

Giving Back Better

Unlocking the potential of philanthropy in the
UK

Foreword by Rt Hon Lucy Frazer KC MP

Shivani H Menon

ONWARD➤

About Onward

Onward's mission is to develop bold and practical ideas to boost economic opportunity, build national resilience, and strengthen communities across all parts of the United Kingdom. Our vision is to address the needs of the whole country: young and old, urban and rural, for all communities across the UK – particularly places that have too often felt neglected or ignored by Westminster.

We believe in an optimistic conservatism that is truly national – one that recognises the value of markets, supported by a streamlined state that is active not absent. We are unapologetic about standing up to vested interests, putting power closer to people, and supporting the hardworking and aspirational.

We do so by developing practical policies grounded in evidence. Our team has worked at high levels across Westminster and Whitehall. We know how to produce big ideas that resonate with policymakers, the media and the wider public. We work closely with policymakers of all parties to build coalitions of support. Most importantly, we engage ordinary people across the country and work with them to make our ideas a reality.

Thanks

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About the author

Shivani is a Senior Researcher working on Onward's levelling up research programme. She has previously worked on projects on local regeneration and national economic policy. She graduated from King's College London with a BSc in Economics.



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Foreword



Individuals, families, communities, businesses, charities and Government – all are building blocks of our society. Every group has a role to play and we all prosper when each group supports the other to thrive.

The Government plays a critical and fundamental part in supporting everyone in our society. And while Government is essential, society would also not function without individuals, businesses and communities doing their bit.

Philanthropy and philanthropic causes are ways of everyone giving something back and in the UK we have a proud history of philanthropy – from donating to charity and sponsoring the arts, to giving up time and volunteering to help others.

It's a tradition that stretches back to the Victorian era. The Lever brothers on the Wirral, the Cadburys in Birmingham, and Sir Titus Salt, the Bradford mill owner, all understood that they had a duty to their local communities. This duty went beyond simply their employment relationship, adding to the wellbeing of the society they were part of, by building strong philanthropic ties with their local communities.

Today a new generation of philanthropists are breathing fresh life into that proud tradition. Sir Roger De Haan in Folkestone, Jonathan and Jane Ruffer in Bishop Auckland and Andrew Law across the North of England. People like Jason Stockwood seizing the opportunity – whether that's through ownership of Grimsby Town FC or as Chair of the local Youth Zone – to give something back to the community that helped to shape them.

But – as this report makes clear – we can do more. As Government we can help those levers turn and can do more to facilitate, empower and acknowledge those who give to others.

As Secretary of State, I want to create an environment that encourages and incentivises businesses, individuals, networks coming together to give back. To do that, we will work across society – with people, businesses, and networks of wealthy individuals – to open up a new age of philanthropy in this country.

Work is already underway on many of the findings and recommendations identified in this report. Streamlining Gift Aid. Working with the Financial Conduct Authority and the Treasury to explore the possibility of greater philanthropy training. Promoting and supporting stronger regional and partnership giving.

But as part of this we also need to champion and applaud those who give. Philanthropists and would-be philanthropists need to know that we not only recognise their giving, we celebrate it.

There are countless reasons for optimism. Despite the pressure on household budgets, we are still one of the most generous countries in the world for giving money. Our long history of philanthropy is grounded in the selfless instincts of the vast majority of the people in this country.

But we can, and must, go further. Reports like this one help to illuminate the opportunity we have to supercharge philanthropic giving. As cheerleaders, as policymakers, as Think Tanks - it is up to all of us to now grasp that opportunity.



The Rt Hon Lucy Frazer KC MP

Secretary of State for Culture, Digital, Media, and Sport
Member of Parliament for South East Cambridgeshire

Executive summary



Philanthropy once built Britain. The wealthiest in society erected town halls and curated public museums. They provided education, healthcare, and welfare to some of the most vulnerable. Names such as Cadbury, Rowntree, and Barnardo still adorn charitable institutions today. These philanthropists gave more than money – they helped to weave the social fabric of industrialising towns and cities, forging a sense of identity and belonging.

The arrival and growth of the welfare state changed everything. Tax-funded projects increased accountability, state-delivered services improved access. A return to a Victorian era of *noblesse oblige* is, rightly, out of the question. But as cultural scepticism has grown towards philanthropy, a sense of shared obligation and of social responsibility has faded.

Yet today, philanthropy is thriving in some corners of the country. In Merseyside, the Steve Morgan Foundation is working with the council to deliver cradle-to-career support in some of the poorest neighbourhoods in Europe. In Grimsby, Emily Bolton and entrepreneur Jason Stockwood are leveraging the local football club to build local pride and imagine a better future for their town. As well as their investment, these modern philanthropists bring their networks, their expertise, and their love for the places they live, work, and grew up in.

These initiatives are too few and far between. Not enough of Britain's wealthiest give back to communities in a meaningful way. The United States is often held up as a philanthropic exemplar: if the wealthiest in the UK gave at the same rate as Americans, £18 billion more would go to charitable causes. But even if British giving levels among the richest were the same as Canada or New Zealand – countries with similar welfare states – it would generate an additional £5 billion a year. With public finances stretched, and communities facing growing challenges, this investment should not be ignored.

Three trends holding back philanthropy's potential.

First, the wealthiest in society are not pulling their charitable weight. The top 10% of households donate just half as much as a share of their incomes than the poorest 10%, representing almost £3.4 billion in lost donations. And donations from the most affluent have not kept pace with the growth of their income and

wealth. From 2011-18, median donations from the top 1% of earners fell by 21% despite incomes having risen by 11%.

Secondly, too few wealthy donors participate in philanthropy. Half of all donations from the highest earning households came from less than 5% of that cohort, and the bottom 70% of this group donated less than 10% of all donations. Such a reliance on this ‘civic core’ of regular donors is unsustainable.

Finally, the geographic landscape of philanthropy is heavily biased towards London. The capital sees four times the value of donations made through Gift Aid compared to the UK average. And over a third of all charitable funding distributed by the largest philanthropic foundations was directed towards London.

The incentives for philanthropy in Britain are weak, and its institutions are underpowered.

Gift Aid is the most used tax incentive, but it is often hard to understand and even harder to use. In 2016, up to £564 million worth of Gift Aid funding was left unclaimed, and only a third of all high-net-worth donors claimed Gift Aid relief on their tax returns. Almost 85% of those earning over £50,000 are unaware of Gift Aid rules, and 33% expressed frustrations that the Gift Aid process is too complex and time-consuming. Adverse perceptions of philanthropy in wider society and harsh media attacks are also dissuading donors from giving and celebrating their giving.

The institutions that encourage philanthropy are underpowered in the UK. Wealth advice firms that offer philanthropy support services are few and far between. And even among those that provide philanthropy advice, few offer all 23 distinct services needed to make giving more effective. Government advocacy for philanthropy is also fragmented. Many parts of the state independently engage with philanthropy, but lack a coordinated plan or empowered leadership.

Institutions to support philanthropy are particularly weak in the most deprived places. Areas with poorly coordinated civil society organisations struggle to attract philanthropic funding and find it harder to deliver charitable activity. Unless an individual philanthropist has a personal connection to a struggling

town or city, these areas can struggle to secure the charitable investment they need.

The Government should take bold steps to help the wealthiest give back better. Billions of pounds are available for people, places, and causes that desperately need it. If incentives are improved and institutions strengthened, we can increase the amount of philanthropic giving while also targeting it to the most left behind places. This report sets out a series of practical steps to usher in a wave of philanthropic renewal.

First, to increase the flow of funding into charities:

- 1. HMRC should automate Gift Aid to make it simpler and easier to use.** The complexity of Gift Aid is driving its underuse. An automated Gift Aid system would replicate the simplicity of the American model of charitable tax deductions while preserving the match received by charities. Eliminating the inconvenience around using Gift Aid could increase donations by 18% or by approximately £520 million.
- 2. The Financial Conduct Authority (FCA) should make philanthropy a mandatory part of training for wealth advisors.** The market for advice on philanthropy is highly fragmented and disparate. Individual advisors are disincentivised to bring up philanthropy in client conversations. The FCA should make philanthropy a standardised element of training for individual advisors and issue nudges to firms to provide philanthropy advice.
- 3. The Government should launch a National Philanthropy Strategy, led by a newly appointed Philanthropy Champion.** Ministers are sending mixed signals to donors, charities, fundraisers, and the broader philanthropy ecosystem. They should develop a cross-government plan to boost giving, supported through a new National Philanthropy Week and led by an empowered Philanthropy Champion, modelled on similar roles common in the US.

Second, to ensure that funding reaches the places that stand to benefit most:

3. **The Government should launch ‘Charitable Action Zones’ (CAZs) in places that experience a deficit of charitable activity.** The geography of philanthropic giving remains highly skewed towards London. Charitable Action Zones would see the Government match philanthropic donations targeted at specific left-behind areas, selected based on a lack of existing charitable activity. Where places might struggle to raise their share of the match, DCMS should fund capacity-building training programmes targeted at fundraisers, charity teams, and local government to see how they might grow major donor philanthropy.
4. **Local leaders should create diaspora philanthropy funds to attract donations from successful “sons and daughters” of UK towns and cities.** Successful emigrants of UK towns and cities are found all around the world. Anchor institutions such as universities and sports clubs should create networks of this diaspora to encourage them to give back to where they grew up – following the North East Roots Fund and Made in Stoke models.

Challenge

Recommendation

1. The highest earners are donating proportionately less relative to the poorest, and too few donors are participating in philanthropy	1.1	HMRC should automate Gift Aid to make it simpler and easier to use
	1.2	The FCA should make philanthropy a mandatory part of training for wealth advisors
	1.3	The Government should launch a National Philanthropy Strategy, led by a newly appointed Philanthropy Champion
2. The geography of giving is heavily skewed towards London	2.1	The Government should launch 'Charitable Action Zones' (CAZs) in places that experience a deficit of charitable activity
	2.2	Local leaders should create diaspora philanthropy funds to attract donations from successful "sons and daughters" of UK towns and cities

Defining Philanthropy

Charitable giving is the practice of an individual giving away some of their money, goods, or time towards a worthy cause. While charitable giving captures a large share of the population, the practice of philanthropy is more specific. Philanthropy tends to involve the donation of cash or assets of much higher value, requiring a more strategic approach to distributing funding and measuring impact. Philanthropy is more than simply the act of giving money away. It involves an ecosystem of individuals and organisations such as advisors, foundations, and charities that collectively ensure donations fulfil the goals they are intended to achieve.

This report specifically considers philanthropy using the definition above. It focusses on donations made by those on the upper end of the wealth and income distributions. Unless specified otherwise this refers to the top 1% of income earners in the UK (those on pre-tax annual incomes above approximately £170,000) and/or investable wealth of over £1 million (those who are termed 'high and ultra-high net worth individuals'). This report does not include the value of time offered through volunteering as philanthropy but acknowledges its value to the third sector.

Where this report mentions philanthropy, it refers to donations from individual donors and their affiliate charitable foundations. These include charitable trusts, grantmaking foundations, philanthropists' own foundations, charities that might receive the funds directly from philanthropists, and other giving vehicles such as UK Community Foundations and Donor Advised Funds. It does not include donations from corporate foundations or government and lottery grants.

Why philanthropy matters

Past and present



A timeline of philanthropic giving

Philanthropy is deeply entrenched in British history and has helped to build its people, places, and communities. It has funded hospitals, constructed museums, and helped respond to pandemics. The history of British philanthropy highlights its role as an important source of economic and social capital, and explains some of the tensions that exist today.

Mid 1800s – early 1900s: Community-oriented philanthropy

The Victorian Era was Britain's 'golden age of philanthropy.'¹ Industrialisation produced an unprecedented wave of large scale philanthropic activity born out of newfound commercial success.

During this period, wealthy industrialists created entire towns and villages and provided public services. They were motivated to better conditions for their employees and for the places in which they ran their businesses. In 1899, the Lever Brothers built the village of Port Sunlight in Merseyside, providing their soap factory employees with housing, education, and access to leisure and spaces.² The Cadbury family built Bournville in Birmingham to 'alleviate the cultural evils of modern, cramped living conditions.'³ Several prominent names in philanthropy today – Peabody, Carnegie, Rathbone – can all be traced back to this era.

The 1900s: The birth of the welfare state, and philanthropy for advocacy

Throughout the eighteenth and nineteenth century philanthropy had been, with some state support, the main provider of public services. But by the start of the twentieth century, the scale of public services needed for a growing population could not be met with philanthropic resources alone.⁴ The welfare state then emerged in its place, with the Government charged with the primary responsibility to provide public services.

While the emergence of the welfare state temporarily displaced philanthropic activity, it did not make it irrelevant. William Beveridge, one of the key architects of the welfare state, saw philanthropy as complementing state action, arguing that "the State should in every field of its growing activity use

where it can, without destroying their freedom and their spirit, the voluntary agencies for social advance, born of social conscience and of philanthropy. This is one of the marks of a free society.”⁵

By the 1960s, societal changes – women’s liberation, the LGBT movement and campaigns for racial equality – drove a new wave of philanthropic activity. Philanthropy gave campaigns and advocacy a stronger voice in the welfare state, championing causes that were not at the forefront of government priorities. The women’s liberation movement in the 1970s and Stonewall’s efforts to repeal Section 28 and safeguard LGBT rights in the late 1980s were all beneficiaries of philanthropic funding.^{6 7}

2000s – present: contemporary philanthropy and crisis responses

Two events have shaped contemporary philanthropy in the UK: the responses to the 2008 financial crisis and the more recent Covid-19 pandemic. They highlight the reactive capacity of philanthropy, to rise and adapt to meet pressing societal demands.

The financial crisis meant hardship for many families, and philanthropic foundations adapted to ensure their funding had maximum impact. The Reed Foundation started the Big Give Christmas Challenge, matching donations made towards causes like good health, safe housing, and strong communities – and has raised nearly £234 million in charity revenue to date.⁸ This programme popularised one of the most popular philanthropic tools: ‘match giving.’ The Big Give was not alone in its efforts to aid recovery from the national crisis. While foundations lost almost 20% of their endowment, several chose to increase their payout and distribute a larger share of their assets to respond to the crisis.⁹

In 2009, the founder of the Oxford Martin School donated £33 million to the school to fund key research projects that studied preparedness against future shocks. In just one year, this was matched to a total of £66 million by other major philanthropists including George Soros and Adrian Beecroft. This strategy of match funding has shaped much of Oxford University’s present day fundraising operations.¹⁰

During the pandemic, philanthropy bolstered civic society. From April to September 2022, the Trussell Trust delivered over 1.3 million food parcels,

having seen a 50% increase in demand for their services compared to previous years.¹¹ The Gates Foundation alone around \$2 billion on unrestricted funding for R&D - helping fund core research into Covid-19 as well as pay rent and salaries that supported the research.¹²

Charitable giving typically falls during an economic downturn, but philanthropic donations buck this trend. The economic effects of the pandemic in 2021 saw charity income fall for the first time in a decade, by 6%.¹³ But donations from millionaires continued increasing, with the largest increases coming from those with investable wealth of over £5 million.¹⁴ Even during the more recent cost of living crisis in the first quarter of 2023 millionaires significantly increased their giving, with one in three millionaires making a charitable donation of over £10,000.¹⁵

Why philanthropy matters

The history of philanthropic giving highlights its potential to adapt to meet societal demands. Today it continues to play an important role in the functioning of our society. It supports the largest share of charitable activity, funds valuable national and local causes, and compliments Government and private sector operations. One in five charities are expected to declare bankruptcy by the end of 2023, in what has been described as the “cost of giving crisis,” making philanthropic funding even more important.¹⁶

Philanthropy is a vital source of charity revenue.

Charitable giving from the public constitutes the largest share of income for the voluntary sector, valued at nearly £26.5 billion in 2021. It has grown more important over time, doubling in value over the past two decades.

Figure 1: Voluntary sector income by source and over time, 2001-21

Source: NCVO Civil Society Almanac, 2023, Onward analysis

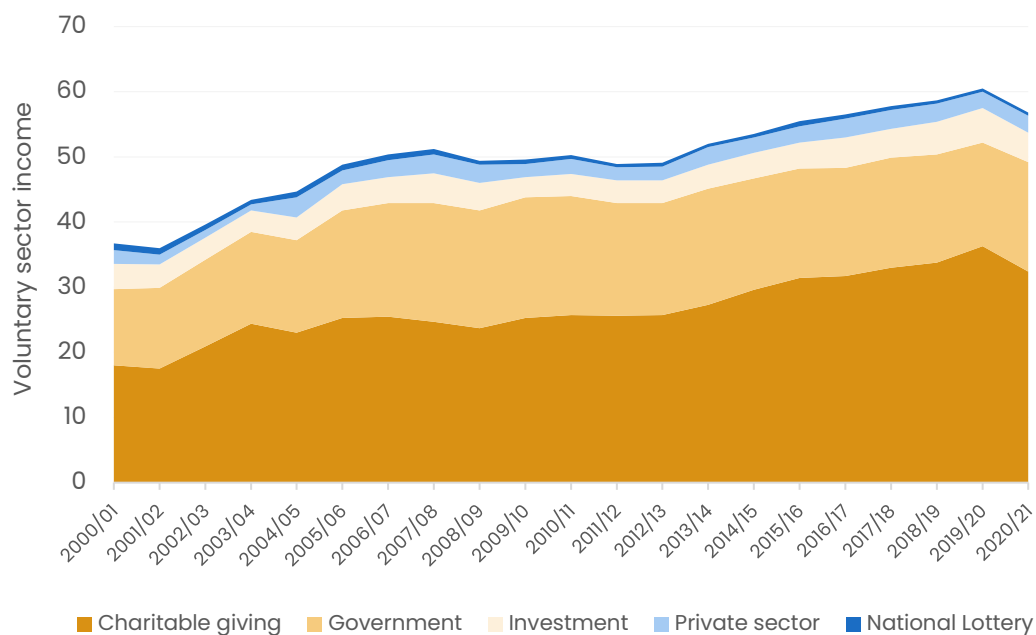
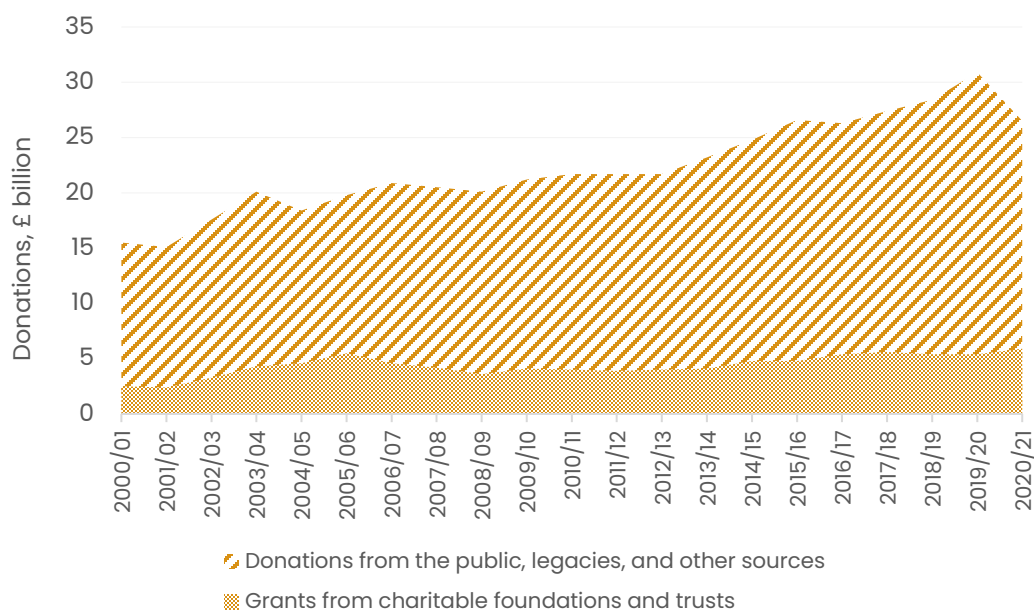


