

A high-angle, wide shot of a massive crowd of runners participating in a marathon. The runners are spread across a wide, tree-lined street, moving away from the camera. The trees have green and yellowing leaves, suggesting an autumn setting. The runners are wearing various athletic gear, including tank tops, t-shirts, and shorts. The overall atmosphere is one of a large-scale community event.

A Generous Society

Next steps on charitable giving in England

active
communities

Home Office

A Generous Society

Next steps on charitable giving in England

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Foreword

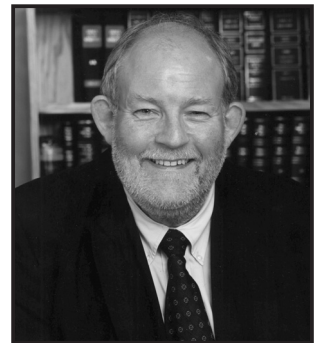
As we approach the end of the Year of the Volunteer we have an opportunity to reflect on the amazing generosity of the British public. In England alone, over 20 million people volunteer regularly every month to support the issues and causes that matter to them, 1.5 million more than in 2001.

But the giving of time is only one way in which we contribute to the social fabric of the nation. A lot more of us donate money. From the spare change we drop into collecting tins, through regular donations to favourite charities, to one-off national events like Red Nose Day and the unprecedented outpouring of support for the victims of the 2004 Boxing Day tsunami, we collectively give over £7 billion every year.

Public attitudes to charitable giving have changed over the years. Victorian Britain invented modern philanthropy through the great works of Elizabeth Fry, Octavia Hill, Thomas Barnardo and others, yet by the middle of the twentieth century most saw charity as a poor alternative to state provision. I disagree fundamentally with this implied conflict between state and civil society. Across government we are working in partnership with the voluntary and community sector to transform the sector's ability to deliver world-class public services.

Of course, the decision to donate, like the decision to volunteer, is a private one. And it is one in which the Government has no interest at all in interfering. Nevertheless, we have a vision of a society where voluntary activity flourishes and where all are enabled to play a full part in civil society. To this end, the Government is determined to do all it can to make it as easy as possible for those who want to contribute to do so, and to help develop a culture in which charitable giving is a natural part of everyone's life.

This is why, five years after introducing the Getting Britain Giving package of tax measures, the Government is renewing its commitment through the proposals set out in this report, which we hope will deepen further the culture of giving in England.



**Rt. Hon. Charles Clarke MP,
Home Secretary**

1. Introduction

1.1 The desire to make a difference to the world around us is a powerful motivator and the voluntary and community sector, in one form or another, has always been the driving force for social change. Yet the sector would not exist without the willingness of individuals in all parts of society to give of their time and make a commitment to change things for the better.

1.2 Just as important as their time, however, is the money that people freely give to make their ideas and convictions a reality. We already live in a generous society yet the potential exists for so much more. The Government is committed to doing what it can to foster a culture of planned, regular and tax-efficient giving.

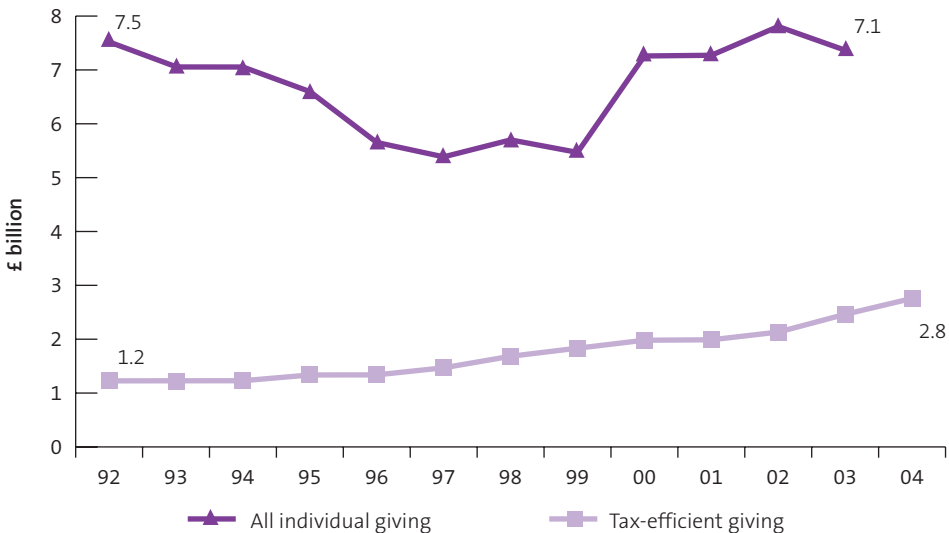
1.3 And we have made good progress. In 1997 we launched the first ever comprehensive review of charity taxation. In 1999 the Chancellor announced the Getting Britain Giving package of tax incentives. In 2001

we established the Giving Campaign in partnership with the Charities Aid Foundation (CAF) and the National Council for Voluntary Organisations (NCVO). And in 2002 we introduced Community Investment Tax Relief to encourage private finance into under-invested communities.

1.4 Much of this was set out in *Next Steps on Volunteering and Giving in the UK*, a discussion document published as part of the 2002 Pre-Budget Report. This included a number of measures, the progress of which we report in Chapter 3.

1.5 Since *Next Steps* was published we have continued to work with the voluntary and community sector to explore ways to promote charitable giving. In January 2005 we launched the £8.3 million Payroll Giving Grants Programme, designed to incentivise small and medium-sized enterprises (SMEs) with fewer than 500 employees to establish payroll-giving schemes.

