Even a quick glance through various charity sector publications over the last 6 months reveals a heavy dose of pessimism amongst fundraisers across almost all forms of fundraising. A more careful look at the literature reinforces the view that fundraising markets are tough, perhaps tougher than they have been for a generation due to the combined impacts of the pandemic and the cost-of-living crisis. It's not all doom and gloom, but it is tough.

## Grant funding

A review of grant making in 2020 by the 300 largest charitable trusts and foundations, conducted by the Association of Charitable Foundations showed that almost all (96%) increased funding and/or introduced new grant programmes in response to the pandemic and 90% expected to maintain or increase grant spending into 2021. Many reported significantly increased demand for grants and most said that their longer-term plans were uncertain, not least because of negative impacts of the pandemic on their own finances and expected continued financial turbulence.

Experience of fundraisers in 2022 has borne out these fears. Grant makers now appear to have less to give as they recoup the "overspending" of the last couple of years and the economic situation means that many are experiencing poorer returns on their investments/endowments, particularly for investments in commercial property.

Moreover, it appears that there has been a substantial increase in the number of applications, perhaps because many charities who had not previously received grants were successful in getting grants during the pandemic and have stuck with it (the phenomenon of becoming "Covid-rich" that many charities experienced). For example, the Paul Hamlyn Foundation have said that they have seen a 50% increase in applications compared to before the pandemic and the numbers are rising. They are stressing to prospective applicants that "we have limited resources and are only able to support the applications that present the strongest and closest fit with our guidelines".

The response from many significant grant makers appears to have been to close temporarily both to replenish funds and reassess their funding guidelines. Many have narrowed the focus of their grant making, although there has been a marked shift towards core funding alongside (or instead of) project grants.

As with previous recessions, we can expect lottery income to rise and so National Lottery funds and other lotteries such as the People's Postcode Lottery may well have more money to distribute.

## Earned income

The NCVO's annual Civil Society Almanac has shown an inexorable trend towards increased earned income in the charity sector, driven mostly by public sector shifts away from grant funding towards contracts but also by increased use of membership schemes, selling of merchandise and charging for services. This trend looks set to continue, although the recession will inevitably have impacts on the ability of customers to pay for services and/or to buy merchandise etc.

Public sector funding

While nothing appears certain as far as public policy and finances are concerned, it seems almost inevitable that public sector grant funding for charities will continue to decline (perhaps more rapidly than in recent years) and overall public funding for services (and hence the scale of contract opportunities) will continue to be squeezed. That said, some priority sectors (such as youth mental health) may, to some extent, be protected from these impacts.

Individual giving

The cost-of-living crisis is forcing people to tighten their belts and in many cases the result is that they are giving less to charity. Various reports and surveys have estimated that 55-66% of donors expect to give less or stop giving altogether due to pressures on household finances. For example, a recent Charities Aid Foundation report in mid 2021 found that, despite rising public trust and confidence in charities, 60% of respondents said they will be giving less, with some already cancelling or reducing regular donations and others reporting that they are choosing not to make one off gifts (suggesting a focus on maintaining and deepening the loyalty of existing doors may be a good tactic). Overall, the trend of recent years towards fewer donors now seems to be well entrenched and so the major concern for the future is that these donors will give less (rather than continuing the overall upward trend in giving of recent years).

Some campaigns continue to yield very good and improving results, while others have been disappointing. Major crises such as the war in Ukraine, floods in Pakistan and the return of the Taliban in Afghanistan, do appear to be attracting large amounts of giving at the expense of other causes. Recent reports suggest that, despite this, the headline trend is that small, ad hoc donations are suffering most, with donors concentrating their remaining giving budget on a few, carefully chosen causes. This may not bode well for community and event fundraising. The worst impacted sectors appear to be medical research, overseas aid, hospitals, hospices and healthcare. A further report from Enthuse, mirrors the CAF findings, in particular highlighting a fall in regular giving.

Donors also appear to value flexibility in how they choose to give and the trend towards digital fundraising (social media, online, email, use of ApplePay and GooglePay, Gaming for Good etc.) continues, albeit that the pace of change has slowed since pandemic restrictions have lifted (but the trend has certainly not gone into reverse and face to face event income has not bounced back as much as hoped, according to the Institute of Fundraising). Enthuse's report shows that 41% of donors now say digital channels (including text giving) are their preferred way to donate, and cash is definitely in decline for charity giving (contactless is the preferred method at events). Donors are also now more likely to give through a charity's own website rather than other platforms (such as Just Giving). Those who can't afford to build a direct giving channel on their website are making sure they clearly brand their pages on whatever giving online platform they use.

Major donors

In common with previous economic downturns, giving by high-net-worth individuals appears to be holding up well. A recent report from The Beacon Collaborative finds that major donors have dramatically increased the size of their donations (more than doubling the average gift) and that large gift philanthropy continues to show an upward trend. There are several reports that major donors are choosing to give more to causes they already support, rather than seeking out new causes.

Corporate giving

Over the last ten years charity income from the private sector has grown by more than 20% (NCVO Almanac) and more than a third of charities say that they want to collaborate more with businesses. Despite the recession, this trend does not appear to be slowing, perhaps as businesses seek a marketing advantage over increased competition through charitable partnerships. For example, Work for Good's report, The Generosity of Business, offers some positive news from a survey of small business charitable giving intentions (including golf clubs and similar).

- Two thirds of businesses undertook sales fundraising over Christmas 2022 with mental health and UK poverty causes the top priorities closely followed by environment and conservation. 73% of businesses have said they will sales fundraise in 2023.
- 63% of businesses said that supporting a cause that aligns with their business values was their motivation for giving.
- 86% of businesses will consider using awareness days for their fundraising (e.g. International Women's Day, Earth Day and Mental Health Awareness Week).

Legacies and in-memory

2022 saw a continued increase in legacy income for charities, largely driven by demographics. Total UK legacy income has grown from £0.8bn in 1991 to £3.5bn in 2021; an annual real terms growth rate of 2.6%. For the first six months of 2022 legacy income was 15% higher than the level reached over the prior 12 months, largely due to rises in bequest values.

Legacy income also fluctuates in line with the economy and so some slow down should be expected in 2023, driven falling in house prices, but this is unlikely to put the growth in legacy income into reverse. The UK death curve is on an upwards trend with the baby boomer generation now coming of age (the Office for National Statistics expects to see the death rate increase to almost 700,000 annual deaths by 2030, compared to 640,000 in 2022). This means people who are wealthier than previous generations are likely to be leaving generous gifts in their wills.

There has also been significant recent growth of in-memory giving – largely a result of the spike in the number of deaths due to Covid in 2020 and 2021. Most in memory gifts come through online platforms, reinforcing the trend towards digital giving. Again, some slow down can be expected in 2023 due to cost of living pressures but one commentator from Legacy Voice predicts growing interest in self-remembrance; people specifying before their death how they want to be remembered.