



# LBG Guidance Manual

## **Volume 1. Inputs - Assessing the Contribution**

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# Introduction

**This guidance manual has been designed to enable users to apply the LBG model and use it to measure corporate community investment.**

This volume concentrates on the 'input' side of the LBG model to help users assess the totality of their investment **into** the community. It provides an introduction to the core concepts of the model as well as a series of 'Policy notes' providing guidance on a range of specific measurement issues. It is issued in pdf format so that updates to guidance and notes on new policy issues can be included as they arise.

Additional volumes will cover assessment of the benefits that companies' community investment can bring to both the business and the community, as well as the longer-term impacts that accrue.

In order to begin to apply the model one first needs to understand what the LBG model is, as well as what is meant by Corporate Community Investment.

# What is the LBG model?

**The LBG model is used by companies around the world to assess and report on the value and achievements of their corporate community investment.**

It takes its name from the London Benchmarking Group; the group of UK-based companies that have worked together to develop the model since 1994. The Group in the UK now numbers more than 100 member companies that continue to work together to apply and enhance the model. It is increasingly used by companies around the world and is widely regarded as the international standard for measuring corporate community investment.

The model itself takes the form of a matrix that helps to summarise, and quantify, the achievements of a community activity. It breaks down the elements of the activity, detailing the different inputs, then going on to establish the outputs and, eventually, the impacts that these have achieved. The matrix is outlined in figure 1, below.

**Figure 1. The LBG input/output matrix**

	Inputs			Outputs		
	Cash	Time	In-kind	Leverage	Community benefits	Business benefits
<b>Community activity</b>	Total cash contributed	Value of the time contributed by employees during company time	The 'at-cost' value of in-kind contributions	Additional contributions to the activity from other sources	Quantified details of how the activity has benefited society, e.g. number of people helped	Quantified details of how the activity has benefited the company, e.g. value of positive press coverage

**Community and business impacts**

Assessment of the long-term achievements of the activity, i.e. how is the world a better place as a result?

# What is Corporate Community Investment?

**In order to measure corporate community investment (CCI), we need first to understand what is meant by the term.**

Companies engage in activities that can have a positive impact on society every day. They create wealth and jobs, pay taxes, deliver goods and services, drive innovation, and so on.

Over and above, and occasionally overlapping, these core activities companies often contribute to charitable organisations to help address a range of wider issues in the communities where they do business.

The type of organisations supported can vary greatly and include charities, non-profits, non-governmental organisations (NGO's), third sector, civil society and so forth. This specific **voluntary** engagement with **charitable** organisations that extends beyond companies' core business activities is broadly what is meant by CCI.

The types of support that companies provide to these organisations can also vary considerably, from one-off donations to good causes to sustained long-term partnerships with community organisations that address a number of core issues of importance to both the companies and the communities where they operate. Companies can also engage in a number of commercial activities that directly support community organisations. Because of this range of activities it is important to identify which, or which elements, of them can be correctly identified, and thus reported, as CCI.

It's perhaps also worth thinking about **what CCI is not**. It is not about doing ordinary business responsibly. So broader CSR activities such as using less energy, protecting the health and safety of employees, or enabling access to services or products to disabled or other disadvantaged people are not CCI, but part of the core business activities of a socially responsible company.

# Identifying CCI activities

**Companies can engage with the community in a variety of different ways, so it is important to identify which activities, or which elements of them, should be considered as CCI.**

There are two key questions to ask to help identify a CCI activity

**■ Is it voluntary?**

Establishing whether an activity is voluntary is fairly straightforward. If there is no legal or contractual obligation for a company to have entered into the activity, then it is voluntary<sup>1</sup>.

**■ Is it charitable?**

To be charitable an activity should support an organisation that has a clear charitable purpose<sup>2</sup>. Usually these will be registered charities but can also include schools and universities or government departments which are not always charities but which often have a charitable purpose, e.g. health or education.

If the answer to both questions is **yes**, then the activity is likely to be community involvement. If the answer to either question is **no**, then, although the activity might be a good thing to do, it is not strictly community involvement.

### Examples of CCI activity

Donation to charity	Employee involvement	Charitable/community partnership
1. A supermarket makes a donation of £2,000 to a local hospice	2. Employees commit paid time to reading partnership with an inner-city school.	3. A company partners with a charity to provide work experience and training to homeless people
Is it voluntary? <b>Y</b> No legal or regulatory obligation to make donation	Is it voluntary? <b>Y</b> No legal or regulatory obligation to run programme	Is it voluntary? <b>Y</b> No legal or regulatory obligation to run programme
Is it charitable? <b>Y</b> Supports a registered charity	Is it charitable? <b>Y</b> Supports schools and education which is a charitable purpose	Is it charitable? <b>Y</b> Run in partnership with a charity

<sup>1</sup> Activities undertaken as a result of regulation or contract are not voluntary so do not count as voluntary community involvement

<sup>2</sup> For reference, UK charity law outlines a number of main purposes which are charitable. This can be found on the Charities Commission website ([www.charity-commission.co.uk](http://www.charity-commission.co.uk))

# LBG maxims

Before discussing how to apply the LBG model it is worth highlighting three maxims to bear in mind when doing so, these are:

## **1. It's an art not a science**

There has to be a trade-off between the value of applying the model and the resources required to do so. The LBG is a management tool designed to help community affairs professionals to do their jobs better. It is not a tax return that has to be laboriously filled in to account for every last penny (although it may well feel like it the first time round!)

While all members are encouraged to report actual costs wherever possible, there will be times when the resources required to obtain such data outweigh the value of the information sought. In such cases it is perfectly acceptable to use an accepted methodology for estimating broader valuations (e.g. applying a company-wide rate to value the cost of employee time or using a sampling methodology to estimate community activity across large numbers of business units). The guidance here indicates when, and which of, these are appropriate.

Similarly, while the quality of the systems that LBG members use to measure their community investment are continually improving, it is almost inevitable that some broad estimates or assumptions around salary levels etc. will need to be made to arrive at a total investment figure.

## **2. If in doubt leave it out**

It is always better to under-report than over-report. It reduces the risk of having to re-state figures in subsequent years and builds trust in both the model and the community investment activities of individual companies. If it's not entirely clear that the cost of all, or part, of an activity meets LBG measurement principles then be conservative and don't include it until sufficient information is available to ensure it qualifies as a community contribution.

### **3. Use the 80/20 rule**

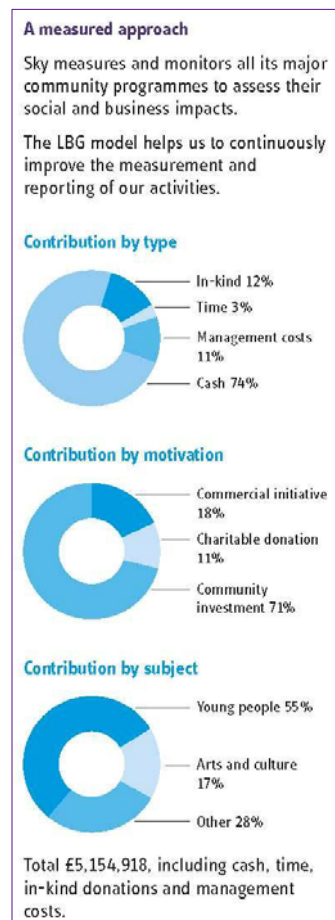
It's a rough rule of thumb that when compiling LBG data the first 80% or so of a company's community contribution takes about 20% of the time to compile. The remaining information takes up the rest. So, when applying the model, particularly for the first time, focus on the activities that are easily captured. Not every item of in-kind or employee time has to be quantified; application of the LBG model can be an evolving process with incremental increases in data capture each year as your data collection systems develop and your network of respondents builds up. So, start with the larger projects or operations and bring others online over time.

# Applying the LBG model

**By applying the LBG model companies are able to assess the totality of their investment into the community and to break this down and report it in a number of different ways. These are:**

- **How** we contribute – the type of contribution, whether made in cash, employee time or in-kind;
- **Why** we contribute – the motive for contribution from philanthropic donations to commercially driven engagement
- **What** we support – the subject focus of contributions
- **Where** we contribute – the geographic spread of contributions

This is demonstrated by the charts from **BSkyB** on the right which show how its total £5 million contribution can be broken down in different ways to show the type of contribution (how), the motivations behind the contribution (why) and the subject focus (what).




Similarly the table from **Abbey**, below, is an alternative way of categorising and presenting the information. Showing how its total community contribution of (£1.8 million) can be presented in three different ways to show what was given, how it was given and who benefitted.