Figure 1: Trends in charitable giving



Source: Charities Aid Foundation (UK, 1992–2004, adjusted for inflation)

- 1.6** Taken together, these changes have started to reverse the long-term gradual decline in donations, adding over £1 billion in tax reliefs and bringing levels of giving back to where they were a decade ago. Yet despite this there remain good reasons to be concerned: those who can least afford it continue to give proportionately far more than the most wealthy, and overall levels of giving have failed to keep pace with the recent growth in national income.
- 1.7** Up to now the Government's focus has been on the fiscal aspects of giving – primarily tax relief. Following the success of the three-year Giving Campaign, led by the voluntary and community sector and funded by Government, it is clear that equal attention needs to be given to the broader cultural aspects of giving. In doing so we recognise that many of the issues highlighted by the Giving Campaign require a long-term commitment.
- 1.8** In its final report, the Campaign threw down the challenge to double charitable donations in real terms over the next ten years. The Government is committed to playing its part in meeting this challenge. We believe that such a commitment is essential to the continuing health of the voluntary and community sector and Chapter 4 sets out how we intend to go about this.
- 1.9** Building on the four priorities identified by the Giving Campaign we will begin a new programme of investment:
- Working with young people so that the culture of giving is instilled at an early age.
 - Working with employers and employees, so that existing schemes like payroll giving and gifts of shares are maximised, and so that new approaches to social investment are fostered.
 - Working with charities to promote tax-efficient giving, so that they get the full benefit of existing and new schemes.
 - Working in partnership with a wide range of stakeholders to extend the democracy of giving, so that the opportunity for giving is shared equally across all sections of society.
- 1.10** This is not about Government dictating how much or how regularly individuals give to charity. Voluntary donations are the lifeblood of a healthy civil society and it is in everyone's interest that charities continue to benefit from our generous society.

Note on devolution:

Charitable giving is a devolved issue. However, policy on taxation is not. All references to charitable giving in this Report relate to England only, unless otherwise stated.

2. The evidence base

Summary:

- Between two-thirds and three-quarters of us regularly give to charity, donating over £7 billion pounds a year.
- However, the total value and frequency of charitable donations has remained unchanged since 1988 despite the introduction of various forms of tax relief, and recent changes to these rules.
- Moreover, there is some indication that the proportion of people giving is declining and that the amounts given have not kept up with increases in national wealth.
- And despite outstanding acts of individual philanthropy, the poorest in society continue to give a greater proportion of their income to charity than the rich.

Introduction

2.1 Between two-thirds and three-quarters of us give to charity on a regular basis, donating over £7 billion each year.* But as Figure 1 in the previous chapter shows, although the amount given has risen considerably over recent years, it is still lower in real terms than it was a decade ago. This chapter looks at what the evidence base tells us about who gives and how much, as well as the various methods of giving and the impact of tax reliefs. It also looks at which charities benefit most from public support and how patterns of giving have changed over time.

2.2 The evidence base draws on analyses of both statutory datasets and surveys. The annual Individual Giving Surveys (commissioned jointly by the Charities Aid Foundation and the National Council for Voluntary Organisations) form a particularly rich source of information on charitable giving trends. But the recent 2003 and 2005 Home Office Citizenship Surveys also include questions about charitable giving.

Who gives?

2.3 According to the 2003 Individual Giving Survey, 66 per cent of the population had given to charity in the last month. By contrast, the 2003 and 2005 Home Office Citizenship Survey found that three-quarters of the population had given in the last four weeks.

2.4 People give to charity for a variety of reasons, whether philanthropic or self-interested. The most frequently reported motivations are a personal connection with the charity or cause and the feeling that the charity is doing an important job well. The profile of donors has remained relatively unchanged over the period for which survey data are available. Women are significantly more likely to give than men. Similarly, those who practise religion are more likely to give than those who don't. And, as Table 1 overleaf shows, the same factors which influence whether or not someone gives also influence how much they give.

* New survey estimates will be available before the end of 2005 and are likely to suggest higher levels of giving. This is due to a change in research methodology and the trends therefore are not affected.

Table 1: Key characteristics of donor households

Income	For each 10 per cent increase in household income there is a 1.2 per cent increase in the probability of giving and an 11 per cent increase in the size of donations.
Age	For every increase of 10 years in the age of the head of the household there is a 3 per cent increase in the probability of giving and a 30 per cent increase in the size of donations.
Children	Households with children are 3 per cent more likely to give.
Home ownership	Home ownership increases the probability of giving by 6 per cent and increase in the size of donations by 14 per cent.
Education	Households where the head of the household is college educated are 11 per cent more likely to give and the effect of college education is to increase the amount given by 80 per cent.
Employment status	Households where the head of the household is out of work are 7 per cent less likely to give but are likely to give 20 per cent more than where the head of the household is employed or self-employed.

Source: *A Lot of Give*, Charities Aid Foundation, taken from Banks and Tanner (1997)

2.5 Corporate giving is another important source of charity income and, although the average corporate donation (as a proportion of pre-tax profits) remains around half that typical in the USA, there is increasing awareness of the business case for corporate community involvement, particularly as a way of attracting and retaining motivated staff. Corporate charity partnerships are also becoming increasingly popular as businesses mainstream their community involvement programmes.

How much do we give?

