

FUNDING COMMISSION

Paper 7 – Individual Giving – Findings and Emerging Recommendations

Between June and September 2010 the Commission published eight papers on its website on different aspects of its work. Comments were invited on these papers. The emerging recommendations in the papers have subsequently been amended as the Commission's thinking developed. However, the findings in the papers contain much of the evidence on which the final report is based. Details of all those consulted during the preparation of the papers are given in Annexe 2 of the main report.

This is the seventh paper to be published by the Commission (Revised September 2010) – on Individual Giving.

1. Introduction

- 1.1 In 2007/08, individual giving was the third biggest source of income (£7.8bn) for general charities (as defined in the 2010 NCVO Almanac) – after public sector income and trading. Individual giving to charitable causes as a whole (as defined in the 2009 UK – a wider definition including religious bodies and private schools and other causes excluded from the NCVO Almanac definition) was £9.9bn in 2008/09. Individuals as a source of income, including payment of fees for goods and services and membership subscriptions, as well as donations, were the biggest single source of income for general charities in 2007/08 (£13.1bn), followed closely by public sector income (£12.8bn).
- 1.2 The breakdown of giving in the 2009 UK Giving Survey shows that of the 26.9 people (54% of the adult population¹) who gave the £9.9bn:
 - 24.9m (50%) gave less than £100 per month, contributing £5bn
 - 2m (4%) gave more than £100 per month, contributing £4.9bnIn addition, in 2007/08, according to a report published by Coutts², 290 philanthropists, giving more than £1m pa, contributed a further £1.3bn, bringing the total to £11.2bn. (According to the 2010 Sunday Times Rich List, our 100 leading philanthropists donated almost £2.5bn in 2009³).
- 1.3 Cash is the most common way of giving (48% of donors). Direct debits are growing (currently 31% of donors) whilst cheques are down from 51% of donors in 1999 to 13% in 2009. Web-based payment channels like JustGiving and PayPal are growing fast, albeit from a low base
- 1.4 Legacies represented 26% (£2bn) of individual giving to charities in 2007/08. This was a 10.3% increase on the previous year and almost a 30% increase over the last five years. Most of this income goes to the largest charities.
- 1.5 There has been a decline in giving to charitable causes of 11.6% in real terms since 2007/08, which equates to 774,000 fewer donors in a typical month. The mean donation in 2008/09 was also down by £2 to £31, although the median donation (which is not skewed by a small amount of very large donations) has remained relatively unchanged, at £10 per month, over the past three years. Evidence from previous recessions suggests

¹ Dedicated surveys such as the 2008/09 Citizenship Survey, published by the CLG Department give higher proportions (76%); these types of dedicated surveys provoke a greater level of recall than individual questions on an omnibus survey of the type used for UK giving

² The Coutts million pound donor report, by Beth Breeze, University of Kent, 2009

³ Such major gifts may be promises; moreover, where actual, they are often given for expenditure over the medium or long term. Either way, they are unlikely to be captured in estimates of giving derived from surveys and therefore may be considered additional. The picture is further complicated as some philanthropists give via charitable trusts, rather than direct to operating charities.

that the decline in giving is not unexpected in a recession – and can punctuate what is otherwise a long term upwards trend.

1.6 The Commission’s view, taking a 10 year perspective, is that individual giving is an important area of potential growth for the sector and that we should be aiming to increase the level of giving to £20bn by 2020. We believe there are a number of grounds for optimism.

2. The money is there

2.1 There are potentially large numbers of people who could be donating if we develop the right approaches for asking and engaging them. For example:

- According to the 2009 UK Giving Survey, 22.8m adults (46% of adults) are currently not giving at all, whereas 10 years ago the figure was closer to 33%⁴. We need to find ways of re-engaging past givers, as well as engaging new givers for the first time
- According to the Office of National Statistics’ Survey of Personal Incomes 2007/08, updated January 2010, the percentage of people earning more than £44,000 pa has doubled in cash terms from 5% of taxpayers to 10% in the last eight years
- Meanwhile, the highest rates of giving per capita relative to income are in the poorest parts of the UK.⁵

2.2 The rich are getting richer, but their giving is not keeping up:

- According to Philip Beresford, editor of the 2010 Sunday Times Rich List, the collective wealth of the top 1000 multi-millionaires was up by 29% in 2010, easily the biggest rise in the 22 years of the Rich List
- According to Toynbee and Walker⁶, the top fifth of households give less than 1% of their income, while the poorest 10th give 3% of their income

2.3 But there are grounds for optimism that this is beginning to change. When at Philanthropy UK, Theresa Lloyd identified a number of drivers and trends that are shaping British philanthropy, including the following⁷:

- More people are giving during their lifetime
- Views on the amount of wealth parents should pass on to their children are changing
- More donors are giving together

The profile of the rich has changed significantly in recent years. Whereas 75% of the wealth of those in the Rich List used to be inherited, today it is only 25% (2006 Edition). This helps explain some of the changes above.

2.4 Generally, as a nation, we give far less than the US, but we compare favourably with many other countries. Evidence from the John Hopkins Centre for Civil Society would

⁴ An ongoing problem in this area is reliably reporting change over time. Survey work undertaken by NCVO between 1995 and 2002 indicates that the proportion of the population giving fell from 70% in 1995 to 66% in 2002. A subsequent change in survey design and question led to a one-off step change in the number of people reporting themselves as donors.

⁵ See ‘The Widow’s Might: how charities depend on the poor’, by Beth Egan, Social Market Foundation, 2001

⁶ ‘Unjust Rewards’, by Polly Toynbee and Professor David Walker, 2010

⁷ See Philanthropy UK website.

suggest the UK is in the top quartile of countries in terms of giving and philanthropy as a proportion of national income.⁸ There is fertile ground.

