

Increasing voluntary giving to higher education

Task Force report to Government

May 2004

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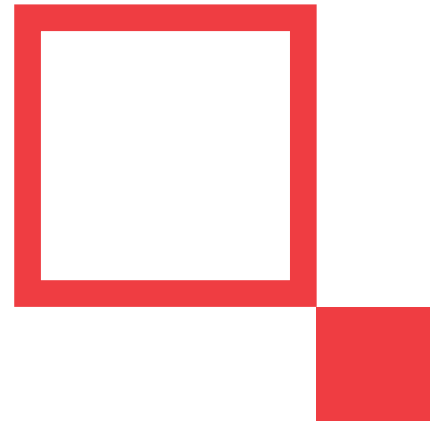
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Foreword



These are times of great change and opportunity in higher education. Universities are autonomous institutions and I believe they function best when given increased control over their own destiny. One part of such increased control is raising independent income from donations in order to achieve excellence and add value to core funding.

Evidence from the UK and from the USA has shown that this source of income can be significantly increased and used to fund current projects, enhance facilities and increase endowments. Our evidence is that donors do not regard this as a burden. Many, particularly alumni, are very willing to support their institutions especially if the university has created an environment where giving is regarded positively by both the donor and the recipient.

We are clear that the main success factor for fundraising is a professional office in each university that follows established techniques well and is resourced properly. This has to be combined with an institutional acceptance that fundraising is an important activity and that those in leadership positions devote a substantial amount of time and energy towards it. This will have implications for the future role of Vice-Chancellors and others in certain universities.

This report does recommend some changes to obtaining tax relief for donations and particularly to the development of planned giving vehicles in later life. However, whilst these are important possible changes, we are clear that success lies in doing the well-known job of fundraising well. To that end we do describe the techniques of successful fundraising in some detail, although that does not mean this report is a textbook. There

are no magic recipes here – leadership, investment, professionalism and hard work are the orders of the day.

Such pragmatism should not deter universities. Over a period of five to ten years institutions in the UK and particularly in the USA have raised very large sums and we believe all universities could achieve this to some degree. To that end we recommend resources to build capacity for this activity in the sector as well as a national education programme for senior managers and leaders. Making sure that universities know how to lead and manage the business of fundraising will be the crucial change.

I am grateful to all of those who gave us information so willingly and particularly to the staff of the Universities of Florida, Pennsylvania State, Johns Hopkins and Maryland. Finally I am particularly grateful to all the members of the Task Force who gave their valuable time so readily and to the Vice-Chancellors who joined the fact finding programme in the USA.

The success or otherwise of this report will depend on how much the sector embraces the activity. We believe that donors are there and are pleased to help universities. It is now up to us to find them and make them proud to be part of our successful higher education sector.

A handwritten signature in black ink, appearing to read 'Eric Thomas', written in a cursive style.

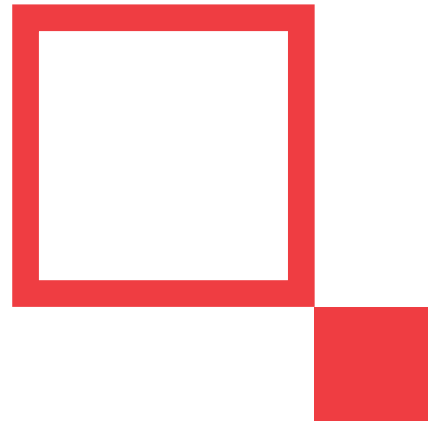
**Eric Thomas, Vice-Chancellor, University of Bristol
Chair, Task Force on Voluntary Giving to Higher Education**

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Executive Summary



Introduction

1. In striving for excellence in higher education, voluntary giving can make a significant difference. We are convinced that all higher education institutions have the potential to build a base of supporters and raise funds, focusing on their individual strengths. Some institutions have made good progress in this area over the last few years. However, there is much more that the higher education sector can achieve.

Principles

2. There are two key principles that informed our views on voluntary giving. Firstly, the role of voluntary giving is to support the development of the institution towards achieving excellence, not on maintenance or core funding. It is not a substitute for other sources of higher education funding, particularly public funding. Secondly, institutions have a responsibility to build the commitment of stakeholders to their future success and to solicit donations from those that can afford it. Higher education institutions benefit from having a charitable purpose and should, in turn, take full advantage of this in asking for financial support.

Giving in the United Kingdom (UK) and the United States of America (USA)

3. The success in fundraising of UK higher education institutions is often compared unfavourably with their counterparts in the USA. The difference in the amounts raised in the two countries can in part be explained by the differing cultures of giving. However, the difference can also be explained by the strong presence of a culture

of asking by US universities and its virtual absence in many UK higher education institutions. The key to increasing giving is for institutions to ask, in a professional and systematic manner, for donations. The evidence of the effectiveness of this approach can be found on both sides of the Atlantic. Many public US universities came to professional fundraising in the 1970s and 1980s and have made significant gains in the amounts raised. Leading UK institutions have adopted a professional approach more recently and there is much we can learn from the successes in the USA.

4. We may never match the absolute amounts donated in the USA. Similarly it is unrealistic to expect UK institutions to build endowments that rival those of private Ivy League universities. However, we can aim for UK higher education to model itself after public US universities and to match the *share* of individual donations that higher education takes in the USA. If we achieved this, even without increasing total giving, UK higher education would receive £600 million per year in donations from individuals, which is over £400 for each UK undergraduate. This would make a significant difference to the future development of higher education in this country.

Creating an asking institution

5. Creating a successful asking institution requires three key elements, all of which are within an institution's control: strong institutional leadership; a committed and involved lay leadership; and a professional, well run fundraising office.
6. An institution's leaders, at all levels, must devote time and resources to supporting the institution's development (ie. fundraising) strategy. Presidents of public US universities can spend up to half their time on this activity, with the post of Provost leading the academic body. In the UK, Vice-Chancellors and Principals already have significant calls on their time and Chairs of Governing Bodies and Chancellors act in a voluntary capacity, which presents a challenge for institutions seeking to take this activity seriously. The higher education sector must review their current leadership arrangements if we are to achieve the gains seen in the USA.
7. Well regarded and influential lay people can make a significant difference in the effectiveness of alumni relations and fundraising. Other than having lay governors, which is often a requirement of statutes, institutions generally make poor use of their alumni and other supporters as volunteers. Current and potential donors should be involved in advising the institution's alumni relations and fundraising operations,

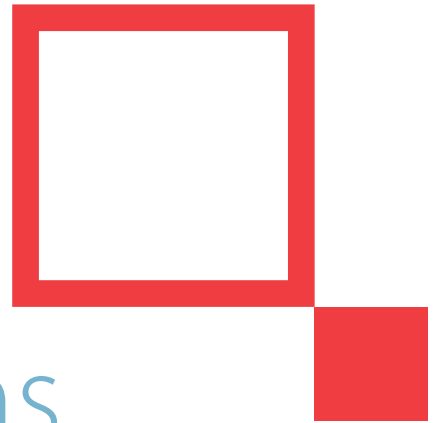
encouraging their peer group to give and to apply to become part of the institution's governance if their expertise and skills are appropriate.

8. The success of an institution's fundraising rests on a well run development office which is staffed by trained professionals following best practice. The investment in such an office should produce a significant return, over time, with a steady state benchmark of every £100,000 spent producing between £600,000 and £1 million.

Incentivising voluntary giving

9. As charities, higher education institutions can take full advantage of the tax incentives for charitable giving. The current tax incentives for gifts from income are generous, although the system in place is complex. We believe that making the system for claiming tax relief clearer could increase gifts, especially from the small number of wealthy individuals that provide a disproportionate amount of donations.
10. The current tax relief rules prevent donors from deriving an income from, or retaining an interest in, gifts of assets or property to charities. With significant amounts of wealth tied-up in property, these rules are stopping the development of innovative schemes to encourage such gifts. In the USA such schemes, known as 'planned giving vehicles', are used to donate significant amounts to the higher education sector. They provide donors with tax relief and regular income in their lifetime whilst guaranteeing the institution capital on the death of donors. With widespread ownership of assets amongst alumni coming up to retirement, and a historically low number of offspring amongst which to leave this wealth, the time is right to develop such schemes in the UK.
11. The upfront investment required to establish professional fundraising offices, with a return being realised over the medium term, can act as a barrier to institutions devoting resources to this area. We believe there is a role for the Government to pump-prime this investment through a time limited matched funding scheme that supports building institutions' capacity to fundraise effectively. If this is successful, the Government should consider whether a matched funding scheme for donations should follow.

List of Recommendations



Recommendation 1: A national survey should be commissioned by the Government that examines attitudes towards voluntary giving to higher education and factors that would motivate donations, or greater donations, to the sector. [Chapter 3, page 24]

Recommendation 2: The Committee of University Chairmen (CUC), Universities UK (UUK) and the Standing Committee of Principals (SCOP) should be encouraged to review the roles of the Vice-Chancellor and Principal, Chancellor, Chair of Council or Governing Body and senior academics to give greater prominence to the advancement of the institution and the development function. [Chapter 4, page 31]

Recommendation 3: The recently established Leadership Foundation for Higher Education, working with organisations in the fundraising field such as CASE Europe, should include training in fundraising in its courses for current and future institutional leaders. [Chapter 4, page 32]

Recommendation 4: The Leadership Foundation and/or the HE Top Management Programme should consider a study visit to US institutions for current and future institutional leaders to see at first hand how institutional practice can transform levels of funds raised. [Chapter 4, page 33]

Recommendation 5: Governing bodies should examine the scope for greater involvement and recognition of lay leaders in supporting the institution's fundraising efforts, for example as trustees of the institution's development foundation or in advisory positions, and to apply to become members of the governing body if they have appropriate experience and skills. [Chapter 4, page 33]

Recommendation 6: There should be greater recognition and celebration of giving to higher education by institutions and national leaders. [Chapter 4, page 39]

Recommendation 7: The higher education sector, drawing on practice from the wider charitable sector, should have transparent accounting for donations and share benchmark data on development activities. Governing bodies should review the progress of their institution against peer institutions, including charities managing comparable sums of money. [Chapter 4, page 40]

Recommendation 8: The Gift Aid scheme is complex for higher rate taxpayers. The Government should consider allowing those making large donations to claim full income tax relief through self-assessment rather than the current Gift Aid arrangements. [Chapter 5, page 45]

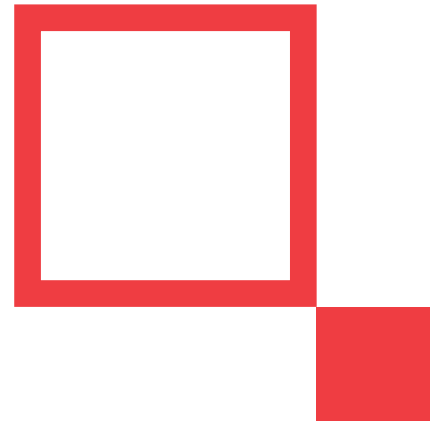
Recommendation 9: The classes of assets eligible for tax relief when donated should be extended to include unquoted shares and personal property valued above a certain amount. [Chapter 5, page 47]

Recommendation 10: Planned giving vehicles should be available in the UK. HM Treasury and the financial services and charitable sectors, supported by Government Departments with an interest, should explore the best method of introducing these types of vehicles. [Chapter 5, page 50]

Recommendation 11: There should be a matched funding scheme to support institutions' capacity building for effective fundraising. Consideration should be given to following this with a matched funding scheme for donations. [Chapter 5, page 52]

Chapter 1

Introduction



1. The White Paper *The Future of Higher Education* set out the Government's aim for higher education institutions to take greater responsibility for their financial future. Raising levels of voluntary giving and building up endowments is one means of giving universities an independent source of funds. Such income can support projects and activities that advance the excellence of the institution.
2. A Task Force was established in July 2003 to advise the Government on:
 - a. how to promote increased giving to higher education in the short-term, and build up institutions' endowments in the long-term, especially from alumni and through regular giving;
 - b. how to increase and sustain giving to higher education through changing the culture within institutions and amongst the wider public; and
 - c. potential changes to the tax system and related measures to support increased giving.
3. The Task Force was chaired by Professor Eric Thomas, Vice-Chancellor, University of Bristol and the members were:

Dr Mary Blair Director of Development and Alumni Relations, London School of Economics and Political Science

Tom Hughes-Hallett Chief Executive, Marie Curie Cancer Care

Sir Peter Lampl Chair, The Sutton Trust

Initially titled the 'Higher Education Endowment Task Force', it was clear early on in our work that the focus should be on increasing all 'voluntary giving' to institutions, of which building an 'endowment' is only a small part.

4. The Task Force consulted widely with key stakeholders and is grateful for their assistance. A full list appears at Annex B. We have used case studies throughout this report to illustrate the existing development work in higher education and the potential for future growth.
5. The Chairman and Sir Peter Lampl, accompanied by the Vice-Chancellors of Lancaster, City and Teesside Universities, visited four universities in the USA in February 2004. We are very grateful to the many members of the four universities who found time to speak to us, to the Sutton Trust for providing financial support and fundraising consultant John Glier of Grenzebach Glier Associates (GGA) for assisting in arranging meetings. GGA also provided an up-to-date and detailed analysis of giving to higher education in the USA, which was very helpful in our deliberations, and we hope it can be published soon.
6. The Task Force was established primarily to advise the Secretary of State for Education and Skills in relation to English higher education. However, our recommendations will apply equally across the United Kingdom and we welcome the support that Professor Duncan Rice, Principal, Aberdeen University, has provided to the Task Force in its work.

