


# Small Charity Index Trends

Finding a way, no matter  
the cost

36 Months: June 2013 to May 2016





Pauline Broomhead  
Olivia Lam

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# Foreword: The Small Charity Index

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**I've contemplated for some time now over the trends coming out of the Small Charity Index over the last three years. What they mean for the hundreds and thousands of children, young people, older people, communities, cause groups, the environment and more. It seems to me that whichever way we look we, small charities are taking it on the chin, rolling with the punches and desperately holding on.**

We are coming up with our own solutions, making impossible decisions and getting on with the job of supporting the people and causes we were set up to serve. This doesn't mean that the government couldn't do more and we know it is thinking about how to build sustainability into the sector.

Over the coming years small charities must take advantage of all support on offer to help build more sustainable organisations. Government can make a difference, the support packages they offer and the policies they make will enable sustainability. But if we have learned anything since 2008 it's that we have to be in charge, take control of our own future and set our own course of action.

By far the most startling trend has to be around the demand for services which has risen over the period by 64%. Small charities, who can rely heavily on statutory funding, often work with the most disadvantaged or marginalised of groups. This is primarily because they work in and are trusted by local communities and therefore more able to reach those in most need. The services they provide to vulnerable communities goes beyond what is statutorily mandated, often developing innovative solutions to the problems they seek to solve.

With a steady rise in small charities indicating likelihood of closure, sustainability is a growing issue. If governments fail to recognise the real value of the services delivered by small charities, if they continue the momentum to engage with larger private business to deliver wide scale contracts, they will fail to invest sufficiently in the small charity sector. Given that grassroots charities are often at the cutting edge of developing the most creative and innovative solutions to some of the very complex problems facing society today, the lack of investment could impact significantly on the UK's ability to meet the future needs of an increasing complex set of societal problems.

The tradition of volunteering in the UK is strong and we welcome the Government's initiative to increase volunteering across the small charity sector. Volunteer numbers, at least in smaller charities, has increased steadily over the past three years, showing a 25% increase overall. This seems to go against a recently published 2015/16 Community Life Survey which indicate volunteering levels remaining stable.

A further area of concern coming out of the data is the consistent reporting of workload as a significant issue. In each

quarterly Small Charity Index, workload is reported as the greatest concern to small charity leaders. This is understandable when coupled with increased demand for services and a relatively small movement in staff resources. Birdsong Charity Consulting, who conduct an annual 'Pulse of the Sector' survey, reported 49% of respondents indicated that they experienced stress at work related to workload. Reduction in workload was frequently mentioned as one of the things respondents to the survey would like to change about their workplace.

Underlying all of the above is a need to increase income into small charities across the UK. The trends over the past three years see statutory income dropping by 8%, voluntary income increasing by 2% and earned income increasing by 9%. In reality income to small charities remains static, which might account for an increasing number of charities, between 27% and 48% (over the three year period), using reserves. This is a problem when only three quarters of the small charity sector report to holding reserves.

Over the last three years we have consistently called for more small charities to work in meaningful partnerships; to deliver over 30% of their services in partnership with others. Both the Small Charity Index and other research shows that small charities are failing to work more collaboratively, which was offered as a potential solution when the 18 month trend analysis (Small Charity Index: Trends, Shifting Sands in the Small Charity Sector) was published in late 2014.

