

# Local Charity & Community Group Sustainability Report

## 2016

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# Chief Executive's Foreword

## Stephen Mallinson



The last year has been a challenging time for the UK charity sector with headlines seemingly filled with stories of poor fundraising practice and mismanagement. In the month we went to print, two well-known national charities were reported as being investigated by the ICO for failing to handle donors' personal data compliant with the Data Protection Act.

Throughout this national furore, grassroots charities across the country have continued their amazing work - providing essential services and support to millions of people every day.

However, as our 2015 sustainability report made clear, we cannot take their services for granted. Last year's report revealed a sector stretched to absolute capacity - reeling from the impact of funding cuts and ever-escalating demands on services. Since then, there have been plenty of challenges and concerns, but there have also been successes and progress.

We especially welcome the Government's fresh engagement with local charities, manifested in Local Charities Day, and we are taking the opportunity to mark the event with the release of this report and another GiveMe5 match fund campaign, part-funded by the Office of Civil Society. It's our way of saying thank you to local charities and community groups around the country.

This, our second annual local charity sustainability survey, follows up on our 2015 findings, while exploring new areas such as the role and impact of volunteers and public trust and confidence.

Our 2016 findings reveal a similar picture to last year: local charities are largely confident about the short term but fewer than half retain that confidence when looking out five years. We have seen a small rise in the number of charities who have enjoyed an increase in income, but worryingly, two thirds still predict stagnation or downturn of income. When it comes to staffing, three quarters of groups have seen a reduction over the past twelve months. With a similar percentage facing an increase in demand for services, this surely provides more evidence - if any were needed - that the sector continues to be stretched. There are some bright points though, and it seems that recent bad press associated with larger charities has had limited impact on local charities who continue to be trusted by their communities.

On behalf of the team at Localgiving, I would like to take this opportunity to express our sincere gratitude to all of the 598 groups that participated in our survey. This report will enable us to highlight your unique value, draw attention to the challenges you are facing, inform our own response to your environment, and better advocate for the local charity sector as a whole.



## About Us



Localgiving's mission is to help small local charitable organisations diversify their sources of income and achieve financial sustainability, which produces many concomitant benefits, including the strengthening of local communities, and the expansion of digital inclusion. We do this by providing online fundraising tools, training and advice to help local groups connect with supporters, improve their digital skills and develop practical fundraising experience. We secure and distribute third-party funding to local charities and advocate on behalf of the local voluntary sector, working to encourage support from the public, government and businesses.

Local charities that are members of Localgiving benefit from our easy-to-use online donation platform, one-to-one fundraising support and regular match funding opportunities.

In addition, we provide a range of services for anyone seeking to support local community organisations in the UK on a larger scale, which include:

- **Funding opportunities for long-term localised training programmes.** Our Regional Development Programmes provide groups with face-to-face support over a number of years in order to build fundraising capacity and improve digital skills.
- **Funding opportunities for national match fund campaigns.** Our match funds raise awareness and stimulate giving to local charities and community groups, whilst providing up to 5x leverage for the funder.
- **Quick and easy distribution of small grants.** Our Magic Little Grants programme for philanthropists, corporates and grant makers provides a cost-effective method of fund distribution, whilst alleviating the burden of lengthy application processes for small charities.

## Since Localgiving launched in 2009:

- Over **£15m** has been raised and distributed to our members, including **£3m** of match funding
- More than **5,000** charities and community groups have created a Localgiving page to raise donations
- More than **158,000** individuals have donated to a local charity or community group through our online platform
- More than **4,000** individual fundraiser pages have been created to raise money in aid of a local cause
- More than **20,000** monthly Direct Debit donations have been set up to provide long-term continuous support for local charities
- More than **400** local charities and community groups have received ongoing face-to-face fundraising training and support through our Regional Development Programmes

For more information about Localgiving and our work, please visit [www.localgiving.org](http://www.localgiving.org)



## Introduction

In 2015 we produced our first Local Charity and Community Group Sustainability Report. The aim of this report was to provide a snapshot of the local charity sector, highlighting both its unique value and its most pressing challenges. The survey found a vibrant sector with a dedicated, passionate workforce – but one stretched to capacity and with serious concerns about its long term viability. As well as revisiting and tracking trends addressed in our 2015 report, our 2016 report looks at a number of new and emerging issues that have affected the grassroots charity sector over the last 12 months. Key areas covered in this year's report include the role and impact of volunteers, demand for services, public trust and confidence, changes in the UK's funding landscape, and collaborative working. With 598 respondents from charities and community groups across all areas of the UK, this is one of the largest voluntary sector surveys of 2016. We hope its findings and our accompanying recommendations will contribute to the debate about how best to secure a thriving future for the local voluntary sector. This being the case, we welcome the following recognition from key sector bodies:

*"This report provides a powerful insight into the world of local charities, which make up a huge proportion of the UK voluntary sector. It echoes the findings of our 2016 Almanac, showing that smaller voluntary organisations continue to be disproportionately affected by the current economic climate. Representing such a vital part of our civil society, it is of the upmost importance that measures are put in place to help support local charities and community groups to be sustainable over the coming years."* - **Gillen Knight, Head of Marketing and Membership at NCVO**

*"It's no surprise that demand for services from small charities is on the increase, the results from the survey very much reflect what our 5,000 + member charities are reporting. The demand however is not balanced by increase in income or increase in workforce and so small charities are under enormous pressures as they seek to support those who are most vulnerable in our society. There is an absolute will and determination by small charities to continue but realistically there will be a breaking point and with fewer than one in five charities feeling sufficiently resourced to meet the demand it may not be that far away."* - **Pauline Broomhead, Founder and Chief Executive of The FSI**

*"This report is a timely reminder of the challenges that smaller charities face in securing support for the essential work they do for the wellbeing of local communities. It's no surprise that many smaller charities are struggling in the current funding environment, but with demand for their services ever-increasing it's crucial that they find new ways to raise money to deliver these services. The IoF is delighted to be working with Localgiving to promote the skills and resources volunteers and staff need to help them start filling these funding gaps."* - **Ceri Edwards, Director of Policy and Communications at the Institute of Fundraising**

*"This survey is an important benchmark of the sector, and reflects the wider picture we are seeing. It is clear that people are relying on small charities more than ever. But they are facing increasing financial pressures, with cuts to grants. To survive, it is crucial that they get support they need. Small charities are brilliant at innovation and having to think creatively with limited resources. For them to be able to collaborate they need the financial security to have the headspace to connect. We need to take action based on these findings."* - **John Barrett, Chief Executive of the Small Charities Coalition**



## Acknowledgements

Localgiving would like to thank all of the local charities and community groups that have taken the time to respond to our survey.

A special thank you goes to those groups who participated in interviews to help us gain a greater, more in-depth understanding of the issues facing the sector:

- Ego Performance Company Ltd, Coventry
- N.I. Children's Enterprise, Northern Ireland
- Acorn Cancer Support, St Ives
- Healthy Living Club, Lambeth
- Hack Back CIC, Cheshire
- Inspiring Futures Partnership CIC, Oldham

We would also like to thank our partner organisations who helped us to distribute the survey among local groups in their various networks.

This report was authored by Lewis Garland and Louise Coady with input from colleagues at Localgiving.



**N.I. Children's Enterprise, Northern Ireland**



**Acorn Cancer Support, St Ives**



**Hack Back CIC, Cheshire**



**EGO Performance Company, Coventry**





# Methodology

## Data Collection

A digital survey was conducted over the period from 8th July to 8th September 2016. The survey was distributed via email to 4,061 local charities and community groups. It was also circulated by partner organisations working within the local voluntary sector including a number of community foundations. Using Localgiving's membership base and allowing the sample to snowball enabled us to access organisations from a cross-section of locations, causes and perspectives. There were a total of 598 survey respondents.

The data provided by the survey was supplemented with qualitative evidence taken from in-depth interviews with 6 groups: Ego Performance Company Ltd, Coventry; N.I. Children's Enterprise, Northern Ireland; Acorn Cancer Support, St Ives; Healthy Living Club, Lambeth; Hack Back CIC, Cheshire; Inspiring Futures Partnership CIC, Oldham.

## Eligibility

Our 2015 sustainability report went some way to creating a picture of the local charity sector. This found that the vast majority of local groups operating in the UK are small or micro-charities. These groups cite being embedded in their community and the ability to build strong, trusting relationships with service users as their key strengths (Localgiving 2015, IPPR North 2016).

However, at present there remains no established definition of a "local charity". In its 2015 Almanac, NCVO defines local charities as those which "operate predominantly within a region". This would make 78% of UK charities "local".

For this survey we have allowed groups to self-identify. Our only criteria were that participating groups must have a charitable purpose, operate within the UK and be subnational (not national, international or transnational) in their work.

