Meeting the challenges we face together

Taking the Pulse of the Small Charity Sector

September to November 2016

14th Edition
Background of Respondents

Geographical spread

- East: 5%
- London: 27%
- Midlands (E&W): 14%
- North (NE & Y&H): 11%
- North West: 11%
- Scotland: 3%
- South East: 19%
- South West: 8%
- Wales: 2%

Cause type

- Children & Young People: 20%
- Health: 19%
- Education: 18%
- Community: 15%
- Disability: 13%
- Arts & Culture: 5%
- Environment: 3%
- Homelessness: 3%
- Sport: 2%
- Animals: 1%
- Religion: 1%

Where services are delivered

- Local: 54%
- Regional: 16%
- National: 18%
- International: 12%
Regional Data Summary
Results from September to November 2016

**EAST**
- **Income Generation**
  - Statutory: -3%
  - Earned: -1%
  - Voluntary: -1%
- **Demand for Services**
  - +4%
- **Volunteers**
  - Remains static
- **Paid Staff Levels**
  - Increase by 1%
- **83% Report Staff Morale as Good**

**LONDON**
- **Income Generation**
  - Statutory: -1%
  - Earned: static
  - Voluntary: -1%
- **Demand for Services**
  - +5%
- **Paid Staff**
  - Remains static
- **Volunteering**
  - Rises by 1%
- **65% Report Staff Morale as Good**

**MIDLANDS**
- **Income Generation**
  - Statutory: -1%
  - Earned: static
  - Voluntary: -1%
- **Demand for Services**
  - +5%
- **Paid Staff Levels**
  - Remain static
- **Volunteering**
  - Remains static
- **77% Report Staff Morale as Good**
**SOUTH EAST**
INCOME GENERATION
- STATUTORY - STATIC
- EARNED +1%
- VOLUNTARY +1%

DEMAND FOR SERVICES
- +5%

PAID STAFF LEVELS REMAIN STATIC
- 2%

WHILE VOLUNTEERING RISES BY 2%

65% REPORT STAFF MORALE AS GOOD

WWW.THEFSI.ORG

**SOUTH WEST**
INCOME GENERATION
- STATUTORY - STATIC
- EARNED - STATIC
- VOLUNTARY -1%

DEMAND FOR SERVICES
- +8%

PAID STAFF LEVELS REMAIN STATIC
- 1%

WHILE VOLUNTEERING RISES BY 1%

68% REPORT STAFF MORALE AS GOOD

WWW.THEFSI.ORG

**WALES**
INCOME GENERATION
- STATUTORY -4%
- EARNED - STATIC
- VOLUNTARY -2%

DEMAND FOR SERVICES
- +6%

PAID STAFF INCREASE BY 1%

WHILE VOLUNTEERING DECLINES BY -2%

70% REPORT STAFF MORALE AS GOOD

WWW.THEFSI.ORG
National Data Summary: September to November 2016

INCOME GENERATION

**Voluntary Income**
- 11% reported increases above 10%
- 48% reported no change
- 21% reported a decrease

**Statutory Income**
- 80% reported no change
- 7% reported an increase
- 13% reported a decrease in statutory income

EARNED INCOME
- 17% of small charities reported an increase in the last quarter

SERVICE DELIVERY

**Demand for services**
- 64% reported an increase
- 29% reported an increase more than 10%
- 4% reported a decrease

WORKING IN COLLABORATION

- Nearly 1/2 of small charities undertake less than 10% of work in partnership

- 78% stated working in partnership with other charities

GOVERNANCE

- 81% hold reserves
- 19% operate without reserves
- 32% used reserves in last quarter

WORKFORCE

- 34% reported an increase in volunteers

GREATEST CHALLENGES AHEAD...

