

# INCOME GENERATION TRENDS AND HORIZONS

2019

*A summary of current and emerging trends affecting income generation across the UK charity sector*

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## Executive Summary

### 2. HEADLINES

In 1891 the UK's first street collection took place in Manchester. Since then fundraising has become more and more sophisticated and complex as the simple act of asking for financial support has been transformed. Today we stand at another, significant point in the evolution of civil society and how it is funded. This report explores the opportunities and threats. The key headlines from this report fall into three key categories:

- Traditional fundraising trends
- Emerging trends
- The future of income generation

#### 2.1 Traditional Fundraising Trends

Without a definitive version of charity income data, it is difficult to generalise about overall giving trends. Charities Aid Foundation data suggests that public giving has plateaued over the last 10 years, whilst both the Civil Society Almanac and Charity Commission data reflect a slowing of income growth over recent years with both public and government funding also plateauing as growth mainly comes from investments and assets.

Except for Trusts, Foundations and Legacies there is little if any growth in other income streams. The two main ways of financially engaging with charities (direct cash giving and sponsorship) are on a declining trajectory. With reports that legacy income will not continue to offset falling voluntary income as it has in previous years<sup>1</sup>, there are real concerns about the sustainability of traditional fundraising income.

Whether these trends herald a crisis to be addressed urgently or a gradual decline in an ageing charity fundraising model remains to be seen. But there is little sign of a reversal of trends in what looks increasingly like an unsustainable way of financially underwriting charitable activity.

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<sup>1</sup> <https://www.thirdsector.co.uk/stalling-donations-masked-rising-legacy-income-third-sector-study-finds/fundraising/article/1579416>

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## 2.2 Emerging Trends

Whilst growth in existing fundraising streams slows, there is growth in alternative ways for individuals to support good causes. The social enterprise<sup>2</sup> sector is expanding and already employs more than twice as many people as the charity sector, contributing up to £60 billion to the UK economy.

Technology means that people can invest in or donate directly to beneficiaries without the need for a large charity intermediary, cutting out complexity and cost.

Crowdfunding has empowered individuals and communities to create, fund and deliver their own solutions that traditionally would have been owned and deployed by larger charities.

Movements like Extinction Rebellion and #Time'sUp eclipsed individual charity brands, optimised technology and used radically different, flatter and more agile operational and funding configurations than traditional charities.

Meanwhile the line is blurring as commercial brands move adeptly into the social space in a commercially viable way. Challenger banks like Monzo aim to focus more on solving problems than selling financial products. Whilst Po-Zu shoes taps into the trend of buying ethical products and seamlessly aligns business with sustainability and addressing social and environmental problems.

## 2.3 The Future of Income Generation

The future of income generation is inextricably linked to the overall charity business model and mission delivery. The traditional fundraising model was set up to underwrite a traditional, benevolent, hierarchical charity approach. But as the social-good delivery model is democratised, streamlined and transformed to thrive in a technological ecosystem, the funding model will adapt.

It is possible, but difficult to create a sustainable, dynamic, co-created funding model and integrate it with a traditional, altruistic, hierarchical, intransient charity. That said, transforming the income generation model can also be the catalyst for broader organisational evolution or transformation. So, it's a good place to start the conversation.

**Leesa Harwood**  
**June 2019**

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<sup>2</sup> Defined by Social Enterprise UK as having a clear social/environmental mission in their governing documents, reinvesting the majority of their profits, being autonomous of the state having majority control in the interests of their social mission, being accountable and transparent and generating at least 50% of their income through trade.

## Fundraising Trends

### 2. 5-YEAR TRENDS

The fundraising environment across the sector over the last 5 years has seen unprecedented challenges. 2015 saw the death of Olive Cooke, relentless media criticism of unscrupulous fundraising practices, the Etherington Report, a new Fundraising Regulator and new Trustee fundraising guidance from the Charity Commission. This was followed by GDPR legislation in May 2018 leading to further uncertainty, review and disruption within the fundraising sector.

