National Council for Voluntary Organisations
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ncvo

Charity Forecast

A quarterly survey of sector leaders

Quarter 3, 2008

Jenny Wilton
Oliver Reichardt

Supported by:

Chantrey Vellacott DFK
Charities Group

EXECUTIVE SUMMARY

Charity leaders...

- Are increasingly less confident about the future of their organisations.
- Expect to increase volunteer numbers over the coming months.
- Are far less confident in the financial situation of their organisations than three months ago.
- Expect a greater increase in service delivery than last quarter, but less of an increase in campaigning and advocacy.
- Are still more confident in the sector's economy than the wider economy.

This is the third edition of NCVO's quarterly survey of charity sector leaders.

This report is kindly supported by Chantrey Vellacott DFK LLP, who provide accountancy services to over 300 charities ranging from major charities with international operations to small local organisations.

Chantrey Vellacott DFK's Charities Group draws together expertise from various disciplines throughout the firm to provide strategic and operational advice and assistance, helping charities of all sizes to respond to the challenges they face and to achieve best practice.

www.cvdfk.com/sectors/charities/

Chantrey Vellacott DFK Charities Group

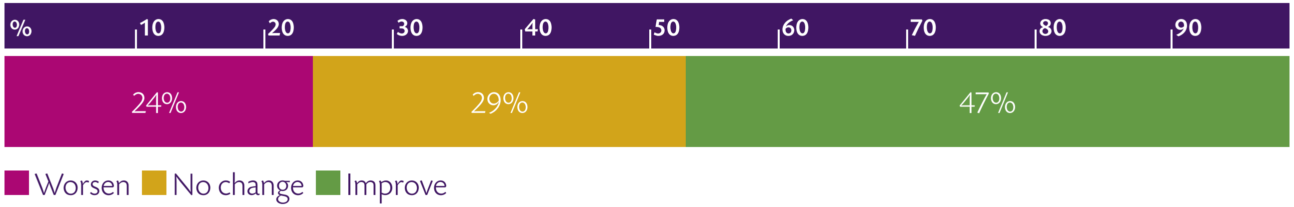
Research is based on a snapshot survey undertaken in August 2008. Mixed recruitment methods were used in order to maximise the response rate. A stratified random sample was taken of member organisations, in addition to publicising the survey through various electronic networks and contacting previous participants.

For more information email:
charityforecastsurvey@ncvo-vol.org.uk

CONFIDENCE

Q.1 All together, do you think the general situation of your organisation will improve or worsen over the next 12 months?

Total responses August 2008



Net confidence

Base: 210 respondents

'As usual the financial future is difficult to accurately predict... We are therefore planning for a number of different scenarios in the future'

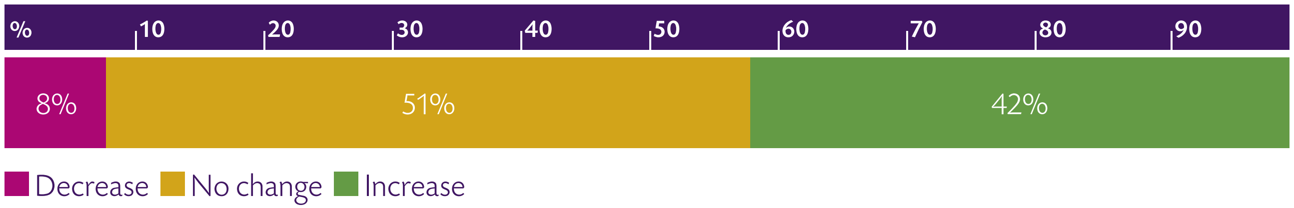
Survey respondent

- Just under half of charity leaders are positive about the medium-term future of their organisation.
- There has been a marked fall in net confidence from the previous two quarters, with confidence falling by 22% since February. This is due to fewer charity leaders expecting an improvement to their organisation's situation, expecting no change to their circumstances instead.
- Possible reasons for this shift come through in the survey comments – increased competition, uncertain economic conditions and concerns over a shift from grant to contract funding.
- As the above quote reflects, forward planning is key to ensuring strategies are in place to deal with any changes.

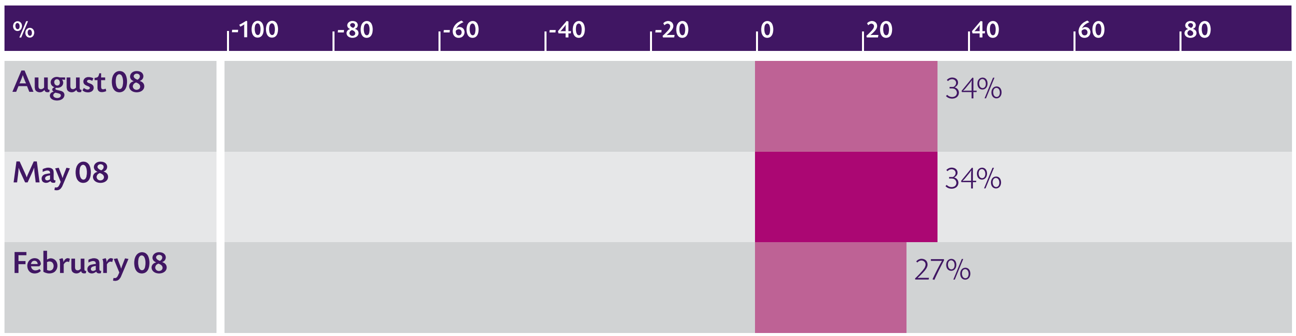
STAFFING NUMBERS

Q.2 During the next 3 months, does your organisation have actual plans to increase or decrease paid staff numbers?

