This is a volume of submissions, relevant to the inquiry, which have been reported to the House for publication.
# List of written evidence

<table>
<thead>
<tr>
<th></th>
<th>Evidence</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NAVCA (FVS 01)</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Council for the Advancement and support of Education(CASE) and Ross Group (FVS 02)</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Charities Aid Foundation (CAF) (FVS 03)</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>NCVO (FVS 04)</td>
<td>29</td>
</tr>
<tr>
<td>5</td>
<td>Justine Greening MP (FVS 05)</td>
<td>35</td>
</tr>
<tr>
<td>6</td>
<td>Lloyds Banking Group (FVS 06)</td>
<td>37</td>
</tr>
<tr>
<td>7</td>
<td>Barclays (FVS 07)</td>
<td>40</td>
</tr>
</tbody>
</table>
Written evidence submitted by NAVCA (FVS 01)

NAVCA is the national voice of local support and development organisations in England. We champion and strengthen voluntary and community action by supporting our members in their work with over 160,000 local charities and community groups. NAVCA believes that voluntary and community action is vital for vibrant and caring communities.

We provide our members with networking opportunities, specialist advice, support, policy information and training. NAVCA is a vital bridge between local groups and national government.

Our specialist teams take a lead on the issues that matter most to local support and development organisations. We influence national and local government policy to strengthen local voluntary and community action.

For more details about the full range of ways that NAVCA can help you please go to www.navca.org.uk or call us on 0114 278 6636.
Introduction

1.1 The Government’s budget deficit reduction plan has resulted in significant cuts in the public funding to the local voluntary and community sector; as a result, many organisations are facing closure or a severe reduction in service to the communities they serve. Many NAVCA members are working hard to help local voluntary organisations and community groups identify alternative sources of funding to help them continue to run the vital services they offer to local communities. We welcome government initiatives aimed at increasing support from business for voluntary organisations and community groups. NAVCA would welcome incentives from government aimed at breaking down barriers between the sectors, particularly between business leaders and voluntary and community sector leaders. We are, however, extremely sceptical about the capacity of private investors and philanthropists to fill the gap left by public funding.

1.2 We are very concerned, however, that many voluntary organisations and community groups are being stretched beyond their capacity to adapt due to:
   i.) the speed with which the cuts are being implemented
   ii.) the ‘front loading’ of cuts to the local government settlement grants, and
   iii.) the way in which cuts are being implemented locally.

1.3 The consequence is that many essential frontline services are facing real and immediate threats to their continuing delivery.

1.4 We think it is astonishing that the Prime Minister has called on local authorities not to cut funding to voluntary organisations and charities but instead to look elsewhere for their savings and yet he is ignored. His commitment to achieving a Big Society is being undermined by deep, rapid and unfair local authority cuts. And yet neither he nor the Secretary of State for Communities and Local Government nor the Minister for Civil Society takes any action. We think the Committee should ask the Minister why this is the case.

1.5 Our comments focus on the experiences of the smaller, local voluntary organisations and community groups supported by our members.

The impact of the reduction in public spending on the voluntary and community sector

2.1 Some local authorities used central government grants such as Area Based Grant (ABG) and Working Neighbourhoods Fund (WNF) to replace their own voluntary and community sector grants programmes; this has had a major impact on the funding of many local voluntary and community organisations, including local support and development organisations. The consequence has been that as funding has been withdrawn by central government it has not been replaced by local

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1 Local support and development organisations include councils for voluntary service, volunteer centres and rural community councils
authorities; many have simply passed on the reduction to local voluntary organisations and community groups.

2.2 The long term decline in local grant funding has left many local voluntary organisations and community groups, including NAVCA members, highly vulnerable to the ending of central government funding programmes; a particular problem in deprived urban areas where ABG and WNF were targeted and where social capital is weakest and support for social action is most needed. If resources are not available to sustain local voluntary organisations and community groups, including NAVCA members, these organisations will close, only to be invented at great expense in the future.

2.3 NAVCA members report that frontline groups supporting children and young people are disproportionately suffering from spending cuts. Examples include:

i) In York 33 local voluntary and community sector organisations have lost funding as a result of the termination of the Youth Community Action pilot and cuts to the Early Intervention Fund.

ii) In Sheffield, a number of voluntary organisations and community groups, primarily those in receipt of area based grant from the Children and Young People's Service, have been given six months' notice that they will receive less funding than expected in the current year.

iii) In Surrey, the Children’s Fund contracts have been terminated six months early, to the detriment of a number of local voluntary organisations and community groups.

iv) In Burnley, the Children’s Trust small grants scheme has been suspended. The scheme awarded grants up to the value of £2,000 and its closure affects many small groups providing preventative services to young people.

v) In Gloucestershire the prevention fund has been cut by 46%, without an effective risk assessment or an equalities impact assessment. As a result a number of organisations have experienced a 100% cut in funding, leading to the closure of one service at least; a participation service run by Action for Children. A further 30 organisations have received a 19% cut. NAVCA’s member in Gloucestershire argued against the principle of across the board cuts in the partnership to no avail.

vi) In Eastleigh, children’s services have been affected by reductions in area based grants, causing the cancellation of a local authority grants round in the current year.

2.4 Another service area affected is the provision of local support and development services, such as funding advice, training, organisational development and community development. Some statutory bodies fail to see that cuts to local support and development organisations has a major impact on frontline organisations and local communities. The loss of such services makes it difficult for local people to join, create or develop a charity, social enterprise or community group, which, we consider
symptomatic of a short term approach to budget reduction. Furthermore it fails to appreciate that social action will only flourish where the necessary support and development services are available.

i) In Kirklees a tendering exercise for infrastructure services to the value of £269,000 was terminated without warning after months of discussions and work. This threatens the existence of Voluntary Action Kirklees and the Volunteer Centre and the training it offers to 150 charities and 2,500 volunteers.

ii) Voluntary Action Wakefield was told in July that it would lose the majority of its funding with immediate effect. This means they no longer have funding for their volunteer centre, ICT support and funding advice.

iii) NAVCA’s member in the City of London CITY.COMM has been told by the City of London Corporation that it will not receive funding after the end of this financial year. It is now radically re-thinking what services, if any, it can continue to offer to groups in the Square Mile.

iv) Nottingham CVS has received a cut of £100,000 from the local strategic partnership for its community engagement work, which seeks to involve local people in decision making.

v) Wolverhampton Voluntary Sector Council took over a failing volunteer service in Jan 2010. They got funding for one post and then secured enough WNF for two further posts. In the past year 1500 volunteers have been placed with over 140 local voluntary organisations and community groups. Over 900 of these have also been placed on training courses or accessed employment through our service. WNF funding has ended and unless more funding can be secured this service will end.

vi) In Hammersmith and Fulham the local authority is selling off properties that it considers ‘surplus to requirements’ to raise income. A number of such properties are in everyday use providing office accommodation to voluntary and community sector organisations. The sale of one such property, Palingswick House, in order to accommodate a proposed Free School threatens the survival of 21 community groups including 11 that work with refugee communities locally.

vii) In November 2010 NAVCA asked its members (organisations that offer support to the local voluntary and community sector in every part of England) about their funding prospects. We found that their paid workforce will reduce from 6,800 posts to 5,100 next year; this constitutes a cut of 25% in support to local groups. Most are frontline staff – community development workers, volunteer centre organisers, youth volunteering workers, funding advisers and the like. This was the result of cuts in government programmes like the Future Jobs Fund and the Working Neighbourhoods Fund and cuts to local authority and NHS budgets that support local voluntary action.

viii) Our best estimate so far is that approximately 26,000 jobs in the local voluntary sector will be lost by September 2011. This represents about 25% of
the local sector’s paid workforce. This will inevitably produce a dramatic decline in local services for people in need.

2.5 The termination of the Future Jobs Fund (FJF), which ended in June, and the Department for Work and Pensions funded Volunteer Brokerage Scheme (VBS), which will finish in November, will have a significant impact on the sector’s capacity to help people into employment through volunteering

i) Sefton CVS managed the voluntary and community sector FJF offer and at the beginning of July was successful in getting 106 placements through 36 voluntary organisations. The loss of this scheme will affect the voluntary organisations involved and the employment prospects of those who had a placement.

ii) In Staffordshire and Stoke on Trent, 28 people were placed in the sector under the FJF and Community Action Derby celebrated placing their 100th employee in June, having also helped over 20 young people into employment.

iii) Ealing CVS used the Volunteer Brokerage Scheme to give new volunteering opportunities to many long-term unemployed people – especially young unemployed people – as a route back into work. We have had similar messages from Voluntary Action Stratford on Avon District, Bradford CVS, Volunteer Centre Kensington and Chelsea and Voluntary Action North East Lincolnshire. The general view is that the scheme recovered from early setbacks and had latterly been very successful. Ending the scheme is a direct cut in frontline voluntary and community sector services and affects grassroots community volunteering.