## Limitations & Considerations

94% of participating groups in the survey are, or have previously been, members of Localgiving - up from 79% in 2015. As a result, participants are more likely to have accessed online fundraising than the national average. Moreover, conducting the survey online indicates that its respondents already have a certain level of digital competence, potentially distorting some data on digital skills.

Overall, this year's survey is more geographically representative of the UK local charity sector than our 2015 survey. However, the South East of England remains overrepresented, accounting for 24% of respondents, while Wales, Scotland and Northern Ireland account for just 11% (see Regional Variations, p26).



## Executive Summary

This report explores the key issues facing local charities and community groups in the UK in 2016. It finds a local voluntary sector facing an ever-increasing demand for services, stimulated largely by an escalation in referrals from other charities and the stretched public sector. At the same time, local organisations are finding it more and more difficult to access funding - particularly to cover core operational costs. A knock-on effect of this is that, without the necessary funds to pay salaries and retain employees, more than three quarters of groups are also seeing a reduction in paid staff. This is compounding existing skill gaps - particularly within fundraising and marketing - and leaving the sector ever more reliant on volunteers. The current situation means that, without significant changes, predictions for the future are bleak. Fewer than half of the local organisations we surveyed were confident they would still be operating in five years time.

In order to ease the strain on the sector, we recommend that government, grant makers, voluntary sector organisations and businesses work together to ensure the provision of more accessible unrestricted funding opportunities for local charities.

We also recommend that continued support is given to local charities to build fundraising capacity, thus helping them to diversify their sources of income. Training opportunities must be accessible and ongoing, ideally including face-to-face support. It is also important that organisations are helped to retain staff and volunteers to avoid loss of skills later down the line.

In addition, we recommend that funders take responsibility for reducing inefficiencies in grant application processes in order to save local charities and community groups valuable time which would be better dedicated to service delivery.



**Inspiring Futures Partnership CIC, Oldham**



**Reading Mencap, Berkshire**



**Healthy Living Club, Lambeth**





## Key Findings

**Demand for the services of local charities and community groups has continued to grow.**

- 73% of respondents reported an increase in demand for their services. Less than 2% reported a decrease.
- 78% of groups predict further increases in demand over the coming year,
- Of those groups predicting an increase in demand just 18% feel that they are sufficiently resourced to meet this demand.

**Although most groups are confident about their immediate survival, many fear for their long-term prospects.**

- 79% of respondents are confident that their organisation can sustain itself over the coming 12 months. However, this drops to just 46% when extended to 5 years.
- 57% of groups see generating income and achieving financial sustainability as their most pressing issue over the upcoming 12 months.
- 60% of respondents know of one or more local groups that have been forced to close over the last year - up 7% on 2015 (53%).
- Encouragingly, 33% of respondents anticipate an increase in their organisation's annual income in the current financial year, up from 27% in 2015.
- However, two thirds (67%) of groups are still predicting stagnation or a downturn in their financial position in the coming year.
- 76% of groups highlight "competition for grants and contracts" as a financial concern, with 65% citing "difficulty in generating donations from the general public".

**Local charities and community groups are adapting to the evolving funding environment but the pace of change is slow.**

- Grants were the primary source of income for 50% of groups in the previous financial year - with 51% predicting grants to remain their primary income source in the current financial year.
- 79% of groups have received some funding from the general public in the last 12 months.
- Take-up of social investment within the local voluntary sector is slow. Just 15% of respondents have considered social investment as a funding source for their organisation; and more than half (53%) of respondents were unsure what social investment is.

**Reductions in staff numbers pose a serious problem, impacting on the continuity of services and affecting overall skill levels.**

- 76% of respondents have seen a reduction of staff over the last 12 months and 77% know of one or more local groups that have seen a reduction in staff.
- The vast majority of local charities (88%) have five or fewer full time employees.
- More than half (55%) have no full time staff members at all.



## Key Findings (cont.)

**Collaborative working is increasing in the sector with a widening range of partners.**

- The overall proportion of groups working collaboratively has increased from 75% to 82% over the past 12 months.
- Collaborations with other local charities and local authorities remain the most common. However, there is an increased range of collaborations taking place including work with statutory services, educational and religious institutions.
- Key benefits of collaborative working are cited as: skills sharing, funding opportunities, increased referrals, heightened public profile and reputation, efficiency, increased capacity, spreading risk and improved services.
- Frequent challenges include: conflicting interests, priorities and procedures; distrust of partners and fear of losing “control”; bureaucracy, drawn-out negotiations, “red tape” and a lack of “transparency”.

**Local charities and community groups are heavily reliant on the time given and skills offered by volunteers**

- 97% of groups have volunteers
- 54% of Chief Executives and 57% of finance staff are volunteers
- 27% of groups surveyed said that they found recruiting suitably skilled volunteers to be “challenging” or “extremely challenging”, while 29% found difficulty in recruiting skilled trustees.

**The sector has major fundraising and marketing skills shortages, with local charities and community groups still heavily reliant on non-specialist staff and volunteers.** 77% of charities do not believe that they have the skills to run a successful fundraising campaign. 22% say they need “significant upskilling”.

**Public trust and confidence in local charities and community groups has not been significantly affected by the scandals that hit the charity sector in 2015.** 59% of respondents claimed that there has been “no impact”, while only 14% of respondents said they had seen “some” or a “great amount” of impact.

**The state of the sector varies significantly across geographic regions.** While charities in the South East of England are not immune to the national trends of increasing demand and economic uncertainty, their overall condition is relatively good. However, the implications of the current climate for charities and community groups in the West Midlands and Northern Ireland are potentially catastrophic.



## Demand for Services

Our survey in 2015 revealed a surge in demand for services among local charities and community groups across the UK. The majority of survey respondents predicted that this upswing in demand would continue, expressing concern about the long-term impact that this would have on their capacity.

These findings were echoed in a recent FSI report\* into small charities which found an increase in demand for services among 62% of respondents between March and May 2016.

Unsurprisingly, our 2016 findings have revealed a continued rise in demand throughout the local voluntary sector.

- 73% of respondents reported an increase in demand over the last 12 months (75% in the 2015 survey).
- Just 2% of respondents reported a decrease in demand.
- The trend is predicted to continue with 78% of respondents expecting further rises in demand over the coming year and less than 1% predicting a decrease.

Increasing demand should not necessarily be seen as negative – indeed it shows that there is a real need for local charities. Moreover, in many cases it may be a positive indicator of the quality of their services.



**"A lot of the growth in demand has been due to word of mouth, as a number of advocates (former service users, partners and clinical groups) have recommended Hack Back's work to others"**

- Anita Morris, Hack Back  
CIC, Cheshire



**73% of groups reported an increase in demand for services over the last 12 months**



# Demand for Services (cont.)

## Resources

What must be concerning however is that fewer than 1 in 5 groups (18%) facing an increase in demand for their services feel sufficiently resourced to meet this demand.

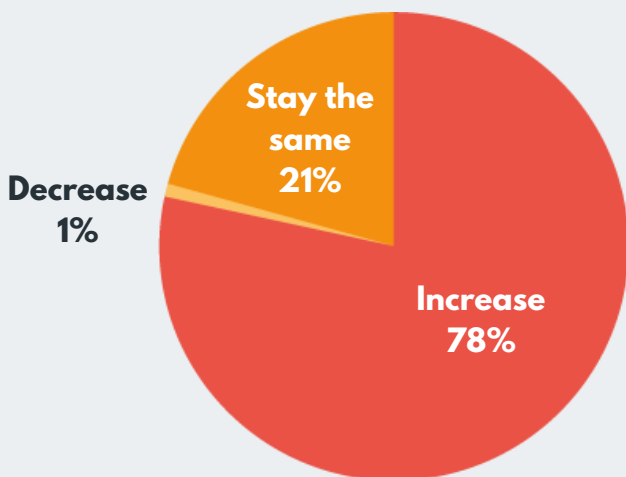
These concerns were most pronounced among charities with an annual turnover between £501k and £1m, with just 15% of these groups confident that they can cope with rising demands.

Regional differences are also worth addressing. In the East of England and East Midlands more than a quarter of groups facing a rise in demand felt they were sufficiently resourced to cope with this upturn in demand. In the West Midlands, Northern Ireland and Yorkshire and Humber fewer than 13% of these groups felt they were adequately resourced.

