Reframing the Ask - trends which will shape giving and fundraising post-COVID19

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Executive Summary

This position paper, commissioned by the Chartered Institute of Fundraising, aims to identify some of the trends which might shape giving and fundraising in the post-COVID19 economy. There is so little certainty in the current environment that outcomes for fundraising cannot be predicted. However better understanding of where we are now and what happened in the previous recession can provide pointers.

Trends in household giving
Going into 2020, giving by the 27.8 million households in the UK was in strong shape, showing:

- a real-terms increase in the value of average household donations has occurred over time, from £8.48 per ***donor*** household per week in 2000 to £13.16 in 2018
- UK households as a whole are also devoting a slightly higher share of their weekly spending to charity, from 0.5% in 2000 to 0.6% in 2018
- the donation increase by donor households has more than offset an ongoing fall in participation: growth in donations to charity outstripped growth in general household spending for the UK as a whole (29% versus 4% over the 19 years studied)
- the growth in the value of charitable donations and in their share of household spending is evidence of increased generosity as well as successful fundraising.

Inequalities in household spending and giving capacity
Marked differences in household income and spending continue to influence capacity to give. These are likely to be exacerbated in the post-COVID19 era whose negative effects on health, employment and income are already being experienced worst in in the poorest areas, and amongst young people. With government forecasting a doubling of the unemployment rate, there is a need to rely on those who can most afford to give, and amongst whom giving has been increasing:-

- household spending is highest in households whose head is self-employed or employed full-time: per person spending is highest among the retired
- household spending varies hugely by socio-economic group, with those in higher managerial and professional roles spending 3 times as much as unemployed people or those in less skilled work
- spending on all giving behaviours is 8 times as high in the top 10% of households by disposable income as in the bottom two bands
- all giving as a proportion of spending continues to vary widely geographically, from 1.7% in the West Midlands and 1.8% in Scotland to 2.3% in Wales and 2.5% in the South East.

Lockdown savings
Households are highly likely to have made significant lockdown savings. Research suggests such 'windfalls' could potentially be available for charitable giving. The analysis indicates:-

- an average £44 per week has been saved during Lockdown over three areas where spending has been reduced - going out to cinemas, theatres and museums, transport and eating out
- there are wide variations in such spending (and therefore, savings) by region and income band, showing the value there could be in engaging the donors most likely to be able to give.

Household giving and the economy over the next few years
Total household giving is projected to £8.4 billion for £2019/20. Applying current lowest and highest Treasury forecasts for economic growth, we could see:-

- a fall in the range of 0% -25% in the value of household giving in 20/21
- this would translate to total household giving of £6.3 billion on Treasury's lowest forecast of GDP, and £8.4 billion on its highest.

General voluntary fundraising trends
Fundraising has become increasingly competitive. Alongside long-standing general charities (eg Cancer Research UK, Oxfam) universities, arts institutions, leisure centres and community groups have increasingly acquired charitable status and begun to fundraise. Fundraising income amongst the general charities has flatlined in recent years[1], while trends in the largest 100 charities by level of voluntary fundraising income[2], an important indicator to the sector more generally, show a pre-COVID19 fall of 1.7% in fundraising income in 2018/19. This followed negligible growth the year before. It undoubtedly reflected fall-out from recent charity fundraising and governance crises, which are now being addressed. Trends from 2006/07 to 2018/19, show that overall growth in voluntary fundraising income broadly follows economic growth, though fluctuates more widely:-

- the recession of 07/08 led to a fundraising fall in 2008/09 of 1.1%, against a fall of 3.6% in GDP
- if fundraising income to the largest fundraising charities followed Treasury's average forecast of a real -8.3% fall in GDP growth in 2019/20, its value could fall back to 2014/15 or 2013/14 levels: growth might fall below that of GDP (itself still currently being revised downwards)
- this could hit the overall income of smaller organisations, which depend more heavily on donations from the public, even harder.

Legacy giving
The two key factors influencing legacy income – property values and the number of deaths – have been heavily impacted by COVID19. House price inflation is predicted to fall by a median 3.8% in

[1] NCVO. UK Civil Society Almanac 2019
[2] Including general public donating (direct debits, appeals, cash, subscriptions, sponsorships etc), gifts in kind, legacies, non-trading events, and gifts from companies and trusts), and excluding purchases.

2020, growing in 2021 by a median 3%. A fall in total legacy value over the next two years is probably inevitable, but could be partly offset by:-

- the robust growth in legacy value to the major charities which this research shows has outstripped economic growth over the last six years.
- some increase in the number of charitable bequests due to excess deaths in 2020, though this population considerably over-represents the poorer groups, which are much less likely to leave charitable bequests. There will also probably be higher numbers dying intestate.

Company giving

Corporate cash giving appears to have hovered around £0.5 billion for some years, partly as data is poor due to non-mandatory reporting. Evidence from the 2007/08 recession gives some insights: -

- corporate giving, including in-kind, rose by 15% in 2007/08 when pre-tax profit fell by 28%
- there was a time-lag effect: 2008/ 09 corporate giving fell 1.4%, and pre-tax profit by 27%.

Many companies are likely to reduce but not halt their giving at the end of the financial year (unless they have gone out of business altogether), and will want to maintain key stakeholder relationships. Major corporate donors tend to be in industrial sectors performing well in the FTSE, so future fundraising opportunities may lie with sectors which have grown business during COVID19, such as pharmaceuticals, online retail of essential goods, e-commerce, technology and software.

Charitable trusts and foundations

Charitable grant-makers derive their own funding from different sources, and will be differently affected by COVID19. Those funded through statutory or corporate grants will probably not see any change till the end of the financial year or grant period, when statutory or corporate budgets may begin to be cut. Philanthropically-endowed foundations currently give over £3 billion per annum to good causes, funded through large investment assets of around £68 billion. The research shows:-

- in the 12 years before Lockdown, growth in foundation assets considerably outpaced GDP growth, at 6% per annum compared with 3.2%
- this resilience, coupled with significant capital reserves on which to draw, helps foundations protect charitable spending in the short to medium term; in the recession year of 2007/08 there was a real increase of 13.8% in foundations' charitable spending though assets fell by 7.7% and there was a further two years of falling asset growth before spending fell by 9%
- grant-makers have responded to COVID19 by adapting funding requirements to meet need, creating new funds and increasing their social investment: while some of these are additional funds, it is not possible to tell yet how far they represents a diversion of funds or an increase, and whether spending in 2019/20 will be higher than the previous year, or beat the record increase of almost 10% in 2017/18.

Implications and issues

It is clear that most fundraising income sources will be directly affected by the state of the UK's economic growth. Impacts will roll out over different time-scales. Undoubtedly there will be some major losses, hopefully mitigated by some of the strength of private household and private foundation giving over the last year or two. However, fundraising outcomes will also crucially result from donor and funder decision-making. Donors may decide to defer rather than cancel giving, and charities need to keep in touch with these donors. Some donors may be persuaded to divert Lockdown savings to charity. Capacity to give will become increasingly polarised as COVID 19 has a more negative effect on some sections of the population than others, and those who can afford to give should be encouraged to do so. Lockdown lifestyle changes including greater homeworking and online shopping may become permanent, and new fundraising approaches will be needed to replace some high street and workplace-based fundraising including payroll giving.

1 Introduction

Charity fundraising has been radically undermined by the COVID19 Lockdown on social and economic activity necessitated by limiting the spread of the disease. As Lockdown is gradually eased, it is becoming clear that we are facing recession, and recovery will be a slow process. Sector capacity may be lost which it is difficult or impossible to replace. The Chartered Institute of Fundraising has commissioned this position paper to help identify the trends which will shape giving and fundraising post-COVID19. This pandemic is quite exceptional with ongoing risk of a second spike in COVID19 as the country comes out of Lockdown. Trends cannot be predicted with certainty but the paper aims to reduce some of the uncertainty and provide pointers to help think through future options. Five areas of fundraising in relation to potential economic growth over the next few years are explored:

- household giving and spending
- trends in charities' total voluntary fundraising income
- trends in legacies to charities
- charitable foundation giving
- corporate giving

A final section looks at implications, issues and opportunities which could influence the outlook for fundraising.

2 Trends in household giving and spending

A key issue is how charitable giving will be affected by the impact of COVID19 on household employment, income and spending power. Using data collected in the ONS Living Costs and Food Survey (LCF), the report begins with an update on long-term giving trends in the context of household spending, and based on these trends, looks at how giving might develop in relation to current projections for post-Covid economic growth. A previous study[3] analysed trends from 1978 to 2008, and a selection[4] of these is updated to 2018/19 and projected forwards to provide potential scenarios for giving in the next few years.

There are 27.8 million households in the UK, an increase of 6.8% over the last 10 years, and they are an important unit for giving, with many key spending decisions made in the household context. Giving trends are analysed in relation to a set of the household factors which could potentially have the greatest effect on spending decisions as the economy absorbs the impact of the pandemic including total household and per person spending, employment status of the head of the household, household income, and spending on related items, including by region. The findings are presented in a series of graphs.

All members of households participating in the LCF keep a diary of their spending for two weeks. Spending is then aggregated by item for the household and converted to weekly amounts. The sample sizes for households participating in the LCF between 2000-2001 and 2018-2019 range between 4,920 and 7,473 per year. One member of each household is designated as the Household Representative Person (HRP) whose characteristics such as age and occupation are then used to categorise the

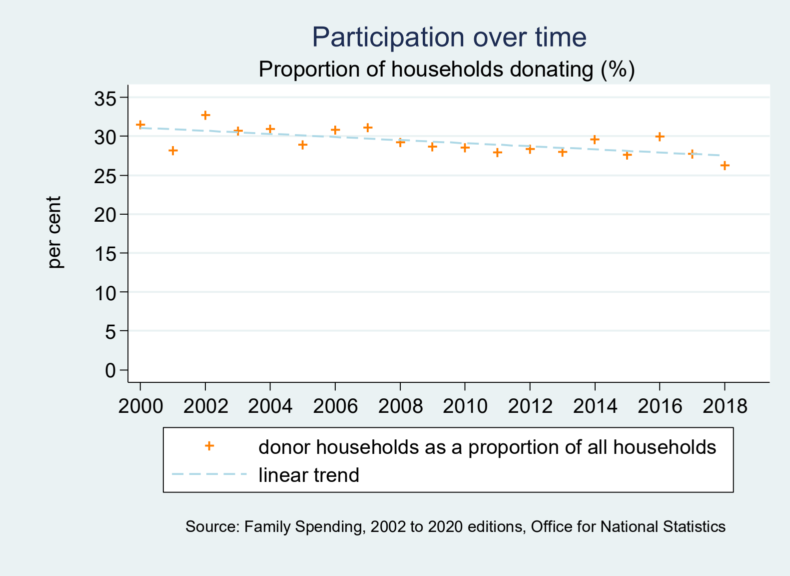
[3] Cowley, E, T McKenzie, C Pharoah and S Smith (2011) *The New State of Donation: Three decades of household giving to charity 1978-2008*, Bristol: Centre for Market and Public Organisation, University of Bristol.

