



Cass Business School
CITY UNIVERSITY LONDON



CGAP

Centre for Charitable Giving
and Philanthropy

Future for the voluntary and community sector –funding trends, challenges, opportunities

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At threshold of change in sector environment – economic, political, social

- Economic uncertainty/ weak growth
- Cuts in public expenditure
- Falls in consumer spending
- New focus on the role of the individual/ *community* –stepping in to provide public goods where governments fail
- Localism

Changing definitions/ boundaries of sector

- Registered charity sector has doubled in a decade, £24 billion - £52 billion
- Plus charitable quangos, major cultural institutions which do not report to Charity Commission, but may be major fundraisers, new local trusts
- Non-registered voluntary associations/ community groups
- Social enterprise sector (eg CCI, IPS, Credit Unions)
- Tax-exempt entities (universities, Brownies)
- Housing associations
- Independent Schools
- Big Society?

Tensions - private action, public benefit?

- Donor preference - ‘impure altruism’ and crowding out theory (eg Andreoni, 1990)
- Limited evidence of redistributive effects – US research, Clotfelter (1992) and Reich (2005):
- UK - recent ‘charity deserts’ work (eg Mohan, CGAP)
- Disadvantaged groups/ causes most dependent on public funding
- Voluntary and community organisations in deprived areas most likely to be dependent on public funding
- Volunteering levels highest in least deprived areas
- Giving?
- Can philanthropy fill gaps – social, economic?

Current funding sources – key determinants

Private

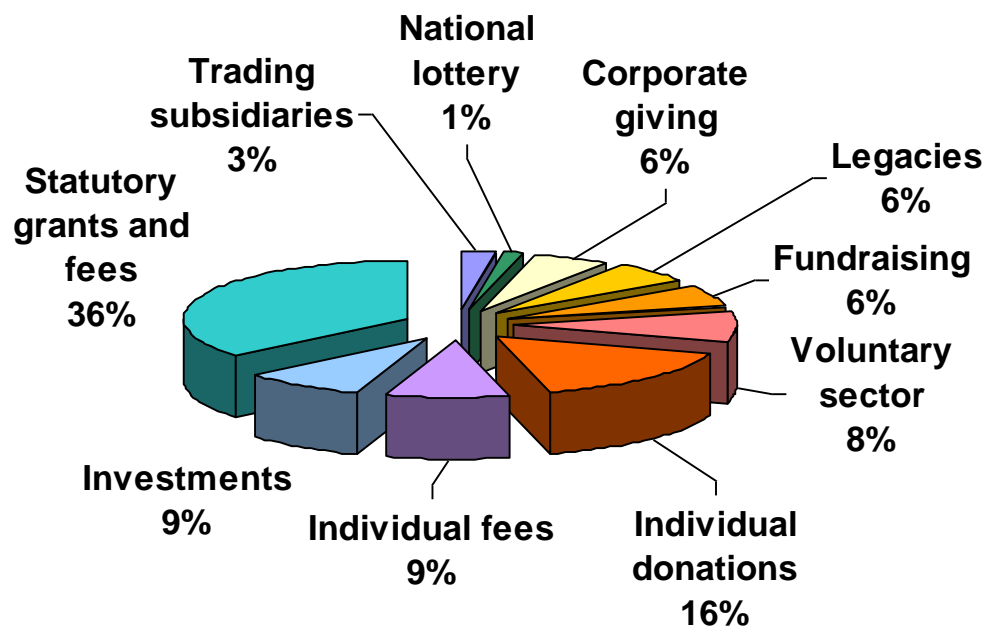
- Individual/ household giving - trends in economic growth, giving culture
- Major giving/ legacies - corporate trends, market values, culture, tax
- Corporate community investment – static (cash)
- Charitable trust funds - investment values, legacies, major giving
- Investments (markets)

