



**UKCOMMUNITY
FOUNDATIONS**
GIVING FOR LOCAL GOOD

A place for philanthropy:

the role of local giving in
addressing regional inequality and
building community resilience



Attendees at a Two Ridings Community Foundation event

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INTRODUCTION

Inequality has been a fact of life in communities across the UK for far too long and it is growing. Regional inequalities continue to have a tangible impact on the health, wealth, and opportunities for people and places. Despite the challenges, local charities and community organisations have been working for decades to the benefit of their communities – addressing poverty, creating opportunities, and challenging inequality.

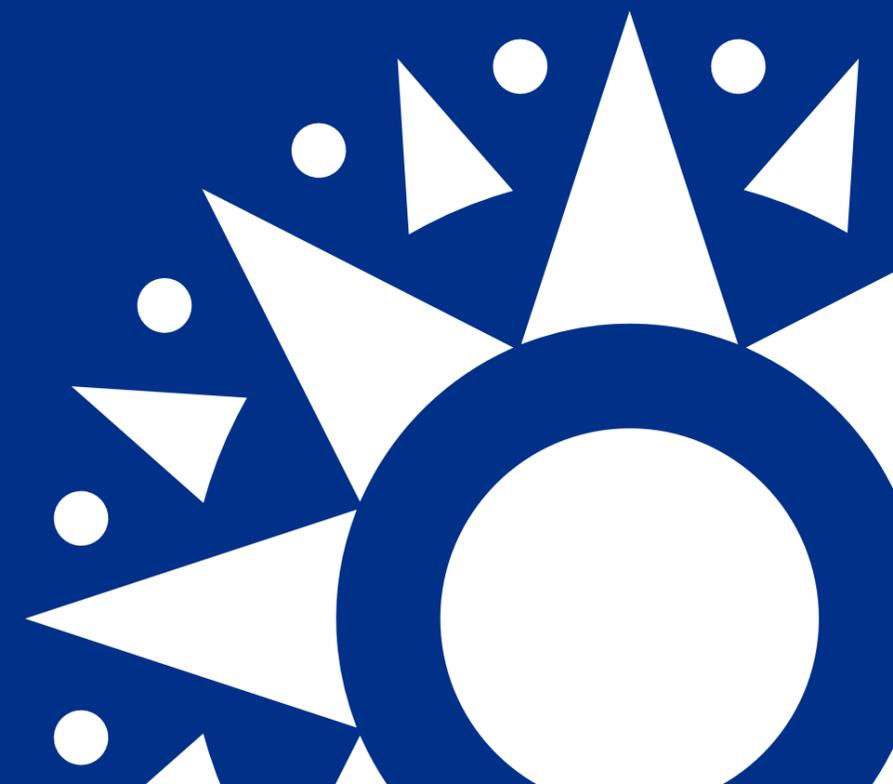
Community philanthropy has been an important enabler of this work. The UK's 47 community foundations have played an active role in creating a culture of localised giving across the country. This has created new communities of philanthropists, helped grow a sustainable source of income for local charities, and most importantly helped ensure that resources have been put in the hands of local people to address local issues. In total, community foundations have collectively helped generate and distribute over £1.5 billion in philanthropic funding since 2011. In taking this approach, community foundations have been ahead of the curve when it comes to tackling ever-deepening inequalities.

There are currently several important initiatives to which community philanthropy can add immense value.

THE LEVELLING UP AGENDA

The Levelling Up agenda was one of the cornerstones of the Conservative Party Manifesto in 2019. Since then, it has been a high-profile item on the British political agenda. Central to the Levelling Up agenda is the premise that communities across the UK do not have equal access to economic opportunities, education, and standards of living. It also seeks to restore a sense of community and pride in places that have been perceived as being 'left behind'. It encompasses a number of policy areas – some of which are yet to be fully developed – such as Pride in Place and Community Covenants.

Through the place-based work of the UK Community Foundations network, targeted community philanthropy makes key contributions to the levelling up missions of: Health, Wellbeing, Pride in Place, and Local Leadership.



THE DORMANT ASSETS SCHEME

A key tool that could help deliver the Levelling Up agenda is the passing of the Dormant Assets Act in 2022. The scheme was expanded from Banks and Building Societies to include Insurance and Pensions, Investment & Wealth Management, and Securities sectors. The expansion potentially unlocks around £880 million for good causes across the UK and the Government is currently consulting on how the money could be spent. It presents a unique opportunity to boost community philanthropy and help build financial resilience in places all over the UK.

