About the FSI

Since its inception in 2007, the FSI has grown to become the UK’s largest provider of free capacity building support and services to the small charity sector. The FSI delivers approximately £2.2 million of free support services to small charities registered in the UK.

The FSI was established to deliver strategic skills to small charities. This is achieved through a year-round programme of training and conference learning. The content of this learning programme encompasses all disciplines of fundraising, marketing and communications, organisational and board leadership and a wide range of key back office skills. The programme is designed to build sustainability in charities and enable them to adapt to the demands of the communities and causes they serve.

The learning programme delivers 1280 delegate training opportunities in eight cities across the UK as well as 900 delegate training opportunities each year in London.

Capacity building activities also include:

- A conference programme, Sharing the Best Forum (fundraising focused) and Sharing the Essentials Workshop (back office skills);
- Advice clinics where small charity leaders access direct advice/mentoring support on organisational and project strategy;
- An Affiliates programme providing small charities with intensive development support.

Increasingly in today’s environment the voice of the small charity sector is drowned out. This is because they are unable to allocate time and resource to activities that do not directly impact on the delivery of services. This is a direct result of an unprecedented increase in the demand for services. The FSI plays a significant role in facilitating their voices to be heard through its policy programme.

The FSI works positively to influence the external environment on behalf of small charities. Key areas of activity are policy and research: by developing a strong evidence base on small charity issues, we are able to provide our members with a platform to influence government and other decision makers.

Each year the FSI undertakes research into specific areas of concern to small charities. The results of the research are used to campaign, with small charities, to effect change based on the research findings.

The FSI is responsible for the Small Charity Index, which delivers quarterly reports on the state of the small charity sector.

The FSI has a small charity membership of over 3,500 small charities. Our regular communication with members, their valuable feedback through research and the Small Charity Index gives the FSI a unique platform to advocate and support the small charity sector.

A ‘small charity’ refers to a charity registered with the Charity Commission or recognised by HMRC with an annual turnover of less than £1.5 million per annum.
The Relationship between Small Charities and Public Sector involvement: the Missing Pieces

Content

2 Foreword
3 Executive Summary
5 Policy Context
6 Key Findings
   6 Part One: Findings Related to Potential Involvement
   7 Part Two: Findings Related to Income of Small Charities
   8 Part Three: Findings Related to the Importance of People
   9 Part Four: Findings Related to the Potential for Small Charities to Grow
   9 Part Five: Findings Related to the Activities of Small Charities

10 Developing Clusters of Typical Small Charities
   10 Cluster One: Organisations facing constraints to their service delivery
   11 Cluster Two: Organisations who have experienced a hit to their service delivery
   12 Cluster Graph
   13 Cluster Three: Organisations which are facing increased financial pressure
   13 Cluster Four: Organisations which are facing a risk to their survival

15 Conclusions
The relationship between civil society and the state is a measure of the political and social health of the UK. Is it flourishing? Does it have the support and space to grow? Does the Government respond to the concerns raised by civil society and the organisations who represent it?

Small charities are the grassroots of civil society. Over the last eight years small charities, grassroots civil society organisations, have been hit by the financial recession, increasing demand for services, falling or at best flatlining revenues, the transition between grant funding and commissioned contracts (in some cases payment by result) and importantly the changing structure of the environment they work in. Cuts in funding have created an ‘outsourcing boom’ with commissioners wanting more “bang for their buck”. This has made the marketplace that small charities work in almost unrecognisable and increasingly small charities are competing for funding with both larger charities and large corporate private sector entities.

Cuts in government contracts and the changing way in which funding is accessed is not the only issue that small charities are grappling with at this time. The small charity sector must address its continuing ability to remain independent of the state and small charities must remain focused on their own mission and values. An independent small charity sector does not mean that charities cannot compete to deliver public services; it means that small charities must be wary of public sector contracts that tie them to activities and outcomes that are not completely in alignment with their mission.

The critical question for small charities and their future is how they build strong, resilient and sustainable organisations that are able to manage complex relationships with the public sector, the private sector and other civil society organisations. A key factor in the small charity sector’s ability to deliver services to those in society who are the most vulnerable will be their ability to act autonomously in the best interests of those they seek to serve.