Structure of the report

7. In Chapter 2 we begin by confronting two core concerns about this whole subject – the fear of substitution of private funding for public funding, and the moral justification for a higher education institution (HEI) to engage in fundraising. We then set out some of the background facts and figures about voluntary giving to higher education.
8. In Chapters 3 and 4 we explore the two sides of encouraging voluntary donations – the giving side, and the asking side. Chapter 3 looks at the giving culture in the UK and USA and in Chapter 4 we look at the work involved in creating an asking institution. The HE White Paper offered the prospect of matched funding to incentivise institutions to raise voluntary funds. We look at the most effective use of such resources and also at how the tax regime can better support philanthropy in Chapter 5.

Consultation and further information

9. We have consulted widely in preparing this report but recognise that the Government will want to seek views on our recommendations before responding. Any comments on the report should be sent by e-mail to: giving2he.consultation@dfes.gsi.gov.uk
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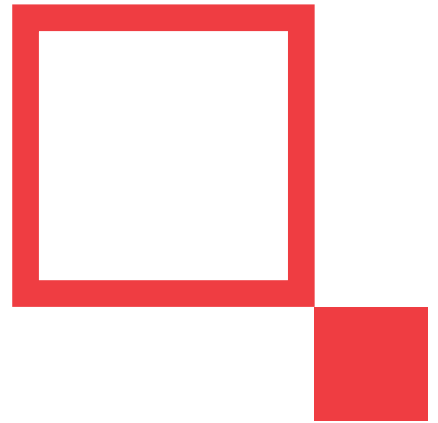
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Chapter 2

Principles and Background



The legitimacy of fundraising in higher education

1. The 'advancement of education' is a charitable purpose and HE institutions are either registered charities or, more commonly, exempt charities. As such, there is nothing inherently strange or unusual in their asking for voluntary donations. Nevertheless, even within higher education itself, there are some who have concerns about the rightful place of fundraising. We start by addressing two major concerns.

Concern 1: "The better the fundraising, the lower the core grant,"

2. The first concern is essentially tactical and centres on a fear that a government would favour voluntary fundraising only because it wished to reduce the public funding of higher education. In other words, encouragement to fundraise is no more than an exercise in saving money, which would leave higher education no better off overall. At its extreme, on this view, the long-term goal would be a higher education system largely funded from private sources.
3. It is not for us to speak for the Government, but such a prospect seems to us unrealistic. Even in the USA, where donating to higher education is much more prevalent and accepted, public higher education institutions (as opposed to private ones such as Harvard) remain predominantly dependent on public funding. All concerned expect this state of affairs to continue. If it is unrealistic to substitute private funding for public funding in the USA, it is doubly unrealistic in the UK.

4. What is more, when we met those responsible for fundraising in US universities they told us that potential donors were just as hostile to this prospect as the universities themselves. Donors were motivated to give to institutions in order to raise their quality and facilities from good to excellent; not in order to support the basic infrastructure. In those US states that have offered matched funding schemes for donations to higher education (where every private donation triggered a matching donation from the public purse), state governments have gone to great lengths to prove to potential donors that core funding to universities would be unaffected by the success of the campaigns. They realised that donors were not prepared to give their money in order to provide an excuse for governments to give less. We believe the position of UK donors would be very similar.
5. For us, the right positioning for voluntary giving is summed up by the objective of the alumni association of a US state university, which was raising significant extra income for its institution: *to provide the people of this state with a better university than they could otherwise afford*. This encapsulates the goal of fundraising in higher education. It is important; it is valuable; it makes a real difference to quality; but it does not carry by itself the load of creating and maintaining an institution.

Concern 2: “We are a community of scholars; not a salesforce”

6. This concern is different and perhaps more fundamental. Some who work in higher education worry that a culture of fundraising is incompatible with the proper culture of a university. At one level this amounts to specific concerns that major funders will try to buy for themselves, or their favoured causes, an improper influence over academic judgments and disinterested research. At another, it reflects a deep feeling, strong for many years in Europe, that only the state can be the proper funder of higher education. On this view, institutions that actively seek donations start down a slippery slope towards chasing money at the expense of the ideals that should motivate universities.
7. We fully acknowledge there are genuine risks here. Any institution that solicits and accepts gifts needs to ensure that it is not, even inadvertently, compromising its core values or being diverted from its strategic objectives. No gift could be large enough to compensate for a loss of the professional integrity that is the bedrock for a higher education institution. Nor can it ever be the mission of a university to raise money as an end in itself. As with any other charity, money must be a means to further charitable ends.

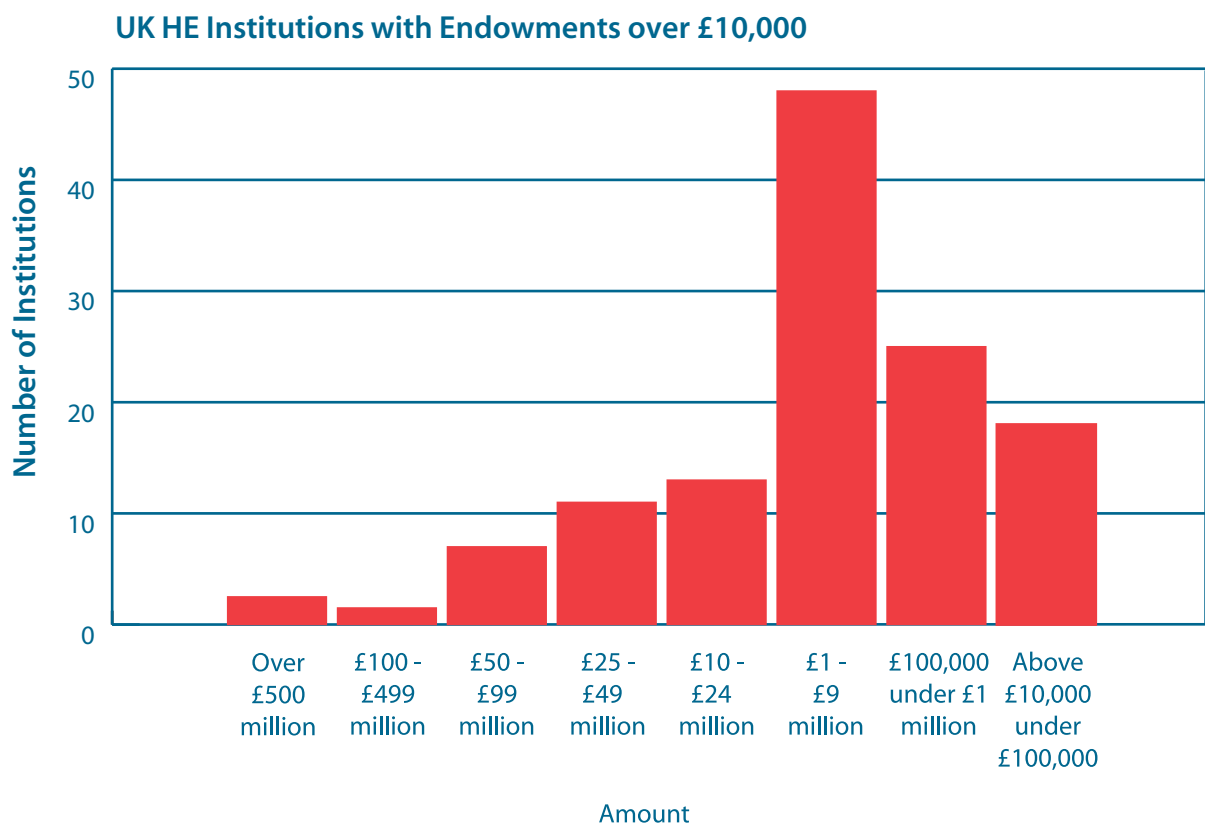
8. On the other hand, we are equally clear that there is nothing ignoble or vulgar about a university seeking to fundraise effectively. This is what all good charities do. They believe that their core objectives are worthwhile; that their activity can make the world a better place; and that they are entitled and even obliged to put themselves into the world's eye and invite support. An important part of their mission is to spread knowledge about the benefits they provide, and the greater benefits that they would like to provide if they could.
9. We believe that higher education institutions fit squarely into this model. Their teaching can transform the lives of students and their research contributes to the sum of human knowledge. Their mission is a noble one. As such they have a positive duty to proclaim it, explain it as widely as possible, and to offer to their alumni, their local communities, employers and all others with an interest the opportunity to make a contribution. If an institution does not seek donations, it ducks part of its own charitable responsibilities and allows those who should support it to duck theirs.
10. We have stressed this point because we think higher education has been too ready in recent decades to yield the moral high ground here. Too many institutions have not been used to asking for support; did not particularly like the idea of doing so; and portrayed this to themselves as a principled objection. As the next section describes, institutions have started to get more active and confident, but there remains a long way to go.

Background on voluntary giving to higher education

11. Historically, our universities and other HE institutions were established with significant philanthropic support. Before the Second World War, state funding for universities formed around a third of their income, with fees another third and the remainder from endowment income and other private support.
12. After the War, the state increased its role in funding higher education and with the expansion of places following the Robbins report, public funding formed around 75% of the total income of old universities until the late 1970s. In more recent years, public funding as a proportion of institutions' income has been declining as there has been an expansion in provision for overseas and postgraduate students and increasing commercial activity by institutions. We believe that voluntary giving has an increasing role to play in strengthening institutional financial stability and supporting excellence.

13. Some institutions have started, over the past decade, to set up and expand their professional fundraising capacity. This has drawn on expertise from the USA where many public universities started serious development activities in the 1970s and 1980s. The HE sector has established networks, such as the Ross Group, which comprises most of the Development Directors of the UK HE institutions at the forefront of fundraising and the Ad-hoc Group of Vice-Chancellors, co-chaired by Professors Duncan Rice of Aberdeen University and David VandeLinde of Warwick University. Progress has been made in the UK, as the summary of the position below shows.

Fundraising and endowments in UK higher education



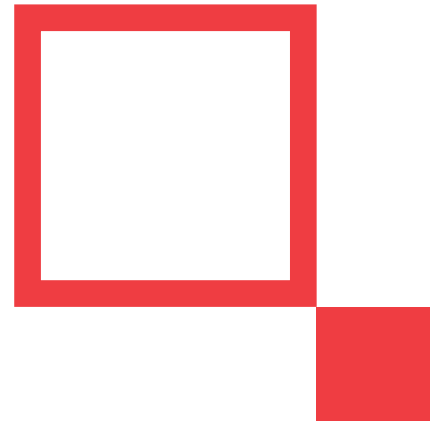
HE Institutions: Fundraising in 2001-02

A survey of 17 UK universities active in fundraising showed they had an average income of £6 million in philanthropic gifts in 2001-02. The amounts raised ranged from £29,000 to £69 million.

14. However, we believe there is significantly more that can be done by institutions, across the sector, to build their relationships with stakeholders and raise funds to support their future development and success. With only half of the HE institutions in the UK reporting endowments over £1 million, the journey has only just begun.

Chapter 3

Giving in the UK and the USA



There are significant differences in the culture of giving in the UK and the USA, which must be recognised in comparing UK and US institutions

It will be difficult to replicate the absolute levels of giving in the USA but there are opportunities for achieving significant growth in giving to higher education in the UK

The key to increasing giving is for institution to ask, in a professional and systematic manner, for donations.

