Legacy10

Removing Barriers to Legacy-Giving

A Report to the Department for Culture, Media and Sport

November 2012

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ACKNOWLEDGEMENTS

Research for this report was carried out by John Nickson and Caroline Underwood between August-October 2012. We are extremely grateful for their invaluable help, and also to Caroline Doak and Natalie Coles for their assistance in arranging the interviews.

A number of interviewees requested anonymity which we have respected. Those who were willing to be acknowledged were:

Richard Roberts, Chair, Wills and Equity Committee, The Law Society | Maya Prabhu Executive Director, Coutts Institute, Coutts & Co | Meg Abdy, Director, Legacy Foresight | Liesl Elder, Director of Development, University of Oxford | Dame Stephanie Shirley, Ambassador for Philanthropy 2009-10 | Simon Jenkins, Chair, National Trust | Royal College of Music | English National Opera | Lord Browne | London Philharmonic Orchestra | Sir John Ritblat, Chair, Delancey Real Estate Asset Management Advisory Board | Tate | Rhoddy Voremberg and Sam MacDonald, Farrer & Co. | Theresa Lloyd, Theresa Lloyd Associates | David Verey, Chair, Art Fund | Bob Wigley, Chairman, Yell | Vernon Ellis, Chair, British Council | Sir Nicholas Goodison | Sir Roger Carr, President, CBI | John Botts, Senior Advisor, Corsair Capital | Rory Brooks, MML Capital Partners LLP | Lord Dennis Stevenson

The final report was coordinated by the Legacy10 team Scott Colvin, Edward Lane Fox and David Henderson.
Design by Christopher Collins.

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Roland Rudd
Chairman and Founder, Legacy10

FOREWORD

The British are great at giving. We are in the premier league of countries that dig deep for good causes at home and abroad. Just look at the response to the humanitarian crisis in the Horn of Africa last year. Britons provided nearly £150m to humanitarian agencies in Ethiopia, Kenya and Somalia. But this was not just a one-off demonstration of our generosity. Remarkably, three quarters of us give something to charity in our lifetimes.

The efforts to increase the level of private funding for charities is not about ending the state's contribution to good causes and the cultural sector. It is in all of our interests to have charitable organisations which have multiple sources of income, in the way their counterparts do in the United States. Across the Atlantic, the level of legacy-giving is three times higher than here. We need to close the gap, and become more sophisticated at how we harness the generosity of our people. We may be good at giving, but we are often bad at asking for money.

This is the primary reason why I founded Legacy10, a campaigning charity set up to highlight a significant tax change made by the Chancellor of the Exchequer, Rt. Hon. George Osborne MP, which came into force in April 2012. The simple pledge, to leave at least 10% of one's estate to charity in return for a 10% cut in the rate in Inheritance Tax (IHT), is supported by some of Britain's leading businesspeople as well as the three party political leaders. But with the rise in property prices over the past decade, millions of additional people up and down the country will fall into the IHT bracket. This unlocks a new opportunity for charities, but they need to be ready and prepared to take full advantage.

There have been numerous papers and studies published on the subject of legacy-giving. This report makes no attempt to duplicate existing research. Instead, after in-depth discussions with many of the key people in this specific field, we have come up with ten radical but practical ideas which we believe would make a genuine difference to the level of legacy-giving in this country.

We are realistic and know we cannot change attitudes overnight. Charities will still be driven by the need for money now rather than the promise of money in the future. But if the Government and charities can grasp this challenge and collaborate, the recommendations we make in this report could change the face of giving in the UK.

ROLAND RUDD, November 2012

ABOUT LEGACY10

Legacy10 is an independent campaign, launched in November 2011, to encourage charitable giving in the United Kingdom. Specifically, it is aimed at increasing the number of people across the UK who leave money to a charity in their will.

Our findings show that the UK is made up of incredibly generous people. Three quarters of us give something to charity every year. Yet only 7% of those same people leave a gift to charity in their will. In the United States the figure is three times higher. Our campaign is attempting to make legacy-giving a convention rather than the exception.

As part of our campaign, we are recruiting ‘pledge ambassadors’ from the worlds of business, philanthropy, sport, arts and entertainment, across the UK to focus attention on legacy-giving as another way of supporting charitable organisations. Although Legacy10 will be a registered charity, its sole purpose is to raise the profile of legacy-giving as a means of supporting charitable causes; it does not collect or distribute funds directly.

CHANGES TO INHERITANCE TAX

The Legacy10 campaign dovetails with the Government’s change in Inheritance Tax (IHT) which came into force on 6 April 2012. In fact, the genesis of the campaign was the result of discussions between Roland Rudd and the former Secretary of State for Culture, Media & Sport, Rt. Hon Jeremy Hunt MP, on supporting philanthropy; following these discussions, Roland Rudd established the Legacy10 campaign.

In the 2011 budget the Chancellor announced that any estate which leaves at least 10% to a charitable cause will be able to take advantage of a reduced rate in IHT, from its current level of 40% down to 36%. The Government hopes this reform will encourage increased donations and Legacy10 aims to leverage this change to increase the level of legacy giving in the UK.

A Populus poll found that over 80% of people in the UK were unaware of the changes to IHT, but once aware, over 70% of those would either make a legacy or remain undecided.

HOW IT WORKS

The tables opposite illustrates how this change in IHT will work in practice on a gross estate of £1m. The net result of a 10% donation under this new system means the estate’s beneficiary foregoes £16,200 but the charity benefits by £67,500. Therefore, the benefit to a charitable cause is four times greater than the cost to an estates beneficiary.

Launch Event ©Mark Makela

Without a Donation	
Gross Estate	£1,000,000
Less: nil rate band	- £325,000
Net estate on which the legacy donation is calculated	£675,000
No charitable donation	£0
Taxable estate	£675,000
Less: inheritance tax @ 40%	- £270,000
Remaining Estate (inc. nil rate band)	£730,000

With a 10% Legacy10 Donation	
Gross Estate	£1,000,000
Less: nil rate band	- £325,000
Net estate on which the legacy donation is calculated	£675,000
Less: donation of 10%	£-67,500
Taxable estate	£607,500
Less: inheritance tax @ 36%	- £218,700
Remaining Estate (inc. nil rate band)	£713,800

Website

SELECTION OF CAMPAIGN SUPPORTERS

Sir Victor Blank
Senior Advisor, TPG Capital

Sir Richard Branson
Founder and Chairman, Virgin Group

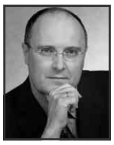
Damon Buffini
Partner, Permira

Rt. Hon David Cameron MP
The Prime Minister

Sir Roger Carr
President, CBI

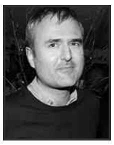
Rt. Hon Nick Clegg MP
The Deputy Prime Minister

Lord Sebastian Coe
Chairman, British Olympic Association



Alan Davey
Chief Executive, The Arts Council

Lord Mervyn Davies
Senior Advisor, Corsair Capital



Nick Denton
Founder, Gawker Media

Dr Michael Dixon
Director, Natural History Museum

Sir Charles Dunstone
Chairman, Carphone Warehouse

Tracey Emin
Artist, The Royal Academy

Lord Michael Glendonbrook
Former Chairman, BMI

Robert Gillespie
Director General, The Takeover Panel

John Griffiths-Jones
Chairman, Designate Financial Conduct Authority

Kate Griggs
Founder and CEO, untap.it

Lord Tony Hall
Chief Executive, The Royal Opera House

Sir Thomas Hughes-Hallett
Chief Executive, Marie Curie Cancer Care

Rt. Hon Jeremy Hunt MP
Secretary of State for Health

Simon Jackman
Chief Executive, Hope for Children

Boris Johnson
Mayor of London

Lady Barbara Thomas Judge
Chairman, The Pension Protection Fund

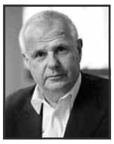
Martyn Lewis
Chairman, NCVO

Ken Livingstone
Former Mayor of London

Lord Peter Mandelson
Chairman, Global Council LLP

Rt. Hon Ed Miliband MP
The Leader of the Opposition

Sir Keith Mills
Deputy Chairman, LOCOG



Rt. Hon Lord Myners
Chairman and Partner, Cevian Capital (UK) LLP

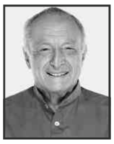
Brian Paddick
2012 London Mayoral Candidate