[4] In order to obtain an early picture of trends, this analysis is restricted to the data currently published and immediately accessible as ONS "Family Spending", while the earlier study accessed the full survey dataset.

household. Usually, the HRP is the person with the highest income, or for equal incomes, the eldest one.

The present analysis focuses on the item "Charitable donations and subscriptions", which includes monetary gifts to charities, but does not include spending on goods or services that charities may provide such as tickets for charity events or items purchased in charity shops. The annual subsamples of households recording positive "Charitable donations and subscriptions" range between 1,360 and 2,266 over the period studied.[5]

Figure 1: How has household participation in giving changed over time?
The trendline shows how the proportion of UK households donating to charity has declined slightly but continuously from roughly 32% in 2000, to 26% in 2018. This finding is consistent with findings from other surveys on individual donors.[6] The decline may partly result from fundraising targeted at better-off tax-paying groups in the population, rather then cash collections, to increase the scope for benefitting from gift aid. It is being widely predicted[7] that the worst-off groups in society will suffer most from the recessionary impacts of COVID, and this has implications for fundraising.



[5] Putting together the long-term series involves accommodating some changes made to the survey methodology over time. In the time-trend graphs, '2000' refers to the period April 2000 to March 2001, up to '2005' being April 2005 to March 2006; '2006' to '2013' are then calendar years, before a reversion to fiscal years with '2014' representing April 2014 to March 2015, up to '2018' being April 2018 to March 2019.
[6] UK Giving 2019. Charities Aid Foundation. The participation rate here varies from the one reported in UK Giving due to differences in methodology and time span but the downward trend is consistent.
[7] "The gap between the haves and the have-nots is widening sharply", *Financial Times*, June 10th 2020.

Figure 2: How has the value of household giving changed over time?
There has been a real-terms increase[8] in the value of average household donations over time from £8.48 per donor household per week in 2000 to £13.16 in 2018. It appears that some donors have been increasingly willing to give more. Could this help charities post-COVID19?

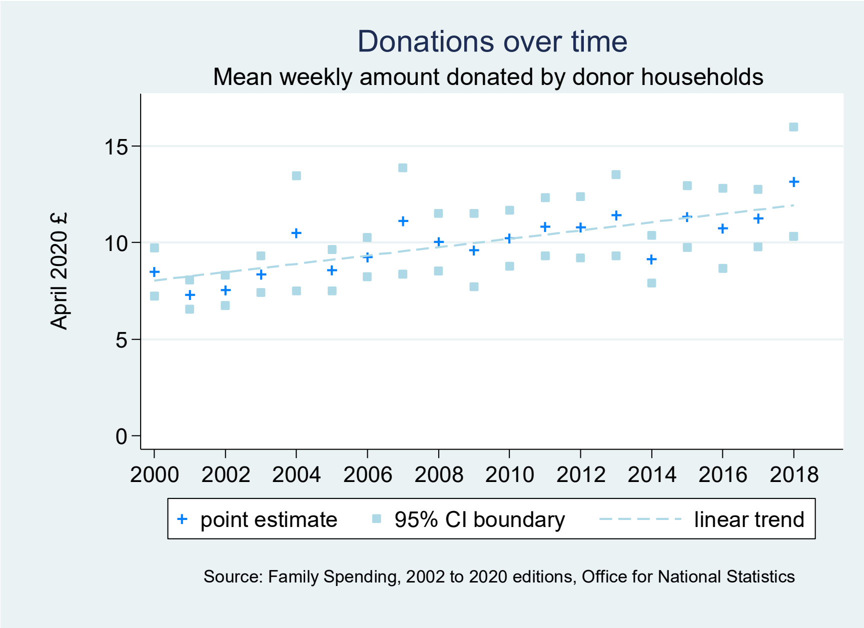
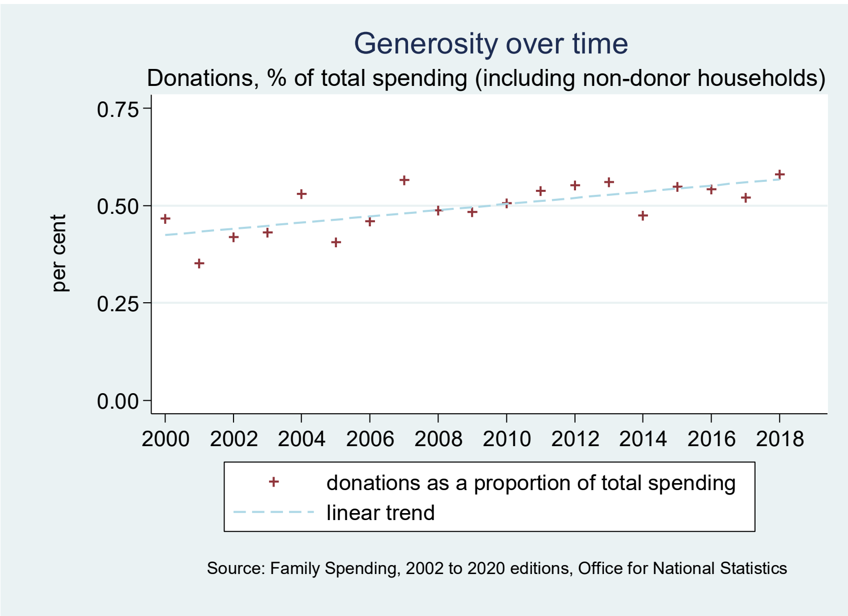


Figure 3: Has the proportion of household spending on giving changed over time?
As a whole, UK households are also devoting a slightly higher share of their weekly spending to charity, from 0.5% in 2000 to 0.6% in 2018. This increase in generosity may help charity fundraising in the post-COVID era.



[8] The annual amounts stated have been converted to April 2020 pounds sterling using the Consumer Price Index at the midpoint of the survey year in question.

Figure 4: How do trends in giving compare with general spending?
Donations by donor households have increased, while general spending has remained flat and the proportion of households donating has fallen. A very positive finding is that the 50% increase in amounts donated by donor households between 2000 and 2018 more than offset the fall in participation, such that growth in donations to charity outstripped growth in general household spending for the UK as a whole (29% versus 4% over the 19 years studied).

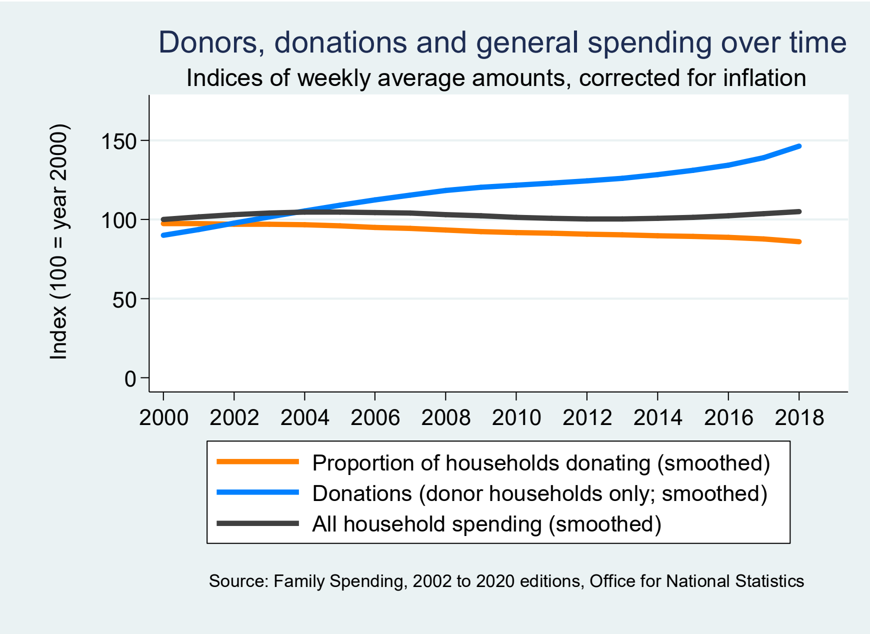
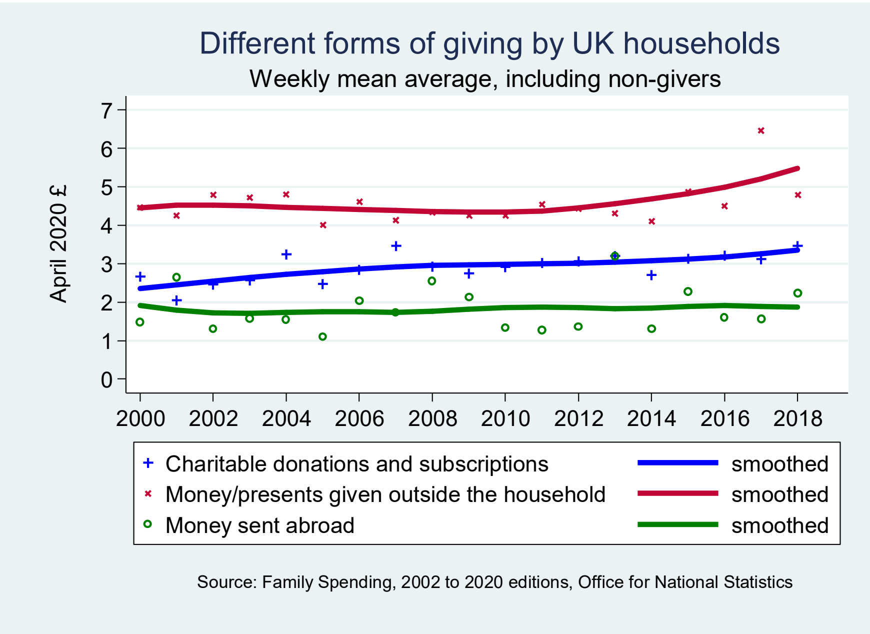


Figure 5 How does giving to charity compare with other forms of household giving?
In real terms, other forms of household giving (eg money given to family, or other households or sent abroad) do not show the same positive growth in value as charitable donations, which is statistically significant.[9] This provides further evidence of an increase in generosity over the last decade which might help fundraisers as they grapple with the impact of COVID19 on charity giving.



[9] At the 1% level.

Figure 6 How does the value of charitable donations compare with other spending?
This graph compares trends in spending on charitable donations with areas of pre-Lockdown leisure, eating out and transport which are likely to have reduced due to lockdown. It shows that as a whole UK households spend roughly as much on cinema, theatre and museum visits as they donate to charity, and that these forms of expenditure also increased in real terms over the past two decades. There may be scope to claim some of these savings made during the Lockdown crisis for charities.

