Response to the Cabinet Office’s Giving Green Paper

Charities Aid Foundation
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Introduction and Overview

CAF has been working for over 80 years to make charitable giving as easy and rewarding as possible because we believe that a strong culture of giving is a crucial part of a healthy society.

Over the past decade or more, the Government has shown a welcome commitment to encouraging giving and volunteering. However this is the first time that there has been an attempt to bring together the many strands of this topic within a single Green Paper – providing an unprecedented platform for public debate and enabling a range of stakeholders to share ideas about how best Government can act to support social action.

Many senior politicians, including the Prime Minister and members of his Cabinet, have been very vocal in their support for volunteering, charitable giving and philanthropy and this has shown the power of political leadership to raise the profile of giving in political circles, public and private sectors and through the media. This in itself plays an important role in building giving into the fabric and psyche of our society.

However the vision of a ‘big society’, built in part through increased social action, is obviously set within the current context of financial austerity and sharp cuts to public funding. As both national and local government redefine what they are able to pay for, there are inevitably questions being asked about how Government views the relationship between social action and a shrinking state.

Although we accept that the Government is committed to the longer term ambition of empowered communities and greater giving and is working to create further opportunities and rights (for example through the Localism Bill and the redesign of commissioning), there is a danger that public generosity could become politicised. The Government must make every effort to confront these concerns and set out more clearly what it wants to achieve and, importantly, why if this agenda is to survive cynical attack.

Responding to the Green Paper

We appreciate that, in publishing a collaborative Green Paper, the Government has acknowledged both the breadth of existing activity and expertise in this field and the limits to its own power to create or enforce a ‘culture of giving’.

In our response, we have drawn on our experience of working with charities, donors and companies to respond to the various ideas and proposals open for consultation.

It is an exciting era for giving. The changing nature of communities and developments in technology are fundamentally altering the ways that individuals and organisations communicate and engage with each other. Many of the initiatives highlighted within the Green Paper could have a positive influence on giving behaviour: some will fall outside the scope of Government involvement, while others
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would certainly benefit from coordination, leadership or promotion. We have been careful to point out where we believe the impact of proposed actions might be restricted or the role of Government may be limited, and also where further issues should be taken into consideration. We have also highlighted obvious omissions, such as tax relief.

The role of Government
CAF believes that there are three important ways in which Government can act to create a culture of Giving.

1. Leadership:
The Government can take a very important leadership role. The powerful position that Government occupies in the public consciousness should be harnessed to raise the profile of giving through continued discourse, using media and other channels of public debate. Government should also set an example through its own behaviour and encourage other leaders in business and public life to engage with this agenda.

In particular Government should:
- Set out a clear strategic vision and plan for increasing giving with specific and targeted short, medium and long-term actions
- Show leadership in establishing social norms. The Government should aim to encourage a UK version of the ‘Giving Pledge’ established in the US. This should ultimately be led by philanthropists, but a pledge by Ministers to give a percentage of their income would set a bold precedent
- Encourage and work with high-street banks to develop mainstream charitable giving accounts
- Ensure that public policy development across all government agendas considers and encourages social action. A ‘social action impact assessment’ should be introduced.

2. Setting the right environment:
A supportive tax environment for charitable giving is important and, despite being outside the responsibility of the Cabinet Office, must be included in the Government’s strategy. The Government must prioritise work to improve, expand and promote tax reliefs for charitable giving.

In particular, Government should:
- Ensure that Gift Aid is digitised - allowing charities to make online claims and donors to make online ‘universal’ declarations
- Remove unnecessary barriers, such as Gift Aid benefit rules, which restrict engagement between charities and donors
- Introduce a new form of tax-effective giving through ‘Lifetime Legacies’
- Explore incentives, including National Insurance relief, to encourage the effective take up of payroll giving
- Promote share giving as a highly tax-effective form of donation. This could be linked for example to new FSA rules on the composition of remuneration packages in the financial sector
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- Give consideration to targeted tax breaks to incentivise individual social investment.

3. Support:
Government support is essential in order to bolster the capabilities of civil society to engage greater social action. Government should invest in effective infrastructure, including the provision of training, impact measurement, brokerage and access to new technology. Government should also act to nurture and support innovation.

In particular, Government should:
- Recognise the importance of national and local infrastructure in facilitating effective giving by individuals and companies, and be willing to invest in it
- Work with the charitable and business communities to ensure that there is effective brokerage of partnerships between companies and CSOs
- Invest in the development of effective social impact measurement systems that can aid greater transparency, increase donor confidence and drive up giving.
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1. Background
1.1 The Charities Aid Foundation (CAF) is a registered charity that helps charities and social enterprises make the most of their money. CAF provides financial, investment and fundraising services and works directly with tens of thousands of charitable organisations across the UK and internationally.

1.2 CAF provides services and support to hundreds of thousands of individual donors, enabling them to give tax-effectively to charitable organisations across the UK and around the world.

1.3 We also work directly with around 75% of the FTSE 100 companies, providing practical and advisory services to support and facilitate effective corporate community investment. CAF operates the largest payroll giving agency in the UK, ‘Give As You Earn’.

1.4 CAF has a strong history of campaigning for changes in policy and legislation in order to improve the giving environment and to secure supportive legal, fiscal and regulatory conditions for donors, charities and social enterprises. Our knowledge and understanding - gained through direct experience and research - makes us a trusted voice on giving and the effective use of charitable funds.

1.5 We welcome the opportunity to respond to this Green Paper. We will focus our comments principally on the issues relating to the giving of money and the role of Government.
2. General comments

2.1.1 CAF supports the ambition of encouraging social action. Our experience over the past 80 years shows that no single agent or initiative alone can create a step change in giving. Indeed, despite concerted effort from an increasingly professional fundraising community and a number of targeted policy developments and campaigns, charitable giving as a proportion of household expenditure has remained remarkably resilient but resistant to above inflation growth initiatives – standing at 0.4% - for the past 30 years. This illustrates just how challenging realising this ambition will be.\(^1\)

2.1.2 We appreciate that, in publishing the Green Paper, the Government has acknowledged both the breadth of existing activity and expertise in this field and the limits to its own ability to create or enforce a ‘culture of giving’.

2.1.3 Initiating a public debate on giving in itself is a welcome step. However, as we move forward, if increasing social action is to be a key component of building the ‘big society’, further clarity is required about the specific roles and responsibilities of government in this area. We hope that the forthcoming white paper will set out a clear strategy for short, medium and long-term interventions and actions that government will take to encourage and facilitate giving.