Community data		
	2005	2004
<b>What we give (£)</b>		
Cash	1,556,947	2,342,087
Goods & services	75,229	63,908
Management costs	145,914	110,000
<b>Total community contribution</b>	<b>1,778,160</b>	<b>2,515,995</b>
<b>How we gave (£)*</b>		
Central donations	347,016	732,520
Matching staff fundraising	569,004	586,793
Community Partnership Groups	374,288	278,410
Local Branches	17,531	46,239
<b>Who benefited (£)*</b>		
Education	474,359	576,608
Community regeneration	132,216	281,985
Financial advice	150,249	319,382
Disability	35,626	54,329
Employment	250	33,189
Relief of suffering	478,860	351,791
Other causes	36,280	73,818
<b>Number of donations*</b>	<b>1,490</b>	<b>1,658</b>

\* Data for Charitable Trust donations only

We use the London Benchmarking Group reporting model to calculate our contributions to good causes.

The LBG model provides a standardised way of managing and measuring a company's community involvement.




In each case the company presents its contributions in a way which not only enables its stakeholders to understand the ways in which it engages with the community, but in doing so the company has obtained an understanding of the nature of its investment that can inform and feed into decision making.

Each of the different breakdowns (How, Why, What and Where) is covered in more detail below.

## **How we contribute – type of contribution**

The LBG model outlines four different types of cost that a company can incur in making community contributions.

- Cash contributions
  - Time contributions
  - In-kind contributions of product, property or services
  - Management costs: CCI programme staff salaries, benefits/overhead + research and communications.
- 
- Combined cash value of these = total cost of community investment

The total cost of single community activity will be made up of one, or a combination, of these different types of contribution.

### **Cash contributions**

The measurement of cash contributions is usually straightforward. A cash contribution is the gross monetary amount that a company pays in support of a community organisation or project. Examples of cash contributions can include the following:

- Direct donations
- Social sponsorship
- Matching employee giving
- Employee involvement expenses
- Membership and subscriptions to community organisations

**Cash: dos and don'ts**

Do...	Don't...
Count legitimate overheads incurred in enabling a community contribution to be made or a community activity to take place.	Count contributions which are required under license agreement or any regulatory requirement.
Count the amount spent matching employees' fundraising and count the amount donated by employees as leverage.	Count commercial sports sponsorships i.e. team with national or international name recognition.
Count the costs of community sport activities that benefit disadvantaged groups (i.e. people with disabilities) or which promote amateur sporting activities.	Count the advertising expenses of a cause related marketing campaign. Only count the amount that the charity actually receives.
Count the amount a charity receives from cause-related marketing initiatives, but only if it is off the company's bottom line. i.e. If the customer has paid a premium for a product, which is the amount that goes to charity, then it should not be included as a contribution from the company (it could be reported as leverage).	Count contributions to your community activities that come from other sources (e.g. employees, customers or other organisations). As these are not company contributions. They can, however, be reported as leverage.

## Employee time

A **time** contribution is the cost to the company of the paid working hours contributed by employees to a community organisation or activity. Examples of activities that can be reported through the LBG model as time contributions can include:

- Employee volunteering
- Fundraising activities
- Secondments to community organisations
- Supervision of work experience placements

The cost of employee time can be calculated in a number of ways. The key is to establish a figure that most accurately reflects the true cost to the company of an employee actively participating in a community activity during paid working time.

The calculation is obviously dependent on the extent of information available regarding the employees involved. Some companies are able to obtain detailed information from their HR departments on the grading, salary level, location etc. of individual employees that engage in community activities and from that to calculate very accurate cost figures.

However, in most cases such detailed information is not readily available and so it is perfectly acceptable to use broader estimates of average employee costs, either from your HR department, or by using one of the following methods to estimate the costs involved:

### 1. Annual report data

Divide the total cost of employees (usually contained in a company's annual report and accounts) by the number of employees.

Then divide the result by the number of working days in the year (usually 260 but may vary).

Dividing the result by the standard number of working hours in a day will provide an approximate hourly rate.

### 2. Earnings data from the Office for National Statistics (for UK operations).

Latest available information on UK average earnings for the year to April 2007:

Figures from the 2007 Annual Survey of Hours and Earnings show that average weekly earnings for full-time UK employees in April 2007 stood at £549.80.

Taking into account a 10% allowance for employers' national insurance and 5% for pension contributions the standard rate can then be estimated at: £632.37 per week.

The standard daily rate can be estimated at: £126.47

So, an employee working 7.5 hours a day would cost, on average, £16.86 per hour.

### Example: valuing paid volunteering time using ONS data

If 20 employees spend two hours once a week for 10 weeks helping children in a reading programme then, assuming a 7.5 hour working day the calculation would look like this:

1. (20 employees x 2 hours) = 40 hours per week
2. 40 hours X 10 weeks = 400 hours
3. 400 hours X £16.86 = £6,744

So in this case £6,744 is the total input cost to include under employee time for this activity.

### Employee time dos and don'ts

Do...	Don't...
count the value of employees volunteering time by using one of the advised methodologies, i.e: <ul style="list-style-type: none"> <li>• Information from HR</li> <li>• Annual report or other accounts data</li> <li>• ONS or other national statistical data</li> </ul>	count employee time volunteered outside company time as it does not cost the company anything.

## In-kind

Companies can also commit other non-cash resources to community activities. These **in-kind** contributions can include product, equipment, or other non-cash items from the company to the community.

Examples of types of in-kind contributions include:

- Donations of product (e.g. as prizes etc for community events)
- Contributions of used office equipment or furniture
- Use of company premises
- Provision of free advertising space in a publication or on a website to a community organisation at no cost
- Provision of pro bono legal, accounting or other professional services

All in-kind contributions **must be valued at what it has cost the company** to make, not at what the beneficiary organisation would otherwise have had to pay in the open market. For example, product donations should be valued at the average unit cost for production not the retail value. This enables in-kind contributions to be assessed on the same basis as cash and time contributions.

The cost of in-kind contributions is normally the amount held in the company's books of account, whether for product donated from inventory or depreciated equipment declared redundant. However, where these have been written down to zero for accounting convenience but nonetheless have a significant value in terms of the community programme, a fair second-hand value can be substituted.

Putting a correct value on some in-kind contributions can be tricky. However, there are a number of techniques and protocols that members have developed to help measurement in such cases. To see how these have developed for each of the examples of in-kind contribution listed above, please see the relevant policy note entry.

**In-kind: dos and don'ts**

Do...	Don't...
Value in-kind contributions at cost.	Value in-kind contributions at a notional value of what the beneficiary would have to pay in the open market.
Be conservative in your estimates and wherever possible use actual rather than theoretical costs	

**Management costs**

As well as measuring the direct input costs to the community, the LBG model enables companies to capture and report the costs incurred in making its contributions. Such costs will include the salaries, benefits and other overheads of community affairs staff along with research and communications spend if designed to help the community engage with the company.

When measuring management costs it is essential to capture only those costs incurred in managing the community programme as a whole. If management of the community programme is just one aspect of someone's job, count only the proportion of the cost that relates to time spent managing the programme: i.e. for Public Relations Managers, count only the proportion of their time that is spent on community affairs, do not count the proportion that is spent on broader communications issues.

Management costs should capture overall programme co-ordination and communication, not time spent on specific community programmes. This time can be recorded as a 'time' contribution for each project, rather than as an overall management cost.

**Examples of inputs that be included under management costs:**

- Community affairs staff –salaries, pension, national insurance, benefits & recruitment costs.
- Running costs & overheads– phone & faxes, computer equipment, travel, subsistence for business as a whole, not individual projects.
- Professional advice – when applicable to the programme as a whole, and expressed as a subdivision on consultancy.
- Communicating the community programme to relevant audiences.
- Research.

### Management costs: dos and don'ts

Do...	Don't...
Capture overall programme co-ordination and communication costs, not time spent on specific community programmes.	Count pure PR or other communications or marketing costs that directly promote the company or the brand
Count only the proportion of costs (i.e. salaries, overheads, expenses) that relates to the time spent managing the programme if management of the community programme is only part of a person's job.	Count the full cost of producing a CSR report. Count only the proportion relevant to the communication of the community programme itself
Count the proportion of publicity costs which aim to communicate with community partners about the areas you support and other points they need to know to work with you. Discount what you would regard as pure PR.	
Count expenses in cases where some members of your core management team are dedicated to delivering one aspect of your programme as a programme expense, not a management overhead.	

## Why contributions are made - motives for contribution

The LBG Model enables community activities to be categorised according to three<sup>3</sup> categories of motivation. This provides an indication of the strategic level of the community programme and the degree to which it is aligned with wider business goals.

- charitable gifts;
- community investment;
- commercial initiatives in the community;

### Charitable gifts

Charitable gifts include intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

Charitable gifts tend to be **reactive** in that they respond to appeals for help either directly from charities or through requests from employees (including matched funding or payroll giving) or in response to natural disasters or other short-term or one-off events. They tend to be contributed, not because of any strategic aim, but essentially because it's the right thing to do.

### Community investment

Community investment describes the long-term involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and to enhance its reputation.

Community investments tend to be more **proactive** and strategic than charitable gifts and centre on a smaller number of large scale, long-term projects, often run in partnership with a community organisation, that address a social issue or issues identified by the company as being of relevance to both the company and the community in which it operates.