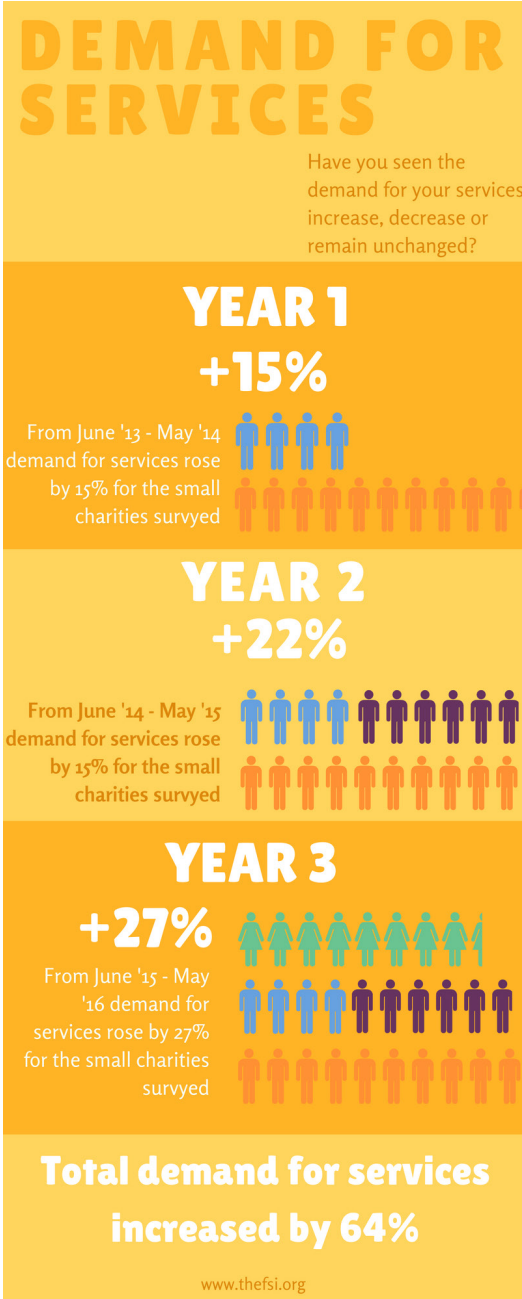
Pauline Broomhead, Chief Executive, FSI

# Demand for services

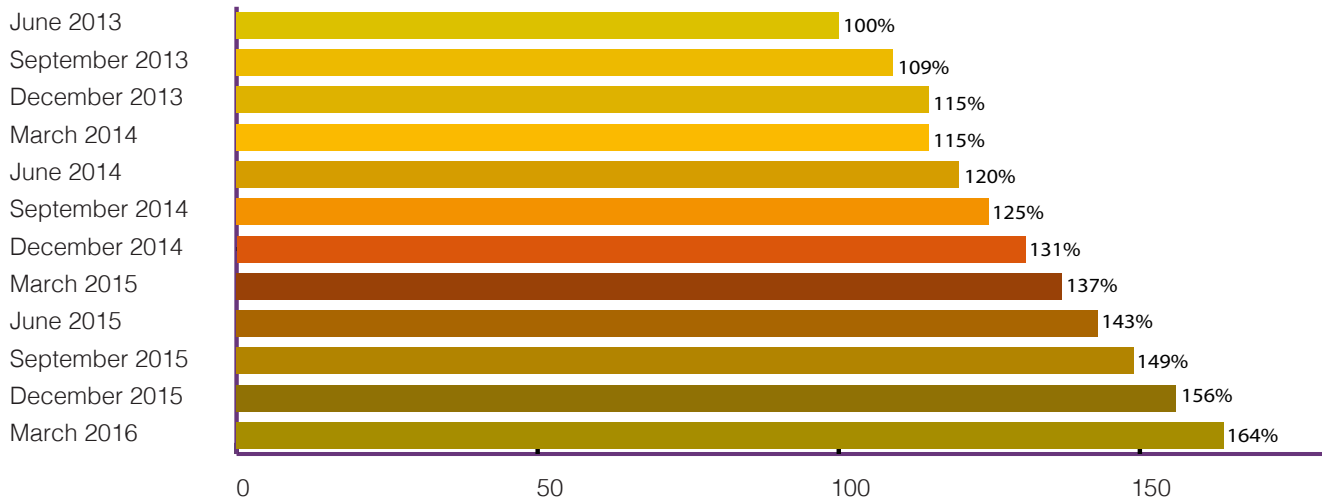
**Q** Have you seen the demand for your services increase, decrease or remain unchanged?

The Small Charity Index has tracked a consistent growth in demand for small charities' services, with each quarterly report highlighting how the majority of respondents experienced significant increases. Taking June 2013 as the baseline at 100%, over the past three years we can see a significant total growth of 64% to May 2016. The results show an average increase of 6% each quarter, with the greatest spike of 9% between the June/July/August 2013 and September/October/November 2013 quarters (Table 1).

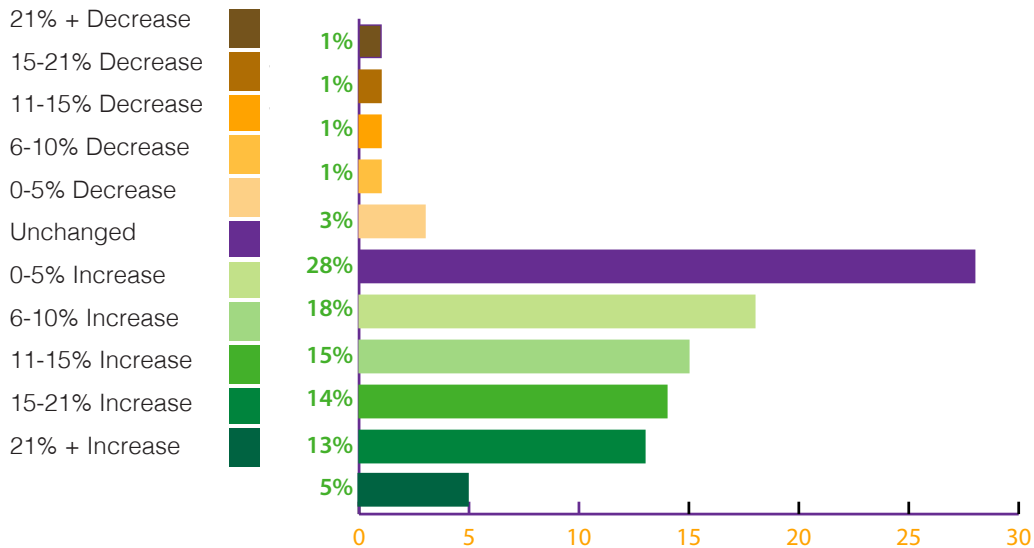
Over the last 15 years charities have assumed a rapidly expanding role as providers of services on behalf of Government or the local authority. This has become more pronounced as funding cuts have driven a reduction in direct provision of care, support and advice for those in need by statutory agencies, so it is charities that have stepped in to fill the void. Whether it's the NHS requesting St John's Ambulance to come out on an emergency call, whether you are seeking legal or advocacy support from a small charity such as the Personal Support Unit, or an innovative charity like Circles working with the criminal justice agencies to reduce sex offending, or simply volunteers running the local community transport scheme, small charities are digging deep and delivering a wide range of support. In the last quarterly Small Charity Index report covering June, July and August 2016, 93% of small charities reported to have experienced a increase in demand for services (Table 2). The trend to deliver more means that small charities are creaking at the seams and it does not look likely that we will see a reduction in the demand for services in the foreseeable future.