The small charity sector has a long history in the UK of supporting individuals and communities - locally, nationally and internationally. This research was commissioned to identify the challenges facing small charities and explore how small charities retain their independence in an ever changing market place.

Pauline Broomhead
CEO, Foundation for Social Improvement
Executive Summary

This report provides a platform for small charities to inform the development of policy and practice and to stimulate debate around the key challenges facing small charities at this time supported by researched evidence.

Since 2010, the political and economic climate in the UK has changed. Financial support for the delivery of local services has been reduced and the ‘Big Society’ initiative has informed Government policy agenda. The culmination of these factors has unsettled the operating environment of small charities and required them to rethink their relationships, role in civil society and in some cases rethink their organisational structures.

As a result, Government policy to ensure the voluntary and community sectors become more involved in the delivery of public services may require evaluation.

The Localism Act 2011 permitted charities “to challenge” the public sector for the right to deliver public services (allowing voluntary and community groups and local authority staff to express an interest in taking over the running of local authority services). Yet, only 30 percent of charities surveyed for this report were interested in using the Community Right to Challenge.

This report helps to recognise that charities should not be treated as if they are all the same when considering how to increase the involvement of charities in delivering public services.

The evidence from the survey enables us to develop a ‘cluster’ approach. Charities can be distinguished in four ways.

• Charities facing constraints in attempting to grow
• Charities whose service delivery has been affected by pressure on resources
• Charities who are concentrating on addressing increased financial pressure
• Charities facing risks to their survival and future viability

Distinguishing between charities in this way is as much an art as it is a science. Within the small charity sector, charities may identify with some or all of these scenarios.

From the perspective of a policymaker or a researcher, it is helpful to tease out the differences between charities in a way which is supported by evidence.

The insights from the research by the Foundation for Social Improvement (FSI) reveal how charities face a different set of decisions when considering whether to become involved in delivering public services and how they structure themselves to deliver those services in the future.
The report goes into detail about the underlying and complex interactions. It explains:

- the significance of previous involvement in delivering services;
- the implications of relying more on voluntary income than income from the public sector;
- the issues arising from difficulties in recruiting volunteers;
- the attitude towards growing the charity;
- the importance of activities which charities see as key to their identity as independent organisations working for the public benefit.

From this report, it becomes easier for those not involved in the day to day work of a charity to understand the considerations a charity may face before deciding to compete to deliver public services. These insights build on the evidence and include:

- why charities attempting to grow may feel they are too small to compete and are focused on increasing volunteer support to build capacity;
- why charities whose ability to deliver their services have been hampered, may need to rebuild their trust in the public sector before becoming involved in further public service delivery;
- why charities facing funding pressure need to consider the income from public sector contracts alongside other routes of funding such as grants, trusts and voluntary donations in order to build sustainable organisations;
- why charities facing a risk to their survival are carefully reassessing both their strategy and structures to determine if they can continue to deliver services as a registered charity;
- why charities have to reassess their relationships with the public and private sector as well as their ability to work together in both formal and informal coalitions and partnerships.

Policymakers who learn to address these concerns first will be able to better engage with the charity sector and improve the effectiveness of policies to increase the involvement of charities in the delivery of public services.
Current Government policy aims to remove the barriers on who can deliver public services. The recent Public Services (Social Value Act) 2012 was intended to encourage commissioners of public services to consider the benefits to their communities through working with the voluntary and community sector.

This policy was developed in response to the Green Paper “modernising commissioning” which was intended to transfer power from central government to local communities. The paper proposed themes which will be explored in the survey including

(a) Understanding the implication of payment-by-results for the voluntary and community sector and other potential burdens which arise from commissioning;
(b) The barriers and issues which public service commissioners should take into account in order to increase their involvement of the voluntary and community sector in service delivery;
(c) Establishing where the balance of risk lies between involving the voluntary and community sector and ensuring public services are delivered to the benefit of the local community.

