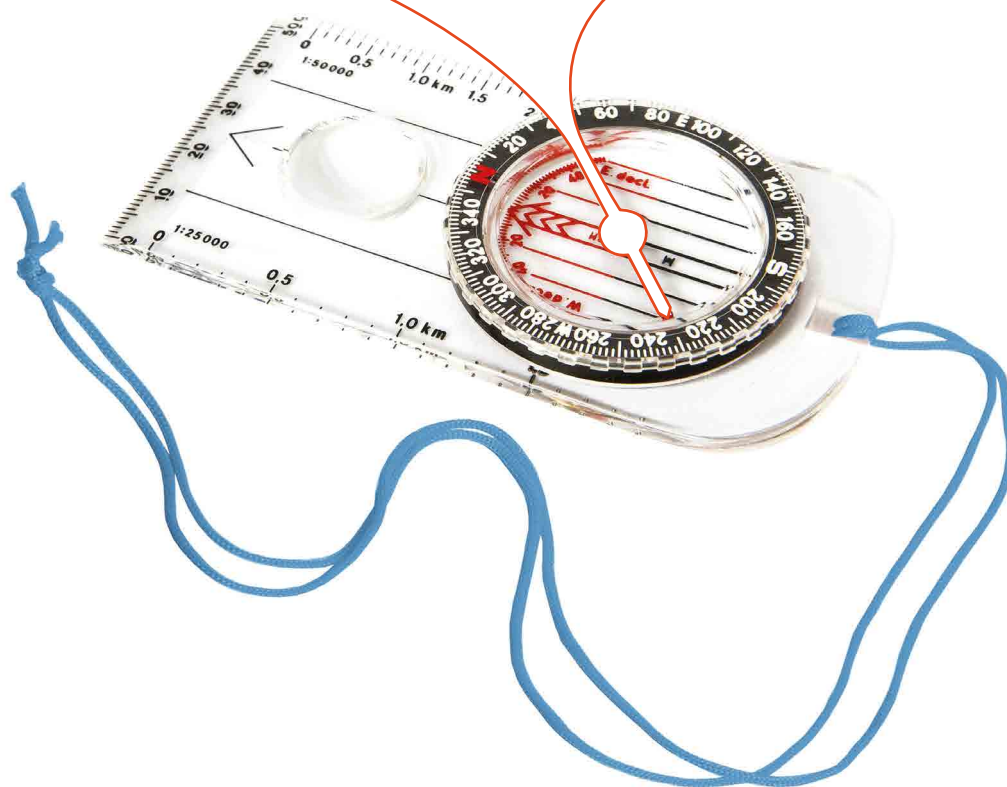


SOCIAL LANDSCAPE

The state of charities and social enterprises in 2015

March 2015



About CAF

Charities Aid Foundation (CAF) is a leading international charity registered in the United Kingdom, with nine offices covering six continents. Our mission is to motivate society to give ever more effectively and help transform lives and communities around the world. We do this by working globally to increase the flow of funds to the charity and non-profit sectors through the provision of philanthropy advice and services.

About ACEVO

ACEVO (Association of Chief Executives of Voluntary Organisations) is the Charity Leaders Network. They are the charity and social enterprise sector's leading campaigning voice and they support third sector leaders through a range of networking and learning events, advice and development opportunities tailored to senior leadership roles and bespoke consultancy and social innovation development services.

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Commentary

Let's not shrink from saying it clearly: these are tough times to be a charity. ACEVO's polling in the last few years has consistently showed demand for charities' services to be going up while funding for the sector is getting scarcer.

Over the last year we have shown we are more vital to the nation's wellbeing than ever before. Charities are more and more the Nation's 'other social safety net'. We pick up the pieces when politicians cut up the state. Some onlookers say this means we're doing our job as we're meant to. But things can't go on escalating this way forever.

We are increasingly under pressure. One in five charities have cut staff numbers and one in eight have cut back frontline services in the last year. Two-thirds of CEOs are concerned that the public don't really understand the importance of our sector in Britain today – a message we hear on the ground around the country. There's also widespread pessimism about government's support for the sector. Changing this – or helping government craft policies that help change it – is an urgent priority.

In these uncertain times, I'm pleased to see my fellow CEOs keeping positive. Over four-fifths of them are optimistic about their organisation's future, and more than half feel optimistic about the sector's future in general.

Good leadership in tough times has seen third sector CEOs diversifying and innovating. In the last year, 55 per cent of CEOs have collaborated with others in our sector and more than a quarter have worked with the private sector. Partnerships are a popular and effective means to weather the storm and long may that continue.

Diversification of funding streams and restructuring of charitable missions and staff structures are also widespread. CEOs are working hard to secure financial sustainability, with 78% either already or soon planning to diversify income and funding. It's never wise for any charity to be too reliant on one funder so this trend looks encouraging so long as total funding levels stay consistent.

But let us not resile from the overall challenge – and what needs to be done to meet it. On May 7th the British people will elect a new government. It's vital that those who are vying for our vote have a vision for the third sector: that they recognise the foundational contribution of the third sector to our communities and that they look to support it. That's something we're proud to be championing at ACEVO, by campaigning for and supporting third sector leaders to do the best they can for their organisations and for the country. Politicians of all parties should take on board the main message from this report and act on it: the third sector is vital to a free and fair society. We need to listen to them and their beneficiaries, not close our ears to their concerns. We'll be watching closely to see who takes heed of this important message.



Sir Stephen Bubb
Chief Executive
ACEVO

Foreword

There has long been a need for an authoritative social landscape report such as this, showing how charities are responding to the challenges of Britain today.

The charity sector in this country plays a pivotal role in society, bringing people together to tackle the social issues that touch them, and it underpins the lives of millions.

The views of those who lead charities, large and small, matter, and they need to be heard, so when we had the opportunity to combine CAF's research expertise and the views of the charities we serve together with ACEVO's membership among charity leaders, it was simply the right thing to do. Together we can provide a unique view into the charitable sector – how it is performing, the impact of austerity and economic uncertainty, and its concerns about the future.

This report chronicles the responses of hundreds of ACEVO, ACOSVO and CO3 members and CAF Bank customers, and represents views that extend across the charitable sector. Together, the senior figures surveyed for this report work in organisations ranging from major national and international NGOs to small and medium sized non-profit organisations which make up the majority of charities serving people across this country.

Sir Stephen Bubb comments on the tough times faced by charities in the current environment, experiences shared by the charities we at CAF support day in and day out.

Much is known about the optimism and concerns of the business community, or those in health, education or other public spheres, much less about how charities as a community are faring. Our aim in founding this landmark report was to tell the story of how our charities are responding to today's social, economic and political environment, to gain a unique insight into the challenges faced by our great voluntary sector, and to allow people to understand their fears, worries and concerns, as well as their optimism for the future.

Charities are woven into the very fabric of society. While governments and corporations come and go, charities remain, underpinning and bringing people together in a common cause. If charities suffer, the people they serve suffer too.

This report is not a detailed commentary on the policies of government or any particular political party. Yet, as we enter the final run-in to the General Election, it gives a clear message about the charities which make a huge, and incredibly valuable contribution to British society. As the election approaches, our hope is that we can contribute to national debate and help our political leaders understand the challenges that these most important of organisations are facing and facilitate their unique role.

Charities provide support and opportunities that neither state nor private enterprise can offer. They connect and bond our communities. They help make Britain great and they need support, not merely funding, and certainly not vilification or repression. Politicians across the spectrum can unite in recognising the role and place of civil society, listen as they give voice to minorities who can be overlooked through the democratic process, and learn from the innovation in social reform which the sector repeatedly pioneers.

Even in difficult economic times, charities should sit alongside the great institutions of state and commerce, and be encouraged and supported as such.



Dr John Low
Chief Executive
Charities Aid Foundation

1 Introduction

About this Report

This is the first year that Charities Aid Foundation (CAF) and the Association of Chief Executives of Voluntary Organisations (ACEVO) have produced the *Social Landscape* report. Our aim is to gain a unique insight into the voluntary sector from the perspective of its Chief Executives - to understand any challenges faced, and to assess the impact such challenges have on the sector's ability to meet the needs of its beneficiaries.

Methodology

The data in this report is based on questions that CAF asked charities as part of the ACEVO *Pay Survey 2014/2015*, which collects information from Chief Executive Officers (CEOs) and from chairs of boards of trustees of organisations in the voluntary sector. These organisations consist predominantly of charities, but also include some social enterprises and other voluntary organisations. The survey could be completed online and offline and launched via email on 21 September 2014, with the last responses received by post at the end of October 2014.

The CAF questions were asked only of CEOs completing the ACEVO study and so results in this report are based on 572 respondents.

