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The Brutal Facts

Arguing with the Wind

A Research Report from Fundraising Training Ltd

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Introduction: The Brutal Facts Series

'One of the greatest tragedies in life is the murder of a beautiful theory by a gang of brutal facts.' Benjamin Franklin

This quote was the inspiration for this series. I have been a fundraiser for over 36 years and a trainer for 30 of those. I have delivered workshops all over the world, training thousands of people. At Fundraising training Ltd we have helped raised funds for virtually every cause imaginable. It is important work and it deserves to be based upon valid theories and experiences. However, the more I impart ideas, the more I question their origins. Hence this series, a chance to use our data and research to challenge or confirm some of the fundraising ideas that we, and others cherish and use.

The first session was planned on 24th March 2020 - Arguing with the Wind. That was meant to be an investigation into the principles behind target setting; particularly, the idea that one good year will beget another one. We had to cancel that event, re-booking it as a webinar on 4th June 2020. We also decided to revise the focus, to make it relevant to the current economic situation. Hence this report and webinar, which is the first in the Brutal Facts series.

The Aims of the Research

1. To better understand the world of UK grantmaking, so that we can set more accurate targets for fundraising.
2. To explore how trusts might react to the current economic situation.

We looked at our records of the financial data for 100 UK trusts from 2004 until to 2019. This covers the years leading up to the financial crash of 2008-9 and ten years afterwards. This dataset enabled us to draw conclusions on how trusts react to financial crises and more general and enduring insights into grantmaking behaviour. We were joined in the webinar by David Carrington who has extensive experience of grantmaking. David was supplied with the draft report beforehand and was able to respond by sharing his experience and knowledge.

The Research Methodology

We have created a dataset of 100 UK trusts with 9 entries from their audited accounts from 2004 to 2019 (13,995 entries). Each year we update the data from the audited accounts of these trusts.

We capture data for the following entries:

- Income from Fixed Assets/investments
- Income from donations
- Exceptional Income
- Total Income

Total Grants
Total Expenditure
Gains/(losses) on investments
Income Fund (where itemised)
Capital Fund
Total Funds

These trusts are a diagonal slice of the market and are meant to represent a typical portfolio of supporters for one of our UK clients. The list of funders is in Appendix One.

We have two graphs based on the entire data - the overall trend line for assets and the overall trend lines for income and grants. For the other analyses, we had to remove 11 funders from these, as some had been replaced when they expired; and, one had a break in the filing of their accounts. This made the data from these eleven funders inconsistent with the rest of the study. These removals mean that many of the conclusions are based upon the behaviour of 89 funders.

We undertook far more research and analysis than we have included in the webinar and this report. Some avenues proved to be fruitless and others would require more time than was available. These worthwhile enquiries will be completed and form part of future reports and presentations.

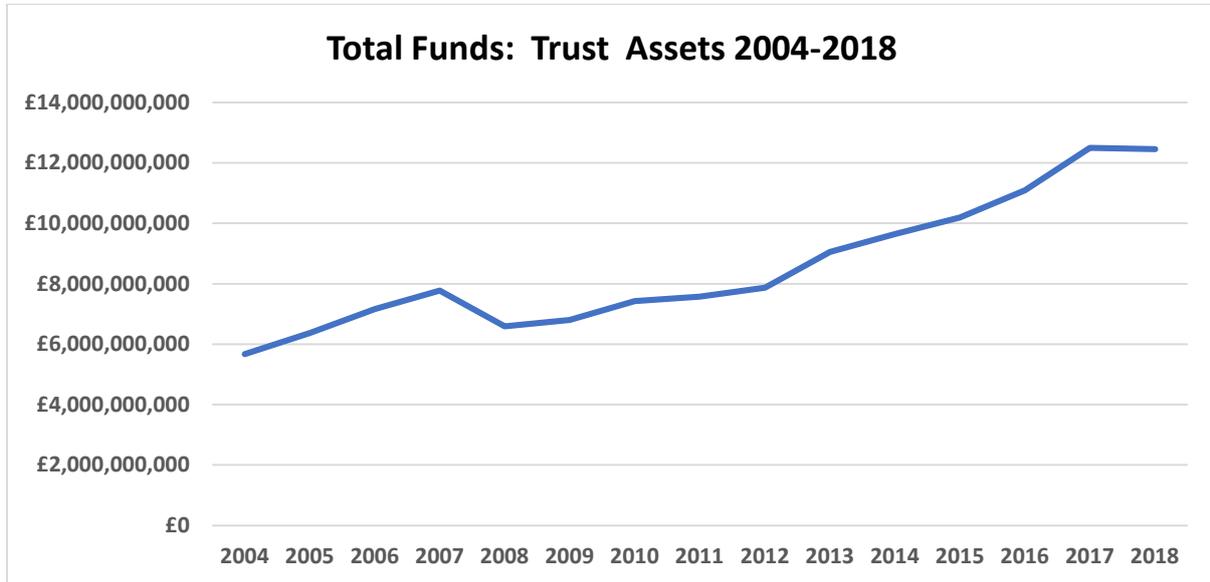
We did notice that the overall peaks in grantmaking across this period could be attributed to 42 donors who had increased their grantmaking by more than £800,000 in a single year. These 42 donors substantially increased their giving on 132 occasions (9.4% of all year-on-year grantmaking). We need to discover whether and why so few shifts in grantmaking dominate the landscape of funding.

All of the data entries are complete until 2018. For 2019 we are missing the records for 39 of the trusts, their accounts had not been filed at the time of research.

We believe that the behaviours of these 100 trusts will be broadly representative of any trust portfolio.

Asset Values

After steadily rising from 2004 to 2007, trust assets slumped from £7.775 billion in 2007 to £6.593 billion in 2008 – a decline of 15%. By the 2012, assets had recovered to £7.865 billion, but it wasn't until 2013 that a steep and sustained growth curve returned. In 2018, assets were +60% of the 2007 amount and +89% of their 2008 trough.