The results of this research can also be considered as part of the evidence to evaluate Part 5 of the Localism Act 2011. The Act gave the voluntary and community services sector (amongst others), the right to “express an interest” in taking over the running of a local authority service. In this way, the Government made it possible to challenge and compete against public sector provision. However, the assumption was that barriers to involvement would be removed.

This report provides further evidence as to how this policy has been implemented from the perspective of those charities surveyed. In its Green paper, the Government argued that improvements in commissioning would encourage civil society to flourish and increase community involvement. The Government has argued that the modernisation of commissioning to involve civil society will “drive and implement public spending cuts in fully informed ways”.

The Government in its paper recognised that many mutuals and co-operatives are profit-making businesses, which operate for primarily commercial objectives. This report sets out how charities themselves perceive the main differences between themselves and other organisations delivering public services.
Key Findings

Just under 60 percent of respondents indicated that they have never held a contract to deliver public services, but a third of charities said they had. Charities that disagreed that there is equal access in the competition to win contracts to deliver public services were three times as likely to be interested in the Community Right to Challenge as charities that thought there was fair competition for contracts.

Part One: Findings Related to Potential Involvement in the Delivery of Public Services

Significance of charities that had never held a contract to deliver public services

- Under 28 percent of these charities were at least interested in opportunities to hold a contract but around 30 percent were not - the rest were neutral.
- These charities were much more likely to indicate that income from voluntary sources (e.g. donations) were their most important sources of income.
- These charities also tended to disagree there that was equal access in competition to win contracts to deliver public services and were much more uncertain as to whether reductions in local authority funding had been fairly prioritised.
- Just over a quarter of these charities generally agreed that holding a contract to deliver public services would improve the quality of services provided to beneficiaries – a similar proportion did not know.
- Around two-thirds of these charities responded that they had not been affected by ‘mission drift’ from their charity’s objectives.

Significance of charities that had held a contract to deliver public services

- Charities with annual turnover in excess of £250,000 per year were more likely to have held contracts than charities with turnover less than this.
- Charities with annual turnover in excess of £500,000 per year were most likely to have indicated that they have a payment-by-results arrangement.
- Around a third of these charities disagreed that local authority funding in their area had been fairly prioritised while the majority responded that they did not know.
- Just under 75 percent of these charities agreed that delivering a contract improved the quality of services provided to beneficiaries with markedly more ambivalence in charities working in causes related to health.
• These charities tended to disagree that a payment-by-results contract would improve the quality of services for beneficiaries.
• These charities are more likely to agree that they have been affected at least to some extent by ‘mission drift’, particularly charities with a payment by results contract.

Part Two: Findings Related to Income of Small Charities

Respondents were also asked about the importance of different sources of income for their charity. Half of the respondents said their most important source of income was from voluntary donations while under 30 percent indicated this was statutory/public sector income.

The significance of charities who said public sector income was the most important
• Charities which indicated their most important source of income was public sector income were as likely to hold a contract to deliver public services as those charities that identified voluntary sector income as their most important.
• Around 60 percent of charities in the survey which identified public sector income as their most important source of income had an annual turnover of under £250,000.
• Under 40 percent of charities that identified public sector income as their first or second most important source of income agreed that their independence is affected if they hold a contract to deliver a public service against 30 percent who say independence is unaffected.

The significance of charities which had been affected by spending cuts
• Around 40 percent of all charities surveyed agreed that they had been impacted by reductions in public sector funding but 42 percent indicated that they hadn’t. The significance of charities which had been affected by such spending cuts were as follows:
• Over 80 percent of charities which stated voluntary income was their most important source agreed they had been impacted by public sector spending reductions.
• Charities which indicated that public sector income was their most important source of income were twice as likely to agree they had been impacted by public sector funding reductions rather than say they had been unaffected.
• Charities with public sector funding reduced were most likely to remark this had meant their service delivery was cut back and they were under increased funding pressure.
• Charities affected by public sector funding reductions tended to agree that it would be in the interests of their beneficiaries to grow to hold a contract to deliver a public service.
• 53 percent of charities who had been affected by spending cuts were interested in the opportunity to hold a contract to deliver public services (and had never held one).