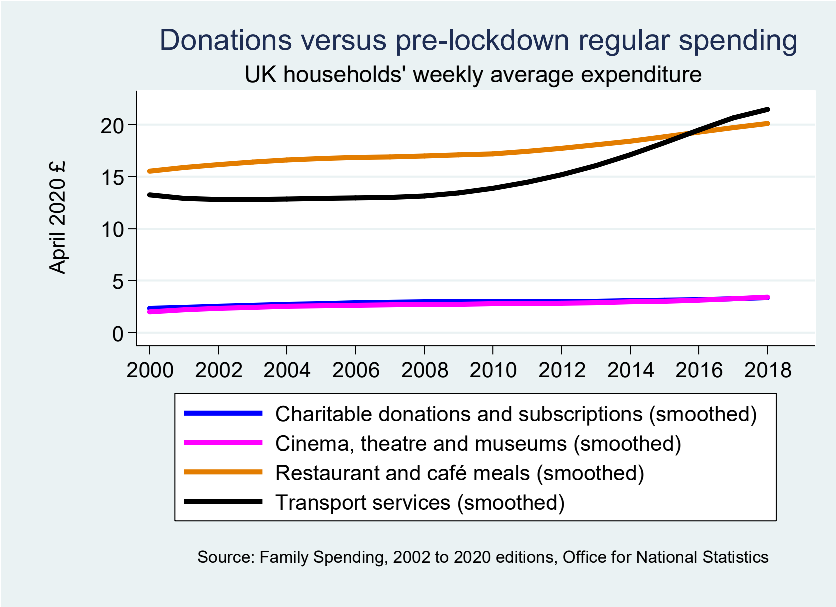


Figure 7: How does household and per person spending vary by the economic activity of the head of the household (HRP)?
Total household spending varies considerably by employment, with highest weekly spending where HRP is self-employed, or employed full-time. Per person spending is also highest in these households, as well as among the retired. Better targeting could be part of future fundraising strategy. For example, there is likely to be a significant increase in self-employment, and home working, and there may be a need to replace access to workplace-based payroll and other-giving opportunities.

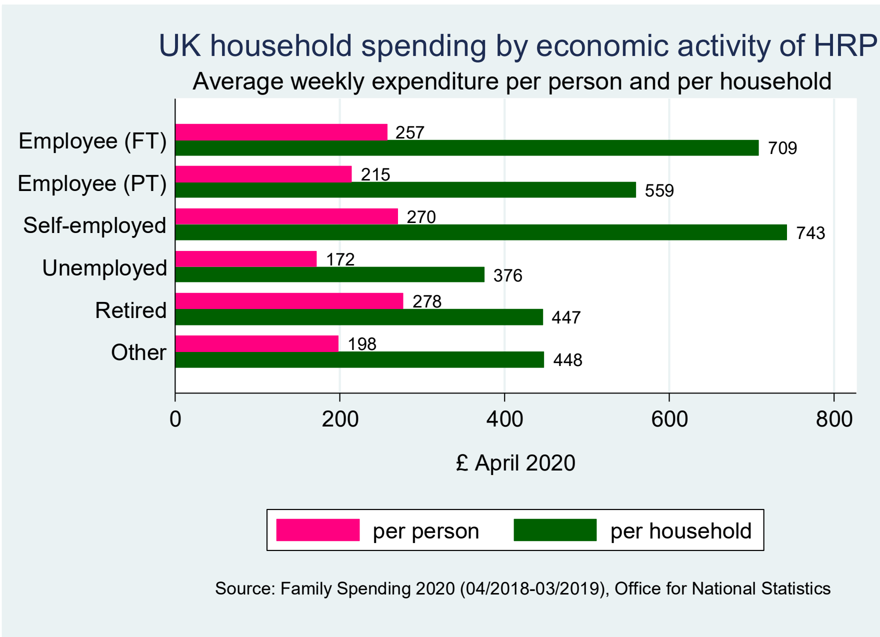


Figure 8: How does per person and household spending vary by socio-economic class of head of household?

Unsurprisingly household spending also varies hugely by socio-economic group, with those in higher managerial and professional roles spending 3 times as much as unemployed people or those in less skilled work. Government is forecasting a significant increase in unemployment.[10]

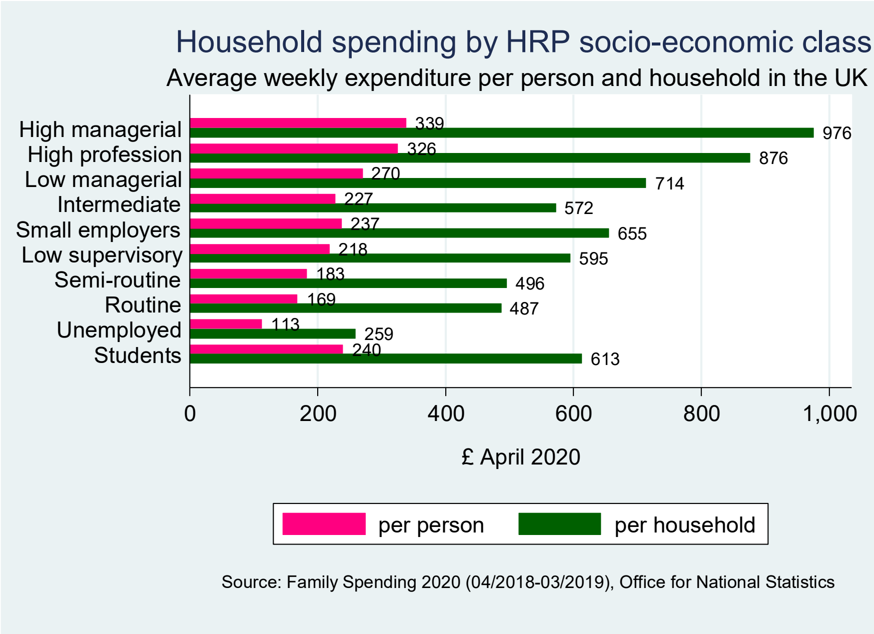
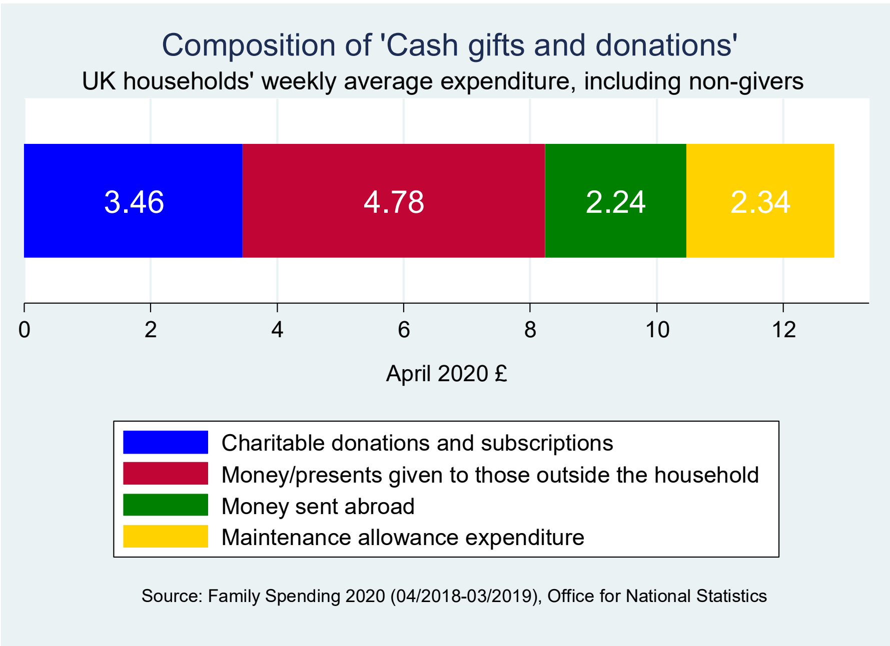


Figure 9: How do trends in charitable giving compare with other giving behaviours?

Different forms of giving are combined into 'Cash gifts and donations' in some of the LCF data, and the graph below shows the comparative value of different kinds of giving. It indicates just how much households give away in total, of which charitable donations are only a part. Is there scope to increase that share through raising awareness of charitable need post-Covid?



[10] See the later section on "Corporate giving and community investment".

Figure 10: How does geographical location affect spending on cash gifts and donations?[11]
Spending on all giving behaviours varies markedly by nation and region. It is highest in London and the South East, and lowest in the West Midlands and the South West. These regional spending differences may become more marked in the post-COVID period, as its effects are felt more steeply in less well-off areas.

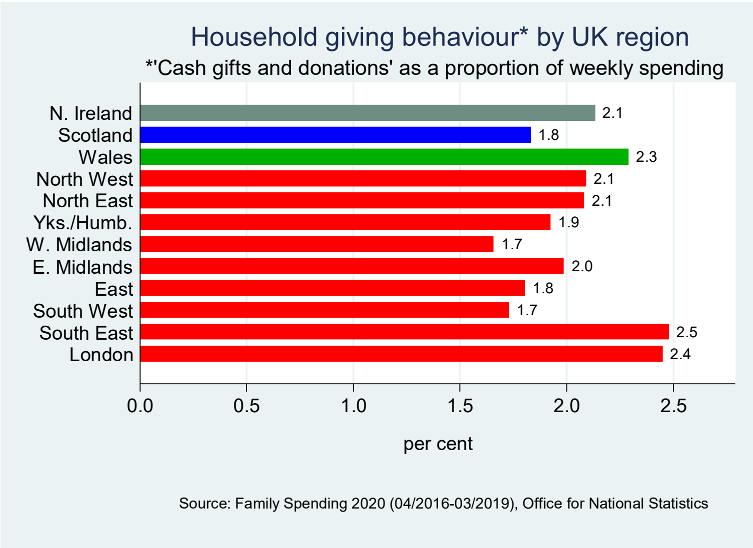
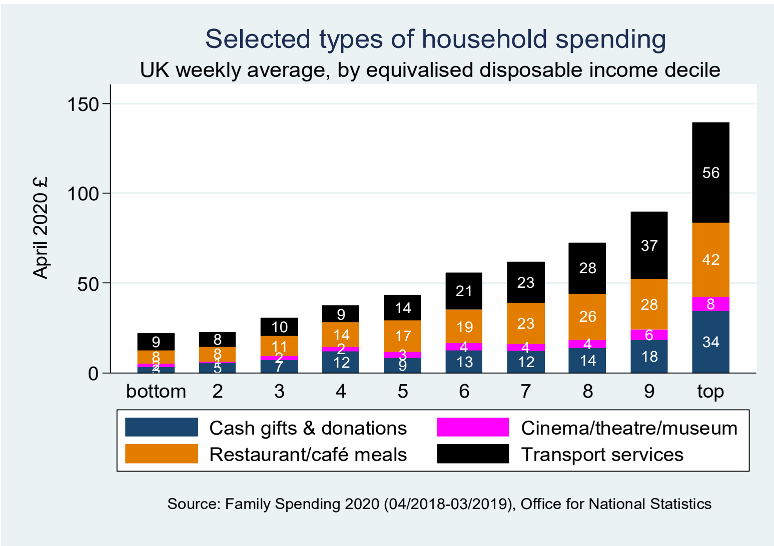


Figure 11: How does all giving compare with culture, eating out and transport?
Spending varies widely between those in the bottom 10% by disposable income, and those at the top. Total spending in the top 10% is two-fifths higher than in the 8th band. This pattern of spending power could inform more effective donor engagement as charities rebuild incomes.