Total responses August 2008



Net confidence



Base: 198 respondents

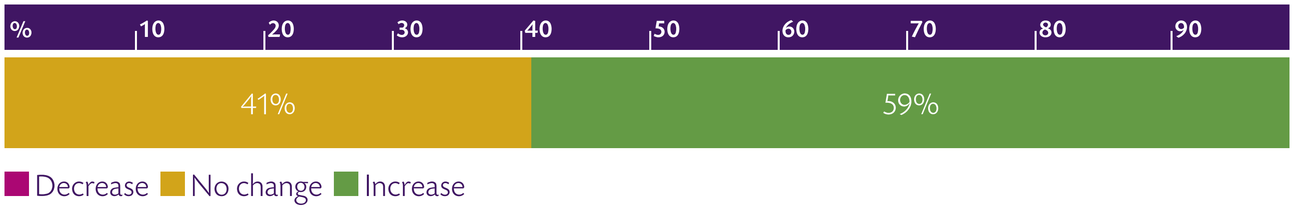
* From the 'Labour Market Outlook' report for summer 2008, produced by KPMG and CIPD.
Want to find out more about the voluntary sector workforce and the challenges facing it?
Visit www.workforcehub.org.uk

'Smaller local charities are really feeling the pinch – so far over the past 6 months I've had to make 4 staff members redundant, with a possible loss of three more. This means closure of essential services to a deprived community – not fair on the community as all employees are local people'
Survey respondent

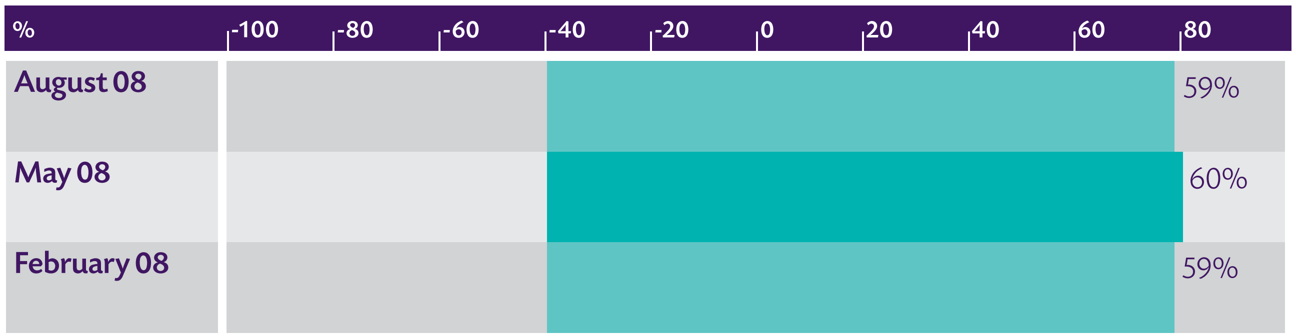
- Charity leaders plan to keep paid staffing levels at or above the current level, with few planning to decrease numbers in the coming year.
- In the wider UK labour market, 29% of organisations are planning to increase their staffing level in the next three months, down from previous quarters*.
- This shows a slightly more cautious approach to employment in the wider economy than in the sector, though it could be the reflection by charity leaders that the down turn will affect the sector less than the wider economy (see questions 10,11)

Q.3 During the next 3 months, does your organisation have actual plans to increase or decrease volunteer numbers?

Total responses August 2008



Net confidence

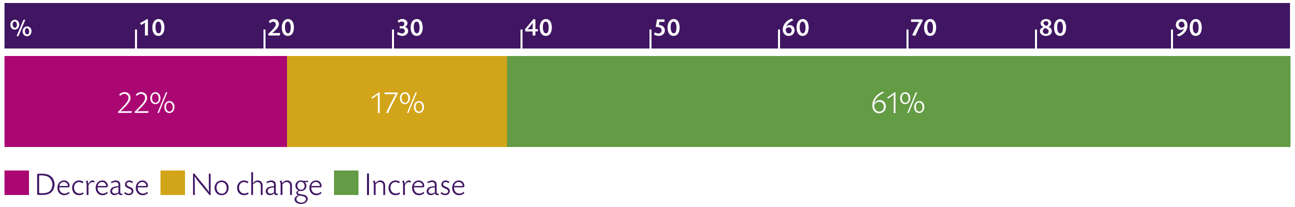


Base: 189 respondents

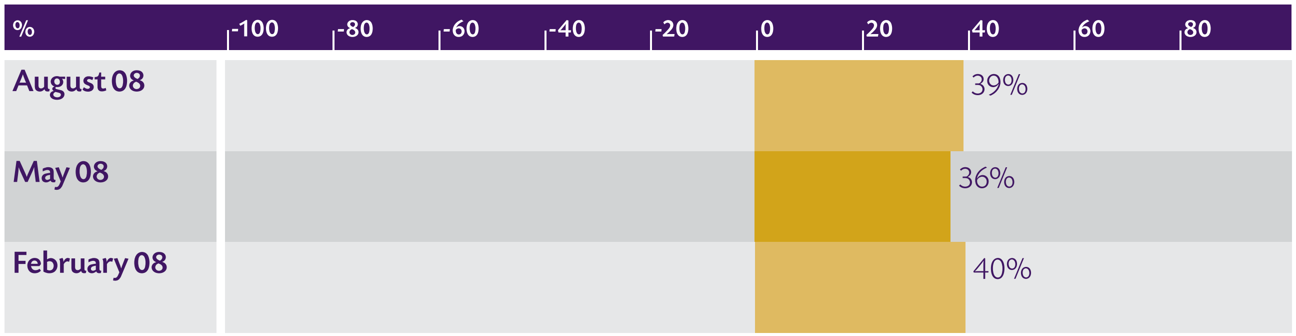
- Plans to increase volunteer numbers remains strong with over half of respondents planning to increase volunteer numbers over the next 12 months.
- Conversely no charity leaders plan to decrease numbers of volunteers. With the current financial uncertainty volunteers may come to play an increasingly important role.
- With redundancies in the wider economy, this is a good time to recruit highly skilled volunteers looking to maintain their CVs.

Q.4 Do you expect your organisation to increase or decrease expenditure over the next 12 months?

Total responses August 2008



Net confidence



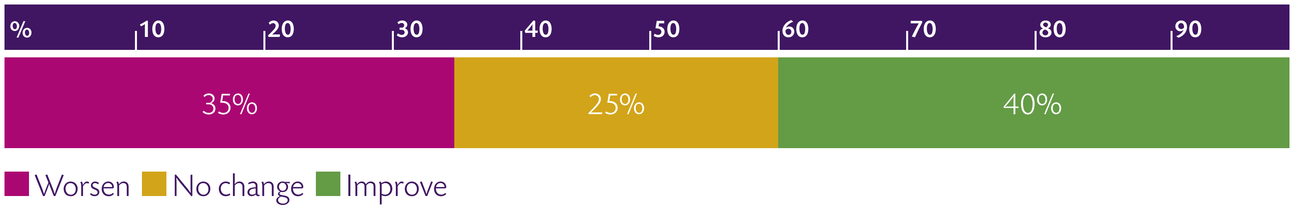
Base: 210 respondents

- A majority of charity leaders plan to increase expenditure over the next 12 months, despite falling levels of confidence in their own organisations' financial situation (see the next page).
- This planned increase has remained steady since February, despite the perception that economic conditions within the voluntary sector and the wider UK will worsen over the next 12 months.
- Upward pressure from rising utility bills and transport costs have contributed significantly to the operating costs of charities and may account for this planned increase.

