

## Gift Aid ODA spend estimate - Methodology review 2017/18

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## Background

1. The Department for International Development (DFID) is responsible for calculating total UK Official Development Assistance (ODA) which is a measure of financial flows from the UK to support international development. The ODA estimate includes Gift Aid paid to charities by HM Revenue and Customs (HMRC) on donations made by UK taxpayers if the Gift Aid is spent on ODA-eligible activities. In 2016 Gift Aid ODA was estimated at £90 million representing 0.7% of total UK ODA (£13,377 million).

### How Gift Aid works?

The Gift Aid scheme is for gifts of money by individuals who pay UK tax. Gift Aid donations are regarded as having the basic rate of tax deducted by the donor. Charities take donations - which is money individuals have already paid tax on - and reclaim the basic rate of tax from HM Revenue & Customs on its 'gross' equivalent - the amount before the basic rate of tax is deducted.

As the basic rate of tax is 20 per cent, this means that a £10 donation made using Gift Aid is worth £12.50 to the charity.

Source: HM Revenue and Customs, [www.hmrc.gov.uk/individuals/giving/gift-aid.htm#4](http://www.hmrc.gov.uk/individuals/giving/gift-aid.htm#4)

### Gift Aid and ODA

Gift Aid spend by charities is considered Official Development Assistance (ODA) if it benefits a developing country and has the promotion of the economic development and welfare of the developing country as its main objective.

2. As Gift Aid spend for ODA is not specifically recorded in government administrative systems, an estimate is produced which relies on a sample survey selected from an appropriate<sup>1</sup> target population of charities and HMRC's charity database of Gift Aid claims and payments. A survey is needed to estimate the percentage share of charity spend that is ODA eligible, which can then be applied to Gift Aid payments.

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<sup>1</sup> The list comprises UK-based registered charities involved with ODA activities, who can claim Gift Aid payments from HM Revenue and Customs.

3. This note outlines the previous and updated methodology used to calculate the amount of ODA-eligible Gift Aid spend reported by DFID in its National Statistics publication: Statistics on International Development. Both methodologies are in line with the OECD Development Assistance Committee's guidance on estimates of this kind. Full terms of reference for the review can be found online<sup>2</sup>.

## Executive summary:

4. The main findings are:

- An estimate of 70.5 per cent of total charity spend was on ODA eligible activity, based on survey data for 2015/16 to 2017/18. This compares with 56.7 per cent from the previous survey in 2012/13.
- The number of charities used to derive the total amount of Gift Aid has increased compared with that in 2012/13.
- The newly estimated ODA percentage of 70.5 per cent will be applied to the total amount of Gift Aid (based on a refreshed list of charities) to produce an official estimate of ODA Gift Aid spend for 2017. This will be published in Statistics on International Development: Final UK aid spend 2017.

The main changes with the previous methodology are:

- A 3-year average is used to estimate the percentage spend on ODA eligible activity.
- We will regularly review the list of charities used to derive the amount of Gift Aid
- We will continue to work with HMRC to improve the grossing methodology for in-year ODA spend monitoring.
- We will contact a panel of charities to assess any change in spend on ODA eligible activity and the need for a review.

## Previous methodology

5. The previous methodology surveyed a representative sample of 197 charities in 2013 to estimate the proportion of spend in financial year 2012/13 that was ODA and hence subject to ODA eligible Gift Aid payment. The surveyed organisations were asked for data on their total charitable expenditure and expenditure related to ODA eligible activity. For the latter financial data, they were given OECD guidance to help them assess their ODA eligible activity. The resultant sample data produced an estimate of the proportion of charities' spend on ODA eligible activity, which was then weighted according to a list of the main charities involved in international development. This weighted estimate of the proportion, estimated at 56.7% of total charity spend, was applied to HMRC data on Gift Aid payments to charities involved in international development to derive the official estimate of ODA-eligible Gift Aid. Up to now, the list of charities and the proportion of spend on ODA eligible activity has not been updated since 2013.