2.6 Although it covers all service areas, it is relevant to mention the effect of cuts in local councils’ grants programmes. Cuts to grant funding disproportionately affect small organisations – the ones that are at the heart of the Big Society and are most likely to help get people involved in social action and volunteering. The current round of cuts to grant funding hit especially hard after years of shrinking grants budgets. Small grants programmes are a low cost way of supporting voluntary and community action and cutting them disproportionately reduces social action and volunteering. Cutting grant funding is a short term measure that will create long term pain.

i) A typical example of this is in Hackney where the council has proposed a 33% (£250,000) reduction to the Community Grants Programme. This reduction will result in the loss of 46 jobs and 230 volunteers, meaning a loss of services to 5,600 current beneficiaries.

ii) In Northamptonshire the £1.6 million Strategic Grant is being ended. The majority is going to service heads to commission services and £200,000 will be left for a small grants fund. This affects 93 organisations, including social care organisations, community transports schemes and advice and information services.

iii) Bolton is looking to cut its small grants budget by £89,000. This will affect the smallest community groups within Bolton who work tirelessly to provide a huge
range of services to local residents and to enhance the quality of life within Bolton.

iv) Croydon Council has announced its intention to move away from funding the voluntary and community sector through grants and instead fund the sector almost entirely though contracts. It proposes cutting the strategic grants budget from £1.8 million to £600,000. This will mean 41 out of the 47 organisations previously funded would lose all funding, including a number of BME organisations and the Rape Crisis Centre. This is a particular concern as Croydon has gained Beacon Council status for its support to the third sector.

v) Nottinghamshire County Council is cutting their grants budget by a third, from £3.3 million to £2.1 million. The original cut was nearly £500,000 more but the council reduced the funding cut after it was severely criticised for falling to consult and was threatened with legal action. Nearby Derby are also making similar cuts to their grant budget, from £2.8m to £1.9m.

vi) In Newcastle the loss of a number of programmes funded by national government has contributed to a 78% cut in the funding local voluntary organisations and community groups receive from the local authority. This will put people at risk, remove vital services and will ultimately cost the council more money over time, as much of the work local voluntary organisations and community groups do is preventative work.

vii) The Local Area Agreement Performance Reward Grant (LAA PRG) has been cut by 50%. In many areas because this funding was not ring-fenced, it has been used to support the local voluntary and community sector. This funding has previously had a significant impact on the level of grant funding available to voluntary organisations and community groups, supporting significant increases in volunteering and social action. Colchester Community Voluntary Service used LAA PRG to support sixty local voluntary groups and is concerned that although it has an exit strategy in place, it is not designed to cope with the early termination of the funding. In Chelmsford this cut has meant voluntary organisations and social enterprises have had to end early a number of successful projects. Basildon, Billericay and Wickford Council for Voluntary Action used LAA PRG money to support people with enduring mental health problems to get volunteering placements as a step towards returning to employment. They have been asked to model the impact of 50% and 75% cuts in funding. In Islington the cut to the LAA PRG fund means that previously promised improvements to voluntary sector community centres, increasing internet access to deprived communities, will not now proceed.

The consequences for voluntary and community bodies of greater commissioning of public services

3.1 Recent changes in the commissioning of public services have opened up new opportunities for some voluntary organisations to get involved in public service delivery. In many service areas, local voluntary organisations and community groups
are well-placed to deliver innovative, cost effective support that meets the needs of local communities. In practice, however, commissioning has also created significant difficulties and barriers, particularly for smaller local voluntary organisations and community groups. Many are effectively excluded from the delivery of local services because of poorly designed commissioning and procurement processes.

The vital role of local grants
3.2 NAVCA believes that grants should be an essential part of the funding mix for local voluntary organisations and community groups and have a vital role in strengthening local voluntary and community action. The widespread shift from grant funding to contracting has resulted in a significant loss of social value for communities, because the wider value of grant funded services has not been appropriately evaluated in tender criteria. We believe this needs to be addressed urgently if the Government’s aspirations for the Big Society are to be realised.

3.3 We would urge the Committee to seek reassurance from the Minister for Civil Society that the Government will take action to ensure that statutory grant funding remains part of the local funding mix.

Impact on independence, accountability and ability to innovate
3.4 In practice, much commissioning practice has not been outcome focussed, services have often been over-specified and tendering and contract management processes have left little scope for voluntary organisations and community groups to innovate. This has restricted the ability of voluntary organisations and community groups to deliver flexible, creative services in response to the needs and preferences of their beneficiaries. Accountability has shifted to contract managers and away from local communities. The independence of voluntary organisations and their ability to campaign and to challenge statutory bodies has often been compromised as a result.

Tendency to focus on process rather than outcomes
3.5 Tendering processes have placed a considerable burden on the sector, particularly smaller local organisations. Onerous bidding processes, frequently with tight timescales, divert time and resources away from frontline services, placing enormous pressures on small, local charities. Contract management processes are frequently disproportionate, with burdensome monitoring requirements and, in some cases, an inappropriate level of micro-management of contracts. Again, this diverts valuable resources away from the front line.

Support for market development
3.6 Local commissioners have not taken a sufficiently proactive approach to developing the local voluntary and community sector market and often lack a good understanding of the local voluntary and community sector, its value and diversity. NAVCA members are ideally placed to support smaller voluntary organisations and community groups to enable them to develop their bidding capability, but this infrastructure support needs to be properly resourced. Funding for this type of support is all too often lacking.
We would recommend that PASC raises with the Minister the importance of strong infrastructure to develop the local voluntary and community sector market. The Minister may refer to a new Volunteering Infrastructure Fund of £43m and to a small Modernisation Fund for infrastructure. Both are welcome but are insignificant when compared to the cuts in funding made recently by local councils and primary care trusts in their funding for local support and development charities.

**Payment in arrears and payment by results**

3.8 Payment in arrears systems, for example, in the welfare to work market and health and social care contracts, present a major barrier for smaller voluntary organisations and community groups and can result in cash flow problems which threaten the viability of organisations. There is a real risk that the extension of payment by results could exacerbate this problem, preventing smaller organisations from entering the market, as they do not have the working capital to continue operating whilst they await payment.

3.9 The Social Impact Bond pilot at HMP Peterborough is an interesting model, which has the potential to overcome this problem. However, we will not have definitive evidence for its effectiveness for some time. We do not consider payment by results to be appropriate for small contracts and grants, where the cost involved in measuring results can be wholly disproportionate to the size of the investment.

3.10 We are not convinced that the proposed Big Society Bank will offer a solution as we understand that the social finance intermediaries that the Bank will use are likely to offer loans not grants. Many local charities will require help in order to make good use of a loan in connection with the delivery of a public service. For example, a youth organisation bidding to take over a redundant local council building in order to provide a youth training centre would need to employ an architect, surveyor and other professionals. Whilst some support may be available on a *pro bono* basis, much would not. So, a 'development grant' would be essential. In another example, a charity providing therapeutic services for people with mental health problems, aspiring to bid for a local council contract in social care, may need to introduce new quality systems to meet a future contract specification. Again a 'development grant' would be essential. Our view is that without 'development grants' many local charities will not be able to access loans from the Bank's distributors.

3.11 We hope the Bank will require its distributors to take a high level of risk. Innovation in service delivery is vital and this requires risk taking. A loan which results in learning about what works in service delivery should not be regarded as a 'failure' even if a local charity closes and the investment is lost.

**More than service providers**

3.12 In many areas voluntary organisations and community groups are increasingly being viewed by commissioners only as service providers, or potential service providers, which can result in the sector is being excluded from discussions about service design due to a perceived conflict of interest. The vital role of voluntary organisations and
community groups in contributing to needs assessment, shaping service design and acting as a voice for local communities, is often overlooked. Resources for campaigning and local voice work have been severely squeezed, partly owing to the difficult economic environment, but also as a consequence of the shift from ‘core’ grant funding to contracts for the delivery of services.

Supporting the sector’s engagement

3.13 It is essential that there are good local infrastructure services in place to facilitate discussions between the sector and commissioners, ensure that the sector is able to contribute fully to all stages of commissioning processes, champion good practice and support development of the market. Local support and development organisations have been carrying out this work in many areas. We have carried out a study into this work and produced a report and case studies\(^2\) that evidence their vital role. Some of the roles local support and development organisations have successfully carried out to support intelligent commissioning include:

i) Being commissioned to carry out needs analysis.

ii) Facilitating the involvement of voluntary organisations and community groups in developing service specifications.

iii) Developing the market – through supplier directories and meet the commissioner events.

iv) Supporting voluntary organisations and community groups with tendering.

v) Capacity-building support for voluntary organisations and community groups, including training and mentoring.

vi) Ensuring voluntary organisations and community groups are involved in developing commissioning strategies.

vii) Coordinating the involvement and representation of voluntary organisations and community groups on commissioning boards.

viii) Designing commissioning processes.

ix) Demonstrating the value of the sector to commissioners.

x) Challenging poor commissioning practice.

3.14 We recommend that PASC raises with the Minister the need to ensure that local support and development organisations are provided with sufficient resources for them to continue their essential role in enabling good local commissioning.

Training for commissioners and procurement officers

3.15 Commissioners and procurement officers do not fully realise and use the full extent of the powers they have to make good funding decisions, give grants, and use flexible and proportionate procurement processes. In particular, the flexibilities available for

\(^2\) NAVCA (2010) A Bridge between Two Worlds; a study of support and development organisations and intelligent commissioning
Part B services are underused. This is related to a high level of risk aversion and fear of prosecution in relation to procurement regulations. We recommend that all training for commissioners and procurement officers, including the National Programme for Third Sector Commissioning, should include these issues as mandatory, as well as relevant central government departments, for example, the Office of Fair Trading and the Efficiency and Reform Group.