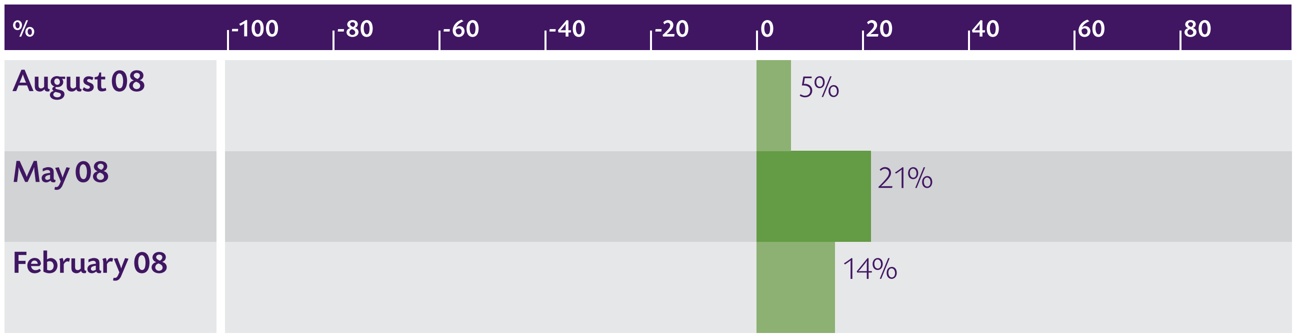
FINANCIAL SITUATION

Q.5 Do you expect the financial situation of your organisation to improve or worsen over the next 12 months?

Total responses August 2008



Net confidence



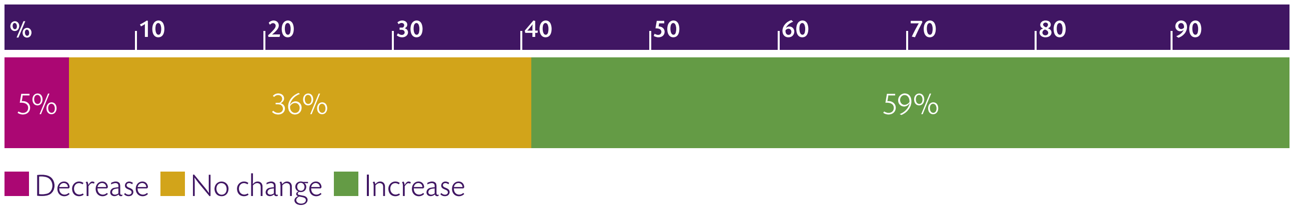
Base: 210 respondents

'...front-line services are now and will continue to face massive struggles to secure funding'
Survey respondent

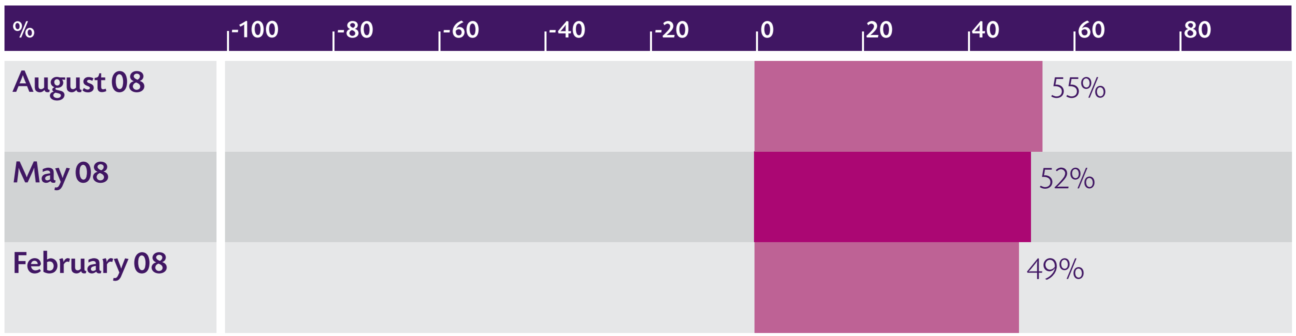
- There is a wide gap between organisations in the sector in terms of financial outlook. An almost equal number of respondents felt that the financial situation of their organisation would worsen as felt it would improve.
- Net confidence has decreased 16% in the last quarter, signalling that tough economic times are starting to impact on the confidence in organisations' bottom lines.

Q.6 During the next 3 months, does your organisation have actual plans to increase or decrease the extent of the services that it offers?

Total responses August 2008



Net confidence



Base: 209 respondents

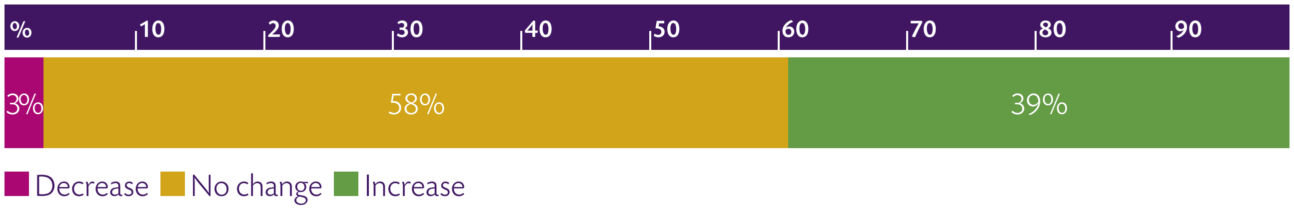
'With significant falls in income from donations and fundraising, it makes it even more important for charities to be able to sell their services and obtain contracts.'
Survey respondent

- The majority of charities surveyed plan to increase service delivery, continuing an upward trend since February. This may be due to uncertainty around the levels of voluntary income, as the comment above suggests.
- It could also be in response to increased need as a result of the downturn. It is in exactly these tough times that parts of the sector find themselves at their busiest.