Sir Mike Rake
Chairman, BT Group

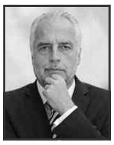
Richard Reed
Co-Founder, Innocent

Dame Fiona Reynolds
Senior Independent Director, BBC

Sir John Ritblat
Chairman of Trustees, The Wallace Collection



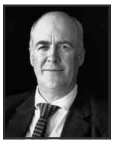
Lord Richard Rogers
Founder, Rogers Stirk Harbour & Partners



Professor Martin Roth
Director, V&A Museum

Lord Jacob Rothschild
Chairman, RIT Capital Partners

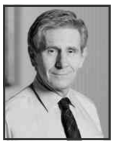
Sir Nigel Rudd
Chairman, Heathrow Airport



Charles Saumarez-Smith
Director, The Royal Academy

Sir Nicholas Serota
Director, Tate Galleries

Lord Colin Sharman
Chairman, Salisbury Cathedral Council



Lord Dennis Stevenson
Chairman, Aldeburgh Music

Peter Stewart
Director, The Eden Project

Sir Win Bischoff
Chairman, Lloyds Banking Group

SELECTION OF CHARITY SUPPORTERS

ROYAL OPERA HOUSE

CBA Council for British Archaeology www.britarch.ac.uk
Making archaeology *matter*

contemporary art society

Princess Royal's Volunteer Corps – Civil Military Response

ArtFund

citizens advice bureau

HORNIMAN MUSEUM & GARDENS

CHATHAM HOUSE

National Museums Liverpool

SOCIETY OF ANTIQUARIES OF LONDON

heritage lottery fund

Professional Footballers' Association

War Memorials Trust

National Osteoporosis Society

THE NATIONAL TRUST

Opportunity International

WORLD MONUMENTS FUND BRITAIN

THE WALLACE COLLECTION

magpie dance

The Heritage Alliance

GLYNDEBOURNE

WAR child

WE ARE MACMILLAN. CANCER SUPPORT

COUNTRY HOUSES FOUNDATION

V&A

hope FOR CHILDREN

Rowland Hill Fund
Helping each other in times of need

Marie Curie Cancer Care

NATURAL HISTORY MUSEUM

the cyrenians
changinglivesbuildingfutures

FAUNA & FLORA INTERNATIONAL

Community Foundation Network

Royal Academy of Arts

HEREFORD CATHEDRAL Perpetual Trust

NSPCC
Cruelty to children must stop. FULL STOP.

Aldeburgh Music

Kew
PLANTS PEOPLE POSSIBILITIES

St Mungo's
Opening doors for homeless people

VIVAT TRUST

IHBC
· INSTITUTE · OF · HISTORIC · BUILDING · CONSERVATION
The home of the conservation professional

GREAT NORTH AIR AMBULANCE

ARTS COUNCIL ENGLAND

eden project

ncvo

RECOMMENDATIONS

1 **All three main political parties should agree a ‘non-regression’ pledge in their 2015 manifestos which commits them to leave the existing Inheritance Tax reduction for legacy-giving untouched until the end of the 2020 Parliament and beyond.**

2 **The Government should create a charities ‘tsar’ to review and streamline policymaking on charities across Whitehall departments. The review should also include the duplications inherent in the charities sector and suggest new structures where appropriate.**

3 **Secure a commitment from key advisor organisations to compel their members to raise philanthropy, and in particular the Inheritance Tax benefits of legacy-giving, when discussing tax planning and will writing with their clients.**

4 **Companies in the FTSE-250 should be persuaded to provide financial assistance and advice to any employee who wants to make a pledge to charity in their will.**

5 **Government should implement targeted tax breaks for giving as a way of creating lifetime donors who will later leave a legacy. This should include a cut to the top rate of income tax for those who agree to make a planned, minimum period financial commitment to a charity.**

6 **Government and charities should jointly:**

- **Oversee and create an online iTunesU training programme, made available for free to all legacy fundraisers across the UK.**
- **Plan a virtual legacy-giving academy to help share best practice in this area.**

7 **Every registered charity in the UK should be required by the Charity Commission to provide evidence in its annual report of a legacy-giving strategy and the current income level from this activity.**

8 **People nominated for honours in the field of business should need to provide firm evidence of charitable giving and/or volunteering of time. Related to this, there should also be more honours given for philanthropy.**

9 **A new award should be created and supported by the Government, recognising the contribution of individuals who have shown exceptional innovation in the field of legacy-giving.**

10 **The organisations the Arts Council England funds should demonstrate philanthropic fundraising, including legacies.**

RECOMMENDATIONS

1

All three main political parties should agree a 'non-regression' pledge in their 2015 manifestos which commits them to leave the existing Inheritance Tax reduction for legacy-giving untouched until the end of the 2020 Parliament and beyond.

'It would be preferable to have a philanthropy policy which enjoys all-party support and is thus de-politicised'.

SIR ROGER CARR, September 2012

THE CHALLENGE

The Inheritance Tax (IHT) regime accounts for around 0.8% of government income, raising around £2 billion in 2001 and around £2.7 billion in 2011[1]. IHT has been the subject of significant political debate in recent years, but the nil rate band has been maintained at £325,000 throughout the period since the financial crisis of 2008. HM Treasury has confirmed that the current nil rate band will be maintained until at least the end of the tax year ending 5 April 2015[2].

The outcome of the next general election, due to take place in May 2015, is subject to significant uncertainty with another hung parliament likely. This uncertainty translates to issues around taxation, which means people are often more likely to be risk-averse when it comes to their tax-planning, including making provisions in their wills.

Allied to this, a poll by the Hansard Society showed that only 20% of the British public believe MPs tell the truth[3]. In the wider tax system, the proposed cap on charitable donations announced in March 2012 also caused great disquiet in the sector, before it was rescinded a few months later. Charities claim that the changes had been announced without prior warning or consultation and led to significant short-term difficulties as they tried to persuade existing donors to remain supportive[4].

The importance of certainty in tax policy cannot be overestimated. It provides the foundation upon which charitable giving is built, and only a public commitment from the three main political parties can help to provide some certainty that the very helpful IHT reduction, for those who leave a legacy of at least 10%, will last.

THE SOLUTION

We call on the leaders of the Conservative Party, Labour Party and Liberal Democrats to agree to guarantee no reduction to the current 10% IHT policy on charitable giving for at least the duration of the 2015-2020 Parliament. The commitment would be to guarantee a 'non-regression' clause to ensure the current 10% cut in the rate of IHT for those leaving at least 10% to charity would remain untouched by any party in government. This commitment should be renewed at the end of each parliament.

We would like this to be agreed and announced as soon as possible, and then clearly stated in the respective party manifestos nearer to the time of the next general election. In the event of a hung parliament, we would like to see a reasserting of this commitment in any future Coalition Agreement.

This would present and provide the stability and certainty sought by those currently considering whether to make provision to charity in their will.

As an immediate action arising from this report, we shall be writing to the three party leaders, who have already personally signed up to the Legacy10 pledge in January 2012, to ask for their agreement to this recommendation.