1. Workload
2. Funding
3. Demand for services

- 78% report staff morale as excellent

TRUSTEE CONFIDENCE

- 57% of trustees do not see closure as likely
- 22% however 1/5 do

INVESTING IN OPPORTUNITIES

- 3% of trustees are fully confident to take up opportunities outside their business plan
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Foreword

Pauline Broomhead, Chief Executive, FSI

There is no doubt that we are living in challenging times and, as pointed out throughout this quarter’s analysis, the rising demand for services, the flat lining income and the increased pressure on workload brings us to a critical point. However, in the midst of all of these pressures let us not forget that the Small Charity Sector (which represents 97% of the Charity Sector in the UK), alongside tens of thousands of small local charities who are not registered with the Charity Commission, are fundamental to the wellbeing of our nation.

Small charities across the UK are creaking at the seams but are also meeting the needs of those in our society who are the most vulnerable. Each day Trustees, staff and volunteers are striving to do the very best they can for those in need. Now, more than ever before, support organisations like the FSI, Small Charities Coalition, NCVO and CVSs must work together with Government, Local Authorities, Funders and others to ensure the long-term viability of small local charities in the UK.

In a recent speech the Prime Minister committed to creating an environment in which charities could thrive, championing those who lead the way in shaping a civil society that can bring the talents of so many in the voluntary sector to bear on so many of the great social challenges we face. In short she promised that the government would “lead the way” in harnessing the full potential of charities. These are fine words, but it will be determined by action that delivers.

I hope by reading the Small Charity Index you are better informed and that, if you are a person of influence, it will encourage and mobilise you to support the Small Charity Sector. With so many problems and challenges facing the most vulnerable in our society let us come together to unlock solutions and meet the challenges we face.
Quick Analysis

Index Results: September, October and November 2016

Income Generation

Statutory Income

(1) We asked “in the three months September, October and November 2016 has your statutory income increased, decreased or remained unchanged?”

Base: All individual respondents (n = 301)

80% of small charities reported their statutory income levels remained unchanged.

Voluntary Income

(2) We asked “in the three months September, October and November 2016 has your voluntary income increased, decreased or remained unchanged?”

Base: All individual respondents (n = 301)

21% of small charities experienced a decrease in voluntary income this quarter.

Earned Income

(3) We asked “in the three months September, October and November 2016 has your earned income increased, decreased or remained unchanged?”

Base: All individual respondents (n = 301)

17% of small charities experienced an increase in earned income this quarter.
Service Delivery

Demand for Services

(4) We asked “in the three months September, October and November 2016 has your charity seen the demand for services increase, decrease or remain unchanged?”

Base: All individual respondents (n = 301)

- 32% reported an increase
- 19% reported a decrease
- 13% reported a decrease
- 11% reported an increase
- 5% reported no change

64% of small charities reported an increase in demand for services this quarter.

Confidence in a Small Charity’s Ability to Meet the Demand for Services

(5) We asked “taking everything into account, how confident do you feel about your charity’s ability to deliver its planned level of services over the next 12 months?”

Base: All individual respondents (n = 301)

- 22% fully confident
- 16% confident
- 11% confident
- 7% confident
- 6% confident
- 5% confident
- 3% confident
- 2% confident
- 1% not at all confident

78% of respondents reported they are confident to a lesser or greater degree that they will be able to continue to deliver their services over the coming 12 months.

Working in Collaboration

(6) We asked “does your charity work in partnership with other charities?”

Base: All individual respondents (n = 301)

- Yes 78%
- No 22%
Workforce
Staff and Volunteer Recruitment and Retention

(8) We asked “in the three months September, October and November 2016 have your paid staff numbers risen, fallen or remained unchanged?”
Base: All individual respondents (n = 301)

69% of small charities report their staff numbers remain unchanged over the current quarter.

(9) We asked “in the three months September, October and November 2016 have your volunteer numbers risen, fallen or remained unchanged?”
Base: All individual respondents (n = 301)

Over a third of small charities (34%) reported an increase in volunteers this quarter.
**Challenges**

(10) We asked “in the three months September, October and November 2016 which of these issues has presented the greatest, second greatest and third greatest challenge?”