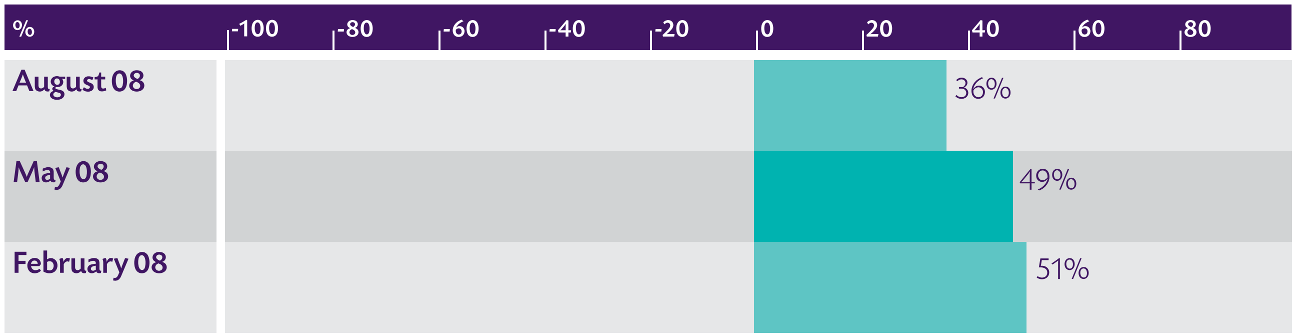
CAMPAIGNING AND ADVOCACY

Q.7 During the next 3 months, does your organisation have actual plans to increase or decrease its campaigning and advocacy?

Total responses August 2008



Net confidence



Base: 166 respondents

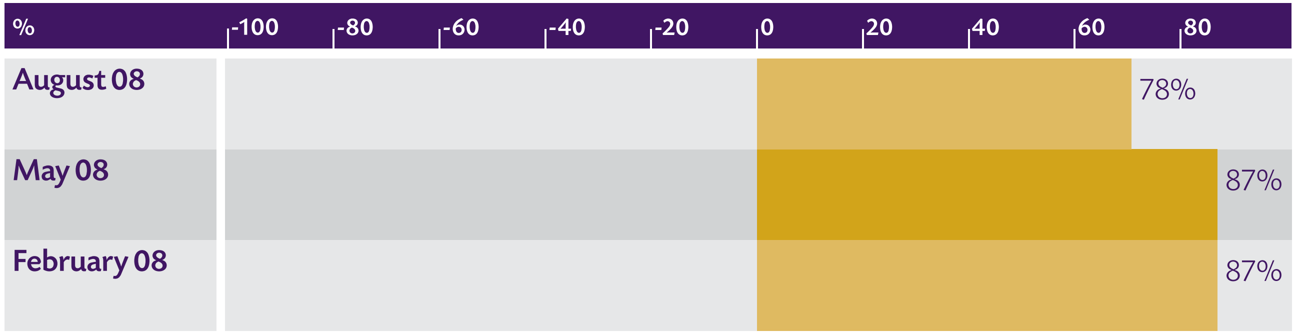
- Most respondents are planning to keep their levels of campaigning and advocacy steady over the next 12 months.
- Overall net confidence has decreased substantially. Plans may have been shelved for the moment, waiting for a better internal or external environment in which to launch them.
- More creative campaigning is needed in these difficult economic times to ensure continued impact with fewer resources.*

*For more information about effective campaigning see the Campaigning Effectiveness team: www.ncvo-vol.org.uk/ce

Q.8 Do you expect your organisation to collaborate more or less with other organisations over the next 12 months?

Total responses August 2008

Net confidence



Base: 208 respondents

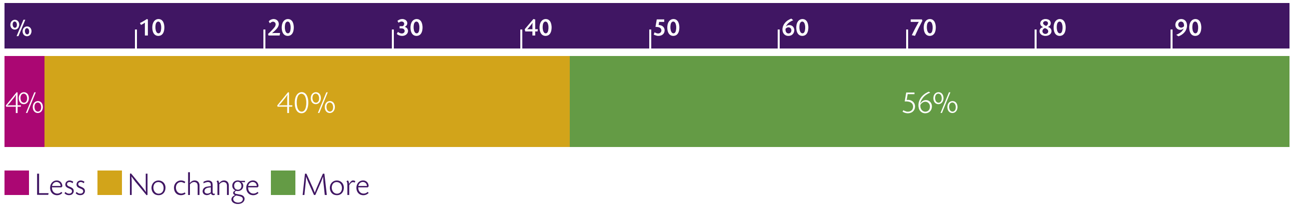
'Charities in our sector need to collaborate more together on national projects.'
Survey respondent

- A significant majority of charity leaders still expect collaboration to increase over the next 12 months. In tough economic times collaboration may be more economically viable than 'going it alone'.

COMPETITION

Q.9 Do you expect your organisation to compete more or less with other organisations over the next 12 months?

Total responses August 2008



Net confidence

Base: 193 respondents

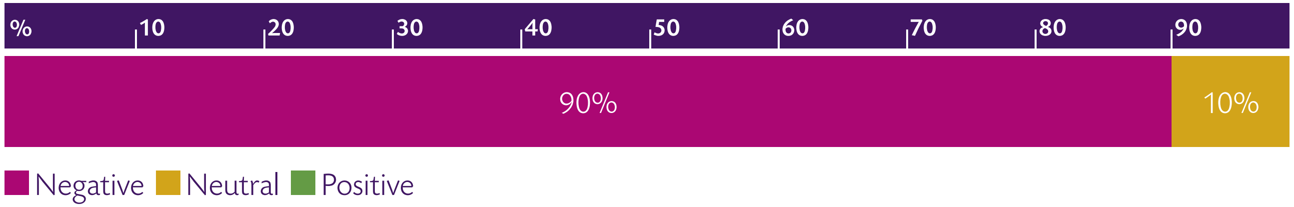
'[There has been] a significant increase in competition from large organisations outside the region who are expanding throughout the UK and do not always have a positive relationship or attitude to partnering others.'