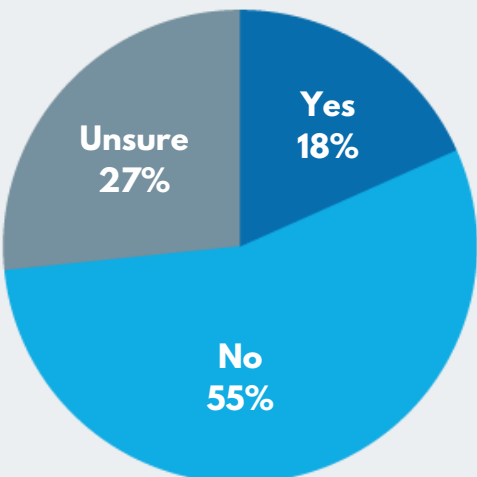
**"We have seen a demand for our services increase as all sectors get squeezed due to budget reductions in central and local government. We can only take on so much with limited resources"**

- Jill Caskey,  
N.I. Children's Enterprise,  
Northern Ireland

Over the next 12 months, do you expect to see demand for your services increase, decrease or stay the same?



Do you feel sufficiently resourced to meet this increase ?





## Demand for Services (cont.)



**THERE HAS BEEN AN INCREASE IN DEMAND. THIS HAS PARTLY BEEN ORGANIC, WITH LOTS OF PEOPLE TURNING UP ON THE BASIS OF WORD OF MOUTH.**

**REFERRALS FROM OTHER ORGANISATIONS (LOCAL AUTHORITIES, OTHER CHARITIES/GROUPS) HAVE ALSO INCREASED OVER THE LAST 12 MONTHS.**

**MANY WOMEN WE SUPPORT ONLY GET ACCESS TO A SOCIAL WORKER FOR 6 WEEKS. THIS ISN'T ENOUGH TIME TO HELP THEM AT THEIR OWN PACE AND LEAVES MANY GAPS, WHICH IFC HAS TO TRY TO FILL.**

- Sally Bonnie,  
Inspiring Futures CIC, Oldham







# Income Generation & Sustainability

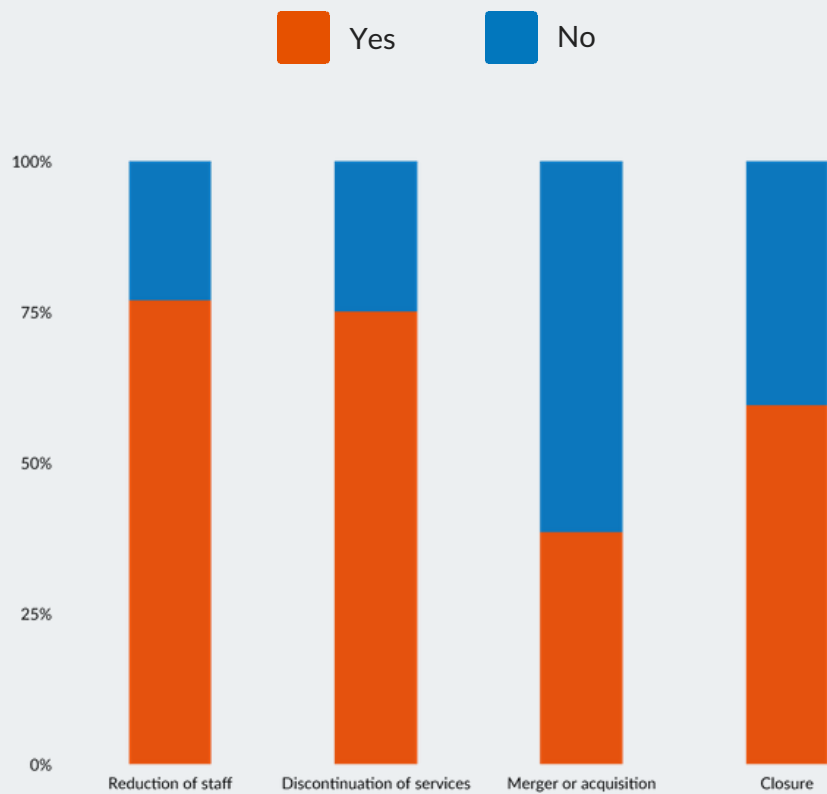
Over the last year the UK voluntary sector has continued to feel the effects of economic uncertainty and volatility. Research by NCVO and IPPR North has shown that small charities have been disproportionately affected by ongoing public sector cuts, the increased prevalence of short-term funding streams and complex commissioning practices (NCVO 2016, IPPR North 2016).

Our 2016 findings indicate that although there is optimism among local groups about their immediate survival, fears about the long term viability of the sector continue.

## Survival

- 79% of respondents are confident that their organisation can sustain itself financially over the coming 12 months. However, this drops to just 46% when stretched over a 5 year period.
- While a relatively small number of groups (12%) saw themselves as having been at risk of closure over the last 12 months, many had been subject to a reduction in staff (76%).
- 35% had seen a discontinuation in one or more of their services.
- A worrying 60% of respondents knew of one or more other local groups that have been forced to close in the last year - this is up 7% compared with 2015 (53%).
- Moreover, 75% of respondents knew of one or more local charities that had seen a discontinuation of services.

Are you aware of other local charities or community groups in your area that have been affected by any of the following?





# Income Generation & Sustainability (cont.)

## Financial Optimism



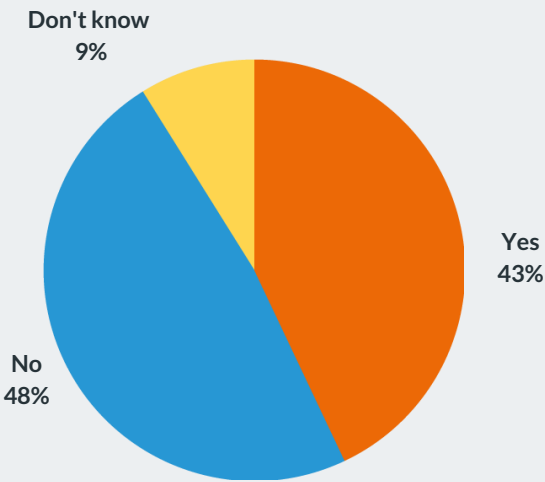
- Encouragingly, 33% of respondents anticipate an increase in their organisation’s annual income in the current financial year, up from 27% in 2015.
- However two thirds (67%) of groups are still predicting stagnation or a downturn in their financial position.
- It should come as little surprise, therefore, that 57% of groups see "generating income and achieving financial sustainability" as their most pressing issue over the coming 12 months.
- 76% of groups highlight "competition for grants and contracts" as a financial concern, with 65% citing "generating donations from the general public" as a challenge.

## Reserves

Building and maintaining reserves remains a prominent issue amongst local charities in 2016:

- 43% of groups said they had dipped into their reserves in the last year.
- 36% of groups cited building reserves as a financial concern.
- This is, however, a slight decrease from 2015, when 43% cited it as a concern.

## Have you had to use your reserves at any point over the last 12 months?





# Funding Sources

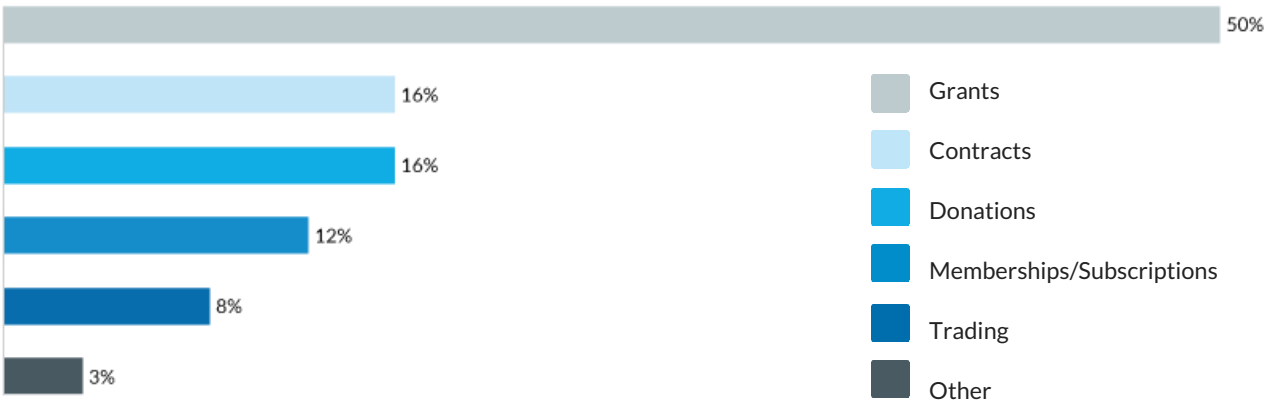
The UK’s funding landscape has been evolving quickly in recent years. While there has been a significant reduction in public sector funding, new opportunities have emerged in the form of accessible online giving and social investment.

Our research indicates that, while local charities and community groups are adapting to the new environment, the pace of change is slow.

