

TOURISM SOUTH EAST

Measuring the impact of the changing Gift Aid rules on charitable attractions

An independent study by Tourism South East into the impact of Gift Aid
on charitable visitor attractions across England between 2000 and 2006

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Measuring the impact of the changing Gift Aid rules on charitable attractions

“One off donations are called Gift Aid. They are treated as net of tax and a tax repayment can be claimed.. Gift Aid required a minimum donation of £250 until 5 April 2000..” (Palmer, Randall 2002)

Changes to legislation in 2000 created a new income stream for some charitable attractions (charities which charge visitors to view their works), allowing them to effectively reclassify admissions revenue as donations and claim Gift Aid worth 28.2p for every £1 spent¹. In his pre-budget speech in 2003, the Chancellor made clear his intention to close the “loophole”², stating that a reclassification of admissions income as Gift Aid donations was not in keeping with the spirit of the legislation³. Following extensive lobbying and negotiation by the sector, the new rules, which took effect in April 2006, provided two potential routes which would allow charitable attractions to continue to claim Gift Aid. Twelve months on, this report assesses the impact of the changes, considering first the financial and operational implications of the rules introduced in 2000 and the costs and benefits of compliance following the 2006 ruling.

Background

Information for the following study was collected in the following ways:

- Desk research was used to compile the existing information about the sector and about the sector’s history relating to Gift Aid
- Primary research was used to gather information on the volume and value of Gift Aid claims using two methods:
 - a national online questionnaire, distributed to attractions via the representative bodies covering charitable attraction sub-sectors, supplied by the Attractions Gift Aid Liaison Group (February to April 2007)
 - a national telephone survey contacting charitable attractions using a database supplied by the Association of Independent Museums and the Museums Association (April 2007)
- Qualitative telephone interviews conducted with senior representatives from charitable attractions across England and national representative organisations (February to April 2007)

¹ Based on a basic rate of income tax of 22%

² Quoted in a letter to The Times, 28/2/04, signed by the Chairman of AIM and 5 other major charitable attractions

³ Reports 11th December 2003 Times Online. Museums Association article 7/1/04 quotes “a Treasury spokesman” as saying “Gift Aid was never intended to be used as a tax dodge around people paying for entrance, which is what it was being misused for, and we are closing that loophole”.

The survey is based on the following samples:

Quantitative Sample	
Online completed questionnaires	67
Telephone questionnaires	157
<i>Total</i>	<i>224</i>
Qualitative Sample	
Telephone interviews	24

No existing baseline data are available about either the volume or value of Gift Aid claims made by charitable attractions; this survey is the first to be completed on the subject. There is also no accurate data relating to the total number of charitable attractions. It is not possible therefore to test whether the sample of attractions which have responded to the survey is truly representative of the total charitable attractions sector. The following findings therefore are based on the evidence available which have been “tested” against background information and the opinions of representatives from the sector.

It is also important to note that the range of factors affecting the volume and value of Gift Aid claims made by attractions is influenced by a number of independent variables and therefore, direct year on year comparisons cannot be drawn accurately. When comparing claims before and after the rule changes therefore, information from the qualitative interviews has been used to support or query the results.

Another factor to note is that the number of attractions claiming Gift Aid is small and therefore, whilst the *total* sample size for attractions taking part in the survey is statistically valid, evidence relating specifically to attractions which *are* claiming Gift Aid is based on an unavoidably small sample. The evidence gathered from the qualitative interviews is therefore used to supplement and illuminate the quantitative findings.

Throughout the report the term “admissions income” refers to all income relating to admissions and includes both ticket sales income and donations which attract the right of free admission.

The survey aims to examine four areas in detail:

1. The volume and value of Gift Aid claims between 2000 and 2006 and the operational implications of making claims under the “old” rules.
2. The implications of the 2006 changes, in terms of volume and value of claims and the operational implications of making claims under the amended rules.
3. The implications and impact of the two different methods that can be used for making claims.
4. The overall implications of Gift Aid and the impression of the sector as a whole.

All the figures in the survey relate to the following periods:

Pre 2006 – financial year 1/4/2005 to 31/3/2006

Post 2006 – financial year 1/4/2006 to 31/3/2007

In some cases attractions estimated the end of year position for 31/3/2007. In a small number of cases, attractions worked to a different year end, meaning that the rule changes occurred part way through a financial year. Most attractions anticipated this and introduced their changes at the end of their financial year, before the new rules became mandatory. For consistency, these attractions have given their annual figures based on their last year operating under the old rules and first year operating under the new rules. A small number of attractions taking part in the online survey did not complete all financial information. Where appropriate, this is indicated.

Gift Aid and Charitable Attractions

What is Gift Aid?

Gift Aid is described by the Charities Aid Foundation as “the most widely used tax-efficient giving scheme in the UK, accounting for over 90% of all tax efficient donations by value”⁴. Gift Aid rules allow charities to claim back standard rate income tax on gifts made by a UK tax payer. In other words, if a UK taxpayer makes a £10 donation to charity, the donor will have earned £12.82 and paid £2.82 in income tax (based on a basic rate of income tax of 22%). With her consent, the charity can therefore reclaim the £2.82 under Gift Aid rules.

Prior to 2000, Gift Aid rules only allowed charities to claim back the tax on donations of £250 or above. There were also rules relating to the *benefits* which the donor could receive in return for the gift, capping the value of the benefit depending on the size of the gift. However, charities which were established for two purposes – the preservation of heritage property and the conservation of wildlife – were granted exemptions which allowed them to “disregard a right of admission.. when determining the level of benefits received by donors”⁵. Effectively, heritage and wildlife attractions could allow donors to be admitted without charge, without this being counted as a benefit to the donor. In 2000 important changes within Clause 39 of the Finance Bill removed the minimum £250 limit for Gift Aid donations, paving the way for heritage and wildlife charities to invite donations and allow the giver access to the attraction in return⁶.

The history of Gift Aid claims from 2000 to 2006

HMRC do not split out Gift Aid claims made by charitable attractions from the total claims made by all charities and therefore accurate figures are not available about the number of attractions that took advantage of the opportunity. What is known however is that the first charitable attraction to claim Gift Aid in this way was the Zoological Society of London (ZSL) which “experimented” with the scheme in 2001, before “going for it properly” in 2002, treating all entrance payments made by UK taxpayers, who could be persuaded to sign a declaration form, as donations. By 2005/6 the value of Gift Aid to ZSL had reached £1.9m, contributing an additional 7.5% to the total admissions income⁷. Over the next three years, a number of other charitable attractions including zoos, museums, historic houses and aquaria followed ZSL’s lead and began inviting eligible visitors to donate rather than pay an admissions fee. In some cases, such as Leeds Castle, the management of admissions was transferred from a trading company subsidiary to the parent Trust in order to be able to claim the tax relief, in this case worth nearly £170,000 against £6m annual admissions income (an additional 2.8%)⁸. In 2004/5, HMRC estimated

⁴ CAF 2006, Analysis of giving through Gift Aid

⁵ HMRC (2005), Regulatory Impact Assessment for Gift Aid and Admissions

⁶ Under the new rules, the cap remains on the value of benefits which can be received by the donor

⁷ From an interview with B Oldman, ZSL, 22/2/07

⁸ From an interview with Victoria Wallace, CEO Leeds Castle, 22/2/07. Until 2004, admission to Leeds Castle was run by an enterprise company set up by the Leeds Castle Foundation

the total value of claims by the sector to be £10m⁹, a figure that was thought to be approximately £5m short of the true sum by a newly formed Attractions Gift Aid Liaison Group (AGALG)¹⁰. In either case, the claims represented a maximum of 2.5% of the total £625m¹¹ that was claimed in Gift Aid in 2004/5 by all charities.