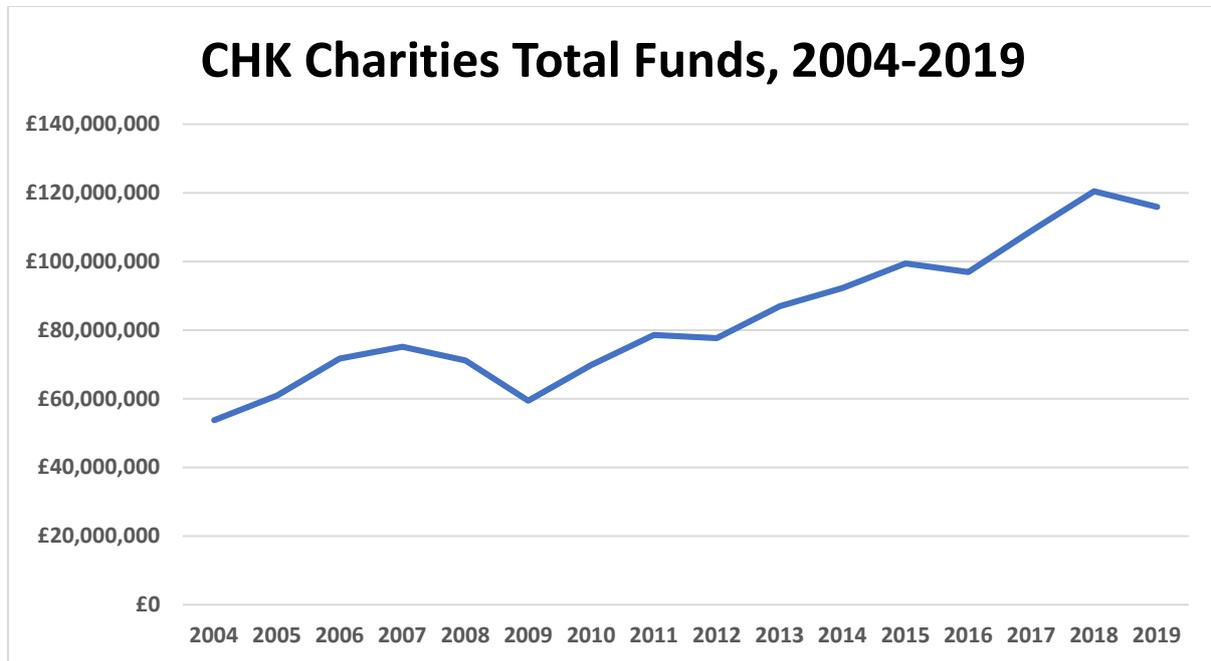
It is worth noting that there was no growth in assets from 2017 to 2018. Of the trusts where we have accounts for 2019, 43 had seen assets increase in 2019 (70%), but most of these increases were under 5%. It does look like, for our trusts, the surge in asset growth from 2013 has come to a halt.

This is the overall pattern, but that is not the direction for everyone. There were four patterns of asset growth, 2004-2018:

1. The heavenly ladder
2. The shallow incline
3. The plunge
4. The erratic

The Heavenly Ladder (49 trusts – 55% of the study group)

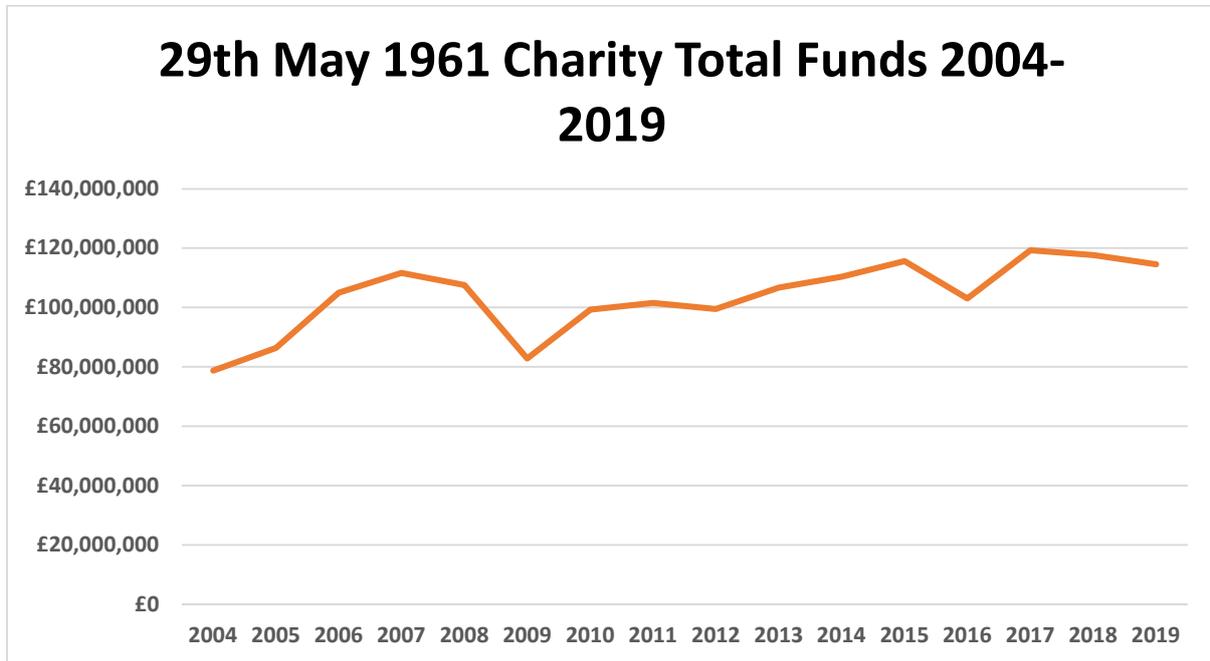
This is a steady climb in asset values, with sharp drop in 2008-9. The CHK Charities illustrates this pattern:



This is similar to the overall pattern and was experienced by over half of the trusts.

