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# The 2022 Global Philanthropy Environment Index United Kingdom

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Company Limited by Guarantee, Cooperative, Corporation, Endowment, Foundation, Limited Liability Company, Society, Trust, Charitable Incorporated Organization

**Five main social issues addressed by these organizations:** Arts and Culture, Basic Needs, Health and Medical Research, Higher Education, Religion

**Average time established by law to register a philanthropic organization:** 31-60 days

**Average cost for registering a philanthropic organization:** USD 0

There are currently no charges to register with the Charity Commission. It does cost to register with Companies House in the case of charitable companies, and it might cost if a charitable trust is liable to pay stamp duty. There might be other costs, for instance legal fees, if the organization seeks legal advice in relation to registration.

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government, State Government

Charity law and regulation is now devolved (for purposes other than taxation) in Scotland and Northern Ireland. Scotland and Northern Ireland now have their own regulators, which operate in a similar manner to the Charity Commission for England and Wales.

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.67	4.00	4.00	3.75	4.00	4.00	4.07
2018 GPEI	4.67	4.00	4.00	3.75	N.A.	4.50	4.18

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

**Score: 5.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

Question Two: To what extent are POs free to operate without excessive government interference?

**Score: 4.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

Question Three: To what extent is there government discretion in shutting down POs?

**Score: 5.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

### II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

**Score: 4.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

**Score: 4.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

**Score: 4.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

**Score: 4.0**

There has been no change since 2018. For more information, please see the 2018 United Kingdom Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16702>

### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

**Score: 3.5**

“Profound economic, social, and technological changes have posed new challenges for charities and have resulted in some high-profile failures, leading to intense scrutiny of the sector. However, the overwhelming majority of charities continue to do excellent work, and trust in the sector fundamentally remains strong. Recently, charities’ funding has changed significantly with public sector grants largely replaced by contracts, often with complex commissioning processes. These have disadvantaged smaller charities, which struggle to bid for services at scale, and have constrained the valuable innovation that charities can bring to service delivery. For all charities, contract funding is tightly defined, creating additional challenges in funding charities’ core costs. There has also been pressure on charities to reduce back-office costs and an increasing expectation

that all money donated should go to the frontline. The result has been further pressure on charities’ viability and sustainability” (House of Lords, 2017).

More positively, the move to acknowledge the “social value” that POs can bring to service provision has grown, with legislation in place that requires commissioners of public services to consider this added value when making decisions to award public contracts. Legislation enacted in 2014 that affects non-party campaigners (those that campaign at elections but are not standing as political parties or candidates) has impeded charities’ ability to engage in campaigning in the run up to an election, and there are calls for changes to this law. In general terms, the environment for charities involved in campaigning activity has been somewhat hostile in recent years. A number of high-profile cases have led to criticism of charities from both Members of Parliament and the charity regulator when charities have engaged in activity which has been considered to be “too political”.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

<b>Score: 4.0</b>
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The government actively and strategically promotes philanthropic values and facilitates equal access to national and international resources and opportunities. Donors are generally free to support any philanthropic cause without government pressure. The last comprehensive government review of charity taxation and relief took place over 20 years ago. Since then, the charity sector and the environment in which it operates have changed dramatically. The sector has grown significantly in scale, and charities now do more, including playing a much bigger role in the delivery of public services. An independent Charity Tax Commission, established by the National Council for Voluntary Organisations (NCVO) to undertake a full review of the impact of the tax system on charities, published its report with recommendations in July 2019. To date, there has been no response from the government. Government agencies demonstrate adequate capacity to support and oversee POs, but there are concerns that support (as opposed to regulation) is diminishing. In 2018, the government agreed to renew its commitment to the principles of the Compact—a document that sets out a series of principles and commitments governing the relationship between the social sector and the government—but this is still awaited. Charities do not always feel fully consulted about proposed new laws and regulations, increasing the risk of unintended consequences. This particularly applies to smaller charities, which do not have the resources to devote to additional legal and regulatory compliance. For example, some charities have struggled to safeguard against data security lapses when faced with a tougher data protection enforcement regime. In August 2018, the Government published its Civil Society Strategy which outlines a 10-year vision for how it can work with and support civil society to improve lives and create a fairer society for all, described in the Strategy as creating “social value”.

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

<b>Score: 4.0</b>
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Current economic conditions are significantly impacted by the COVID-19 pandemic. Aside from that, there is freedom to accumulate private property and freedom of wealth creation. The divide, however,

between the rich and the poor continues to grow in the UK. There are more people able to participate in philanthropic giving but also more people in need, with much greater use of food banks, for example, than ever before.

The UK’s withdrawal from the European Union has negatively impacted openness to trade, and that may impact wealth creation.