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<sup>3</sup> The LBG model does identify a fourth category, **mandatory contributions**, which includes community activities which a company undertakes in response to the requirements of law, regulation or contract. As these are not voluntary, the LBG requires the cost of these contributions to be reported separately from voluntary contributions.

There is also the category of **business basics**, which includes all core business activities involved in delivering products and services which are critical to the business, but not motivated by community benefit. The manner in which these activities are managed has a significant social and environmental impact and is often reported alongside CCI in many company reports, but, again is outside the measurement scope of the LBG model.

## **Commercial initiatives in the community**

Commercial initiatives in the community refer to commercial activities, usually by departments outside the community function (e.g. marketing, R&D), to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations.

The most common example of commercial initiatives in the community is cause-related marketing. These are primarily marketing campaigns but which involve a contribution from the company to a charitable cause.

When reporting commercial initiatives in the community as community contributions it is important to only include those costs that directly benefit the community

## Categorising motivation

In many cases it is self-evident to which category of motivation a community activity or contribution belongs. However, the lines between the categories are not solid and often a judgement call will decide what goes where, and that is for each individual company to make. The questions set out in the table below will help to decide.

<b>Indicators of charitable gifts</b>
<p>If the answers to most of the following questions is 'YES', then the contribution is probably a simple gift - however large or small - and belongs in the charitable gifts category.</p> <ul style="list-style-type: none"> <li>• is the contribution in response to an appeal or initiated by a charity or employee on behalf of a charity?</li> <li>• is it worthwhile but does not fit with the community investment strategy?</li> <li>• is it unlikely to be repeated on a regular basis?</li> <li>• is reliance placed solely on the charity's good faith that the money is well spent, rather than through defined alternative systems to measure outcomes?</li> </ul>
<b>Indicators of community investment</b>
<p>If the answer to most of the following questions is 'YES', then the contribution is probably part of the community investment portfolio, even if the sums involved are initially small (although on the whole they tend to be very much larger than charitable gifts).</p> <ul style="list-style-type: none"> <li>• is the contribution one of the three or four target areas for community action chosen because of their importance to the business, thus part of the strategy?</li> <li>• is it part of a longer term partnership with one or more community-based organisations?</li> <li>• is it linked into some sort of systematic reporting of outputs?</li> <li>• is it a major commitment of resources?</li> </ul>
<b>Indicators of commercial initiatives in the community</b>
<p>If the answer to most of the following questions is 'YES', then the contribution is probably a commercial initiative in the community. However the distinction between this category and core business activities can be a fine one. To count here, the activity <b>must</b> be voluntary, not mandated by law or other regulation. It must have clear charitable purpose, with a net transfer of resources from the company to the ultimate beneficiaries.</p> <ul style="list-style-type: none"> <li>• is the contribution from a line management budget, such as marketing or human resources, and subject to VAT, rather than from the community budget?</li> <li>• is it targeted at an issue of immediate commercial importance to the interests or image of the business or industry?</li> <li>• does it seek a competitive or other form of advantage for the company?</li> </ul>

## ***What we support – the subject focus of contributions***

The LBG model also enables members to build up a picture of the areas on which their community investment focuses. If the focus of an activity is unclear or overlapping then a classification should be made according to the project's primary purpose:

A broad selection of subject headings is used as follows:

**Education and young people:** Contributions to schools and universities and other projects or organisations that work with or promote the needs of young people

**Health:** Contributions to hospitals, health trusts and other health related activities

**Economic development:** Contributions to activities that promote economic development, such as regeneration or job creation projects

**Environment:** Contributions to projects or organisations that support or protect the environment. Do not include costs associated with managing your company's own impact on the environment

**Arts/culture:** Support for arts and cultural institutions (theatres, museums, public galleries etc.)

**Social welfare:** Support to organisations addressing issues such as homelessness, legal support, domestic violence, older people, disability

**Emergency relief:** Contributions to disaster relief efforts

**Other support:** Support for activities that cannot be classified elsewhere

## ***Where we contribute – the geographic spread of contributions***

By collecting data from around its operations an LBG member is able to build up a picture of the degree to which it invests in the different communities and locations where it operates.

This is particularly useful to assess the degree to which member's investment in the community reflects their geographic structure, i.e. are they investing in the areas in which they do business?

Due to the wide range of companies within the LBG and large differences in geographic scope, no standard geographic breakdown is currently adopted by LBG members. Instead, members tend to report according to their own geographic structure.

## Summary of the inputs model

The information so far provides an introduction to the core principles and concepts of the LBG model. The table below provides a useful summary guide to establishing whether to include contributions as CCI and, if so, how they should be valued.

### Applying the LBG model Do's & Don'ts

#### Do...

- Report only voluntary community contributions. Ask the following questions:
  - Is it voluntary?
  - Is it charitable?
- Identify all types of contributions (Cash, Time and/or in-kind?) made to a community activity.
- Examine the motivation. If there is a distinct commercial or business driver to the activity count only those costs attributable to the community.
- Value non-cash contributions at what they cost the company to give away, not what the beneficiary would pay if the contribution was not made.
- Include the costs of communicating the community programme or project to relevant audiences, but **don't** count pure PR or other communications/marketing costs that promote the company or the brand.
- Be conservative – if in doubt leave it out.

#### Don't...

- Count costs of core business activities unless there is a clearly identifiable community beneficiary, and then **only** count those costs directly attributable to the community.
- Count time contributed by employees outside working time as it does not cost the company anything
- Count other contributions that don't cost the company anything.

## LBG policy guidance notes

In addition to the core guidance, LBG members along with the LBG team at Corporate Citizenship have also developed guidance on a number of specific valuation and measurement issues that have arisen over the lifetime of the LBG.

The remainder of this document provides a compendium of these guidance notes listed alphabetically by issue.

This guidance manual will be reviewed on a regular basis and new policy notes added as required.

All the guidance notes can also be accessed via the glossary in the members section of the LBG website here:

[http://www.lbg-online.net/index.php/lbg/manual/getting\\_started/glossary](http://www.lbg-online.net/index.php/lbg/manual/getting_started/glossary)

## 1. Advertising purchase in charity/community magazine or programme

Background
<p>In order to support community organisations and events companies sometimes buy advertising space in an organisation's magazine or in the programme of a community event.</p> <p>In many cases, dependant on the likely audience of the publication, the advertising space is bought in lieu of making a direct donation with little expectation of significant return to the business. In other cases there is a more commercial aim, with the advert expected to reach key audiences and have a return to the business.</p>
Applicable to (Sector/LBG area)
All sectors. Cash contributions
Guidance
<p>In determining if this type of contribution can be counted, it is important to establish the motivation for the purchase of the advert.</p> <p>If the motivation is purely charitable and the ad doesn't promote the company widely to key audiences, then it is reasonable to include the total cost as a community contribution.</p> <p>If the motivation is more commercial and the ad provides wide exposure of the company or its products, then a reasonable proportion of the costs should be deducted. A broad rule of thumb would be to deduct 50% of costs. However, if the driver is strictly commercial it may be sensible to discount the expense altogether.</p>

## 2. Administration and supervision of work experience placements

<b>Background</b>
Companies often provide opportunities for school pupils and students to gain work experience through a short-term placement with the company. Such placements usually require some employee time to induct, supervise and debrief the placement.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Employee time
<b>Guidance</b>
<p>It is reasonable to count the time spent supervising etc. the placement as a <b>time</b> contribution.</p> <p>The cost to the company is normally only the loss of productive working time. For example, a week-long placement might involve a day per individual to induct them at the outset, supervise progress and debrief at the end identifying learning points.</p> <p>The placement should <b>not</b> be linked to company recruitment schemes. Members should note the duration of the placement, activity and number of hours required from company managers involved.</p>

### 3. Business services bought from community organisations

<b>Background</b>
Companies can source core supplies or business services from charities and other community organisations rather than a commercial supplier.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions
<b>Guidance</b>
<p>Sourcing supplies or business services is a business relationship rather than a community contribution. If the cost incurred covers only those services supplied then they are a 'business basic' and should not be included as a community contribution.</p> <p>If, however, the arrangement includes an extra cost element that is effectively a donation that enables the charity to fulfil its wider objectives, then this element could be counted.</p>
<b>Example</b>
<p>If a company engages St John Ambulance to supply first aid training to its staff and pays £2,000 which covers provision of the training only, this should not be counted as a community contribution.</p> <p>If, however, as part of the relationship the company also provides a further £1,000 identified by St John as enabling it to develop a new training service, then this element could be counted as a community contribution.</p>