## Alternative ODA Gift Aid spend data sources

6. Before undertaking this review, we considered whether there had been changes in data collection since 2012/13 which meant that the required data would be available via sources other than survey data. This included an assessment of the potential sources below. (see Table 1)

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<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/697355/ToR-stats-review-gift-aid1.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/697355/ToR-stats-review-gift-aid1.pdf)

Table 1: Alternative sources to derive ODA eligible Gift Aid

Source	Potential strength	Identified restriction
Her Majesty's Revenue and Customs (HMRC) – charity database	<ul style="list-style-type: none"> <li>• UK coverage of Gift Aid claimants and payments</li> <li>• Direct estimate could be obtained if target population and purpose of claim are identified in HMRC database.</li> </ul>	<ul style="list-style-type: none"> <li>• Specific data regarding the purpose of claim (i.e. ODA related activities) not collected.</li> <li>• Unless for specified legal or operational reasons, access to data is restricted</li> </ul>
The Charity Commissions' data	<ul style="list-style-type: none"> <li>• UK coverage of charities</li> <li>• Collection of general financial data for regulatory purposes, which might include Gift Aid spend.</li> </ul>	<ul style="list-style-type: none"> <li>• Information on whether charities income/expenditure contains Gift Aid is not routinely collected.</li> <li>• Specific data regarding Gift Aid ODA is not collected.</li> </ul>
Web-based data	<ul style="list-style-type: none"> <li>• Charities' Annual Reports and Accounts published online via the Charity Commission's API.</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertain coverage of charities and non-standard reporting format for Gift Aid information to allow data science techniques to work reliably</li> </ul>
Survey method	<ul style="list-style-type: none"> <li>• Current method - targeted sample survey requesting specific information on ODA spend.</li> </ul>	<ul style="list-style-type: none"> <li>• Indirect method of estimation, applying a survey estimate with HMRC Gift Aid payment data</li> <li>• Associated sampling and non-sampling errors of this method.</li> </ul>

7. Our assessment (Table 1) showed both HMRC and the Commissions do not currently collect the specific information required to identify charities involved in international development that have claimed Gift Aid payment for ODA activities. We therefore concluded that the survey method was still the most feasible way of collecting the required information, where we could define the purpose of the survey and ask for specific information on spend for ODA eligible activities. The survey approach however has inherent limitations, such as charities could misinterpret what qualifies as ODA activities or sample responses could produce unrepresentative results. How we try to reduce these limitations are described in Paragraphs 13 and 19.