“Funding from European sources may have been reduced or withdrawn, and many charities are struggling with a reduction of their own income streams. The UK-EU Trade and Cooperation Agreement specifies that the United Kingdom and EU Member States must set up a Civil Society Forum. It is expected that this will include representatives from across the charity sector and will consider issues such as sustainable development, the economy, and human rights. Increasing numbers of UK-based organizations have established an additional or alternative presence in the European Union recently. Doing so has enabled them to retain vital European grant funding and maintain a level of consistency for staff based in Europe” (McDermott Will & Emery, 2021).

In general terms, there are effective laws and programs to prevent corruption, which is not a major feature of society in the UK. The current economic outlook is difficult to predict due to a combination of Brexit uncertainty (in terms of its impacts) and COVID-19 pandemic.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

<b>Score: 4.0</b>
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There is a strong tradition of highly respected and widely practiced philanthropic activity. The historian Frank Prochaska claimed that “no country on earth can lay claim to a greater philanthropic tradition than Britain.” The UK is the 7th most generous nation according to the CAF World Giving Index 2019. Its 2020 UK Giving Report found that in the first 6 months of 2020, a total of GBP 5.4 billion (USD 7.3 billion) was donated to charity—an increase of GBP 800 million (USD 1.08 billion) compared to the same 2019 period. Volunteers are also a vital part of the work of POs, and the NCVO Almanac for 2020 noted that in 2018–2019, over one in five people (22%) formally volunteered with a group, club, or organization at least once a month, and 26 percent of people regularly took part in informal volunteering. The role of POs has recently become the focus of more direct policy engagement, largely focused on the involvement of the sector in welfare provision and how this relates to the role of the state. This has led to debate about what the relationship between the state and POs should be, how this relationship should be managed and supported by the government, and how to maintain the independence of the sector. Charities continue to enjoy a positive public reputation and are a highly valued part of public life. As well as the Charity Commission, there is an independent Fundraising Regulator, and the charity Governance Code, developed by the sector itself, was refreshed in 2020. The aim of the Code, which is not a legal requirement, is to help charities develop high standards of governance. The refreshed Code puts an enhanced focus on equality, diversity, and inclusion issues—to which charities, like the rest of society, are paying more attention.

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

### Current state of the philanthropic sector

A 2017 report of a Select Committee of cross-party members of the House of Lords noted that charities form a vital part of civil society in the UK. From small local organizations run entirely by volunteers to major global organizations with turnover in the hundreds of millions, their work touches almost every facet of British society. The environment in which charities work has changed dramatically in recent years. Shifts in funding, budget cuts, and charity scandals have all taken their toll. At the same time, the support available to the sector has been under considerable pressure. Many of the infrastructure bodies and umbrella organizations in the charity sector have faced funding challenges of their own, and their capacity to support charities has been stretched. In addition, the Charity Commission budget has reduced, and they have had to focus primarily on their regulatory role and do less supporting and enabling work. The report concluded that charities have always helped society through periods of upheaval and would do so again. More positively, research conducted over the last decade on large donations (GBP 1 million/USD 1.35 million or higher) talks confidently about this being a “boom time” for UK philanthropy. There are substantial increases in the number of million-pound donations and their collective value, together with more “first time” GBP 1 million donors. In addition, a bigger pool of charities is able to attract multiple mega-donations. These findings suggest that efforts to build a stronger culture of philanthropy in the UK have been successful. There are private sector groups (such as Philanthropy Impact, a collaboration of advisory groups and networks) providing advice on philanthropy and cross-border giving. They also seek to broaden the debate on technical and policy issues that encourage philanthropy and major charitable giving in the UK and beyond.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. Withdrawal of the UK from the European Union on January 31, 2020;
2. The ongoing COVID-19 pandemic; and
3. The result of the 2019 UK General Election.

### Future development trends in the philanthropic landscape

Like the rest of society, charities are challenged by enormous flux in the external environment. For example, in terms of digital innovation, while some charities are at the cutting edge of new technology, others have yet to realize its potential or overcome its challenges with regard to fundraising, volunteering, and communications, although COVID-19 has accelerated pace in this regard. Cyber security remains a real concern for charities with more than a quarter of charities reporting in the Cyber Security Breaches Survey 2021, published by the Department for Digital, Culture, Media and Sport, that they had suffered cyber security breaches or attacks in the previous year. The boundaries between the third sector and the private and public sectors have become increasingly blurred by the rise of both social enterprise and contracting out of public services. The emergence of new commissioning models, such as the growth of payment by results, including social impact bonds, is also challenging. Social investment has been heavily promoted by the government

as a new form of income for charities. The Law Commission published a report on Technical Issues in Charity Law in September 2017, which included recommendations in relation to a number of areas of charity law. The proposed reforms are the most significant legislative changes to charity law since the Charities Act of 2006. The government has recently announced that it accepts the majority of the recommendations. Once implemented, they will make charity regulation more effective and make the legal framework easier to navigate. This will enable charities to use their money and resources more effectively to promote their charitable causes.

