Trends and challenges in the emerging private, philanthropic and statutory funding environments for the third sector

Cathy Pharoah
Professor of Charity Funding
Co-Director, ESRC Research Centre for Charitable Giving and Philanthropy
Cass Business School
The funding environment

- *third sector* – increasingly open and contested space – how is this playing out from the perspective of its funding?

- increasingly multi-stakeholder funding environment – *local and national government, other state agencies, quangos, lenders, companies, venture and major philanthropists, users, activists*

- different/ competing agendas, expectations, roles

- what are funding trends and sector dependencies?

- adding value, transformational power, re-engineering, co-option?
The framing of today’s third sector – open season?

**Charities**
170,000, 1000 new (or transfers) per year, income £46 bn

**Social enterprises**
55,000, turnover £27 bn, 5% of all businesses with employees, 1% of GDP; 700 Community Interest Companies since 05, mainly CLG, range of business

**Partnerships**
5,500 local *hybrids*, Sure Start/Connexions/Neighbourhood Renewal (£4 bn)

**Quangos and agencies**
Independent Living Fund, British Educational Communications and Technology Agency, Skills for Care, Skills for Care, the Specialist Schools and Academies Trust (£3bn)

**Community organisations**
5- 900,000, property assets/ transfers eg village halls/community centres/historic buildings

**Civil society**
865,000 organisations, total income £109 billion
### Shape of charitable expenditure today

<table>
<thead>
<tr>
<th>Rank</th>
<th>Organization</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cancer Research UK</td>
<td>31-Mar-07</td>
<td>553.2</td>
</tr>
<tr>
<td>2</td>
<td>The British Council</td>
<td>31-Mar-07</td>
<td>545.7</td>
</tr>
<tr>
<td>3</td>
<td>Nuffield Hospitals</td>
<td>31-Dec-06</td>
<td>478.7</td>
</tr>
<tr>
<td>4</td>
<td>The Wellcome Trust</td>
<td>31-Mar-07</td>
<td>468.9</td>
</tr>
<tr>
<td>5</td>
<td>International Finance Facility for Immunisation</td>
<td>31-Dec-06</td>
<td>441.8</td>
</tr>
<tr>
<td>6</td>
<td>The National Trust</td>
<td>28-Feb-07</td>
<td>312.8</td>
</tr>
<tr>
<td>7</td>
<td>Oxfam</td>
<td>30-Apr-07</td>
<td>297.2</td>
</tr>
<tr>
<td>8</td>
<td>CITB-ConstructionSkills</td>
<td>31-Dec-06</td>
<td>250.4</td>
</tr>
<tr>
<td>9</td>
<td>Anchor Trust</td>
<td>31-Mar-07</td>
<td>241.2</td>
</tr>
<tr>
<td>10</td>
<td>NCH</td>
<td>31-Mar-07</td>
<td>214.0</td>
</tr>
<tr>
<td>11</td>
<td>Church Commissioners for England</td>
<td>31-Dec-06</td>
<td>201.2</td>
</tr>
<tr>
<td>12</td>
<td>The British Red Cross Society</td>
<td>31-Dec-06</td>
<td>200.9</td>
</tr>
<tr>
<td>13</td>
<td>Barnardo's</td>
<td>31-Mar-07</td>
<td>195.6</td>
</tr>
<tr>
<td>14</td>
<td>Royal Mencap Society</td>
<td>31-Mar-07</td>
<td>172.1</td>
</tr>
<tr>
<td>15</td>
<td>British Heart Foundation</td>
<td>31-Mar-07</td>
<td>167.2</td>
</tr>
</tbody>
</table>
Shape of third sector funding today

- **govt grants**: 10%
- **govt fees**: 23%
- **lottery**: 5%
- **people (live)**: 36%
- **people (dead)**: 6%
- **trusts**: 6%
- **social investors**: 3%
- **companies**: 2%
- **other**: 9%
- **social investors**: 3%
- **companies**: 2%
- **other**: 9%
State funding by sub-sector – top charities

% of funding from state

- Environment: 19%
- Hospices: 24%
- Cancer: 25%
- Mental Health: 25%
- Children: 28%
- Blind People: 34%
- International: 34%
- Disability: 46%
- Youth: 48%
- Social Welfare: 51%
- AIDS: 59%