1. http://www.ifs.org.uk/bns/bn09.pdf
2. http://www.hmrc.gov.uk/rates/iht-thresholds.htm
3. http://www.hansardsociety.org.uk/blogs/parliament_and_government/archive/2011/09/15/beyond-the-headlines-has-trust-in-politicians-really-declined.aspx
4. http://www.telegraph.co.uk/comment/letters/9203761/Proposed-cap-to-charity-tax-relief-will-damage-philanthropy.html

RECOMMENDATIONS

2

The Government should create a charities 'tsar' to review and streamline policymaking on charities across Whitehall departments. The review should also include the duplications inherent in the charities sector and suggest new structures where appropriate.

THE CHALLENGE

The charities tax row in spring 2012 demonstrated the need for consistency of policy across government. On the one hand, Government had created a highly attractive Inheritance Tax incentive for people to leave legacies. The policy was heavily promoted by independent campaigns such as Legacy10, with support from Government, especially the Department for Culture, Media and Sport.

However in the midst of this steady progress , the proposal to cap tax relief on charitable giving prompted significant disquiet and created a barrier in the working relationship between government and charities. This was eventually solved when HM Treasury decided not to pursue the cap, but there is a lesson to learn from this experience, namely that Government needs to speak with one voice to ensure consistency of policy.

Parts of the problem lies in the fact that many government departments play a role in the delivery of policy of charities but do not always communicate with one another in an effective way. We cannot overstate the importance of the collaboration between all Government departments with a stake in the 'Giving' agenda. They include:

- HM Treasury – sets policy on taxation
- HM Revenues and Customs (HMRC) – responsible for implementing tax policy
- Cabinet Office – Charities Minister sits within this department
- Ministry of Justice (MoJ) – responsible for policies on will-making
- Department of Culture, Media and Sport (DCMS) – leads on arts and cultural philanthropy

We need to find a way to ensure a policy framework is developed which could bind in these government agencies in the most effective way possible, in a structure which is more clearly understood by the charities.

Separately, but related, many of our interviewees commented that there are often unnecessary conflicts and duplications within the charities and campaigns themselves. For example, there are elements to campaigning organisations such as Legacy 10 and Remember a Charity which appear to pull in different directions, despite the fact they are both focused on increasing the numbers of people who leave a gift in their wills. We believe there are ways to ensure messaging is more closely aligned, and a review could suggest ways this could be coordinated.

THE SOLUTION

We believe as a first step, there should be a six month review of the nature of policy making on charities across all relevant Government Departments and agencies. This review should include, but should not necessarily be restricted to, HM Treasury, HMRC, MoJ, DCMS and Cabinet Office.

This review should be headed by an independent, experienced and non-partisan person, acting as a government 'tsar', appointed by the Cabinet Office, and published in summer 2013. The last person in a similar role, Dame Stephanie Shirley, served as the UK's Ambassador for Philanthropy in the final year before the 2010 General Election. This role was a government appointment aimed at giving philanthropists a voice, and was seen by many in the sector as an important position.

Regardless of who is selected to lead the review, it should avoid covering the same ground as previous technical studies, such as the Review of the Charities Act 2006, published in July 2012 by Lord Hodgson of Astley Abbots[1]. Instead, it needs to be an independent examination of the way each relevant department communicates its role in setting and implementing

policy on charities, especially those related to philanthropy and legacies.

A separate piece of work could be undertaken to include the charities sector by identifying duplications and recommending appropriate merging of effort and resources in the field of legacy-giving. This call for improved communication and messaging also fits with our recommendation later in this report related to the improvement of skills in legacy fundraising amongst UK charities.

1. http://www.cabinetoffice.gov.uk/sites/default/files/resources/Review-of-the-Charities-Act-2006.pdf

RECOMMENDATIONS

Secure a commitment from each of the key advisor associations to compel their members to raise philanthropy, in particular the inheritance tax benefits of legacy giving, when discussing tax planning and will writing with their clients.

THE CHALLENGE

Our own mortality is a difficult topic of conversation, whether it is raised in a social or professional context. Even advisors who deal with will writing and inheritance planning on a regular basis can find the subject of death an uncomfortable one to raise with their clients. For those professional advisors faced with this issue on an infrequent basis, finding the right words at the appropriate time can present a real challenge. This is not to suggest that some advisors are failing in their responsibilities but rather, by circling round the topic, opportunities are being missed.

Inheritance Tax (IHT) is applied to around 15,000 deaths each year, accounting for less than 3% of the UK total. However that number is growing as the rise in house prices pushes more people over the nil-rate band. In June 2012 a study for The Times found that the number of people in Britain owing a house worth over £1m had risen by 12% from the previous year and now totalled over 245,000. An increasing number of people, therefore, will become subject to IHT on death. In many cases these people do not consider themselves to be 'wealthy' and thus a significant proportion may not have considered all the options before preparing a will, if indeed they have one.

Providing for their family is the primary concern for many when writing a will. However, an increasing number of people are minded to leave something to a cause or causes close to them in their will. The Government's recent change to IHT regulation has made this idea more attractive to potential legators; it effectively shifts responsibility for 76 pence in the pound of each qualifying donation from the donor to HM Treasury. But in order for the benefits of this policy to be fully realised, it is important to drive awareness amongst professional advisors, thus enabling their clients to make more informed choices. According to our research the recent changes to IHT are welcome but remain little known or understood amongst philanthropists.

THE SOLUTION

According to our research, philanthropists are motivated by the causes to which they donate and not solely by tax considerations. Furthermore, legacies should be considered as just one element of an individual's philanthropic activity; in the main they are not an isolated event. Therefore, in all probability, the professional advisors to these individuals will be both familiar with the intricacies of charitable donations and comfortable discussing the most appropriate philanthropic strategy for their client. However, for those who find themselves subjected to IHT as a result of significant increase in the value of their home, the story may be very different. They may not feel 'wealthy' as they face the common financial pressures such as a mortgage, consumer debt and caring for children and/or ageing parents. In addition, they may not have planned in detail what will happen on their death. Informing this group of people will be important if the sector is to leverage the Government's change in IHT to increase the level of legacy-giving in the United Kingdom.

In order to effectively convey the opportunity which the change in IHT presents, a two pronged approach will be required. Firstly, charities will need to focus on developing their donor engagement strategies, to take into account those who wish to support them but are unable to consider significant lifetime donations. Secondly, professional advisors will be vital in raising the issue of legacies with clients in order for them to be fully informed of their options. By focusing the efforts of fundraisers and advisors in this way, the two most important drivers of legacies will be engaged in a common aim.

As we mentioned earlier, this is not always an easy conversation to have with a client, particularly when they have not previously indicated any philanthropic interest. However, if the bodies which oversee different classes of advisor were to suggest to their members that, when engaged in will writing and tax planning, a question on legacies must be raised on a

statutory basis, then the individual advisors could be helped in a potentially awkward situation. As the change in IHT rules can materially affect the overall tax position of the client, the conversation could be couched in terms of compliance. By requesting their members raise the subject of legacies, the umbrella organisations will both be promoting the change and removing the element of personal embarrassment.

Between the advisors organisations there will be differing levels to which they can suggest, request or compel their members to adopt this approach. However, simply by having this conversation with their members the awareness of these changes in IHT will increase.

RECOMMENDATIONS

4

Companies in the FTSE-250 should be persuaded to provide financial assistance and advice to any employee who wants to make a pledge to charity in their will.

"Legacies often represent the culmination of a lifetime of philanthropic support from the donor. Choosing to make a charitable legacy is not a separate decision but a continuation of this support. Legacies are integral to philanthropic giving as a way for donors to make a uniquely personal gift, which is often a gift more substantial than they could comfortably give during their lifetime. Every supporter is a potential legacy donor."