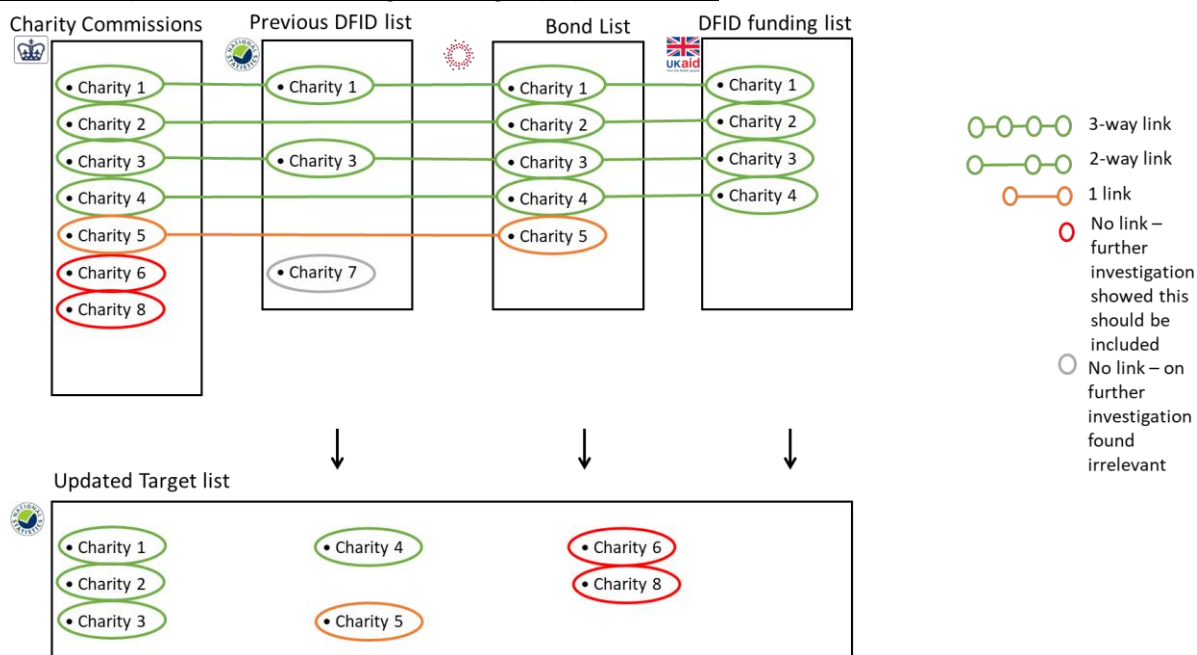
## Updated methodology

8. We have followed a survey methodology similar to the most recent review in 2012/13 however refreshing the list of charities used for sampling and the list of charities to be matched with HMRC's Gift Aid database. We also refined the questions in the survey to collect the last 3 years of charities' total and ODA eligible spend. These processes are described briefly below:

## Target population list of charities

9. The list of charities used for the previous survey was formed in 2012/13 and comprised 342 charities. We undertook a matching exercise (illustrated in Figure 1) on charities with annual spend of £1 million or more to refresh and update the list of charities involved in international development. Figure 1 shows that we used four different data sources to compile the final list of charities, including the previous list used shown as “Previous DFID List” in Figure 1.

Figure 1: The process for selecting the target population list



- **The Charity Commissions’ registers** – the Charity Commission (England & Wales) produced a list of charities working in ODA-eligible countries, including their expenditure, income, a description of their work and other relevant information. We also accessed the registers of the commissions in Scotland and Northern Ireland.
  - **DFID previous list** used for the Gift Aid survey – we’d kept the list of charities identified in the previous review of the Gift Aid methodology. This was made up of 342 charities and based on BOND membership (see below) or well-known civil society organisations.
  - **BOND** – keeps a list for the network of charities in England and Wales involved in international development work.
  - **DFID funding list** – DFID funds charities, as well as other delivery organisations. Management information was used to identify those charities DFID had worked with in the recent past.
10. The matching exercise revealed that there has been a certain amount of ‘churn’ in active charities since 2012/13, where some charities in the previous list appeared to have stopped operating (i.e. they could not be found on the Commissions’ registers<sup>3</sup>) and some new charities have started. Overall, the matching exercise produced a final list of 442 charities. This was an increase of around 100 charities (29%) on the previous list. We discuss the charity list and its use with HMRC’s Charity payment database further in Paragraph 20.

<sup>3</sup> Some charities may have rebranded and re-registered under a different name, rather than have gone out of business. These re-registered charities would be included in the final list provided if they carried out ODA eligible activity.

## Changes to the survey questions

11. We reviewed the questions of the survey and made some refinements to them following consultations with HMRC and the Charity Commission. The main change is that we asked charities for their total spend and spend on ODA eligible activity in each of the last three financial years (2015/16, 2016/17, 2017/18) – the earlier 2012/13 survey had only requested this information for 2012/13. There were two reasons for this move: first, we were told that some Gift Aid claims and payments may not be processed in the same financial year and second, payments could fluctuate depending on the size of foreign aid appeals in the UK (for example, the Disaster Emergency Committee<sup>4</sup> appeals may generate different levels of fundraising each year). For these reasons, it made sense to collect spend data over time to account for any lags in processed Gift Aid payments data and size of foreign aid appeals.
12. We also included two questions to assess the response burden on charities, in case we needed to repeat the survey exercise again in future years.

## Sampling methodology

13. Charities for the sample survey were selected according to size of their annual spend, by dividing the population into 5 groups from “Very large” charities (i.e. annual spend of £100 million or more) to “Very Small” (i.e. annual spend of £5 million or less). A randomly chosen total of 166 charities were selected and asked to complete a survey monkey questionnaire, the details of which are found here<sup>5</sup>. To ensure charities understood what qualified as ODA eligible spend, we provided the OECD guidance as supporting documentation and the team’s contact details, which were included in the survey’s covering email.
14. Before issuing the survey, we consulted the GSS<sup>6</sup> Best Practice team to ensure our survey design and methodology followed good practice for official statistical surveys.