3.16 We would welcome measures to reduce the bureaucratic burden of commissioning on local voluntary organisations and community groups. We believe that much of the unnecessary bureaucracy arises as a result of lack of understanding of the commissioning and procurement regulatory framework and high levels of risk aversion.

**Appropriate allocation of risk**

3.17 Commissioners often fail to consider the wider implications of transferring inappropriate levels of risk onto small voluntary organisations and community groups. For example, contracts sometimes include clauses such as unlimited liability and compensation, disproportionate insurance levels or bond guarantees. Payment by results systems can also transfer inappropriate levels of risk onto voluntary organisations and community groups, for example, by imposing penalties for failure to meet targets where the level of demand is uncertain. A robust process of proofing all tender documentation to assess its suitability for smaller voluntary organisations and community groups and to check Compact compliance would help to achieve a fairer balance of risk.

**Recognising the value of the local voluntary and community sector**

3.18 Commissioners need to adhere to the principles of good practice outlined in the Cabinet Office report 'Better Together'\(^3\). These include: communication, transparency, strong leadership and robust evidence. Local voluntary organisations and community groups are embedded within their local communities and this, together with their independence from statutory providers, means they are often more trusted and better able to reach and support the most marginalised and socially excluded communities. The far reaching public service reforms, together with the exceptionally difficult financial environment, means there is an urgent need for the Government to ensure that small, local voluntary organisations and community groups survive and are supported appropriately to play a role in delivering innovative, cost-effective solutions to the current challenges.

3.19 Infrastructure support to small, local voluntary organisations and community groups, to enable them to play a role, needs to be seen as a central plank of delivering the Big Society. The Government needs to be aware of this priority and of what could be lost if local voluntary organisations and community groups are not appropriately supported.

\(^3\) [http://navca.org.uk/news/bettertogether.htm](http://navca.org.uk/news/bettertogether.htm)
3.20 We recommend that the Committee asks the Minister whether he recognises the high level of risk posed by local authority funding cuts to infrastructure services and what he proposes to do about it.

**Methods for increasing non-statutory funding and what role the government should play in supporting this**

4.1 We welcome government initiatives aimed at increasing support from business for voluntary and community organisations.

4.2 NAVCA would welcome incentives from government aimed at breaking down barriers between the sectors, particularly between business leaders and voluntary and community sector leaders.

4.3 In particular, NAVCA recommends that government

i) provide incentives for increasing pro bono work with communities and voluntary and community organisations in greatest need. Rather than re-inventing the wheel, NAVCA believes that the Office for Civil Society should require its strategic partners to work with BITC to ensure voluntary and community organisations throughout England have access to support from the local business community

ii) provides incentives to encourage more local philanthropy and corporate social responsibility to build local endowments to provide sustainable grants to support voluntary action. Community foundations exist across the UK and between them held nearly £200m in endowments in March 2008, mostly from private sources. They promote local philanthropy and giving and are a source of grant funding to encourage voluntary action

iii) build upon Prime Minister’s call4 to business leaders to support volunteering; this should include encouraging their employees to become trustees of local charities – good trustees provide strong and sustainable leadership and raise the standard of local voluntary action

iv) support the Public Services (Social Enterprise and Social Value) Bill to provide incentives for local businesses to increase their involvement with local voluntary and community groups by embedding social values in all public sector contracts

v) support the Banking and Financial Services (Community Investment) Bill “to make provision for a voluntary mechanism through which banks, building societies and other providers of financial services can support community projects through reinvestment of part of their profits and assistance in kind”

vi) establish 2-year transition funds for local support and development organisations as local state funding declines, to enable them to develop new business models based on alternative funding and to provide external support to transform under

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performing organisations. Specifically, it would enable providers of infrastructure services to:

- become more entrepreneurial by developing earned income from both service provision and asset use
- downsize in a carefully managed way, developing new relationships with the local private sector, local councils and the new local NHS structures, particularly GP commissioners
- develop new types of fundraising including Community Shares, payroll giving, Gift Aid and 'fiscal sponsorship'.

**How the tax system, including Gift Aid, could be changed to better support charities**

NAVCA looks to NCVO to represent the sector's concerns and we are aware that their submission will cover the matter of Gift Aid.

February 2011
Written evidence submitted by CASE (Council for the Advancement and support of Education) and the Ross Group of University Development Directors (FVS 02)

Introduction
CASE is an international membership organisation headquartered in Washington DC that provides professional support to advancement professionals in education (advancement covers: marketing, communication, fundraising and alumni relations). CASE Europe is based in London and includes 136 UK higher education institutions amongst its membership.
The Ross Group is a network of leading development directors working in Higher Education. It works closely with CASE and is the developer of the Ross-CASE Survey of Fundraising (http://www.natcen.ac.uk/rosscasesurvey/index.html) which is published annually and is the most comprehensive source of information about fundraising trends in UK Higher Education. The list of current members is attached at Annex 1.

Evidence
The Select Committee has asked for responses to two questions that are relevant to philanthropic fundraising by Universities:

i) methods of increasing non-statutory funding and the role Government can play in this;

ii) how the tax system, including Gift Aid, could be changed to better support charities.

The Context
Cash received from donations to HE currently exceeds £500m per annum. These donations are provided by over 180,000 donors and university development offices have worked hard to increase this number steadily over the past five years. Universities spend around £70m per annum in dedicated professional fundraising activities (supported, in addition, by significant amounts of time from Vice-Chancellors and other senior academics). Universities are charities and while not normally regarded as part of the voluntary sector (the main focus of the Committee’s current inquiry), there are many common interests in respect of building sustained philanthropic support. Universities lead the country in expertise in major gift fundraising and are consistently the recipients of the largest philanthropic gifts. See: http://www.coutts.com/files/million-pound-donors-report-2010.pdf. This is expertise that could be shared by other parts of the sector.

Our Response

i) Methods of increasing non-statutory funding and the role Government can play in this.

Philanthropic giving to HE is a voluntary act that is based on a close relationship between the donor and the institution receiving the gift. While “cause-based” charities may be able to tap into a significant market for donations without establishing a personal relationship, this is not true for universities. University Development and Alumni Relations Offices spend a great deal of time maintaining the connections with their former students, post-graduation, and ensuring that alumni understand the value that HE contributes and the difference their gifts can make. Relationship-building is particularly important in the cultivation of major gifts;
voluntary, education and cultural charities have shared interests in learning from each other and working with the Government to promote and celebrate such acts of giving. The Government could encourage and support fundraising efforts across all of these charitable sectors (which frequently share both donors and fundraising staff) to create a sustained culture of philanthropy by:

- Fostering a national recognition framework – potentially including a national philanthropy circle of some description, and by including philanthropy as a specific criteria for awards under the honours system – to celebrate and recognise individuals who making high-level gifts to all types of charities and those whose efforts encourage and foster the giving culture.

- Continuing to develop ‘philanthropy ambassadors’ and ensuring that they are well managed and resourced. There is a great need to build up the number of positive role models – of donors at all levels – to a wide variety of causes and from an appropriately diverse sample of the population. Universities would be happy to help in suggesting further ambassadors from their own donor population.

- Promoting, directly and through industry associations such as the CBI and the BBA, the importance of corporate matched giving programmes that incentivize employee giving. The Government might consider establishing a public database of such schemes to promote their impact.

- Working with the Charity Commission to lighten the regulatory and administrative burden facing individuals considering setting up their own private charitable foundations. Similarly, the Government must avoid at all costs any further regulatory or other proscriptive measures relating to how these Foundations are managed, including income distribution policies. Donors and trust administrators rightly have the flexibility at present to balance the needs of current and future beneficiaries. If the regulatory authorities discourage the setting up of Trusts by undermining the independent decision-making processes of Trustees, we discourage strategic, planned philanthropy which is key to providing charities with the ability to plan their activities ahead rather than simply depending on ‘appeals’.

Two further actions Government can take are relevant more specifically to the university sector:

- Promoting regular giving and strategic philanthropy to universities as a public good to be celebrated, on the basis that universities undertake work that is central to finding solutions for key local, national and global issues, as well as providing vital underpinning for both the UK economy and a civilised open and democratic society. It is highly regrettable that the suspension of funding for communications initiatives, implemented by the new Government on election in 2010, caught the CASE-HEFCE “Give the Gift of Knowledge” media campaign which had then recently been launched. This suspension should be lifted.
Building on the impressive increase in numbers of donors to UK higher education during the current Government matched funding programme (a 25% increase within 2 years) the Government should consider a follow-up programme, with a particular emphasis on encouraging first-time, lower level donors to higher education (both for alumni and the wider public).

ii) How the tax system, including Gift Aid, could be changed to better support charities.

The current structure of Gift Aid works well. As the Treasury Gift Aid Forum concluded, after extensive discussions during 2010, in particular it would be damaging if higher rate tax relief were to be abolished or subsumed into a so-called composite rate. HE is particularly successful at securing larger individual gifts and for many donors at this level, higher rate relief plays an important role in their decision-making. Higher rate tax relief is also important to individuals considering setting up private foundations, from which we believe all benefit (see above).

The recent report to the Treasury of the Gift Aid Forum Working Group supports this position (http://www.hm-treasury.gov.uk/8519.htm), but in addition, makes a number of helpful suggestions with regard to improvements to the mechanics of Gift Aid. Early implementation of the Working Groups’ recommendations would be helpful.