3 Changes in demography

- 3.1 Not only is there evidence that the money is potentially there to give, there is also evidence that there will be larger numbers of people with a propensity to give over the next 10 years. We already know from the UK Giving Survey that:
- More people over 65 give than adults as a whole (58% compared to 54%)
 - Older people give proportionately more than other ages (e.g. 75% of men over 65 give a mean donation of more than £40 per month compared to 35% of men aged 16-24 giving a mean donation of £7 per month)
- 3.2 Fundraisers use different approaches to target different sections of the public according to their perceived propensity to give. They have traditionally talked about ‘Dorothy Donor’, the older, middle class donor, who gives most to charity. Joe Saxton, in a paper for the Commission, has analysed financial flows and life stage for different groups of people and suggests two groups as having potential for giving :
- Double income no kids households in their late 20s/30s, particularly as couples delay having children and pursue their careers (although this group may be prioritising putting down deposits on their first homes)
 - Couples without children.
- 3.3 Sal LaSpada, CEO of the Institute for Philanthropy, has suggested that immigrants to the UK, who want to support their host country, as well as sending money home to their country of origin, should be added to this list.
- 3.4 More generally, the baby boom generation (9.5m people born 1945-57), have accumulated more wealth than any previous generation; they have considerable potential not only for giving legacies, but also for more engaged giving in their lifetime.
- 3.5 According to data based on ONS national population projections (2008), many of these groups are likely to grow over the next 10 years:
- The number of adults over 65 is projected to increase by 2.59m by 2020 (=25% increase)
 - The number of households without children is projected to increase
 - The number of adults over 65 of ethnic minority origin is projected to increase by 272,000 (47%) by 2020
 - One million of the baby boom generation are projected to die by 2020
- 3.5 On the basis of these demographic changes, there appears to be a good prospect for increasing giving, but will people want, or be able, to give in the present climate? Here again, there is ground to build on. The Government’s Big Society policy can be viewed negatively as a device for substituting voluntary effort for state funded services, or positively as a welcome reduction in the role of the state and a liberation of local community action. Either way, there is likely to be a revised social contract whereby things that used to be funded by the state will be paid for privately, either directly through fees and charges, or indirectly through donations or volunteering to support community and voluntary effort.

⁸ See John Hopkins University Centre for Civil Society’s comparison of 36 countries for which data are available. See also the Hudson Institute’s recent report on global philanthropy. Comparisons with the US are frequently made but questionable in value given the different tax systems and cultures.

4 Getting better at asking

- 4.1 Over the past 10 years a lot of effort has been put into encouraging people to give and to volunteer, through initiatives like the Giving Campaign and incentives, such as Gift Aid. The fact that giving has increased by £2.3bn (42%) since 2000/01, shows that these initiatives had considerable impact. For further details of these initiatives, see Annexe 1.
- 4.2 One of the main lessons from the Giving Campaign was the importance of involving charities from the outset. Some of the Commission's interviewees felt there should have been far greater involvement of fundraisers in the campaign and a greater focus on the mechanics of giving. The value of the work done by charities more generally could have been promoted more strongly and the campaign should have continued for longer.
- 4.3 The consensus from those we spoke to was that the current priority was not to try and run another giving campaign, but rather to help charities get better at asking – without which people will not give in the first place – and then to promote better engagement with those who give (see box below).

Could the rich give more?

'The publication of the Rich List is always a splendid opportunity to review the habits of those who share most of the DNA of the rest of us but are assumed to be different in subtle ways – not least because, as Ernest Hemingway is famously supposed to have said, "they have more money".....

....research and experience indicates there are two strands that offer potential paths to increasing giving by the wealthy.

The first relates the question of "what I can afford". This issue should be an integral element in financial planning and estate management. The role of professional advisers to the wealthy is crucial. The current initiatives by the Society of Trust and Estate Practitioners (STEP) to strengthen training in this area and the Philanthropy Advice Steering Group, initiated by New Philanthropy Capital, chaired by Dame Stephanie ("Steve") Shirley and coordinated by the Office for Civil Society in the Cabinet Office are to be welcomed... Such training of wealth managers, accountants and lawyers will not change attitudes overnight. However it is hoped that eventually, and with greater engagement by expert advisers with the development of family strategies for effective philanthropy, including the engagement of the next generation, there will be a long term and positive impact on the level and quality of charitable giving and involvement by the rich.

But as we have seen, what can be "afforded" is only one factor. The other crucial element needed is to create and sustain the sense of personal fulfilment and the enjoyment of giving. This is entirely a reflection of how the recipient organisation generates a personal response and manages the relationships with significant prospects and major donors.

This is not to let the wealthy who don't give, or who give relatively little, "off the hook", but while there are honourable exceptions there are far too many organisations whose management of significant prospects and really major donors is inadequate – undertaken by inexperienced and junior staff, with no engagement by trustees or senior staff outside the fundraising team. They do not provide clear and transparent information on the impact of philanthropic investment. They do not ask for and respect the expertise that is the source of the wealth. They have clumsy bureaucratic procedures. They do not thank people promptly or address them appropriately. They do not ask donors how they would like feedback, or provide opportunities for the donors to learn more about the work. They do not explain the business model, or the importance of core costs, and then grumble when donors want their funding to go only to projects. They are not willing to invest in

creating and nurturing potentially major long term relationships. They do not make it easy and enjoyable for donors to bring in other potential supporters. And, crucially, they misjudge why the prospect might support them, and what they should ask for, because they have not done their research.

In other words the experience of giving is neither as fulfilling nor as much fun as it could and should be.'

Theresa Lloyd
June 2010

- 4.4 Charities fundraise from a variety of sources including trusts and foundations, companies, the national lottery and government, but most fundraising effort is directed at individual members of the public through mechanisms such as direct marketing, soliciting big gifts and legacies, community fundraising, events, lotteries and raffles. The funds raised are usually unrestricted income, which can be used to build capacity or to fund direct charitable activity.
- 4.5 Institute of Fundraising/NCVO figures suggest that around 21,500 staff work in the top 500 charities in fundraising roles and that 24,000 charities employ staff to fundraise as part of their role. There will also be many more people working as volunteer fundraisers in one way or another. The Institute has fewer than 6000 members, so there are clearly large numbers of charities that have no affiliated fundraisers.
- 4.6 The Institute has developed a Certificate in Fundraising Management, as well as providing training, development and support through its national, regional and special interest groups. However, less than 10% of fundraisers have completed the certificate. Furthermore, according to a membership survey carried out by the Institute in 2006, only 50% of fundraisers had an annual appraisal. At the same time, most voluntary fundraisers get very little support or training. This is why the Institute's strategic plan gives high priority to developing training and support for all types of fundraisers.
- 4.7 There is also anecdotal evidence that many trustee boards of larger charities are reluctant to spend much time discussing their charity's approach to fundraising, and are certainly very reluctant to get involved in fundraising themselves. Yet, it is clear that trustees have a crucial role to play in helping secure major donors. Amanda Delew, former director of the Giving Campaign, argues that trustee boards ought to have at least one board meeting per year, focussing entirely on the charity's fundraising strategy. Whether we will ever follow the US dictum for trustees of 'give, get or get off' is doubtful, but certainly organisations like the Institute for Philanthropy argue that trustees cannot expect others to support their charity, if they don't do so themselves (albeit according to their means).
- 4.8 The main funding focus of ACEVO in recent years appears to have been on public sector contracts and sources of grants, rather than on fundraising from individuals. Since CEOs have a key role in drawing up the agendas for trustee boards, this could be part of the reason why trustee boards apparently pay so little attention to fundraising.
- 4.9 Attitudes towards fundraising are also mixed. Within charities, fundraisers are sometimes viewed as 'a necessary evil', and certainly as an alien species, by those

involved in service delivery or campaigning⁹. Externally, according to Charity Commission research on trust and confidence in charities, 50% of people think that charities use dubious fundraising techniques.