Statutory/ earned

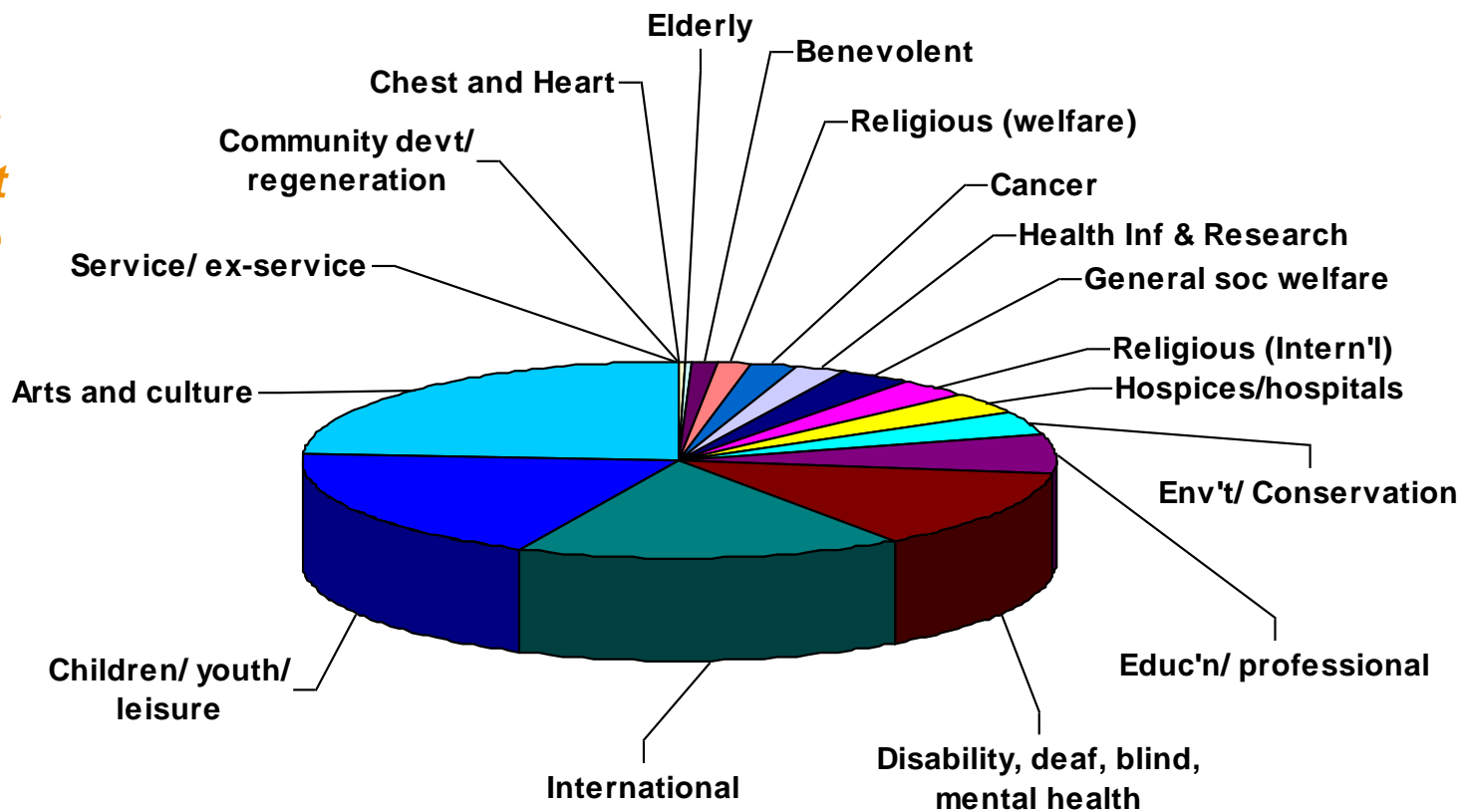
- Statutory (policy environment)
- Trading/ enterprise (nature of social markets, non-profit structures)