The Government should consider amendment to HMRC rules on charitable gifts from companies, to allow the use of corporate logos in certain circumstances, without undermining the tax-efficient nature of the gift. The equivalent US rules provide a helpful model. If the Government is serious about encouraging appropriate forms of reciprocity, we consider the ‘soft’ marketing benefits this would bring for corporate donors to be an excellent starting point.

The charitable sector has been lobbying for several years for the introduction of legislation that would allow tax advantaged ‘lifetime legacies’ on the US model. The Treasury and HMRC have not thus far been persuaded. Lifetime Legacies play an important role in US giving patterns and while complex could be particularly relevant to universities, many of which have the financial and risk management experience to deal with them.

One further action Government can take relating to the tax system is relevant more specifically to the university sector:

The introduction of tax-efficient savings vehicles targeted at encouraging parents to create “College Funds” that will be available to support their children should be an essential part of the financing reforms that the Government is now introducing into HE. If alumni parents are confident that their own children will be supported, they are more likely to be willing also to engage philanthropically with their alma mater.

February 2011
1. Introduction
1.1 The Charities Aid Foundation (CAF) is a registered charity that aims to help 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 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 CAF does not itself receive any public funding and does not have any contracts to provide services. However, many of the charities we work with do deliver public services and have experience of the commissioning environment.

1.6 CAF has a social investment fund, CAF Venturesome, which has been operating since 2002. As a result of this, we have developed influential thinking on the requirements for successful social investment and how the market as a whole could be developed.

1.7 CAF’s Chief Executive, Dr John Low, was a member of the NCVO Funding Commission, which published its final report in December 2010.

2. The impact of the reduction in public spending on the voluntary and community sector

2.1 The pressure on government (both national and local) to reduce budgets following the Spending Review is inevitably having a huge impact on CSOs. Funding cuts have been anticipated by the sector for some time, but the true impact of commissioning decisions is only just starting to be felt.

2.2 The sector faces the combined impact of increasing demand for services, public spending cuts and wider economic difficulties that both increase costs and place strain on individual and corporate support.

5 http://www.ncvo-vol.org.uk/fundingcommission
2.3 The Trade Union Congress has recently stated that the sector is set to lose 4.6bn as a result of austerity measures.

2.4 A group of infrastructure and umbrella bodies have launched a joint initiative to collect evidence on the impact of the spending cuts. The ‘Voluntary Sector Cuts’ website allows CSOs to register their own experiences of cuts. This gives an up to date source of information on the evolving situation.\footnote{http://voluntarysectorcuts.org.uk}

2.5 It is worth noting that the NCVO’s Charity Forecast Survey, carried out in December 2011, shows that charity leaders’ confidence levels in their organisation’s financial situation is significantly lower than at any point in the previous three years. Over two-thirds of respondents (69 per cent) predicted that the financial situation of their organisation would worsen over the next twelve months.

2.6 In October 2010, the Government announced a transition fund of £100m available to CSOs experiencing difficulties as a result of public spending cuts. Charities applying for funds were required to ‘have evidence, or have substantial reason to believe, that between April 2011 and March 2012, [your] organisation will experience a reduction of at least 30% of the taxpayer-funded income you receive for the delivery of front line public services in England.’\footnote{http://voluntarysectorcuts.org.uk} The fund had an application window of just over 7 weeks (including the Christmas period) which closed on 21st January 2011. For many CSOs it will have been impossible to predict their funding situation and to finalise their business plans in the short-term, as decisions on statutory funding are often communicated by commissioners at the last minute. Many of the recent examples in the press of CSOs that have suffered severe funding cuts bear this out, as in many cases the level of the cuts could not have been foreseen and the CSOs were only told about them at a very late stage. The Treasury’s ‘annuity’ requirements also mean that all grants must be spent by March 2012, which will put pressure on the CSOs receiving funding and limit the positive impact that the transition fund is able to have during this critical period. A phased approach to distribution would make it easier for organisations to access this support as it becomes necessary.

3. The consequences for voluntary and community bodies of greater commissioning of public services

3.1 Basic principles of Commissioning- Engagement, Outcomes and Value:
3.1.1 In order for commissioning to really benefit CSOs, it is important that it is not just done more, but that it is done in the right way. If the use of commissioning increases without resolving many of the issues currently faced by CSOs that deliver services, it will not benefit them at all.

3.1.2 Commissioning should be based on clearly defined outcomes, which are determined through a meaningful process of engaging with citizens and service users to establish their needs and priorities.

\footnote{http://voluntarysectorcuts.org.uk}
3.1.3 Commissioners should have strong ongoing relationships with potential providers from the public, private and civil society sectors, so that they understand the marketplace available to them and the strengths and weaknesses of different organisations.

3.1.4 The design and procurement of services should be centred on finding the best way of delivering the desired outcomes for the best value. “Best Value” must be about a balance of wider economic, environmental and social factors, and not be seen as simply synonymous with “lowest cost”. This is a problem currently, and leads to the ‘race to the bottom’ where organisations bidding for contracts try to undercut one another on price, often to the detriment of quality. This does not represent “value” for service users or citizens.

3.1.5 CSOs should not be seen as “the cheap option” for service delivery because they are able to draw on charitable income and volunteers. Commissioners must be willing to pay an appropriate price for services. It is entirely unreasonable to expect charitable income or volunteer labour to subsidise their costs.

3.2 Proportion of Services delivered by CSOs:
3.2.1 The proportion of services delivered by CSOs in a given locality or service area should be driven by the availability of organisations in the marketplace that are able to demonstrate their ability to deliver good value outcomes, and not by any ideological desire to favour one sector or another. For that reason, the Government’s suggestion of setting targets for the proportion of services delivered by CSOs is not a good one, and may well result in below-standard services, a loss of value or a distortion of the marketplace.

3.2.2 Similarly, any decision about in which services areas it may or may not be appropriate to commission from CSOs that is based on ideology is likely to prove problematic. Any such decision should be demand-driven.

3.3 Payment by Results:
3.3.1 The move to payment by results could be a positive thing for CSOs, as long as those results are based on agreed outcomes. There have been complaints from CSOs that current service delivery contracts proscribe what is done to such a degree that it is difficult for them to deliver the best value and outcomes. By focusing on what is achieved and not specifying how (apart from general standards of governance, legality etc), it should be possible to allow service deliverers far more freedom to operate in new and innovate ways that produce good outcomes.

3.3.2 There are clear risks for CSOs that will arise from payment by results. The most obvious of these is the gap in working capital that comes from end-loaded contract payments. Many CSOs (particularly smaller ones) may be able to demonstrate an approach that could deliver great outcomes, but be unable to cover the costs of the activities needed to produce those outcomes, because they will not get paid until the outcomes are actually achieved. This is a problem for CSOs, who often have no assets against which to secure lending, as they are unable to access commercial capital and the availability of social investment is limited.
3.4 The Right to Challenge and Employee-LedMutuals:

3.4.1 The “right to challenge” existing public service provision contained in the Localism Bill is probably the most substantive of the Government’s “Big Society” policies yet announced. In principle it could provide a huge opportunity for CSOs to challenge poorly-delivered services and open up them up to a commissioning process. Obviously it is important that the general points about how commissioning is done apply here too.

3.4.2 It is clear from Government announcements that the right to challenge does not apply only to existing CSOs, but also to new community organisations that are formed specifically for the purpose and to new employee-led mutuals spun out of the public sector. Indeed, there is an implication that it is primarily these sorts of organisations that the Government is interested in.

3.4.3 The focus on new entities formed specifically to challenge and bid for services raises issues around funding. How are these new bodies going to fund the costs of starting up, challenging and bidding successfully and then providing effective services? Will they be able to recoup their capital costs through subsequent service delivery contracts? If so, will they not represent quite an expensive option? If the intention is to leverage non-state funding through philanthropy and social investment, it is unclear how this would work. By their nature these organisations would have no track record to demonstrate their success, which would make fundraising extremely difficult.

3.4.4 The possibility of new special-purpose entities arising to deliver services will also have an impact on the way that commissioning is done, and in particular on the lengths of service delivery contracts. In order for it to be an appealing or even viable proposition for a new entity to be formed to bid for a service, there must be sufficient confidence that a successful bid will guarantee a contract for a reasonable period of time (which may be at least 10 years). If there is no such reassurance, it is very hard to see why community groups or groups of public sector workers would take the financial risk of putting themselves significantly out of pocket or out of work when the reward is only a short term contract that may not be renewed.

3.5 Measuring Outcomes and Social Impact

3.5.1 It is well-known that both outcomes and social impact are difficult to measure. However, if (as they should be) outcomes and a broader notion of ‘value’ are put at the heart of the commissioning process, there will be a real onus on commissioners to face up to this difficulty. In order to ensure that taxpayers’ money is being spent effectively, it must be possible to quantify the non-financial aspects of the value that service deliverers are able to offer.

3.5.2 The civil society sector has done, and will continue to do, a lot of work in developing methods of measuring social impact. However, the sector should not be expected to bear the entire burden of funding this development. Building the resources and skills for effective measurement will be expensive, and when public sector commissioners themselves are in part
driving demand for impact measurement they should expect to shoulder a fair proportion of the cost of developing it.

