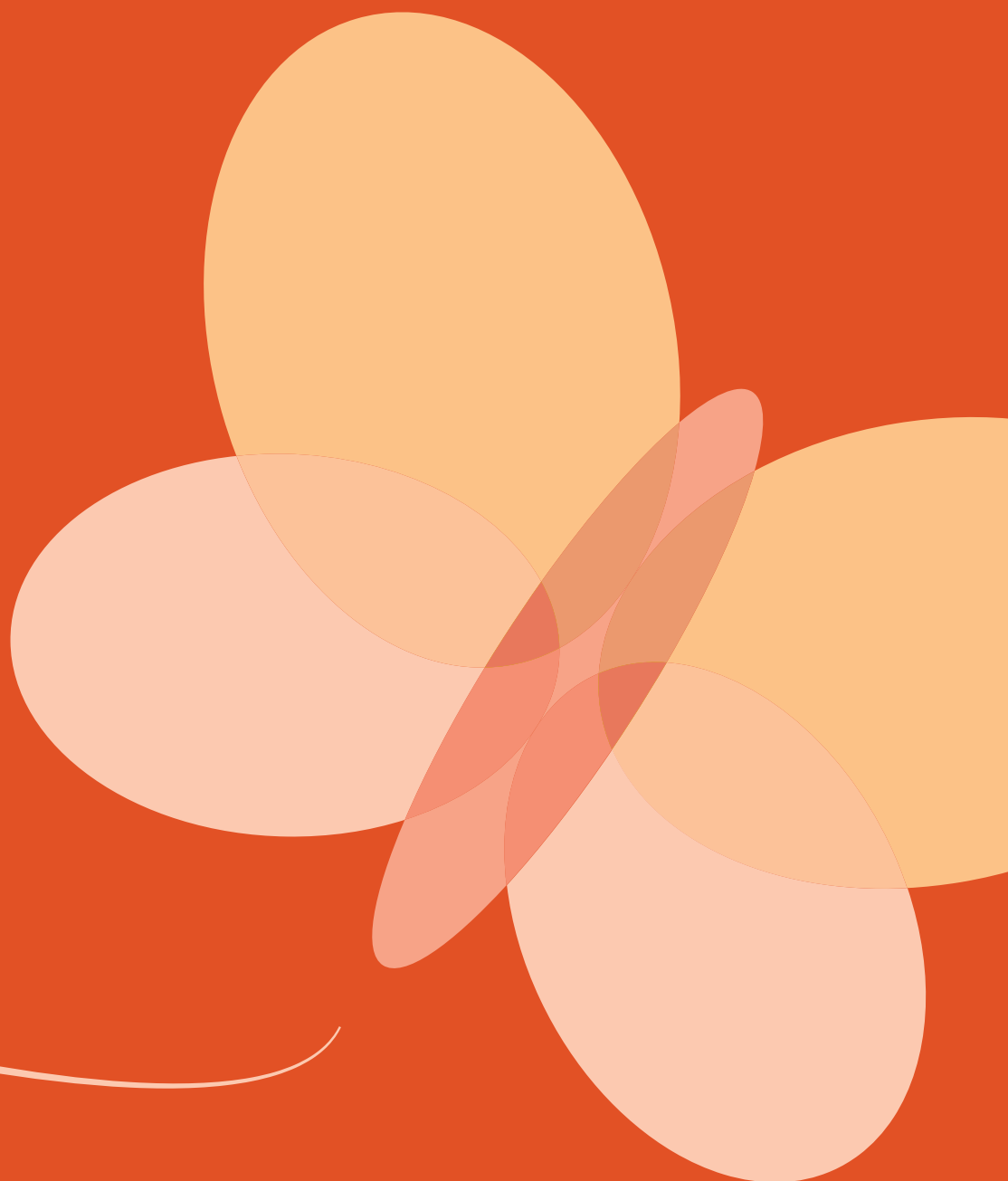


LOCAL CHARITY & COMMUNITY GROUP SUSTAINABILITY REPORT

2015

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Stephen Mallinson
Chief Executive

Localgiving
6th Floor
233 High Holborn
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CHIEF EXECUTIVE'S FOREWORD

STEPHEN MALLINSON

Ask anyone in the street to name a charity and the chances are they'll come up with a well-known national or international brand. Meanwhile, in their own neighbourhood, there are likely to be several charitable groups quietly and compassionately serving their community and enhancing the lives of local people.

The long-tail of charity comprises millions of people engaged with thousands of organisations, whose focus is on their beneficiaries, but whose voices are drowned out by marketing of the professional charity behemoths. This report attempts to lift the lid on the virtually-invisible local charity sector, whose members have consistently told us they are struggling to deliver their services with meagre resources in a prevailing climate of austerity.

To our knowledge, this is the first survey of UK local charities in recent times. As an organisation focused on helping this sector, we might have expected some of the findings; but others came as a surprise. Our hope is that this work will serve to open eyes, motivate change and reverse the climate of short-termism that seems all-too prevalent.

Without significant targeted intervention, fewer and fewer organisations will be able to survive, weakening communities and leaving huge numbers of vulnerable beneficiaries at risk. It is vital that strategies are put in place to help better support the sector and address its core issues. Government, industry, philanthropists and the general public can and should all play a part. This means a sustained commitment to training, funding and volunteering that outlasts ephemera like annual budgets.

On behalf of the team at Localgiving, I would like to express our thanks and gratitude to all those groups who took part in our survey. But more than that, we want to thank all those unsung heroes, who unstintingly serve their communities across the length and breadth of the United Kingdom. We have tried to give voice to your work, your success and your concerns.

Localgiving's mission is to help you make a sustained positive impact by supporting you to achieve financial sustainability. We hope that this study will draw attention to your situation, provide motivation for greater engagement and support, and thereby restore an element of balance in favour of the small and local.





INTRODUCTION

As a representative, advocate and membership organisation for local charities and community groups across the UK, Localgiving is in a privileged position. We hear stories and anecdotes about all aspects of the local voluntary sector every day. The vast majority of these are positive - highlighting the invaluable and inspirational work being carried out across the country. However, there has recently been a rising number of concerned voices, particularly in relation to the sustainability and long-term financial viability of the sector as a whole.

The main aim of this report is therefore to provide a snapshot of the hidden world of local charities, highlighting its most pressing issues and enabling Localgiving to better advocate for its members.

There is much excellent research on the UK charity sector, covering everything from the effects of the recent economic crisis; to digital inclusion; to staff pay. However, to date there has not been a recent notable survey that has focused specifically on the UK's "local" voluntary sector.

We hope the findings of this survey will not only make a valuable contribution to the ongoing debate about how best to achieve a sustainable, flourishing sector, but may also stimulate a discussion about the uniqueness and value of local charities and community groups.



The Drop in Bereavement Centre, London



Sing for Health, Brighton & Hove, East Sussex

LOCALGIVING ABOUT US



Localgiving is dedicated to providing funding opportunities and advocacy for local charities and community groups in the UK.

Its mission is to safeguard the sustainability of the local voluntary sector by empowering charitable organisations to connect with supporters, fundraise online and take control of their financial future.

Since Localgiving launched in 2009:

- Over £11m has been raised and distributed to its members, including £2.65m of match funding*
- More than 4,500 local charities and community groups have created a Localgiving online fundraising page to raise donations from the public
- More than 98,000 individuals have donated to a local charity or community group through Localgiving's online fundraising platform
- More than 2,000 fundraiser pages have been created to raise money for a local cause
- More than 12,000 monthly Direct Debit donations have been set up to provide long-term continuous support for local charities and community groups

*where funds are used to augment the value of public online donations





ACKNOWLEDGEMENTS

Localgiving would like to thank all the local charities and community groups that took the time to respond to our survey on the state of the sector in order to contribute to this report.

In addition, we would like to thank all of our partner organisations who helped us to distribute the survey amongst local groups in their areas.

Finally, we would like to give particular thanks to those organisations who participated in interviews to help us gain more insight into the opinions and viewpoints of the wider sector.

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

With special thanks to:

The Bike Project, London

Staffordshire Therapeutic Independent
Neurological Group (STING)

Sports Driving Unlimited, Dumfries and
Galloway

Music and Special Needs, Norfolk



01



02

- 01. The Principle Trust - Skipton, North Yorkshire
- 02. Mosaic Family Support - Blandford, Dorset
- 03. The Bike Project - Camberwell, London



03





METHODOLOGY

DATA COLLECTION

A digital survey was conducted over the period from the **5th August to 15th September 2015**.

