



# Financial trends for UK-based INGOs

An analysis of Bond members'  
income between 2006 and 2016



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## About Bond

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Bond is the UK network for organisations working in international development. We unite and support a diverse network of over 450 civil society organisations and allies to help eradicate global poverty, inequality and injustice. We work to influence governments and policymakers, develop the skills of people in the sector, build organisational capacity and share expertise.

## Acknowledgements

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Financial trends for UK-based INGOs:  
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# Foreword

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**haysmacintyre is delighted to support Bond's report on funding trends in the UK international development sector. This report is a useful reference for INGOs to plan funding strategies and think afresh about funding. It is also a valuable tool to help organisations consider their mission and the sustainability of their underlying business models.**

The overall picture of the years between 2006/07 and 2015/16 appears at first sight to be very positive. But when analysing the data by different types and sizes of organisation, we can see that there are winners and losers. Some types of income and approaches to fundraising appear more suited to organisations of a certain size or type. There is some striking polarisation, with the larger organisations attracting the lion's share of government funds, individual giving and voluntary sector income. The level of corporate sector income has varied through the years, but recently appears to be more sustained.

From the perspective of haysmacintyre, this reflects some organisations having made a sustained effort to attract corporate support and pressures on traditional funding sources having led organisations to seek to diversify their funding base. In our experience, the strongest partnerships are those where there is synergy of mission or values between the charity and the corporate partner.

It is important to note that the latest available data goes up to 2015/16. Since then, there have been significant changes in the operating environment for NGOs, some of which had begun to emerge at the time of the previous report. More than 40 of the larger NGOs had relatively flexible DFID funding in the form of Programme Partnership Agreements (PPAs), which ceased in December 2016. Both trusts and foundations and bilateral donors have continued their move towards increased direct funding of NGOs in the global south. The effects of the introduction of GDPR regulations and the more recent safeguarding problems that have hit the sector post-date our analysis. The momentous decision to leave the EU occurred three months after the 15/16 financial year ended - with potentially profound implications for funding, which will only be revealed through data analysed in future years. From our perspective, these challenges are likely to provide even stronger reasons for organisations to further diversify their funding bases.

The lessons for organisations are clear: they must remain nimble and not take any funding for granted. One of the key messages stemming from this report is the need to diversify and invest, keeping an eye on the horizon for emerging opportunities. Overdependence on one source is a risky approach, and no funding source can be taken for granted. However, new funding sources bring different risks and rewards, and organisations must ensure they can adapt to the demands of new funding sources. For many, 'business as usual' is no longer a viable option.

I hope you find the report stimulating and helpful.



**Murtaza Jessa**  
Head of Charities - haysmacintyre

**haysmacintyre**  
chartered accountants & tax advisers

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# Glossary

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**In analysing income, we used eight categories of income sources. Descriptions refer to both an income type and an income source - for example 'government' (source) and 'grants' (type).**

## Individual giving

This includes voluntary donations from the general public, high net-worth donors and legacies.

## Government grants

This ranges from UK government departments, local authorities, or other government bodies, as well as overseas governments and supranational and international bodies, such as the EU, UN and World Bank. As an award provided by a funder for certain types of activities, they can be unrestricted but increasingly tend to be restricted to the purposes specified.

## Government contracts

By this we mean fees for provision of a specific service. This report specifically looks at trends in contracts from governments.

## Earned charitable income

This is generated when fees are paid by an individual for a charity to deliver goods or services that further the charity's objectives. It could consist of fees for services such as training, rent of rooms, research etc.

## Earned fundraising income

This is income generated specifically to raise funds for the charity from individuals. For example, from the selling of donated goods, or admission fees for fundraising events..

## Corporate

This covers grants and sponsorship from businesses and also any contracts with businesses to provide a service.

## Voluntary sector

This includes all income, such as grants and earned income (contracts), from the voluntary sector including the National Lottery, and independent trusts and foundations.

## Investments

Received as a return on investment assets. For example, property, stocks and shares or other similar assets.

# Executive Summary

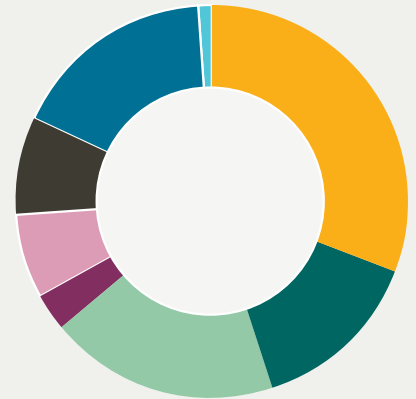
# £3.891 bn

total income in the sector (2015-2016)

## +59%

increase in international development income in 10 years compared to 10% increase in overall UK charity sector income

### Funding sources:



- 31% Individual giving
- 14% Government grants
- 19% Government contracts
- 3% Earned charitable
- 7% Earned fundraising
- 8% Corporate
- 17% Voluntary sector
- 1% Investments

### Who funding goes to:

# 305

International NGOs

A third goes to

# 8

(annual income greater than £100m)

A third goes to

# 17

(annual income between £40m and £100m)

A third goes to

# 280

(annual income below £40m)

**55% of Bond members identified diversifying income and becoming financially sustainable as their biggest long-term challenge in Bond's annual survey in November 2017.**

To help our members tackle this challenge, we analysed the income profiles of international non-governmental organisations (INGOs) based in the UK to highlight trends in their growth or decline in income. We want to enable organisations to better navigate these trends and design income strategies to develop sustainable financial models.

We analysed the income of 305 Bond member organisations over ten years (2006-2016) using data available from the NCVO Civil Society Almanac (as of July 2018, derived from the Charity Commission's public data). We also carried out a supplementary survey of 22 Bond members and six

interviews with sector leaders. This report follows on from our previous research in 2016 on funding trends for UK-based INGOs from 2006 to 2014.

### Funding for the international development sector is increasing

Overall income for 305 Bond members has grown by 59% in ten years and stands at £3.891bn (at April 2016), compared with the wider UK charity sector, which grew at 10% over the same period. Funding to international development organisations now represents a twelfth of total charity sector funding.

By April 2016, the most important income streams for Bond members were: individual giving (31%), government contracts (19%), government grants (14%) and voluntary sector (17%), which includes trusts and foundations. These have all been growing in real terms.

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Income growth for INGOs is weighted heavily in favour of larger organisations. A third of income is now going to the eight largest organisations (who each have annual income greater than £100m) and another third going to 17 INGOs with income between £40m and £100m. The remaining third goes to 280 organisations with annual income below £40m.

Many of the trends in specific types of income mirror this three-way split between different sized-organisations, but there are some more distinctive trends when we look at each type of funding.

### **Government grants and contracts are still strong sources of income**

Both contracts and grants are among the strongest growing areas of income. They were the second and fourth biggest sources of funding for the sector and, when combined, make up the largest proportion (33%) of the sector.

Government funds almost the same proportion of the work of international development organisations as it does in the UK charity sector, even if the proportion of grants to contracts varies between the two sectors.

Nearly all the growth in government grants have flowed to NGOs with annual income greater than £20m. Medium organisations (income £20m-£40m) were not receiving a strong share of government contracts until the last few years, when they saw stronger growth than both smaller and larger INGOs.

### **Success in fundraising depends on organisation size**

Almost all financial growth has occurred for INGOs with income above £20m. Below this level, the overall income has been static in real terms.

However, some organisations have seen growth within specific types of funding. For example, individual giving and voluntary sector income have been strong for organisations below £500k. Earned fundraising from selling donated goods or events tickets to individuals has shown strong recent growth with organisations of income between £500,000 and £2m. Earned charitable income from services like consultancy and rent appears to have grown noticeably in the £2m to £5m group.

Individual giving is the largest source of income and has grown steadily for larger organisations. However, many organisations expect a decline in individual giving or anticipate having to work hard to maintain current amounts in a more difficult funding environment.

The majority of earned fundraising (such as income from ticket sales or donated goods) is held by the largest eight organisations and has mostly held steady.

### **Alternative business models are an opportunity for all**

There are examples of fundraising success stories for organisations of all sizes that helped inform this report. Many organisations have earned significant charitable income from delivering goods or services, such as training, room rental, research or consultancy. Earned charitable income has grown for organisations of all sizes, so the critical success factor seems to depend on whether organisations have invested in their paid-for services. Smaller organisations are also accessing more voluntary income as trust and foundations often fund niches that these organisations work on.

Corporate income has increased and has become more consistent overall. From the data, larger organisations have begun to work towards securing corporate funding as a more reliable source of income. Some smaller organisations are finding a business niche and deriving considerable benefit from it.

There are valuable funding opportunities for NGOs to explore. Although currently a small proportion of overall sector income, earned charitable income and corporate sector income can be a good route to funding diversification especially if the business model or partnership (with corporate sector) is focussed on the INGO's core business.

### **Innovation is important for income**

Many organisations said that a lot of investment is needed to get good returns in more significant income areas, such as individual giving and government income. Putting in place such investment has to be a long-term strategic approach. INGOs find it difficult to find the resources to innovate. Increased media scrutiny and project-based accountability make organisations more risk averse and increased competition for government contracts diverts resources to investing in the bidding process. Innovation has never been more important than in individual giving. INGOs need to find new and interesting ways to connect with new donors and engage with them for the long term as supporters.

This report highlights the need for innovation and diversification in funding. INGOs must adapt and allow how they deliver their mission to be informed by their fundraising strategy.

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# 1 — Introduction

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**55% of Bond members identified diversifying income and becoming financially sustainable as their biggest long-term challenge in a survey Bond ran in 2017.**

To help our members tackle this challenge, we analysed the income profiles of international non-governmental organisations (INGOs) based in the UK to highlight trends in their growth or decline in income.

This report follows on from our previous research on funding trends for UK-based INGOs in 2016.

We want to enable organisations to better navigate these trends and design income strategies that meet the current challenges to develop sustainable financial models.

Understanding current income profiles for INGOs, their vulnerability to disruption in funding, and the trends associated with growth or decline in income is important for considering long-term sustainability and future business models.

INGOs work within a context of long-term trends in globalisation, shifting power dynamics and technological change, but must also respond to more immediate pressures such as Brexit, declining public trust in aid and concerns about safeguarding. INGOs need to design their funding and finance strategies in line with their mission, values and organisational aims, and the external opportunities available. This research sets out how funding trends affect different types of organisations and offers insights on the opportunities that may be available if organisations adapt their approach to seeking income.

We analysed the income of 305 Bond member organisations over ten years (2006–2016) using data available from the NCVO Civil Society Almanac (as of July 2018, derived from the Charity Commission's public data). Charity Commission data was supplemented by six interviews with sector leaders involved in funding for the NGO sector and a supplementary survey of 22 Bond members.

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## 2 — Methodology

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**Bond provided a list of their members to NCVO by 31 March 2018. This study incorporates the data from 305 members that are both in the UK sector and active members. The data that was sourced from NCVO via the Almanac programme detailed income sources for a sample of charities from 2006/07 to 2015/16. It excludes a number of organisations that otherwise would have skewed the results. An explanation of these exclusions is given in section 2.1.**

The organisational financial data for these organisations came from the Charity Commission for England and Wales and the Office of the Scottish Charity regulator. The data was collected from the audited accounts of charities, and then classified into categories to show (for example) the source of income.

### 2.1 Categorising Bond members

To help analyse the trends among Bond members we repeated the segmentation that we did in the previous report two years ago, but with two small changes. This time we have split both the largest and smallest income segments to get a better understanding and differentiation between organisations of different sizes. The income segments are listed below:

- Organisations with an income of less than £500,000.
- Organisations with an income of between £500,000 - £2m.
- Organisations with an income of between £2m - £5m.
- Organisations with an income of between £5m - £20m.
- Organisations with an income of between £20m - £40m.
- Organisations with an income of between £40m - £100m.
- Organisations with an income of over £100m.

All the data is segmented in this way unless explicitly stated. In the table below (Table 1), we show the numbers of organisations in each of the segments. In all segments the reader can see that the sample size is greater than ten except those in the largest income segment. The sample sizes are therefore big enough to give a representative picture of the trends.

Table 1: Number of organisations in segment.

Income segment	Number of organisations
£0 - £500,000	94
£500,000 - £2m	81
£2m - £5m	41
£5m - £20m	46
£20m - £40m	18
£40m - £100m	17
Over £100m	8

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<sup>1</sup> The population data includes:

- Registration details for every charity.
- Total income and spending for each charity (including data back to 2003/04 for charities registered in England and Wales and the Office of the Scottish Charity Regulator).
- Classification details for the charities.



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From an original list of Bond members, we excluded those that were not charities or primarily UK based. In addition, a number of other organisations were excluded to avoid skewing the results. This duplicates what was done in the previous report to ensure consistency. The following organisations were excluded from the trend analysis and analysis of income sources:

- Large organisations such as the British Council, whose large size would otherwise heavily skew overall results.
- Disasters Emergency Committee (as much of their income would be passed on to others and so would be counted twice).
- A number of large foundations and trusts (including Comic Relief) who would make grants to other Bond members and be included in their data.
- Large national UK charities (such as Leonard Cheshire Disability and the Royal National Lifeboat Institution) whose data source does not allow for their international activities to be separated out from the rest of their data.
- Large international secretariats that also have a UK branch such as Save the Children International.

The total number of organisations excluded was 27 and these came from all income segments.

## **2.2 Variations on the data between this report and the 2016 report**

Although the data in this report follows the same format and uses the same method as the previous report, there are some reasons why the historic figures may not be exactly the same in the two reports:

- The base set of members is different as the sample only includes eligible members as of 31 March 2018. The historic figures are based on the income and spending for organisations that were Bond members at the time.
- Over time, historical data continues to improve. This will make changes to previously sampled data.

## **2.3 Financial values in real terms**

When looking at trends in income, we have adjusted all financial figures to be consistent with 2015/16 prices (the last year sampled). The financial trends are therefore given in real terms rather than cash. We believe this gives a more representative view of the trends.

