



**APPG on Philanthropy and
Social Investment:
Philanthropy in the UK today**

July 2019

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This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. This background report was prepared by the secretariat to stimulate discussion and debate.

Contents

Foreword from APPG Chair, Rushanara Ali	1
Philanthropy in the UK	3
Key areas of work over the next 5 years	
Leadership and governance	7
Representation	9
Public policy and press.....	14
Technology	15
New types of giving	16

Foreword

The hallmark of a healthy society and economy is a booming, independent civil society, harnessed by Philanthropists, financial donations and volunteerism. The UK has a long history of philanthropy, charity and voluntary activity, and is a better place for it, with a unique and important role to play in securing and developing both local communities and global society.

Modern philanthropy, charitable activity and volunteering, driven by the best and noblest of intentions, can work in partnership with both the public sector and the private sector, with impressive results. We need a public policy framework, including funding and tax policies that encourages philanthropy, volunteering, and strengthens charities.

The All-Party Parliamentary Group on Philanthropy and Social Investment, supported by the Beacon Collaborative and Philanthropy Impact will bring together networks and institutions from civil society, the public, private, the third sector and charitable foundations, to encourage and share research on philanthropy, to help tackle the big social challenges that we face as a country.

I am delighted to be Chair of this new APPG, which will be a forum for philanthropists and Members of Parliament to connect, bringing political will and financial resources together to ensure a stable and effective charitable sector.

Rushanara Ali

Member of Parliament for Bethnal Green and Bow

Chair of the All Party Parliamentary Group on Philanthropy and Social Investment

Philanthropy in the UK

Introduction

Philanthropy is well documented in the press, but often, it is the troubling stories we hear about. However, there are many stories that highlight the positive contribution philanthropic donations are making in our communities and our society. Modern philanthropy ranges from large donations to tackle climate change, malaria, global poverty and harnessing the capacities of Artificial Intelligence (AI) for good, to smaller donations for local charities doing good in the community. These positive stories pop up in the press with almost equal frequency, but less fanfare. The public and political narrative around philanthropy seems ambivalent at best.

One of the APPG's key roles is to address this ambivalence, by providing accurate information, a forum to debate these important concerns and undertaking a work programme that seeks to actively reshape the positive capacities of private philanthropy and social investment. Philanthropy has been a great positive force in the UK and should continue to be harnessed for our common good, not as a substitute, but complementary to state provision.

Over the next ten years, we want to see a role for philanthropy that is:

- **Bigger:** with more private assets being donated to public benefit causes.
- **More diverse:** the broadest range of people who can donate.
- **More responsible:** a reshaped civic contract so that those who can, feel it's their responsibility to give more.
- **More transparent:** donations and giving to be more transparent, accountable and understood.

Through this, we hope more private assets can be positively unlocked to help tackle the most pressing social, economic and environmental challenges in the UK and internationally. We believe that civil society thrives when governments, business and individuals support it together.

- Charitable contributions in the UK amounted to £17.1bn in 2016/17, representing around 0.85% of total GDP¹
- The latest estimated value of formal volunteering in the UK is £22.6bn² per year
- £1.26bn was claimed by charities in Gift Aid in 2017/18³
- The United Kingdom is a relatively generous country, by international standards, behind the USA, New Zealand and Canada.

	% of GDP (2016)
USA	1.44
New Zealand	0.79
Canada	0.77
UK	0.54
Republic of Korea	0.050
Singapore	0.39
India	0.37
Russian Federation	0.34
Italy	0.30
Netherlands	0.30
Australia	0.23
Ireland	0.22
Germany	0.17
Sweden	0.16
Austria	0.14
Finland	0.13
Japan	0.12
France	0.11
Norway	0.11
Switzerland	0.09
Spain	0.05
Czech republic	0.04
Mexico	0.03
China	0.03

Charitable giving by individuals as a percentage of GDP 2016⁴

¹ NCVO 2019 'UK Civil Society Almanac 2019' (<https://data.ncvo.org.uk/a/almanac18/economic-value-2015-16/>)

² ONS 2017 'Changes in the value and division of unpaid volunteering in the UK: 2000 to 2015' (www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/articles/changesinthevalueanddivisionofunpaidcareworkintheuk/2015)

³ ONS 2019 'Gift Aid Repayments to Charities' (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720292/Table_4.pdf)

⁴ CAF 2016 'Gross Domestic Philanthropy: An international analysis of GDP, tax and giving' (www.cafonline.org/docs/default-source/about-us-policy-and-campaigns/gross-domestic-philanthropy-feb-2016.pdf)

The role of the APPG

The aims of the APPG are to increase understanding of the role of philanthropy, giving and social investment, and build connections between parliamentarians and philanthropists. It will act as a discussion forum for politicians, philanthropists, social investors and experts to develop policy to improve and increase the amount of giving and social investment in the UK.