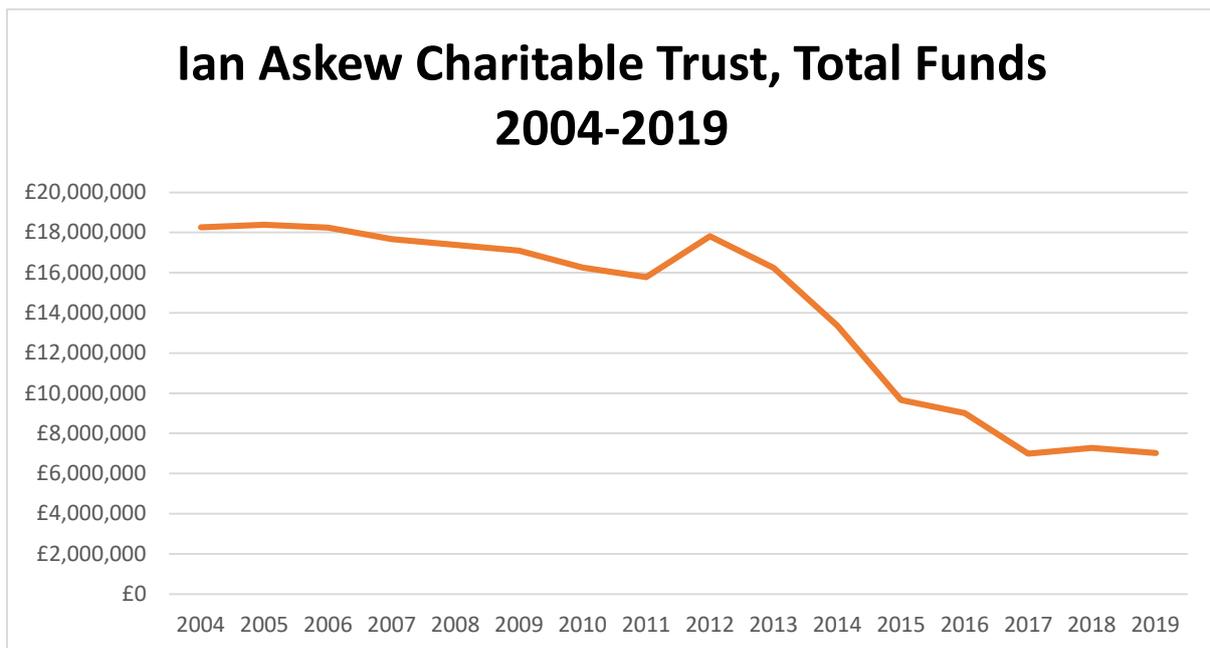
The Shallow Incline (22 trusts – 25% of the study group)

A substantial number of trusts have not experienced such growth, instead, they have had a long slow recovery, to slightly above their 2007 assets. The 29th May 1961 Trust illustrates this pattern:



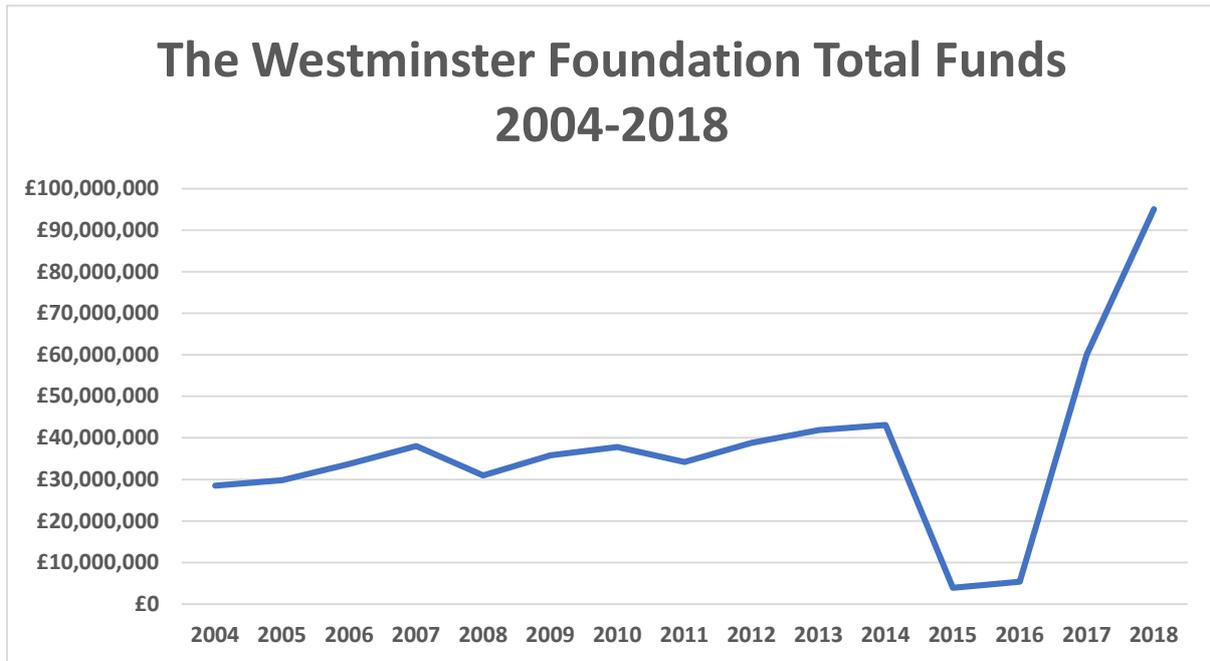
The Plunge (17 trusts – 19% of the study group)

Also, there were several trusts that have seen their assets decline since 2004. Many of these will be due to deliberate decisions to spend out assets, revaluations and intentional investment decisions. The Ian Askew Trust illustrates this pattern:



The Erratic (12 trusts – 13.5% of the study group)

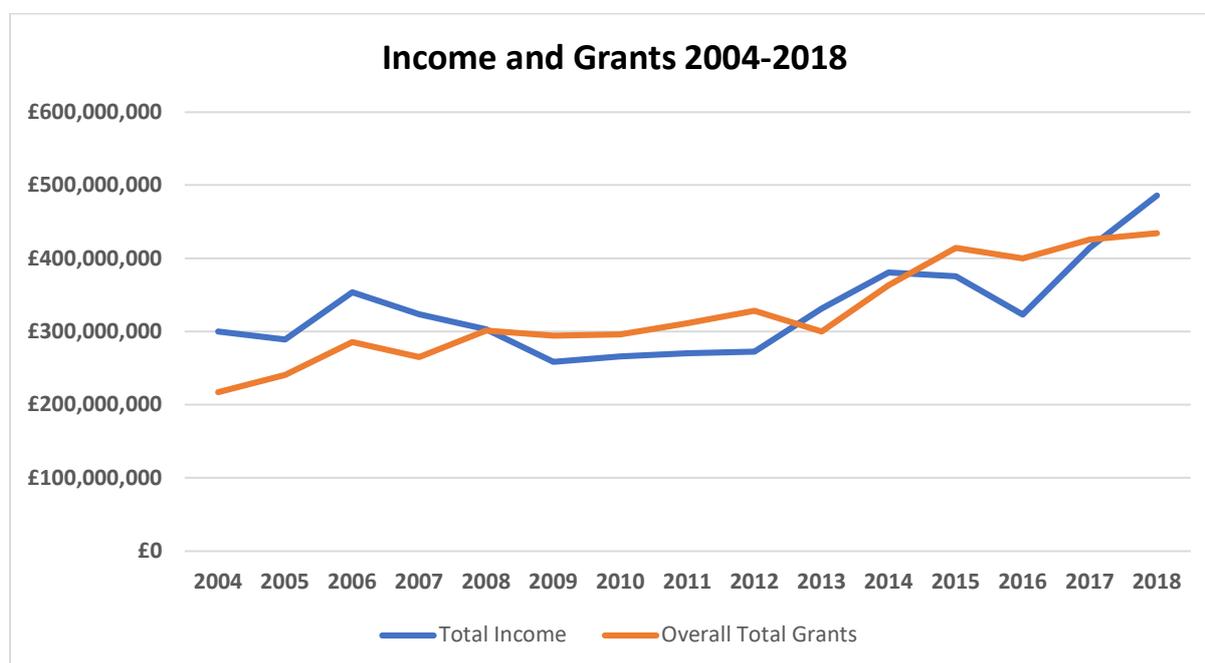
There were 12 trusts that wouldn't sit comfortably under these three previous patterns. A few of them were corporate foundations, others had small endowments, which were not funding grants. They all had their own pathways, such as the Westminster Foundation, which cleared out virtually all of its funds with a major grant and then replenished them – all associated with the transition from one Duke to his successor.