## **2.4 Supplementary survey on historic experiences and future expectations**

To complement the data from the Charity Commission, we also went directly to members, asking survey questions on their current experiences, and expectations for the future. The survey is attached as Annex 2. We had 22 respondents to this survey and they feature throughout the report. Importantly these are dated from July and August 2018 – and therefore are more up to date than the financial data. They also reflect partial experiences and preferences.

This survey was supplemented with six telephone interviews so that we could explore strategies for fundraising that were being adopted by members.

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### 3 —

# Overview of income for Bond members in 2015/16

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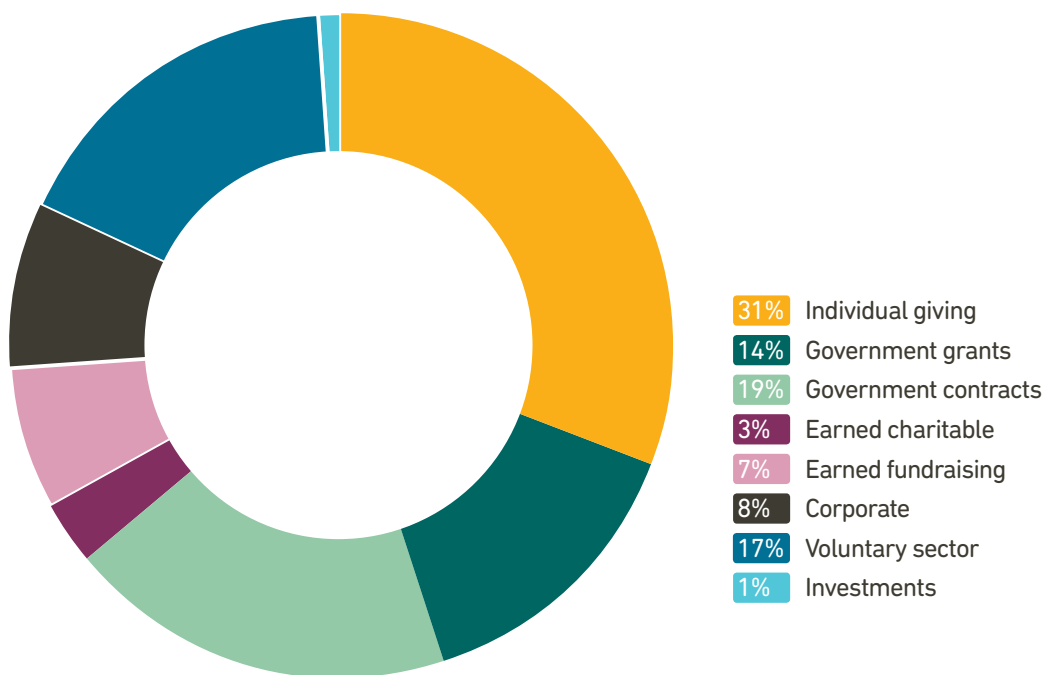
The data goes up to 2015/16, as this is the most recent period for which reliable disaggregated data is available. In this section we provide a snapshot of the information on funding sources and organisations. The total income of Bond's members in 2015/16 was £3.89b. Figure 1 shows the proportion of income from different sources in 2015/16 that went to Bond members.

Individual giving (31%) is clearly the single largest source of income, followed by government contracts at 19%. The next two are voluntary income and government grants at 17% and 14% respectively. In later sections of this report we will go on to look at the trends for each of these income streams as well as how different sized organisations have different levels of success with them.

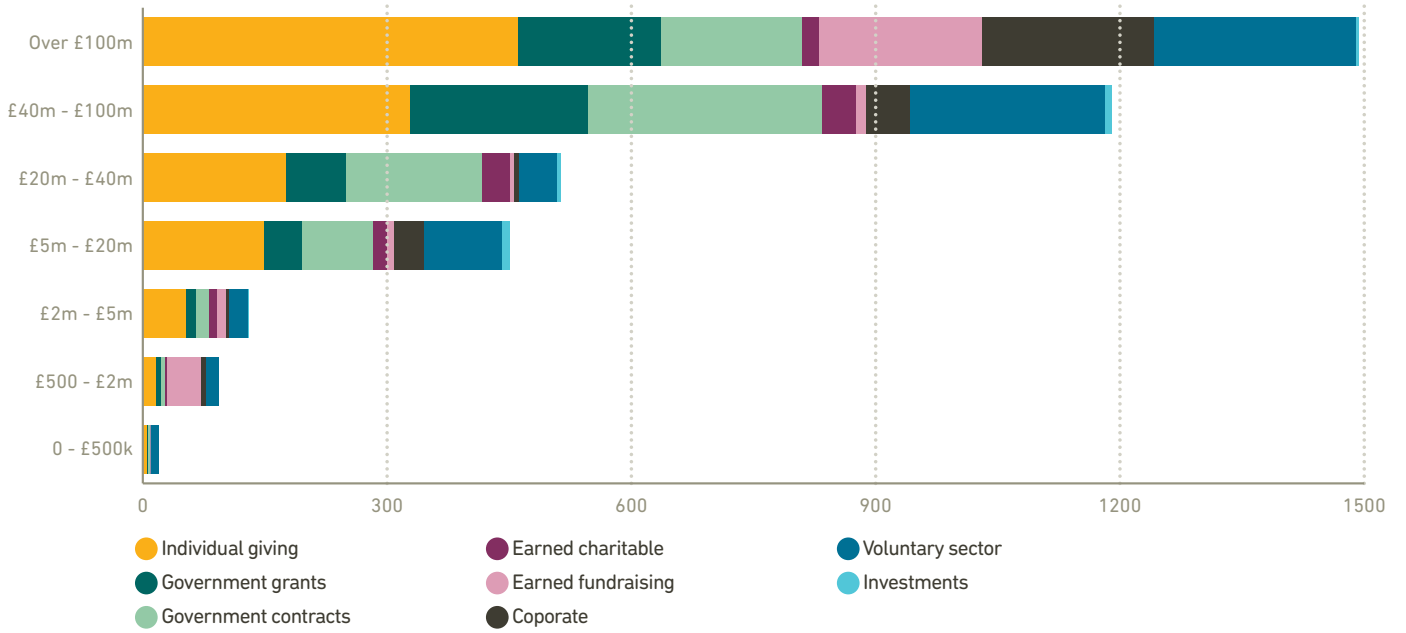
Still keeping with 2015/16, the income is broken down further by the size of the organisations and income stream respectively in Figures 2 and 3.

One can see that some organisations, as represented here by size, are better at obtaining some types of income over others. The rest of this report explores these differences and trends and attempts to provide a picture of what is happening in the sector.

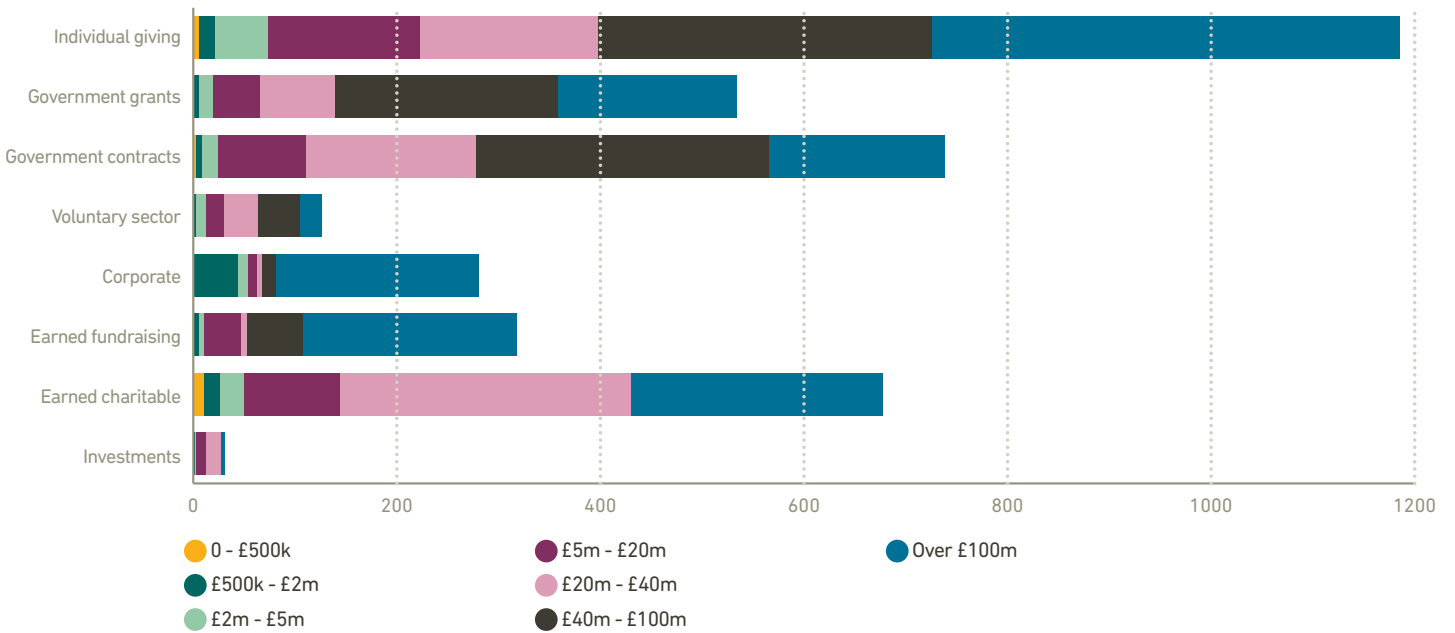
Figure 1: Total income for Bond members in 2015/16, 100% = £3.89bn.



**Figure 2: Income sources for Bond members by income segmentation in 2015/16.**



**Figure 3: Income sources for Bond members by income stream in 2015/16.**



# 4 —

## Trends in total income between 2006/07 and 2015/16

As indicated in the previous report written two years ago, the trend is of continuing growth in funding. With the extra two years of data collected for this report that we see in Figure 4, it becomes clear that the trend has continued and accelerated. This, of course, masks the differences between income streams and organisations.

From 2005/06 to 2015/16 we see an increase of 59% in income for Bond members from (£2.45bn to £3.89bn). This compares favourably with an overall growth for the UK charity sector of 10% (from £43bn to £48bn) in the same period. Despite this growth, there is still the valid perception articulated by one organisation in the survey that: “the funding climate has become much more competitive and pressurised.”

Figure 5 shows the percentage growth of the international development charity sector compared with the overall UK charity sector. It clearly indicates that Bond members have grown much more than the wider charity sector.

The two samples are normalised for 2006/07 (taking that year as 100% and adjusting all other years accordingly).

Figure 4: Total income for Bond members, £m 2016 prices.

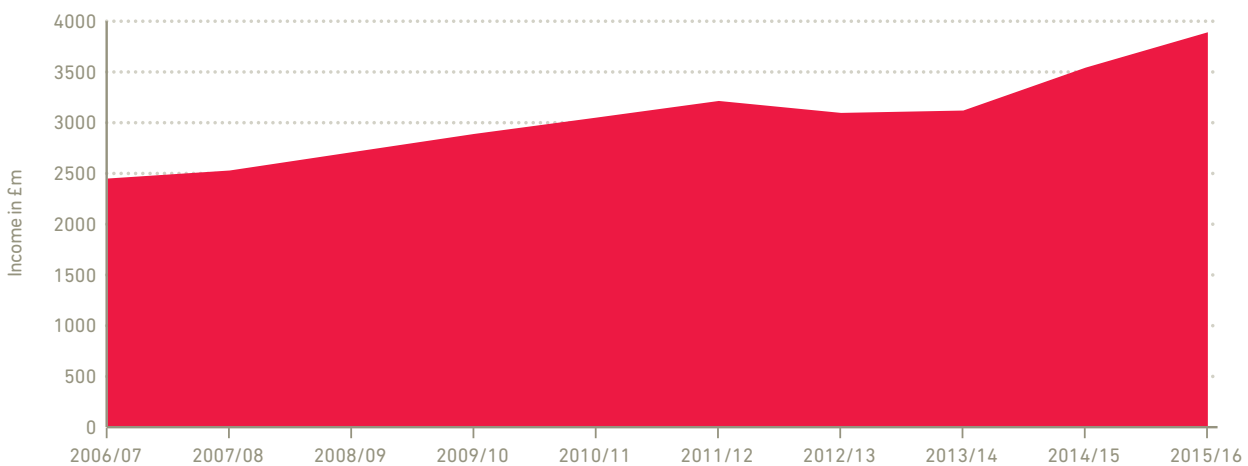
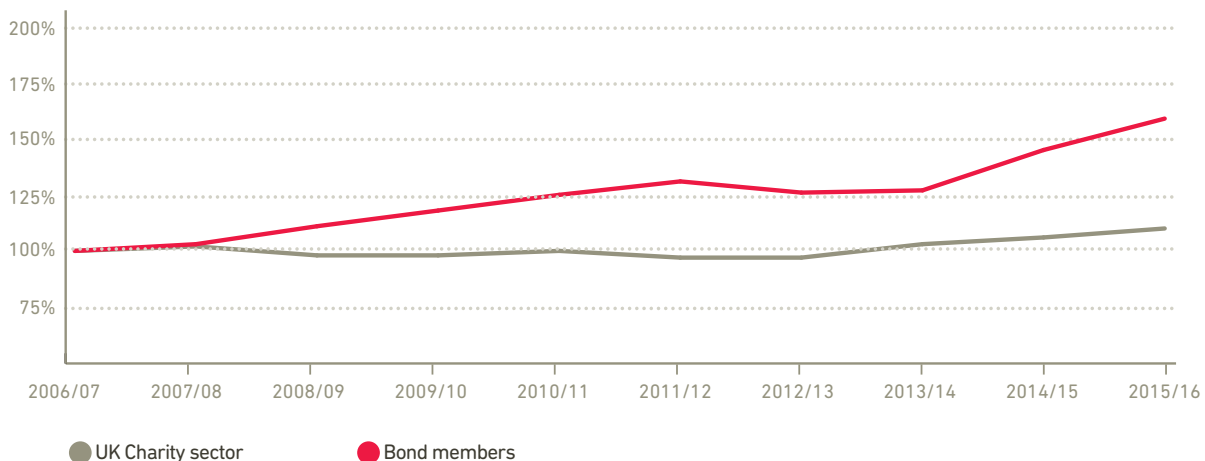


Figure 5: Income trends for the UK charity sector and Bond members, 2006/07 as 100%.