- 2.1 According to the Charities Aid Foundation<sup>3</sup> 2012/13 total donor income was £10.4 billion across the charity sector, dipping to £9.6 billion in 2015, recovering to £10.3 billion by 2017<sup>4</sup> but dropping again in 2018 to £10.1 billion. (see Table 1)

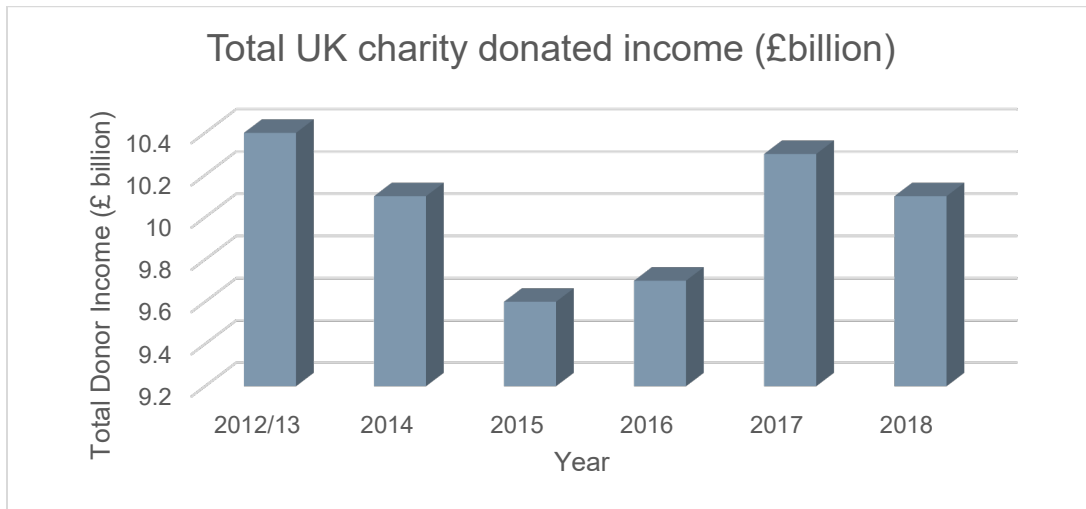


Table 1

- 2.2 In terms of the fundraising mix across all sources cash giving has declined for three successive years whilst direct debits have remained relatively constant. Events made

<sup>3</sup> There are several data sources for individual, charitable giving (e.g. UK Civil Society Almanac, CAF UK Giving Reports, Cabinet Office Surveys, The Charity Commission, Institute of Fundraising Data). Data varies considerably between all sources and all are susceptible to some margin for error. All use varying definitions of 'fundraising' and 'donations'. There is no agreed, single, definitive data source. Relative increases and decline in income are similar between major sources. For the purpose of this report I mainly use the Charities Aid Foundation Data.

<sup>4</sup> Charities Aid Foundation UK Giving Reports 2012/13, 2014, 2015, 2016, 2017 and 2018. Occasionally I will use (and reference) additional sources to validate the CAF report, or gather more detail about a specific income source.

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marginal increases and levelled off over the past 3 years, whilst buying has increased more significantly but dropped off in 2018. Membership and online giving seemed to be on an upward trajectory in 2016 but both levelled off in 2017 and dropped by 4% and 7% respectively in 2018 (see Table 2)<sup>5</sup>

