



A call to action to encourage more people to give and people to give more

Recommendations from the
Philanthropy Review, June 2011

*A fresh look at reshaping philanthropy to encourage
more people to give and people to give more*

About the Philanthropy Review

In December 2010, leaders from the worlds of philanthropy, business and the charitable sector came together to identify new and already existing opportunities to catalyse a step change in the level of giving of money in the UK. Our aim has been to identify, gather evidence and advocate for practical actions that can build a stronger culture of philanthropy in the UK.

Since its formation, the Review Board has been active in making recommendations to Government. Six months on, this publication delivers a call to action to philanthropists, employers, wealth advisers and charities to come together to achieve a vision of a UK society where more people give and people give more.

For more information please visit our website at www.philanthropyreview.co.uk.

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Executive summary

WHY MORE PEOPLE WILL GIVE AND PEOPLE WILL GIVE MORE

We are a generous nation founded on a rich heritage of philanthropy. In 2009/10 alone, individuals in the UK gave just under £11 billion to charity.¹ Only the United States trumps the generosity of the British people².

The Philanthropy Review team is passionate about helping to accelerate a new phase of growth in philanthropic giving, by building on the many outstanding initiatives already established or underway to improve giving in Britain at national and local level.

As a start, we have clearly identified around £2 billion of additional annual charitable income in real terms that can be achieved by 2015. This can be significantly enhanced if our Review succeeds in facilitating a major shift in the culture of philanthropy.

Recognising that the current economic situation is putting pressure on household spending, our Review aims to grow giving in the longer term. We must increase giving to protect, sustain and grow charitable enterprise in Britain, while delivering continuous improvement in our society.

WHY DO WE BELIEVE THAT THIS IS THE TIME FOR GROWTH?

Our Review has identified a few key areas where significantly more can be achieved:

- Fifty-six per cent of British adults give to charity in an average month.³ We believe through leadership, cultural change and simplifying giving, many more people who are in a position to give, will be encouraged to do so
- Current incentives to give are generous, but are often less effective than they could be because they are complex and inconsistent. Simplification will lead to a quantum increase in giving
- No high street bank or building society currently offers a charity bank account. If charity accounts were integrated with personal banking it would make it much easier for people to give
- Less than one per cent of employers currently operate a payroll giving scheme.⁴ Four per cent of our workforce give in this way compared with thirty-five per cent in the US
- Those earning over £200,000 per annum give £2 to charity for every £1,000 that they earn compared with an equivalent £90 for every £1,000 amongst their peer group in the United States⁵

1. *UK Giving 2010*, (NCVO and CAF), 2010

2. The UK is the second most generous nation – giving 0.73% of GDP – after the US where 1.67% of GDP is given to charity. Source: *CAF International Comparisons of Charitable Giving*, Charities Aid Foundation (2006)

3. *UK Giving 2010*, (NCVO and CAF), 2010

4. Inter Departmental Business Register (IDBR), Office of National Statistics (ONS), (2011)

5. HM Revenue and Customs (2006) and *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households*, The Center on Philanthropy at Indiana University, (2010)

- Advice on charitable giving needs to be routinely offered by professional advisers who can dispel the concerns of potential donors with balanced advice about giving to others as well as saving for themselves
- The April Budget and the Giving White Paper (May 2011) demonstrate that the Government is showing a real commitment to supporting a growth in the culture of giving
- The capacity for charities to ask more people to give is being enhanced following the recommendations of the Funding Commission in December 2010⁶

THREE GOALS

We have three goals that will lead to giving in the UK rising significantly and incrementally over time. We are concerned with:

1 How to make it easier for people to give

Every bank or building society account holder should have the option to hold a charity account

Every chief executive must champion payroll giving in the workplace and lead by example, giving through their own payroll

2 How to encourage giving

Current tax incentives must be simplified and applied equally to all assets including cash

Living legacies must be introduced to allow families to make significant gifts and enjoy big scale giving in their lifetime, not solely through their Wills

3 How to help giving become a social norm

'Giving' education must be provided in every school

Planned giving must be championed by professional advisers

A national campaign will be launched later this year to celebrate giving and encourage people to give more

WHOSE SUPPORT IS NEEDED?

- Leaders in business, the public sector, charities and the media
- The public at large
- The affluent and the wealthy as well as their advisers
- The Government

6. *Funding the Future - A 10 year framework for civil society*, The Funding Commission (2010)

WHAT WILL SUCCESS LOOK LIKE?

When an individual gives £100 to charity, society benefits from the full value of that gift, whereas, when someone pays tax and does not give, society benefits only from the tax paid.

But the impact of philanthropy is far greater than its pure monetary value. The multiplier effect of millions of people making the same choice to give can, and will, lead to dramatic improvements in society.

The hospice movement came about from the desire of many to provide care for the dying and to give to this cause, the mapping of the human genome was supported by the Wellcome Trust and organisations such as Comic Relief are the embodiment of where the generosity and concern of people combine to drive social change. These are just some examples of the UK's greatest contributions to society since 1900 all developed from our culture of giving.⁷

As more people give, and people give more, we will be better placed to face challenges such as long term unemployment, increasing homelessness, an ageing population, rising demand for care of the dying as death rates increase, improving education, sustaining the arts and the many other issues to which charities can provide solutions and much needed support. Moreover, each act of philanthropy acts like a thread that, woven together, binds us into a richer and more vibrant society.

BY 2015 WE LOOK FORWARD TO:

- Many more people wanting to give and wanting to give more, and charities benefiting from increased investment and engagement
- Giving made significantly easier via improved, accessible giving mechanisms as well as simple attractive tax incentives
- Senior figures in business and Government leading by example in giving to charity
- Many more people feeling connected to the charities and causes they are most passionate about, enjoying their giving and knowing that they are making a difference

We have set out in this report our critical path for facilitating the flow of an additional £2bn into the charitable sector, but this should be just the beginning.

Members of the Philanthropy Review Board have committed to pursuing our goals far beyond this launch and we invite others to join us in achieving those goals and the aim of creating a stronger culture of philanthropy in the UK, where more people give and people give more.

There is greater will than ever before to build on our rich philanthropic heritage.

7. Dr. Beth Breeze, *UK Philanthropy's Greatest Achievements*, Institute for Philanthropy, (2006)

Our proposals in brief

1. MAKING IT EASIER FOR PEOPLE TO GIVE

In 2009 - 2010 just fifty-six per cent of UK adults gave to charity in an average month.⁸ If we want to shape our culture so that more people can give, and enjoy giving to charity, we must provide more opportunities to integrate giving into people's daily lives. While the Giving White Paper is rich with opportunities and triggers to encourage people to make frequent spontaneous gifts - for example through giving at cash machines and 'round pound' schemes - we need to introduce more opportunities for people to make regular and considered gifts to charity as part of their daily lives.

The Philanthropy Review has identified two significant opportunities here:

Payroll giving

We should make every effort to engage all employers and their staff in payroll giving. Payroll giving remains one of the simplest, most tax-effective mechanisms for giving to charity.

- Less than one per cent of employers operate a payroll giving scheme in the UK
- Just four per cent of employees, 724,000 people, give through their payroll⁹
- £106m is donated to charity in this way¹⁰ and a further £13m through employer match funding

The Philanthropy Review challenges leaders from the worlds of business, the public sector and charities to take the lead by signing up for payroll giving themselves, by ensuring giving schemes are available in the workplace and by promoting payroll giving to their employees. We would like to see all employers achieve a minimum of 10 per cent uptake of payroll giving by 2015.

If we take action today we could treble the value of annual donations made through payroll giving to £300m by 2015

Charity bank accounts

We should integrate charity bank accounts with mainstream personal banking so that giving becomes part of daily life.

- 150,000 tax-effective charity accounts exist today through specialist providers
- £190m is gifted to charity each year from these accounts
- Nineteen per cent of higher rate taxpayers say they would be likely to take out a charity bank account if these were available through the high street banks¹¹

The Philanthropy Review invites the high street banks and building societies to join us in establishing the first widely available charity bank account product to make tax-effective, planned giving available to all.

Introducing charity bank accounts at high street banks could generate an extra £400m for charity from planned giving within a year

8. *UK Giving 2010*, (NCVO and CAF), 2010

9. Office of National Statistics (2011)

10. Payrollgivingcentre.org.uk (2011)

11. According to a survey across a large population sample delivered on behalf of the Philanthropy Review in June 2011

Gift Aid on small cash donations

The Philanthropy Review wants to see charities benefit from the full value of donors' gifts. Government has taken a bold step with the commitment to make it easier for charities to benefit from the value of Gift Aid on small cash donations by 2013. However the £5,000 cap on the value of small cash gifts that charities can claim for means that no one charity will benefit from more than £1,250 each year through a Gift Aid-style payment, whatever the total amount of small cash gifts they receive.

- Fifty per cent of donors make cash gifts to charity¹²
- Charities only claim Gift Aid on behalf of twenty per cent of donors giving small cash gifts
- With a £5,000 cap this new measure would generate an additional £75m in Gift Aid-style payments to charity, but a further £510m will go unclaimed each year

The Government should raise the cap from £5,000 to £50,000 by 2015 and ultimately lift the cap altogether so that charities of every size can access the full value of their donors' gifts.

If Government were to increase the cap to £50,000 charities would benefit from an additional £260m in Gift Aid-style payments each year

12. *UK Giving 2010, (NCVO and CAF), 2010*

2. ENCOURAGING GIVING

We believe that those who have least give more of their income to charity than those who have most. HM Revenue and Customs data indicates that giving by those who earn £200,000 or more represents only 0.21 per cent of their total combined income.¹³ Another recent study suggests that of those who give in the UK, it is the poorest who give proportionally more of their household spending to charity (three per cent) compared with the wealthiest, who give just over one per cent.¹⁴ Yet it is those who have most who have the greatest capacity to change the fortunes of our society through giving.