The sample was drawn from CAF Bank customers and individual members of ACEVO, ACOSVO and CO3. Together, these bodies cover a good breadth of organisations from across the different parts of the third sector in England, Scotland and Wales, including smaller organisations. The third sector has a high proportion of small organisations (75.3% with an income of £100k or less), many of which may not have a position of CEO, and so such organisations are under-represented among the ACEVO membership and similarly the survey sample. However, while numerous, small organisations account for only a small proportion (3.5%) of total sector income.¹

Notes on reporting

For the sake of brevity, respondents are referred to throughout this report as 'voluntary sector organisations', 'organisations' or 'charities'.

In reporting by organisation size, we have adopted the following bands as used within the ACEVO *Pay Survey 2014/15* report:

- Small <£1 million (321 interviews)
- Medium £1 million - £5 million (147 interviews)
- Large >£5 million (104 interviews)

Results are based on all responding per question, any 'no answers' having been removed from the data. Percentages may not always add exactly to 100% due to rounding.

¹ Recent charity register statistics: Charity Commission, 31 March 2014

2 *Key Findings*

Generating income and achieving financial sustainability is the most pressing challenge for charity CEOs. More are pessimistic than optimistic about overall economic conditions (38% vs. 30% respectively). A third (32%) report having used reserve funds to cover income shortfalls in the last year.

Financial concerns are further compounded by a reduction in public/government funding. Large charities are particularly affected, with two in five citing this area as one of their top three challenges (40% compared to 29% overall).

Despite the challenges faced, charity Chief Executives remain relatively optimistic about the future. Eight in ten (82%) are optimistic about the future of their organisation and over half are optimistic about the future of the charity sector in general (57%).

However, those in smaller charities are less optimistic than those in larger organisations, and one in five (21%) are 'struggling to survive'. If this experience is replicated across the c.130,000 charities of this size currently in operation, it could prove devastating for the sector.

Demand continues to increase. Over three-quarters (78%) have seen an increase in demand for their services over the last year, and eight in ten (83%) anticipate a further increase in demand over the next 12 months.

Positively, the vast majority (82%) are confident in their own organisation's ability to meet the future demand anticipated. There is, however, some concern about the ability of the sector as a whole to meet future demand, with only 41% optimistic about this (vs. 32% being pessimistic).

Collaboration and outsourcing appear to be central to this. Seven in ten CEOs have either accessed outside help or used external expertise in the last year, or plan to do so within the next 12 months. Over half (55%) have collaborated with other not-for-profit organisations in the last year and 28 per cent have partnered with private sector organisations.

Nine out of ten CEOs are 'always looking at ways to improve their operations'. One such way is through new technology, with many aiming to improve awareness and engagement with supporters through social media, and to provide new online solutions and giving channels. It is not, however, felt to be wholly successful with only two in five (38%) in agreement that 'charities are using new technology effectively to increase giving'.

Three in five CEOs believe that regulation by the Charity Commission in their region is effective, however, a similar proportion are pessimistic about government support for the sector (59%). When asked what support they would like to see from government, CEOs most commonly mention funding issues, a need for government to value the sector more, and increased tax relief.

Two-thirds of Chief Executives (68%) believe that people do not really understand the importance of charities to Britain today. Despite this, over half (53%) remain optimistic about public support for the sector.

3 Detailed Findings

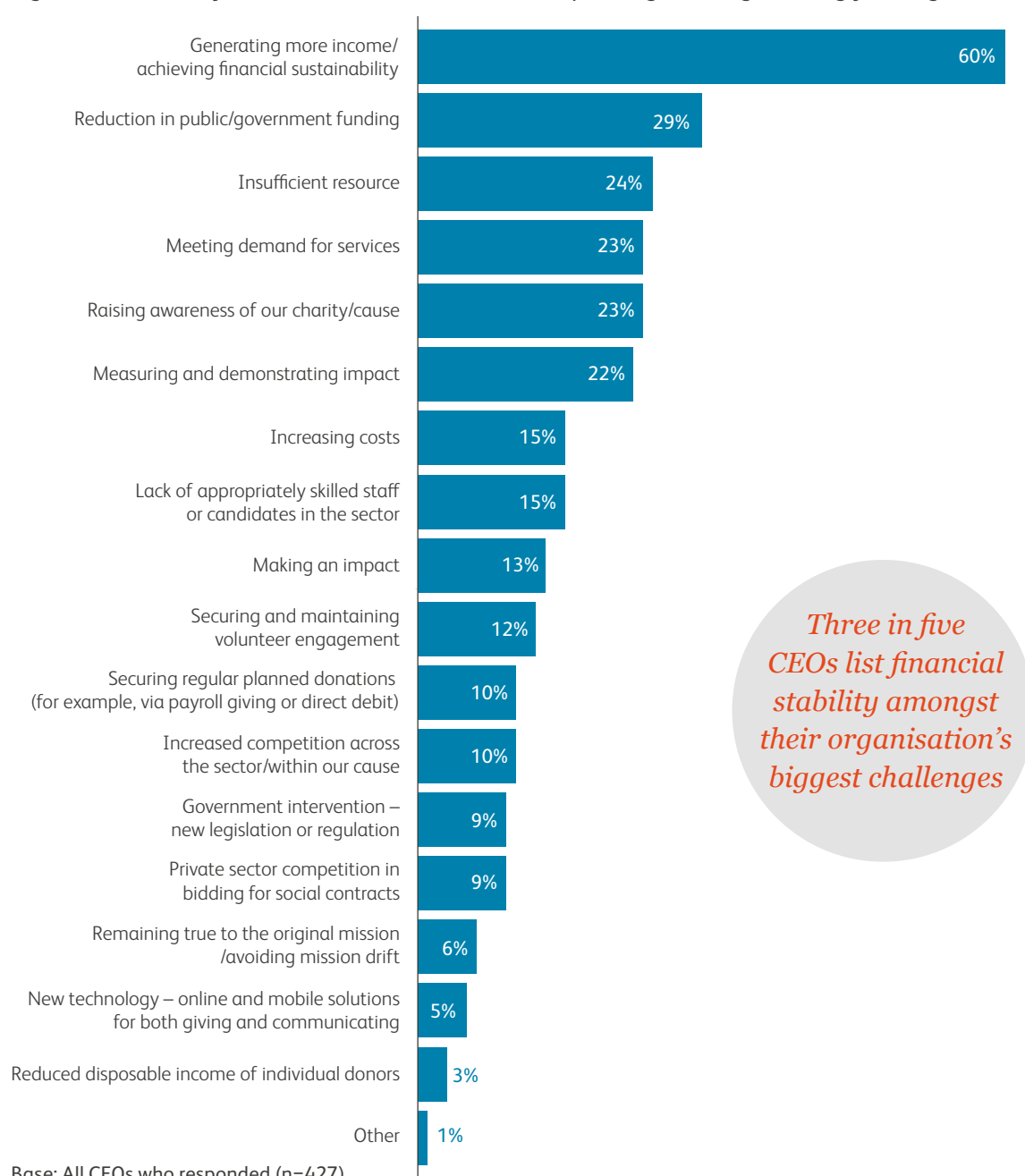
3.1 Key challenges faced

Charity Chief Executives most commonly highlight ‘income generation or achieving financial sustainability’ as one of the three most pressing challenges that they face – three in five CEOs select this, with it being the top concern for organisations of all sizes and based across all regions of the country. The second most commonly selected challenge also pertains to financial security, with 29 per cent of CEOs highlighting a ‘reduction in public/government funding’ as an issue.

An ability to deliver is of concern, with nearly a quarter highlighting ‘insufficient resource’, and ‘meeting service demands’ as key challenges (24% and 23% respectively). In this respect, over three quarters (78%) report an increase in the demand for their services over the last 12 months.

Communication is also central, with CEOs aware of the need to both ‘raise awareness of their charity or cause’ and ‘measure and demonstrate impact’ (23% and 22% respectively).

Figure 1 Which do you consider to be the three most pressing challenges facing your organisation?