4.10 One type of fundraising which can produce particular tensions for charities is the TV campaigns like Comic Relief and Children in Need, where there is always a tension between TV producers' desire to shock or engender sympathy and charities' desires to show positive, empowering images of their users. This tension is likely to get harder to manage as the general standards of mass TV entertainment decline further. New forms of popular entertainment like 'The Secret Millionaire', branded as 'poverty TV' by some commentators, are also part of this trend, but, at the same time, have succeeded in raising awareness of, and therefore potentially increasing, philanthropy.

4.11 Attitudes towards donors are also mixed. It is clear from the profile of givers in 1.2 above that getting more people to give more than £100 per month and getting more of the very rich to give millions are going to be an essential part of meeting the challenge of increasing giving to £20bn per year by 2020. Yet, as Beth Breeze highlights in a paper for the Commission, as a nation, we are very ambivalent, if not hostile, in our attitudes to the rich. She argues for the need to reposition philanthropy as part of the solution to, rather than as part of the 'problem' of, being rich; she suggests it should be viewed as an essential part of the successful life in the 21st century. To achieve this, she recommends initiatives for trying to change the current, negative, attitude towards philanthropists, including:

- Initiatives to recognise and honour philanthropists
- More proactive rebuttal of spurious accusations about tax evasion and self-promotion by major donors, in order to stem the tide of anti-philanthropy sentiment
- Better reporting on the impact of philanthropists' donations
- More recognition of the fact that all donors, including the very rich, like to feel good about being generous

4.12 The Institute for Philanthropy supports this approach and would welcome additional investment in increasing media coverage of philanthropy and in celebrating the impact and achievements of different philanthropists and the charities they support.

4.13 Another concern frequently expressed about donors, is that they don't necessarily support the most needy causes. There are two important determinants of why people give to charity (in addition to factors such as income and age) – first because they are asked and secondly because they believe in the cause they are donating to. Recent research from the Centre for Charitable Giving and Philanthropy at Cass Business School (June 2010) suggests that most giving is 'taste-based' rather than 'needs-based'; fundraisers should recognise this more in the way they approach the public, especially when they are fundraising for unpopular causes.

4.14 Beth Breeze sums up this approach by saying that 'fundraisers should increasingly focus on donors' tastes rather than beneficiaries' needs'. This can easily be interpreted as endorsing mission drift in search of funds, but there is a big difference between being funder led and loving your donors. There is no reason why charities should not approach fundraising 'cap on head' rather than 'cap in hand', but there is every reason to recognise that deciding what cause to support is ultimately a personal choice, not a political or moral imperative.

4.15 Some of the types of charity that people give to are as follows (NCVO Almanac 2010):

⁹ See 'The future role of fundraising' by Richard Gucci in Third Sector, 6 July 2010. Fuller article available on the Prospectus website <http://www.prospect-us.co.uk/fundraising-news>

- 44% of donations go to the top 438 charities (=0.25% of all charities) (Almanac 2010)
 - Micro (less than £10k) and small (£10 to £100k) charities get most of their income from individuals (64% and 48% respectively), whereas medium sized charities only get 36%
 - Research, international, environmental and religious charities derive at least 50% of their income from donations
- 4.16 It is clear from these figures that the distribution of donations is far from even across the sector. This is not something we can necessarily expect to change significantly, because it is a matter of the donor's individual choice¹⁰, but it is something which charities need to take into account and plan for in their fundraising strategies. There may also be ways of promoting a greater emphasis on giving to local CSOs, where according to the Community Foundation Network (CFN), 90% of the country's charitable activity takes place, but only 10% of current charitable giving.¹¹
- 4.17 Legacies (£2bn pa) are an important source of income, particularly for large and major charities. The Remember a Charity campaign, set up by the Institute of Fundraising, has been working hard to put legacies higher on people's wealth planning; the campaign recognises, and nfpSynergy research confirms, that the main reason why people decide not to include a charity in their will is because they want to leave their money to their family. However, given that a small percentage of many legacies would constitute a substantial donation, it ought to be possible to overcome this barrier.
- 4.18 According to research by Legacy Foresight, legacies are due to undergo two phases of development:
- Over the next 10 years demographic and social trends are likely to mean fewer legacies as the number of deaths and the number of childless women continues to fall and the financial situation remains challenging
 - Thereafter, there is likely to be an increase in legacy giving as the baby boom generation (born 1945-57 = 26% of the population) begin to die.
- 4.19 Joe Saxton's paper for the Commission suggests the following propositions for raising more funds through increasing fundraising capability and effectiveness:
- Effective fundraising is about effective asking for donations
 - The motivation to give is not generic but specific
 - We need to reduce giving-decisions and increase decision-value
 - There is no such thing as donor fatigue (only poor fundraising)
 - Packaging giving into products makes giving easier (so people know how much to give to get a particular result)
 - Giving needs to be integrated with the way you live your life
 - The new wave of fundraising will recognise that giving £20 should be as enjoyable as spending £20 in a restaurant (as well as lasting longer)
 - Fundraising costs money
 - Each organisation needs a balanced portfolio of income sources.
- 4.20 Charities' ability to raise more income from the public is largely contingent on the resources they can devote to fundraising. The major charities are getting larger ('if you can't afford to fail, you can't afford to succeed'). They are also able to invest large sums to secure major gifts, where high priority is given to developing the relationship with prospective donors, and, thereafter, to keeping donors informed about the impact of their

¹⁰ Evidence from UK Giving suggests that the popularity of causes is relatively static over time, regardless of one-off events such as the Asian tsunami

¹¹ For example, NCVO estimate there are 600,000 'below the radar' organisations operating at a very local level; they also estimate that 85% of charities have an income of less than £10k pa, whereas 44% of all income goes to 0.25% of all charities.

donation. One challenge is how to replicate this same level of customer care to other donors, when the sums are smaller, but the volumes are higher.

4.21 The cost of fundraising is a critical issue to consider. The NCVO Almanac estimates that charities spent £2.6bn on fundraising and publicity in 2007/08. The larger organisations devote 10% of their expenditure to fundraising and publicity compared to just 3% for small organisations and 1% for micro organisations – hence the reason why they secure such a high proportion of donations (See 4.15 above).

