

Private
Bank

Smart giving

A guide to donating



Foreword

Through our work with our clients we often hear that they are unsure what questions to pose to a charity.

We are asked, frequently: what do I need to know when I give money to a charity? Perhaps this is because the charity sector has increasingly come under the spotlight for a number of reasons. So we decided to compile this guide called Smart Giving to help provide you with some simple answers to this key question.

Smart Giving will encourage you to look for, and maybe request, information from the charity of your choice before you give to them. This is to help you both understand how they work and what impact they achieve, and to help you assess how the charity is managed and run.

It will also aim to help you consider how to link the level of information you seek from a charity to the scale of the donation you wish to make.

We hope very much that you will find it useful and that it will allow you to feel confident that your donation is well spent.

Emma Turner
Director, Philanthropy Service,
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Are you currently donating to charity?

What will happen to your donation?
How well is the charity run?
How will your money be used?
What do you know about

your chosen charity?

Does the charity have good financial management?
Is there growth year-on-year?
Can it show what impact it is having?

Does the charity publish details of its fundings?

What happens to your data?
How do you unsubscribe?

Are you giving safely?



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As of September 2018 there were approximately 168,000 UK charities operating with a combined annual income of £77.4 billion; and competition among them for fund-raising (and for your donations) is becoming ever more fierce.

Section 1

The context of giving

In the UK, the public have historically been and remain generous givers to a very wide range of charities and causes. As of September 2018, there were over 168,000 charities operating here with a combined annual income of £77.4 billion¹.

But after the start of the 2008 recession, the fund-raising environment faced by UK charities changed dramatically. Government funding to charities especially reduced substantially. As a result, grants are now more difficult to find from statutory sources, and contracts for services are more common, often including demanding terms related to delivery or impact achievement. Charities now provide contracts valued at £11bn to state bodies².

Corporate funding levels remained similarly flat during the first years of the recession from 2007 and 2009 but then recovered. A report on corporate giving by the Charities Aid Foundation³ showed an increase in corporate giving of £1.2 billion over the period from 2007 to 2012 in spite of the downturn in the pre-tax profits of corporates. Of the totals given, the proportion of them attributed to 'in-kind value' (i.e. provided by corporate staff to charities in the form of skills development or specific projects) has grown substantially.

¹Source: Charity Commission statistics dated 30 September 2018, quoted on www.gov.uk.

²Source: FT article, 'Charities need better oversight', 20 September 2015.

³Source: Survey by the Charities Aid Foundation: 'Corporate Giving by the FTSE 100', August 2014.

Yet as all these sources of funding have proven harder to access, the need for charitable services and activities in a tough economic climate has increased. At the same time charities are under pressure to maintain or increase the levels of annual funding they have achieved in the past. As a result, competition for funding has become fiercer than ever.

One of the consequences of this is that charities have turned their attention to attracting a greater portion of their funding from individuals (from the general public to wealthy philanthropists). In 2018, CAF UK estimated that UK people gave £10.1 billion to charities in the form of direct donations and sponsorship¹.

Many charities – large and small – do this extremely effectively via a wide range of methods we are all familiar with: attracting individual donations from national TV and media appeals through to organising local coffee mornings run by small groups of volunteers. But there were also reports in the press in 2015 and 2016 of poor practice adopted by some charities in their fund-raising (e.g. persistent and repeated telephone contact with individuals; chugging²; and door-stepping) and also related to use of the personal data of their donors.

¹Source: UK Giving report 2019 by the Charities Aid Foundation.

²Chugging is the practice of approaching passers-by in the street to ask for subscriptions or donations to a particular charity.

Against this backdrop we think it is a good time to provide you as donors with some tips and advice on how to give safely and in an informed way to charities in the UK. This guide is designed to help you decide what to consider when you give on:

- How your money will be used
- How to form a view on whether a charity is well managed financially and operationally
- How to ensure that your personal data is protected; and that it will not be re-used or sold without your express permission.

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Section 2

Tips on making a donation

Look beyond the emotional appeal of the charity's communication to you

- Remember that most campaigns asking for funds from individuals will involve some form of emotional appeal – one that may prompt a reaction from you because of your personal experience or your interest in the cause in question. If a charity's request does trigger this type of response, our advice is not to operate solely on a blind faith basis. Instead, before you decide whether to give and how much, consider finding out a little more information about the charity, and think coolly about what you'd like to know about them and their activities
- Consider for example: How will your money be spent? Does the charity publish details of its funding and how it is applied? Is it well run (what might demonstrate that)? Does it have good financial management? Can it demonstrate the impact its funders (and others) are having?
- Checking this type of information doesn't have to be complicated or time-consuming – it could be found through one quick check on their website or by calling them and asking a few questions to form an initial impression.