Income and Grants

Whilst assets declined by 15% in 2008, then slowly recovered until 2013 when values took off again; the patterns with income (mainly dividends and property income) and grants are very different. Overall, income was declining before 2008, stayed at the same level until 2013 and then rose from 2013 until 2018, with a 'wobble' during 2015 and 2016. Over this period income rose from £272.45 million to £486.077 million (78%). Grants rose from £328.406 million to £434.488 million (a rise of 32%)

Prior to 2008, income exceeded grants, but since then, this has only been the case in 2013, 2014 and 2018. Clearly trusts are more inclined to use investment gains to fund grants.



Since 2008, nineteen of our trusts have switched their grant expenditure to be consistently more than the income they receive.

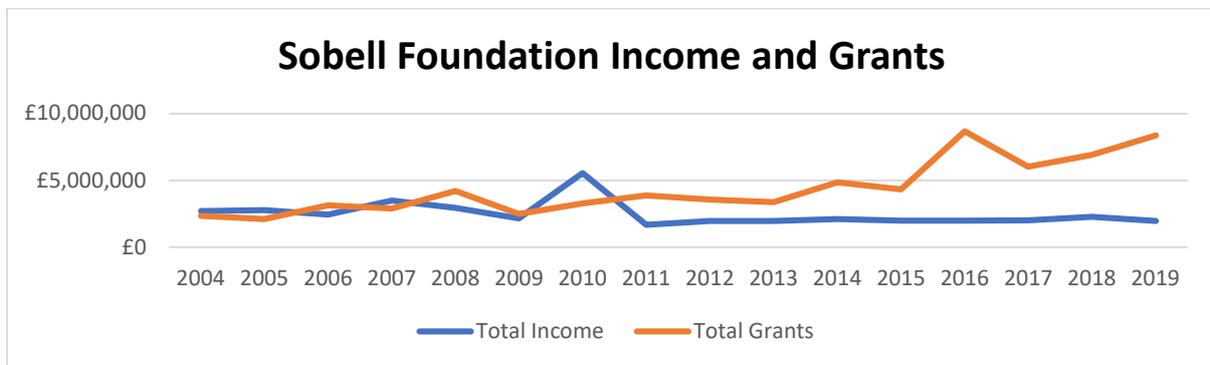
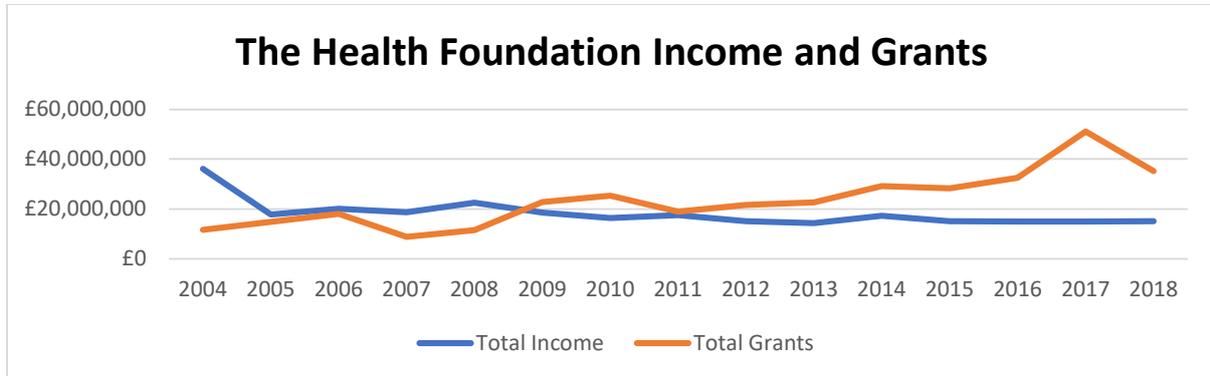
These include:

- Trusthouse, since 2008;
- Stoller, since 2015;
- Sobell, since 2011;
- Esmee Fairbairn, since 2009;
- Henry Smith, since 2008;
- Albert Hunt, since 2011;
- Leathersellers, since 2014.