The practice of giving

Individual charitable giving

1. A gift implies a donor. In considering whether it is possible to increase voluntary giving to higher education, it is natural to start with the culture of giving as it currently exists. Clearly the most relevant culture is that of the UK but the USA provides an interesting benchmark for comparison.
2. In general, the “giving impulse” in the USA seems stronger than in the UK. The participation levels in giving to all causes in the two countries are similar, at around 70% of individuals donating, but the contrasts are stark:

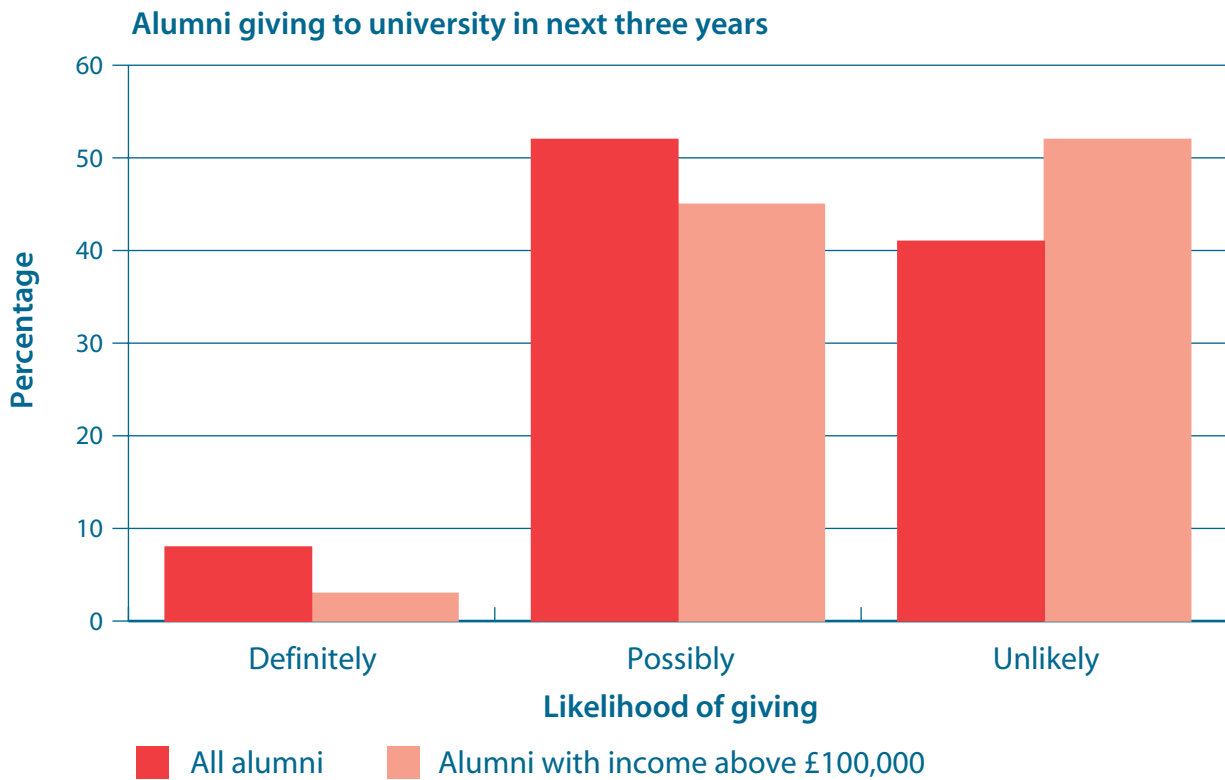
Individual Giving ¹	USA	UK
Donations	c. 1.8% of GDP 1.7% of average h'hold income Household (h'hold) gift: \$750/yr	c. 0.7% of GDP c. 0.7% of average h'hold income Household (h'hold) gift: £110/yr
Modes	Church collections: \$15/wk Payroll deductions: \$170/yr	Collecting tin (20%): £0.50/gift Door-to-door (16%): £1/gift Raffle ticket (14%)
Causes for individual giving	1. Religion (45%) 2. Education (14%) 3. Health (10%) 4. Foundations (10%)	1. Medical research 2. Children Religion, international aid, animals and health ²

3. Most immediately noticeable is that individual Americans give more – 1.8% of GDP rather than 0.7%. But particularly relevant to higher education are the causes which gifts support. Education comes second only to religion on the US list, receiving 14% of total giving – and more than half (8%) of that 14% goes to higher education. In contrast, education does not even feature in the main categories of charities receiving donations in the UK.
4. It appears also that giving in the USA is heavily connected with philanthropic self-involvement. Gifts are largely directed towards particular causes in which the giver directly participates, such as a church or performing arts group, or ones where they have received some direct benefit in the past, such as a college or university. The methods of giving are purposeful and more considered, yielding relatively higher average gifts. For instance, nearly 35% of US employees participate in giving through their payroll, as opposed to just 2% of employees in the UK.
5. In contrast, the culture of individual giving in the UK has been described as altruistic, with donors (and some charities) viewing giving as acts of selflessness. Giving is seen largely as a private affair and peripheral to an individual's social identity. Most donors of small gifts give to organisations to which they have no direct association. Spontaneous and 'spare change' modes of giving dominate, yielding small gifts and making giving vulnerable to other demands on pocket change. Attitudes towards charity in the UK include significant support for the ideas that 'the government ought to help more and not rely on charity to raise needed money' and 'giving to charity lets government off the hook'.

1 Generosity versus altruism: philanthropy and charity in the US and UK, Wright, LSE 2002

2 UK listing for proportions of individual giving to different categories of charities are not robust

6. This attitude applies even amongst those who might be likeliest to give to higher education – those who have enjoyed its benefits. As the results from an alumni survey at one leading UK university demonstrate, there is some reluctance amongst this group to give. Equally striking is the fact that there is a negative correlation between high incomes and willingness to give. Alumni earning over £100,000 are less likely to say they will definitely donate and more likely to say that they will probably not.



7. It is hard to imagine these results being replicated among a group of US alumni, for whom conspicuous giving is an accepted badge of social standing and evidence of professional success. There are, of course, individuals with this approach in the UK and we must do more to encourage a wider acceptance of this stance.

Corporate giving

8. There is a similar picture for company giving. In the UK, corporate giving has failed to increase over the past decade remaining at 0.24% of pre-tax profits for cash donations and 0.42% for community contributions (which includes non-cash gifts)³. In contrast, the level of community contributions by US companies is estimated at 1.8% of pre-tax profits.

³ The guide to UK company giving, Directory of Social Change, press release, Sept 2002

Foundations and trusts

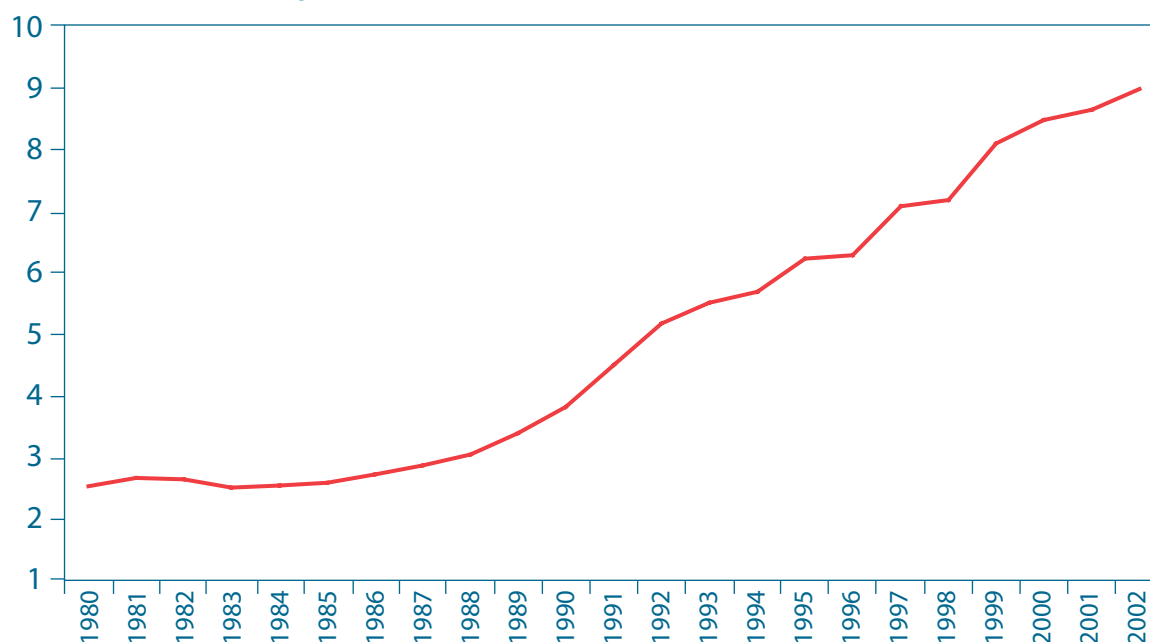
9. Foundations and trusts account for a higher share of total giving in the UK than in the USA, distributing about £2.5 billion annually in the UK. However, the absolute amounts are far lower, as is the relative number of large foundations supporting education. US foundations distribute \$27 billion annually. Over 80% of the amounts distributed in the UK come from the top 150 foundations and the main contributors to higher education include the Wolfson Foundation and Wellcome Trust.

Implications

10. Against this background, it is not surprising that US higher education institutions have proved collectively much more successful than their UK counterparts in fundraising. It is, apparently, “American” to support such causes generously and it is “un-British”. British higher education fundraisers might at this point shrug their shoulders and give up, waiting for some mysterious “culture change” to appear.
11. We think this would be the wrong response. We believe that, for all the cultural differences between the UK and the USA, there are plenty of useful lessons that can be learned. Most of the money raised by institutions in the USA has been done so over the last 20 years. We also believe that the underlying trends in UK society are moving in a direction that could well favour higher education institutions, if they are able to exploit them.
12. First, it is certainly not true that there is anything inherently un-British about giving to higher education, whatever the experience of the last 50 years might suggest. The UK has a long historic tradition of charitable giving and philanthropy, particularly in education. The 19th century schools system was established by the Churches, voluntary associations and wealthy individuals, and generous endowments of land and cash played a significant role in the establishment of many of our older universities and colleges. The change has come since the Second World War, when increased state funding – 75% of universities’ income – led to a decline in seeking voluntary donations. There is nothing inevitable about this trend. In particular, we believe there remains a strong belief in higher education as a means of achieving greater social justice and voluntary giving can ensure we achieve excellence rather than just a decent level of provision.

- 13.** Second, like most western societies, the UK has for many years now been reassessing the role of the state in the provision of public services. Driven by demographic changes, competing priorities on the public purse and increasingly high expectations of quality, successive governments have debated the right balance of contributions between the state and the individual towards higher education. The current proposal for potentially higher tuition fees in HE is just one example of this. That in turn may change expectations about where responsibility lies for providing sufficient funding to enable institutions to be successful.
- 14.** Third, and related, there is no question that the British are increasingly spending their money on education, as the graph below illustrates. The rise has been particularly steep in the last 10-15 years. It may seem paradoxical to assume that a willingness to spend money might be linked to any increased willingness to give money. But we believe that one of the trends illustrated here may be a recognition that high quality education is not an entirely free good, to be provided in its totality by the state, and a recognition of the private returns to investing in education.

UK household expenditure on education 1980-2002 (£ billion)



- 15.** Finally, the general demographic picture should support increased charitable giving. UK society is becoming richer, better educated and older. All of these characteristics correlate with a household's inclination to give to charitable causes. Money for donations is likely to become increasingly available, if higher education institutions can grasp the opportunities.

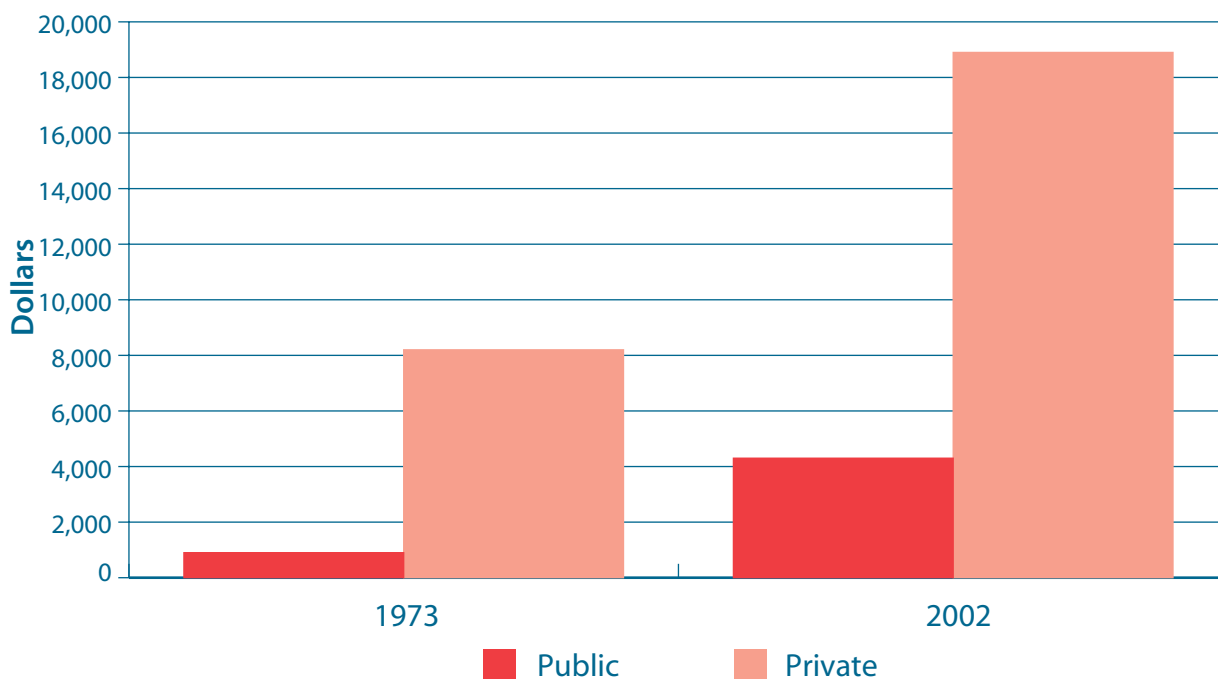
16. We can speculate about social trends but it is important to get a better understanding of attitudes towards charitable donations to higher education. Fundraising professionals in the sector have a sense of potential donors' views. Some institutions also conduct alumni surveys to generate evidence to inform their alumni relations and development activities. There is, however, a lack of hard evidence about cultural perceptions towards giving to higher education and what could motivate potential donors to give to this area. Rather than individual institutions undertaking such research, there may be economies of scale in a national survey of graduates, and comparisons between them and the general public.