4.22 The sums invested in some direct marketing initiatives can be hard to justify. The accepted wisdom amongst fundraisers is still that investment in direct marketing is worth it, so long as net income is achieved, but when a charity judges a response of 115 people to a mailing sent to 12,000 people as a success (example provided by Amanda Delew), the public is likely to question whether this can be considered a good use of charity's funds, even though this is a higher response rate than most commercial direct mail. Of course, if UK charities had postage discounts similar to those in the US, the return on direct mail would increase considerably. Nevertheless, Commission interviewees like Theresa Lloyd felt there needs to be a much more open debate about the true costs of fundraising. New measures are also needed for judging the effectiveness of different approaches to fundraising, which take account of other factors besides just net financial return for individual charities, and which build on the work of the ImpACT Coalition.

4.23 One approach which is appearing to have beneficial results is the potential for collective fundraising action by charities. This can take a number of different forms including:

- Collective approaches to researching the propensity of different segments of potential donors in the local area
- A number of local charities and voluntary groups sharing the same fundraiser(s), whose role(s) would be to identify the best approaches for each member of the collective to use, including those where a shared ask, and therefore shared income, would be most effective (see case study below)
- Shared approaches to training and supporting volunteer fundraisers and trustee boards .

Consortium based fundraising

There is a long tradition of consortium based fundraising; for instance, Alexandra Rose flag day goes back to the turn of the 20th century and raises funds for a large range of, predominantly small and local, charities. The Disasters Emergency Committee (DEC) is another well established consortium comprising most of the major international aid charities.

More currently, Cumbria Community Foundation (CCF) is exploring ways of raising more unrestricted funding locally. One initiative under discussion is a Three Peaks style run where the event would be organised locally and a proportion of places would be reserved for local organisations, but the event would also be promoted to national charities. Charities would be charged for places and the net income after costs would go to local organisations.

4.24 An important issue related to improving asking is how to finance the investment it requires. Traditionally, this has been done through voluntary income and reserves, but as social investment mechanisms develop, there may be more scope, particularly for larger charities or for consortia of smaller charities, to borrow funds against projections in business plans, which, quite realistically, can demonstrate high rates of returns.

- 4.25 **The consensus from people the Commission has spoken to is that the Commission’s priority should be to improve the quality of asking, rather than promoting an abstract concept of giving; and that particular priority should be given to helping those smaller charities that do not have the same levels of resources to invest in fundraising that are available to the larger ones. At the same time, initiatives to increase philanthropy and to engage philanthropists more positively should be actively pursued.**

5 Context for Giving and Asking

5.1 Regulation

- 5.1.1 The regulation of fundraising is done partly through statutory regulations and agencies and partly through self regulation and standards. Further details are given in Annexe 2.
- 5.1.2 Voluntary codes have been developed by the Institute of Fundraising (IoF) covering all the main types of fundraising. The Fundraising Standards Board (FRSB) administers these codes and to date 1300 charities (including all the major fundraising charities) have become members of the FRSB scheme, whereby they agree to comply with ‘The Fundraising promise’ and the IoF’s codes of fundraising practice. Although this is currently a voluntary, self –regulatory system, under the Charities Act (2006), the Minister has a reserve power to make it statutory. The five year review of the Act is due to start by November 2011. Although it is unlikely that the Minister of the day will want to make the system statutory, charities could be required to register with the scheme, but the Board itself would continue to be run independently. The indications are that most larger charities would welcome this, because the lack of regulation at the moment leads to poor practice, which in turn reduces confidence in the sector as a whole. Either way, it is important that more charities become members of the FRSB scheme, as this should increase public confidence.
- 5.1.3 Although there is a considerable amount of regulation of the sector, most of the regulations charities have to comply with, such as health and safety and employment regulations, are part of a wider system of regulation affecting small businesses in general. However, the Government is committed to reducing the bureaucracy involved in running charities and has already announced a cross-departmental task force on this issue.
- 5.1.4 The three main areas of current concern identified by the Commission are:
- The Substantial Donor provisions in the Finance Act (2007), which the previous government had agreed to amend and on which HMRC have a working party looking at how best to ensure the current legislation does not affect innocent charities and donors. This legislation, which most charities are unaware of, but would be very concerned if they knew about it, has the effect of giving credibility to the negative views held about many philanthropists
 - The ‘fit and proper persons’ test introduced by the 2010 Finance Act, which allows HMRC to deny tax relief to a charity if it feels that a senior employee or trustee is a fraud risk. New guidance issued by HMRC now states that HMRC will assume that all employees and trustees of charities satisfy this test, unless it is shown evidence to the contrary
 - Reducing the barriers and bureaucracy involved in running raffles/lotteries and enabling higher prizes to be paid. If charities working for the same cause or in the same area could run joint raffles with higher prizes, there is considerable potential for raising larger sums of money this way. However, it will be important to look at European experience to ensure that this would not have a negative effect on the National Lottery’s income before proceeding with these changes.

5.2 Tax

5.2.1 The tax system affects the income and expenditure of charities in a number of ways:

- Fiscal incentives, such as Gift Aid, can affect individual and company decisions to give, as well as increasing the amount charities receive. Evidence suggests that people don't give because of tax breaks, but tax breaks will increase the amounts people give and may determine how their gift is made up¹²
- Taxes, such as unrecoverable VAT, can reduce the amount of income charities receive
- Tax reliefs, such as corporation tax exemption and business rate relief, can reduce the amount charities have to pay, whilst impacting adversely on other civil society organisations (CSOs), such as social enterprises, that are not eligible for them
- More generally, macro trends in taxation, such as the move from taxing income (which can incentivise giving) towards taxing consumption (which has no impact on giving, but adversely affects charities through increased VAT) could have a major impact on charities' income in the longer term, unless other measures are put in place to counteract this.

5.2.2 The complexity of some of the fiscal incentives is potentially a real barrier. For example, arrangements for claiming tax relief on donated goods, e.g. to charity shops, are extremely complex and not well understood, and are therefore unlikely at present to act as an incentive to giving. In the US, on the other hand, non-cash contributions, consisting of corporate stock, clothing, land and household items, which can simply be registered on individuals annual tax return, amounted to \$52.8bn in 2007, an increase of 13% on the previous year (= the largest source of income for charities in the US).

5.2.3 Further details of current issues about, and options for, reforming Gift Aid are given in Annexe 3. Although reforming Gift Aid is seen as an important issue by the sector, a number of other tax issues, such as VAT, have also been raised with the Commission. Further details are given in Annexe 3.