Figure 2: Voluntary sector income from charitable giving, by source, 2001-21

Source: NCVO Civil Society Almanac, 2023, Onward analysis

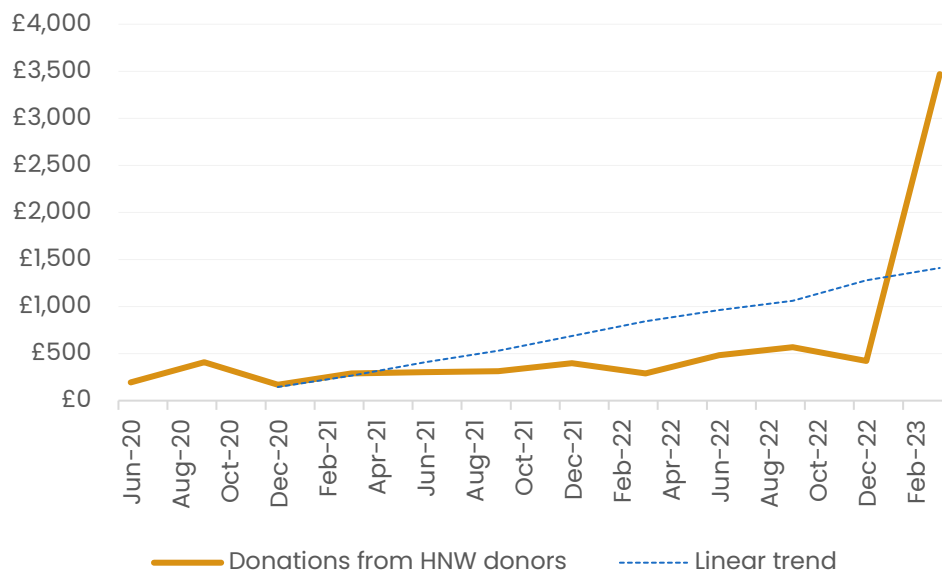


Major donations from high net worth (HNW) individuals constitute the majority share of public donations. In 2023, donations of over £1 million made up 53% of all Gift Aided donations.¹⁷ The value of HNW giving is about £8 billion a year, equal to a fourth of all public donations.¹⁸

In 2021, charitable income fell by 6% - the largest fall in two decades. As Figure 2 shows, the decline in charity income was largely driven by falling donations from the general public. However, donations from HNW donors increased during this period, sustaining charitable activity during economically challenging periods for charities.¹⁹

Figure 3: Quarterly median donations from High Net Worths from June 2020 to March 2023

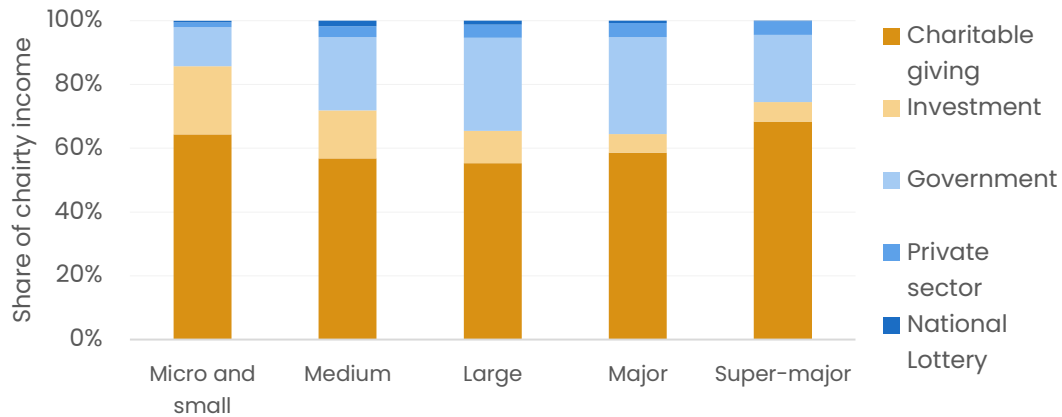
Source: Beacon and Savanta High Net Worths Survey



Philanthropy is particularly important for the smallest charities in the UK. 82% of the UK's charity population are small or micro charities with annual incomes of up to £100,000 per year.²⁰ They receive 64% of their income from charitable giving, five times larger than the share contributed by the Government and three times that of the private sector.

Figure 4: Sources of charity income, by size of charity, 2019–20²¹

Source: NCVO Civil Society Almanac, Onward analysis

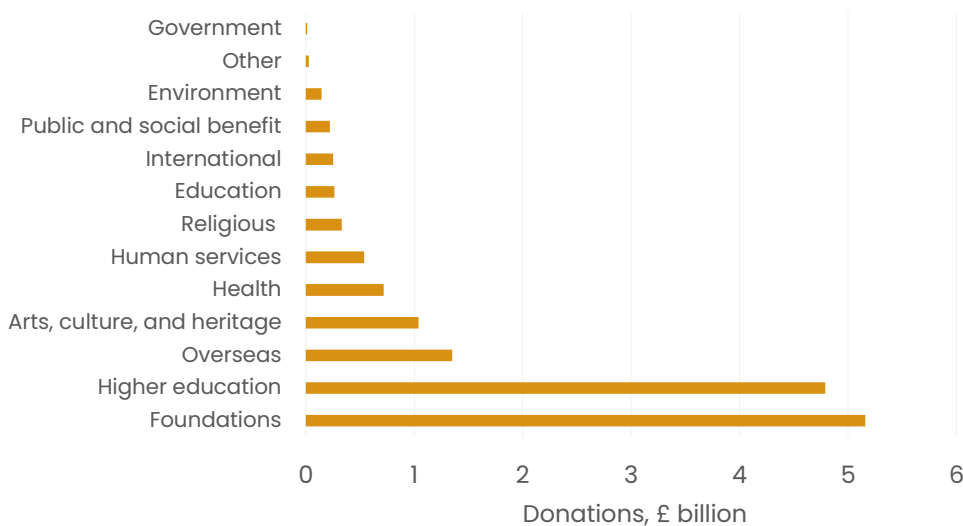


Philanthropy supports important national projects and services

Charitable foundations were the top recipient of major donations of £1 million and above in the decade from 2007–17.²² These charitable foundations are typically set up by philanthropists to advocate for causes they are passionate about. In 2022, the top four most generous foundations collectively distributed over £1 billion towards causes like medical and scientific research, children’s welfare, and education.²³

Figure 5: Donation amounts of £1 million and higher, by destination, 2007–2017

Source: Coutts Million Pound Donors Report²⁴



Higher education is the second largest recipient of major donations. Sir David Harding recently made the largest one-off donation ever recorded in Britain, establishing a £100 million scholarship fund for students from disadvantaged backgrounds at the University of Cambridge.²⁵

Philanthropic funding for these social causes is about more than the value of the donations. Charities benefit enormously from the networks and expertise that philanthropists bring to the table. The Steve Morgan Foundation, for example, has a team of just four full-time staff, but has given out over £100 million in grants to their partners, reaching over four million beneficiaries in Liverpool, the North West and North Wales.²⁶ They operate in the places that their founder Steve Morgan has lived and worked, allowing them to build effective partnerships with local councils and businesses and expand the impact of their operations.

Philanthropy reaches groups and causes that other sources of funding cannot

Philanthropy is uniquely positioned to champion causes that might otherwise not be on the frontline of the political or business agenda. Philanthropists, unlike the Government, do not need to navigate competing pressures on the public purse, and unlike private sector funding, philanthropists are at liberty to pursue causes that may not be commercially profitable.

The environmental movement is one of the clearest examples of philanthropy pursuing private action for public good. The movement is a major recipient of philanthropic funding, including from Sir Chris Hohn, ranked as the most generous philanthropist in the 2023 Times Annual Giving List. The UK's rewilding and conservation efforts have seen considerable involvement from philanthropists like Ben Goldsmith, Isabella Tree and Charles Burrell, and Andre Hoffman, who have been funding conservation efforts across the country and working with local partners to set up grants and grow support for the cause.²⁷

Philanthropic operations are also better-positioned to absorb risk. They are accountable for neither public nor shareholder funds, allowing for greater innovation and experimentation. During the pandemic philanthropists invested millions of pounds in vaccine research with no guarantee as to which trials would succeed. 20% of the R&D that underpinned the creation of the vaccine was funded through a single philanthropic body – the Wellcome Trust.²⁸

A branch of philanthropy called ‘venture philanthropy’ mimics the large risk appetite in venture capitalism in philanthropic ventures, with the goal of maximising social impact. A new wave of ‘blended funding models’ have emerged that combine philanthropic grant funding with repayable finance to fund charities and social enterprises. Philanthropic funding ‘de-risks’ such projects. They have less than market-rate or often no expectations of financial returns, allowing their funding partners to absorb what returns are generated. In 2019, Big Society Capital and the social investment group Access launched a blended funding pot called ‘Local Access.’ It will provide £33 million in funding over the next decade for six areas of high deprivation to unlock greater social impact funding for their charities.²⁹

Philanthropic funding is also uniquely positioned to reach those that are socially and financially disadvantaged. For individuals, this includes people just beyond the cut off of government support, those that the government might find hard to reach, and those that might not have the means to pay for private services. But it also includes charities that struggle to get sufficient funding from routine grant funding. The Esmée Fairbairn Foundation launched a funding pot worth £1.5 million called ‘New Connections’ which was specifically aimed at charities that struggle to raise funding through traditional means. This programme will help build capacity, establishing peer networks of similar organisations to enable shared learning.³⁰

Philanthropy scepticism

Britain has always had a degree of scepticism towards philanthropy. In 1948, the then Health Secretary Nye Bevan described philanthropy as a ‘patch-quilt of local paternalisms’ and argued that it was “repugnant to a civilised community for hospitals to have to rely upon private charity.”³¹

Such criticism has persisted. When Warren Buffett announced the donation of his life’s fortune of \$50 billion to the Gates Foundation, the world’s largest philanthropic donation ever, the news was received differently on both sides of the Atlantic. American news coverage described it as an ‘astonishing gift’ and a ‘refreshing move.’ In the UK however, this was met with cynicism. One report suggested ‘when the world’s richest man gives all his money to the world’s second richest man, we would do well to count our spoons.’³²

Some of these criticisms of philanthropy are reasonable, particularly on matters around using philanthropy to evade tax. But generalising the behaviour of a few bad actors to characterise a highly heterogeneous community risks dissuading future giving. Professor Beth Breeze, the Director of the Centre for Philanthropy at the University of Kent, argues that the attacks on philanthropy have become so severe that they are now actively dissuading future philanthropic activity.³³

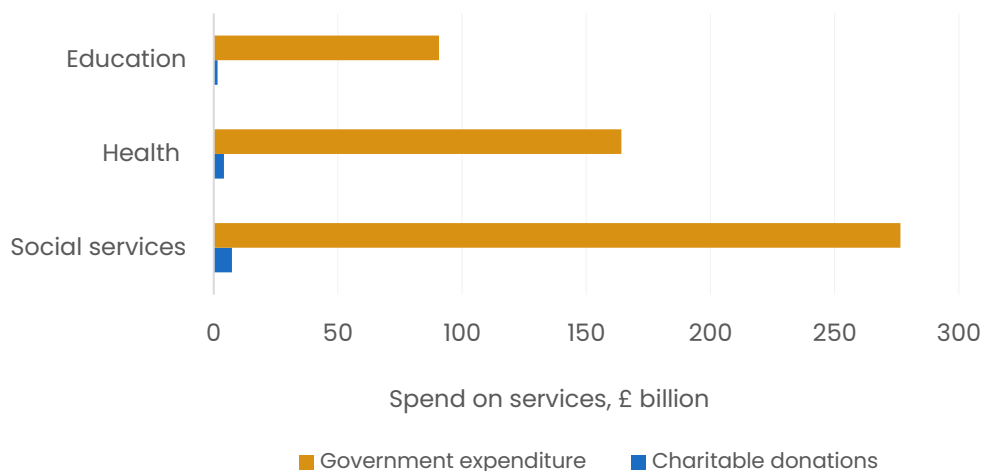
An alternative to public spending?

The most common argument against philanthropy is that it funds causes that should be funded by the state. But public service provision in the UK has always been provided by a mix of philanthropic and government funding.

Critics of philanthropy posit the idea of a ‘philanthropic takeover’ – where the scale of philanthropic involvement in public services has become so large that it is disincentivising public spending and creating dependency on an unreliable source of funding.³⁴ But the evidence does not support this claim. In 2020, the philanthropic spend on public services was £35.2 billion, 22 times lower than the government spend of £788.1 billion. And for core services like health, education, and social protection, the charitable spend is between 30 and 60 times lower than government spending, shown in Figure 6 below.

Figure 6: Spend on health, education, and social protection services by Government and charitable giving, 2019–20

Source: HMT Public Spending Statistics, NCVO Civil Society Almanac, 2019–20



Ultimately philanthropic resources are limited and cannot overtake government spending on public services. Instead, philanthropic funding is additive – it does not have the same restrictions as public funding and therefore can “do things governments cannot” and “enhance” what government can provide.³⁵

Philanthropy often complements other sources of public funding, instead of crowding it out. Foundations partner with local governments and third sector groups to collectively invest in programmes and share expertise. The Cradle to Career partnership – comprising the Steve Morgan Foundation, Wirral Council, and charities like SHINE and Right to Succeed, have successfully improved welfare service provision for vulnerable families in North Birkenhead. In its second year of operation, this partnership has led to a 50% increase in the number of high-ability readers, reduced repeat social care referrals by 36%, and reached out to 840 additional vulnerable families in the area.³⁶

Philanthropy also acts as a catalyst. Philanthropic funding into the science and tech sector has leveraged significant investment from government and the private sector. The Department for Science Innovation and Technology (DSIT) recently announced the ‘Research Catalyst’ co-investment fund, which will see £50 million of Government funding invested alongside funding from philanthropists and the private sector into scientific research. And the UK Science and Technology Framework has explicitly committed to growing philanthropic investment in UK research and development.³⁷

Philanthropy is undemocratic?

Critics also argue that philanthropy is undemocratic in the reliefs it offers and the causes it funds. They argue that offering tax reliefs to wealthy donors diverts public funding away from more worthwhile causes and reinforces existing inequalities.^{38 39}

While philanthropists and their organisations are not democratically elected, this does not mean philanthropy operates in a democratic vacuum. The charitable tax reliefs offered in the UK – Gift Aid, Capital Gains relief, inheritance tax relief – are all set by democratically elected bodies and can only be claimed on donations made to charities that are registered with the Charity Commission that have met the Commission’s public benefit test.

Philanthropic funding allows civil society organisations to hold the Government accountable by highlighting funding gaps and providing alternatives to the status quo.⁴⁰ This was highlighted as early as 1952 in the Nathan Report, soon after the welfare state was created: “Some of the most valuable activities of voluntary societies consist... in the fact that they are able to stand aside from and criticise state action, or inaction, in the interests of the inarticulate man-in-the-street.”⁴¹

More recently in 2023, Lynne and Peter Smitham, the founders of the Kiawah Trust, have been funding the Early Education and Childcare Coalition that has been actively campaigning for the Government to invest in childcare and early years reform.⁴² A coalition of philanthropists that fund biodiversity and conservation projects have also issued open calls for action from the Government.⁴³

The state of philanthropy



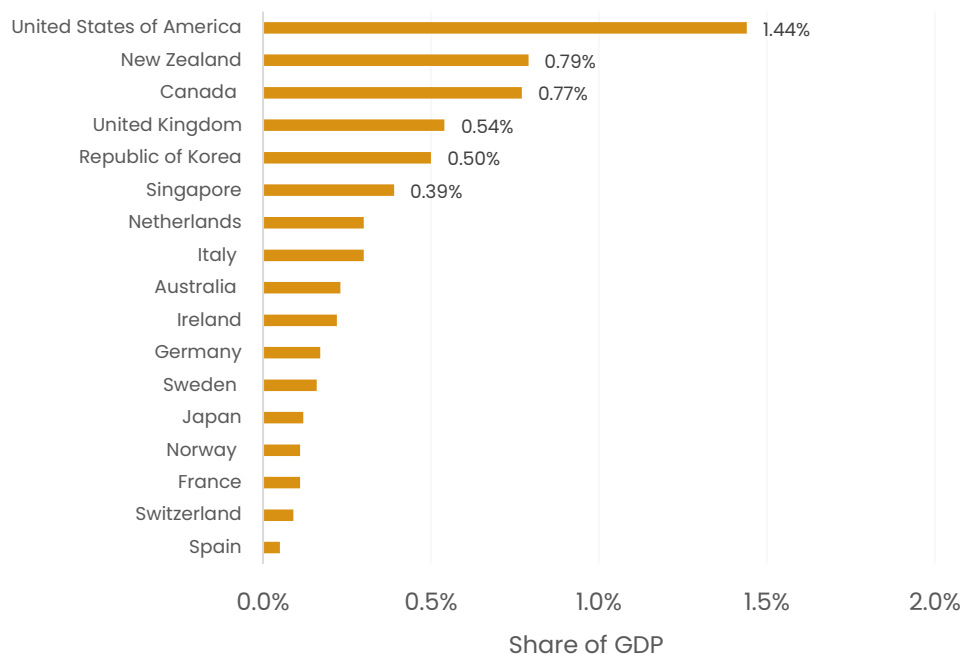
Charitable giving and philanthropy have been growing in the UK over the past decade. But a closer look at the data reveals untapped philanthropic potential among those with the most to give.

Donations from the top 1% of earners and wealth holders have been rising steadily. Yet they have been donating proportionally less relative to the least affluent, and to the growth of their own income and wealth. Within this cohort, it is a small share of donors that contribute a disproportionately large share of donations, masking falling participation from their peers. And the geography of giving remains highly skewed towards London. This chapter explores these trends in greater detail.

Looking at charitable giving more broadly, the UK ranks as the fourth most generous country internationally. The United States is unique in its volume of charitable giving with donations constituting over 1% of its GDP. But even Canada and New Zealand, with more expansive welfare states, are more generous. If the UK reached the giving levels of Canada it would mean an additional £4.8 billion a year, and if it reached New Zealand levels it would mean £5.2 billion a year. ⁴⁴

Figure 7: Charitable giving by individuals as a share of GDP

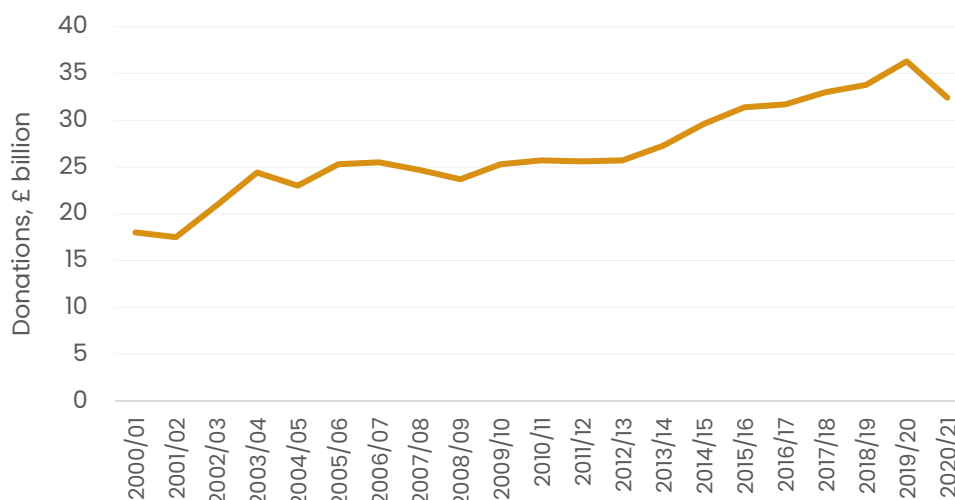
Source: Charities Aid Foundation, 2016



Within the UK, overall levels of donations from individuals and foundations have more than doubled over the past two decades, with the last decade alone contributing almost 47% of the growth in donations.⁴⁵ But these aggregate donations conceal major variations.