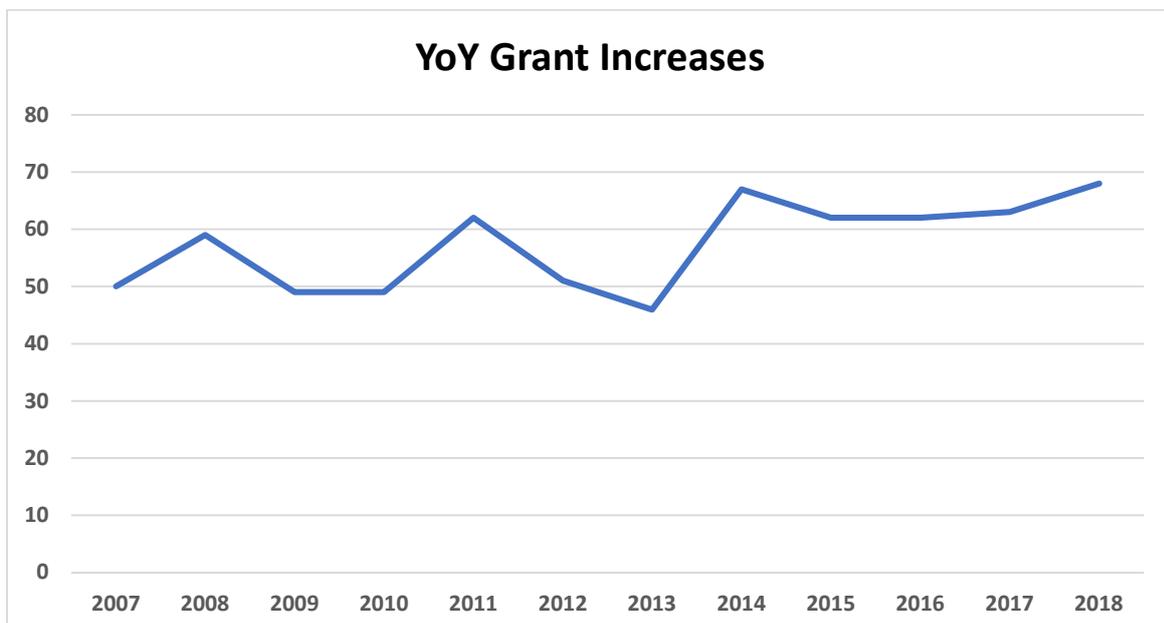
This change may not be linked with the 2008-2009, as there has been a wider adoption of 'absolute return' investment policies over the last 20 years. This is

where investment gains are used to fund grants, as well as investment income. As a trend, it does mean that there are increasing options to fund grants.

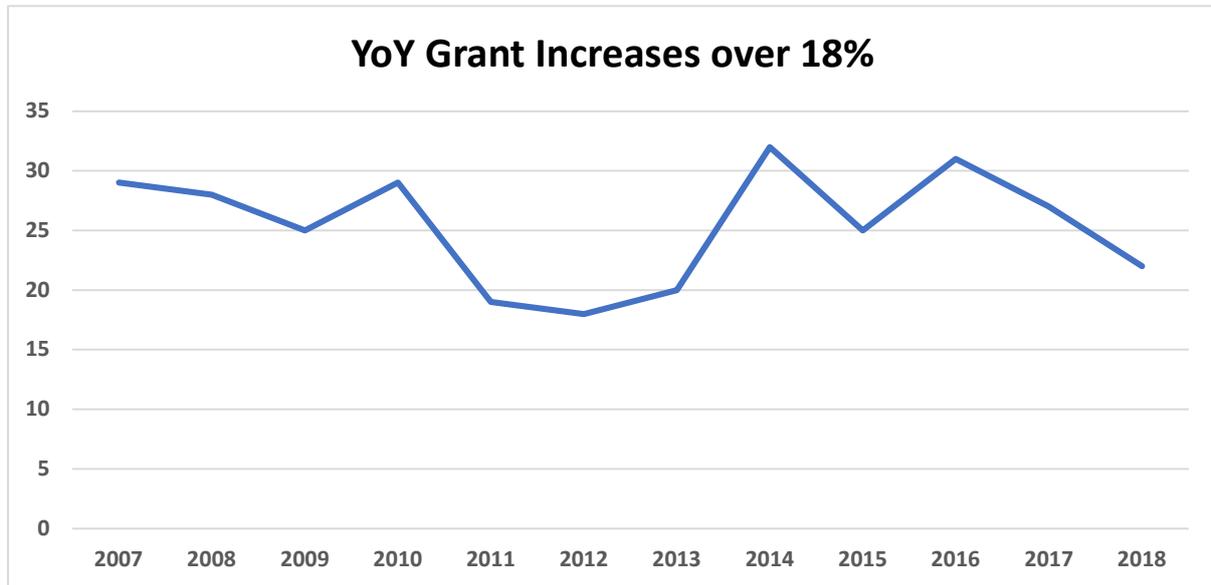
The Health Foundation and the Sobell Foundation are examples:



Another way of looking at this is to consider the proportion of trusts that were increasing their grants over the preceding year. This shows a similar picture, with between 50% to 60% of the trusts making year on year increases up until 2014. After this year, the proportion of increases is consistently over the 60% threshold, reaching nearly 70% in 2018. Therefore, underneath the headline figure, more trusts are increasing their giving.



But, most grantmaking fluctuates within a +/- <18% bandwidth - there is a common pattern of modest ups and downs. The drivers of grantmaking opportunities are those trusts which make substantial increases. Substantially increased grantmaking has a different pattern – the opposite, where the number of large increases has diminished since 2014. 2018 saw the lowest number of substantial increases since 2014.