Base: All individual respondents (n = 301)

Workload continues to be the most pressing concern to small charity leaders this quarter, selected as the greatest challenge by 30% of respondents.

**Staff Motivation**

(11) We asked on a scale of 1 to 10 “how would you rate the current motivation/morale of your staff?”

Base: All individual respondents (n = 301)

78% of respondents reported staff motivation as good to excellent over the current quarter.
Governance

Reserves

(12) Does your charity hold reserves?
Base: All individual respondents (n = 301)

Yes 81%  No 19%

(13) If charities answered yes to question (12) we asked, “how much of your reserves have you used during the months of September, October and November 2016?”

- Maintained level of reserve 68%
- Used 21%+ 3%
- Used 16-20% 2%
- Used 11-15% 4%
- Used 6-10% 11%
- Used less than 5% 13%

32% of those holding reserves have reportedly used reserves over the previous quarter.

Trustee Confidence

(14) Some charities may face exceptional challenges and may have to contemplate closure, we asked “how likely is it that your charity will face closure in the following 12 months?”

Base: All individual respondents (n = 301)

- 10 Very likely 2%
- 9 2%
- 8 4%
- 7 3%
- 6 2%
- 5 8%
- 4 6%
- 3 12%
- 2 22%
- 1 Not at all likely 37%

22% of charities don't feel confident that they can continue to deliver services in the current environment.
Investing in Development

(15) We asked “how confident are your Trustees to take opportunities for development, outside of your current business plan which carry a financial risk?”

Base: All individual respondents (n = 301)

Only 3% of small charity Trustees report to be fully confident to take up opportunities for development.
(16) On the day after the Brexit result, how positive/negative did you feel?

Over a third (39%) of small charity leaders stated they were not at all confident about the future on the day after the Brexit result.

(17) How positive/negative do you feel now about the decision to Brexit?
Base: All individual respondents (n = 301)

Over the three months since, the proportion of those who continued to be not at all confident fell to 28%.
### Detailed Analysis

#### Income Generation

The Small Charity Index demonstrates the challenges small charities face in securing funding to deliver the vital services they provide for their local communities. In the years post the 2007/08 financial crisis, funds to support local services, especially from Local Authorities (a statutory source) decreased due to the austerity measures they put in place. Small charities, who deliver local services specifically in the areas of health and social welfare, therefore continue to face a challenging commissioning environment.

By tracking the experiences in income generation across statutory, voluntary and earned income sources, this report shows how small charities continue to be affected by economic uncertainty, placing pressure on securing funds to remain sustainable in the long term.

New fundraising opportunities have emerged, such as social investment and online giving, however these new opportunities are not necessarily appropriate for all charities, and many continue to struggle to replace the income lost through the austerity cuts and the challenging economic climate. Therefore overall, the Small Charity Index paints a picture of income stagnation, at least for the Small Charity Sector.

#### Statutory Income

For all charities in receipt of statutory funding, the current commissioning practice can be challenging, particularly for smaller organisations. As early as 2012, the FSI has been highlighting the issues faced by small charities in respect of commissioning, specifically through our published research: GRIDLOCK and Missing Pieces. Recent research published by Lloyds Bank Foundation found that the demise of grants and rise of contracts has resulted in systems and processes that favour bigger charities, and undermine the ability of small charities to complete on a level playing field.

The majority of Small Charity Index respondents (80%) reported their statutory income levels remain unchanged in the current quarter (Graph 1). Only 7% of small charities reported an increase in statutory income, while 13% reported a decrease over the same period. Overall, statutory income to small charities has decreased by 9% since June 2013.

#### Voluntary Income

On the back of a barrage of negative media, the Charity Commission published a report suggesting that public trust in the Charity Sector had fallen to a six year low. In 2016, the overall level of trust and confidence in charities has fallen to 5.7 out of 10. This is a significant decrease from a headline figure of 6.7 in 2012 and 2014.