Figure 8: Donations from individuals and charitable foundations and trusts, 2001–21

Source: NCVO Civil society Almanac, 2023, Onward analysis



Trends in philanthropic giving

Donations have not been rising proportionate to income

The most common way for British taxpayers to donate is through Gift Aid. Gift Aid is a tax incentive that sees the Government top up the donation made to a charity by 25% of the gross value of the donation, while also allowing higher and additional rate taxpayers to claim a rebate on their donations.⁴⁶ For an average earner in the UK, a £100 donation would be topped up with £25 from the government, meaning the charity receives £125.

Gift Aided donations have been increasing since the incentive was first introduced in 1990. Over the past decade, donations have increased by 20% and over the last year alone there has been an increase of 19%. The largest donations have been driving this increase. In 2015 gifts of £1 million and higher contributed to 45% of all Gift Aided donations, and by 2023 this share grew to 53%.

Figure 9: Donations made through Gift Aid, 1990–2023 (in 2020–21 values)⁴⁷

Source: HMRC Charitable Tax Relief statistics, National Archives data on Gift Aid, Onward analysis

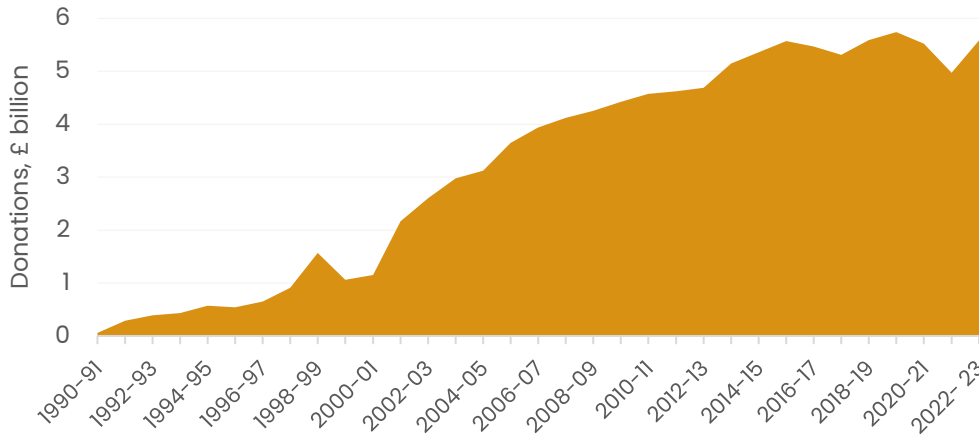
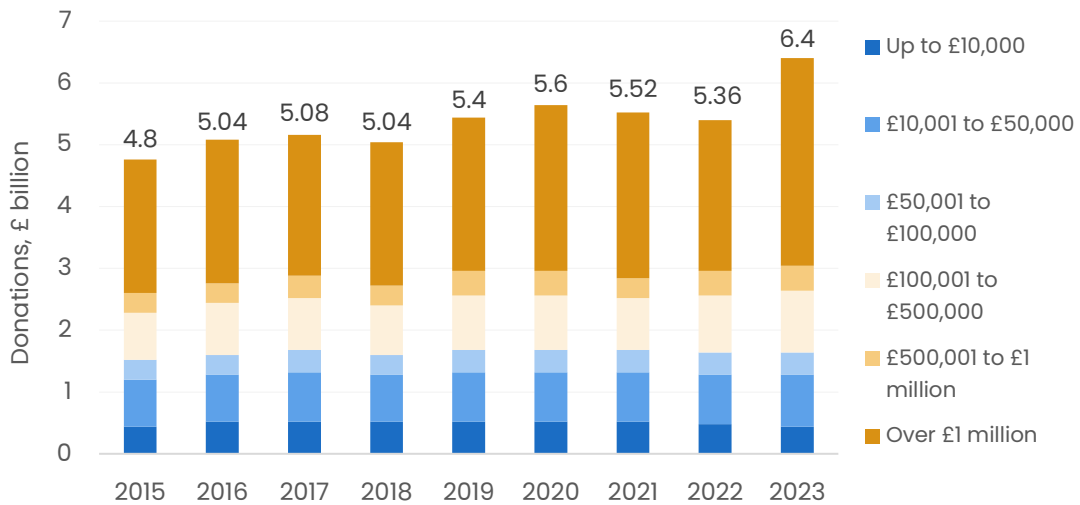


Figure 10: Gift Aid donations by size of gift and over time, 2015 – 2023

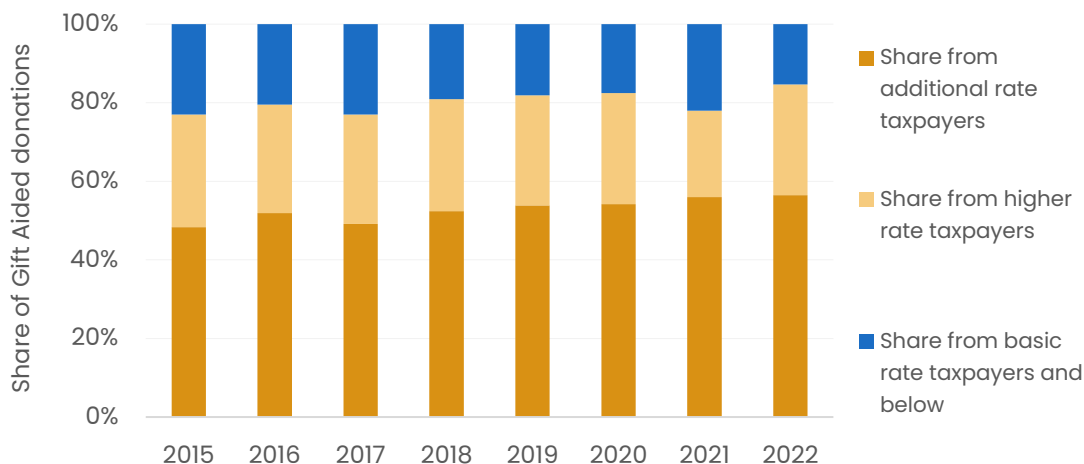
Source: HMRC Charitable Tax Relief statistics, National Archives data on Gift Aid



Donations of large gifts highlight the importance of philanthropic contributions from the highest earners. Those on the highest incomes of £150,000 and above contributed 57% of all donations made through Gift Aid, compared to 28% from higher rate taxpayers and 15% from basic rate taxpayers and others.

Figure 11: Gift Aided donations by income of donor, 2015 – 2022 ^{48 49}

Source: HMRC Charitable Tax Relief Statistics, Survey of Personal Incomes, Onward analysis



But the highest earners donate less to charity as a share of their incomes than the poorest. In 2019, the poorest 10% of households made a median donation of £6 for every £1,000 of income, compared to £3 donated for every £1,000 for the highest earning 10% of households.⁵⁰ If the top 10% of earners donated the same share of their incomes as the poorest 10%, it would result in nearly £3.4 billion in additional donations.⁵¹ This is not a new phenomenon. In 1984, those on the lowest income quintile reported donations as a share of their incomes that were three times higher than those on the highest income quintile.⁵²

Figure 12: Donations made per £1,000 income earned, by household income decile

Source: Understanding Society 2018-18, Onward analysis



Even within the top 1% of earners, those on the very highest incomes donate the smallest shares of their income. On average, the top 1% of earners donate less than 0.2% of their incomes to charities. But giving behaviours within this group vary greatly. Figure 15 below shows how those on annual incomes over £459,000, despite earning over twice those on annual incomes between £175,000–£197,000, donate 24% less as a share of their incomes.

Figure 13: Median donations as a share of median annual income among the top 1% earners

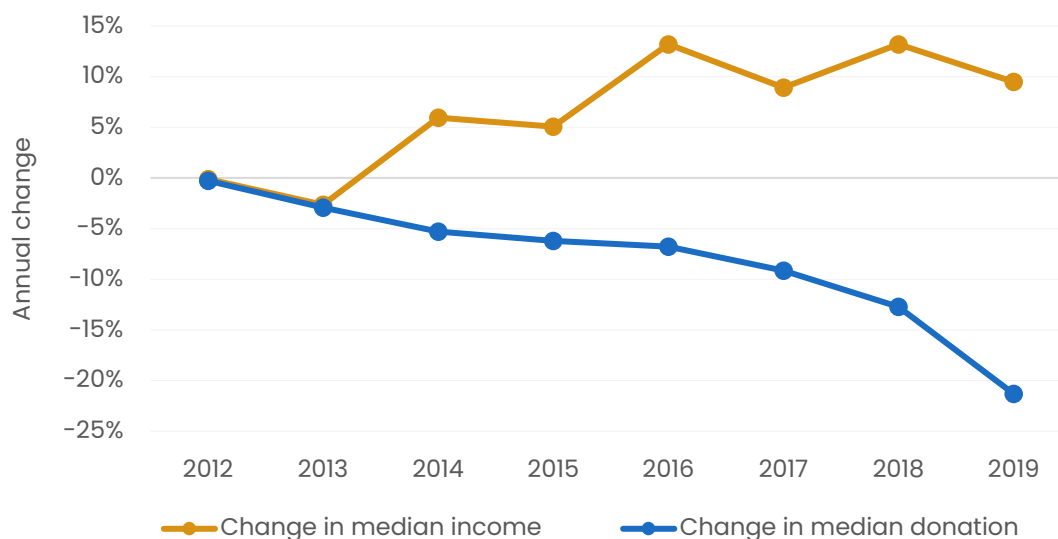
Source: HMRC Survey of Personal Incomes, 2018-19, Pro Bono Economics



Charitable giving among the highest earners has not kept pace with changes to their incomes. Donations from the top 1% of earners have fallen by 21% in real terms (from an annual median of £680 in 2011 to £538 in 2018), despite their incomes rising by 16% over the same period. The share of donations contributed by this group also fell from 9% in 2011 to 6% in 2018.⁵³ Analysis from Pro Bono Economics finds that if donations had kept pace with income for this group, charities would have received an additional £280 million in 2018-19 alone. Between 2011-12 and 2018-19, this decline collectively accounted for over £1.6 billion in lost donations.⁵⁴

Figure 14: Real terms change in median donations and income of the top 1% over time, 2012-18

Source: Pro Bono Economics, *Mind the Giving Gap*, 2021



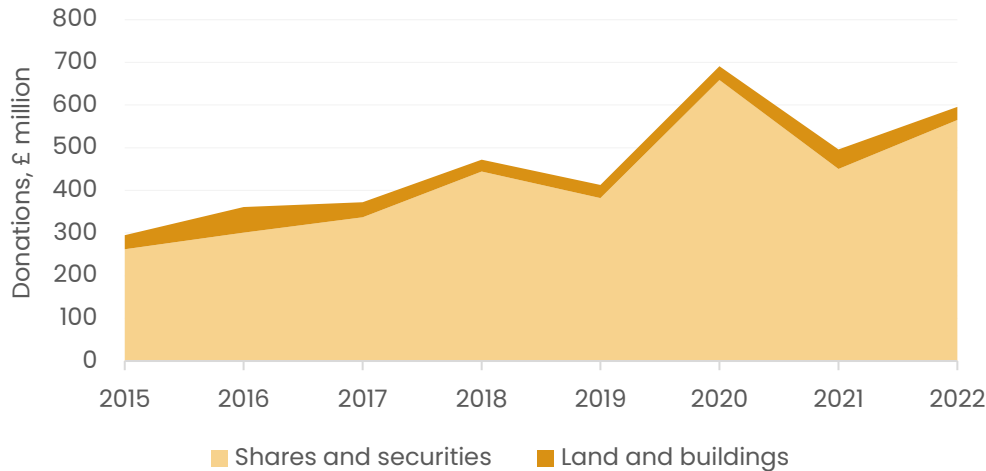
Donations from wealth have not kept pace with the growth of wealth portfolios

Aside from Gift Aid, individuals also donate assets like land, property, shares, and securities. These asset donations receive generous tax reliefs. They are entirely exempt from capital gains tax, and can simultaneously be deducted from a donor's taxable income,⁵⁵ making it highly tax-efficient.

Donating assets to charity has become more popular over time. The total value of all assets donated tax-efficiently has nearly doubled from £262 million in 2015 to £596 million in 2022.

Figure 15: Donations of assets by type, 2015-22

Source: HMRC Charitable tax relief statistics

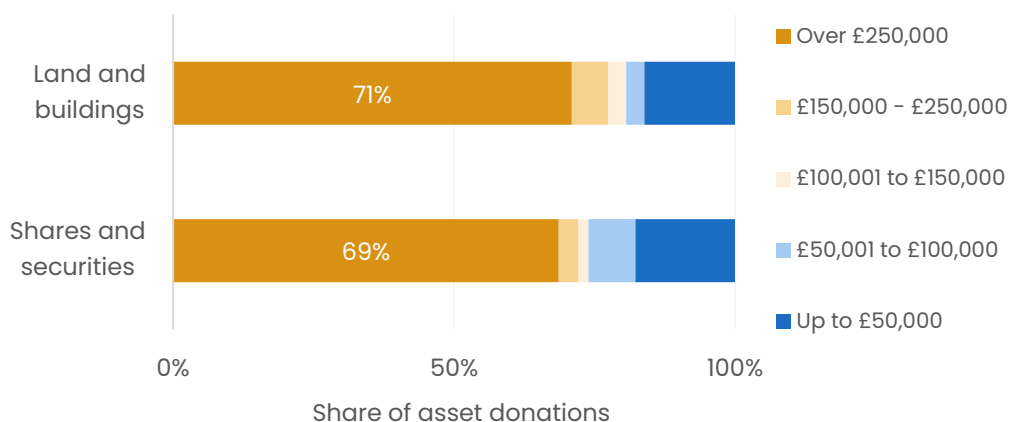


Giving among the top 0.1% and 0.01% are much more likely to include donations made from wealth. This is because their wealth is less likely to come from their current occupation – in 2020, 52% of all those with household wealth of over £1 million worked in relatively lower-income occupations, and 5% never worked at all.⁵⁶

It is those on the very highest incomes that make the largest asset donations to charity. Donors on annual incomes above £250,000 donated nearly 70% of all charitable asset donations received.⁵⁷

Figure 16: Donation of assets to charity, by annual pre-tax income of donor, 2022

Source: HMRC Charitable Tax Reliefs

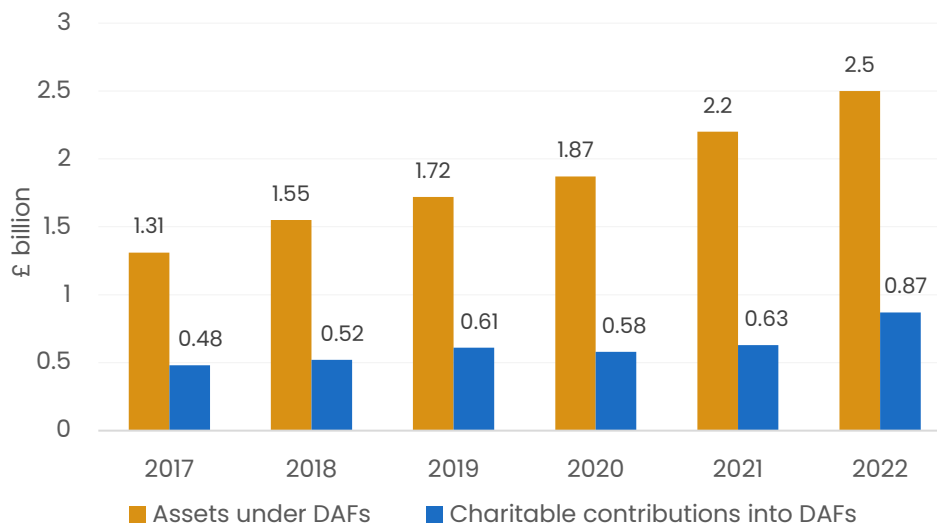


Modern philanthropic giving vehicles like Donor Advised Funds (DAFs) have popularised charitable donations of assets. DAFs are umbrella charities themselves, and allow individuals and families to donate cash and a range of assets into a long-term giving vehicle that distributes the funds towards charitable causes. They are much easier to set up than a charitable trust or foundation, and allow donors to either maintain anonymity or be engaged with the causes they donate. Given their flexibility, they have become a popular giving vehicle among first-time donors particularly, who are still in the early stages of developing their bespoke philanthropy strategies.

The DAF market share in the UK has seen rapid growth in recent years. The asset pool under DAF management has grown by 77% over the past five years alone - from £1.3 billion to £2.2 billion. And contributions made into DAFs in 2020-21 increased by 7%.⁵⁸

Figure 17: Charitable assets in DAFs and contributions made into DAFs, 2017-21

Source: NPT UK, 2023



However, donations have not kept pace with the rise in the rate of wealth accumulation, particularly among the wealthiest. In the five years from 2015-2020, donations of assets to charity from those on annual incomes above £250,000 increased by under half (42%)⁵⁹, while the share of wealth accumulated by the wealthiest 10% rose by almost two thirds (61%) in the same period.^{60 61}

Donations from inheritance are rising in popularity, but not in value

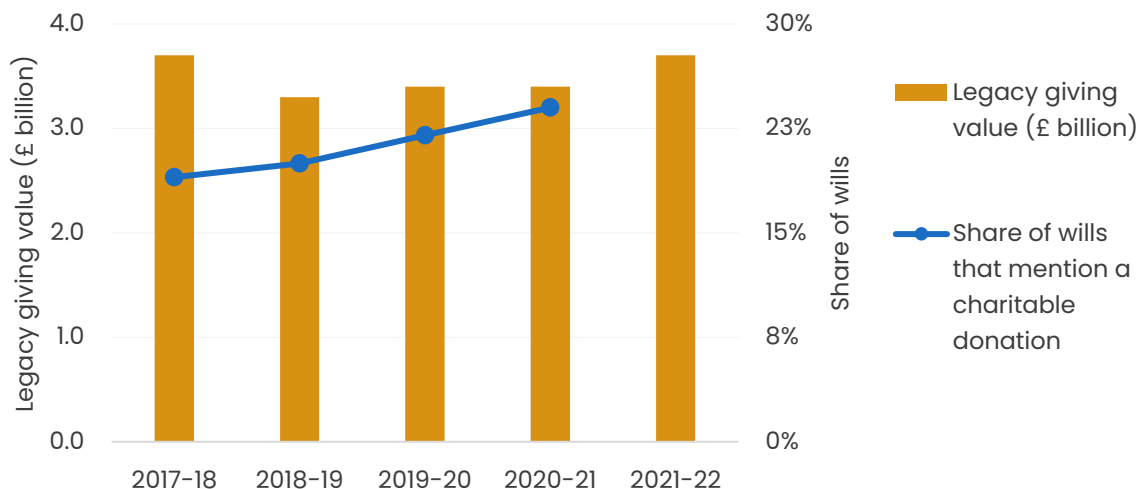
A major route through which people donate is by leaving charitable gifts in their wills, called 'legacy giving.' Legacy giving accounts for nearly a third of all charity income through personal donations and grants.⁶²

Legacy giving is particularly important to high net-worth philanthropy. It generated on average £2.7 million per donor in revenue for charities for the year 2018-19, of which over half came from just 300 high net worth individuals that left a minimum gift of £1 million.⁶³ Legacy giving has also been growing increasingly popular. In 2014 just 16% of wills included a charitable gift, by 2022 this share increased to 24%.

Despite an increased share of wills that include a charitable gift, the value of donations raised through legacy giving has remained largely unchanged over the past five years.

Figure 18: Size and count of gifts left in wills over time, 2017-18 to 2021-22

Source: Smee and Ford Legacy Foresight report, Remember a Charity, Onward analysis



Stagnating donations through wills can partly be explained by the more recent uptake of the Chuck Feeney model of 'Giving while Living',⁶⁴ in which wealthy donors give away their fortunes during their lifetime, leaving less to give through wills. Lifetime Giving has had positive effects, allowing donors to develop relationships with the charities they donate to and leverage their networks to assist their philanthropy.