2.1.4 While we agree that the Government cannot and should not attempt to ‘compel’ citizens to give, there are a range of policy levers that can be used to create a supportive giving environment and governments should legitimately provide strong leadership and strategic direction.

Behavioural Insights

**KEY POINT:** ‘Nudge’ theory is a potentially interesting approach but its applicability to public policy is unproven, so it must be used alongside more traditional policy levers.

2.2.1 The Green Paper leans heavily on insights from behavioural economics. Given the limited scope of ‘hard’ policy measures in the field of voluntary action, it is appropriate to explore new approaches to encouraging positive social behaviour. However, behavioural economics is still a relatively young discipline and its relevance to successful public policy interventions is not yet robustly evidenced.

2.2.2 The Minister of State for the Cabinet Office, Oliver Letwin, recently acknowledged before the Lords Science Committee that: “It is of course open to question whether any of this will have any effect whatsoever. I don’t want to pretend that behavioural science is a sufficiently developed science to give us complete confidence or even sort of 95% confidence that any given technique will produce given results. But I think it is extremely clear that it is pretty cost-free to do these things, pretty straightforward to do them so that if they don’t produce any result we

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won’t have lost much”² Although there may, indeed, be no harm in exploring behavioural economic approaches as a compliment to conventional measures, it is of some concern that the Green Paper contains little in the way of other evidence-based traditional policy ideas.

2.2.3 We very much welcome the work of academics such as Gerry Stoker³ who have tested the impact of certain ‘nudges’ on ‘civic behaviour’. Conclusions drawn from these experiments suggest that although changes to choice architecture, or customised messaging can encourage or reinforce ‘positive’ behaviours, the resulting changes are relatively modest and the desired behaviour is often unsustainable beyond the period of intervention. Research also suggests that nudges have most impact when carried out by trusted networks, groups or institutions: A distant State may not always be the best agent to design or deliver such nudges.

2.2.4 Further research and knowledge sharing is required. CAF itself is working with the University of Bristol to carry out field experiments to test the impact of ‘automatic enrolment’ on take-up of payroll giving, for example

Gaps in the Green Paper
KEY POINT: There are gaps in the Green Paper which make it hard to present a coherent strategy to increase giving that runs across government - for instance the lack of mention of tax incentives.

2.3.1 With the emphasis on behavioural economics, inevitably the ideas for possible ‘nudges’ focus predominantly on encouraging reactive, spontaneous participation in giving (for example “rounding the pound”) rather than influencing reflective, long-term and planned giving behaviour.

2.3.2 The themes in The Green Paper (Great Opportunities, Information, Visibility, Exchange and Support) provide a useful framework for the ideas contained within. There is, however, a lack of obvious consideration of other diverse factors that drive giving behaviour and that would aid a more robust analysis of appropriate policy levers. These include demographics, life-stages, lifestyle and wealth.

2.3.3 It is unclear whether the priority is to reverse the trend of decreasing participation levels in charitable giving or to encourage those that already give to give more. While both are desirable, they will require quite different approaches and actions. When the Government sets out its strategy and plans within the white paper it is important that the aims and objectives are clearly set out, together with the methods for measuring progress.

2.3.4 Although the paper brings together some evidence and data on major donors and strategic philanthropy, there is limited discussion within the document of ideas targeted at increasing this important source of support for the sector.

² “’Nudge unit’ not guaranteed to work”, The Observer, 20 February 2011
³ Nudge, Nudge, Think, Think: Using Experiments to Change Civic Behaviour’, June 2011
2.3.5 Encouraging social action is relevant to the work of most, if not all government departments. Currently there appear to be several separate streams of activity led by different departments (for example the Department for Culture, Media and Sports (DCMS) has published its own strategy for giving and philanthropy⁴). Further clarity is required about how these initiatives link together strategically and who is responsible for delivering against the various commitments.

2.3.6 Furthermore, public policy development across a broad range of issues, (for example in housing, planning, employment, education and taxation) will inevitably have knock-on effects on the ability of citizens and communities to effectively engage in and encourage social action. The introduction of a ‘social action impact assessment’ would ensure that all policy development took this into consideration and would help to mitigate the risks of unintended negative consequences.

2.3.7 The fiscal/tax environment for charitable giving is, of course, the responsibility of HM Treasury. While we appreciate that issues relating to tax relief fall outside of the remit of the Cabinet Office, it is essential that the Government’s plans for supporting and improving tax incentives are included within the white paper, if the Government is to set out a credible overarching strategy for increasing giving.

3. Great Opportunities

Volunteering

KEY POINT: Volunteering is hugely valuable to the economy and society of the UK, but it is important to be clear about the role volunteers can play and the costs of effective volunteering.

3.1.1 The importance of volunteers to the UK economy and to UK society is enormous. However, the claim made in the Green Paper that, “helping those around you, such as checking in on an elderly neighbour, is every bit as valuable as giving time to organised activity” needs to be treated carefully. While it is true that informal voluntary action is a crucial and desirable element of a healthy society, it is important to realise that it is not the same thing as organised, long-term volunteering.

3.1.2 Given that in the ‘big society’ narrative the importance of volunteering is primarily set in the context of public service delivery, it is crucial not to lose sight of the limitations of informal activity. Informal voluntary activity is good at building social capital and reinforcing the bonds that underpin communities, but it is not a suitable basis on which, for example, to deliver long-term social care or to address the needs of children with educational difficulties. Activities like these require skilled, committed volunteers who must work with and be managed effectively by professional staff. And this is not a cost-free process.

3.1.3 The Green Paper mentions the possibility of ‘micro-volunteering’, which could present opportunities for those who do not participate in traditional forms of volunteering. This policy could be usefully developed and may have a significant impact in terms of widening the overall pool of volunteers. However, as with some of the other ideas showcased in the paper, there is a danger of overstating its potential. In the same way that informal volunteering is different to structured, formal volunteering (as pointed out above), micro-volunteering is distinct and not a replacement for either. The idea of someone being able to donate a 15-minute ‘slice’ of their time to volunteer on the web is worth exploring, but it seems likely to be of relevance to only a narrow range of activities and of benefit to only a narrow range of CSOs. And as with sporadic informal volunteering, the applications to public service delivery are likely to be limited.

Electronic Rounding

**KEY POINT:** ‘Rounding to the pound’ is an exciting new opportunity for low-friction giving. More should be done to make such schemes widespread, but also to understand their potential impact on mainstream charitable giving.