For more detail we can look at the different income streams for both Bond members and the UK charity sector (see Figures 6 and 7). For ease of comparison we have combined earned charitable income and earned fundraising income into the same category (as this is how it was classified for the UK charity sector). After this section of the report, these two income streams will be reported separately.

Figure 6: All income streams to Bond members by year.

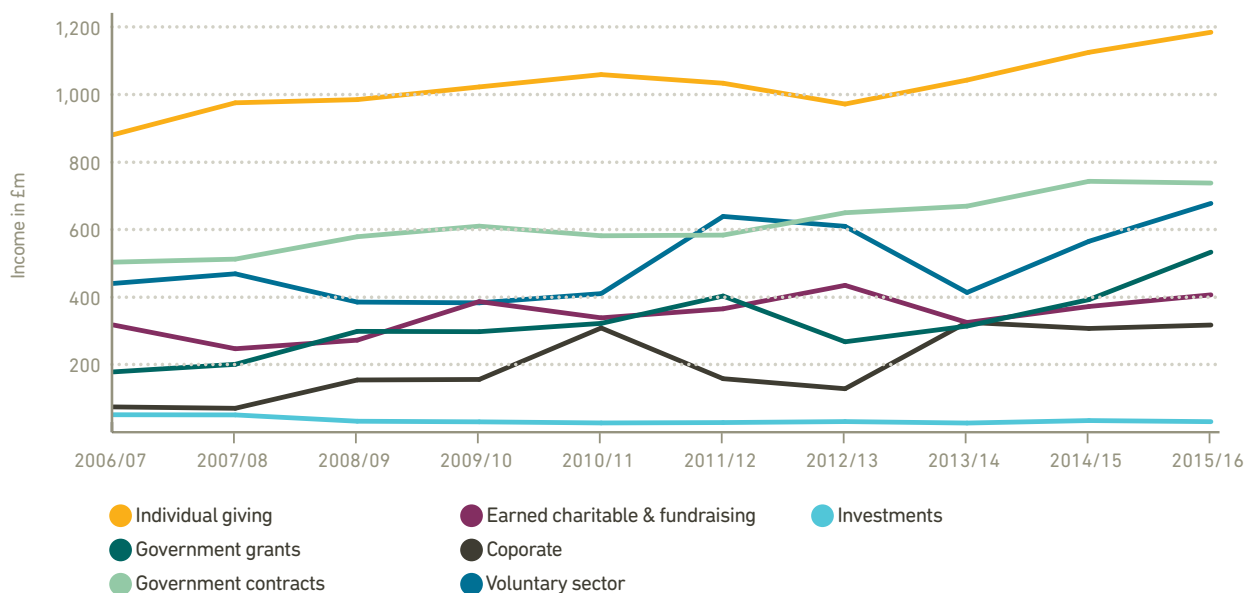


Figure 7: Total income by income stream for all UK charities.

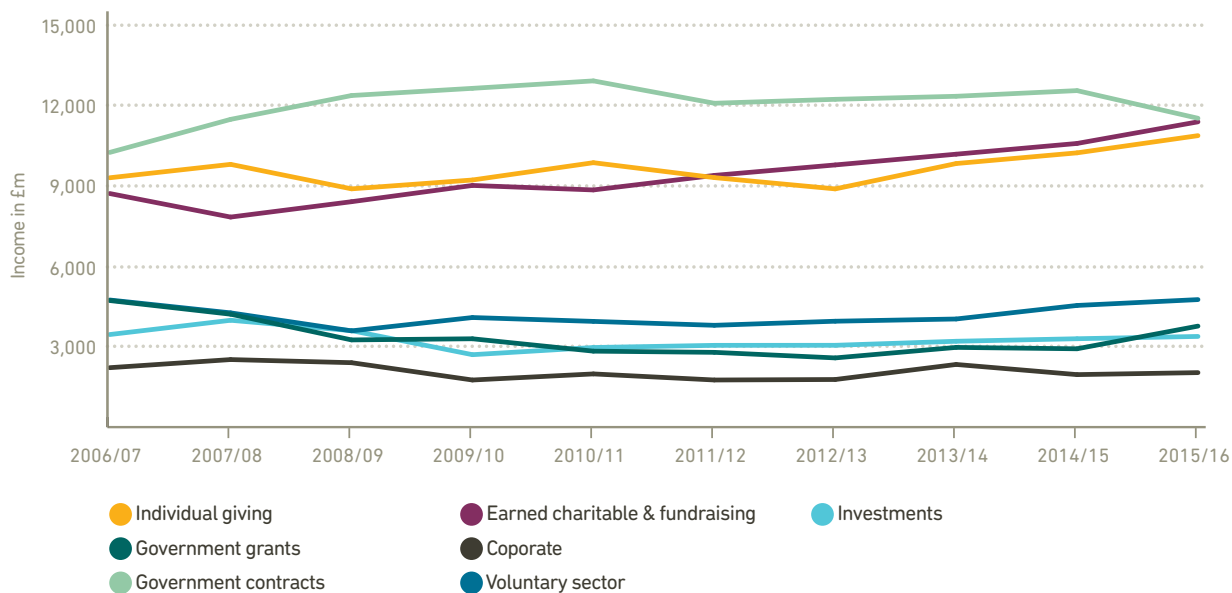


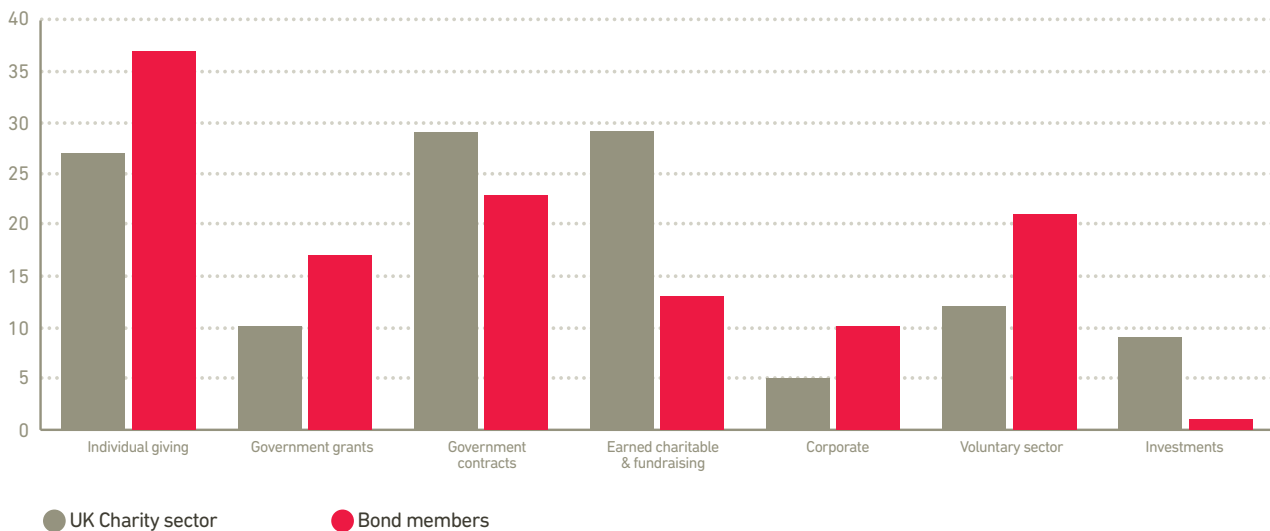
Figure 8 gives a snapshot of the relative funding levels for both UK charity sector and Bond members in 2015/16 (the most recent year for which data is available).

By looking at this single year we clearly see the different profiles for both groups and, in particular, the role of individual giving, government contracts and the voluntary sector. The wider UK charity sector does better than Bond members on earned charitable and fundraising income. This could be an area of interest for Bond members.

Although the proportion of government grants to contracts varies between Bond members and the wider UK charity sector, the proportion of government income overall is almost identical (at 33% and 32% respectively).

In order to check to see if these trends can be substantiated, and more importantly how they might correlate to the size of an organisation, the next section goes into more detail on funding streams and the trends they show.

**Figure 8: Percentage of total income by income stream for Bond members and UK charity sector in 2015/16.**



# 5 — Trends in income sources between 2006/07 and 2015/16

To analyse the trends over the ten year period, we have broken this down into two years of analysis: 2006/07 and 2015/16. Although this misses the variations that occur during this time period, it gives a very strong indication of the relative success of different organisational segments with different funding streams. Section 6 will analyse the same data but primarily from the perspective of the different organisational segments and changes over time.

In this section we differentiate between earned charitable income and earned fundraising income for Bond members. We will not be analysing investment data in this section as the financial amounts are not material and there is no discernible pattern to be found. It was included in the total figures to ensure completeness. Again, all data is stated in 2015/16 prices.

## 5.1 Total funding trend between 2006/07 and 2015/16

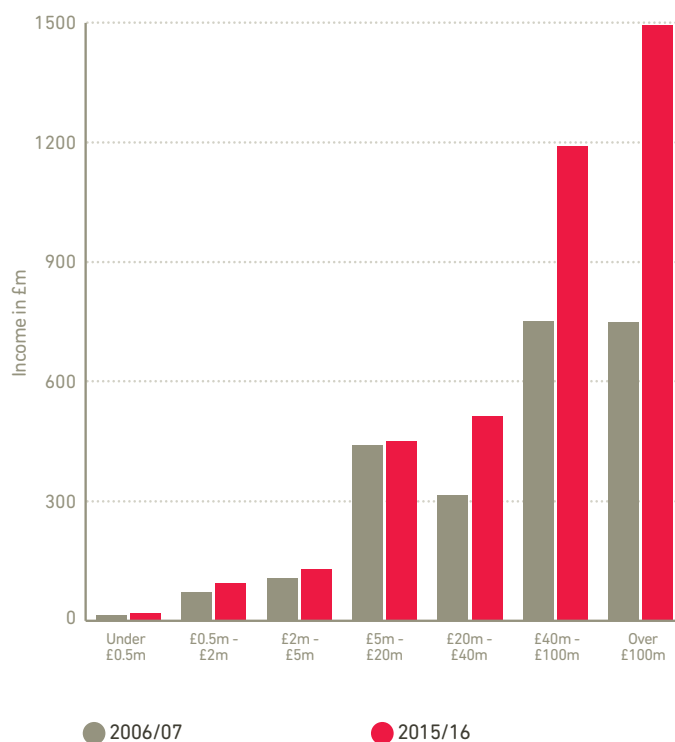
To further understand the change in total funding flowing to Bond members, Figure 9 shows how this has changed between 2006/07 and 2015/16 for each segment.

One clear trend here is that the largest organisations have grown disproportionately. The total income of the eight organisations in the over £100m segment has practically doubled in ten years. The next segment down, with 17 organisations, has grown by 59%, while all the other segments (280 in total) have grown by 27%.

What this means is that organisations with an income of over £100m now attract 38% of total income in comparison with 31% in 2006/07. The next largest segment (£40m to £100m) captures 31% of the total income. As a portion this figure is unchanged throughout the decade, although the amount in income has of course increased. Those organisations with an income of less than £40m now have 31% of the total income as compared with 39% a decade earlier. This reduction in income for smaller organisations, when compared to their larger peers, represents a clear trend.

The rest of this section interrogates the trends in each of the income streams over the sample period.

Figure 9: Total income for Bond members by income segment in 2006/07 and 2015/16.



## 5.2 Individual giving

Individual giving remains the strongest income stream for the sector (as shown in the previous section). However, the strength is very uneven between organisations depending on their overall income.

Figure 10 shows in relative detail the income gained from individual giving over the ten-year period, broken down by income segments. Interestingly, the profile of this graph looks very similar to the total income, indicating the importance that individual giving has on overall charitable income.

In this we can see that the two largest income segments have both grown and are responsible for nearly all of the growth in this income source. The market share for the second largest income segment (£40m to £100m) for individual income is unchanged over the ten years at 28%. Meanwhile the market share for all segments under £40m for individual giving has gone down from 42% to 34% at the same time as the over £100m segment's market share has grown from 29% to 39%. To put it in stronger words, the over £100m segment has grown its individual giving by 78% over ten years, far outstripping all other segments.

It is important to point out that most segments have grown during this period, but that the larger income segments have grown disproportionately.

In the previous report, the data included up until 2013/14 revealed that individual giving had plateaued with little growth between 2009 and 2014. Moreover, there was a worrying dip from 2010/11 to 2012/13, before recovering in 2013/14. Figure 11 shows this dip clearly. It also shows that individual giving appears to have started growing again, quite strongly, after this dip and the last few years of the sample period have accounted for much of the growth. Again, this has disproportionately gone to the largest income segment.

There are two reasons why individual giving may have proved robust during this period. One is that there is a consistent and reliable supporter base. The second is that larger organisations have invested in innovative ways of engaging with their support bases.

In our survey, one organisation said: "income from our supporter base [...] continues to generate a high proportion of unrestricted funds." In the quoted example, this organisation's supporter base is strongly related to the service that they provide. This affinity and identification seems particularly suited to smaller niche organisations. This could equally come from a basis of faith in their work, or a special interest in the service or constituency with whom they work. Whatever the reason, it seems that consistency works best for them.

Figure 10: Individual giving income in 2006/07 and 2015/16 by income segment.