HM Revenue and Customs data indicates that whilst the overall number of taxpayers will decline in 2011-2012 from 30.5m to 29.9m, the number of higher and additional rate taxpayers will increase by eighteen per cent from 3.4 million in 2010 - 2011 to 4 million in 2011 - 2012 (see table 1).

Table 1. Segmentation of all UK Taxpayers

Definition	Population 2010/11	Population 2011/12
Additional rate taxpayers (50 per cent) Gross income above £200,001	177,000	199,000
Additional rate taxpayers (50 per cent) Gross income between £150,000 and £200,000	98,000	109,000
Higher rate taxpayers (40 per cent) Gross income between £35,001 and £150,000	3.1m	3.74m
Starting, Saver and Basic rate taxpayers (20 per cent) Gross income up to £35,000	27.1m	25.8m

Source: HM Revenue and Customs April 2011

In a climate where more and more of the UK's working population pays tax at higher or additional rate, the need for simple, harmonised fiscal incentives to encourage greater levels of tax-effective giving - particularly amongst the more affluent - is increasingly important.

Whilst each of the proposals that follow highlights the Government's role in reforming fiscal incentives we also recognise that the responsibility to drive take up lies not solely within Government, but also within the sector. Government can pave the way for new fiscal incentives but it is the role of charities and professional advisers to draw the attention of their donors and clients to new opportunities as they arise.

13. *Gift Aid by higher rate taxpayers by characteristic 2003-04*, HM Revenue and Customs (2006)

14. Giving comprises 3.6 per cent of total spending amongst the poorest 10 per cent of givers, compared to 1.1 per cent for the richest 10 per cent McKenzie, T, Pharoah, C, Cowley, E & Smith, S *The new state of donation: three decades of household giving to charity 1978-2008*, CGAP, Cass Business School & CMPO, University of Bristol (2011)

Three of our proposals have been developed with this in mind:

Living legacies

Those who have more should be enabled to make substantial tax-effective gifts of assets and cash to charity during their lifetime. Donors and their families should have the opportunity to give at levels that can transform a charity's operations and to enjoy the impact of their giving during their lifetimes.

- In the US, charities benefit from \$2.5bn in income and \$4.5bn in assets each year through living legacies¹⁵
- Charitable remainder trusts offer a tax-effective mechanism for donors to make substantial irrevocable gifts of cash or assets in their lifetime
- The donor and the charity receive an income from these assets during the donor's lifetime and the gift reverts to the charity on the donor's death

The Government should review the opportunity to open up significant gifts of cash and assets through a simple, tax-effective living legacy model such as the charitable remainder trust. A simple proposal setting out how this would work is available on p26.

The introduction of living legacies could generate an additional £400m for charity in cash and assets each year

Extend tax relief to all assets

We should incentivise and normalise the giving of assets of a starting value of £1,000 to charity to encourage the asset rich to give more and to give more often.

- In the UK those with more than £50,000 of net capital hold personal assets worth £310 billion¹⁶
- Legacies are currently the only viable mechanism to give personal assets to charity in a tax-effective way, but this limits the engagement of the donor during their lifetime
- Income tax relief on gifts of assets is limited to gifts of shares, land and property

The Government should seek to extend tax relief on all asset classes so that the asset rich are encouraged to give more to charity. A simple proposal setting out how this would work is available on p29.

If just 0.1 per cent of assets were gifted we could expect to see an additional £300m for charity each year

15. U.S Department of the Treasury Internal Revenue Service (2009)

16. *Identified personal wealth: Estimated wealth of individuals in the UK, 2005*. HM Revenue & Customs (2010)

Full tax deduction on gifts of cash

For higher rate and additional rate taxpayers Gift Aid benefits simply are not working as an incentive to make cash gifts to charity. The donor benefits of this system are widely misunderstood by those who might benefit from them and there is more incentive for the wealthy to make gifts of shares than gifts of cash. The Government should harmonise tax relief to provide a strong incentive for wealthy individuals to make significant cash gifts.

- In the UK twenty-seven per cent of top taxpayers give to charity compared with ninety-eight per cent in the US¹⁷
- Twenty-six per cent of affluent and high net worth individuals - those with over £100k of investable assets - are not aware that they can claim a tax rebate on charitable donations¹⁸
- Eighty-eight per cent of high net worth donors say they would give more to charity if a full tax deduction on gifts of cash were available¹⁹

The Government should introduce the choice of a full deduction against income tax while retaining the option to give through Gift Aid.

By 2015 this measure could generate between £350m and £1bn each year in high value cash gifts to charity

17. HM Revenue and Customs (2006) and *Bank of America Study of High Net Worth Philanthropy*, Centre on Philanthropy at Indiana University, (2008)

18. According to a survey across a large population sample delivered on behalf of the Philanthropy Review in June 2011

19. According to a preliminary survey of UK top-rate tax payers conducted by the Philanthropy Review in May 2011

3. CHANGING THE CULTURE OF GIVING

A recent study has found that the proportion of households giving to charity has fallen, with fewer people giving to charity today than thirty years ago.²⁰ If we are indeed facing a decline in the overall population of donors, more must be done to secure our future as a giving nation, where people from across the spectrum underpin the welfare of our society by giving to charity.

The Philanthropy Review has identified three opportunities to reaffirm the place of giving in our society:

Shared giving data

Greater clarity on giving levels and trends will help charities, policy makers and opinion formers identify more clearly which sectors of our society are giving, why they give and how they give; and importantly, to understand why so many simply do not give to charity and how they can be encouraged to give.

- There are some exceptional studies into giving levels and trends. However, these are often based on population samples and/or publicly available Government data, both of which have severe limitations
- Population samples rarely represent an accurate picture of giving amongst the wealthy
- More transparent Government data on tax relief would provide more answers

Government, charities, foundations, charity infrastructure bodies, academics and others should work collaboratively to build a robust understanding of UK giving levels and trends.

Together we could achieve a robust understanding of national giving levels and trends which would inform future endeavours to encourage giving

20. McKenzie, T, Pharoah, C, Cowley, E & Smith, S, *The new state of donation: three decades of household giving to charity 1978-2008*, CGAP, Cass Business School & CMPO, University of Bristol, (2011)

Giving education

We should engage children and young people in giving from an early age to build the next generation of philanthropists.

- Over a quarter of a million children and young people nationwide are engaged with charities through giving education programmes
- According to the Youth and Philanthropy Initiative (YPI) sixty-nine per cent of pupils taking part feel they can make a positive difference in their local community after engaging with the YPI programme

Government has taken the first step by committing to establish a new match fund for giving education. We would like to see £1m made available each year in match funding and we call on fellow philanthropists and foundations to match this investment in giving education today.

By 2020 we could see a new social norm of giving among school leavers who have engaged with charitable giving from an early age

Give More campaign

We believe that more should be done to celebrate giving and to galvanise support for charities at a time when they need it most. We are backing a national giving campaign that will launch later this year to encourage people from across society not only to enjoy giving to charity but to give more if they can.

- In the UK fifty-six per cent of adults give to charity
- In total we give £10.6bn each year to a variety of different causes
- We could do more to celebrate the support that we as a nation give to others through donations to charity and to consider whether each of us could give more

People from across society should join us in a mass campaign that uses the power of peer networks and influencers to inspire others to give and encourage those who give to give more.

Our goal is that 2012 will be a year where giving is celebrated, where more people think about what they give and where those who can, pledge to give more

The road to a new philanthropy

Today

In 2011

The leaders of UK business, public sector bodies and charities sign up themselves to give through their payroll, and launch or re-launch their organisation's payroll giving schemes to encourage more of their workforce to take advantage of this tax-effective giving mechanism

In 2011

Government establishes a new £1m match fund for giving education initiatives working with children and young people nationwide

By the end of 2011

The business case for integrating charity bank accounts with personal banking has been established, and the most progressive of the high street banks and building societies are working to offer this new product to their client base

By the end of 2011

A national campaign is launched to encourage people from across society to give more to their chosen causes

GIVING TODAY

British people are very generous, giving £10.6 billion in 2010 and contributing almost a third of total income into the voluntary sector. But the number of people giving to charity is in decline and of those who give, the least wealthy give proportionally more to charity than the most wealthy. Political reform and public debate begin to reposition giving as a national concern.

By 2012

By 2012

HM Revenue and Customs, charities and third parties have come together to share giving data and begun to build a robust picture of UK giving levels and trends

By the end of 2012

Government has led a review into the potential of living legacies to encourage high net worth individuals to give assets and income to charity

By 2013

By 2013

Government introduces Gift Aid on small cash donations, releasing £75m to charities annually

By 2014**By 2014**

Government has introduced living legacies, legislating for the introduction of a simple but powerful charitable remainder trust model

By 2014

Government extends tax relief to gifts of all assets encouraging people to give valuable assets to charity as well as cash gifts

By 2014

Government drives forward reform of fiscal incentives so that donors benefit from a choice between a full tax deduction on gifts of cash and Gift Aid

By 2015**By 2015**

Government raises the cap on Gift Aid on small cash donations to £50,000, releasing £260m to charities annually, and investigates the opportunity to lift the cap altogether

By 2020**By 2020**

We have a new generation of young people who see giving to charity as an interesting and enjoyable element of daily life, thanks to increased investment in giving education initiatives in schools beginning in 2011

BY 2015

As a nation our generosity grows as we give another £2bn each year to a range of causes that will use our gifts to effect change in our society

- An extra £400m is gifted annually through nearly two million donor charity bank accounts
- Ten per cent of employees give £300m through their payroll each year with employers matched funding
- Giving education is established in schools
- We have a robust knowledge of giving levels and trends through data sharing and collaborative analysis
- The value of Gift Aid on small cash donations available to charities increases to £260m
- Living legacies are an established mechanism for high net worth individuals to give in their lifetime, generating an additional £400m for charity each year, and strengthening relationships between the donor and the charity
- All assets gifted to charity attract tax relief, including cash gifts, generating an additional £650m for charity each year