4. Methods for increasing non-statutory funding and what role the Government should play in supporting this

4.1 Individual Giving and Philanthropy:
4.1.1 Charitable giving is an essential facet of a healthy and strong society. For CSOs, voluntary income from individual donors can help maintain independence and resilience as well as providing a mandate through citizen support.

4.1.2 UK Giving 2010 shows that individuals gave £10.6bn in 2009/10\(^7\). This is a real increase of £400m compared with the previous year, but does not match pre-recession levels. This figure is based on ONS omnibus data and it is assumed that this does not capture an estimated additional £1bn in major gifts from individual philanthropists.

4.1.3 CAF’s recent research report, ‘The World Giving Index’\(^8\) demonstrates a strong correlation between participation in giving and levels of wellbeing. Existing attempts to promote giving have primarily focused on the benefit to the organisation or individual receiving help. However, those seeking to stimulate giving should also look to highlight the reciprocal benefits it carries in terms of enhancing donors’ wellbeing and the positive impact it has on wider society. Levels of giving should, therefore, be included as indicators within the ONS’ National Wellbeing Project.

4.1.4 The Giving Green Paper clearly demonstrates the Government’s commitment to encouraging individual giving and philanthropy. While it is impossible to compel people to give, there is clearly a role for Government in creating a supportive legal, regulatory and fiscal environment for fundraisers and donors.

4.1.5 If commissioners are interested in using new methods of funding to achieve social outcomes, they should also consider engaging with funders who are already working in their locality or service area. Not only will grant-making foundations or individual philanthropists have knowledge and experience that might be useful, but there could also be opportunities for co-funding. Currently there are major barriers to businesses or donors investing alongside public sector funders: chief amongst these is the concern that the highly prescriptive way that services are commissioned constrains CSOs, and gives public sector funders too much control over what is done and how it is done. This can lead to mission drift for CSOs that have service contracts, and makes philanthropic donors unwilling to invest in them. If, however, funding relationships are based on payment by results for agreed outcomes, they should dictate only what is delivered, and not how it is delivered. This leaves CSOs free to operate in a way that maximises their added value, and should allow donors to have the confidence to invest

\(^8\) CAF World Giving Index http://www.cafonline.org/pdf/WorldGivingIndex28092010Print.pdf
alongside public sector funders. More work needs to be done to find ways of making co-funding a reality. This is an area that CAF will be looking at in the coming year.

4.1.6 There has also been proven success in leveraging private donations through government match funding programmes, for example Grassroots Grants. Government should explore the possibility of further focused match funding opportunities.

**Tax relief**

4.1.7 Charitable donations in the UK benefit from a generous tax relief system. Gift Aid alone brought over £1bn to civil society organisations (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.

4.1.8 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 (for example, 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).

4.1.9 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.

4.1.10 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 bureaucratic burden on CSOs (and indeed HMRC), preventing organisations from gaining and using resources for maximum social impact.

4.1.11 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\(^9\), 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\(^10\).


\(^10\) For example, the survey of small charities by Small Charities Coalition, 2010, the CFDG-led simplification survey 2010, Respublica’s ‘Digital Giving’ 2010
4.1.12 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 21st century.

4.1.13 CAF has recently taken a proposal to the Economic Secretary to the Treasury, Justine Greening MP, to develop an online, digital system for Gift Aid reclaims and donor declarations. We believe that such an online platform would dramatically reduce the administrative challenges and barriers connected to engaging donors, reclaiming funds and storing records. The proposal is designed to be cost neutral to Government.\(^{11}\)

4.1.14 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.\(^{12}\)

4.1.15 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.

4.1.16 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’\(^{13}\). 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. This is particularly beneficial to organisations with large capital requirements and could help to address cash-flow challenges connected to services provided in a ‘payment-by-results’ arrangement. The Lifetime Legacy also provides an income stream to the donor, as a pension-like equivalent for the remainder of their life. Evidence suggests that this giving mechanism could release as yet untapped sources of income – appealing to potential donors who are asset rich, but cash-poor (for

\(^{11}\) See supporting document 1 for further information on CAF’s Digital Gift Aid Proposal.

\(^{12}\) See supporting document 2 for further information on proposed changes to Gift Aid Benefits.

\(^{13}\) See supporting document 3 for full details on how Lifetime Legacies would operate in the UK.
example, people with second homes that are no longer needed) and would benefit from retaining an interest in, or income from, the asset.

4.2. Workplace Giving, Corporate Giving, CSR and CCI:
4.2.1 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
4.2.2 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.

4.2.3 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.

4.2.4 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).14 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).15

4.2.5 The Government should look at ways of encouraging employers to set up payroll giving schemes so that more employees can use this as 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 can be a considerable incentive.

4.2.6 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,16 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

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14 CAF/NCVO UK Giving 2010
15 www.payrollgiving.co.uk/index.php?getID=4&getTitle=Employer
16 www.thirdsector.co.uk/News/MostDiscussed/1052688/Survey-indicates-preference-opt-out-payroll-giving/
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.

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

4.2.8 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.

CSR/CCI:
4.2.9 The Government should play a role in emphasising that there is growing evidence that CSR and CCI are not just “nice things to do”, but actually confer a competitive advantage on companies.17

4.2.10 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.

4.2.11 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.

4.2.12 More detail on the importance of brokerage can be found in CAF’s response to the Office for Civil Society consultation ‘Supporting a Stronger Civil Society.’18

4.3 Social Investment:
4.3.1 Social investment describes an approach to funding CSOs that encompasses a broad range of financial tools such as loans, patient capital, equity investment and so on. It is a growth market, and represents a potentially huge opportunity for the sector to become more sustainable by diversifying its sources of funding beyond donations or contracts to provide services.

Big Society Bank:

18 See supporting document 4.
4.3.2 The Government’s main policy regarding the development of the social investment market is the proposed Big Society Bank. This is expected to launch in Q3 2011 with an initial capitalisation of over £60m of unclaimed assets. A further £200m has been promised through the Project Merlin agreement with banks. It will undoubtedly come as a welcome injection of new money into the social investment sector that should then flow through to charities and social enterprises. However, the way that the bank is set up to operate will be absolutely crucial in ensuring that it achieves the maximum positive impact and does not generate unintended consequences. The suggestion from the Project Merlin agreement statement that the £200m will be offered on a ‘commercial basis’ is a cause for concern and needs further clarification.

4.3.3 The bank is currently mooted to act as a wholesale financial institution that will invest in social investment intermediaries, although there is some leeway in government announcements about whether it will also be able to act as a direct investor in CSOs. The former is the right approach to take and is not really consistent with the latter, which would be potentially damaging. By acting as a wholesaler and working through existing and new social investment intermediaries, the BSB will be able to draw on the knowledge and expertise already in the sector and strengthen the infrastructure required for sustainable growth. If BSB starts to invest directly, however, by its size and nature it will almost certainly distort the fragile social investment market in a way that could prove damaging to its long-term sustainability.

4.3.4 The Government should consider the ways in which policies in other areas (such as the Right to Challenge) will present new opportunities for social investment, and how the BSB can best be used to nurture these. There is already the example of the Social Impact Bond as one model designed to overcome the working capital problem, but there must be others too. It is crucial to identify these and to act in a joined-up way to align the BSB with the public service reform agenda.

4.3.5 One of the stated aims of the BSB is to leverage additional funding (at, it is claimed, a gearing ratio of at least 3:1) from individual social investors, grant-making foundations and commercial investors such as pension funds. Whilst it is possible to see how philanthropically motivated social investors and foundations could be attracted by new investment opportunities (as they are the primary sources of social investment at the moment anyway), there is a question mark over the extent to which commercial funds will be able to move into this space. To argue that they will be able to relies on an assumption that there will be a sufficient supply of “win-win” investment opportunities producing both reasonable financial returns and measurable social returns. However, it is not certain that this is a justified assumption. There are some who argue that there is the potential for a “new asset class” that would allow mainstream social investment (notably JP Morgan19), but the majority of examples of win-win investments tend to be in developing countries where economic and social benefits often go hand-in-hand rather than in developed nations where the remaining social problems tend to be entrenched and difficult to solve and don’t lend themselves

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19 JP Morgan (2010) *Impact investing; An emerging asset class*
obviously to generating financial returns. For an organisation like the BSB, which is focused in social investment within the UK, there should be recognition that the potential to generate social returns in addition to financial returns of the order required by commercial investors may be limited, and thus that the ability to leverage non-state money might be less than supposed.

Other Measures to Encourage Social Investment:

4.3.6 If the Government wants to grow social investment from non-state sources, it should consider introducing new targeted tax incentives to encourage this, or at least remove some of the barriers that prevent social investors taking advantage of existing schemes.

4.3.7 There are already tax reliefs 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.

4.3.8 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. This brings the question of defining and quantifying the ‘social purpose’ or ‘social impact’ of an organisation to the fore, which is difficult, but as argued earlier, needs to be addressed.

Programme-Related Investment:

4.3.9 The new Charity Commission CC14 guidance on investment for charities is potentially a big step forward. By linking Programme-Related Investment with standard financial investment, the guidance makes clear that there is a range of different ways in which charities can use their financial assets to achieve their charitable aims, from the traditional approach of using income from standard investments to fund grants, to direct social investment in other CSOs. A number of grant-making foundations are already amongst the major social investors in the UK, so encouraging others to think more creatively about how they use their financial assets could open up a significant new pool of money for social investment.