But even after accounting for the increase in lifetime giving, the scale of legacy giving does not reflect the volume of wealth being passed down through generations. The value of inherited wealth is projected to grow significantly, with the baby boomer generation expected to pass down almost £25 trillion over the next thirty years to their children and grandchildren.⁶⁵ The number of charitable bequests are also expected to rise by 11% for each year till 2027. But despite these promising circumstances to grow legacy giving, the value of donations raised is projected to plateau at current levels of £3.9 billion annually.⁶⁶

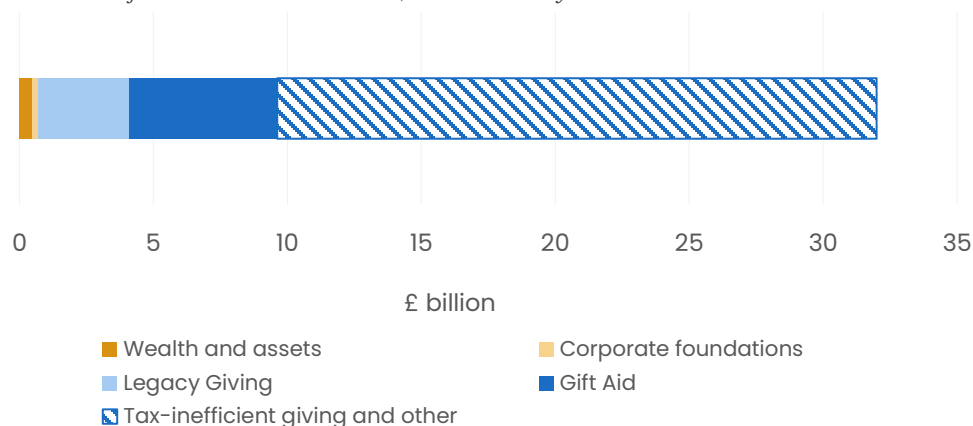
The incoming generational wealth transfer presents an opportunity to leverage giving from inheritances to boost philanthropy. Millennial and Generation Z are more value-based in their approaches to wealth, reporting a desire for strong personal connections with the charities and causes they support.⁶⁷

Tax inefficient donations form the majority share of philanthropy

Despite the multiple tax-efficient routes to donate, the majority of philanthropic giving takes place ‘tax-inefficiently’ – without any tax reliefs. Charitable giving was valued at £32 billion in 2021, of which approximately a third (£10 billion) is captured through tax records. While the lack of robust data makes it hard to accurately estimate these breakdowns, the remaining £22 billion can be assumed to be donations made tax-inefficiently, and through sale of goods (for example in charity shops) and services (for example tuition fees for training provision).

Figure 19: Philanthropic funding received by charities, by origin of funds, 2021

Source: HMRC Charitable Tax Relief Statistics, Smee and Ford Legacy Foresight, Association of Charitable Foundations, Onward analysis



Among the top 1% of earners, only 37% declare donations in their Self Assessment tax return forms.⁶⁸ But in practice, the share of high net worth (HNW) and ultra high net worth (UNHW) individuals that have reported making a donation is as high as 91%.⁶⁹ Coupled with very low levels of awareness of the available tax reliefs, it is likely that a large share of philanthropic giving takes place tax-inefficiently. This comprises those that might not have used the tax relief at all, might have donated above the eligibility threshold, or simply not ticked the Gift Aid box on their Self Assessment forms. The drivers behind low take-up of tax reliefs are explored in greater detail later in this paper.

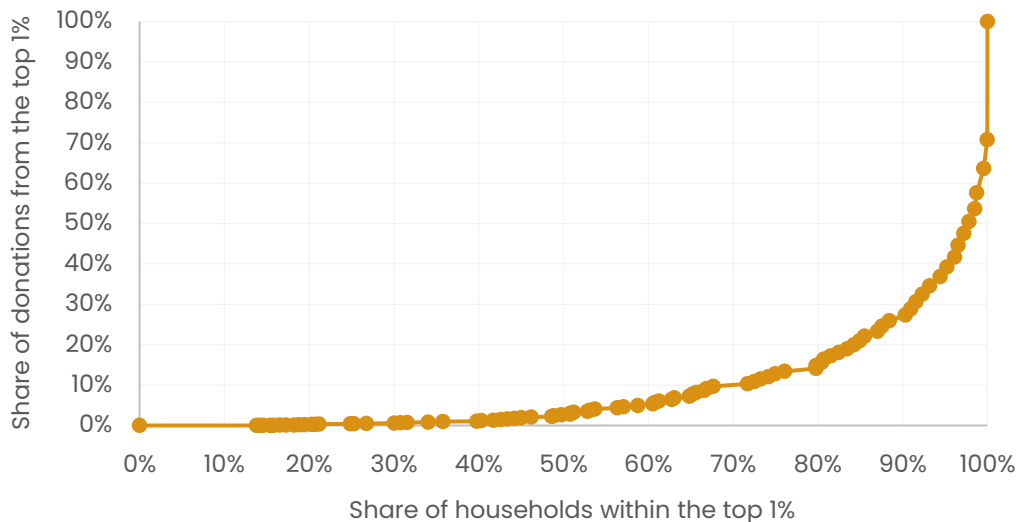
The 'civic core' challenge

While the overall level of donations from the wealthiest has been on the rise, it is a small number of generous donors (termed the 'civic core') that are primarily responsible.

Survey data from Understanding Society that measures self-reported donations highlights the importance of this civic core. 5% of the highest earning 1% of households are responsible for around 50% of all donations from this group. Even at the individual level, analysis from Pro Bono Economics has shown that 63% of donations from the top 1% of individual donors came from less than 0.5% of this cohort – just 1,700 individuals.⁷⁰

Figure 20: Distribution of charitable donations from the highest earning 1% of households

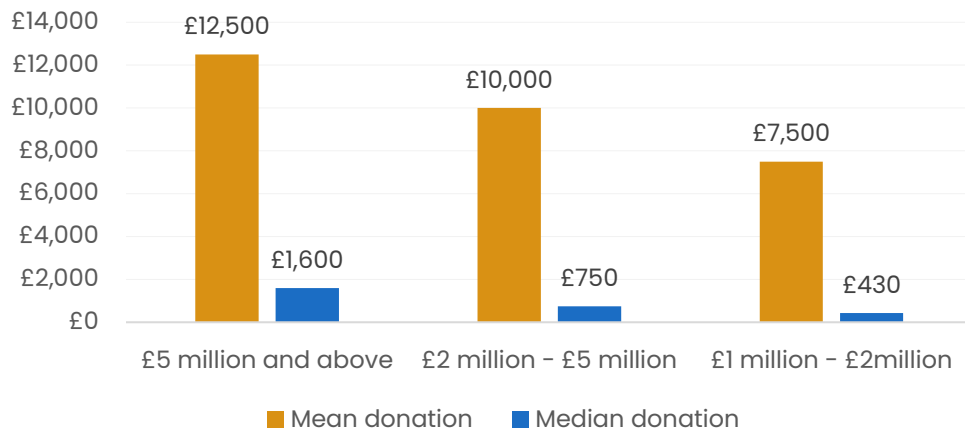
Source: Understanding Society data 2019-20, Onward analysis



Even after accounting for donations made from non-income sources (including donations made outside of tax records and from assets and wealth), the civic core challenge persists. As of December 2022, mean donations by millionaires were almost 11 times higher than median donations. A significantly larger mean compared to median is likely indicative of a few high value donations altering the mean value. While it always be the case that some wealthy donors will be significantly more generous than others, the scale of non-participation in philanthropy within this cohort is cause for concern. The bottom 70% of the top 1% of households are responsible for only 10% of all donations, as shown in Figure 21.

Figure 21: Mean and median donations from millionaires, October–December 2022

Source: Beacon and Savanta HNW Survey, 2023



Philanthropy suffers from a collective action problem. The generosity of the civic core means that when other wealthy individuals do not donate or donate very little, they ‘free ride’ on donations from their peers.⁷¹ Relying on a small number of generous donors is an unsustainable philanthropic model. There is real potential for more donors to be brought into active philanthropy – both growing the pool of donors as well as expanding the relationships and networks they bring with them.

The geography of philanthropic giving is uneven

Against this backdrop of untapped philanthropic giving, places that need extra support the most are receiving the least. The geography of giving in the UK remains stubbornly skewed towards London. In the late 1890s, London saw extraordinarily high levels of charitable giving, with donations alone outstripping entire European state budgets.⁷² Over a century later, London continues to receive a third of all grants issued by the largest philanthropic foundations in the country.⁷³

Figure 22: Gift Aid donations declared on Self Assessment forms, by constituency of donor's residence, 2022

Source: HMRC charitable tax relief statistics

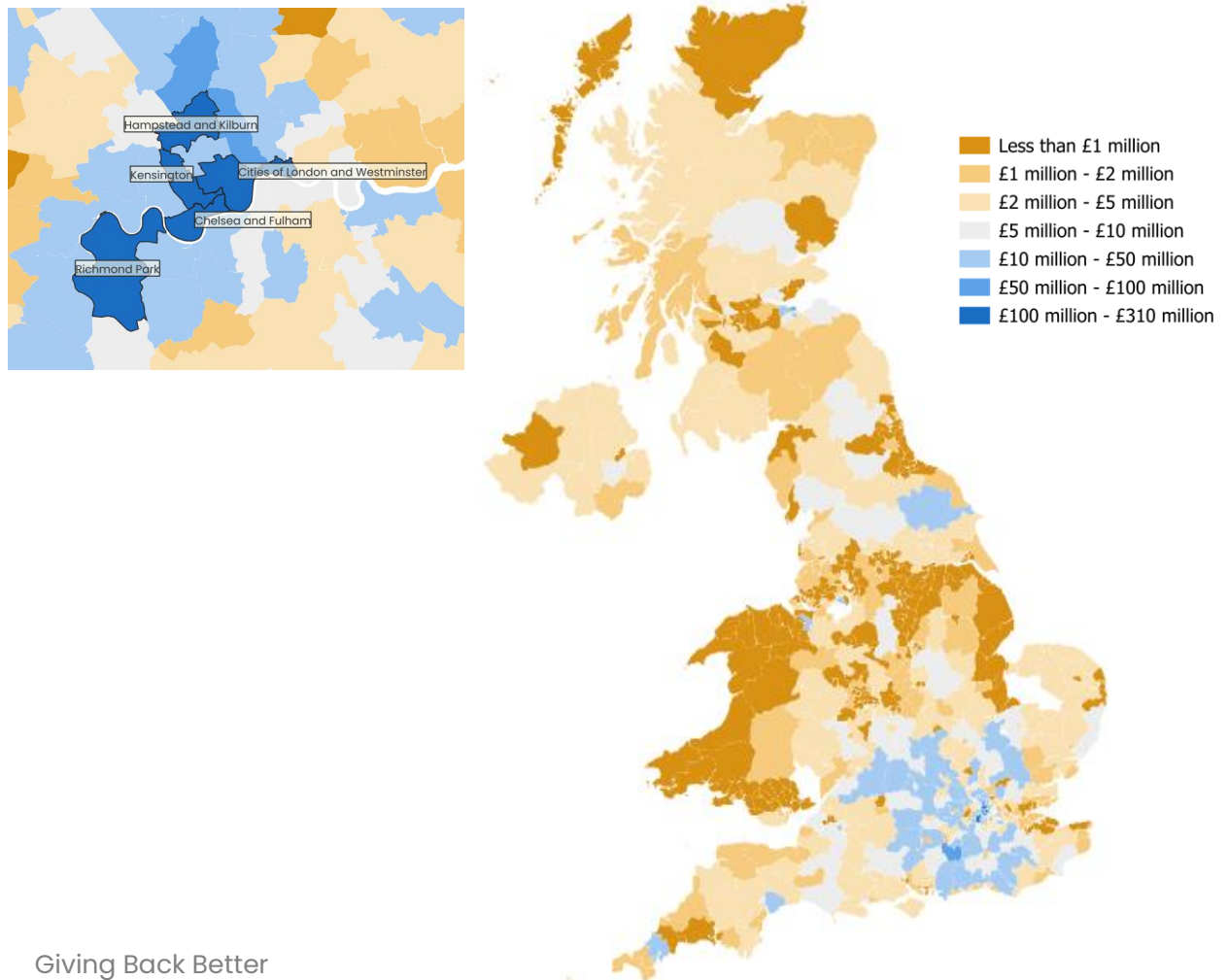
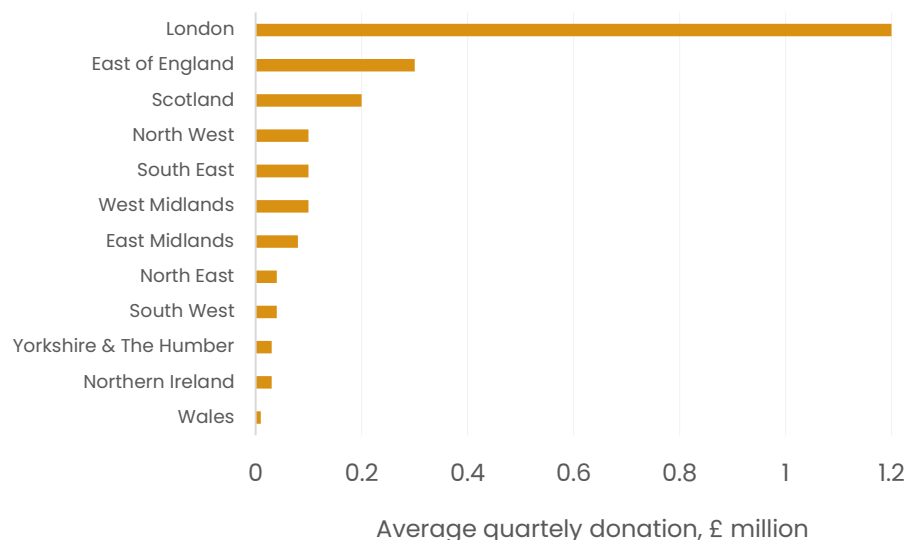


Figure 23: Average quarterly donations by millionaires by region, 2021,⁷⁴

Source: HNW giving data from Beacon, Savanta, and Professor Cathy Pharoah



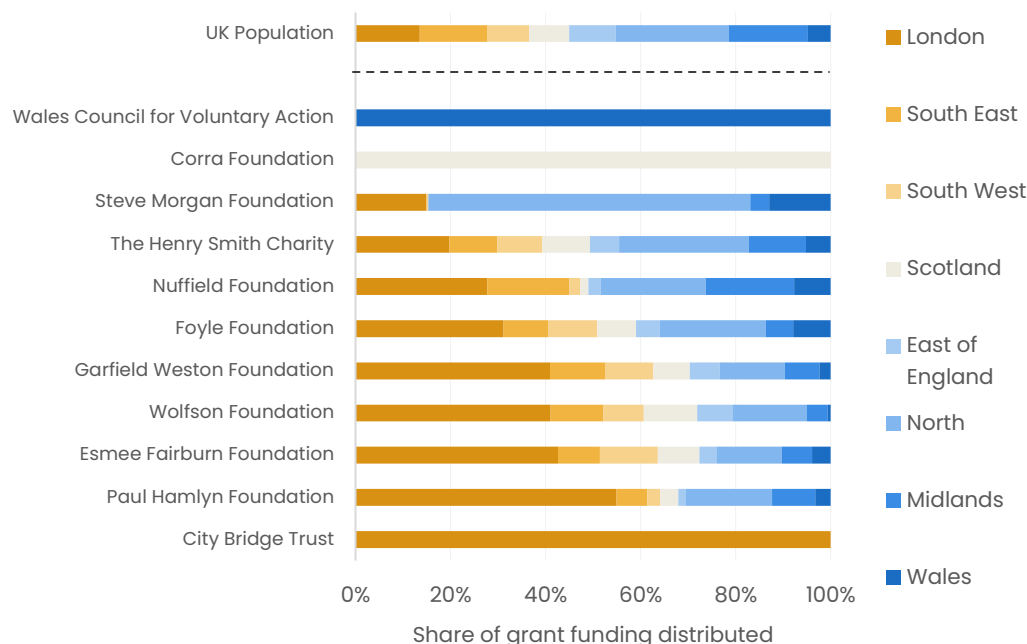
The skew to London and South East reflects the larger share of higher earners and wealthier individuals in these regions. In 2015, half of the highest earning 1% of individuals lived in just 65 constituencies in Great Britain, of which 52 were in London and the South East.⁷⁵ These regions also host over 44% of individuals living in households with wealth of £1 million.⁷⁶

Inequality also drives giving, as donors are highly influenced by the causes most visible to them. Levels of charitable donations and the likelihood of donating were found to be positively associated with hyperlocal income inequality.⁷⁷ It is therefore unsurprising that London sees some of the highest levels of donations in the country: income inequality in London is twice as high as the rest of the UK.

It is hard to estimate how much philanthropic funding is received at the local authority level as most charities have beneficiaries split across multiple authority boundaries. But the regional footprint of major grantmaking foundations that distributed over £10 million in funding in 2022 highlights the bias towards London. Among these foundations, approximately a third of all donations were concentrated in London.

Figure 24: Share of charitable grant funding issued by foundations that distributed over £10 million in 2022, by region of recipient organisation ⁷⁸

Source: 360 Giving, Onward analysis



Lower donation levels, from fewer donors, in a narrow set of places

While donations from the highest earners and wealthiest individuals have been on the rise in absolute terms, they have not kept pace with increases in their wealth. Among donations from the most affluent, a disproportionately large share have been from a small ‘civic core.’ And this funding is skewed heavily towards London.

But why have these patterns emerged, and what can be done about them? The next chapter explores the drivers behind each of these trends.

Understanding the giving gap

Weak incentives and
underpowered institutions



What is Gift Aid?

Gift Aid is a tax incentive that has a top-up feature for charities and a rebate feature for donors. It follows a post-tax model of operation: charitable reliefs are calculated after the donor has already paid their tax.

The top-up element that charities receive is called the '**match**.' This is in addition to the gross donation that charities receive and is equivalent to 25% of the value of the gross donation. If Donor A donated £100, under Gift Aid the charity would receive an additional £25 as top-up, making the total contribution that the charity receives £125.

Higher and additional rate taxpayers have the option of claiming tax relief under Gift Aid, called the '**rebate**'.⁷⁹ Higher rate taxpayers can claim back 20% of the total contribution received by the charity, and for additional rate taxpayers the rebate is 25%.

The Gift Aid model raises a higher and additional rate donor's basic rate income tax threshold by the value of the total donation received by the charity (the gross donation + match). This allows them to claim back the difference between the rate of tax they have already paid and the rate of tax they should have paid on the total donation received by the charity.

$\text{Rebate} = (\text{net donation received by charity}) * (\text{higher rate of tax} - \text{basic rate of tax}).$

If Donor B, a higher rate taxpayer, donates £100 to charity, then under Gift Aid, charities receive a total donation of £125. Donor B can then claim a rebate of $125 * (40\% - 20\%) = £25$. If Donor B was an additional rate taxpayer, for a donation of £100, charities would continue to receive £125, but they would become eligible for a rebate of $125 * (45\% - 20\%) = £31.25$.

How does Gift Aid work in practice?

At the point of donation, donors are required to fill in a Gift Aid declaration form with the charity, essentially 'Gift Aiding' their donation and authorising the charity to claim their 25% match. Charities may claim Gift Aid either online or via post, by submitting a record of the donations they have received.⁸⁰

On their Self-Assessment forms, donors are required to provide details about the amount of their donations and confirm that they have paid enough income or capital gains tax to cover the charity match element. HMRC's internal Gift Aid calculators then determine how much rebate donors are eligible for. These are paid back after the Self-Assessment form has been submitted. The United States is frequently hailed as the gold standard in philanthropy. Its philanthropy sector is 2.4 times greater in value compared to the UK.⁸¹

The difference can be partially explained by tax governance and public expectations of the state. The UK operates higher tax brackets for its top earners compared to the US. And the British State funds a greater proportion of public services compared to the US, where there is greater reliance on non-state support. There are also significant differences in attitudes towards wealth and perceptions of personal wealth between the two countries.

But a larger share of the different levels of giving can be explained by weak incentives and underpowered institutions that support philanthropy in Britain. The existing charitable tax incentives are widely misunderstood and underutilised, philanthropy advice is not routine practice, and there is little active Government advocacy for philanthropy.