2.6 The average monthly donation in 2003 was £12.30, marginally lower than the level in 2002 but nearly 30 per cent higher than in 1997. Yet at the household level, donations to charity form only a small proportion of overall expenditure. Drawing on Family Expenditure Survey data, the Charities Aid Foundation estimates that:

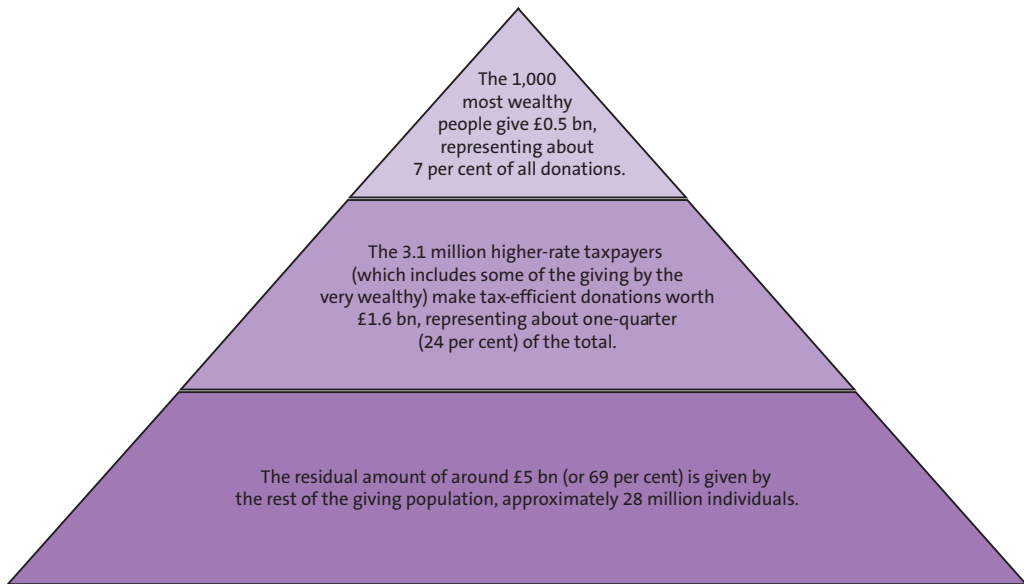
- Charitable giving represents less than 1 per cent of UK GDP.
- This is equivalent to 1.3 per cent of weekly household expenditure, compared with 2 per cent spent on tobacco and 4 per cent on alcohol.

- The richest 20 per cent devote only 0.7 per cent of their household expenditure to charities, while the poorest 20 per cent devote 3 per cent.

2.7 Some observers have commented on the apparent reluctance of the wealthy to contribute their 'fair share', although it is important to recognise that wealthy donors are considerably more likely to donate in the first place and that the aggregate of their donations is considerable. Nevertheless, there does appear to be considerable scope for charities to encourage relatively wealthy individuals to give more.

2.8 The distribution of charitable giving in the UK is heavily skewed by the small number of 'elite givers' who donate £50 or more per month. Although they represent less than 5 per cent of the population, their combined donations represent around 55 per cent of the total amount given. At the other end of the scale, one recent survey estimated that the 'median' donation (which excludes extremes and is a better reflection of the donating behaviour of the majority of the population) is just £50 a year – equivalent to around £4.15 a month.

Figure 2: The distribution of charitable giving in the UK



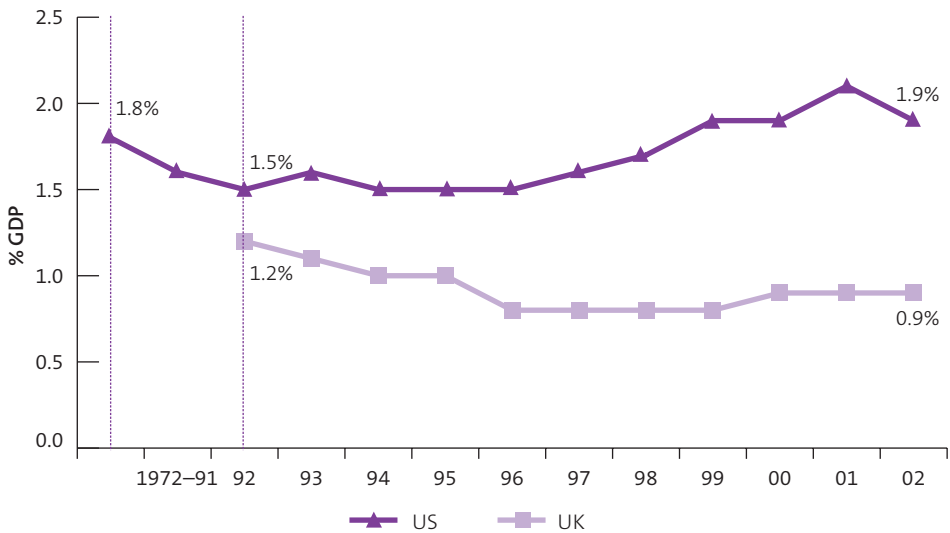
Source: *Charity Trends 2005*, Charities Aid Foundation

How have patterns of giving changed over time?

- 2.9** Data from the annual Individual Giving Surveys appear to show an overall decline in the proportion of the population who give, from 70 per cent in 1995 to 66 per cent in 2003. Moreover, the total amount given as a proportion of national wealth also appears to be lower than it was a decade ago and less than half that given in the USA.
- 2.10** It has been suggested that the short-term decline in giving in the late 1990s can be attributed to the introduction of the National Lottery

but this is the subject of considerable debate and it is hard to disentangle the impact of other economic and demographic factors. A simple comparison of giving before and after the introduction of the Lottery shows a slight increase in the proportion of households giving to charity but a decline in the amounts given. And a major review by the Institute of Fiscal Studies concluded that, although the total amount given might have fallen by as much as 10 per cent, there was no evidence that the Lottery had a significant effect either on the number of givers or on the size of individual donations.