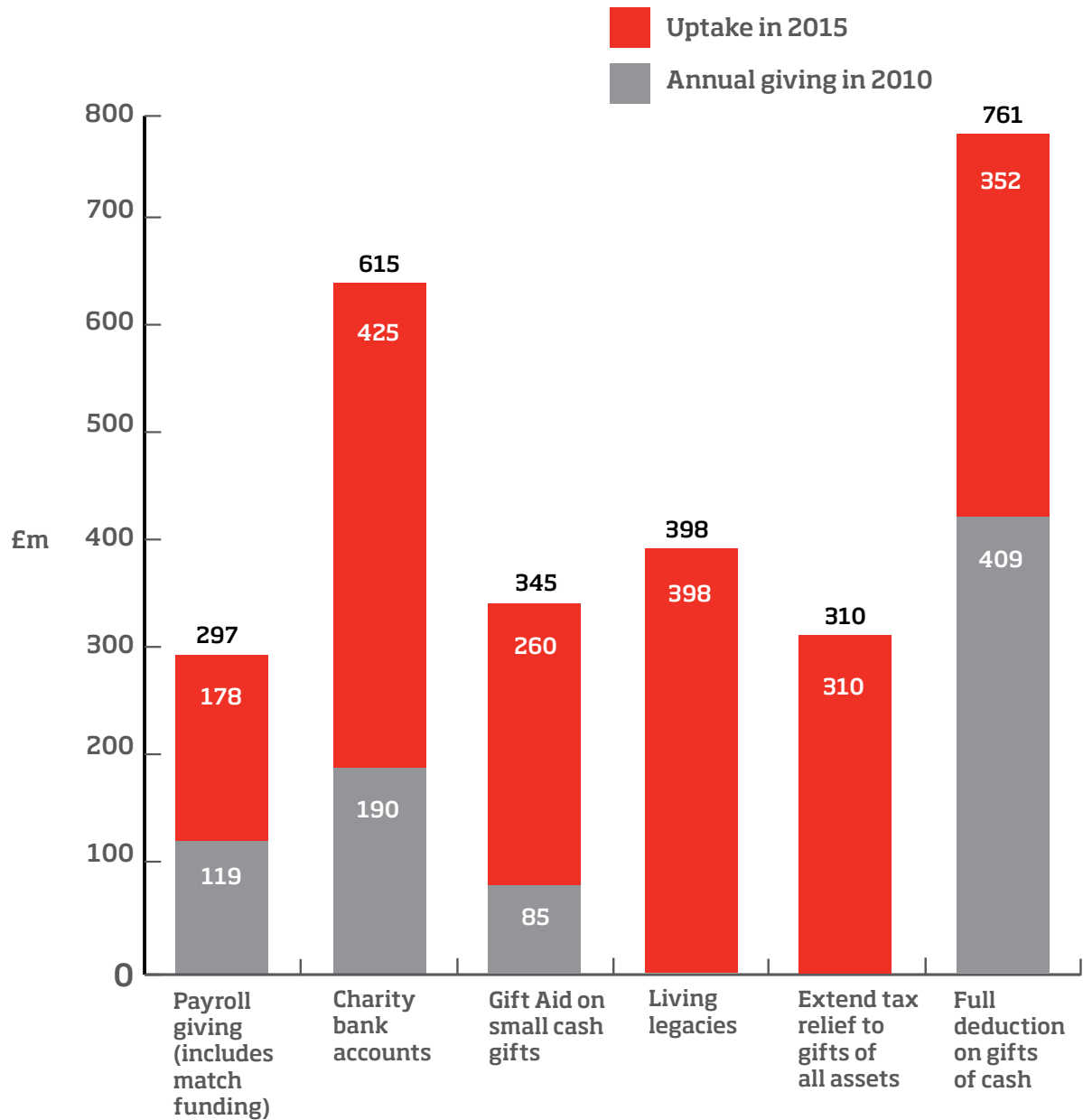
The impact on charitable giving

If each of these proposals were enacted an additional £1.9bn in gifts to charities could be generated in 2015 alone, with incremental growth thereafter.

	Annual giving in 2010	Rationale	Uptake in 2015*	Annual giving in 2015
Payroll giving	£119m	Increase the proportion of employees giving through their payroll from four per cent to ten per cent (assuming the average gift and match funding remains unchanged)	£178m	£297m
Charity bank accounts	£190m	Based on indicative market sizing	£425m	£615m
Gift Aid on small cash gifts	£85m	If Government were to raise the cap to £50,000	£260m	£345m
Living legacies	nil	One per cent of individuals with £50k or more in net capital give through a charitable remainder trust	£398m	£398m
Tax relief on all assets	nil	Those individuals with £50k or more of net capital give just 0.1 per cent of the £310bn held in assets to charity	£310m	£310m
Full deduction on gifts of cash	£409m	Eighty-eight per cent of those who give now give more under the new income tax relief proposal plus a fifteen per cent increase in the population of those who give substantial cash gifts	£352m	£761m
TOTAL			£1.9bn annually	

* All figures for new income are estimates and should be treated as such

Increase in income to charity in 2015





Payroll giving:

Harnessing the potential of the simplest and most tax-effective method of giving

If we take action today we could treble the value of annual donations made through payroll giving to £300m by 2015

0.0 INTRODUCTION

Payroll giving is a simple tax-efficient mechanism offered by some UK employers which allows employees to donate to charity direct from their gross pay after paying National Insurance deductions.²¹

Amount donated to charity	Cost to basic rate (20 per cent) taxpayer	Cost to 40 per cent tax payer	Cost to 50 per cent tax payer
£10	£8	£6	£5
£25	£20	£15	£12.50

Payroll giving schemes are inexpensive and straightforward to introduce, and are administered by HM Revenue and Customs accredited payroll giving agencies. These agencies charge an administration fee - typically three to five per cent of the value of the donation - to transfer the monies to the chosen charity. Administration fees are either met by the employer (and can be offset against corporation tax) or deducted from the donations.

Employers may also provide incentives to give, by matching the amounts donated: either in total or in part. For instance some match the total of a first donation; others match a percentage of all donations; and others match donations to a specific campaign or charitable activity. To support uptake of payroll giving, an employer may also engage one of a number of fundraising organisations to help them inform employees about the merits of payroll giving.

1.0 PAYROLL GIVING STATISTICS IN 2009 - 2010

- A total of 8,416 UK organisations have active payroll giving schemes - 0.7 per cent of the 2.10 million enterprises registered for VAT and/or PAYE in March 2010²²
- Four per cent²³ of the full-time workforce - 724,000 UK employees - are signed up to a scheme
- Employees donated £106m²⁴ to charities via payroll giving - a monthly average of £12.20 per person
- This method of giving is used by only three per cent of the total number of those giving in the UK²⁵ and represents one per cent of the £10.6bn in total individual giving to charity
- Employers matched employee donations to the value of £13m
- The annual UK Payroll Giving Awards recognise employee uptake with Gold (ten per cent), Silver (five per cent) and Bronze (one per cent) quality marks

21. *Payroll Giving: introduction for employers and pension providers*, HM Revenue and Customs, <http://www.hmrc.gov.uk/businesses/giving/payroll-giving.htm#1> (2011)

22. <http://www.statistics.gov.uk/cci/nugget.asp?id=1238>, The Office of National Statistics (2011)

23. 18.23m in full-time employment, 3 months to Dec 2010 <http://www.statistics.gov.uk/pdfdir/lmsuk0211.pdf> (2011)

24. http://www.payrollgivingcentre.org.uk/facts_per_cent20figures.htm, Payrollgivingcentre.org.uk (2011)

25. UK Giving 2010 p13, (NCVO & CAF), 2010

Payroll giving:

Harnessing the potential of the simplest and most tax-effective method of giving



2.0 THE OPPORTUNITY

Payroll giving is one of the simplest, most tax-effective ways to give to charity, allowing employees to donate to a charity of their choice. It is also the only method of giving which offers higher rate taxpayers the full tax benefit on their gift at the point of donation.

A combination of employer pull and employee push should maximise the potential impact of payroll giving. An increase in the uptake of payroll giving also has the potential to unlock gifts from more of those in the UK who do not currently give – some forty per cent of donors give to no causes other than their payroll charities.²⁶

Leadership from business is the key to delivering the levels of employee engagement and therefore payroll giving which we believe are possible. Payroll giving should be about encouraging employees to become the stakeholders in workplace giving activity, with employees able to select their own charity beneficiaries and therefore increase their own sense of engagement and ownership.

Streamlining the tracking of data and creating transparency will offer charities the opportunity to build deeper and more meaningful relationships with their payroll donors.

If we were to achieve the same level of payroll giving as the US, a third of UK employees would use this tax-efficient mechanism of giving to deliver £927m to charities annually (based on the average UK monthly gift of circa £12).

3.0 TRANSFORMING PAYROLL GIVING

With crucial business leadership as the key, a multi-layered approach will be required to achieve the full potential of payroll giving.