INTERVIEW WITH SENIOR CHARITY FUNDRAISER, October 2012

THE CHALLENGE

Having spoken to many philanthropists, charity fundraisers and advisors during our research process, legacies make up just one element of an individual's philanthropic activity. Of course there will be exceptions but our research suggests that legacies are less likely to result from isolated acts of generosity, and therefore we should assume that, in the main, they will come from established donors.

Engaging new donors is a challenge common to all charities, as it requires a great deal of time and resources with no guarantee of success. The question facing many organisations is how to engage new donors in such a way that effectively draws them into a community of committed supporters. This question holds particular relevance for legacy-giving as the creation and nurturing of such a community of donors is the most effective way to attract legacies.

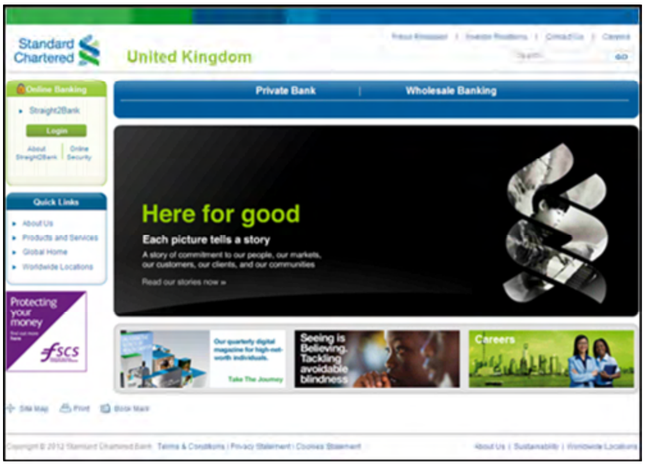
Each charity which has successfully built such a community of donors has done so in its own unique way. However, what is clear is that the success of any engagement strategy may hinge equally on the charity's actions and also external factors, such as timing and the resonance of its messaging. We suggest that where it is possible to set favourable conditions for such engagement, the chances of creating a successful community of support are much improved.

THE SOLUTION

Corporate Social Responsibility (CSR) and Sustainability programmes are well established within the FTSE-250; they deliver a huge level of valuable not-for-profit activity. Within these programmes we believe companies should be making every effort to support their employees' philanthropic activities. Therefore, we call on the largest companies in the United Kingdom to provide financial assistance and legal advice to any employee wishing to make a pledge to charity in their will.

Since the financial crisis, mistrust of the corporate world has spread across many developed countries, including the UK. This has lead to widespread calls for 'responsible capitalism', a phrase which is difficult to define but ultimately calls on the corporate world to rebuild confidence in its actions. The process will be unique to each company and may in some cases be a complex and protracted affair. Inevitably the CSR or Sustainability programme will be an important element of this process, and for it to be truly effective it must be driven by the company's leadership team and communicated to its employees.

In many cases a CSR programme builds strong links with a particular charity, charities or a good cause, either on an annual or longer term basis. Occasionally the CSR campaign and charity become so closely linked that the relationship is woven into the fabric of the company, for example 'Seeing is Believing', a collaboration between Standard Chartered Bank and the International Agency for Prevention of Blindness (IAPB). Standard Chartered's commitment to the campaign has been led by its board, with support permeating through all levels of the business. This is also true of BHP Billiton's Sustainable Communities fund, through which the company invests 1% of pre-tax profits. Standard Chartered's UK website below shows the prominence the campaign is given, as does BHP Billiton's sustainability section.



Incorporating specific charitable goals into a company's core values is one way of building a community of new supporters for a cause or charity which in isolation it would never have had the opportunity to connect with. The charity is able to form strong links with the company's employees by fostering direct access to front line charity staff, the opportunity to see projects in action and take part in multiple fundraising channels.

By forming these links there is a greater chance that the community will remain fully committed and engaged with the cause. The example of payroll-giving goes some way to illustrate the potential for this kind of relationship, as it creates new bonds between companies and charities, and has also led to increased individual donations.

In short, we see clear mutual benefits in closer relations between the largest companies in the UK and charitable causes. However, as already discussed, the key to effective, enduring support is to fully engage the company's employees; this responsibility falls equally on the charity and the company. Where the charity must engage and enthuse, the company must make it as easy as possible for its employees to support their chosen charity (or other charitable causes important to them); for example, allowing time out of the office to volunteer or take part in fundraising activities. A logical extension of this commitment is administrative assistance for employees who wish to make one off or recurring personal donations such as payroll-giving. However, for some people, although they want to be involved with the charity, financial pressures make lifetime donations an unrealistic prospect. Therefore it makes sense to harness potential future donations as well. In order to facilitate this, we believe companies should commit to offering advice and even financial assistance to employees who wish to write, or change, a will to include a charitable legacy.

To avoid any notion that the company has forced its employees to make such donations, advice would need to be provided by an independent legal advisor. However, the company could contract a law firm to provide such services. In all probability the cost associated in providing this assistance would only account for a very small proportion of the CSR budget and may serve to generate significant long term benefits for the charity and employees. In this way, employees who wish to support a charitable cause have every opportunity to do so, either through lifetime donations or legacies. Those wishing to make lifetime donations receive assistance with administrative responsibilities; whereas those who wish to support the charity but feel unable to make donations during their lifetime could receive legal advice in preparing a will at the company's expense.

RECOMMENDATIONS

5

Government should implement targeted tax breaks for giving as a way of creating lifetime donors who will later leave a legacy. This should include a cut to the top rate of income tax for those who agree to make a planned, minimum period financial commitment to a charity.

'If the Government is serious about increasing philanthropy, and promoting legacies, it should consider adopting much simpler and broader tax relief.'

CHARITY LAWYER, August 2012

THE CHALLENGE

Individuals and organisations interviewed in the course of our research made it clear that it is vital for Government to try to incentivise and encourage greater lifetime giving as a way of developing future legacy donors. There is not a finite level of charitable giving, and many charities we spoke with who are creating a legacies programme have found that it is vital to create a relationship with donors as early as possible.

However, the tough economic times have created new challenges for fundraisers who have to contend with lower real term incomes and higher taxes.

According to a report published by Investec Bank in January 2012[1], the average charitable donation in the UK fell by 12% in 2011. The Charities Aid Foundation's annual UK giving report in December 2011 suggested that the rate of giving had remained flat, once it was adjusted for inflation[2].

Amongst the wealthy, this pattern has been even more marked. Coutts' Million Pound Donors report, which tracks donations of £1m or more, saw wealthy individuals and families give £1.022bn in large donations between 1 January 2009 and 31 December 2010, a 15% decline compared with the previous two-year period studied[3].

Nervousness about the economy, and the increase in the top rate of tax from 40% to 50% in 2010, were cited as partial reasons for this trend by some contributors to our research.

Despite the announcement in the 2012 Budget that the 50% rate will fall to 45% in April 2013[4], the problem still remains that highly taxed individuals are discentivised to make an additional contribution above and beyond what they give to the state.

There is strong evidence that tax breaks increase charitable giving. The United States of America has the most generous tax incentives for charity, and has the highest giving as a proportion of GDP, at 1.67%. By contrast, the relatively weakly incentivised Germans give only 0.22% of GDP.

As a practical example of the impacts of charitable giving being given less favourable tax status, Oxford Economics found that the proposed cap in the 2012 Budget of income tax relief on charitable giving was predicted to lead to a fall in annual donations in the UK of up to £500m[5].

The clear message is that the Government's tax policies alone cannot secure increases in lifetime or legacy-giving. But they play a vital role in sending positive signals about the benefits of this activity to society, and marketing tax changes as clearly as possible.

THE SOLUTION

Individuals in the top rate of income tax should be encouraged to give more to charity, but there has to be a targeted incentive in the tax system.

We do not intend to outline specific tax policies as they are too complex for a summary report. However, as evidence shows that donations have a social benefit greater than the actual sums of money contributed, HM Treasury could investigate the possibility of a 'like-for-like' tax reduction.