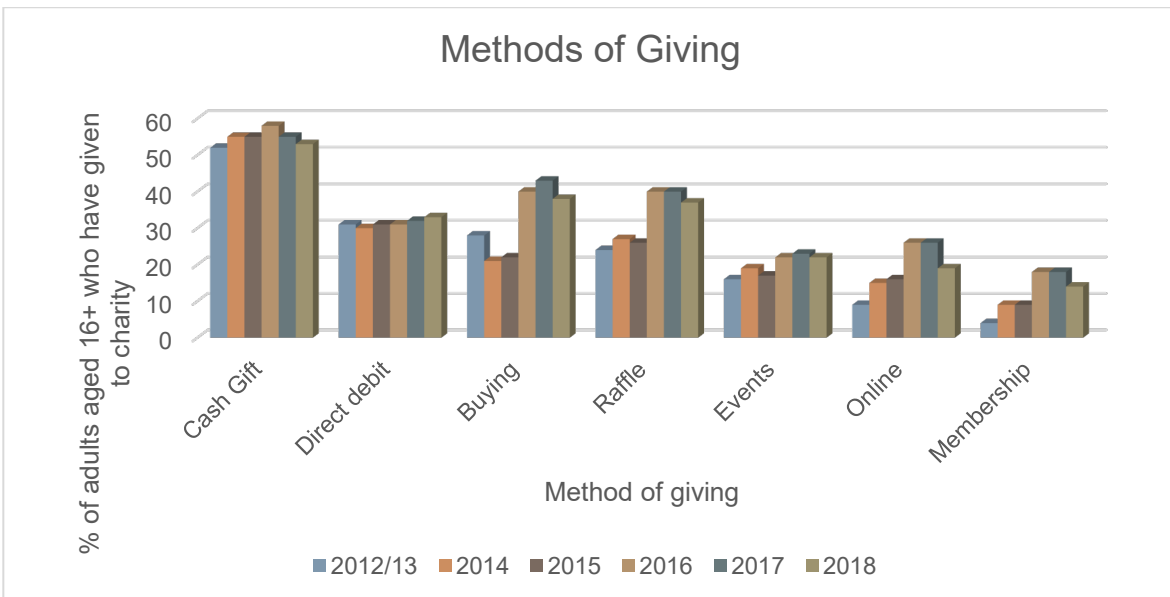


Table 2

- 2.3 Giving amongst specific demographics are worth further exploration. Women and older people consistently engage more in charitable giving and other activities. The oldest age group (65+) is more likely to give by buying a raffle ticket (45%), direct debit (44%), membership fees (20%) and cheque (13%). The youngest age group (16–24 years) are the most likely to give through a fundraising event (27%) and debit card (10%), whilst those aged 25-44 years are most likely to give via text (14%)<sup>6</sup>
- 2.4 Giving via online platforms is increasingly popular. Of those using web or app platforms 58% gave via a third-party facility (e.g. Just Giving or Facebook ‘donate’) compared with 46% giving directly through a charity’s own website.
- 2.5 Involvement with charities is not restricted to financial giving and engagement across a variety of activities is common. Comparable CAF data is only available from 2014,

<sup>5</sup> Charities Aid Foundation UK Giving Reports 2012/13, 2014, 2015, 2016, 2017 and 2018).

<sup>6</sup> CAF UK Giving 2018 – statistics reflect giving in 2017. Page 15.

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but it shows several notable trends. (See table 3)<sup>7</sup>. Financial giving is in decline, with levels of sponsorship also showing declining trends between 2016 and 2018.

Non-financial ways of engaging increased dramatically in 2016, most notably, volunteering, signing petitions and protesting. In 2016 the percentage of people claiming to have signed a petition or protested rose from the previous year by 166% and 100% respectively. The percentage of people volunteering for charities over the same period increased by 31%. There is a consensus that the increases in petitioning and protesting were driven by the referendum in the UK<sup>8</sup> and other, global movements (#MeToo, #TimesUp etc). Since then there has been a year-on-year decline in the number of people engaging in these activities, suggesting that they might tail off somewhat before finding a maintenance level. What is striking though is that except for protesting, there has been a year-on-year decline in all but one of these engagement channels since 2016<sup>9</sup>.