Business leadership - CEOs and senior management need to demonstrate engaged leadership by signing up for payroll giving themselves; ensuring that employees know about existing schemes, how they work and the advantages of giving in this way; and by having more schemes in place. Uptake should be promoted and celebrated and more corporates should increase the value of employee donations with matching

Ten per cent minimum - all organisations should achieve a minimum of ten per cent uptake in payroll giving amongst employees and aspire to the thirty-five per cent US level

Highlighting and celebrating performance - by including the need to report uptake levels in company accounts, the Department for Business, Innovation and Skills (BIS) and Companies House could ensure that payroll giving becomes a much more important element of company performance. It would also identify those organisations and sectors which are excelling in this activity, allowing the opportunity to celebrate and reward at a local and UK-wide level. Reporting in this manner, rather than isolating payroll giving as a human resources or corporate responsibility issue, will bring a focus on payroll giving to the UK's board tables, and encourage the necessary leadership to achieve an initial ten per cent uptake

26. The Institute of Fundraising/Strategy Complete *Review of Payroll Giving* (2008), page 5
<http://www.institute-of-fundraising.org.uk/Resources/Institute%20of%20Fundraising/Documents/PDF/Payroll%20Giving%20Review%20Final.pdf>



Payroll giving:

Harnessing the potential of the simplest and most tax-effective method of giving

A portability mechanism - if HM Revenue and Customs were to introduce a mechanism for employees to continue with their payroll giving activity when they change employer, this would help to reduce attrition in giving when people change jobs, and start to exert some additional pressure on those employers who do not offer a scheme to do so. Charities would retain these valuable regular contributions to their income, allowing them to retain donors as they change jobs, rather than incurring the substantial costs of recruiting new donors

Charities - with robust tracking of payroll giving, and shared data, charities would have the opportunity to build stronger relationships with their payroll giving donors; keep them informed of the impact their donations have made; and thank them for their gift efficiently

4.0 THE IMPACT OF THESE PROPOSALS

Goal	Increase	Impact
Six per cent increase in giving	An extra £159m of employee donations per annum	Total of £265m
Six per cent increase in match funding	An extra £19m per annum	Total of £32m
Six per cent increase in donors	An extra 1.08m people giving in the workplace	Total of 1.8m employees
Wider benefits and impacts		
Business is seen as a force for good, supporting the causes its employees care about and enabling more resource to go to charities		
Giving in the workplace becomes the norm and success is celebrated		
With minimum effort, but to maximum tax-efficient benefit, the employee can engage with this simple giving mechanism and know that their donation is making a difference to the causes they care most about		
A new portability mechanism ensures that continuity of donations is maintained and attrition rates are drastically reduced		
Charities see a significant increase in regular reliable monthly donations, improving scope for financial planning and providing continuity of income		

At the March 2011 Philanthropy Review Summit, 40% of philanthropists and business leaders agreed that employers must lead by example to encourage greater levels of giving

Charity bank accounts:

Making tax-effective, planned giving available to all



Introducing charity bank accounts at high street banks could generate an extra £400m for charity from planned giving within a year

0.0 INTRODUCTION

One primary concern for the Philanthropy Review is to identify opportunities to build a stronger UK culture of philanthropy and encourage more people to give. One proposal with transformative potential is the mainstreaming of charity bank accounts through high street banks and building societies. Should we achieve this vision, we would see tax-effective, planned giving offered to bank customers nationwide, making giving easier and a part and parcel of day-to-day financial management.

1.0 CHARITY BANK ACCOUNTS

There are approximately 150,000 charitable giving accounts in use in the UK today through which an estimated £190 million is gifted to charity each year. Charity bank accounts can be credited through regular giving or intermittently topped up. These accounts are tax-effective, attracting Gift Aid on the deposits or, in some cases, integrated with payroll giving systems to hold funds transferred directly from the donor's gross pay. Funds held in these accounts are irrevocable and can only be transferred to a registered charity.

The majority of these accounts are currently managed by specialist providers including the Charities Aid Foundation (CAF), Charities Trust, Community Foundations and Stewardship. These providers administer due diligence to ensure that entities in receipt of transfers from these accounts are registered charities. In addition to these niche providers, some private banks such as C. Hoare & Co provide a similar tax-effective product as part of their wealth management portfolio, and some, such as Coutts & Co, provide 'charity account' products without the benefit of Gift Aid to their clients.

The Philanthropy Review would like to see high street banks offer tax-effective charity bank account products alongside their customers' current and saving accounts. This proposal could see the creation of many more charity bank accounts and may be akin to "CAF accounts for the mainstream".

2.0 DEVELOPING THE BUSINESS CASE

Initial conversations have been held with non-executive directors and management of some of the leading banks, with charity account providers including CAF and with Government.

The Philanthropy Review is fortunate enough to be supported pro bono by Accenture who have validated how integrating charity bank accounts into mainstream banking could work in practice, in an independent report which will be published in July 2011. As part of this report, Accenture will seek to:

- Complete a **competitive landscape study** that will examine what products currently exist in the marketplace with similar attributes to the proposed charity bank accounts
- Examine **business case** scenarios to determine the potential market size, possible revenue streams and likely cost implications for the roll out of charity bank accounts



Charity bank accounts: Making tax-effective, planned giving available to all

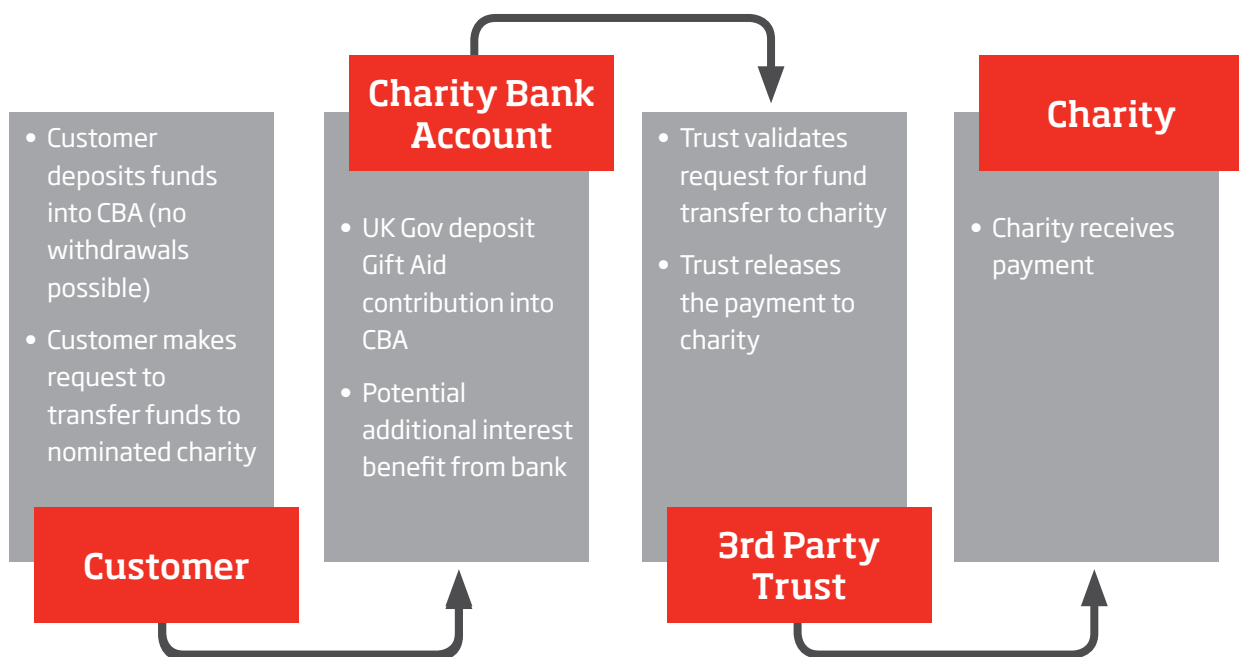
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- Examine the **customer proposition** through population sampling to measure consumer interest in charity bank accounts; the way in which consumers may wish to see it executed; and how it may impact on the perception of high street banks
- Identify the **barriers to implementation** for charity bank accounts and examine how these could be overcome

3.0 INDICATIVE MODEL FOR THE CHARITY BANK ACCOUNT

For mainstream charity bank accounts to have a truly transformational effect on the way we give, the Philanthropy Review recommends the development of a charity bank account product with the following features:

- All gifts into the account will be irrevocable
- Gift Aid is credited to the account so the donor sees the full impact of their giving; or alternatively, accounts will be integrated with payroll giving systems to receive tax-effective gifts made directly from the donor's gross pay
- The charity account can be accessed alongside the donor's main account and through established online, over the counter and telephone banking interfaces
- Accounts can be credited by regular giving or intermittently topped up
- Charity bank accounts should be entirely electronic and integrated with online banking and payment systems. The donor may be able to make donations directly from their charity account using a branded payment button on a charity's website (or on an aggregation site, such as Localgiving.com or Genevaglobal.com)



Charity bank accounts:

Making tax-effective, planned giving available to all



4.0 QUANTIFYING THE IMPACT

All figures are estimates based on population sampling (where available) and indicative assumptions that will need to be validated in the process of building the business case. A nationally representative survey was conducted by YouGov to investigate the appetite for a charity bank account product. It found that twelve per cent of all respondents would be ‘somewhat’ or ‘very’ likely to take up a product if available; for higher rate taxpayers the figure was nineteen per cent.

If it can be assumed that three-quarters of the individuals likely to take up the product would open an account, and that they would donate 0.5 per cent of their income through their charity bank account, potential donations of £425 million could be gifted to charity. £85 million of this would be Gift Aid.

	All Income Taxpayers	Of which Higher Rate Taxpayers
Number of people	29.9m	3.7m
Estimated Charity Bank Account take-up	9%	14%
Estimated number of Charity Bank Accounts	2.7m	530k
Mean income	£26,510	£65,000
Per cent of income donated (through any channel)	2.5%	1%
Per cent of donations made through Charity Bank Accounts	20%	20%
Estimated average annual Charity Bank Account deposits per account holder	£140	£130
Estimated total annual Charity Bank Account deposit base	£377m	£69m
Annual Charity Bank Account deposit utilisation (per cent)	90%	90%
Estimated total annual donations made through Charity Bank Accounts	£340m	£63m
Potential Gift Aid supplement on donations made	£85m	£15.8m
Grand total annual donations and Gift Aid	£425m	

5.0 CONCLUSION

Charity bank accounts available through high street banks and building societies present a unique opportunity not only to encourage more people to give, but to transform the way we think about our giving. Decisions about donating saved money are likely to be more considered, and more part of daily financial management. Donors will see the full impact of their gift because Gift Aid will be credited to the account. There is an additional benefit to higher rate and additional rate taxpayers who will be better able to reclaim tax by using their personal banking records.

In July 2011 the Philanthropy Review will launch, with our partners Accenture, a full report exploring this opportunity. We hope to galvanise support for this proposal from Government in helping to overcome structural barriers; and, importantly, it is hoped that at least one high street bank or building society will join us in developing a charity bank account product available for all.