The Charity Sector relies heavily on voluntary income and when research shows the reasons behind a fall in public trust, the sector needs to adapt and consider new ways to engage with the public. However, it is important to note that voluntary income is not always the largest source of revenue for small charities.

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1. Foundation for Social Improvement (2016) Small Charity Index Trends: Finding a way, no matter the cost
2. Foundation for Social Improvement (2013) GRIDLOCK: Breaking through the barriers to commissioning services from the Small Charity Sector
5. Charity Commission (2016) Public trust and confidence in charities
trust it must relate, in the main, to fundraising. When this is coupled with the potential for the economy to perform less well post the Brexit vote, there is the real threat that there will be a reduction in charitable donations. Public trust is important because public donations play an important part in the ‘economic mix’ of income available to small charities. However, the good news for the Small Charity Sector is that trust in charities delivering local services is still relatively high. That said, small charities are not totally immune to changes in the funding landscape and continue to operate in an increasingly challenging environment.

The trend in static income levels for the majority of small charities continues as almost half of respondents (48%) reported no change in voluntary income (Graph 2). Similar to last quarter, only 11% reported increases above 10% while 21% experienced a decrease in voluntary income.

Overall, results from the Small Charity Index show there is only a minor total increase of 1% in voluntary income since June 2013. NCVO’s 2016 Almanac reports the overall trend for voluntary income has flat lined, this mirrors the findings of the Small Charity Index which has been reporting stagnated income to the Small Charity Sector since 2015. It is clear that small charities face increasing difficulty in bridging the gap of static income levels with a significant rise in the demand for their services.

A regional perspective
The North and South East regions have experienced a consistent growth in voluntary income since June 2013, of 4% and 5% respectively.

Earned Income

A reliance on income from a single source would amplify a small charity’s vulnerability and indeed charity Trustees would consider this as a potential risk to the sustainability of the charity. With this in mind, small charities are responding entrepreneurially to replace losses of statutory funding and static voluntary income by diversifying income streams. This has driven a growth in earned income through the development of mission-based enterprises and fundraising trading.

With an overall growth of 9% since June 2013, results from the Small Charity Index continue to report earned income as providing the most significant increase for small charities. In the current quarter, 17% of small charities experienced an increase in earned income (Graph 3). This demonstrates that small charities are stepping up and meeting the challenge and that Trustee Boards are supporting new, and in some cases less traditional, initiatives to compensate for the loss in statutory funding.

A regional perspective
The majority of regions have seen a constant increase in earned income since June 2013, with the South East experiencing the highest increase of 12%.

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6 Reasons for a decrease in trust and confidence: media stories about a charity and charities generally (33%); media coverage about how charities spend donations (32%); don’t trust where the money goes (21%) and 18% believe charities are using pressure techniques to secure donations (ibid.).

7 NCVO (2016) UK Civil Society Almanac 2016

Service Delivery

Small charities provide a vital safety net for their local communities, indeed over half of the respondents to the Small Charity Index (54%) would describe their services as being delivered within their local community. Being embedded in their local communities means small charities have an acute understanding of the communities in which they work, and are better able to meet the real needs and priorities of the area.\(^9\)

Demand for Services

The word austerity and the phrase ‘cuts in public funding’ are part of everyday life. As we move forward, into what is unknown territory, with a new leader of the free world and a UK post Brexit, small charities will no doubt be faced with an even greater demand for their services as a consequence. As local government struggles to mitigate the impacts of funding cuts, potentially having exhausted savings on back office or other efficiency measures, they may have to look at shifting to a reduction in front line services to balance their budgets. According to research from the Joseph Rowntree Foundation\(^10\), England lost 27% of its spending power between 2010/11 and 2015/16 in real terms. Some services, such as planning and ‘supporting people’ (discretionary social care with a preventative or enabling focus) have seen cumulative cuts to the order of 45%. People are beginning to notice the impact of the cuts, with an increasing proportion of households finding services inadequate or unaffordable.