Survey respondent

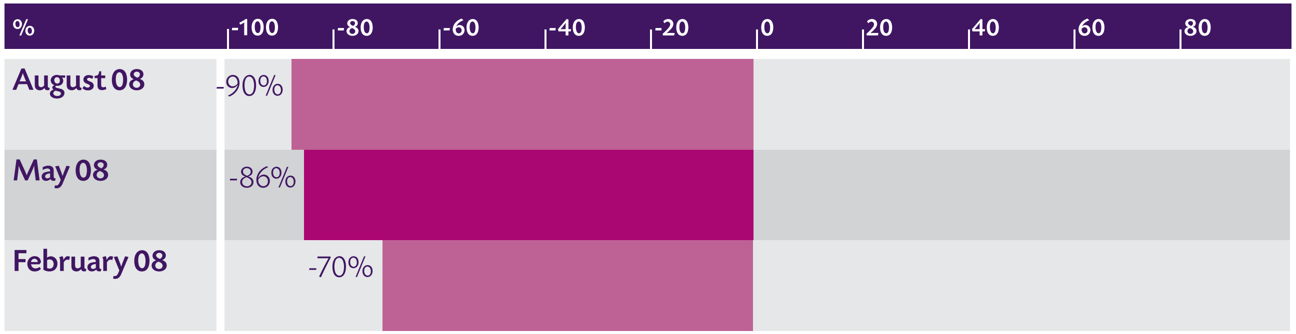
- Net confidence reflects a slight drop in the expectation of competition since February.
- However over half of respondents still expect to see an increase in competition over the next 12 months, a view reflected strongly in the comments. Competition is prevalent within the sector and crosses geographical boundaries as the above quote suggests.
- Competition from organisations in other sectors, competing for the same funding sources, is also perceived as a threat.

Q.10 Do you think the economic conditions within the UK as a whole will be negative, neutral or positive over the next 12 months?

Total responses August 2008



Net confidence



Base: 210 respondents

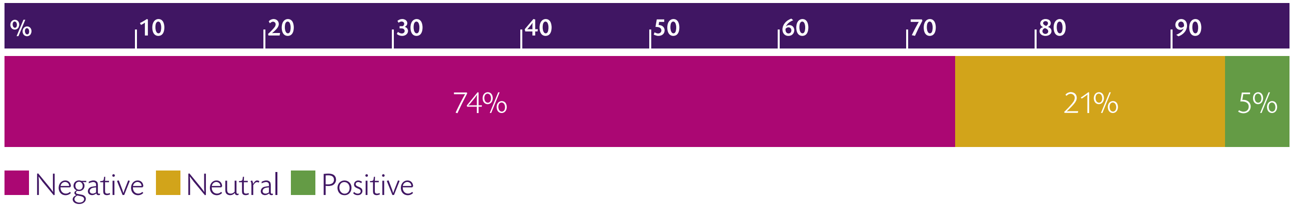
'[We] Intend to use these difficult economic times to work on greater sector efficiencies, partnership working, joint funding etc.'
Survey respondent

- An overwhelming majority of respondents have a negative outlook on the UK economy, with only one person viewing the economy over the next 12 months in a positive way.
- This negative perception of the UK economy has worsened since February, with a 20% reduction in net confidence.
- In an uncertain economy organisations might benefit from reflecting on how they do business and to think of possible synergies that could ameliorate financial difficulties, as demonstrated by the above quote.

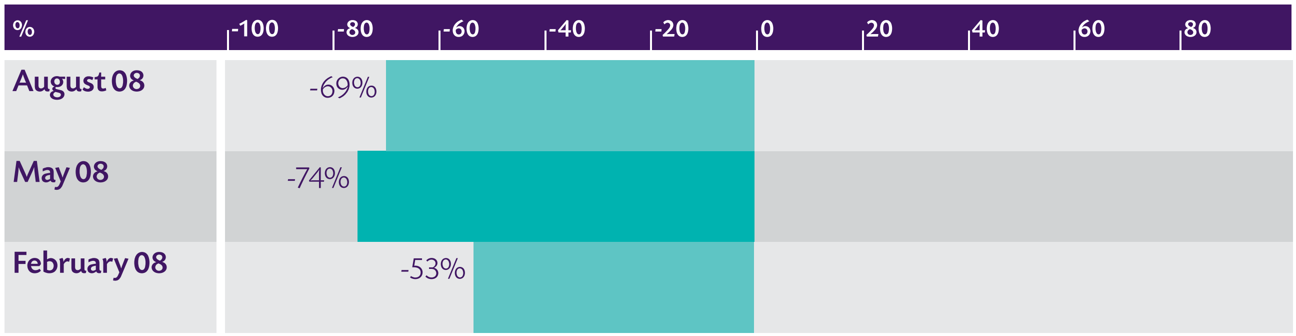
SECTOR ECONOMIC CONDITIONS

Q.11 Do you think the economic conditions within the Voluntary Sector will be negative, neutral or positive over the next 12 months?

Total responses August 2008



Net confidence



Base: 210 respondents

'It is inevitable that services will close and choice/variety will be lost from service provision'

Survey respondent

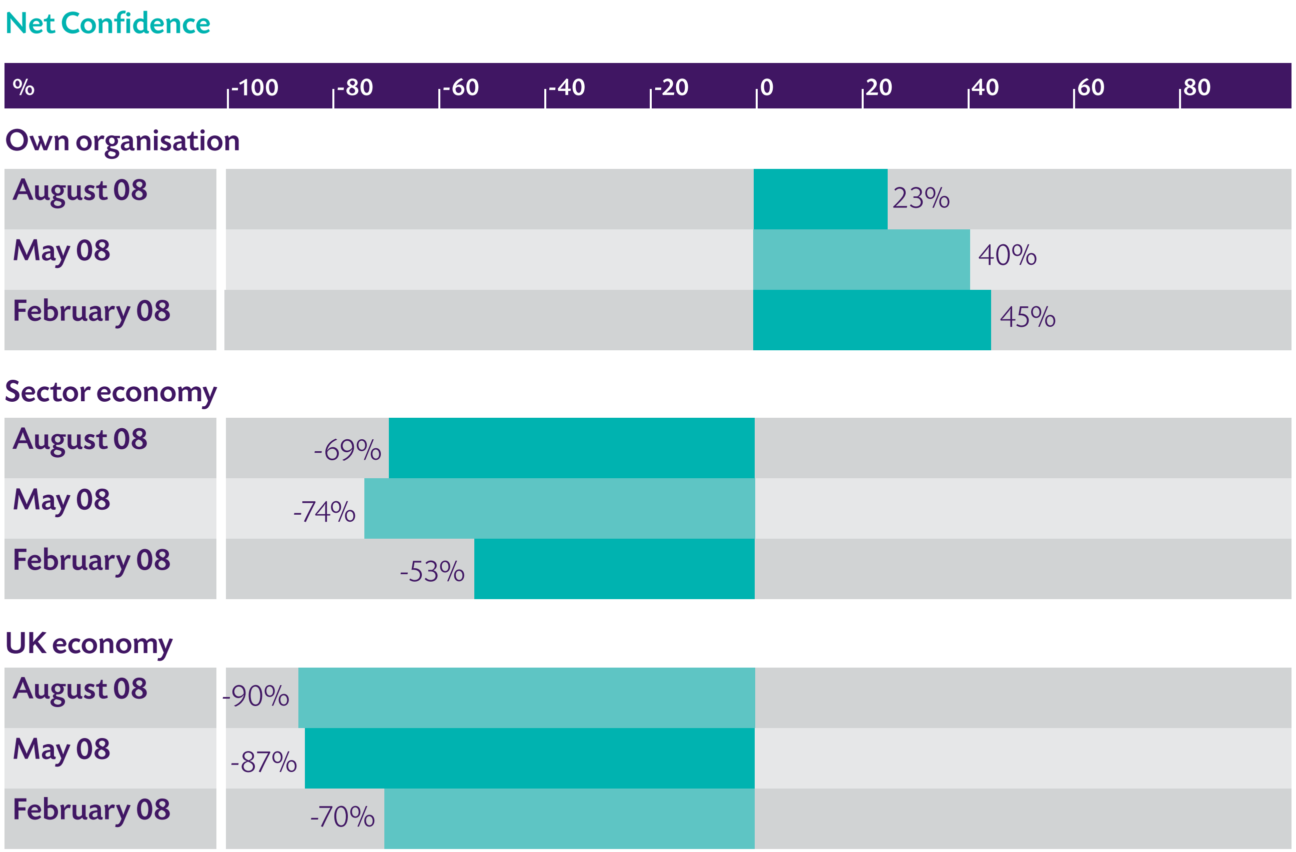
- Perceptions of economic conditions within the voluntary sector continue to be pessimistic.