## Survey results and analysis

15. Sixty-six charities responded overall, representing a response rate of approximately 40 percent. However, seven charities provided nil responses, i.e. they did not provide any data and were excluded from the analysis. Removing these 7 charities gave useable responses from 59 charities - a response rate of 36 percent.

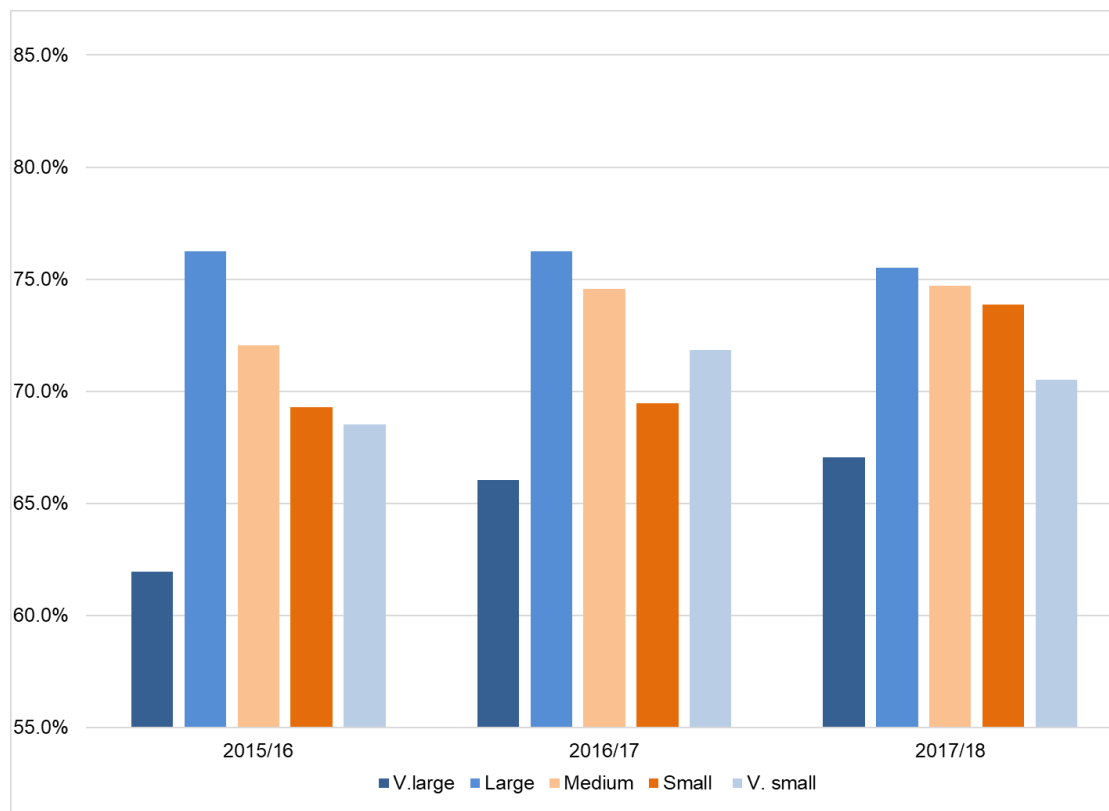
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<sup>4</sup> The Disasters Emergency Committee brings together 14 leading UK aid charities to raise money at times of humanitarian crisis in poorer countries.