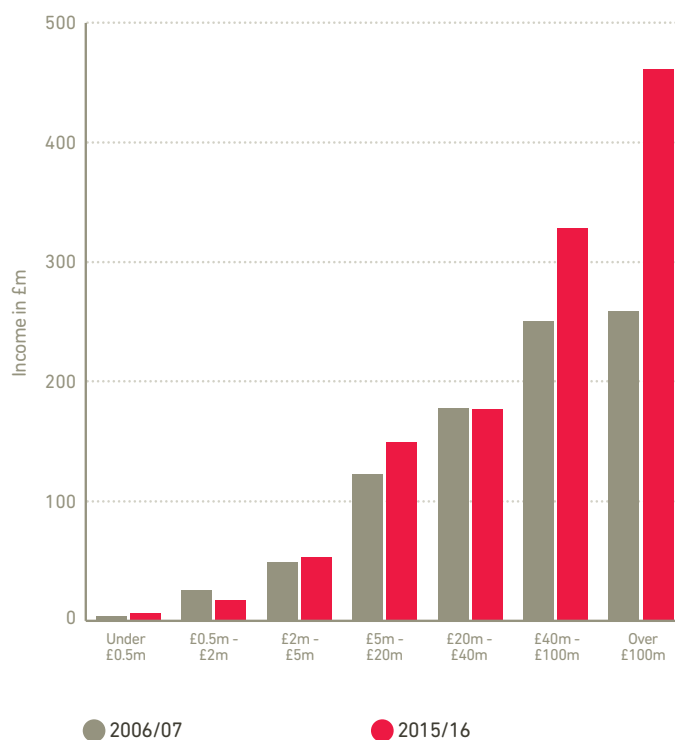
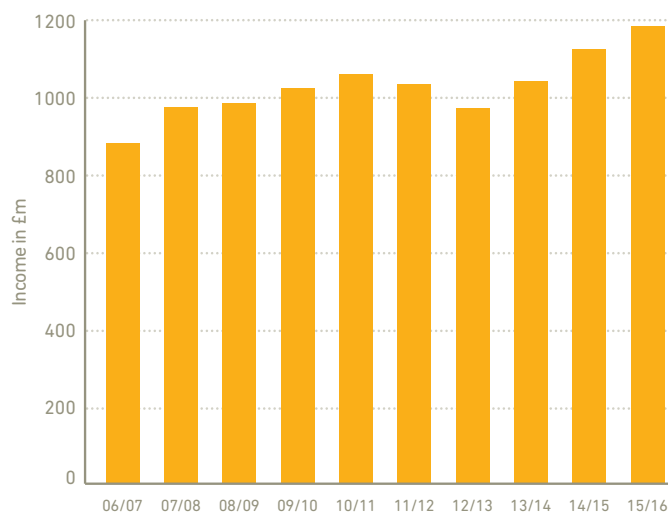


Figure 11: Total individual giving income between 2006/07 to 2015/16, all segments.





Larger organisations are more likely to have benefitted from investing resources into innovation and changing the ways in which they stimulate individual giving. Such organisations felt that the sector had, in the past, been: “too transactional and had focussed on optimisation of tried and tested models.”<sup>2</sup> Instead they had felt that: “the sector needed to find new ways of innovating and forms of engagement and strong diversification.”

However, there are expectations among many organisations who responded to the survey that individual giving will require a considerable amount of effort to continue growing or even remain stable.

In the view of Michael Mapstone of CAF<sup>3</sup>: “the experience of many charities is that donors are getting older and the main problem/solution is the replacement of these donors.” He went on to say that younger people still give and are engaged internationally, and do give one-offs especially for disaster relief, but they predominantly want to engage in a movement rather than organisations to feel more connected to a cause.

Richard Darlington, campaign director of the cross-sector campaign to defend aid and development goes further: “A collective effort to raise ‘consideration’ means brand ‘awareness’ raising isn’t just a zero-sum competition. By targeting segments of the public who are currently out of reach for most fundraising campaigns, we won’t just shore up public and political support for aid but we should also be making the operating environment for fundraisers more conducive.”

Dan Fluskey of the Institute of Fundraising agrees that there are challenges, but also points out that there are reasons to be hopeful: “Changes to fundraising regulation, the introduction of General Data Protection Regulation (GDPR) and the recent safeguarding scandals (all of which would have impacted in the years since the sampled financial data) have led to a challenging operating environment for charities, but there are a number of positives to bear in mind as well, such as the loyalty of donors, innovation, and the potential of new technology.”

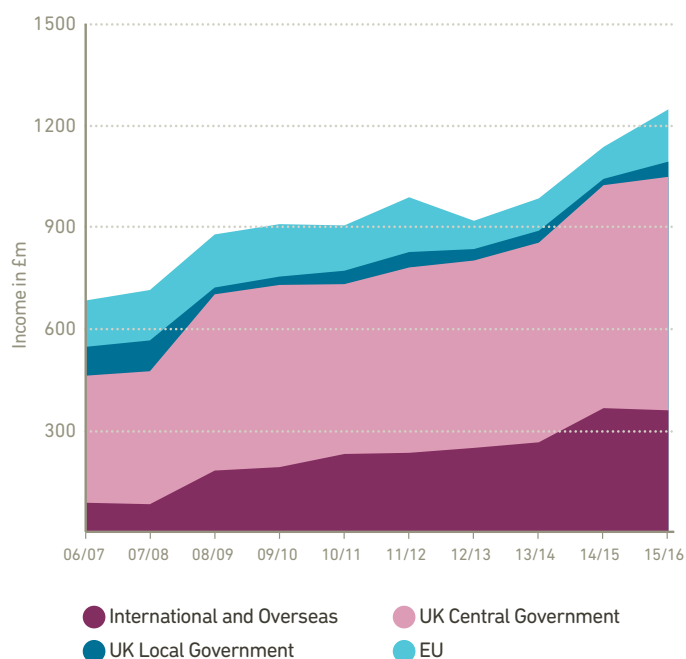
In summary, the two examples of good approaches in public fundraising indicate that innovation and investment can have an impact. The whole sector needs to consider how they engage the public for the long-term and what resources it will take to do so collectively.

### 5.3 Government grants and contracts

When we look at all government income, initially from the perspective of its source rather than its type, we can see that UK national government income has continued to grow - a trend that we identified two years ago in our previous report. As we will go on to see, there are also continuing trends for both contracts and grants within this period (see Figure 13). In addition, the EU income up to 2015/16 varied slightly but was still significant. Depending on Brexit negotiations, of course, this could disappear.

What has grown since the last report is income from international and overseas governments such as the UN, Sweden and the USA (see Figure 12). This represents a diversification from the normal domestic and EU funding and has been one of the more considerable developments over the past ten years.

Figure 12: Income from all government sources, all segments.



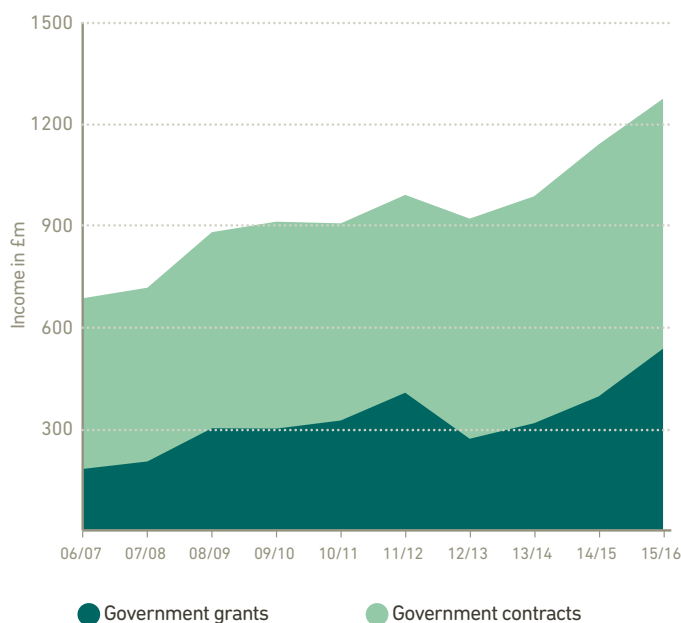
<sup>2</sup> Marcus Missen from Water Aid.

<sup>3</sup> Michael Mapstone of CAF.

Another interesting trend within this is the split between grants and contracts (see Figure 13). Until 2013/14 we saw the most growth in government contracts, with grants mostly holding steady. In the years since we have seen more growth in grants, in that, by 2015/16, they represented 42% of total government related income (at £534m) as opposed to 26% (£179m) in 2006/07. There is a growing trend for both grants and contracts.

The increase in funding from the government, through both grants and contracts, was clearly represented in the feedback from the 22 organisations that replied to the survey. It must be said, however, that the optimism for this funding was only unequivocal from organisations with a total income of above £20m. Below that total income level it was regarded as either transactional or potentially risky and this can be seen clearly in the data in Figures 15 and 17. In the words of one correspondent from a small NGO who had historically been “heavily funded by the Department For International Development (DFID),” this was “very dangerous.” There were also very substantial differences in the outlook between grants and contracts.

**Figure 13: Income from government grants and contracts for all income segments between 2006/07 and 2015/16.**

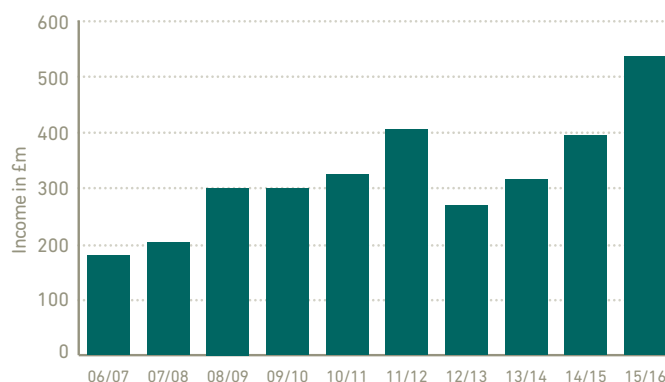


### 5.3.1. Government grants

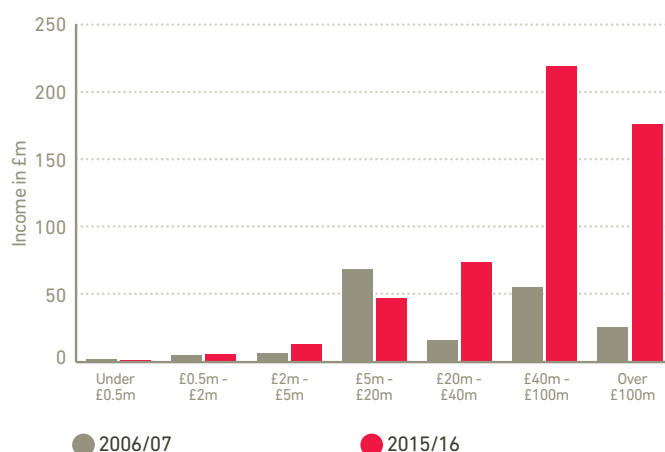
Figure 14 shows the trend in government grants over the past ten years. The last two years of the sample show an important trend that was missing in 2013/14 – considerable and rapid growth. The interviews and quotes we have received from the survey strongly reflect the trends we are seeing in the data.

The survey of the 22 organisations backs up this financial data. 11 felt that government grants had increased in the last ten years. Only two felt otherwise, and the rest described it as stable or fluctuating. This trend seemed to also be mirrored in future expectations with 11 saying the future would see an increase in government grants. In the financial data from NCVO in Figure 15 we can see the main growth in government grants has occurred in organisations with an income of more than £20m. Nearly all the correspondents from such organisations had a positive outlook on this income stream.

**Figure 14: Total government grants income between 2006/07 and 2015/16 for all segments.**



**Figure 15: Government grants income in 2006/07 and in 2015/16 by income segment.**



<sup>4</sup> Dan Fluskey of the Institute of Fundraising.

### 5.3.2. Government contracts

As was shown previously in Figure 13, the trend for government contracts is one of steady growth and this is made even clearer in Figure 16 (shown below).

Figure 17 shows that, while the total amount of income from government contracts has grown, this is not true for organisations with an income of less than £20m. The three segments above this have all experienced appreciable growth, especially the £20m to £40m income segment (which features just 18 organisations). The £20m to £40m segment accounted for £128m of the £235m total growth for contract income over the sample period. To put this into perspective, that accounts for 54%. We think that this is because the larger INGOs have already explored this area and are now consistently getting a proportion of their income from this method, whereas this is still an area of growth for smaller organisations that have not yet explored it.

Interestingly, government contracts are one of the more 'specialised' areas of income outlined in our research. Of the 22 organisations questioned in the survey, 17 described it as 'not applicable' to them – meaning they expected nothing from it. All those agencies that deliver services regarded it as 'stable' or 'up'. So, while income from government contracts has increased, there are still many organisations (most likely smaller ones) that don't bid for this type of income because of the level of risk associated with it, and the lack of resources or knowledge required to bid for it.

One larger organisation that was optimistic about government income and had done well from it in the past explained that it could be "slow and unreliable." As result they regarded it as risky and relied on alternative funding to fill the gap.

Figure 16: Total government contracts income between 2006/07 and 2015/16 for all segments.

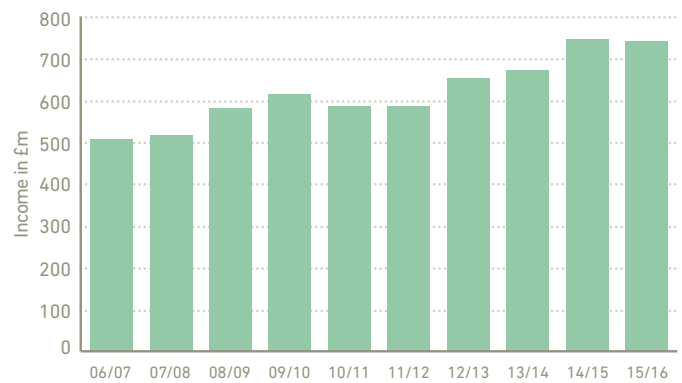
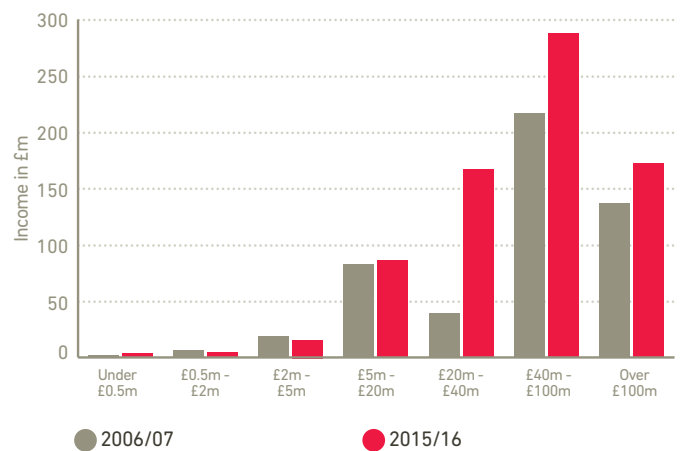


Figure 17: Government contracts income in 2006/07 and in 2015/16 by income segment.