**Table 1:** Change in demand for services



**Table 2:** Demand for services - June, July, August 2016



# A sustainable small charity sector

**Q** *Some charities may face exceptional challenges over the coming months, and some may close down. How likely is it that your charity will close down during the next 12 months?*

Currently around 400 organisations are added to the Charity Commission Register of Charities each month and approximately 300 are removed. This is consistent with the number of charities registered remaining relatively static, which is the same over the three years covered by the trends report.

Small charities' concerns for the future are reinforced in the Small Charity Index when asked the question of the likelihood of closure in the next 12 months. The results illustrate a fluctuation in the perceived likelihood of closure, which increased significantly to 46% by the end of 2013, before falling to 11% the following quarter (Table 3). Between June 2014 and May 2015, the Small Charity Index tracked a rise to 24% before dropping to 10% in the March/April/May 2015 quarter. The following quarter saw an increase back to 25% and fluctuate between 21% and 33% over the next three quarters.

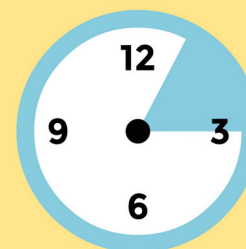
This reiterates the high degree of uncertainty over the long-term survival that small charities continue to face. In the last quarterly Small Charity Index report, on a scale of 1 to 10, with 1 being not at all likely and 10 very likely, 15% of respondents selected between 5 and 10 (Table 4). This trend means that we cannot be complacent. Many small charities are feeling the pinch and facing difficult times, and whilst charity closures are rare, they do happen.

## LIKELIHOOD OF CLOSURE

How likely is it that your charity will close down during the next twelve months?

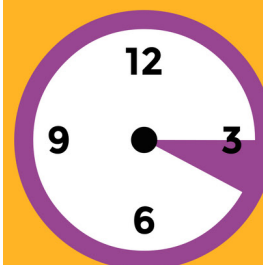
### YEAR 1

From June '13 - May '14 small charities who viewed closure as likely went up by 11%



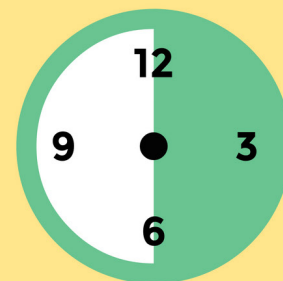
### YEAR 2

From June '14 - May '15 small charities who viewed closure reduced by 1%



### YEAR 3

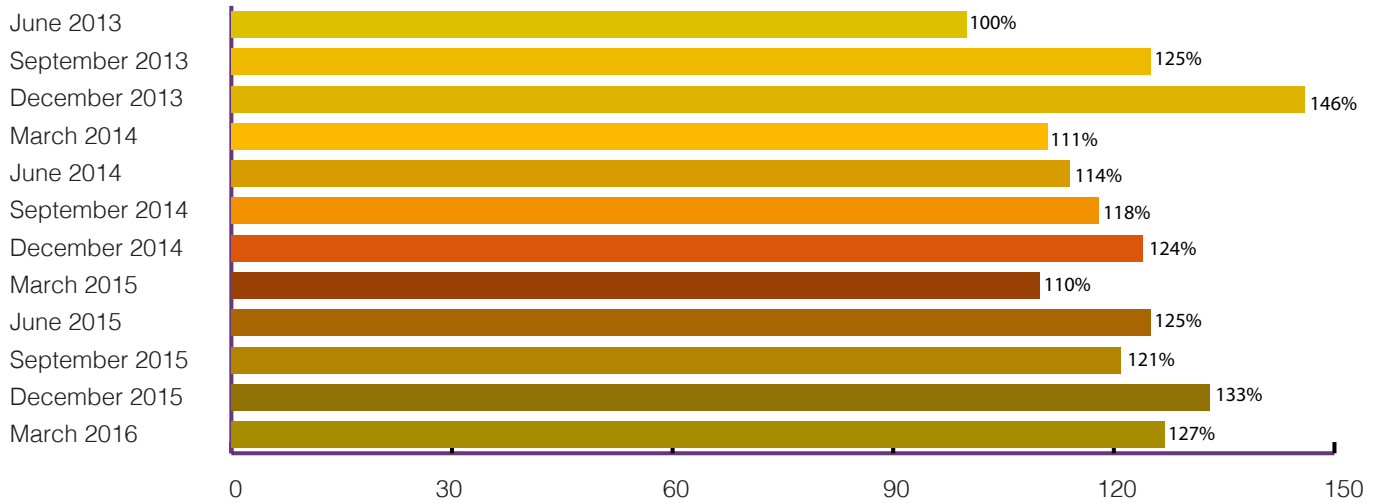
From June '15 - May '16 small charities who viewed closure went up again by 17%



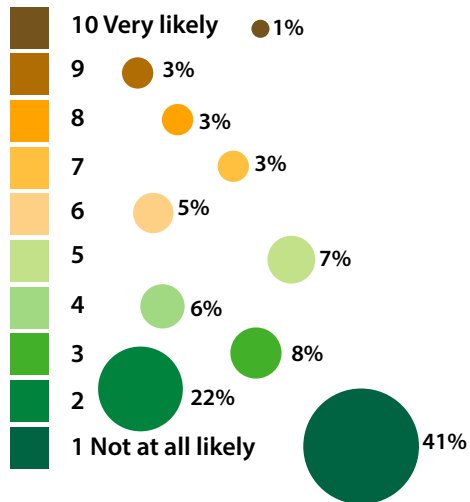
[www.thefsi.org](http://www.thefsi.org)



**Table 3:** Change in likelihood of closure



**Table 4:** Likelihood of closure - June, July, August 2016



# Volunteers

**Q** *Have you seen your volunteer numbers rise, fall or remain unchanged?*

In 2014/15 14.2 million people formally volunteered at least once a month according to the NCVO UK Civil Society Almanac 2016. The Almanac also concludes that rates of volunteering are mostly unchanged, but rates of irregular informal volunteered showed a 5% drop.