Figure 3: Charitable giving as a proportion of national wealth



Source: Charities Aid Foundation

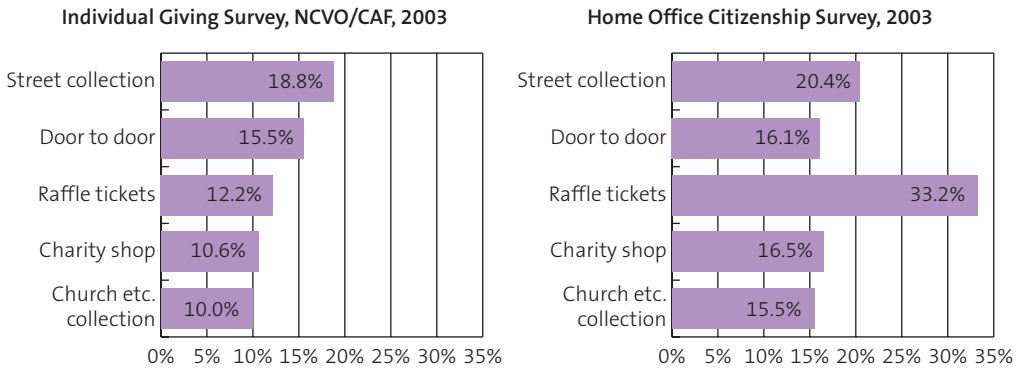
How do we prefer to give?

- 2.11** Spontaneous forms of giving are a popular and important source of charity income, although estimates of the relative use of particular measures can differ considerably. For example, the 2003 Individual Giving Survey found that only around one in eight people bought raffle tickets (excluding the National Lottery), whereas the 2003 Home Office Citizenship Survey estimated that one in three people supported charities in this way. These differences probably reflect the effect of different methodologies, but further work is needed to establish commonly agreed estimates.
- 2.12** While buying raffle tickets and other forms of ‘purchase giving’, such as buying goods from a charity shop, do not count strictly as charitable giving, most people do see them as a way of supporting good causes and there is no doubt that they bring in valuable

income to the sector. However, a key aim of most charities is to secure planned, regular and tax-efficient donations.

- 2.13** The significance of such giving goes beyond the monetary value of the donation and the possibility of tax relief. Importantly, it also allows charities to plan ahead with greater confidence and usually leads to a longer-term relationship between charity and donor.
- 2.14** Legacy donations have long been an important source of income for charities with £1.5 billion bequeathed in 2003–04, representing some 9 per cent of total bequeathed wealth. However, there is evidence of a long-term decline in the value of legacies, and a recent international survey by AXA insurance found that the British are among the least likely to intend to make a charitable bequest.

Figure 4: Different ways of giving: results from two surveys

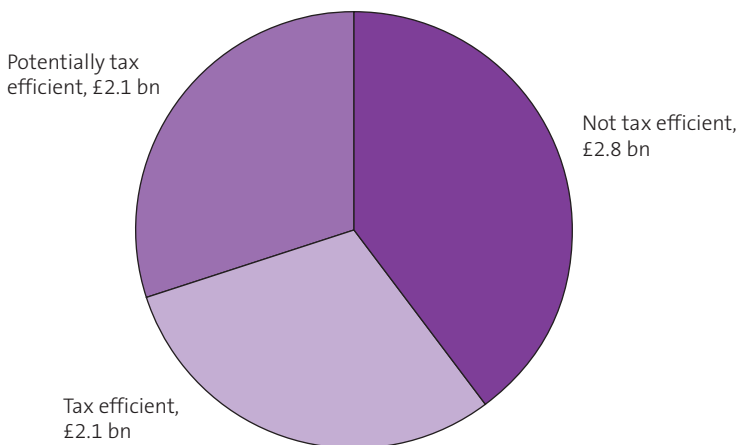


How do tax reliefs affect levels of giving?

2.15 Tax-efficient giving makes a substantial contribution to the overall income of the voluntary and community sector, with tax reliefs in 2004–05 worth more than £1 billion, and a further £270 million reclaimed by higher-rate donors. However, there still remains considerable potential for growth. The Charities Aid Foundation estimates that up to £2.1 billion of individual giving could easily be converted to tax-efficient methods, adding a further £600 million to charity income.

2.16 Part of the reason for the gap between actual and potential use of tax-efficient giving methods lies with the charities themselves failing to make full use of existing schemes. However, lack of public awareness is also an issue. A recent major review, commissioned by HM Revenue and Customs, of individuals’ donations to charities and their use of tax relief found that few people could spontaneously identify the kinds of donation that attract tax relief: just 7 per cent mentioned Payroll Giving and 22 per cent mentioned Gift Aid. Almost none mentioned the tax relief available for gifts of land or shares.

Figure 5: Potential market for conversion of giving to tax-efficient methods



Source: *Charity Trends 2005*, Charities Aid Foundation

2.17 More positively, the review concluded that although it could find no relationship between the rules of tax relief and the amounts that donors give, the availability of tax relief undoubtedly encourages the use of planned giving. It recommended that any policy to increase tax-efficient donations should focus on raising awareness of planned methods of giving and emphasising the simplicity of claiming tax relief.

How do charities benefit from our giving?