## 5.4 Voluntary sector

This income stream has historically come from other voluntary bodies such as the Big Lottery Fund (BLF) and Comic Relief and are typically grant funding. Many voluntary sector bodies that do fund overseas programmes also have UK operations (such as Comic Relief and the Trusthouse Forte Charitable Trust). They are particularly attractive to smaller organisations as they have the capacity to make lot of smaller grants available.

The voluntary sector data shows income varies over time (up and down through the years of the sample) when compared with some of the other income sources (see Figure 18). We believe that this income stream is likely to weaken in the future and this was the expectation of one of the organisations we spoke to.

However, another small organisation, Women for Women, were more optimistic about trusts and foundations as they were: “productive if they could align with their global priorities,” which in their case was “poverty alleviation with a very strong gender perspective.”<sup>5</sup> Another organisation thought there was perhaps untapped capacity in this stream – “we believe there are voluntary income sources we haven’t utilised yet.”

The year on year profile in Figure 18 hides some important trends which we can start to unpick when we look at the income segmentation breakdown in Figure 19. The surge in voluntary sector income from 2011 to 2013 mostly occurred in organisations with income greater than £100m, which consists of just eight organisations. The same organisations, combined with the segment below it (£40m-£100m), account for almost all the growth in the last two years – £236m out of the total growth of £264m between 2013/14 (£414m) and 2015/16 (£678m). This is mirrored in Figure 19 where we can clearly see that by the end of the sample period the growth occurred in the larger organisations.

The voluntary sector income stream is important to the sector. In 2015/16 it supplied 17% of Bond members’ income. While small organisations do have access to small grants from the voluntary sector (and the survey showed that that some do access them), the largest amounts of money still went to the largest organisations.

It will be interesting to see what happens in the future, especially as we expect some of these large voluntary sector organisations to change their mandate and start funding southern organisations directly, and cutting out the UK based INGOs. This is more likely to benefit small UK based organisations who have existing strong relationships with local partners, rather than larger organisation who may not have those relationships.

Figure 18: Total voluntary sector income between 2006/07 and 2015/16 for all segments.

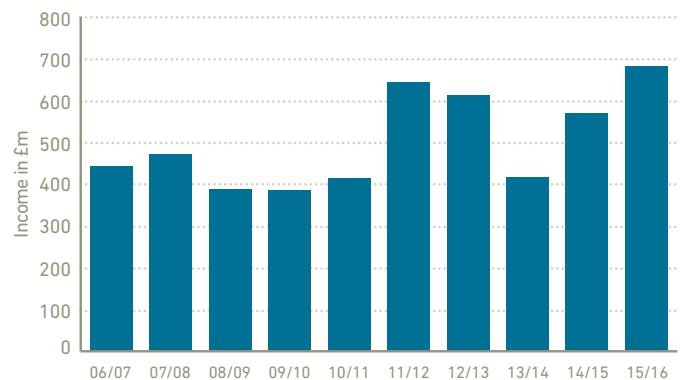
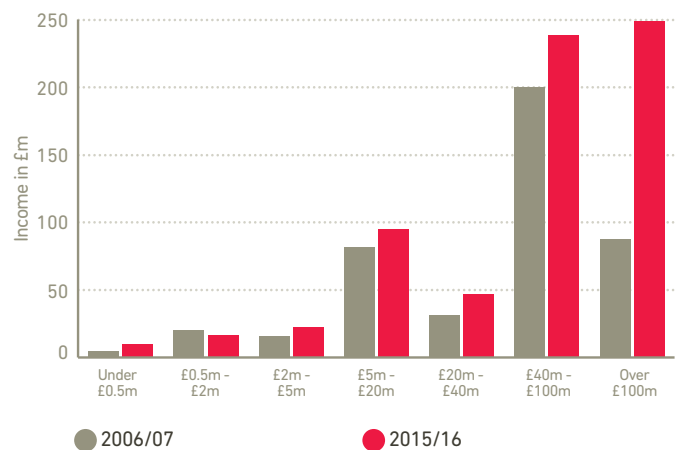


Figure 19: Voluntary sector income in 2006/07 and in 2015/16 by income segment.



<sup>5</sup> Interview with Katie Allen and Katie Hughes of Women for Women.

## 5.5 Corporate sector

This income stream features quite a range of income types such as goods in kind, thematic grants, and sponsorship. In the previous report, the corporate sector income stream was the most erratic and featured two very noticeable spikes in income in 2010/11 and 2013/14. The first of those could be attributed to the Haiti earthquake, which featured considerable corporate interest and support; and the second to the Typhoon Haiyan in the Philippines in 2013/14.

These were both large operations for the international humanitarian sector and indicate that the corporate sector have a preference to support humanitarian events rather than long term development. The additional data covered in this report supports this explanation, as we can see a consistent increase from 2015, which is the year of the Nepal earthquake (see Figure 20). This increase in income appears to be more sustained since.

If we break these results down by organisational size we begin to see a pattern where corporate income has held steady across all organisational income segments, particularly in the £5-£20m income segment. It is also worth noting that there has been considerable growth in the two largest income segments.

In 2006/07, organisations with an income greater than £40m had 43% of the corporate market, whereas in 2015/16 they had 83%. This is likely to be because larger organisations have the resources to invest in building and maintaining relationships with corporate partners. Corporate partners may also benefit from relationships with larger organisations as they will have stronger brands than smaller ones. They are also able to align their priorities and build a strong relationship with medium niche organisations which explain

their consistent growth. While the proportions appear to have shifted, it is important to note that the absolute amounts going to other income segments have held steady throughout this time.

Michael Mapstone of CAF reflected on this trend, describing it as a process “of consolidation with more support going to larger NGOs.” Interestingly this appears to correlate on the corporate side, as “a lot of corporate support is from a small number of companies - with 70% of support coming from 20 companies.”<sup>6</sup>

What is interesting is why and how individual organisations appear to be successful with corporate support, particularly in that middle segment. One example from a smaller organisation (Women for Women) is perhaps revealing. They have been successful at attracting corporate income. They have a niche brand and they appeal to companies that want to engage with women specifically. They were successful because, in the words of Katie Allen – “[it] suits us because you can find partners who have similar goals and ambitions. And then you can work together in partnership to deliver. This is a positive way of working and communicating and it delivers the best outcomes for the people we are trying to serve.”<sup>7</sup>

Something similar was reflected again by Michael Mapstone of CAF, who acknowledged that, similar to voluntary income, companies want to go more directly to Southern organisations. Similar to this is the desire of companies to give more in kind donations than cash as they feel that this will develop a closer connection and collaboration to the cause, rather than the more traditional monetary relationship.

Figure 20: Total corporate income between 2006/07 and 2015/16 for all segments.

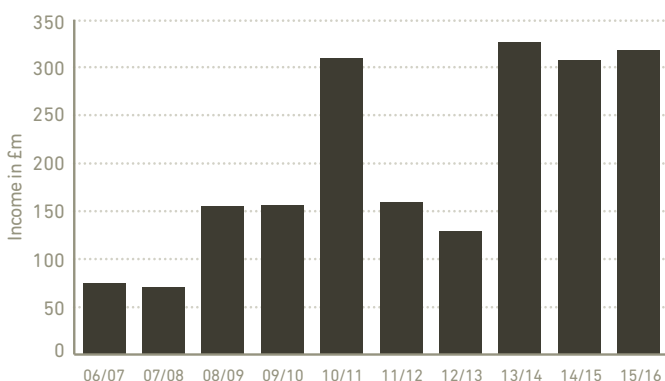
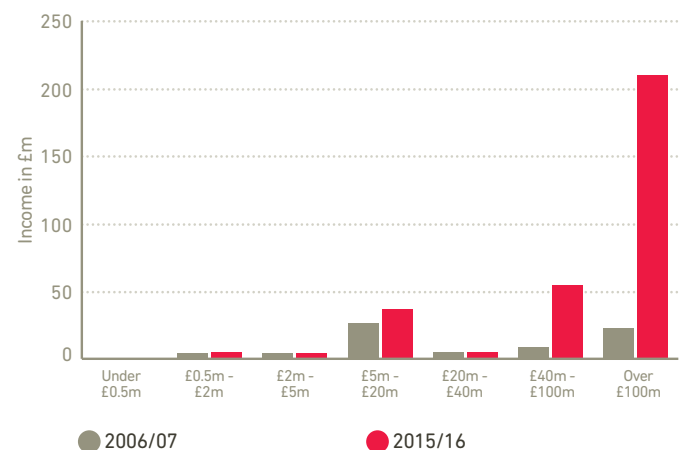


Figure 21: Corporate income in 2006/07 and in 2015/16 by income segment.



<sup>6</sup> Michael Mapstone of CAF.

<sup>7</sup> Interview with Katie Allen of Women for Women.

## 5.6 Earned charitable income

As can be seen from Figure 22 the income from earned charitable sources has been consistent, with the exception of an increase or spike in 2012/13. In the previous report we predicted that this would be the beginning of a trend. However it now appears that there was a decline in 2013/14 and that it has since remained consistent.

What is more remarkable is the trend once broken down between income segments. Figure 23 shows how there has been modest growth in most income segments over the past ten years, with the exception of the £40-£100m segment which has gone from £9m to £55m over the period of the sample. This big increase explains the spike results of the previous research, as organisations with an income of £40-£100m invested their resources in earned charitable income.

As mentioned in the previous section, the example of a small NGO with strong links to a specific business sector (as can be seen with Women for Women) is interesting. In this, such NGOs have been opportunistic and responded to the trend of more traditional areas of income being squeezed. They have done this by making conscious efforts to grow other income streams such as grants, and view earned charitable income as a potential way forward in the future. They see earned charitable income as “becoming more important with the growth of social enterprise.”

For some organisations it is not really choice but a very obvious business model. One small organisation described this as follows: “the bulk of our income comes from us selling services - we need to maintain/increase this in order to maintain our markets and levels of income.”

Another example of an organisation embracing this is Child Hope who specialise in child protection. After setting up a strategic planning group that looked at how they could deliver their mission and fund themselves they came up with the idea of the child protection consultancy. It had been “growing organically”<sup>8</sup> but a recent grant has enabled them to accelerate the process and it is now their number one priority for income diversification.

From the data in Figure 23 we are unable to see much in the way of patterns across the organisational income segments, and the numbers are quite low. Of the 22 organisations who responded to the survey, nine regarded this as not applicable to them while six considered this to be on the ‘up’. The view from CAF is that there is a future in this source of income and organisations should consider exploring it.<sup>9</sup>

Figure 22: Total earned charitable income between 2006/07 and 2015/16 for all segments.

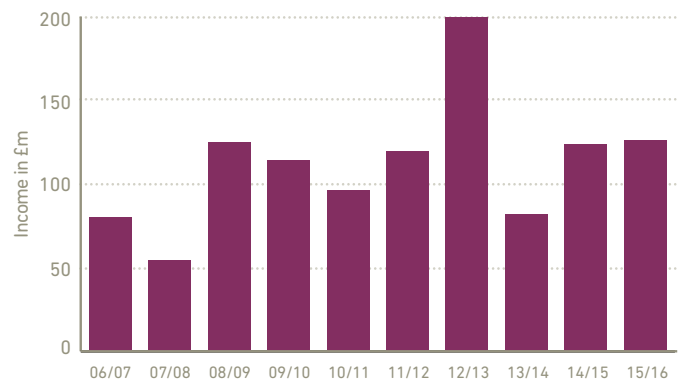
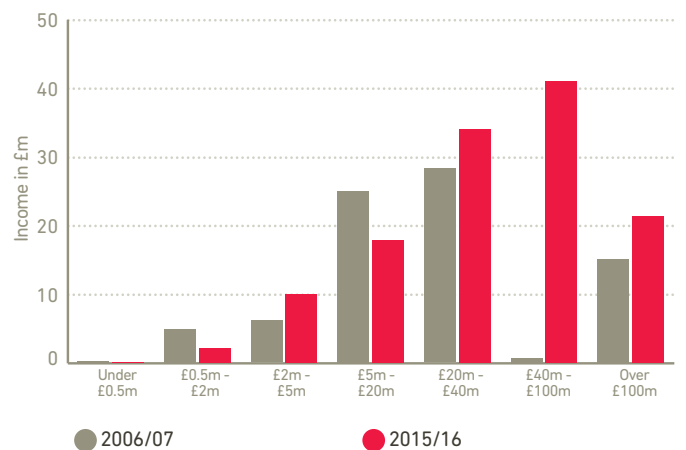


Figure 23: Earned charitable income in 2006/07 and in 2015/16 by income segment.



<sup>8</sup> Interview with Jill Healey of ChildHope.

<sup>9</sup> Interview with Michael Mapstone of CAF.

### 5.7 Earned fundraising income

Earned fundraising income is flat in real terms - particularly over the last seven years of the sample (see Figure 24). It continues to provide consistent income for organisations that can afford the infrastructure and the brand to support it. The distribution across the income segments is very revealing at it shows that this form of income is almost exclusively for larger organisations with over £100m income (see Figure 25).

The financial data implies that this is only really valuable for very large organisations. Therefore, it was surprising to hear in the survey that many organisations (14 out of 22) described it as stable or positive. The numbers increased when reflecting on the future (17 out of 22). Perhaps this is an income stream that organisations are looking at with interest for the future.

The proportion and amounts (in real terms) going to each organisational income segment have not moved much in ten years. The expectation is that it will continue to be a stable form of income for very large organisations.

### 5.8 Investment income

For completeness we did also analyse investment income. However, the amounts were relatively immaterial. In 2015/16 the sector as a whole returned just over £30m from this income stream. This amounts to less than 1% of the total income in that year.