The Small Charity Index, which has tracked approximately 300 small charities between June 2013 and May 2016, shows that small charities have bucked the trend and seen a continued rise in the number of volunteers. Between June 2013 and May 2016, volunteer numbers have increased by a total of 25%, with an average of 2% quarter on quarter (Table 5).

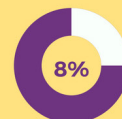
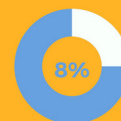
We hope that the trend of increasing numbers of people volunteering for small charities continues, because what is clear is that charities are being forced to survive with less. The reliance on volunteers therefore becomes significantly more important, as finding alternative ways to deliver with less money is the order of the day.

## VOLUNTEERS

Have your volunteer numbers risen, fallen or remained unchanged?

### YEAR 1

From June '13 - May '14 number of volunteers rose by 8%



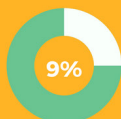
### YEAR 2

From June '14 - May '15 number of volunteers rose by 8%



### YEAR 3

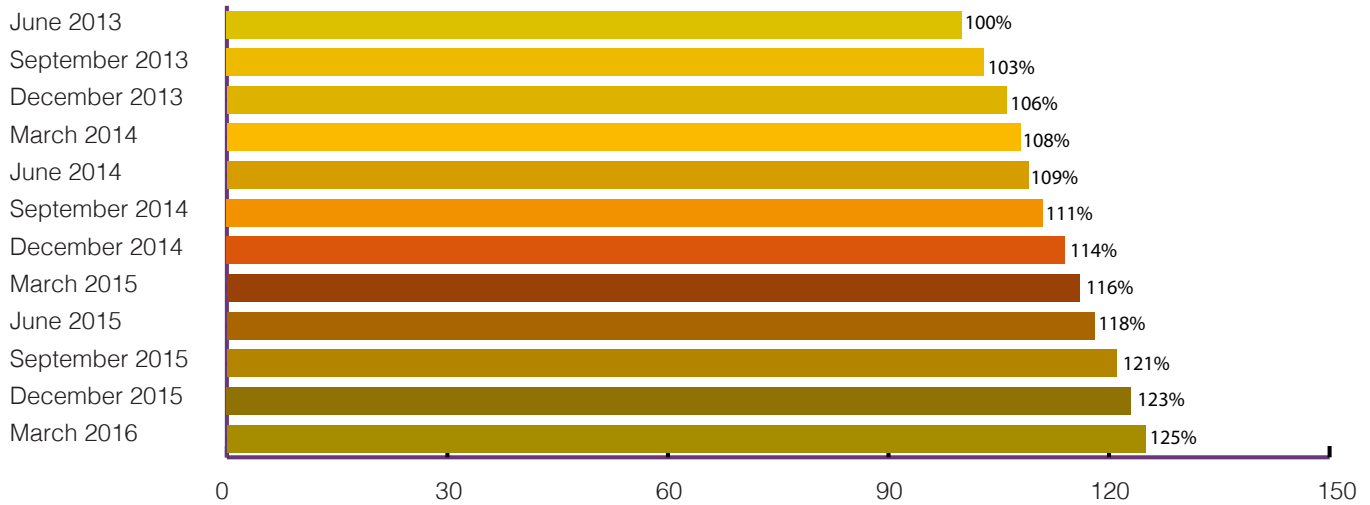
From June '15 - May '16 number of volunteers rose by 9%



**Total volunteers increased by 25%**

[www.thefsi.org](http://www.thefsi.org)