This could mean, for example, a small reduction in the top rate of income tax from next year from 45% down to 42.5%, in return for a period of agreed giving by an individual to a charity. This agreement would form a covenant with the charity (on an approved list held by HM Revenues and Customs) over a minimum period of 5 years.

Individuals making use of this tax break would have to provide firm evidence each year when completing their self-assessment of the continued existence of the covenant between the two parties.

1. http://www.philanthropyuk.org/news/2012-01-26/call-more-consolidated-research-giving
2. https://www.cafonline.org/pdf/UK_Giving_2011_Summary.pdf
3. http://www.coutts.com/files/million-pound-donors-report-2010.pdf
4. http://www.hm-treasury.gov.uk/press_26_12.htm
5. https://www.cafonline.org/pdf/Charity%20Tax%20Cap%20Summary%20Findings.pdf

RECOMMENDATIONS

6

Government and charities should jointly:

- **Oversee and create an online iTunesU training programme, made available for free to all legacy fundraisers across the UK.**
- **Plan a virtual legacy-giving academy to help share best practice in this area.**

THE CHALLENGE

According to the Civil Society Almanac there are around 160,000 registered charities in the UK. It is well documented that 1% of these organisations (the few hundred charities with an income in excess of £5m), account for around 68% of the estimated £37bn annual total charitable income. Meanwhile, roughly half of all UK charities have an annual income of less than £10,000 per year (accounting for 0.4% of all donations). According to the Charities Aid Foundation data for 2010, this picture is also broadly replicated in the levels of legacy funding across the largest 1000 charities, with the 10 largest legacy recipients accounting for around 40% of all legacy donations and over half of the charities on the list not recording any legacies at all.

Whilst the uneven distribution of legacies is concerning, these figures should also be viewed in context. According to the same CAF data, legacy donations only represented 8.1% of total annual income for the United Kingdom's 1000 largest charities. The limited proportion and unequal spread of legacy giving across the sector – Cancer Research UK accounts for 9.8% of legacies donated to the largest 1000 charities and four other medical charities appear in the top 10 – suggests there is a very real need for information sharing and capacity building across the charitable sector. This is particularly true of arts and cultural organisations which are underrepresented in terms of legacies; the National Trust is the only cultural organisation to appear in the top 10 for legacies according to the CAF figures. It is ranked 5th by total legacy donations, accounting for 3.1% of legacies to the CAF study group, the next largest recipient is the Royal Academy of Dramatic Arts ranked 46th with 0.4% of total legacy donations.

The evidence above suggests that there is a pressing need to share valuable knowledge about legacy fundraising across the charitable sector. There appears to be a knowledge gap with respect to developing a coherent legacy strategy and capability building in this aspect of fundraising. However, this need is not limited to charities of a particular size, sector or geography, it transcends these themes. The challenge is how best to share this information across a disparate audience with varying degrees of understanding in a timely and cost effective manner. The answer must be through digital, web-based training which will allow users to access up-to-date, tailored content in an easily digestible form which once viewed will continue to serve as reference material.

THE SOLUTION

During the course of our research a number of philanthropists made reference to the blunt and ineffective nature of some legacy marketing they had encountered. In their experience, current legacy engagement by some organisations was too 'clunky' and lacked imagination; for it to be effective they argued, the strategy needed to go beyond simply engaging with donors at significant birthdays. This observation appears to be borne out by the CAF figures outlined above, and some organisations which are less proficient at attracting legacy donations may need help refining or establishing their strategy.

This disparity may be a question of resource allocation with some organisations feeling they should focus their efforts towards immediate funding requirements in support of current activities rather than on endowment funds – the 'jam today' rather than 'jam tomorrow' argument. However, this misses the point of legacy-giving. As mentioned previously in this report, legacy-giving should be seen from a donor's perspective – a continuation of a lifetime of philanthropic engagement. Therefore it should be remembered that legacies are more likely to come from existing supporters than new donors. The key to


LEARN AND LEAD
LEARN AND LEAD

attracting legacies it to build strong communities of support; learning how to take care of donors and engaging them with a long term view. It is this approach rather than a radical shift in resource allocation which will ultimately improve an organisations chance of attracting legacies.

Organisations such as the Society of Trust and Estate Practitioners (STEP) and the European Association of Philanthropy and Giving provide excellent training and seminars on all aspects of philanthropy, including legacy giving, primarily targeted towards professional advisors. However we believe there is merit in a combined teaching outlet for all matters relating to legacies, where charity staff and advisors can access up-to-date, digestible material relevant to their specific needs. In order to keep the material current and for it to be accessible by the broad audience of charity staff and advisors, we propose the creation of an iTunesU lecture programme. Similar to other iTunesU content, the programme would take the form of individual lectures given by experts in their field, such as lawyers on legacies and will writing, a charity representative on engagement strategies and a representative from HMRC on the new Inheritance tax rules.

The lectures would need to be tailored to target varied knowledge levels - basic, intermediate and advanced. Furthermore they would need to be focused towards the specific types of charity, for example a member of the National Trust legacy team would present on arts and cultural legacies whereas the Cancer Research UK legacy team would present on medical legacies. Although some of the material will be common to all charities there will be important areas of emphasis for particular sectors. The course would cover both the technical and emotional aspects to legacy-giving, setting it in context of wider philanthropic engagement. It would provide a platform to bring together experts from all organisations in the legacy-giving space to share their knowledge, such as the Institute of Legacy Management, Remember a Charity and Legacy Foresight to name just a few.

The funding of an enduring iTunesU education programme would need careful consideration, those charities that would benefit most are unlikely to have the resources available and the Government already faces considerable budgetary pressures, not to mention the politicising effect of direct state involvement. We suggest the solution would be to use a small amount of lottery funding to establish the project and then small recurring allocations for maintenance and updating of the content. This would be sufficient to cover the limited costs incurred for expert speakers, studio time and platform fees. If necessary to augment this funding, companies may be offered advertising time at the beginning and end of the lectures, although this may not be necessary.

Access to the lecture package would be free for charity staff to encourage all organisations to make the most of the resource. Furthermore we would expect to see umbrella bodies and director forums drive awareness of the course to their staff and members. Access to this course would also provide an important base line of information and reference upon which charity staff members could build in the second phase, through

practical application and mentoring. Running alongside the iTunesU course we see huge benefit in establishing a virtual legacy giving academy focused on mentoring and the sharing of practical ideas. This programme would allow key figures from charities which have created successful legacy giving strategies to mentor staff from organisations seeking guidance on establishing programmes of their own. The commitments would need to be limited on the part of the mentor so as not to overload their time, but quarterly meetings to review progress should be achievable.

The mentoring programme would allow one mentor to steward a number of individuals at other charities which share a common interest. The mentor would be able to think more strategically given their outside perspective, suggesting alternative means of cultivating donors and creating communities of support. They would also be able to help refine the legacy engagement strategy and identify suitable trigger points. This mentoring process should not be limited to fund raising staff guiding other fund raisers but should also include executives and trustees assisting others in similar positions. This is an important point as it will ensure all those who engage with long standing supporters understand the charity's overarching engagement strategy and legacy donations place within it.

There are many charities in the United Kingdom which have built very successful endowment funds through legacy donations. It is entirely possible for other charities to do the same, but in order to do so they must be able to learn from the successes of others and be forewarned of the potential pitfalls. Drawing together the vast knowledge and experience of legacy giving in one accessible platform will help overcome the knowledge gap which holds many organisations back today. It can be achieved for moderate cost but the benefits to charitable causes could be profound.

RECOMMENDATIONS

7

Every registered charity in the UK should be required by the Charity Commission to provide evidence in its annual report of a legacy-giving strategy and the current income level from this activity.