We want to create a platform where parliamentarians, philanthropists, social investors, trusts, foundations and the many good causes that they support, can connect and develop a greater understanding of each other's work.

The APPG will hold events ranging from public forums to smaller roundtable discussions around four times a year, including one major annual event bringing together stakeholders involved and interested in our work. It is open to membership from parliamentarians across political parties.

Our work programme will cover the following themes:

- Leadership and governance
- Representation
- Public policy and press
- Technology
- New types of giving

Key areas of work over the next five years

Leadership and governance

Public trust in philanthropy, civil society and charities is has been declining in recent years. From debates about the unaccountable priorities of high net worth donors, to scandals rocking some of our largest charities, there is a growing imperative to ensure this leadership, governance and accountability is fit for purpose for the twenty first century.

	2005	2008	2010	2012	2014	2016	2018
Mean Trust and confidence in Charities, out of ten ⁵	6.3	6.6	6.6	6.7	6.7	5.7	5.5

	2014	2016	2018
Growth in the % of people who self-report their trust in charities has decreased ⁶	18%	33%	45%

Further, we know that the current economic climate and shifting funding patterns makes financial sustainability more difficult for many charities to achieve. In the face of these challenges, there is a real role for strategic philanthropy and investment that confronts and addresses these risks. From funders who support organisations to improve their governance (or indeed remove their support where improvements are not made), to philanthropists who focus on funding innovation and effective solutions, to foundations offering longer term core funding, strategic funding can ‘shore up’ the charitable sector and restore public faith in civil society.

⁵ Charity Commission for England and Wales 2018 ‘Trust in Charities 2018’ (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/723566/Charity_Commission_-_Trust_in_Charities_2018_-_Report.pdf)

⁶ Charity Commission for England and Wales 2018 ‘Trust in Charities 2018’ (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/723566/Charity_Commission_-_Trust_in_Charities_2018_-_Report.pdf)

Paul Hamlyn Backbone fund

In response to the challenging funding climate many of its grantees find itself in, the Paul Hamlyn Foundation has introduced a ‘Backbone’ fund to provide stability and support to grantees that hold strategic roles in civil society.

They outline the need for the fund as:

'The work of our grantees is being delivered at a time when the external environment brings increasing pressure from economic and political shifts that cannot always be planned for. Resources for advocacy, collaboration, business development and other core functions have become increasingly scarce, yet are critical to a thriving civil society.'

'As a foundation we are in the privileged position of being able to support these essential functions and can mitigate against the external pressures that can make them vulnerable. We know that stable and flexible funding from an independent source is hard to come by...'

'Through the Backbone Fund, we support organisations to resource essential activities as part of a wider response to back civil society and its leaders. The fund is unrestricted and makes a lasting commitment of up to five years to each organisation. It will enable those involved to resource their core services, fund essential posts and ensure that there is funding that can be relied upon for a significant period of time, free of political cycles.'

So far, they have run 2 rounds of backbone funding, supporting 14 organisations⁷.

Understanding that this dynamic between philanthropy and charitable leadership and governance is critical. The APPG will develop a programme of work that explores the following questions:

- How to ‘fund well’ in an era of legitimate concerns and nervousness about charities.
- How to mitigate risk and promote good governance, including financial sustainability, through funding.

⁷ Paul Hamlyn Foundation 2019 Backbone Fund (www.phf.org.uk/programmes/backbone-fund/)