3.2.1 Electronic ‘rounding to the pound’ is a method that CAF believes has real potential to open up a new funding stream for the sector, as a modern version of the charity box at the till, which can operate both online and offline.

3.2.2 As with many of the opportunities identified in the Green Paper, electronic rounding seems to be more relevant to reactive, spontaneous giving than to longer-term planned or regular giving. It might be possible in some cases to align it with a broader personal giving strategy, but this would only work if the mechanism used to determine which charity the electronic ‘change’ goes to, allows the donor to nominate their own charity. This would introduce complications at the point of sale, or would require a system that allowed the donor to have their own chosen charity that all of their electronic rounding donations would go to. Retailers might be resistant to this, both because of the increased complexity involved and because they might want to use the offer of electronic rounding as part of their overall CSR strategy, and thus retain some control over the beneficiaries.

3.2.3 There is also a question about the longer-term impact of rounding on mainstream giving: will people who have participated in a rounding scheme feel as though they have ‘ticked the charity box’ and so not see the need to give elsewhere? If rounding does have an inhibiting effect on normal giving this could have serious consequences. Unless the base of participants is significantly increased, the total amounts raised through rounding are likely to be much lower than they would be through traditional donations and so there will be a net reduction in charitable income. Further evidence on the potential impact of rounding and other new forms of ‘low-friction’ giving on traditional giving would be helpful.

3.2.4 At present there is no mechanism for making electronic rounding donations tax efficient.

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ATM Giving

KEY POINT: ATM giving suffers from practical limitations that restrict its potential scope. While it may be an opportunity for some additional reactive giving, it would be better to focus on personal mobile technologies.

3.3.1 ATM giving has been tried before in the UK, with limited success. Following initial pilots in Mexico in 2002, HSBC introduced ATM giving in the UK in 2005. This offered - alongside the standard menu options - an option for customers to donate to charity, which took them through to a separate screen with a choice of seven charities to give to. These charities were selected based on a poll of HSBC staff.

3.3.2 The HSBC example highlights a problem that will be faced by any attempt to use ATMs for charitable donations: choice. While the design and capabilities of an ATM make it a fairly simple matter to allow new kinds of payment, they are not well suited to enabling customers to choose where to donate. The only realistic option is for the ATM vendor to stipulate a charity or range of charities that the customer can choose between. In practical terms, these would have to be charities with strong brand recognition as customers would have to make a choice based on the name alone.

3.3.3 There is also a decision to be made about how to determine the value of an ATM donation in order to maximise its effectiveness. There could be a prompted choice, where the customer is offered specific options for amounts to donate (e.g. £5, £10); there could be a free choice, where any amount can be entered; or there could be a mechanism for donating a percentage of the amount withdrawn. It would be necessary to consider which of these would be the best “choice architecture” to encourage donations.

3.3.4 ATM giving is inherently reactive and spontaneous. In a few cases, if a person’s ‘own’ charity was on the list, they might give in a spontaneous, reactive way at the ATM as a supplement to an ongoing planned giving approach. However, in the vast majority of cases this will not be true, and the response will be an impulse donation. This might have some impact in terms of driving up the overall value of donations, but will not have any of the longer term benefits of creating a connection with the cause or organisation or encouraging a more considered approach to giving.

3.3.5 ATM giving is likely to remain most applicable to fixed duration major appeals to support a single cause, for example a disaster appeal or Children in Need

Cost-Free Giving

KEY POINT: ‘Cost-free giving’ has potential as a new form of low friction giving. As with electronic rounding, it should be spread more widely and it would be good to understand the potential impact on mainstream giving.

3.4.1 The idea of ‘cost-free’ giving is an interesting one, with scope for further development. However, its applicability is always going to be limited by the fact that
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it relies on finding a transaction with a suitable fee structure and then offering to service that transaction on a not-for-profit basis with some or all of the profit going to charity.

3.4.2 Cost-free giving suffers from the same problem as electronic rounding and ATM giving, in that it is difficult to see how to allow choice in the system, and thus it becomes inherently reactive and spontaneous. This is not in itself automatically a bad thing, but if these new forms of giving become seen as replacements for traditional giving rather than supplements, it will make it increasingly difficult for CSOs to engage with their donors. This in turn will make it hard to establish the sorts of connections that underpin long-term giving behaviour.

New Opportunities to Ask

KEY POINT: Wealth advisers have a huge role to play in promoting philanthropy. A ‘gold standard’ for philanthropy advice should be developed.

3.5.1 The role of advisers such as private bankers or IFAs is increasingly important, particularly in encouraging and facilitating philanthropy by High Net Worth Individuals (HNWIs). These advisers either need to have expert knowledge of the many issues and practicalities surrounding philanthropy, or know where to direct clients to get this information. It is highly desirable that mainstream wealth advisers build and maintain strong links with specialist philanthropy advisers.

3.5.2 In order to drive up standards in the marketplace, the development of a ‘kitemark’ or ‘gold standard’ for philanthropy advice would be welcome. This would enable specialist philanthropy advisers and mainstream wealth advisers to have an objective sign of their expertise, and make it possible for philanthropically-minded HNWIs to choose the best place to go for advice. If the quality of philanthropy advice was seen to confer a competitive advantage to advisers, this would act as a strong incentive for them to develop their skills in this area.

Opportunities in the Public Sector

KEY POINT: There is potential to use interactions with the public sector to create opportunities for spontaneous giving.

3.6.1 Using contact points with public sector (such as driving license renewal) to provide giving opportunities is potentially interesting. However, it is again an example of reactive giving. It is difficult to see how it will help in terms of developing planned or long-term giving behaviour.

3.6.2 Where universal benefits are given (for example, Winter Fuel Allowance) it may be possible to allow recipients who do not feel that they need the money, the choice to instead donate this allowance to a connected cause. In 2010 some Community Foundations set up local funds to collect and distribute such donations. Government could directly provide information and/or simple mechanisms to facilitate this choice.

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4 [http://www.communityfoundations.org.uk/media/news_article/winter_fuel_payments_to_those_in_need](http://www.communityfoundations.org.uk/media/news_article/winter_fuel_payments_to_those_in_need)
3.6.3 When discussing the possibility of using greater numbers of volunteers to deliver public services, it is important to tell the whole story. While it may be true that ‘people who give their time can add value in ways that paid staff cannot’, it is certainly true that there are many things that paid workers do which volunteers cannot. The role of volunteers is as a supplement to paid staff, not a replacement, and it is important to bear in mind that the costs of managing volunteers in order to use them effectively can be quite high.