Recommendation 1: A national survey should be commissioned by the Government that examines attitudes towards voluntary giving to higher education and factors that would motivate donations, or greater donations, to the sector.

The lessons from the USA

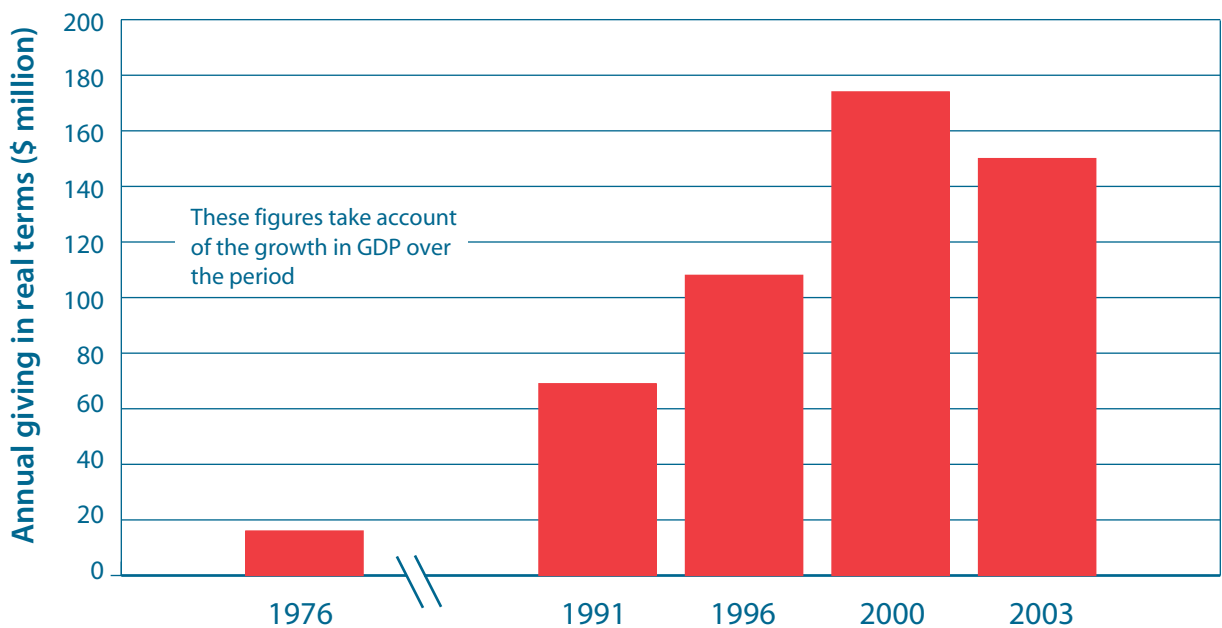
17. The most commonly quoted US examples of fundraising successes are the private Ivy League universities such as Harvard or Yale. They are also the least typical, even in the USA, and in some ways the least helpful examples for UK institutions. Over many decades they have raised endowment funds that would not disgrace a small country's GDP, and they operate on a commensurate scale. Holding them up as an example simply reinforces the view in many UK universities that they are in a different world, operating to entirely different rules. It is unreasonable to expect many UK institutions to emulate them.
18. In fact, most US universities have much in common with most UK HEIs. They are primarily publicly funded institutions and expect to remain so. They would not pretend to play in the same league as Harvard in terms of wealth or prestige. On the other hand, many public universities have succeeded over the last 20 years in significantly increasing the money that they raise from voluntary giving, resulting in real benefits to their students, their staff, and the opportunities they offer their communities.
19. In 1973, a sample of public US universities received just over 10% of the amount of voluntary support per student that a sample of private universities received. By 2002, the public universities were receiving nearly 25% – still significantly lower but a sharp improvement.

Private support per enrolled student: cohort of public and private US universities



- 20.** To take an individual example, one of the institutions that we visited in the USA was the University of Florida. The graph below shows its progress over the last 40 years. In 1976, it raised just \$2 million in voluntary donations. It now raises around \$150 million annually. The change has not come because of windfalls from a few billionaires, but from the institution itself deciding that it needed to approach fundraising systematically, professionally and strategically – and invested accordingly. The returns from the initial rounds of appeals were low and the institution did need to persevere for several years before significant returns were realised. However, the rewards justified this commitment.
- 21.** This is one of the key points that we brought back from our visit to the USA. The US culture of giving is different from that in the UK, but part of the reason for this is because the US culture of asking is different. We cannot give a definitive view on which is more important, but the experience of UK institutions that have increased asking is that it leads to increased giving.

Annual voluntary giving to the University of Florida in selected years from 1976-2003



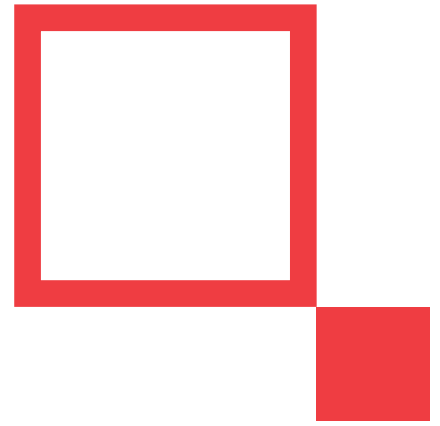
The University of Aberdeen: High ambitions

The University of Aberdeen embarked on an ambitious Sixth Century Campaign in March 1999 with the objective of raising £150 million by the end of 2010. This Campaign has been divided into three phases, the first of which had a goal of £40 million – a target which was exceeded by some £7 million by the end of 2002. Plans are in place to launch Phase II of the Campaign in autumn 2004, with a further goal of £60 million.

22. The potential for growth is significant. With individual giving to charities in the UK at £7.3bn in 2002, if higher education can raise its share of donations to the proportion seen in the USA, the sector would receive £600 million annually. This represents £400 per UK undergraduate student and nearly £600 per full-time UK undergraduate. Donations from foundations and corporations would add to this amount. We believe that by becoming 'asking institutions', the higher education sector can start to unlock these resources.
23. If more institutions are engaged in asking, especially from their alumni, the more widespread will become the expectation that individuals should give to their higher education institution. So we consider in the next chapter how an institution becomes an effective asking institution.

Chapter 4

Creating an Asking Institution



Creating a successful **asking institution** requires three key elements, all of which are within an institution's control:

Institutional leadership: the institution's leaders at all levels must devote time and resources to supporting the development strategy. They must create an environment in which prospective donors feel informed about and involved with the future of the institution

Lay leadership: well regarded and influential lay people can make a significant difference to the effectiveness of alumni relations and fundraising

Professional development operation: a development office, staffed by well trained professionals and following best practice, is essential and should produce an excellent return over time on any investment.

Barriers to asking

1. The most effective method of raising donations is to ask for them. It is only recently that more than a handful of HE institutions in the UK have started to ask systematically, establishing professional development operations to support the practice. However, they are very much the minority. Most institutions barely consider asking for donations at all. We believe this is for a mixture of reasons; we list some below, followed by comments on them.

- a. *Low perceived benefits*: a fear that there are few potential donors and high upfront costs; this may be particularly true for some new universities, who are discouraged by the profile of their students and lack of data on their alumni;
- b. *Instinctive reticence* to ask for donations, often underpinned by key individuals not knowing how to ask in the right way and with no experience or training to guide them; and
- c. Fundamental *lack of confidence in higher education, or their own institution, as a charity*, worthy of philanthropic support.

Fundraising does produce results

2. We referred in the previous chapter to the experience of US public universities. There are similar examples, on a smaller scale, in the UK, where institutions that have set up development offices have seen good returns on their investment.

Stirling University: Small office, large results

Stirling University, established in the 1960s, set up its development office four years ago. With less than two full-time equivalent staff devoted to fundraising, and a cost of around £70,000 per year, it has focused on targeting charitable foundations for funds. This has been a very effective strategy with over £10 million raised in the three years to 2003.

3. It is clear that some institutions will have natural advantages in seeking funding. Institutions with numerous and wealthy alumni have a head start. A strong reputation in research, particularly in the medical field, will help attract donations from foundations. However, in the same way that all institutions have particular characteristics and a brand, they will all have potential targets. For institutions serving their local area, local businesses and graduate employers are a well defined target group. Charitable foundations are another source that can be pursued at relatively low cost to institutions.

Asking requires personal skills

4. Creating a culture of asking does require an institution's leadership to be skilled and comfortable in soliciting donations, supported by a professional fundraising operation. This requires developing the personal skills of leaders at all levels in the institution to be able to ask and we explore this later in the chapter.

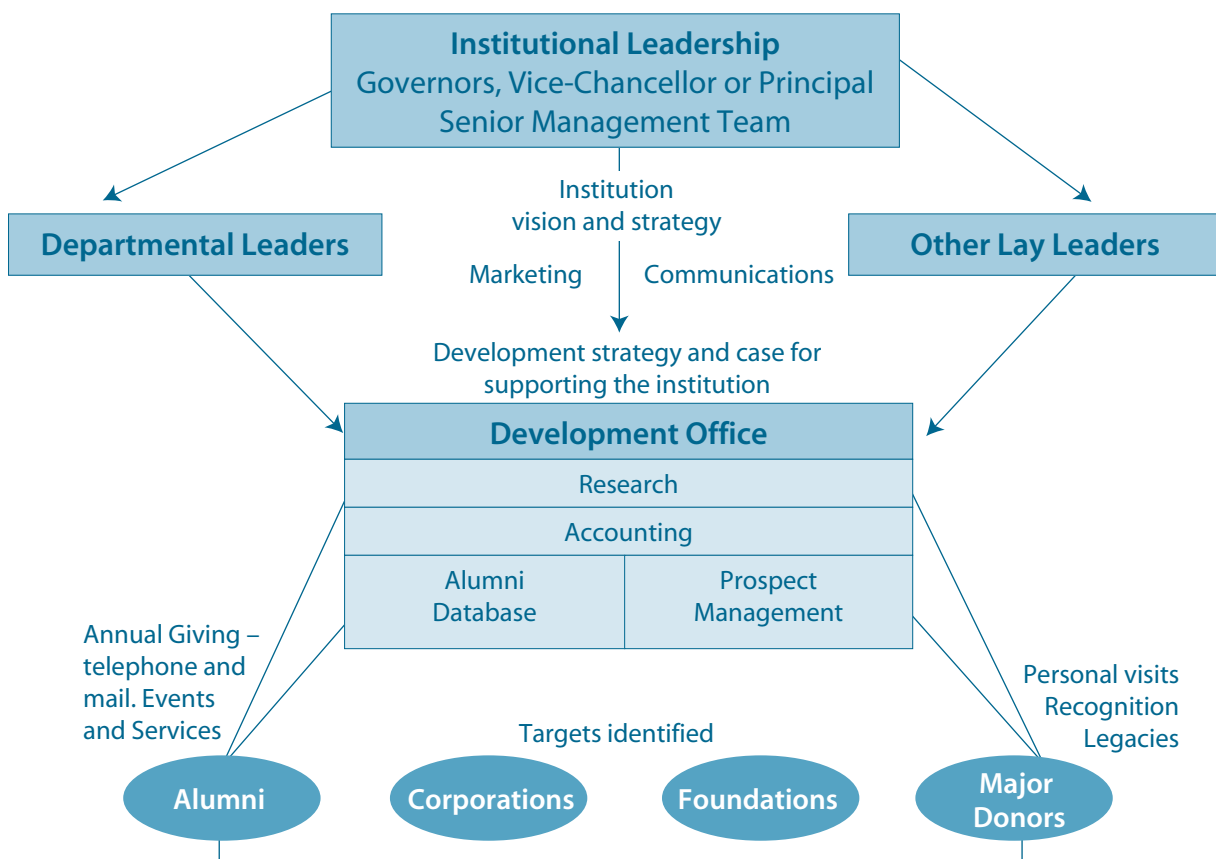
Education deserves voluntary support

- 5. We commented on this at some length in Chapter 2. We reiterate here our belief that the advancement of education, including higher education, is an entirely proper charitable purpose. It is a core attribute of a charity that it should be proud to promote its purpose and the value of its work, and to solicit public support when needed, whether in cash or other forms.

The practice of asking

- 6. Professional fundraising in higher education is an established discipline, supported by evidence of effective practice. It would be going too far to say that it is formulaic but there are a set of principles and practices on which all institutions can base an effective fundraising operation.

The elements of an institution’s professional development operation



- 7. The three key elements are: a clear strategy supported by committed leadership; the effective use of lay leaders; and a development office.

Leadership

- 8.** For an institution's development efforts to be effective, it is essential to have the support of the institution's leadership. This is particularly true for the institution's most senior leaders, for several reasons:

 - a. any fundraising plans have to fit with and reinforce the institution's overall strategic direction and priorities. Only the senior management team can ensure this;
 - b. potential major donors usually want to deal at some point with the university's leadership – normally its most senior leader;
 - c. many academic and administrative staff will take their cue from the senior leadership; an asking organisation needs to show the right behaviours at all levels; and
 - d. the senior leadership can give authority to the role of the development office in co-ordinating the asking activities of the organisation.
- 9.** However, there is a significant time commitment required from Vice-Chancellors and Principals to perform their role in making friends for the institution and raising funds effectively. In many US institutions, the Vice-Chancellor's role is split into two – a President who focuses on leadership and external relations and a Provost who focuses on internal operations and leadership of the academic staff. This enables the President to devote typically half of his or her time to fundraising.
- 10.** Clearly in a UK context such a division of responsibilities would be a significant change in the leadership of most institutions. However, it is doubtful if it is humanly possible for a single individual as a Vice-Chancellor to combine day-to-day academic leadership of a large university with an effective external representational role in the 21st century. If institutions are serious about raising voluntary funds, the sector needs to re-examine the capacity of its leaders to do the necessary work and whether the current models are appropriate. For example, the Chair of the Council or Governing Body and University Chancellor play important roles but these are performed on a voluntary basis with varying degrees of time commitment and cannot be compared to the role of the President of a US institution.