## 4. Business improvement districts (BID)

<b>Background</b>
<p>A BID is a partnership between a local authority and the local business community that develops and takes forward projects and services that benefit the trading environment and the public realm.</p> <p>BIDs support the long-term sustainability of town and city centres and enable the centres to approach the management of the trading environment/ public space in a proactive and planned way. If a BID is passed by a vote, businesses within the BID area will be required to pay a levy on their rate bills.</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash/employee time contributions
<b>Guidance</b>
<p>The cash amount committed is in the form of a levy on their rates and so not voluntary. It would therefore not count as a contribution in an LBG submission.</p> <p>However, the <b>time</b> spent by company employees on BID committees and, where applicable, on the UK BIDS Steering Group should however be included in LBG submissions as this is over and above the mandatory aspect of the contribution. This would be counted under 'Time' and valued accordingly.</p>

## 5. Carbon offset payments

Background	
<p>Carbon offsetting is the act of reducing ("offsetting") greenhouse gas emissions. Offsetting allows organisations to indirectly reduce their carbon footprint through the purchase of carbon credits associated with emissions reduction projects (such as energy efficiency and renewable power) that have occurred elsewhere, typically in developing countries.</p>	
Applicable to (Sector/LBG area)	
<p>All sectors. Cash contributions</p>	
Guidance	
<p>Carbon offsetting projects can be included in LBG total community contributions, where clear, quantifiable benefits to specific community organisations or disadvantaged groups can be demonstrated.</p> <p>LBG has been encouraged in this conclusion by the recent changes in charity law which have resulted in "the advancement of environmental protection or improvement" being included for the first time in the list of 'main purposes' which are specifically charitable (Charities Act 2006)</p> <p>While activities such as waste recycling or green purchasing do benefit society in a general sense, they are usually regarded as 'business basics' for a responsible company. Moreover, there is no clear benefit to a specific community organisation or disadvantaged group. Therefore, such activities cannot be included in LBG data.</p> <p>The following key questions should be asked:</p> <ul style="list-style-type: none"> <li>b. Is the end recipient a specific community group or charitable organisation?</li> <li>c. Is there a clear quantifiable benefit to a disadvantaged group?</li> <li>d. How much goes directly to the community (the administrative costs of your offsetting provider should not be included in your LBG data.</li> </ul> <p>If the answers to a and b are yes, than count the amount that goes to the community as part of your total contributions on the input side of the LBG Model.</p>	
Examples of carbon offset projects and how to treat them in LBG	
<p><b>Provision of energy efficient lighting and solar water heating in low income households in developing countries</b></p> <p>Assuming that the installation of the lighting and heating is carried out by a community organisation, this project <b>could be included in LBG</b> because there is a clear benefit to a specific disadvantaged group. Only the amount that the community organisation receives should be included in LBG data; the administrative costs of the offsetting provider should be excluded. Your offsetting provider should be able to provide you with a breakdown of costs</p>	<p><b>Investment in large-scale, commercially-driven renewable projects</b></p> <p>This type of activity would generally be <b>excluded from LBG data</b>, as the main beneficiary is a commercial organisation rather than a charity or a community group.</p> <p>However, small-scale renewable energy projects may be permissible in LBG figures if there is a clearly identifiable benefit to a specific disadvantaged group but this will need to be assessed on a project-by-project basis.</p>

## 6. Cause-related marketing

<b>Background</b>
Cause-related Marketing initiatives are marketing schemes which use a connection with a community cause to promote product sales. These initiatives are often used by both commercial organisations and charities to enhance their profiles and to help achieve their marketing objectives.
<b>Applicable to (Sector/LBG areas)</b>
All sectors. Cash contributions. Commercial initiatives in the community
<b>Guidance</b>
<p>When assessing which costs from a cause-related marketing activity to include as community contributions, the following principles should be followed:</p> <ul style="list-style-type: none"> <li>• Only the amount which goes to the charity or community partner for their use in pursuing the public purpose goals can be counted.</li> <li>• Management cost of running CRM campaigns should not be included because the aim of increasing sales tends to be a more consistent factor in these initiatives than the relationship with the charity(ies) worked with. However, management costs for projects which demonstrate a sustained, long-term investment in a particular cause over a number of years such as Tesco's Computers for Schools, could be counted.</li> <li>• If customers are invited to make an additional donation themselves, sums raised are recorded as leverage.</li> </ul>
<b>Example</b>
<p>A retailer sells and product in a store. For each of item of the product that is sold, £1 is given to a charity.</p> <p>The total accumulated from the £1 donations can be counted.</p>

## 7. Company matching of employee giving and fundraising

<b>Background</b>
Payments made by companies to match employee giving or fundraising, whether through direct activity or payroll giving schemes such as those run by CAF in Britain or United Way in USA
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions. Charitable gifts
<b>Guidance</b>
<p>The cash the company contributes as the matching gift, including any incidental management or administration fees where met by the company should be included as a cash donation.</p> <p>Funds raised by employees themselves should not be counted.</p>
<b>Example</b>
<p>It is Breast Cancer Awareness month and a company encourages employees to donate money to Cancer Research UK for the cause by raising awareness internally.</p> <p>For every £1 donated by employees, the company agrees to match it with £2. A total of £100,000 was donated by employees meaning £200,000 was contributed by the company.</p> <p>The £200,000 would be considered a cash donation under LBG. The £100,000 contributed by employees would not count as a contribution from the company, but would count as leverage.</p>

## 8. Consultancy, Planning, Research & Development costs

<b>Background</b>
Companies often incur consultancy, planning and development expenses when planning or assessing their community investment programmes.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions/management costs
<b>Guidance</b>
<p>Expenses incurred in developing the community strategy or assessing its achievements should be counted as management costs.</p> <p>Investment in planning/R&amp;D for specific community projects should typically be counted as part of project contributions, even if the community benefit is delayed. The costs should be reported in the financial year in which they are incurred, even if the community programme and associated benefits occur in a subsequent year.</p>
<b>Example</b>
The annual LBG membership fee should be counted as a management cost as it relates to the assessment of the programme as a whole rather than being a direct community contribution.

## 9. Corporate foundations

<b>Background</b>
<p>Companies often make some or all of their community contributions through a private corporate foundation is a private foundation that derives its grant-making funds primarily from the contributions of a profit-making business.</p> <p>The company-sponsored foundation often maintains close ties with the donor company, but it is a separate, legal organization, sometimes with its own endowment, and is subject to the same rules and regulations as other private foundations.</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions
<b>Guidance</b>
<p>Although a foundation is a separate legal entity from the company, it is legitimate to include both the funds committed by the foundation and its running costs as these have been funded by the company.</p> <p>Accepted practice is to count the funds that are released into the community in a year as part of the annual community contribution <b>not</b> the payment or funds given to the foundation by the operating company.</p> <p>However, if you have already reported on the original payment or endowment that established the foundation, do not also count the funds released, it is important to prevent double-counting.</p> <p>In some cases the company is not the sole funder of the foundation. In such cases the proportion of the foundation's grants that represent the share funded by the company should be counted.</p>
<b>Example</b>
<p>A mobile phone company sets up a corporate foundation in 2007. The operating company contributes £500,000 pounds in 2007 to get the foundation up and running. That year, the foundation awards grants of £100,000 to community programmes and incurs £25,000 running costs. So, for 2007, the amount to include in the total community contribution figure would be £125,000.</p>

## 10. Discounted work (Professional services)

<b>Background</b>
Professional services firms may donate the skilled services of their staff at a discounted rate as part of their community programme. This is usually covered by a formal engagement by the firm, with its own matter number, as if it were charging a full professional fee for the services delivered to the voluntary organisation, individual or charity.
<b>Applicable to (Sector/LBG area)</b>
Professional Services. In-kind contributions
<b>Guidance</b>
<p>To value the cost to the firm of providing the discounted work:</p> <p>The cost is the difference between the rate charged and the rate necessary to recoup salary, benefit and overhead costs that the firm incurs. The logic is that to be able to deliver the professional service the firm must bear the salary and benefit costs of those involved plus the provision of office facilities, back up resources i.e. libraries, advice from specialist departments, cost of professional indemnity and cost of professional training. Firms incur all the elements included in the charge out rate except the element of profit. In some instances the work will be for free while in others it will be delivered at a discounted rate. Regardless of the case, the way of calculating the cost to the firm is the same.</p> <p>Determine what the 'profit' element within the scale rate is. It will vary between firms and over time but will likely be in the region of 30-40%. The cost of delivering a job net of profit is therefore likely to be 60-70% of the scale rate. The figure to be counted towards the community contribution is the difference between the rate of net profit and the actual amount charged.</p> <p>If a staff member contributes advice or other services for which the firm would not usually charge full professional fees, this should be classified as general paid volunteering as it is not the 'product' of the firm that is being contributed</p>
<b>Example</b>
<p>An accountancy firm XYZ audits the books of a charity, House the Homeless, which is located in the same street as its head office building. It charges House the Homeless 50% of what it would normally charge.</p> <p>The normal charge for such an audit is £10,000. XYZ calculates that 70% of this is necessary to cover its salary and benefit costs plus overheads while 30% is profit. So the cost of doing the audit to XYZ is £7,000 (£10,000 X 70%). However, as it has agreed to do the audit at half the normal cost, it charges House the Homeless £5,000 for the audit. Since the audit cost £7,000 to carry out but XYZ charged £5,000, it is £2,000. This shortfall is the value of its contribution to the community.</p> <p>The input cost is £2,000.</p>