February 2011
Further to NCVO’s appearance before your committee on 27 January we were asked to write with further suggestions on the topics to pursue with the Minister for Civil Society, Nick Hurd MP.

NCVO is the largest general membership body for voluntary and community organisations (VCOs) in England. Established in 1919, NCVO represents 8400 organisations, from large ‘household name’ charities to small groups involved in all areas of voluntary and community action at a local level: almost half of our members have an income of less than £10,000. Our members include 365 national and 473 local infrastructure organisations, thereby extending our reach still further.

The impact of the reduction in public spending on the voluntary and community sector

There is no doubt that these will be challenging times for the VCS. As you will be aware the voluntary and community sector (VCS) is facing significant reductions in public spending, along with proposals for public service reform and a de-centralisation of power from a central to a local level. The scale and speed of spending cuts is having a significant impact on the VCS.

A significant problem facing the sector lies in how to fill the substantial gap left by government funding cuts in the short term before longer term opportunities provided by public service reform come on stream. Giving remains £700m below pre-recession levels, the end of transitional relief on Gift Aid in April will cost the sector at least £100m and the increase in the main rate of VAT to 20% will cost an estimated additional £150m per year. The recession and the subsequent period have been characterised by falling income and rising demand. It is essential that the sector is not seen as a soft-target for cuts and that any reductions in spending are phased in over time. Government must work in partnership with the sector and seek to mitigate the impact of cuts on the VCS and on the people and communities that the sector serves. Partnership working can mitigate the impact of reductions to overall spending levels and can protect investment in services which add particular social and economic value – for example the role that the VCS plays in preventative services.

Statutory income

The voluntary and community sector receives £12.8bn from statutory sources\(^20\), which accounts for 36% of sector income and closely follows income from individuals as the most significant funding stream. The large majority of this funding (£9.1 billion) is comprised of

\(^{20}\) NCVO (2010) The UK Civil Society Almanac 2010. Note that these figures relate to 2007/8, the most recent year for which detailed data is available.
payment for the delivery of services under contract. However it is important to remember that this represents only 2% of total government spending.

Given that the majority of statutory funding to VCOs comes from local authorities (52%), decisions made at a local level are of vital importance to the financial health of the sector. We are now entering a critical period as local authorities finalise their spending decisions. Many charities will not know until the end of February or early March what their funding situation is going to be from 1 April. Good quality, well informed and timely decision making is clearly essential in order for VCOs to plan with confidence and to ensure that service quality is not unnecessarily impacted.

Increasingly we hear of decisions being taken by local authorities without adequate consideration being given to the impact these cuts will have in social and economic terms. Devon County Council recently announced the removal of all funding for domestic abuse services, cuts to CVS and CAB funding and funding to arts organisations. In Birmingham all five Citizens Advice drop-in offices are to close because funding has been terminated by the city council. Intelligent funding decisions are essential and must be based on well informed evidence about the overall spending on and importance of all services, including those outsourced to the VCS.

There are positive examples of local authorities making long term, strategic decisions in partnership with the local voluntary and community sector. These authorities have been making decisions that take account of all budgets and do not target outsourced budgets for cuts. These include local authorities in Merton, Thurrock and East Sussex, amongst others. Staffordshire Council has introduced its own transition fund, to support voluntary and community organisations in moving toward a payment by results model.

**The consequences for voluntary and community bodies of greater commissioning of public services**

The VCS already plays a significant role in public services, and there is potential for this to grow. It is important that the full role, skills and attributes of the sector are taken into account and that the role for the sector is not restricted to delivery. The VCS should be engaged in the process to transform services, not simply to be the recipient of transfers of services from the public sector. A shift toward commissioning on the basis of the full economic, social and environmental value of services is positive. Services should be focused on outcomes and this will require changes to the commissioning process. To develop innovative, flexible services will require proportionate risk taking – risk needs to be accepted and managed and the burden of risk shared fairly amongst partners.

A more decentralised model for public services and a greater role for communities and community groups will be part of the solution in seeking to make services more responsive and accessible. Right to challenge proposals will be one mechanism for this, though there are important issues to be resolved around how the criteria to determine a successful challenge
should be drawn up. Where a service is successfully challenged, then this should result in a full commissioning process, as long as appropriate, rather than simply a procurement exercise to replace one provider with another. It is important that the fact that services are being challenged is taken seriously and that a full assessment of where improvements and changes are needed is undertaken. The transferring of assets to communities is a further welcome step, but it is important that these transfers are properly configured and that the reality is not simply a transfer of liabilities.

There are currently obstacles to market entry and a lack of a 'level playing field' between the VCS and other sectors, for example in the way that VAT is levied. Very significant barriers for the VCS include access to working and development capital and cash flow. It is likely that a shift toward a payment by results model would exacerbate these problems if decisive action is not taken. The Big Society Bank is a part of the solution to that problem, but VCOs must be supported through the transition if government’s ambitions for more diverse and plural public services provision are to be realised.

**Methods for increasing non-statutory funding and what role the Government should play in supporting this**

**Social investment**

Social investment is likely to form an increasingly significant role in financing the sector in the coming years. To that end, NCVO looks forward to seeing the details of the Government’s social investment strategy and the particular role that government can play in ‘joining up’ the different parts of the currently fragmented market.

Getting the right tax incentives in place is going to be a pre-requisite to stimulating market growth and development. Whilst recognising the current fiscal position, the right tax reliefs when carefully targeted can generate overall returns over and above the investment from government many times over. We would suggest that CITR (Community Interest Tax Relief), which is currently the principal tax incentive for social investment should be the first area of attention. Introduced in 2002, take-up has arguably been disappointing and we would encourage government to broaden the scope of organisations that qualify for CITR and to work with the VCS and social enterprise to consider how CITR might be made a better ‘fit’ for the sector.

The Big Society Bank has the potential to provide significant new sources of funding for voluntary and community organisations. NCVO has long called on government to introduce a social investment wholesale bank and we recognise the potential that the Bank will have in making wholesale capital available to the retail institutions that support the sector. It is important to note, however this is a long term project and that the first funding will not be in place until the autumn. The impact of spending cuts will take effect from April 2011 and it would therefore be extremely helpful if consideration could be given to significantly increasing the scale and scope of the Transition Fund and the resources available to it. Despite a short timescale and restrictive criteria for organisations that were eligible to apply,
the Minster has indicated that a ‘multiple’ of organisations supported applied for the fund and we would welcome clarification from the Minister on how many organisations applied.

Further announcements around additional funding for the Big Society Bank on February 9 signal positive intent from government and a good start in growing the social investment sector. To give confidence to the sector in planning ahead, a clear timeline on when the Bank will be fully functional would be of assistance and government should consider the best ways in which to work with the VCS to promote investment readiness to ensure that maximum benefit from the Bank is derived.

**Philanthropy**
NCVO supports many of the recommendations and the acknowledgement of a need for a shift in behaviour in the Giving Green Paper and will feed in evidence formally to the Cabinet Office. In addition to proposals in the Green Paper, the Government could consider a one off matching scheme, or a challenge fund, backed by government to collect bank bonuses and match (or part-match) these to invest in community projects. This could be high profile, gain considerable public support and raise awareness of wider government around giving and philanthropy.

NCVO’s Funding Commission, which reported in December includes the following recommendation, where government support would be very positive: a Better Asking Campaign in order to improve the quality and effectiveness of all forms of fundraising, especially by smaller and local CSOs.

It’s worth noting that 75% of charities have two staff or fewer (National survey of third sector organisations 2008) and are therefore unlikely to have any professional fundraising capability. As such, there is a huge potential for trustees/volunteers to lead a movement for ‘Better Asking’.

NCVO has also long argued that government should examine the potential of lifetime legacies to promote philanthropy. We would encourage government to work closely with NCVO, CAF, CFDG and the wider sector to conduct robust research into the potential for lifetime legacies. Lifetime legacies could potentially free up philanthropic capital relatively quickly, as donors would choose to make donations during their lifetime rather than donations being made from their estate on death. Clearly, we would want lifetime legacies to be configured in a way that encourages and allows benefit for the mass affluent (rather than a small number of very high net worth individuals) and also in a way that would channel much needed funds into the VCS and civil society as a whole.

**How the tax system, including Gift Aid, could be changed to better support charities**

**Gift Aid**
NCVO was part of the Treasury’s Gift Aid Forum, which has made various recommendations to government on taking the scheme forward. We are now members of the HMRC Charity Tax Forum which is examining wider tax issues and their impact on the VCS. Gift Aid
remains a success and an important source of funding for the VCS. We have called on
government to promote its ongoing success by joining with the sector to raise awareness and
updating and simplifying guidance. NCVO supports calls for an online database for Gift Aid.
Online filing would reduce paper, workload and bureaucracy for both the VCS and
government.

We accept that transitional relief on Gift Aid will end at in April – but the loss of revenue of
around £100m for the VCS, at an already challenging time, does need to be factored in to
discussions around the overall financial health of the sector. It is important that the use of
technology – including mobiles and social networking – in fundraising is reflected and
supported in the Gift Aid system. We would urge government to urgently examine the
potential for higher rate re-direction (where higher and highest rate taxpayers could opt to
easily re-direct the additional Gift Aid relief that their donations attract to charity).