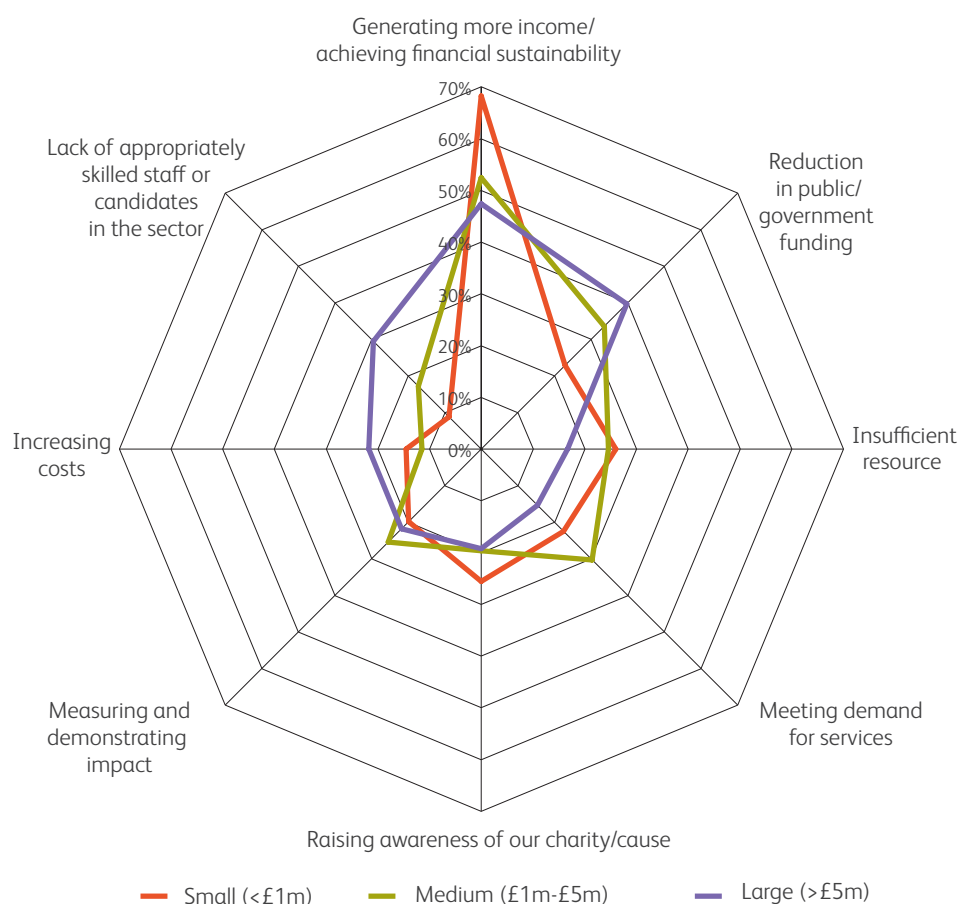


3.1.1 Challenges faced by organisation size

The type or gravity of some challenges does differ according to charity size. Smaller charities, with an income of less than £1 million, are more likely to highlight ‘generating income’ as a key concern than charities with an income of over £5 million (68% vs. 47% respectively). However, the largest charities are not immune to financial worries, with two-fifths of CEOs in these organisations highlighting a ‘reduction in public/government funding’ as one of their three most pressing challenges (40% compared to 29% overall). Clearly, this reflects the different income streams that charities have, with larger charities more likely to be receiving government funding, which is known to have reduced in recent years.² Indeed, larger charities are also more likely to highlight ‘private sector competition in bidding for social contracts’ as a top concern (14% vs. 9% overall). Feeling the squeeze from all angles, larger organisations are also more likely to cite ‘increasing costs’ as a concern (22% vs. 15% overall).

One of the top three challenges raised by larger organisations is the ‘lack of appropriately skilled staff or candidates in the sector’ (29% vs. 15% overall). CEOs from medium sized charities are more likely to cite ‘meeting demand for services’ as one of their three most pressing challenges (30% vs. 23% overall). Whilst smaller charities are more likely to be concerned with ‘raising awareness of their charity/cause’ (26% compared to 20% amongst medium and 19% amongst large organisations).

Figure 2 Most pressing challenges by size of organisation (top mentions)³



Base: All CEOs who responded (small charities = 227, medium charities = 122, large charities = 78)

² The UK Civil Society Almanac 2014 produced by NCVO reports a decline of £1.3bn in government funding between 2010/11 and 2011/12 <http://data.ncvo.org.uk/a/almanac14/fast-facts-3/>

³ A full breakdown of all 18 challenges shown by organisation income size can be found in Appendix II

3.1.2 Challenges faced by region

Whilst sample sizes do not allow for a full regional breakdown, a broad segmentation by North, Midlands and South highlights some regional differences.

Charities based in the Midlands are much more likely than organisations based elsewhere to highlight insufficient resource (30% vs. 24% overall) and increasing costs (26% vs. 15% overall) as one of their top three challenges.

Those in the North more commonly highlight government funding cuts (40% vs. 29% overall), meeting demand for services (31% vs. 23% overall) and private sector competition in bidding for social contracts (19% vs. 9% overall) as challenges than those based elsewhere.

In the South, CEOs are more likely than their counterparts in the North and the Midlands to highlight measuring and demonstrating impact (26%), lack of appropriately skilled staff (17%), making an impact (15%) and government intervention (10%). These challenges also reflect the concerns of large charities, a higher proportion of which are in the Southern sample.

3.2 Future optimism

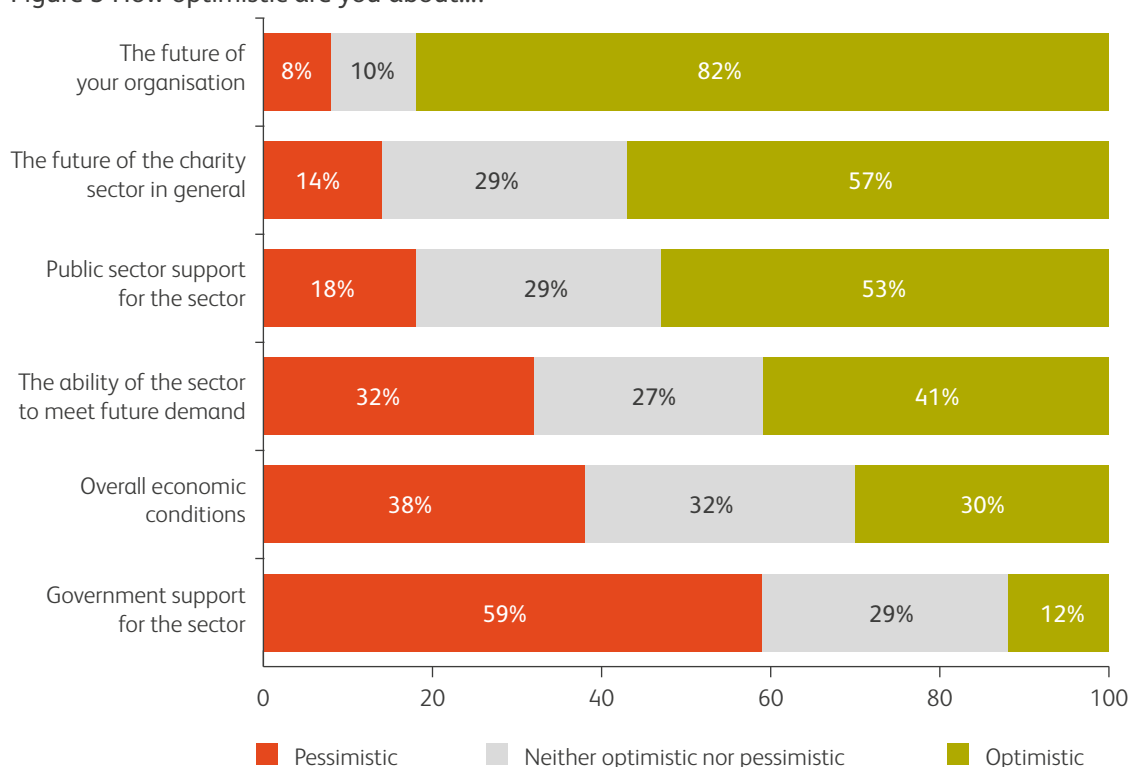
Despite the challenges faced, the majority of CEOs remain optimistic about the future of their organisation (82%), the future of the charity sector in general (57%) and public support for the sector (53%). However, with income generation and funding reductions being the two most commonly reported challenges faced by CEOs, it is unsurprising that they are more likely to be pessimistic (38%) than optimistic (30%) about overall economic conditions.

Only two in five (41%) CEOs are optimistic about the ability of the sector to meet future demand, with a third (32%) pessimistic. This reflects the result highlighted already whereby 23 per cent of CEOs feel 'meeting demand for services' to be one of the top three challenges faced by their organisation (see Figure 1).



*CEOs are hopeful
about the future
of the sector, but
pessimistic over
the economy
and government
support*

Figure 3 How optimistic are you about...?



Base: All CEOs who responded (n=428)

3.2.1 Optimism about government support

Perhaps of most concern in this election year, is that only 12 per cent of CEOs are optimistic about government support for the sector, with almost three-fifths (59%) pessimistic. Indeed, 12 per cent report being very pessimistic about government support for the sector. Furthermore, 12 per cent of Chief Executives in the largest organisations highlight 'government intervention' as one of their three most pressing challenges (see Appendix II).