• 57 percent of charities agreed that the independence of their charity is affected by whether it holds a contract to deliver a public service.

**The significance of charities indicating they were not operating in a sustainable funding environment**

• Over 40 percent of survey respondents disagreed their charity was operating in a sustainable funding environment in contrast to 28 percent who agreed. The significance of charities indicating they were not operating in a sustainable funding environment were as follows:

  • The majority of charities which were more likely to disagree had an annual turnover of less than £250,000 per year.
  
  • More charities disagreed that they were operating in a sustainable funding environment and that local authority spending reductions were fairly prioritised than charities who agreed with at least one of those statements.
  
  • Charities responding to how they had been impacted by reduced funding would mostly mention they would concentrate on fundraising and diversifying their income.

**Part Three: Findings Related to the Importance of People**

In the research, 96 percent of respondents said they used volunteers and 86 percent also agreed that volunteers could play a greater role in supporting the charity to increase its scale and reach. Charities identified volunteers as key in helping charities collaborate with other partners, supporting fundraising and the delivery of services. However, 37 percent of charities surveyed said it was difficult to recruit volunteers from the local community.

**The significance of charities that had difficulties in recruiting volunteers locally**

• 36 percent of charities who agreed that volunteers can play a greater role to support their charity to grow in scale and reach were charities that encountered difficulties recruiting from their local communities.

• 37 percent of charities who were interested in the opportunity for their charity to hold a contract to deliver a public service were charities that encountered difficulties recruiting volunteers from their local communities.

• A third of charities which said they had difficulties recruiting volunteers from the local community would also agree their independence was affected by holding a contract to deliver public services.
Part Four: Findings Related to the Potential for Small Charities to Grow

All charities were asked if they thought it would be in the interests of their beneficiaries to increase in scale to hold a contract to deliver public services. 34 percent of charities agreed but 23 percent did not. There was a lot of uncertainty as 30 percent were neutral. The remainder did not know. We have focussed our findings on the group that provided definitive answers.

The significance of charities with views on growing in scale to compete for contracts

• A third of charities which agreed that it would be in the interest of beneficiaries to increase in scale to hold a contract also agreed that volunteers could play a greater role in the charity to increase its scale and reach.
• Charities affected by public spending cuts would sometimes mention this affected their ability to grow.
• Charities surveyed who were not affected by public spending cuts were marginally more likely to disagree that they should increase in scale to compete for public services. This is an issue for further research.
• Charities who felt they were unlikely to be affected by the current funding environment agreed that they were planning to increase in scale.
• Some charities which held payment-by-results contracts mentioned that it gave them financial security and “the ability to grow” which may allow them to increase in scale to compete for future contracts.

Part Five: Findings Related to the Activities of Small Charities

Significance of the Campaigning Activities of Small Charities

Charities were asked how delivering services by a contract would impact upon campaigning on behalf of their beneficiaries.

• 35 percent of respondents who agreed that they should be able to campaign on issues affecting their beneficiaries, also agreed that their independence is affected if they hold a contract to deliver a public service.
• 18 percent of charities who agreed that they should be able to campaign on issues affecting their beneficiaries also agreed that holding a contract to deliver a public service has a negative impact on the ability of the charity to speak up for its beneficiaries.
• Over 80 percent of charities said that it was important for them to campaign on issues affecting their beneficiaries and a similar majority would react to government initiatives affecting beneficiaries.
• A quarter of charities surveyed disagreed that “holding a contract to deliver a public service would negatively impact on the ability of charities to speak up on behalf of their beneficiaries”.
• Many charities responded to questions on funding by indicating they were looking to diversify funding. Some charities mentioned they were planning to divert resources into developing new sources of income.
Developing Clusters of Typical Small Charities

The research provides the evidence necessary to segment charities into four different types. This helps to understand the broad impact of involvement in public service delivery.