Income decile:	bottom	2	3	4	5	6	7	8	9	top
Lower bound:[12]	-	£176	£234	£289	£338	£400	£460	£529	£634	£799

[11] Using the published data only from the LCF means it is not possible to isolate the charitable donations element of spending at the regional level. Further research accessing the full dataset is needed to do this.
[12] The lower bound refers to the lowest weekly income in the decile, expressed in April 2020 £. Thus weekly disposable income in the bottom decile is less than £176 per household, in the second decile it is between £176 and £234, and so forth. Income is equivalised according to the "OECD-modified" scale, to account for different numbers of adults and children in each household.

Figure 12: How does spending vary geographically?
There are marked regional and national differences in spending. Would households be willing to devote saved expenditure on recreation, leisure and transport during Lockdown to an increase in their charitable giving? (see final section of report)

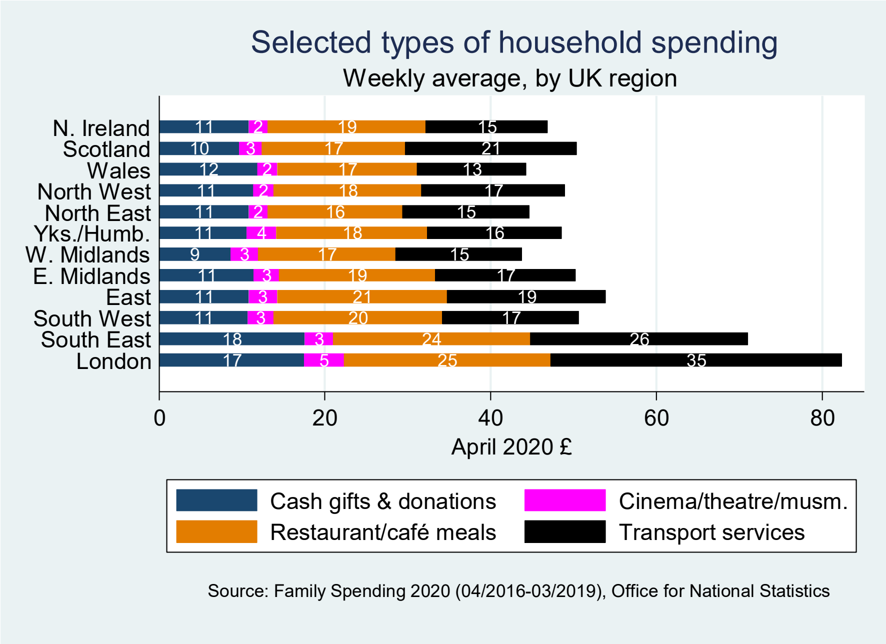
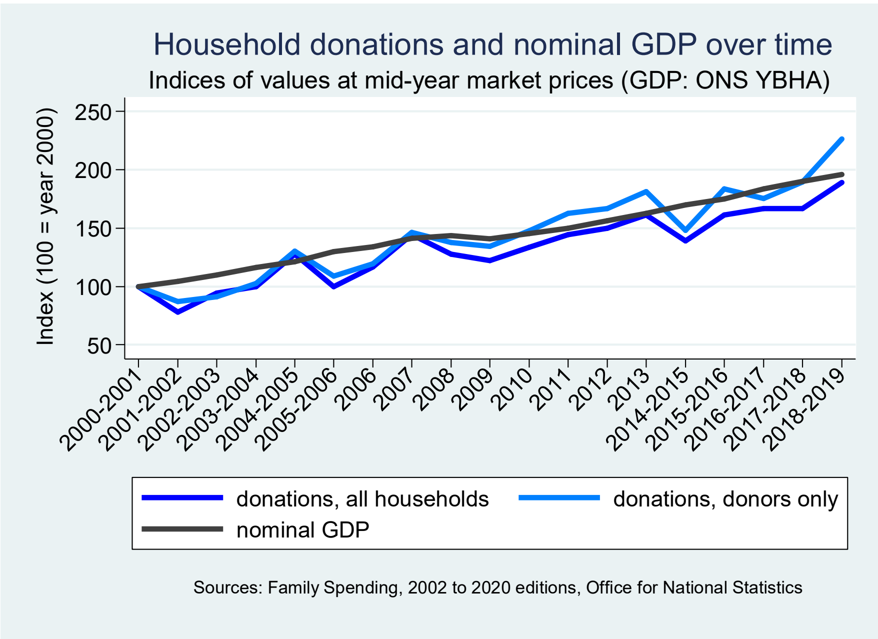


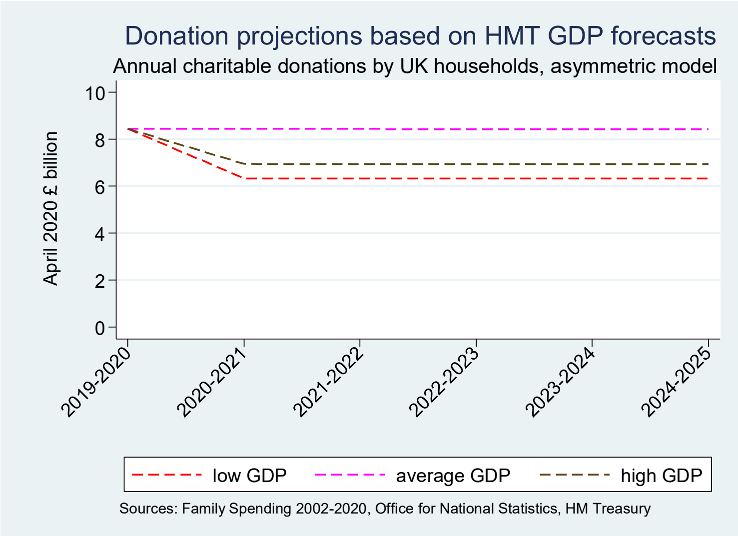
Figure 13: How does household giving growth compare with economic growth (GDP)?
Good news is that average growth in donations by donors only (light blue) has, at 4.4% per annum, outpaced average growth in the economy at 3.6% (these figures compare growth and are not adjusted for inflation). This is largely explained by the household donations increase in 2018/19, offering hope that in COVID19 recovery, giving could pick up more quickly than GDP. Average growth in giving for the whole population across the period (deep blue), donors and non-donors, is below that of economic growth (dark grey).



What lies ahead for household giving?

The analysis of trends shows how spending and giving power continue to be correlated with employment status, household income and geographical location. The links appear to be strengthening. Donors have been increasing their donations. Post-Lockdown, social inequality will probably increase and those who can afford it should keep on giving and give more if possible.

Figure 14: Highest and lowest projections for giving (£ bn), following GDP, 2020-24[13]



At this point. there is considerable variation in forecasters' predictions for post-COVID economic growth. Therefore in Figure 14 we look at a range of forecasts for the value of UK household giving if it were to follow the Treasury's latest GDP growth forecasts, including its highest and lowest estimates.[14] The model for projections is intentionally biased towards simulating what happened to donations after the financial crash in 2008, as our nearest guess for what COVID19 will inflict on donations via the hit to the economy. Treasury forecasts for growth beyond 2020/21 are all positive.

Projections for the total value of household donations in 2020-2021 range from £6.3bn to £8.4bn for the lowest and highest forecasts of change in GDP, i.e. a fall in donations of between 0% and 25%. For the average of forecasts by the Treasury's independent economists (a fall in GDP of 8.3%), donations are projected to be £6.9bn in 2020-2021. This represents a fall of 18% from the projected donations figure of £8.4bn for 2019-2020.[15]

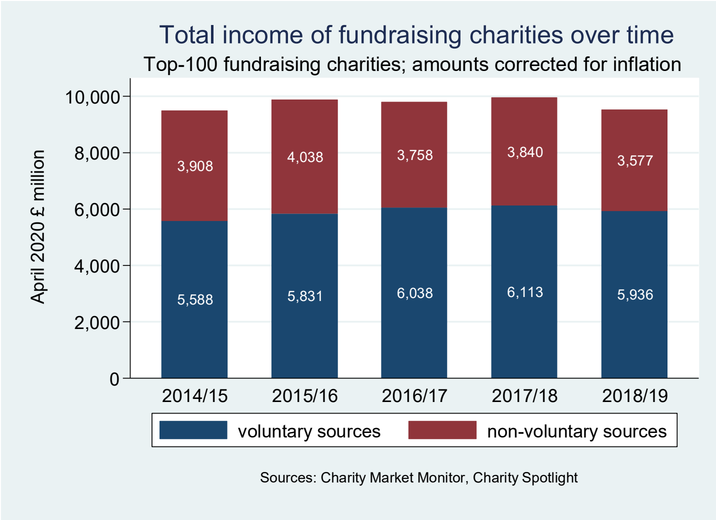
3 Trends in voluntary fundraising income

This section looks at the potential effects of COVID19 on charities' general voluntary fundraising income. It begins by updating trends as a platform for thinking about the future. The analysis draws on existing data only, using the most recently available figures for the largest voluntary fundraising

[13] HM Treasury, "Forecasts for the UK economy: a comparison of independent forecasts" No. 394, May 2020. Available at www.gov.uk/government/organisations/hm-treasury/series/data-forecasts
[14] See the Appendix at the end of this paper for a technical note on the projections methodology.
[15] The household donations figure of £8.4bn for 2019-2020 is projected from actual (not forecast) GDP in 2019.

charities which are an important indicator for what is happening to fundraising more generally.[16] The two main funding streams - voluntary fundraising and non-voluntary/ statutory grants and contracts - are likely to behave differently. As a result of austerity and reduced statutory funds, non-voluntary income is worth less now than five years ago. Voluntary fundraising income, 62% of total income, grew steadily until 2018/19 when the fallout from recent charity governance crises hit fundraising.

Figure 15: Comparison of trends in voluntary and non-voluntary income (£ mn)



Voluntary fundraising trends

Predicting what might happen to voluntary fundraising income is complicated because it flows through multiple routes, some more directly affected by lockdown than others. Social isolation slammed the emergency brakes on many important fundraising routes, including events, street and other cash collections, visits to attractions, charity shops and to some extent cheques and other postal ways of giving. Cancer Research UK, for example, has cancelled its major iconic *Race for life* event. The National Trust (NT) with multiple income streams (property, subscriptions, visitors, shops, café) is predicting a large loss of revenue.[17] As facilities slowly open again the NT, RHS and others offer alternative domestic leisure opportunities at a time when foreign travel may be less attractive. Meanwhile online and text have become a growing lifeline for giving, as for many other areas of household consumption. Ofcom has reported[18] that UK adults spent a record 25% of the waking day online during lockdown, and behaviour might be permanently changed.