The survey was distributed via email to **4,885** local charities and community groups. It was also circulated by partner organisations working within the local voluntary sector, including a number of Community Foundations. In addition, all groups receiving the survey were encouraged to share it with other local groups in their networks.

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 **538** respondents. For the purpose of this report, quantitative data provided by the survey results was supplemented with a call for qualitative evidence from a sample of participating groups.

ELIGIBILITY

In its 2015 Almanac, NCVO defines local charities as those which "operate predominantly within a region"- according to this definition **78%** of UK charities would be considered "local".

However, at present there is no established definition of a "local charity or community group". This being the case, for this study we chose not to impose arbitrary criteria, but (in the most part) to allow groups to self-define.

Our only eligibility criteria were that participating groups must operate within the UK and are subnational (not national or trans/international) in the work they carry out.

LIMITATIONS AND CONSIDERATIONS

With **79%** of participants being members of Localgiving, we would postulate that participants are more likely to have accessed online fundraising (one of our core services) than the national average.

Similarly the fact the study was conducted online, with groups we already know have digital skills, the data on digital technology may also be skewed.

27% of respondents were from the South-East region of England, which may have had a distorting effect on some findings.

KEY STATS

Number of survey respondents: **538**

Number of groups interviewed: **4**

Respondents that are Localgiving members: **79%**

Respondents that are registered charities: **72%**

Groups that expect to see an increase in demand for services: **81%**

Groups that feel sufficiently resourced to deal with an upturn in demand for services: **15%**

Groups that reported an expected decrease or stagnation of income: **73%**

Groups that had used their reserves in the past 12 months: **42%**

Groups that see generating income and achieving financial sustainability as their current most pressing issue: **59%**





EXECUTIVE SUMMARY

KEY FINDINGS

The majority of groups have genuine fears for their mid to long-term survival.

The impact of the financial crisis is evident throughout the local voluntary sector. Income levels are stagnating, large numbers of charities are facing closure and only a tiny percentage of groups are able to prioritise building reserves.

- Although **80%** of respondents are optimistic that they will remain financially afloat over the next 12 months, this falls to just **47%** when extended to the next 5 years.
- **73%** of respondents expect their annual income to either decrease or remain stagnant over the coming financial year.
- **59%** see generating income and achieving financial sustainability as their most pressing issue over the next 12 months.
- **53%** of respondents say they know of at least one other local charity in their area that has closed for financial reasons in the last year.
- **42%** of the local charities surveyed have used their reserves in the last 12 months, **43%** were concerned over a lack of reserves and yet only **4%** rated building reserves as their top priority.

Demand for the services of local groups has grown significantly, stretching the resources of many to their absolute capacity.

Numerous local charities cite the impact of austerity on their service-users, coupled with the shrinking state sector, for this rapid escalation in demand. The immediate strain of meeting service delivery needs appears to have prevented many groups from addressing

longer-term financial issues, leaving a high percentage without a sustainable funding base.

- **75%** of respondents reported an increase in demand for services, with just **3%** reporting a decrease.
- This trend is widely predicted to continue, with **81%** of respondents forecasting a further increase in demand over the coming financial year, with just **1%** expecting a decrease.
- Only **15%** of those groups who expect to see an increase in demand feel sufficiently resourced to cope with it.

Despite regular talk of the need to diversify funding, there is a continued over-reliance on single funding sources.

Half of all respondents said that grants remain their primary source of income and expect this to remain the same in the coming financial year. However, **83%** cite competition for limited grants and contracts as a major financial concern.

There is a widespread lack of public awareness of local charities and the work they do.

83% of groups felt that their local community appreciated the work of local charities. However, only **37%** felt that it was appreciated by the general public and only **10%** felt it was appreciated by central government. In addition, **45%** of groups said that no-one had fundraised on their behalf over the past 12 months and many groups reported finding volunteers as a major challenge.

There is a lack of core competencies across the sector, compounded by a shortage of reliable, available and appropriately skilled volunteers.

83% of the groups surveyed do not have specialist fundraisers and **86%** do not employ specialist marketing staff. Just **24%** of local

charities believe that they currently have the skills to run a successful fundraising campaign. Moreover, many organisations do not have adequate resources to provide training to their staff or volunteers. **47%** of respondents cited budgetary reasons as the main barrier to providing training. A number of charities reported having obtained skilled volunteers through partnerships – particularly from working with businesses.

There are clear regional differences within the sector, many of which reflect wider economic and social issues.

33% of London-based groups cited the rising cost of rent as a present financial concern, compared to just **8%** of groups in the South West of England. Over **53%** of groups in the Midlands expressed concern over a lack of sufficient reserves, compared with **33%** of groups in the South East of England. Despite best efforts to engage a representative sample, our survey respondents were heavily weighted to the South of England, with only **6%** of groups operating within Scotland, Wales and Northern Ireland.

Collaborative working is standard practice for local charities and community groups.

53% of respondents said that over the past 12 months they had worked with a local business, **80%** with another local non-profit organisations and **72%** with their Local Authority.

Although the local voluntary sector covers a diverse range of causes, there are important shared characteristics.

Local charities see their key strengths as being their ability to develop strong, trusting relationships with service users and their knowledge of local needs. The majority of local charities and community groups are small (**95%** have an annual income of £1 million or less) and a high percentage focus on health & well-being (**14%**) or disability (**13%**).





RECOMMENDATIONS

Worryingly, the results of this study have shown a clear trend towards a culture of immediacy. Local charities are being forced to prioritise service delivery, whilst reserves are left to wane. The sector is being stretched to capacity, unable to invest in the skills and knowledge necessary to generate income from alternative sources. As such, many local groups have been left pessimistic about their mid to long-term future. Unprecedented increases in demand for services; competition for grants and contracts; a reduction in funding opportunities and a lack of time and resources have left the sector on the edge of a precipice.

The future impact of the current situation, if left untended, has the potential to be disastrous. With local voluntary organisations dealing with ever-greater demand, their sudden and immediate closure could leave huge numbers of vulnerable beneficiaries at risk. Without significant intervention, it is likely that over the next 3 – 5 years we will see more and more organisations become unable to sustain themselves.

There is an urgent need to diversify income streams for local groups.

Many local charities and community groups remain heavily reliant on grants, leaving the sector vulnerable to economic or political fluctuations. Local voluntary groups must look to diversify their income through exploring new financial models and emerging funding channels, such as corporate partnerships; public donations; individual fundraisers and earned income. A significant initial injection of resources, coupled with long-term practical training and support are necessary to support the sector's transition towards more sustainable financial models.

An increase in unrestricted funding is essential to improve the sustainability and autonomy of the local voluntary sector.

The shift towards conditional funding sources in recent years has resulted in a local voluntary

sector with far less autonomy, flexibility and financial security. A significant attitudinal shift is required to address this. The local voluntary sector and its advocates should become more vocal about the need for unrestricted funding and unapologetic about spending on core costs. This message should be supported by partners in government, the corporate sector and the media.

The development of strong inter- and intra-sector partnerships should be actively encouraged.

Growing numbers of groups have begun working collaboratively with corporates or other voluntary sector organisations, a trend that should be nurtured and supported. Such relationships can have huge benefits for local groups; from resource pooling to skill swapping. Local charities should be supported to build relationships with businesses and corporates and encouraged to engage with other voluntary organisations operating within their locality.

There is a need for increased public awareness of local charities, the work they do and the challenges they face.

Individual fundraisers should be encouraged to support local causes, having the knock-on effect of driving a more equitable percentage of public donations into the sector. We therefore recommend schemes that encourage donations, fundraising and volunteering for local groups and call upon the media, government and corporate sector to help promote such initiatives and drive awareness.

Skilled volunteers with specialist knowledge must be brought into the sector.

Training for those already engaged in the sector, although of great importance, cannot provide the same levels of experience or specialist knowledge brought in by skilled practitioners. Serious consideration and

resources need to be put into encouraging specialists in areas such as marketing, fundraising, finance and corporate engagement to volunteer for local charities. As a start, we welcome the government's pledge to introduce paid volunteering leave for employees in large organisations.

There is a need for a more equitable distribution of funding opportunities to ensure the sector flourishes across all areas of the UK.