Some examples of the reasons given for the negative outlook of the Voluntary Sector economy, over and above the general economic climate, include:

- Competition with other organisations for funding and staff. In particular many respondents expressed dissatisfaction with the contract funding model.
- Inadequate funding levels with expectations of offering contacts at below cost.

CONFIDENCE IN DIFFERENT PARTS OF THE ECONOMY

A comparison of confidence in individual organisations, the economy of the voluntary sector, and the UK economy.



Base: 210 respondents

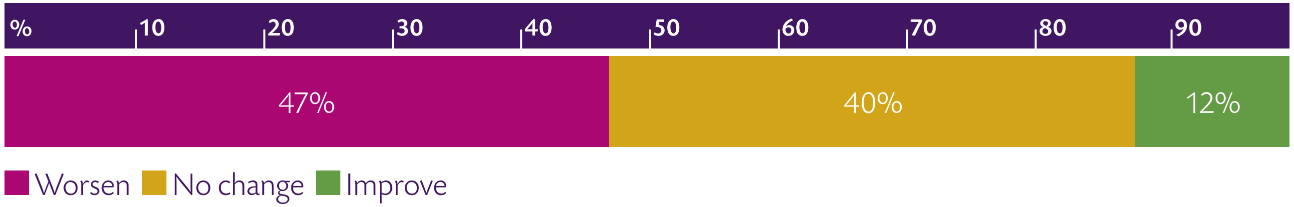
- Since February charity leaders have had a persistently negative view of the UK and voluntary sector economies. It appears this is now influencing the outlook on their own organisation, with net confidence falling sharply.
- Despite this lower level of confidence in their own organisation, charity leaders still think others in the sector will be hit harder by economic uncertainty and continue to place the wider economy as more fragile than the sectors.

GOVERNMENT POLICIES

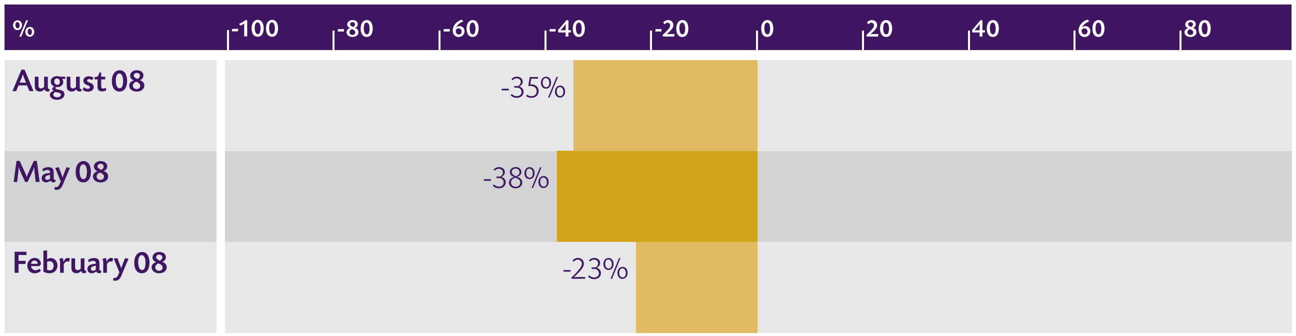
Q.12 Do you expect government policies to improve or worsen the operating environment for your organisation over the next 12 months?

'The voluntary sector has much to offer both the public and even private sector. This has been acknowledged by Govt but is not being translated into practice.'
Survey respondent