An example of funding structure

£35.5 bn - 63% of registered charities



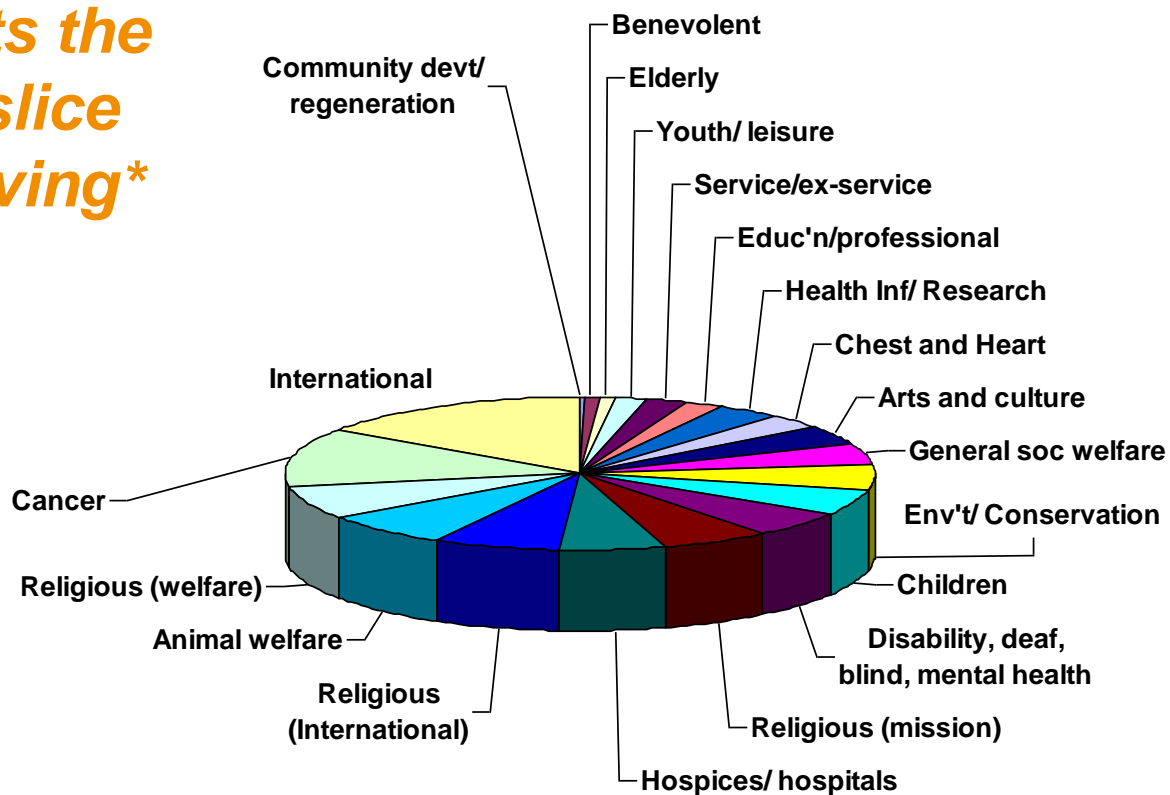
Which favourite causes get the biggest slice of the statutory cake*?



**Animal welfare and religious missionary causes have disappeared*

Source: Pharoah, Charity Market Monitor 2011, CaritasData (forthcoming July 2011)

What gets the biggest slice of our giving* cake?



**Includes individual, corporate, private trust and legacy giving*

Source: Pharoah, Charity Market Monitor 2011, CaritasData (forthcoming July 2011)

Current funding trends – the squeeze

Private

- Individual/ household giving - contraction
- Major giving – poor market information/ market- linked?
- Legacies – fluctuating in line with markets
- Corporate community investment – static (cash)
- Charitable trust funds – contraction
- Investments - contraction
- **Statutory/ earned**
- Statutory (policy environment) – major public spending cuts
- Trading/ enterprise – transfers, scale of business operations, fundraising

Cuts, social investment, new markets

Statutory funding cuts - £3 – 4 billion? (over 4 years)

Sub-sector diversity - cuts will be highly unevenly experienced

Special/ social investment funds - £1 billion (10-year growth, 1-2% of sector)

Programme Related Investment - £3 million per annum?