**Table 5:** Change in volunteer numbers



# Challenges facing small charities

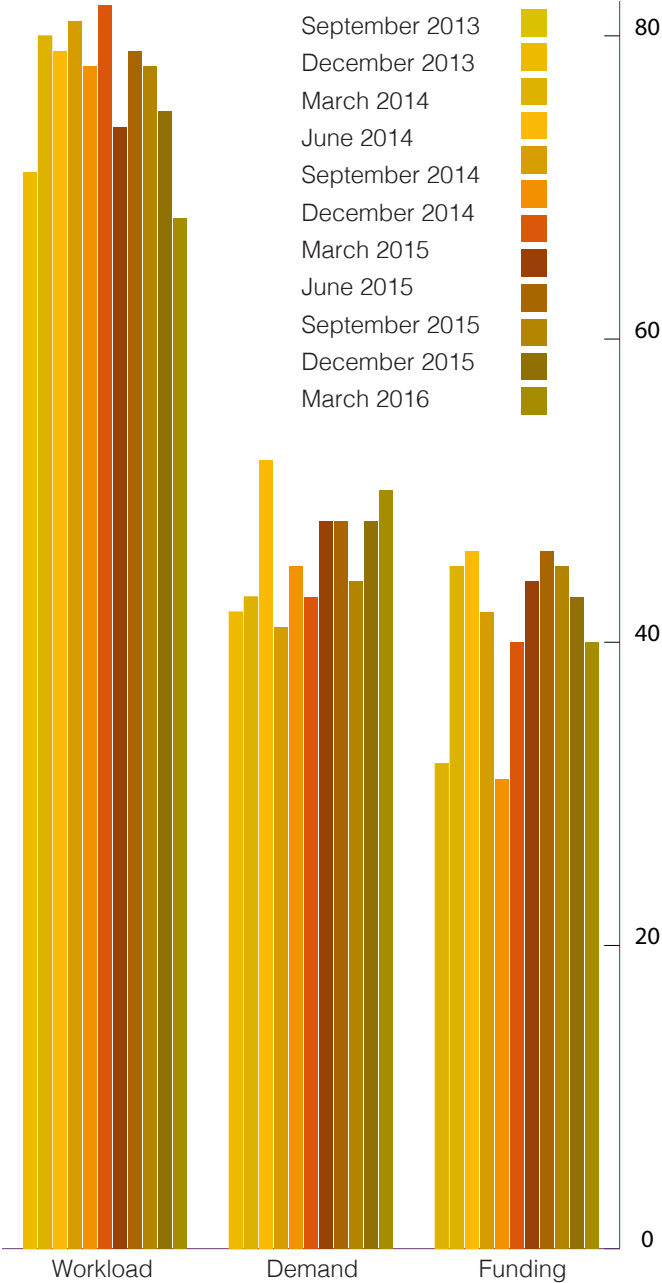
**Q** Which of these challenges have presented the greatest, next greatest and third greatest challenge?

Workload has remained by far the greatest challenge facing small charity leaders since September 2013, with demand for services and funding in a close second and third place. Now, more than ever before, charity leaders are far less likely to report that the workload undertaken by staff is reasonable. Therefore the expectations of what staff are able to deliver has not only risen but is unrealistic, and we may be at or close to breaking point.

Workload was selected by between 68% and 82% of small charity leaders as the greatest challenge between September 2013 and May 2016 (Table 7). While demand for services and funding have moved in and out of being either the second and third greatest challenges between September 2013 and August 2014, demand for services has now remained the second greatest challenge experienced by small charity leaders since September 2014 (Table 6).

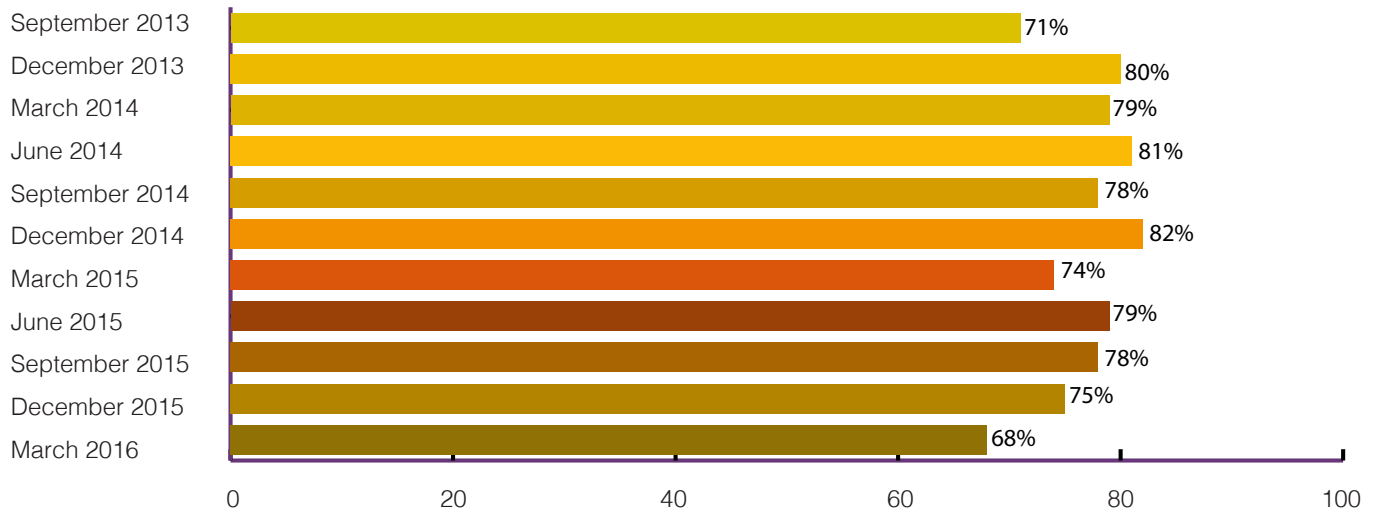
We do not see the trend of more being asked of small charity staff diminishing. As responsible organisations we must put in place checks and balances to ensure that we not only have an efficient and effective workforce, but that we also have a healthy workforce.