A FOCUS ON PLACE

Throughout the Levelling Up White Paper and in broader political discourse there is an acknowledgement that a place-based approach that devolves power and resources is the only way the UK will tackle regional inequalities. However, the role that community philanthropy and the voluntary sector can play in tackling regional inequality has not been fully explored – despite the obvious value it can add.

Difficult times lie ahead. The cost-of-living crisis is having a profound effect on people and places across the UK. It is vital to build the resilience of communities and leverage the unique value of community philanthropy. This briefing will shed light on how community foundations, philanthropy, and a range of local partners can help. It will outline some of the mechanisms that can be used to boost community philanthropy and meaningfully empower communities.

“

There is a wealth of place-based community expertise, knowledge, and insight out there that should not be overlooked when it comes to tackling regional inequality.

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Rosemary Macdonald, CEO,
UK Community Foundations.

SECTION ONE – LEVELLING UP PHILANTHROPY AND BUILDING COMMUNITY RESILIENCE

A recent report by Pro Bono Economics shows that there is huge potential to grow philanthropic giving in the UK. The report found that there is around £3 billion in potential giving that could be capitalised for the voluntary sector – a near 15% increase in total charitable giving.¹ Growing philanthropy was also a recommendation from the ‘Proposals for a New Social Covenant’ report by Danny Kruger MP, which called for a ‘better culture of giving’ among the wealthy and ‘very wealthy’.²

Still, any attempt to boost philanthropy must understand the geographical disparities in giving. Historically, there has been a philanthropic deficit in areas of the UK where there isn’t a strong tradition of giving. Many of the most deprived areas in England are home to much lower levels of private philanthropy. Although, it is important to reinforce that this analysis was not a reflection of generosity as it noted that the highest levels of giving were in one of the most deprived areas of the UK.³ Alongside this, the APPG on ‘Left Behind’ Neighborhoods found that people living in 225 ‘left behind’ areas across England receive less than half the funding per head than people in other equally deprived places.⁴

To reinforce this research, UKCF analysis has shown that in the local authority districts that have the highest proportion of deprived neighbourhoods, the endowments of the local community foundations that serve them were on average over 50% lower compared with other parts of England. Further analysis showed that the total funds distributed by the same community foundations in 2021/22 was 14% lower than the average across the rest of England.

1 ‘Mind the Giving Gap: Unleashing the potential of UK philanthropy’, online article,

2 ‘Levelling Up Our Communities: Proposals for a New Social Covenant, [report](#), p45, September 2020

3 ‘The Geography of Generosity’, [online article](#), December 2021

4 All-Party Parliamentary Group on ‘Left Behind’ Neighbourhoods, [online article](#), June 2021



GROWING COMMUNITY PHILANTHROPY IN THE UK

There is an obvious need to level up the regional distribution of philanthropy and charitable funding in the UK. There is also an opportunity to build on the work of community foundations situated in areas with higher levels of deprivation, that have built a culture of local giving. A proven and effective method to boost community philanthropy is match funding. It adds additional value to a donation and makes giving go further. It can also encourage donors to pool funds. A survey of 1,000 donors by the Big Give found that 84% were more likely to give if their donation was matched.⁵

In 2012, the community foundation network ran the Community First programme. This was an initial £50 million government-backed, match-funding endowment scheme that ran until 2015. Endowments are donations that are set up as funds (pools of money set aside for a specific charitable purposes). They are then invested by the community foundation with the revenue they generate every year going to support the local voluntary sector. Over time, as the endowment fund increases in value, the amount distributed overtakes the original donation.

In 2018, UKCF commissioned an independent evaluation of the Community First programme.⁶ Some of the key findings were:

- ➔ **The total value of Community First endowments held by all community foundations was £144.3 million in 2017-18. It was £171 million in 2022.**
- ➔ **The average amount awarded by each community foundation in Community First grants each year has also nearly trebled, from £47,600 in 2012-13 to £139,086 in 2016-17. This equated to £5.98 million in grants awarded across the community foundation network in 2016-17.**
- ➔ **92% of community foundations felt that the Community First programme helped develop relationships with new donors and/or a mixture of new and existing donors.**
- ➔ **Over 85% of community foundations felt that the government match was a strong incentive to philanthropic giving.**