## Grants & Contracts

- Grants were the primary source of income for 50% of groups in the previous financial year - with 51% predicting grants to be their primary income source in the current financial year.
- 16% of respondents said contracts were their primary income source.
- A group’s annual income is a major factor in how likely they are to be reliant on grants.
- 52% of micro-charities (annual income of under £50k) were reliant on grants as their primary income over the last year; while just 6% cited contracts as their main source of funding.
- In contrast, only 14% of large groups (annual income of over £1 million) cited grants as their primary funding channel, whilst 61% said contracts had been their main income source.

### Top ranked funding sources for the previous year



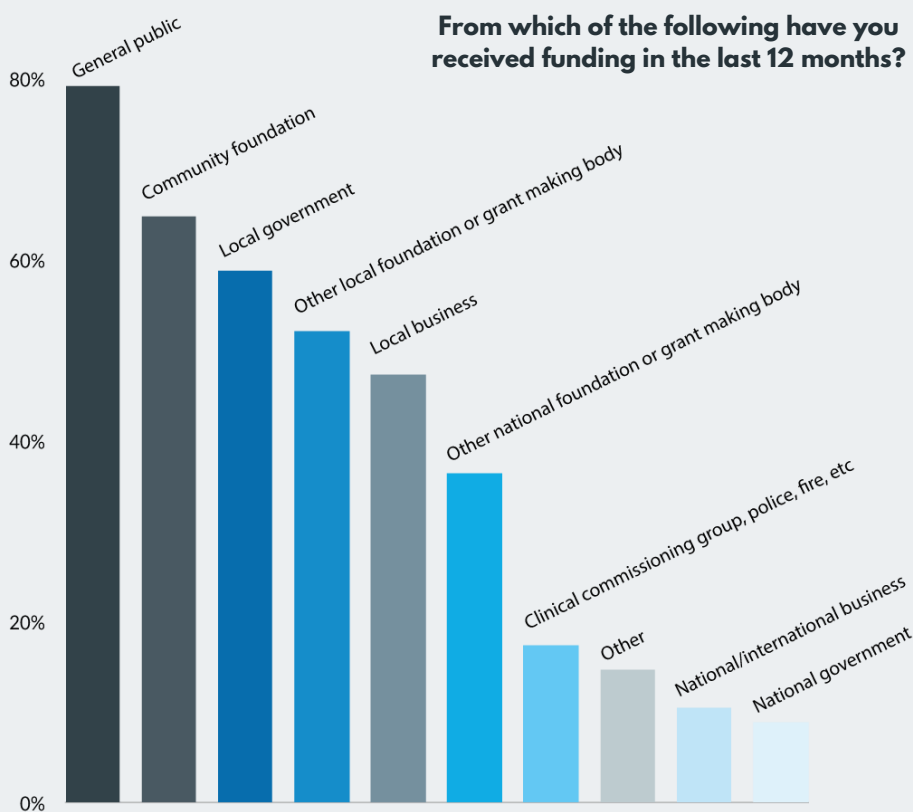


# Funding Sources (cont.)

## Donations

Donations from the public are the most common single stream of income for local charities, followed by grants from community foundations, funding from local government and grants from other local foundations or grant-making bodies.\*

- 79% of groups have received funding from the general public in the last 12 months.
- Behind grants and contracts, donations generate more income for local charities than any other channel. This is the case for both the previous and current financial year.
- 23% of micro-charities said that donations were their primary income source, more than double that of larger groups.
- 48% of respondents expect the percentage of annual income generated through online donations to increase in the coming financial year.
- 65% see difficulty in generating donations from the general public as a current financial concern.



**“IFC are keen not to be reliant on grants (which often come with strings attached) – hence longer term we are looking at avenues such as online fundraising with Localgiving”.**

- Sally Bonnie,  
Inspiring Futures CIC

\*With 95% of participants being members of Localgiving, it is likely that more participants will have accessed online fundraising (one of our core services) than the national average and therefore to have received donations from the public.



## Funding Sources (cont.)

### Social Investment

It has been widely predicted that social investment will play an increasing role in the voluntary sector funding mix in the future. Social investment has been hailed by the UK government and key voluntary sector bodies as an effective and efficient way of channelling both public and private sector funds into the third sector (Cabinet Office 2016).

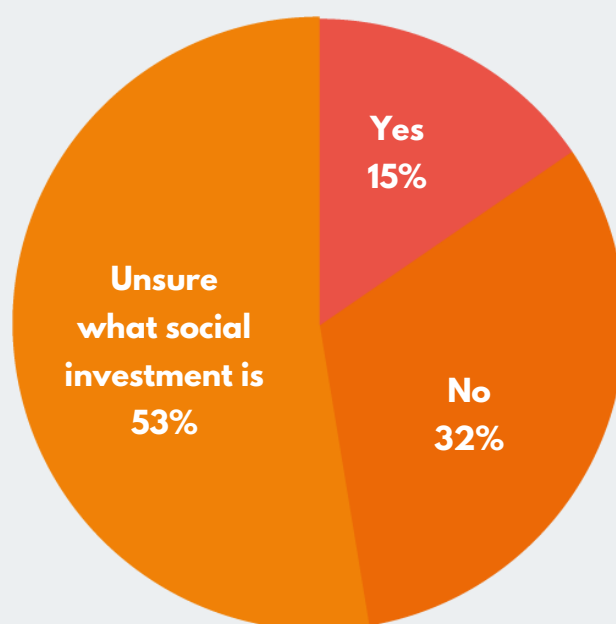
However, other organisations such as NCVO have been more cautious about social investment, highlighting the limited number of groups that have received investment to date, and that those groups who have benefitted are "*already relatively strong financially*" (NCVO April 2016).

Our data indicates that so far, the impact of social investment on the local voluntary sector is negligible. Just 15% of respondents had even considered social investment as a funding source for their organisation; and more than half of respondents were unsure what social investment was.

**"Most of social investment seems to be a loan. We cannot have a loan when no one wants to pay for our services"**

- Volunteer Centre, Slough

### Have you considered social investment?



Many respondents did not feel that they have enough knowledge of the potential benefits of social investment. Those that have explored the option often highlight the emphasis on "return on investment" and the financial risks posed by ongoing loan repayments as a significant barrier, and argue that the workload associated would be beyond their organisational capacity.

Groups with a medium to high annual income were more likely to have considered social investment than smaller groups. 40% of groups with an annual income of £501k - £1 million had considered social investment. This compares to just 9% of groups with an annual income of £0 - £50k, 65% of which claim they are "unsure what social investment is".\*

\*Our findings also revealed low levels of knowledge about social investment among groups with an annual income over £1 million. However, this may not be very representative as the sample was very small (23).





# Collaborative Working

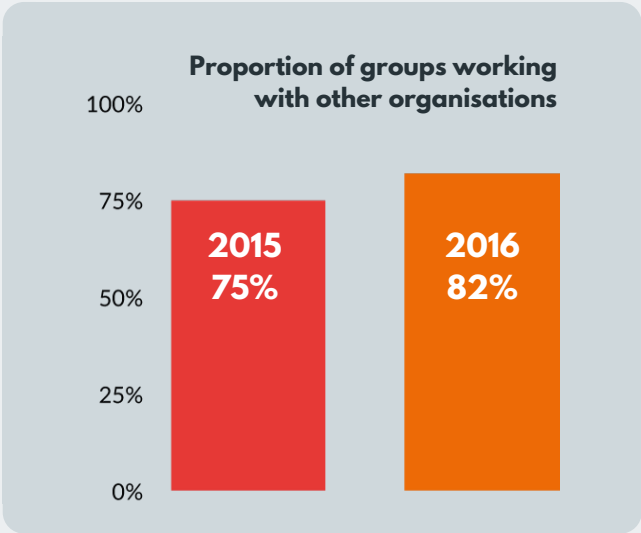
In recent years there have been consistent calls for increased and improved collaborative working in the voluntary sector – be it through informal networks and alliances, joint delivery of projects, or strategic mergers.

In Taking the Pulse of the Small Charity Sector, Edition 12 (June 2016) the FSI stated that small charities “need to increase working in collaboration with others to safeguard their future and the vital services they provide”. This report showed that while 73% of small charities work in partnership with other groups, just 10% do so to a “meaningful degree” (FSI 2016).

- Our 2016 survey found that the overall proportion of groups who had worked collaboratively had increased from 75% to 82% over the past 12 months.

Although the types of partnership most prevalent amongst local charities and community groups have remained the same (the majority of collaborations being with other local not-for-profits and local authorities), these partnership types have all seen a small decline.