## 11. Donations via government

<b>Background</b>
In some countries, companies may choose to give support through local or national government agencies to be distributed further to the community and address social issues.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions
<b>Guidance</b>
<p>The broad LBG principle is that the <i>purpose</i> of a contribution, not necessarily the organisation has to be charitable in order to count as a community contribution. Although government departments by definition are not charities, they often pursue charitable aims (e.g. health, education)</p> <p>So, provided, the funds committed are for a charitable purpose (e.g. to fund hospitals) then they should be counted.</p> <p>However, if the purpose is not charitable (e.g. to equip armed forces) they <b>should not</b> be counted.</p>
<b>Example</b>
<p>A company in the Czech Republic allocates a portion of its community investment budget to assist unemployed women who are single parents back into the workforce. The money is given to the government to be allocated to an approved charity. In this case, the beneficiary is a charitable organisation and the motivation is charitable therefore it can be counted under LBG. It is important for the company to receive a report from the government agency about where the money is being distributed.</p>

## 12. Employee involvement (volunteering) expenses

<b>Background</b>
Companies often incur costs associated with supporting employees in volunteer work such as publicity materials, money-for-time grants and payments to support 'challenge' activities. As well as general expenses such as travel, subsistence, equipment and protective clothing costs.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions
<b>Guidance</b>
Cash contributions to organisations where an employee volunteers and payments for expenses such as necessary materials to complete the activity should be counted.
<b>Example</b>
Employees of XYZ company volunteer at a local school painting the gymnasium. The company agrees to cover the cost of all materials used, plus the travel costs of the employees and any necessary protective clothing. The cost of the materials to complete the activity should be counted. For example, all paint, brushes etc. should be included

## 13. Energy Efficiency Commitments

<b>Background</b>
<p>The Energy Efficiency Commitment or EEC was introduced in April 2002, by the Department of Environment, Food and Rural Affairs (Defra), and sets a three-year energy savings target for domestic energy suppliers. This will help reduce carbon emissions by improving energy efficiency in households. The EEC is administered by Ofgem (Office of Gas and Electricity Markets).</p> <p>This energy saving target is met through measures such as offering cavity wall and loft insulation, using energy efficient boilers, appliances and light bulbs. With at least half of these savings aimed at low-income consumers in order to alleviate fuel poverty.</p> <p>The first EEC period from 2002 to April 2005, saw energy suppliers set an overall three-year target of 62 TWh total energy savings. The total was in fact exceeded, reaching 86.8TWh savings.</p> <p>The current EEC period runs from April 2005, with a three-year energy savings target of 130 TWh. It is estimated energy suppliers will have to invest approximately £1.2 billion in order to meet the challenge.</p>
<b>Applicable to (Sector/LBG area)</b>
Regulated industries. Cash contributions
<b>Guidance</b>
<p>Energy efficiency commitments are classified by LBG as mandatory contributions and can therefore not be counted in LBG.</p> <p>However, where a company introduces measures that exceed the EEC requirements. E.g. partnering with local health providers to identify ‘at-risk’ members of the community. Then the costs of such measures should be included.</p>

## 14. Environmental activity

<b>Background</b>
As companies become more engaged on mitigating their environmental footprint, questions have been raised about whether contributions to environmental projects can be included as community activity.
<b>Applicable to (Sector/LBG area)</b>
All sectors.
<b>Guidance</b>
<p>Companies are increasingly taking measures to manage their own direct impact on the environment (e.g. reducing energy consumption, using less paper, going carbon neutral). They also often make contributions to environmental organisations to enable those organisations to fulfil their objectives.</p> <p>An activity should count as a community contribution if:</p> <ul style="list-style-type: none"> <li>• It directly supports an external environmental organisation.</li> <li>• A charitable external beneficiary or recognised public space is identified.</li> <li>• The primary motivation is to deliver or promote a public or community benefit or good</li> </ul> <p>The activity is not a wider community contribution if:</p> <ul style="list-style-type: none"> <li>• The primary motivation is to improve environmental performance/or support better environmental practices is the business i.e. office recycling schemes of internal campaigns to reduce water usage.</li> <li>• All of most of the activity takes place within the business or on its own sites i.e. office recycling schemes.</li> <li>• There is no clearly identified charitable group or public space benefiting from the initiative.</li> </ul>
<b>Examples</b>
<p>1. An oil &amp; gas company completes its drilling program in an area of West Africa and incurs a cost for the reclamation process and environmental restoration. The cost to do this would not qualify under LBG. It is a business basic activity and is also required by contract. In this case the company is addressing its own environmental footprint.</p> <p>2. Employees of a bank volunteer their time to help clean-up riversides. The clean-up is coordinated by a local environmental charity. The time contributed by volunteers could be counted under 'Time' as part of LBG. In this the company's involvement in the community happens to have a strong link to the environment but is still considered a community investment.</p>

## 15. Exceptional one-off gifts of property and other assets

<b>Background</b>
Companies occasionally donate exceptional gifts such as whole buildings, water rights or land to the community.
<b>Applicable to (Sector/LBG area)</b>
All sectors. In-kind contributions. Commercial initiatives in the community
<b>Guidance</b>
<p>These gifts are generally included in commercial initiatives because they are often linked to business operations, such as mining or natural resource extraction and plant closures.</p> <p>These gifts should be valued at cost to the company. Given their exceptional size, it is worth valuing them individually at the cost to the company, based on professional advice, which helps with transparency in external communication.</p>
<b>Example</b>
A company completes its operations in a region and donates the re-furbished infrastructure to a community group. Must be valued at the cost to the company, not on the open market.

## 16. Facilitating giving by customers and/or suppliers

<b>Background</b>
Companies often incur costs when allowing customers or other business partners make donations to charities by using company facilities or systems.
<b>Applicable to (Sector/LBG area)</b>
All sectors (particularly retail and retail banking)
<b>Guidance</b>
The additional costs incurred to promote or manage the scheme should be counted. Either as cash costs, time costs or a combination as appropriate.
<b>Example</b>
<p>A retailer sets up a facility for its customers to donate towards emergency relief following an earthquake.</p> <p>In this case the administrative costs of setting up and managing the facility could be counted as a cash contribution. Also, if significant, the time spent by staff processing the payments could be estimated and counted as a cash contribution.</p> <p>The donations made by customers through the facility could be reported as leverage.</p>

## 17. Foregone Income/Opportunity Cost

<b>Background</b>
<p>The issue of 'foregone income' also known as 'opportunity cost' is sometimes raised by LBG members when valuing in-kind contributions in cases whereby they could forego profit that might otherwise have been achieved.</p> <p>For example if they have donated advertising space in a magazine that would otherwise have been sold at a commercial rate.</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors (particularly media), In-kind contributions
<b>Guidance</b>
<p>In the case of most in-kind donations any notional lost profit is not counted as an input cost, as it is too speculative.</p> <p>It should not be counted in an LBG submission unless there is hard evidence that a specific commercial opportunity has been turned away in order to support the community organisation. Under these limited circumstances the cost to the company is the income foregone (i.e. cost of product or service plus lost profit).</p> <p>Note: the open market value of an in-kind contribution is still a useful figure, as a measure of the value to the community, but it counts on the outputs side of the model (benefit to the community) not on the input side.</p>

## 18. Gifts of products from inventory

<b>Background</b>
These are ready-for sale products taken from the company's inventory stocks rather than being sold as new commercially.
<b>Applicable to (Sector/LBG area)</b>
Consumer goods/ Retail. In-kind contributions
<b>Guidance</b>
<p>These products should be valued at actual cost to the company as a guiding principle.</p> <p>For manufacturing companies, gifts of product from inventory are therefore normally valued at the average unit cost of production. This information can usually be found from accounting records.</p> <p>For retailers, they should be valued at the wholesale purchase price as paid to the supplier.</p>
<b>Example</b>
A soft drinks company donates 36 cases of lemonade to a school fete, the cases cost £6 each to manufacture. The total input cost is £216.