This report probes the perceptions and attitudes of charities on issues generally related to their experience in delivering services, and how the common factors identified will impact on:

- the capacity to perform *activities* such as delivering services in line with the charity’s core purpose,
- the charity’s capacity for *growth*
- the ways in which *people* can be involved in helping the charity to grow
- the extent of reliance upon fundraising as opposed to public sector *income*
- their attitude towards *involvement* in the delivery of public services.

**Cluster One: Organisations facing constraints to their service delivery**

These tend to be smaller charities (with annual turnover less than £250,000) who have never held a contract to deliver public services but would be interested in doing so. As a result, some of them may feel they are disadvantaged by their size, particularly if the process for commissioning is relatively more onerous for smaller charities.

- **Activities:** This cluster of charities may face having to cut back services unless they become involved in collaborative or joint working arrangements. These charities were most likely to mention innovation such as trying new services, new projects, looking at new forms of fundraising (such as mobile donations, charity dinners, supermarket collections). Yet these charities are finding there are fewer opportunities available for them to grow.

- **Growth:** These charities may be slightly more cautious as to the possibility of increasing in scale to compete for contracts for public service delivery. Volunteers can help the charity to increase its scale and reach but this cluster of charities may disagree or be more neutral about growing in size to hold a public contract.

- **People:** This group of charities may be relying on volunteers to support their growth but also may have trouble in recruiting suitable volunteers locally. These charities may be taking a proactive approach to building capacity by investing in training or attending FSI courses. They rely on the passion and commitment of their volunteers and value the benefit of the knowledge and expertise that is made available to them.

- **Income:** These charities will firmly view themselves as working within the non-profit sector with a clearly defined purpose. They are likely to be reliant upon voluntary income to finance their work. These charities may be re-assessing their strategy or researching other methods to deliver services and diversify their sources of income.
• **Involvement:** Reduced public spending may have impacted upon them but they remain interested in competing for contracts to deliver public services. They may be interested in the Community Right to Challenge approach. This group of charities do not think that holding a contract to deliver a public service would pose a risk to their independence.

**Cluster Two: Organisations who have experienced a hit to their service delivery**

This cluster may be relatively more reliant upon income from the public sector as their main source of income. This cluster may include the full range of charities that had been affected by public sector funding cutbacks. Smaller charities in this cluster were likely to concede that funding conditions are unsustainable.

This cluster of charities is likely to stress how its work addresses the needs of the community or is centred upon its beneficiaries. They value in particular their focus on service delivery and their independence from Government.

• **Activities:** This cluster of charities is most likely to face reducing the service they offer as staff hours are increasingly cut or diverted towards other activities such as fundraising. Some charities may be forced to let people go through redundancies. Otherwise, some would have to consider stopping some projects and limiting their activities.

• **Growth:** Many of these charities may agree that it is better for their services to increase in scale to compete to run public service contracts in future and stress the role of volunteers in being involved in this. They are charities who perceive that volunteers could play a role in supporting the charity to increase its scale and reach.

• **People:** These charities are likely to be more reliant on volunteers performing key functions such as fundraising and support with programme delivery, particularly where they are unable to make use of public funding to help raise funds. Some are replacing paid staff with volunteers.

• **Income:** This cluster of charities may also perceive difficulties in competing to run public services and have a poor perception of local authority commissioning. These charities, where they have been impacted by reduced public sector funding, will also concede that funding conditions are not sustainable. They may dip into reserves to continue operating.

• **Involvement:** These charities may already have been involved in the delivery of public services through a contract and are likely to agree that it has improved the quality of services for their beneficiaries and can improve the financial stability of the charity. They disagree that delivering public services would affect their independence.
Cluster One

- Attending the FSI course
- Researching other methods
- Re-assessing strategy
- Increased communication
- Increase paid for services
- Targeting foundations, trusts and grants
- Seek more sponsorship
- Put on more events
- Using reserves
- More emphasis on individual donors
- Reducing reliance on a single source
- Increasing social enterprise income
- Different fundraising methods
- Community interest company
- More volunteers
- More fundraising
- Hiring fundraisers
- Reducing staff hours
- Reducing staff/training
- Stopping projects
- Work harder
- More emphasis on individual donors
- Increasing communication
- Using reserves
- More emphasis on individual donors
- Reducing reliance on a single source
- Increasing social enterprise income
- Different fundraising methods
- Community interest company
- More volunteers
- More fundraising
- Hiring fundraisers
- Reducing staff hours
- Reducing staff/training
- Stopping projects
- Work harder