These results come amid widespread criticism of the introduction of the Lobbying Act in 2014 and concerns over its impact on charities,⁴ with more than 150 organisations requesting that the Act be repealed following the general election.⁵ It is not difficult to see how this could lead many in the sector to be pessimistic over government support.

When asked what, if anything, they would like to see government do to support charities in the next 12 months, 15 per cent of those CEOs responding felt that 'no action was required', whilst the remainder offered at least one suggestion.

The most common type of support desired concerns 'funding', with one in five mentioning it; funding increases, improvements in the way funding is allocated and more long-term funding were all issues highlighted by CEOs. One in seven want the work of their organisation or the sector as a whole to be more valued and one in ten would like increased tax relief for charities. Improvements to the contracting process, less interference and more positivity towards the sector from government were other frequently mentioned issues.

⁴ <http://www.bbc.co.uk/news/uk-politics-30935367>

⁵ http://www.civilsociety.co.uk/governance/news/content/19087/letter_calling_for_the_lobbying_act_to_be_repealed_signed_by_160_charities

Table 1 What, if anything, would you like to see government do to support charities over the next 12 months? (open response coded into common themes/mentions)

Government support desired	All responding (262) %	Some typical responses...
Funding	21%	<p><i>Longer term financial commitments to support longer term strategic planning</i></p> <p><i>Recognise that good care costs more than minimum wage</i></p> <p><i>Be realistic about the gaps that statutory deficits will create</i></p>
Value our work (more)	14%	<i>Recognise [charities] worth and free them up to do the job they are good at</i>
Reduce VAT/increase tax relief for charities	10%	<i>Exempt us from VAT. We pay 20% more for everything than our commercial business counterparts</i>
Improve the contracting process	7%	<i>Comply with COMPACT requirements on contract negotiations</i>
Less red tape/interference	6%	<p><i>Consult on politics which affect the sector</i></p> <p><i>Further simplification to Gift Aid</i></p>
More positivity/support for the sector	5%	<p><i>Promote the fact that society relies on charities and the need to attract professionals to do this</i></p> <p><i>Stop all the negative press generated by the govt and the Charity Commission</i></p> <p><i>Work more positively and proactively</i></p>
Improvements to regulation/Charity Commission	4%	<i>Support funding for Charity Commission so it can also give guidance as well as regulate</i>
Revoke Lobbying Act/recognise role as advocates	3%	<p><i>Abolish the Lobbying Act and reduce mandatory element of welfare to work contracts</i></p> <p><i>Be clear that campaigning is integral to charities' role</i></p>
Other comments	16%	<i>Stop squeezing public sector and expecting us to pick up the pieces</i>
Nothing/no action required	15%	

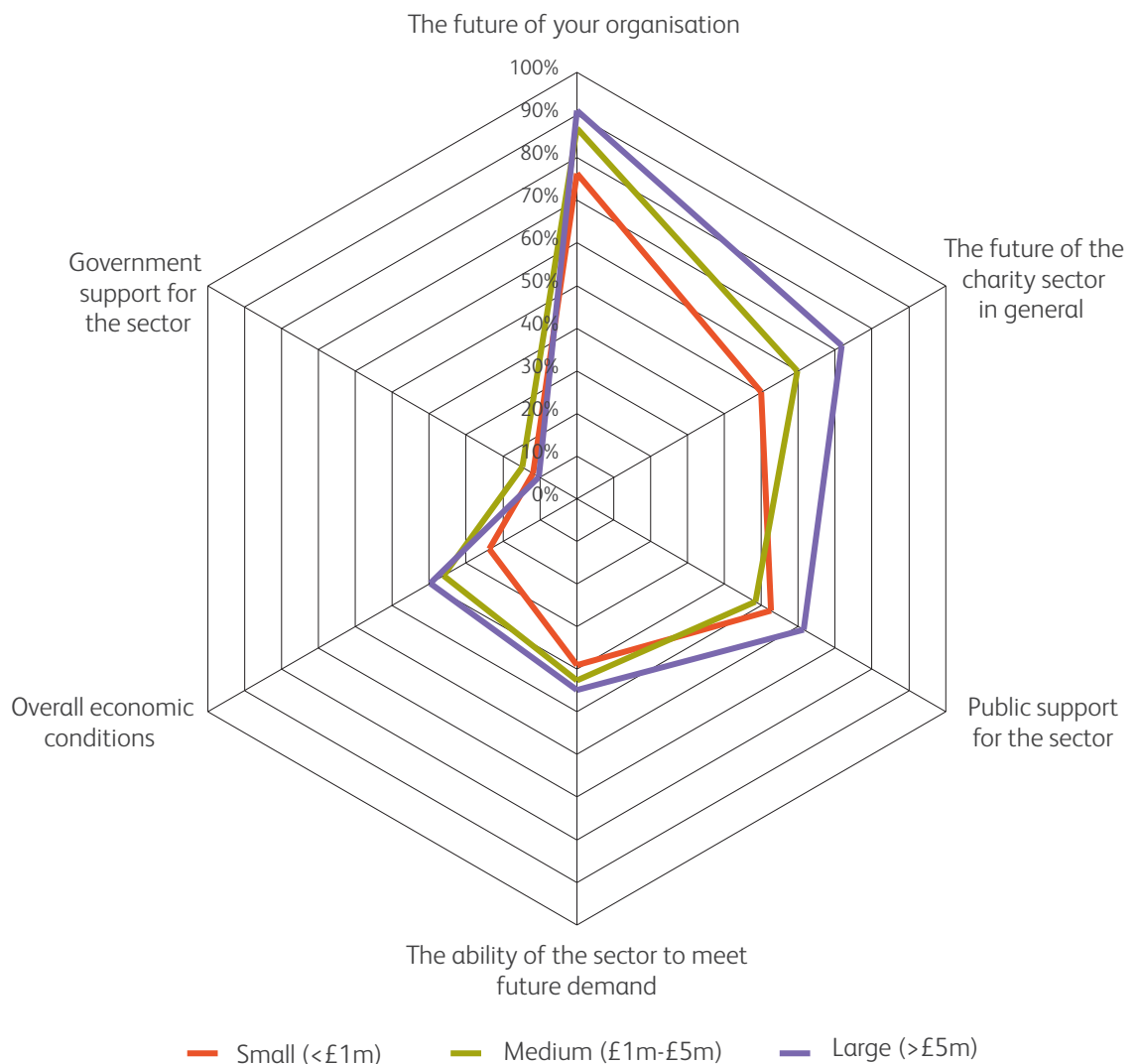
3.2.2 Optimism by organisation size

As with the challenges faced, optimism levels also differ dependent on organisation size. As shown in Figure 4, CEOs in smaller charities are generally less optimistic than those in large organisations. This is particularly true in respect of the future of the charity sector (50% vs. 72%); overall economic conditions (24% vs. 40%) and the future of their own organisation (76% vs. 91%).

Smaller charities are generally less optimistic than larger charities

Chief Executives in medium size organisations are less likely than others to be optimistic about public support for the sector (48% compared to 53% in small charities and 62% in large charities).

Figure 4 Optimism by size of organisation – all stating that they are ‘optimistic’ about each area



Base: All CEOs who responded (small charities = 228, medium charities = 122, large charities = 78)

3.2.3 Optimism by region

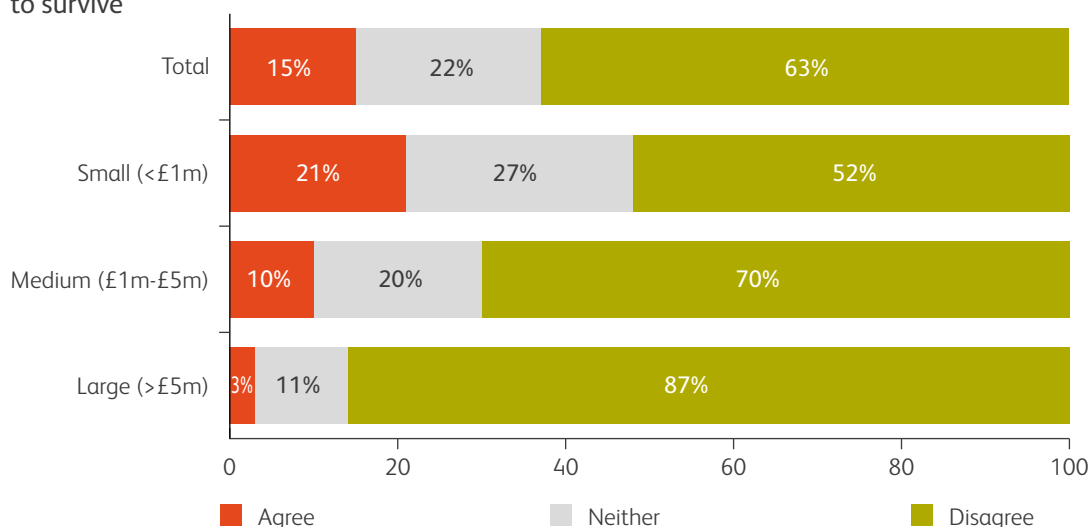
A broad segmentation by North, Midlands and South, suggests that CEOs based in the Midlands are generally less optimistic. In part, this may be a reflection of the higher proportion of smaller charities within the Midlands sample, whereby 70 per cent are organisations with an income of £1 million or below compared to 56 per cent in the sample overall. In particular, those in the Midlands are much less likely to be optimistic in relation to the future of the sector in general (46% vs. 57% overall); the ability of the sector to meet future demand (33% vs. 41% overall) and the future of their own organisation (75% vs. 82% overall).

