



Cass Business School  
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Cass means business

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

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## 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

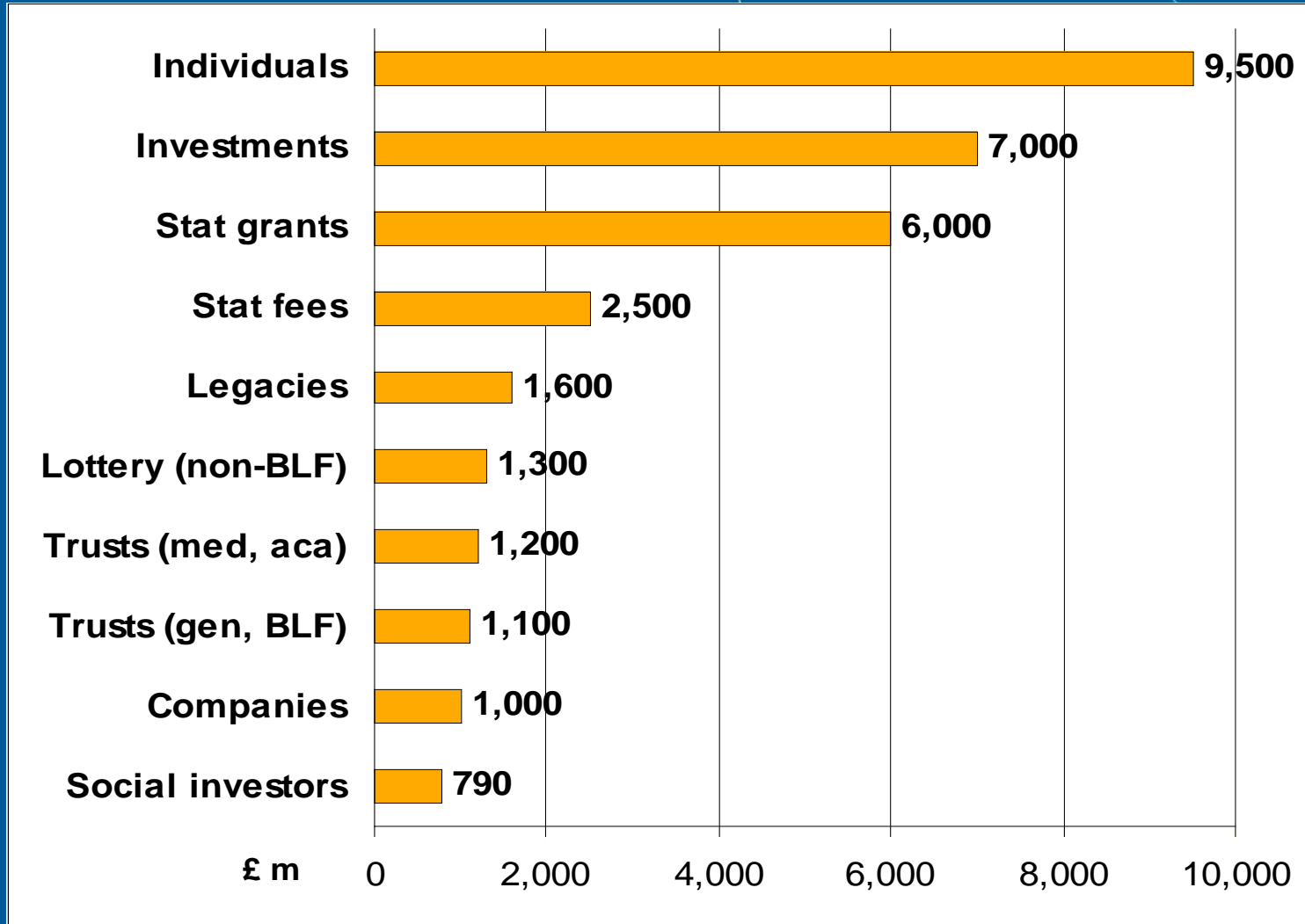
## Civil society

865,000 organisations, total income £109 billion

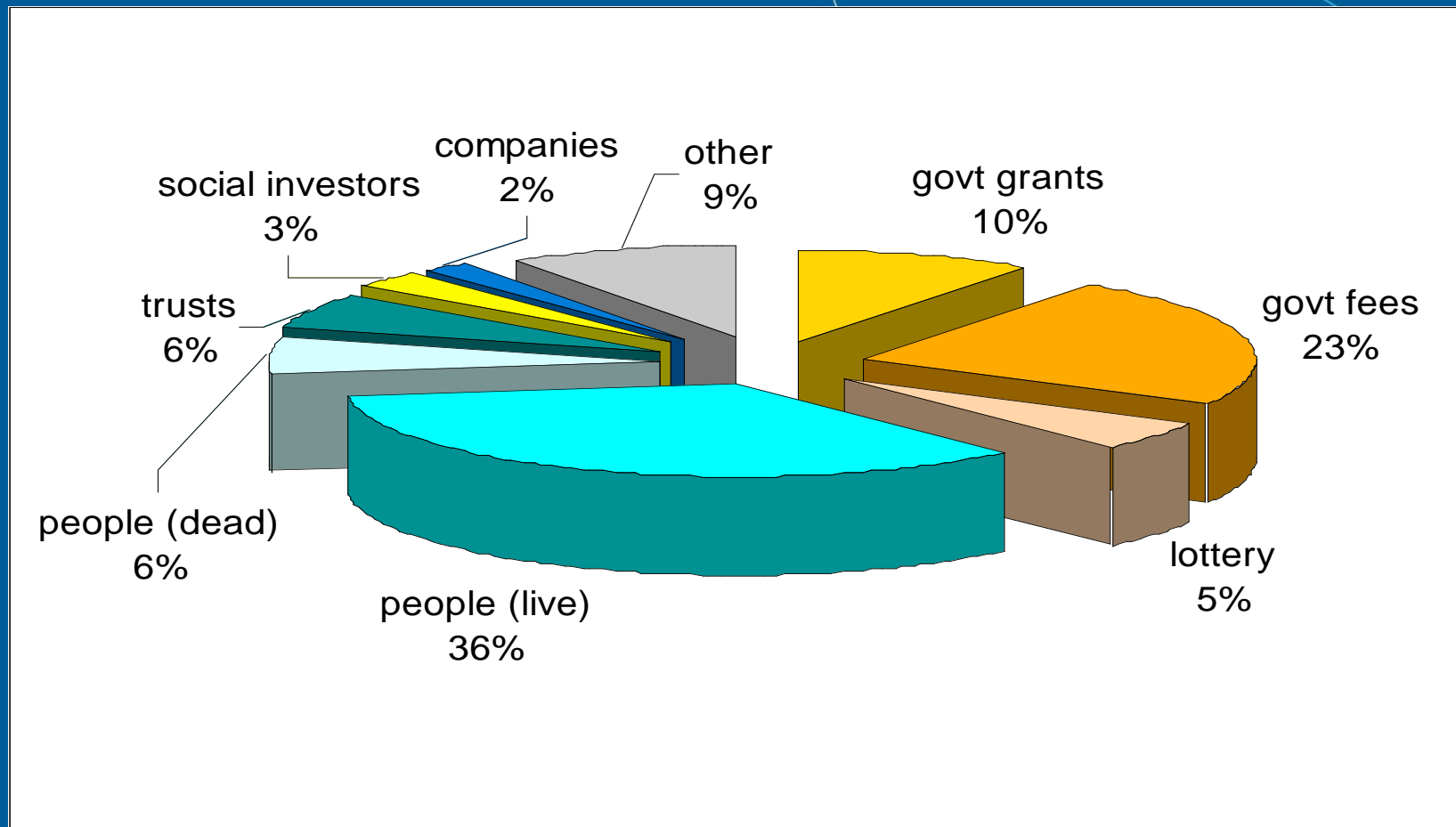
## Shape of charitable expenditure today