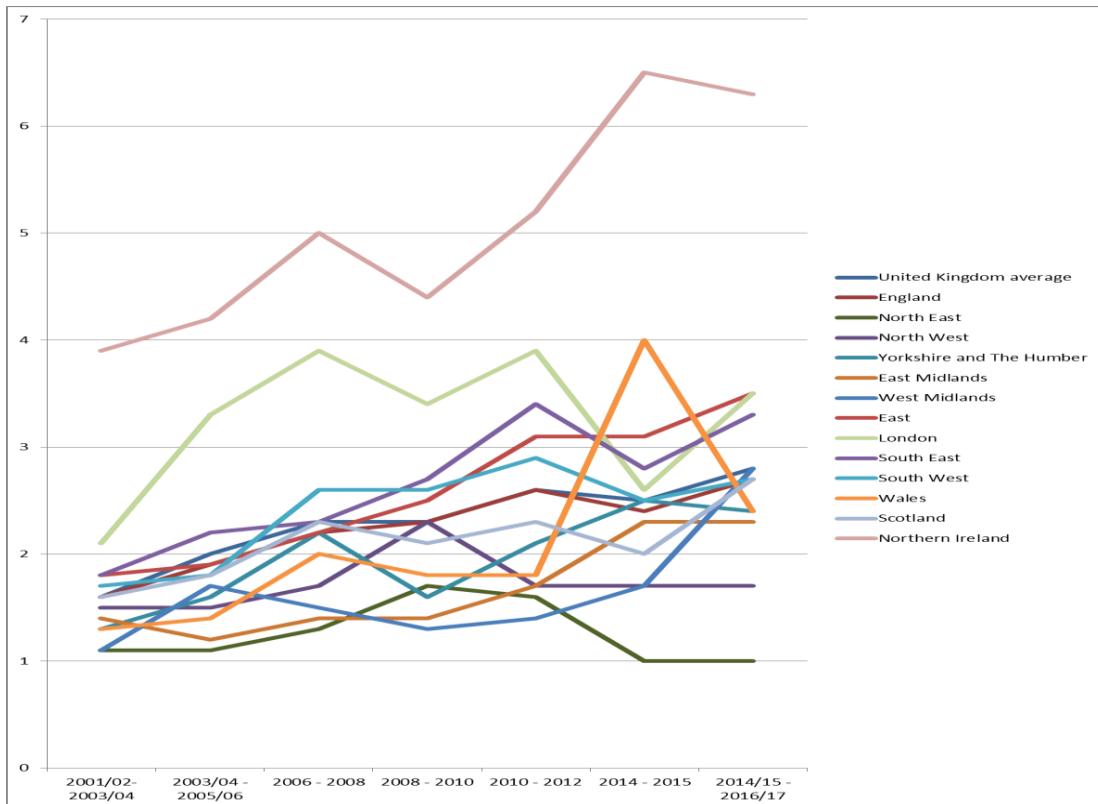
Representation

The UK has a rich history of philanthropy across all its communities. From the diverse religious drive to give Zakat to Tzedakah to Tithing, to Community Foundations that thrive up and down the country, to the amazing examples of female-led philanthropy and pioneering LGBTQI foundations, philanthropy has rich and diverse roots across the UK.

However, there is limited data that documents the breadth and scope of giving across the UK to fully understand this diversity. However, there are some demographic indicators that provide a flavour of the giving landscape across the UK.

Giving by geography

Recent research from the ONS suggests that the Northern Irish are by far the most generous givers of all the UK regions, with average household expenditure on giving more than doubling the national average.



Average weekly household expenditure on charitable donations and subscriptions by region and country of the UK (2001/02 - 2016/17⁸).

⁸ ONS 2018 'Expenditure on charitable donations and subscriptions by region and country of the UK, financial year ending 2002 to financial year ending 2017'

However, if we look at ‘giving’ data as provided by people who complete a tax self-assessment form, in 2016-17, the South East had greatest number of individuals declaring a donation, accounting for 16% of all those who declared a donation by self-assessment.

Those with a London address declare the largest total donation value (£1,151m) and 13% of the total number of donations were declared by individuals in London⁹. While London and the South East may currently dominate, the biggest and most consistent rise in the total value of significant million pound plus donations has been in the North East¹⁰.

While this does not capture where philanthropic ‘spends’ are invested, there are clearly disparities in philanthropy across the UK, with many areas potentially standing to gain if we can see a growth in philanthropy more evenly across the country.

Giving by gender

Again, little is known about giving levels in the UK by gender. If we explore HMRC self-assessment data in line with the self-assessment population, there are a greater number of men than women declaring a donation. Donations by men tend to be of larger value, potentially reflecting the larger incomes of men in this data set¹¹. But self-assessment data reflects only a slither of the philanthropic and social investment landscape. We need to know more about differences in giving by gender.

Giving by age

HMRC self-assessment data found that the majority of individuals who declared donations were over the age of 65. This age group also made the greatest value of donations. However, the mean size of the average donation was higher for those aged 55-64¹².