3.3 Future survival

Reflecting their optimism for the future of their own organisation, the majority of Chief Executives disagree that their charity 'is struggling to survive' (63%). However, one in every seven does agree that their charity is struggling (15%), with this rising to one in five amongst the smallest organisations (21%).

This is particularly concerning given that a large proportion of the charity sector is formed of smaller organisations, and so, if this experience is mirrored across the sector, it could have potentially serious implications for the future support of beneficiaries.

Figure 5 How strongly do you agree or disagree that your organisation/charity: Is struggling to survive

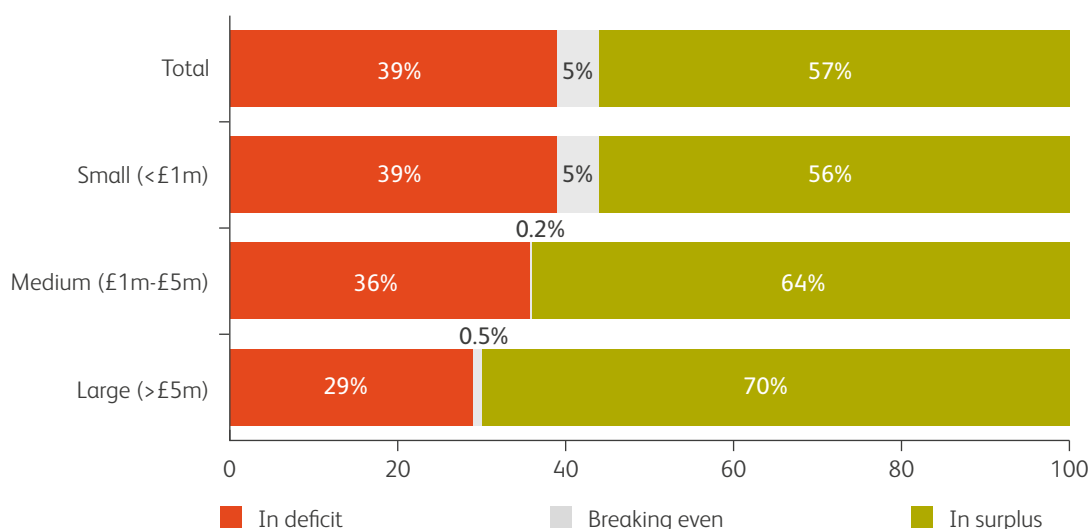


Base: All CEOs who responded (total = 422, small charities = 227, medium charities = 120, large charities = 75)

Analysis of accounts filed by charities with the Charity Commission⁶ shows that out of over 130,000 small charities who filed accounts for 2012/13, four in ten recorded a deficit, compared to three in ten large charities, who were much more likely to be in surplus than average (70% in surplus vs. 57% overall). Small charities were the only group whose aggregate expenditure surpassed their income, which may help to explain why they are most likely to agree that they are struggling to survive.

⁶ Charities registered with the Charity Commission who filed accounts for the year 2012/13 have been classified into three groups according to their income for that year, using the same parameters used to classify charities by size throughout this report: small (<£1m), medium (£1m-£5m) and large (>£5m). The data used for this analysis was composed of 140,777 charities in total, of which 96% were small, 3% were medium and 1% were large charities. Some charities have been excluded from analysis on the basis that they are quangos, housing associations, independent schools or otherwise fee-based organisations, and those whose financial figures were anomalous due to a significant asset transfer following a change of name or registration number.

Figure 6 Analysis of accounts filed with the Charity Commission on income and expenditure of charities

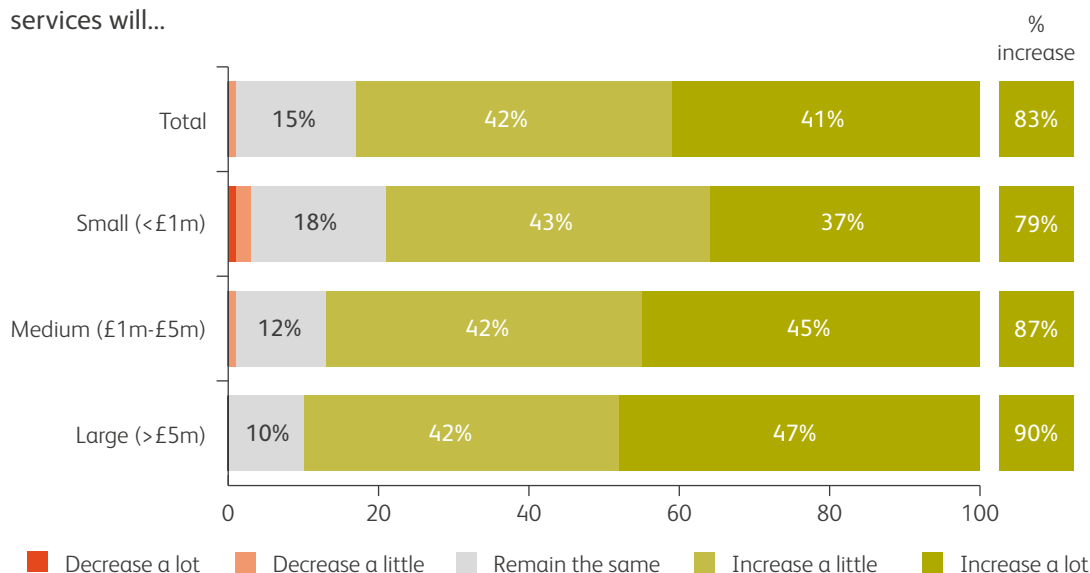


Base: All charities who filed accounts with the Charity Commission for the financial year ending 2012/13 (total = 140,777, small charities = 134,458, medium charities = 4,396, large charities = 1,923)

3.3.1 Future demand for services

Although current circumstances are already testing many charities' ability to survive, most are expecting to face further pressure over the next 12 months. More than four in five CEOs (83%) are expecting demand for their charity's services to increase in the next year, with two in five (41%) expecting it to increase 'a lot'. This is even more pronounced for large organisations, 90 per cent of whom are expecting an increase (with 47% expecting it to increase 'a lot').

Figure 7 Over the next 12 months do you anticipate that demand for your organisation's services will...