New ways must be found to fund voluntary sector organisations in under-resourced areas. In addition to central mechanisms that distribute resources to regions according to need, ways should also be found to generate money from within regions themselves. A particular focus should be put on engaging philanthropists, businesses and local communities in this discussion - increasing their awareness of the work of charities and community groups in their local area. In addition, it is of vital importance that Scotland, Wales and Northern Ireland are adequately represented. We therefore recommend that support programmes are set up to enable local groups in these areas to access the same opportunities as those available to groups in England.

Building digital skills capacity within the sector holds the opportunity for increased efficiency, income generation, communication and collaboration.

Small, local charities have access to numerous affordable tools online - ranging from design to mass communications; project management to fundraising. However, to maximise this opportunity, it is important that we, as a sector, identify the best channels for disseminating knowledge. Training programmes to up-skill local charities must be comprehensive, long-term, adequately resourced and cater to specific sector needs.

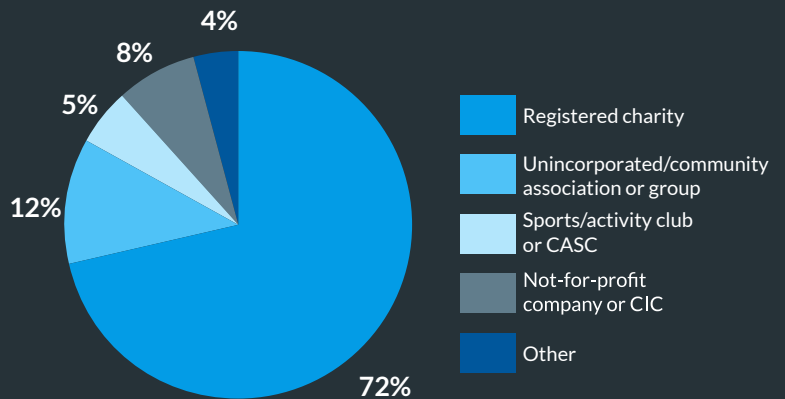




WHAT IS A LOCAL CHARITY? A SNAPSHOT OF THE SECTOR

72%

This survey was not limited to registered charities, but made open to community groups and unregistered charities, groups rarely included within similar surveys but who are an essential part of the voluntary sector. 72% of respondents were registered charities.



14%

Health & well-being



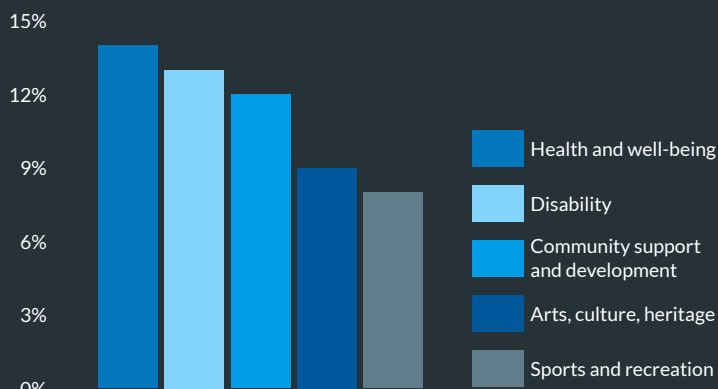
13%

Disability



12%

Community support



CAUSE AREA

A wide range of causes were represented in the survey, from sports clubs to social groups; conservation projects to community arts.

The most common causes represented were health and well-being (14%), disability (13%) and community support and development (12%) groups.



LIZ GUMBLEY

President

Staffordshire Therapeutic
Independent Neurological
Group

CHARITY VIEWPOINT

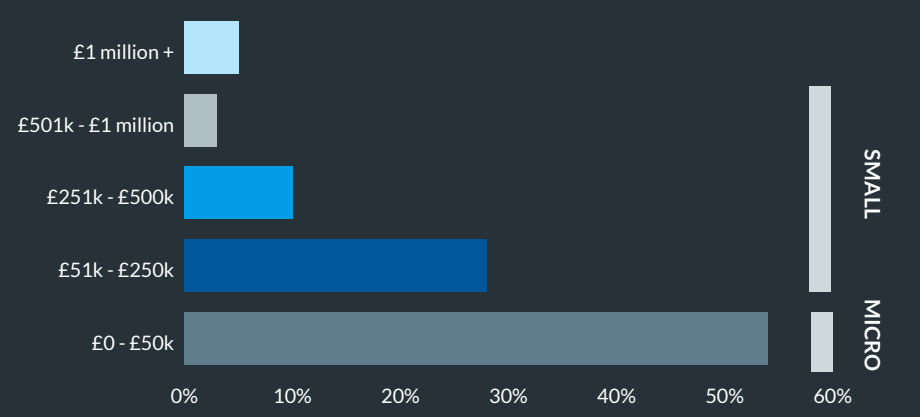
"It's a point of contact, offering that personal touch. The fact that people can meet and speak to people who know and understand their problems. We get so many people who say 'I felt so alone before I came here.'"

We try to give people what they want. We listen to people's needs. For us, it's the social aspect that is most important. It's about that face to face interaction."





WHAT IS A LOCAL CHARITY? A SNAPSHOT OF THE SECTOR



ANNUAL INCOME

The majority of participants in this survey were small or micro groups:

- 95% of groups have an annual income of £1 million or under
- 54% of groups have an annual income of £50k or under

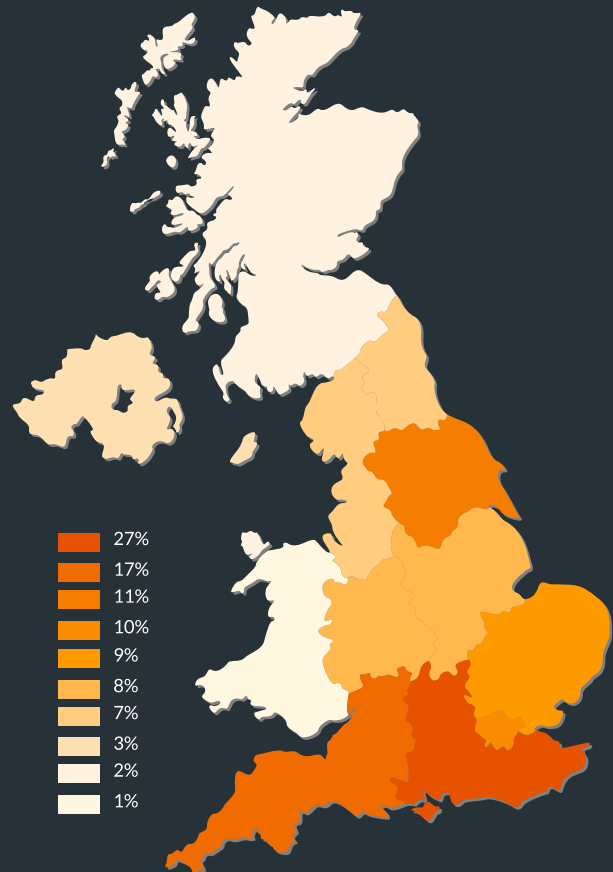
GEOGRAPHICAL SPREAD

The survey was conducted on a national scale and includes respondents from all regions of the UK.

There was, however, a slight weighting towards groups from the South of England with 53% of respondents operating in the South East, London or South West of England. This closely aligns with the national charity distribution recorded in NCVO's 2015 Almanac.

Yorkshire and Humber was relatively well represented with 11% of respondents. This is most likely due to specific projects Localgiving has undertaken within the region to engage local charities with online fundraising.

Scotland, Wales and Northern Ireland were not well represented - 6% of the overall sample (33 groups).




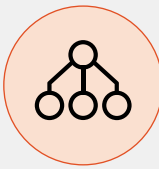
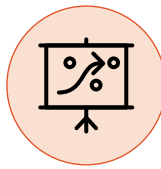



WHAT ARE THE STRENGTHS OF THE LOCAL VOLUNTARY SECTOR?

We asked respondents to rank what they considered to be the key strengths of the local voluntary sector in order of importance. This has enabled us to get a clear picture of the unique value that local charities and community groups deliver.

A **knowledge of local needs** came out as the top answer, closely followed by **an ability to develop strong, trusting connections** with service users. This indicates that the majority of groups see depth of understanding of client base as absolutely key.

Somewhat surprisingly, **flexibility** and the **ability to mobilise support from the rest of the community** were not rated as highly, despite studies citing these as unique advantages of the small charity sector. However, feedback from interview participants did highlight these qualities as important to the provision of services and connection with donors.