## 19. Mandatory contributions

<b>Background</b>
<p>LBG members from the energy, natural resources, telecommunications and retail sectors defined this category for social contributions, but it could apply to any company required by law or contract to make particular, or particular levels, of community investment.</p> <p>For some companies this is a significant element of contribution which is not fully captured within the existing LBG model. This category was deemed to sit below the 'voluntary' line in the LBG Model, as a separate component in business basics.</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors
<b>Guidance</b>
<p>As mandatory contributions are required by law or contract they are not voluntary, so the cost of these contributions should be reported separately from voluntary contributions. Some companies choose to report their mandatory contributions alongside the data on their voluntary community contributions.</p> <p>To be reported as a mandatory contribution under the LBG model a contribution must meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Be mandatory, that is, legally enforceable, whether through statute, regulation or contract, even if freely entered into.</li> <li>• Have clearly identifiable community benefit, as recognised by the LBG model (usually but not necessarily in partnership with independent agencies);</li> </ul> <p>The company must exercise some discretion or influence over how the contribution is used:</p> <ul style="list-style-type: none"> <li>• For the integrity of the model, a clear distinction between traditional voluntary contributions and 'mandatory' contributions must be maintained.</li> <li>• An explanation of why the contribution has been given must be included.</li> </ul> <p>If a company goes over and above the requirements of a mandatory contribution. Then the cost of those elements that exceed the requirements can be counted as a voluntary contribution. For example, if a company is required to reclaim some disused land as part of a planning application, but exceeds the requirements by installing a children's playground. These extra costs should be included as voluntary contributions.</p>
<b>Example</b>
<p>A company sets up operations in a new country and, as part of its licence to operate, is required to endow a charitable foundation with \$100,000.</p> <p>The initial endowment and the grants from it have been made under licence agreement so should not be counted as voluntary community investment.</p> <p>If, at a later stage the company chooses to endow the foundation with further funds that are not part of the licence to operate, these can rightly be reported as voluntary contributions.</p>

## 20. Memberships & subscriptions to community organisations

<b>Background</b>
<p>Companies often commit core support to community-based organisations and charities, as part of their strategic investment in the community, by paying a regular membership subscription. Bodies such as Business in the Community, Young Enterprise and Save the Children, are examples. Chambers of commerce or employers' association - which promote business interests - do not count (although an additional grant to such bodies for a separate scheme they are running of general community benefit might and would then be counted in the next section).</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash contributions
<b>Guidance</b>
<p>Membership fees to community organisations can be counted (bodies such as Business in the Community, Young Enterprise and Save the Children, are examples).</p> <p>Chambers of commerce or employers' association - which promote business interests - do not count (although an additional grant to such bodies for a separate scheme they are running of general community benefit might).</p> <p>Subscriptions to organisations that are not registered charities but are private sector funded not-for-profits such as the Energy Savings Trust or the Employers Forum on Age should only be counted where the subscription fee enables the recipient organisation to fulfil its wider community objectives.</p>
<b>Example</b>
<p>Include – Membership of BITC or Employer's forum on disability (these are organisations that address social issues)</p> <p>Exclude – Membership of London First (this is a business organisation promoting business issues).</p>

## 21. Payments to vulnerable customers

Background
<p>Energy companies and other utility providers often operate voluntary initiatives in partnership with charitable organisations, which address the needs of vulnerable people in society. In most cases they are operated for the benefit of the wider community (i.e. open to customers and non-customers alike) and so are reported as CCI contributions and included in LBG totals.</p> <p>In addition, some companies operate initiatives restricted to their customers only, which provide payments to those in difficult. The issue of whether, and if so to what extent, these might also be reported as CCI contributions was discussed at a series of Regulated Industry sub-group meeting during 2003 and 04.</p> <p>Payments tend to be made as either:</p> <ol style="list-style-type: none"> <li>1) Direct payments from the company to customers, or as:</li> <li>2) Payments via a charitable trust</li> </ol>
Applicable to (Sector/LBG area)
Regulated industries. Cash contributions
Guidance
<p><b>1) Direct payments to customers</b></p> <p>Direct payments to customers (reductions in bills) should not be included as part of a CCI totals. This is a 'business basic' activity as the payments are restricted to customers and not made through a charitable organisations.</p> <p><b>2) Payments made via a charitable trust</b></p> <p>Payments from a company to a charitable trust are technically 'charitable' contributions, therefore the amounts that are disbursed into the wider community can be reported as part of the company's CCI contributions. The preferred treatment of amounts paid to customers, which return to the company is to deduct them from the total. However, if they are included, they should be identified separately from community contributions.</p> <p>For example: "Our total community contribution was £X million, including £Y, which benefited vulnerable customers through the Z charitable fund."</p> <p><b>Guidelines for reporting contributions to energy trusts. The fund should:</b></p> <ul style="list-style-type: none"> <li>■ be a registered charity (if not, then it must at least operate like one, i.e. Have independent trustees, objectives that are charitable and independent assessment.)</li> <li>■ have a public benefit purpose i.e. relief of poverty;</li> <li>■ benefit people beyond the company's own customers<sup>1</sup>;</li> <li>■ have independent trustees;</li> <li>■ be accessible to other partners who refer client i.e. the Citizens Advice Bureau</li> <li>■ independently assess the hardship of beneficiaries</li> </ul> <p><sup>1</sup> If members wish to count amounts that benefit their own company's customers as well as the amount available to others, they can do so, but should identify and declare the amount that comes back into the company</p>

## 22. Pro bono work

<b>Background</b>
Professional Services firms often provide services of their lawyers or accountants free of charge, or pro bono, for the public good. This is usually covered by a formal engagement by the firm, which undertakes liability for the service delivered to the community organisation.
<b>Applicable to (Sector/LBG area)</b>
Professional services. In-kind contributions
<b>Guidance</b>
<p>As the service being provided is the 'product' of the firm, it is classified as an in-kind contribution.</p> <p>The cost of providing pro bono work is reported on the principle of what it costs the firm to provide professional advice, not what the recipient would have had to pay had it been charged at commercial rates. Essentially, this is the difference between the commercial rate charged and the salary and benefit costs and all the other legal overheads that the firm incurs (i.e. building costs, travel costs, secretarial support, legal training costs and memberships, legal and other insurances).</p>
<b>Example</b>
<p>A law firm <i>Writs'r'us</i> runs a professional development scheme for its young lawyers. The scheme provides for the young lawyers to provide 100 hours of professional services free of charge to a charity. The work is booked on the timesheet and is fully covered by the firm's professional indemnity.</p> <p>Giles, a young lawyer, participates in the professional development scheme. He provides the local hospice with 100 hours of legal advice. If the hospice had had to pay the full cost of the service, they would have had to pay £6,000. <i>Writs'r'us</i> calculates that 67% of this is necessary to cover its salary and benefit costs plus overheads while 33% is profit. So the cost of doing the work for the hospice is £4,000 (£6,000 times 67%). As <i>Writs'r'us</i> did not charge the hospice for the work, the cost to the firm is the entirety of the £4,000.</p> <p>The input cost is £4,000.</p>

## 23. Public services

<b>Background</b>
National and local government provide many fundamental services to the community such as police, fire and ambulance. However, only some public services, such as education, health and welfare also have a clear charitable purpose.
<b>Applicable to (Sector/LBG area)</b>
All sectors
<b>Guidance</b>
<p>The costs of working with government agencies on projects which have a clear charitable status can be counted under LBG, such as general contributions to universities, hospitals and schools.</p> <p>If time off is required <b>by law</b> for jury service, military reservists, magistrates and local councillors, it should not be counted, as it is not a voluntary additional contribution.</p> <p>Costs of participation in government-funded 'welfare-to-work' schemes should not normally be included, as they are part of basic training and employment in the business operation – although executive time spent on a business taskforce advising the government on policies to combat youth unemployment would count.</p>

## 24. Responsible product use

<b>Background</b>
<p>Companies often engage in activities to ensure that their products are used in a safe and responsible manner and thereby reduce any negative impacts that might be caused by their misuse. Examples of such activity could concern the responsible consumption of alcohol, safe use of medicines or responsible driving of motor vehicles.</p> <p>It is sometimes the case that this activity also provides direct support to a charity or other community organisation. When this is the case it is important to establish whether, and to what extent, such activities can also be reported as Corporate Community Investment (CCI).</p>
<b>Applicable to (Sector/LBG area)</b>
All sectors, primarily consumer goods
<b>Guidance</b>
<p>Reporting activity that concern the responsible use of product as CCI is a sensitive area. Many of the activities that companies engage in are very closely linked to their product and its marketing and supply. So members should ensure that they do not claim the costs of such activities as <b>voluntary</b> and <b>charitable</b> contributions to the wider community unless there is a clear and direct link between the activity and a charitable organisation.</p> <p>In deciding whether an activity, or an element of it, can be reported as CCI, members should establish that the activity is both <b>voluntary</b> and <b>charitable</b>. In applying this test it is also useful to consider the extent to which the activity is linked to a company's own products or brands, for example:</p> <ul style="list-style-type: none"> <li>■ Activity that is narrowly focused on consumers of a company's own brands (e.g. responsible use messaging on products or in advertising) might be seen as protecting its own interests, not serving the wider community good and so should not be reported as CCI.</li> <li>■ Support for, or membership of, charitable organisations that focus on a general issue of relevance to both the company and the wider community (e.g. a motor company contributing to a road safety charity) ought to be included, provided it addresses issues beyond the immediate impact of the company's own products.</li> </ul> <p>There may be cases where elements of such activity are both voluntary and charitable, but other elements are not. It is important in such cases to <b>only</b> report those elements, and their costs, that do support the wider community as CCI.</p> <p>Often, a judgement is required based on an honest and cautious assessment of your primary motivation. Always bear in mind that it is important to present a clear picture of your community activity, and not include activities that would not be considered charitable by external audiences.</p> <p><b>If in doubt, leave it out.</b></p>