Figure 24: Total earned fundraising income between 2006/07 and 2015/16 for all segments.

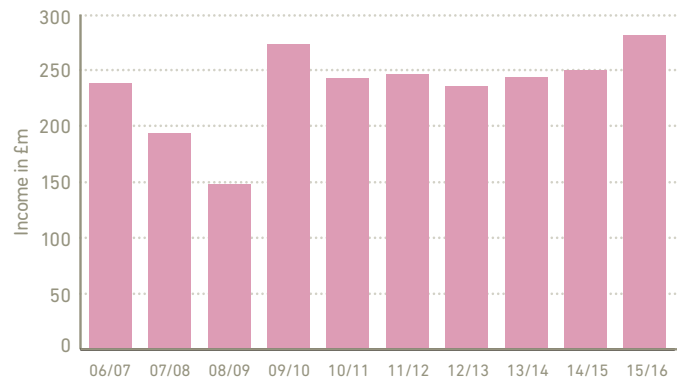
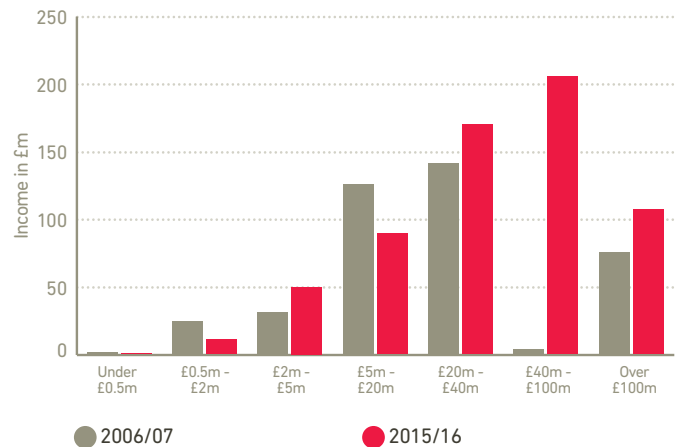


Figure 25: Earned fundraising income in 2006/07 and in 2015/16 by income segment.





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## 6 — Trends in income as measured by size

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**In this section we interrogate the data by breaking it down by income segment. We have done this so that we can identify trends based on their organisational size and use this analysis to suggest areas for investigation.**

As outlined earlier, to help analyse the trends among Bond members we repeated the segmentation that we did in the last report two years ago with two small changes. This time we have split both the largest and smallest income segments to get a better understanding and differentiation between organisations of different sizes. The income segments are listed below:

- Organisations with an income of less than £500,000.
- Organisations with an income of between £500,000 - £2m.
- Organisations with an income of between £2m - £5m.
- Organisations with an income of between £5m - £20m.
- Organisations with an income of between £20m - £40m.
- Organisations with an income of between £40m - £100m.
- Organisations with an income of over £100m.

### **6.1 Trends for organisations with income under £500,000**

In the previous report, two years ago, we did not differentiate this (£0-£500,000) segment from the £0-£2m group. However, as there are 94 organisations that fall into this segment we felt it was important to interrogate trends in this narrower segment. With the disaggregation of this segment it shows that organisations in the under £500,000 segment have some strong growth areas and overall have grown 28% when we compare the average annual income at the end of the period with the income at the beginning.

The latter average yearly income (for years 2013-2016) for this segment is summarised in Figure 26.

Over the years there has been steady real terms growth overall for these very small organisations. However, some forms of income are clearly more productive. When we look at Figure 27 we can see that these major sources of income have also been growing. When compared with other segments it is clear that voluntary income, the income coming from trusts and foundations, is clearly the single largest, responsible for 36% of income in the last three years.

This is not surprising as the voluntary sector are keen to support very small civil society organisations. Comic Relief have a category of funding for organisations below a turnover of £250,000 and the Big Lottery Fund have a facility of £10,000



grants to partners. Another example is the Trusthouse Forte charitable trust that specialises in very small grants to small organisations.

It is also worth noting that more government grants and contracts appear to be going to this segment. They are small but still very relevant.

With 94 organisations in this group there is of course considerable variety in approaches and expectations. One organisation in the survey put more investment in corporate income and the two earned income sources; another was building up a way of working that relied on them "selling services." Both these organisations were pessimistic about government grants and contracts.

There is a lot of opportunity for small organisations to find their niche and adapt a business model that works for their brand, specialism, or supporter constituency. Undoubtedly at this scale they need to be nimble and manage the risks of any income stream well.

## 6.2 Trends for organisations with an income of £500,000 - £2m

The average yearly income in the last three years of the sample shows some correlation with the smaller income segment – namely individual giving, voluntary sector income and government grants as the second, third and fourth highest income generators. There are almost the same number of organisations in the sample as the smaller segment (84) and overall their total average yearly income for the last three years is £78m – so proportionately what we might expect. However, there is one remarkable income stream shown up by the data; earned fundraising (see Figure 28).

At an annual average of just over £33m in the last three years, earned fundraising amounts to 42% of the total income for this segment. Clearly there has been focus and investment in this income stream by organisations in this segment as it has grown by a staggering 581% over ten years when we compare the first three years and the last three years of the sample (see Figure 29). Interestingly, it has grown impressively since 2013. Before that it was usually 5 to 10% of the income for this segment.

Figure 26: Average annual income in 2013/16 by income stream, under £500k segment.

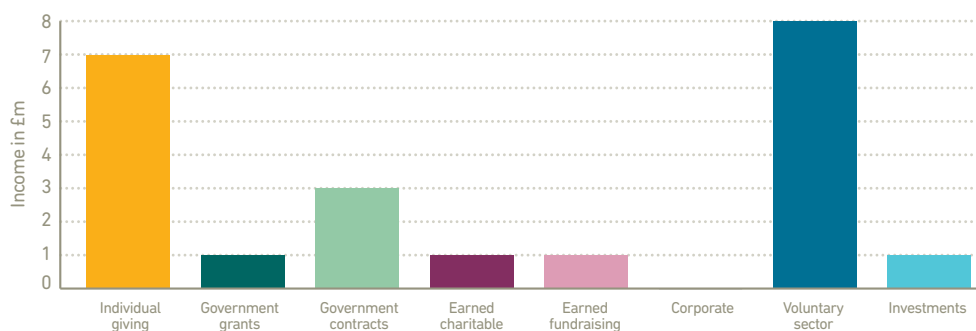


Figure 27: Average annual percentage change in all income sources between 2006/09 and 2013/16, under £500,000 segment.

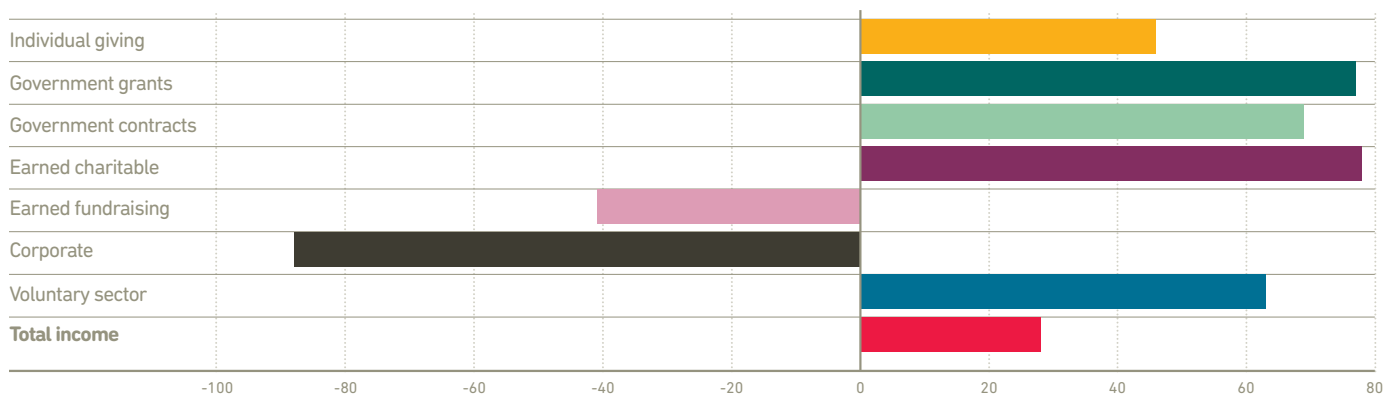


Figure 29: Average annual percentage change in all income sources between 2006/09 and 2013/16, £500,000 to £2m segment.

While this segment follows the trend of smaller organisations, relying to some degree on the voluntary sector (it is the third largest contributor to this segment), even that is in decline. This is very similar to the trend we observed from the data two years ago (although at that point we sampled it as £0 to £2m).

The emergence of earned fundraising for each of the last three years in this sample appears to have been responsible for 210% of the growth (all the growth plus making up for losses in other areas). Of the three organisations in this segment questioned about this, two described this as an improvement and one described it as 'stable.'

Looking at other areas, one organisation that appears to have had success in generating income in this segment focussed on areas such as individual giving, earned income, the voluntary sector and corporate support. They described their outlook as: "Upwards, but slow. Grants are getting harder, so we're aiming

to diversify more." They went on to say that their fundraising strategy was based on: "Sustainability, efficiency, scale and previous success."

Another organisation with a similar approach on income generation gave their rationale for their fundraising investment decisions on: "Historical growth and [a] strong base, unrestricted / project income." They did not place much importance on exploring government income. Another organisation explained that they did not expect much from government income: "given that we are a small NGO, the current trends of contracting larger INGOs and consultancy companies, risks smaller NGOs being squeezed out of the market entirely."

From the data and qualitative research we can see that diversification and exploring more flexible forms of funding may be the way forward. Despite the data showing that the government related income was steady until 2016 there appears to be little current faith in it. This is particularly true for smaller organisations.

Figure 28: Average annual income in 2013/16 by income stream, £500,000-£2m segment.

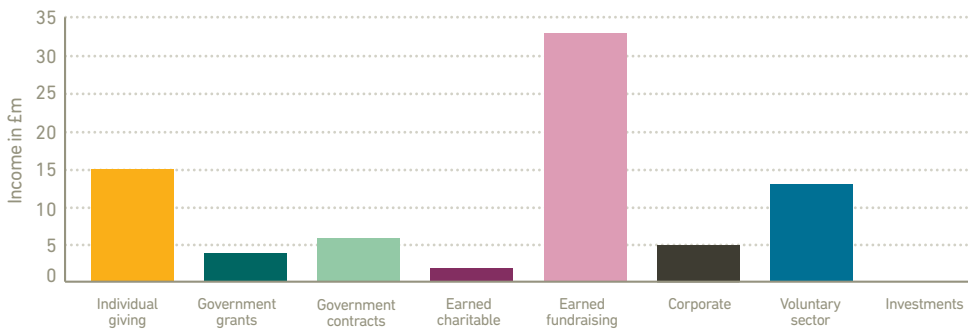
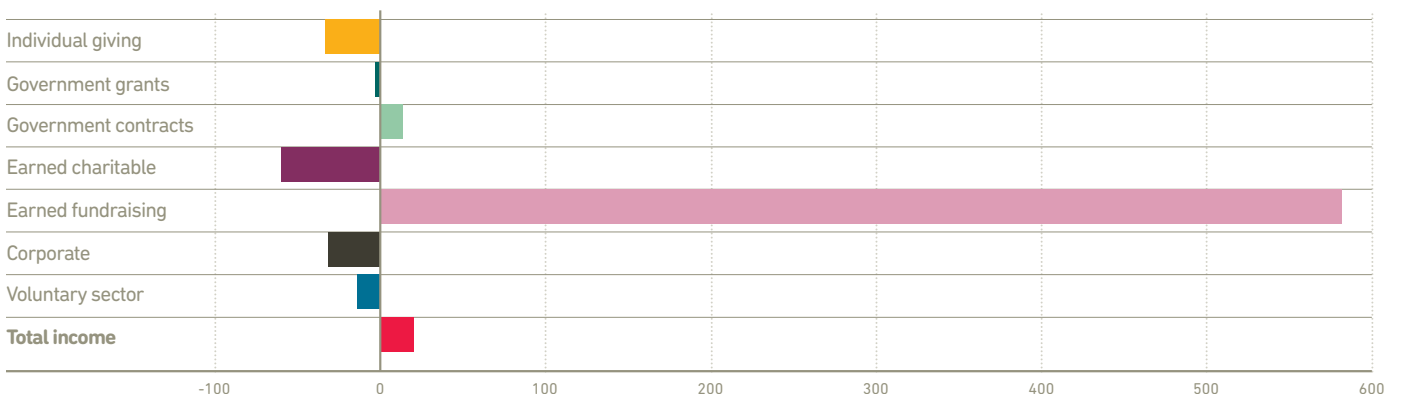


Figure 29: Average annual percentage change in all income sources between 2006/09 and 2013/16, £500,000 to £2m segment.



### 6.3 Trends for organisations with an income of £2m-£5m

This segment shows a recent yearly average income stream very similar to both the smaller segments (see Figure 30), with the best performing areas being individual giving, voluntary income and government contracts. Indeed, it is almost identical to the £500,000-£2m group. The exception is of course earned fundraising which, although significant and growing fast, is not as important as it is in the previous income segment yet.

Overall, we begin to see broad based improvements in fundraising over ten years. Indeed, this sector has achieved growth in all income streams except corporate support and individual giving and yet the latter is still its biggest income area at the end of the sample period, albeit at a very modest 17% overall (see Figure 31).

One organisation outlined their perception that there were still opportunities out there. They said that: "government grants are our biggest income source. [In addition] we believe there are voluntary income sources we haven't utilised yet, [and] individual income is an area where we can actively influence the growth potential."

Another organisation partly echoed this perspective of government grants: "[It is] important for us to get a balance between restricted and unrestricted income. Our trend has been towards improved performance in government grants. However, we are concerned about future trends and investing in growing our corporate income to diversify funding streams."

All of the organisations in this segment who responded to the survey said they were positive about government grants (though not contracts) along with more flexible and unrestricted sources of income.

Figure 30: Average annual income for 2013/16 by income stream, £2-£5m segment.