(www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/adhocs/008196expenditureoncharitabledonationsandsubscriptionsbyregionandcountryoftheukfinancialyearending2002tofinancialyearending2017)

⁹ HM Revenue and Customs 2019 ‘UK Charity Tax Relief Statistics 1990-91 to 2018-2019’ (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719899/UK_Charity_Tax_Relief_Statistics_Commentary.pdf)

¹⁰ Coutts 2017 ‘Million Pound Donors Report 2017’ (www.coutts.com/insight-articles/news/2017/million-pound-donors-report-2017.html)

¹¹ HM Revenue and Customs 2019 ‘Table 6 - donations declared by individuals completing UK Self Assessment by main source of income, age, gross income, donation amount and gender, 2017 to 2018’ (www.gov.uk/government/statistics/donations-declared-by-individuals-completing-self-assessment-by-main-source-of-income-age-gross-income-donation-amount-and-gender)

¹² HM Revenue and Customs 2019 ‘Table 6 - donations declared by individuals completing UK Self Assessment by main source of income, age, gross income, donation amount and gender, 2017 to 2018’ (www.gov.uk/government/statistics/donations-declared-by-individuals-completing-self-assessment-by-main-source-of-income-age-gross-income-donation-amount-and-gender)

Outside of this, there is much anecdotal evidence about the nature and types of giving differing by generation. The rise of Millennial and Gen-Z donors could significantly reshape the UK's philanthropic and social investment landscape.

We need to know more about differences in giving by generation, and how emerging generations can be encouraged to develop philanthropy and social investment in positive ways.

Giving by ethnicity

There is even less data exploring giving and social investment by ethnicity. However, we know there are a number of cultural and religious traditions that shape the diversity of the UK's philanthropic landscape. A number of specific trusts and foundations exist to grow and develop this giving and investing. Ultimately, we need to know more about the cultural and religious aspects of giving and investing, and how these can shape the future of philanthropy in the UK.

Giving by income

Giving by individual income is perhaps one of the more important demographic lenses that needs to be understood. Those with the greatest capacity to give, should be giving the most. And there are some indications that this is indeed the case.

If we explore HMRC self-assessment data again (which is notably problematic for an income analysis, but still potentially the best data available), the proportion of individuals who complete a self-assessment and declare a donation increased as the income brackets increase. Individuals whose gross income exceeds £250,000 a year make up the largest share of the total value of all donations declared. It is worth noting that these individuals gain the most tax relief by declaring their donation, and many donations by those in lower income brackets may simply be under recorded.

Major philanthropy has been on the rise since 2006, with 2016 seeing the highest amount given on record, and the number of unique million pound plus donors has also grown from 89 to 139 in 2016.

individuals-completing-self-assessment-by-main-source-of-income-age-gross-income-donation-amount-and-gender)

	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2012	2013	2014	2015	2016
Number of million £ plus donations in the UK ¹³	89	82	96	68	29	26	92	98	26	310

Income ¹⁴	Number of individuals completing a HMRC Self Assessment form who reported a donation	% of individuals completing a Self Assessment form who reported a donation	Of individuals completing a Self Assessment form who reported a donation, total value of all donations
No income	3,000	1%	£3m
Up to £50,000	661,000	8%	£606m
£50,001-£100,000	311,000	26%	£490m
£100,001-£150,000	129,000	32%	£260m
£150,001- £200,000	48,000	34%	£138m
£200,001- £250,000	22,000	34%	£94m
£250,000 +	54,000	39%	£1.4b (£1,405m)
Total	1,228,000	12%	£2.3b (£2,995m)

However, this is not a simple tale of good news *and we need these trends to step up*. There is much evidence to suggest that giving among high net worth individuals is nowhere near as high as it should be. For comparison,

¹³Coutts 2017 'Million Pound Donors Report 2017' (www.coutts.com/insight-articles/news/2017/million-pound-donors-report-2017.html?extcam=donorsreport#data)

¹⁴ HM Revenue and Customs 2019 'Table 6 - donations declared by individuals completing UK Self Assessment by main source of income, age, gross income, donation amount and gender, 2017 to 2018' (www.gov.uk/government/statistics/donations-declared-by-individuals-completing-self-assessment-by-main-source-of-income-age-gross-income-donation-amount-and-gender)

in 2015, across the US \$258.5bn was given to charity, compared to \$17.4bn in the UK¹⁵.

While it's tempting to say that the difference in high net worth giving across countries could be easily explained away by different tax regimes and different levels of welfare state support (creating more or less perceived need), analysis by CAF suggests this is not the case. Comparative analysis of giving found no correlation between government spending, income or corporation tax and the level of charitable giving by individuals¹⁶. The difference appears to be cultural.

Estimates from the Beacon Collaborative suggest that there are around 18,000 ultra-high-net-worth people in the UK, each with more than £10m of investable assets. Only about 10-12% were actively engaged in philanthropy. Their modelling suggests that if each of these ultra-high-net-worth individuals could persuaded just one other person of similar wealth to donate, this would raise an extra £2bn a year in charitable giving¹⁷.