**Table 6:** Change in challenges facing small charities





**Table 7:** The most significant challenge - workload



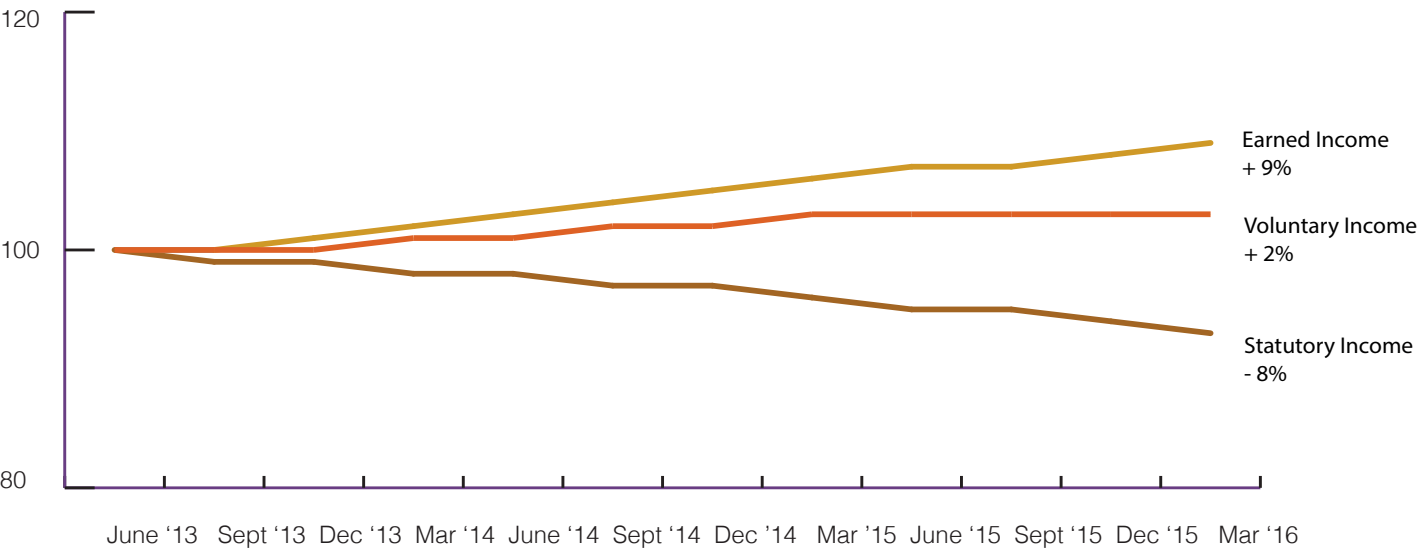
# Financial stability

**Q** *Have you seen your income levels increase, decrease or remain unchanged?*

We have consistently reported that overall income to small charities is stagnating and there has been no change. Even as the country as a whole has pulled out of recession, small charities have continued to be squeezed from both ends. With increased demand for services at one end and little movement in increased funds at the other, this is putting small charities in the throes of a capacity crisis.

When the earned income, voluntary income and statutory income streams are placed together, we can see that small charities have only experienced a total overall growth of 3% since June 2013 (Table 8). Between June 2013 and May 2016, the voluntary income stream for small charities has remained relatively static, with a total increase of 2%. While over the same period, statutory income has seen the biggest drop, of 8%.

**Table 8:** Change in overall income levels



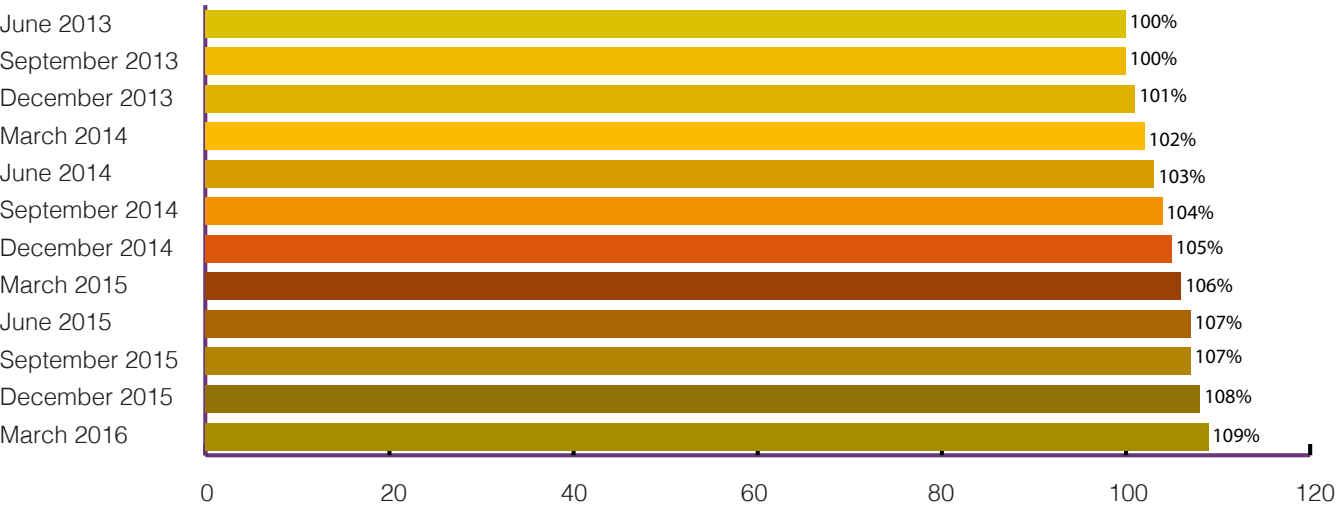
# Earned Income

The increase in earned income has been the difference between taking a deep dive or frantically treading water.

