

Supercharging Philanthropy in Scotland: A STRATEGIC FRAMEWORK

Introduction

Our society is at a pivotal juncture, facing escalating demands alongside diminishing resources. Philanthropy plays a vital role in addressing these challenges by supporting social initiatives and strengthening communities across Scotland. To maximise its impact, both the Scottish Government and philanthropists must adopt a proactive approach in fostering a culture of giving and unlocking resources.

This report builds on the recently published CSJ report on Supercharging Philanthropy, offering a Scottish perspective. It presents 31 strategic recommendations across three key areas: Government Action, the Role of OSCR, and the Responsibilities of Scottish Givers. These recommendations aim to establish a bold vision for the Scottish Government and philanthropy. One key recommendation is for the Scottish Government to develop a clear National Philanthropy Strategy. Such a strategy is essential to align diverse stakeholders under a shared vision and to ensure that the public sector works towards a common purpose. It also gives a means of engagement for philanthropists and Foundations wanting to see societal change.

Additionally, we urge the Scottish Government to establish a £100 million match-funding initiative to unlock substantial philanthropic investment. Research indicates that match-funding typically amplifies financial contributions by a factor of 2.5.

Notably, this approach was strongly supported by philanthropists who participated in our Big Listen events, as it provides the scale and risk mitigation needed to increase funding impact. OSCR, a key entity in Scotland's charity sector, has traditionally taken a "hands-off" regulatory approach. However, we believe OSCR can take a more proactive role in facilitating philanthropy whilst maintaining its core regulatory function. We therefore recommend that OSCR enhance public awareness of charitable giving and expand its data and regulatory initiatives.

Finally, we call on grant-makers to adapt their practices to enhance the flow and effectiveness of philanthropy in Scotland. This includes increasing transparency in grant-making, providing core cost funding, simplifying application processes, and offering multi-year funding to ensure long-term sustainability. A full list of recommendations is provided below. In addition to those specific to Scotland, we have included further recommendations that relate to reserved powers at Westminster.

We hope this paper sparks a meaningful discussion and helps to supercharge philanthropy across Scotland.



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1. The Role of Scottish Government

1.1 Developing a National Philanthropy Strategy

- 1.1.1 The Cabinet Secretary for Social Justice should lead other Scottish Government departments to create a national, cross-Government National Philanthropy Strategy on how to increase domestic philanthropic giving. The strategy should include a specific approach for the plan to increase philanthropic giving to small and medium-sized charities, alongside an ambitious numerical target for national giving in the next five years.
- 1.1.2 The Scottish Government should appoint a Senior Civil Servant with responsibility for identifying opportunities for philanthropic partnerships, linked to the National Performance Framework.
- 1.1.3 The Scottish Government should use the launch of the National Philanthropy Strategy to commit to building a match fund for Scotland from dormant assets. Then each year for the next four years, galvanise philanthropists to bring public spend and private investment together to turn the tide on achieving social projects that serve the National Performance Framework. The match funding should be delivered working with the new UK social impact investment vehicle and should deploy a range of models including Social Bridging Finance and Social Impact Investment Partnership (SIIP). Both models were developed in Scotland for use in Scotland.
- 1.1.4 Focused by the Scottish Government match funding commitment, the National Strategy should set a target to direct and equip philanthropists to unlock £100M in philanthropic funding across the nation each year over the next four years.
- 1.1.5 Scottish Government departments should have to provide evidence they have sought match funding as part of any application to the Cabinet Secretary for Finance where additional funding from Philanthropy could increase the funding available, or if it was deemed not appropriate, explain why not.
- 1.1.6 The Cabinet Secretary for Social Justice should have the objective of increasing philanthropic giving added to their portfolio as a specific area of responsibility with annually reported metrics showing progress made against this target.

1.2 Governance and Leadership in Philanthropy

- 1.2.1 The Cabinet Secretary for Social Justice should create a voluntary position of an independent 'National Philanthropy Champion for Scotland' with the task of meeting set financial metrics of philanthropic giving across Scotland, with additional metrics for ensuring small and medium sized charities are receiving philanthropic giving.
- 1.2.2 The National Philanthropy Champion for Scotland should recruit (say) 10 voluntary Regional Philanthropy Champions to cover Scotland, each one with clear objectives to meet over a five-year term.
- 1.2.3 The Cabinet Secretary for Social Justice should identify the 10 areas of lowest philanthropic giving in Scotland with great need and then designate 5 to be "Charitable Investment Zones". Scottish Government would match any philanthropic funding in these areas.
- 1.2.4 Local Authorities should be required to include deliverables for incorporating philanthropy into their Local Outcomes Improvement Plan.

1.3 Best Practices in Grant Giving

- 1.3.1 All Scottish Government Departments and Local Authorities should model good practice in grant giving by:
 - Ensuring grant giving and contract delivery timelines to charities mirror the multi-year funding cycles to Local Authorities beginning in 2026-27. Grants should be committed in 3-5 year funding cycles where possible.
 - Removing the short spending timeline requirements that serve budget lines rather than project impact.
 - Working with small charities and grant recipients to revise the agreed monitoring criteria, that is proportionate to the money being granted and does not place an undue reporting burden on charities with a track record of success.
- 1.3.2 All Scottish Government Departments and Local Authorities should model good practice in grant giving by ensuring the costs of the contract cover the full cost of delivery.

2. The Role of OSCR

2.1 Public Awareness and Engagement

- 2.1.1 OSCR should run a nationwide campaign to publicise the tax benefits of legacy giving.
- 2.1.2 OSCR should launch a campaign, to coincide with Payroll Giving Month held every February, to raise awareness of Payroll Giving among taxpayers.
- 2.1.3 OSCR should launch a nationwide Gift Aid awareness month, "Tick the Box" building on Gift Aid Awareness Day in October, to increase awareness of the benefits of Gift Aid for givers and charities, and to increase the general profile of philanthropy.