Total responses August 2008



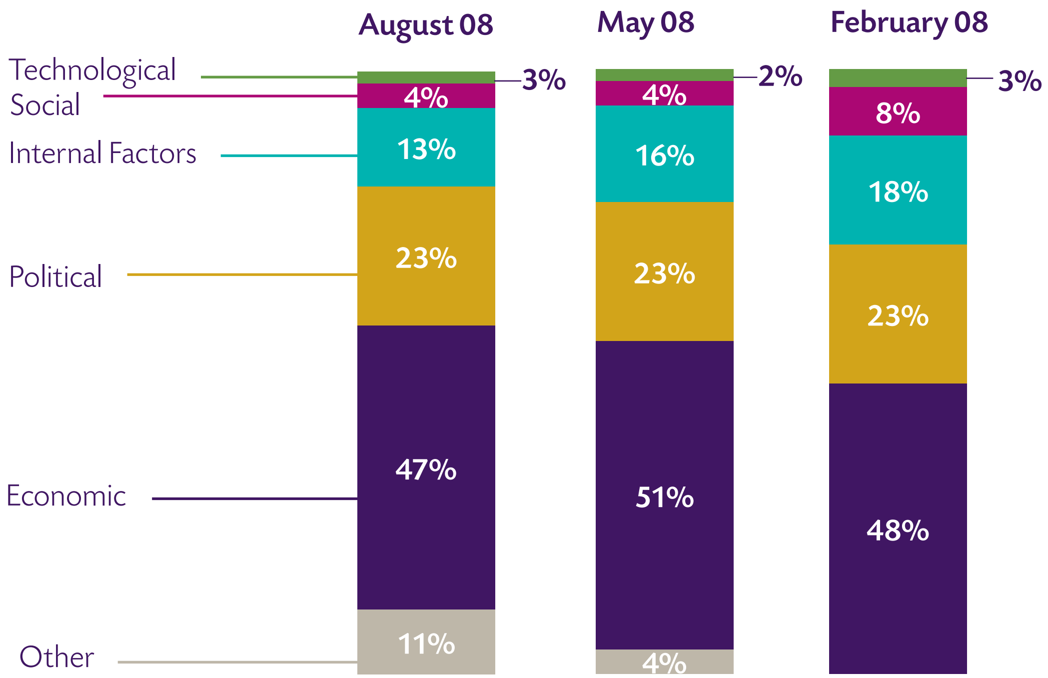
Net confidence



Base: 210 respondents

- Only 12% of respondents have faith that government policies will improve the operating environment for their organisation, while 47% feel this will worsen.
- Dissatisfaction with government policies is evident for both central government and local authorities. Respondents expressed the view that the different levels of government need to work together better.
- Respondents' comments indicate concerns about government funding policies, with concerns in particular about competitive contract bidding.

Q.13 What type of driver is behind the greatest barrier to your organisation's success over the next 12 months?



Base: 210 respondents

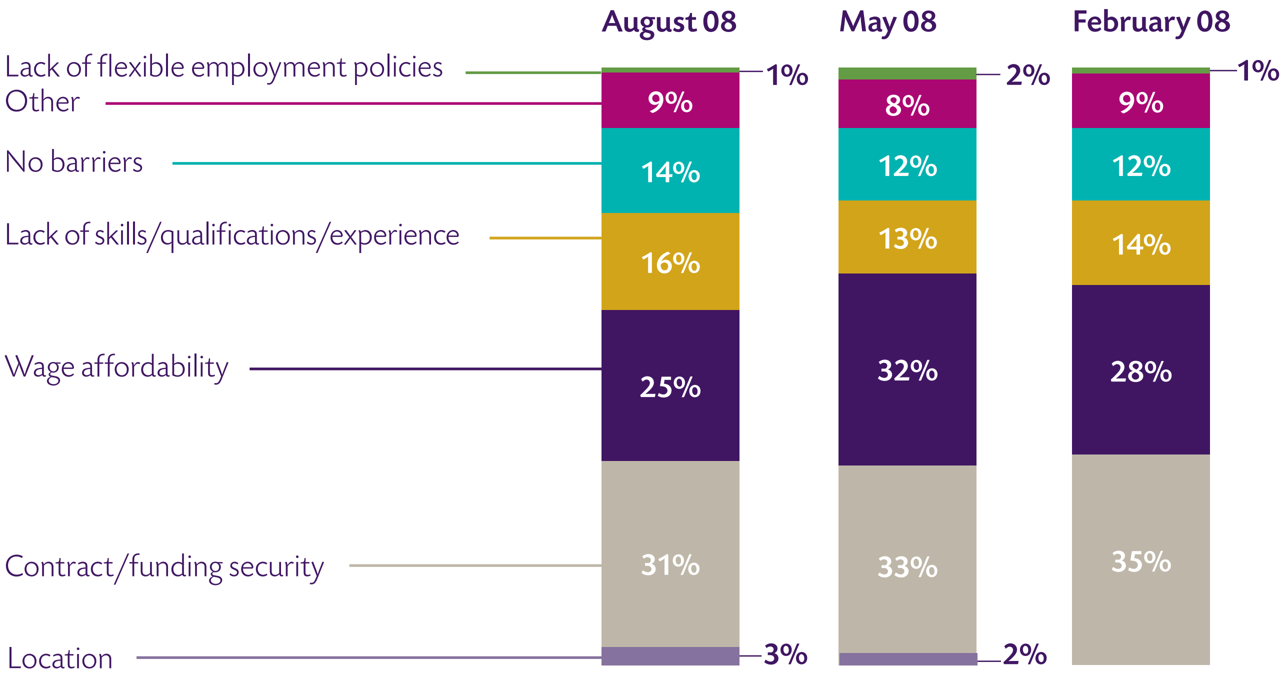
'The external environment is tough for everyone at present and the voluntary sector is not immune from it.'
Survey respondent

- The importance of the various drivers has remained constant over the three quarters covered.
- Economic drivers remain the largest perceived barrier to organisational success over the next 12 months, followed by political and internal factors.

A selection of comments by those who chose "other":

– 'The strengthening of large charities at the expense of smaller ones.'
– 'We need more volunteers!'
– 'success or failure is dependent upon bid writing skills.'

Q.14 What do you feel is the greatest barrier to your organisations attracting appropriate staff over the next 12 months?



Base: 210 respondents

- The greatest barriers to attracting appropriate staff relate to funding. In the current quarter 56% of respondents identified funding security or wage affordability as the greatest barrier to their organisation in terms of attracting staff.
- The types of barriers that are important to staffing levels have remained fairly constant over the three quarters of the survey, though wage affordability has declined slightly as a barrier over the past quarter.

Selection of comments by those who chose 'Other':

– 'The overall low level of pay within our sector that we cannot move beyond without making ourselves uncompetitive in terms of winning new work.'
– 'Competition from other charities.'
– 'Fuel and other vehicle costs.'

COMMENTS

These are a selection of representative comments made by survey respondents:

Commissioning

'Our main concern is the negative impact of contracting on the voluntary sector ethos and the mismatch between political rhetoric about empowering and engaging with communities with the reality of contract culture deconstructing the voluntary sector locally.'

'The main problem affecting our kind of organisation is the poor quality of commissioning by the public sector, particularly with an increasing trend to set contracts at unviable hourly rates.'

'The sector's diversity is being diminished by local authority's fixation with contract rationalisation through tendering and procurement exercises.'

'Statutory funders are, theoretically, moving towards commissioning VCS organisations that fit their priorities. However, whilst they have not quite got a clear understanding of how they will do this, they have already reduced pure grant funding in anticipation of the process. This results in VCS organisations losing grant funding while being, as yet, unable to be commissioned.'

'There are lots of opportunities to move from grant culture to tendering for delivery of public services but this requires a different infrastructure and mind set.'