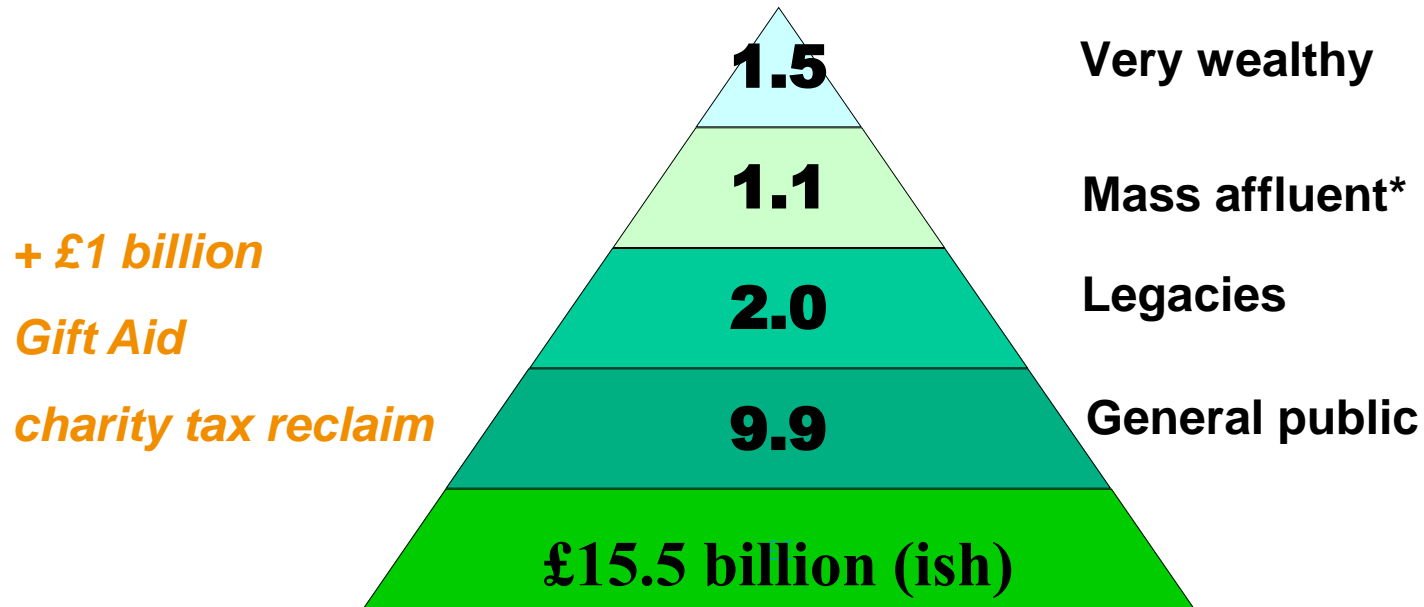
Current sector borrowing (largely mainstream banks) - £ 3 billion (ish)

New markets, opportunity

New (social) finance – some issues

- Social finance space not clearly defined; BSB delays
- Transition fund – scale, target?
- Existing non-profit sector boundaries:
 - private giving and investment
 - voluntary and trading income
 - charitable objectives
 - accounting requirements
 - tax requirements
 - legal requirements
 - legal forms
- Assessment of capacity - speed, direction, scale of change?