Between June 2013 and May 2016, small charities have increased their earned income by a total of 9% (Table 9). The Small Charity Index demonstrates how the income of small charities has overall remained static, income growth has largely been driven by a rise in earned income sources, as a means to diversify their organisation’s income streams. The Small Charity Index tracks an average increase of 1% quarter on quarter, with only a handful of periods experiencing no increase in earned income.

The trend for more of our income to come from earned sources will continue as we, small charities, put in place strategies to develop a balanced and mixed income economy. The ultimate aim must be to not be over reliant on any one source of income, but to spread the risk across a number of income streams.

**Table 9:** Change in earned income levels

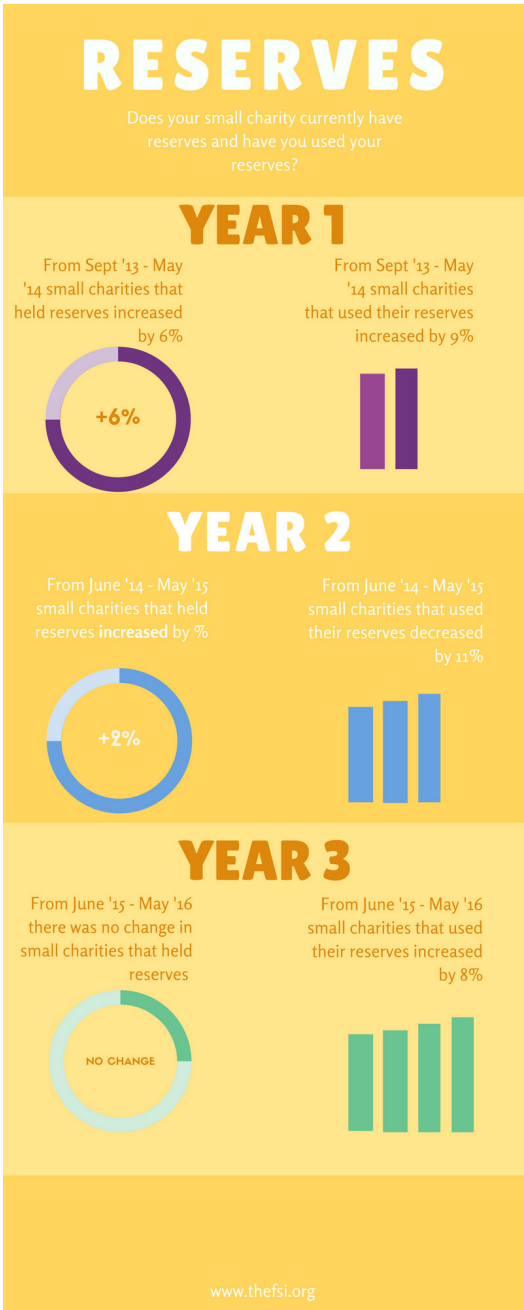


# Reserves

Inadequate reserves continue to emphasise the uncertainty of the small charity sector and put significant pressure on Trustees who, against the rising tide in demand, endeavour to keep their doors open.

Therefore against the backdrop of static income levels and significant increases in demand for services, the Small Charity Index reports how, of those small charities who hold reserves (between 71% and 84% each quarter), around a third report to have used reserves each quarter. The December/January/February 2014 quarter illustrates the highest number of small charities reporting to have used their reserves, at 48%, while March/April/May 2015 saw the lowest number, at 27%. Since June 2015, the number of charities reporting to have used reserves fluctuated between 34% and 39%.

It is clear from the results that reserves are not just “for a rainy day”. They are there to support the charity through challenging economic times and to, at the most extreme point, allow the charity to manage closure. The trend to use reserves is a dangerous one, charity Trustees have a duty to manage the assets in the best interests of their beneficiaries. Maintaining reserves are a core part of this duty of care and never more so in economically uncertain times.