11. Equally, the senior leadership team cannot do it all. To raise significant amounts from voluntary giving, asking must be taking place throughout the institution. Senior managers and heads of department need to be fully engaged in supporting the institution's development strategy. In the US institutions visited, we were struck by the way development activities are in the job descriptions of deans and heads of department, who often spent 30% or more of their time on external activities related to building the reputation and brand of the institution and securing funds.
12. From discussions with UK institutions, it is clear that in research universities heads of department devote time to building external links. A good development strategy and operation will seek to extend this by ensuring that departments are aware of all potential prospects and that relations with them are managed professionally. It avoids donors being approached haphazardly by different parts of the institution. In larger development operations, fundraising staff can be based in departments, reporting jointly to the head of department and the head of development. This ensures that the development office co-ordinates all development activity in the institution. We believe it is important that the Development Director has direct access to the Vice-Chancellor.

Recommendation 2: The Committee of University Chairmen (CUC), Universities UK (UUK) and the Standing Committee of Principals (SCOP) should be encouraged to review the roles of the Vice-Chancellor and Principal, Chancellor, Chair of Council or Governing Body and senior academics to give greater prominence to the advancement of the institution and the development function.

13. Fundraising for institutional advancement and development will be a relatively new discipline in most higher education institutions. There is a clear need for all those involved – from institutional leaders to fundraising staff new to the sector – to develop their personal and professional skills in this area. The skills required by Vice-Chancellors and Principals may focus on leading and monitoring the development strategy and personal skills in soliciting major donations. For those working in the development office, instruction in the well established techniques for effective fundraising in higher education may be required.
14. There are a number of existing organisations that provide training and support for institutions, including the Council for the Advancement and Support of Education (CASE) Europe. The Board of Trustees of the Council's European operations includes Directors of Development from a number of UK universities and there are 200 members of the European arm.

Council for the Advancement and Support of Education (CASE)

CASE is the professional organisation for higher education advancement professionals at all levels who work in alumni relations, communications and development. It helps its members build stronger relationships with their alumni and donors, raise funds for campus projects, produce recruitment materials and market their institutions to prospective students. It is the primary provider for training for development professionals in the UK, offering a well regarded series of seminars and conferences to inform and educate those in higher education about institutional development.

- 15.** The Institute of Fundraising is another professional body in this field. It seeks to promote the highest standards of fundraising practice and offers qualifications to accredit the skills of fundraisers.
- 16.** The higher education sector has recently established a Leadership Foundation for Higher Education to offer world class development in leadership, governance and management to current and future leaders within higher education institutions. We believe that securing institutional advancement and development is an essential part of the role of institutional leaders and the Leadership Foundation should ensure that training on these skills forms part of its programme. Staff in institutions' development offices should also be encouraged to take advantage of the range of training opportunities available elsewhere.

Recommendation 3: The recently established Leadership Foundation for Higher Education, working with organisations in the fundraising field such as CASE Europe, should include training in fundraising in its courses for current and future institutional leaders.

- 17.** The US higher education sector is a world leader in raising voluntary contributions to support the development of institutions. We, and the Vice-Chancellors who accompanied us, found our visits to four US universities a most stimulating and striking experience, which has informed many of our recommendations and comments. We would strongly recommend that all current and future leaders of UK universities have the opportunity to visit a US institution, and preferably more than one, to see how they approach this subject.

Recommendation 4: The Leadership Foundation and/or the HE Top Management Programme should consider a study visit to US institutions for current and future institutional leaders to see at first hand how institutional practice can transform levels of funds raised.

Lay leaders

18. The importance of volunteers in leading and advising the institution in its development activities was a striking feature of practice in the US universities we visited. There is a series of volunteer networks supporting the university at all levels. At the most senior level, alumni and other volunteers, who were late in their career or retired, acted as ambassadors for the university and enlisted their peer groups to donate generously. These volunteers led by example, making substantial personal donations. They often served as trustees of the institution's charitable foundation or, in private universities, on the governing body. These volunteers were drawn into decision making on the institution's future development through serving on advisory committees, for instance supporting individual academic department's fundraising activities. Institutions have deliberate strategies to encourage volunteering, starting as soon as students are enrolled, with volunteer class and departmental leaders responsible for encouraging giving.
19. We believe that there is significant scope for HE institutions in the UK to make better use of alumni and other supporters as part of the institution's development strategy. Institutions should involve these individuals on advisory boards for the university, faculties and departments. They should be encouraged to apply to become part of the institution's governing body if their experience and skills are appropriate. Major donors can play a direct role in soliciting donations from their peers and are a useful source of advice on how to approach other potential donors.

Recommendation 5: Governing bodies should examine the scope for greater involvement and recognition of lay leaders in supporting the institution's fundraising efforts, for example as trustees of the institution's development foundation or in advisory positions, and to apply to become members of the governing body if they have appropriate experience and skills.

Professional development operation

20. We are clear that a professional development office is the most important part of a successful fundraising strategy. It will require investment initially but evidence from the USA shows that a mature established office, in steady state, can return around \$6 to \$10 for every \$1 invested. It is not the aim of this report to go into detail on how a development office should be organised. Plenty of good material is already available on this, from CASE, the Institute of Fundraising and others. The key task for institutions is to adopt the core principles that have been tried and tested elsewhere. We reproduce at Annex C the generally accepted core elements of a successful professional development office.
21. Three of these elements particularly interested us – the development strategy, alumni relations and management of donations – as we see significant scope for improvement in practice in these areas.

Development strategy

22. Any development strategy needs to be clear on who is being targeted and for what purpose. At present there is insufficient clarity on this, even in the development offices of many institutions, and still more so in the institution more generally. Donors will want to see that their contribution is advancing and developing the institution towards its goals, rather than being used for maintenance. Institutions that are not clear about their mission and strengths will present an incoherent story to potential donors.

De Montfort University (DMU): Developing a strategy

De Montfort has recognised the strategic importance of adopting a professional approach to development and, although in the early stages, has done significant preparatory work to enable the University to move forward. In the last twelve months, it has worked with consultants to undertake a feasibility study and a frank assessment of the University's position with regard to its markets and fundraising prospects. DMU has produced a case for support which establishes the University's distinctiveness and the need to generate development income for three priority areas, each of which will be the focus of a separate campaign. The institution has now created an integrated Development Office that incorporates alumni relations, fundraising and corporate events, working closely with the Vice-Chancellor's office.

- 23.** Similarly, the types of donors to target will depend on the maturity of the development operation, as well as the purpose for which funds are being sought. Institutions that are setting up new operations with few staff may initially want to focus on foundations, existing businesses and wealthy supporters with which the institution has links. The costs of approaching different groups of donors do vary and new operations may want to build credibility within their institution by focusing on those that provide a high return for least investment.
- 24.** Well established operations will want to cover all the potential constituencies. Below we illustrate five different types of gift that could be pursued, to highlight the differences between them. These differences are important, because too often terms are used imprecisely and vaguely, leading to muddled thinking about strategy. For example, the term “endowment” is often used to mean little more than “large lump sum of money”, rather than a permanent asset that should be ring fenced and protected by the institution’s governance arrangements.
- a. *operating funds*: most frequently, the funds raised by HE development offices support the annual operating funds and are given to support specific purposes. These are commonly scholarships at all levels, research, support for key academic staff and purchase of various machines and hardware.
 - b. *annual funds*: annual fund gifts are those solicited by the institution, most often from alumni, on an annual basis. The expectation is that donors can give such a gift from their current income, not from savings. Annual funds are most often solicited by telephone or mail and provide the giving base for the institution’s overall development effort. This is how future big donors are identified, as such donors often begin their giving with smaller gifts. While these are expensive funds to raise, particularly for less mature development operations, the annual fund operation is key to building relationships with alumni and developing the habit of financially supporting their institution.
 - c. *endowments*: The term endowment refers to funds that are given to the university with instructions from the donor that the funds are permanently invested and only interest and appreciation used to support a project (usually elected by the donor). If properly administered, the principal may not be spent. Currently, endowment funds held by higher education institutions pay out approximately 4% of the principal, which can be given annually to the donor’s purpose. Any earnings over that level are returned to the endowment to build the principal. Gifts which can be

spent in the near or distant future are not endowments but long-term contributions to operating funds.

- d. *facilities support*: like endowment funds, gifts for capital purposes, most often facilities construction, build value for the institution. These gifts are given in support of specific building projects and frequently involve the opportunity for naming such facilities after the donor, whether an individual or foundation.
 - e. *legacy gifts*: legacies can usually be directed toward very general purposes. Since the thoughtful donor who provides such support does not know his or her longevity when creating a bequest, he or she will often give the institution wider latitude than other donors.
- 25.** Building an endowment, from which income can be drawn in perpetuity, is often viewed as the ultimate goal of successful development. However, endowments are the most difficult gifts to raise as the donor must be convinced not only of the long-term purpose, but of the institution's ability to invest wisely for future earnings. A few private US institutions have managed to achieve a significant share of their annual income from this source, as set out in Annex C. However, for most institutions it is voluntary giving in general that provides the main source of additional revenue to develop the institution. Any initial development strategy needs to recognise this.
- 26.** The case study below briefly illustrates how a prestigious institution moved within a few years to a thoroughly professional approach to the whole range of fundraising.

London School of Economics (LSE): covering all the bases

The Development Office of the London School of Economics and Political Science was founded as early as 1992, but did not have a professional status until 1999. The School then committed the resources to increased longer term investment, including recruitment of new professional leadership and additional gift officers; purchase and installation of a high quality database enabling the Office to keep personal and financial gift details, track prospects, issue various financial reports and keep complete and transparent accounts of all donations; expansion of back office systems; and enhancement of the annual fund programme by a year round automatic calling system.

The Office now has all the appropriate divisions for a full service: major gifts, annual fund, trusts and foundations, corporate giving, research, operations and alumni relations. These advances were quite complex and could not have been accomplished without the support, personal involvement and financial leverage of the leadership of the School, especially from the Director and the Financial Director.

After four years of solid leadership from the School's senior administration and a stable development staff, the development effort of the LSE is now approaching a mature status. Gift officers are focused on their portfolios and build long-term relationships with prospects on a systematic basis. The process of determining internal priorities takes place at senior levels. The trusts and foundations efforts are expanding beyond UK based foundations. Many key requirements such as accountability for activities, regular cultivation of alumni, careful annual projections of income and costs, use of written proposals, gift agreements and stewardship plans, and appropriate marketing and management of endowments are in place.

The goal is to raise £100 million for the School, primarily from alumni both in the UK and overseas, foundations, corporations and friends. Progress has been steady, though perhaps slower than had been hoped due to market fluctuations in the past few years, and to date, some £63 million has been raised.

LSE believes that private philanthropy buys excellence. It helps to recruit and retain the best faculty, it attracts the best students and it builds facilities that match the intellectual capacity of the School.

Relations with alumni and other prospective donors

- 27.** Alumni are the most important stakeholders in an institution's future. Professional relations with them over long periods of time are crucial to successful fundraising. There are also a group of individuals who are not alumni but for various reasons become supporters of the institution. It is vital that both these groups feel informed about and involved with the institution so an environment is created where asking for donations from them is expected and does not come as a surprise. This attitude to potential donors should pervade the institution at all levels, not just in the development office.
- 28.** Both alumni and other supporters often start with small donations, which can increase over time as a result of their increased involvement in the future of the institution. Research⁴ at ten US universities indicated that for donors gifting \$10,000 or over, nearly half had given less than \$50 as their first gift. Institutions need to remain in regular contact with alumni throughout their life and manage those who are prospective major donors. At the same universities, 85% of those making gifts of \$10,000 or over for the first time had given to their universities in six or more years since their first gift. Only making contact with former students as they are reaching retirement or have had a significant windfall is not an effective strategy.
- 29.** There are various steps in establishing and maintaining strong alumni relations. First, a good alumni database is essential. A number of UK institutions have well developed alumni relations operations and the sophistication of these is growing, as are the services offered to alumni.
- 30.** Second, we can learn lessons from the systematic manner in which US institutions build and maintain student and alumni loyalty. They maintain a relationship with alumni through regular communications, events and services in a way that appeals to their interests. This is about involving the alumni in the institution as a precursor to fundraising. Opportunities are provided for alumni to engage with their old institution and former contemporaries. These occasions can be segmented by different interests, age and location.
- 31.** In some US institutions, inter-collegiate sports events have grown to become major occasions at which to maintain alumni loyalty and attract local, and in some cases national, media attention. These events can attract tens of thousands of alumni and

⁴ By Target Analysis Group, Cambridge, Massachusetts

supporters, televised and publicised, with post-event parties hosted by the institution. There is no similar tradition in the UK, and we see little prospect of simply duplicating the US experience here; even well known events like the Oxford and Cambridge Varsity rugby match and Boat Race are seen as national, rather than alumni, events.