Mainstreaming Charity Accounts
KEY POINT: The Government should encourage and work with high-street banks to develop mainstream charitable giving accounts.

3.7.1 Charity Accounts allow donors to manage and direct their charitable giving. Funds can be deposited into the account by direct debit (with Gift Aid automatically added) or tax-effectively through payroll giving schemes. The donor has freedom to choose who they wish to give to and how regularly. CAF currently facilitates donations through over 80,000 individual accounts (in addition to around 2800 trust accounts for major donors).

3.7.2 We believe that the Charity Account has huge potential for helping to build a culture of planned, engaged and tax-effective giving. The Government should encourage and enable high street banks and building societies to develop and offer a Charity Account product alongside standard current and savings accounts, thus opening this service up to 90% of the UK population already holding bank accounts.

3.7.3 Charity Accounts could be integrated with online banking and payment systems and should be linked effectively to online donations search applications, to enable donors to ‘find’ a cause to give to.

3.7.4 In practice it will be necessary for funds in Charity Accounts to be held in charitable trust pending distribution.

4. Information

Identifying Opportunities to Give
KEY POINT: Online information portals need to be integrated with existing and new effective payment mechanisms (such as payroll giving) to create ‘draw-through’.

4.1.1 The particular focus on ‘smaller charities and community groups’ is welcome, as it is true that many do struggle to make their presence known to donors. However, it is important not to let this obscure two other key points: firstly, just because smaller charities in general find it more difficult to make themselves known, it does not mean that all larger charities find it easy or are doing it well; and secondly we should remember that ‘community’ is not necessarily the same as ‘locality’. While it feels right in some sense to say that ‘people are more likely to give if they
feel a strong sense of connection with the cause, and if they have the opportunity to
see at first hand the difference their contribution makes, the real power of social
networks and web 2.0 should be that it makes it possible to ‘feel connections’ and
‘see the difference’ within communities of interest and purpose whose members are
hugely dispersed geographically.

4.1.2 New mechanisms that enable donors to search for CSOs by cause or location
(such as globalgiving.co.uk or localgiving.com) need to be joined up with existing
(and new) mechanisms for effective giving such as payroll giving or charity bank
accounts. Only by integrating methods of finding new organisations, or tracking the
progress of organisations one already supports, with these sorts of payment
mechanisms will the system have sufficient ‘draw-through’ i.e. matching pots of
charitable money with opportunities to achieve social impact.

\textit{Social Media:}

\textbf{KEY POINT: Social media are tools rather than solutions. They have huge potential
to drive the development of giving, but it is crucial to have a clear strategy about
how they are to be used and not just to see them as an end in themselves.}

4.2.1 In a general sense, it is important not to overstate the potential of social
media. Generic online networks like Facebook and Twitter clearly represent huge
new opportunities in terms of the ways in which people can interact, but just
assuming that this will benefit charitable giving without a clear idea of \textit{how} is overly
simplistic. These new media are only tools, not solutions in themselves. In order to
use them effectively it will still be necessary to understand how to motivate, engage
and interact with donors, as is the case in the offline world.

4.2.2 There is concern from some quarters that the value of the multiple weak links
that comprise online social networks is being trumpeted at the expense of the
smaller number of stronger links that make up traditional social networks. This is
particularly the case in coverage of recent political movements, where the role of
social media has taken centre stage. Some commentators and academics argue that
this is misleading.\footnote{7} There is a similar risk with charitable giving, of believing that
online networks do not just represent a new opportunity, but a replacement for
traditional networks and methods of engagement.

\textit{Transparency}

\textbf{KEY POINT: Greater transparency through things like new measures of social
impact could play a huge role in increasing donor confidence and driving up giving.
The Government should be prepared to invest in the development of these new
systems.}

4.3.1 The provision of accurate information allowing donors to compare CSOs in
terms of their effectiveness is enormously important, and could play a crucial role in
encouraging more giving. It is right to recognise that transparency and comparisons

\footnotetext{7}{See, for example, Malcolm Gladwell “Small Change: Why the Revolution will not be Tweeted”, in \textit{The New Yorker}, 4 October 2010 (www.newyorker.com/reporting/2010/10/04/101004fa_fact_gladwell)}
of effectiveness need to focus on the right measures, and that many of the easiest figures to find, such as administration costs, are not necessarily very helpful in this respect. We would agree that more work needs to be done to find suitable measures of impact and efficiency. In the meantime, there is a significant amount of information collected and held by the Charity Commission which is not being used in the most effective way. It would be helpful if more of this information could be presented in a way that enabled donors to compare CSOs against suitable criteria and allowed CSOs to benchmark themselves against their peers. CAF’s soon to be launched Charity Trends service goes some way to providing large scale accessible comparative data. Custom reports can be generated free of charge online based on public held Charity Commission data returned by 180,000 charities.

4.3.2 The Green Paper notes that ‘Public service reform will provide new funding streams for the sector; but in return they will be required to clearly demonstrate their social impact’. This makes it clear that the demand for new methods of measuring impact will be driven in part by the public sector- a fact reiterated in the Government’s publications on commissioning and public service reform. If this is the case, then the Government and the public sector bodies that commission services must be willing to accept an appropriate proportion of the costs of developing new methods of measurement.

4.3.3 It is important to remember that different forms of measurement are likely to be appropriate for different situations and different audiences. For a donor giving to a small community charity it might be enough simply to ‘see’ the benefit of their giving in the local area, whereas for a public sector body commissioning a CSO on a multi-million pound contract to deliver specific outcomes more advanced, rigorous metrics will be required. If the Government and the public sector are to play key roles in driving the development of social impact measurement, they must do so in a way that does not presume a ‘one size fits all’ approach and that does not distort new forms of measurement towards serving the priorities of the public sector at the expense of the needs of charitable donors and social investors.

5. Visibility

5.1.1 The evidence from a survey of CAF clients suggests that there is a general aversion to the idea of making giving more visible, and that in some people the idea provokes quite a strong reaction.

Using Social Media to Make Giving Visible

KEY POINT: Social media can play a role in making giving visible, but more needs to be done to understand the relationship between online participation and giving.

5.2.1 By claiming that ‘social media platforms offer enormous potential to normalise giving’, there is again a danger of overstating their impact before it is proven. As
noted before, these platforms do offer new ways for people to interact, but it is not clear yet what role they can play in promoting giving behaviour. It is true that the barriers to participation are lowered, and that ‘liking’ a cause on Facebook or carrying a ‘twibbon’ on Twitter is simple to do, but there must be a concern that participation becomes so easy as to be meaningless. Is there evidence that people are particularly influenced by what their friends ‘like’ or post links to on Facebook, particularly in the context of all the other noise in the social media space?