THE CHALLENGE

Currently it is the legal responsibility of each charity with an income in excess of £10,000 to submit an annual return to the Charity Commission and those with an income in excess of £25,000 must submit a more detailed formal statement of (externally verified) accounts and a Trustees Annual Report which are then made public in the register of charities. The level of information required depends upon the annual income received. Many of the largest charities already break out legacy figures from their overall voluntary funding calculations in their accounts. However, we would like to see all charities with an income over £25,000 being required to provide this level of detail. Furthermore we believe the Charity Commission should require trustees to set out their legacy strategy as part of their Trustees Annual Report or in the case of Chief Executives, the Summary of Information Return.

Legacies are an extremely difficult source of support to predict as they are set out in a private document which often is not made public until after the donor has passed away. As such, planning around legacy donations presents a significant challenge for charities. Not only is it difficult to predict what legacy gifts will be realised during a particular period but often, once a legacy has been confirmed, it may not be possible to establish the exact size of the gift until the probate process has been completed. This unpredictability means it is very hard to measure the effectiveness of any strategy which seeks to increase the level of legacy-giving. The only way we can begin to address this challenge is for charities to publish details of their engagement strategies and how that converts through to legacy development, at the same time as highlighting the level of legacy donation as a proportion of overall funding.

The release of such information will not solve the challenge of forecasting legacy donations or provide an immediate fix to tracking the success of legacy engagement but, over time it will serve to identify those charities, both large and small, which have been effective in diversifying their revenue streams which others can then emulate.

THE SOLUTION

If all charities with an income over £25,000 were required by the charity commission to submit a summary of their legacy development strategy and highlight the proportion of legacy giving relative to total voluntary funds as part of their annual submission, this would have significant benefits for the sector. In the first instance it would prompt the management of all charities over a certain size to consider how best to broaden their funding base. This in turn would necessitate the creation of a coherent legacy strategy as part of their supporter engagement programme. Of course many charities would need guidance with this process. Therefore the development of an iTunesU lecture programme, explored in an earlier recommendation, should be implemented in advance of this initiative. Not only will the lecture series provide information, guidance and best practice examples but it will also demonstrate how legacies dovetail with wider donor engagement, and therefore viewed as a continuation of lifetime giving rather than an alternative to it.

Over time, the information provided by charities on legacy strategy and their proportion of total voluntary funding year-on-year will form a valuable source of comparative data. If charities were to publish legacies as a proportion of their total voluntary funds each year, then the data would prove useful for studies against relative developments in their engagement strategies rather than comparative performance measures against other charities. The aim of this recommendation is not to highlight those organisations that achieve the biggest legacies or amass the largest endowment fund but rather, to identify those organisations which have been

particularly successful in balancing funding streams.

Over time those charities which have proved adept at diversifying their funding streams will be called upon to feed back into the ITunesU mentoring programme in order to share the knowledge and experience they have developed. It may appear counterintuitive to share valuable lessons with organisations which occupy the same space, but if one accepts the idea that legacies are the culmination of a lifetime of philanthropic support and are by definition unlikely to be realised for some years after they have been established, then the sharing of information will not afford a competitive advantage. In fact it may drive further innovation as charities seek to become more creative in their donor engagement and legacy strategy.

Increasing public access to information about legacy-giving will stimulate more regular and better informed discussions on the topic. This will be important for two reasons; firstly, it will help dispel the misconception that legacies are the preserve of the rich by showing the significant number of people who are choosing to support charities in this way. Secondly, as the level of legacy giving begins to increase, the concept becomes increasingly normalised in the minds of the public and the cycle begins self-perpetuating. Increased public awareness as a result of better information is likely to advance the general acceptance of legacies which in turn will it easier for professional advisors to raise the concept.

We accept that this recommendation marginally increases the administrative burden on charities. But we do not foresee significant additional cost being incurred as a result of additional accounting calculations or the creation of a legacy strategy, which charities should have in place anyway. However, the benefits of driving advances in legacy strategy could be significant.

RECOMMENDATIONS

8

People nominated for honours in the field of business should need to provide firm evidence of charitable giving and/or volunteering of time. Related to this, there should also be more honours given for philanthropy.

RECOMMENDATION 8.1

That the annual quota available to the Community, Voluntary and Local Services Committee for damehoods, knighthoods and appointments of CBEs be increased to that available to the Economy Committee.

The Honours System provides a means for our society to signal the types of actions it values most. Many outstanding contributions are rightly honoured, but the honouring of those who perform outstanding service to charity or philanthropy is both inconsistent and insufficient. More importantly, too many highly privileged people are honoured without providing any service to charity or philanthropy.

It is therefore of little surprise that only 44% of people surveyed by the Government view the honours system as open and fair[1]. This is despite the reforms to the Honours System in 2005, in which the Government established a Main Honours Committee with eight specialist committees. These bodies have ensured that recommendations for honours are first examined by independent experts before being passed to the Prime Minister for submission to The Queen.

Awards for philanthropic and charitable service are primarily considered by the specialist Community, Voluntary and Local Services (CVLS) Committee. Recognising that this committee alone was unable ensure the sufficient honouring of philanthropy, an additional sub-committee known as the Philanthropy Committee was formed in 2011. These reforms have improved the honouring of charitable and philanthropic but the committees have been restricted by annual quotas which are biased against the CVLS Committee at the higher levels of honours.

Each of the specialist honours committees is allocated an annual quota of awards at each level (MBE, CBE, knighthood etc.)[2]. Whilst the precise status of these quotas has been thrown into some recent question[3], these quotas are nevertheless skewed towards the Economy Committee at the higher levels and to the Community, Voluntary and Local Services Committee at the lower levels. Each year, the Economy Committee has 25% more awards available to it at both the Dame/Knight level and the CBE level than does the CVLS Committee. Things change markedly at the OBE and MBE level, where the CVLS Committee has, respectively, 74% and 370% more awards available to it than the Economy Committee.

It is understandable that the CVLS Committee has the capacity to recommend more MBE and OBE appointments than other committees as the criteria for these honours are for service "to the community… or very local 'hands-on' service" for the MBE and "regional or county-wide" service for an OBE which, by definition will catch a lot of service under the remit of the CVLS Committee.[4] However, there would seem to be no reason why the Economy Committee should have 25% more awards available to it at the CBE and Dame/Knight level as those who serve society in the manner examined by the CVLS Committee are just as capable of performing that service to the standard required for a Dame/Knight award as those examined by the Economy Committee.

This does not appear to be a point contested by the Government, as "the quotas are established by reference to the government's priorities; the number of people employed in the sector and the need to be able to spread knowledge of, and access to, honours widely across the community."[5] Whilst business does directly employ more people than charities, one of the Government's overriding 'priorities' should be at least to ensure service to the economy is just as honoured at the Knight/Dame and CBE level as is service to community, voluntary and local services.

There appears to be no reason why the pre-eminent service in relation to the economy should be more highly honoured than pre-eminent service to the community in order to spread knowledge of, and access to honours widely across the community.

Indeed, almost by definition, knowledge and access to honours 'across the community' is most likely to occur if those honoured are those providing service 'to the community'.

There is merit in the recommendation of the Public Administration Committee of the House of Commons that: "There should be no special privileges or quotas for groups of society or certain professions: the honours system should be fair and open to all."[6] The Government is yet to respond, but, should it reject the Public Administration Committee's recommendation, then the quotas should not be skewed away from philanthropy and voluntary service at the higher levels.

This simple change would provide a subtle but significant signal to society about the relative importance of charitable and philanthropic service. In doing so, it would also provide greater encouragement for such activity to place.

RECOMMENDATION 8.2

Awards for nothing more than "services to business" or "services to [a particular] industry" should no longer be made and all awards for such service should only occur if sufficient service can also be cited which has had charitable or philanthropic benefit. Nomination forms should be amended to reflect this requirement.