## 25. Secondments

<b>Background</b>
<p>Employees can be formally released to undertake a specific task or programme of work or even a full-time job for a charity or other community organisation. This can vary from one day a week, to three months, to a year or more.</p>
<b>Applicable to (Sector/LBG area)</b>
<p>All sectors. Employee time</p>
<b>Guidance</b>
<p>As with volunteering, the full cost to the company of lost productive time should be counted. As a secondment is a formal release from work, there is normally no question of the employee making up the time.</p> <p>For long-term secondments, usually possible towards the end of a career, the cost of any significant package of fringe benefits can be included because these are genuine additional costs of maintaining the employee on the payroll.</p>
<b>Example</b>
<p>An IT specialist is seconded to a charity for 6 months to develop a website and database to enable the charity to better inform the public about its services and track the support it provides to clients.</p> <p>The total that should be included as a community contribution should be calculated at cost to the company, in the same way that staff time is valued for volunteering. i.e. six months fully loaded salary and benefits costs of the employee.</p> <p>See LBG Policy Note – Staff time</p>

## 26. Social banking/Universal banking

<b>Background</b>
<p>In 2003, in order for the government to pay benefits and pensions directly in bank and building society accounts, 12 banks and building societies agreed to make their basic bank accounts (sometimes called starter accounts or introductory accounts) available, free of charge, at Post Office counters.</p> <p>The participating institutions were: Abbey National, Alliance &amp; Leicester, Bank of Ireland, Barclays, First Trust Bank, HBOS, HSBC, Lloyds TSB, National Australia Group, Nationwide, The Co-operative Bank, and The Royal Bank of Scotland Group.</p> <p>At the time, as the companies incurred costs in administering these accounts, which are aimed at disadvantaged people, the question was raised as to whether some or all of the costs might be included as community contributions.</p>
<b>Applicable to (Sector/LBG area)</b>
Financial services. In-kind
<b>Guidance</b>
<p>The issue was discussed at a number of LBG Financial Services sub-group meetings in 2004.</p> <p>The consensus was that these costs should not be included, as there was an ‘expectation’ from the government and other stakeholders that these accounts ought to be provided. As such it was felt they do not meet the condition of being a truly voluntary contribution.</p> <p>Also, it is a general LBG principle that contributions restricted to customers are not counted as wider community contributions. This is in-line for example with Energy companies’ treatment of payments to vulnerable customers:</p> <p><i>“Members agreed that direct payments to customers (or reductions in bills) would not be included as part of their CCI totals. As the payments are restricted to customers and not made through any charitable organisation, it was felt they should most properly be regarded as ‘business basic’ activities i.e. <b>meeting the needs of the most vulnerable customers in a socially responsible manner.</b>”</i></p> <p>In addition, there is no clear charitable organisation through which the contribution is made and so no guarantee that the recipient of a basic bank account is of charitable status.</p> <p><b>Associated costs</b></p> <p>Although the direct costs of administering basic bank accounts ought not to be included as a community contribution, there may be associated costs that ought to be.</p> <p>If for example a bank provides resources to, or partners with a charity, to identify and support people who might benefit from a basic bank account, then the costs that go to the charity partner might be included.</p> <p>Similarly, if the bank partners with charities to provide money advice and/or financial literacy support to holders of social bank accounts, then these also should be included.</p> <p><b>Reporting social banking costs</b></p> <p>Although members are advised to exclude the costs of social bank accounts from their overall community contributions total, it is legitimate, as per LBG guidance on mandatory contributions, to report the costs alongside the community data, provided they are clearly separated and identified.</p>

## 27. Special Purpose Vehicles (SPVs)

<b>Background</b>
<p>A special purpose vehicle (SPV) or special purpose entity (SPE) is a company that is created solely for a particular financial transaction or series of transactions. It may sometimes be something other than a company, such as a trust.</p> <p>SPVs/SPEs are often used to make a transaction tax efficient by choosing the most favourable tax residence for the vehicle. This is commonly done with eurobonds so that foreign investors do not have to pay withholding taxes in the borrower's country of residence. In some cases, left over funds are given to charitable causes.</p> <p>For example, Barclays established separate legal entities to manage certain investments, called Special Purpose Vehicles (SPVs). Any surplus from these operations is donated to charity.</p>
<b>Applicable to (Sector/LBG area)</b>
Financial services
<b>Guidance</b>
Because they are separate, the main company should not report the contribution in its voluntary contributions total, but should mention separately that they manage SPVs whose surpluses are donated to charity.

## 28. Sponsorship of Arts/Cultural events

<b>Background</b>	
Companies frequently engage in sponsorship of the arts and cultural events and a question arises as to what is eligible for inclusion in the community contribution.	
<b>Applicable to (Sector/LBG area)</b>	
All sectors. Cash	
<b>Guidance</b>	
How such sponsorship is treated depends on the degree to which it forms part of the company's marketing strategy:	
<p><i>Sponsorship of causes or events with name recognition but <b>not</b> part of a marketing strategy.</i></p> <p>Companies may 'sponsor' a charity event or place advertisements in charity programmes for events. These are recorded in full as charitable giving, even though some publicity is obtained, because primarily they respond to an appeal by the charity and do not necessarily serve a strategic corporate purpose.</p> <p>The gross amount of cash given to the charity or activity should be reported. However, where separately identifiable elements of pure business activity, such as client or employee entertaining at a charity event occur, these should be excluded.</p>	<p><i>Sponsorship of events and activities <b>promoting</b> brands or corporate identity:</i></p> <p>A company may sponsor an arts event specifically to achieve brand or corporate recognition. This is fundamentally commercial as the business benefits are designed to accrue to one particular company</p> <p>Only the costs of the specific elements given to the charity or public body without restriction can be included. No direct corporate advertising or entertaining costs can be included.</p>
<b>Example</b>	
<p>A company is approached by a community group to place an advert in the programme for a forthcoming amateur theatre production. The advert is placed as a way of supporting the production, not because of any attendant publicity that is obtained.</p> <p>The full cost of the advert is recorded as a community contribution</p>	<p>To achieve brand recognition a company becomes a corporate sponsor of a major gallery.</p> <p>The sponsorship provides the company with corporate advertising opportunities along with the opportunity to host client entertaining events and tickets to exhibitions.</p> <p>Only the elements of the sponsorship that enable the gallery to fulfil its broader objectives should be included as a community contribution. All costs associated with advertising or entertaining should be excluded.</p>

## 29. Social sponsorship of causes or events, publications and activities

<b>Background</b>
<p>Payments are often made as part of a high-profile public 'sponsorship' of a charity or activity run by a charity, to raise the profile of both charity and company. Even though some element of name recognition is sought, this is not tied to a marketing strategy or other business goals.</p>
<b>Applicable to (Sector/LBG area)</b>
<p>All sectors</p>
<b>Guidance</b>
<p>They payments are recorded in full as charitable giving, even through some publicity is obtained, because primarily they respond to an appeal by the charity and do not necessarily serve a strategic corporate purpose.</p> <p>The gross amount of cash given to the charity or activity can be counted. Elements of pure business activity such as entertaining at a charity event and direct corporate advertising should be excluded.</p>
<b>Example</b>
<p>'Sponsoring' a charity event or placing advertisements in charity programmes for events.</p>

### 30. Commercial sponsorship of events, publications & activities with the purpose of promoting brands or corporate identity

<b>Background</b>
Companies often sponsor charitable events, media programmes, university conferences or scientific expeditions with the purpose of achieving brand or corporate recognition. These are fundamentally commercial as the business benefits are designed to accrue to one particular company.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash
<b>Guidance</b>
Only the cost of the specific elements given to the charity or public body without restriction can be included. No direct corporate advertising or entertaining can be counted.
<b>Example</b>
<p>To achieve brand recognition a company becomes a corporate sponsor of a major art gallery.</p> <p>The sponsorship provides the company with corporate advertising opportunities along with the opportunity to host client entertaining events and tickets to exhibitions.</p> <p>Only the elements of the sponsorship that enable the gallery to fulfil its broader objectives should be included as a community contribution. All costs associated with advertising or entertaining should be excluded.</p>

### 31. Sports sponsorship or contributions

<b>Background</b>
Companies frequently engage in sponsorship of sporting activities
<b>Applicable to (Sector/LBG area)</b>
All sectors
<b>Guidance</b>
<p>Mainstream sports sponsorship are generally not allowable, although contributions to <b>amateur</b> sport and outreach to disadvantaged young people through sporting activities can be if the motive is educational or health related and not about product or corporate promotion.</p> <p>A helpful question to ask is: Is the sport being used as a mechanism to address a social need?</p> <p>It is important to be conscious of what is considered to be amateur sport.</p>
<b>Example</b>
<p><b>Include:</b> Donation to a children’s soccer team to buy new kit. Contribution to the Lawn Tennis Association to provide tennis coaching in schools.</p> <p><b>Exclude:</b> Sponsorship of McLaren F1 racing team.</p>

## 32. Support for universities, research and other charitable institutions

<b>Background</b>
Cash support is often given by companies for programmes such as grants to students, scientific research, engineering experimentation and establishing a chair at a university in a subject of central importance to the commercial well-being of the company or its industry.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Cash. Commercial initiatives in the community
<b>Guidance</b>
<p>Those elements which are of general public good can be included here, where learning is shared perhaps in the first phase of research projects. In this case, the cash value of the cost of the contribution should be counted.</p> <p>If the research findings remain wholly confidential, then they become commercial transactions and are not part of the community contribution.</p>
<b>Example</b>
A telecoms company funds University research into the challenges faced by elderly people by developments in telecommunications technology. The resulting research is publicly issued by the University and can be used by relevant charities as well as peer companies. In this case the full cost of the contribution made to the University to conduct the research can be included.