Find the right charity for you and your area of interest

- If you know which charitable cause you wish to support, then consider which charity working in that cause best matches your own giving objectives. This may mean not simply responding or giving to the first one which approaches you. For instance, there are many charities in the UK working in the area of leukaemia research and support, but selecting the one you wish to fund may take some information gathering or research on your part
- Also don't assume that all charities achieve the same level of impact. Look for evidence of positive change demonstrated by a charity.

Check your understanding of the charity's purpose

- If you look at the charity's website, is the charity's mission and purpose clearly communicated?
- Does the charity have an established 'theory of change' – that is, can it describe how it intends to achieve its purpose?
- And does that purpose mesh with your own interest in giving?

Look for evidence of the charity monitoring its impact consistently and regularly, and being able to demonstrate that to others.

- Is it easy to find information about the charity's impact – whether in the form of data, charts, stories, or reports?
- Is the charity good at providing that information regularly, and updating it appropriately?
- Do you find the information on impact positive, easy to understand, and convincing?

If you are giving larger sums, consider looking briefly at the finances of the charity.

- Are its financial accounts lodged with the Charity Commission and up to date?
- Is its fund-raising achieving growth year on year?
- Does it have diversified sources of funding (i.e. a lack of dependence on one or two funders)?
- Does it have reserves that could cover its operations for six months or so if it hits a problem with fund-raising or income? But not such vast reserves that it would put people off from giving it money?

Are you sure that any personal data you give to the charity is protected (if that is your wish)?

- Does the charity have a policy of allowing you to opt out of receiving approaches or marketing material from them?
- If you want to allow contact, can you choose what form of contact it will take to approach you in the future?
- Is it easy to find out what the charity will do/not do with your data, if you give it? You may be able to find information on its policy on holding data on its website, either within its terms and conditions or in a section on Frequently Asked Questions if it exists. Alternatively you may choose to contact the charity directly by email or phone to ask how your data will be handled.

We appreciate that answering some of these questions may involve some time and effort to find the answers. In the next section we therefore recommend how you should best match the time and effort you are prepared to invest to the level of donation you are considering giving.

Resources

FT podcast: 'Charity Donations, the Hunt for Income'. <https://www.ft.com/content/87d2fd12-0fb8-4689-b59c-33c2dcf5e626>

New Philanthropy Capital: www.thinknpc.org
This site has a range of useful publications and guides for donors, including those on how to assess a charity, on how a charity develops a theory of change, and on data protection requirements on charities.

Check your understanding of the charity's purpose. And look for evidence of it monitoring its impact regularly, and of being able to demonstrate that impact to others.

Section 3

Matching your research to the size of your donation

If your donation is made spontaneously for a small amount – perhaps in the street or in response to a TV appeal, or possibly to support a friend asking for sponsorship for a sports challenge they are doing on behalf of a charity – then you probably won't feel the need or inclination to find out much more about the charity.

We would generally agree that in these circumstances you don't need to worry about anything other than how your data will be treated, if indeed your donation has involved handing over any personal information to the charity directly (e.g. sending a donation by text which gives the charity your mobile number). Some charities will never re-use your data without your permission of course.

However, if your donation is likely to be more substantial you may want to know more. Consider the analogy of buying a second hand car for a sum somewhere between say £500 and £5,000 – in this case you would be unlikely to buy without knowing a few very important things. You might for example, check on the DVLA site that it was registered there and not stolen, and that it had a valid MOT. You might want to know how many owners it had and/or how often it has been serviced. You might even consider getting an accredited mechanics' service to check out its status.

Such checks would make good sense, and be designed to give you confidence that the car would be a 'good' buy. So similarly when you want to donate a more sizeable sum, we recommend that you use whatever resources are available to you to run some simple checks that will give you a sense that the donation is going to be a 'good donation', put to good use to achieve some positive change.

In the diagram on pages 19 – 20 we have attempted to give you some guidance on finding out information on three topics:

- How your money will be used
- How the charity tests and reports its impact
- How well the charity is run (the quality of its governance).

For each topic we have attempted to match the level of information we suggest you seek from the charity to the size of the monetary donation that you wish to give them. Of course, the levels of information we propose you ask for (based on specific donation sizes) are subjective. All we wish to convey here is that you might consider how much information to collect by taking into account the size of your intended donation – both for your own benefit and in order not to place an unreasonable burden on the charity when your donation is a small one. Ultimately the questions you choose to ask at any level of giving will depend on your own wishes and interests, and perhaps on whether you intend that support to be regular or on a one-off basis.