Since April 2006¹², the new rules have provided charitable attractions with two potential routes for claiming the tax relief:

- *If a visitor chooses to make a payment which is at least 10% more than the day admission charge, and in return [the charitable attraction] allows a day's admission, then the whole payment can be treated as a donation.*
- *If a visitor makes a payment and in return [the charitable attraction] allows the right of entry to view a charity property for at least one year the payment can be treated as a donation¹³.*

The rules allow for “additional modest benefits”¹⁴ such as discount vouchers or gifts to be given by the charity, up to a maximum value of 25% of the donation. The changes also sought to address the “unfairness in the ..application of the exemption”¹⁵ by extending the scope to cover most charitable attractions¹⁶.

⁹ HMRC (2005), Regulatory Impact Assessment for Gift Aid and Admissions

¹⁰ From an interview with B Oldman, ZSL, 22/2/07

¹¹ From HMRC press release 7/10/2005 84/05

¹² Despite the relatively small number of charitable attractions benefiting under the 2000 rules, the value of the benefit was sufficient to bring together a powerful campaigning and negotiating group, AGALG, which met with ministers and civil servants in 2004 to “ensure that the benefits of Gift Aid for..[the] sector were not lost altogether” (Museums Association 2005)

¹³ Hmrc.gov.uk/charities/giftaid-charities/other

¹⁴ HMRC 2006, Charities Guidance notes, 3.48.6

¹⁵ HMRC (2005) Regulatory Impact Assessment for Gift Aid and Admissions

¹⁶ The range of eligible charities is defined in the legislation

Findings from the survey

Changes to Gift Aid claims Pre and Post 2006

All Attractions Surveyed	Pre 06	Post 06
Base	(224)	(224)
No. of attractions Claiming Gift Aid	80	87
Average value of Gift Aid claims	£144,436 ¹	£141,016 ²
No. of attractions not claiming Gift Aid	144	137
Average % of customers making Gift Aid declarations	46.6%	44.9%
Average % ineligible	30.0%	N/A ³
Average % refusal	21.9%	N/A ³
Minimum value of Gift Aid claimed	£150	£150
Maximum value of Gift Aid claimed	£1,900,000	£1,700,000
Total Value of Gift Aid claimed	£10,832,671 ¹	£10,435,170 ²
¹ Calculation based on 75 attractions completing income figures		
² Calculation based on 74 attractions completing income figures		
³ A number of attractions were unable to supply these figures at the time of request		

The headline results of the survey indicate that the overall financial impact of the changes on the sector has been fairly small, although beneath these figures there have been a number of important changes. The total Gift Aid income claimed in 2006/7 had fallen slightly from £10.8m to £10.4m, a decrease of 4%. However, the number of attractions which were claiming Gift Aid under the new rules had risen by 9%, reducing the average claim value by nearly £3,500, a reduction of just over 2%.

Constant Claimants only – claiming pre and post 2006	Pre 06	Post 06
Base	(53)	(53)
No. of attractions Claiming Gift Aid	53	53
Average value of Gift Aid claims	£193,932	£190,071
No. of attractions not claiming Gift Aid	N/A	N/A
Average % of paying customers making Gift Aid declarations	51.2%	48.4%
Average % ineligible	28.3%	N/A ¹
Average % refusal	21.2%	N/A ¹
Minimum value of Gift Aid claimed	£150	£150
Maximum value of Gift Aid claimed	£1,900,000	£1,700,000
Total Value of Gift Aid claimed	£10,278,408	£10,073,769
¹ A number of attractions were unable to supply these figures at the time of request		

Within this, constant claimants (attractions claiming both pre and post 2006) saw a 2% decline in both the total and average value of claims and a fall of 3% points in the number of eligible visitors making declarations. The total however included both increases and decreases in claims. 42% of constant claimants recorded an increase year on year, with the same number seeing a decrease in their claims and 16% claiming the same amount. It should be noted however that since the total value of claims and the number of eligible visitors will vary from year to year, based on ticket prices, visitor numbers and visitor profiles (for example percentage of overseas visitors compared to UK visitors), direct conclusions cannot be drawn from the figures in isolation. Understanding the underlying trends, independent of these variables, can only be understood when read in conjunction with the qualitative analysis. The telephone interviews revealed a varied picture, with some attractions such as ZSL

and Magna attributing a fall in their Gift Aid claims to the new rules, with others such as Leeds Castle and Chatham Dockyard attributing increases to changes linked to the new rules. Other attractions, including Beaulieu and the Eden Project saw their claim values largely unaffected under the new rules (although it should be noted that there may have been management implications in terms of additional investment in staff training or resources in order to achieve this). More significant trends were seen when comparing the two different methods for claiming and this is explored later in the report.

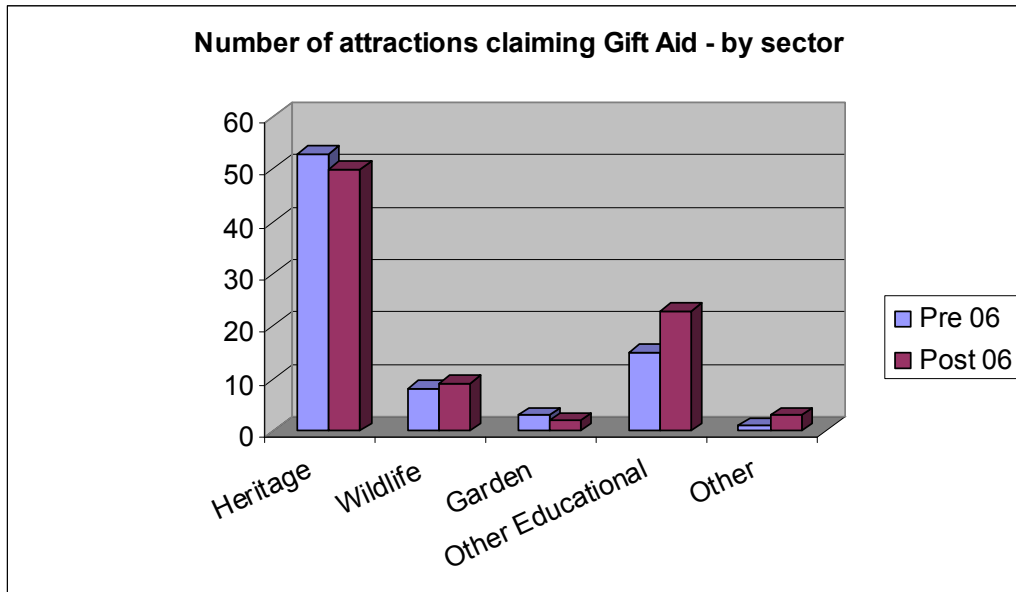
Analysis by Sector		Base	No. claiming Gift Aid	No. NOT claiming Gift Aid ¹	Minimum value of claims £	Maximum value of claims £	Average value of claims ² £	Total value of claims £
Heritage	Pre 06	(137)	53	84	150	291,000	36,048 (51)	1,838,449
	Post 06	(137)	50	87 (14)	150	200,000	36,294 (40)	1,451,761
Wildlife	Pre 06	(9)	8	1	15,607	1,900,000	889,333 (7)	6,676,332
	Post 06	(9)	9	0 (0)	3,000	1,700,000	823,066 (7)	6,311,464
Garden	Pre 06	(5)	3	2	7,500	1,500,000	507,500 (3)	1,522,500
	Post 06	(5)	2	3 (1)	4,800	1,500,000	752,400 (2)	1,504,800
Other Educational	Pre 06	(65)	15	50	400	260,000	44,651 (12)	535,817
	Post 06	(65)	23	42 (4)	400	333,000	41,873 (22)	921,200
Other	Pre 06	(8)	1	7	259,573	259,573	259,573 (1)	259,573
	Post 06	(8)	3	5 (0)	35,000	210,945	122,973 (2)	245,945