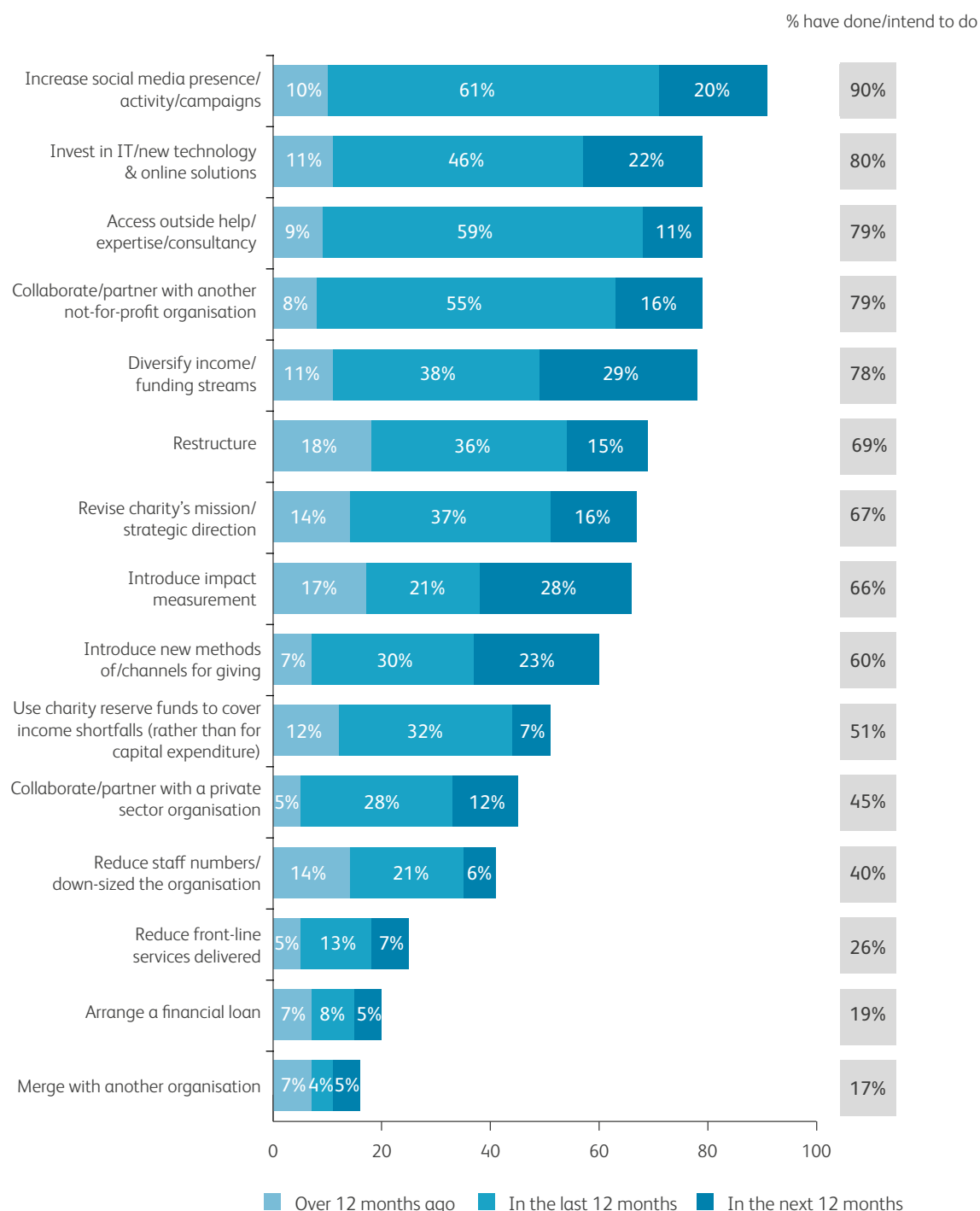
Base: All CEOs who responded (total = 428, small charities = 228, medium charities = 122, large charities = 78)

Despite the challenges they are facing, the vast majority of those anticipating an increase remain confident that they can meet demand (82%), rising to 93 per cent amongst CEOs in the largest charities. Those based in the Midlands are least confident in their abilities to meet demand, whilst those in the South are most confident (71% and 86% respectively).

3.4 Operational implications

In order to meet the challenges that they face, many charities have already adopted certain measures, or intend to do so in the future. Nine out of ten CEOs agree that they are 'always looking at ways to improve their operations' (91%).

Figure 8 Which, if any, of the activities listed has your organisation done...?



Base: All CEOs who responded (n=428)

NB: It is possible that an organisation may have undertaken an activity in the past, but that it is ongoing or they intend to repeat this in the next 12 months. As the codes are exclusive, with respondents only able to select one option, the sub-total to the right of the chart shows the total proportion of charities which have already done or intend to undertake each activity listed

New technology

With nearly a quarter (23%) of CEOs stating that ‘raising awareness of their charity/cause’ is one of their top three challenges, it is unsurprising that many charities have focused on increasing their social media presence or activity, three-fifths having already done so in the last 12 months and a further fifth planning to do so over the next year. Aligned to this, is the investment in IT, new technology and online solutions, with only 20 per cent of charities having not done something in this area already or having no plans to do so in the near future.

Whilst it is promising that many charities are focusing on new technology to improve communications and online solutions, CEOs are not entirely convinced of the sector’s success in this respect. Half of CEOs agree that their own organisation uses new technology and social media effectively, but when it comes to the sector in general, agreement that ‘charities are using new technology effectively to increase giving’ falls to just two in five (38%).

Collaboration

Given the challenges faced by charities such as a lack of resource and an increased demand for services, it is unsurprising that many CEOs are considering working alongside other organisations to help them survive. Nearly eight in ten CEOs have already accessed outside help or used external expertise, or they plan to do so within the next 12 months. Collaboration is also playing a key role, with 55 per cent having collaborated with other not-for-profit organisations in the last year and 28 per cent having partnered with private sector organisations.

Diversification and direction

Aligned to Chief Executives highlighting that their top challenge is generating income and achieving financial sustainability, is the finding that over three-quarters (78%) have or are looking to diversify income and funding streams. Furthermore, six in ten of the charities responding have or are intending to introduce new methods and channels for giving.

Also of interest is the relatively high proportion of charities restructuring (69%) and/or revising their mission or strategic direction (67%), with medium and larger organisations more likely to be undertaking such activities (see Figure 9).

Financial actions

Concern over financial stability is reflected in the fact that a third (32%) of CEOs report having used reserve funds to cover income shortfalls in the last year. This is found to be higher amongst smaller charities where 35 per cent of CEOs stated that they had used their reserve funds within the last 12 months, compared to only 19 per cent of large charities.

A fifth of charities (19%) have previously arranged a financial loan (some of which may take the form of social investment) or intend to do so in the next year. Those in larger organisations with an income of over £5 million are more likely to undertake this activity than smaller organisations (29% compared to just 12% amongst those charities with under £1 million income). This may reflect the greater level of assets held by larger charities, and so their increased ability to raise financing or secured loans against these.

With nearly four in five charities (78%) experiencing an increase in demand for their services in the last year and three in five concerned about their financial stability, it is understandable that many third sector organisations feel the need to turn to such financial solutions.

Cutbacks

In the past year, one in five charities (21%) have reduced staff numbers, whilst one in eight (13%) have reduced front-line services delivered.

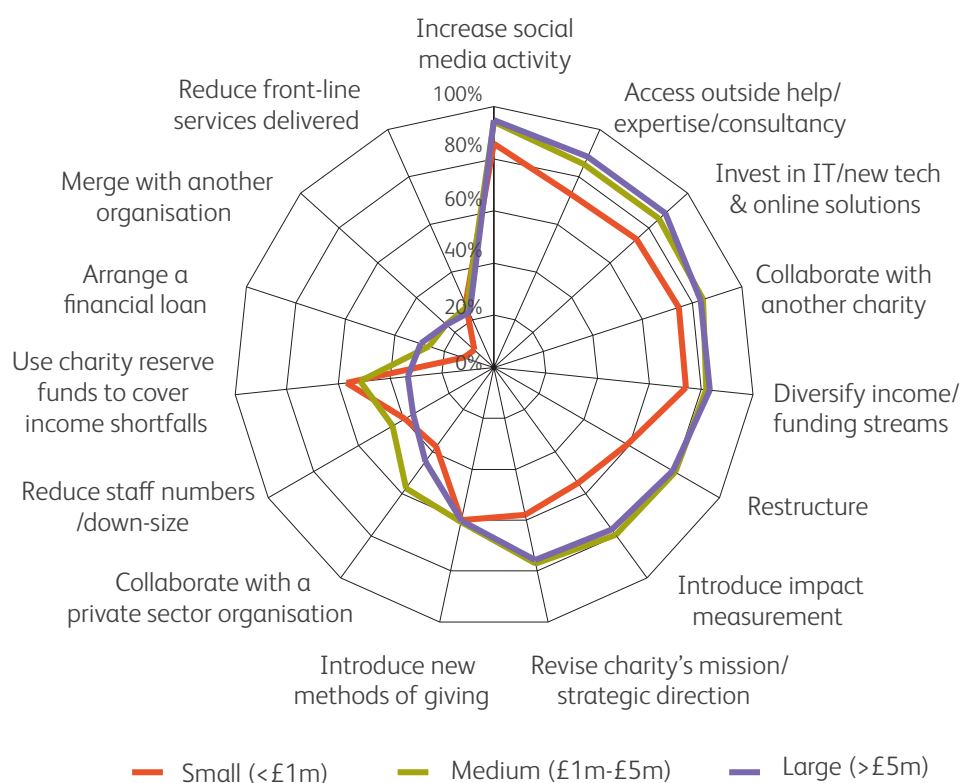
However, when compared to a similar project conducted by the Charities Aid Foundation in 2012 (which explored the impact of funding cuts on charities⁷), it would appear that fewer charities may be making cutbacks. Whilst 13 per cent of CEOs within *Social Landscape 2015* have reduced front-line services in the last 12 months, the 2012 study reported that 26 per cent had done this. There also appears to be a small decline in the proportion of charities reducing staff numbers in the previous 12 months (21% compared to 25% in 2012). Furthermore, 49 per cent of those interviewed in 2012 stated that their organisation had used charity reserve funds to cover income shortfalls, which compares to 32 per cent now.