You might consider how much information to collect from the charity of your choice, by taking into account the size of your intended donation.

Charity checks to make that match the level of your donation

Usage of your donation

£100 to £500

Acknowledgement.
Expect thanks for, and acknowledgement of, the donation (by email or mobile).

£500 to £1,000

Use of the donation.
Check what use will be made of the donation? (if it is not stipulated or clear).

£1,000 and up

Consider any restrictions you want to place on the usage of your donation, e.g:
To cover a specific programme /activity/geography/demographic.
To stipulate if it is for restricted funds/ unrestricted funds [G]*.
To stipulate that it won't be used for the charity's 'core' costs [G].

Impact that the charity achieves

£100 to £500

Information about charity.
Receive a newsletter to give you some information on the charity's broad impact.

£500 to £1,000

Receive charity's annual report.
Receive an annual report on the achievements of the whole organisation.

£1,000 and up

Report on your donation's impact.
Receive a report or response on the impact of your donation in your specific area of funding.

*Words annotated with a [G] are defined in the Glossary in Section 5.

Charity Governance

£100 to £500

Check that its recent Annual Accounts are available on its website.

Ensure the charity has a charity registration number.¹

Find out its main purpose, where it operates and if its information is kept up-to-date.

£500 to £1,000

Check who runs the charity day to day.

How many people does it employ and how many volunteers does it have?

Find out who are the people acting as Trustees and the Board Chair [G].

£1,000 and up

Check its latest Annual Accounts and Annual Return² for any of the following information:

Its level of cash reserves [G].

Its financial status: total donations/revenues; total costs.

What funders it attracts (type and scale).

How much funding it receives from government/local government in the form of either grants or payments against contracts delivered.

When the charity last reviewed its financial controls.

That appropriate checks are in place for relevant staff (e.g. DBS³ checks).

*Words annotated with a [G] are defined in the Glossary in Section 5.

¹The registration number will demonstrate that the charity is registered with the Charity Commission.

²Viewable on the Charity Commission website: www.gov.uk/government/organisations/charity-commission.

³Disclosure and Barring Services (used to be called Criminal Record Bureau checks).

In this digital age, we are all becoming more careful about who we provide our data to, and more interested in knowing both whether that data will be retained by the recipient, and whether it will be passed on to others.

Section 4

Protecting your data

As many are now aware, increased usage of the internet and mobile phones over the last decade for payments, personal banking and transactions of all kinds including donations, means that consumers are more aware of the risks associated with handing over their personal data to retailers, suppliers and charities. The introduction amongst much fanfare of the EU General Data Protection Regulation (GDPR) has also modernised and enhanced data protection law, further increasing public awareness of data protection. As a result, we are all becoming more careful about who we provide our data to, and more interested in knowing both whether that data will be retained by the recipient, and whether it is passed on to others by them, or even sold on.

In the charity sector recently there have also been stories of over-aggressive or repeated telephone or direct mail selling for fund-raising purposes by some charities to audiences who have given donations to them on prior occasions – particularly by text which gives the charity the giver's mobile phone details. In some cases this activity has risen to levels close to harassment.

In 2015 a review was commissioned by Government on the topic of fund-raising regulation and a report from it was then published¹. Research conducted for the review demonstrated that the public are frustrated by the lack of control they have on two particular areas: on whether or not they are approached for fund-raising by charities; and on the lack of transparency they perceive on how their details were acquired. Consequently the review recommended creation of a Fund-Raising Preference Service allowing individuals to opt out of charity appeals – obliging fundraisers to take responsibility to check names against this list before sending out any campaign material or requests. They also proposed creation of a Commission on Donor Experience, with the express goal of increasing both funds raised and donor satisfaction.

Although some useful legal protections have been put in place (e.g. to ensure that companies using email and text message marketing must in some cases obtain the recipient's prior consent ('opt-in') and in all cases give consumers the option to unsubscribe from it on every email), and some best practice is now emerging (e.g. allowing consumers sending donations by text to ensure their mobile data is not held for the future) other measures are only in the planning stage or just emerging. So it behoves us all to make some checks when we hand over mobile or payment data, on what will happen to it after we have provided it.

¹The report entitled The Review of Fund-Raising Regulation was written by Sir Stuart Etherington who is Chief Executive of the National Council of Voluntary Organisations. It can be downloaded from the NCVO website at: www.ncvo.org.uk/fundraisingreview.