The analysis below uses data on trends amongst the largest 100 charities by level of voluntary fundraising income, whose collective fundraising income is worth £5.8 billion. It includes general public donating (direct debits, appeals, cash, subscriptions, sponsorships etc), gifts in kind, legacies, non-trading events, and gifts from companies and trusts. However, the general public also supports charities by purchasing goods, equipment and services, usually through shops and catalogues. Such purchasing is not included here (or in the section on household giving). NCVO estimates that total income from the general public is worth £22 billion.[19] Charities' fundraising income is already challenged, showing a plateau in public donations in recent years.[20] Trends among the large fundraising charities show (Figure 16) how the real value of fundraising income declined in 2018/19,

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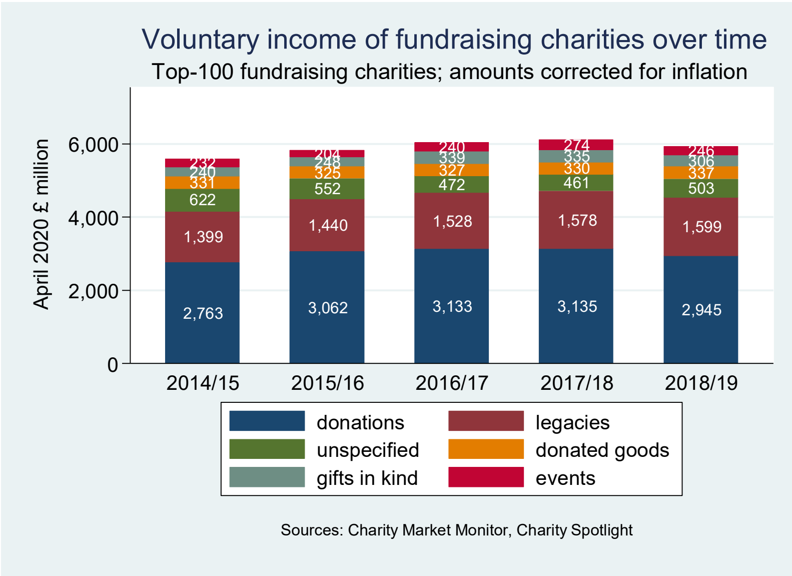
[16] Data was compiled from two main sources, *Charity Market Monitor* for the top 300 fundraising charities from 2007/08 to 2010/11, and *Charity Spotlight* annual series on the the top 100 fundraising charities from 2011/12 to 2018/19, both published by Wilmington CaritasData (formerly) and Charity Financials.
[17] https://www.bbc.co.uk/news/uk-52510154
[18] Ofcom.Online Nation. 2020 Report https://www.ofcom.org.uk/research-and-data/internet-and-on-demand-research/online-nation
[19] https://data.ncvo.org.uk/about/definitions/
[20] NCVO. UK Civil Society Almanac 2019

after fairly flat growth in 2017/18. This pattern is mirrored in the income from donations. While household giving has steadily increased (section 1), the major fundraising charities may not be the prime beneficiaries of this. Competition has also increased, with many other types of charity (e.g. universities, hospitals, arts, local leisure also developing fundraising capacity). Legacies were the main driver of growth over the period, while the smaller events stream fell back in the most recent year after a period of growth.

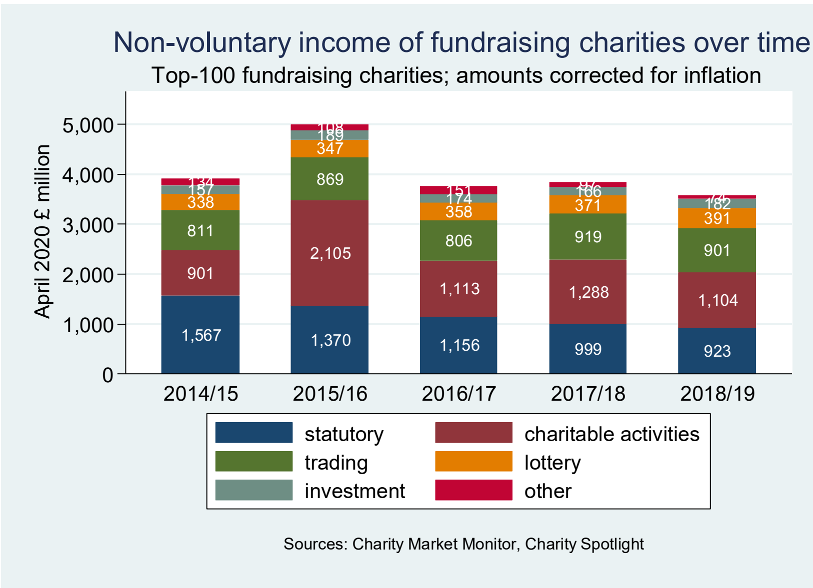
Figure 16: Trends in voluntary fundraising income (£ mn)



Non-voluntary income

The impact of COVID19 on statutory funding will be felt over a longer term than on voluntary fundraising. Committed statutory grants and contracts in 2019/20 and beyond will largely run their course, but there may then be a hit as cash-strapped statutory budgets stretch to meet the needs of COVID19. The effects of austerity already provide a precedent for seeing steady annual erosion of funds to charities when statutory budgets fall (see graph). Note that 'charitable activities' includes some statutory funding. Charities will be differently affected depending on their income balance between and within voluntary and non-voluntary streams, and capacity to switch between them.

Figure 17: Trends in non- voluntary income (£ mn)

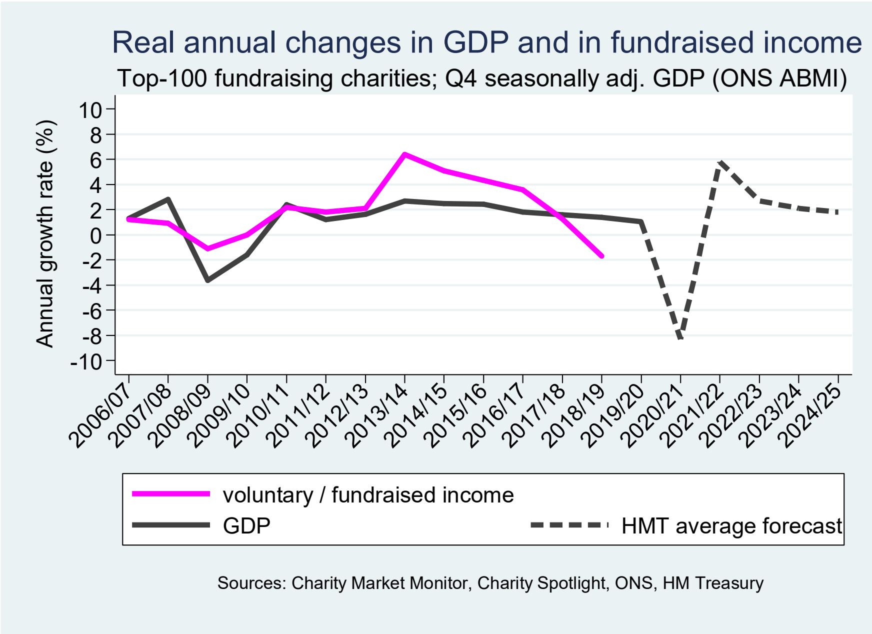


Long-term trends and outlook for voluntary fundraising income

Plotting growth trends in fundraising income against GDP over 16 years shows (below) that while fundraising growth fluctuates more, it broadly follows economic growth.:-

- the decline in the economy in 07/08 and 08/09 was reflected in a drop in fundraising growth: in 2008/09, fundraising fell by 1.1%, against a fall of 3.6% in GDP
- as the economy came out of recession, fundraising growth climbed to a new peak in 13/14
- subsequent faltering economic growth was reflected in a fall in the fundraising growth rate.

Figure 18: Longer-term growth in fundraising and in GDP, %



So what might happen? The Treasury's May forecasts showed a far steeper fall for post-COVID economic growth than anything seen before.[21] These indicate a 'V-shaped' pattern characterised by a sharp fall of 8.3% in 2020 (used in our research), followed by a strong rise of 5.8% in 20/21. This rise will be from a lower base, and followed by period of flattish growth. If fundraising income followed this pattern, it could fall back to 2014/15 or 2013/14 income levels, or lower. This level of contraction could hit smaller organisations which depend more heavily on donations from the public[22] very hard. Fundraising income is already challenged. There has been a plateau in public donations across the sector in recent years,[23] while pre-COVID fundraising income for the largest 100 fundraising charities in 2018/19 showed a fall of 1.7%, as the sector grappled with the public fallout from governance and safeguarding issues.

It should be noted that the Treasury forecasts were revised a bit further downwards in June (after this research was completed).[24] While data indicate a broad relationship between economic growth patterns and fundraising income, the timescale is less clear. It could take the charity fundraising sector longer than the economy to recover, because of the capacity risks in the large number of small charities, or if households fail to prioritise donating. In a recent sector survey[25] on experience of the first three months of lockdown, charities indicated that total income could fall by 24%. A US study of

[21] HM Treasury (ibid)
[22] NCVO ibid
[23] NCVO. UK Civil Society Almanac 2019
[24] HM Treasury (ibid) June 2020
[25] https://www.institute-of-fundraising.org.uk/news/charities-are-facing-a-124bn-shortfall-in-income-for-the-year/

the impact of the 2007/08 credit crunch concluded that over the prior 40-year period, giving fell at a real average 1% in recession years. In years with 8 months or more of recession, total giving declined at an average 2.7 percent.[26] The analysis of household giving in the UK above suggests upto a 25% fall in the value of giving. Significant disruption in fundraising income in 2020 and after is inevitable, but recovery will be a moving picture as people, companies and charities take measures to address and mitigate the situation. Options and issues which might influence fundraising in this situation are discussed the final section of the report.

Legacies

Legacy income represents a vital 27% to the fundraising charities, and its value has continued to grow steadily over the last five years as is shown in the previous section. Total legacy value to the charitable sector is estimated at over £3 billion. It currently represents 16.7% of the total value of estates with charitable bequests, though it has a narrow population base with just 6.3% of people leaving a charitable bequest in a will.[27] Two key factors determining legacy values - property values and number of deaths - have been impacted by COVID19.

Number of deaths. The number of deaths also determines the scale of charitable bequests. At the time of writing, the UK is estimated to have seen 63,000 excess deaths compared with the average for this point in the year.[28] Deaths in England and Wales across end-April and May were 20% higher than last year.[29] In addition to COVID19 deaths, this figure could reflect undiagnosed Covid-19 and a lack of treatment resulting from the lockdown. The rate of excess deaths is now falling and the death rate is almost normal for the time of year across Europe. In 2020 therefore there are likely to be some more charitable bequests, which will go through probate over the next months. These will not reflect current bequest rates because the population which has died considerably over-represents poorer groups, which are much less likely to leave charitable bequests.[30] The unpredictability of the pandemic is also likely to mean higher numbers dying intestate.