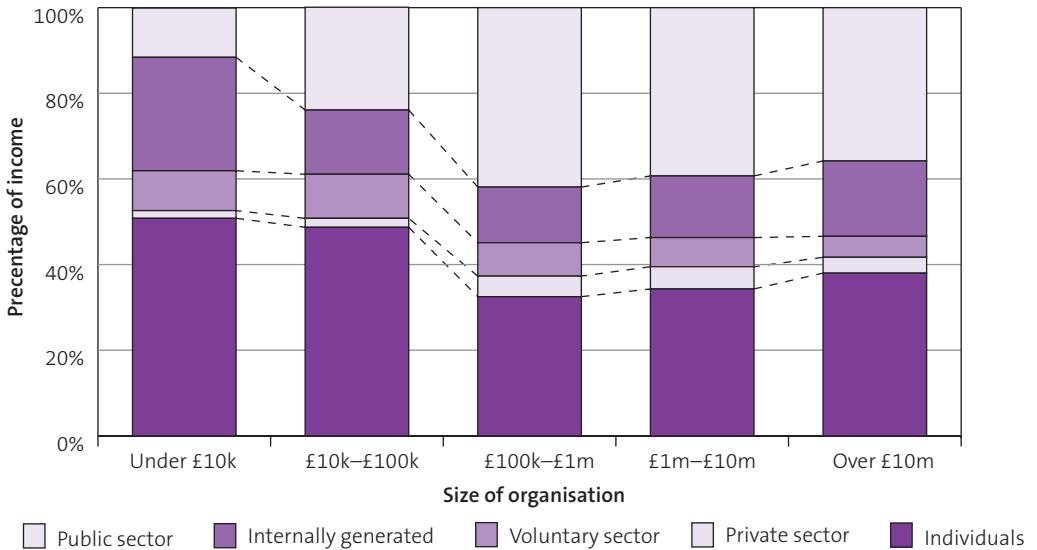
2.18 It is clear that some charitable causes are more popular than others: medical research is particularly popular, supported by one in four of us, with support for children and young people close behind. One in ten give to religious organisations but fewer than one in fifty support deaf people. It is a sad fact that charities which work with the most disadvantaged sections of society are often those which find it hardest to secure public support.

2.19 Yet at the same time these charities, and other small charities, are much more dependent on public donations than larger charities which are better placed to attract corporate support and funds from public sources (including central and local government and the National Lottery). This reliance on individual giving leaves smaller charities more vulnerable to changing donor behaviour, which in turn can reduce their capacity to plan ahead and take risks, such as diversifying their fundraising activities.

Conclusion

2.20 Surveys consistently show that the majority of the population gives regularly and that most people give at some time. However, the distribution of regular, planned givers is uneven – faith, lifestyle and demographic factors all play a part in determining whether somebody is likely to become a committed, regular giver.

Figure 6: Sources of income by size of organisation



Source: The UK Voluntary Sector Almanac, Table 26 (NCVO)

- 2.21** It is clear, however, that the public response to major campaigns can be very positive. Public donations to the Disasters Emergency Committee following the Boxing Day tsunami reached £300 million and it is estimated that some 80 per cent of the population donated in the two months following the disaster. There were fears that this would displace other donations, but the general picture shows that the tsunami generated new givers and substantially above average donations.
- 2.22** While there is general consensus on many of the core facts about charitable giving, there remain significant gaps in the evidence base and some disagreement, particularly around definitions and methodologies. There has been considerable emphasis on answering questions about ‘who?’ and ‘how much?’ but less attention has been paid to the contextual issues, such as the motivation behind the decision to give, which are crucial to policy making. A key issue going forward is to look at not only how we can make the best use of existing data sources and analysis but also what more is needed.

3. Progress so far

Summary:

- Charities benefit from a wide range of tax reliefs, including exemption from tax on most forms of income and capital gains.
- Tax reliefs are also available for those giving to charity. The Getting Britain Giving package, introduced in Budget 2000, made significant improvements to Gift Aid and payroll giving, and established new reliefs for gifts of quoted shares.
- Two years later the Government introduced the Community Investment Tax Relief, offering up to 25 per cent tax relief on investments in deprived areas.
- The Government invested more than £3 million between 2001 and 2004 to support the highly influential Giving Campaign.
- And following the success of an earlier challenge to double the amount donated through payroll giving between 2000 and 2003, the Government has invested £8 million to promote payroll giving within small and medium-sized enterprises with fewer than 500 employees.

Introduction

3.1 Over the last five years the Government has introduced a number of measures to encourage a broader culture of planned, regular and tax-efficient giving. Taken together these measures have started to reverse the long-term decline in donations, although the number of donors still remains lower than it was a decade ago.

3.2 This chapter sets out the various steps the Government has taken to enhance existing tax-efficient giving schemes like Gift Aid and payroll giving, to raise awareness of these schemes among charities and the general public, and to support a new market in 'social investment' in disadvantaged areas and communities.

Gift Aid

3.3 Gift Aid, introduced in 1990, allows charities to reclaim tax on donations at the basic rate of 22 per cent (equivalent to a 28 per cent increase on the gift). In 2000 the scheme was extended to:

- abolish the original £250 minimum limit, making all donations eligible for Gift Aid;
- withdraw the separate tax relief for payments made under a Deed of Covenant and give all relief for such payments under the Gift Aid scheme;
- replace the requirement for donors to give the charity a Gift Aid certificate with a simpler and more flexible Gift Aid declaration; and
- allow donors to make Gift Aid declarations by post, by fax or by Internet, or by an oral declaration over the phone or face to face.

3.4 And we have continued to extend and improve the Gift Aid scheme. Since April 2004 it has been possible to use Gift Aid to donate any overpaid tax to the charity of your choice through your tax return. And in October 2005 the Chancellor announced that HM Revenue and Customs will remove the requirement on charities to write to each individual donor to confirm that Gift Aid can be claimed following a telephone donation.