Here is a set of questions which may help you consider how your data is held and used by a charity once you've either registered with them or given them a donation:

- Does it ask for your permission to send you promotional communications by email or text?
- Can you easily opt out of receiving further communications when you give a donation on a one-off basis?
- If you do give permission to be re-contacted, can you pick how you'll be contacted by the charity (e.g. your preference for mobile/email/mail)?
- How do you unsubscribe/get de-listed from direct mail or email marketing communications (e.g. by clicking 'unsubscribe' on emails or by calling the charity direct)?
- What happens to your mobile phone number or payment data after you have given your first donation to a charity? Is it retained/stored? How do you ensure the data is not kept?
- Will your data be used by other parts of the same charity (or others in the same group)? Will it be passed on to their trading arm for example?
- Does the charity ask you if it can pass the data to other partners, or sell it to third parties?

Resources

The Charity Commission:

www.gov.uk/government/organisations/charity-commission

The Fund-Raising Standards Board:

<http://www.frsb.org.uk/donors/advice/door-to-door-fundraising/>

The Information Commissioner's Office:

www.ico.org.uk/for-the-public

This site promotes data privacy for individuals and provides very good information for the public on a range of topics.

The ICO's Direct Marketing Checklist:

<https://ico.org.uk/media/for-organisations/documents/1551/direct-marketing-checklist.pdf>

This is a checklist that companies or charities should use when communicating with individuals to ensure that they are complying with data protection laws. It may give you helpful ideas on questions to ask a charity to whom you are giving your data.

Some Useful Guidance on Charity Registration and Reporting

Who must register with the Charity Commission (CC)?

- If your organisation or project is charitable – i.e. has charitable objectives and is deemed to be of public benefit – and has annual income of more than £5,000, you are required to register it with the Charity Commission
- If you are a Charitable Incorporated Organisation (CIO) you must register with the CC even if your income is lower than £5,000 per annum.

Annual Accounts and Annual Report

- All charities (whether registered with the CC or not) must prepare annual accounts
- In addition, registered charities must prepare a Trustees' Annual Report and make it available on request
- The accounts and annual report must be filed (online) with the Charity Commission if:
 - The charity is a Charitable Incorporated Organisation (irrespective of income)
 - The charity is registered and has a gross yearly income of more than £25,000.

Annual Returns

- There is a duty to complete and file an Annual Return (a different document) with the Charity Commission which applies to all CIOs, and to all other registered charities with gross income of more than £10,000. This is completed via an online form received from the CC
- The Annual Return tells potential donors, funders, volunteers and beneficiaries about the charity (e.g. how people can contact the charity, what it is set up to do, how it meets its aims, how much money it makes and spends and where it operates). It allows the CC to ensure that the details of every charity on the register of charities are as complete and accurate as possible.

Consider whether you are happy for the charity to use your donation (or part of it) to cover elements of its core running costs.

Section 5

Glossary of Terms

Restricted funds

These are funds that can only be lawfully used on a specific charitable objective. This means they have been given on condition that they are designated or 'restricted' in their use to that particular charitable purpose, project or programme as specified by the funder. An example is a donation to an educational charity provided to fund an education programme targeted at a specific age group of children. These funds may be temporarily or permanently restricted to a specific charitable objective.

Unrestricted funds

These are funds made available to the charity which are not restricted in their use and can be used at the charity's discretion for any purpose which fits within the scope of its charitable objectives. Unrestricted funds may be designated for a specific use by the Board of Trustees and senior management of the charity as and when it sees fit.

Reserves policy

A reserves policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves. A good reserves policy gives confidence to stakeholders that the charity's finances are being managed and can also provide an indicator of future funding need¹.

¹Source: Charity Commission.

Free reserves

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets held for the charity's use and amounts designated for essential future spending¹.

Cash reserves

These are cash reserves held by the charity on deposit (i.e. not being used for everyday operations). The level of these held will indicate how long the charity can keep afloat and pay its costs and staff in the event that its funding or the environment for its services becomes challenging.

Core funding

These are funds made available to the charity to cover its core running costs. They may be used for rent, other overheads, for staff salaries, training and development, or for key administration needs. Essentially they are costs which are not related to the operation of, or resources for, specific programmes or activities. (Some funders understand that a charity has to be well-organised with efficient operations and systems and employing staff with the right skills and they are consequently very willing to fund core costs. Others prefer to fund only programme-related costs or specific activities which will bring about the change which is the charity's objective).

¹Source: Charity Commission.

We would like to thank Sarah Burton for writing this guide on behalf of Barclays.

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