**Irrecoverable VAT**

Irrecoverable VAT is a significant issue for the VCS – it threatens the existing work of
voluntary and community organisations (VCOs) at a challenging time and will act as a
disincentive to developing the sector’s public service delivery role. NCVO has raised these
issues directly with both the Prime Minister and the Chief Secretary to the Treasury as well as
with the Minister for Civil Society.

When the VAT system was drawn up, it failed to recognise the position of charities, as many
services provided by charities are either VAT exempt or fall outside the scope of VAT. This
means that VAT can not be reclaimed on the money they spend on supporting their activities.
Irrecoverable VAT costs charities significant sums – estimated 4% of total expenditure (much
higher in some cases) which is clearly serious in light of the economic and financial climate in
the VCS.

Working with sector colleagues, including the Charity Tax Group, NCVO has identified four
priority areas:

1. VAT on social welfare services, where charities are complementing/substituting
government provision: VCOs should be compensated here and not have resources
taken from them in the pursuit of delivering public services. This would ensure fair
treatment across local govt/private sector/VCS.

2. VAT on fundraising: Gift Aid is hugely valuable to the VCS but the money invested in
raising these donations is then subsequently taxed. Government might consider
examining a matching grant to cover VAT on fundraising costs.

3. Joint ventures/shared services: HM Treasury is looking at this issue. The legislative
solution lies in implementing the exemption in Article 13 A (1) (f) of the EU Sixth
VAT Directive.

4. Repair, construction and maintenance of social welfare housing and all charitable
buildings: repair, upgrade and building maintenance a costly VAT item for UK
VCOs. Government could look at a matching grant scheme to cover the costs of
building work, which could then be re-invested in further building work.
Should you have any further questions please do not hesitate to contact NCVO’s Parliamentary Officer, Chloe Stables on chloe.stables@ncvo-vol.org.uk or 0207 520 2474.

February 2011
I attended your Public Administration Select Committee on Wednesday 16th February to discuss funding of the voluntary sector with my colleague Nick Hurd, Minister for Civil Society. During the discussions we touched on two topics where you asked for more details and there is an additional area where I think it would be helpful to provide your committee with further information.

Firstly you asked for more information about the new “intelligent” forms for claiming Gift Aid which HM Revenue and Customs are developing. The intelligent forms are "pdf" (personal document format) forms that charities will be able to download from the HMRC website using free software, fill in and save to their computer. There will be four new forms:

- Charity Application Form (ChA1)
- CASC Registration Form (CASC (A1))
- Charities Variation Form (ChV1)
- Repayment Claim Form (R68(i))

Because the forms are designed to be filled in on a computer they have rules and validation built into them to check that the form is filled in correctly. For example, the new R68(i) will automatically add up the totals of the donations received by a charity, ensuring that donations are entered in the correct accounting periods and the form works out the tax relief due.

This prevents certain common errors being made so that when the forms are submitted to HM Revenue and Customs the form is quicker and easier to process. I was asked to confirm whether these new forms would be introduced before the end of the financial year. I have checked the position and am pleased to inform the committee that the forms will indeed be released before the end of the financial year 2010/11.

Additionally, you asked about the differences between these intelligent forms and the Gift Aid database promoted by the Charities Aid Foundation. I can confirm that these are two different things. The Gift Aid database will hold electronically all the details from Gift Aid declarations. These declarations are currently paper based and many charities find the requirement to keep the paper versions burdensome. The Gift Aid database would allow the details from the declaration to be transferred onto the database so the original paper version can be destroyed.

HMRC will soon be publishing details of the technical legal requirements that will need to be satisfied to ensure that any Gift Aid database that is designed complies with the legal requirements for the Gift Aid. These details will enable charities to introduce such databases if they so chose.

Secondly, the issue of how much it costs HM Revenue and Customs to process a Gift Aid claim was raised during the hearing and the figure of £8 was mentioned. I can confirm that in response to a Parliamentary Question in September 2010, the Government released the figure
of £5 as the cost of processing a Gift Aid claim. HM Revenue and Customs has since revised this estimate to £8 to include accommodation and other costs.

Unfortunately this figure has led to some confusion and some have assumed this is the cost of processing each donation made by an individual to a charity but this is not the case. This figure relates to the cost of processing one of the claims made by individual charities to HM Revenue and Customs.

There were about 160,000 such claims in 2009-10. However, a single ‘claim’ by a charity does not necessarily equate to a single donation made by an individual. A claim may consist of information about one donation, or many thousands of donations, depending upon the charity, so the cost per donation is actually much lower. HMRC have estimated it costs the equivalent of about 3 pence per donation to process the associated Gift Aid repayment claim made by the charity. HMRC estimate this cost will fall over the next few years as the new intelligent forms and other process improvements make it quicker and easier to process these claims from charities.

I hope your committee will find this further information useful.

March 2011
Philanthropy and Funding of the Voluntary Sector

I read with interest reports of your Committee’s inquiry into Philanthropy and Funding of the Voluntary Sector. I thought I would send you a short note to outline the role which Lloyds Banking Group is playing in supporting communities and charities across the UK. We are very supportive of the focus your Committee has placed on enhancing the culture of giving in our society.

COMMUNITY INVESTMENT

Although Lloyds Banking Group is only number 12 in the FTSE Index, the independent London Benchmarking Group ranks Lloyds, by a considerable margin, as the biggest corporate investor in UK communities. We invested £76 million in 2010 from corporate and colleague donations. This included support for financial inclusion and capability, sponsorship of sports for young people and support to the Group’s charitable Foundations.

This year, Lloyds Banking Group was awarded Business in the Community’s CommunityMark, the national standard that publicly recognises excellence in community investment.

FUNDING GRASSROOTS CHARITIES

Much of the Group’s charitable giving is through the Lloyds TSB Foundations and Bank of Scotland Foundation – five independent charitable Foundations supported solely by the Group. In the last 25 years, more than £480 million has been invested in small, grassroots charities across the UK through the Lloyds TSB Foundations. In 2010, the Bank of Scotland Foundation was established to take forward our long term community investment in Scotland.

Last year, we provided more than £29 million to the Foundations. This enabled the Foundations to support over 1,200 charities across the UK. This investment often covers charities’ core costs, such as wages for key employees. In the current economic climate, when many charities are finding it difficult to attract funding, the Foundation grants are helping many charities to survive.

INDIVIDUAL CHARITABLE DONATIONS BY COLLEAGUES

Colleagues can choose their own charity to support – indeed, a number have created charities from scratch, for example to provide school buildings and materials in rural Africa. As a focus for colleague giving, the staff collectively elect a Charity of the Year which all of us can get behind.
The Charity of the Year is one of the largest corporate fundraising programmes in the UK. The British Heart Foundation (BHF) was our Charity of the Year from July 2008 to December 2010. We raised £3.6 million in total for the BHF through a wide range of employee, customer and shareholder fundraising projects. The money we raised funds 15 specialist BHF Heart Nurses and 12 healthcare assistants, nurses, psychologists and health educators, who will support 14,400 patients and their families across the UK. Our new Charity of the Year is Save the Children, who are running an innovative programme to help children and parents together from deprived communities boost the child’s educational attainment and life chances.

Lloyds Banking Group actively encourages charitable fundraising and volunteering among colleagues at all levels.

MATCHED GIVING

Through our Matched Giving scheme, operated by our charitable Foundations, we enable employees to maximise their contributions to the charities and causes that are important to them. Employees can claim up to £1,000 from the Foundations to match funds they raised for charity, including our Charity of the Year, or time given in volunteering. In 2010, our colleagues claimed £1.3 million in matched funding, raising £3.2 million for charities in the process.

EMPLOYEE VOLUNTEERING

We are committed to enabling employees to make a contribution to communities. In 2010, we launched our Day to Make a Difference volunteering programme. This enables all Lloyds Banking Group employees to spend one day a year during work time volunteering for a charity or local community project of their choice. Over 7,300 employees volunteered during 2010 in their local communities, through this programme and other volunteering initiatives.

COMMUNITY SPONSORSHIP

As the Official Banking and Insurance Partner of the London 2012 Olympic and Paralympic Games, we are using the power of the London 2012 Games to inspire young people to take part in more sport through Lloyds TSB and Bank of Scotland National School Sport Week, delivered in partnership with the charity Youth Sport Trust in England and Wales and Sport Scotland in Scotland. In 2010, almost 50 per cent of UK schools, and five million young people, took part.

We also support the future stars of Team GB and Paralympics GB through our Local Heroes programme which will have provided funding to more than 1,000 emerging young athletes across Britain by 2012. Athletes receive £1,000 to help towards their training, equipment and travel costs.
Please do not hesitate to contact me if you or the Committee would like any further information on any of our community and charitable activities

May 2011
ABOUT BARCLAYS

1. Barclays welcomes the opportunity to submit evidence to the Public Administration Select Committee inquiry on this important issue.

2. With over 300 years of history and expertise in banking, Barclays employs over 147,000 people supporting 48 million customers and clients.

3. Barclays is a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking, and wealth management with an extensive international presence operating in over 50 countries.

INTRODUCTION – BARCLAYS APPROACH TO CITIZENSHIP

4. As the Committee considers the philanthropic behaviour of large business organisations, it is important to set this within the context of the wider social contribution of the private sector.

