to-establish, low-cost way of conducting philanthropy of his choice that also takes advantage of tax incentives for giving. Community foundations pioneered their development.

Gift Aid: the most commonly used UK tax relief on donations. Under the Gift Aid scheme, charities can reclaim the basic rate tax on donations made by UK taxpayers. Higher rate taxpayers can also claim the difference between higher rate and basic rate tax as personal tax relief.

Give As You Earn (GAYE): the UK's largest payroll giving scheme, operated by the Charities Aid Foundation.

Giving Circles: communities of donors who pool funds and other resources and decide jointly the recipients of donations. Giving circles are often focused on giving within a local community.

High Net Worth (HNW) Individual: individual with over £500,000 of investable assets. An individual with more than £1.5 million of investable assets is referred to as super-high net worth and one with £15 million of investable assets as ultra-high net worth.

Lifetime Legacies: See Charitable Remainder Trusts.

Mass Affluent: individuals with liquid assets to invest but not at the level of HNW individuals. Exact definitions differ but a recent study puts it as an individual who has between £250,000 and £500,000 of aggregate wealth.

Matched Giving: incentive scheme in which an employer matches charitable donations by employees. This is usually on a pound-for-pound basis, but may be two-to-one or greater. Matched donations may be made through payroll giving or as one-off gifts.

Payroll Giving: tax-effective way of making regular gifts. Employees of companies operating a payroll giving scheme can elect to make regular donations from their gross salary, thus receiving an effective deduction at their highest rate of income tax.

Social Capital: a term referring to the collective value of all social networks and the impetus that arises from these networks to do things for each other.

Social Enterprise: a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than maximised for shareholders and owners.

Social Entrepreneurship: the use of entrepreneurial business skills to address social and environmental problems. This will often involve revenue generation but is not required. A social entrepreneur may or may not be associated with a non-profit organisation.

Social Investment: a way of creating new or expanding existing streams of financing for civil society organisations and social enterprises as well as other initiatives that offer sustainable solutions to development.

Venture Philanthropy: an approach to charitable giving that applies venture capital investment principles – such as long-term investment and hands-on support – to the social sector. Its key characteristics are high engagement; tailored financing; multi-year support; the provision of non-financial support, such as strategic planning advice, executive coaching and access to other networks; organisational capacity building; and performance measurement.