Traditional Media
KEY POINT: Traditional media are good at celebrating fundraising and mainstream charitable giving, but often have a negative or cynical attitude towards philanthropy. This discourages donors from making themselves visible.

5.3.1 We would question the assertion that ‘traditional media frequently champions giving’. It is true that campaigns such as Comic Relief and Children in Need are high-profile examples of mainstream media support for charity, but they are focused on reactive, spontaneous giving and on fundraising. Apart from the ‘Secret Millionaire’ it is difficult to think of another example of mainstream media treatment of planned giving or philanthropy.

5.3.2 Philanthropy, in particular, suffers from its treatment in the press. When HNWIs or companies get attention for their giving, the coverage is often very shallow or ill-informed and the general tone of the reporting cynical. While there are obviously examples of charitable activity being used to curry favour or cover up poor practice elsewhere, in the same way that environmentally-friendly activities can be used for ‘greenwash’, questioning the motives of all donors because of this is unfair and unhelpful. It also acts as a strong disincentive to making giving visible.

Celebrating Giving
KEY POINT: Government support for giving is very welcome. It would be preferable, where possible, for this to be through endorsement of existing schemes such as the Beacon Fellowship rather than new awards.

5.4.1 A survey of CAF clients highlighted a high level of scepticism about the idea of using the honours system to reward donors, and an even higher level of scepticism about the idea of letters from Ministers as a thank you to donors.

5.4.2 The expansion of the Philanthropy Ambassadors scheme would be welcome, but only based on evidence of what has been successful in the present scheme. If there are particular profiles of people who have had a demonstrable impact in the role, then including more people of that type would be welcome. Similarly, if there are obvious gaps in the impact and reach of the current scheme, it would be worth considering the sorts of ambassadors who could fill these gaps.

5.4.3 The Green Paper suggests a number of new possibilities for celebrating giving, such as ‘a national day to celebrate donors’ or ‘a televised weekly thank you to national lottery winners who have donated’. We would welcome more
enthusiastically support for philanthropy from the Government but question whether new schemes are the best way to do this unless they have the breadth and can drastically increase reach. There are already awards schemes, such as the Beacon Fellowship, which seek to celebrate the work of philanthropists, but which the Government no longer supports.

**Government Leading by Example**

**KEY POINT:** Government transparency about the charities it works with would be welcome, but care should be taken to ensure that there are not unintended negative consequences.

5.5.1 The Government’s desire to ‘be transparent about the charities we work with and encourage giving to these charities’ could have unintended consequences. For instance, it is a very real possibility that being known for ‘working with the Government’ would actually have a detrimental rather than positive effect on charitable giving to a particular charity. Many members of the public, rightly or wrongly, have concerns about the extent to which some charities are reliant on public funding and may decide not to give to those organisations known to be linked to the Government.

5.5.2 Even if it is thought to be a good idea for the Government to try and promote giving to the charities it ‘works with’, there needs to be clarity about what this actually means. Does ‘works with’ mean ‘has a contractual relationship with to deliver services’ or ‘gives grant funding to’? If it is the former, it is hard to see how successfully winning a contract tender in an open marketplace should also confer the benefit of free endorsement by the Government. If it is the latter, then the circumstances and nature of the grant funding need to be made clear so that any donor who does take government endorsement as a positive sign can see exactly why the charity in question has been approved.

5.5.3 We have direct experience of donors who rigorously specify that they will not support a cause that undertakes work which Government will or has a duty to deliver.

**Establishing Social Norms Directly**

**KEY POINT:** The Government should support a UK version of the “Giving Pledge” by wealthy individuals. It should also consider a pledge from Ministers to give a percentage of their own incomes as a sign of intent.

5.6.1 It is extremely difficult for an outside agency such as government to dictate a new social norm around giving as a percentage of income. However, following the logic that such a social norm could be extremely powerful and that the Government has the opportunity to ‘lead by example, and in so doing help build new social norms’, would it not be an extremely positive move for all Coalition MPs, or at least all frontbench MPs to pledge to give a percentage of their income to charity? This could be anywhere between one per cent or ten per cent, depending on the disposition of the group, and would mirror the much-vaunted ‘Giving Pledge’ started...
by Bill Gates in the US. The Giving Pledge is, of course, is aimed at the country’s wealthiest people, and it should be the ambition of the Government to encourage the UK’s wealthiest people to set themselves similarly ambitious philanthropic goals. The task of doing this would certainly be made easier if politicians could point to the fact that they themselves had already committed to give away a percentage of their own income.

6. Exchange and Reciprocity

Wellbeing

KEY POINT: The link between giving and wellbeing is important, and should be taken into account in the new ONS project to measure wellbeing.

6.1.1 CAF’s recent research report, ‘The World Giving Index’ demonstrates a strong correlation between participation in giving and levels of wellbeing. Previous attempts to promote giving have primarily focused on the benefit to the organisation or individual receiving support. It is, therefore, helpful that the Green Paper highlights the reciprocal benefits giving carries in terms of enhancing donors’ wellbeing and the positive impact it has on wider society.

6.1.2 Levels of participation in giving should be included as indicators within the ONS’ National Wellbeing Project.

6.1.3 It is unclear how ‘wellbeing’ measurement will in itself inform public policy. Perhaps those working to address entrenched problems known to negatively impact on well-being (e.g. mental health, employment and education opportunities) should consider measures to open up and encourage social action as part of their strategy to achieve positive outcomes.

6.1.4 Organisations such as the New Economics Foundation (NEF), the RSA and the Young Foundation have undertaken interesting work in this field. Collaboration should be encouraged in order to gain greater understanding of how understanding wellbeing can inform public policy.

Donor perceptions

6.2.1 Although evidence supports the assertion that giving is a ‘two-way street’, the manner in which the ‘return’ or ‘benefit’ for the donor is communicated must be considered carefully. A survey of CAF clients suggests that there is a level of discomfort about the idea of getting anything in return for their gift.

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10 An email was sent to all CAF customers (charities, companies, individual donors) inviting them to share their views on the Giving Green Paper and the question ‘What can Government do to support an increase in giving?’
Charities Aid Foundation response to the Cabinet Office’s Giving Green Paper

7. Support

7.1.1 Providing ‘support’ is perhaps the most important role for government. There is huge scope for action here, including directly providing funding and resources, investing in infrastructure and ensuring that there is a positive and enabling legal, fiscal and regulatory environment for giving.