It is in this climate that the most vulnerable in our society are turning elsewhere to have their needs met. As a consequence, the role of small charities has become increasingly vital as they are left to step up and fill the gap in provision.

This has led to an unprecedented rise in demand for small charities’ services; 64% of respondents to the Small Charity Index reported an increase this quarter (Graph 4). Close to a third (29%) reported an increase of more than 10%, while only 4% experienced a decrease in demand for services over the same period.

These results illustrate the trend of a continuous rise in demand for small charities’ services, with results from the Small Charity Index dating from June 2013 demonstrating the total increase in demand to be a significant 81%. This not only demonstrates that there is a real need for small charities and the services they provide, but also provokes the question of how small charities, who are clearly providing direct services to those in need, can be fully supported to meet the demand. The FSI, like other organisations, is concerned about the increase in demand, and would strongly encourage Government to reform public commissioning to ensure that small charities are able to participate and be funded to deliver local services.

Confidence in small charities’ ability to meet the demand for services

With this trend set to continue, it would suggest small charities are concerned about the long-term impact this would have on their capacity to address this demand. As has been evidenced by the response of small charities to the increase in demand, they are able to demonstrate great resilience in the face of challenges. However in response to such a significant rise in demand, their ability to do so is increasingly precarious.

This notwithstanding, confidence of small charities in their ability to meet the increasing demand for services remains high, with 78% of respondents stating they feel confident to a lesser or greater degree that they will be able to continue to deliver their services over the coming 12 months (Graph 5).

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\(^9\) IPPR North (2016) The Future of Civil Society in the North
Working in Collaboration

Now, more than ever before, as a sector we need to work more closely together to build a stronger and more able Small Charity Sector. To some degree this will be achieved through increased collaboration. We acknowledge that collaborations are by no means easy, they can be delicate and complex to navigate, and when they fail they can have severe consequences both on the services provided and the reputations and financial stability of the charities involved. Nevertheless increased collaboration between charities is vital and may be our best response in the fight to stay sustainable. Our recent research into collaboration found only 10% of small charities are working with other charities to any meaningful degree\textsuperscript{11}.

The results from the Small Charity Index highlight that, of those small charities who reported working in collaboration with others (78%) (Graph 6), only 23% are collaborating at a meaningful level i.e. undertaking more than 30% of activities in collaboration with others (Graph 7). This means that 82% of small charities either undertake no work in collaboration or collaborate at levels that are insignificant (less than 30% of activities). As an absolute priority, small charities should be actively engaged in seeking out more meaningful collaborative relationships with other charities.

Workforce

The voluntary sector workforce comprises 2.7% of the total UK workforce\textsuperscript{12} and, more significantly, 88% of local charities have five or fewer full-time employees\textsuperscript{13}. While jobs in the charity sector are generally less secure compared to the public and private sectors, results from the Small Charity Index demonstrate positive staff and volunteer retention rates.

Staff and Volunteer Recruitment and Retention

The majority of respondents (69%) report their staff numbers remain unchanged over the current quarter (Graph 8). Overall, staff numbers have remained relatively stable since June 2013, with no significant increases or decreases in the number of staff employed by small charities.

Small local charities are primarily run and led by volunteers, and are deeply reliant on their skills, time and passion\textsuperscript{14}. Over a third of small charities (34%) reported an increase in volunteers this quarter (Graph 9). Since June 2013, the Small Charity Index has seen a steady increase in volunteer numbers by 29%, rising by an average of 2% each quarter.

A regional perspective

The confidence of small charities working in the East and the Midlands remain the highest at 78% and 77% respectively.

The North West saw the largest increase in volunteer numbers this quarter, by 6%, followed by Scotland with 4%.