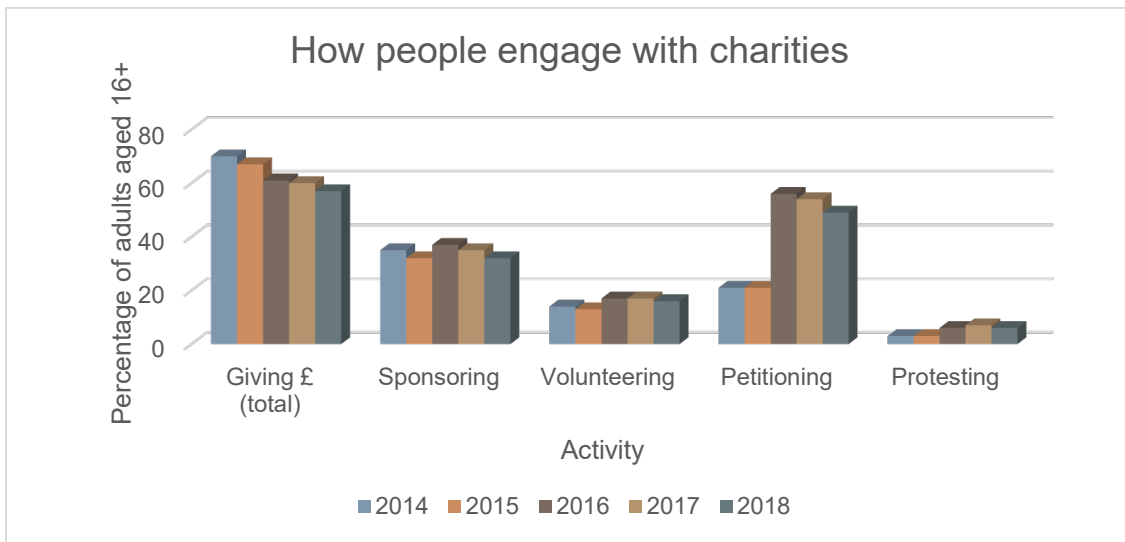


Table 3

2.6 Legacy income is a financial mainstay for some charities and has been a robust source of income with a value to the sector of around £3.364 billion in 2018<sup>10</sup>, the

<sup>7</sup> Charities Aid Foundation UK Giving Reports 2014, 2015, 2016, 2017 and 2018.

<sup>8</sup> In 2017 for example the proportion signing a petition peaked in February in the lead up to the Government's triggering of Article 50 for the UK to begin the process of withdrawing from the European Union.

<sup>9</sup> The number of people claiming to have bought an ethical product is the only method of engagement to show an increase (27% in 2016, 28% in 2017 and 2018.)

<sup>10</sup> Includes a one off and exceptional legacy of £435 million to the Capricorn Foundation, artificially inflating the 2018 figures.

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largest ever reported. There were 37,856 charitable estates in 2018 (an increase on the 37,364 recorded in 2017 and the second highest recorded by Smee and Ford in 10 years). The general longer-term trend is an increase in the number of charitable estates. 16.7% of the value of charitable estates (donor wealth) went to charities. 6.3% of the population leave a bequest in a Will, 123,235 bequests were contained in Wills in 2018 (an increase from the 122,849 in 2017). Charitable estates were worth £17.9 billion in 2018, down from £18.4 billion in 2017, slowing down the growth of residual values. Legacy income has grown significantly, from £1.8 billion in 2011/12 to £3.3 billion in 2018. The number of charities reporting legacy income has also increased: from 2,579 organisations in 2016/17 to 2,729 organisations in 2016/17 (part of this rise is due to the increased number of charities reporting legacy income as the number of charities with income greater than £500,000 generally increases year on year). Just over one in five charities receive legacy income (where the total income exceeds £500,000).<sup>11</sup>

There are two types of legacy bequest; pecuniary, a set figure (accounted for about 10% of legacy income in 2018), or residuary where a percentage of the residual estate is bequeathed (accounted for 90% of legacy income in 2018). Both tend to be driven by asset values and by far the most influential asset is property. So, when property prices increase, so do legacy values. This is why the sector legacy market saw little growth during 2007 and 2011 when the housing market fell.