Gift Aid on small cash donations: Enabling charities to access the full value of gifts from their donors

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If Government were to increase the cap to £50,000 charities would benefit from an additional £260m in Gift Aid-style payments each year

0.0 INTRODUCTION

Cash giving is the most popular way of donating to charity. Street collections, collection boxes and other ways of making small cash gifts account for around sixteen per cent of all giving in the UK,²⁷ at a total value of £1.7bn annually. The emerging popularity of spontaneous giving through new technology, such as text messaging, suggests that small cash gifts are not only here to stay, but could well increase in popularity over coming years.

Charities in receipt of small cash gifts, however, rarely benefit from the Gift Aid to which they are entitled, because each donor is required to complete a declaration form. This is simply an impractical ask for those who choose to make quick and easy small cash gifts. Currently, fifty per cent of donors make cash gifts, yet Gift Aid on gifts of £10 or less is only claimed on behalf of twenty per cent of this giving population.²⁸

The Government has taken a big step forward with its commitment to simplify the Gift Aid system, making it easier for charities to claim for small cash gifts. We are pleased to learn that from April 2013 charities will be able to claim a Gift Aid-style payment on small cash donations without the need for Gift Aid donor declaration forms.

1.0 PROPOSAL TO RAISE THE £5,000 CAP

The Review Board was disappointed with the proposed introduction of a £5,000 cap. This means that in practice no one charity can benefit from any more than £1,250 each year whatever the total level of small cash gifts they receive. By our calculations, this means that even if all charities were to take up this opportunity, no more than £75m of additional income would come into the sector.

We propose therefore that Government lifts the cap in 2015 to enable charities to claim for up to a maximum of £50,000 of small cash gifts each year. This would release up to £260m of additional funds for charities each year.

27. *UK Giving 2010*, (NCVO and CAF), 2010

28. *UK Giving 2010*, (NCVO and CAF), 2010

Gift Aid on small cash donations:

Enabling charities to access the full value of gifts from their donors



Table 1. The value of this measure with a £5,000 cap

Charity Size	Number of charities	Average annual value of small cash donations	Average annual value per charity	Maximum qualifying for Gift Aid	Total not qualifying for Gift Aid	Total available Gift Aid per charity	Total Gift Aid by charity size
Micro charities	91,000	£27m	£297	£297	0	£74	£6.8m
Small charities	54,000	£143m	£2,640	£2,640	0	£660	£35.6m
Medium charities	22,000	£650m	£29,525	£5,000	£24,525	£1,250	£27.5m
Large charities	4,000	£613m	£153,368	£5,000	£148,368	£1,250	£5m
Major charities	438	£948m	£2,165,187	£5,000	£2,160,187	£1,250	£548k
Overall Total							£75.4m

Table 2. The value of this measure with a £50,000 cap

Charity Size	Number of charities	Average annual value of small cash donations	Average annual value per charity	Maximum qualifying for Gift Aid	Total not qualifying for Gift Aid	Total available Gift Aid per charity	Total Gift Aid by charity size
Micro charities	91,000	£27m	£297	£297	0	£74	£6.8m
Small charities	54,000	£143m	£2,640	£2,640	0	£660	£35.6m
Medium charities	22,000	£650m	£29,525	£29,525	0	£7,381	£162m
Large charities	4,000	£613m	£153,368	£50,000	£103,368	£12,500	£50m
Major charities	438	£948m	£2,165,187	£50,000	£2,115,187	£12,500	£5.5m
Overall Total							£260m

2.0 ENSURING THIS MEASURE REACHES SMALL CHARITIES

This measure has been presented as an opportunity for small charities, who will gain a higher proportion of the Gift Aid to which they are entitled than their larger counterparts. The Review Board is keen to see adequate resources put behind the communication of information on how to claim this payment to small charities. We would also encourage Government to liaise closely with representative bodies such as the Small Charities Coalition, Community Foundation Network and with small charities themselves to ensure that the process of claiming is simple and straightforward.



Living legacies:

Introducing a new tax-effective mechanism to unlock giving from the asset rich

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The introduction of living legacies could generate an additional £400m for charity in cash and assets each year

0.0 INTRODUCTION

The Philanthropy Review is concerned with identifying opportunities to encourage the wealthy to give more. One opportunity that promises to be transformative in its potential as a new tax-effective mechanism to encourage giving is the introduction of living legacies in the UK, which could leverage an additional £400 million in assets and income each year for charity.

Those who have more should be enabled to make substantial tax-effective gifts of assets and cash to charity during their lifetime. Donors and their families should have the opportunity to give at levels that can transform a charity's operations and to enjoy the impact of their giving during their lifetimes.

One other advantage of this tax-effective mechanism is its potential to overcome one of the most frequently cited barriers to encouraging the wealthy to give more. Research suggests that an individual's concern for financial security in later life can and does discourage many from giving more in their lifetime.²⁹ If, however, a wealthy individual had the option to make a substantial tax-effective gift in their lifetime, and this individual were to receive a regular but modest income from this gift for the remainder of their life, we believe that wealthy donors would be likely to give significantly more to charity. We only need look to the US where living legacies have been in place for four decades and where charities benefit annually from \$4.5bn in assets and \$2.5bn in income.

Living legacies can offer individuals and families the pleasure of making a substantial gift in their lifetime and connecting with the organisation they have chosen to support. On death, a living legacy is treated like any other gift made to charity in a will and its value is not counted as part of the donor's estate for inheritance tax purposes.

1.0 LIVING LEGACIES

Living legacies are tax-effective arrangements widely used in the US, in Canada and to some degree in Germany, in which a donor makes an irrevocable gift to a charity during his/her lifetime, while retaining a proportion of the investment income on the gift for the term of his/her life. In this way, living legacies offer:

- For the donor, the psychological rewards of certainty over future income and the gratification of making substantial, transformative gifts to a good cause
- A more long lasting, fruitful and engaging relationship between the donor and the charity
- For the charity a regular income, a guaranteed gift of significant value and a guarantee against loans

29. 50 per cent of the wealthy are motivated to give to charity because they feel they can afford to do so. However, this is very subjective and many millionaires feel that they are unable to afford to give to charity and will not become major donors until they feel financially secure. *Philanthropy: Barriers to Giving*, Barclays Wealth (2010)

Living legacies:

Introducing a new tax-effective mechanism to unlock giving from the asset rich



2.0 LIVING LEGACY MODEL PROPOSED FOR UK

For the successful introduction of a tax-effective living legacies mechanism in the UK we will need to formulate a simple model that can easily be applied to UK tax structures, reduces Government fears of abuse and avoids complex valuation of assets. The model proposed by the Philanthropy Review is as follows:

- The donor sets up a form of charitable split interest trust and deposits an irrevocable gift of shares, property or cash of a minimum value of £10,000 to a charity
- The donor must name a trustee who controls and manages the assets of the trust with some limited input for investment decisions during the donor's lifetime. The trustee may be a bank or trust company, an investment firm or the charity itself
- The donor negotiates with the charity the terms of the benefits retained within these parameters
- The trust may pay to the donor, at least annually and for the rest of his/her life, a dividend based on a fixed percentage of no more than 50% of the total annual income arising from the invested assets. The remainder dividends will be either used to increase the trust investment assets or distributed to the charity
- The charity will receive the remainder interest income generated from the capital and the capital sum upon the donor's death
- Finally, if the trust is funded with non-liquid assets the donor receives just the net income of the trust (if there is one) until the trust sells the assets and increases its portfolio with investment holdings. After this event, the donor will receive a fixed percentage of the income rising from the assets

3.0 TAX IMPLICATIONS OF THIS MODEL

- The gift would be exempt from Capital Gains Tax and Inheritance Tax
- The gift is deductible against the donor's income tax, up front, discounted the income earned from the retained benefits based on the life expectancy of the donor
- Deductibility can be applied backwards for one year, and can be applied forwards
- The charity receives the tax-free income generated from the gift
- The donor is liable for income tax on income generated from the gift



Living legacies:

Introducing a new tax-effective mechanism to unlock giving from the asset rich

4.0 ANTICIPATED IMPACT ON LEVELS OF UK GIVING

Potential income from Living Legacies in 2015	
Total target group in UK (UK higher rate and additional rate taxpayers)	3.3m
Average trust value (a quarter of US average trust value)	£145,000
Total number of Living Legacies by 2015 (0.1 % anticipated take up)	3,340
Total trust value by 2015	£484m
Average trust annual giving to charity (a quarter of average annual giving per trust in the US)	£3,000
Total annual giving to charity by 2015	£10.5m
Total asset value from new donors by 2015 (80% of donations from new donors as opposed to those who would have already given in their will)	£387m
Total increase to charity by 2015 (in both income and assets)	£398m

5.0 OUR RECOMMENDATION

The case for living legacies has been presented to several Governments but as yet, none has explored the opportunity to grow giving through the introduction of tax-effective charitable remainder trusts. Government should respond to calls to review the introduction of tax-effective charitable remainder trusts to encourage more of the asset rich to make substantial gifts to charity in their own lifetime. Consultation should draw on the expertise of tax advisers, wealth advisers, philanthropists - particularly the asset rich, and charities.

Reasons given for declining an exploration of living legacies include: a potential risk of abuse; complexity; concerns about losing tax revenue; and the valuation of assets. After extensive analysis, the Philanthropy Review concludes that these barriers can be overcome with the introduction of a *simple* mechanism.

At the March 2011 Philanthropy Review Summit, 55% of philanthropists considered the introduction of living legacies and inheritance tax incentives to be the most important fiscal solution to encourage greater giving from the wealthy

Tax relief on all assets:

Harmonising tax relief to encourage the asset-rich to give more and give more often



If just 0.1 per cent of assets were gifted we could expect to see an additional £300m for charity each year

0.0 INTRODUCTION

In the 2011 Budget, the Government announced a summer 2011 consultation on proposals to encourage donations of pre-eminent works of art or historical objects to the nation in return for a tax reduction. The Philanthropy Review supports this consultation, but would urge the Government to investigate a broader set of assets and their worth to all charities, beyond museums, galleries and other cultural institutions.