 <h2>1</h2> <p>KNOWLEDGE OF LOCAL NEEDS (DEMOGRAPHICS)</p> <p>Key data</p> <ul style="list-style-type: none"> Knowledge of local needs (an acute awareness of demographics) was ranked as the top answer, receiving a total score of 3.68* It was, however, only the second most popular top answer, with 30% of groups ranking it as their most important 	 <h2>2</h2> <p>ABILITY TO DEVELOP STRONG, TRUSTING CONNECTIONS</p> <p>Key data</p> <ul style="list-style-type: none"> The ability to develop strong, trusting connections with service users was also ranked highly across the board, receiving a total score of 3.52 It was also the most popular top answer, with 34% of groups ranking it as their most important 	 <h2>3</h2> <p>KNOWLEDGE OF THE LOCAL AREA (GEOGRAPHIC)</p> <p>Key data</p> <ul style="list-style-type: none"> Knowledge of the local area, including geographical knowledge and awareness of local facilities received a total score of 2.99 It was also the third most popular top answer, with 15% of groups ranking it as their most important strength 	 <h2>4</h2> <p>FLEXIBILITY/ ABILITY TO REACT QUICKLY</p> <p>Key data</p> <ul style="list-style-type: none"> Flexibility and the ability to react quickly was not ranked as highly as might be expected, receiving a total score of 2.76 25% of respondents also ranked it as their least most important strength, whilst only 13% ranked it as the
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* Scores are calculated as follows, where: w = weight of ranked position, a = response count for answer choice :
a1w1 + a2w2 + a3w3... / Total



"What makes local charities special is their flexibility and the element of informality - the ability to build close relationships and identify and respond to specific local needs, faculties etc.

I believe that donors can have a sense of ownership with local charities that is different to larger, national groups - once people know about local charities they are often interested in donating and becoming involved.

Donating to local charities can make a bigger difference to their work than it would to large national groups."

—
ROSEMARY FLEXNEY

Vice-Chairperson
Sports Driving Unlimited.
Dumfries and Galloway





- 01. Sports Driving Unlimited.
Dumfries & Galloway
- 02. Pericles Theatre Company
Hoathly Hill Trust, Sussex
- 03. Indepen-dance, Glasgow
- 04. Jem Stein from The Bike
Project, London



01 02



“Local, small charities are often something that people really want to be a part of - they bring out the best in people.

There is a lot of adoration for local charities. You have people coming together from all walks of life to support a cause, it creates a really wonderful atmosphere and it can be a wonderful place to work and thing to be part of.”

JEM STEIN

Founder & Director
The Bike Project, London



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04

05





PERCEPTION AND AWARENESS

We asked respondents how appreciated they felt by different segments of society, including local and national government, and the general public.

We also asked how aware of their work they felt potential beneficiaries and the rest of the community were.

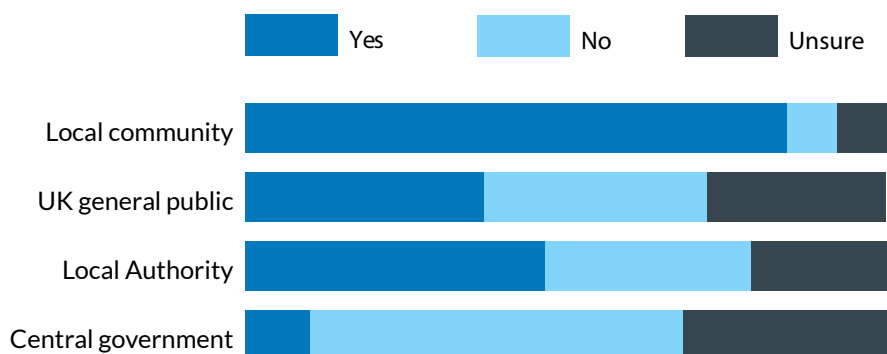
RELATIONSHIP WITH GOVERNMENT

- Respondents felt that the work of local charities was appreciated far more by local government (46%) than central government (10%).
- This closely reflects the pattern of funding from the two sources - 58% said that had received funding from their Local Authority over the past 12 months, whilst just 12% received funding directly from central government.
- It also falls in line with the number of groups who had "worked with" local or central government. 72% had worked with their Local Authority in some capacity, whereas just 10% had worked with central government.

RELATIONSHIP WITH COMMUNITY

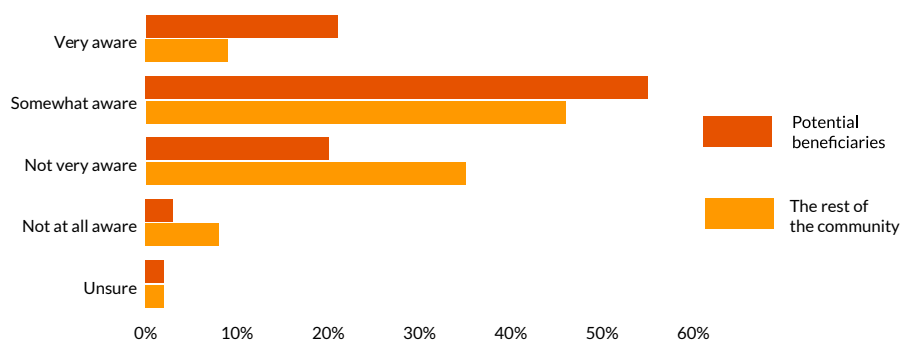
- 83% of respondents said that they feel their local community appreciates the work of local charities.
- In terms of actual awareness within their community, however, there is considerable space to improve.

DO YOU FEEL THE FOLLOWING APPRECIATE THE WORK OF LOCAL CHARITIES?



- 43% of groups felt that the wider community was either "not very aware" or "not at all aware" of their activities.
- As would be expected, this picture is different amongst potential beneficiaries, with 75% of charities reporting this group to be "very" or "somewhat" aware of their activities.
- Interestingly, just 37% of respondents felt that the work of the local charity sector is appreciated by the UK general public. This indicates that there is still significant work to be done to raise awareness of the sector within the mainstream.

TO WHAT EXTENT DO YOU FEEL POTENTIAL BENEFICIARIES AND THE REST OF THE COMMUNITY ARE AWARE OF YOUR ORGANISATION?





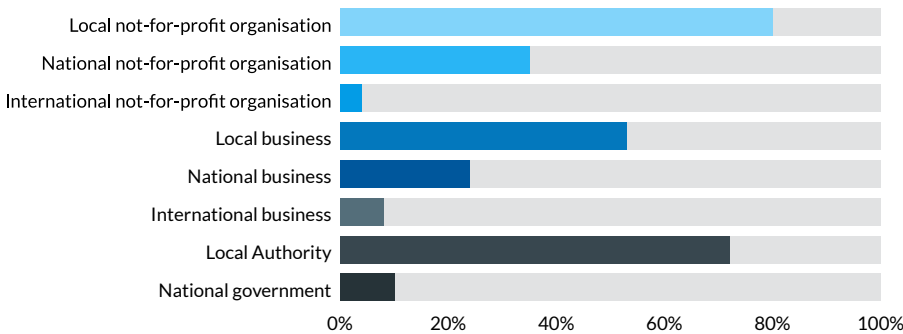
COLLABORATIVE WORKING

Increased collaborative working has long been seen as a key factor in creating a sustainable voluntary sector. Whether working on a one-off or long term project, with voluntary, public or private sector organisations, collaboration is often seen as an effective way to utilise time and resources.

In the 2008 survey, *Managing in a Downturn* by PricewaterhouseCoopers LLP (PWC) and the Institute of Fundraising (IoF), over 80% of charities stated that they were planning to increase their collaborative work. 2012 data from the Foundation for Social Improvement (FSI) suggested that 64% of small charities work in partnership with other organisations.

Our data has shown that collaborative working is now standard practice for local voluntary organisations: 80% of respondents said that over the past 12 months they had worked with another local non-profit organisation and 72% had worked with their Local Authority. 53% said they had worked with a local business and 24% had worked with a national business.

ORGANISATIONS THAT LOCAL GROUPS WORK WITH TO DELIVER SERVICES



There is a strong correlation between an organisation's size and its propensity to work with partners from both the state and private sectors - i.e. groups with larger annual incomes are more likely to have developed partnerships.