- 32.** However, it is worth institutions thinking imaginatively around this area, perhaps using artistic events as the focus. Many UK institutions do have a strong regional presence which has much in common with the strong state loyalty that US institutions engender and they should seek to exploit this. Subject and year associations are also a feature of the US system that can transfer to the UK context.
- 33.** It is essential that institutions continue to inform donors of the outcomes of their gifts. For example, it is common in the USA for recipients of scholarships to contact donors annually describing their progress. Donors of facilities should receive regular reports about the success of the work they have supported. 'Donor stewardship', both before and after a gift, is a very important part of successful fundraising. Building alumni relations is a long-term investment which reaps benefits for the institution that go beyond raising funds. For example, the Lambert Review recommended that universities should develop their alumni networks to build closer relationships with their graduates working in the business community and we would support this.
- 34.** Through the efforts of individual institutions, we believe it is possible to build a collective sense amongst alumni that supporting higher education is expected. One way of building such an expectation is through better public recognition of the donations made by individuals. It is important to be sensitive to the wishes of individual donors but celebrating financial contributions to institutions should help build greater awareness – and expectation – of giving to higher education. Promoting large donations also raises the sights of other potential donors as to the size of donations they should be considering. Acknowledging the gross level of donations, including the tax relief which the charity has been able to reclaim, would reinforce to donors the benefits of giving.

Recommendation 6: There should be greater recognition and celebration of giving to higher education by institutions and national leaders.

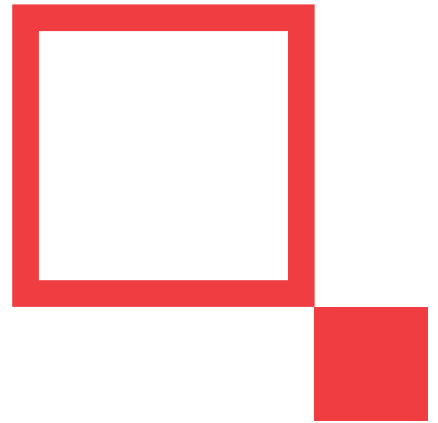
Management of donations

- 35.** The management of donations is one area where we are not convinced that best practice is widely enough known and followed, and where the higher education sector may well compare poorly with other registered charities. Labelling a large donation as an “endowment”, when it is possible to dispose of it, would be an example of poor practice. There is no suggestion of mismanagement but better adoption of sound professional procedures would protect donors and institutions alike. Donors need to be assured that their gift to an institution will be properly accounted for and devoted to the purposes for which it was given. Written gift agreements should always be used to document individual gifts. Institutions need to know how much they are raising, where it is being spent, how much it is costing and what restrictions are attached to monies that they raise.
- 36.** We believe there is scope for the adoption of common standards to ensure transparency and as a basis for allowing institutions to benchmark their activities against those of their peers. We were impressed by the openness amongst the US universities visited in comparing their performance with their peers and fundraising techniques. Although higher education institutions face different challenges from the wider charitable sector in raising funds, there is much that institutions could learn from other charities. We believe it is important that institutions and development professionals look wider than their own sector in seeking out best performance.

Recommendation 7: The higher education sector, drawing on practice from the wider charitable sector, should have transparent accounting for donations and share benchmark data on development activities. Governing bodies should review the progress of their institution against peer institutions, including charities managing comparable sums of money.

Chapter 5

Incentivising Voluntary Giving



A small number of wealthy individuals provide a disproportionate amount of donations and changes to charitable tax relief could increase donations further

There is significant wealth tied-up in property. Allowing individuals to derive an income or retain an interest in gifts of property could significantly increase giving to charity

The Government should pump-prime institutions' investment in effective development offices through a matched funding scheme

Summary

1. The HE White Paper considered incentives to encourage further giving to institutions. It focused on better promotion of existing tax incentives and a matched funding scheme, to which institutions could apply, to incentivise fundraising. We have considered both of these and believe that:
 - a. the tax incentives for gifts from income are generous but should be reformed to encourage wealthy individuals to maximise their donations;
 - b. there is scope for better promotion of the tax incentives available for donations;
 - c. more can be done to encourage gifts of assets and capital;

- d. the restriction on donors retaining an interest, or deriving an income, from donations should be lifted to encourage planned giving; and
 - e. the Government should use a matched funding scheme to pump-prime the establishment of development offices and provide further support in those institutions that have already invested in this activity.
2. We are convinced that the above changes will help in supporting institutions to raise additional funds. However, this will be effective only if institutions commit to, and invest in, soliciting donations professionally.
 3. Our remit is limited to higher education institutions and so our proposals relate to the HE sector. However, we recognise that there is a strong argument for applying any tax changes to the charitable sector as a whole. Given the significance of our recommendations, the Government might find it worthwhile to pilot the changes in the HE sector to assess their effectiveness before extension to other charities.

Tax incentives for charitable giving

4. A review⁵ of evidence from the USA suggests that the financial incentives provided by tax relief do not have a significant effect on the decision to donate but have a small positive effect on the levels of individual donations. We acknowledge that the Government has made significant improvements to the tax incentives that are available for charitable giving. The table below summarises the main tax incentives available. Overall, the tax relief for gifts from income are generous, although the system in place is complex. There is further scope for reforming tax relief for gifts of assets and capital to encourage giving.

⁵ Taxing charitable giving, Banks and Turner, Institute of Fiscal Studies

Tax incentives for individual donors

Income tax relief

Gift Aid scheme: for donations from taxpayers under this scheme, the charity can reclaim basic rate tax (22%) on the gross donation. So for a donation of £78, a charity can claim £22, giving a gross donation of £100 to the charity. Higher rate taxpayers can reclaim the difference in tax between the higher and basic rates (18%) on the gross donation. So for a donation of £78, they can reclaim £18. The effective cost to a higher rate taxpayer of a gross donation of £100 is £60.

Payroll Giving scheme: where an employer has established a payroll giving scheme, employees can make donations from their gross pay and these are deducted before PAYE tax is calculated, giving donors relief at their highest rate. A gross donation of £100 costs a basic rate taxpayer £78 and higher rate taxpayer £60 net.

Income tax and capital gains tax relief

Donors can reclaim income tax relief on the market value of gifts of listed shares, land and buildings. Appreciated assets are free from capital gains tax.

Inheritance tax relief

There is no inheritance tax liability associated with any of the gifts of income or capital above. For gifts made under a will, bequests are paid out on an individual's estate before inheritance tax is calculated, thus reducing the inheritance tax liability.

Tax incentives for corporate donors

Corporation tax relief

The value of donations of cash, shares, land or buildings to a charity are deducted before calculating a company's taxable profit, thus providing corporation tax relief. Donations of traded items, plant and equipment also reduce tax liabilities.

Gifts from income

5. The reforms to the Gift Aid and Payroll Giving schemes in 2000 put in place generous tax incentives for gifts from income. The previous limits on eligible donations were removed, the administration of the schemes simplified and the Government provided a 10% supplement for gifts made under Payroll Giving until April 2004. The incentives under the UK tax system for charitable giving from income compare favourably with those in the USA.

Gift Aid scheme

6. For the majority of donors, who will be basic rate taxpayers, the Gift Aid scheme is an effective mechanism for tax efficient giving as the administration is borne by the charity, which reclaims basic rate tax on the gross donation. So a cash donation of £78 by a basic rate taxpayer allows the charity to reclaim £22, which represents 22% of the gross donation received by the charity of £100.
7. However, for the around three million higher rate taxpayers the position is far more complicated. The tax relief of 40% of the gross donation is split between the charity, which gets 22% through the Gift Aid scheme, and the donor, who must reclaim 18%, usually through self-assessment. A number of tax and financial advisers to wealthy individuals have criticised these arrangements as difficult to understand. A simpler alternative operates in the USA, where taxpayers claim the full tax relief.

Giving a charity £1000 for a higher rate taxpayer (assume same 40% tax rates)

US system		UK system	
Cash donation	£1000	Cash donation	£780
Charity receives	£1000	Charity receives (through Gift Aid)	£1000
Tax relief to donor	£400	Tax relief to donor	£180
Net cost to donor	£600	Net cost to donor	£600

8. We considered the merits and drawbacks of moving from the Gift Aid scheme to allowing donors to reclaim the full tax relief. For basic rate taxpayers we believe there are few advantages. The Gift Aid scheme avoids the donor having to become embroiled in tax matters and we doubt many would welcome having to complete self-assessment returns in order to claim back tax relief on donations. This would be seen as a burden rather than a benefit. Opinion poll evidence⁶ also indicates that donors, often giving small amounts, much prefer the charity to claim back tax and are not looking to reduce their tax bill.
9. However, for higher rate taxpayers who will generally be self-assessed, the same arguments do not apply. Moving to a single system for claiming tax relief would be far simpler. It would be clear to the donor how much the charity was receiving and the net cost of the donation – 60% of the amount donated. In contrast, under the Gift Aid scheme the charity receives 128.2% of the donation at a cost to the donor of 76.9% of

6 NOP Omnibus Survey, July 2000, as reported by Charities Aid Foundation

the donation. Our visit to the USA demonstrated that some wealthy individuals donate until they have moved out of the higher tax band. The current UK arrangements do not lend themselves well to respond to individuals who are motivated by such aims. Given that a small number of donors will contribute the vast majority of the value of an institution's gifts, it is important that the tax system is geared to maximising the amounts wealthy individuals donate. An adviser to wealthy individuals believes that discussing tax efficient giving with potential donors actually puts some off making donations due to the complexity of the system.

10. We recognise that there would be some administrative costs involved in allowing higher rate taxpayers to reclaim the full tax relief from donations. In addition, the Inland Revenue has just introduced a scheme to allow any tax rebates due to self-assessors to be given directly to charities rather than reclaimed by the individual, and we would not want to cut across this. We therefore propose that individuals making large donations should be able to use self-assessment to reclaim full income tax relief, rather than using a combination of Gift Aid and self-assessment. This should make the introduction of these arrangements more manageable for the Inland Revenue. If this scheme proves successful, the limit on what constitutes a major donation should be lowered to allow more higher rate taxpayers to take advantage of these arrangements.

Recommendation 8: The Gift Aid scheme is complex for higher rate taxpayers. The Government should consider allowing those making large donations to claim full income tax relief through self-assessment rather than the current Gift Aid arrangements.

Payroll Giving scheme

11. The Payroll Giving scheme has many strengths for encouraging donations to charity. There is little administration required by individuals, higher rate taxpayers do not need to reclaim tax relief and it encourages planned and regular donations. However, most higher education institutions will find it difficult to exploit payroll giving as few employers will have a sufficient concentration of alumni from that institution to make the HEI a priority charity. There are charity 'cheque books' available to allow employees participating in payroll giving to donate to charities of their choice, including higher education institutions, but take up is limited. Institutions with a strong local base may nevertheless find it beneficial approaching local employers and service providers to establish a payroll giving scheme.

Promotion of tax incentives

- 12.** Research⁷ indicates that charities are making poor use of the current tax incentives. A survey revealed that just 34% of charities had a majority of eligible donors giving under Gift Aid and only 20% had over 60% of donors giving tax efficiently under the scheme. There is good practice in the higher education sector as the case study below demonstrates but there is scope for further improvement.

Durham University take up of existing tax efficient giving methods

The University systematically promotes tax efficient giving in its contacts with donors. All donation forms stress the advantages of Gift Aid and oral declarations are obtained in telephone fundraising. E-mail is used to ask donors who have not made Gift Aid declarations to go to the website where they can make the statement. In total, over £400,000 has been reclaimed in tax relief on Gift Aid donations since April 2000.

Period	Total Donors	Donors using Gift Aid	% using Gift Aid	Donors using Payroll Giving	Total % tax efficient giving
1 August 2002 to 31 July 2003	3,340	2,812	84%	119	88%
1 August 2003 to 1 April 2004 (part year)	2,808	2,389	85%	106	89%

- 13.** The HE White Paper proposed a standard Gift Aid declaration form for higher education institutions. We believe that since institutions have their own forms and the Giving Campaign has produced a range of model forms for the charitable sector as a whole, an additional standard form is not required. Instead, institutions should promote the benefits of tax efficient giving in their own contacts with donors. Not only will this result in higher income, it will assist in building the case for further tax incentives as the sector demonstrates it is taking full advantage of those incentives already on offer.

Gifts of capital

- 14.** Gifts of qualifying investments, such as listed shares, and land and buildings are eligible for income and capital gains tax relief. However, gifts of other assets such as unquoted shares and tangible personal property are ineligible. Some argue that there is little demand to donate these assets. However, there was a similar argument made

⁷ Looking a Gift-Aid horse in the mouth, Denye, Evans and Saxton, nfpSynergy, July 2003

in relation to gifts of land and buildings before these were made eligible for relief. Donors will obviously consider tax efficient giving before they consider giving assets that attract no relief. An adviser to wealthy individuals has commented that in seeking to maintain a balanced portfolio of shares, individuals may want to give unquoted shares but are reluctant to do so without tax relief.