¹ Figure in brackets shows the number of lapsed claimants within the total i.e. were previously claiming but stopped claiming post 2006
² Figure in brackets indicates the number of attractions completing information

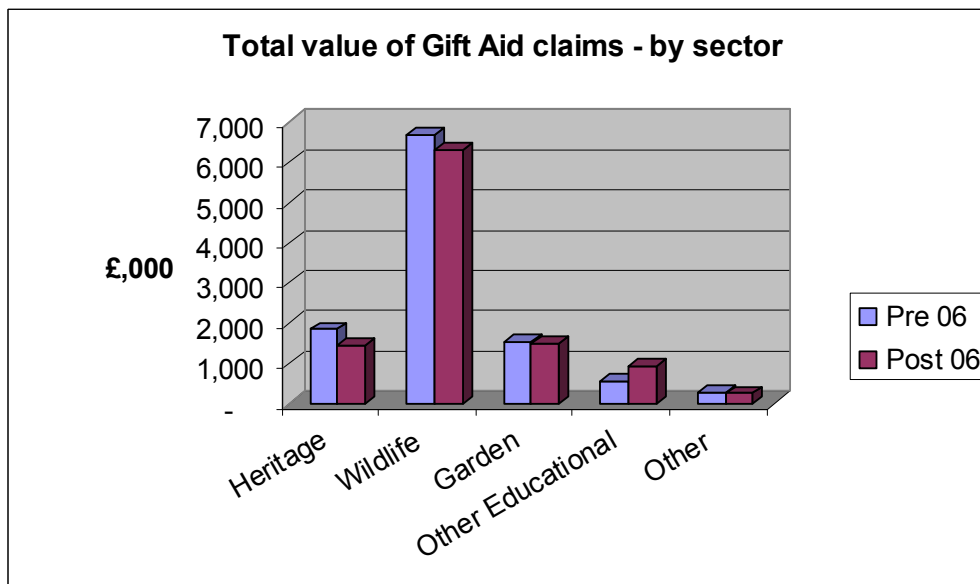
Note: Other Educational includes Science Centres

Of the attractions taking part in the survey, the greatest percentage came from the heritage sector (61%). The biggest growth category in terms of number of attractions claiming post 2006 was Other Educational (including Science Centres), which showed an increase of 12%, reflecting the extended eligibility after 2006. Other Educational was the only category to record a growth in total claim value post 2006, up 72%. All other categories saw a fall in total claim value with Heritage seeing the largest drop (-21%) followed by Wildlife and Other (-5%). The average claim value however rose slightly for the Heritage sector (+0.6%) and significantly for the gardens sector (+48%), although it should be noted that in the latter case, the increase was achieved by one attraction. The Wildlife sector saw the biggest decrease in average claim value (-7%) with Other Educational also seeing a -6% drop. 19 attractions (24%) had stopped claiming after 2006 (lapsed claimants). The reasons given mainly related to the new rules being more complex or onerous and included:

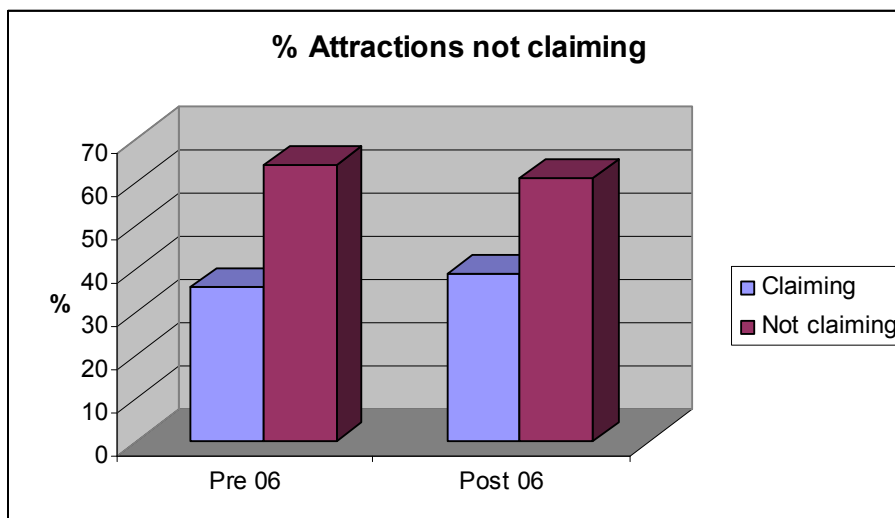
*The operational implications and costs would exceed the benefit
We stopped Gift Aid because of the extra 10%
We don't want to ask for another 10%. We already charge what the market price can bear
It made the rules too complicated*



The widest of range of claims was from the Wildlife category (between £3,000 minimum and £1.9m maximum, post 2006), although there was also significant variance within the Gardens category (between £4,800 minimum and £1.5m maximum, post 2006). The Wildlife category recorded the highest value of claims, both pre and post 2006, mainly reflecting a number of zoos making significant claims.



The percentage of attractions choosing to claim had risen slightly after 2006 under the extended eligibility, from 36% to 39%, with the remaining 61% potentially eligible but choosing not to claim. It is likely however that the survey, which particularly targeted attractions which are choosing to claim, may over represent claimants and under represent attractions choosing not to claim.



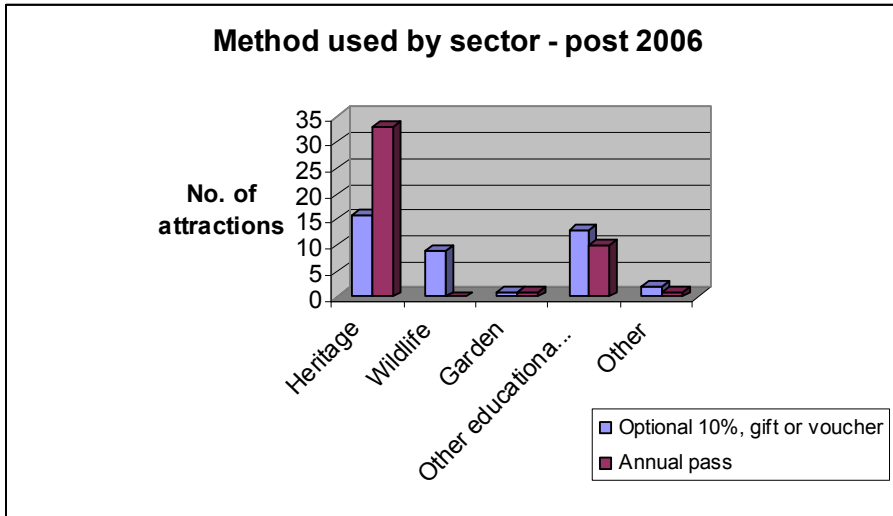
Comparisons between the two different methods of claiming Gift Aid post 2006

Method Use	Number of attractions	Total value of Gift Aid ¹	Average value of Gift Aid
Optional 10% (includes gift or voucher options)	41	£7,216,579	£212,252 ²
Annual pass	44	£3,218,591	£80,465 ³
Total	85	£10,435,170	