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

# Third Sector's Funding dependencies

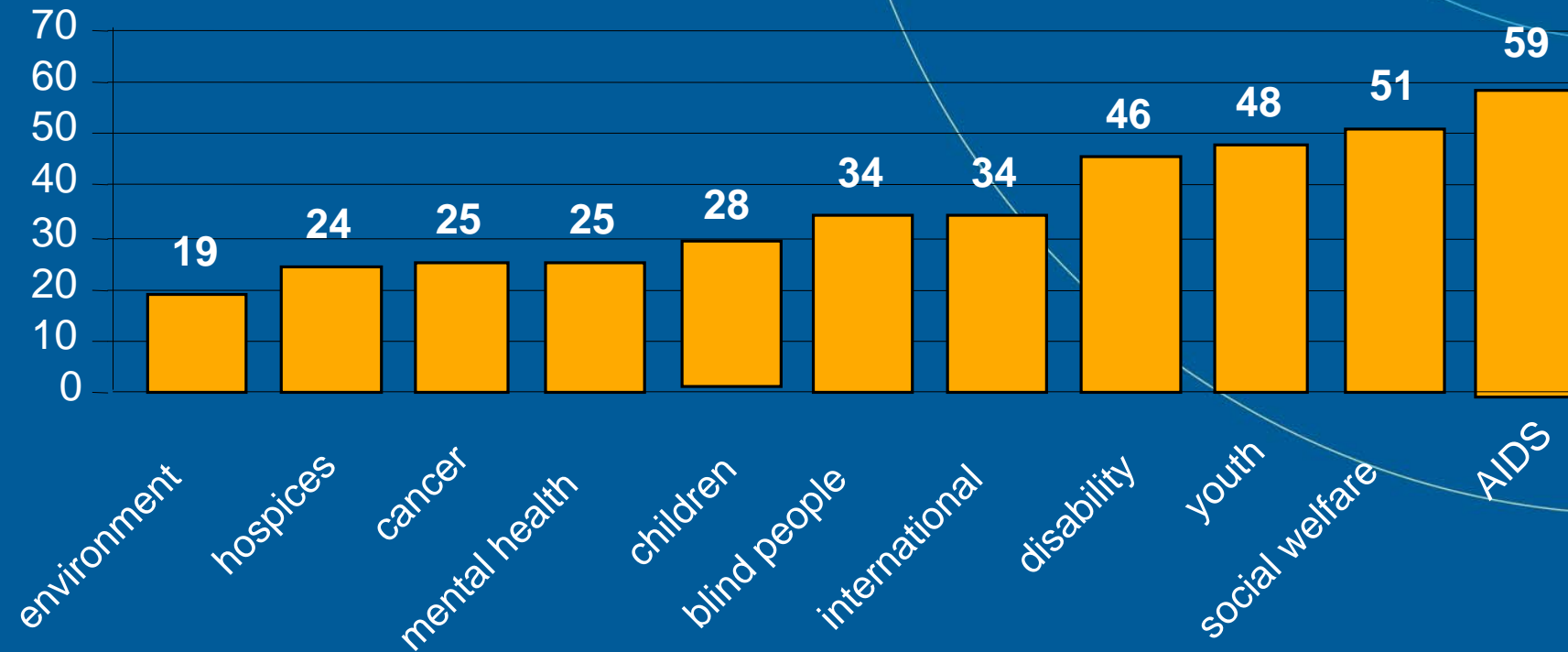


# Shape of third sector funding today



# State funding by sub-sector – top charities

% of funding from state



*who is the major shareholder?*

*what is the right shareholding?*

*what does the public think?*

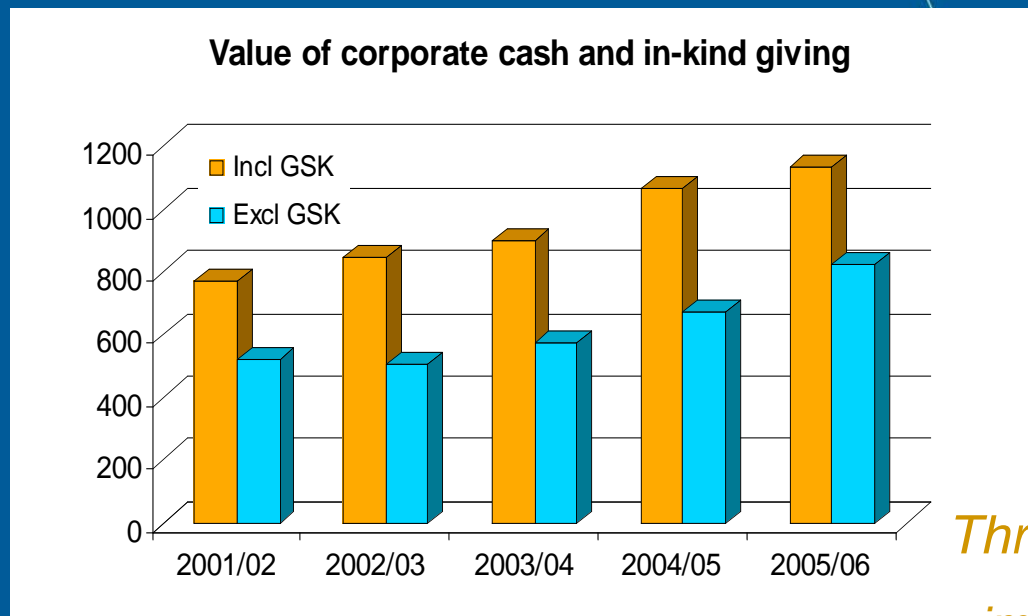
## Top service-providing charities by % statutory funds