5.3 New Mechanisms for Giving and Asking

5.3.1 Joe Saxton emphasises the importance of integrating giving into people's lives. The development of new social media and ICT not only makes this easier, but also reinforces its importance. There are a number of opportunities for doing this including:

- Developing the application of new technology to Gift Aid (Respublica report commissioned by CAF)
- Adding donations or rounding up bills electronically at the pay out counter or on the internet (Pennies Foundation and Give Change initiatives – see case studies below)
- Inviting donations at the cash machine (Disasters Emergency Campaign example)
- Receiving a voucher to spend in a store, in return for donating goods to a charity shop (M&S/Oxfam)
- Including mechanisms for giving when buying financial products, such as pensions, mortgages, ISAs and investment trusts (being pursued by CAF and others)
- Bank Gifting accounts as part of mainstream banking arrangements (proposed in CFN Manifesto and being promoted by the Ambassador for Philanthropy, Dame Steve Shirley)
- Payroll giving systems that follow you around when you change employer
- Seethedifference.org offers charities the chance to upload videos about issues and projects they are fundraising for and then provides those who wish to donate with the means to do so

¹² Philanthropy in the 21st Century: a discussion paper by Lindsay Driscoll and Peter Grant for the Honorary Treasurers Forum, published by Cass Business School, City University

- GetGiving is a mobile application that will give donors the opportunity to make micro-donations on their Iphone, blackberry or windows mobile within the space of a minute
- Further development of sites such as PayPal, JustGiving and Localgiving
- Further TV appeals e.g. persuading ITV and Sky to follow the BBC's examples of Children in Need and Comic Relief.
- Inviting customers to pay what they want for a product in the knowledge that half will go to charity; research by Ayelet Gneezy from the University of California, San Diego, suggests this can increase sales and profits, as well as benefiting charity.

5.3.2 One of the particular challenges is how to make sure these mechanisms benefit smaller charities, as well as the larger ones.

Electronic Charity Boxes

- The Pennies Foundation is a registered charity established to improve people's lives by making giving simple and inclusive through the creation of the 'electronic charity box'. As consumers increasingly use payment cards rather than cash, there is an opportunity for the 'Pennies' branded electronic charity box to raise incremental money for many UK charities. This could be through rounding up the bill to the nearest pound or though adding a chosen amount to the bill, and will be available to consumers in stores and restaurants, as well as when they shop on-line using the internet.

£80m could be raised every year if just 3% of transactions were rounded up. Consumer research suggests the figures are likely to be much higher.

Retailers nominate which charities should benefit from the majority of the monies collected to ensure it aligns with the retailer chosen charity approach; a significantly smaller proportion will be allocated by the Foundation to other charities to help support large and small charities across our communities.

Plans to trial Pennies are underway and it expects to roll out more widely to retailers in 2011

- Give Change is a consortium led by Cancer Research UK and comprising British Red Cross, World Wildlife Fund and Great Ormond Street Hospital is also preparing to come to market shortly with a rounding-up platform. Its mission is to create the virtual charity collection box of the electronic age. Customers will have the option of rounding up their bill at the check out and donating the difference to one of or more of the four causes or to a cause nominated by the retailer.

5.3.3 Income as a byproduct of buying financial services has particular potential. In the US, 20-40% of all giving comes from affinity schemes or planned giving through financial products. The equivalent income in the UK is currently negligible. There are no overwhelming barriers; what is needed is first the coordination of the development of affinity financial products between charities and financial providers and then a change in our culture in which the public see financial products as an opportunity to give and charities become more open to the idea. At the same time, it should be remembered that giving in this way can change the nature of giving, making it more transactional, and could mean the charity becomes less beneficiary focussed.

5.3.4 The new mechanisms also mean that the old, traditional mechanisms, namely cash and cheques, which are most used by charities' main group of donors (older people) are going to

be displaced. As part of transitional arrangements, there may be scope for persuading banks to issue customers with charity cheques, possibly administered by CAF, to replace traditional cheques.

5.3.5 There also could be scope for developing a system of charity vouchers for children as part of the initiatives run by the Citizenship Foundation in schools.

5.3.6 There is growing interest in innovation in fundraising (See box below). The Showcase of Fundraising Innovation and Inspiration (SOFII), founded by Ken Burnett, has a website devoted to publicising innovative approaches.

Examples of Innovation in Fundraising (from a paper prepared for the Commission on Innovation in Fundraising by Katherine William-Powlett, NCVO)

- Amnesty International

Amnesty wanted to run an advertisement in the press on the day of Shell's AGM. They asked supporters, who supported their campaigns but did not necessarily make donations, to buy one cm squared or three cm squared of the advertisement – those buying three got their name on it. Using Twitter, Facebook and other social networking they got massive response and had enough money for an ad van and two advertisements. The Financial Times rejected it. This news was widely tweeted generating blogger coverage and wider awareness.

The campaign re-energised and revitalised the Amnesty brand and worked because it created its own crisis; touched a nerve; provided an immediate way for people to see the difference they could make; and involved an already warm audience in a way that they could identify with. Donors who had paid to have their name in the advertisement got a personal note of thanks with a copy.

- Greenpeace

Recognising the public's scepticism and increasing reluctance to sign up for face to face fundraising (often referred to as 'Chugging' and in fact invented by Greenpeace); Greenpeace tried a new approach in India, with big success. With chugging only 17% of people approached agree to listen and only 10% of them actually commit support. By 'prospecting', Greenpeace achieved a 25% conversion rate. They texted a free offer of a sapling to over 56,000 'warm prospects' – people they knew had an interest in environmental issues. Those that replied were visited personally with the sapling and invited to commit to regular giving. The sign-up rate exceeded all expectations.

- De Paul UK – i:hobo

This charity supporting homeless people created a provocative downloadable app that lives on a mobile phone and makes increasingly desperate appeals for help which the owner has to respond to in order to keep the 'hobo' well. At the end of the 3 day real time experience, there is a direct appeal for help. The free app shot to the top of the i-tunes download charts and news of it spread through social networking. To date it has 21,500 views on YouTube and over 64,000 ratings from people who have downloaded it.

5.4 New Opportunities through Social Media and ICT

5.4.1 In a paper written for the Commission, Guy Yeomans identified eight broadly defined technologies which are likely to have increasing impact over the next five years:

- mobility & ubiquitous connectivity

- alternative payment methods
- new forms of funding interaction & value
- data growth
- location-based services
- real-time social media
- infrastructure services
- fundraising platforms

Case Studies – New Social Media

- **BBC Children in Need**

In 2009 BBC Children in Need raised £39m – its highest total in real terms in 30 years

since it began. £14.6m was raised through direct public donations, of which, for the first time, £1.5m was raised through 300,000 text donations of £5 each. David Ramsden, CEO, says this undoubtedly included a lot of younger people, giving for the first time. Following pressure from Comic Relief and substantial persuasion, the phone companies agreed to waive all their charges. The call to action was set at £5 because a high proportion of mobile phone users are on pay as you go and their average level of credit is small; however, a number of multiple donations of £5 were made and next year there is likely to be the option to donate £1, £5 or £10.