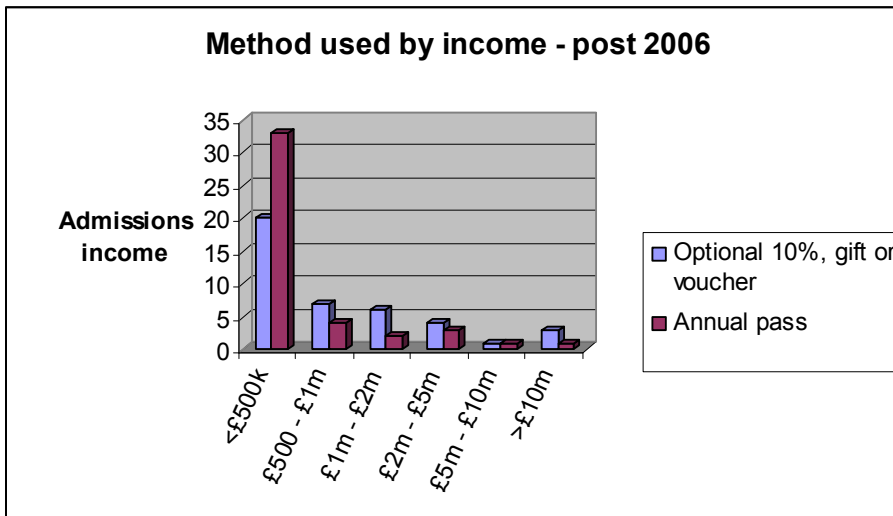
¹ Based on 74 attractions completing financial information
² Based on 34 attractions completing all information
³ Based on 34 attractions completing all information

The most significant differences emerged between the two different methods of claiming. The percentage of attractions using the Optional 10% and the Annual Pass methods were 48% and 52% respectively.

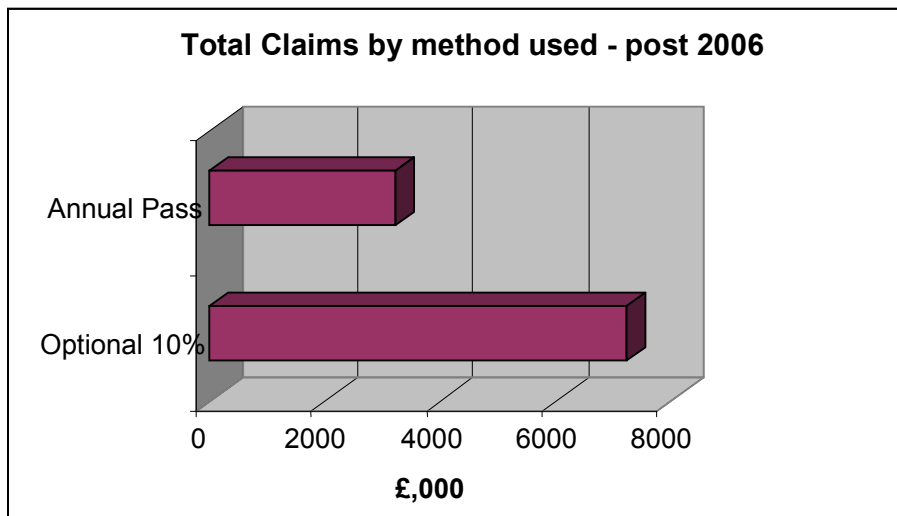
Although there were attractions of all sizes and from all sectors using both methods, a higher percentage of heritage attractions were choosing to use the Annual Pass route.



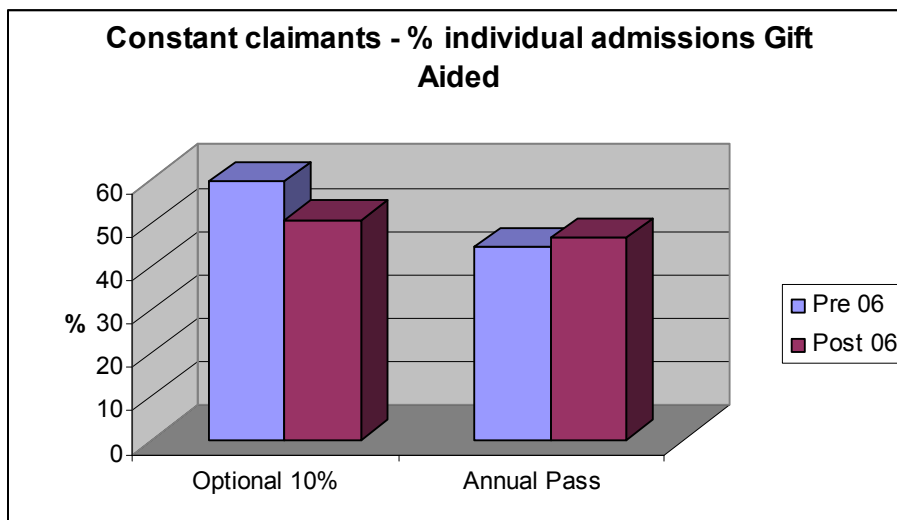
Since the heritage attractions taking part in the survey represented the highest number of smaller attractions, this finding is also reflected in the distribution of attractions by size, based on total admissions income. 24% more attractions in the smallest admissions income band (under £500,000 p.a.) were using the Annual Pass method. In all other income bands (above £500,000 p.a.) there were more attractions using the Optional 10% method. It is likely therefore that either the annual pass is more attractive to heritage attractions, or to smaller attractions. This is explored later in the report.



The total value of claims made by attractions using the 10% method was significantly higher than the alternative however, reflecting in particular the number of zoos and gardens making sizeable claims.



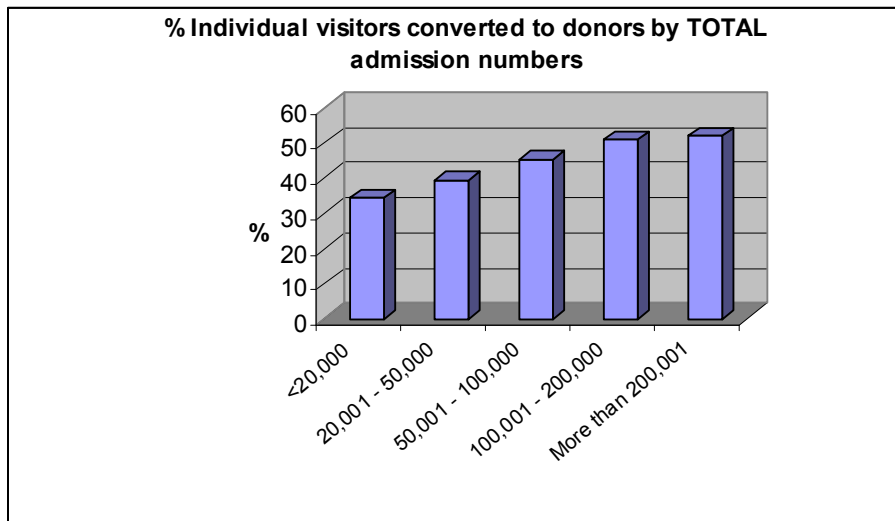
The overall percentage of visitors making a donation against which Gift Aid could be claimed was similar using both methods - 45% for attractions using the Optional 10% method and 46% for attractions using the Annual Pass method. However, when comparing Constant Claimants (attractions claiming both before and after 2006) there is an apparent difference in the impact of the two different methods. Attractions using the Optional 10% method saw a decrease of 9% points of visitors converted to donors whilst attractions using the Annual Pass method saw an increase of 2% points.