For the first time in recent years the average estate value for charitable estates has decreased, mainly due to a drop in house prices during 2018. This led to a drop in legacy values (see above). Cancer Research UK is usually a good barometer on the legacy market and in 2018 saw legacy income reduce for the first time in several years.

The majority of probated estates do not contain a charitable element. If just 1% of non-charitable estates could be converted to charitable estates and 16.7 percent of these estates went to charity, an additional £109 million would be generated each year for charities.

- 2.7 The corporate giving environment remains challenging. Since 2013, when The Companies Act removed a mandatory reporting requirement on corporate donations, it has been difficult to collect comprehensive data on this income stream. But there seems to be a trend away from altruistic philanthropy (driven by a desire to drive good

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<sup>11</sup> Taken entirely from 'Legacy Trends 2019'. Smee and Ford. June 2019  
<https://spotlight.wilmingtononline.co.uk/docs/papers/legacy-trends-2019-update.pdf> 224.pdf



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PR) towards better integration of corporate social purpose and clear bottom line impact. As we move into post-Brexit UK the economic welfare of the corporate market is uncertain. That said, there are some encouraging signs. *‘Companies are increasingly recognising that they need to better demonstrate their value, both social and economic, to maintain public trust. In light of this, some companies have invested more time and effort in developing initiatives with a strong localism agenda, promoting ethical behaviour to consumers, and adopting the UN Global Goals.’*<sup>12</sup>

According to CAF, the FTSE 100, total donations have continued to fall year-on-year by 11% in 2014, 26% in 2013, down to £1.9 billion in 2016.<sup>13</sup> This trend is highlighted in other reports suggesting that the recovery of corporate giving to pre-2008 levels is unlikely. The National Council for Voluntary Organisations Charity Giving Almanac uses data from 7,600 registered charities, reflecting a similar picture. (See table 4)<sup>14</sup>

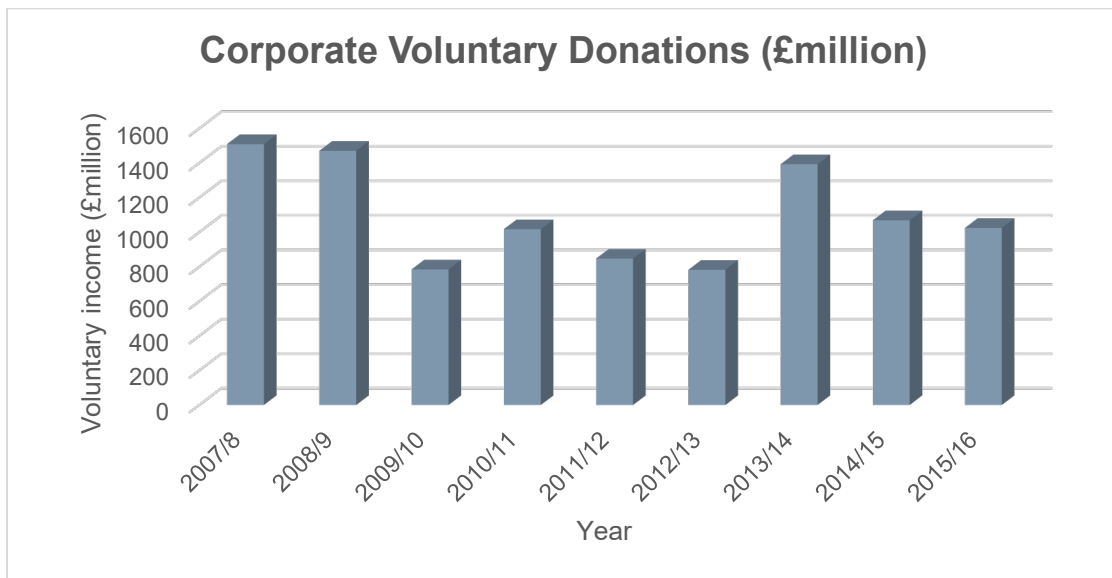


Table 4

<sup>12</sup> *Corporate Giving by the FTSE 100* – Charities Aid Foundation. January 2018.