Whilst such improvements may be a reflection of improving economic conditions, it is also important to consider the ongoing, cumulative effect of such actions, with some charities that already made such cutbacks or financial decisions in 2012 having neither the need nor the ability to do so again now.

3.4.1 Operational implications by organisation size

As highlighted already in respect of some specific activities, there is once again a difference between the behaviours of small and medium/large charities.

Figure 9 Which, if any, of the activities listed has your organisation done/is planning to do, by size



Base: All CEOs who responded (small charities = 228, medium charities = 122, large charities = 78)

⁷ Online survey conducted by CAF and ResearchNow between September and November 2012, amongst 252 senior level charity workers, who had direct and significant input into the financial, operational or fundraising strategy of the charity.

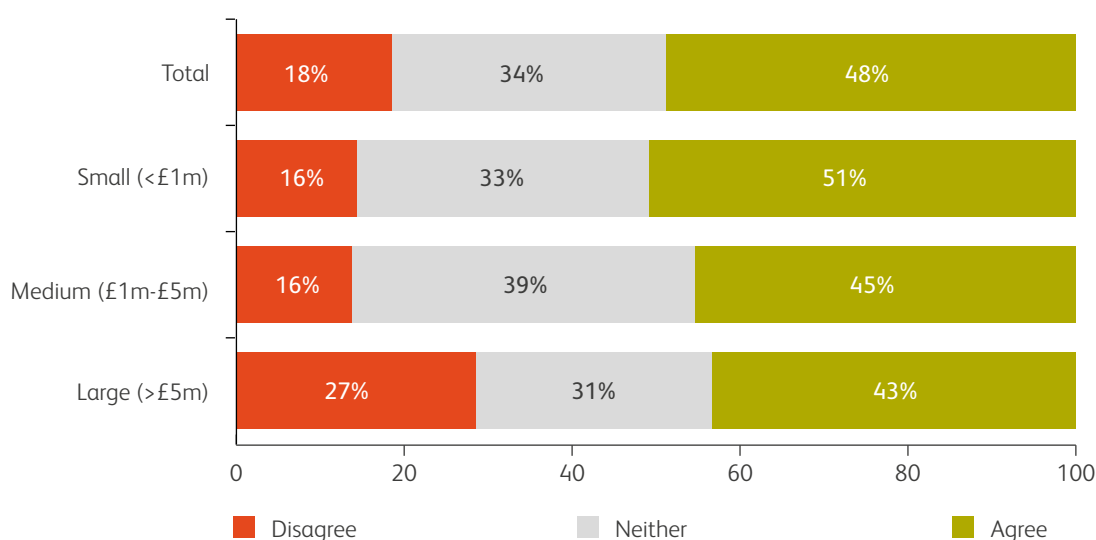
Small charities are much less likely than other organisations to introduce impact measurement, restructure, revise their mission/strategic direction, collaborate with private sector organisations, merge with another organisation or arrange a financial loan. Conversely, they are more likely to use their charity reserves to cover income shortfalls.

It is worth highlighting that smaller charities may just not be in the market for some of these activities, such as collaboration, due to their size and focus. Smaller charities may not be able to obtain a loan as easily due to a lack of assets to offer as security, and they may already be working with the minimum amount of staff required, so a 'restructuring' is not appropriate.

3.4.2 Service focus: quality vs. quantity?

Almost half (48%) of CEOs would rather do a good job of helping a few than an okay job of helping many, suggesting that despite any strain they may be under, many are still prioritising the quality of service they provide over the number of people they can help. This is particularly true of small charities, 51 per cent of whom agreed compared to 43 per cent of large charities, who were the most likely to disagree with the statement (27% vs. 18% overall).

Figure 10 My organisation would rather do a good job helping a few than an okay job helping many...



Base: All CEOs who responded (total = 422, small charities = 227, medium charities = 120, large charities = 75)

3.5 Importance of charities and their impact

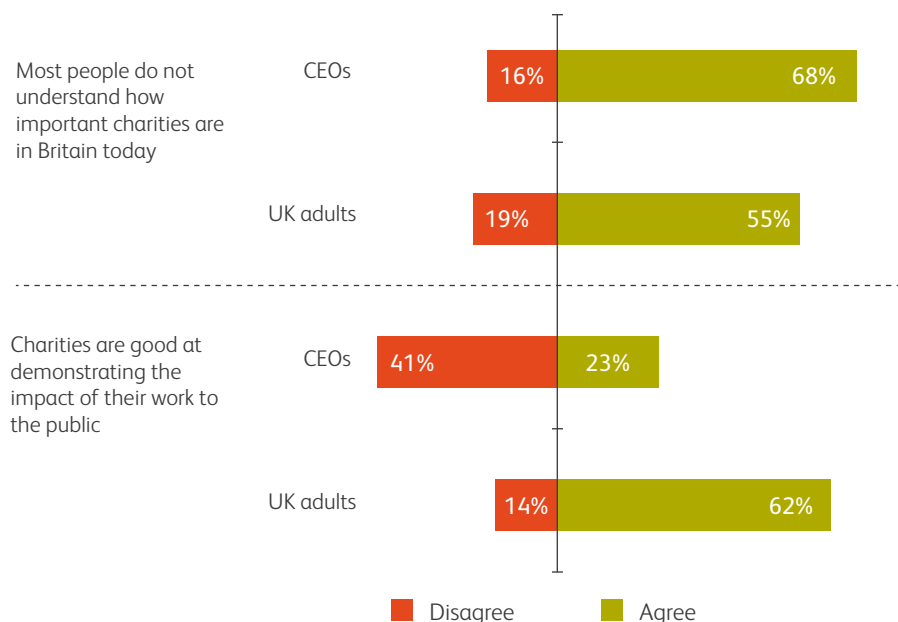
Over two thirds (68%) of charity Chief Executives agree that ‘most people do not understand how important charities are in Britain today’. Interestingly, the majority of the general public also agree with this sentiment themselves – although not to quite the same extent. A previous CAF study,⁸ reported 55 per cent of UK adults agreeing with this statement, although the same study also found 84 per cent agreeing that ‘charities have an important role to play in society’.

There is, however, more of a disconnect between CEOs and the public in terms of how well they believe charities demonstrate ‘impact’. Just over a fifth of Chief Executives agree that ‘charities are good at demonstrating the impact of their work to the public’, whilst three-fifths of the public believe this to be the case⁹ (23% vs. 62% respectively). This differential suggests that charities are better at communicating their impact than they give themselves credit for, and Chief Executives should perhaps be more confident that the public can appreciate and understand the information provided.

Impact measurement is a key focus for charities

Over two-fifths (46%) of CEOs state that they already have ‘appropriate metrics in place for measuring success and impact’, with this rising to 55 per cent amongst the largest organisations. As already highlighted, over a fifth (22%) listed ‘measuring and demonstrating impact’ as one of their charity’s most pressing challenges, one in five (21%) having introduced impact measurement within the last 12 months, and a further quarter (28%) planning to do so in the next year.

Figure 11 How do you feel about the following statements?



Base: All who responded; CEOs (n=422), UK adults (n=1,000)

⁸ Telephone research conducted by GfK NOP amongst 1,000 UK adults, between 4-6 April 2014. Data was weighted to be representative of all UK adults aged 16+.
⁹ ibid

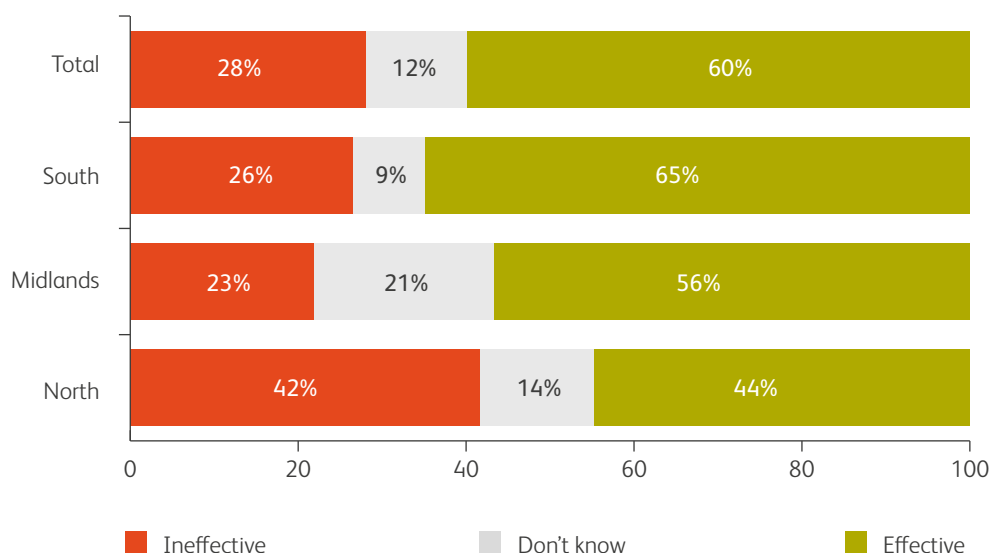
3.6 Regulation

Three in five CEOs believe that charity regulation in their region is effective. This contrasts to the 2014 *State of the Sector* survey,¹⁰ in which 54 per cent agreed that the Charity Commission 'is an ineffective and weak regulator'. It may be that, as well as the time gap between the two studies taking place and so the potential for a positive change in opinion, that the different audiences of the two studies – CEOs versus a wider breadth of voluntary sector employees – accounts for some of this difference.