61% of groups with an income of £50k or under had worked with their Local Authority, but that increased to 88% of groups with a turnover between £251 - £500k. Only 5% of charities with an annual income of £50k or under had worked with national government, compared with 28% of charities with a turnover between £251 - £500k.

This trend is just as pronounced when looking at partnerships with the corporate sector. For example, 73% of groups with a turnover of over £1m had worked with a local business, compared to just 44% of groups with a turnover of £50k or less.

Comments from groups revealed that many believed their closest working relationship to be with local statutory services, such as the NHS (Clinical Commissioning Group), police and educational institutions.



"I think the great thing about working with a business is people who work in the private sector really like to feel that their skills can be useful (to charities).

You can really get a lot out of a relationship if you can find a way to use these skills - for example our treasurer is the financial director of a private equity firm in the city. It is really a thing for him to be able to use his skills in a way that helps a charity - it is hugely beneficial. We see that all the time with volunteers: someone set up Salesforce for us for free, bookkeepers etc.

When working with a business, if there is a way for you to utilise their skills, this can be the core of a really productive relationship in terms of volunteering and also potentially financially."

JEM STEIN
Founder & Director
The Bike Project
London





DEMAND FOR SERVICES



Community Transport for the Lewes Area,

Local charities are currently facing an unprecedented increase in demand for services, a trend that closely aligns with the voluntary sector as a whole.

Services have been severely stretched in recent years, with no current signs of this abating.

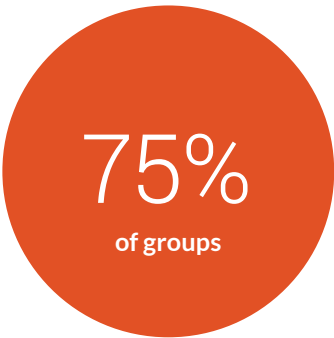
- There has been a significant rise in demand for services over the past 12 months. **75%** of respondents reported an increase in demand, with just **3%** reporting a decrease.
- This trend is widely predicted to continue, with **81%** of respondents forecasting a further increase in demand over the next 12 months.
- Only **15%** of groups facing an increase in demand for services feel sufficiently resourced to cope.
- It is interesting to note that concerns over rising demand for services and the resulting strain on resources are most pronounced amongst charities with an annual turnover between £250k and £1m).
- Just **12%** of this group felt sufficiently resourced, compared to **17%** of micro charities with a turnover of £50k or under and **35%** of larger groups with a turnover of over £1m.

National comparison 2014 Social Sector Tracker

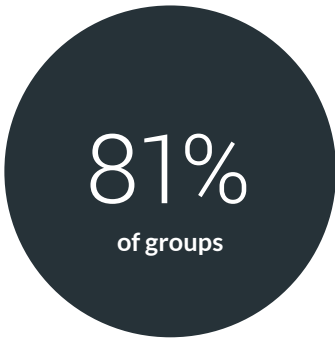
Association of Chief Executives of Voluntary Organisations (ACEVO)'s 2014 Social Sector Tracker showed that 88% of charities had faced a rise in demand for their services in the last year and 89% saw the demand rising again in the next year. Only 32% felt confident that they would meet this demand.

Whilst rise in demand was less pronounced amongst local charities, the perceived ability to cope with this demand was worrying low.

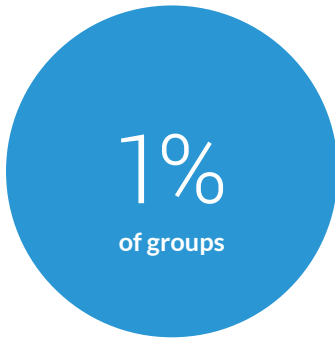
KEY STATISTICS



Have seen an increase in demand for services over the past 12 months.



Expect to see a further increase in demand over the next 12 months.



Expect to see demand for services decrease in the next 12 months.



Feel sufficiently resourced to meet a future increase in demand. **15%**



- 01. Dingley Family and Specialist Early Years Centres, Berkshire
- 02. Emmaus, Leeds
- 03. More Trees for BANES, Bath
- 04. Susan Pyke, Chair - Music and Special Needs Norfolk Blean Village Hall,
- 05.



"(Charities) are overstretched - they can't even afford the time to have meetings...

Charities are getting more and more requests, but less and less money to fulfil these requests.

The needy areas don't get less needy."

SUSAN PYKE

Chair
Music and Special Needs, Norfolk





INCOME GENERATION AND SUSTAINABILITY

A number of reports have looked at the extent to which the economic crisis and recovery have impacted on the UK's voluntary sector.

Of these reports, NCVO's Financial Sustainability Review (July 2015) provided strong data to suggest that small and micro charities had been hardest hit by the recession.

The results of our survey echo these findings. Our data suggests that the UK's economic recovery has not yet filtered through to the local charity sector, the majority of which is still facing significant financial instability.

- Very few respondents were optimistic about the possibility of growth, with 73% expecting their annual income to either decrease or remain stagnant over the coming financial year.
- When asked about their most "pressing issue" over the next 12 months, the top result by some distance (59%) was generating income and achieving financial sustainability.
- 42% of the groups surveyed have used their reserves in the last 12 months and 43% are currently concerned about a lack of reserves.
- The impact of financial insecurity was apparent throughout the survey findings. Whilst a minority of charities were concerned about their immediate survival, there were far greater financial worries related to medium to long-term sustainability.



Plymouth Street Pastors, Devon

59%



59% of respondents rated generating income and achieving financial sustainability as the most pressing issue for their organisation over the

43%



43% of groups said they were concerned about a lack of reserves

SURVIVAL

There are concerns over the impact of the ongoing economic climate on the sector's medium to long-term viability.

Although a clear majority of respondents (80%) are optimistic that they will remain financially afloat over the next 12 months, this dramatically falls to just 47% when extended to the next 5 years.

The overall picture of the sector is gloomy. A concerning 53% of respondents said they knew of one or more local charities that closed for financial

1

Sustainability over the next 12 months
80% of respondents are optimistic that their organisation can sustain itself financially over the next 12 months

2

Sustainability over the next 5 years
47% of respondents are optimistic that their organisation can sustain itself financially over the

RESERVES

43% of groups said they were concerned about a lack of reserves.

Yet, only 4% rated building reserves as their top concern over the next 12 months (ranked 6th overall out of 8 issues).

This indicates that short-term financial concerns could be having a negative impact on the long-term sustainability of a large proportion of groups operating within the local voluntary sector.

Financial optimism

12 months

80%

5 years

47%





47% of groups
cite lack of budget
as a major barrier
to providing staff
training

Cambo Heritage Trust, Fife



66% of charities know
another local group that
has seen a reduction in
staff

SERVICES, STAFF AND TRAINING

Ongoing economic uncertainty is seriously affecting services, staffing and training in the sector.

66% of respondents said they knew of at least one other local charity in their area that had discontinued services due to financial reasons over the last year. The same percentage indicated that they knew of one or more local groups that had seen a reduction in staff.

TRAINING PROGRAMMES

Despite reductions in staff numbers, many charities have continued to up-skill their personnel (20% have increased staff training), whilst also maintaining an increase in service provision (35%). However, there are big questions over the sustainability of this approach. Nearly half (47%) of respondents cited budgetary reasons as the main barrier to providing staff and volunteers with training in the future.



"The issue for us is that the funds we raise are tied to service delivery."

This makes it hard to build fundraising, marketing or digital capacity - let alone build reserves!"

—
ANON

Regional comparison Financial concerns

33% of London-based groups cited the rising cost of rent as a present financial concern, compared to just 8% of groups in the South West of England and 11% in the West Midlands.

54% of respondents in the West Midlands and 53% in the East Midlands expressed concern over a lack of sufficient reserves, compared with the national average of 43%. Only 33% of groups in the South East of England felt this was a current concern.

59% of groups in the South West of England said that they had had to use their reserves over the past 12 months, compared with the national





FUNDING SOURCES

There has been much research into the UK's funding landscape, with a particularly heavy emphasis on local authority cuts and the shift towards a contract culture (D. Morris, 2000).

Our data has produced an interesting overview of the current funding landscape in the UK for local charities, looking at both how the funding environment is changing and how groups are adapting.

GRANTS AND CONTRACTS

- 49% of respondents said that grants were their primary source of income in the last financial year. 48% expect this to remain the case in the current financial year, indicating a continued reliance on grants.
- 13% of respondents said contracts were their primary income source.
- 83% of respondents cited competition for limited grants or contracts as a major financial concern.