Overall, not enough is known about who gives and why. Understanding who is giving and investing in the UK would help us identify gaps in the philanthropic terrain and give us a more coherent action to plan to support the sector to engage with and grow the number of donors. The APPG will develop a programme of work that explores the following questions:

- Who are civil society donors in the UK? Where are the gaps and how do we encourage more diverse philanthropy? Specifically, we will work with the parliamentary library to explore gender, age, ethnicity and capacity of high-net-worth donors in the UK.
- How could we get each region of the UK to enjoy the fruits of philanthropy equally?
- How could we grow high net worth philanthropy, to normalise a culture of giving among those who can give the most?

¹⁵ Institute for Fundraising 2017 'Nfp Synergy - Major donor research synthesis report October 2017' (www.institute-of-fundraising.org.uk/library/nfp-synergy-major-donor-research-synthesis-report-october-2017/)

¹⁶ CAF 2016 ' Gross Domestic Philanthropy: Comparing charitable contributions as a proportion of GDP challenges assumptions' (www.cafonline.org/about-us/blog-home/giving-thought/how-giving-works/gross-domestic-philanthropy)

¹⁷ Third Sector 2018 'Sector organisations hope to raise extra £2bn from wealthy people' (www.thirdsector.co.uk/sector-organisations-hope-raise-extra-2bn-wealthy-people/fundraising/article/1487384)

Public policy and press

Philanthropy is often negatively portrayed in the press and is frequently misunderstood by policy makers. Too often is it conflated with tax avoidance and the moral dilemmas around excessive wealth. While tax avoidance and excessive wealth absolutely warrant extensive popular, press and political scrutiny, the simple ‘category error’ of including philanthropy in these debates risks negatively shaping the way the public feels about philanthropy and social investment.

To address this, philanthropy needs to become more transparent and accountable, so that the benefits to society are better known and understood. This is a vital part of restoring public trust in giving. A new public narrative around philanthropy and social investment is needed. Positive messaging around the role that giving has played in the UK over generations and its potential for the future, needs to be shared.

The APPG will develop a programme of work that explores the following questions:

- How can we shape and inform the public debate around philanthropy and social investment, to normalise and grow giving across the UK?
- How could philanthropy and social investment be harnessed and what policies are needed to enable this?
- How could we use technology to increase accountability and transparency in philanthropy?

Technology

Technology is rapidly reshaping the modern world, including the way people give and socially invest. Technology has the capacity to underpin many of the transformations we want to see in the philanthropic world, including increasing giving and diversity through the use of new platforms as well as increasing transparency and accountability.

360Giving

360Giving uses a specialised database and online tech platform to support UK grantmakers to publish information on who, where and what they fund in an open, standardised format. This helps to build a better picture of the funding landscape and boost its impact.

360Giving's vision is for UK grantmaking to be more informed, effective and strategic. They support organisations to publish their grants data in an open, standardised way and help people to understand and use the data to support decision making and learning across the charitable giving sector.

They outline '*Our success over the past three years means there is now a critical mass of comparable information available about funding provided across the UK. We are creating real and meaningful change in the sector.*'

They aim over the next few years to:

- Normalise open data sharing across trusts and foundations
- Improve data quality
- Improve data literacy across the sector
- Grow the use of the data and share learnings¹⁸

The APPG will develop a programme of work that explores the following questions:

- How could technology grow and improve the philanthropic and social investment space? How can we work with payroll giving providers for example, or company giving?
- How can technology increase and improve accountability and coherence across the philanthropic and social investment space? What is the role of innovation to join up giving and investing?

¹⁸ 360Giving 2019 'Strategy 2019-2021: Summary' (www.threesixtygiving.org/wp-content/uploads/360Giving_Summary_Strategy_2019-2021.pdf)

New types of giving

While charitable donations and social investment are welcome, there are many emergent types of philanthropy that warrant discussion. From corporate donations to volunteering to new forms of social investment, there is a role for the APPG in shaping the space for emerging types of philanthropy.

The APPG will develop a programme of work that explores the following questions:

- What is the role of corporate volunteering and donating in bringing private sector partners into the philanthropic and social investment space? How can we encourage this?
- What other emerging forms of philanthropy and social investment are on the horizon? What are their capacities? If they're promising, how can these be encouraged to grow?

If you would like to contribute to any of these inquiries, please write to us at: appgphilanthropy@philanthropy-impact.org