15. We endorse the recommendations of the Goodison Review, which looked at support for museums and galleries to help them acquire works of art and culture and make them accessible to the public, in relation to tax relief. The review proposed that donors of certain gifts of art should be eligible for full tax relief by setting the gross value of the gift off against income before liability for tax is calculated. We believe the same principle should apply to other assets.
16. We appreciate that there may be concerns about accurate valuation of assets and the administration involved for the Inland Revenue in extending the classes of assets eligible for relief. We therefore suggest that there should be a minimum gift threshold to qualify for relief and, as in the USA, a qualified appraiser must value the item.

Recommendation 9: The classes of assets eligible for tax relief when donated should be extended to include unquoted shares and personal property valued above a certain amount.

Donations: retaining an interest and deriving benefits

17. There are two related principles that underlie what is considered charitable giving in the UK and are reflected in tax policy. The first is that a donor should not retain an interest in or control over a gift. This prevents donors from setting up arrangements where an asset is technically gifted to a charity but the donor in practice retains control over its use. The second principle is that the donor should not derive any⁸ benefit from a gift.
18. We believe that these principles are sound in assessing the true charitable value of a gift. For instance, where a donor gives a gift of £10,000 and receives benefits-in-kind of £1,000 from the charity, then the gift should be treated as £9,000 for tax relief purposes. Similarly, where a donor retains an interest in the gift of an asset, the market value of this interest should be deducted before calculating the true charitable value of the gift for tax relief purposes. However, instead of performing these calculations,

⁸ Small insignificant benefits are allowable, such as up to the value of 2.5% for donations over £1000 under Gift Aid

the whole gift is treated as ineligible for tax relief. This is in contrast to the position in the USA, where gifts are encouraged and a system is in place to assess what proportion is charitable and should attract tax relief with the remainder taxable. The schemes in place are collectively labelled 'planned giving vehicles' and are popular because they allow assets to be transferred to a charity whilst providing donors with a regular income and tax relief in their lifetime. The donor also gets recognition in their lifetime for their gift to the institution.

US 'Planned Giving Vehicles'

Remainder interest in personal residence

The donor transfers to a university a remainder interest in his or her personal residence, retaining the right to use the property for the donor and spouse's life. Income tax relief is available in the year of donation on the value of the residence less the value of the retained interest. No capital or inheritance tax is due. On death, the university has full ownership of the property and will usually sell it and use the proceeds for the university in accordance with the donor's instruction.

Charitable gift annuity

The donor gifts assets (usually appreciated shares or property) to the university and in return receives an annuity over the donor's lifetime (or joint lives of donor and spouse). An annuity is an annual income payment. The amount received depends on the age of the beneficiaries. Income tax relief is available in the year of donation on the value of the gifted asset less the present value of the annuity. Tax is usually payable on part of the annual income. No capital or inheritance tax is due. On death, the university retains the remainder of the assets left to use for the university in accordance with the donor's instructions.

Pooled income funds

The donor transfers assets to the university's pooled income fund, which is a collective investment vehicle, in return for a number of units in the fund. Over the donor's (and spouse's) lifetimes, a proportion of the fund's annual income is paid. Income tax relief is available in the year of donation on the value of the gifted assets less the present value of the projected income stream. Tax is usually payable on part of the annual income. No capital or inheritance tax is due. On death, a proportion of the fund's capital is paid to the university.

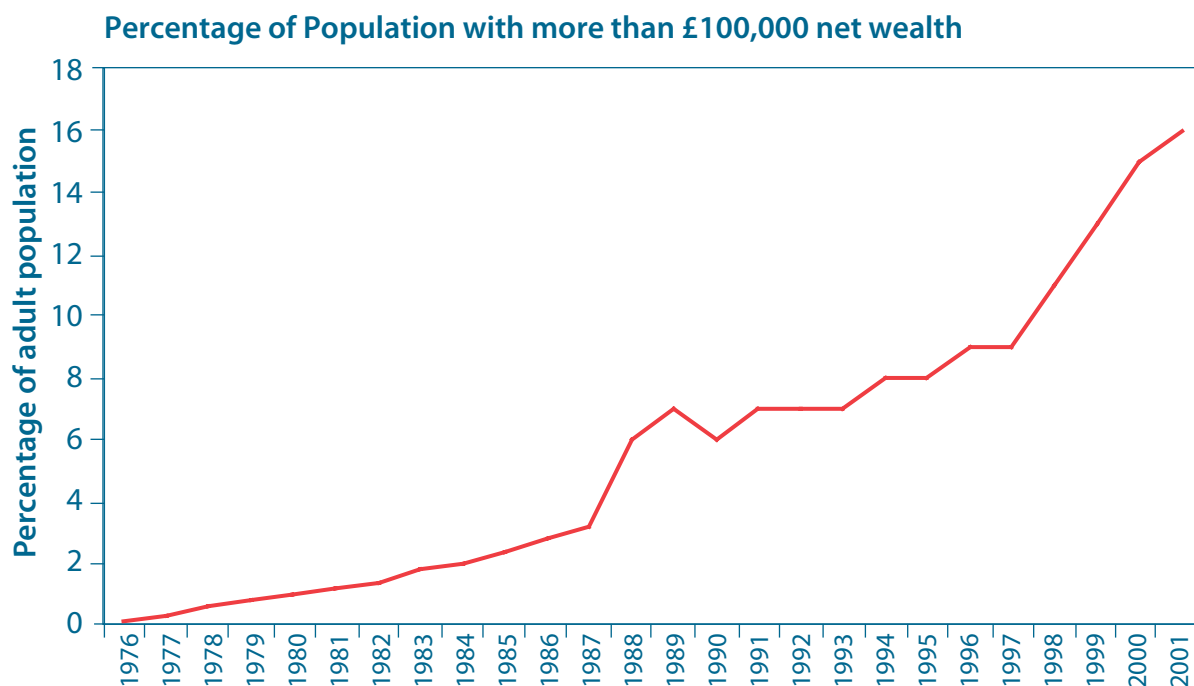
Charitable remainder trusts (CRT)

The donor transfers assets to the university and in return receives an income for a fixed term or the donor (and spouse's) lifetimes. A common form of CRT provides that a fixed percentage of the value of the CRT is paid out annually. Income tax relief is available in the year of donation on the value of the gifted assets less the present value of the projected income stream. Tax is generally payable on the annual income. No capital or inheritance tax is due. On death or end of the fixed term, the university retains the remainder of the assets left to use for the university in accordance with the donor's instructions.

Charitable lead trust (CLT)

The donor transfers assets (usually cash or unappreciated shares) to the university, which provides for a designated percentage of the value of the CLT to be distributed to the university each year for a fixed term or donor's (and spouse's) lifetimes. Income tax relief is available in the year of donation on the present value of the university's projected income from the trust. Where this upfront relief is taken, income and capital gains tax is payable by the donor (despite the donor not receiving any income). No additional inheritance tax is payable on the appreciated assets. On death, the assets transfer to the donor's heirs.

- 19.** We believe that the time is now right for the UK to explore such vehicles. Potential donors have significant amounts of their wealth tied-up in assets and the number of offspring amongst which to leave this wealth is historically low and, over the next generation, set to reduce further.
- 20.** We do not underestimate the significant changes to the current charitable tax arrangements these types of schemes will involve. There is inevitably a lack of expertise amongst the financial services sector and tax advisers about these vehicles and how they would work in a UK context. We are also aware that the financial management of these vehicles is very sophisticated and not without risk. Universities will have to ensure that they either have the correct skills in their institutions or use excellent external advice. Currently, they do not have the capabilities for such skilled financial management.



- 21.** We expect that it could take five years or longer to introduce these types of vehicles in the UK, involving the co-operation of HM Treasury and Inland Revenue, the financial services sector and the support of major charities. With differences in the asset ownership patterns in the USA and UK, the types of vehicles that would be attractive in the UK may differ from those in the USA. However, if we want to exploit the generational shift in wealth for the benefit of higher education and other charitable causes, the current system needs to innovate and the potential gains could revolutionise giving to charities.

Recommendation 10: Planned giving vehicles should be available in the UK. HM Treasury and the financial services and charitable sectors, supported by Government Departments with an interest, should explore the best method of introducing these types of vehicles.

Other incentives to encourage asking and giving

- 22.** In Chapter 4 we set out the essential characteristics of an effective fundraising operation in a higher education institution. There is a clear business case for institutions to invest in development. We know from the growth in the size and sophistication of development offices in the USA that increased investment in fundraising produces increased giving to the institution and there are no signs that the returns are diminishing.

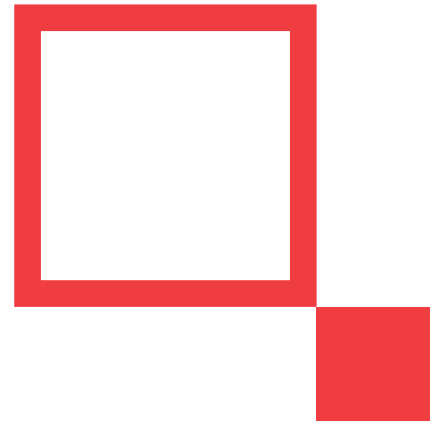
- 23.** However, there are also barriers to entering this arena. The investment in the short-term can be significant for institutions and the returns can often only be realised in the medium and long-term. This is a significant disincentive to investment. Institutional leaders also face competing demands for their time and there is an opportunity cost to devoting their energies to lead development activities.
- 24.** To assist institutions in overcoming the difficulty that returns on investment may take one to two years to materialise, we believe there is a strong case for time limited Government support to institutions to pump-prime the establishment of fundraising operations. For those institutions where fundraising is well established, Government financial support will allow institutions' operations to step up a level in their sophistication.
- 25.** To build a successful development office requires commitment from the institution's leadership and we therefore believe that any Government support should be on a matched basis. This will ensure that the institution has at least a financial stake in ensuring the success of the activity. We favour a non-prescriptive scheme where institutions that are ready to build their fundraising capacity can bid for matched funding. The areas that could benefit from such funding include:
- a. producing a development strategy: institutions producing a development strategy that sets out their priorities, the case for giving to that institution and the constituencies they will target;
 - b. staffing and training: there is a range of training available for staff working in fundraising at all levels, from courses for Vice-Chancellors and Principals to training for individual fundraisers who may be new to HE; and
 - c. alumni database and prospect management systems: the initial costs of establishing an alumni database can be high but is essential for a serious fundraising operation.
- 26.** There is a variety of ways that such a scheme could work and we believe that Government is best placed, in consultation with the sector, to determine how it should operate and the criteria that institutions should have to meet to receive funds. However, we are keen for the scheme to be available over at least three years as otherwise institutions will face difficulties in recruiting high quality staff and advisers if there is a sudden increase in demand to establish new fundraising operations.

27. The HE White Paper committed the Government to seek resources for a scheme to match the endowed funds raised by institutions. We have recommended that such resources should be used to develop and increase capacity for fundraising. However, we do recognise that the matched funding of donations can be successful in increasing the amounts raised and recommend the Government reviews this possibility after three to five years. Matched funding for donations would be particularly attractive if the pump-priming scheme has been successful. Such a scheme will need to be capped, otherwise most of the money will go to a small number of institutions. We estimate that if the scheme was uncapped, half the funding would currently go to the Universities of Oxford and Cambridge and their colleges.

Recommendation 11: There should be a matched funding scheme to support institutions' capacity building for effective fundraising. Consideration should be given to following this with a matched funding scheme for donations.

Chapter 6

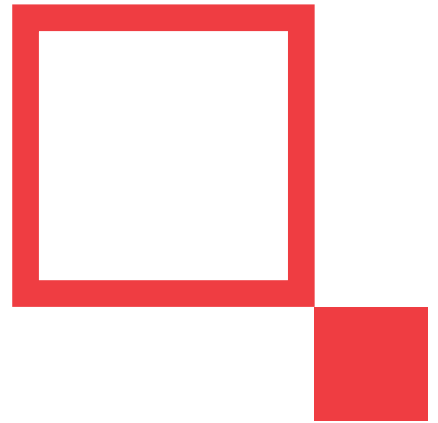
Conclusion



1. The work of the Task Force has taken place at a time when there is much debate on the relative contribution that students and taxpayers should make to funding higher education. We recognise that this will affect how institutions, potential donors and the wider public view our proposals and there may be some concerns as to the proper place and contribution of voluntary giving. We make clear that the role of voluntary giving is to support institutions in achieving excellence, not for maintaining the status quo or substituting for core funding.
2. We were asked to provide advice to Government on how to encourage greater voluntary giving to higher education. However, we believe that Government intervention should be limited to those areas in which it has a legitimate role, such as taxation policy and the provision of resources to overcome barriers to developing and growing fundraising capacity. The responsibility for making a success of voluntary giving lies with institutions and the higher education sector as a whole, through effective leadership and professional asking. We have outlined in this report how this can be achieved. This will be a challenge for many institutions, but one which we are convinced that they can meet.

Annex A

Task Force Members



Professor Eric Thomas (Chair)

Professor Eric Thomas has been Vice-Chancellor of the University of Bristol since 2001. He is currently a member of the Board of the South West Regional Development Agency, a member of the South West Regional Sports Board and Chairman of Worldwide University Network.