1.0 RATIONALE

Currently in the UK, all gifts of assets to charities are treated as having made no gain or loss for Capital Gains Tax purposes, and are excluded for Inheritance Tax purposes. Some asset classes additionally qualify for automatic Income Tax relief on the full market value:

- a) Shares and securities listed or traded on a UK or another recognised stock exchange
- b) Units in an Authorised Unit Trust
- c) Shares in a UK Open-ended Investment Company (OEIC)
- d) Land and property in the UK
- e) Holdings in certain foreign collective investment schemes

However, beyond these asset classes, financial incentives to facilitate giving are limited for those with the capacity to make significant gifts. Notably:

- a) There are a limited number of gifted assets which qualify for Income Tax relief
- b) Income Tax relief on qualifying assets cannot be applied beyond the tax year of the gift, either forwards or backwards
- c) The current system for donation of works of arts and other gifts of cultural and historical significance has limited financial incentive and is only applicable for “pre-eminent” pieces

There is a significant opportunity to normalise giving of all assets of a starting value of £1,000 to charity by extending tax relief to the donor. Assets could include jewellery, paintings, antiques. This measure could encourage a new wave of giving to charity amongst those who are asset rich but are inclined to hold onto their assets or sell them without benefit to charity under the current tax system. By introducing a tax-effective solution across all classes of assets with a minimum value of £1,000 we can expect a net increase of giving and ultimately of income into the charitable sector.



Tax relief on all assets:

Harmonising tax relief to encourage the asset-rich to give more and give more often

2.0 PROPOSAL

We propose the extension of tax relief to apply to gifts of all asset types. In order to apply this extension in practice across a range of asset classes we propose the introduction of a two tier system:

2.1 FIRST TIER: Tax Relief on point of donation of asset

Here we propose that Income Tax relief be extended to objects of cultural significance with the addition of **Artefacts qualifying under a new Cultural Gifts scheme** to those assets that already qualify for automatic Income Tax relief on the full market value, with no Capital Gains Tax and Inheritance Tax as outlined above.

This would require alteration of the existing Acceptance in Lieu programme run by the MLA (Museums Libraries & Archives) which allows for such objects to be gifted to public cultural institutions and the charities that support them. Acceptance in Lieu is intended to bolster the UK's heritage collections and to aid museums, galleries, libraries and archives in acquiring pieces that might otherwise continue to be held in private collections or leave the UK via sale. The altered scheme would be renamed as the Cultural Gifts scheme and would extend Income Tax relief on the full market value of the gift in addition to Capital Gains Tax and Inheritance Tax exemption.

We would recommend the use of pre-1998 Conditional Exemption criteria to assess objects for participation in the Cultural Gifts scheme based on "museum quality," rather than the narrower existing definition of "pre-eminence."

Museum quality: Chattels, including, but not limited to, pictures, prints, books, manuscripts, works of art, scientific collections and furniture, which are themselves of national, scientific, historic or artistic interest or which are historically associated with buildings of outstanding historic or architectural interest.

Recipient Bodies: Any MLA registered body or national heritage body (Schedule 3 IHTA 1984 body), or properly constituted friends organisations or trusts supporting such a body.

Administrative bodies: MLA would be sufficiently staffed to carry out the work to review applications under the Cultural Gifts scheme. The Treasury, in consultation with MLA and appropriate art market associations would appoint a Committee of Experts to value all items which had been approved for full market value Income Tax relief under the scheme.

It should be noted that Conditional Exemption, a related national heritage scheme, would not be affected under these changes as the purpose is entirely removed from gifts to charities - intended instead to encourage public access to cultural artefacts that remain in private possession.

Tax relief on all assets:

Harmonising tax relief to encourage the asset-rich to give more and give more often



2.2 SECOND TIER: Tax Relief on a gift, upon the charity's sale of the asset

We propose extending Income Tax relief to gifts of assets which do not qualify for tier 1. This would cover any asset considered of value, where the asset's minimum worth stands at £1,000. To prevent any eventual tax avoidance and to overcome the concerns around valuation, tax relief would be disbursed to the donor once the charity had sold the asset. The value of the tax relief would be the amount listed on the receipt of the sale. The benefit dies on the donor's death. The donor would negotiate the terms of the donation.

For both tiers of asset, we would recommend that, like Gift Aid, income tax relief can be applied backwards to the previous financial year.

3.0 ANTICIPATED IMPACT ON LEVELS OF UK GIVING

According to HM Revenue and Customs figures in the UK those with more than £50K of net capital held personal assets worth £310 billion which under current legislation are not incentivised through tax relief to donate assets to charity.

The introduction of a tax relief on cultural gifts and all other personal assets with a minimum value of £1,000 would encourage these individuals to donate assets to charity.

If this strategy stimulates the release of 0.1 per cent of the value of these assets annually, the charity sector could potentially benefit from an additional £310 million each year in gifts of assets.

Tax relief on all assets:

Harmonising tax relief to encourage the asset-rich to give more and give more often



4.0 MITIGATED RISKS

Risk	Mitigation
Valuation fraud on newly included assets	<p>a) Income Tax relief on tier 2 assets are based on the ultimate sale price of objects donated to charities. This lets the market decide the real value, and eliminates valuation fraud</p> <p>b) Where charities are not likely to want to sell the assets (because they add to the value of a museum, gallery, library or archive's business) a formalised process regulated by the MLA controls for fraud and valuation is determined by central Committee of Experts which is in part assembled by Treasury</p>
Impact on the Treasury	<p>As giving assets beyond that of property, land and shares is not currently part of UK giving culture, gifts on the broader range of asset classes will take some time to become normalised amongst the asset-rich population. As such, cost to Treasury would likely increase proportionally over a number of years rather than create a monetary burden for Government overnight. There is an unlikely risk, however, with potentially high costs, that a flood of gifts of new types of qualifying assets cause substantial cost to the Treasury in the short-term</p>

Full deduction on gifts of cash:

Incentivising those with the means to give significant cash gifts



By 2015 this measure could generate between £350m and £1bn each year in high value cash gifts to charity

0.0 INTRODUCTION

Currently, the only tax incentive for gifts of cash in a donor's lifetime is Gift Aid. We know that the existing Gift Aid system is complex and widely misunderstood and that take up of the option to reclaim a proportion of tax relief by higher rate earners is low. According to a survey across a large population sample delivered on behalf of the Philanthropy Review twenty-six per cent of affluent and high net worth individuals - those with over £100k of investable assets - are not aware that they can claim a tax rebate on charitable donations.

Tax advisers brought together as part of a Philanthropy Review led expert working group all said that they rarely put forward Gift Aid donations as an option to the wealthy individuals they advise. Meanwhile, tax reliefs extend to gifts of shares, land and property but not to gifts of cash which charities most appreciate. If a simple and straightforward tax relief were introduced on gifts of cash, this would make cash giving significantly more attractive - particularly to the high net worth community, and may hold the key to encouraging more people to give cash gifts of some value.

1.0 PROPOSAL

We propose an option whereby the donor could choose between a direct tax deduction on the donation and Gift Aid. By providing this choice - a key philosophy for the coalition Government - the treatment of cash gifts will be brought in line with the treatment of donations of shares.

In order to obtain this direct tax relief, the donor would have to prepare (either themselves or through a tax adviser), an annual tax return. In this way, Gift Aid claimed on cash gifts from the vast majority of the population would in fact remain unaffected; whilst those who give through established tax-effective mechanisms, such as the Charities Aid Foundation accounts and payroll giving, would be unlikely to change their arrangements.

The only change from an administrative point of view, would be for donations where the donor chose to have a direct tax relief, rather than to claim Gift Aid. In order to do so the donor would have to attach to his/her tax return, receipts from the charity concerned, showing the amount of the donation received, the date of receipt, and a statement that Gift Aid had not been claimed for that donation.



Full deduction on gifts of cash: Incentivising those with the means to give significant cash gifts

2.0 IMPACT ON GIVING

This proposal is aimed at those who are capable of making significant cash gifts, and who might not currently have the incentive to do so – either because they do not understand how Gift Aid works, their wealth advisers do not recommend the option, or because there are more tax-effective means.

We have conducted a preliminary survey of 40 UK top rate taxpayers. We had 100 per cent response rate. The questions asked and the answers to each were as follows:

1. Do you fully understand how Gift Aid works, without going to the HM Revenue and Customs website?

Yes: 20 (50 per cent) No: 20 (50 per cent)

2. Do you always claim Gift Aid on all your donations?

Yes: 23 (58 per cent) No: 17 (42 per cent)

3. If you had the possibility of a full 50% tax deduction for charitable gifts, would you give more?

Yes: 35 (88 per cent) No: 5 (12 per cent)

The conclusions we have reached are:

1. Offering donors a choice between Gift Aid and a full tax deduction would lead to a significant increase in giving
2. Only half the survey group, all of whom are high income earners, understand how Gift Aid works
3. Only just over half claim the Gift Aid deduction. We also note that a number of people who said they did understand Gift Aid did not claim it and vice versa

It is clear that additional rate taxpayers in the UK do not currently give in large proportions at significant levels. The table below shows a comparison with the USA where ninety eight per cent of top taxpayers give to charity compared with twenty seven per cent in the UK; and where the top taxpayers give £90 to charity for every £1,000 of earned income compared with £2 for every £1,000 amongst their peer group in the UK.³⁰

30. Those earning £200,000 or more in the UK give 0.21% of pre-tax income to charity according to the HM Revenue and Customs *Gift Aid by higher rate taxpayers by characteristic 2003-04*, (2006). In the US those households with an annual income of \$200,000 or more give 9% of their income to charity. *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities among Affluent Households*, sponsored by Bank of America Merrill Lynch, researched and written by The Center on Philanthropy at Indiana University (2010)

Full deduction on gifts of cash:

Incentivising those with the means to give significant cash gifts



	UK	US
% of top rate taxpayers giving	27% ³¹	98% ³²
Mean gift	£9,200	\$54,016
Median gift	£790	\$12,000
Number of gifts over 1 million	100 ³³	700 ³⁴

We have tested this proposal with a number of donors, advisers and charity trustees. We strongly believe that this measure could materially increase giving from larger donors, and would make cash giving a more attractive proposition to those who do not currently give. We have concluded that between £350m and £1bn could be generated each year as a result of the introduction of a more simple incentive to give more. Indeed, this measure could mark the beginning of a new cultural shift, where more people with the means are encouraged to make significant cash gifts. These figures represent twenty-five and fifty per cent respectively of the equivalent value of cash giving in the US. It now remains for a national charity to test this approach with its own donor base to discover the likely impact on giving.