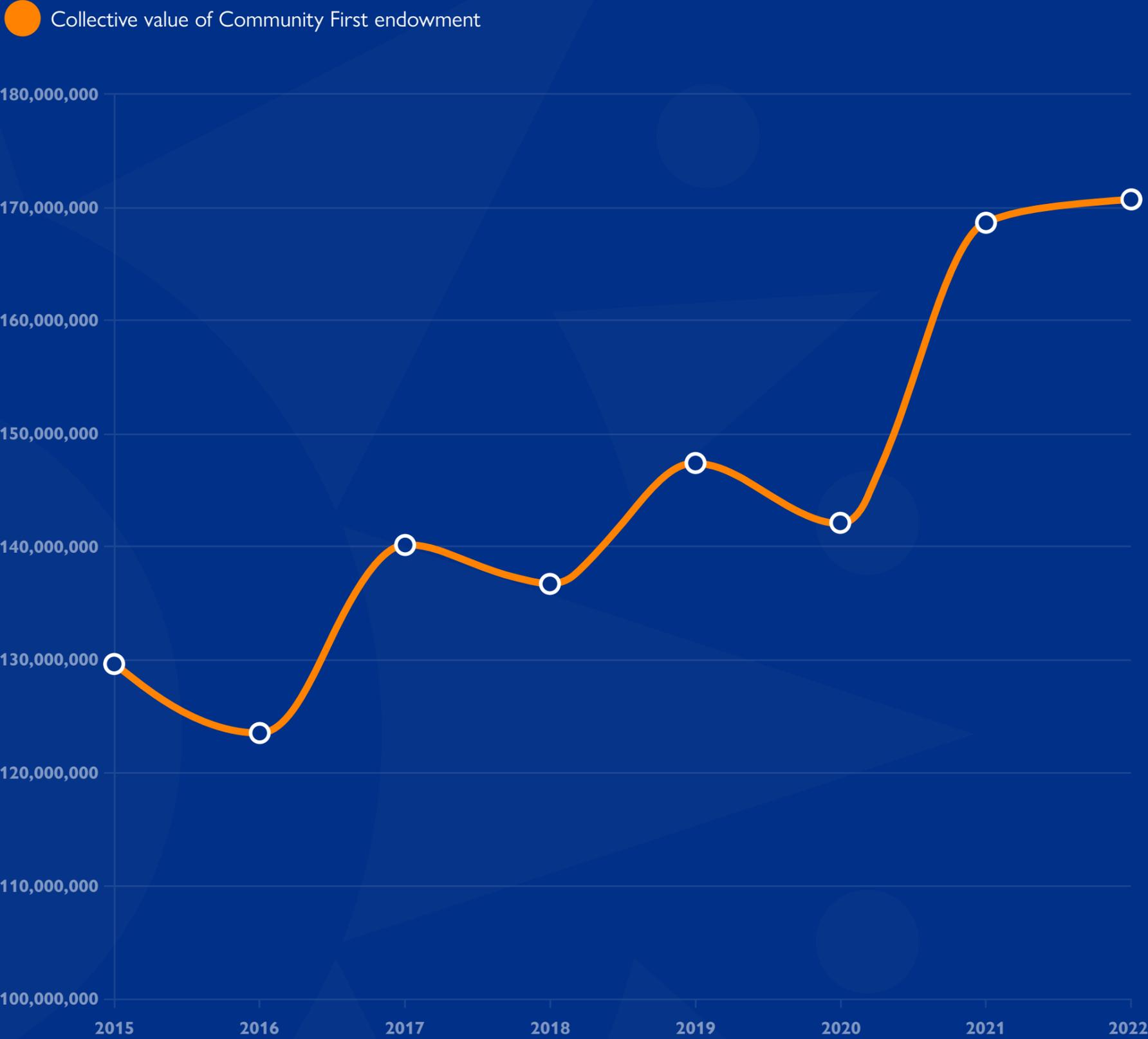
The Gifted Organisation, a group supported by the Essex Community Foundation

⁵ 'Why Match Funding Works For Philanthropy', [online article](#), November 2021

⁶ Community First survey [report](#), April 2018



The legacy of Community First is one of increased financial sustainability. By helping to build the endowment of community foundations, new and existing donors have helped to build an asset base that will support people and places for generations to come. As the custodians of community endowments, community foundations ensure that the wealth generated by local people is kept within, and works for, the benefit of their area.