Qualitative data collected from the groups we interviewed suggests that grants and contracts are generally still seen as the most reliable and cost-effective funding sources.

"We prefer to apply for grants as the return is significantly better for the time used."

- Anon.

However, there are fears about the long term sustainability of contracts and grants.

Moreover, there are concerns that grants and contracts, particularly from local authorities, can be overly restrictive, impinging on the autonomy of groups.

"Applying for grants and contracts from local authorities requires so much work and they often impose intrusive requirements. If we were to win these contracts we would have to change the services we offer."

Rosemary Flexney - Vice Chairperson, Sports Driving Unlimited (Dumfries and Galloway)

DONATIONS

Whilst grants inject the most funding into the sector, a higher proportion of respondents have received funding through public donations than any other source (79%). Comparably, 58% received funding from local government while just 12% had received funding directly from central government.

Although public donations are the most common income source, they currently make up a relatively small proportion of funding for most respondents compared to grants (17% vs 49%). Offline donations make up a larger proportion of funding than online donations.

- 70% of respondents said online donations made up less than 5% of their income at present, compared with only 53% of respondents saying the same for offline donations.
- 68% of respondents cite difficulty in generating donations from the public as a

KEY STATS

49% of respondents said that grants were their top source of income

83% of respondents cited competition for grants and contracts as a major financial concern

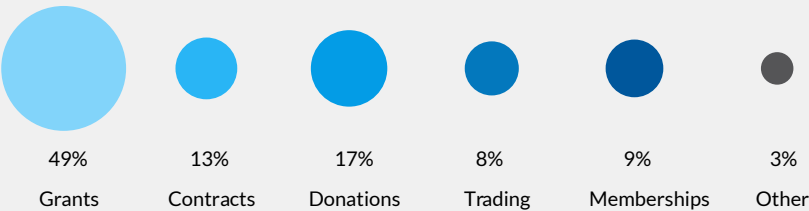
79% of respondents said they had received donations from the public

68% of respondents cited generating donations from the public as a major financial

current financial concern.

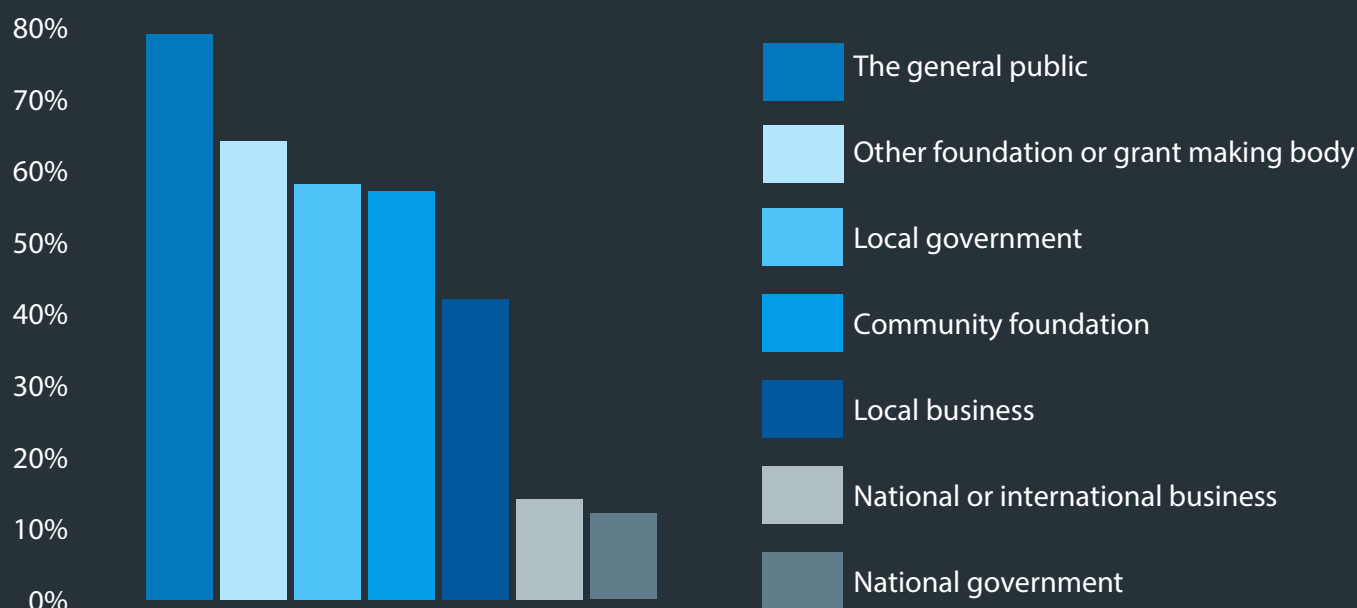
- Looking ahead, a notable portion of charities expect both online and offline fundraising to increase in importance in the future. 43% of respondents said they expected to see online donations generating a higher proportion of their annual income in the coming financial year, whilst 31% said the same in regards to offline fundraising.
- Amongst micro charities, donations were more likely to be a primary source of income than for their larger counterparts.

TOP RANKED FUNDING SOURCES IN TERMS OF THE TOTAL INCOME GENERATED OVER THE PREVIOUS FINANCIAL YEAR

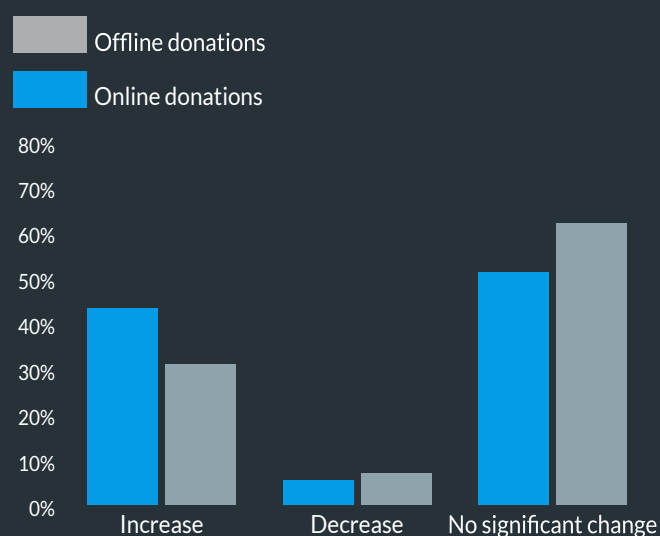




FROM WHICH OF THE FOLLOWING HAVE YOU RECEIVED FUNDING OVER THE PAST 12 MONTHS?



HOW DO YOU EXPECT THE PERCENTAGE OF ANNUAL INCOME THAT YOU GENERATE THROUGH THE FOLLOWING METHODS TO CHANGE IN THE CURRENT FINANCIAL YEAR?



Regional comparison Grants vs donations

Primary sources of funding vary across the regions, highlighting some stark differences in the funding landscape.

For example, 69% of London-based groups reported grants as their primary source of funding, compared to the national average of 49%.

Just 37% of groups in Yorkshire and the Humber and 39% of groups in the East Midlands ranked grants as their primary funding source.

By comparison, only 6% of London-based charities rated donations as their top source of income, compared with the national average of 17%.

Regions that rely heavily on public donations to fund their





FUNDRAISING AND MARKETING

The FSI's Small Charity Sector Skills-Gaps Survey (2013) found fundraising and marketing to be areas where there were major skill shortages. Charities were overly reliant on non-specialist staff and volunteers.

Our data supports these findings. This is of great concern because these skills shortages may prevent groups from accessing and benefiting from new, emerging fundraising and marketing opportunities.

SKILLS AND SKILL GAPS

The majority of groups surveyed carry out some form of online fundraising and/or digital marketing, with 82% communicating with supporters and raising awareness via social media, 69% via email newsletters and 66% through their own website. *(It is, however, worth acknowledging that this data is likely to be skewed by the fact that 79% of respondents were members of Localgiving and therefore already engaged with online fundraising.)*

Fundraising and marketing activities are primarily carried out by non-specialist members of staff or volunteers. 83% of the groups surveyed do not have specialist fundraisers and 86% do not employ specialist marketing staff.

A word analysis of qualitative feedback on this question suggests that CEOs and development/scheme managers often take on the majority of this work. 'Manager', 'CEO' and 'Director' all appear among the most used words.