1	<b>NCH</b>	31-Mar-07	<b>193.5</b>	<b>88.9</b>
2	<b>Royal Mencap Society</b>	31-Mar-07	<b>150.9</b>	<b>84.9</b>
3	<b>Leonard Cheshire Disability</b>	31-Mar-07	<b>130.6</b>	<b>89.5</b>
4	<b>Barnardo's</b>	31-Mar-07	<b>111.1</b>	<b>57.9</b>
5	<b>National Autistic Society [The]</b>	31-Mar-07	<b>62.9</b>	<b>84.6</b>
6	<b>Sense - National Deafblind and Rubella Association</b>	31-Mar-07	<b>51.6</b>	<b>74.3</b>
7	<b>Turning Point</b>	31-Mar-07	<b>49.8</b>	<b>79.9</b>
8	<b>MacIntyre Care</b>	31-Mar-07	<b>34.5</b>	<b>92.1</b>
9	<b>Rethink Severe Mental Illness</b>	31-Mar-07	<b>32.9</b>	<b>76.9</b>
10	<b>JTL</b>	31-Jul-06	<b>32.3</b>	<b>97.5</b>
11	<b>Victim Support</b>	01-Mar-07	<b>31.6</b>	<b>97.8</b>
12	<b>Quarriers</b>	31-Mar-07	<b>31.1</b>	<b>79.8</b>
13	<b>Family Fund for Families with Severely Disabled Children</b>	31-Mar-07	<b>30.0</b>	<b>96.6</b>
14	<b>Cornerstone Community Care</b>	31-Mar-07	<b>27.5</b>	<b>97.9</b>
15	<b>Rathbone Training</b>	30-Jul-07	<b>27.3</b>	<b>86.4</b>



# 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*

## 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*

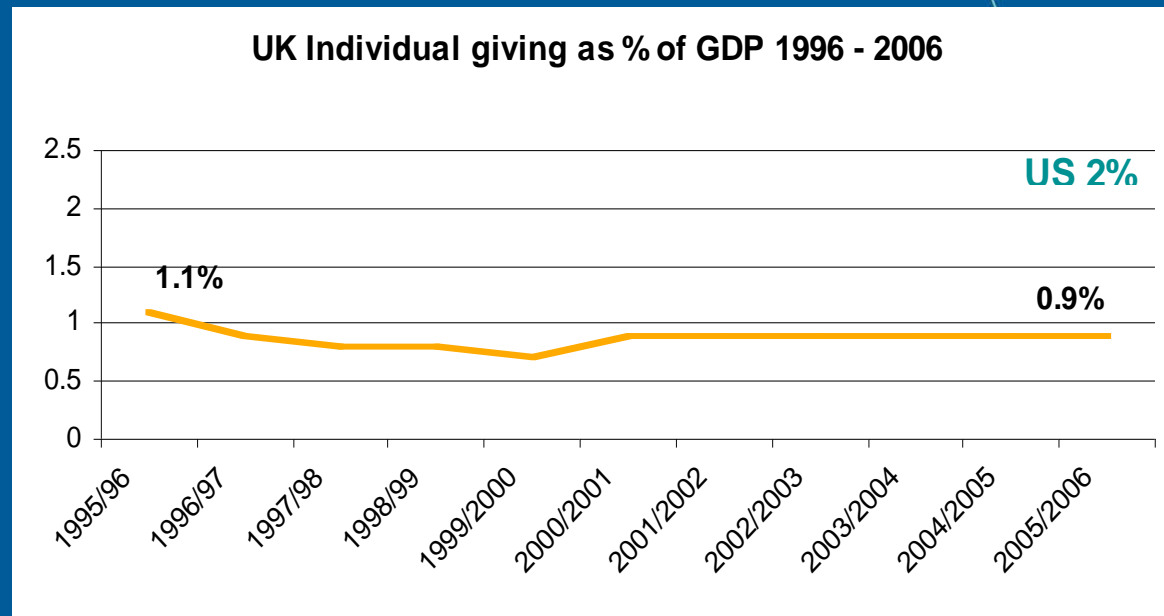
£2.6bn

### *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*

*Giving is flat-lining – why?*

*• half of Rich List giving 2007 was two donors*

## Share of wealth and share of giving

	Share of wealth %	Share of giving %
Most wealthy 1%	23	7.3
Most wealthy 10%	56	21
Less wealthy 90%	44	79