3.0 COST TO THE TREASURY

On an identical gift from the donor, the cost to the Treasury is the same whether the donor chooses to take a full tax discount, or to apply Gift Aid. Clearly, if, as we expect, cash donations increase as a result of this incentives introduction, then tax deductions would obviously go up. However, the point of the exercise is to increase cash donations.

31. Higher rate taxpayers at the £200,000 and above pre-tax income who made Gift Aid donations in 2003-04: *Gift Aid by higher rate taxpayers by characteristic 2003-04*, HM Revenue and Customs (2006)

32. High net worth households in the USA are defined as those with income greater than \$200,000 and/or net worth excluding value of residence of \$1m: *Bank of America Study of High Net Worth Philanthropy*, Center on Philanthropy at Indiana University, (2008),

33. Breeze, Beth, *The Coutts Million Pound Donors Report*, University of Kent, Centre for Philanthropy, Humanitarianism and Social Justice & Coutts, (2010)

34. 4,900 gifts of \$1m or more in US newspapers between 2000-2007



Full deduction on gifts of cash:

Incentivising those with the means to give significant cash gifts

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Cost to Treasury

Gift Aid

For a £100 tax donation under Gift Aid, the total value of the gift to charity is £125. For a 50 per cent tax earner, the donor claims back (£125 x 20 per cent) plus (£125 x 10 per cent) = £37.50. The cost to the Treasury is the tax relief, £37.50, plus the £25 top up to charity, for a total of £62.50.

Income Tax Relief

Were the donor to opt for Income Tax relief on their donation of £125, the total value of the gift to charity is £125. For a 50 per cent tax earner, the donor claims back the 50 per cent of the £125 gift, for a total of £62.50. The cost to the Treasury is simply the tax relief for a total of £62.50.

4.0 ADDITIONAL NOTES

There is concern from the charitable sector that the significant support provided by Government through Gift Aid might be eroded and we share the perspective that the benefits offered through Gift Aid should remain intact. We do not support the erosion of Gift Aid as a major construct. Instead, this proposal leaves Gift Aid in place, while it also provides an alternative route to incentivise those with the capacity to make significant cash gifts to charity. It is put forward in the belief that the aggregate receipts by charities will increase materially. Education and awareness-raising by charities and professional advisers on the benefits of a simple tax relief will be key to leveraging significantly higher overall giving levels.

At the March 2011 Philanthropy Review Summit, 36% of philanthropists considered giving education in schools to be the most important action that could be taken to celebrate and foster a stronger culture of philanthropy in the UK

Sharing giving data:

Building a robust evidence base for UK philanthropy



Together we could achieve a robust understanding of national giving levels and trends which would inform future endeavours to encourage giving

0.0 INTRODUCTION

The Philanthropy Review Board has been struck by the paucity of data on UK giving trends from which to identify precise targets for increased giving. We strongly encourage Government, the charitable sector and third parties to play a role in building a robust evidence base for philanthropy in the UK. The Review Board is delighted that Government has received our recommendations well and has recognised the need for better data. In its recent Giving White Paper, the Government announced that it would be exploring how to improve the evidence base with increased transparency of giving data. This move should be widely applauded, and sets a standard for the wider sector to follow. We believe the Philanthropy Review can play a useful role in convening Government departments, the charitable sector, and third parties alike to begin a collaborative process in building a robust picture of UK giving.

1.0 CURRENT STATE OF DATA

UK philanthropy currently relies on four types of data:

- Available HM Revenue and Customs data on tax relief for charitable gifts
- Sector-wide reports, such as UK Giving (CAF and NCVO) and NCVO's Almanac
- Individual charities' analysis of their own fundraising databases and collaboration through for example the Fundratios survey which is available only to those charities that participate
- Third party research by academics and business, which is often based on incomplete Government data and on occasional population samples both of which have severe limitations

The collective picture from these sources is inconsistent and incomplete. Reports indicate that the UK's total giving for 2009 - 2010 was at £10.6 billion.³⁵ The total figures from HM Revenue and Customs publicly available data add up to roughly £6 billion.³⁶ This suggests a dearth of information on almost half of total gifts to charity.

35. *UK Giving 2010*, (CAF and NCVO), 2010

36. HM Revenue and Customs table 10.3 gives a total of £3.5b giving under gift aid (net of basic tax) - plus the £1b basic and transitional relief from 10.1 -> £4.5b

10.2 shows £330m IHT relief, £30m relief on payroll giving, £60m on shares and property gifts. Total £420m. (We exclude higher rate reliefs on gift aided giving as the gross amount has already been included above). Assuming that the average percentage of tax relieved is 30 per cent. Then the gross giving represented by £420m is around £1.4b. (IHT could be less, shares would be more).

Therefore, the total giving accounted for in the HM Revenue and Customs tables is £5.9b, or roughly £6b.

The "missing" £4.7b likely comes from a combination of 5 sources: a) cash gifts which are neither gift aided or claimed on tax forms [we know use of Gift Aid by donors is consistently hovers at 40 per cent, and that small-cash donations are almost invisible] b) legacies c) charitable donations listed on tax returns which exceed taxable capacity d) gifts from private foundations, given the grey area between personal giving vehicles and established trusts e) gifts from non-UK taxpayers.



Sharing giving data:

Building a robust evidence base for UK philanthropy

2.0 THE ROLE OF GOVERNMENT

We commend the Government for providing a degree of data to the public related to charitable giving via the HM Revenue and Customs website. We know this is widely used and appreciated. However, it would be relatively easy and extremely helpful to provide more data in more detail.

Three basic principles underpin our requests for alterations to HM Revenue and Customs data across the board:

2.1 Include and provide a consistent breakdown of all types of gifts

Gifts should be split between cash and assets. Assets would be further split by those assets which receive Income Tax relief (shares and securities, units in an authorised unit trust, shares in a UK OEIC, land or property, and holdings in foreign collective investment schemes); and those that do not qualify for Income Tax relief. We would also seek segmentation by gift value, where currently just the mean and median figures are made available.

2.2 Focus on tax rate brackets and further segment higher-rate tax-payers

Tax rate brackets provide an ideal vehicle for long-term trend analysis, in that they move with inflation even if they alter slightly in their definition. Starting rate and basic rate taxpayers are equally important as higher rate and additional rate earners and when data is made available about higher rate earners, lower rates should also be included. Additionally, as 40 per cent and 50 per cent earners account for such a broad spectrum of wealth (12.5 per cent and 1 per cent of the tax paying population respectively), they should be segmented from one another and not merged. Finally, a more in-depth breakdown of the 50 per cent tax rate earners is required, either by income - 150k-250k, 250k-500k, 500k-1m, 1-5m, 5m plus; or by percentage of the 50 per cent bracket - top and bottom 50 per cent; top 25 per cent, 10 per cent, 5 per cent, 1 per cent.

2.3 Up-to-date data

Data should be published within six months of the previous financial year, across all tables.

Proposed alterations to publicly available HM Revenue and Customs giving data

HM Revenue and Customs tables 10.1 - 10.8 constitute the relevant data released by Government related to charities. Feedback by table for each of our three principles of transparent giving data:

- 10.1** inclusion/segmentation of all types of gifts
- 10.2** inclusion/segmentation of all types of gifts
- 10.5** focus on tax-rate brackets/ further segment higher-rate tax-payers & up-to-date data
- 10.6** inclusion/segmentation of all types of gifts & focus on tax-rate brackets/ further segment higher-rate tax-payers & up-to-date data
- 10.7** inclusion/segmentation of all types of gifts & focus on tax-rate brackets/ further segment higher-rate tax-payers & up-to-date data
- 10.8** focus on tax-rate brackets/ further segment higher-rate tax-payers

Importantly, we would also propose the introduction of a new published table, a hybrid of revised 10.2 (costs of tax relief), revised 10.5 (types of gifts by donors' tax rates) and revised 10.6 (gifts by earners' characteristics).

Sharing giving data:

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3.0 THE ROLE OF CHARITIES

The Government can only report on national giving as it relates to tax relief and cannot therefore be held solely responsible for the paucity of giving data. The charitable sector also has data at its disposal which could be made more transparent.

3.1 Charity Data

Under current compliance, all charities with more than £10,000 income must complete Trustees' Annual Returns concerning their accounting to the Charity Commission. This information is used for regulatory purposes, but could be used to segment and understand individual giving in a standardised format across the charitable sector. The Charity Commission is already a close partner of HM Revenue and Customs, as a non-Ministerial Government Department, and could complement the work of HM Revenue and Customs to develop a more complete picture of giving with revisions to the Statement of Recommended Practice (SORP), and a new standardised template for reporting with similar functionality to the Form 990 in the USA.

3.2 Survey Data

The seminal publication for the charitable sector, UK Giving, is produced by the Charities Aid Foundation (CAF) and the National Council for Voluntary Organisations (NCVO), highlighting the results of the partnership's annual survey on individual giving. It is the sector's most committed effort to understanding individual giving in the UK. The data comes from participation in the Office of National Statistics' (ONS) Omnibus survey - this ensures a random probability sample and high response rates but is limiting in terms of cost, the number of questions which can be included, and what the data can uncover about the small population of people who give very large donations.