Cluster Three

- Few opportunities
- More collaboration
- Can't grow
- Higher demand by service users
- Service user charges
- Reduced funding and more pressure
- Threat to survival and/or physical premises
- Lost contracts
- More emphasis on individual donors
- Reducing reliance on a single source
- Increasing social enterprise income
- Different fundraising methods
- Community interest company
- More volunteers
- More fundraising
- Hiring fundraisers
- Reducing staff hours
- Reducing staff/training
- Stopping projects
- Work harder

Cluster Two

- Cut back services
- Staff time allocated to bidding for funds
- Cut staff/training
- Selling staff to focus on funding applications
- Redundancies
- Limiting activities
- Do work for nothing
- Applying for grants
- Staff to focus on funding applications
- Redundancies
- Limiting activities
- Do work for nothing
- Applying for grants

Cluster Four

- How charities are responding to the challenge
- How charities are affected
- Facing Constraints
- Increased Financial Pressure
- Risk to Survival
- Service Delivery Hit

- Hit
- Threat to survival and/or physical premises
- Lost contracts
- More volunteering
- More fundraising
- Hiring fundraisers
- Reducing staff hours
- Reducing staff/training
- Stopping projects
- Work harder
- Selling staff to focus on funding applications
- Redundancies
- Limiting activities
- Do work for nothing
- Applying for grants
Cluster Three: Organisations which are facing increased financial pressure

This group of charities emphasise the charity sector’s ability to access funding and seek donations through fundraising. They may feel that reductions in local authority funding were not fairly prioritised as it has resulted in an increased demand for their services.

- **Activities:** Such charities may be experiencing acute financial pressure which is increasingly dictating their activities. Some of these charities may face having to make decisions as to whether to charge service users or find another way to ration services. The charity may risk mission-drift.

- **Growth:** The impact of public spending cuts upon these charities may be felt indirectly through an increase in the demand from service users. However, the increase in demand may stimulate interest in obtaining funding by competing for contracts to deliver public services.

- **People:** Staff time is increasingly being taken up in securing funding.

- **Income:** This cluster’s most important source of income is from voluntary donations but funding has reduced. They are focusing on diversifying their income through identifying individual or corporate donors, raising their profile for fundraising and applying for funding from grants, trusts and foundations.

- **Involvement:** They may also have been relying on diversifying their source of finances through public sector income until the cuts to public expenditure took effect. This experience may put these charities off holding a contract to deliver a public service in future. This is because they are particularly unwilling to be reliant on a single source of income.

Cluster Four: Organisations which are facing a risk to survival

This group of charities were keen to emphasise their work was non-profit but also stressed how they are regulated and accountable through the Charity Commission. This cluster may include charities who are experiencing cutbacks in public sector income and are affected by public sector funding cuts.

- **Activities:** Some of these charities may be involved in delivering public services which appear to be making little difference to the quality of service for beneficiaries, including payment by results contracts. They would agree, sometimes strongly, that the independence of their charity has been affected by its delivery of public services.

- **Growth:** Many charities in this group may have never held a contract. Nor were they interested in doing so as they were preoccupied with other factors such as addressing urgent funding needs. Some of these charities may have lost or are renegotiating contracts, or face losing their premises.
• **People:** Some may consider converting to become a social enterprise or a community interest company as they find it increasingly difficult to recruit volunteers from the local community. Many charities may be reluctant to take this route as they feel that maintaining charity status is important as it is better understood than community interest companies or social enterprises.

• **Income:** This cluster may also agree that funding conditions are unsustainable and are also most likely to admit that they are or were close to winding up their activities. This may be because they are unable to diversify their incomes in any other plausible way.