Legacies, GDP and property values. The value of charitable bequests is strongly related to the property market. Analysis has shown that between 2007 and 2011 when the housing market plummeted, the sector witnessed little or no growth in legacy income.[31] Property is an important component of economic growth. Research shows that for many fundraising charities, the decade 2007-2017 fell into two parts. Legacy income was heavily impacted by the recession and fell in real-terms by 10% between 2007 and 2012. The market then picked up and grew by a sizable 22% between 2012 and 2017.[32]

The graph below plots growth in GDP against the growth in legacy income to the top fundraising charities. It shows that since 2014/15 growth in legacy value has been outstripping economic growth, probably because the property market is such a strong determinant of legacy income. The property market has taken a hit since COVID19, but, as in many other areas, there is considerable variability in the forecasts for where house price inflation will land in 2020, and 2021:

- For 2020 the picture is generally negative, and average forecasts range from a fall of -7.0% to a median -3.8%. However, the highest single forecast is 6.2%.
- For 2021 the trends pick up considerably, with a median forecast of 3%. The highest single forecast is 9.4%, and the lowest -2%.[33]

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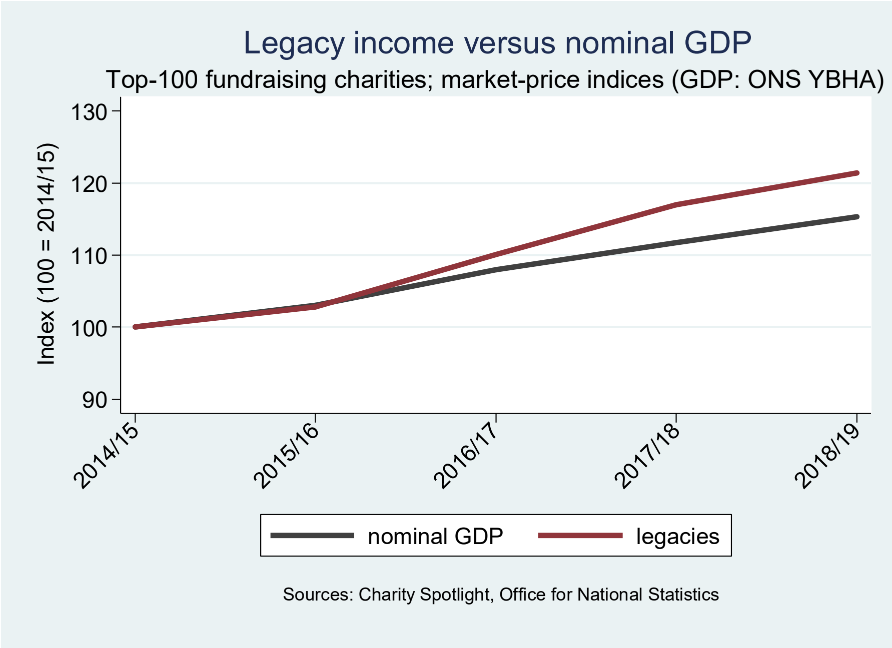
[26] Briefing on the economy and charitable giving.The Center on Philanthropy at Indiana University. Nov 2008
[27] Smee & Ford. Legacy Trends 2019. Wilmington Charities, Wilmington plc
[28] https://www.theguardian.com/society/2020/jun/09/excess-deaths-in-uk-under-coronavirus-lockdown-pass-63000
[29] ONS. Deaths registered weekly in England and Wales
[30] https://www.bbc.co.uk/news/uk-52506979
[31] Smee & Ford ibid
[32] UK LEGACY FUNDRAISING MARKET 2019, Remember A Charity
[33] HM Treasury Forecasts for the UK economy. June 2020

It seems likely that legacy income will fall in 2020 because of the flattening of house prices, but strong prior growth trends and positive predictions for the housing market, indicate a rise in 2021.

Figure 19: Growth in legacy income and in GDP



Corporate giving and community investment

Estimates of company cash giving to the UK charity sector have hovered around £0.5 billion for the last few years[34], with giving in-kind estimated at the same or higher value. One reason for the flat giving results may be that the Companies Act in 2013 removed mandatory requirements to report corporate donations. Poor data makes it difficult to model corporate giving in a time of crisis like COVID19, but evidence from the credit crunch in 2007/08 gives some insights: -

- corporate giving, including in-kind, rose by 15% in 2007/08 when pre-tax profit fell by 28%
- there was a time-lag effect: 2008/ 09 corporate giving fell 1.4%, and pre-tax profit by 27%.

Reasons for the time-lag include companies setting their budgets ahead, making 2-3 year commitments or giving a set percentage of profits, particularly into their foundations. On this model, charities might experience a bigger fall in company giving in 2021 than in 2020.

Stakeholder relationships On the whole large companies give more, and studies show community contributions to be positively related to scale of turnover, size and profitability.[35] This is not a straightforward relationship. Firstly, the proportion of profits given by companies is not related to size. Secondly, companies' key stakeholder relationships have a strong influence on whether and what companies give. While a fall in corporate profits is highly likely to lead to reduced giving, companies struggling to rebuild or restructure in the harsh post-COVID19 world may welcome charity partnerships which strengthen profile and stakeholder credibility. An example is how the food

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[34] Cathy Pharoah and Catherine Walker. Foundation Giving Trends 2019. ACF/Pears Foundation/ Cass Business School

[35] See for example, Moore, Geoff and Robson, Andy (2002). 'The UK supermarket industry: an analysis of corporate social and financial performance', *Business Ethics: A European Review* 11(1): 25-39.
Brammer, Stephen and Millington, Andrew (2004). 'The Development of Corporate Charitable Contributions in the UK: A Stakeholder Analysis', *Journal of Management Studies* 41(8): 1411-34.

industry has engaged noticeably with initiatives to support COVID19 key workers through meals, food parcels, food vouchers and priority shopping. This includes asking customers to donate.

FTSE success. Corporate performance remains a key determinant of giving, and the major corporate donors have clustered in successful industrial sectors with a strong FTSE presence. Banking and financial services were dominant in giving until the credit crunch, after which pharmaceuticals, telecommunications and extractive industries partly replaced them. Fundraising opportunities may lie in successful sectors in the COVID19 period e.g. pharmaceuticals, medical equipment, online retail of essential goods, e-commerce and payments, technology, software, telecoms and some media.

SME and local support. Small local businesses including retail, restaurants, hairdressers and other personal services are at high risk of business failure or poor turnover for some months, and this will have an impact on local business support for charities. However, a 2009 survey of 1,000 small businesses found that 36% had maintained a constant level of giving to charity following the credit crunch, and 16% would give more once the recession was over.[36]

Contributions to payroll and other workplace giving and fundraising may be affected if we see rising unemployment, particularly in industrial and retail sectors. HM Treasury is currently predicting a roughly doubling of the current unemployment rate to 7.9% in 2020, and 6.6% in 2021.[37] Company giving is a small part of most companies' expenditure, but punches above its weight in terms of employee morale and company reputation and relationships. This may open doors for charities, but expectations and 'the Ask' may need to be realistically tailored, and donor access may become a problem where workplaces are closed and more people work remotely.

Trends in charitable foundation spending

Key issues are the impact of COVID19 on foundations' own financial resources, how much foundations decide to spend and how they set their spending priorities.

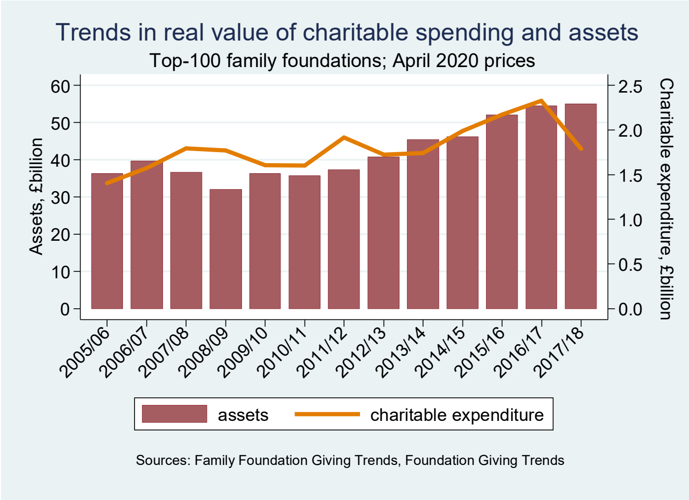
Financial resources and spending. Grant-makers derive income from various sources including philanthropic endowments and gifts, government, the National Lottery, subscriptions and public fundraising. Total foundation grant-making from all such sources is estimated at £6.5 - £7 billion.[38] Endowed foundations' income is protected in short and medium-terms as it is derived from gains on investments, with considerable capital reserves to draw on. Comic Relief, however, is a fundraiser and has had, for example, to postpone its major event, the *Wembley Spectacular*, by a year. Foundations relying on statutory grants will have had budgets set ahead, and are more likely to be affected initially by pressure to re-prioritise than reduce spending. Those funded by corporate donations may find budgets impacted at the beginning of their next financial year, if parent companies' profits are seriously eroded by the crisis. This is a process which will roll out over 2020/21 and beyond.

So how might the spending of foundations reliant on endowments, major gifts and legacies, whose value is directly related to the state of the economy, be affected? The investments of the top 300 philanthropically-funded foundations were worth £68.4 billion in 2017/18, major donations and legacies were worth £1.8 billion and charitable spending was around £3 billion.[39] What do past trends reveal? A longer-term dataset was available from annual research on the largest 100 family

[36] Paul Jarvis, Third Sector Online, 12 November 2009
[37] HM Treasury Forecasts for the UK economy. June 2020
[38] Cathy Pharoah and Catherine Walker (2019) Foundation Giving Trends 2019. ACF/ Pears Foundations/ Cass Business School
[39] Cathy Pharoah and Catherine Walker (2019) *Foundation Giving Trends*. ACF/ Pears Foundation/ Cass Business School 2019

foundations (by charitable spending), which hold four-fifths of philanthropic foundation assets.[40] Spending reached a peak in the recessionary years of 2007/08 and 2008/09, while asset value fell. It outpaced asset growth again in 2011/12, a time of weaker than expected economic growth.