(It should be noted that since the percentage of potentially eligible visitors will vary year on year depending on visitor mix, direct comparisons cannot be made. The results are most useful therefore when read in conjunction with the qualitative opinions of attractions which are explored in the following sections).

The percentage of visitors which made donations was higher for larger attractions. 31% of visitors to attractions with less than 20,000 visitors made a donation, compared to 50% of visitors to attractions with over 200,000 visitors. (Again, since

visitor mix will influence the potential for conversion, the findings are most valuable when read in conjunction with the qualitative opinions which are explored in the following sections).



The pros and cons of the optional 10% route

Of the venues electing the seemingly more difficult route of inviting an additional 10% donation, in most cases the Annual Pass method was discounted either because the attraction receives a high percentage of repeat visitors each year, such as Life, or because of lucrative existing members' schemes, as in the case of the National Trust or ZSL. Factors which impacted on the decision to use the Optional 10% method included:

*Already getting lots of repeat visits so can't use annual pass option
 We are heavily dependent on local market so annual pass wouldn't work
 Already have a significant annual membership scheme worth £32m per year*

Most attractions asked for the optional donation as a general contribution. Two zoos, ZSL and Marwell both invited donations for specific appeals since they felt this would increase the take up¹⁷. For 2007, Marwell has decided to widen the donation to a general conservation appeal in order to allow greater flexibility in the use of the restricted funds received.

50% of constant claimants using the optional 10% route saw a decline in claims income including ZSL which saw a 13% reduction in the level of Gift Aid claimed compared to 2005¹⁸. Whilst there are a number of factors affecting the amount claimed, including changes to visitor numbers, most attractions, including ZSL, attributed the shortfall in part to the imposition of the new rules. In the case of ZSL however, when the additional income from the extra donations received was considered, the total related income from donations and claims was 40% higher than the previous year. In most other cases, attractions using this method were unable to demonstrate that additional admissions income had been achieved from the extra

¹⁷ From interviews with B Oldman, ZSL, 22/2/07 and R Lee, 26/2/07

¹⁸ From an interview with B Oldman, ZSL, 22/2/07 and an update 6/6/07. Total additional income £734k in 2006 compared to 2005.

10% donated, although most commented on the range of factors which made direct comparisons impossible, such as changes to ticket prices and visitor numbers. Several attractions, including Marwell Zoo, commented on the increased importance of “sales” messages and believed that their organisations were becoming progressively more effective at encouraging visitors to make the optional donation.

The importance of management strategies is most apparent when comparing two newly eligible science centres using the Optional 10% route. Eureka used the method effectively to claim £160,000 in Gift Aid relief in 2006/7, converting 80% of adult/ family admissions to donations (figure based on walk up visitors and excludes schools and group visitors), worth an additional 16% of admissions income. The high level of repeat visitors to the attraction made the annual pass option unfeasible, however the effective conversion reflects both the significant percentage of eligible visitors (the centre is located in Halifax and receives a high percentage of both domestic visitors and visitors of working age) and the management commitment to the scheme, which included investing in new software and training and ongoing management of customer- facing staff. The importance of staff skills and ensuring the most appropriate staff were used in the “sales” roles was commented upon¹⁹. By contrast Life, a science centre located in Newcastle and with a similar visitor profile to Eureka, also using the Optional 10% method, expected to claim “a very small amount” in their first year, admitting that they are still working on their operational systems²⁰.

One critical factor for the Optional 10% route is whether the attraction asked visitors to “opt in” or “opt out”. ZSL, Marwell Zoo and Eureka all used “opt out” whereby visitors were quoted a price which explicitly included the additional 10%. Take up rates for “opt out” varied between 60 and 95% of adult/ family visitors²¹. The National Trust initially invited customers to “opt in” but switched to “opt out” after a 12 week trial²². Whilst some attractions, particularly those using annual passes, expressed concern about this approach, it is clearly more compelling than inviting “opt in” which converted less than 50%²³. Some attractions offered “modest benefits” to improve the “opt in” rate. The Weald and Downland Museum offered a “coin” (token) which could be redeemed in the café or shop, whilst the Magna science centre offered a voucher worth 15% of the value of the donation. In both cases, over 85% of vouchers were redeemed, incurring additional annual costs of £9,000 and £4,000 respectively but delivering conversions of only 50% and 40% of adult/ family visitors. In the case of Magna, the value of claims fell from £120,000 in 2005/6 (10% of admissions income) to £75,000 in 2006/7 (5%)²⁴. Whether inviting “opt in” or “opt out” however, the difficulty of securing a voluntary contribution was evident. 63% of attractions using the Optional 10% method stated it was difficult or very difficult to operate, compared to 18% of attractions using the alternative.

¹⁹ From an interview with R Smith 22/2/07

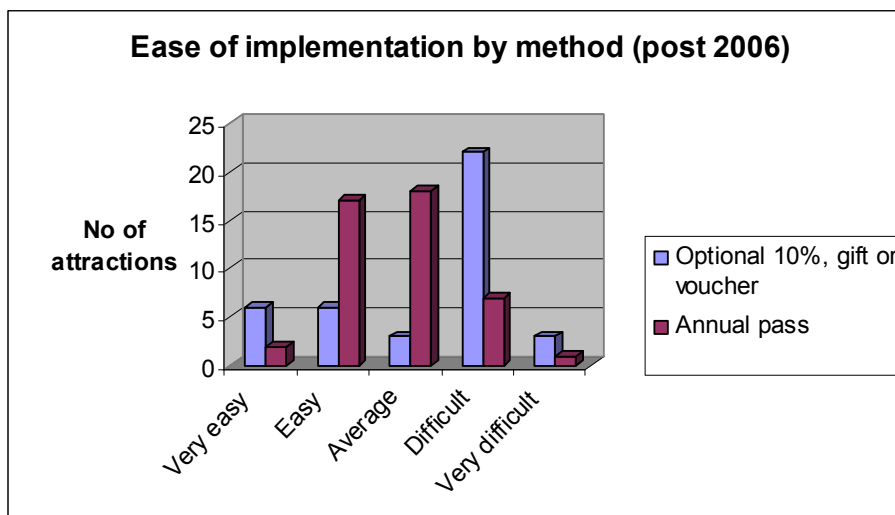
²⁰ From an interview with L Conlon, Life, 1/3/07

²¹ Opt in/ out rates quoted are from the qualitative interviews.

²² From an interview with S roots 26/2/07

²³ Based on information from qualitative interviews only

²⁴ Calculation includes a £200,000 growth in admissions income between 2005/6 and 2006/7 due to an increased ticket price and a 9% growth in visitor numbers. The additional costs incurred have been taken off the value of the claim on 06/7.



The Bronte Parsonage Museum, after operating the 10% method during 2006 and seeing a 30% reduction in claims, switched to offering annual passes for 2007. The museum felt that the scheme was “just too complicated for both staff and customers, with the result that both got disheartened”. Since changing methods, the value of claims for 2007 increased by nearly 50% compared to the previous year²⁵.