[https://www.cafonline.org/docs/default-source/giving-as-a-company/caf\\_corporate\\_giving\\_by\\_the\\_ftse\\_100\\_document\\_v11\\_final-web-ready.pdf?sfvrsn=e7d5bd40\\_2](https://www.cafonline.org/docs/default-source/giving-as-a-company/caf_corporate_giving_by_the_ftse_100_document_v11_final-web-ready.pdf?sfvrsn=e7d5bd40_2)

<sup>13</sup> *Corporate Giving by the FTSE 100* – Charities Aid Foundation. January 2018.

<sup>14</sup> NCVO Almanac 2018 – 2016/17 data. Published May 2018. <https://data.ncvo.org.uk/a/almanac18/methodology-2015-16/>

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2.8 If corporate giving is a story of decline, trusts and foundations have performed well. 2016/17 saw an all-time high of £3.3 billion of grant making by the top 300 trusts and foundations with real growth of 10.9% on the previous year. Even when this number is adjusted to offset disproportionately large increases from a few large foundations (e.g. Wellcome), the increase is 8.8%. Family and personal foundation income grew to £2 billion for the first time, an increase of 10.2%. The only declining element was corporate foundations, shrinking slightly to £228 million.<sup>15</sup> See Table 5 for overall trends.

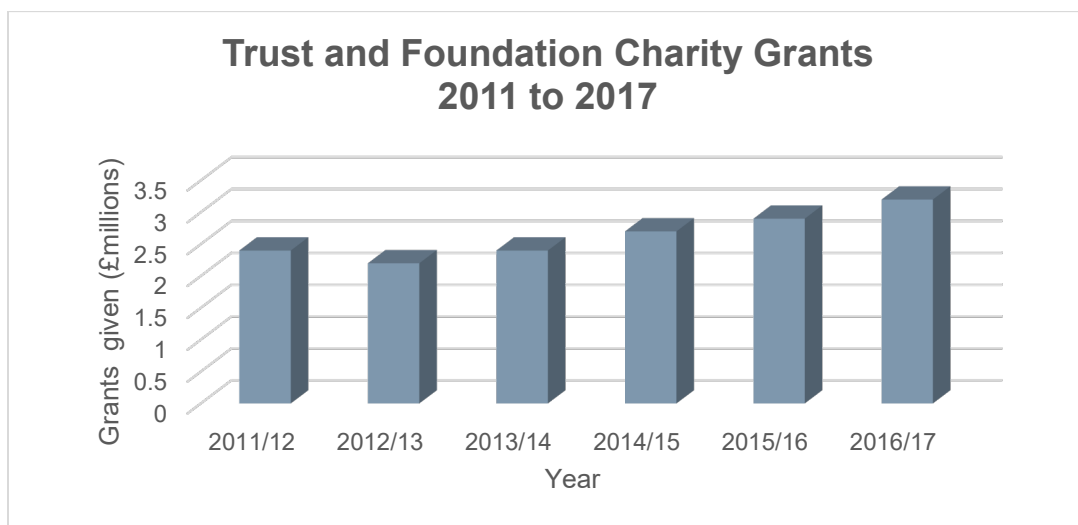


Table 5

An additional, noteworthy trend highlighted by the Association of Charitable Foundations is a tendency for Trusts and Foundations to move towards a place or community- based focus. Like the targeted services approach of local authorities in the early 1990s, there is an emerging trend towards collaborative, community approaches to tackle specific social or inequality problems in a specific, geographical community of place.<sup>16</sup>