BBC Children in Need also made extensive use of social media as ways of raising awareness of the appeal. They had 30,000 Pudsey fans on Facebook and 5000 Twitter followers. They also asked four young people with very high You Tube followings to put together a single using You Tube resources only, as a way of promoting Children in Need. In future, they will develop these plans further which may include identifying supporters with lots of Twitter followers to help them promote the appeal.

- **Beat Bullying**

According to Sarah Dyer, Director of Digital Marketing for Beat Bullying, the more you engage with people on line, the more you can engage with them off line e.g. by getting them to fundraise for you and, at a later stage in their life, getting them onto the donor database.

- **Shelter**

Shelter have had some great successes in developing their databases through new products like ‘House Bling’ where people could decorate the outside of their house with Christmas bling using Google Streetview; they are now running ‘Strip for Shelter’ where people can decorate their house with their World Cup football team strip. The challenge is then how to convert these people into becoming supporters.

- **Campaigns**

United Response ran their ‘Every Vote Counts’ campaign before the election, using Facebook, and Action for Children won a Golden Twitter award for their campaign around neglected children, which even attracted a twitter from Stephen Fry; again, for fundraisers, the issue is how to convert the social buzz created into actual donations,

when this wasn't the original purpose of the campaign.

5.4.2 Commentators differ as to how far they see ICT and the new social media impacting on giving and asking, and how far it will result in a net increase in donations, as opposed to simply replacing old technologies, but the following issues need to be considered:

- increasing numbers of young people likely to be giving through ICT
- fewer barriers for donors to overcome; more personalised approach
- volatility and globalisation of giving; interest in issues, not organisations
- interest in volunteering and campaigning, alongside giving money; communities of interest
- growing importance of donors seeing direct impact and having meaningful dialogue with those they support
- direct giving to projects; potential disintermediation of charities
- virtually no transaction costs
- reduced control of brand and communication by charities
- implications for fundraisers and investment advisers
- need for trustees and CEOs to understand the wider potential and implications of these developments.

5.4.3 As the pace of these developments accelerate, CSOs will need to ensure they keep up and take advantage of the opportunities they present. Engaging young staff and volunteers in helping develop these approaches will be important, but there will be an important capacity building requirement to address. There is also still a major challenge in turning the volume of communication through the new social media into actual donations.

6. Emerging Recommendations

'More giving millions and millions giving more'

6.1 Making giving easier at every level and improving the fiscal environment for charities and donors are two themes which have consistently been raised with the Commission. One of the most important roles for Government in promoting and incentivising philanthropy and individual giving is to address these issues. A number of initiatives for doing this, including the Gift Aid Forum, modernising the administration of Gift Aid, the Tax Reform Group's work on VAT on shared support services and irrecoverable VAT and the Lifetime Legacies Working Group, are already in existence. The Commission supports these initiatives strongly.

6.2 A number of important initiatives for increasing giving and for improving asking are already being promoted by bodies like the Institute for Philanthropy and the Institute of Fundraising (IoF). The Commission endorses these and would want its own recommendations to build on them. It is particularly important that the IoF continue to help and encourage smaller charities to take more advantage of Gift Aid than is currently the case.

6.3 One particular initiative being developed by the Institute of Fundraising is for a campaign, provisionally called 'Right to Ask/Right to Give'. The proposal grew out of an initial concern about the growing number of barriers being put in the way of fundraising e.g. restrictions on face to face fundraising, such as cold call zones, as well as negative attitudes towards fundraising, but could develop into a wider campaign on the theme of 'Get Britain Giving'.

6.4 Two new initiatives are recommended. One, the proposal for the Big Ask Campaign, is a development of the IoF's 'Right to Ask/Right to Give' campaign proposal. The other is an initiative

for helping the sector to realise the potential of the new social media and other technological developments for increasing giving, especially amongst younger people.

The Funding Commission's aspiration is to increase the amount given each year to £20bn over the next 10 years.

From our initial modelling, we believe this is an ambitious, but achievable target. For example, it could be achieved by:

- Converting 4.7m non-givers into givers
- As a result, increasing the number of standard givers giving less than £100 per month from 50% of the adult population to 55%, contributing £8.6bn pa
- Increasing the amount that high givers (more than £100 per month) give by 60%, contributing £9.3bn
- Increasing the number of philanthropists giving over £1m pa to charity from 290 to 465 and increasing the amount they give by 60%, contributing £2.1bn

Further work needs to be done on the feasibility of achieving these estimates, but we believe the statistics and demographic changes highlighted in Sections 2 and 3, coupled with our two recommendations below, provide grounds for optimism.

RECOMMENDATION 1 – THE BIG ASK

Background

- **The Giving Campaign helped stimulate more giving, helped increase charities use of gift aid and developed initiatives to educate children about charities**
- **The Campaign did not succeed in raising the sums originally planned. Some of the lessons of the campaign were that all those involved in asking for funds should have been more involved; stronger messages about the work of charities and the importance of civil society needed to be disseminated; and the campaign should have gone on longer**
- **The consensus from our interviewees is that the priority should now be to increase the quantity, and improve the quality of, asking for donations and then of engaging with donors, rather than promoting an abstract concept of giving. We are therefore proposing a new campaign, called 'The Big Ask'**

Principles

- **The Big Ask will increase the confidence and the competence of all those involved in asking for funds for charities, including trustees, chief executives, paid fundraisers, volunteer fundraisers and communications staff. It will target philanthropists, as well as the general public**
- **The campaign will work through existing agencies, rather than setting up new ones, but will inject new finance to help them scale up their activities**
- **The campaign will be directed by a small executive body, chaired by a philanthropist, that will hold the delivery agencies to account for achieving agreed outputs and**

outcomes, but also ensure the relevant umbrella bodies are fully involved

Campaign's objectives:

- Improve the quality and effectiveness of all forms of fundraising
- Help develop, support and promote innovative approaches to asking
- Promote the importance of the work of civil society organisations (CSOs)

Campaign targets:

- Increase the amount given over the next 10 years to £20bn
- Give particular support to smaller and local charities and voluntary groups

Campaign activities:

- Training initiatives for trustees, CEOs, paid and volunteer fundraisers
- Developing and supporting local coalitions for fundraising and community foundations, taking full advantage of new initiatives like electronic rounding up and localgiving.com
- Supporting the development and expansion of the Showcase of Fundraising Innovation and Inspiration (SOFII) through developing the website to make it more interactive and through sourcing new content
- Helping develop new ways of asking people to give, taking advantage of new mechanisms for giving
- Supporting initiatives to improve the way in which charities and other CSOs communicate their work and engage with those who support them
- Raising awareness of the work of charities through increased media coverage of philanthropy
- Developing new, more open, measures for evaluating both the cost effectiveness and the success of different fundraising approaches

Campaign outcomes:

- More giving millions – through increased levels of philanthropy from high net worth individuals
- More giving more – current donors giving more effectively and increasing the size of their donations
- Millions giving more – through attracting new donors, especially younger people

The cost of the campaign is estimated at £10m (see below) to be met by investment from the commercial sector (e.g. the financial services and communication industries) and other sources with appropriate government support

Benefits: all CSOs (of all sizes) involved in fundraising, especially smaller, local CSOs.