The annual pass alternative

Of the attractions choosing the Annual Pass route, there were a number of common reasons which made this method attractive and the Optional 10% route unappealing. Several of the Annual Pass attractions stated that they already charged a high admission price and felt that an additional cost would not be acceptable to their markets. Factors which impacted on the decision to use the Annual Pass method included:

A voluntary sum is achievable for organisations such as zoos, with cuddly animals

The philanthropic appeal of a dockyard isn't very big

Collecting an optional donation would be a hellish palaver

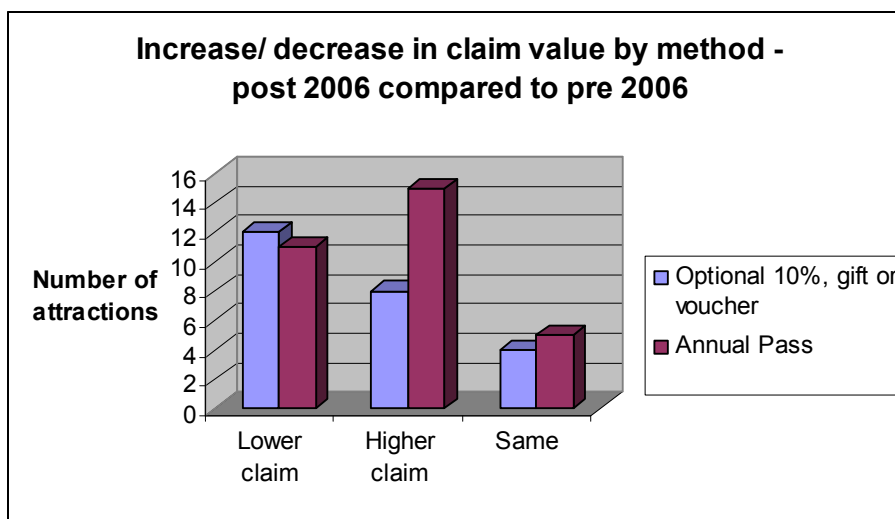
Whilst there is no requirement under the Gift Aid eligibility rules to demonstrate differential pricing for annual passes compared to day admissions (if offered), some attractions, including Chatham Dockyard and the Eden Project used the opportunity to increase their prices to reflect the added value, in these cases by 15% and 10% respectively.

Another critical factor was the level of repeat visits already being achieved by the venues. In all cases, the organisations electing this route considered that the number of customers paying to visit more than once in any given year was small, therefore the loss of income would be more than offset by the Gift Aid claims. Equally importantly many attractions felt that offering annual passes created new opportunities for secondary income generation, including additional sales from retail and catering from returning visitors and new fundraising opportunities linked to widening access and audience reach.

²⁵ From interviews with A Bentley, Bronte Parsonage Museum, 6/3/07 and 5/6/07

Most attractions taking part in the qualitative interviews from within the smaller size categories (up to 50,000 visitors or under £500,000 admissions income per year) were using the Annual Pass method linked to ease of implementation. The Vale and Downland Museum felt that asking for an optional donation would be too difficult for volunteers²⁶. The River and Rowing Museum, whilst operating with paid staff, also felt that explaining about donations would be too complicated but also wished to attract higher footfall in order to increase secondary spend²⁷. The American Museum and The Royal Navy Submarine Museum both made small annual claims against membership schemes. In the former case, the physical limitations of the site were preventing all visitors from being asked to make Gift Aid declarations and the cost of making any necessary changes were felt to outweigh the benefits²⁸. In the latter case the Museum did not currently feel comfortable with asking all visitors to make declarations although they may be reviewing this position²⁹.

At this time there is only partial evidence about the full impact of this method, however the fact the “12 months for no extra money” message is more persuasive to visitors is evident from the 48% of constant claimants that saw an increase in claim value, compared to 33% of those using the Optional 10% route.



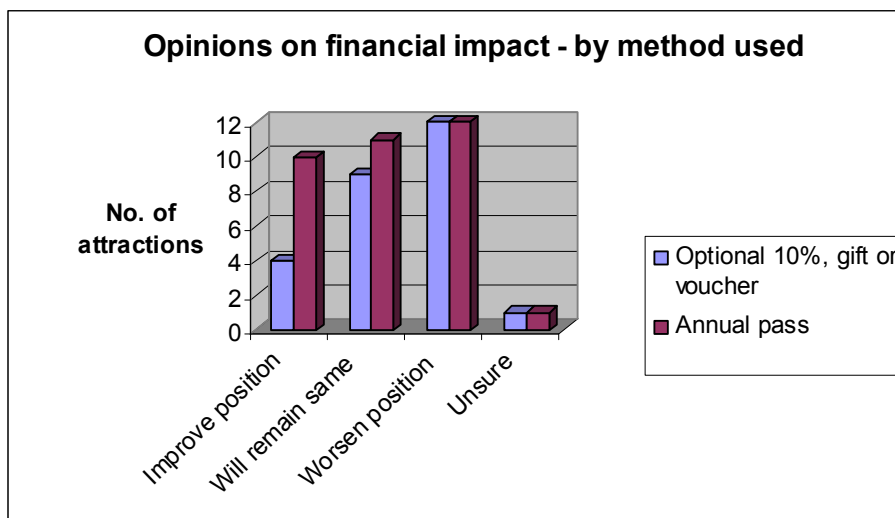
Evidence about the positive impact on secondary spend was less clear, although many venues felt it was too early to tell. Of those that have already seen an improvement, Bletchley Park recorded an extra 10% in retail income, Leeds Castle saw a 15p per head growth in retail spend and Chatham Dockyard had seen an increase in catering revenue. Despite some lack of evidence, more attractions using the Annual Pass route felt positive about the longer term implications for their venue under the new rules. 30% stated that they felt their venue would be better off longer term compared to 15% using the Optional 10% route.

²⁶ From an interview with T Hadland, Vale and Downland Museum, 6/3/07

²⁷ From an interview with P McConnell, River and Rowing Museum, 17/2/07

²⁸ From an interview with J Blades, The American Museum, 2/4/07

²⁹ From an interview with J Tall, RN Submarine Museum, 22/2/07



One important factor for the attractions in this group appears to be the “commercial rethink” that has accompanied the change. Nearly all venues when considering the annual pass route used the opportunity to scrutinise their income generation and put improved procedures in place to ensure that all revenue generation opportunities were exploited. Leeds Castle in particular commented on a new strategy that has allowed them to introduce a range of paid-for experiences onto the site including a pottery painting café and a Christmas grotto.

“The fact that visitors can now return free of charge has changed the whole relationship we have with our visitors. We used to feel like we were nickel and diming them every time we asked them to pay extra for anything. Now we are more like a Blackpool Pleasure Beach or a Brighton Pier. They don’t pay to get in, but they chose what to do when they are here” – Victoria Wallace, CEO, Leeds Castle 22/2/06

Chatham Dockyard noted important changes to other activities such as their events programme. Whilst the rules allow for attractions to exclude “up to 5 days in each 12-month period”³⁰, the reality of administering the exclusions made the option fairly unmanageable. Instead, the events programme is increasingly being used to encourage annual pass holders to come back, thereby increasing the secondary spend and encouraging more visits from friends and relatives³¹.

Despite the largely positive views expressed by this group, there appear to be three areas of uncertainty which may make the Annual Pass route less attractive in future. Some venues, such as the River and Rowing Museum feel that offering annual passes to all visitors is a “seriously sexy marketing opportunity”³² but whilst there was evidence of increased claims, there was at this stage no evidence of increased ticket sales that could be attributed to the extra attractiveness of the proposition. Repeat usage on annual passes (where known already) varied between 3% for Bletchley Park and 30% for Leeds Castle and the impact that this will have on new ticket sales will not be known for some time. Some attractions using the Optional 10% method suggested that attractions using the Annual Pass route may have underestimated this factor.