\textsuperscript{11} Foundation for Social Improvement (2016) Collaboration: More than the Sum of the Parts
\textsuperscript{12} NCVO (2016) UK Civil Society Almanac 2016
\textsuperscript{13} Localgiving (2016) Local Charity & Community Group Sustainability Report
\textsuperscript{14} Ibid.
Challenges

Given an increase in demand on services of 81% since June 2013, and with staff numbers remaining stable over the same period, it is not surprising that workload remains the most pressing concern to small charity leaders. This quarter, 30% selected this as the greatest challenge that faced their organisation (Graph 10). It is evident that small charities are therefore increasingly reliant on the support of volunteers in order to deliver services to beneficiaries. The second most challenging factor for those leading small charities was identified as concerns in respect of funding (24%), and thirdly demand for services (16%).

If taken together, increased demand, pressure on financial resources and workload, you have the all of the ingredients to destabilise the Small Charity Sector. It is a reality that we are at a crossroads and that action must be taken by Government to support charities who are over-stretched and hugely under-resourced.

Staff Motivation

Despite this precarious situation, the sector continues to be optimistic for the future. Morale remains high amongst the Small Charity Sector workforce, with 78% of respondents reporting staff motivation as good to excellent over the current quarter (Graph 11).

Governance

Following 12 months unlike any other, where charities have been under the spotlight in the eyes of the media, public and politicians, there is a reasonable expectation in the Charity Sector that charity Trustees must be rigorous in the way they manage their charities. This focus on governance, as a means of preventing charity failure and bad practice, should be welcomed by the sector as it will help us in demonstrating to the public, media, politicians and most importantly our supporters and beneficiaries the vital role we play in civil society.

An effective Trustee Board is fundamental to a small charity’s ability to survive and thrive. Trustees have a central role in navigating a charity’s ability to deliver the services to the beneficiaries their charities exist to serve.

Reserves

A large majority of small charities (81%) report to holding reserves this quarter (Graph 12), a small increase from 77% in the last quarter. The remaining 19% of small charities are in a financially precarious position of operating without reserves. With 32% of those holding reserves have reported using reserves over the previous quarter (Graph 13), this suggests a considerable number of small charities are struggling to generate the income needed to maintain their services or pay for operating costs.

Trustee Confidence

Operating within this context may demand small charity Trustees to make uncomfortable decisions, one of which may be whether to close its doors. Respondents to the Small Charity Index were asked to determine how likely it would be that their charity would face closure in the following 12 months, over a third (37%) reported that it is not at all likely (Graph 14), a decrease from 41% last quarter. Moreover, during a time where the public are increasingly turning to charities for support, on a scale of 1 to 10, with 10 being very likely to face closure, 22% selected between 5 and 10.

15 New Philanthropy Capital (2016) It starts from the top: Improving governance, improving impact
Investing in Development

Taking all the above factors into consideration, it is therefore not surprising that only 3% of small charity Trustees report to be fully confident to take up opportunities for development, outside of their current business plan, that carry a financial risk (Graph 15).

Conclusion

Small, local charities are often best placed to meet the needs of the most disadvantaged in our community and their ability to access resources they need to deliver these services is crucial to the future of civil society in the UK. It is in this environment that we suggest that government support the Small Charity Sector through:

• Increasing resilience and capacity through diversifying their income, and building and maintaining a balanced income economy;
• Taking down any barriers that small charities might face to bid for and secure commissioned contracts both locally and nationally, and
• To develop Trustee Boards by disseminating best practice to build robust governance to increase trust in the Small Charity Sector.

It is not too late to turn things around but it will require all of our efforts, together, to do so.
Brexit Temperature Check

In June 2016, the UK voted to leave the European Union. Through the quarterly Small Charity Index, we are keeping a general overview of how smaller charities are feeling and dealing with the post-Brexit vote, this data will be included in our research, to be released in June 2017, Brexit: One Year On (working title).