<sup>15</sup> *Foundation Giving Trends 2018*, Association of Charitable Foundations (ACF). Study of the top 300 grant giving trusts and foundations, representing 90% of UK Trust and Foundation giving. October 2018

<sup>16</sup> *Foundation Giving Trends 2018*, Association of Charitable Foundations (ACF). Study of the top 300 grant giving trusts and foundations, representing 90% of UK Trust and Foundation giving. Page 2. October 2018

## Long-Term Horizon

### 3. EMERGING OPPORTUNITIES AND THREATS

So far, the data, trends and recommendations within this review focus on the short to medium term. But there is a broader context to consider in order to build long-term sustainability over the next 5 years and beyond.

The World Economic Forum has declared a Fourth Industrial Revolution, driven by technology, ‘*a new era that builds and extends the impact of digitization in new and unanticipated ways*’<sup>17</sup> Experts say that technological advances will never be as slow as they are today, and that the challenges and opportunities of AI (Artificial Intelligence) are upon us.

Klaus Schwab, Executive Chairman of the World Economic Forum says, “*The new technology age, if shaped in a responsive and responsible way, could catalyse a new cultural renaissance that will enable us to feel part of something much larger than ourselves – a true global civilization. We can use the Fourth Industrial Revolution to lift humanity into a new collective and moral consciousness based on a shared sense of destiny.*”<sup>18</sup> This sentiment reflects the aspiration of the third/civil sector and will either shape or be shaped by the charities within it.

- 3.1 Technology is already democratising the world of giving to good causes. Giving through digital platforms has grown exponentially when compared with giving through the mainstream, traditional charity model. By 2018 the crowdfunding site GoFundMe reached \$5 billion in funding contributions since it was founded in 2008. Over 50 million people from over 150 countries had given to GoFundMe projects<sup>19</sup>. Their CEO estimates that this total will reach \$40 billion within the next decade. The rise of digital platforms has democratised mass market philanthropy, providing opportunities to donate to and invest in individuals directly. This trend is known as disintermediation and often removes the traditional charity as ‘broker’ in the philanthropic process, enabling donors to give directly to communities, individuals or smaller community projects. In the UK, between 2013 and 2018 traditional individual giving to charities largely plateaued. Meanwhile during the same period, direct crowdfunding of

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<sup>17</sup> Nicholas Davis, Head of Society and Innovation, Member of the Executive Committee, World Economic Forum. January 2016 <https://www.weforum.org/agenda/2016/01/what-is-the-fourth-industrial-revolution/>

<sup>18</sup> *The Fourth Industrial Revolution*, Klaus Schwab. Published by The World Economic Forum. January 2016.

<sup>19</sup> Go Fund Me – ‘2017 A Year in Giving’ <https://www.gofundme.com/2017>

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charities, individuals and other ventures grew by 5,000% - another example of the power of technology and the growth of disintermediation in the UK.

- 3.2 Crypto currencies are already gaining traction as some charities are accept BitCoin donations. In 2020 Facebook and other founding members<sup>20</sup> of the not-for-profit Libra Association will launch the crypto currency Libra. Linked to assets that will anchor its value, minimizing volatility, Libra is tipped to further perpetuate the growth of crypto philanthropy via digital platforms (including Facebook's 'donate' button) and intermediaries.
- 3.3 Amongst Millennials, giving directly via digital platforms rather than mainstream charities is popular. According to a Leetchi/YouGov<sup>21</sup> report (looking beyond giving through established charities) those aged 18 to 34 are nearly twice as likely to donate to charity than those aged 55+ (82% compared to 42%). Critically though, despite their charitable tendencies 50% of those aged 18 to 24 and 40% of those aged 25 to 34 would prefer to use a crowdfunding platform to donate money directly to individuals rather than donate via an established charity organisation. More than a third (38%) of 18- to 35-year-olds believed that only a small amount of their money would go towards supporting the actual cause. A further 37% said they don't trust the source or charity organisation collecting donations.
- 3.4 A move away from altruistic donations to 'recyclable' loans is a growing trend through digital platforms that not only cut out the major charity broker but give real time progress updates and return the investment to the 'donor'. For example, Kiva<sup>22</sup> has only 110 employees but since 2005 has facilitated over \$1.24 billion in loans to 3.1 million borrowers (81% women) in 82 developing countries from 1.8 million individual lenders with a 97% repayment rate. A Kiva loan is funded every 2 minutes and their mission is 'Beyond charity, we are re-thinking how we give.' Given what we know about Millennials it's not difficult to see why this simple, streamlined, digital platform is attractive to the next generation of social altruists, taking them beyond the current charity giving model and away from traditional charity giving. Non-digital, impact led investment models like Social Impact Bonds are also gaining traction through organisations like Social Investment<sup>23</sup>. With a global network of non-profit and commercial partners this UK based non-profit organisation is already mobilising over