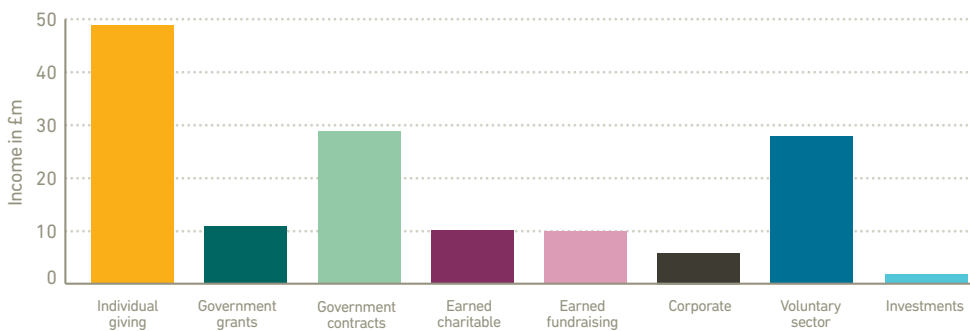
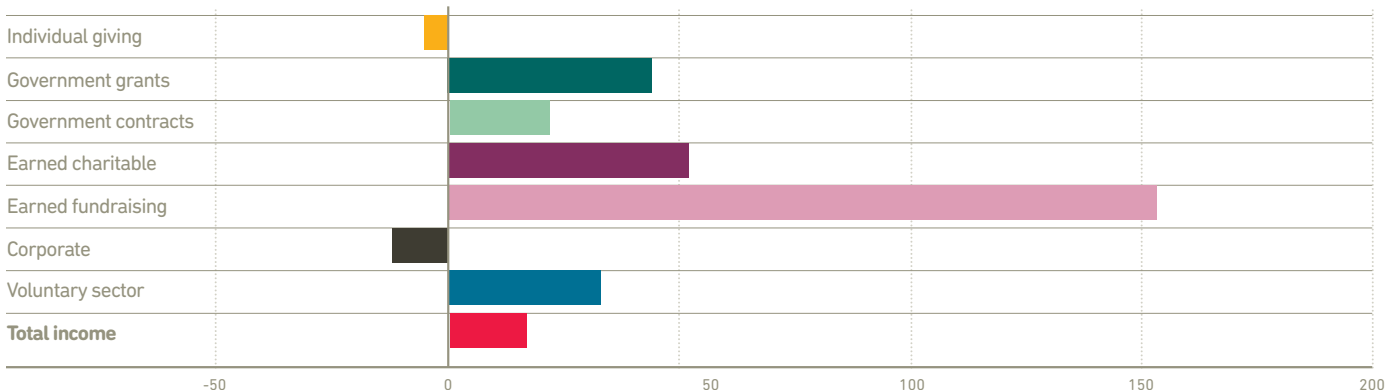


Figure 31: Average annual percentage change in all income sources between 2006/09 and 2013/16, £2m - £5m segment.



#### 6.4 Trends for organisations with an income of £5m - £20m

The funding profile for this segment is very similar to the previous one (see Figure 32). There is a considerable reliance on individual giving, government contracts and the voluntary sector. However, what we begin to also see is a growth in corporate income and a lesser reliance on fundraising income.

Corporate income is growing in this sector along with earned charitable and voluntary sector income. These three, along with individual giving, together represent 66% of their income. Government contracts and government grants, which together represent 30% of income, appear to be in decline (see Figure 33).

With the slowest overall growth rate of all segments at 4% over the period of the sample (see Figure 33), this segment comfortably conforms to the narrative of the squeezed middle charity. In Charity Finance magazine there was a study that found that UK charities with a £5-£10m income were growing at a median rate of just over 2% between 2015 and 2017.<sup>10</sup> While not directly comparable it is certainly a familiar trend; especially when compared with larger charities. Indeed, all income segments greater than £20m demonstrate a different (stronger) level of growth.

Although corporate income has grown and is now a significant proportion of income for this segment (worth a yearly average of £38.5m in the last three years), it has a high degree of volatility. During the past ten years as a whole it ranged from £25m to £63m.

With these trends it is not surprising that organisations in this segment both have the necessity and the resources to think more innovatively and to the future on their fundraising. One organisation reflected on the need to be more innovative by saying: "we survive on institutional grants as [our] fundraising department income is quite small. We would like to increase our fundraising and explore social enterprise as sources of unrestricted funding since institutional grants no longer cover cost recovery."

<sup>10</sup> <https://www.civilsociety.co.uk/finance/the-squeezed-middle-the-outlook-for-medium-sized-charities-cfxxx.html>

Figure 32: Average annual income in 2013/16 by income stream, £5m - £20m segment.

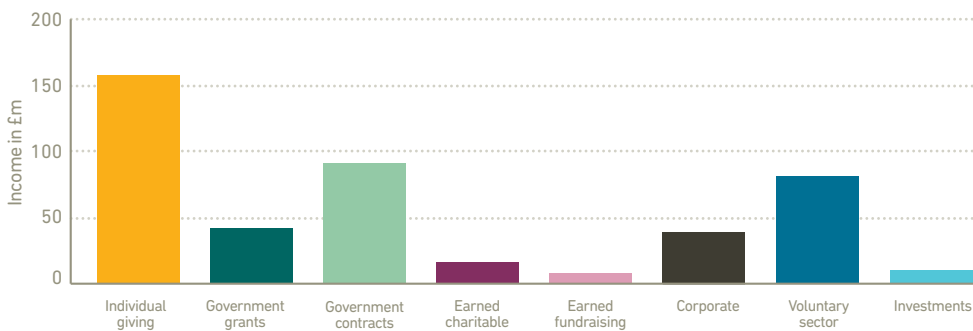
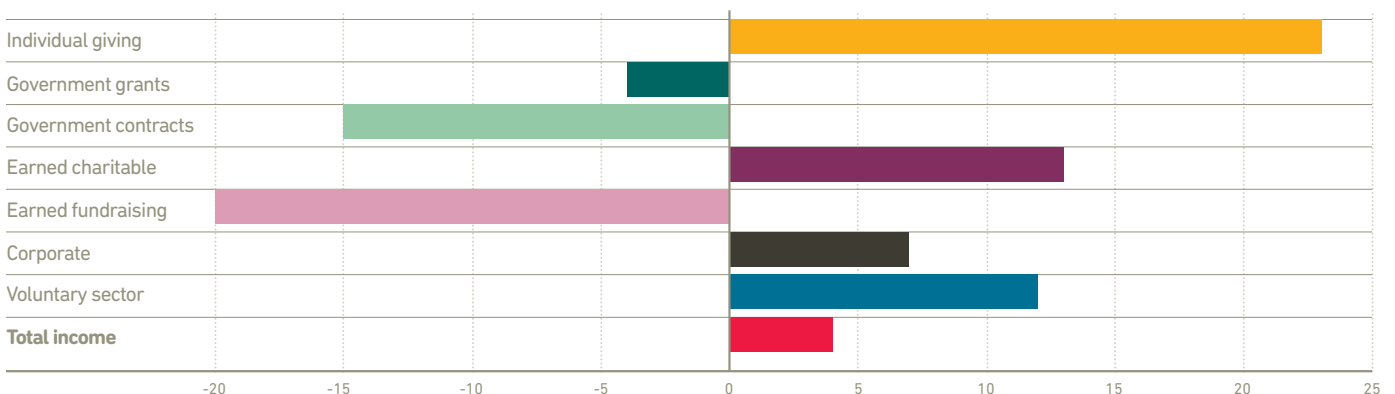


Figure 33: Average annual percentage change in all income sources between 2006/09 and 2013/16, £5m - £20m segment.



### 6.5 Trends for organisations with an income of £20m - £40m

For this next segment we see the beginning of some stronger trends such as big reliance on government contracts, with other areas such as earned fundraising and corporate income quite low. We also see a reduction in the reliance on the voluntary sector when compared with smaller income segments.

Although the actual amounts flowing to this segment for government contracts are very large, there is also still strong growth in grants as well (see Figure 35). Overall income for this segment has grown by 30% in real terms so the strategy of being successful with government grants and contracts (particularly the latter) appears to be bearing fruit.

This is good for organisations of this size as we can see that individual giving has stagnated in real terms, and other areas of income are either not significant or are going down. So, while there has clearly been success with government contracts, organisations of this size should not be complacent but instead consider diversifying their income, especially focusing on unrestricted funds.

One organisation summed up the context of this segment very well: "Voluntary income, with individual giving being a subset within that, is the bedrock that enables the organisation to keep making an impact on poverty. Government grants and contracts come and go, and, while they provide the bulk of [our organisation's] overall funding, we do not wish to become completely dependent on them." Their strategy was to rely on government funding "to deliver our own priorities, and for that reason we will continue to aim for steady growth in those areas as long as we can match it with growth in unrestricted income, above all through individual giving."

Although government contracts are (almost) uniquely strong and growing in this segment, there are good examples of organisations that are trying to diversify their income streams and continuing to pursue a balanced portfolio in income generation.

Figure 34: Average annual income in 2013/16 by income stream, £20m - £40m segment.

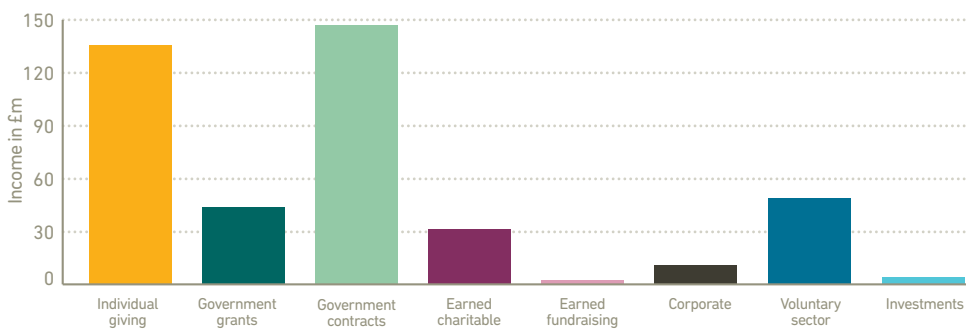
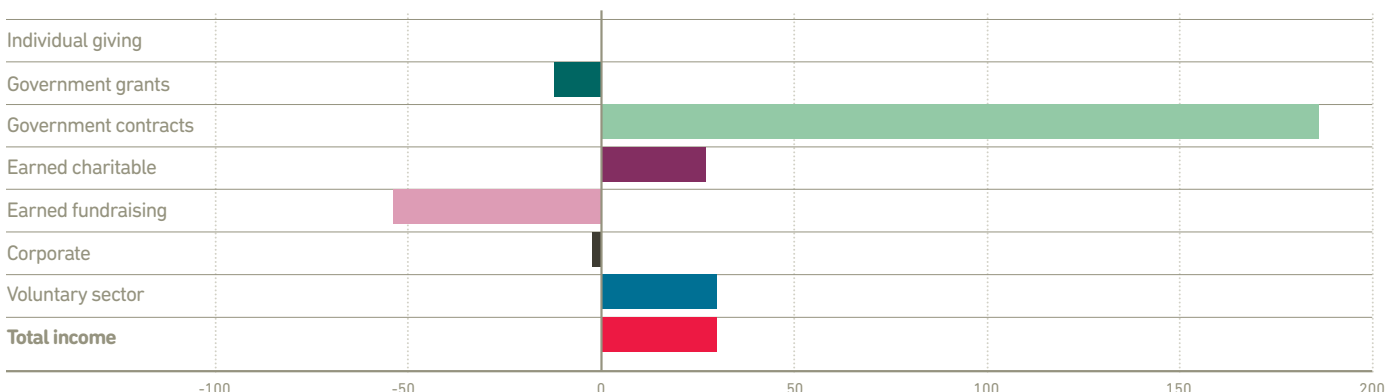


Figure 35: Average annual percentage change in all income sources between 2006/09 and 2013/16, £20m - £40m segment.



## 6.6 Trends for organisations with an income of £40m - £100m

In this segment we see some similarities to the previous segment – although organisations that earn between £40 and £100m do show more success with government grants (17% of income when compared with 10% for the £20-40m segment).

This segment contains larger organisations who will often be part of federations. This means there may be geographical restrictions on direct access to non-UK government funding. In addition, there are fewer organisations in the sample in this segment (17). Clearly again, individual giving is the biggest income source for this segment (see Figure 36).

Overall income is growing strong at 45% in real terms. This is mostly because both government grants and contracts have doubled (94% and 102% respectively). Between them they have produced almost all income growth. Figure 37 is a little misleading unless we look closely. Charitable earned income and corporate income are interesting areas for growth in percentage terms and may well be promising for the future but current levels are quite low. But for now in this segment as well as the previous one it is undoubtedly government income that is most important.

The two organisations in this segment that replied to the survey had slightly different experiences – largely because one is growing and the other is experiencing a reduced income. For the organisation that is experiencing a reduction they do not appear to pursue or rely on government contracts. In contrast, the one that is growing does rely on and pursue contracts.

In the words of the growing organisation: “The way the confederation is structured is that we can only access UK donors. Given the dominance of DFID and UK Government in the donor market, grants and commercial contracts are the most important. Given current trends, commercial contract[s] may take over the number one slot.”

They both do well from grants. Both have pursued diversification, especially with corporates, which is reflected in Figures 36 and 37. Their perspective on corporate funding was: “Corporates are next as they are already our second biggest income area and the potential for funding is large given the size of the UK stake in international business.”

Figure 36: Average annual income in 2013/16 by income stream, £40m - £100m segment.