He studied medicine at Newcastle University and taught and researched at Sheffield and Newcastle universities before being appointed Professor of Obstetrics and Gynaecology at Southampton University in 1991. In the same year, he became a Consultant Obstetrician and Gynaecologist at Southampton University Hospitals Trust. He was made Head of Southampton's School of Medicine in 1995 and Dean of its Faculty of Medicine, Health and Biological Sciences in 1998.

Mary K Blair PhD

Having served 15 years in various capacities in the development offices of Johns Hopkins University and the Johns Hopkins University School of Medicine, Dr Blair joined the London School of Economics and Political Science as Director of Development and Alumni Relations in May 2000 to lead a capital campaign on behalf of the whole institution.

Dr Blair received her PhD in English and American Studies from Indiana University in 1972 and her BA from the University of Wisconsin at Madison in 1964. She taught in the English Department at the University of Maryland Baltimore County from 1970 -78.

Tom Hughes-Hallett

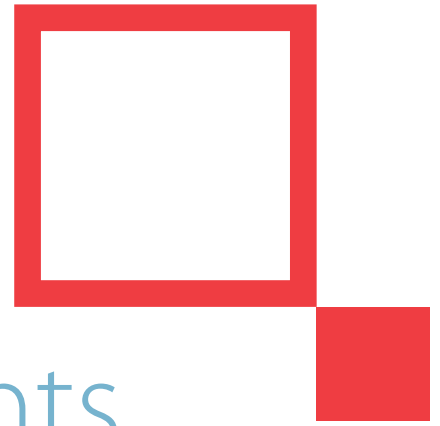
Tom Hughes-Hallett was appointed Chief Executive of Marie Curie Cancer Care in 2000 after 22 years in the banking profession with J Henry Schroder Wagg & Co, Enskilda Securities, Robert Fleming Securities and, from October 1999 until 2000, Director of Fleming Asset Management. He qualified as a Barrister at Law in 1977. Other appointments include Chairman of The Michael Palin Centre for Stammering Children, jointly funded by ARSC and the Camden and Islington Community Health Services NHS, and Chairman of the Emily Hughes-Hallett Fund. He is a member of the Giving Campaign's Advisory Committee.

Sir Peter Lampl

Sir Peter Lampl is Chairman of the Sutton Trust, an educational charity he founded in 1997. He is a graduate of Oxford University and London Business School. Before establishing the Sutton Trust, Sir Peter was a successful entrepreneur as Chairman of the Sutton Company, an investment and private equity firm that made investments both in the United States of America and Europe and which he founded in 1983. He has been a management consultant with the Boston Consulting Group and held a number of senior management positions at International Paper, the world's largest paper and forest products company. He lives in London and was awarded a knighthood in 2003 for services to education.

Annex B

Acknowledgements



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Dave Coban, Andy Marks	A Vision
Joanna Motion	CASE Europe
David Rhind	City University
Richard Brown	Council for Industry and Higher Education
Mike Jeffrey, Jill Moody	Craigmyle
Judy Simons	De Montfort University
Amanda Delew, Philip Mind, Simon Williams	The Giving Campaign
Dugald Mackie	Glasgow University
John Glier	Grenzenbach Glier and Associates
Fiona Kirk	Imperial College of Science and Technology
Lindsay Boswell, Andy Watt	Institute of Fundraising
Hillary Browne-Wilkinson, Lee Helms	Institute of Philanthropy
Paul Light	King Alfred's College, Winchester
Rob Arnold	KPMG
Paul Wellings	Lancaster University
Jon Walker	Loughborough University
John Godfrey	Napier University
Mark Birtles, Antony Constantinidi	PricewaterhouseCoopers
Philip Prettejohn	Rawlinson and Hunter

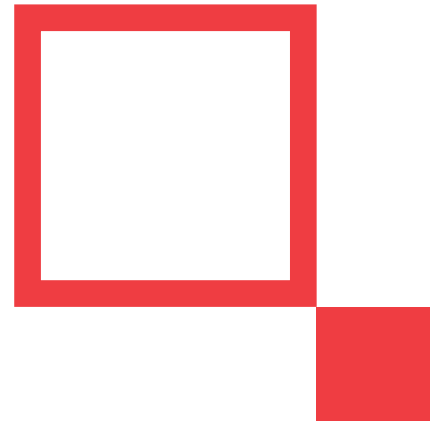


Graham Gale, Anthony Tootal
Alisdair Lockhart
Dave Hall
John Douglass
Adrian Beney
Caron Jones, Martin Stephenson
Giles Dove
Graham Henderson
Judith Ingham
HM Treasury
Inland Revenue
Scottish Executive

University of Cambridge
University College London
University of Birmingham
University of California, Berkeley
University of Durham
University of Greenwich
University of Stirling
University of Teesside
Withers LLP

Annex C

Glossary and Resources



Glossary

Advancement: a systematic, integrated method of managing relationships in order to increase an institution's support from its key stakeholders. It comprises communication and marketing, alumni relations and development.

Annual giving: these are gifts given on an annual basis for use in the current year. Telephone and mail campaigns seek this support and the intention is to ask donors to give out of current income.

Development: the term used in the higher education sector to denote both fundraising and building relations with alumni and other stakeholders. It includes a program of alumni/stakeholder relationship building, annual giving, major gift and planned giving and donor stewardship.

Endowment: Investments, which usually come from cash or shares, but may come from gifts of land or buildings, which are held and invested by the institution. They cannot be disposed of or spent as if they were income, even in the long-term. Most frequently, the donor specifies that the principal may not be spent and only interest and appreciation should be used to support a particular purpose. An institution may choose to direct its own resources toward its endowment, if it intends to use only interest or appreciation from them for its own purposes. If the donor stipulates that the principal can be spent, it is not a permanent endowment. Endowment does not refer to interest bearing accounts which the institution holds for a period of time with the intention to spend the principal. Some older endowments in the UK include long-held land or property.

Exempt charity: a charity that is not subject to the supervisory and monitoring powers of the Charity Commission. Most HE institutions are exempt charities.

Planned giving (as commonly termed in the UK): this refers to seeking support from donors through their financial legacies to the institution. Such gifts reduce the taxable estate of the deceased donor.

Planned giving (as commonly termed in the USA): this term includes legacy planning, but also includes a particular form of gift which is made possible by the US tax code. Donors may give a sizeable sum to the institution and in return receive income from that donation during their lifetimes. In addition, a portion of the initial gift provides tax relief for the donor. The rate of the income to the donor is often determined by an external rate setting body; the amount of the taxable donation is determined by the donor's age(s) as set by the US IRS. They are often administered by an external agency, such as a trust bank, and the reporting requirements to both the donor and the taxing agency are strict. There are several forms that such a gift may take, but most frequently they are charitable remainder trusts or charitable unitrusts.

Registered charity: a charity registered with the Charity Commission. A few HE institutions are registered charities.

Resources

Chapter 1

Paragraph 1: The White Paper *The Future of Higher Education*, published in January 2003, is available at: www.dfes.gov.uk/highereducation/hestrategy. Chapter 7 sets out the Government's strategy on voluntary giving to higher education.

Chapter 2

Paragraphs 11 and 12: Historic funding of higher education: 'Spend with care', Michael Shattock, *Guardian*, 4 June 2002

UK HE Institutions with endowments over £10,000: from the THES Endowment Survey 2003 available at www.thes.co.uk/statistics/university_wealth

Fundraising at selected HE institutions in 2001-02 from survey undertaken by CASE Europe

Chapter 3

Paragraphs 1 to 5 and 13: Based on 'Generosity versus altruism: philanthropy and charity in the US and UK', Civil Society Working Paper 17, Karen Wright, LSE, January 2002

Individual Giving in USA and UK

US Donations and causes for individual giving from 'Giving USA 2003', a publication of the AAFRC Trust for Philanthropy, researched and written by the Center of Philanthropy at Indiana University.

UK Donations, % of GDP, modes of collection and causes for individual giving, calculated from 'Charitable giving in 2002', Inside Research Issue 19, Charities Aid Foundation-National Council for Voluntary Organisations, August 2003

Paragraph 9: UK figures from 'Directory of grant making trusts 2003-2004', Charities Aid Foundation, published by Directory of Social Change. US figures from 'Giving USA 2003'.

UK household expenditure on education from Consumer trends/ONS/nVision

Paragraph 19: Public US university sample: College of William and Mary, Pennsylvania State University and the Universities of California (Los Angeles), Florida, Illinois, Iowa, North Carolina (Chapel Hill), Washington Wisconsin and Wyoming. Private university sample: Cornell, Johns Hopkins, Princeton, Stanford and Washington Universities, the Universities of Chicago, Southern California and Pennsylvania and the California Institute of Technology.

Annual Voluntary Giving University of Florida 1976-2003: figures have been adjusted to take account of inflation and the increase in US GDP over the period.

Paragraph 22: Individual giving from 'Charitable giving in 2002', Inside Research Issue 19, Charities Aid Foundation-National Council for Voluntary Organisations, August 2003.

Chapter 4

Paragraph 16: More information about the Leadership Foundation for Higher Education can be found at their website: www.leadership-he.com

Recommendation 4: More information about the HE Top Management Programme can be found from the Higher Education Staff Development Agency at www.hesda.org.uk/activities/networks/tmp.html

Paragraph 20: Professional Development Operation

The key characteristics of a professional development operation include:

- a development strategy, incorporating clear cases for why donors should support the institution's development priorities;
- effective leadership to promote the strategy throughout the organisation with agreement as to the distribution of funds;
- major campaigns, lasting for around five years, where there is a concerted and focused drive to raise funds towards an ambitious target. Institutions can look to external expertise for advice to ensure these are conducted effectively;
- identified key prospects (potential major alumni or other donors, foundations and corporations), based on good research and intelligence, which are actively managed by professional fundraisers;
- effective alumni relations as the basis of an annual giving fund. This requires a good database, which can segment by interests, and the institution to provide events and services which engage alumni, provide recognition for their contribution and build loyalty;
- support and advice for lay leaders and senior academics engaged in fundraising; transparent systems for accounting and monitoring donations and how they are used and professional management of endowed funds; and
- adequate investment and resources to support a professional operation.

The portfolio of approaches that development offices can undertake as part of a comprehensive strategy are:

Source of funds	Techniques
Alumni	Annual Giving – telephone campaign; direct mail Events and services to build loyalty – social events for segments of alumni, services and discounts for alumni Recognition – newsletters
Major Donors (alumni and other wealthy individuals)	Prospect management system to identify and nurture potential major donors Personal visits – senior level Legacy campaigns Recognition – donor names on buildings, fellowships and professorships
Foundations	Targets identified Well prepared business cases
Corporations	Targets identified Sponsorship opportunities

Paragraph 25: Income from endowments and other voluntary giving at selected US institutions

A few private US universities receive a significant proportion of their annual income from endowments. Amongst public US universities, particularly those that have come to fundraising in the past few decades, endowment income contributes a small proportion of annual income for the institution’s development.

Institution	% of annual income from endowment	% of annual income from other voluntary giving
Harvard University (Private. Over 9,400 endowments. Total value \$19 billion in 2003. Ranked 1st)	31%	6% [estimated]
Washington University in St. Louis (Private. Over 2,200 endowments. Total value \$3.6 billion in 2003. Ranked 11th)	11%	5% [estimated]
Pennsylvania State University (Public. Total endowment value \$900 million in 2002. Ranked 45th/11th amongst public universities)	c.2%	10%
University of Florida (Public. Total endowment value \$589 million in 2003. Ranked 76th/19th amongst public universities)	c.2%	15%

Paragraph 28: Research by the Target Analysis Group Inc, Cambridge, Massachusetts as reported by Grenzenbach, Glier and Associates.

Paragraph 33: The final report of the Lambert Review of Business-University Collaboration was published in December 2003. Recommendation 3.3 refers to alumni relations. The report is available at www.hm-treasury.gov.uk/consultations_and_legislation/lambert

Chapter 5

Paragraph 5: The Institute of Philanthropy, in conjunction with Allen and Overy, have prepared a comparison of the US and UK tax incentives for individual donors. This is available from their website at: www.instituteforphilanthropy.org.uk/research.html

Paragraph 8: Charities Aid Foundation report an NOP Omnibus Survey: 46% agree and 14% disagree with the statement "I prefer to give money to charity in a way which will allow the charity to claim an additional sum from the taxman"; and 52% disagree and 14% agree with the statement "I prefer to give money to charity in a way which will allow me to [reduce] my tax bill"

Paragraph 13: More information about the work of the Giving Campaign can be found on their website at: www.givingcampaign.org.uk

Paragraph 15: The final report of the 'Goodison Review, Securing the Best for our Museums: Private Giving and Government Support' by Nicholas Goodison was published in January 2004. Chapter 5, Gifts of Pre-Eminent Objects, relates to tax reliefs. The report is available at www.hm-treasury.gov.uk/consultations_and_legislation/goodison_review

US Planned Giving Vehicles: Based on Summary of US Charitable Planned Giving Strategies, Gretchen Clayton, 2001, Institute of Philanthropy

Paragraph 19: Personal Wealth T13.5, Inland Revenue statistics

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