Note

Further work to be done on Campaign costs and phasing, including demonstrating the cost benefit of investing £10m to generate £10bn and exploring a payment by results model e.g., at a later stage in the campaign, government matching increases in donations for a fixed period ('double your money')

RECOMMENDATION 2 – SOCIAL MEDIA AND NEW TECHNOLOGY

Background

- There are eight technologies which are likely to have increasing impact over the next five years: mobility and ubiquitous connectivity; alternative payment methods; new forms of funding interaction and value; data growth; location-based services; real-time

social media; infrastructure services and fundraising platforms.

- **Commentators differ as to how far they see ICT and the new social media impacting on giving and asking, and how far it will result in a net increase in donations, as opposed to simply replacing old technologies. Even so, new approaches are going to be necessary to ‘refresh the ask’ in a contemporary form.**
- **The following issues need to be considered:**
 - **increasing numbers of young people likely to be giving through ICT**
 - **fewer barriers for donors to overcome; more personalised approach**
 - **volatility and globalisation of giving; interest in issues, not organisations**
 - **interest in volunteering/campaigning, alongside donating; communities of interest**
 - **importance of donors seeing impact and communicating with those they support**
 - **direct giving to projects; potential disintermediation of charities**
 - **virtually no transaction costs**
 - **reduced control of brand and communication by charities**
 - **implications for fundraisers and investment advisers**
 - **need for trustees and CEOs to understand the potential and implications.**

Proposal (Recommendation still being developed)

A major objective will be to attract new donors, especially amongst young people. Different recommendations will be targeted at the following types of audience:

- **large organisations big enough to support permanent staff with functional specialisms**
- **small-to-medium sized organisations, with permanent staff but not large enough to support individual functional specialisms**
- **organisations without permanent, salaried staff**

Recommendations will also cover: organisational structure; operational needs; infrastructure requirements; fundraising method; recruitment & staffing; education & skills development; donors & sponsors; recipients & benefactors; and culture & behaviour

Benefits: All CSOs

Annexe 1 – Encouraging Giving

1. There have been a number of initiatives to encourage giving, most notably the Giving Campaign (2001-04), which was established to encourage a culture of giving and to increase the number of donors and the amount donated. The government contributed £1m and CAF, NCVO and a number of the larger charities also contributed to the cost of the campaign. The campaign was targeted at the wealthy, tax effective giving, employers and employees, and young people. The campaign aimed to achieve the following:
 - Raise awareness of the tax reliefs for charitable giving amongst donors, charities, employers and financial advisors
 - Promote planned giving in the workplace
 - Aid the development of a generation of young people committed to giving
 - Help increase the total amount given to charity by £500m during the lifetime of the campaign.
2. During the life of the campaign, gift aid participation increased to 30% of donors¹³; there was a 10% annual increase in charities making claim for tax repayment (to more than 55,000); and donations increased by more than £0.5bn. Its legacy included Giving Nation, the youth strand of the campaign, now hosted by the Citizenship Foundation, which aims to educate children about giving; it also issued a challenge to double the value of donations from £10bn to £20bn by 2014, which is clearly not going to be achieved. The campaign also proposed a norm of 1.5% of income for giving.
3. Philanthropy UK has also undertaken some important work since its foundation as a project of the Association of Charitable Foundations in 2001, under the (then) direction of Theresa Lloyd. It provides independent practical advice to would be donors; promotes networking amongst practitioners, researchers and advisers to facilitate sharing of good practice and documents the motivations and concerns of donors. Two of its most important publications are ‘Why Rich People Give’ and the ‘Guide to Giving’, which was the first independent guide to giving mechanisms.
4. In 2005, the Home Office published ‘A generous society; next steps on charitable giving in England’, which set out a number of ways in which the government aimed to build on the campaign and encourage charitable giving. More recently, the Cabinet Office has provided strategic grant funding to the Community Foundation Network, the Institute of Fundraising, Philanthropy UK and the Citizenship Foundation, as well as establishing the V match fund to promote volunteering and the Endowment Challenge fund to incentivise local giving to endowment funds managed by community foundations or other local bodies. However, it is questionable whether this support will continue, given the forthcoming cutbacks in public expenditure
5. In 2009, the Cabinet Office announced the creation of an Ambassador for Philanthropy, Dame Steve Shirley, to promote high net worth giving. Currently, a number of ideas for promoting giving are being considered by the Government, including ideas for ‘nudging’ people towards behavioural changes to give more.
6. Some interesting ways of linking philanthropy and social investment have been developed recently by charities, such as Scope’s Venture Philanthropy package, which combines donations, interest free loans and commercial loans for financing the development of new, independent, flats for disabled people (see Commission’s paper on Capitalisation and Social Investment) .
7. Possible deterrents to giving that have been suggested are:
 - Potential reductions in trust and confidence resulting from:
 - frustrations with fundraising methods, such as on street, door to door or direct marketing

¹³ Some of this increase was simply substitution for covenants which were phased out.

- perceptions of too many charities, all competing for funds
 - perceptions of some charities being part of the public sector
 - perceptions of inefficiencies or waste
 - lack of engagement with charities and uncertainty about their social impact
 - scandals about fraud
 - Wealthy donors' concerns about the hostile reactions they get from the media and general public because of perceptions of:
 - Self aggrandisement
 - Tax evasion
 - Paternalism
 - Donors' more general concerns about
 - the financial outlook for the country and for themselves and their families
 - not knowing how much to give; lack of a social norm for giving
 - not knowing which are the best charities working for the causes they care about
 - the complexity and bureaucracy of some current mechanisms for giving in a tax efficient way
 - not wishing to mix donations and investment.
8. New Philanthropy Capital (NPC) has looked in detail at the philanthropy advice market¹⁴ and has identified four priorities for developing the provision of financial advice, which are being taken forward by a Steering Group, chaired by Dame Steve Shirley.
9. The Citizenship Foundation runs a number of projects targeted at young people and teachers in schools, which promote citizenship as part of the curriculum and encourages young people to think about the causes they care about, how they can best support them and the role of charities in this context. The future of this work is uncertain at the moment, given potential changes to the school curriculum and the possibility of funding from the OCS coming to an end.