³⁰ HMRC (2006) REV BN 27: Gift Aid and Admissions

³¹ From an interview with B Ferris, Chatham Dockyard 26/2/07

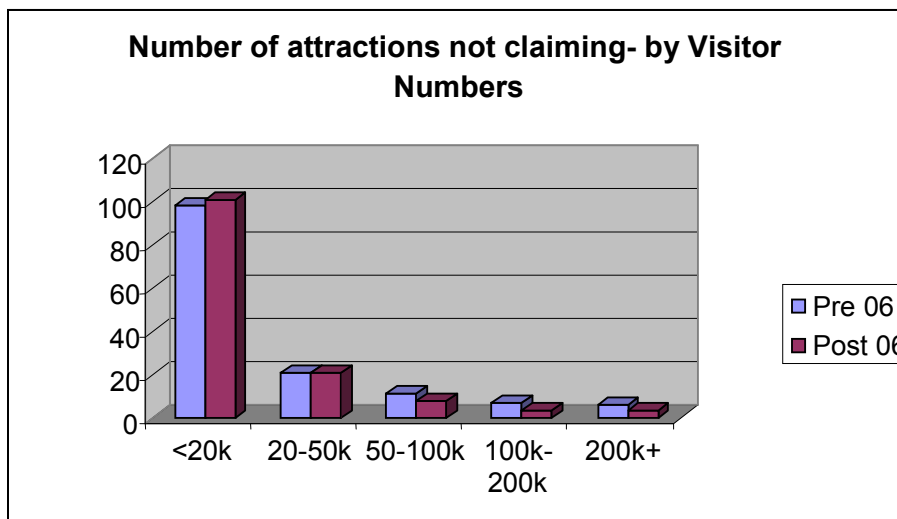
³² From an interview with P McConnell, River & Rowing Museum, 12/2/07

“Some visitors who may have visited every two or three years may now only pay once and exhaust their enthusiasm for many years to come” – Henry Warner, Weald & Downland Museum 28/2/07

Another area of uncertainty is the increased wear and tear caused by the additional “free” footfall. Of the attractions surveyed, none claimed to have budgeted for increased costs and most stated they were unable, to date, to see any negative impact on the buildings, collections or facilities. It is perhaps worthy of note however that when the national museums were obliged by DCMS to introduce free admission in 2002, increased wear and tear was the biggest concern expressed and whilst the impact may be negligible for some attractions, for others it may be more profound. The final unknown relates to the opportunities for fraud under the scheme. Most attractions taking part in the qualitative interviews had only introduced limited security measures to ensure that tickets were not passed on, including random signature checks and additional proof of identity. None required photographic evidence. Some attractions were sanguine about the fact that some fraud was inevitable with a small number, such as the Bronte Parsonage Museum, cautiously voicing fears about unquantifiable dangers³³.

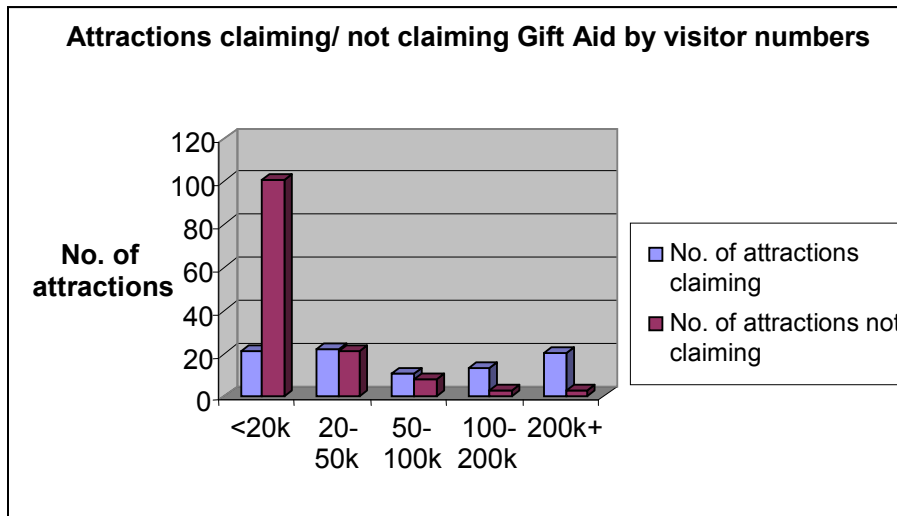
Attractions choosing not to claim

Overall, 61% of potentially eligible attractions were choosing not to claim Gift Aid after 2006, compared to 64% before the rule changes. Given the apparent benefits of obtaining what was described as “free money to take advantage of”³⁴, it is perhaps surprising that such a high percentage is not using the scheme. There appears to be some correlation between the size of the attraction and the propensity to exploit the opportunity, with more small attractions choosing not to claim. The greatest number of potentially eligible attractions choosing not to claim Gift Aid was in the smallest visitor number category (less than 20,000 visitors). Before 2006, 80% of attractions in this category choose not to claim; post 2006, 83% choose not to claim. Of the reasons stated, a small number of attractions claim to be considering the opportunity whilst many commented on the complexity of the process and the costs or operational implications outweighing the benefits.



³³ From an interview with A Bentley, Bronte Parsonage Museum, 6/3/07

³⁴ From an interview with G Oldman ZSL, 22/2/07



The Association for Independent Museums (AIM) and Heritage Link, umbrella bodies with strong representation amongst smaller attractions, commented on a number of specific factors which they felt prevented their members from claiming the relief including the difficulties of encouraging volunteer workforces to follow the necessary rules, the relatively small amounts of money involved and fears about the punitive action taken by HMRC for non compliance³⁵. Comments made by surveyed attractions choosing not to claim included:

- Our understanding is that it is too involved a process at the point of sale*
- Talked to other people – it seems too much of a hassle*
- Thought it was a loophole that would be plugged and wouldn't last*
- No admin back-up. Time factor*
- Small admission charges. A small number of staff and open 7 days a week*
- Volunteers man the front desk & it is nightmarish for them*
- We looked into the financial admin and it seemed complicated*

Use of the Gift Aid logo and standard information



70% of attractions were using the Gift Aid logo with 67% of attractions (of all sizes and from all sectors) stating that the logo was either very useful or fairly useful.

³⁵ From interviews with H Wilkinson, MA, 26/2/07, D Zeuner & B Ferris AIM, 26/2/07 & 19/3/07, P Kenwright, Piquet, 26/2/07, K Pugh, Heritage Link 26/2/07

Attractions commented on the value of a widely recognised logo and a number felt this was increasing as visitors were becoming more familiar with it. Two attractions provided negative feedback about the colour of the logo. Comments included:

If every attraction uses it, customers will get increasingly comfortable. It spreads the word

Customers are becoming more aware, but they don't know the rules

There is more awareness now than in 2003. The logo certainly helps ABC1 customers know what it means

Most attractions incorporated the standard wording in printed material and several had asked HMRC to check their literature. Information was always provided at the point of transaction for admission. Many attractions also incorporated information about the Gift Aid scheme at contacts points prior to the ticket desks including information on promotional leaflets and websites and signage in car parks.

Most attractions provided information for customer-facing staff to ensure that the correct information was used, although the extent to which it was seen as a guide or a script varied. In the case of ZSL, staff were given a script during training and were asked to sign to acknowledge that they understood the requirements. At the River and Rowing Museum, the words to be used appear automatically on the till screens. In some attractions, including Eureka and the Bronte Parsonage Museum staff were encouraged to use their own words since this was seen as more comfortable or natural.