DORMANT ASSETS – AN OPPORTUNITY FOR PHILANTHROPY

One decade on from the launch of Community First, there is a once in a generation opportunity to leverage the value of community philanthropy and provide funding which empowers local people to change their places for the better. The funding yet to be allocated from the Dormant Assets Scheme could be the catalyst to help build a sustainable financial asset base for communities across the country.

The causes currently covered in the Dormant Assets Scheme are important, however there should be scope to include growing community philanthropy in future legislation. As analysis by Pro Bono Economics and others has outlined, there is huge potential to unleash philanthropy in the UK. By providing the fiscal stimulus to help incentivise community philanthropy, the Government could help ensure that dormant assets money continues to support a broad range of good causes now, and in the long term. If mechanisms like match funding and community endowment building are utilised, there is an opportunity for dormant assets money to multiply both in value and in terms of the positive difference it can make. These are tried and tested methods that have been used extensively by community foundations to develop philanthropy at a local level.

LEVERAGING THE POWER OF MATCH FUNDING

The Community First programme demonstrated that match funding is an attractive offer for donors. Being able to match donations pound for pound is a strong incentive to give and a proven way of encouraging new donors to participate in local giving. The initial capital investment is multiplied, offering an immediate ROI for both the investor (the Government) and

donor. Between 2012-2022 the collective value of Community First funding rose from £50 million to £171 million. Moreover, once a donor sees how their giving has a local impact, the evidence shows that they are more likely to give again and therefore increase the value of the initial investment even further.

BUILDING COMMUNITY RESILIENCE

No place is immune to shocks. The pandemic highlighted this. It also showed just how integral local voluntary sector organisations are to communities in all parts of the UK. The sector response to the immediate challenges presented by COVID was widely recognised and acclaimed. However, it also emphasised the importance of building the resilience of places. The Independent Review of the Civil Contingencies Act in April 2022 called for greater representation of the voluntary sector in plans for emergency preparedness.⁷

However, beyond the pandemic, funding scarcity has been a huge issue for the voluntary sector for several years. This is particularly pertinent in parts of the UK that have historically received less charitable funding. It results in fewer voluntary organisations per capita – resulting in poorer service provision for communities with higher levels of deprivation. These local and often hyper-local organisations are a vital part of our social fabric. They have the trust, reach, and agility to support some of the most vulnerable and marginalised groups in the UK. Traditionally, these local and hyper-local organisations have missed out on funding from the Government and other funders that operate on a more centralised model.

The community foundation network is already a vital part of the funding eco-system for small charities and community organisations that receive a disproportionately small share of total charitable giving. 80% of all charities in the UK have an annual turnover of less than £100,000 per annum. Over £170 million of

locally generated philanthropic funding was distributed in 2021/22 to communities across the UK. In an uncertain funding landscape, community foundations help to provide reliable funding streams for these local organisations.

Growing community foundation endowments helps build financial resilience and capacity of places, as shown by the Community First programme. Rather than gradually spending down pots of money, building community foundation endowments enables local voluntary sector organisations to access a permanent revenue stream. They can help fund a broad variety of different themes and causes that are not currently included in dormant assets legislation. Crucially, it is local people working in established, independent, and accountable institutions that decide how and where funding is spent. Unlike other funding initiatives that specifically target neighbourhoods, the national reach of community foundations means that all UK neighbourhoods are able to access money generated by local endowments.

SEEING THE BIGGER PICTURE

Community foundations harness the unique insights of the local and hyper-local organisations they support to build a clear picture of place-based needs. This is particularly salient in areas where there are hidden pockets of deprivation that are not picked up by measures such as the Indices of Multiple Deprivation. For example, in rural areas, pockets of deprivation are more dispersed, meaning that they do not create heat maps. Similarly, in urban areas, the population is more transient, meaning that the needs of the community are more likely to change rapidly.

Rather than relying on data that is essentially a snapshot in time, community foundations can leverage their relationships with local organisations to ensure they are directing grants to live community needs. This proved highly effective during the pandemic and will be vital going forward as the voluntary sector supports vulnerable communities through the cost-of-living crisis.