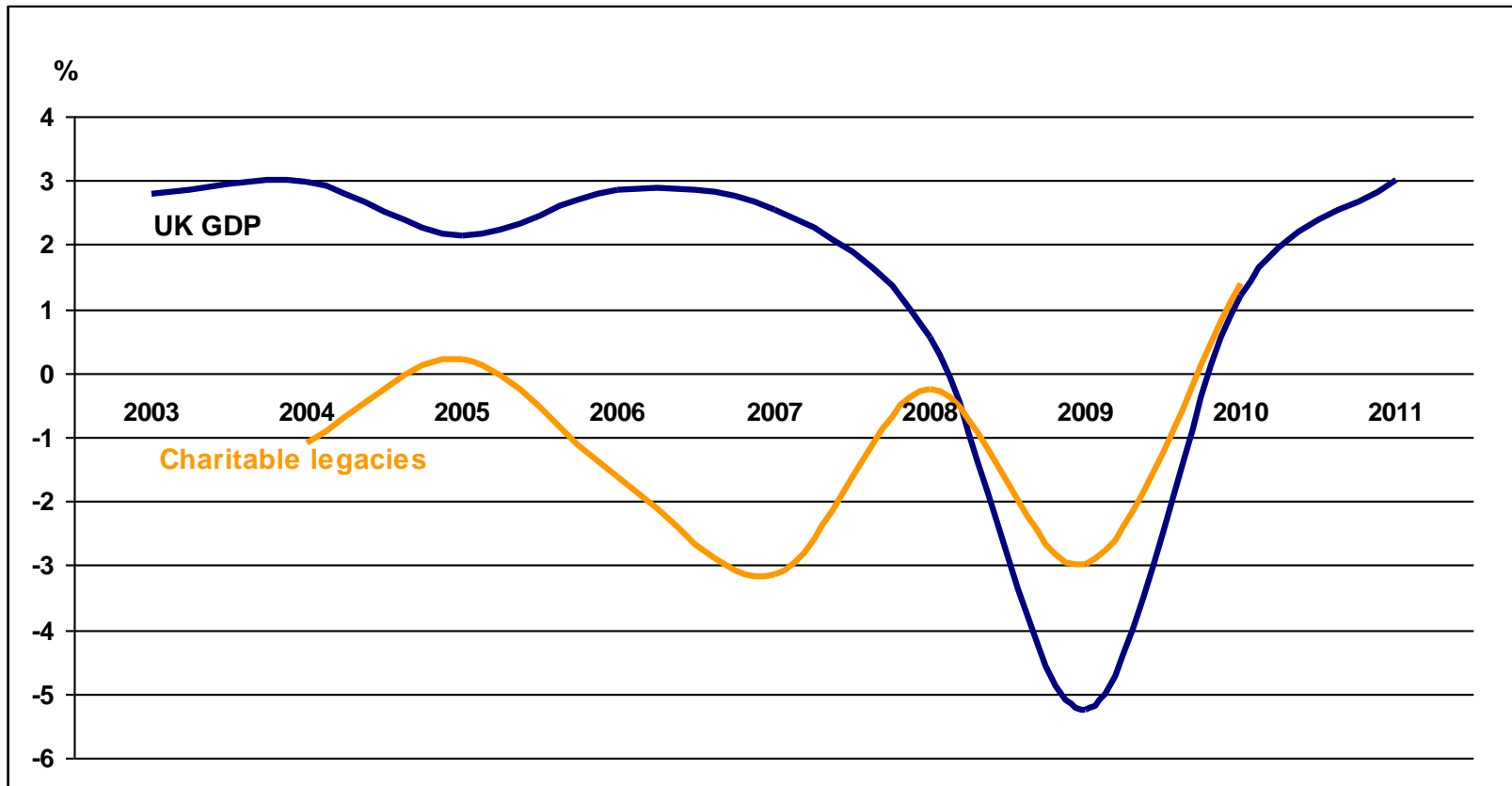
Philanthropy market today (*estimated*)



*Higher-rate tax-payers only

Sources: (McKenzie and Pharoah, www.cgap.org.uk/uploads/TaxAndGiving.pdf
UK Giving 2009 (CAF/NCVO); HMRC Table 10.2, 2009; Legacy Foresight 2009;
Sunday Times Rich List, 2008 (what happened to 2009?)

Legacies



Philanthropy – some trends, issues

- Increasing dependence on narrower base of donors
- Increasing competition for resources
- Long-term trends?
- Philanthropic resources – new? redirection of existing?
- Giving or investing – tensions in culture/ motivation
- The new donor – fact or fiction?
- New technologies/ methods – substitution or new markets?

Innovation, growth – some issues

Charities

- Uncertainties and branding challenges
- Lack of market information
- Investment-readiness, speed, feasibility

Market capacity

- Distribution - matching the needs and resources of Big Society
- Measuring impact and return
- New product development – who? where? cost?
- Who's shaping the market-place?

Filling funding gaps, shifting direction, reconfiguring?

- Challenges for existing third sector organisations/ service providers
- New entrants
- Small, local and niche providers
- Infrastructure
- Grant-makers