Weak Incentives

Tax incentives are underused

Gift Aid, the most popular charitable tax incentive, is also the most widely misunderstood and underused. It was created in the 1990s to replace the 'deeds of covenants' by which individuals and their companies would transfer their tax liabilities to charities that were exempt from these commitments. But too often it remains an afterthought.

Why Gift Aid matters

Gift Aid is a prominent tax relief for charities and donors. It makes up 37% of all charitable tax reliefs received by charities and 44% received by donors, shown in Figures 25 and 26 below:

Figure 25: Charitable tax reliefs offered to charities 2023

Source: HMRC Charitable Tax relief statistics

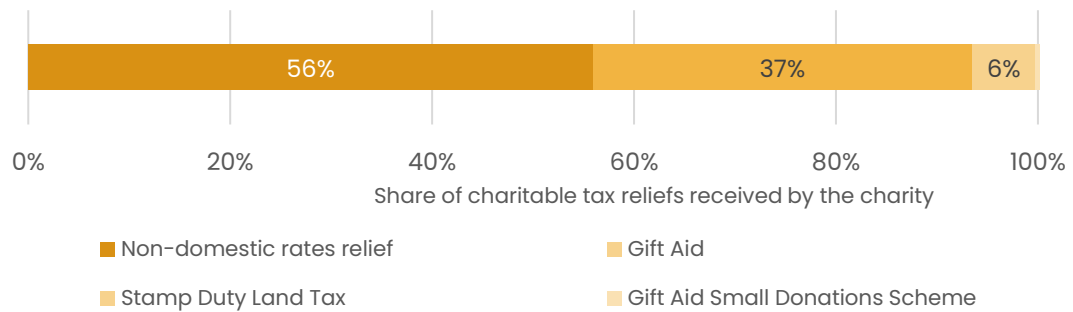
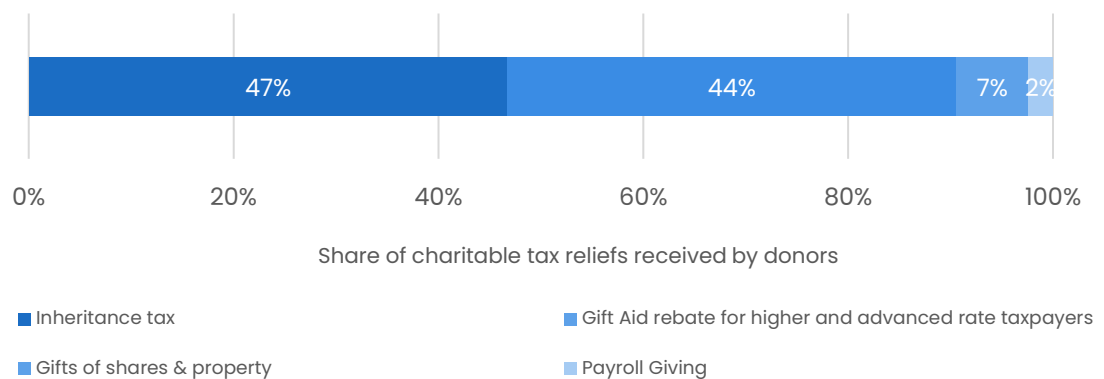


Figure 26: Charitable tax reliefs offered to charities 2023

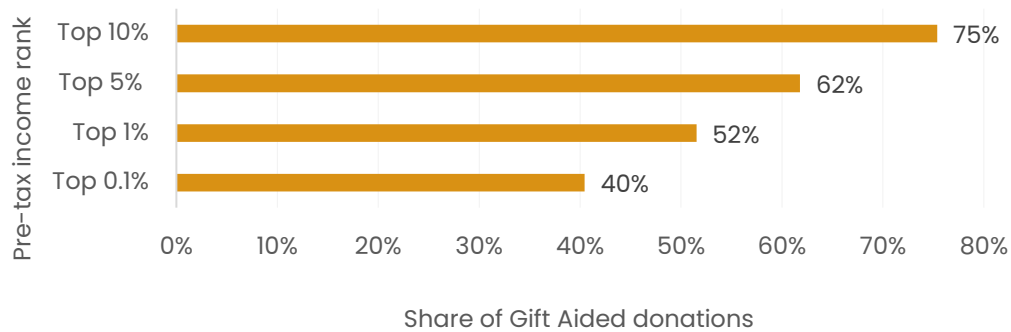
Source: HMRC Charitable Tax relief statistics



Those on the highest incomes donate the most through Gift Aid. In 2020-21, additional rate taxpayers contributed 56% of all Gift Aided donations, almost three times the value donated by basic and higher rate taxpayers. Even among additional rate taxpayers, those on the very highest incomes disproportionately contribute the largest share of donations.⁸² The top 1% of income earners (those on incomes greater than £170,000) contributed 52% of all Gift Aided donations, and the top 0.1% (those on incomes greater than £500,000) contributed 40% of all Gift Aided donations.

Figure 27: Share of Gift Aided donations contributed by the highest earners

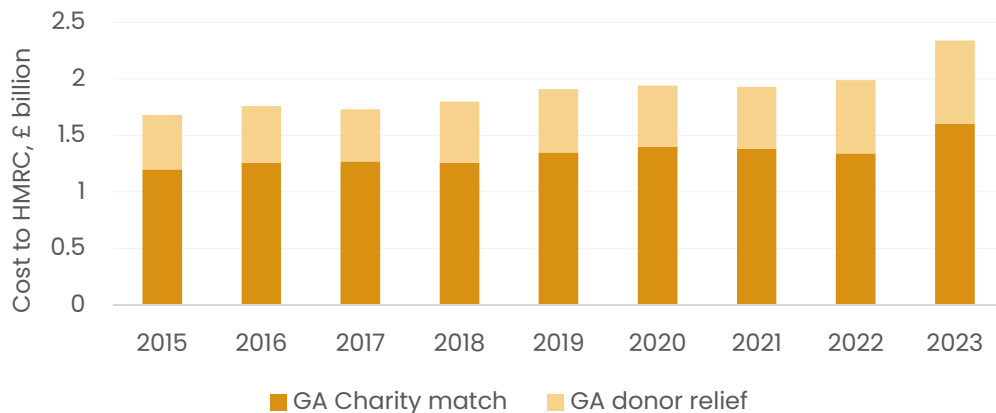
Source: Survey of Personal Incomes, Onward analysis



Gift Aid is a generous tax incentive. In the year 2021-22, Gift Aid was valued at almost £2 billion, of which 67% (£1.3 billion) was spent on the charity match⁸³, and the remaining 33% (£650 million) as donor rebate. The following year 2022-23 recorded the largest ever Gift Aid valuation, of £2.3 billion, marking an annual increase in charities claiming their Gift Aid match of 19%, and donor rebate of 14%.

Figure 28: HMRC spend on Gift Aid reliefs, 2015-23

Source: HMRC Charity Tax Relief Statistics, Table 1



What is driving Gift Aid underuse among donors?

Despite nearly half of donations made in 2022 using Gift Aid,⁸⁴ it remains extensively underused. Gift Aid is complex and widely misunderstood by donors. A 2016 HMRC evaluation points to up to £564 million in unclaimed Gift

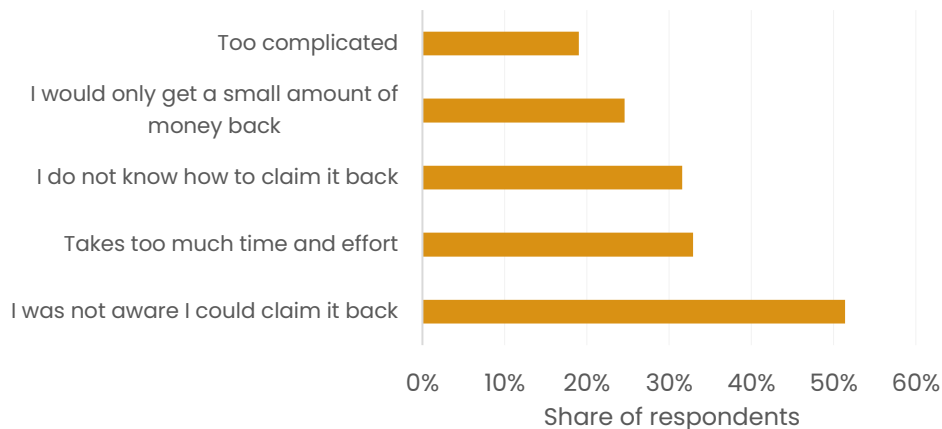
Aid for charities resulting from donors failing to ‘tick the Gift Aid box’.^{85 86}
Among the top 1% of earners, nearly two-thirds do not claim their rebate.⁸⁷

The most common reason cited to not claim the Gift Aid rebate is poor awareness and its complexity. A range of factors contribute to the complexity that leads to underuse of Gift Aid by donors.

First, Gift Aid requires donors to follow a multi-step process of authorising the charity match at the point of donation, and later separately claiming individual rebate on their tax return forms. This contrasts with the simpler and easier to understand American model of donation deductions from pre-tax income. In a survey that studied public understanding of tax, Gift Aid stood out as particularly complex. Over a third of all individuals did not know that charities received a 25% top up to their gross donations, and almost 85% of individuals that earned above £50,000 were unaware of Gift Aid rules entirely.⁸⁸ A HMRC review into Gift Aid in 2009 found that over half of all higher and additional rate taxpayers surveyed did not know they were eligible for a rebate.⁸⁹

Figure 29: Reasons for not claiming Gift Aid rebate

Source: HMRC Review into Gift Aid, Scharf and Smith, 2009



Second, donors are frequently misinformed about the extent and source of their rebates. Many believe that claiming their share of relief would either cost them or reduce the share received by the charity.⁹⁰ Some believe that it would allow charities to solicit them for further donations, and that it topped up donations only by 5-10% and was therefore not worth it.⁹¹ Others believe that not ticking the Gift Aid box meant that they became eligible for the charity

match as well. In a 2015 HMRC study on Gift Aid behaviours, one HNW donor commented “I know it exists but I am unclear on how it works. I assume if I don’t tick the gift aid box then I can claim the entire tax relief.”⁹²

Finally, not all donors claim their rebate because the infrastructure to support the claiming process is not used by all donors. While HMRC calculates the share of relief that donors are eligible to receive, this is done on the Self Assessment return forms that only those on annual incomes above £100,000 are mandatorily required to fill in. Donors that earn between £50,271 and £100,000, while they are eligible for rebates, might not claim their share because they are not required to fill in Self Assessment forms.

Self Assessment forms are routine for the highest earners. But this cohort often has multiple charitable commitments, each of which require donors to ‘tick the Gift Aid box,’ making the overall process burdensome for those who donate to multiple charities across various years. In fact, average donations are expected to increase by 18% – almost £520 million extra – if the costs and inconvenience associated with declaring them were to be eliminated.⁹³

In 2013, the National Audit Office (NAO) found that there was insufficient evidence to conclude whether Gift Aid had cost-effectively increased donations into charities. Since then, donations from Gift Aid have increased by 54%, yet the challenges identified a decade ago continue to plague Gift Aid. Guidance and campaigns to encourage greater take-up of reliefs continues to be weak and HMRC has not collected the data that allows for analysis of whether the scheme has been successfully incentivising charitable donations.⁹⁴

Weak social and cultural incentives

Patterns of giving amongst the wealthiest are hard to generalise, and their motivations to give even more so. But their incentives to donate are more than financial.

Philanthropy is a deeply personal and often emotional experience for both donors and charities. Foundations are born out of personal passions and lived experiences. Rapper Stormzy has committed £10 million through his own charitable organisation the Merky Foundation for scholarship opportunities to university for young students from racially disadvantaged backgrounds.⁹⁵ It is

personal convictions like these that make philanthropy a valuable source of social capital.

But the UK lacks an encouraging environment for philanthropic activity. Philanthropy remains a largely private matter, with just three out of ten people willing to talk about their charitable giving, despite 87% of individuals donating to charity.⁹⁶ Conversations about giving matter because they help to establish it as a positive social norm.

Philanthropy suffers from a 'PR' challenge in the UK.⁹⁷ A public poll conducted by the Prism Gift Fund found that the public feel more positively about the act of philanthropy – the services it funds and the positive impacts it has on communities, than the philanthropists.⁹⁸ 47% of lower income groups describe philanthropists using words like 'bad,' 'greedy,' 'self-centred' and 'egotist.' This negative narrative around philanthropists has gotten so severe that it is now actively dissuading philanthropic activity, particularly from those that have the most to give.⁹⁹

Underpowered institutions

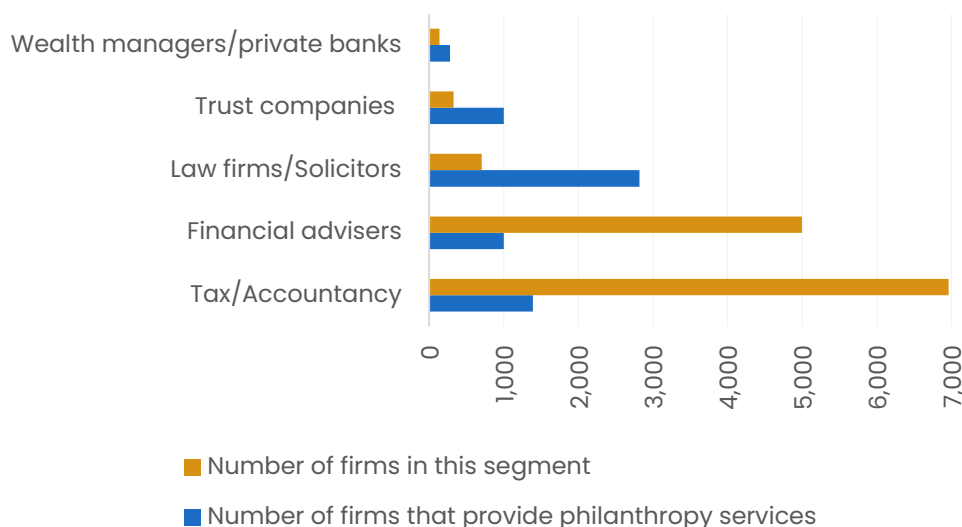
Successful philanthropy hinges on the institutions that support and encourage giving. This includes wealth and financial advisors, government departments that coordinate philanthropy, and civil society groups that deliver philanthropic projects. But philanthropy remains a low-ranking priority among institutions – like wealth advisors and government departments – most capable of promoting it in the UK.

The wealth and financial advice landscape is fragmented

Those with the most to give usually have advisors to aid their giving decisions. The UK wealth and independent financial advice (IFA) industry is fast growing, with the number of qualifying advisors increasing sixfold over the past two years¹⁰⁰, and contributes nearly £6.3 billion to the UK economy.¹⁰¹ The industry encompasses a complex web of different services – including tax, legal, accounting, asset management, and strategic planning. Yet too frequently, philanthropy slips through the cracks. Only one in five professional advice firms have a philanthropy offering, shown in Figure 30 below:¹⁰²

Figure 30: Estimated number of UK professional services firms offering philanthropy advice

Source: *Philanthropy Impact*, 2015



Even firms that do offer advice on philanthropy might not offer the full spectrum of services required to make effective philanthropic decisions. Each stage of developing a philanthropy strategy requires a varying set of services – from tax, accounting and legal, to charity identification and impact measurement services that advisory firms of different kinds offer in different combinations.

Core advice services such as setting up a giving vehicle and claiming tax benefits are widely advised on. But some functions which have greater potential to sway an individual's decision to donate – like identifying charitable causes to donate to, and monitoring impact of donations, as shown in Figure 31 – are also most likely to go unadvised on entirely.¹⁰³

Box 2: What does advice on philanthropy include?¹¹

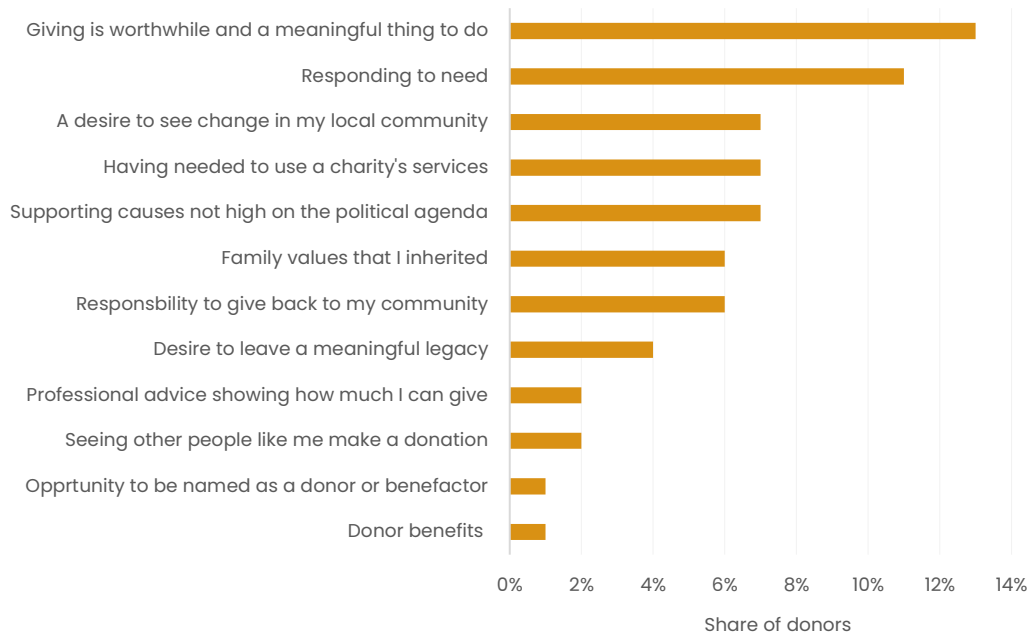
Advice on philanthropy caters to a wide range of donors at varying stages of their philanthropic journeys and with widely variant interests. The process of developing a philanthropy strategy broadly includes the following stages¹:

1. Planning: This is the first stage of advice offered and has a large role to play in influencing an individual's donor's decision to donate. It involves deciding how much to give, what tax benefits might be associated with giving, sourcing the funds to make the donation, and deciding which family members might be involved in the process.

2.Choosing how to give and what to give to: This stage involves choosing the giving vehicle – donors might want to set up their own foundations/trusts, donate directly to a charity, or donate through an intermediary like a Community Foundation or a Donor Advised Fund (DAF). These decisions are likely to be influenced by what causes donors are most interested in donating to.

Figure 31: What would encourage you most to make a sizeable financial gift?^{104 105}

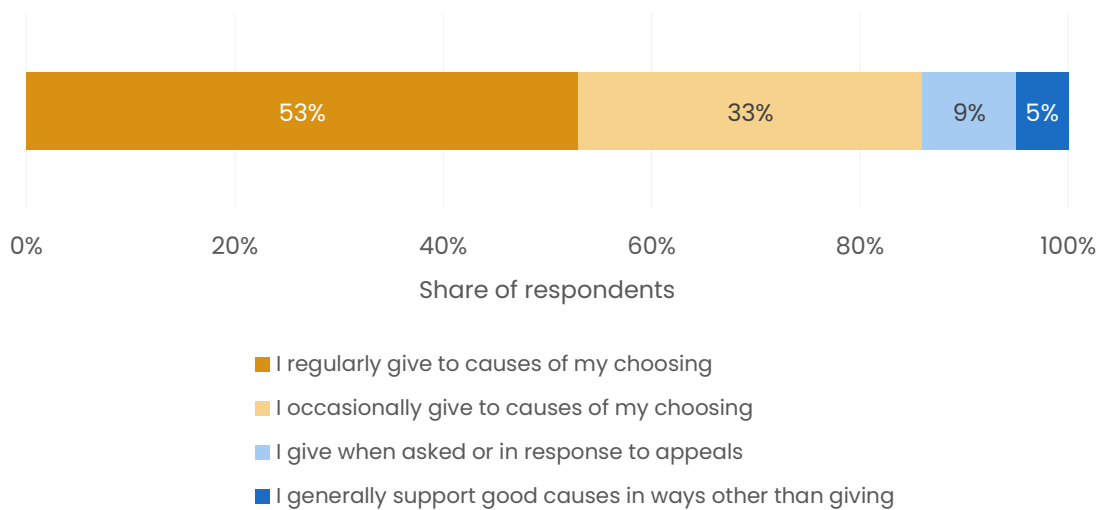
Source: Beacon Collaborative, 2020, Survey of HNW donors



Donors, particularly first-time givers, are left disincentivised after having to knock on multiple doors to develop their philanthropy strategy. Nearly 90% of UHNWs acknowledged the need for expert philanthropy advice but admitted that traditional wealth advice firms were failing to meet their philanthropic needs.¹⁰⁶ This is particularly damaging as 42% of HNW donors give reactively – in response to appeals from advisors, as shown in Figure 32.