Funding

**KEY POINT:** Government investment and support for the voluntary sector is vital. This should aim to work with the grain of communities and existing programmes.

7.2.1 The paper highlights several government-led programmes of investment and support for the sector, including Community First, Community Organisers, the Volunteering Match Fund and the Volunteer Infrastructure Fund. These programmes are welcome but constitute, in the large part, ‘rebranding’ of existing money.

7.2.2 CAF supports the recommendation of the Funding Commission that the Government should build on these plans and allocate funds for a series of small or micro light-touch grant programmes to ensure that people from a range of different communities can gain support to engage in social action.11

7.2.3 We also believe that it is essential that government should work with the grain of communities, building partnerships with existing groups and networks, rather than imposing a ‘one size fits all’ model onto communities.

Infrastructure support

**KEY POINT:** The Government must recognise the importance of infrastructure in facilitating effective giving by individuals and companies, and be willing to invest in it.

7.3.1 In order to succeed in attracting and retaining donors and volunteers, and in order to empower citizens to organise and create new civil society groups, there is a need for strong and effective national and local infrastructure support. Infrastructure organisations carry out a range of essential functions, including: building fundraising capacity; brokering volunteering and giving opportunities; developing impact measurement tools; improving skills; and enabling access to technology.

7.3.2 CAF believes that CSOs working on the ground need a mixture of high-quality, supply-led infrastructure support together with access (perhaps through a bursary scheme) to demand-led tailored advice and support.

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11 CAF’s Chief Executive, Dr John Low, was a member of the NCVO Funding Commission, which published its final report in December 2010.
7.3.3 The recent consultation on ‘Supporting a Stronger Civil Society’\textsuperscript{12} highlighted the need to improve and reshape the existing infrastructure. We hope that the Government’s plan for future investment in, and configuration of, local and national infrastructure fully considers the role that these organisations play in increasing and facilitating volunteering and giving.

The Role of Business

7.4.1 It is important to distinguish between the role a company can play through its own philanthropic activities (corporate giving) and the role it has in encouraging and facilitating giving by employees (workplace giving). Both are important.

Workplace Giving

KEY POINT: Companies should support employees through organising giving circles and providing payroll giving. The Government should look at incentives to encourage companies to set up payroll giving.

7.5.1 The attitude to workplace giving varies from company to company. Some feel that it is appropriate only to facilitate giving where possible, while others actively try to foster a culture of giving amongst employees. There is the potential for companies to play a key role in establishing social norms of giving amongst their employees, but this can only work where there is strong leadership and an example set by senior management.

7.5.2 Some companies have found success through enabling employees to form ‘giving circles’. These are small groups of individuals who might come together to find ‘good’ CSOs, share knowledge, and sometimes even pool their philanthropic giving to maximise their impact. More companies should consider what they could do to encourage and enable giving circles.

7.5.3 The main practical way in which companies can show support for workplace giving is by setting up a payroll giving scheme, which allows employees to make donations from their pre-tax income. Payroll giving is a highly tax-effective form of giving (particularly for higher-rate taxpayers), but is underused (only 3\% of donors give through payroll and this accounts for only 1\% of total UK donations).\textsuperscript{13} The main problem is that Payroll Giving is only possible for employees of companies that have accredited schemes, which limits the number of people able to use it (only 4\% of UK employees currently use PG, compared to around 35\% in the US).\textsuperscript{14}

7.5.4 The Government should look at ways of encouraging employers to set up payroll giving schemes so that more employees can use this a way of giving. Companies themselves should also consider what they can do to encourage employees to take advantage of schemes - many companies have schemes where they will match employees’ donations through payroll giving up to a specified limit, which has proved to be a considerable incentive.

\textsuperscript{12} For CAF’s response to Supporting a Stronger Civil Society visit \texttt{www.cafonline.org}

\textsuperscript{13} CAF/NCVO UK Giving 2010

\textsuperscript{14} \texttt{www.payrollgiving.co.uk/index.php?getID=4&getTitle=Employer}
7.5.5 The Government, together with employers, should consider the possibility of ‘opt-out’ or ‘automatic enrolment’ payroll giving schemes. A recent survey has suggested that many people would be in favour of such a system,\(^{15}\) where the default option for employees would be membership of a company’s payroll scheme, with the option to opt-out, rather than the default being non-membership with the onus on the employee to opt in. This would mirror the development of automatic enrolment for pension schemes in the US, which are to be introduced in the UK in 2012. CAF is currently planning a field experiment in partnership with the University of Bristol and businesses to test the impact of such an approach.

7.5.6 Further incentives to encourage the uptake of payroll giving should be explored. This might include employer and/or employee National Insurance relief on donations.

**CSR/CCI:**

**KEY POINT:** Brokerage plays an important role in enabling effective giving by companies. The Government should work with the business community to find ways to support the infrastructure needed for brokerage.

7.6.1 The Government should play a role in raising awareness of the growing evidence that CSR and CCI are not just ‘nice things to do’, but actually confer a competitive advantage on companies.\(^{16}\)

7.6.2 It should also be acknowledged, both by government and others working in this area, that there is a possible tension between the Big Society narrative in the UK, which emphasises local social action, and the increasing drive for large multinational companies to focus on global social issues (e.g. climate change) and to develop global community investment and CSR strategies, with the aim of supporting emerging economies and creating new and future consumer bases. This is not to negate the huge potential these companies have to work with organisations in the UK and at a local level, but the Government must consider the motivations and concerns of different types of companies when communicating and encouraging this form of partnership.

7.6.3 There is a key role for organisations that can act as brokers between companies and charities. In order to link up the priorities and capabilities of businesses and their employees with the priorities and needs of charities, it is important to have someone in the middle who can ‘speak the language’ of both and manage the relationship on an ongoing basis. This will ensure that companies are able to make the most of the skills and expertise of their employees as well as just their time. It will also mean that charities are able to identify their financial and skills needs and communicate these effectively to potential corporate partners.

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\(^{15}\) [www.thirdsector.co.uk/News/MostDiscussed/1052688/Survey-indicates-preference-opt-out-payroll-giving/](http://www.thirdsector.co.uk/News/MostDiscussed/1052688/Survey-indicates-preference-opt-out-payroll-giving/)

7.6.4 There is currently concern that many charitable activities by companies are driven more by their own goals and priorities than by the actual needs of charities. By working with charities to communicate their needs to companies more effectively, brokers could also help to ensure that CSR and CCI activities are demand-led rather than supply-led.