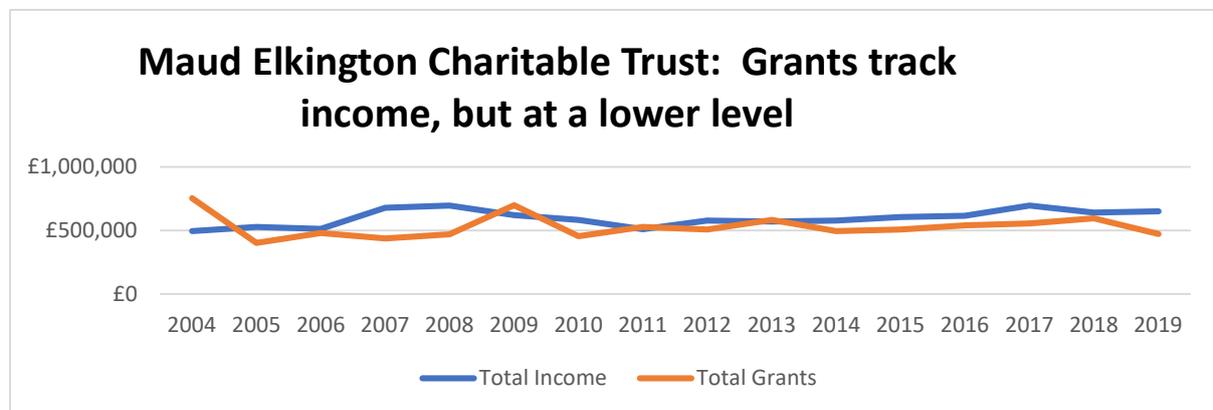


The Link Between Income and Grantmaking

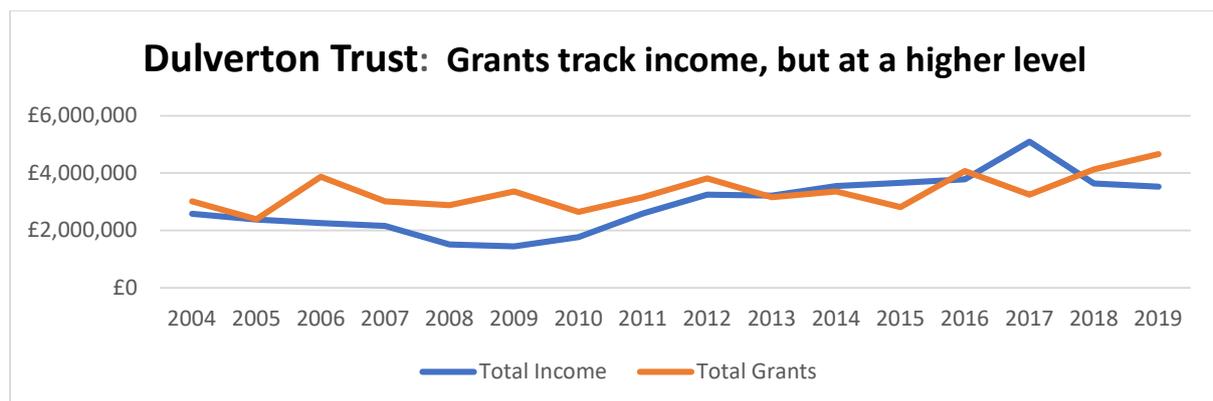
There are four patterns of grantmaking:

1. Grant expenditure is interlinked with income levels (20 examples – 22.5%).
2. Grant expenditure is interlinked with income levels, but there are occasional peaks (42 examples – 47%).
3. Grant expenditure is interlinked with income levels in one phase then disconnected in another (23 examples – 26%).
4. There is no apparent pattern (4 examples – 4.5%).

Grant expenditure is interlinked with income levels, but income is higher (13 examples 14.5%).

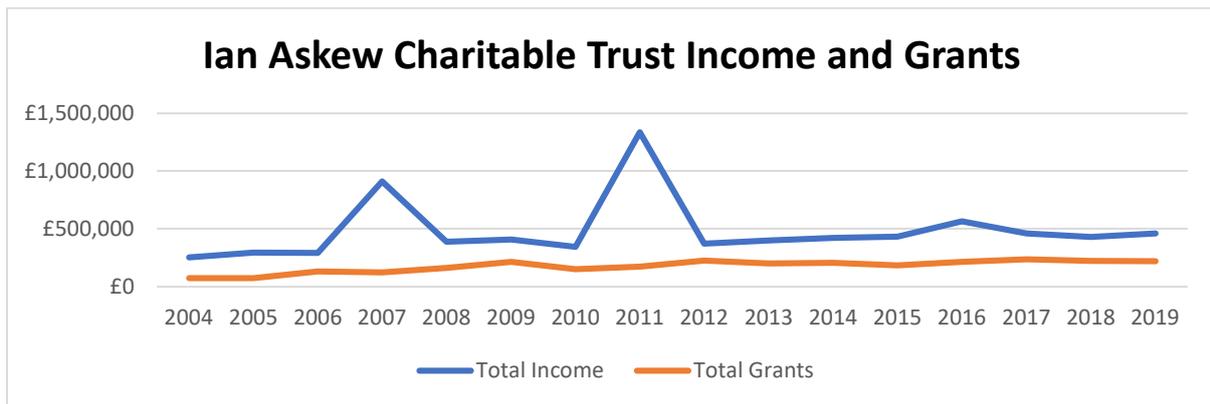


Grant expenditure is interlinked with income levels, but grant expenditure is higher (7 examples – 8%).

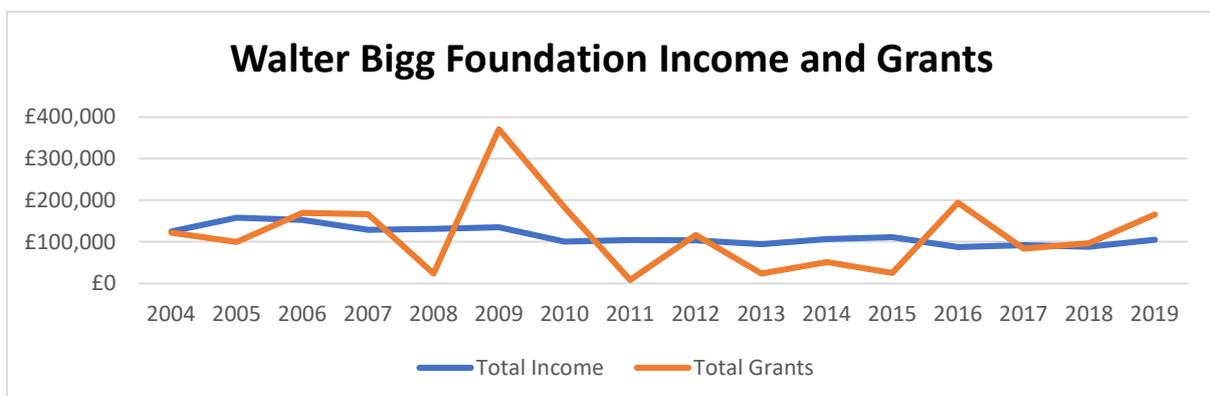


It was surprising to discover that so many trusts can transform for a single year. This behaviour type comprised of the largest group. There are two sub-groups. The first, most numerous, contains trusts which had occasional income increases which were not converted into increased grantmaking. The second sub-group increased grants occasionally, but without connected rises in income.

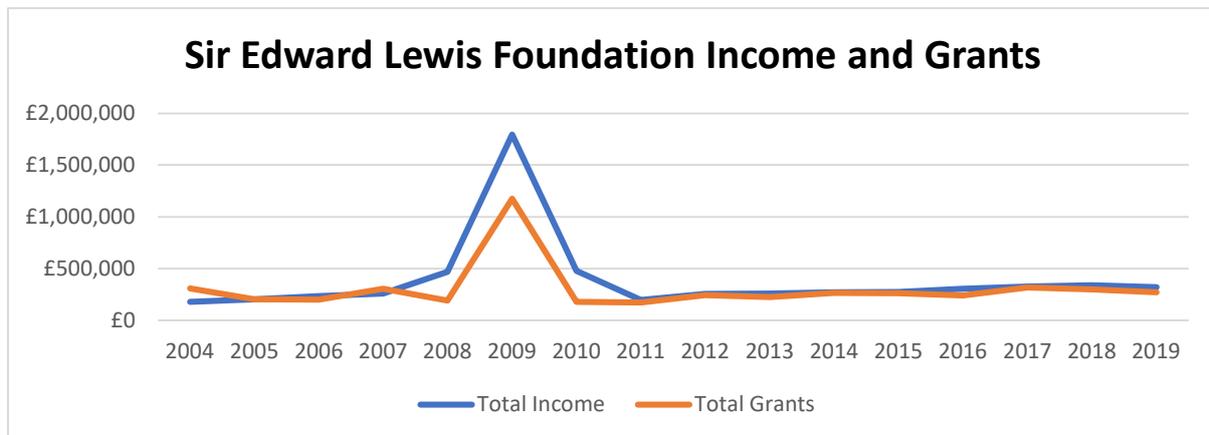
Grant expenditure is interlinked, with occasional peaks; but only for income (22 examples – 25%). Almost all of these income increases come from donations or exceptional income, not from investment gains.