⁷ Civil Contingencies Act: Post-Implementation Review 2022 [report](#), p23, April 2022

THE ROLE OF COMMUNITY FOUNDATIONS IN GROWING COMMUNITY PHILANTHROPY

The added value of government-backed match funding has been proven to be a strong incentive for donors to give. However, the prospect of match funding is not enough on its own. Effective donor engagement and stewardship is key. In practice, donors have to be confident that their assets are going to have a positive material impact on the people and places they are giving to. Community foundations help to do this in two key ways:

- ➔ They marry the wishes of donors with evidenced community needs. This means that donors retain agency over their giving but have the clearest possible information on how it can make the biggest impact locally. Currently, the UK Community Foundations network manages over 6,500 funds that facilitate the philanthropic giving for a range of individuals, families, and businesses.
- ➔ Community foundations handle the administrative and technical aspects of charitable giving such as claiming Gift Aid and tax relief, as well as providing due diligence, monitoring, and reporting. Put simply, community foundations make giving easy for donors. In many instances, the administrative burden of giving can discourage donors, or lead to charitable trusts and foundations becoming inactive. Since 2018, UKCF has been working with the Charity Commission on the Revitalising Trusts Programme which has unlocked nearly £80 million of trust assets that were either dormant or at risk of becoming so.

In the UK Community Foundations network there is a ready-made philanthropic infrastructure that can generate, administer, and distribute funding to identified and evidenced regional needs. These are just a couple of examples of how they work in practice:

- ➔ The **Transforming West Cumbria Programme** is a three-year £2.2 million programme that Cumbria Community Foundation is leading. Its aim is to take on West Cumbria's most entrenched social and economic problems by empowering local people and funding family wellbeing, financial education, community activism, and inspiring young people.
- ➔ The **Stanley Community Fund** is made up of a number of funds managed on behalf of donors by County Durham Community Foundation. Stanley is an area that has been identified as 'left behind'. Local organisations can apply for grants of up to £10,000 across a range of broad themes that will help regenerate the area, improve community facilities, and support the environment.



COMMUNITY COHESION AND SOCIAL CAPITAL

The benefits that a government-backed endowment match funding programme could bring do not stop at generating assets for communities. Social capital was identified as one of the key factors that will help drive the Levelling Up agenda. The Office for National Statistics defines social capital as ‘the extent and nature of peoples’ connections with others and the collective attitudes and behaviours between people that support a well-functioning, close-knit society’.

Although difficult to quantify or measure, there is no doubt that locally generated philanthropy, targeted at local need, is already a key contributor to building social capital. In 2021/22 the community foundation network distributed over £14 million of funding directly related to building community cohesion.

Community foundations actively engage donors with the needs of the communities in which they live and work. Across the UK, the place-based approach of the community foundation network convenes different local actors to tackle specific challenges:

- ➔ **Northamptonshire Community Foundation’s [Community Conversations](#) events brought together local donors and local charities to have a solution-focused discussion centred around the Sustainable Development Goals (SDGs). Each event developed a series of actions that Northamptonshire Community Foundation would take forward.**
- ➔ **The [Deciding Together](#) sessions held by Two Ridings Community Foundation brought together charity workers, council staff and people who have lived experience of accessing services, to decide how £250,000 of funding will be distributed to address the root causes of multiple complex needs in York.**

- ➔ **Many community foundations also run ‘Giving Circles’. This is where donors come together to pool funds which are then targeted at specific areas of local need. It increases the impact of their donations and raises awareness of local issues. This is particularly effective in areas where there are not concentrations of high-net-worth individuals. It also makes giving more accessible and builds networks.**

Increasing awareness of specific place-based needs amongst local donors not only encourages them to target their giving in a more strategic way – it also unites people from different backgrounds, sectors, and walks of life in a room together around a common cause. In many instances, place-based philanthropy is already the catalyst for boosting social capital in an area. By building bridges between the private and social sectors, philanthropy generates trust, new networks, and social connections in communities.

The ‘Building our social infrastructure: Why levelling up means creating a more socially connected Britain’ [report](#), by the Cares Family and the thinktank Onward, demonstrates how declining social capital can be directly linked to negative outcomes for places where it is in short supply. The report shows specifically how it correlates to long-term economic decline, social mobility, poorer physical and mental health outcomes, community wellbeing, and can promote division in communities.

Community philanthropy relies on the active involvement of donors. It is not simply a transactional relationship. It helps to facilitate innovation, collaboration, and experimentation at a local level. It is an essential lifeline to the UK’s vibrant voluntary sector.

Local people meet at a Kent Community Foundation event to launch its Need Analysis Report



SECTION TWO – NATURAL PARTNERS

Local government will be the key partner in delivering the Levelling Up agenda. The Levelling Up White Paper set out the Government's commitment to the devolution of power and resources to local authorities. However, what remains unclear is the role that civil society will play in helping to deliver it.