7.6.5 CAF currently provides advice and consultancy services to companies. This draws on our knowledge of the charity sector and our understanding of the corporate community investment field to facilitate effective and sustainable partnerships, including pro bono support at local, national and international levels. Brokerage is also offered by a range of intermediary organisations, including local volunteering infrastructure organisations, business-focused agencies (such as BITC) and organisations such as Pilotlight and the Small Charities Coalition. The Social Business Trust has also recently been set up to match need with support (both financial and pro bono). This is a collaborative initiative, developed by several large companies and facilitated by those with understanding of the needs of social enterprises. There is also a range of specialist initiatives such as Pro Bono Economics, Law Works and Getting on Board which have developed in recent years. Government could play a role in further promoting and raising awareness of these existing brokerage services and programmes (including the ‘business connectors’ initiative recently highlighted by the Prime Minister).

7.6.6 There is a need however for improved access to brokerage at different levels. The simplest level might be development of a web-based platform that acts as a marketplace - enabling companies and charities to offer and ask for specific one-off support (perhaps taking ‘Freecycle’ as a model of open exchange).

7.6.7 We recognise that many donors (both individual and corporate) are increasingly driven by achieving longer-term results. If those with support to offer were able to access a ‘menu’ of outcomes in their local area together with intelligence on the organisations working to deliver these outcomes and the specific needs they have, this could enable skills and resources to be more effectively targeted to achieve these common goals.

7.6.8 It is important that, together with online brokerage resources, there is also more tailored and detailed advice available that can fully explore and understand the needs and drivers for the business community, and can support CSOs to identify and communicate their needs.

7.6.9 Effective and coherent local brokerage could be developed through partnership working between bodies like community foundations and council for voluntary services working with the local chambers of commerce.

7.6.10 Provision of brokerage of effective, reciprocal and sustainable partnerships is resource intensive and government funding could support local infrastructure organisations to develop high quality and effective services. We are aware that current Government policy is to reduce funding for such infrastructure organisations.
Charities Aid Foundation response to the Cabinet Office’s Giving Green Paper

7.6.11 Government should also support the recommendation of the NCVO Funding Commission and work with national bodies such as CAF, BITC, and NCVO to take forward the proposed strategic working group to further develop and encourage effective corporate support for the sector.¹⁷

Minimum payout rule for foundations
KEY POINT: A payout rule for foundations is not necessary in the UK, and could have unintended consequences.

7.7.1 The Green Paper includes, for discussion, the idea that “foundations should make a minimum pay out annually, as is the case in some other countries, as this could result in extra income for charities”. We would, however, support the position held by the Association of Charitable Foundations (ACF) that “a mandatory minimum pay out would be an unnecessary and unhelpful constraint which would undermine the independence of trustees and their ability to balance the current and future needs of their beneficiaries.”¹⁸

7.7.2 We believe that the payout rule could have a number of unintended negative consequences and would have a detrimental impact on the independence of foundations. For example it could lead to conflicts with trust deed requirements (or the wishes of a founder or settlor). Foundations with perpetual endowments make grants from income which fluctuates according to market conditions. Foundations have differing spend patterns, and some may, for instance, make periodic capital awards rather than regular revenue spending. Micro endowments for neighbourhoods are an important element of the ‘big society’, however the small scale of these funds will often mean uneven spend year by year.

7.7.3 We believe that a payout requirement is unnecessary if the aim is to protect against excessive retention of funds by foundations. Regulation of inappropriate under-spending already exists through the Charity Commission and the SORP.

7.7.4 There is a real danger of a new “floor” becoming a “ceiling”: any new payout requirement intended as a minimum would end up becoming a maximum instead. US experience bears out this fear: there is a distinct trend of foundations that were paying out more than the required percentage reducing their spending to just what is required.

7.7.5 Rather than introducing a new payout requirement on foundations, the focus should be on encouraging them to use their assets more broadly through program related investment

7.7.6 The UK is a popular location for the charitable foundations of wealthy overseas donors seeking to establish both flow-through and endowed funds. Such donors are

¹⁷ Funding the Future – A 10 Year framework for civil society, NCVO Funding Commission, Recommendation 7, p53
Charities Aid Foundation response to the Cabinet Office’s Giving Green Paper

attracted by the investment expertise primarily in the City of London, the favours tax
treatment and long established and practical charity legislation. From our
experience working with such clients, a minimum payout requirement would drive
these funds offshore to the detriment of the UK economy.

**Tax relief**

**KEY POINT: Tax reliefs are an important tool, and must be taken into account in
any Government strategy to increase giving.**

7.8.1 Ensuring that the tax system effectively supports and encourages charitable
giving is the most tangible and powerful policy lever available to government. In a
survey of CAF clients, 32% of all respondents, unprompted, identified improving tax
incentives as the most important action that the Government could take to encourage an increase in giving.  

7.8.2 Charitable donations in the UK already benefit from a generous tax relief
system. Gift Aid alone brought over £1bn to CSOs in 2009/2010. This income is
critical for both small and large organisations striving to deliver vital services and is
increasingly important in securing the resilience and sustainability of the sector in the
face of wider economic difficulties and public spending cuts. However CAF
estimates that, based on current donation levels, around £750m of Gift Aid goes unclaimed every year at current levels of giving.

7.8.3 As well as directly providing an essential source of income to CSOs through Gift
Aid, the tax relief system encourages charitable giving and acts as an incentive for
donors by providing personal tax relief on donations (e.g. higher rate tax payers are
able to claim the marginal rate of tax on Gift Aided donations; donors giving through
payroll giving benefit from full income tax relief as the donation is taken from pre-
tax pay).

7.8.4 There is a strong consensus amongst all interested parties (government, CSOs
and donors) that the tax relief system for charitable donations plays an important
role in building a strong giving culture in the UK, however the system is now in
desperate need of ‘maintenance’ and modernisation.

**Gift Aid**

**KEY POINT: Gift Aid needs to be digitised- allowing charities to make online claims
and donors to make online declarations.**

7.9.1 The Gift Aid scheme, in particular, has developed considerably over the past 20
years and has been ‘stretched’ in response to innovation and lobbying by the
fundraising community (for example, Gift Aid can now be applied to goods donated
to charity shops – although the process is convoluted). The system has now become
excessively complex and unwieldy, placing a considerable administrative and

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19 An email was sent to all CAF customers (charities, companies, individual donors) inviting them to share their views on the
Giving Green Paper and the question ‘What can Government do to support an increase in giving?’
bureaucratic burden on CSOs (and indeed HMRC), preventing organisations from gaining and using resources for maximum social impact.