On 2 September 2010, the then Cabinet Secretary wrote that, "Where awards are merited for achievement in… business… , the Prime Minister would also like the Honours Selection Committees to give increasing weight to how and whether the individual in question has contributed to helping others and building a bigger, stronger society. The Committees should now give more consideration to how our top… business people… are also using their prominence and profile for the greater good through giving back to society in any number of ways."[7] Since then, there have been four knighthoods in which the only citation provided has been "for services to business" or industry.

After hearing much evidence of the cynicism towards the honours awarded to business people, the Public Administration Committee of the House of Commons has recommended that, "In particular, honours should not be awarded to… businessmen unless it can be demonstrated that there has been service above and beyond the call of duty. Instead honours should only be awarded for exceptional service to the community or exceptional achievement above and beyond that required in employment… It is distasteful and damaging for people who already command vast personal remuneration packages for doing their job, to also be honoured for simply being at the helm of large

companies. This must stop. All who get honours must be judged on whether they have done things above and beyond their normal duty, shown extraordinary leadership and shown extraordinary service to the community."[8]

Over the last five years, there have been 11 knighthoods and 1 damehood awarded where the citation only mentioned service to business or industry. With the sole exception of Sir Richard Lambert, who was knighted for services to business when he was Director-General of the CBI, each of these people has been the Chairman, Deputy Chairman or CEO of a large company. Unquestionably, all of these people have made a pre-eminent and sustained contribution to business and industry, and many of them have made very significant contributions to charity which it would have been appropriate to have included in their citation. It would therefore send out an important signal if, in future, anyone honoured for services, either to business or industry, were required to have made an appropriate contribution of time or money to charities.

In and of itself, service to business can be a public good worthy of being honoured, but a greater good occurs when those who have the means provide service to business as well as to charities. By definition, charities exist for public benefit, so the public good must be increased, all other things being equal, if charitable service is carried out in addition to honourable service to business or industry.

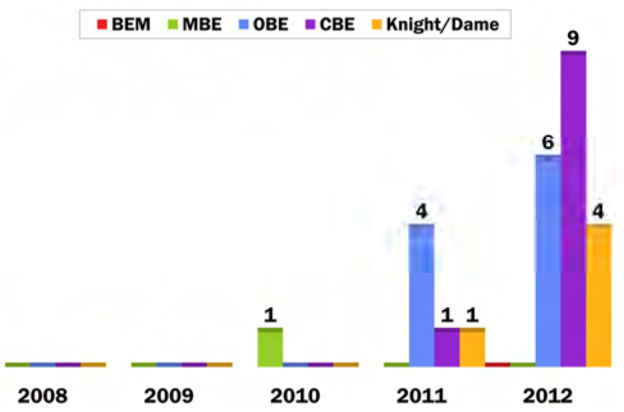
Those who are exceptionally successful in business are generally very well remunerated and should be encouraged to serve society more than simply through their efforts at work. Citing services to charity or philanthropy alongside each new award for services to business or industry would send out an important signal to society and provide a gentle nudge to successful business people that they are expected to give back.

To aid the committees, the nomination form should include a question which is required to be answered by those nominating someone for services to business or industry. This question should ask whether and to what extent the person being nominated has undertaken charitable service or carried out philanthropic activity. Adding this question alone would send out an important signal, but the reason cited for awards should also change. No award should have its citation merely service to business or industry.

RECOMMENDATION 8.3

The Main Honours Committee should issue guidance to the Chairs of the Philanthropy Committee and the Community, Voluntary and Local Services Committee which outlines how philanthropic activity not worthy of a CBE or higher honour can and should be honoured at the OBE, MBE and BEM level.

The creation of the Philanthropy Committee in 2011 appears to have been the cause of the recent rise the honouring of services to philanthropy (see diagram below).



Yet, the disproportionately high level of these honours reinforces the erroneous view that philanthropy worthy of public recognition almost always occurs at the regional or national level. Only one person has been appointed an MBE in the last five years for services to philanthropy. Conversely, 5 knighthoods and damehoods have been awarded and ten CBEs appointed.[9] As a share of the number of honours given at each level, the share of knighthoods and damehoods awarded for philanthropy is 70% higher than the share of CBE appointments for philanthropy, 17 times higher than the share of OBE appointments and 30,000 times higher than the share of MBE appointments. No comparison is possible for BEMs, as not a single one has been awarded for philanthropy (see table below).

2008 – 2012	Award Citation		
Award	Philanthropy	Other Reason	Percentage
BEM	0	293	0%
MBE	1	5,973	0.00014%
OBE	10	2,785	0.1%
CBE	10	988	1.0%
Knight/Dame	5	288	1.7%

This grossly disproportionate lack of awards for philanthropy at the BEM, MBE and OBE levels suggests that philanthropic endeavour at a national attention is much more likely to be recognised than effort at the county and local levels.

The stated aim of the Philanthropy Committee should be reconsidered for rewording as, currently, it "aims to ensure that candidates who are major philanthropists are considered carefully and those whose contribution might not be thought to make them an obvious first choice for one of the specialist committee but who nevertheless make a significant philanthropic contribution are also given sufficient consideration [underlining added]." One should not need to be a 'major philanthropist' to receive careful consideration for the awarding of an honour.

Very significant, even pre-eminent and sustained service can be rendered to philanthropy by people who are not themselves major philanthropists. Similarly, the honouring of philanthropy should not only occur for those who have made "a major contribution..., usually at the national level", the criterion for the award of a knighthood or damehood, or for those who have made "a prominent but lesser role at national level, or a leading role a regional level... [or] for a distinguished, innovative contribution to any area", the criteria for appointment as a CBE.

Philanthropic endeavour very often occurs at the local level and can be hugely significant for the beneficiaries. Both the CVLS Committee and the Philanthropy Committee should ensure that these more local efforts are honoured as one in every 6,000 MBE appointments is insufficient and not a single awarding of the British Empire Medal is a disservice to very local philanthropic effort. Again, such honours would seem to fit perfectly with the Prime Minister's request that greater prominence is given in the honours system to philanthropists who are making a difference to the Big Society.

1. Cabinet Office survey (2009) as cited by the Head of the Home Civil Service, Sir Bob Kerslake KCB, to the Public Administration Committee's Inquiry into the Honours System (2012)
2. *Second Report on Operation of the Reformed Honours System: Note by the Cabinet Office* (2011). Page 7.
3. '"Honours are awarded on merit, not according to quotas," the Prime Minister's official spokesman said [when asked whether Sport Committee's quota would be sufficient to honour those involved in the London Olympics].' Daily Telegraph, 20th August 2012
4. Second Report on Operation of the Reformed Honours System: Note by the Cabinet Office (2011). Page 3.
5. Ibid., page 4
6. *The Honours System* Public Administration Committee, House of Commons 29th August 2012. Page 15
7. As outlined by Sir Gus (nor Lord) O'Donnell GCB in his letter to The Lord Newton of Braintree OBE DL, titled *Honours: Recognising Contributions to the Big Society* 2nd September 2010
8. Public Administration Committee, loc. cit.
9. Conferrals of the honour of Knighthood (Knight Bachelor) and civil appointment of DBEs, KBEs, GBEs (excluding the Crown Dependencies and the Diplomatic and Overseas List)

RECOMMENDATIONS

9

A new award should be created and supported by the Government, recognising the contribution of individuals who have shown exceptional innovation in the field of legacy-giving.

THE CHALLENGE

The Honours System rightly recognises people who have provided outstanding service to the United Kingdom. There are, however, a number of awards outside of the Honours System which also pay official tribute to people who have carried out other socially important work.

Many of these awards are in the name of members of the Royal Family such as the Duke of Edinburgh's Award and The Queen's Awards for Enterprise, whereas others are simply presented by the Government, such as the Big Society Awards which have been established by the Prime Minister.