Penhaligons Friends,

This lack of specialist knowledge may explain the general pessimism around marketing and fundraising skills.

76% of charities do not believe they currently have the skills to run a successful fundraising campaign, with 28% of respondents claiming they need "significant upskilling",

When asked which areas they would benefit from assistance with, online fundraising and digital marketing were both deemed to be major areas where support was required.

84% of respondents said they would benefit from support with online fundraising, suggesting that although there has been wide-scale digital take up amongst those organisations surveyed – confidence, resources and/or skills remain lacking.

INCOME RELATIONSHIP TO SKILLS

The FSI's 2013 Skills-Gaps Survey found these skills shortages were far more pronounced in charities with a lower annual turnover. Our data supports this assertion. Amongst the groups surveyed, skill gaps were most acute within smaller organisations.

43% of respondents from groups with an annual turnover of £50k or under had their fundraising and marketing activities carried out by volunteers. Just 7% had specialist staff for these activities and 30% claimed they

needed significant upskilling to run a successful fundraising campaign.

At the other end of the scale - around 60% of groups with a turnover of over £1million had specialist staff and only a single respondent said their marketing and fundraising activities were led by volunteers. However, 20% of this group still believed they needed upskilling to run a successful fundraising campaign.

MARKETING CHANNELS

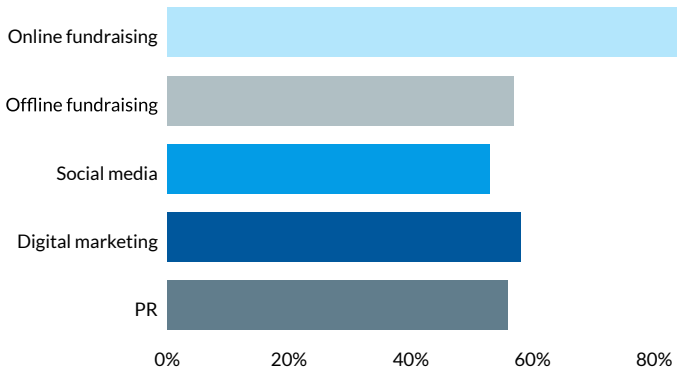
Social media and email newsletters are by far the most frequently-utilised marketing channels. 82% of charities claim to use social media as a part of their marketing strategy. This suggests that drives to improve digital participation within the sector in recent years have had some success.

Survey comments revealed that word of mouth remains a very popular tool for communicating the cause.

ONLINE AND OFFLINE FUNDRAISING

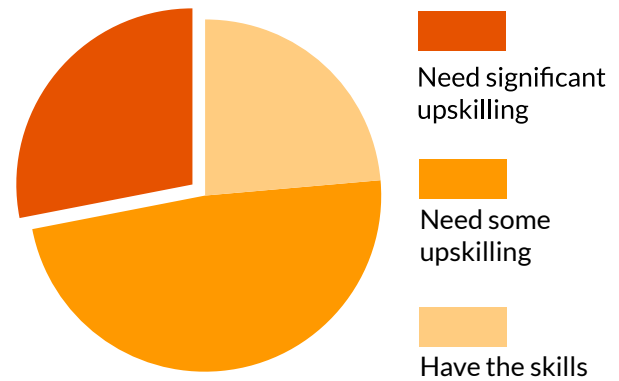
At present, both the outlay and income from offline fundraising are considerably bigger than online fundraising. However, there was a clear expectation amongst respondents that this balance would begin to shift.

43% of respondents believed the percentage of annual income generated through online fundraising would increase over the next financial year.



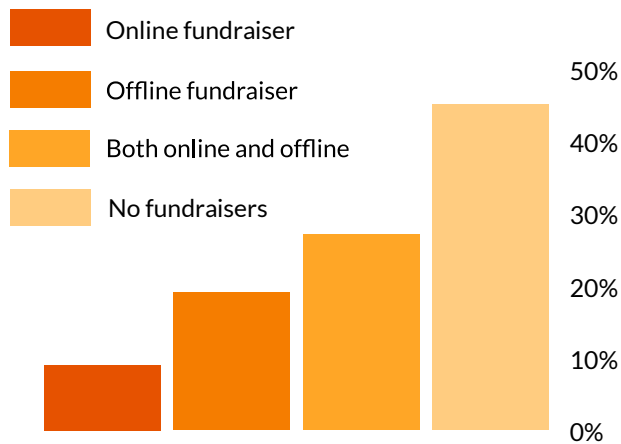
Need for support

We asked groups if they felt they would benefit from help with any of the above fundraising areas. There was clear appetite across the spectrum, with a particular emphasis on online fundraising: 84% highlighted it as an area needing support.



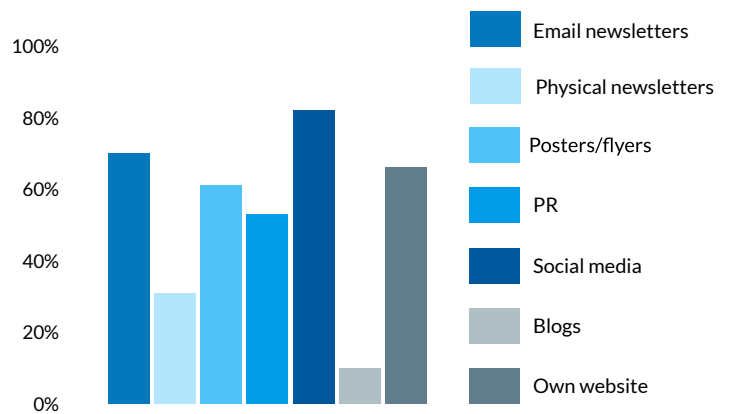
Fundraising skill gaps

We asked respondents if they felt their organisation had the skills necessary for running successful fundraising campaigns. 76% said they needed some or significant upskilling,



Individual fundraisers

We asked groups if anyone had gathered sponsorship or raised funds on their behalf in the previous 12 months. 45% of respondents said that they hadn't, indicating that more work needs to be done to connect fundraisers with local charities.



Marketing channels

We asked which marketing channels groups currently use to communicate with supporters and raise awareness. Social media was the most popular channel, with 82% of respondents using it.





VOLUNTEERS: SKILLS AND RECRUITMENT

The value of volunteers and/or issues related to volunteer recruitment emerged as recurring themes throughout our research.

The issue of obtaining reliable, appropriately-skilled volunteers was particularly prominent.

When asked, "What do you see as the main barrier to providing staff and volunteers with training over the next 12 months?", over 37% of comments addressed this issue.

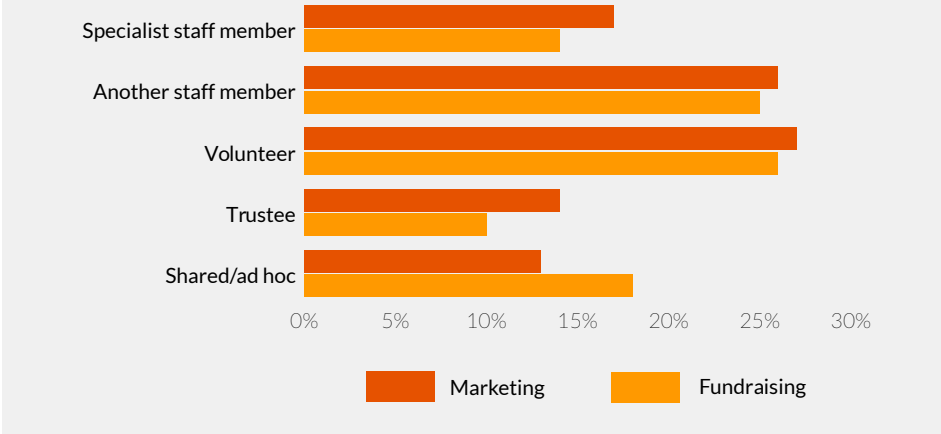
Qualitative feedback left throughout the survey included: "lack of volunteers", "time to get volunteers together (their availability)", "volunteers fail to communicate", "The main problem for us is finding volunteers with enough time outside their 9-5pm full time jobs".

In our interview with Susan Pyke, Chair of Music and Special Needs Norfolk, she said:

"It's very difficult to get volunteers. A bigger charity we know paid for volunteers to train - 3 people trained and 2 disappeared.

I get lots of people contacting me, one offered to be

WHO LEADS YOUR CURRENT ACTIVITIES ACROSS FUNDRAISING AND MARKETING?



a trustee but then they are impossible to contact. You've got to have reliable volunteers".