5. We describe the way in which Barclays is able to generate value in the economy and society as ‘Citizenship’. Our contribution to the communities in which we operate is at the very heart of our strategy as an effective financial services provider. (A copy of our recently published ‘Citizenship Summary’ is attached.)

6. For Barclays, Citizenship means understanding the needs of our stakeholders and making decisions – in the short and long term – that will positively impact communities and the environment in which we operate.

7. Central to our vision of Citizenship is running a sound and successful bank. By doing what we do well, we will not only employ a significant number of people, and contribute a significant amount to government revenue (through direct and indirect means), but also help our customers and clients support economic growth.

8. Helping our customers and clients requires the provision of financial solutions that help them build security for their families, live better quality lives, develop and grow businesses that create wealth, jobs, and foster economic development contributing to sustainable growth for the long term. Some highlights include:

   • In 2010 Barclays provided £43bn of new lending to UK households and businesses. Across the world we have lent a total of nearly £500bn to customers and clients. We continue to use a prudent approach to lending which carefully considers our customers’ ability to repay their loans.
   • We supported 106,000 business start-ups in 2010 which was a 12% increase on 2009 and the largest number since 2003.
• We have committed £1bn over the next four years to improving the customer experience by delivering new technology channels, transparent products and services, and enhancing complaints management processes.

9. We recognise, though, that we must do more than just that. So we put considerable energy, investment and resource into dedicated community investment activities that build on what we do as a bank. The next section outlines our activities in this particular regard in detail.

10. While we are proud of what we have achieved so far, we recognise that there is much more to do, and we are identifying opportunities to strengthen our Citizenship approach. In particular, we are looking at ways in which we can embed and integrate social and environmental considerations into our day-to-day decision making.

11. The remainder of our comments in this submission are focused on the community investment and direct employee participation/giving aspects of our Citizenship agenda. This response outlines some of the ways, with some illustrative data, in which Barclays supports communities through charitable partnerships and giving back time, energy, and resources in order to generate real added value. We also attach the recent Barclays response to the Giving Green Paper issued by the Cabinet Office which addresses many of the issues that we expect will be considered as part of the Committee’s inquiry.

COMMUNITY INVESTMENT THROUGH PARTNERSHIP

<table>
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<tr>
<th>Barclays Community Investment – 2010 Highlights</th>
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<tr>
<td>• £55.3m – allocated in community investment</td>
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<td>• 8,000 organisations supported across 37 countries</td>
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<td>• 1.5 million people reached as part of financial capability programme:</td>
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<td>• Half a million trained on financial capability</td>
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<td>• £15m invested over three years to help one million people</td>
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<td>• 6,000 employees involved in delivering Barclays Money Skills</td>
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<tr>
<td>• 5,000 work experience placements for disadvantaged people</td>
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<td>• 62,118 employees (39% of total) participated in community programmes</td>
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<tr>
<td>• £21.4m raised by Barclays colleagues for charities (taking total matched fundraising over the last five years to £75m)</td>
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12. Corporate giving is a specific way in which an organisation like Barclays can demonstrate philanthropy. Increasingly, we are encouraging the use of core business skills and expertise, rather than simply donating money, to maximise our social impact. Key stakeholders in the third sector have made it clear that they believe this is how Barclays can make the biggest positive impact on society.
13. Barclays allocated £55.3m in community investment in 2010, a figure which has remained stable throughout the crisis. We provided support for more than 8,000 organisations across 37 countries.

14. As a sector, financial services firms are one of the largest providers of vital cash donations. Employees of the sector are also amongst the most generous with their time (volunteering) and money (payroll giving).

15. In 2010, we facilitated over 5,000 work experience placements for disadvantaged people and provided vocational training, interview skills, and CV workshops for many thousands more. (See below for additional Barclays-specific data.)

16. While it is important that individual companies contribute to society, it is crucial to recognise that impact and effectiveness can be improved if we work in partnership with policymakers, other companies, NGOs, and community based organisations, to ensure that our contribution is focused, scaleable, outcome oriented, and generates positive change.

17. Part of Barclays strategic focus involves working in partnership with others. This is a more effective way to achieve outcomes and Barclays has a number of established relationships with organisations such as Care International, Plan, and Citizens Advice. We develop our programmes in close consultation with external stakeholders to ensure they meet the needs of local communities.

**Barclays Money Skills**

18. Projects funded through Barclays community investment programme in 2010 reached over one and half million people. with financial capability training alone provided to over half a million people. Through our flagship UK community programme, Barclays Money Skills, we are investing £15m over three years to help one million people build the skills, knowledge and confidence they need to manage their money more effectively.

19. Barclays Money Skills is delivered through partnerships with respected charities including Action for Children, the National Skills Academy for Financial Services and the National Youth Agency. Over 6,000 Barclays employees volunteer their skills and time to help deliver the programme through structured learning events and through the use of toolkits to help people in local communities across the UK.

20. A further example is the Barclays Community Finance Fund, which provides funding grants of up to £50,000 to credit unions and Community Development Finance Institutions (CDFIs). The funding is used to help these organisations up-scale and build capacity to reach more vulnerable people in communities where access to affordable credit is limited.

**Project Merlin Agreements**
21. Partnership with Government has also been significant. The ‘Merlin’ agreement between the major UK banks (Barclays, HSBC, LBG, RBS, and in the context of lending, Santander) and the UK Government underlined the banks’ recognition of their responsibility to support economic recovery. The banks are working together with the Government, particularly in the areas of lending, tax, and pay, as well as broader contributions to the economy and society. We welcomed the Merlin agreement and remain fully committed to its objectives.

22. As part of the agreement, the relevant banks will “continue to support communities through institution-specific initiatives, through which they currently put over £200 million per annum (in cash or in-kind) to work in the UK. We expect, and intend, to maintain that rate of investment”\(^{21}\).

23. In collaboration with the other large UK banks, we will also support the establishment of the Big Society Bank (through aggregate investment of £200m over the next two years) in the UK to act as a sustainable provider of wholesale finance to social investment. It will be crucial to ensure that the Big Society Bank has a clear set of objectives on which to deliver.

**Employee participation and direct giving**

24. It is important to recognise the importance of personal choice in philanthropy and voluntary giving. Many people’s chosen charities are decided upon for very personal reasons. We recognise this and do not wish to stipulate how much should be given, and by whom. However, we are able to make giving as easy as possible (as with payroll giving – see below), and to incentivise (as with matched fundraising).

25. 2010 was a record year for colleague involvement in Barclays community programmes with 62,118 individual employees participating (2009: 58,415). This represents 39% of all Barclays colleagues contributing through either volunteering, fundraising or regular giving (2009: 36%).

26. A record £21.4m was raised for charity by Barclays colleagues through matched fundraising and payroll giving in 2010, a 9% increase on the total in 2009. This, obviously, does not include any personal donations made by Barclays employees outside of our established programmes.

27. In 2011, we are looking to further increase our colleague involvement and drive skills-based volunteering. This will enable us to leverage our skills and capabilities to contribute more effectively, and directly, to sustainable economic development in our local communities.

\(^{21}\) Project Merlin banks’ statement paragraph 4.2
INCREASING PHILANTHROPY AND MAXIMISING IMPACT

28. We welcome initiatives which encourage greater philanthropy which includes Big Society initiatives from the Coalition Government. We would also welcome greater recognition for the many millions who are already volunteering and giving back through a variety of charitable activities.

29. Barclays already undertakes a number of methods to encourage, increase, and maximise philanthropy amongst employees and clients.

30. We provide employees with the means to engage in voluntary activity and charitable giving, such as by offering time off during the week to get involved in our community programmes; providing financial grants to support employee volunteering efforts; a matched fundraising scheme (raising over £75m in the last 5 years) and facilitating employee giving through matched payroll deductions.

31. At Barclays Wealth Private Bank, we offer a Client Philanthropy Service to engage, educate, and support our high net worth clients in their philanthropic journey. The nature of our clients means that this is a very discreet and confidential area and our advice is based on each client’s need. It would not be appropriate to promote our clients’ philanthropic activities, but it is an important area in which we provide support and expertise.

32. Barclays Wealth recently conducted research to understand how the wealthy react in a recession and how they engage with charities and causes; the evolution of giving and the different types of philanthropists; how charitable giving habits are evolving; and what the cultural barriers and problems are that inhibit giving. This research is attached to this response, as we thought it might be of use in the Committee’s work.

33. One lesson from the Barclays Wealth research that corroborates our general view is that maximising the impact of philanthropy and community activity is about leveraging skills, resources and capital. We believe that we can make the biggest difference to society when we focus on the areas where we can share our core expertise, which is why we invest in projects that build financial inclusion and financial capability, and support enterprise.

34. It should be noted that London serves as a hub for many of the corporate leaders in the philanthropic space. Progressive companies are able to share, and do share, expertise, disseminate best practice and encourage and stimulate wider corporate involvement. There remains scope for Government and the private sector to work together further to leverage this strength and promote best practice.
35. More generally, and as we noted in our response to the Giving Green Paper, our experience is that a high proportion of charitable giving is done for private reasons and the rationale for it varies widely. One way in which Government could promote philanthropic and charitable behaviour would be through investigating further use of tax incentives and legislation that would make giving and volunteering more attractive.

May 2011