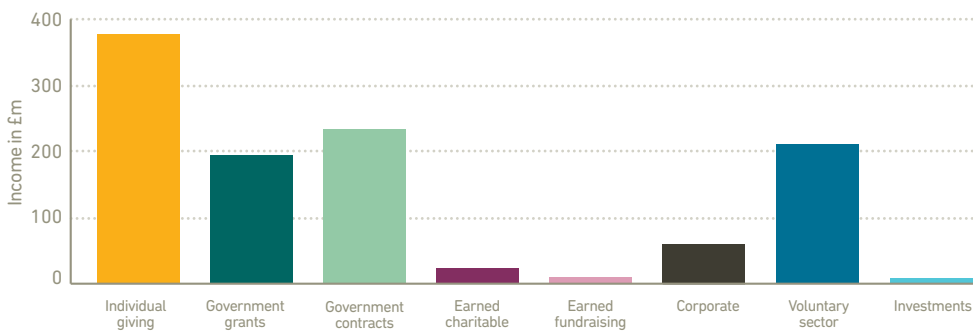
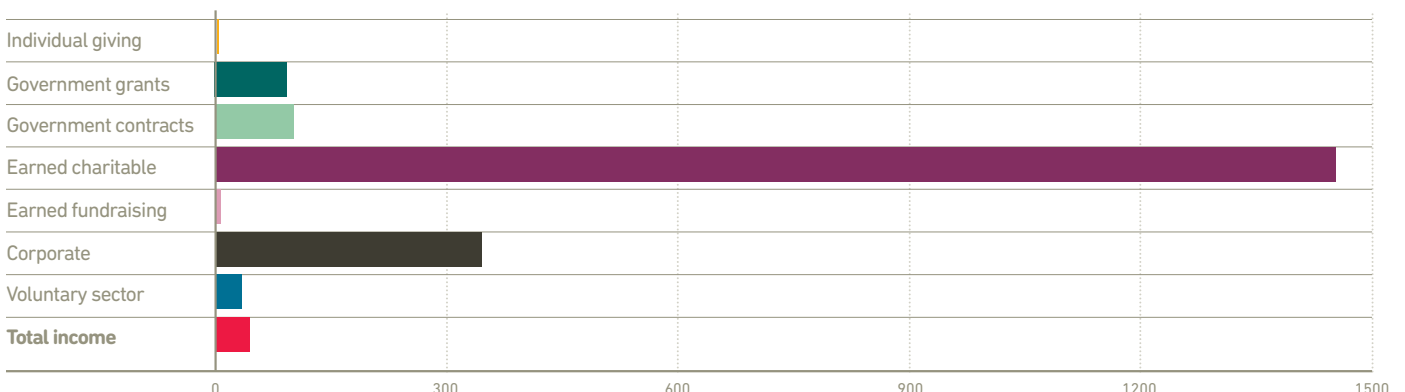


Figure 37: Average annual percentage change in all income sources between 2006/09 and 2013/16, £40m - £100m segment.



Overall this sector (driven mostly by corporate income and government contracts) has achieved a respectable 45% growth rate over the period. The earned charitable income has been mentioned by a few organisations as a useful way of generating flexible funds but, because of its scale, it will only be useful when used in conjunction with bulky restricted funds. Nevertheless, there is some exceptional growth (albeit from a very low base).

### 6.7 Trends for organisations with an income of over £100m

There are only eight organisations in this segment. What is remarkable is the healthy and even balance across almost all income streams as shown in Figure 38. This segment appears to be marginally less successful with government contracts and voluntary sector income when compared with the £40-£100m segment. Despite this, they are much more successful with earned fundraising and corporate income (income streams that are generally more unrestricted in nature). In addition, over the past ten years individual giving has remained strong. These unrestricted income sources inevitably open up more choices for investment in new streams, which becomes a virtuous circle. This has led to a more healthy overall growth rate of 55% (see Figure 39).

The one organisation that we contacted directly for this survey described almost all income streams as stable or 'up and down'. The exception was an increase for government contracts and a decline for individual giving and earned fundraising.

Importantly they commented that public fundraising (individual giving) was "no longer [our] biggest source of income, but was historically. There are still remnants of this, and it also requires a bigger investment to see a return." The data would suggest that these organisations were still able to invest in and generate more funds through government and public routes.

However, for this segment the future may not be the same as the past. While the lion's share of growth in the sector has been in this segment, the challenges of fundraising facing some of the larger NGOs may be considerable.

This might not be true for all the organisations in this segment. The interesting perspective for the future will be which large organisations will thrive and what strategies will they adopt to do so. Importantly, success in fundraising may have little to do with how good the fundraising strategy is or

Figure 38: Average annual income in 2013/16 by income stream, over £100m segment.

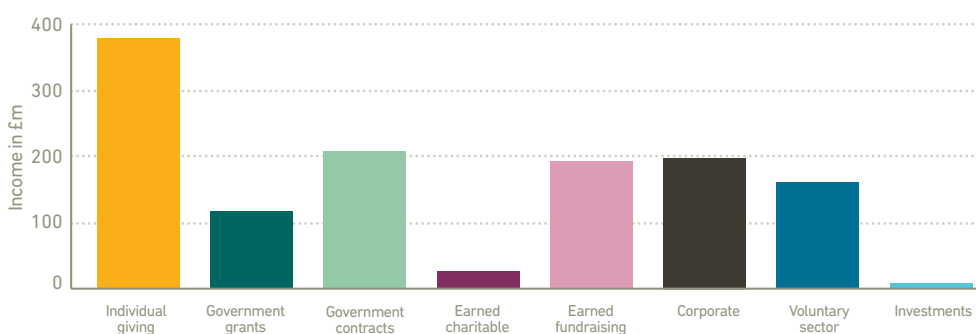
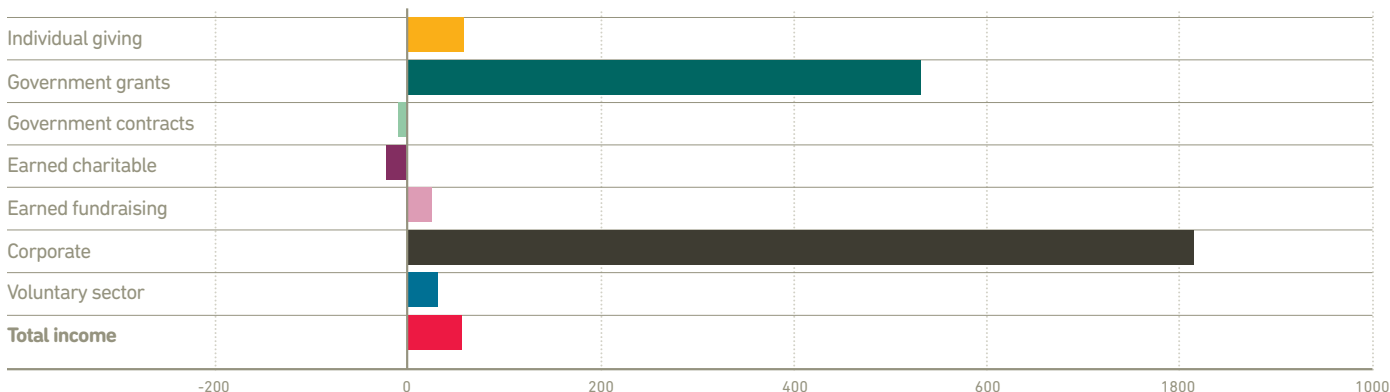


Figure 39: Average annual percentage change in all income sources between 2006/09 and 2013/16, over £100m segment.



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how well it is implemented. With new regulations impacting fundraising such as GDPR, and the more recent safeguarding problems, the whole brand and identity of the organisation will be key. This is probably true of organisations of all sizes.

In her study on the future direction of large INGOs<sup>11</sup>, Penny Lawrence describes the choices facing larger NGOs that are different from chasing, bidding for, winning and managing contracts: “They could choose to invest in the future, spending time and energy in digital transformation, testing learning and adapting on their way. Their income may reduce, and they would rely instead on public donations, fees for service, growing relationships with trusts and foundations, and new business models. Despite the loss of income, they are most likely to gain in influence, attract more diverse talent and develop the capacity to navigate the uncertain future.”

This challenge could apply to all organisations but especially to large ones. Growth for growth’s sake should be challenged and it is more important to make sure the organisation is an appropriate size for its mission, support base, and business model. The main message to take from this is that it is important to explore diversifying fundraising and look to the future.

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<sup>11</sup> Penny Lawrence (September 2018), pp 27: Whither large International Non-Government Organisations? Third Sector Research Centre, Plowden Fellowship Report.



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# 7 — Conclusions

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## **The sector is growing**

Total income for Bond members grew over the ten years of the sample period. It outperformed the UK charity sector by growing 59% as opposed to the UK charity sector's 10%.

By 2015/16, the income streams that are most important to Bond members are individual giving (31%), government contracts (19%), voluntary sector (17%), and government grants (14%). These have all been growing with government grants growing the most.

## **Government grants and contracts are strong sources of income**

Government income (grants and contracts together) funds almost exactly the same proportion of the work (33%) of international development organisations as it does in the UK charity sector. So, while the distribution between grants and contracts may change over time, it is not clear that there is room for more government funding in the sector – or even if it is desirable. Similarly, voluntary income may not yield the same proportion that it has in the past as important organisations' funding policies result in lower funds going to UK INGOs.

There are other funds that can be explored. Although currently small, such as earned charitable income and corporate sector income, these are important for diversification – especially if the business model works or the partnership (with corporate sector) is focussed on the organisations core business.

## **Success in fundraising appears to depend on the size of an organisation**

When we look at growth in the international development sector over the ten year sample period, there is a strong dividing line at the £20m mark. Almost all the financial growth has occurred in the income segments above this level. Below this level, the income overall has been static in real terms.

However, the detail shows some areas for growth within these lower income segments. For example, individual giving and voluntary sector income have been strong for organisation with an income of below £500,000. Earned fundraising has shown some strong recent growth among organisations with income between £500,000 and £2m. Earned charitable income appears to have grown appreciably in the £2m to £5m group.

Individual giving is both the largest source of income and growing steadily. However, the growth of this income stream during the sample period has been strongly focussed on the larger organisations. There is now an expectation that some organisations will see a decline in individual giving, or will have to work hard to maintain it especially with a more difficult funding environment.

## **But it is not all about size.**

Although larger organisations have clearly been successful, there are examples of fundraising success stories in each segment. And with a strong reliance on government income in larger organisations, and some strong additional challenges facing the largest organisations, diversification and innovation will be important for all. But it is also important to consider the links between organisational mission, brand and identity and the fundraising strategy. If donors (of all types) can connect with the mission, brand, and identity of the organisation, then a fundraising strategy may be easier.

# Annex 1:

## Supplementary data about the sector and sampling

### A1.1 Breakdown of Bond members by other categories.

In addition to disaggregation by income segment, which has the major benefit of being mutually exclusive, there are other ways of differentiating the organisations from the same sample. We can also categorise them in the following ways:

Table 2: Sample by organisation type (including organisations who are Bond members but are not in the sample).

Organisation type	Member
Community interest company	4
Company limited by guarantee	14
International	21
Private limited company	1
Registered charity	331
University	7
Unknown	4
Group of charities	0
All	382

Table 4: Number of organisations in each activity within sample.

Activities	Number of organisations
Provides advocacy/advice/information	236
Makes grants to organisations	191
Provides services	168
Sponsors or undertakes research	145
Provides human resources	130
Acts as an umbrella or resource body	78
Other charitable activities	66
Provides buildings/facilities/open space	50
Makes grants to individuals	50
Provides other finance	24

Table 3: Sample by Bond member type (including organisations not in the sample).

Bond type	Member
Associate	34
Full	315
Hosted	3
International associate	12
Observer	1
Reciprocal	8
All	373

Table 5: Number of organisations working with each beneficiary type.

Beneficiary group	Number of organisations
The general public/mankind	200
Children/young people	196
Other charities or voluntary bodies	137
People with disabilities	110
Other defined groups	99
Elderly/old people	94
People of a particular ethnic or racial origin	40

Table 6: Number of organisations covering each purpose.

<b>Purpose</b>	<b>Number of organisations</b>
Education/training	246
The prevention or relief of poverty	236
Overseas aid/famine relief	179
The advancement of health or saving of lives	158
Economic/community development/employment	156
General charitable purposes	89
Disability	72
Human rights/religious or racial harmony/ equality or diversity	71
Environment/conservation/heritage	64
Other charitable purposes	33
Accommodation/housing	32
Religious activities	28
Arts/culture/heritage/science	18
Animals	12
Amateur sport	11
Recreation	3
Armed forces/emergency service efficiency	1

# Annex 2: Funding trends survey questionnaire

These questions will be coupled with financial data that we have obtained for Bond members to give a full picture of the funding experience and intentions of UK INGOs.

Name: .....

Position in organisation: .....

Organisation: .....

Turnover: £ .....

Overall in income growing, reducing, or stable, or up and down: .....

Main funding income:

	2- Historically (last 10 years) gone up or down	3- Future expectations of growth or reduction	4- Priority for investment (top 3)
Government grants			
Government contracts			
Individual giving			
Fundraising income			
Investment income			
Charitable earned			
Voluntary income			
Corporate income			

> For each income stream in column 2 and 3 please describe it as up, down, stable, up and down, or not applicable

> For column 4 please put a 1,2 and 3 next to the top three priority areas of investment for your organisation

**Any other comments on historical and future fundraising trends in your organisation:**

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.....

**Rationale for investment decisions:** (Explain your rationale for your fundraising priorities).

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# Notes

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# Funding support from Bond

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## **We support organisations to access funding and become financially sustainable through expert guidance.**

We share insights into funding opportunities and new models of funding to help NGOs adapt to increasing funding pressures and complexities:

- We offer resources and support on securing sustainable funding, including our regularly updated upcoming funding opportunities webpage.
- Our annual Funding for Development conference brings together fundraisers to discuss key issues, trends and insights in public and institutional fundraising.
- Our member-led groups share expertise and take joint action in areas of funding, such as institutional funding, commercial contracts, EU funding and public fundraising. Our Funding Group currently has 901 members.
- Our training courses focus on institutional funding, public fundraising and commercial contracts to help you understand funding opportunities and the skills needed to secure funds.

We also engage with the government on funding policy:

- We coordinate a members' group of financial experts to support DFID to redevelop their approach to cost transparency and value for money.
- We also coordinate sector-wide responses to DFID funding policy changes.

Find out more at [bond.org.uk](https://bond.org.uk)





Bond is the UK network for organisations working in international development.

We unite and support a diverse network of over 400 civil society organisations to help eradicate global poverty, inequality and injustice.

Find out more at [bond.org.uk](http://bond.org.uk)

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