Figure 20: Value of foundations' charitable spending and assets 2005-18

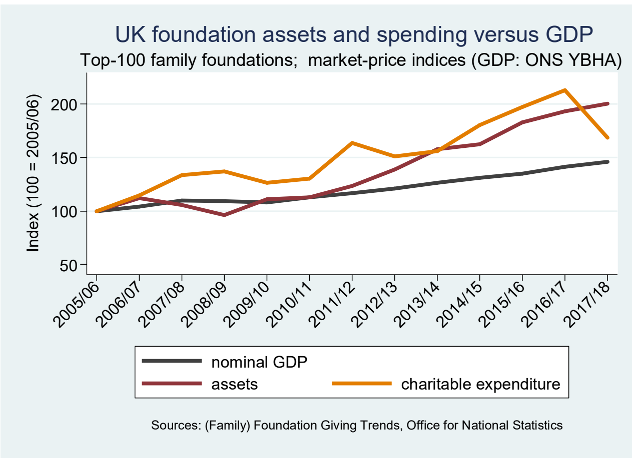


Spending and the economy Growth trends in the credit crunch reveal potential pointers for today:

- there was a real increase of 13.8% in foundations' charitable spending in 2007/08, though assets fell in value by 7.7%
- although spending was not maintained at the same high level in 2008/09, it fell back very moderately compared with another large drop in the value of assets
- in a salutary note, the figures for 2009/10 show how two years of falling asset values finally led to a drop of 9.2% in charitable expenditure.

Foundations grew charitable expenditure in response to needs, dipping into assets. This was not felt to be sustainable and spending fell back for two years before growing again. Over the 12 years before Lockdown, growth in foundation assets outpaced GDP considerably, at 6% per annum compared with 3.2%. (These figures compare nominal growth and are not adjusted for inflation) This is evidence of resilience in foundation finances and greater sustainability for their giving. However, while assets may recover more quickly than GDP, the depth of the COVID19 recession means foundations as a whole are unlikely to avoid a reduction in giving.

Figure 21: Growth in foundation assets and spending, and in GDP



[40] See *Family Foundation Giving Trends* series (2006 – 2015) and *Foundation Giving Trends* (2016-2019).

Foundation priorities and funding allocations

- Causes related to the pandemic are getting some priority. The Association of Charitable Foundations (ACF) has found 63% of members were creating new funds and/ or realigning grant programmes to address COVID-related needs.[41] Examples include the City Bridge Trust £2 million fund to support London organisations, the Community Foundation Tyne and Wear and Northumberland Coronavirus Response and Recovery Fund and the National Lottery Community Fund's focus on struggling communities. COVID19 programmes will absorb funds which other causes might have had, though they include support for the charity sector itself. While some funding is clearly new, it is not possible to assess at this point how far foundations will divert funds from existing programmes, create new programmes within existing budgets, or draw down additional capital to spend more. A clear picture will not emerge until the 2020/21 accounts are available and show whether spending in 2019/20 is higher than the previous year, or beat the record increase of almost 10% in 2017/18. [42]

4 Implications and issues for fundraising

The road ahead for fundraising is one of unprecedented uncertainty and challenge. A recessionary period is inevitable though planning should probably not be based on the first two turbulent quarters of 2020. If the markets begin to grow in the last quarter of the year, it will be an indicator that charitable giving will pick up. All the analysis in this report shows that future levels of giving by donors, households, foundations, companies or legacies are integrally linked to what happens in the wider economy. The full impacts on different funders and types of funding will be felt over different time-scales, and changes in regular, foundation, some corporate and legacy giving will roll out over the medium-term and longer. While the pace and scale of economic recovery will influence the outlook, fundraising outcomes will also crucially result from individual donor and funder decision-making. This last section of the report looks at issues that could influence final spending decisions and determine fundraising opportunity. It asks what part fundraisers might play.

Will donors feel they can afford to give?

The personal or organisational finances of many potential donors and funders will be fraught with uncertainty. It will incline some towards saving or holding onto funds in the short term as an insurance. This could be seen as a deferment or postponement of giving, rather than a cancellation. It means that it is important for fundraisers to take a longer view and stay in contact with existing donors until they feel more able to release funds. However, the length and impact of recession will be important and whether the change in people's circumstances is transitory or permanent.[43]

The post-COVID19 recovery period is likely to exacerbate the wealth gap which has widened over the last two decades. Lockdown has impacted young people and least well-off groups and communities disproportionately. This means that the ability to give will be different in different groups. The types of household most likely to be able to carry on giving will be older or retired people, those in employment, self-employed and those with wealth or assets.

Focussing on groups with greater ability to give and benefit from tax-breaks means continuing the long-term trends in giving which the update on household spending in this report has identified. Participation in giving has continued to drop, but increased giving by wealthier households has compensated for this. In parallel, it appears that solicitation has fallen in all categories except online,

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[41] https://www.acf.org.uk/news/covid-19-results-of-acfs-survey-on-foundations-responses
[42] Pharoah and Walker, 2019, ibid
[43] Tullio Jappelli and Luigi Pistaferri. The Consumption Response to Income Changes. Annual Review of Economics 2010.2:479-506

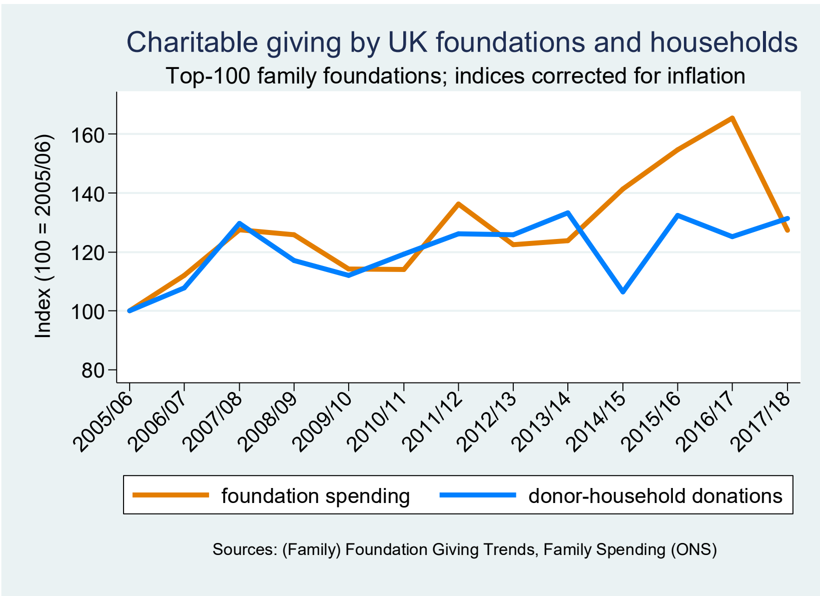
and friends and family sponsorships.[44] Online and regular giving will be increasingly vital, but without personal contact giving can become transactional, and donors begin to feel neglected.[45] This might be particularly risky in a time of social distancing and increased loneliness, and there may be opportunities for fundraisers to reach out and highlight their causes in imaginative ways.

Could charities benefit from the Lockdown windfall?
For some donors life under Lockdown has brought savings. These could be regarded as windfall gains. The ONS has calculated that one-fifth of average spending has not been possible since March. We estimate that in the three areas of transport services, culture and eating out analysed in this report, there have been household savings of an average £44 per week. As the research shows, the scale of spending (and saving) varies widely between income band and geographical location, but could some of this potentially be diverted to charities? Studies have shown that donors were likely to give more if their funds derived from windfall gains.[46]

Can major giving be maintained or grown?
Building relationships with new major donors may prove more challenging in a climate of social distancing, where it is difficult to meet in person, or demonstrate facilities and projects. Just how significant wealthier donors have become can be seen in the graph below, which compares the growth in giving of charitable foundations and donor households over the 12-year period 2005/06-2017/18. Both sources of giving increased by around 30% in real terms.

Fundraisers may need to focus in the immediate post-COVID period on consolidating relationships with existing major donors and foundations, and providing reassurance about their charity's plans and resilience. Major donors are likely to be suffering a fall in their asset values and have less to give away, and competition for gifts will be fiercer.

Figure 22: Comparison of growth in giving by charitable foundations and households



Could the COVID19 crisis lead people to give more?
Do people give more to charity in a crisis? Trends in giving, both in the UK and the US, do not indicate that in years of major crises, total giving has gone up (or down) exponentially. This suggests

[44] CAF. UK Giving 2019
[45] Mark Phillips. Fundraising in 2021 -what might we expect? queer ideas 07/06/20
[46] Huafang LI et al. Does windfall money encourage charitable giving? An experimental study. *Voluntas* (2019) 30: 841-848

that donors may temporarily switch or increase their giving in a crisis but do not change it in any sustained way. In the year of the 9/11 US World Trade Center attacks, giving went up by 0.5%, but this increase was regarded as in line with the average growth trend of the time and not exceptional.[47] There is no global crisis like COVID19 in living memory. Many charities have had a high profile in providing food, mental health and domestic abuse support, delivering supplies and co-ordinating local effort. This may help restore the public trust in charities which has taken a recent battering, and see giving increase. There may also be an impact on social cohesion, as people turned to neighbours and local communities for help. Moreover, we will not see economic recovery unless employers and the public continue to take greater responsibility for general welfare. We are in this together. Charities may have an opportunity to promote the values of care, compassion, altruism and giving back to society which underpin giving. Post-COVID19 may also provide an opportunity for charities to promote environmentally sustainable and ethical ways of consuming and working, building on the value many have placed on the cleaner, quieter environment brought about by Lockdown.[48]

How far will fundraising need to change?

Regular or committed tax-effective giving represents around half of household giving and provides stability in giving in times of recession, partly as it continues unless actively cancelled. Older donors are more likely to give through direct debit and standing orders than younger people[49] who also may be more likely to cancel post-COVID19. Rapidata has shown a small increase in direct debit cancellation.[50] The end of the financial year when tax returns are due might be a risk point, and a time for fundraisers to communicate with donors about the importance of charities and tax-effectiveness.

It is highly unclear at what point - or even whether - traditional modes of fundraising blocked by Lockdown will be able to yield pre-Lockdown returns (or more). The huge lurch to online retail and leisure consumption has accelerated forces of change already under way. One consequence is rapid development of consumers' IT skills, as well as the information, communications, payment and delivery systems offered by online retailers. The high street may never recover, and fundraisers should be considering alternative ways of approaching potential donors. It is reported that 19% of younger donors and 13% of older donors gave last year through a website.[51]

Increased working, as well as shopping, from home may be a lasting effect of the Lockdown as employers realise its cost-effectiveness, and employees need to continue with partial shielding or prefer it. Alternatives to workplace-based giving may be needed, including for the self-employed and those in the gig economy. This could provide an opportunity to engage with employers around future workplace giving and volunteering, and around corporate giving more generally.

Re-framing the Ask?

The voluntary fundraising environment will not be the same in the 'new normal' of post-Lockdown recovery. Donor lifestyles may have changed for good, as well as charities' way of working. The costs of COVID19 and recovery not only lie in lost fundraising income and opportunities, but in the necessary measures to live and work more safely in the future. Recession will not have an equal impact on all parts of society, and we will need to look particularly towards those who can afford to give, and supporting those who are less well-off. The increasing generosity of those who give which has been identified in this research hopefully provides a platform for the future 'Ask'. There are new opportunities for charities to capture the changing mood of the times which Lockdown has generated, and our renewed awareness of our inter-dependence. The course of economic recovery lies outside fundraisers' control, but re-framing donor relationships lies within it.