A poll of the general public conducted on behalf of the Charity Commission in 2014¹¹ found that 60 per cent of respondents believed charities to be 'regulated and controlled to ensure that they are working for the public benefit', which appears to align more closely to the CEOs' view.

Chief Executives in the North are more critical, with two-fifths considering regulation by the Charity Commission in their region to be 'ineffective' (42% compared to 28% overall).

Figure 12 How effectively do you think charities are regulated in your region?



Base: All CEOs of charities based in England who responded (Total = 397, North = 66, Midlands = 66, South = 265)

¹⁰ The *State of the Sector* survey is conducted every two years by Third Sector with the consultancy nfpSynergy and in 2014 surveyed 600 voluntary sector employees on a number of issues concerning the sector. Available: <http://www.thirdsector.co.uk/state-sector-2014-charities-disillusioned-politics-politicians/policy-and-politics/article/1300741>

¹¹ The poll was conducted as part of the Charity Commission's biennial *Public Trust and Confidence in Charities* report. Ipsos MORI polled 1,163 adults aged 18 and over in England and Wales by telephone between 3rd and 23rd March 2014. Data were weighted to be representative of the overall population. Report available: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/361441/public-trust-and-confidence-in-charities-final-200614.pdf

4 Conclusions

Positively, *Social Landscape 2015* highlights much optimism amongst charity Chief Executives. The majority believe the future of their own organisation, and that of the sector as a whole, to be secure, and that the public are largely supportive.

Chief Executives are continually looking for ways in which to improve their operations. They are investing in new technology, social media activities, and online giving channels through which to better communicate and engage with supporters.

Though there is clearly a strain on resources for many, action, such as collaboration with other organisations, is being taken in order to alleviate this strain and continue to deliver services amid ever-increasing demand.

There remains, however, some cause for concern. Optimism about overall economic conditions is relatively low and finances continue to be a key challenge, particularly amongst smaller charities, many of whom are struggling to survive.

A lack of optimism over government support for the sector results from anxiety over government funding cuts, recent regulatory interventions and negative commentary, all of this no doubt exacerbated by the uncertainty over the forthcoming general election.

It is essential that, post-election, the government engages constructively with the sector at an early stage. Recent years have been challenging for charities, and the government needs to work closely in partnership with the sector to create a more positive climate for civil society.

A vibrant charitable sector needs adequate support from policy makers, and both central and local government must consider whether their actions disproportionately affect charities and voluntary groups, organisations upon which so many people depend. There is also a duty for government to ensure that charities have the freedom to act for the benefit of society.

At a time in which civil society organisations across the world are being impacted by regressive measures, it is particularly important for the UK to lead by example and allow civil society to flourish. Maintaining a positive relationship between charities and government based on the principles of independence upon which the voluntary sector is founded makes both government, and the wider society, stronger.

Appendix I

Respondent Profile

What was the total annual income of your organisation in the last tax year?	%	n
Less than £50,000	11%	63
£50,000 - £149,999	11%	62
£150,000 - £249,999	6%	36
£250,000 - £499,999	13%	75
£500,000 - £999,999	15%	85
£1m to £2.49m	17%	96
£2.5m to £4.99m	9%	51
£5m to £9.99m	10%	57
£10m to £14.99m	2%	14
£15m to £24.99m	2%	10
£25m to £49.99m	2%	9
£50m to £99.99m	2%	9
£100m+	1%	5

Base: 572

Where is your head office located?	%	n
East Midlands	3%	19
Eastern Region	7%	41
London	31%	178
North East	2%	13
Northern Ireland	0.4%	2
North West	8%	44
Scotland	3%	18
South East	21%	119
South West	11%	62
Wales	2%	13
West Midlands	5%	30
Yorkshire & Humber	5%	30

Base: 569

Appendix II

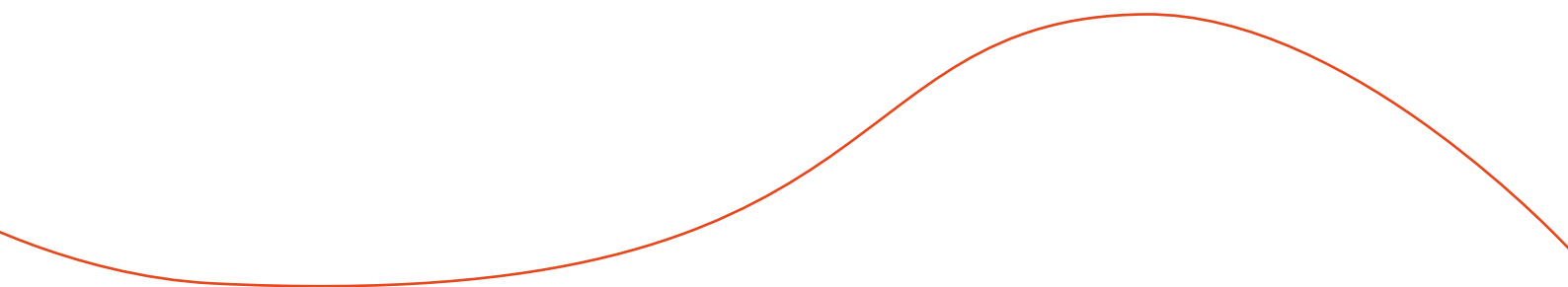
Most Pressing Challenges by Organisation Size (Income)

Which do you consider to be the three most pressing challenges facing your organisation from the list below?	Total (427) %	Small <£1m (227) %	Medium £1m-£5m (122) %	Large >£5m (78) %
Generating more income/achieving financial sustainability	60	68	52	47
Reduction in public/government funding	29	23	34	40
Insufficient resource	24	26	25	17
Meeting demand for services	23	22	30	15
Raising awareness of our charity/ cause	23	26	20	19
Measuring and demonstrating impact	22	20	25	22
Increasing costs	15	15	11	22
Lack of appropriately skilled staff or candidates in the sector	15	9	17	29
Making an impact	13	14	11	14
Securing and maintaining volunteer engagement	12	15	7	9
Securing regular planned donations (for example, via payroll giving or direct debit)	10	11	9	9
Increased competition across the sector/within our cause	10	10	11	6
Government intervention – new legislation or regulation	9	8	10	12
Private sector competition in bidding for social contracts	9	5	13	14
Remaining true to the original mission/avoiding mission drift	6	7	5	5
New technology – online and mobile solutions for both giving and communicating	5	4	7	5
Reduced disposable income of individual donors	3	4	1	4
Other	1	1	2	0

Appendix III:

Operational Implications by Organisation Size (Income)

Which, if any, of the activities listed has your organisation done/does it intend to do... % having done in the past/intending to do in the next 12 months	Total (428) %	Small <£1m (228) %	Medium £1m-£5m (122) %	Large >£5m (78) %
Increase social media presence/activity/campaigns	90	86	94	95
Invest in IT/new technology & online solutions	80	74	85	88
Access outside help/expertise/consultancy	79	73	85	88
Collaborate/partner with another not-for-profit organisation	79	75	84	83
Diversify income/funding streams	78	74	82	83
Restructure	69	59	80	79
Revise charity's mission/strategic direction	67	58	77	76
Introduce impact measurement	66	55	80	77
Introduce new methods/channels for giving	60	60	61	60
Use charity reserve funds to cover income shortfalls (rather than for capital expenditure)	51	57	52	33
Collaborate/partner with a private sector organisation	45	38	57	45
Reduce staff numbers/down-sized the organisation	40	39	45	36
Reduce front-line services delivered	26	27	25	23
Arrange a financial loan	19	12	26	29
Merge with another organisation	17	10	25	24



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