7.9.2 There has been a long-running debate on what form improvement should take. In 2008 the Government carried out an extensive consultation with the sector about the barriers to Gift Aid\(^{20}\), which led to a package of measures intended to ease some of the burdens faced by charities. In 2010, HM Treasury led a Gift Aid Forum with the aim of identifying the best direction for reform. In addition to this, several research reports have highlighted the challenges and made various recommendations for change\(^{21}\).

7.9.3 The Government’s response to date has been measured ‘tweaking’ of the existing system. The Government and HMRC in particular have been mindful to retain the essential principles of the schemes and to ensure that they are protected as far as possible from abuse. Although CAF would agree that the scheme is basically structurally sound and that drastic or radical reform (for example, switching to a ‘composite rate’) would present risks to the long-term charitable giving infrastructure, we believe that there is more that needs to be done to help giving grow and thrive in the 21\(^{st}\) century.

7.9.4 CAF commissioned ResPublica to undertake a study into the potential of technology to improve the Gift Aid system. The report, ‘Digital Giving’ sets out a strong argument that the existing scheme is ‘not fit for the future’ and that government and the sector should act now to ensure that tomorrow’s digital fundraising does not leave Gift Aid behind. Building on this research, CAF has designed a model for an online, integrated system for Gift Aid reclaims and donor declarations. We believe that such a platform would dramatically reduce the administrative challenges and barriers connected to engaging donors, reclaiming funds and storing records. Allowing donors to make a ‘universal declaration’ (which would cover all donations to any registered charity), linked to a simple unique identifier (such as a mobile telephone number or email address) could radically transform the Gift Aid scheme, enabling new forms of fundraising - including text and mobile donations - to be easily Gift Aided. The integrated model is designed to be cost neutral to government.

7.9.5 We have also provided recommendations to the Deregulation Task Force (chaired by Lord Hodgson) and to HMRC for small changes to legislation (to be included in the Finance Act 2011) which would remove the complexity and ‘red tape’ associated with the benefit rules governing Gift Aid and payroll giving. We believe that the current stipulations severely restrict the ability of charities to engage with donors and create unnecessary bureaucracy and confusion. A more detailed paper setting out our recommendation is available.\(^{22}\)


\(^{21}\) For example, the survey of small charities by Small Charities Coalition, 2010, the CFDG-led simplification survey 2010, Respublica’s ‘Digital Giving’ 2010

Payroll Giving

7.10.1 As we have already discussed, payroll giving is a very effective but under-used giving mechanism. We have outlined above (7.5.3 – 7.5.6) how government and others could improve and promote the scheme.

Share Giving

KEY POINT: The Government should look to promote share giving as a highly tax-effective form of giving. It would also be good to link this to new FSA rules on the composition of remuneration packages in the financial sector.

7.11.1 Share giving is currently poorly understood. CAF research suggests that only one in five adults is aware that they can donate shares to charity. Share giving is a highly tax-efficient means of donation, providing relief from Capital Gains Tax and potentially Income Tax, yet currently only around £100m a year is donated in this way. Government should work with the fundraising community and financial advisors to promote this method of giving.

7.11.2 The Government should look into ways that the benefits of giving shares can be promoted to employees. In particular, this should be linked to new FSA rules on the composition of bonuses in the financial sector and the new requirements on the publicly-owned banks (RBS and Lloyds) to pay no more than £2000 of any bonus in cash, and the rest in shares.23

Lifetime Legacies

KEY POINT: The Government should take the required steps to make it possible for organisations to offer lifetime legacies to donors.

7.12.1 In addition to improving and promoting the existing charitable tax relief architecture for charitable giving, the Government should also consider the introduction of new mechanisms, such as ‘Lifetime Legacies’. Lifetime Legacies are modelled on the successful Charitable Remainder Trusts (CRTs) available to donors in the USA. In simple terms this mechanism provides the chosen charity with an irrevocable gift (offering a greater security than legacy pledges). This gift can be acknowledged by the charity during the donor’s lifetime, aiding deeper donor engagement and support. The charity is able to use the future donation as collateral and can borrow against this. The Lifetime Legacy also provides an income stream to the donor, as a pension-like equivalent for the remainder of their life.

7.12.2 In the USA, organisations such as arts and education institutions, health and research charities have benefited greatly from this form of charitable giving – providing vital access to capital and a reliable source of income. With higher education fees rising in the UK, Lifetime Legacies could, for example, help to create bursary funds directly benefiting students, not to mention the capital costs of buildings etc that would otherwise be covered from tuition fees. They may also provide an effective means of encouraging philanthropic support for the arts and

could provide access to capital for charities to deliver public services on a ‘payment
by results’ basis.

7.12.3 Evidence suggests that this giving mechanism could release as yet untapped
sources of income – appealing to individuals who are asset rich, but cash-poor (for
example, people with second homes that are no longer needed). Recent research
from the University of Bristol and the Cass Business School,\(^\text{24}\) shows that the ‘baby
boomer’ generation is the most generous in terms of giving to charity, with over-65
year olds accounting for more than a third of all donations to charity. As this
generation enters retirement, the Lifetime Legacy could provide an effective
mechanism to encourage their continued generosity – allowing them to witness the
impact of their gift while retaining some financial security.

**Social investment**

**KEY POINT:** The development of individual social investment should be put in the
context of the strategy for giving. Consideration should be given to targeted tax
breaks to incentivise social investment.

7.13.1 We recognise that the Green Paper does not cover social investment and that
the Government is undertaking work separately on this issue. However, in
addressing how tax relief interacts with giving, the Government must consider the
potential to encourage non-state social investment through the introduction of new
targeted tax incentives, or at least the removal of the barriers that prevent social
investors taking advantage of existing schemes.

7.13.2 There is already tax relief available through the Enterprise Investment
Scheme (EIS) and the Venture Capital Trust (VCT) scheme, but neither of these is
specifically designed for social investment and as a consequence neither is well-
suited for it. Community Investment Tax Relief (CITR) is a more targeted scheme
that offers tax relief on investments made through Community Development
Finance Institutions (CDFIs), but take-up has been poor and there is some concern
that it will be impossible to justify the continuation of the scheme to the EU
authorities that will be deciding this year whether to extend it beyond 2012.

7.13.3 It might be possible to adapt EIS or VCT to incentivise social investment, or it
may be more appropriate to design new incentives from scratch, perhaps based on
offering tax relief on investments in organisations with specific legal structures such
as CICs.