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[47] https://www.americansforthearts.org/by-program/reports-and-data/legislation-policy/naappd/giving-usa-2002-the-annual-report-on-philanthrophy-for-the-year-2001
[48] https://www.theguardian.com/politics/2020/jun/20/britain-beyond-lockdown-could-the-country-be-healthier
[49] CAF. UK Giving 2019.
[50] https://rapidataservices.com/direct-debit/covid-19-impact-on-regular-charity-donations-during-april/
[51] CAF. Ibid

APPENDIX
Technical note: Projecting charitable donations from GDP forecasts

As shown in Figure 13, household donations (not corrected for inflation) for the UK as a whole (dark blue line) have moved more-or-less in line with nominal GDP (dark grey line) over the nineteen-year period from April 2000 to March 2019. Indeed, this is unsurprising given that charitable donations, as a form of household spending (or consumption), count towards GDP. It can also be seen in Figure 13 that donations do not seem to move as linearly as GDP. This is in part due to measurement error in the LCF survey estimates of the donations variable (see Figure 2 for the 95% confidence intervals). Since such errors tend to even out over time, the longer-term trend line is a more reliable indicator of evolution in donative behaviour than the point estimate of donations for any particular year.

In order to project what could happen to charity donation income from UK households in the coming years as a result of the COVID19 shock to the economy, it is instructive to consider what happened during the last big shock to the economy, namely the Financial Crisis of 2007/08. Both GDP and donations fell in real terms in 2008/09. It is impossible to predict the impact of COVID19 on donations with accuracy due to the high levels of uncertainty discussed in this report. However, as an educated guess, it might be assumed that whatever happens to GDP will filter through to donations in a similar way as was the case in the period immediately following the Financial Crisis of 2007/08.

Based on this premise, a time-series model relating donation growth to GDP growth between April 2000 and March 2019 was constructed specifically to distinguish the "abnormal" period of GDP contraction brought about by the Financial Crisis from more normal periods of GDP growth in order to gauge the magnitude of the effect that the crisis had on donations. The estimates from this time-series model were then used in conjunction with actual GDP growth for April 2019 to March 2020, along with the medium-term (2020-2024) GDP growth forecasts (low, average and high) from HM Treasury's panel of independent economists published in May 2020, to project household donations forward for the period April 2019 to March 2025.

HM Treasury's growth forecasts refer to the ONS ABMI measure of GDP (corrected for inflation). This is applied to 2019 Q4 ABMI to project Q4 ABMI GDP in 2020 and from there AMBI in Q4 for 2021-2024. The donations measure used is the total household spending on "Charitable donations and subscriptions" published in ONS Family Spending for each year between April 2000 and March 2019, converted to April 2020 £ using the monthly Consumer Prices Index at the midpoint of the LCF survey collection period, and then multiplied by a factor that accounts for a higher proportion of households giving over a four-week period than what is captured in the two-week spending diaries. This factor is calculated as

$$(1 - (1 - p_t)^2) / p_t$$

where p_t stands for the proportion of households donating a positive amount to charity in year t of the Family Spending data.[52] The model was developed in two phases. First, the basic relationship between changes in GDP and changes in donations was set up without any special treatment for the Financial Crisis. This is labelled as the "**symmetric**" model:

$$\ln(donations_t/donations_{t-1}) = \alpha \ln(GDP_t/GDP_{t-1}) + \varepsilon_t$$

where "ln" is the natural logarithm, the subscript t refers to the year in question, α is the parameter of interest (intensity of the relationship between changes in GDP and changes in donations) and the error term ε_t contains all other (unobservable) factors affecting changes in donations.

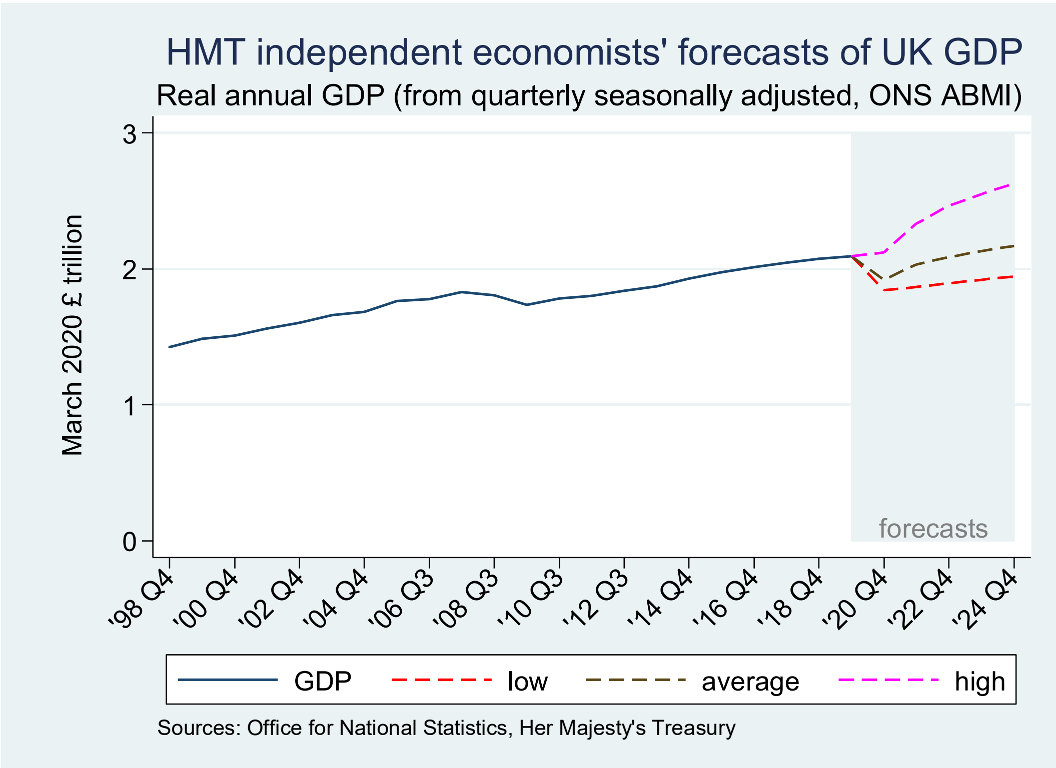
[52] This makes the total donations estimates somewhat more comparable with estimates in *UK Giving* (published by CAF), which considers any donations made within a period of a month.

In order to estimate a separate parameter for the GDP effect of the Financial Crisis on donations, the model is subsequently split into the "**asymmetric**" model:

$$\ln(donations_t/donations_{t-1}) = \alpha_1 \ln \max(1\ ,\ GDP_t/GDP_{t-1}) + \alpha_2 \ln \min(1\ ,\ GDP_t/GDP_{t-1}) + \varepsilon_t.$$

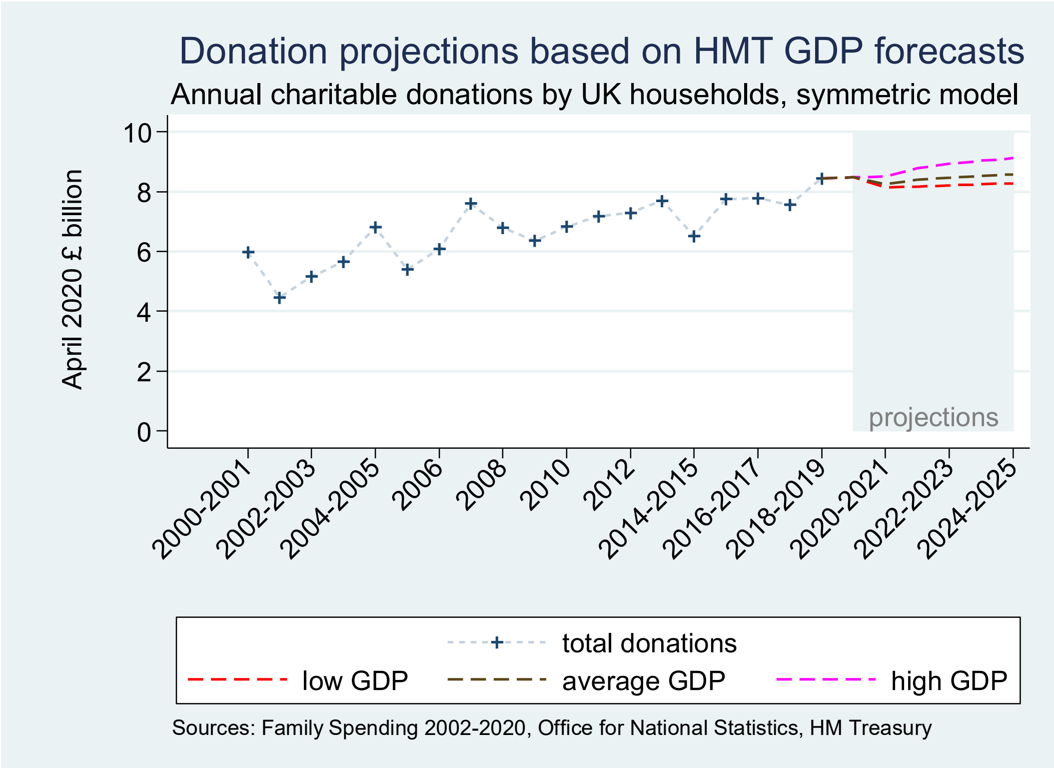
Note that since ln 1 = 0, if real GDP has grown between year $t-1$ and year t then GDP_t/GDP_{t-1} is greater than 1 and in this case α_1 is "switched on" as the parameter controlling the effect of GDP growth on donations in normal times, while α_2 is "switched off". If on the other hand, real GDP has fallen, as it did both between 2007 and 2008 and between 2008 and 2009 then GDP_t/GDP_{t-1} is less than 1, α_1 is "switched off" and α_2 is "switched on" in order to provide the estimate of the "abnormal" effect of the Financial Crisis on donations through what happened to GDP at that time.[53]

The following graph shows the evolution of Q4 ABMI GDP, seasonally adjusted and converted to an annual amount, between 2000 and 2005, followed by Q3 ABMI GDP between 2006 and 2013, and again Q4 ABMI GDP between 2014 and 2019, to reflect and fall centrally within the changing LCF survey collection periods. Also included are the GDP levels according to the HM Treasury growth forecasts (low, average and high):



[53] There were no other periods of GDP contraction between April 2000 and March 2019.

Estimating the **symmetric** model using Ordinary Least Squares (OLS) leads to the following projections of donations:



Note the significant differences between these projections from those in Figure 14, which are based on the **asymmetric** model with the accentuated effect of the Financial Crisis of 2007/08. The effect of that crisis on donations, highlighted below, is simulated in the projected effect of COVID19.