Table 2: Gift Aid take-up

	Gross donation	Donation net of basic rate tax	Tax repaid to charities
	£ million	£ million	£ million
2000–01	£996	£774	£222
2001–02	£1,884	£1,470	£415
2002–03	£2,300	£1,794	£506
2003–04	£2,700	£2,114	£586
2004–05	£2,800	£2,200	£625

Source: HM Revenue and Customs

3.5 Take-up of Gift Aid has grown substantially since the changes in Budget 2000. Around one-third of eligible donations are made using Gift Aid, and the Charities Aid Foundation has estimated that this could be doubled if all taxpayers – around two-thirds of the UK adult population – made their donations in this way. It is noteworthy that some charities reported that between 50 and 60 per cent of donations to the Boxing Day tsunami appeal were made using Gift Aid.

Tax incentives for employers and employees

3.6 A range of tax incentives also exist for corporate community involvement, and the UK's top 100 companies gave 0.97 per cent of their pre-tax profits to good causes during 2003–04. In January 2005 the Government published a comprehensive guide to tax incentives for corporate giving. Aimed primarily at the business community, the guide set out an overview of the range of tax incentives available to businesses that want to:

- give money to a charity;
- sponsor a charity;
- give shares or land to a charity;
- give some of their trading stock or equipment to a charity;
- second employees to work for a charity;

- encourage employees to volunteer;
- encourage employees to donate to a charity;
- invest in improving the urban environment; or
- invest in a disadvantaged community.

The Giving Campaign

3.7 The Giving Campaign was launched in July 2001. Its aims were to encourage more people to give to charity in a tax-efficient way using the Getting Britain Giving package, and to increase total giving by half a billion pounds during the three-year life of the Campaign.

3.8 The Giving Campaign made great progress in raising awareness among charities of tax-efficient giving and provided practical help and support in the form of booklets, leaflets and training events. It contributed to a significant increase in the numbers of donations being made tax-efficiently. Use of Gift Aid increased from 20 per cent to 31 per cent during the course of the campaign.

3.9 The success of the Giving Campaign was due partly to the way in which it brought together leaders from the voluntary sector, business, Government, the media and academia. It also produced a positive legacy in terms of research and toolkits as well as the highly regarded schools project, Giving Nation.

Payroll giving

3.10 Payroll giving is an easy and tax-efficient way for employees to give to their favourite charities. Donations are deducted direct from the individual's gross salary, with no requirement to claim relief for higher-rate taxpayers. In 2000 the upper annual limit of £1,200 was removed and for the four years to April 2004 a 10 per cent top-up was paid by Government on all payroll giving donations.

Table 3: Payroll giving take-up

	Number of donors '000	Amount donated £ million
1999–00*	760	£37
2000–01*	560	£55
2001–02	500	£73
2002–03	520	£86
2003–04	530	£85
2004–05	580	£83

* includes Children's Promise

Source: HM Revenue and Customs

3.11 The amount donated through payroll giving has more than doubled as a result of these changes but there remains considerable room for growth. In the USA, for example, as many as one in three staff at companies give through their payroll. And while most of the largest employers do offer schemes, access to payroll giving has remained static at around 20 per cent. One of the ways in which the Government is addressing this is through the Payroll Giving Grants Programme, a Home Office-funded initiative, administered and promoted by the Institute of Fundraising in partnership with Business in the Community.

3.12 The programme was launched in January 2005 and aims to encourage small and medium-sized enterprises with fewer than 500 employees to establish a payroll giving scheme, with a one-off cash grant of up to £500. Each employee who donates through the scheme will have the donation matched pound for pound up to £10 per month for a period of six months. Already the uptake of the programme, with approximately 1,000 new schemes, has surpassed the number of SMEs with payroll giving arrangements in place, which up to April 2004 was 901, according to data provided by UK Payroll Giving Agencies. Moreover, half of the new SMEs joining the scheme have donated their cash grant to charity.

New models of social investment

3.13 Traditional methods of giving remain extremely popular but there is growing interest in new approaches to charitable giving based on the concept of social investment. These approaches respond to a growing demand from donors for greater control over how their money is spent and to make their donations work harder. A new breed of venture philanthropist, supported by organisations such as New Philanthropy Capital, is finding new ways both to donate to and invest money in good causes.

3.14 In response to a recommendation by the Social Investment Task Force in its report *Enterprising Communities*, published in October 2000, the Government introduced the Community Investment Tax Relief which offers investors relief on income (or corporation) tax worth up to 25 per cent of their investment. The investment must be made with an accredited Community Development Finance Institution (CDFI) which must in turn 'on-lend' or invest the money in disadvantaged areas and communities.

3.15 In its annual survey of CDFIs, the Community Development Finance Association reports that, of the 35 members that responded, 11 had raised investment through Community Investment Tax Relief with a combined value of over £18 million. Of the remaining 24 CDFIs, 7 more intend to raise investment in this way in the future.

Conclusion

3.16 The United Kingdom has one of the most generous charity tax regimes in the world, with a wide range of reliefs available to individual donors and the charities they support. The combined impact of these reliefs in 2004–05 were worth over £2.4 billion a year, including £625 million tax paid to charities on Gift Aid donations, £270 million relief to higher-rate taxpayers, £20 million relief to donors on payroll giving and £390 million of inheritance tax relief.