In conclusion

Predictably there are too many factors involved to make any conclusive statements about the absolute impact of the new rules or whether either one method or the other is more effective for maximising claims. There are however some important conclusions that can be drawn with some degree of certainty. The new rules have undoubtedly caused additional disruption to the sector and the increased burden of compliance, combined with a tightening of the “policing” of the scheme by HMRC has certainly generated negative feedback. Despite this, feelings are mixed about the impact with 46% of attractions believing that the sector will be worse off under the new rules, compared to 23% which think the sector will be better off. The stated intention of HMRC to create a more level playing field appears to have resulted in more attractions now claiming, although the benefit appears to continue to be more attractive to larger charities.

When comparing the two different routes, individual circumstances, such as visitor mix and existing ticketing options, are critical. However, whichever route is chosen, a committed management strategy and staff training, with constant attention to the results achieved, is evidently essential if opportunities are to be capitalised upon and risks are to be reduced. At this stage the two most efficient methods for maximising donations appear to be the Annual Pass method and the “Opt Out” strategy for attracting the Optional 10% donation. Both appear to be yielding the highest value of claims and are, to some extent, easier to operate than the alternatives. The Annual Pass route brings new opportunities for additional footfall and increased secondary spend but may carry greater longer term unknowns. By contrast, overall the Optional 10% route is more contained in its impact but is harder to operate effectively and appears to be delivering a reduced level of claims at present. It is possible that over time attractions will benefit from the best practice examples available and will return claims to the previous levels or beyond.

It should be noted that apart from observations about the complexity of administering the scheme, the majority of comments about Gift Aid appear to be favourable including:

For us it's a very good source of income. We have had calls from all over the country asking how we do it

A fantastic additional income stream that will become greater as the scheme becomes more easily recognised.

Fantastic - it makes a lot of money for us. We like being in the scheme

In addition to the obvious benefit of the extra money, many attractions commented on the way in which the relationship with their visitors changed when they introduced Gift Aid and their charitable status became more visible. As a sector which largely survived on earned income, many charitable attractions had become “very slick businesses”³⁶, blurring the distinction for customers between “Alton Towers and an important conservation project”³⁷. The growing awareness of Gift Aid and its link to good works is strengthening the perceived value of charitable attractions, bringing with it a higher degree of good will, additional funds and in some cases greater integration into local communities³⁸.

³⁶ From an interview with V Wallace, Leeds Castle, 22/2/07

³⁷ From an interview with B Ferris, Chatham Dockyard, 26/2/07

³⁸ Chatham Dockyard and Bletchley Park talked about how the “overt” charitable status was changing the relationship both with local people and Medway and Milton Keynes councils

AGALG - Response to the Findings

From Ken Robinson CBE FTS

Chair, AGALG and Chair, Visitor Attractions Forum

21/6/07

The provisions for Gift Aid donations at charitable visitor attractions have been very valuable to those who have taken advantage of the opportunities they present. However, the revised rules have made the operation of the scheme more complex, with differing results for the various options in differing circumstances. The Attractions Gift Aid Liaison Group (AGALG) is therefore very grateful to Tourism South East for undertaking this timely study, and to the Association of Independent Museums for their support. We were pleased to have the opportunity to assist in the design of the research. The findings are extremely interesting and demonstrate the opportunities and some of the potential pitfalls that the new rules present. The report will now be used by our member organisations to improve their own advice to eligible attractions that use Gift Aid as a means of increasing their income, supplementing the guidelines that are published by HMRC. They provide an initial range of results against which attractions can benchmark their achievements. The report will help understanding of the alternative operational arrangements and should help clarify aspects that have previously been unclear or open to misinterpretation.

AGALG are extremely keen to ensure that this research is updated at the end of the 2008/09 seasons in order to appraise the trends of the results achieved under the differing options once they are embedded and operational efficiency is improved. We are now exploring the possibility of conducting follow up work which will include some detailed case studies of attractions that have found gift aid most valuable.

Appendix

Variables affecting the value of claims

The report notes that there are a range of variables which prevent direct year on year comparisons being made. The following lists the factors which were mentioned as impacting on the level of claims which are made by charitable attractions:

- Visitor factors
 - Changes to total visitor numbers
 - Changes to the number of domestic visitors compared to overseas visitors
 - Changes to the number of tax payers within domestic visitors (e.g. age profile)
 - Changes to the number of individual visitors compared to groups
 - Changes to awareness of the scheme by customers (for example visitors having increased awareness of the Gift Aid scheme prior to arrival)

- Price factors
 - Changes to ticket prices
 - Changes to minimum optional donations invited
 - Changes to Membership scheme prices

- Management strategies
 - Changes to staff training practices
 - Changes to monitoring and evaluation procedures and resulting actions
 - Changes to customer signage and communication
 - Changes to distribution routes e.g. adding Gift Aid declarations to online donations or using third party distributors to collect donations

Visitor Eligibility/ Ineligibility

Domestic Visitors	Overseas Visitors
Individual adults/ Seniors – UK Tax Payer	Individual adult
Family – UK Tax Payer within group	Family
Individual adults/ Seniors – non Tax Payer	Individual child
Family – no Tax Payers within group	Group adult
Individual child	Group child (school or leisure)
Group adult	Mixed age group
Group child (school or leisure)	Private hire client
Mixed age group	
Private hire client	

Eligible for Gift Aid claims

Ineligible for Gift Aid claims

Qualitative Interviews

Charitable Attractions				
	Venue	Contact	Method	Date
1	Magna	H Smith (General Manager), D Ellis (Finance Director)	Optional 10%	1/2/07
2	River & Rowing Museum	P McConnell (Marketing Director)	Annual Pass	17/2/07
3	Bletchley Park	S Geenish (Director)	Annual Pass	17/2/07
4	Beaulieu	P Johnson (Finance Director)	Annual Pass	19/2/07
5	Zoological Society of London	B Oldman (Commercial Director)	Optional 10%	22/2/07
6	Leeds Castle	V Wallace (CEO)	Annual Pass	22/2/07
7	RN Submarine Museum	J Tall (Director)	Annual Pass	22/2/07
8	Eureka	R Smith (Marketing Director)	Optional 10%	22/2/07
9	National Trust	S Roots (Marketing Manager)	Optional 10%	26/2/07
10	Chatham Dockyard	B Ferris (CEO)	Annual Pass	26/2/07
11	Marwell	R Lee (Marketing Manager)	Optional 10%	26/2/07
12	Eden Project	D Meneer (Marketing Director)	Annual Pass	28/2/07
13	Weald & Downland	H Warner (Marketing Director)	Optional 10%	28/2/07
14	Life	Linda Conlon (CEO)	Optional 10%	1/3/07
15	Vale & Downland	T Hadland (Marketing Director)	Annual Pass	6/3/07
16	Bronte Parsonage Museum	Alan Bentley (Marketing Director)	Annual Pass	6/3/07
17	English Heritage	L Dando (Marketing Manager), K Hilditch	Optional 10% tbc	7/3/07
18	The American Museum	Julian Blades (Director)	Annual Pass	2/4/07
19	Waddesdon Manor	K Hallett (Marketing Manager)	Optional 10%	10/4/07
Representative Organisations				
1	Museums Association	Helen Wilkinson		26/2/07
2	Piquet	Peter Kenwright (Managing Director)		26/2/07
3	AIM	Dianna Zeuner		28/2/07
4	HHA	Frances Garnham		28/2/07
5	Heritage Link	Kate Pugh		2/3/07

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