Figure 32: Which of the following statements best describes your charitable activity?

Source: : *Philanthropy Impact*, 2015, Survey of HNW donors.



Advisors frequently cite the lack of ‘economies of scale’ as a primary reason to limit their philanthropic practice. They receive between just one to five client requests for philanthropic advice a month. The latest Schroder’s Financial Advisor Pulse Survey found that 66% of advisors had average to low confidence on client conversations around the terminology, regulations, and behavioural implications of ‘sustainable investing,’ of which philanthropy is a key tenet. The share of advisors that expressed high levels of confidence decreased from 25% in 2021 to just 6% in 2023.¹⁰⁷

The structure of wealth advice firms is the root cause of their fragmented advice on philanthropy. The sector compensates individual advisors relative to the size of their clients’ ‘assets under management’ (AUM).¹⁰⁸ Philanthropy is perceived as a deduction from that portfolio that generates higher costs and lower returns. Bonuses and promotions for advisors are directly tied to growing

the AUM, with little consideration for other factors like the quality of client relationships or impact on sustainable investing goals. Advisors have also raised concerns regarding the time and effort it would take to justify philanthropy on the suitability reports they prepare for clients.¹⁰⁹

The incentives at the individual advisor level only mirror the broader organisation's and sector's priorities. The yardstick measure for a firm in the wealth and IFA sector remains to grow their assets under management and their client pool. But little is done to invest in maintaining their existing client base - where philanthropy has real opportunity to thrive.

Philanthropy is poorly coordinated within Government

Countries that see a strong philanthropy sector also have national bodies that proactively advocate and coordinate philanthropy. The Government of Australia has committed to working with the private and not-for-profit sector to double philanthropic funding by 2030.¹¹⁰ This national plan has been co-developed by 'Philanthropy Australia,' an independent organisation that serves as the de facto national body for promoting philanthropy in the country.¹¹¹

Canada is home to 'Philanthropic Foundations Canada' (PFC), a coalition of all philanthropic foundations in the country that work with government and civil society partners to create a more enabling environment for philanthropy.¹¹² And New Zealand is home to 'Philanthropy New Zealand,' a voluntary membership body for philanthropists, grantmakers, and other funders dedicated to growing giving.

But the different functions of philanthropy are split across government departments in the UK. Charitable tax reliefs are funded by the Exchequer and delivered by HM Revenue and Customs. The charity sector is regulated by the independent Charity Commission for England and Wales, which has highlighted the social and economic value of philanthropy. The Department for Digital, Culture, Media and Sport (DCMS) engages with philanthropic organisations frequently in its efforts to grow social capital across the country. It ran a series of pilots on 'Place-based Giving' across the UK in 2019 executed by the Charities Aid Foundation.

The cross-cutting nature of philanthropy often means that strategic oversight is needed to ensure that philanthropic activity is as impactful as possible. But currently, this coordination and convening role remains underserved.

Place-based drivers

Places outside London struggle to attract a similar scale of philanthropic funding compared to the capital. Underpinning this uneven distribution of philanthropic funding are the agents of delivery of philanthropy that are either lacking or poorly coordinated in the places that receive less.

Anchor ‘place-based institutions’ - organisations that have a social and economic stronghold in a place - assist philanthropy by identifying salient causes, hosting philanthropic networks and providing the infrastructure to facilitate donations. These institutions include Community Foundations, universities, arts and cultural organisations, a local business, or even a local supermarket.

Community Foundations are limited in reach

Community Foundations are umbrella charities spread across the UK that connect philanthropic funding with local causes. They identify local needs and ensure that philanthropic initiatives are targeted towards the causes that matter most to local communities. There are 47 accredited Community Foundations across the UK, collectively issuing nearly £170 million of grant funding annually, with a collective endowment of £741 million.¹¹³

The Community Foundation for Tyne & Wear and Northumberland issued nearly £8 million in grants in 2022-23 to over 600 organisations.¹¹⁴ Their Community Accelerator programme tackles skills and work-readiness challenges in the North East, with philanthropic funding matching donations made by employers that have a strong interest in the area. The Quartet Community Foundation has built long-term relationships with community organisations and provided over £1 million in grant funding for the town of Avonmouth and Lawrence Weston. This funding helped the town create its first community plan that gave residents the opportunity to shape the future vision for the area.¹¹⁵

But Community Foundations are limited in number, leaving them stretched across the population. In the South West, each Community Foundations serves on average 0.7 million residents. In comparison, in the North West and East Midlands, each Community Foundation serves 1.5 million and 2.4 million residents respectively.¹¹⁶

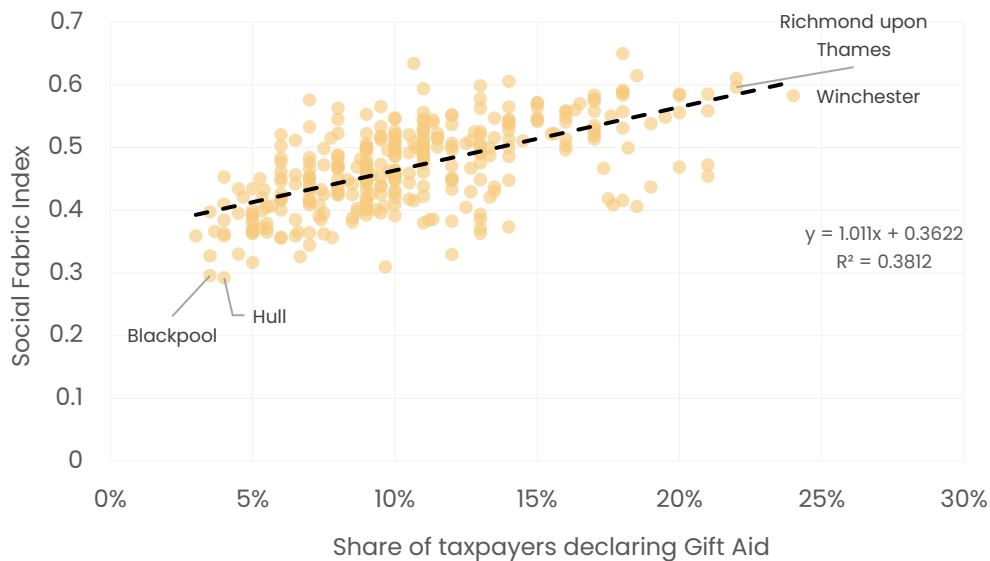
Even where Community Foundations are present, oftentimes a hyperlocal focus is required to tackle the most pressing issues that the broader oversight of Community Foundations might not be able to cater to. Onward's levelling up research into Walsall found that parts of the east and west of the borough experienced a difference in healthy life expectancy of almost thirty years.¹¹⁷

Local institutions acting in isolation holds back philanthropy

Philanthropic giving is weakest in the areas that need it the most. That is because the social fabric which would help create networks that are needed to identify need, deliver help and bring in donors is weak. Hull, Blackpool, and Sandwell all rank in the bottom 5% of local authorities in terms of Gift Aid donations, and have some of the most frayed community relationships.

Figure 33: Share of donors declaring Gift Aid 2022 vs social fabric index 2023

Source: HMRC Charitable Tax relief statistics, Onward Social Fabric Index, Onward analysis



Civic organisations undertake valuable community programmes, but their limited capacity often narrows their reach. Prior to 2021, a two mile stretch in the most deprived parts of North Birkenhead saw 19 charitable organisations all providing complementary social care services for vulnerable families. These organisations had access to fragmented funding, limiting their reach and preventing a more joint-up approach to providing social care that cut across health, education, and family support. It was in response to this challenge that the Cradle to Career mission was launched in partnership with the Steve Morgan Foundation, Wirral council and the charity Right to Succeed.¹¹⁸

A report by Locality and the Local Government Association diagnosed the challenges in forming strategic partnerships between local government and third sector groups including philanthropic foundations. They identified a failure to plan together and lack of clarity over priorities as two of the factors preventing more productive partnerships between local councils and third sector groups.¹¹⁹

When civic organisations are disorganised, it becomes harder to attract philanthropic funding. These groups might find it more challenging to demonstrate impact and have capacity to apply for grant funding from private foundations. Equally, the lack of a plan for an area makes it more challenging to align philanthropic funding towards achieving a shared purpose.

Places with weaker civil society are at a double philanthropic disadvantage. They struggle to attract greater philanthropic funding and have poorly coordinated civic infrastructure that can effectively align philanthropic funding with the right causes. But there are some promising examples of successful philanthropic partnerships from across the country:

With business: The Cumbria Community Foundation was set up out of a £1 million endowment contributed by the nuclear energy producers Sellafield. Their business operations have a strong local presence, with over 80% of their employees recruited locally.¹²⁰ Today the foundation serves good causes ranging from family well-being to fuel poverty, and addresses challenges by identifying community members that could be engaging with philanthropy. Their latest ‘Cumbria Home from Home Fund’ has been set up to motivate second home owners to contribute a minimum of a week’s rent each year towards community projects.¹²¹

With local government: At the most hyperlocal level, parish councils may partner with charitable trusts to address pressing issues in their local patch. In Gloucestershire, the Lydbrook parish council and a range of different philanthropic trusts and foundations funded the renovation of the local memorial hall and recreational ground. At a higher level of governance, officials like metro mayors can leverage greater philanthropic funding and act as ‘philanthropy liaisons.’ The Mayor of London initiated the ‘Citizenship and Integration Initiative’ in 2017 to promote citizenship and social cohesion in the City. The project saw the Office of the Mayor, Trust for London, Unbound Philanthropy, and the Paul Hamlyn Foundation collectively fund this project, with City Hall pledging to match their contributions.¹²⁵

The Business in the Community group (BITC) is a unique network of businesses that work towards bettering the communities they operate out of. The Blackpool BITC team have launched a network of Blackpool and Fylde coast alumni called their ‘Born and Bred’ ambassadors that use their national networks to drive local change. Sir Andrew Parmley, the Lord Mayor of London from 2016–17, and John Simpson CBE, the BBC World Affairs Editor, are some of the programme’s current ambassadors.¹²² They are using their born and bred ambassadors to advance their 2030 Vision for Growth.

With educational institutions: Goldsmiths University is a key delivery partner of ‘Lewisham Local,’ a charity body that promotes the well-being of Lewisham residents. The programme is funded by philanthropic sources like the City Bridge’s Trust and the London Giving Network. Goldsmiths University leverages its relationships with local organisations to identify causes in the community that require philanthropic funding, and has launched an online volunteering and internships portal for its students to participate in delivering the programme.¹²³

The Made in Stoke pilot that saw diaspora from Stoke donate back to their hometown, was hosted by the University of Staffordshire. The university serves as a single platform that donors can liaise out of, and coordinates the distribution of funding raised through this route. The Peter Coates Foundation also runs entrepreneurship classes at the university for residents that wish to start their own businesses in Stoke.¹²⁴

With other foundations and third sector organisations: The Local Motion Group works on addressing social, economic and environmental causes in places that would benefit from joined-up thinking, funding, and activity. It serves as a platform for communities to have a greater say in solving the challenges facing their communities, and is focussed on six places – Oldham, Torbay, Carmarthen, Middlesbrough, Enfield, and Lincoln. The programme is funded by a coalition of philanthropic foundations – City Bridge, Esmée Fairbairn, Lankelly Chase, Lloyds Bank, Paul Hamlyn, and the Tudor Trust.¹²⁶

Recommendations



Promoting greater philanthropy in the UK means addressing the key drivers raised in this report: weak incentives, underpowered institutions, and poorly coordinated civic activity. If the national level of giving is raised to match Canada or New Zealand, roughly £5 billion extra will be available for those who need it most every year.

Recommendation 1.1: Automate Gift Aid to make it simpler to use and increase donations into charities

There is broad consensus that Gift Aid as an incentive is not reaching its full potential. Despite being the most extensively used charitable tax incentive, tax-free giving constitutes less than 11% of total giving in the UK.¹²⁷

Tax reliefs are an important incentive for donors, tool for fundraisers, and signal an expectation of charitable giving from the Government. They are economically efficient if they successfully incentivise donations. The tax treatment of charitable donations in other countries provides some useful context when considering reforms to Gift Aid.

Gift Aid reform: options from other countries

Most countries offer some form of compensation to varying degrees to donors and/or charities.

The United States and Australia both offer full deductibility on charitable donations, resulting in a system where donors see zero tax liabilities on their charitable donations. They deduct the value of their donations from their pre-tax incomes, effectively reducing their taxable incomes and thereby their tax liabilities.

New Zealand, Canada, and France allow donors to claim tax credits. This form of relief sees donors subtract a certain amount from their total tax liability after the liability has been computed. In New Zealand and Canada, tax credits can be claimed between 20% and 50% of the value of the donation, while France offers a tax credit of up to 66% of the value of the donation.

Ireland operates a matching system by which all tax paid on the donation can either be claimed by the charity or the donor.¹²⁸

But the UK is unique in its offer of charitable tax reliefs. Most countries offer either a match or credit, but the UK offers both. Tax paid on donations are distributed between charities, who receive the basic rate of tax paid on the donation as a match, and donors, who claim back the extra tax they have paid as a rebate.

Table 1: Tax treatment of charitable donations out of income, by country

Source: Andreoni and Smith, 2021

Country	Main charitable tax relief	Maximum cap on relief
United Kingdom	Match and rebate	Gift Aid can be claimed on donations up to four times the value of tax paid by the donor in that year.
United States	Deduction	30% or 60% of the gross adjusted income of donor, depending on the recipient organisation
Australia	Deduction	Deduction value cannot exceed the total amount of tax paid
Norway	Deduction	Up to £3,714
Singapore	Deduction	No limit
New Zealand	Credit	Donation cannot exceed the value of the donor's taxable income.
Canada	Credit	Tax credits cannot exceed 75% of the donor's net income
France	Credit	Tax credit cannot exceed 20% of the donor's taxable income
Ireland	Match	All tax paid on the donation is either directed to the charity, or the donor

Gift Aid is not operating perfectly, but the system's complexity makes it challenging to reform. Any changes need to balance generosity to the charity with simplicity and incentives for the donor, as well as the overall cost to HMRC and, ultimately, the taxpayer.

There are several options for future reform, each of which have been evaluated against their simplicity, effectiveness (measured by cost to HMRC vs ability to increase donations), and political feasibility.

- 1. Option 1: Moving to a full deductibility system.** This would see donors pay no taxes on their donations, by allowing them to deduct their donations from their pre-tax incomes. It would simplify the current model significantly and provide donors with stronger financial incentives to donate. There is limited evidence from the UK about the effectiveness of full deductibility, and any new system that removes the charity match would have to incentivise a proportionate increase of donations reaching charities.
- 2. Option 2: Redirecting the rebate that donors currently receive towards charities.** This would see donors opt-in to have their current share of rebate be redirected to charities as additional match. It would readily increase the total donations received by charities in the short-run, but might disincentivise donations in the long-run. It would also not address the complexity challenge Gift Aid currently faces.
- 3. Option 3: Automating Gift Aid.** An automated Gift Aid model would see donors use the same technological platform to make donations, authorise Gift Aid on them, and claim donor rebate. It would also see them opt-in to Gift Aid on all future donations made in the same tax year, see charities receive their full donation immediately, and exempt donors from having to manually declare donations on their Self Assessment forms. It would make the system simpler to use, while preserving charity revenue, and aligns with HMRC's core objectives to make the tax system simple and easy to administer. Gift Aid could be automated in line with any option, but under Option 3 the effects of automation are considered in isolation.

Option 1: Give higher and additional rate donors full deductibility on charitable donations made from their income

Moving to a full deductibility system would be simpler and provide donors with an additional monetary incentive to donate. But for a full deductibility system to succeed, new donations from higher income donors in response to additional reliefs would have to at least offset any loss in revenue for charities from the removal of the Gift Aid match.

A full deductibility system would mean that higher and additional rate taxpayers would effectively pay zero tax on their donations, making their taxes ‘fully deductible’ from their pre-tax incomes. For example, if Donor A, an additional rate taxpayer, earned £200,000 in income in 2022–23, and donated £10,000 that same year, they would see their personal allowance increase by £10,000 and their tax liability would therefore fall by £4,500.¹²⁹

Full deductibility could two major benefits for donors compared to Gift Aid. First, it is much simpler to understand and use as it folds the multiple stages of Gift Aid into a single process. Donors would simply declare their donations on their Self Assessment forms and the full rebate would be repaid, without having the additional step of authorising charities to claim their share of Gift Aid. Second, it provides additional tax reliefs to donors relative to the current Gift Aid model. The greater generosity could increase the likelihood of more individuals donating, and existing donors giving more.¹³⁰

HMRC could consider deductions as one of the options for Gift Aid reform as a part of a larger review into Gift Aid, explored in Recommendation 3 below. If HMRC were to test such a system, they could launch a trial for a period of five years, and ringfence additional reliefs only for additional rate taxpayers who donate £10,000 or more through Gift Aid (currently the majority share of Gift Aided donations received). Higher income donors are particularly likely to respond to additional tax incentives.¹³¹ The scale of infrastructural change needed to facilitate a full deduction system would also warrant a national information campaign on full deductibility targeting donors, wealth and financial advisors, and charities.

Under both Gift Aid and full deductibility, it costs the donor the same for the charities to receive a fixed sum.¹³² However in absolute terms, under full deductibility, donors receive greater reliefs while charities receive less in total donations. The dynamics of both systems have been summarised in Table 2 below:

Table 2: Comparison of full deductibility and Gift Aid for an additional rate taxpayer earning an annual income of £200,000

Source: Onward analysis

	Gift Aid	Full deductibility
Gross donation	£10,000	£10,000
Taxable income	£200,000	£190,000
Total donation received by charity	£12,500	£10,000
Relief received by donor	£3,125	£4,500
How much does it cost the donor for the charity to receive £1?¹³³	£0.55	£0.55

Crucially, moving to a deduction system from the Gift Aid model would have to see donors donate proportionately more in response to more generous reliefs to offset the loss of match revenue for charities. The ‘elasticity of giving’ is a useful tool to predict how much more donors might donate in response to additional reliefs.

Studies from the United States have found donors to be responsive to tax reliefs. Additional reliefs of 10% were found to increase donations by between 10.7% and 11%^{134 135}, with another study that follows a different methodological approach estimating an increase in donations of up to 40%.¹³⁶ In Germany, a study about giving behaviours among high income households found that donations were highly sensitive to changes in reliefs.¹³⁷

Box 3: Elasticity of giving in the UK

A recent study has estimated the elasticity of giving in the UK to be between 0.25 and 0.37, i.e. that an additional £1 of relief for donors would generate between £0.25 and £0.37 in extra donations.¹ These elasticity estimates were produced using charitable giving data from HMRC from 2005 to 2013, exploiting the 2010 hike of the top rate of tax 50% and monitoring changes in donation levels and donor numbers.

This elasticity of giving estimate was calculated by combining three elements that are key to understanding possible responses to changes in Gift Aid:

- **How much more current donors would donate in response to additional reliefs (intensive margin):** Existing donors are estimated to donate between £0.16 and £0.28 in response to additional reliefs of £1. Those on the highest incomes are also most likely to donate more than their current levels in response to additional reliefs.
- **How much more would be generated from first-time donors in response to additional reliefs (extensive margin):** The model estimated that an additional £0.09 would be generated from first-time donors in response to £1 of additional reliefs. It also found that those on the lowest incomes were more likely to start donating in response to more generous donor reliefs.