<sup>5</sup> <https://www.surveymonkey.co.uk/r/P85V5H8>

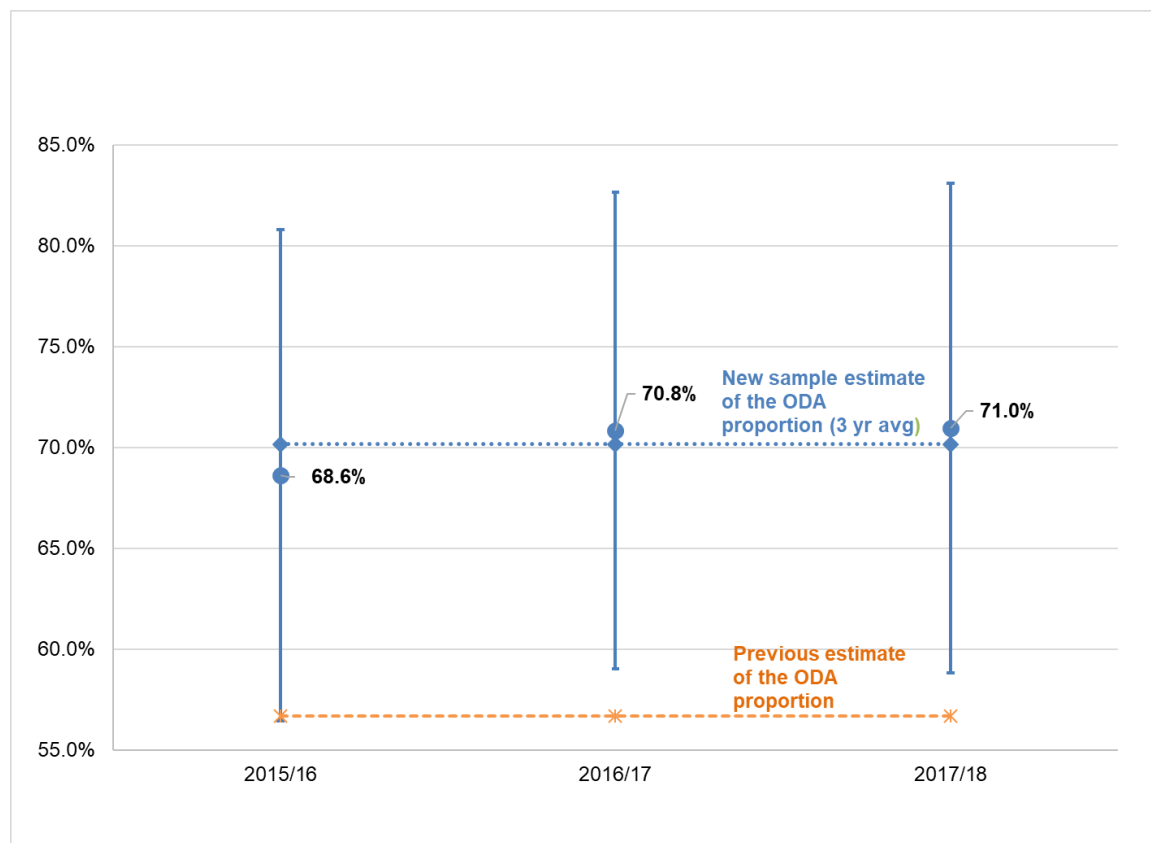
<sup>6</sup> Government Statistical Service

Figure 2: Sample ODA spend proportions by size of charity and year



16. Figure 2 shows the proportions of spend on ODA eligible activity by size of charity and year (based on 59 responding charities). It shows that the proportions vary by size of charities and over time. The average proportion by “Very large” charities is lower than the other sizes of charities. This ranges from 62 per cent in 2015/16 to 67 per cent in 2017/18 and reflects the focus of some charities in this small group on spend for UK causes as well (e.g. the British Red Cross), while for others (e.g. International Medical Corps) the spend was mainly on ODA activities. Large, medium and small charities tended to have less variable and higher proportions of overall ODA eligible spend than “Very large” charities. The average proportion of ODA eligible spend by “Very small” charities was like “Small charities, although more variable.