- Groups working with another local not-for-profit fell from 80% in 2015 to 74% in 2016.
- Groups working with their local authority fell from 72% to 69%.
- Groups working with the local business community had fallen from 53% to 49%, while those working with national businesses had fallen from 24% to 22%.



However, other forms of collaboration were more prevalent in 2016. 27% of groups had worked with a local "Clinical Commissioning Group, Police, Fire or other statutory service". Moreover, our text analysis revealed collaboration with local educational and religious institutions to be particularly common. When asked which groups they had worked with over the previous year, of those who marked "other", some of the most frequent responses were "schools", "colleges", "university" and "churches".

Partnership working in the sector takes a wide range of forms. The most common forms of collaboration reported were: shared service delivery (60% of groups who had collaborated over the past 12 months), fundraising partnerships (41%), shared volunteers (41%) and sharing of assets (27%).

Text analysis indicates that there is also notable collaboration around events and training.

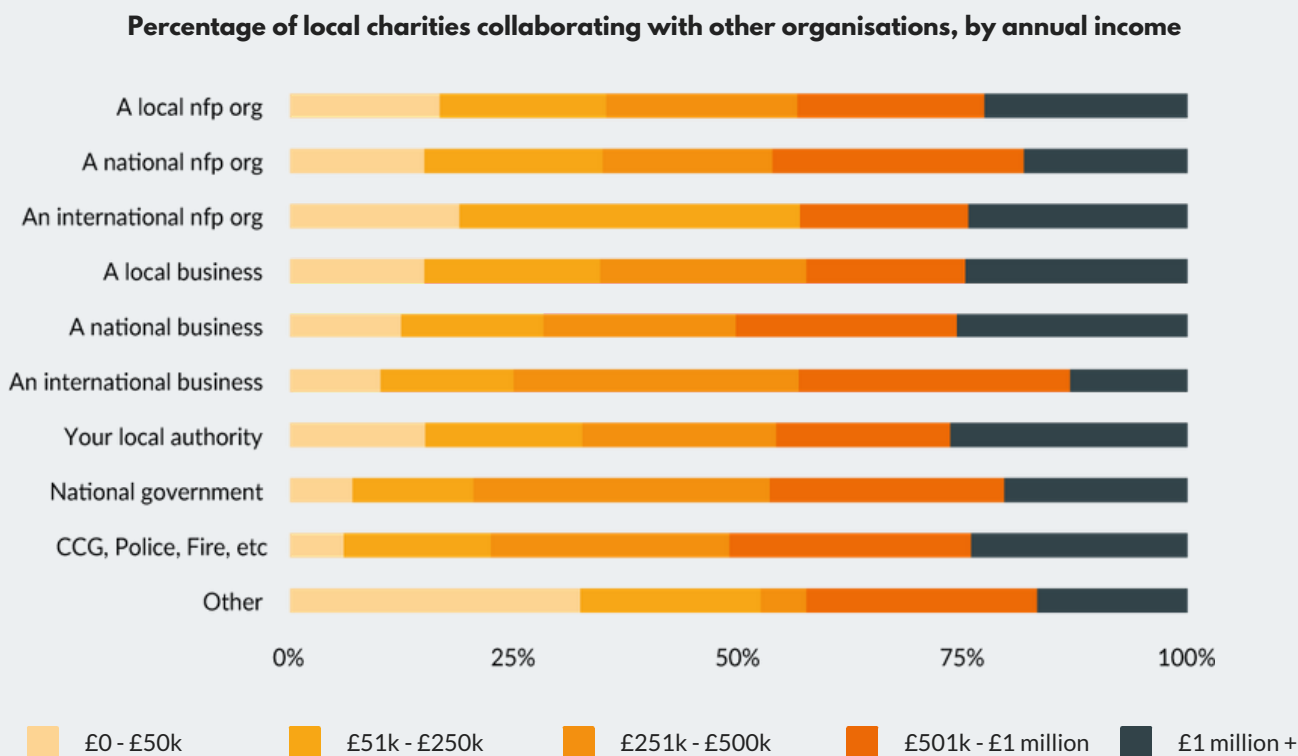


# Collaborative Working (cont.)

## Size Matters

As in 2015 there is a clear correlation between the size of an organisation and the likelihood that it will have developed partnerships with local/national government or corporates. 62% of groups with an annual income of under £50k had worked with their local authority compared to 100% of respondents from groups with an annual income of over £1 million.

43% of groups with an annual income of under £50k had worked with a local business, compared with 65% of charities with a turnover of over £1m.



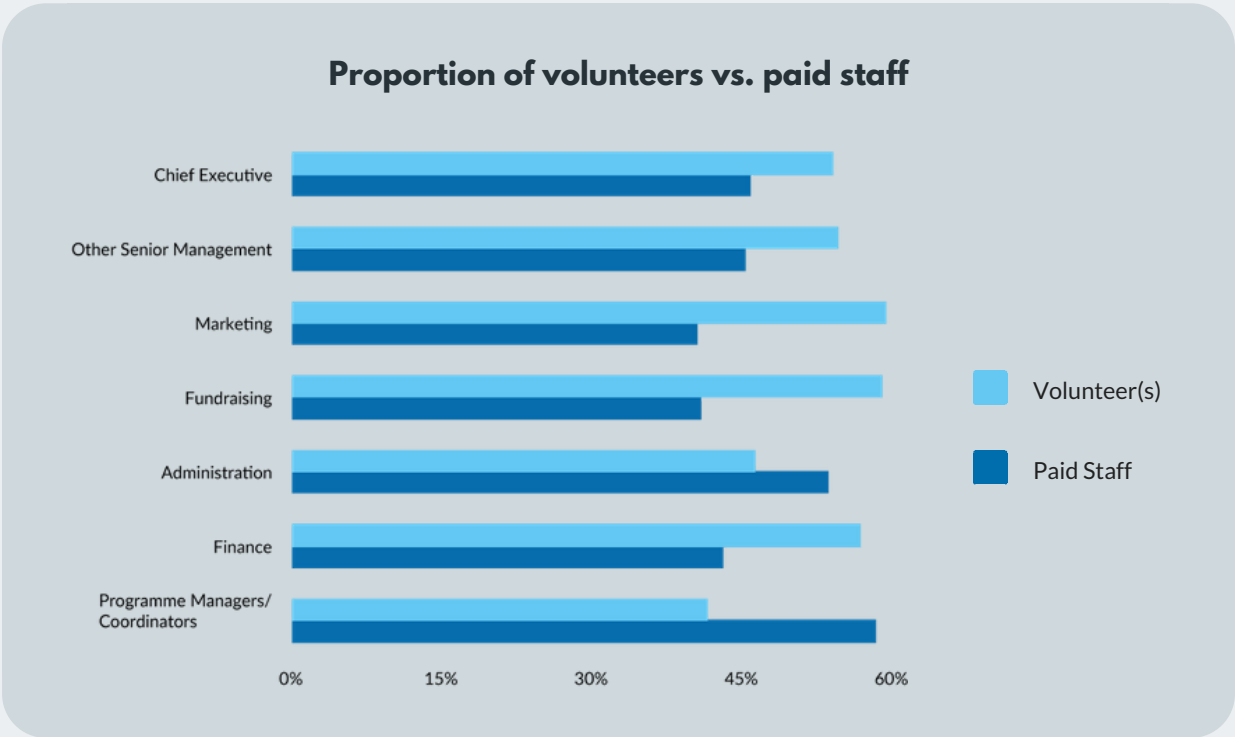
## Benefits & Barriers

Our research revealed a wide range of benefits associated with collaborative working. Commonly cited advantages included: skills sharing, funding opportunities, increased referrals, heightened public profile and reputation, efficiency, increased capacity, spreading risk and improved services.



# Workforce

In this year’s survey, we took an in-depth look at the workforce available to local charities and community groups - including full time and part time paid staff, as well as volunteers.



## Volunteers & Trustees

Our survey revealed that the local voluntary sector is primarily populated and led by volunteers, and deeply reliant on their skills, time and passion. This echoes The FSI’s assertion that “Staff and volunteers form the backbone of small charities” (The FSI 2016).

- 97% of the groups surveyed use volunteers.
- 54% of Chief Executives and 57% of finance staff are volunteers. Furthermore, 59% of groups primarily have their fundraising activities carried out by volunteers.
- There is a clear divide between small and larger groups in the division of labour between volunteers and paid staff. Over 80% of Chief Executives, senior management, finance, fundraisers and marketers are volunteers amongst groups with an annual income of £50k or under. However, for groups with an annual income of over £500k, fewer than 8% of these roles are held by volunteers.