3.17 But the Government's support for charitable giving goes beyond the development of existing and new tax reliefs. The Giving Campaign, and more recently the Payroll Giving Grants Programme, have demonstrated how the Government can work in partnership with the voluntary and community sector significantly to enhance people's awareness and use of the range of tax-efficient methods of giving available to them.

4. Building the culture of giving

The Government is committed to playing its part in meeting the challenge set down by the Giving Campaign to double charitable donations in real terms over the next ten years. In doing so, we will:

- for the first time ever, provide core funding to key voluntary and community organisations that support charitable giving;
- invest in support for charities, through training events, mentoring and information dissemination, to enable them to make the most of tax-efficient giving;
- develop a network of School Charity Accounts to complement existing charitable-giving citizenship curriculum materials available in secondary schools;
- extend charitable giving citizenship curriculum materials to primary schools;
- work with Corporate Challenge partners to build corporate engagement in the implementation of the Russell Commission, through a campaign to support youth volunteering;
- work with the Giving Forum to consider the potential benefits of a national celebration of giving, such as a Year of Giving, in the near future;
- commission the creation of a new centre of excellence for charitable giving, including a major programme of research and development, and establishing an ‘Invest to Give’ innovation fund.

Introduction

- 4.1** This Report has set out what we know (and what we don’t know) about charitable giving. It has also summarised the steps the Government has taken to encourage more giving. It is clear that there remains much more the Government can do in this direction – not by itself but in partnership with the voluntary and community sector, the private sector and the wider public.
- 4.2** In considering how to address this challenge we have looked carefully at the legacy of the Giving Campaign. Like many others, we were particularly impressed by the impact it made in only three years. While it did not meet all the targets it set itself, it nevertheless demonstrated the impact such a campaign could make in beginning to address some of the more embedded cultural reasons that discourage people from giving.

- 4.3** The Campaign concluded that “there is no single big idea that will dramatically change the culture of giving in the UK”, and that “the way forward lies with a set of targeted initiatives”. It also threw down the challenge to double charitable donations in real terms over the next ten years. The Government agrees with this analysis and is committed to playing its part in meeting the Campaign’s challenge. This chapter sets out details of seven proposals which we believe will continue to build the culture of giving.

Working with the charitable giving sector

- 4.4** The Home Office currently invests over £11 million in core support for the voluntary and community sector through the provision of unrestricted, strategic grants. The department is currently reviewing its strategic funding arrangements to ensure that

the process is clear, simple and open to all with greater financial stability for strategic partners.

4.5 As part of this review the **Home Office has, for the first time ever, opened a new strategic funding stream worth up to £1 million per year for key voluntary and community organisations that support charitable giving.** Under this framework a small number of key strategic partners will receive core funding for between three and five years in exchange for working with the department on the development of new policies on charitable giving.

4.6 As well as providing support to core national partners we believe it is important to work with charities, particularly small and medium-sized charities, to ensure they make best use of the tax reliefs currently available to them. The Giving Campaign's 'Gift Aid it' campaign has already had a significant impact on levels of awareness but too many charities are still not claiming Gift Aid. **So we are working with the Institute of Fundraising on a new programme to increase the use of tax-efficient giving.** This programme will include:

- developing and delivering a training programme for charities;
- establishing a mentoring scheme which offers charities dedicated support on ways to extend their use of Gift Aid and other forms of tax-efficient giving;
- producing practical resources, including a toolkit, website and dedicated helpline; and
- creating a tightly focused PR and marketing campaign to encourage best practice within charities of all sizes and to raise awareness of the mentoring scheme.

Working with young people

4.7 Of course, an obvious way to deliver a change in attitudes tomorrow is to work with young people today.

Another Giving Campaign innovation was to establish the Giving Nation project, an interactive website and resource pack for secondary school pupils and their teachers to promote charitable giving. The Citizenship Foundation adopted Giving Nation, after the Giving Campaign ended, with financial support from the Home Office and the Department for Education and Skills. Since then the project has gone from strength to strength, with Giving Nation curriculum materials in nearly 70 per cent of UK secondary schools, over 4 million page views on the website, and nationwide coverage in youth and educational media.

4.8 The time is now right to move to the next level. **Working with Giving Nation and the Charities Aid Foundation, we plan to introduce a national network of School Charity Accounts – each with a start-up balance of £500 – available to every secondary school in England.**

Through their School Charity Account pupils should be able to:

- study the workings of their own 'real-life charity' within citizenship and social enterprise education;
- develop skills of enquiry and social responsibility through debate around their own charitable giving;
- develop links within their local communities in order to enhance their volunteering and charitable activities; and
- manage the finances of the school's charitable activities and encourage best practice in appealing for and granting away charitable funds.

4.9 Collaboration with the voluntary and community sector is paramount and the first step is to carry out a feasibility study to work out the practical details.

4.10 But our overarching aim is that the account should be entirely voluntary

and complement existing school-related appeals. The intention is to offer a 'one-stop-shop' charity finance management system for schools, relieving pressure on the school office, supported by a new suite of engaging and inclusive classroom materials. We want to give young people a hands-on experience of supporting a charity and a taste of the decision making and responsibility that go along with this. In time we hope that this account could form part of the broader active citizenship agenda, bringing together charitable giving, volunteering and social enterprise.

- 4.11** In addition to working with secondary school pupils, however, the Government is keen to see the Giving Nation approach extended to a younger age range. The majority of primary schools already encourage charitable giving in one way or another but this is often ad hoc and unrelated to activities that develop understanding and a long-term conscious commitment to charitable giving.

So we will continue to support the existing Giving Nation programme in secondary schools and we will work with Giving Nation to develop a complementary programme especially tailored for primary schools.