From our findings on how small charities felt one day post the Brexit vote we are collecting data on how positive or negative small charities continue to feel over time. Over a third (39%) of small charity leaders stated they were not at all confident about the future on the day after the Brexit vote, while only 3% stated they were fully confident.

Over the six months since, and following developments in the political environment, the proportion of those who continued to be not at all confident fell to 28%. This suggests small charities are developing a clearer sense of how leaving the European Union will affect their charity in the future and are taking steps to mitigate any risks they may face. Those who are fully confident remained at 3%, which leaves 69% of charities uncertain about the future.

We asked whether small charities could identify either a positive or negative direct impact Brexit has had on their organisation’s ability to carry out its work. The majority (44%) stated it had no impact so far.

For those that felt it had, these were, in the main, negative, and a large number of those (35%) cited financial impacts:

“The falling value of the Pound has made our ongoing monthly and quarterly cost 38% more expensive than previously due to unfavourable exchange rates.”

“Due to the devaluation of the Sterling, our projects overseas are now more expensive to implement and we are experiencing budget deficits and so have to raise further funding.”

“Following Brexit, the devaluation of the Pound has negatively affected the exchange rate (we work in Uganda so rely heavily on foreign exchange transactions to send money internationally). Since Brexit, we have been losing about £5,000 a month as a result, and have had to cut some of our services and programmes.”

“The impact will be on voluntary income which is essential to our continuing to provide activities. We’ve already seen voluntary income decrease and this can only get worse as living costs increase.”

Other impacts focused on the wellbeing of staff and beneficiaries (5%):

“Many of our staff are European and felt very demotivated that the country has voted from them to leave. There are increasing concerns amongst service users and staff regarding their citizenship and right to remain and access welfare support in the UK, and this is having a negative impact on their well-being.”

The ability to deliver services (3%):

“The first impact is likely to be an increased demand for services as uncertainty and insecurity rises further, bringing more stress and worsening mental health. In the next 3 - 5 years we are expecting this to become much worse again as people become worse off financially, especially in those areas which are already the poorest.”

“It has influenced our forward planning about the kinds of service we can provide, as we believe that we will no longer be able to access EU grant funding. In this past this has made up a significant element of our earned income.”

A few charities saw a silver lining, in the potential to influence policy (3%):

“It has given us different policy issues to think about which might present opportunities for long term change in the areas we work to influence.”
Methodology

The FSI Small Charity Index is a quarterly ‘State of the Small Charity Sector’ Report. The Small Charity Index reports across four key areas: Income Generation, Service Delivery, Workforce and Governance. The aims of the Small Charity Index are to assess the challenges facing small charities across the UK, identify trends as they emerge and provide a benchmark against which policymakers can make decisions to support the sustainability of the small charity sector.

The data gathering and analysis of trends is carried out by the FSI through its membership of over 5,000 distinct small charities. The FSI is able to capture large amounts of qualitative and quantitative data from small charities through surveys and consultations, in addition to face-to-face consultations with over 2,200 small charities per annum through its training and advice programmes.

The Small Charity Index is compiled using the above analysis together with the biennial Skills Survey and current research projects undertaken by the FSI, and with reference to relevant research published by other infrastructure membership bodies such as Charities Aid Foundation (CAF), NCVO, Localgiving, Lloyds Bank Foundation and Small Charities Coalition. Examination of other data sources additionally informs the analysis behind the Small Charity Index.

Charity members of the FSI have an annual turnover of under £1.5 million, and respondents from this quarter’s Small Charity Index show 50% have an annual turnover under £150,000, 17% between £150,000 and £250,000, 22% between £250,000 and £500,000 and 11% between £500,000 and £1.5 million.

Data for the current period was collected between 1 December 2016 and 17 January 2017, and refers to the period 1 September 2016 to 30 November 2016. Comparisons are made with the same questions recorded each quarter since June 2013, giving a total of 42 months of comparative data.