And finally, **the 'fixed costs' incurred by donors on declaring their donations:** This includes the time, money, and effort spent on filling the forms and any additional processes required to use Gift Aid. The fixed costs were measured to be approximately 10% of the median donation, which in this model was roughly £47. The model estimated that in the absence of these fixed costs of declaring and processing donations, donations would increase by 18%.

But donors in the UK have found to be less responsive to reliefs. Sensitivity of donations in response to reliefs are contingent on factors beyond the reliefs themselves - including cultural attitudes and institutions for philanthropy.¹³⁸ Every £1 of additional reliefs offered through Gift Aid is expected to generate only between £0.25 and £0.37 in additional donations - as explained in detail in Box 6 below.^{139 140}

Against the current landscape of Gift Aid donations, a full deductibility model is unlikely to generate proportionate responses in additional donations to offset the loss of revenue to charities. Given Gift Aid remains an afterthought for most donors, while they might increase their donations in response to additional reliefs, they are unlikely to do so by enough to offset charities loss of income. A 2015 HMRC study into Gift Aid behaviours among HNW donors also found that

tax reliefs did not always affect decisions around donation levels. As one HNW donor remarked in the study: It would incline me to give a bit more. It's not so scientific [as] to say, "OK well...I give 25% more...Paying of tax and donating are so disconnected that it wouldn't naturally translate."¹⁴¹

In countries where charitable tax reliefs are extensively used, offering full deductibility is more likely to incentivise greater donations. But the scale of Gift Aid underuse in the UK warrants further measures to promote take up before additional reliefs can be granted. In a qualitative study that surveyed HNW donors' preferences for Gift Aid reform, donors even expressed concern of being negatively perceived by the public if further reliefs were granted to them.¹⁴²

The charity match element of Gift Aid is a vital source of revenue for charities, amounting to £1.6 billion in 2023. Any option for reform that removes this funding would therefore have to incentivise donors to donate at least an additional £1.6 billion. Evidence suggests that the match element also acts as an incentive for individuals to donate in the first place and give more generously, knowing that their donations will be matched by Government.¹⁴³ A global study of charitable tax incentives found that countries that offered match incentives saw greater giving compared to those that offered deductions.¹⁴⁴

Option 1 will make Gift Aid significantly simpler to use and provide an additional incentive for donors to donate at no extra cost to HMRC to deliver the new full deductibility model. However, it is unlikely to increase donations into charities by enough to offset the loss of match revenue for charities, limiting political feasibility.

Option 2: Redirect higher and additional rate relief to the charities

While offering donors additional reliefs might not be the most effective path for Gift Aid reform, the rebate remains an important element of the system that

serves as an important incentive. Redirecting donor rebates to charities might increase the total donations received in the short-run, but is likely to decrease them in the long-run.

The underuse of Gift Aid by donors has prompted calls to redirect the donor rebate to charities, with an opt-out feature for donors.¹⁴⁵ This would increase funds reaching charities, and in a climate where one in five charities are on the brink of bankruptcy¹⁴⁶ would be politically welcome. But it would create a disincentive to donate among donors, which in the medium and long term would reduce the donations received by charities.

The 2009 HMRC review into Gift Aid evaluated options for changing the match and rebate elements of the system.¹⁴⁷ The review found that redirecting donor rebate to charities would decrease the gross value of donations made by donors, meaning that donors would be donating less out of pocket in nominal terms. But the total (net) value of donations received by the charity, including the match element, would increase.

The complexity of Gift Aid often means that donors overlook both the match and rebate altogether and solely focus on the gross value of their donations. This results in an 'isolation' effect¹⁴⁸ that makes the match element of Gift Aid more elastic than the rebate. The value of the match automatically adjusts to the new system and requires no additional effort from donors - if the match was increased to 50p as in Option 7, simply filling out a Gift Aid declaration would mean that charities receive the 50p match.

But adjusting the gross donation to reflect changes in the rebate is not as straightforward. It would require donors to first know how much rebate they receive. Most donors might not know the value of their rebate as the Self Assessment form does not display this sum explicitly, and instead just transfers the right sum to donors alongside other reliefs they may be eligible for. Donors would then have to adjust their donations against their rebate - that is they would have to know that they receive £x in rebate in order to donate £x more.

Typically, donors adjust their gross donations against their rebate if the benefits of adjustment exceed the costs, which tends to be the case for larger donations.¹⁴⁹ Removing or reducing the rebate can therefore have detrimental effects on charity income. While Gift Aid rebate might not be a primary motivation to donate, it plays a vital role in influencing the amount donated.

Even donors that are not primarily motivated by Gift Aid rebates are likely to reduce the amount they donate. In response to being asked their opinion on redirecting the Gift Aid rebate to charities, one HNW donor remarked: “It (The Gift Aid rebate) is not the reason I give, no, but if they were taken away then I would certainly need to think about whether I maintain the level of my donations.”¹⁵⁰

Reduced value of gross donations has a negative compounded effect on total charitable donations over time. The charity match is contingent on the gross donation, so any decreases to the gross donation will reduce the charity match as well. In absolute terms, charities would therefore be receiving less in both Gift Aid match, as well as gross donations. The rebate element serves as a strong motivation for donors to continue donating generously over long periods of time. And in the current climate of foundations under pressure to distribute their assets and endowments, the sustainability of donations is of real importance.

The importance of the donor rebate extends beyond its monetary value. Fundraisers frequently use rebate as a tool when soliciting donations from potential donors. It is also an important form of messaging from Government that creates ‘a wider expectation of charitable giving within society’ and signals a positive message around philanthropic giving.¹⁵¹

Option 2 is likely to be effective in raising donations in the short-run, but might reduce the donations made by donors in the long-run. It is also likely to make the system even more complex to use given the widely held misconceptions around how the charity match and donor rebate are funded. It is likely to have no bearing on the politics of the tax incentives.

Option 3: Automating Gift Aid

Frustrations around Gift Aid stem from its complexity to use and understand. Both charities and donors find the system burdensome and are left unsure of the benefits they are eligible for through the scheme. The Institute for Fundraising called the multi-stage process of claiming benefits “the single greatest barrier to maximising Gift Aid claims for UK fundraising organisations.”¹⁵² When asked about their experiences claiming Gift Aid reliefs, one HNW donor commented in a 2016 HMRC survey: “When I was doing my own tax returns I never could get my head round what I could and couldn’t

claim and in the end I thought well I shouldn't, I'd err on the side of caution and not claim relief against something that I wasn't sure was the right thing."¹⁵³

To overcome this barrier and incentivise greater take-up of Gift Aid, HMRC could automate the system by trialling and investing in technology that enables three-party digital transactions on the same platform- between the donor's tax accounts, the charity's accounts, and HMRC's tax balances.

The technology needed to facilitate these three-way transactions already exists in part as 'Swiftaid'.¹⁵⁴ Swiftaid is an intermediary technology platform that allows donors to both make donations to charities and 'Gift Aid' their donations, as well as claim their rebate back. Charities might host this technology on their own websites or sign up to other intermediary platforms like JustGiving that make use of the same technology. The technology allows all future donations made by the donor within the same tax year to be automatically Gift Aided, with an option to opt-out should the donors wish to.

According to HMRC's 2016 donor intermediary legislation, donors are also required to authorise the platform to use their data. This authorisation allows their rebate to be automatically paid using the following process:

1. The technology maps the donation to the donor's authorisation, using information like the donor's bank card from which the donation was made.
2. The donor is then linked to their tax account, using information like the donor's name and address, with measures in place to account for situations where two people with the same name live at the same address.
3. Finally, the technology uses an API to connect with HMRC and check¹⁵⁵ to check if the donor is eligible for Gift Aid and has paid enough tax in that tax year.
4. The rebate is then processed and transferred after verification that the donor is eligible for Gift Aid.

HMRC could work alongside the Charity Tax Group's Future of Gift Aid programme¹⁵⁶ to extend this technology to facilitate secure donations between the donor and the HMRC as well to claim rebate. The technological implementation of extending the HMRC API can assumed to be less than a £1 million if it were to be contracted to a private company.¹⁵⁷

HMRC could work alongside the Charity Tax Group's Future of Gift Aid programme to extend this technology to facilitate secure donations between the donor and the HMRC as well to claim rebate. Discussions with private providers suggest the fixed costs of this upgrade would be approximately £1 million. The HMRC workstream within this programme would have to conduct evaluations into how this new system protects against digital fraud and misuse of Gift Aid reliefs and rebate.

Automating Gift Aid would aid HMRC in its efforts to achieve three out of five of its core strategic objectives.¹⁵⁸ These include:

1. **Collect the right tax and payout the right support.** The Gift Aid left uncollected by charities amounted to up to £564 million in 2016. Automated Gift Aid would see this sum rightly distributed to charities.
2. **Make it easy to get tax right and hard to bend or break the rules.** Gift Aid collected in error amounted to nearly £180 million in 2018. An automated Gift Aid model would reduce this annual tax gap of £180 million.
3. **Support wider government economic aims through a resilient, agile tax administration system.** The current model of Gift Aid is not agile, evidenced in Chapter 3 of this report. Automating it would not only make it simpler to use, but also increase the flow of donations into the charity sector that supports many of the Government's goals such as achieving net zero, growing the science and technology sector, and levelling up the country.

An automated Gift Aid system would replicate the simplicity of the American model of charitable tax deductions while preserving the important match element for charities that constitute a sizeable portion of their revenue. It would allow donors to authorise Gift Aid and claim their rebate on the same platform. Executed well alongside extensive information campaigns, average donations are estimated to increase by 18%, by approximately 520 million.¹⁵⁹

Option 3 is likely to be effective at boosting charity income, would be much simpler to use, and politically popular given HMRC's commitments to make the tax system as simple and easy to use as possible.

Nudge prompts on Self Assessment forms

HMRC could also introduce ‘nudge prompts’ to donor’s Self Assessment forms to encourage greater giving from individuals that either donate very little to charity, or do not donate at all. These prompts could be developed in consultation with groups like the Behavioural Insights Team to ensure that they successfully incentivise more giving and giving from more donors.

HMRC could allow donors to retrospectively sign a Gift Aid declaration. On the Self Assessment form, the prompt could then read ‘Have you donated to charity in the last four years? If so, you could be eligible for tax relief.’ Donors could then declare their donation amounts, and notify the respective charities using a note facilitated by HMRC.

For donors that declare zero donations on their Self Assessment forms, HMRC could display a prompt that highlights the social and economic benefits of donating to charity. For example, the prompt could read ‘Did you know that your favourite charity could receive £125 at a cost of just £69 to you?’¹⁶⁰

Prompts could also display information about levels of giving among others from the same income group. For example, it could read ‘Others earning the same income as you typically give £x to charity. Would you like to donate £x?’ This prompt could even be paired with a special offer to offer to donors that allows donations made in this tax year to count towards the previous tax year to cut the donor’s current tax liability.

Recommendation 1.2: The Financial Conduct Authority should make philanthropy a mandatory part of training for wealth advisors

Decisions about philanthropy are rarely made by philanthropists on their own. Their advisors are a key intermediary in shaping choices around how much to donate, how to donate, and what causes to donate to. But advice on philanthropy is not routine practice in the wealth and independent financial advice (IFA) sector in the UK. The onus of seeking advice on philanthropy frequently falls on donors, many of whom are undecided about their giving and are likely to donate generously only in response to good advice.

As discussed earlier in the report, the internal disincentive for individual advisors and their firms to provide philanthropy advice must be tackled. Individual advisors are remunerated relative to the “Assets Under Management” (AUM) for which philanthropy is perceived as a net deduction.

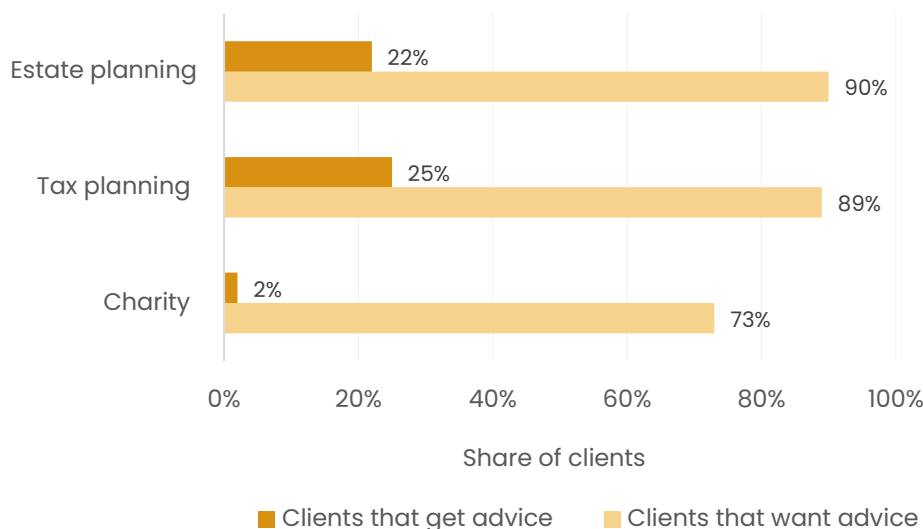
But there is real economic and social value to providing advice on philanthropy for individual firms. Evidence from the United States, where advice on philanthropy is common practice, highlights the monetary benefits to firms from providing advice on philanthropy. The firms that did engage their clients on philanthropic issues experienced a growth rate three times higher than their competitors, saw their client portfolios grow 1.3 times faster, and reported significantly higher client satisfaction rates than those firms that did not provide the service.¹⁶¹

In a market as competitive as the wealth and IFA sector, services like philanthropy advice can provide individual firms with a competitive advantage. The sector sees high client attrition rates, losing between 5-10% of their clients each year. Attrition rates are even higher among clients with the largest wealth portfolios. Nearly 13% of those with over £10 million in assets switched advisors annually.¹⁶² Attrition rates are highest when clients switch generations and wealth portfolios are passed down – findings from EY show that firms lose 70% – 80% of assets when heirs inherit their parent’s wealth.

Philanthropy offers an opportunity to strengthen relationships with clients and tackle high attrition. Clients ranked poor understanding of their individual goals as the third most important reason they switch advisors. While 90% of clients sought advice on philanthropy and charitable giving, just 2% reported receiving such advice, shown in Figure 35.¹⁶³

Figure 35: Reported share of clients that report wanting and receiving financial advice services, June 2023

Source: Spectrum 'What Investors Want'



Advisors themselves acknowledge that philanthropy will aid their efforts to deepen relationships with their clients. 63% of advisors agreed that the benefits of offering philanthropy advice outweighed any perceived costs associated with it.¹⁶⁴ In a 2022 Pro Bono Economics report on the provision of advice on philanthropy in the wealth advice sector, one UK wealth advisor commented: “A discussion about philanthropy is a discussion about motivations and passions. If you aspire to have the best possible human-human relationships with your customers, philanthropy gets to the absolute heart of what matters.”¹⁶⁵

The FCA should include compulsory training on philanthropy as a part of the professional development it currently offers to individual advisors. This training should include three core modules on:

- 1. Philanthropy and client centrality.** The appetite for advice on philanthropy from HNWs and UNHWs is strong. FCA training should challenge the narrow view of the current market that philanthropy depletes the AUM and instead focus on how it could generate company growth, help curb client attrition, and even grow the AUM. The FCA could contract the provision of this training to groups like Philanthropy Impact that already provide Continuing Professional Development

(CPD) and Chartered Institute for Securities and Investment (CISI) certified training on philanthropy and customer centricity.¹⁶⁶

2. **Philanthropy and ESG.** Given the recent growth of ESG mandates across the private sector, including philanthropy as one of the cornerstones to deliver on organisational ESG goals could make philanthropy advice a more routine element of wealth and financial advice. FCA training should demonstrate how organisations can effectively incorporate philanthropy into their ESG plans, and equally how philanthropy and ESG more broadly might effectively serve as a KPI for individual advisors.
3. **Third party signposting.** It is impossible for wealth and IFA firms to provide the full spectrum of 23 services needed for well-rounded philanthropy advice, unless they are a boutique philanthropy advisory. FCA training should consider different models of bringing in third party providers of specialised philanthropy advice services like monitoring impact of donations and identifying causes to donate to. It should explore how firms might be incentivised to provide such services, including split commission models and flat fee systems.

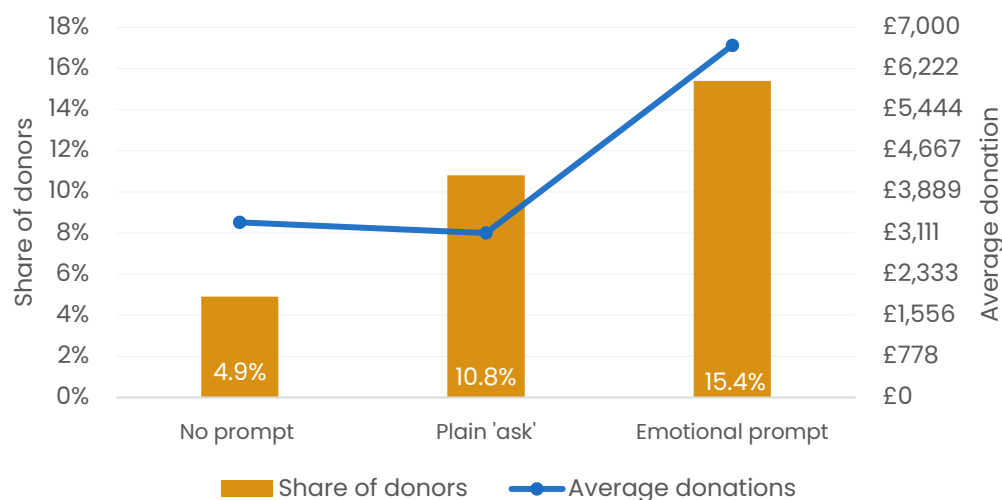
In the interim, DCMS should encourage individual firms to provide philanthropy advice by issuing a public letter to all wealth and IFA firms nudging them to provide services around philanthropy. This model of nudging via letters has a strong precedent. In 2013, the then civil society Minister Nick Hurd wrote to over 6,500 solicitors on behalf of charities, urging them to raise leaving money to charity in their wills as a part of their client conversations. The letter was repeated in 2015, and has seen those leaving charitable gifts in their wills increase from 58% in 2012 to 68% in 2019. While only a 10 percentage point increase, in value terms this translated to approximately £107 million extra in charitable funding each year.¹⁶⁷

There is extensive behavioural evidence behind such ‘nudging.’ Professors Sarah Smith and Michael Sanders’ research on nudges shaped most of the fundraising strategies around legacy giving in the early 2010s. In partnership with ‘Remember a Charity,’ they conducted trial experiments and found that just a slight prompt can raise large donations. In one of the trials with Co-op Legal Services, a small reminder to leave a charitable donation in wills doubled the number of donors that took up the scheme. And the addition of an

emotional prompt asking donors what causes they were most passionate about further increased uptake by 50%.¹⁶⁸

Figure 36: Increase in share of donors and donations through the Co-op Legal Services behavioural experiment

Source: Behavioural Insights Team, 2013



Recommendation 1.3: The Government should launch a National Philanthropy Strategy, led by a newly appointed Philanthropy Champion

A national philanthropy strategy for the UK would help coordinate government, private, and third sector action on philanthropy – actively advocating for greater giving, providing much-needed training for charities and fundraisers to attract major donors, and improving data collection practices. Prior to launching a national strategy for philanthropy, different arms of Government should take some initial steps to set the project up for success:

1. The Government should appoint an independent 'Philanthropy Champion' to coordinate philanthropic activity across different Government departments and the private and nonprofit sectors.
2. Similar to how the newly established Office for Investment serves as a concierge service for global investment, philanthropy requires a

coordination unit within Government. This could be a member of the House of Lords or an external appointment of an individual with expertise in philanthropy.