Economic Downturn

'Organisations in the Voluntary Sector will only maintain revenues in the worsening economic environment if they adopt a business model.'

'For a charity that has membership at its core there are clearly issues of retaining and recruiting members at a time of economic uncertainty.'

'Yes funding will be a challenge but it always has been and will be in the future – I hesitate to say 'deal with it' but I do think we do ourselves no favours by moaning, we need to constructively get on and raise the money, create the compelling business case, work with that competitor.'

'If the current economic and funding climate continues we will lose some of the voluntary sector and therefore the public sector will lose the ability to deliver effective services to its public.'

'In the current economic climate I believe the voluntary sector will be needed more but I'm unsure if it will be recognised by the government.'

'With significant falls in income from donations and fundraising, it makes it even more important for charities to be able to sell their services and obtain contracts.'

'The greatest benefit of the voluntary sector is its flexibility - its ability to say 'yes' to people who need us.'

The Sector

'The pressures on a CEO of a small to medium organisation are often intolerable. Increased legislation, an increasingly litigious workforce and much greater competition for funds just cripples us.'

'We hope a lot of time and money is pumped in the voluntary sector as this is the only key to community partnership in this country.'

'Smaller local charities are really feeling the pinch - so far over the past 6 months I've had to make 4 staff members redundant, with a possible loss of three more. This means closure of essential services to a deprived community – not fair on the community as all employees are local people.'

SURVEY ANSWERS

Question 1
All together, do you think the general situation of your organisation will improve or worsen over the next 12 months?

Worsen	No change	Improve	Net confidence
24%	29%	47%	23%

Question 2
During the next 3 months, does your organisation have actual plans to increase or decrease paid staff numbers?

N/A	Decrease	No change	Increase	Net increase
6%	7%	48%	40%	34%

Question 3
During the next 3 months, does your organisation have actual plans to increase or decrease volunteer numbers?

N/A	Decrease	No change	Increase	Net increase
10%	0%	37%	53%	59%

Question 4
Do you expect your organisation to increase or decrease expenditure over the next 12 months?

Decrease	No change	Increase	Net increase
22%	17%	61%	39%

Question 5
Do you expect the financial situation of your organisation to improve or worsen over the next 12 months?

Worsen	No change	Improve	Net confidence
35%	25%	40%	5%

Question 6
During the next 3 months, does your organisation have actual plans to increase or decrease the extent of the services that it offers?

N/A	Decrease	No change	Increase	Net increase
0%	5%	36%	59%	55%

Question 7
During the next 3 months, does your organisation have actual plans to increase or decrease its campaigning and advocacy?

N/A	Decrease	No change	Increase	Net increase
21%	2%	46%	31%	36%

Question 8
Do you expect your organisation to collaborate more or less with other organisations over the next 12 months?

N/A	Less	No change	More	Net increase
0%	1%	20%	79%	78%

All figures are percentages of total respondents (other than net figures).
All questions had 210 respondents (including N/A answers), except for questions 8 and 15 that had 209 responses.
Net figures are calculated using the following formula $\dfrac{\text{(total positive answers-total negative answers)}}{\text{(total respondents-N/A answers)}}$

SURVEY ANSWERS

Question 9
Do you expect your organisation to compete more or less with other organisations over the next 12 months?

N/A	Less	No change	More	Net increase
8%	3%	37%	52%	53%

Question 10
Do you think the economic conditions within the UK as a whole will be negative, neutral or positive over the next 12 months?

Negative	Neutral	Positive	Net confidence
90%	10%	0%	-90%

Question 11
Do you think the economic conditions within the Voluntary Sector will be negative, neutral or positive over the next 12 months?

Negative	Neutral	Positive	Net confidence
74%	21%	5%	-69%

Question 12
Do you expect government policies to improve or worsen the operating environment for your organisation over the next 12 months?

Worsen	No change	Improve	Net confidence
47%	40%	12%	-35%

Question 13
What type of driver is behind the greatest barrier to your organisation's success over the next 12 months?

Social	Political	Economic	Technological	Internal factors	Other
4%	23%	47%	2%	13%	10%

Question 14
What do you feel is the greatest barrier to your organisations attracting appropriate staff over the next 12 months?

Wage affordability	Lack of skills/ qualifications/ experience	Contract/funding security
25%	16%	31%

Lack of flexible employment policies	No barriers	Other	Location
1%	14%	9%	3%

All figures are percentages of total respondents (other than net figures).
Net figures are calculated using the following formula $\frac{\text{(total positive answers-total negative answers)}}{\text{(total respondents-N/A answers)}}$

RESEARCH METHODOLOGY AND EXPLANATORY NOTES

Data collection

- Recruitment of participants for the survey was based on three strategies: (i) emailing contacts identified from taking a stratified random sample of 280 member organisations, based on income and region; (ii) contacting previous respondents to the survey; and (iii) publicising the survey electronically. Multiple strategies were used in order to maximise the response rate.
- All survey participants were Chief Executives, Directors, Trustees or Senior Managers of charities or voluntary sector organisations.
- All survey results were collected between 4th and 28th August 2008 using an internet survey form.
- There were a total of 210 responses which the results in this report were based on.

Data presentation

- All quotes are taken directly from respondents' comments.
- Net results were calculated using the following formula:
  total positive answers - total negative answers)
  (total respondents - N/A answers)
- Some percentages do not sum to 100% due to rounding. Similarly, some calculated figures may be slightly different to the sum of the figures presented due to rounding.

Future surveys

This is the third time this quarterly survey has been undertaken. We welcome feedback on the survey and methodologies used and are looking to improve upon it in the future. The fourth survey is due to take place in November 2008, with the results due out in December.

This survey is free to all participants. If you are a Chief Executive, Director or Trustee of a charity and would like to take part in the next survey please email charityforecastsurvey@ncvo-vol.org.uk

This report was produced by the research team at the National Council for Voluntary Organisations.

For more information please visit: www.ncvo-vol.org.uk/research

If you would like to contact someone about Charity Forecast please e-mail us at: charityforecastsurvey@ncvo-vol.org.uk

Have you seen NCVO's Civil Society Almanac 2008?

www.ncvo-vol.org.uk/almanac

The almanac provides groundbreaking information on the size, scope and finances of Civil Society

NCVO Third Sector Foresight helps voluntary and community organisations create effective plans with strategic insight and planning tools.

Become part of the NCVO Third Sector Foresight network at: www.3s4.org.uk