Many respondents also discussed how essential volunteers were and the fact that many local organisations are in fact entirely volunteer-led.

One anonymous respondent said:

"We are just a small group of volunteers - mostly retired - how do you inspire new young blood to take an interest?"

The fact that this theme so regularly emerged without prompting implies that these are critical issues affecting the local voluntary sector.



"The main problem for us is finding volunteers with enough time outside their 9-5pm full time jobs"

ANON



ANON

"The biggest problem (also shared by other local voluntary groups) is willingness of people to be officers (trustees) and then to take a professional approach to membership recruitment, fundraising (especially grant applications - e.g. linking to outcomes), PR, marketing, skills development, partnership management, risk management.

Finding a capable chair with energy, vision, leadership skills and an appreciation of these aspects is key."





CONCLUSION

OBJECTIVES AND FINDINGS

Local charities and community groups are an essential part of community life. Their services are invaluable and often irreplaceable. However, prior to this report, little research has specifically looked at the UK's "local" voluntary sector.

Our aim was to gain a snapshot of this sector in 2015. We believe that the findings of this report serve to not only improve our understanding of the core characteristics of local charities and community groups, but also to stimulate a national debate about how best to achieve a sustainable, flourishing sector.

- The impact of the financial crisis is evident throughout the local voluntary sector. Many groups have genuine fears over their mid to long-term survival.
- The issue of service capacity is a ticking time bomb. Demand for the services of local groups has grown significantly, stretching resources to their capacity. Many charities cite the impact of austerity on their beneficiaries, coupled with the shrinking state sector, for this rapid escalation in demand.
- Despite regular talk of the need to diversify funding, there is a continued over-reliance on grants. In addition, many groups see contracts as overly restrictive, often impinging on their autonomy.
- A reactive culture has emerged within the sector, where groups are forced to prioritise day-to-day demands and are unable to address long-term issues, such as building reserves and increasing skills. This is of huge concern for the sustainability of the sector as a whole.

- There is a shortage of core skills. Many organisations do not have adequate resources to provide training to their staff or volunteers. Furthermore, there is a shortage of reliable, available, appropriately-skilled volunteers in the sector. This is of particular concern given that many charities are highly or solely reliant on volunteers for running core activities.
- There are evident regional differences affecting voluntary sector organisations located across the country. We believe these often reflect wider economic and social issues.
- Collaborative working with businesses, local statutory services or other voluntary sector organisations is now standard practice.
- Although the local voluntary sector covers a diverse range of causes, there are important shared characteristics. Local groups see their key strengths as being their ability to develop strong, trusting relationships with service users and their knowledge of local needs.
- Our survey data indicates that the majority of local charities and community groups are small, with a high percentage focusing on health and well-being or disability issues.

RECOMMENDATIONS

It is difficult to make any clear forecasts about the sector given the economic and political volatility of recent times. The UK's economy is in recovery and our hope is that this upturn will filter through to the local charity sector - through individual donations and fundraisers, as well as increased private and public investment.

However, at present there is little evidence of such a trend emerging spontaneously.

Looking at both our own findings and the wider research cited throughout this report and beyond, Localgiving believes that there are a number of key actions that can and should be taken to improve the current situation and safeguard the sector.

The following recommendations are intended to: a) help alleviate financial challenges in the short-term and b) contribute to a more sustainable, financially-robust local voluntary sector that is better able to cope with wider economic and political changes.

There is an urgent need to diversify income streams.

Many local charities and community groups remain heavily reliant on grants, leaving the sector vulnerable to economic or political fluctuations.

Local voluntary groups must look to diversify their income through exploring new financial models and emerging funding channels such as corporate partnerships, public donations, individual fundraisers or earned income.

However, there are well-documented obstacles preventing many groups from benefiting from alternative income generating activities. The development of specialised skills (legal, finance, fundraising etc), practices and contacts takes considerable time and resources. Any serious commitment to supporting the local voluntary sector to transition towards more sustainable financial models will require a significant injection of resources.

It is vital that long-term, accessible training programmes are developed to support time-poor volunteers to cultivate practical skills and experience at their own pace.



CONCLUSION

An increase in unrestricted funding is essential to improve the sustainability and autonomy of the local voluntary sector.

In recent years there has been a shift towards ring-fenced, conditional funding. These sources restrict recipient spending to specific areas of work (usually standalone projects) at the expense of spending on operation costs (running costs, insurance, reserves, salaries etc), or capacity building. Individual donors, too, have increasingly begun to earmark donations - many associating this with increased accountability. Whilst the ability to measure impact is of great importance, the unfortunate result has been a local voluntary sector with less autonomy, flexibility and financial security.

A significant attitudinal shift is required to address this. The local voluntary sector and its advocates should become more vocal about the need for unrestricted funding and unapologetic about spending on core costs. This message should be supported by partners in the government and corporate sector and, importantly, also in the media where unrestricted funding has often received negative attention.

Developing strong inter- and intra- sector partnerships can lead to a far more efficient and effective use of skills, resources and knowledge.

Our findings revealed that growing numbers of groups now work collaboratively with businesses, local statutory services or other voluntary sector organisations. This can have huge benefits, from resource pooling to skill swapping. However, these relationships should be chosen carefully and structured appropriately - ensuring that partner organisations are culturally compatible (able to co-operate) and, importantly, that smaller organisations or junior partners always able to maintain their autonomy.

More should be done to raise awareness of the local voluntary sector and its work in order to encourage a greater level of public, corporate and central government support.

Local groups currently feel under-appreciated by the UK general public and central government. In addition, many are unable to connect with fundraisers, volunteers and individual donors at a comparable level to larger national and international charities. We therefore recommend central government works to increase engagement with local groups by establishing a working group dedicated to the local voluntary sector. In addition, we recommend backing for schemes that encourage public donations to local groups. We call upon the media and corporate sector to help promote such initiatives.

Skilled volunteers with specialist knowledge must be attracted into the sector.

In addition to a drive to raise general awareness, serious consideration and resources need to be put into encouraging specialists in areas such as marketing, fundraising, finance, corporate engagement to volunteer for local charities. Training for those already engaged in the sector is undoubtedly useful, but cannot provide the experience or specialist knowledge brought in by skilled practitioners. As a start, we welcome the government's pledge to introduce paid volunteering leave for employees in large organisations.

There is a clear need for a more equitable distribution of funding opportunities across the countries and regions to ensure the sector can flourish across all areas of the UK.

It is essential that we find new ways to stimulate funding for voluntary sector organisations in under-resourced areas. As well as looking at mechanisms for centrally distributing resources to regions according to need, it is vital that ways are found to generate money from within regions themselves. A

particular focus should be put on engaging philanthropists, businesses and the wider local community in the discussion and increasing their knowledge of the work of voluntary sector organisations within their local area.

Building digital skills capacity within the sector holds the opportunity for increased efficiency, income generation, communication and collaboration.

Small, local charities have access to numerous affordable tools online - ranging from design to mass communications; project management to fundraising. However, to maximise this opportunity, it is important that we, as a sector, identify the best channels for disseminating knowledge. Training programs to up-skill local charities must be comprehensive, long-term, adequately resourced and cater to specific sector needs.

LOOKING TO THE FUTURE

The *Local Charities and Community Groups Sustainability Report* is our first study of this scale and ambition. Moreover, it is the first significant report of its kind exploring the local charity sector in the UK in recent times. Its findings will inform Localgiving's activities, allowing us to better support, train and advocate for local groups. In addition, we hope that it will contribute to the national debate on the wider voluntary sector.

This report has provided us with valuable baseline data, giving us the opportunity to track emerging trends through future studies. Our hope is that its findings will act as a catalyst for action, prompting key stakeholders from across all sectors of society to engage with the issues and work together to find innovative solutions. Through the implementation of progressive, long-term support initiatives, we believe it is possible to create a brighter, more sustainable future for local charities and the communities of people they serve throughout the UK.



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“Local charities need to be aware of the benefits of using new funding sources like crowdfunding and online fundraising.

Fundraising through Localgiving has made a real difference for us.

Unfortunately it requires skills to know how to use these new forms of funding; we are lucky enough to have some very skilled volunteers but many charities may not be so lucky.”

— ROSEMARY FLEXNEY

Vice-Chairperson

Sports Driving Unlimited,
Dumfries and Galloway





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