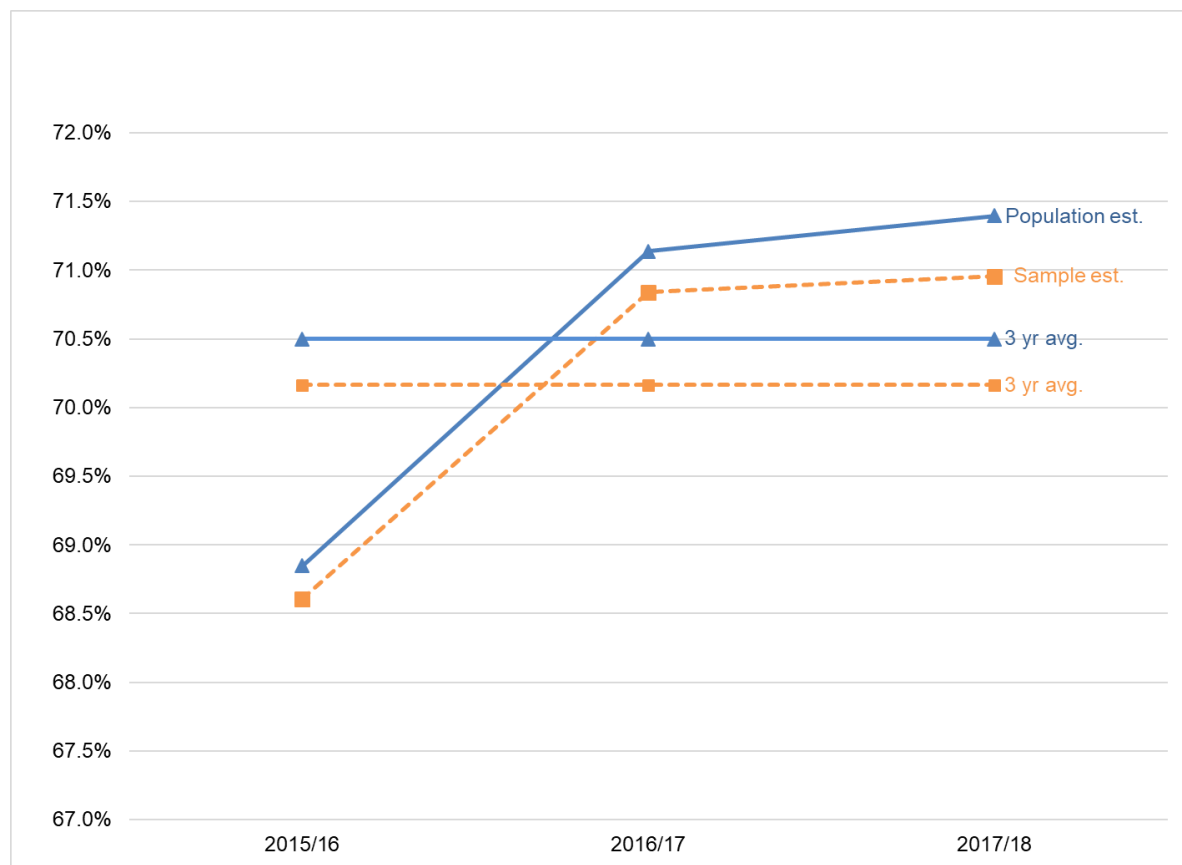
**Figure 3: Average ODA spend proportions with 95% confidence intervals**



17. Figure 3 shows the average proportion of spend on ODA eligible activity for each financial year 2015/16 to 2017/18 (represented by the larger blue dots) and associated error bars to represent the range of values within which we would expect the average proportions to be 95% of the time (i.e. 95% confidence intervals). Also shown in Figure 3 is the average proportion of spend on ODA eligible activity estimated from the review in 2012/13 (orange dashed line) and from the new sample data (blue dotted line). Figure 3 shows two key points:
- There has been a significant upward shift in the proportion of ODA eligible spend by charities, compared with the last review in 2012/13 (see dotted line).
  - The average proportions of ODA eligible spend have been statistically alike between 2015/16 and 2017/18 (as shown by the overlapping error bars).
18. The new sample data would suggest the proportion of spend on ODA eligible activity by charities is around 70% of total spend, if an average is taken over the last 3 financial years. The change in the average proportion since 2012/13 is consistent with other evidence<sup>7</sup> that indicates the public has increased its charitable donations to overseas aid and disaster relief causes following highly covered international disasters.

<sup>7</sup> See <https://www.cafonline.org/docs/default-source/about-us-publications/caf-uk-giving-2018-report.pdf>.

**Figure 4: Estimates of the ODA spend proportion adjusted for sampling and the population**



19. Figure 4 shows the final adjustment that we made to the sample data to arrive at an estimate of the proportion of charitable spend on ODA eligible activity. We have zoomed-in on the y-axis in Figure 4 to show the difference the adjustment makes; however, this relatively small adjustment is needed to make the sample results representative of the population of charities. We weight the sample results to the population (shown by the solid line and triangle). This process produced an estimate of 70.5% of total charitable spend on ODA eligible activity (calculated as a 3-year average between 2015/16 and 2017/18).