The charitable sector could do more to build the evidence base for UK philanthropy and shares some of the responsibility alongside Government. One option is for large charities and top fundraisers to pool resources to produce a more in-depth annual survey. Another is for charities to provide a neutral academic with access to donor databases, in order to analyse trends in a shared data pool.

4.0 THE ROLE OF THIRD PARTIES

Some of the most profound research on UK philanthropy is produced by neither the Government, nor the charitable sector itself. Academic centres at universities, business schools, think tanks and corporations have made significant contributions to our understanding of giving trends and motivations.

The gap in knowledge regarding giving by the wealthy has in part been investigated by banks through *The Coutts Million Pound Donor Report*, Barclays Wealth's *Global Giving: The Culture of Philanthropy* and J.P. Morgan Private Bank's *Philanthropic Lives: The unique experiences of eight UK philanthropists*, among others. These reports are usually produced in partnership with academics or research groups, drawing on the unique customer bases within the private sector. Independently, numerous university departments, think tanks and other institutions from across the UK have commissioned new surveys, or have extrapolated from existing Government and charitable sector data to produce new insights. For instance, a coalition of partners with lead researchers at Cass Business School have analysed thirty years of trends in charitable giving as a function of household expenditure.



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The more giving data is released as part of the Government's transparency agenda, and the more data is pooled and shared by the charitable sector, the greater the potential for further study from third sector researchers.

5.0 CONCLUSION

It is clear that the Government's announcement in the Giving White Paper to work across departments to produce a more comprehensive and in-depth picture of giving data is extremely significant. During this process, it is our belief that involving a variety of partners from outside Government can aid in finding solutions.

RECOMMENDATION

The Philanthropy Review will convene a meeting to assemble: HM Revenue and Customs; Department for Culture, Media and Sport; HM Treasury; Office of Civil Society; the charitable sector and third parties, to begin a practical collaborative process - gathering what evidence is available, identifying what would be useful to have and agreeing how to produce it and providing benchmarks with US and European counterparts.

We see the role of Government as taking the lead by increasing transparency on data relating to tax effective giving - who gives, from which tax bracket, how much and via which mechanism. We invite charities and sector organisations to unlock the other half of the picture - gifts against which tax relief is not claimed - by sharing data on these gifts. In so doing, we will find solutions where the charitable sector, third parties and Government can complement each others' research to build a complete picture of giving in the UK. The outcome would be a clear, established evidence-base enabling the kind of market-led strategies vital for success.

This effort should not be underestimated in its effect. It would improve the entire national understanding of philanthropic culture, and it would support and drive necessary changes in the charitable sector, in the fundraising community, and amongst civil society stakeholders. The end result would shine a light on UK giving culture, not only informing the public debate, but improving the efficacy of the charitable sector.

Giving education:

Investing in a new generation of philanthropists



By 2020 we could see a new social norm of giving amongst school leavers who have engaged with charitable giving from an early age

0.0 INTRODUCTION

In order to build a new generation of UK givers we must invest in the children and young people of today by supporting the upscaling and evaluation of giving education initiatives in schools.

We were pleased to see the Government's Giving White Paper commitment to a new match fund for giving education and to a degree of continuing core funding to support these initiatives.

The Philanthropy Review would like to see the Government offer £1m each year for the duration of this Parliament to support these emerging programmes. In particular, we would like to see giving education upscaled to engage many more children and young people nationwide in giving, and investment in the evaluation of these programmes to measure the impact over several years. We also call on the Government to preserve the citizenship agenda as the framework around which giving education is structured in its review of the National Curriculum in England.

Importantly, the emergence of a match fund for giving education is an opportunity for philanthropists and private funders to invest in these initiatives and in shaping a new social norm of giving. We would strongly encourage philanthropists and private funders to consider the potential of giving education programmes and to explore the opportunity to invest in these to build the next generation of donors.

1.0 GIVING EDUCATION IN THE UK

A variety of giving education programmes and initiatives are already established in the UK and broadly focus on encouraging young people to understand and be more involved in 'giving', through donating money to charitable causes, volunteering or social action. These programmes and initiatives can be divided into formal education taking place in schools, or informal education which is either community or faith based.

1.1 Schools Programmes

The two largest schools programmes are Go-Givers and Giving Nation. Both are projects of the Citizenship Foundation which receive funding from the Government's Office for Civil Society in the Cabinet Office. These two programmes have been running for several years - almost a third of all primary schools across England have at least one teacher registered with Go-Givers and over 163,000 secondary pupils have taken part in the Giving Nation Challenge over the past four years.



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Giving Nation

An evaluation by York Consulting (January 2011) found that:

- Thirteen per cent (440) of secondary schools in England are actively running the Giving Nation Challenge
- Eighty-four per cent of these participating schools feel that the Giving Nation Challenge has had a positive impact on young people's views on the role of charities and social enterprises
- Sixty-five per cent of participating schools say young people are more involved in supporting charities as a result of the Giving Nation Challenge
- Forty-four per cent believed very strongly that the Challenge created a sense of awareness of the world beyond their immediate surroundings

The Giving Nation Challenge costs approx £200,000 annually (of which about £160,000 is Cabinet Office funding). Approximately £25,000 of this goes directly to schools as a start-up grant. The Giving Nation Challenge employs a staff pool of three.

Go-Givers

- Almost a third of all primary schools across England (6,500) now have at least one teacher registered on the Go-Givers website
- 1,300 teachers have been trained to use Go Givers resources this academic year
- Eighty-seven per cent of teachers gave the programme 'full marks' for helping children to think critically about the world around them and develop a moral sense of right and wrong, or felt this area of learning was helped 'a great deal' by the programme
- Sixty-six per cent of KS2 pupils demonstrated increased levels of compassion linked to social and moral responsibility

Currently funded by the Government's Office for Civil Society in the Cabinet Office, Go-Givers runs on £150,000 p.a. and has a staff pool of 3.2, reducing to 2.2 from July 2012.

The Youth and Philanthropy Initiative (YPI)

YPI provides young people with a real-life experience of giving, with the longer term aim of developing a new generation of socially active citizens who are more inclined to volunteer and give to their communities. Launched in Canada eight years ago by the Toskan Casale Foundation, it currently runs in some 200 Canadian schools. The Institute for Philanthropy piloted the programme in England in 2007. It now runs in 60 Secondary schools in England funded by Credit Suisse, and also runs in 50 secondary schools in Scotland where it is funded and operated by the Wood Family Trust.

An evaluation by York Consulting (December 2010) shows that:

- As a result of YPI, pupils perceive that they have learnt more about charities working in their local community (75% and 97% teachers) and are more likely to feel that they can make a positive difference in the local community (69% per cent). Pupils also consider that learning about the value of supporting the local community was the most important learning point
- Participating pupils emphasised their intention to stay in touch with their charities
- Two thirds of teachers interviewed made a specific mention of how successful YPI is in engaging pupils who do not normally engage with lessons

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In England, the unit cost of running YPI is approx £5,000 per school (including £3,000 donation).

Both YPI and Giving Nation are experiential programmes, providing secondary school pupils with a real-life context and the opportunity to learn through doing.

2.0 THE DIFFERENCE FURTHER INVESTMENT COULD MAKE

A new fund of £1m annually be matched by philanthropists and foundations - building on existing levels of core funding - would create new opportunities for a sustainable and long-term approach to giving education. It would safeguard existing giving initiatives and provide opportunities to reach many thousands more children and young people, as well as enable sustainable business models to develop for the future.

3.0 HOW WE REACHED THESE CONCLUSIONS

The Philanthropy Review Board has investigated the following:

- What initiatives already exist to engage young people in learning for, and about, giving and philanthropy?
- Do existing programmes merit further investment?
- What opportunities exist for sustainable growth?
- How do we measure the impact of giving education in relation to fostering a culture of philanthropy in the UK?

A full mapping exercise of the sector by Pears Foundation on behalf of the Philanthropy Review considered the evaluations of Go-Givers 2010, Giving Nation 2010 and YPI interim report 2010 and consulted with key stakeholders, including those delivering giving education programmes. Summary findings are outlined below and the full report is available on request.

Summary Findings from the Mapping Exercise

- The majority of Primary and Secondary schools take part in some kind of giving activity through citizenship lessons, PSHE, school fundraising activities or as part of a national charity drive (eg Comic Relief)
- Young people are learning about giving
- There are a small number of structured giving initiatives on offer (e.g. Giving Nation, Go-Givers, YPI, The Big Give: Philanthropy in Schools Programme, Trust Youth)
- These initiatives enhance and support teaching and provide additional resources, teacher-training and/or mentoring
- These initiatives have had a demonstrable positive impact on pupil confidence and attainment, as well as on links between schools and the wider community
- These initiatives should be encouraged to work together where possible to cross-promote, share learning, and gather evidence



Give more campaign:

A national celebration of giving that galvanises support for charities

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Our goal is that 2012 will be a year where giving is celebrated, where more people think about what they give and where those who can, pledge to give more

Why a national giving campaign?

The campaign could change the way our society gives by encouraging people to think about how much and in what way they give, and encouraging them to give more if they can afford to do so.

What do we need to do?

At this time, charities need our support more than ever. We intend to deliver a public campaign late in 2011 which celebrates the UK as a giving nation and highlights the imperative to support charities at a challenging time. We will harness the power of new technology and social networks to build a mass campaign. We will use the power of peer networks and influencers to embed enthusiastic giving champions from all sectors of society who will encourage and inspire others to give.

Who has a role to play?

Leading philanthropists, business leaders, media and social media figures have a role to play in delivering this campaign, and donors and charities can help to create a fresh public debate that celebrates giving, those who give and the difference their gifts can make to our society.

Who is the campaign aimed at?

People from all sectors of society, who give to charity, and those who have yet to experience the pleasure that comes from giving.



Whilst this is by no means a comprehensive list of all those who have given of their time to shape the thinking of the Review Board, we would like to take this opportunity to thank the following individuals and organisations for contributing to the Philanthropy Review.

Individuals

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(RED)
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