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<sup>20</sup> Including Mastercard, Visa, PayPal, Uber, eBay, Vodafone and Mercy Corps

<sup>21</sup> 'Millennials' attitudes to giving', Leetchi and YouGov. November 2016.  
<http://d14yl6860gevc5.cloudfront.net/LeetchiCharitydatastory.pdf>

<sup>22</sup> <https://www.kiva.org/about>

<sup>23</sup> <https://www.socialfinance.org.uk/who-we-are>

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£500 million of global social investment using the social impact bond/social investment model.

- 3.5 The funding or fundraising model supports and reflects the charity business or operating model. So, by recognising that future trends and developments will require a transformation (whether evolutionary or revolutionary) of the funding model, there is a subtle implication that the overarching business model might also require a closer look. To transform one without the other will create greater organisational disconnect than any current, structural or cultural silos.

There is evidence to suggest that a move away from big, centralised, hierarchical organisations is already underway. Instead, movements are mobilising individuals *and* agile organisations for specific time periods behind specific aims. This is also reflected in the funding environment. For example, the 10 highest earning Go Fund Me campaigns of all time<sup>24</sup>. Only one was initiated by an established charity whilst four were set up by private citizens, mobilising others to act. The highest earning appeal of all time was #TimesUp, galvanizing women and women's organisations across the USA to support those speaking out about sexual misconduct. It was a movement delivered by people, supported by a network of organisations, not an organisation supported by a network of people.

Movements like Extinction Rebellion have transformed campaigning as they bring a radical, new, civil society operating and resourcing model.<sup>25</sup>

Rhodri Davies, Programme Leader at Giving Thought, explains how organisations can evolve from centralised, to decentralised and then distributed autonomous organisations as technology democratises. He explains how by stripping out layers and complexity and stepping back from a centralised, controlling business model and 'assertive philanthropy' it is possible to use blockchain methodology to create a collection of smart contracts governing the interactions of individuals who chose to become members. Arguably losing the bulky (and costly) middle of an organisation without losing the ability to mobilise and do good in a focused way<sup>26</sup>.

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<sup>24</sup> Business Insider – *The 20 Most Successful GoFundMe campaigns of all time*. November 2018. <https://www.businessinsider.nl/best-gofundme-campaigns-2018-11/>

<sup>25</sup> <https://thinkingdoingchanging.com/2019/04/18/lets-talk-about-extinction-rebellion/>

<sup>26</sup> *'Losing the Middle but Keeping the Heart; Blockchain, DAOs and the future decentralisation of charity'* May 2017. Rhodri Davies, Giving Thought (CAF). <https://www.cafonline.org/docs/default-source/about-us-policy-and-campaigns/losing-the-middle-keeping-the-heart--blockchain-daos-and-future-of-charity.pdf>

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- 3.6 There are many more concepts and proposals about the future of charity operating models. There is much disagreement about which will provide the most impactful and sustainable vehicles to solve the world's pressing problems in the future. But there is growing agreement that the current operating models will achieve neither as the world changes beyond that which generated our current ways of working.

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