Grant expenditure is interlinked, with occasional peaks; but only for grants (14 examples – 16%).



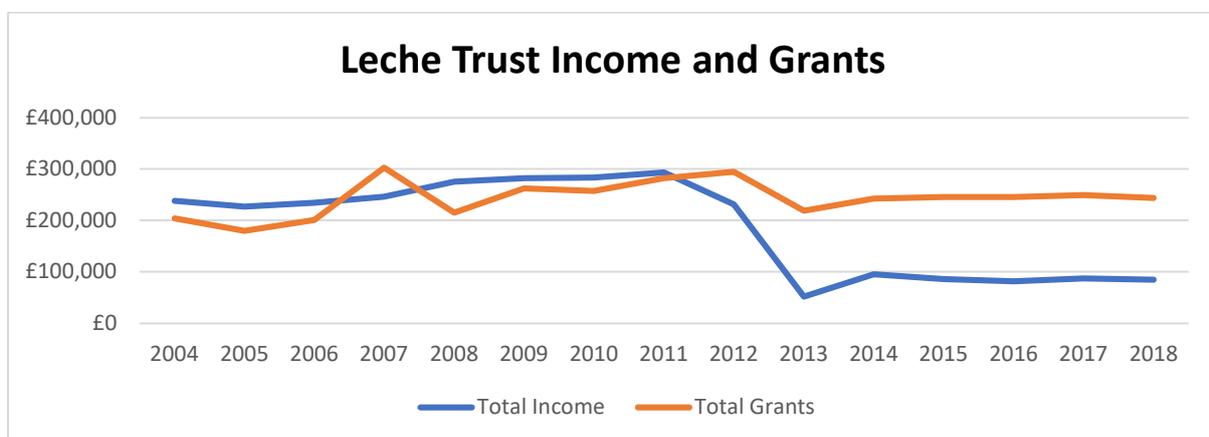
Grant expenditure is interlinked, with occasional peaks; for both income and grants (5 examples – 5.5%).



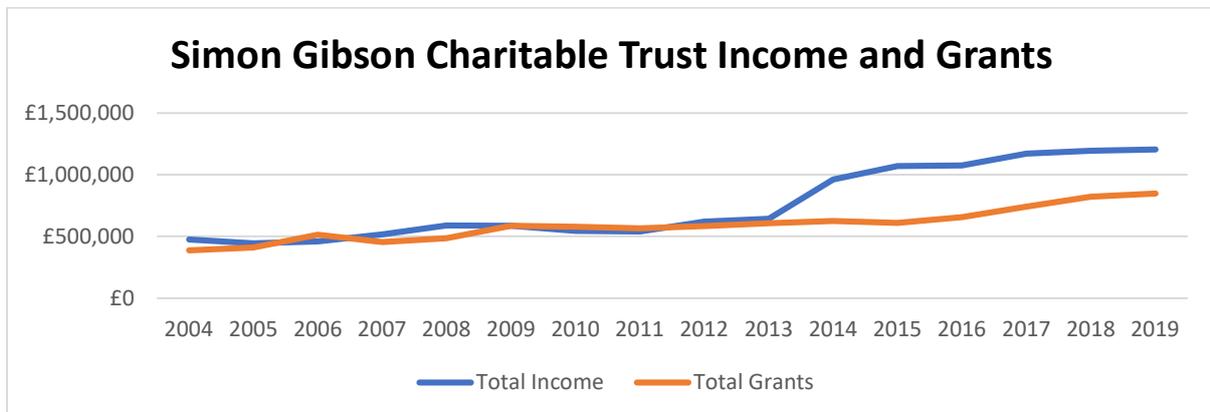
Peaks in grantmaking. Where does the money go?

1. **Johnson Foundation (2016):** a one-off grant of £500,000 to Onside Youth Zones: The Hive. This organisation was not funded in the year before or after.
2. **Mackintosh Foundation (2016):** £700,000 to the Actors Fund, an exceptionally large grant for an occasional beneficiary.
3. **Newby Charitable Trust (2015):** £1.2 million exceptional grant for a Research Fellowship at the University of Cambridge.
4. **Health Foundation (2017):** £19.72 million grant for the Healthcare Improvement Studies Institute at the University of Cambridge.

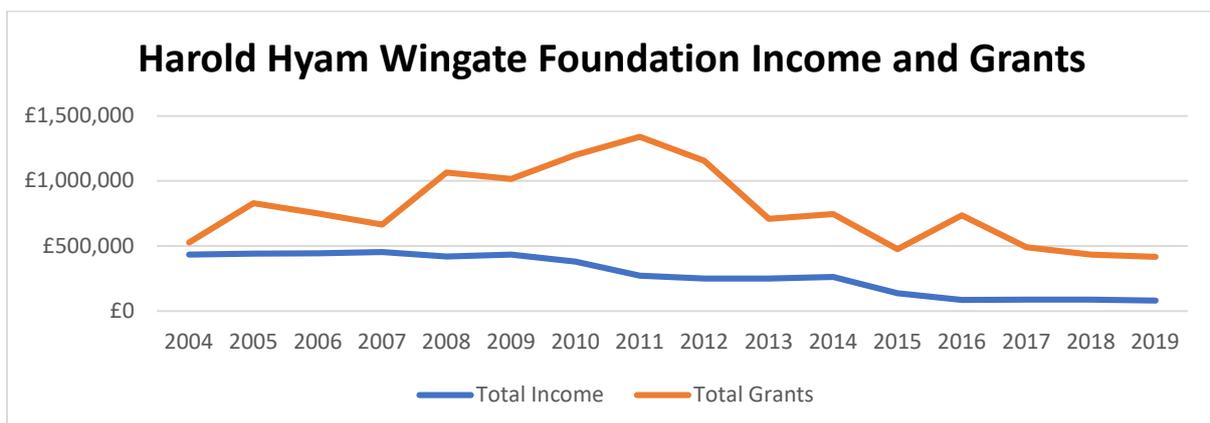
Grant expenditure is interlinked with income levels in one phase, then disconnected in another phase; with grant expenditure considerably higher than income (15 examples – 17%). Although there is a gap, income and grants tend to track each other.