¹⁴ see 'The Business of Philanthropy' March 2010

Annexe 2 – Regulation

The regulation of fundraising is done partly through statutory regulations and agencies and partly through self regulation and standards. Statutory regulations and other measures include:

- Provisions in the Police, Factories, etc (Miscellaneous Provisions) Act (1916) for regulating street and house to house collections.
- Provisions in the Telecommunications (Data Protection and privacy) regulations (1999) and subsequent regulations, which enable households and companies to register under the Telephone Preference Service, which is an opt-out telephone list for preventing telemarketing calls to those who do not want to receive them.
- Provisions in the Gambling Act (2005) administered by the Gaming Board on behalf of DCMS for the regulation of raffles and lotteries
- Provisions in the Finance Act (2007), which regulate substantial donors (over £25k) to stop wealthy people and their relations benefiting from charities they donated to
- Provisions in the Finance Act (2010) which change some of the definitions of charities to reflect the fact that tax reliefs and exemptions are being extended to certain EU organisations
- Proposed introduction of music charges by the Intellectual Property Office, Dept for Business, Innovation and Skills, which will adversely affect small CSOs

Annexe 3 – Tax

- 1 The tax system affects the income and expenditure of CSOs in a number of ways:
 - Fiscal incentives, such as Gift Aid, can affect individual and company decisions to give, as well as increasing the amount charities receive
 - Taxes, such as VAT, can reduce the amount of income charities receive
 - Tax reliefs, such as corporation tax exemption and business rate relief, can reduce the amount charities have to pay, but do not benefit other CSOs, such as social enterprises, that are not eligible for them.
- 2 Gift Aid has been an important source of, unrestricted, income to charities, particularly since 2001/02 when the minimum qualifying gift was removed and deeds of covenant rendered obsolete. The amount of tax relief to donors and charities increased from £362m in 2000/01 to £1.3bn in 2009/10, of which £1bn went to charities (the balance going to donors). However, there are a number of concerns about the present Gift Aid system:
 - It is a complicated system, involving 70,000 claims pa, which requires a lot of staff in HMRC (120 staff , although they also undertake other work on charities) and in charities (e.g. 10 in NSPPC) to administer. Some charities currently submit a claim every day of the year; HMRC now has the power to limit the number of claims that can be made in a year and it will be putting this into effect, because of the need to limit staff time spent on Gift Aid.
 - CAF estimate that at least £750m is unclaimed every year, both by individuals eligible to claim tax relief (i.e. those on higher rate tax) and by charities (especially smaller ones), who are not aware of the scheme or do not have the systems to operate it
 - Although the amounts given using Gift Aid have increased, there is no evidence that overall giving levels have increased as a result of Gift Aid. Evidence from US experience suggests that tax relief can influence giving levels over time, but there is very little UK evidence. An HMRC-sponsored study in 2009 found that increasing tax reliefs is a relatively inefficient way of encouraging people to give more. Increasing the amount of a Government ‘match’ claimed by charities has a greater incentive effect.
 - The higher amounts people give, the more likely they are to claim Gift Aid
 - If the basic rate of tax goes down, so does the amount of Gift Aid claimed by charities, unless transitional arrangements are put in place, as has happened for 2008-11
 - If higher rates of tax go up, this increases the relief available to higher rate donors
 - The arrangements for claiming tax relief on donated goods (which were never intended to be done through Gift Aid) are extremely complex and not well known or understood
- 3 Three different options are currently under discussion in a working group set up by HM Treasury with sector representatives; it is not yet known what the Government intend to do on this issue. The three options are:
 - 1) No significant changes to the Gift Aid system, but a simplification of its administration
 - 2) A composite rate; charities would get a higher rate of relief on all donations, but donors paying higher rates of income tax would no longer be able to claim personal tax relief
 - 3) A composite rate, but with an exemption for major donors
- 4 Key considerations which any option has to take into account are:
 - The need to provide an incentive to people to give more
 - The need for simplicity, fairness and sustainability
 - Affordability and value for money
 - The need to ensure that a revised system continues to be classified by the ONS as tax relief rather than government spending, which would not only add to the budget deficit, but would also be susceptible to government spending cuts

- 5 The Gift Aid Forum has been asked by the Coalition Government to come up with proposals to reform and simplify Gift Aid reform by 30 September 2010, aiming for implementation in the 2011 budget.
- 6 Although reforming Gift Aid is seen as an important issue by the sector, the following issues have also been raised with the Commission:
 - The Lifetime Legacies Coalition is promoting Charitable Remainder Trusts whereby a donor can make an irrevocable gift to a charity during their lifetime, of shares, property or cash, while retaining the benefit of the income or use of the gift for the term of their life. The donor can claim relief from capital gains tax at the time of the gift and its value is not counted as part of their estate for the purposes of inheritance tax. The Coalition is also promoting the idea of Lead Trusts whereby a donor can donate the interest on capital to a charity during their lifetime, but not the capital on their death. The Coalition has not identified any evidence from the US that lifetime legacies increase giving, but they do provide charities with greater security regarding future income. HM Treasury has a working group looking at these proposals.
 - Some of the Commission's interviewees highlighted that the arrangements for claiming tax relief on donated goods (which were never intended to be done through Gift Aid) are extremely complex and not well known or understood
 - The Institute for Philanthropy is lobbying for tax relief for works of art donated to the donation
 - Series of proposals in the Manifesto for Community Philanthropists published by the Community Foundation Network (2009) including Special Giving Zones to incentivise giving to target certain issues or deprived areas and preferential tax breaks for foundations that have a form of public ownership and promote engagement with beneficiaries
 - Continuing concerns (heightened by the recent increase in VAT to 20%) represented by the Charity Tax Group about unrecoverable VAT on services purchased by charities (estimated at £1bn pa), resulting from the fact that charities are treated as the final consumer of services, even though their clients, who are not in a position to pay VAT, are the final consumers
 - Concerns about the VAT implications when CSOs want to share support services as part of collaborative working arrangements has led the Charity Tax Group to try and convince HM Treasury and HMRC to implement Article 132(1)(F) of the Principal VAT Directive in UK VAT Law. This would provide VAT exemption for sharing staff, services or facilities with other charities or outsourcing non-core activities and would thus remove one of the current potential barriers to collaborative working (See separate Commission paper (to follow) on Effectiveness).
 - The need for a tax system which promotes social entrepreneurialism and philanthropy, while maximising returns to the sector, as recommended by the Community Alliance Social Enterprise Coalition and ACEVO in their joint manifesto 'The Time is Now' (2010); a strong and clear package of tax incentives to encourage social investment, including strengthening, simplifying and extending the Community Interest Tax Relief system and improving the tax breaks in the Enterprise Investment Scheme and Venture Capital Trusts to give a higher return for organisations delivering social or environmental benefit. (see Social Enterprise Coalition manifesto 'No more business as usual' (2010) and separate Commission papers on Capitalisation and Social Investment and (to follow) on Trading on the Open Market).