To truly understand and tackle regional inequality, it is essential that the voluntary sector has meaningful input into how the Levelling Up agenda is delivered locally. As well as being consulted, it is also necessary to recognise that the voluntary sector needs resources.

Across the UK, there is already exemplary partnership working between the voluntary sector and local authorities. Since 2020 community foundations have received nearly £38 million of funding from local authorities which has in turn been used to support local charities.

THE PANDEMIC

In many instances, the Covid-19 pandemic proved to be seminal when it came to strengthening the relationship between the voluntary sector and local government.

Local charities and community organisations were pivotal in the national response. Their closeness with their communities meant they were able to reach vulnerable people quickly as the country went into lockdown. The immediate needs that the pandemic presented expedited previously unseen collaboration between these different community organisations and their respective local authorities. It is imperative that we build on this connection.

As the main distribution partner of the National Emergencies Trust's Coronavirus Appeal, community foundations were able to support over 10,000 organisations with £76 million in funding. Thanks to their relationships with local organisations, they were also able to ensure that funding was targeted at live community needs. It also meant that they were able to share this intel with Local Resilience Forums, Local Enterprise Partnerships, and other partners.

Coronavirus Aid in Chelsham, Farleigh, Warlingham. Supported through Surrey Community Foundation



ADDING VALUE AND IDENTIFYING NEED

The added value that community foundations bring to public sector partners goes beyond generating and distributing funds.

Community foundations use a mix of quantitative and qualitative insight to produce needs analysis research. Some of the most deprived wards are located in geographically defined areas that are perceived as wealthy. Community foundations raise awareness of this 'hidden need' and generate community philanthropy to help address these inequalities.

Being able to accurately identify local needs is only possible by convening a diverse range of people from across different sectors. It is this additional input that helps to turn data into real insight and enables community foundations to target their grant making at local needs. These are examples of how this works in practice:

- ➔ **Suffolk has one of the most 'off grid' populations in the UK. Access to key amenities and transport is among the worst 5% in the country and it has one of the highest rates of youth unemployment. Working with a range of partners, Suffolk Community Foundation has supported 55 grassroots organisations in rural parts of the country – some of which had never been funded before.**
- ➔ **The Harnessing the Power of Communities small grants programme in Leeds is delivered with local health partnerships and commissioning groups. It aims to improve the health and wellbeing of people in communities identified as the most deprived in Leeds, building on local assets to address locally identified needs. Since June 2020, Leeds Community Foundation has supported 33 organisations with £250,000 in funding. So far, 4,000 people have benefitted.**

In any initiative that recommends communities and local authorities work together, such as the Community Covenants model, it is vital that there is meaningful representation of the voluntary sector to ensure that a vast range of valuable insights are captured and considered. Community foundations are well placed to offer an informed and evidence-based picture of community needs. In addition, they also communicate the impact of the local voluntary sector and address regional challenges to external partners in the public and private sectors. A criticism often levelled at the voluntary sector is that it is too introspective and unable to articulate the difference it makes to those outside of it. In being able to coherently offer an informed and evidence-based picture of community needs, community foundations help to increase the understanding of what local charities do and the value they can add to the public sector. These local insights can open the door to new partnerships.

LOOKING AHEAD

The success of any policy that aims to empower communities and build resilience will be contingent on longevity and a meaningful devolvement of power and resources to local institutions and people.

The need for more connected and resilient communities is paramount. In order to enable this, there must be a meaningful discussion and collaboration that includes the respective communities and the voluntary sector organisations that serve them.

Growing community philanthropy is key to meeting the needs of the future. It can empower places with the resources needed to respond to immediate crises, as well as building capacity and sustainable social infrastructure to help communities look ahead. The Government can leverage the immense value that people bring to communities by providing the stimulus to grow community philanthropy.

UK Community Foundations is the only network of place-based funders that actively generates philanthropy from local donors. In turn, community foundations distribute the funding raised, based on identified regional and community needs. Community foundations have been 'levelling up' communities and addressing regional inequalities for decades. The needs of the most deprived communities have never been more pressing. It is vital we ensure that community philanthropy can be used to improve lives in those places based on an understanding of what they really need.

A volunteer from a South Yorkshire's Community Foundation funded organisation packs a food parcel





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Acknowledgements

The 47 community foundations in the network as well as to all our partners. These include corporates, trusts, foundations and charities, as well as individual and family philanthropists; all of whom provide valuable funding to help support our local communities.