Grant expenditure is interlinked with income levels in one phase, then disconnected in another phase; with income considerably higher than grant expenditure (8 examples – 9%).



No pattern (4 examples – 4.5%).



The Opportunities for Fundraisers

The overwhelming pattern of grantmaking is for grants to be linked with income – over the long run. As we have seen, income for trusts has risen steeply in recent years (78% since 2013); but, this surge has been not directly converted into grants, which have risen by 32% over the same period. Whilst there seems to be a pattern of increasing income not being converted into similar rises in grantmaking, there is plenty of evidence to support the argument that decreases in income don't get converted into decreases in grantmaking.

From this study, I would say that a trust's grantmaking will broadly track its income - over the long run – so, as a beneficiary you need to accept this pattern. However, there will be the occasional shifts to the underlying behaviour:

1. When a trust suddenly decides to increase its grantmaking for a single year, whether funded from income or not. In this study 21% trusts did this – but for most of them this happened only once over a 15 year time span.
2. When trusts shift their grant funding policy to use investment gains as well as income to fund grants. This will provide more sustained opportunities for increased grants. In this study, 17% trusts made that shift.

Lessons for Fundraisers

1. This is a resilient funding market. A decline in assets does not convert into grant reductions. A decline in income is rarely converted into grant reductions. Across 2008-2010 there were only 30 examples of considerably reduced grantmaking (10% of all instances). 2010 saw the largest number of reductions (13).
2. Take the long view. Having retained data on these trusts since 2004, the patterns have only become clear after ten years of data. Fundraisers need to retain a similar perspective for their key funders.
3. These funders consider the long-term future. Increases in income are mostly used to protect future philanthropy. Funders are more open to use their past gains to fund current and future philanthropy.
4. Don't make assumptions: Most funders can change their behaviours - without prior indicators. Constant research is essential; the facts of the past may not be predictors of the future.
5. Maintain good relationships with all: You never know when a low value funder can transform. Their additional philanthropy doesn't go to strangers – as shown by the Newby Trust.
6. If trusts react to the current economic crisis in the same manner as 2008-9, then there will be three distinct phases:
 - a) Immediate divergent behaviour – they will all react in different ways. It will be difficult to see patterns and extrapolate the behaviour of a few trusts across the many.
 - b) Restoration – once the economic turmoil has stabilised, then trusts are likely to re-establish their own finances and ways of working before converting any additional income into increased grantmaking.
 - c) Growth – once they have their own houses in order then, if the markets allow, then could be a period of sustained income growth and increases in grantmaking.

Appendix One: The 100 Trusts

29th May 1961 Charity
Accenture Foundation Replaced by Bloom Foundation from 2016
Rita Allen Charitable Trust replaced by Calpe Trust from 2014, averages between 2010-13
The Ian Askew Charitable Trust
Atlantic Charitable Trust Replaced by the David and Claudia Harding Foundation in 2016
Balcombe Trust
The Band Trust
The Baring Foundation
Walter Bigg Foundation
The Billiet Trust replaced by Langtree Trust from 2019
David Brooke Charity
Sir John Cass's Foundation
CHK Charities
City Bridge Charitable Trust
The Clothworkers' Foundation
John Coates Charitable Trust
Catherine Cookson Charitable Trust
Craps Charitable Trust
Delves Charitable Trust
Dulverton Trust
Dumbreck Charity
Sir John Eastwood Foundation
Maud Elkington Charitable Trust
John Ellerman Foundation
Eranda Foundation
Eveson Charitable Trust
Esmee Fairbairn Foundation
The Fidelity UK Foundation
The Ian Fleming Charitable Trust
Donald Forrester
Patrick Frost
The Simon Gibson Charitable Trust
The Girdlers' Company Charitable Trust
The Grace Charitable Trust
Grocers' Charity
Gunter Charitable Trust
Kathleen Hannay Memorial Charity
Mabel Harper Charitable Trust replaced by Stella Symons from 2014, average for 2012 and 2013
The Hawthorne Charitable Trust
The Charles Hayward Foundation
The Headley Trust
The Jane Hodge Foundation

The Albert Hunt Trust
Harold Hyam Wingate Foundation
Indigo Trust
The Jenour Foundation
Johnson Foundation
The Jordan Charitable Foundation
Beatrice Laing
Langdale Trust
Richard Lawes Foundation
Leatherseller's Company
The Leche Trust
Leigh Trust
The Leverhulme Trust
Sir Edward Lewis Foundation
John Lyon's Charity
Macdonald-Buchanan Trust
Mackintosh Foundation
Peter Moores Foundation replaced by Allan and Nesta Ferguson Charitable Trust in 2014
The Mulberry Trust
National Art Collections Fund
The Nationwide Foundation
Newby Trust Limited
Oakdale Trust
Odin Charitable Trust
Ofenheim Charitable Trust
P F Charitable Trust
Peacock Charitable Trust
Jack Petchey Foundation
PPP Healthcare Medical Trust (The Health Foundation)
The Joseph Rank Trust
The Rayne Foundation replaced by Becht Family Trust in 2016
Rothschild Foundation
Roughley Charitable Trust
Rowan Charitable Trust replaced by Bothwell Charitable Trust in 2014, which is replicated for 2013
The Joseph Rowntree Charitable Trust
Rufford Foundation
Jean Sainsbury Animal Welfare Trust
Salters' Charitable Foundation
Sandra Charitable Trust
Sheffield Town Trust
The Henry Smith Charity
Sobell Foundation
The Peter Stebbings Memorial Trust

Sir Halley Stewart Trust
The Stoller Charitable Trust
Tanner Trust
Three Oaks
Tolkien Trust
The Treeside Trust replaced by Orp Foundation from 2015
Trusthouse
The Valentine Charitable Trust
Wates Foundation
Weinberg Foundation replaced by Peter Minet Trust in 2014, averages across 2013 and 2009
The Westminster Foundation
Winnicott Trust
The Woolf Charitable Trust
Zephyr Trust
The Zochonis Charitable Trust