Three key recommendations to improve the environment for philanthropy

1. Government should respect the right of POs to speak out on important issues. All limits (legal and even perceived) on charities in relation to legitimate non-party political campaigning should be removed.
2. The Charity Commission should be properly resourced and should continue to use its powers effectively and robustly in order to regulate the sector properly.
3. There should be increased promotion of commissioning of public services based on impact and social value, rather than simply on the lowest cost, facilitating the role of more voluntary sector organizations in public service provision.

### VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Dedicated POs and their volunteers have played a huge and vital role in the UK national effort against COVID-19. From supporting the increased number of people suffering domestic abuse to tackling loneliness and social isolation, they have delivered vital work throughout the pandemic. National Health Service (NHS) charities have supported hospital workers and food banks have supported millions of families through the worst recession on record. As the economy continues to contract, unemployment rises, and welfare support returns to pre-pandemic levels, this trend is set to continue whilst the UK seeks to rebuild after the crisis. The way in which POs and their volunteers have collectively supported their communities during lockdowns is a clear example of the immense difference the sector makes to society. All this has been done whilst shifting face-to-face support services to online provision, often overnight, with little to no preparation time.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Whilst almost all face-to-face fundraising events (such as sponsored walks, runs, gatherings, etc.) have been cancelled in the last year due to COVID-19, many POs swiftly and efficiently moved their activity to the virtual environment, showing much ingenuity in their embracing of digital technology. This has many benefits, particularly increasing reach, being more accessible, and reducing inefficiency. The NCVO, in its Road Ahead 2021 report, predicts that many technological trends accelerated by COVID-19 are unlikely to reverse. The CAF reports that there was a large increase in the number of people donating or sponsoring to the cause “hospitals and hospices” during the height of the pandemic’s first wave, whilst up to one-fifth of people specifically reported donating to charities which support the National Health Service. There was a significant decline in the amount



of money donated to “medical research” between January and June 2020. This cause, which often attracts donations via face-to-face fundraising events, such as the London Marathon and coffee mornings, lost out on up to GBP 174 million (USD 235 million) during the first half of the year. Sponsorship levels have fallen and remain low. As opportunities to fundraise through face-to-face interactions have declined and charity shops across the UK have been closed, there has been a large and sustained increase in cashless giving. According to the CAF reports, after an increase in 2019, trust in charities has seen a further increase since the COVID-19 pandemic started in March 2020. The improvement is seen across different age groups and social grades.

### Impact of COVID-19 on the philanthropic environment

There has been a real boom in voluntary activity. For example, in England, the Volunteer Responders scheme, set up to support the National Health Service (NHS) and the social care sector during the COVID-19 pandemic, has created an army of reliable volunteers supporting vulnerable people. The scheme hit its initial recruitment target of a quarter of a million volunteers within less than 24 hours of its March 2020 launch. The number and diversity of volunteers is a demonstration of the power of community spirit. It is vital to ensure that steps are taken to build on and sustain these efforts post-pandemic through improved volunteer management and support. CAF reported in October 2020 that, despite less in-person fundraising, donation levels have held up during the pandemic. Between January and June 2020, the public donated a total of GBP 5.4 billion (USD 7.3 billion) to charity—a GBP 800 million (USD 1.08 billion) increase compared to the same period in 2019. Fundraising for NHS charities has exploded and by the end of 2020, over GBP 140 million (USD 189 million) had been raised. However, there have been large and widespread losses across the sector, which will inevitably shrink in the immediate future. Public income is the main source of income growth, which will be impacted by social distancing restrictions and a reduction in people’s disposable incomes. Undoubtedly, this will result in job losses, a reduction in services, and the closure of some charities. There has been some relaxation of the regulatory environment for the charitable sector during the pandemic. For example, the Charity Commission has been more flexible around annual reporting requirements. It has issued new guidance on reporting serious incidents during the pandemic, as well as guidance on mergers and collaborative working. The government issued new guidance for charities on managing financial difficulties caused by the pandemic, and legislative changes have been introduced to help organizations to keep operating and to try to avoid insolvency.

### Anticipated impact of COVID-19 on the philanthropic environment in 2021

It is still too early to determine the full extent of the impact of the COVID-19 pandemic on the charity sector’s finances. However, many charities entered the pandemic financially vulnerable, with little or no reserves. The NCVO (and others) has predicted that, with 23 percent of charities entering the COVID-19 crisis with no reserves, the voluntary sector will inevitably be smaller in the immediate future at least. The legacy of the crisis caused by the pandemic will impact public finances for some years to come. In its Road Ahead 2021 Report, the NCVO warns that charities and the people that they support should plan for an uncertain and challenging economic environment for the foreseeable future. It is also noted that charities delivering public services relating to loneliness, mental health difficulties, educational inequality, homelessness, unemployment, and poverty will experience increasing demand. It is likely that we will see even more restructuring, downsizing, and joining forces as charities struggle to raise enough money to meet growing demands.

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