Working with the private sector

- 4.12** Businesses play a vital role in the communities in which they operate. The Government believes companies can be part of the solution to the challenges our society faces today – helping to build a fairer society with stronger communities and a more productive economy with opportunity for all. The challenge is to translate the widespread social concern that exists within the business sector into effective action for the common good.

- 4.13** Organisations such as Business in the Community and Business Community Connections already do a great deal to promote corporate community involvement. And in March 2005 the Government announced that the new national framework for youth action and engagement proposed by the Russell Commission would be delivered

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Chief Executive of Scottish Power, and aimed to deliver a step change in the diversity, quality and quantity of volunteering opportunities available to young people aged 16 to 25 in the UK.

Following extensive research into the current volunteering landscape, the Commission launched a nationwide consultation in October 2004. The Commission engaged a wide range of stakeholders including young people, the voluntary sector, business and the media, receiving over 700 responses from voluntary and community sector organisations, and a further 6,000 responses from young people. Ian Russell presented his final recommendations to the Chancellor and Home Secretary in March 2005.

The Government has allocated £45 million over three years to support the implementation of the Commission's recommendations (with a further £19.5 million made available to the devolved administrations under the terms of the Barnett formula). This initial investment is being supported by a matched volunteering opportunities fund, which aims to attract at least £50 million from private sector sources.

through a partnership between the voluntary and community sector, young people and the private sector, working with the Government to achieve the shared ambition of a million new young volunteers within five years.

- 4.14** As well as playing a central role in the delivery of the Russell framework, the Government is looking to the private sector to offer real financial and in-kind support. **We will work with existing Corporate Challenge partners and others to secure at least £50 million to implement the recommendations of the Russell Commission.**

Developing public awareness

- 4.15** In October 2004 the Charities Aid Foundation led the first ever National Giving Week to highlight the work of charities and encourage people to pledge their support to their favourite causes. The results of this first campaign were good, raising both levels of awareness and levels of giving, and the Foundation repeated the Week in 2005.
- 4.16** The Government is keen to encourage such sector-led initiatives. As the 2005 Year of the Volunteer draws to a close, it is clear that its success has come in large part from the high degree of cooperation and partnership working generated within the voluntary and community sector. Looking forward, we are interested in exploring the potential for a similar campaign to support charitable giving. **We have asked the newly established Giving Forum, chaired by Lord Best and bringing together national charities, representative bodies, trusts and foundations, to consider the benefits of a national celebration of giving, either through a significant expansion of Giving Week or through a dedicated 'Year of Giving'.**

Developing the evidence base

- 4.17** High quality research and development is an essential component of any successful sector of the economy and the voluntary and community sector is no different. And yet we have seen in Chapter 2 that significant gaps remain in our knowledge about trends and patterns of charitable giving, and that some key facts remain contested. Without a robust evidence base there is a real risk that policies will be poorly designed and even counterproductive.
- 4.18** Notwithstanding this lack of evidence, charities have always displayed a remarkable capacity for innovation, from the first ever Royal National Lifeboat Institution flag day in 1891 through to 'Red Button' digital TV technology that raised over £1 million earlier this year in support of victims of the Boxing Day tsunami. And indeed with average staff numbers of almost 400, and average total staff costs of £7.5 million, many of the 500 top fundraising charities are highly professional operations, comparable in size with the 1 per cent of largest companies in the UK.
- 4.19** On the other hand, there are tens of thousands of smaller charities with budgets that do not allow for amounts to be set aside for trying out new ways of generating fundraising income. And even where organisations do want to innovate, it is often difficult to attract funds from charitable trusts which are bound by strict guidelines about potential beneficiaries.
- 4.20** The Government has a responsibility for promoting sector-led innovation and investing in high quality research and development. Questions about charitable giving were asked in both the 2003 and 2005 Home Office Citizenship Surveys and an analysis of the 2003 survey responses will

be published on the Home Office website at www.activecommunities.homeoffice.gov.uk before the end of the financial year.

4.21 However, we recognise that more needs to be done. **So we are working with the voluntary and community sector to explore the potential for a new centre of excellence, to promote innovation and research in charitable giving.**

This could include:

- an agreed programme of fundamental research, including ongoing financial support for joint NCVO/CAF Individual Giving Surveys and investment into research on the drivers and motivations for charitable giving;
- a commitment to publish charitable giving statistics from current and future sweeps of the Home Office Citizenship Survey; and
- the creation of an 'Invest to Give' innovation fund, with potential for match-funding by leading charity grantmakers and private sector partners.

4.22 The aim of the 'Invest to Give' fund would be to give small and medium-sized charities the capacity to test innovative (and tax-efficient) methods of fundraising, with the provision of intensive consultancy support where this is required and an expectation that an agreed proportion of any successful fundraising would be re-invested in the fund for the benefit of other charities.

Conclusion

4.23 This chapter has set out a number of ways in which the Government hopes to encourage charitable giving above and beyond the creation of new tax reliefs or extensions to existing schemes. We nevertheless recognise the importance of a supportive fiscal environment and we will continue to consider proposals from voluntary and community organisations. In doing so, we will look for evidence that any proposal not only delivers clear benefits to charities but that it brings a real increase in the overall level of giving and is not open to abuse.

4.24 We live in a generous society, supporting each other with gifts of time and money which may be measurable in a literal sense but are immeasurable in terms of their contribution to the common good. The Government is determined to do all it can to foster and encourage a deeper, broader culture of giving into the future.

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Published by the Home Office, November 2005

The paper used for this publication is sourced from sustainable forests