• **Involvement:** This cluster may be very disengaged from recent policy initiatives, partly as a result of experiencing or trying to address “mission-drift”. “Mission drift” is the term given for when a charity moves away from the objectives outlined in their ‘mission statement’. They may also feel that they do not have fair access to compete to run public services and are ambivalent towards policies such as the Community Right to Challenge.
Conclusions

• The research and key findings confirm that the relationship between small charities and the public sector is shaped by the extent to which a charity is dependent upon public sector income (as opposed to voluntary income from donations). As a consequence of reductions in public expenditure cuts, some charities may find they are experiencing difficulties in their ability to meet service user demand or to grow. These charities are identified as the segment of organisations facing constraints to service delivery.

• The extent to which charities wish to become involved in the delivery of public services is shaped by the impact of spending reductions and how these may have taken effect at a local level. This is important as it affects these charities’ attitude towards engaging with recent government initiatives such as the Community Right to Challenge. Charities may also perceive very differently how delivering contracts will impact upon their services and the users. The most pessimistic of these charities are identified as those facing a risk to survival.

• Charities may or may not wish to become involved in delivering public services. Their responses were a reflection of their funding conditions i.e. the source or sources from which their income is derived. The survey research has identified relationships between funding conditions experienced by charities and their subsequent perception of the public sector. Some charities which have experienced cuts or difficult funding conditions will have had to make difficult decisions about how to maintain continuity of their services. These charities have been identified as organisations experiencing their service delivery hit by worsening funding conditions.

• Other charities emphasised the impact upon their financial position rather than the impact on the services delivered. The research explored the possibility that charities increasingly under pressure to find financing would face mission drift. This challenge to obtain funding may be deemed not just as a threat to the independence of charities but also their identity. This survey explored how charities were diversifying their funding and those charities actively doing so were considered as a segment of charities which were under increased financial pressure.

The insight is based upon a combination of qualitative responses and the more quantitative questions in the survey research.
Methodology

Survey Approach
Survey respondents were members of the Foundation for Social Improvement many of whom had attended the FSI training sessions and events during 2013/14. Survey responses were from organisations within the voluntary and community sector including registered charities, charities recognised by HMRC and Community Interest Companies. Some of the organisations surveyed had an association with social enterprises. The completed on-line responses were collected by FSI staff between August 2013 and April 2014. The completed paper responses were processed by FSI staff.

Descriptive Characteristics of the Survey Sample
There were 306 completed responses from charities located across England who work with a variety of disadvantaged groups and charities. However, the majority of respondents identified as operating in the field of “children and young people”, “health” and “community welfare, advice and rights”.

Annual turnover of respondents was between £5,000 and £1.5 million. The majority of organisations had an annual turnover of under £250,000.

General Approach to Survey Analysis
Respondents were surveyed through multiple question styles. Some questions allowed respondents to insert any comments (open-ended responses). Other questions permitted a few defined responses (closed-ended responses) and an option to indicate “don’t know” or “not applicable”.

There were also many questions which required responses submitted on a scale (Likert responses) indicating the extent of agreement and disagreement. These questions also included an option to indicate a “neutral” response such as “neither agree nor disagree”. All of the questions were optional and where a respondent did not record a response, it was left blank.

Survey Approach
In order to gain further insight, analysis was performed to see how survey respondents answered multiple related questions (“cross tabulation”). Responses were often grouped together to ensure there were a meaningful number of responses per question e.g. those giving a Likert response of “strongly disagree” or “disagree” were grouped into the category “disagree”.

This analysis was complementary to help explain the range of open-ended responses given in some questions. As a result, the analysis where appropriate also removed responses which were not substantive. Those were normally respondents which indicated “don’t know” or were neutral.
Thank You

The FSI would like to thank the following people and organisations for their input into the research:

- The very many small charities who took the time to complete the survey
- Sameen Farouk for analysing and interpreting the data and writing the research report.
- Sarah Raleigh who provided input and advice into understanding the research.
- FSI Volunteers who spent countless hours inputting data
- The FSI Team who have contributed to the development of the research
- FSI Trustees for having the vision to understand the importance of providing a platform from which small charities can make their voices heard through an evidenced approach to campaigning.