who is the major shareholder?
what is the right shareholding?
what does the public think?
<table>
<thead>
<tr>
<th>Rank</th>
<th>Charity Name</th>
<th>Date</th>
<th>Statutory Funds (%)</th>
<th>% of Total Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NCH</td>
<td>31-Mar-07</td>
<td>193.5</td>
<td>88.9</td>
</tr>
<tr>
<td>2</td>
<td>Royal Mencap Society</td>
<td>31-Mar-07</td>
<td>150.9</td>
<td>84.9</td>
</tr>
<tr>
<td>3</td>
<td>Leonard Cheshire Disability</td>
<td>31-Mar-07</td>
<td>130.6</td>
<td>89.5</td>
</tr>
<tr>
<td>4</td>
<td>Barnardo's</td>
<td>31-Mar-07</td>
<td>111.1</td>
<td>57.9</td>
</tr>
<tr>
<td>5</td>
<td>National Autistic Society [The]</td>
<td>31-Mar-07</td>
<td>62.9</td>
<td>84.6</td>
</tr>
<tr>
<td>6</td>
<td>Sense - National Deafblind and Rubella Association</td>
<td>31-Mar-07</td>
<td>51.6</td>
<td>74.3</td>
</tr>
<tr>
<td>7</td>
<td>Turning Point</td>
<td>31-Mar-07</td>
<td>49.8</td>
<td>79.9</td>
</tr>
<tr>
<td>8</td>
<td>MacIntyre Care</td>
<td>31-Mar-07</td>
<td>34.5</td>
<td>92.1</td>
</tr>
<tr>
<td>9</td>
<td>Rethink Severe Mental Illness</td>
<td>31-Mar-07</td>
<td>32.9</td>
<td>76.9</td>
</tr>
<tr>
<td>10</td>
<td>JTL</td>
<td>31-Jul-06</td>
<td>32.3</td>
<td>97.5</td>
</tr>
<tr>
<td>11</td>
<td>Victim Support</td>
<td>01-Mar-07</td>
<td>31.6</td>
<td>97.8</td>
</tr>
<tr>
<td>12</td>
<td>Quarriers</td>
<td>31-Mar-07</td>
<td>31.1</td>
<td>79.8</td>
</tr>
<tr>
<td>13</td>
<td>Family Fund for Families with Severely Disabled Children</td>
<td>31-Mar-07</td>
<td>30.0</td>
<td>96.6</td>
</tr>
<tr>
<td>14</td>
<td>Cornerstone Community Care</td>
<td>31-Mar-07</td>
<td>27.5</td>
<td>97.9</td>
</tr>
<tr>
<td>15</td>
<td>Rathbone Training</td>
<td>30-Jul-07</td>
<td>27.3</td>
<td>86.4</td>
</tr>
</tbody>
</table>
Trends in corporate giving

little growth in cash giving

Threats and/or opportunities?

• impact of CSR agendas
• co-option of agenda through social capitalism and blended value
• alignment with marketing

Source: Charity Trends, CAF, 2006
Wealth in places – the charitable trusts

*Charitable grant-making trusts have asset base of £38 billion, an investment income of £1 billion*

*But they are not a Rock………..grant-makers also depend on other sources*

£2.6bn

**Role?**

- strategic (change or maintenance?)
- social justice? – the Woburn Collaborative
- partnership (who?)
- social investors (loans or grants?)
Trends in funds available from charitable trusts
Trends in giving by UK general public

Who calls the shots?

- Private giving is dependent on a small number of very powerful individuals
- Half of Rich List giving 2007 was two donors

**Giving is flat-lining – why?**
### Share of wealth and share of giving

<table>
<thead>
<tr>
<th></th>
<th>Share of wealth %</th>
<th>Share of giving %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most wealthy 1%</td>
<td>23</td>
<td>7.3</td>
</tr>
<tr>
<td>Most wealthy 10%</td>
<td>56</td>
<td>21</td>
</tr>
<tr>
<td>Less wealthy 90%</td>
<td>44</td>
<td>79</td>
</tr>
</tbody>
</table>

**should wealthy get more tax-breaks or more tax?**

- **US-style reliefs?**
- **role of major donors?**
Emerging social investment market

_blurs traditional view of ‘value’ - can be as either economic or social_

**New players**

*Special banks*
- UCIT
- Triodos
- CDFIs

*Special funds*
- Local Investment Funds
- Bridges
- Venturesome
- Impetus
- Adventure Capital Fund
- BigInvest
- FutureBuilders
- CAN

**Old wine – new bottles**
- private trusts
- government
- equity

**Social Investment**
- *new independence or constraints?*
- *how far should sector go?*
- *who are the new brokers?*
### The new brokers, intermediaries and infrastructure

#### Services
- Banking
- Microfinance - retail
- Microfinance - wholesale
- Investee/ charity information
- Investment funds
- Investor/ donor advice
- Performance measurement
- Generic market information
- Accreditation and validation

#### Providers
- **Charity Bank, Triodos, Unity Trust**
- **CDFI, Credit Unions**
- **ACCION, Blue Orchard, SIB?**
- **NPC, GuideStar, CaritasData**
- **ARK, Impetus, CAN**
- **NPC, UBS, Coutts, Big Give**
- **NPC, NEF**
- **Global Economic Monitor (GEM)**
- **GlobalGiving, GiveIndia, Greater Good South Africa, CAF**
Fragile organisational model?

*Social enterprises strike a difficult balance between organisational goals, allocation of control rights, incentive structure and characteristics of the markets in which they operate*

*While these elements allow social enterprises to adapt their internal organisation to the specific problems posed by the production of personal and collective services, they also make the social enterprise a fragile organisational model, extremely sensitive to changes in market conditions and public policies*

Bacchigia and Borzaga, in *The Emergence of Social Enterprise*, 2001
Who should guard the third sector space?

Generally, it's alarmist to claim that government is some malicious leviathan intent on colonising voluntary and charitable organisations.

Anyone who knows anything about government knows it's not joined-up enough to do that. Government as a funder - like any funder - has a right to specify what it wants its money to achieve.

The real question for charities - which, if they are delivering public services, should do just what they're paid to do - is who should be the guardians of independence?

Third Sector, February, 2008
Expectations – ‘added value’ funding

- Third sector
  - Government
  - Major donors
  - Charitable trusts
  - General public
  - Social investors
  - Companies

- Better services
- Social change
- Social justice
- Market gaps
- SROI, innovation
- Social responsibility
Challenges of the future funding environment

- new opportunities – new risks/ expectations
- new stakeholders, new funding infrastructure bodies
- sector fragmentation and specialisation
- unrestricted funding?
- strain, room to manoeuvre?
- adding value/ transformational power
  - or driving re-engineering and co-option?