2.2 Data and Regulatory Enhancements

- 2.2.1 Using the Revitalising Trusts project in Scotland, OSCR should expand data capabilities that map both the philanthropic giving and the charity sector.
- 2.2.2 OSCR should have enhanced powers as a regulator to:
 - Require that charities going through the registration process are made aware of other charities in their area geographical area with a similar charitable purpose.
 - Foster collaboration between smaller charities where appropriate.
 - Require that a business plan, which clearly sets out how a proposed charity plans to raise sufficient funds, is included as part of the application process.
 - Incentivise mergers of similar charities where appropriate, and where bespoke support offered to particularly communities would not be lost.

2.2.3 OSCR should raise its requirement to report salaries over a certain threshold to be in line with inflation, raising the starting band from £60,000 to £76,800.

2.2.4 OSCR and The Institute for Chartered Accountants in Scotland should ensure the public consultation on SORP garners views from small and medium sized charities on the proposed changes to how leasehold assets are calculated on charity accounts. If the changes go ahead it should provide clear, online modules training charities on how to smoothly transition to the new system.

2.2.5 Recognising the complexity of measuring and regulating payout ratios, OSCR should consult widely across the sector on the issue of low spending charities and foundations. OSCR could consider applying a flag, similar to that for late filing of accounts, to a grant-giving charity's profile on the OSCR webpage if an agreed minimum spend threshold is not achieved. OSCR should consult across the broad spectrum of the philanthropy sector on what simple and illuminating questions could be included in a new impact statement in the Trustees Annual Report to allow philanthropists to make informed decisions regarding which charities they should support.

2.2.6 OSCR should require Chairs of Trustees of charities, above an agreed benchmark of turnover, to complete training resources – such as those developed by the NCVO – as part of their onboarding process. This could be in the form of an online training module.

3. The Role of Scottish Givers

3.1 Transparency and Accessibility

- 3.1.1 Publish acceptance rates as part of their annual report.
- 3.1.2 Publish clear acceptance criteria on their websites.
- 3.1.3 Publish previously successful grant applications, anonymised, to give prospective applicants an indication of what the funder is likely to fund.
- 3.1.4 Devise a simple feedback process for all unsuccessful applicants.

3.2 Stability and Long-Term Commitment

- 3.2.1 Provide stability and longevity in their giving by committing to multiyear funding projects where appropriate, with a preference away from awards of under 1 year.
- 3.2.2 Provide stability and longevity in their giving by measuring how much of their grants are supporting core costs and making commitments to provide unrestricted funding.

3.2.3 Provide stability and longevity in their giving by accepting applications made to other funders and agree a standardised application processes that can be used across a variety of funders, where appropriate.

3.2.4 Produce a separate funding criteria for small and medium-sized charities, which recognises their unique value and limitations.

3.3 Establishing a National Philanthropy Body

3.3.1 A new body called Philanthropy UK should be convened. Consisting of existing coalitions, Philanthropy UK would be responsible for working with all relevant groups, departments, and bodies to improve standards on data collection, build a training curriculum for financial advisors, support the professionalisation of the philanthropy advice sector, and become the principal interlocutor between the philanthropy sector and both Westminster and Holyrood Governments. There should be a representative from the Scottish Government and Scottish Philanthropy as members of this body's governing committee.

4. Recommendations covered by Westminster Reserved Powers

4.1.1 The FCA should mandate that philanthropy advice, including awareness of the tax benefits, be a part of financial advice processes. This should fall under the Conduct of Business (COB) 5.2 "Know your customer".

4.1.2 The FCA should establish an accredited professional certificate in philanthropic advice available to various professionals including solicitors, financial advisors and accountants.

4.1.3 The FCA should include training on the avenues available for philanthropic giving, as well as the tax incentives, such as Inheritance Tax reductions, that enable giving, as part of the accreditation syllabus to obtain a CF30.

4.1.4 The FCA should lay out guidance on how firms who are authorised to give financial advice should engage with local charitable giving vehicles. Where there are local networks, financial advice firms should be expected to attend relevant events and meetings at a suitable frequency to have knowledge of the local philanthropy infrastructure. Where no such networks exist, firms should be expected to meet regularly with their closest community foundation or equivalent vehicle.

4.1.5 HMRC should add a prompt box to those filling out a self-assessment tax return asking if individuals have made a will and signposting them to Gov.UK 'Make a Will' webpage.

4.1.6 HMRC should issue new guidance to employers on how to explain the tax benefits for charities and givers of Payroll Giving.

4.1.7 HMRC should simplify and automate the Gift Aid system for givers. Above basic rate taxpayers should have the ability to hold their Gift Aid status within their HMRC account, enabling them to make a universal Gift Aid declaration that applies to all their charitable giving rather than having to make a new declaration for each charitable cause to which they donate.

4.1.8 HMRC should explore innovative approaches to Gift Aid such as automatic opt-in (so higher and additional rate taxpayers have to opt-out of gift aid, with the default being opt-in) and other measures that simplify the process for givers and pilot and learn from initiatives with promising results.

4.1.9 HMRC should simplify and automate the Gift Aid process for claimants, ensuring only essential information is required to be collected by charities claiming gift aid.

4.1.10 HMRC should release four fifths of the £585 million per year in unclaimed Gift Aid across this Parliament into the National Mission Innovation Fund. This equates to £2.3Bn, which if a Barnett Consequential is applied would equate to £59M pa for Scotland over the next 4 years.