## Workforce (cont.)

Our 2015 report found that recruiting reliable, skilled volunteers and trustees was a major issue for local groups. This remains the case:

- After “generating income and achieving sustainability” survey respondents rated “finding and retaining volunteers” as their most pressing issue over the coming year.
- 27% of groups surveyed said that they found recruiting suitably skilled volunteers to be “challenging” or “extremely challenging”, while 29% found difficulty in recruiting skilled trustees.
- Word of mouth remains the most popular (83%) channel for recruiting volunteers. Many groups also advertise volunteer roles on their website (77%) and through social media (60%). Fewer than 5% of groups use paid advertising to recruit volunteers.

On a positive note, retaining volunteers is far less of an issue for local charities. 60% of respondents said it was “easy” or “relatively easy” to retain volunteers, while just 13% said it was “challenging” or “extremely challenging”.

**"The responsibilities for fulfilling all the admin tasks, including marketing and fundraising fall on the shoulders of myself as Project Co-ordinator. Although passionate about our project, at times it can be challenging and disheartening, not having great skills in all aspects of the duties I need to do... upon absences I have to take on additional roles, leaving daily tasks to complete in my "own time". I am happy to do a level of volunteering ... but what is frustrating is a seeming lack of understanding of [what] I have to fulfil in my contractual 20 hours per week; I wish I was Wonder Woman, but I'm not!"**

- Anon

## Paid Employees

- The vast majority of local charities (88%) have five or fewer full time employees. More than half (55%) have no full time staff members.
- 76% of groups have seen a reduction of staff over the last 12 months. Moreover, 77% knew of one or more other local groups that had seen a reduction in staff numbers over the last year.

While it is important for the character of the sector to retain a high proportion of volunteers, such a rapid loss of paid staff is likely to impact negatively on service continuity and capacity and lead to a reduction in overall skill levels.

## Training

Economic concerns are having an impact on charities' ability to deliver training to its staff and volunteers. 41% of respondents cite their lack of budget as a barrier to training volunteers, with a further 26% citing a lack of time.

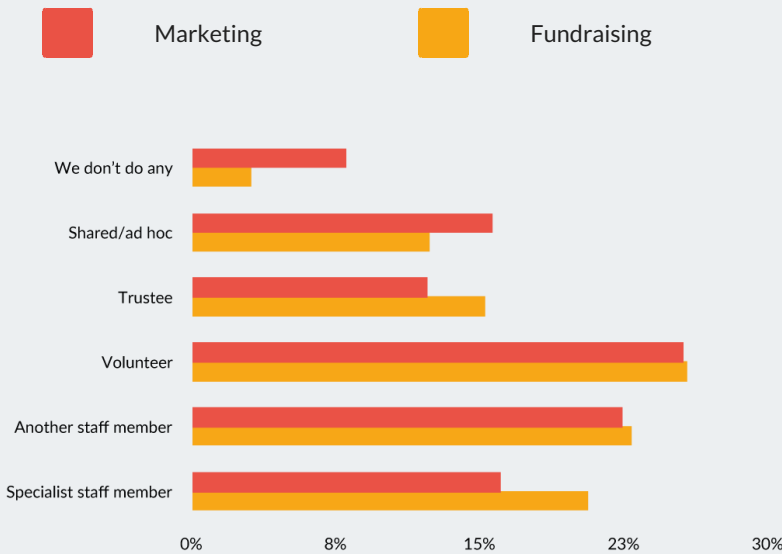


## Fundraising & Marketing

Our 2015 survey revealed significant skills shortages in fundraising and marketing across the local charity sector. These findings echoed the FSI's small charity sector skills-gaps survey (2015) which found *"skills gaps still present a major barrier for small charities across the UK with many basic problems remaining the same"*.

This year's survey paints a similar picture. Local charities and community groups are still heavily reliant on non-specialist staff and volunteers. However, it is positive that there has been an increase in digital participation and confidence.

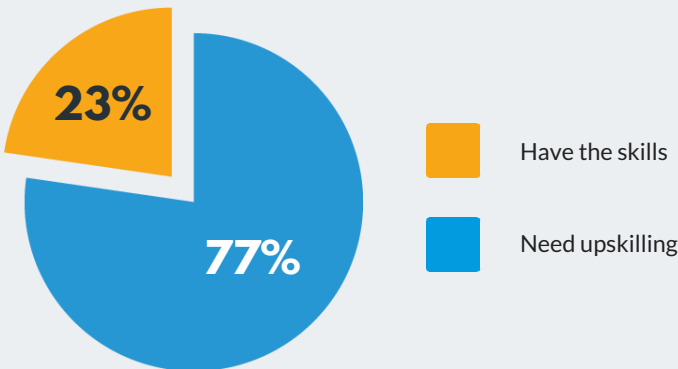
### Who leads your activities across:



### Skills & Skill Gaps

- 79% of fundraising and 84% of marketing activities are led by non-specialist staff.
- 40% of groups told us either their marketing or fundraising activities are led by volunteers or trustees.
- 77% of respondents do not believe that they currently have the requisite skills to run a successful fundraising campaign with 22% saying they need *"significant upskilling"*.
- However, this is an improvement on 2015 when 28% believed they required *"significant upskilling"*.
- 83% of respondents said that they would benefit from support with online fundraising.

**Fewer than 1/4 of local groups say they have the necessary skills to run a successful fundraising campaign**







## Fundraising & Marketing (cont.)

“

**WE DON'T HAVE ALL THE  
SKILLS NECESSARY TO  
COMPLETE APPLICATIONS  
AND TENDERS, WE WERE  
TRAINED AS YOUTH  
WORKERS - NOT  
ACCOUNTANTS AND  
FUNDRAISERS**

”

Jill Caskey – N.I. Children's Enterprise,  
Northern Ireland



# Fundraising & Marketing (cont.)

## Online Activity

The vast majority of local groups conduct some form of online marketing, mainly using social media or their own website:

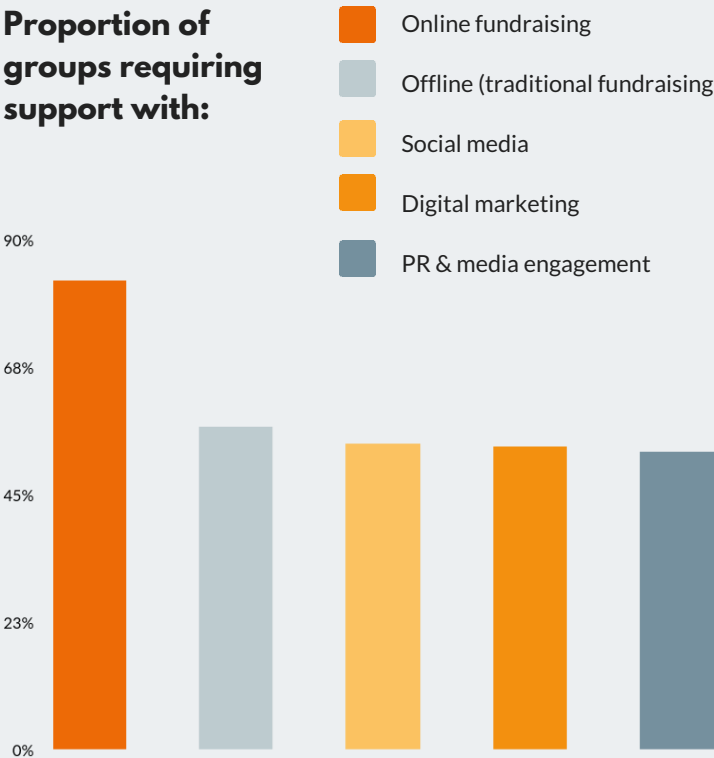
- 85% use social media to communicate with supporters
- 83% use their own website
- 65% use email newsletters



85%  
of local groups  
use social media

While there has been an increase in digital marketing, qualitative feedback suggests that word-of-mouth remains a very popular and effective marketing tool for local groups. The ability to engage communities through face-to-face contact is a major strength of the local voluntary sector.

## Proportion of groups requiring support with:



- In 2015, 43% of respondents believed that the percentage of annual income generated through online fundraising would increase over the next year. In practice, however, there has been little change.
- 31% of respondents said their group received more than 5% of its annual income from online donations - up just 1% compared with 2015.
- 8% of 2016's respondents say online donations account for over 20% of their annual income - this is down 1% compared with 2015.
- Regardless, there remains optimism about the potential benefits of online giving. 48% of respondents in 2016 expect the percentage of annual income generated through online donations to increase over the coming financial year.