The United States has approximately 40 ‘Federal Philanthropic Liaisons’ embedded into different departments to coordinate government action on philanthropy.¹⁶⁹ The US also has a range of local philanthropy champions at the city and state level that have been highly successful in attracting philanthropic funding. Their efforts have leveraged nearly \$400 million in New York, negotiated \$150 million in investment for Michigan, and have raised \$23.5 million for health and child welfare in Los Angeles County in just over two years.¹⁷⁰

1. A named Senior Civil Service (SCS) lead for philanthropy should be appointed. They could work alongside the Philanthropy Champion to take the Government’s plans forward.
2. The Charity Commission in its Statement of Strategic Intent for the upcoming five-year period from 2024-2029, should incorporate philanthropy advocacy into its strategic objectives. This would be following in the path of other regulators that advocate for the strategic objectives of their relevant sectors, for example Ofcom on monitoring and supporting AI¹⁷¹ and Ofgem on endorsing net zero.¹⁷²
3. The Charity Commission should launch a biennial ‘National Philanthropy Week,’ marked by an eponymous philanthropy forum hosted on Government premises. This forum would bring together major donors, fundraisers, foundation representatives, charities, and those active in the delivery of philanthropy to share best practices and collaboratively work through challenges in the sector. The week should involve training workshops for charity and fundraising partners that cover key material on landing major donations, such as demonstrating impact, having a strong ‘ask offer’ in fundraising, and using technology effectively. These could be delivered by larger foundations, corporate partners, or industry bodies like the Chartered Institute of Fundraising (CioF) that offer certificates and diplomas in fundraising.¹⁷³

Following these initiatives, the Government should launch a cross-departmental philanthropy strategy, led by the appointed Philanthropy

Champion and using insights from the first National Philanthropy Week. It should include the following key elements:

- The Strategy should launch a full review into Gift Aid, evaluating a range of options for reform to ensure the system is both simple to use and successfully raises philanthropic funding into charities.
- It should outline a series of steps for better regional philanthropy, highlighting how local governments and philanthropic bodies might better align their priorities to work towards shared goals.
- It should set out a plan for better data collection on philanthropy and compile a philanthropy database that pools together data from the Charity Commission's records of charity income and the HMRC database of tax reliefs. It should work closely with 360 Giving to ensure that all philanthropic foundations are mandatorily required to submit their grantmaking data. The database should also include data on charity impact, which previous research has found to be a major motivator for HNW donors.¹⁷⁴ Platforms like 360Giving that already have established networks between donors and charities could be bolstered to include impact measurement data as well.

Government signalling has a strong role to play in changing behaviour. The UK's Science and Technology Framework has spurred a flurry of investment into science from investors - a national philanthropy strategy could do the same for the donor community. A large share of HNW donors give to charities in response to being asked, and an ask from Government is likely to significantly boost philanthropic activity. Equipping charities and fundraisers with the right training in HNW philanthropy would also ensure that charities in places of high need are sufficiently able to fundraise and engage with philanthropy.

Recommendation 2.1: The Government should launch 'Charitable Action Zones' (CAZs) in places that experience a deficit of charitable activity.

Similar to the Freeports model of targeted financial incentives, DCMS should establish a network of 'Charitable Action Zones' (CAZ) to boost philanthropy in parts of the country that struggle to attract major donations and build capacity

to strengthen their civic society. Within each Zone, a CAZ Trust with charitable status should be established. To become a CAZ, a charitable body would have to meet three criteria:

1. It should meet the Charity Commission's public benefit test and be registered with the Charity Commission. CAZs would operate as umbrella charities themselves, much like private grantmaking foundations and Community Foundations currently do. Any donations made into a CAZ would therefore only be used towards charitable causes.

2. It should serve an area that is currently underserved by charitable activity. CAZs may operate as hyperlocally as within the boundaries of an electoral ward, but should not exceed the boundaries of the upper tier local authority it is situated in. DCMS could ascertain which areas are currently underserved by charitable activity by examining data on local estimates of charitable giving, number of charities, presence of a Community Foundation, and Onward's Social Fabric Index.

DCMS have an operational framework in place to detect areas that see a dearth of charitable activity. In 2023 they announced the 'Know Your Neighbourhood Fund' to widen community participation and volunteering in 27 areas disadvantaged across the country. A similar approach should be applied to identifying areas that see a deficit of charitable donations.

3. It should collectively steward different forms of charitable donations. While this report focussed only on philanthropic funding, these zones should strive to grow charitable funding from the general public, philanthropy, donations from corporate foundations, government grants, through giving vehicles like Donor Advised Funds, and other funding sources like the National Lottery.

In addition to the existing range of charitable tax reliefs, charities that operate within the CAZ would also be eligible for an exclusive 'Philanthropy Match.' This would see Government match donations made into the CEZ Trust, following a tiered ratio based on their initial endowments and fundraising capacity (see case study below). One option for funding the match would be to use unclaimed Gift Aid by charities that can be earmarked as 'tax collected in error,' which in 2018 amounted to approximately £560 million.¹⁷⁵

Box 6: Case study – Higher Education Funding Council for England (HEFCE) matching funding programme

Between 2008-11, the Government issued £200 million in match-funding to incentivise greater giving into higher education institutions. In England alone, £143 million in match-funding from the Government triggered nearly £580 million in matched philanthropic donations.

To ensure that universities with lower fundraising capacities received a proportionate match from HEFCE's scheme, universities could apply for one of three tiers of matches: Tier 1 allowed a match of 1:1, capped at £200,000 over three years, Tier 2 matched at 1:2 (i.e. 50p match for every £1 raised), with a cap of £1.35 million, and Tier 3 matched at 1:3 with a cap at £2.7 million.¹

Match funding is effective when offered with capacity-building training

Match giving schemes have significant potential to grow donations reaching charities, particularly from major donors. A survey commissioned by the Big Give found that major donations (£500 – £5,000) were found to be more responsive to match than smaller donations (£5 – £20).¹⁷⁶ By making charitable giving more attractive, the match giving model also encourages more individuals to give, and many to give greater amounts.

Nearly 84% of Big Give donors expressed greater interest in donating when they found out that their donations would be matched. The value of a matched donation was found to be up to three times higher than an unmatched donation. And a large share of donors reported having made a higher gross donation knowing that their gift would be matched. 13% of donors had doubled their donations, and 46% of donors increased their donations by up to half.

Figure 37: Which, if any of the factors, would be most likely to make you donate more to charity? (in ranks)

Source: A Great Match, 2016. Respondents were asked to rank their top choices.

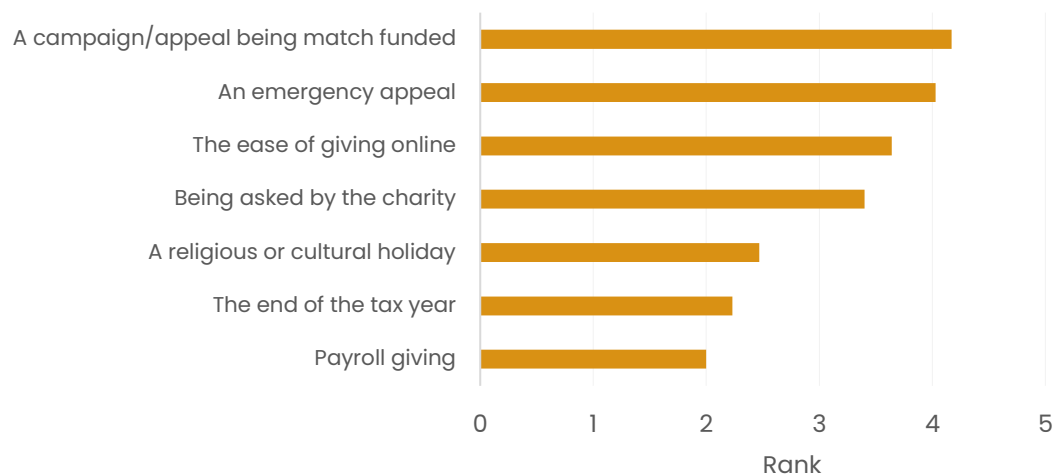
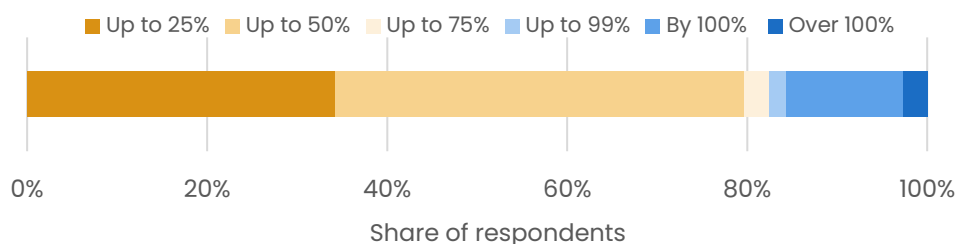


Figure 38: Can you estimate how much more you gave because of the matching?

Source: A Great Match, 2016



But the success of match funding is contingent on several factors. Questions around when the ask is put forward, which donors are asked, how much of the match is asked for, and what causes the match funding is used to address, all impact the success of the model.¹⁷⁷ Each of these are highly context dependent and require analytical and institutional capacity to design a match giving scheme that works best for a place. Fundraisers need specific knowledge of the socio-economic conditions of an area, contextual information on past donations and local donors, and awareness of the range of incentives available.

As discussed above, these capabilities are often lacking in the areas most in need of donations, meaning they struggle to develop and deliver match schemes.

Crucially, if match giving within Charitable Action Zones is to succeed, DCMS should provide capacity-building training where CAZs might struggle to raise their share of the match. They could fund organisations like the Big Give, who already provide capacity-building training across the UK.¹⁷⁸ The training should focus on place-based fundraising strategies, network mapping exercises, crowdfunding from a larger pool of mid-level donors, corporate partnerships, and partnerships with larger charities that have greater fundraising capacities.

There is also some evidence that standard match funding could crowd out donations as the increased funding places charities closer to their fundraising targets.¹⁷⁹ But innovative fundraising tactics can counter these crowding out effects.

A 2011 field experiment found that depending on the fundraising goals of a charity (to maximise donations received, to engage with new donors, or both), different combination of match-funding and lead donation announcement strategies can be deployed. For example, the announcement of a lead donor was found to increase donations but not expand the donor base. But the announcement of a lead gift conditional on matching saw maximum donations raised through just the match-scheme without accepting the lead gift at all.¹⁸⁰ CAZs should use their hyperlocal knowledge of needs in an area to allocate match funding effectively.

CAZs can bring a broader set of local leaders into charity governance

Each CAZ should have a board of trustees that includes representatives from local government, businesses, and public services. The Board should be governed by an independent chair whose responsibility it would be to provide strategic leadership and align the missions of the CAZ to the most pressing challenges of a place. This could be anyone with an active presence in the local community - ranging from college principals and local entrepreneurs to third sector leaders. Where Community Foundations already serve this role, they could apply for CAZ status, giving them further access to the Philanthropy

Match, new opportunities for leadership, and institutional support to grow their geographic reach.

Box 4: Case studies on successful third sector leadership in place-based regeneration

Our Future, Grimsby: Regeneration efforts in Grimsby are being led by the charity Our Future, founded by social financing expert Emily Bolton MBE and philanthropist and owner of Grimsby Football Club Jason Stockwood. They bring in new funding and networks to address the urgent challenges in the town and develop a shared plan for the future with existing community organisers.

They have a strong community presence, and leverage the presence of the football club as a civic institution to deliver services to disadvantaged groups that might otherwise struggle or be hesitant to access formal support. The club provides hot meals, homework assistance, and training opportunities for young people in the sports sector.

West London Zone: West London Zone is a charity that provides over 1,600 children from disadvantaged backgrounds in West London with a personalised education plan. Their hyperlocal expertise has helped them accurately identify the groups most in need of assistance, as well as devise a fundraising strategy that effectively communicates the high levels of income inequality in West London to donors that live locally. Set up in 2015, the charity has grown into an £8 million practice, soon to expand operations to Manchester.

New Philanthropy for Arts and Culture (NPAC): NPAC has mapped out different models for regional philanthropic partnerships led by arts and culture bodies. These models highlight how different forms of leadership from local trusts, educational institutions, and mayoral institutions can help to grow philanthropic funding.¹

Recommendation 2.2: Local leaders should create diaspora philanthropy funds to attract donations from successful “sons and daughters” of UK towns and cities

Many emigrants of British towns have gone on to be successful in other parts of the world – or even in larger UK cities. These individuals and their families maintain connections to where they grew up – and these links can be leveraged to secure philanthropic donations to places that might otherwise struggle to attract them. Termed ‘diaspora philanthropy’, this model is gaining popularity in areas across the country:

- Philanthropy has played an active role in funding major projects in Grimsby, Bolton, Folkestone, and Fleetwood – all from individuals that have strong ties to these places.
- The ‘Made in Stoke-on-Trent’ pilot sees philanthropists from the West Midlands work in partnership with the University of Staffordshire, the council, and voluntary groups to fund and implement interventions around unemployment, health deprivation, and business support.¹⁸¹
- The Wonderlab interactive railway exhibit at the National Railway Museum in York was funded through a £2.5 million contribution from the Liz and Terry Bramall Foundation. The exhibit allows young people to learn about science and engineering by experiencing the UK’s rich history in rail transport.¹⁸² The Bramall Foundation is an active champion of the interests of the Yorkshire region more broadly – funding projects that tackle deprivation, ill health, and urban and rural regeneration.¹⁸³

Effective diaspora models all have one of two (or sometimes both) key success factors: a highly engaged individual philanthropist or effective local institutions that align philanthropic funding. The former is a testament to the social underpinnings of philanthropy. But diaspora philanthropy should not be left to the serendipitous alignment of donors to places. Local leaders have a role to play in developing the institutions that can channel funding from diaspora networks to benefit local communities.

Local leaders like Community Foundations, the proposed CAZs, or other prominent place-based institutions like universities or businesses should create

an exclusive 'diaspora fund.' This fund would pool together donations from donors that have a strong connection to the place, and can be distributed by the host organisation as grants to local charities. For example, the Community Foundation for Tyne and Wear and Northumberland operates a 'North East Roots Fund,' which recently attracted a donation of £250,000 from the Reece family. Anne Reece, the Chair of the Foundation explained that: "The idea of the North East Roots Fund really resonated with me and my family. As a family we have strong roots in the North East but we're also not all in the North East anymore. My brother Simon is in Cumbria and my daughter is in Singapore but whilst they aren't here they are still proud Geordies and want to see the North East thrive."¹⁸⁴

Diaspora funds should develop networks of donors and potential donors, hosting annual conferences or celebrations for them to interact and learn more about local needs and opportunities. Making giving more visible within the network can serve as a strong motivator to attract more donations.¹⁸⁵ The visibility is so effective that sometimes a large gift from a single lead donor can incentivise greater giving from others in the cohort.¹⁸⁶ A behavioural trial in 2006 studied responses of a group of 25,000 potential donors to a fundraising appeal for the Bavarian State Opera. It found that the announcement of a major donation from an anonymous lead donor proved more effective in raising total donations received compared to linear match funding.

Diaspora networks are well-positioned to provide an environment for visible giving. It would address the negative PR challenges that philanthropy faces by celebrating the activity through the lens of local identity. It would boost giving in places that struggle to attract donors and donations, and boost overall levels of giving. Being asked to donate by someone that the potential donor has a personal connection with was found to have a strong causal effect on both the likelihood of donating and the average size of the charitable gift.¹⁸⁷

Box 5: Case studies on successful philanthropy networks:

The Funding Network (TFN): TFN is a charity that has created a network of donors with varying charitable interests. They frequently host live crowdfunding events where charities nominated by members of the network pitch their cases for funding to a broad audience of potential donors. These events see auction- style pledges of donations to the charities, deployed with innovative fundraising tools like matching and partnerships. Charities that participate in their events frequently meet donors that continue to pledge large sums outside of the events. The charity Refugees at Home went on to raise over £250,000 from a donor they met at TFN's crowdfunding event in December 2018. TFN has regional networks in Oxford, Bristol, and Hertfordshire.¹

Philanthropy Network of Greater Philadelphia: This is a membership organisation for all organisations that have an interest in philanthropy – in either providing, receiving, or otherwise supporting philanthropic funding across the Greater Philadelphia region. It hosts over 150 organisations including Community Foundations, private, family, and corporate foundations, wealth advisors and charities, and the network is responsible for over \$500 million in funding for the region each year. They host workshops and conferences on best practices in grantmaking, create donor networks to share ideas on tackling the challenges in Greater Philadelphia, and serve as a philanthropy advocacy body for the region.¹

Appendix



Sizing the philanthropic market requires piecing together a broad range of data sources. The primary sources used in this report have been listed below, and further information can be found in the endnotes.

1. **NCVO Civil Society Almanac:** Data on charitable donations from the public and philanthropic foundations and trusts at the point at which charities receive them as income was valued at £32 billion in 2021. But this includes charity income made through sale of goods and services (including charity shop sales and other services provided like training), and includes charitable donations from all members of the public, not just those on the highest incomes/wealth brackets.
2. **HMRC Charitable Tax Relief Statistics:** Donations made through Gift Aid in the UK for the same year were valued at £3.5 billion. But this only includes Gift Aid donations made by those that fill in Self Assessment forms (those on annual incomes greater than £100,000), and is limited to donations made out of income.
3. **Legacy Trends, Smee and Ford:** Donations left in wills amounted to £3.4 billion in 2020-21.

Donations from income and inheritance collectively account for just £6.9 billion out of a total of £32 billion received by charities. The remaining share of £26 billion can be explained by:

1. **Donations made anonymously or tax-inefficiently:** Many individuals and families donate tax inefficiently, meaning they do not claim their reliefs as a result of which they might not be captured in official records. Survey data finds that as much as 60% of the population donate to charity, but just 11% of Self Assessment taxpayers report making a charitable donation. Coupled with very poor awareness levels of existing charitable tax reliefs like Gift Aid, it is reasonable to assume that a share of donations are made tax-inefficiently.
2. **Banked vs spent funds:** Large philanthropic vehicles like foundations, trusts, and Donor Advised Funds (DAFs) issue grants to charities, and see donors donate into them at various times. Charitable grants received by a charity need not have been made into the foundation the same year, and could also explain why the donations received by the charity and made by donors do not tally in a given year.

Endnotes



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⁴⁸Data for 2021 has been sourced from the Survey of Personal Incomes because of underreporting of donations from basic and higher rate taxpayers in HMRC's Charitable Tax Relief Statistics for the same year

⁴⁹Donations data from the top 1% of earners and those on incomes £150,000 and above are broadly the same. In 2015, those on the top 1% of incomes earned a minimum pre-tax income of £120,000, and in 2019 this same figure was £170,000. As of 2023, the top 1% are estimated to be earning a pre-tax income of just under £174,000.

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⁶⁰ Data limitations make it hard to ascertain what wealth decile those earning £250,000 fall under, and similarly how much income those in the wealthiest decile earn, but comparisons of asset donations from the most affluent cohorts of both these groups show that donations have not kept pace with the rate of wealth accumulation. The rate of wealth accumulation among the wealthiest 1% is likely to be much higher than the wealthiest 10%, given that half of all of the UK's wealth sits with just 50 households. [Link](#)

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⁷¹ B Breeze, In Defence of Philanthropy

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⁷⁸ These foundations listed here include only those that are registered with 360 Giving and have disclosed their data on the geographic location of their recipient organisations.

⁷⁹ 'Rebate' for the donor, and 'tax relief for the donor' are often used interchangeably. Basic rate taxpayers are not eligible for a rebate.

⁸⁰ Government Digital Services, (2014) *Tax relief when you donate to a charity*, GOV.UK.

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⁸² It is important to note here that these shares refer to the share of total donations through the Gift Aid route alone. The actual share of all donations contributed by the highest earning 1% is closer to 6%.

⁸³ Data on the amount received by charities as match is recorded for the time period during which the claim was paid. In practice, charities can claim Gift Aid match for up to four years after the date of the donation. The amount of £1.3 billion is therefore a likely overestimate of HMRC spend on the match for 2022. Working backwards from the amount of Gift Aided donations received for the year

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