### 33. Time volunteered outside of working time

<b>Background</b>
Employees of companies often participate in charitable activities outside company time.
<b>Applicable to (Sector/LBG area)</b>
All sectors. Employee time
<b>Guidance</b>
<p>If it can be established that the employee has committed their own time as a result of encouragement or support from the company (participation in an activity supporting the company's charity of the year, for example) . Then the number of hours volunteered, although not counted on the input side on the model, could be reported as 'leverage' on the output side of the model.</p> <p>For reference, in the UK, Volunteering England has estimated that the average hourly worth of an volunteer's time to a community organisation is currently £12.55.</p> <p>If an employee volunteers outside of company time and received a day off in lieu, then a full days wage for that employee can be counted under 'Time' on the input side of the Model.</p> <p>Time committed by employees that is independent of any company support should not be reported or claimed as either a company contribution or as leverage.</p>
<b>Example</b>
<p>An employee volunteers for 2 days with a charity. The employee has never volunteered there before, enjoys the experience and decides to volunteer 1 evening per week and every other Saturday.</p> <p>The time spent volunteering during company time would be counted in LBG under 'Time' and valued accordingly. See LBG Policy Note – Staff Time.</p> <p>The time volunteered outside of company time (evening &amp; weekends), would be classified as Leverage on the output side of the LBG Model.</p>

### 34. Use of company premises/resources

<b>Background</b>
<p>Companies often support community organisations by enabling them to use corporate resources, including:</p> <ul style="list-style-type: none"> <li>-Meeting room space for meetings for free or at a reduced cost</li> <li>-Providing places on in-house training courses</li> <li>-Photocopying and printing facilities</li> <li>-Loan of specialist equipment</li> </ul>
<b>Applicable to (Sector/LBG area)</b>
All sectors. In-kind
<b>Guidance</b>
<p>The cost to the company should be reported, <b>not</b> the amount the recipient organisations would have had to pay for the facilities in the open market.</p> <p>When estimating the cost of providing company resources, it is necessary to establish that an actual cost has been incurred by the company. If a meeting room has been made available that is already being lit, heated etc. Has the company actually incurred a cost by making it available to the recipient organisation?</p> <p>Only the genuine additional costs can be counted. Take the standard internal charging rates, for example those used by the catering or reprographics departments.</p>
<b>Example</b>
<p>A company allows their charity of the year to use their boardroom for several meetings. Lunch is provided by the company. The company is likely not incurring a large cost for the boardroom unless it's for heating and electricity for the room. In this case, it would be sensible to count the cost for lunch only under LBG.</p>

## 35. Written down product or equipment

<b>Background</b>
<p>These are goods, stocks or assets held by the company but written down in its book for a variety of reasons. Products may be time-dated, slightly damaged or end of range; they may be trials not put into full production or surplus to market demand. Equipment is usually office equipment and computers surplus to requirements or approaching obsolescence.</p>
<b>Applicable to (Sector/LBG area)</b>
<p>All sectors. In-kind</p>
<b>Guidance</b>
<p>Products or equipments contributions should be valued at the depreciated cost held by the company's book of account. For written-down products, where this overstates their actual worth. Accounting policy will have reduced the amount to the net realisable value (essentially a fair market value for a second-hand sale less costs of disposal). Equipment will normally have been depreciated over a number of years and gain should be reduced to net realisable value where depreciated cost overstates its remaining value.</p> <p>There may be cases where donated items have zero book value because they have been fully written down over four years and any residual value is not significant in terms of the company's accounts. In the context of the community programmes and for charities, there is value. If this is the case, a notional amount, based on net realisable value, can be used as the input cost to the company, since the equipment could have been sold second-hand or as scrap.</p> <p>In cases where there is no figure readily available from the book of account, especially for products, then a reasonable estimate should be made of 20 per cent of sales price for products. If the items involved are major or regular contributions, then a professional valuation should be sought to provide proper substantiation to the claimed figure for cost to the company.</p>
<b>Example</b>
<p>A company upgrades its IT equipment in one office and donates the 25 existing PCs to charity. The PCs no longer have a 'book' value, but are estimated to have a second-hand value of £50. In this case an in-kind contribution of £1,250 can be reported.</p>

## 36. Credit Unions

<b>Background</b>
<p>Credit unions are financial co-operatives owned and controlled by their members. They offer savings and loans and many now offer a range of services including a current account, benefits direct, ISAs and Child Trust Funds.</p> <p>Some LBG members support credit unions and have asked whether this support qualifies as a community contribution.</p>
<b>Applicable to (Sector/LBG area)</b>
Financial Services
<b>Guidance</b>
<p>Where an LBG member supports Credit Unions we advise that the ‘charitable purpose’ of the contribution be clearly identified before reporting the amount as a community contribution.</p> <p>Credit unions are not necessarily charitable organisations. In England and Wales the charities commission states: “[credit unions] are not charitable as they are established for the benefit of their members only rather than the public at large”. Members of credit unions can be, but are not necessarily from disadvantaged groups. In the USA, one in four people belong to a credit union, and half the population of Ireland are members.</p> <p>So, general support to enable credit unions to provide their services to their members should not automatically be reported as a community contribution. It is necessary to establish whether the contributions enable the credit union to pursue a particular charitable purpose or activity that benefits disadvantaged people in some way.</p> <p>Credit unions do undertake a number of activities that can be deemed to have a charitable purpose. In the UK, it is one of the objects of credit unions to provide financial literacy and debt management advice to members in need. They also work to address financial exclusion (the CONNECT project with Citizens Advice Bureau to develop joint referral schemes is an example of this). Where an LBG members’ support can be shown to directly support such charitable activities and benefit disadvantaged people, they might be reported as a community contribution.</p>

### 37. Debt management services provided by charities

<b>Background</b>
<p>Some LBG members support charities (e.g. Consumer Credit Counselling Service) that provide their clients with advice and support on managing debt and budgeting as well as recovering outstanding debts through repayment agreements. LBG members have asked whether the amount they pay to the charities as a result of such arrangements should be included as a community contribution.</p>
<b>Applicable to (Sector/LBG area)</b>
<p>All sectors particularly Financial Services</p>
<b>Guidance</b>
<p>As well as providing counselling these organisations can also work with their clients to develop repayment proposals to put to their creditors to arrange and agree repayment of their debts.</p> <p>As a result of this service the charity receives funding from the creditor companies. The amount of funding is often set as a percentage (e.g. 10%) of the amount of debt recovered through the repayment agreements arranged by the charity.</p> <p>e.g. if CCCS enables a client to re-pay a debt of £1,000 to XYZ Bank, then the bank will pay £100 to the charity for providing the service.</p> <p>In these cases it would seem that the creditor company is paying the charity for a business service, as it might any commercial debt recovery agency. LBG practice is that sourcing business services or supplies from community organisations is a business relationship rather than a community contribution. As such the payments would appear to be a 'business basic' <b>and so should <u>not</u> be included as a community contribution.</b></p> <p>If, however, the company makes a separate "no-strings" donation over and above its percentage arrangement that enables the charity to fulfil its wider objectives, then this element could be counted.</p>

### 38. Charity fundraising dinners/balls etc

<b>Background</b>
Companies often buy tickets for staff or clients to attend charity fundraising events that support a charity with a proportion of the ticket costs acting as a donation to the beneficiary organisation.
<b>Applicable to (Sector/LBG area)</b>
All sectors
<b>Guidance</b>
<p>In such cases it is necessary to exclude the costs that cover client/staff entertaining and to only include the amount that the charity 'takes away' to fulfil its wider objectives.</p> <p>If the beneficiary organisation is unable to provide exact data then reduce the overall ticket cost by a reasonable proportion (e.g. 50%) to ensure that the true value to the community is not overstated.</p>