# Regional Analysis

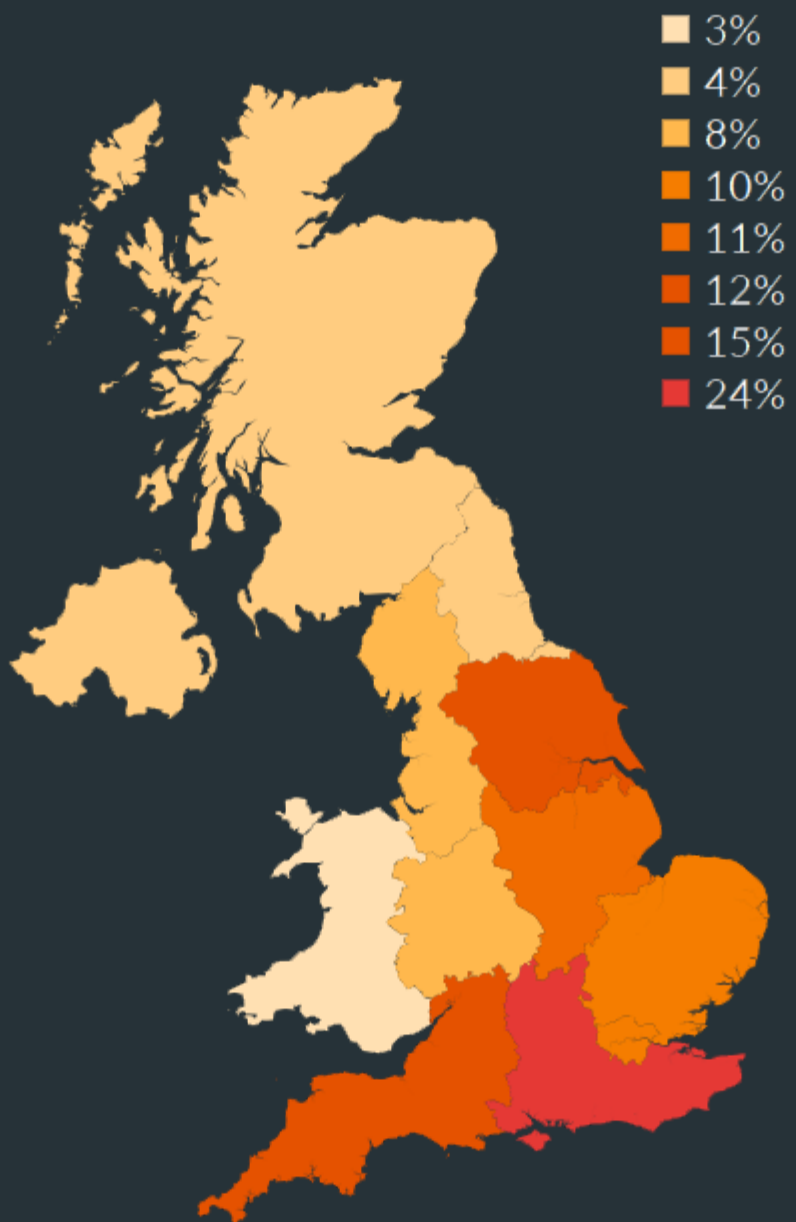
## Geographical Spread

Our 2016 Local Charity and Community Group Sustainability Survey received 598 respondents from all regions of the UK.

Targeted dissemination of the survey via sector partners and regional colleagues has enabled us to achieve a more representative geographical spread than in 2015.

The majority of survey respondents represented groups in the south of England. Groups operating in the South East, London or the South West accounted for 55% of groups from England. This aligns closely with the national distribution of charities recorded in NCVO's 2016 Almanac which found that 50% of charities in England were based in these regions.

Scotland, Wales and Northern Ireland provided 11% of the respondents in 2016. Although still requiring improvement, this is up from 6% in 2015.





## Regional Analysis (cont.)

### Regional Focus

While charities in the South East are subject to the national trends of increasing demand and long economic uncertainty, compared with the national average, groups in the region are relatively sustainable. However, the implications of the current climate for charities and community groups in the West Midlands and Northern Ireland are potentially catastrophic.

The situation in the West Midlands is particularly concerning. It is the only region with more groups predicting a fall (34%) than rise (20%) in annual income. Over half of all groups have used their reserves in the last year and just 35% are confident of their 5 year survival.

The table below focuses on 4 regions as a means of highlighting the significant regional variations in this year's survey:

|   | Northern Ireland<br>(small sample) | West<br>Midlands | London | South<br>East | UK<br>Average |
|---|------------------------------------|------------------|--------|---------------|---------------|
| Experienced increase in service demand (last 12 months)   | 91%                                | 75%              | 86%    | 70%           | 73%           |
| Expect increase in service demand (next 12 months)        | 95%                                | 83%              | 88%    | 78%           | 79%           |
| Not sufficiently resourced to meet rising demand          | 82%                                | 58%              | 51%    | 47%           | 48%           |
| Generating income rated as most pressing concern          | 68%                                | 67%              | 57%    | 48%           | 57%           |
| Majority of groups predict annual income to:              | RISE                               | NO CHANGE        | RISE   | NO CHANGE     | NO CHANGE     |
| % of groups that have used reserves in the last 12 months | 42%                                | 51%              | 45%    | 34%           | 43%           |
| Confidence in 12 month sustainability                     | 72%                                | 74.2%            | 85%    | 74.4%         | 79%           |
| Confidence in 5 year sustainability                       | 47%                                | 35%              | 44%    | 45%           | 46%           |



## Public Trust & Confidence

It has been a challenging year for the UK charity sector, with a spate of negative stories around fundraising practice and mismanagement. A report published by Populus for the Charity Commission in June 2016 suggested that public trust and confidence in the sector have fallen to the lowest since records began in 2005. \*

As a consequence, a new fundraising regulator has been formed and there has been a renewed focus on good governance within the sector.

On a positive note for the local voluntary sector, the Populus report also found that "small, well-established, local charities are the most trusted of all".

**"Whilst, yes we agree that public trust in charities is at a lifetime low, the slump has not affected us whatsoever because we are entirely embedded in our communities"**

- Music on the Quantocks, Taunton

### NO IMPACT

59% of local charities say recent negative press has had no impact on their organisation

We were interested in finding out whether and, if so, how these challenges have affected local community groups.

On being asked the extent to which the issues of public trust and confidence in the charity sector had affected them, 59% of respondents claimed that there has been "no impact".

A minority of respondents actually reported an upturn in support. This may suggest that the negative press has, in some cases, drawn people towards local charities.





## Public Trust & Confidence (cont.)



**"People see us as small and local. People can see what we do and can join in. They understand we are not a business like the mega charities."  
- 1st Burnmoor Scouts, County Durham**

**"We believe we work well at explaining that the issues in the press are not representative of all charities and how we operate differently."  
- Tom, Sport 4 Life UK, Birmingham**



**"People are becoming warier of larger charities and many prefer to keep local nowadays. People are interested in where the money goes – when they find out we are local they seem to be really reassured."  
- Simona Florio, Healthy Living Club, Lambeth**

**"Because we are local we have seen a trend in people wanting to support a local charity as they have lost trust in the nationals. This has been positive for us as we are finding more businesses are wanting to support us."  
- Wendie, Faces Bedford**



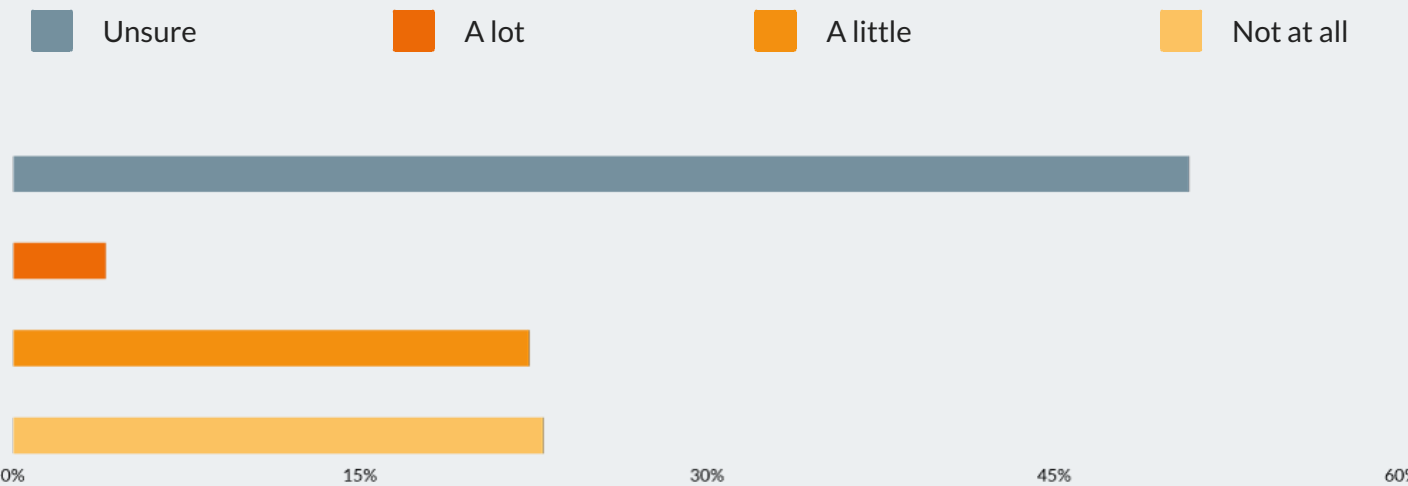


## Public Trust & Confidence (cont.)

Despite the majority of local charities seeing no negative impact, it is important to recognise that 14% of respondents, a significant minority, said they had seen “some” or a “great amount” of impact.