### HMRC’s Gift Aid payment database

20. HMRC provides DFID with an estimate of the total amount of Gift Aid paid to charities active in development. DFID maintains this list of charities which HMRC uses to match against its payment database. This review found that the number of charities currently active in international development had increased from 342 charities to 442 since the last review in 2012/13 (Paragraph 10). We subsequently discovered through the survey exercise and further investigation that 10 charities had fallen out of scope, i.e. their work was not ODA or they did not claim Gift Aid, and removing these charities gave 432 charities to be used with HMRC’s Gift Aid payment database.

### Estimate of ODA eligible Gift Aid

21. To estimate how much of the Gift Aid is ODA-eligible, we apply the estimated percentage of ODA-eligible spend (Paragraph 19) to the total amount of Gift Aid provided by HMRC based on the refreshed list (Paragraph 20). This provides an official estimate of ODA-eligible Gift Aid spend for the UK overall.



22. A Gift Aid ODA spend estimate for 2017, compiled according to this methodology, will be published in the 'Statistics on International Development: Final UK Aid spend 2017' publication in November 2018.

## **Data quality and further improvements**

23. The calculated estimate of the proportion of spend on ODA eligible activity is based on a three-year average, following evidence from the sample responses (Paragraph 17) and consultation with HMRC and the Charity Commission (Paragraph 11). This fixes the proportion of ODA eligible activity for Gift Aid on all the most recent data and reflects the most robust estimate available following on-going work by DFID and HM Treasury to review the methods for collecting the data.
24. The estimate relies on charities' own assessment of spend on ODA eligible activity. Charities are provided with guidance notes to help them understand what activities classify as ODA-eligible.
25. This review refreshes the master list of charities that is provided to HMRC, which HMRC uses to estimate the total amount of Gift Aid paid to charities involved in international development. The new list contains a small number of charities based in Northern Ireland, which were not present in the previous list, and which cannot readily be matched to HMRC's database. To capture the Gift Aid payments for these charities, we will apply a small uplift to HMRC's total Gift Aid payment data based on expenditure data.
26. The number of charities active in international development has been the largest change identified by this review. This affects the total Gift Aid amount, to which the estimated ODA proportion of spend is applied. This exercise suggests that this master list of charities should be kept under review more frequently, and we will investigate whether the Commissions can provide a feed of their registers' data to allow us to update the list more frequently within the annual production cycle.
27. The review also considered the grossing methodology HMRC uses to extrapolate Gift Aid payments for a full calendar year. This information is used for in-year ODA spend monitoring and the grossing takes account of the number of working days left in the calendar year. HMRC and DFID have begun discussions on alternatives to this methodology, for example, to base grossing on the previous year's payment profile. We will provide an update in a future edition of Statistics on International Development.

### Charities' survey effort.

28. The responding charities have indicated that extracting the data needed for the estimate of ODA eligible spend is not too onerous a task for them. Seventy-four per cent indicated that it took less than 1 hour to complete the survey, and a further nineteen per cent said that it took less than 2 hours. Most charities (88 per cent) also said that they could provide annual spend data if we were to repeat the survey, and only 9 per cent said they could not. However, despite this feedback the survey field work took 3 months to conclude and response rates were similar to those achieved in the 2012/13 review.
29. We do not find sufficient evidence from these survey results to suggest we should run a more regular survey of charities to update the proportion of spend on ODA eligible activity for Gift Aid, as these proportions have been shown to be relatively stable in the recent past. However, we will use annual information from a small panel of charities, as well as the target population list (Paragraph 26), to assess whether there is a significant change that requires a future survey. We will also continue to monitor

developments in HMRC's and the charity commissions' administrative systems or technology that may allow the data to be collected in a more streamlined way.

## **Contact us**

30. If you have any questions or would like to provide us with feedback on the methodology used to estimate ODA Gift Aid spend please contact us at:  
E-mail: [statistics@dfid.gov.uk](mailto:statistics@dfid.gov.uk) , Telephone: 020 7023 0497.