There is already The Prince of Wales Medal for Arts Philanthropy which annually celebrates individuals who support the arts by recognising the contribution of the most inspiring cultural philanthropists in the UK.

There is nevertheless scope for a new award which recognises those who are leading innovators in the field of legacy-giving. Not enough recognition has been given to those individuals and organisations which contribute innovative thinking to philanthropy, thus creating an environment which makes it simpler and more compelling to give.

THE SOLUTION

Society needs to find ways to recognise the importance of philanthropic innovation, by creating incentives for people and organisations to push the current boundaries.

We believe there should be new award, or the expansion of an existing initiative such as the Big Society Awards. This would create greater recognition for the role of fundraisers at a time when their skills are needed more than ever.

The award would be open to all legacy-fundraisers in the UK, including those working for charity campaigns such as Remember a Charity, etc. To be clear, this award would not simply be given to the legacy-fundraiser who raises the largest total sum from legacies in any given year. Instead, it would be given to those who are recognised by an expert panel as having provided 'game-changing' innovation.

We would hope the winner of the award in each given year would be willing and able to act as an ambassador for best practice as part of the ITunes U course and other training opportunities we recommend earlier in this report.

RECOMMENDATIONS

10

The organisations the Arts Council England funds should demonstrate philanthropic fundraising, including legacies.

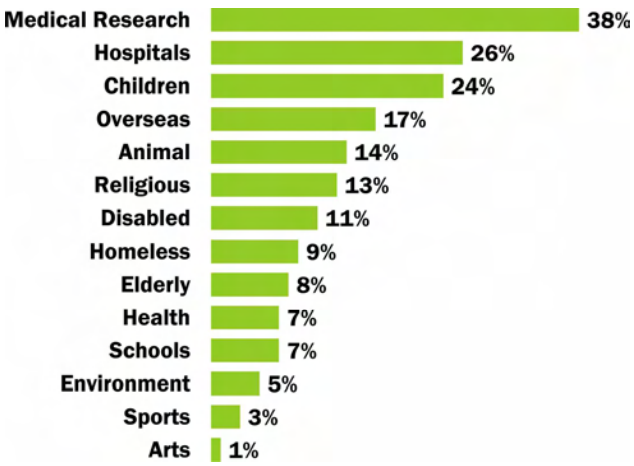
"Legacy-giving is very important to the future funding of the cultural and heritage organisations".

SENIOR FUNDRAISER, Arts Organisation, September 2012

THE CHALLENGE

The arts have long been the poor relation in the field of charitable giving. According to a joint survey by the National Council for Voluntary Organisations (NCVO) and Charities Aid Foundation (CAF), the arts formed just 1% of the proportion of the total amount donated in 2010/11. Even sporting charities raised three times the total generated by Britain's arts organisations.[1]

This chart outlines how far behind the arts has fallen:



This is partly because the arts are still seen as a luxury, especially at a time when public finances are strained. In the 2010 Spending Review, the Department for Culture, Media and Sport (DCMS) limited cuts to frontline arts organisations and museums by 15%[2]. However, this still represented a significant impact on the level of state funding of the arts.

Arguably the most prominent and influential public arts body is the Arts Council of Great Britain. The Arts Council funds around 880 arts organisations on a three-year basis, and it invested £350 million in 2010/11. Organisations that receive funding from the Arts Council (although these generally cover only core costs) include the Royal Opera House, English National Opera, National Theatre, Royal Shakespeare Company and the South Bank Centre.

The body was divided in 1994 to form the Arts Council of England, Scottish Arts Council and Arts Council of Wales. At the same time the National Lottery was established and the Arts Council of England became one of the distribution bodies. However, following the forming of the Coalition, the funding structure of the Arts Council changed.

The National portfolio funding programme officially launched on 1 April 2012 providing funding for a national portfolio of 696 organisations. Created through an open-access process, it replaces the regular funding programme, which ended on 31 March 2012. Strategic funding will be used to complement the £1.04 billion investment in National portfolio organisations. It will be used to target key areas and seize opportunities - including investment in capital, touring and encouraging private giving.

The open-application Grants for the arts scheme has been extended and reserved for projects outside of the portfolio. As portfolio organisations are no longer eligible, it is estimated by the Arts Council that £12 million a year will be freed up.

In 2010 Arts Council England also introduced new non -executive governance. The National Council is the non -executive board and the leading advocate of Arts Council England, and holds overall responsibility for the governance of the organisation. The National Council is made up of 16 members, who are also charitable trustees. Members are appointed by the Secretary of State for Culture, Media and Sport. Council members are usually appointed for four years, and may be reappointed for a further term of four years.

National Council members are responsible for ensuring the achievement of Arts Council England's objectives, which are to develop and improve the arts, and increase the accessibility of the arts to the public. They decide on policy and priorities, and investing money in artists and arts organisations directly and through the regional councils.

The work of the National Council is supplemented by four standing committees (Arts Policy Committee, Arts Investment Committee, Performance and Audit Committee, Remuneration Committee) that have different responsibilities and cover different areas. Each standing committee answers to, and feeds directly back to the National Council.

The nine regional arts councils are in the East, East Midlands, London North East, North West, South East, South West, West Midlands and Yorkshire. Each council consists of 15 members, 6 of which are representatives of local government or regional government.

The regional arts councils are responsible for agreement of detailed regional budgets including all grants over £25,000 for named, funded organisations. We see this regional delivery structure as a key means to encouraging the development of legacy-giving strategies amongst arts bodies throughout the UK, not just in London which tends to be more developed in this field.

In the context of decreasing public funding for the arts, it is unsurprising that many organisations focus on generating short term income instead of long term sources of funding. We believe this current position needs to significantly change, with a drive to encourage greater income flows from legacy-giving.

THE SOLUTION

Arts Council funding in England has fallen by 30% in the year 2012-13, with the proviso that only 15% should be passed to "frontline" arts organisations. However, the Arts Council currently distributes £310m (2011) of public funding per year, a significant sum which will continue to be scrutinised for value-for-money. It is our views that only by creating long term revenue streams can the arts in the UK remain vibrant and self-sustaining.

We call on the Arts Council, especially at a regional level, to take more of a leadership role in incentivising a philanthropy strategy, especially related to legacy-giving, for each applicant for a grant. This would ensure a clear message is communicated that it falls to arts charities themselves to create long term sources of sustainable income which will ensure the viability of the arts in the UK long into the future.

The Arts Council should not be permitted to release grants to any organisation unless they have demonstrated a clear strategy for legacy fundraising. This should be a separate part of each organisation's reporting requirements and part of the application programme itself.

Currently, individuals or organisations applying for funding from Arts Council England complete an online form[3]. There are eighteen separate pieces of information required as part of this process. The tenth item to be completed is titled 'Activity income' and each applicant is required to explain how their activity is going to be funded.

The categories are:

- Earned income
- Local authority funding
- Other public funding
- Private income

We believe there should be two new requirements on applicants for Arts England grants. Firstly, the guidance for the above categories should include a section on legacies to remind applicants of the importance of this activity. Secondly, there should be a new section added to the online form which requires, where appropriate, an attachment detailing the legacy-fundraising strategy for bidding organisations.

All bidding bodies which are registered charities should be required to complete this philanthropy section to the satisfaction of the Arts Council in order to receive the funding sought by applicants. Without this information, the grant will either be refused or significantly reduced.

1. http://data.ncvo-vol.org.uk/almanac/voluntary-sector/income-in-focus/what-are-the-main-trends-in-charitable-giving/
2. http://www.culture.gov.uk/news/news_stories/7502.aspx
3. https://forms.artscouncil.org.uk/officeforms/AC_arts_grant_application_form.ofml

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