*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*

Bacchiega and Borzaga, in *The Emergence of Social Enterprise*, 2001



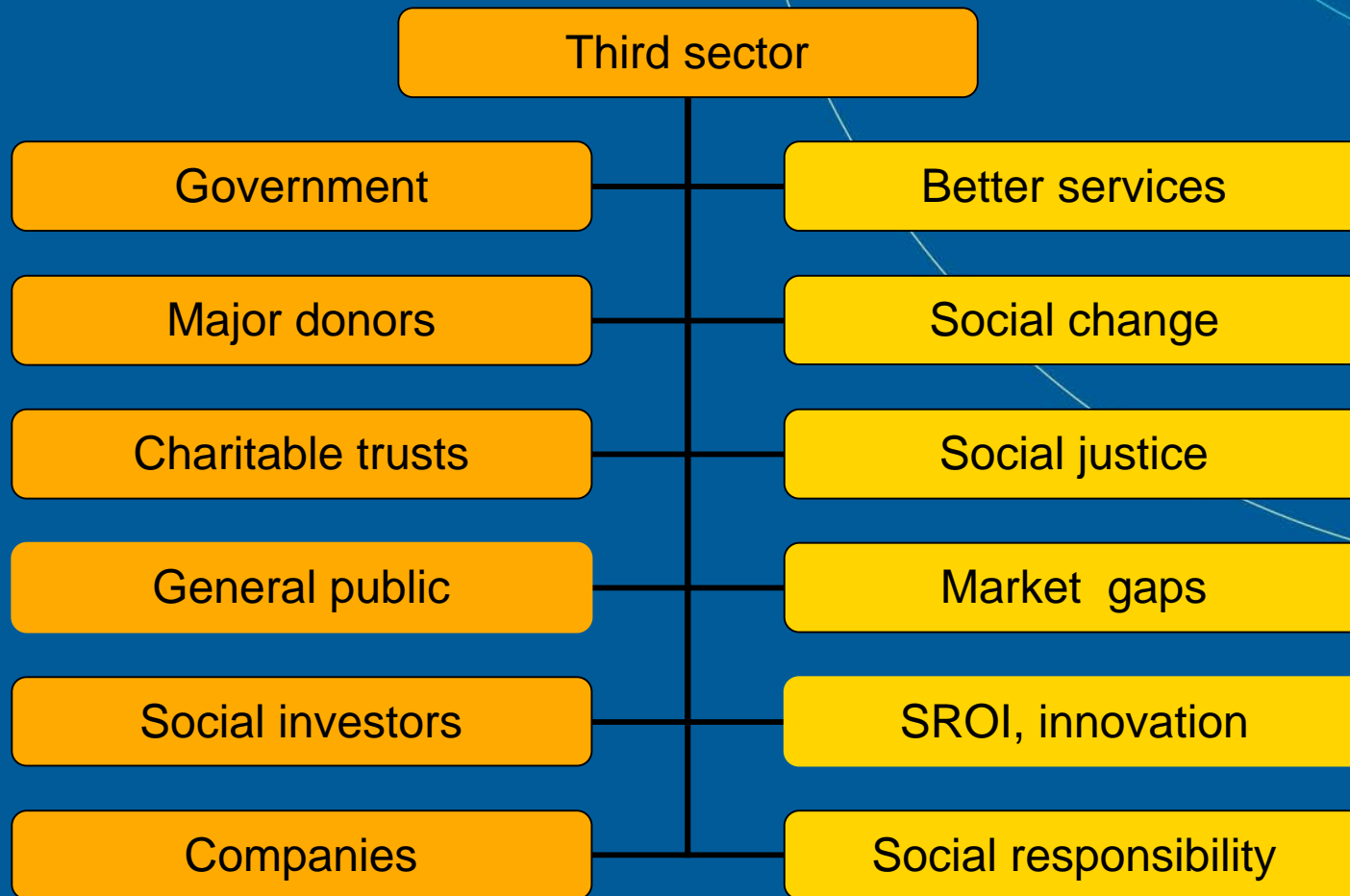
## Who should guard the third sector space?

*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?*

# Expectations – ‘added value’ funding



## 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?

NEW!

Recession!