Feedback suggests that those groups representing certain cause areas may have been disproportionately affected, one anonymous respondent claiming that: “Since the Kidsco [Kids Company] issue children's charities have less credibility and less trust.”\*

### To what extent do you think the new fundraising regulator will affect your organisation's workload?



We also enquired as to the extent to which the new fundraising regulator is likely to affect the workload of local charities. The majority of respondents (51%) were unsure about the impact that this would have, many claiming that they were unaware of, or unclear about changes to the Code of Practice or the the exact function of fundraising regulator. This suggests that there needs to be better communication across the sector around the fundraising regulator and its objectives.

On a positive note, the majority of those groups who did feel informed about the changes were confident of their ability to fulfil their duties and expected little negative impact on their overall workload. Comments suggest that this was primarily because very few employ the types of fundraising practice that these changes were designed to address.

\*<http://www.bbc.co.uk/news/uk-33788415>



## Conclusion

For a second year, our Local Charity and Community Group Sustainability Report has revealed a sector stretched to capacity.

The last 12 months have seen an escalation in demand for services. Unfortunately, the ongoing volatility of the funding landscape has not allowed for a concomitant increase in skills, training or resources.

Rapid staff turnover, reductions in workforce size and an over-reliance on volunteers are particular concerns for the sector - inevitably affecting the quality, continuity and durability of services.

While the majority of charities are confident of their short-term survival, the challenges associated with investing in the future have given many groups legitimate concerns about their long-term viability.

## Take-away Points

- While demand for the services of local charities and community groups has continued to grow, worryingly few groups feel they have the capacity to meet this demand.
- Most groups are confident about their immediate survival. However, many are forecasting a sustained period of stagnation and fear for their long term prospects.
- Local charities and community groups are adapting to the evolving funding environment but the pace of change is slow. The majority of groups are still reliant on dwindling grants with only a tiny minority taking up social investment opportunities.
- Collaborative working is on the rise with a widening range of partners involved in the sector. However, conflict of interests, fear of losing autonomy and lack of transparency remain barriers.
- The local voluntary sector is primarily led and populated by volunteers and is heavily dependent on their time, dedication and skills. Recruiting adequately skilled volunteers can often be a challenge.
- Reductions in paid staff numbers pose a serious problem, impacting on the continuity of services and affecting overall skill levels across the sector.
- The sector has major fundraising and marketing skills shortages with a heavy reliance on non-specialist staff and volunteers.
- Local charities do not believe that public trust and confidence in the local voluntary sector has been significantly affected by the scandals that hit the charity sector in 2015, with some groups predicting an upturn in support.
- The state of the sector varies significantly across geographic regions, some of which may reflect wider economic and social issues.



## Recommendations

There has been notable progress on a number of the recommendations that we made in our 2015 report. Firstly, we are delighted to see the government recognising the unique value of local charities and community groups through the announcement of the UK's inaugural Local Charities Day on 16th December 2016. We are also pleased to see the policy plan to introduce three days per year paid volunteering leave for employees of large organisations coming to fruition.

Unfortunately, the local voluntary sector remains in a highly precarious situation - over-stretched and vastly under-resourced. We are particularly concerned about the continued over-reliance on unsustainable funding sources and the dwindling numbers of paid staff in the sector. Using our own findings and those of wider research into the sector we have developed a series of key recommendations, the aim being to alleviate short term challenges and safeguard the future of the sector.

### **There should be a continued focus on diversifying income**

The majority of local groups are heavily dependent on grants and statutory funding. This makes them highly susceptible to changes in the politico-economic landscape. Alongside grants, the traditional funding opportunity, small charities and community groups must explore new funding channels including corporate partnerships, social investment and public donations.

Our research indicates that many local groups are unaware of the options available to them, do not feel they have the specialist skills required to explore alternative funding options or see these options as too high-risk.

- The benefits of social investment are not currently evident to the majority of the local voluntary sector. These must be made clearer and effort should be made to ensure such opportunities are accessible to grassroots organisations. It also must be recognised that social investment is not an appropriate funding source for a significant number of local groups.
- A continued commitment to programmes that stimulate and encourage groups to explore new funding sources such as online fundraising and crowdfunding is required.

### **Efforts must be found to meet the escalating demand for services**

Many factors that may have contributed to the increase in demand on services, such as continued economic uncertainty and public sector cuts, are beyond the direct control of the sector. It is important that the impact of these wider factors is recognised and measures are put in place to support local charities to cope with this upturn in demand.



## Recommendations (cont.)

### Where appropriate, we should find ways to stimulate collaborative working

Although collaborative working is increasing, there remains trepidation among local groups about forming such partnerships. Opportunities for collaborative working must be made more accessible, more transparent and less daunting for small, local charities and community groups. Moreover, lead organisations such as local authorities, clinical commissioning groups, etc. should consider taking on a greater share of the administrative load.

### However, the individuality of local groups must also be respected

Whilst collaboration can yield positive results, it is important to realise that it requires a huge amount of resources\* and is not always the most effective way for small and local charities to operate. It is therefore important that the individuality of local groups is recognised and cultivated, without pressure for increased collaboration where it is not appropriate.

### Further emphasis must be placed on the importance of unrestricted funding to enable local charities to cover core costs

Covering core costs has again emerged as a major issue in the sector, with many charities citing overly restrictive funding as a major obstacle to retaining staff and achieving sustainability. In order to achieve this there must be a more open conversation about the need for funding for core costs.

- If funders want to have a real, sustained impact, they must provide charities with the resources needed to plan for and invest in their futures. Central to this being the ability to retain skilled staff, offer training and cover operational costs. Rather than funding stand-alone projects, funders should consider building robust, long-term relationships with the groups they fund.
- Charities must be more vocal about their core funding needs and the impact that fulfilling these needs (and vice versa) would have on their services and beneficiaries.
- Charities may need to explore less traditional funding sources to attain the unrestricted funding they require, such as trading and online fundraising.
- Our findings indicate a number of local charities spend a disproportionate amount of time completing grant applications. We would welcome simpler and less time-consuming application processes for smaller charities.

\*<http://www.open.ac.uk/business-school-research/centre-voluntary-sector-leadership/node/35>



## Recommendations (cont.)

### **The sector is losing staff rapidly - finding ways to recruit and retain a skilled workforce, both paid and voluntary, must be a priority**

- Finding ways to overcome job insecurity and provide opportunities for progression for employees will be essential if the sector is to recruit and retain a high quality workforce. Options must be explored to ensure that jobs across the sector are less dependent on single project funding sources. An increase in unrestricted funding options is key.
- We are encouraged that the government is following through with its policy plan to introduce 3 days per year paid volunteering leave for employees in large organisations and hope this will be extended in the future.

### **We must continue to increase public awareness and trust in local charities**

Our 2015 survey found that 43% of groups believed their local community was not "very aware" or "unaware" of their activities. This is supported by a recent TSB/SCC (June 2016) report which revealed that small, local charities are working in an "awareness vacuum" - with 90% of people unable to name more than one small charity in their local area.

- We support the government's announcement of a Local Charities Day to celebrate local charities and community groups. This is an important step towards increasing public appreciation of the sector and we hope to see it continue to take place on an annual basis.
- The media must be responsible when reporting about charity sector practices. The vast majority of charities in the UK are small, local groups, very few - if any - of which are involved in the "aggressive" marketing techniques subject to criticism in the press.

### **Regulation is important, but safeguards must be put in place to protect smaller organisations from the burden of extra administration**

We support the implementation of the new fundraising regulator and the changes to the Code of Fundraising Practice. The issues that arose from the 2015 scandals must be addressed if we are to adequately protect vulnerable people and restore trust in the charity sector. However, it is important to ensure that smaller, local groups are not negatively impacted by regulation aimed at their larger counterparts.

- It must be recognised that, due to their limited time and resources, local groups are often disproportionately affected by increases in administrative workload.
- Information about Changes to the Code of Practice and about the function of the new fundraising regulator must be disseminated widely and in a manner that is clear and accessible to all audiences.





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