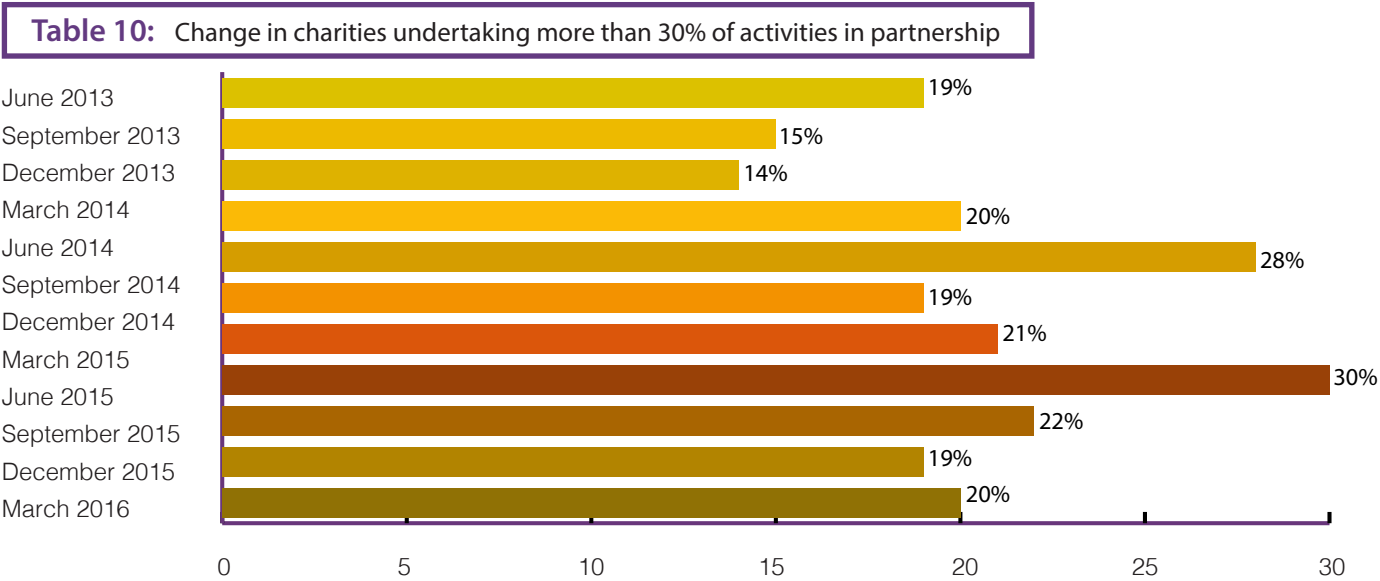


# Working in partnership

In response to static funding streams, a large number of small charities report to work in partnership with other charities in each quarterly Small Charity Index. However, the number of charities who are collaborating at a meaningful level, by undertaking more than 30% of activities in partnership with others, remains low. Outside the peaks of 28% and 30%, the number remains constant between 19% and 23%, and with a low of 14% in the March/April/May 2014 quarter (Table 10).

As reported in our most recent research, Collaboration: More than the sum of the parts, released in June 2016, not enough small charities are committing sufficient resources to the development of significant collaborations. Especially when the benefits for doing so could prove vital to the continued successful delivery of services and improve impact to beneficiaries.

The trend for relative few to collaborate in any meaningful way must be improved. We will keep a careful eye on this as we move into year four of the Small Charity Index.



# The way forward

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It is clear from the result that the demand for services is not going to end any time soon. With this as a given, if we want small charities to survive, we have to work out what barriers they face and see how we can give them support to overcome them. Ensuring we maximise our resources, develop strong and diverse income sources and working more collaboratively together are three key areas for future development.

## Volunteering

Looking to the positive, all small charities must work out how to maximise their resources to the best of their abilities. We have seen a steady rise in the number of volunteers volunteering for small charities so let's build on this, developing the skills within our organisation to attract and retain volunteers. Not only benefiting from the skills they bring with them, but also offering opportunities for them to build their own skills so that they are armed with the tools they need to give the support we need.

To do this we must invest in solid volunteer programmes that are tailored to meet the needs of volunteers, individual and from the business community, ensuring that we are able to offer them not only a fulfilling experience but a learning and valuable experience.

## Diversifying Income

More than ever before we must not rely on single sources of income, we must strive to diversify building a mixed income economy. This will require our Trustees to take risks as we pilot new forms of income generation. It may require investment in fundraising professionals or it may mean developing mission based enterprises to run alongside our charities.

To do this we will need support from current funders who are able to invest in programmes, such as the Communities Can Fund from the Young Foundation or the Local Sustainability Fund launched by the Government. Whether from foundations or Government, supporting small charities to become better at what they do and more able to diversify their funding will be crucial. In a time when demand for services is outstripping availability, developing organisational effectiveness is a critical way to ensure small charities are able to realise their mission and continue to contribute to building stronger communities.

## Working in Partnership (Collaboration)

Both from the Small Charity Index and our most recent research, Collaboration: more than the sum of the parts, it is clear that we must start to collaborate more and in more meaningful ways.

Greater collaboration may be our best weapon in the fight to stay sustainable and so, without delay, we have to commit sufficient resource to the development of collaborations. As in the long term, the benefits will prove vital to our ability to continue to deliver services.

# About the Foundation for Social Improvement

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Since its inception in 2007, the Foundation for Social Improvement (FSI) has grown to become the UK's largest provider of free capacity building support and services to the small charity sector. Established by Emma Harrison CBE and Pauline Broomhead to deliver strategic skills to small charities, the FSI provides a year-round programme of training and conference learning across the UK.

Today the FSI delivers over £2.9 million worth of free support opportunities to small charities right across the UK. Each year we deliver 22 training event days in 13 UK cities, covering all major fundraising methodologies and key strategic areas such as leadership, governance and marketing. These are complemented by fundraising and back-office skills conferences for up to 400 small charity attendees and monthly 1:1 advice clinics. All of our programmes are delivered free of charge to members of the FSI (membership is also free for small charities).

Increasingly in today's environment the voice of the small charity sector is drowned out. This is because they are unable to allocate time and resources to activities that do not directly impact on the delivery of services. This is a direct result of an unprecedented increase in the demand for services.

The FSI plays a significant role in facilitating small charities' voices to be heard through its policy programme, and working positively to influence the external environment on their behalf, who represent 97% of the charity sector as a whole. Key areas of activity are policy and research: by developing a strong evidence base on small charity issues, we are able to provide our members with a platform to influence government and other decision makers. Each year the FSI undertakes research into specific areas of concern to small charities. The results of the research are used to campaign, with small charities, to effect change based on the research findings. The FSI is also responsible for the Small Charity Index, which delivers quarterly reports analysing the sector's trends and challenges.

The FSI has a small charity membership of over 5,000 small charities. Our regular communication with members, their valuable feedback through research and the Small Charity Index gives the FSI a unique platform to advocate and support the small charity sector.



The Grayston Centre  
28 Charles Square  
London  
N1 6HT

020 7324 4777

[www.thefsi.org](http://www.thefsi.org)

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