FSI Small Charity Index: Five Year Trends

June 2019

Foreword

Since 2013 the FSI has been gathering and presenting statistical evidence on the condition of the small charity sector, by consulting its members through quarterly Index surveys. This evidence is intended both to strengthen the voice of small charities in a public policy context, and to offer an informative snapshot of the changing environment facing these organisations. The charities consulted throughout the Index project deliver a diverse range of services across the UK, but along with around 90% of organisations registered with the Charity Commission¹, all have an annual income below £1.5 million. The FSI has always held that the wellbeing of society as a whole is dependent on the efforts of these smaller organisations and, through this ongoing commitment to data collection, we hope to contribute towards development of a civil framework that better supports the furtherance of the benevolent aims of these charities.

Having collected quarterly data from UK-based small charities from 2013 to the present, in 2019 the FSI has been in a position to consider the overarching trends in what has been reported by respondents during this period. The data analysed in this report covers five clear years, from September 2013 up until August 2018 – taken as a whole, the figures reveal consistent and observable characteristics of the small charity sector, as well as some substantial, and occasionally quite startling, changes over time.

*The FSI would like to thank Nicolette Lares for her support in analysing the trends data.*

Summary

The FSI’s 2019 Five Year Index Trends Report initially analyses the profile of charities responding to the Index survey, finding a tendency towards a local focus and an income at the lower end of the ‘under £1.5 million per year’ banding, with over half falling under £150,00. The most frequent cause type response is children & young people, with health, community/welfare and disability also making up a large share, whilst sport was the least common reported cause – during the 2013-2018 period considered, we can see a steady increase in the demand for these charities’ services, an increase fairly consistent across cause types. The trends in small charity income changes are then discussed, with voluntary income proving the most inclined to fluctuate, and statutory income the least likely to increase, and least likely to change overall. Perhaps the most striking finding of this report is the jump in respondents telling us they are likely to face closure in the coming year, with this proportion more than doubling in 2017/18 compared with all the previous years studied. However, we can also see consistent reports of high staff morale across all quarterly surveys, hopefully indicating a confidence amongst sector members in the ability of small charities to meet the challenges faced.

Number of Charities by cause and area of service delivery

This first graph illustrates the spread of cause type and area of service delivery (whether local, regional national or international) of charity respondents. The most common cause type is revealed to be children and young people, with health, community/welfare and disability also frequent answers. It’s interesting to contrast these cause type frequencies with the proportions of donations to charities representing these

¹ Recent charity register statistics: Charity Commission
causes – for instance in CAF’s 2018 report on charitable giving, the most popular five causes by number of donations are identified as medical research, animal welfare, children and young people, hospitals and hospices and overseas aid and disaster relief. The discrepancies between these top cause types seem to be indicative of the nature of the sector, with some of these latter endeavours more likely to be the remit of larger players in the field by their nature. We can also see a common concentration of responsiveness to issues affecting children and young people, however, along with health, both in the small charity sector and the wider public. The focus of these charities is further illustrated by the large proportion who report a purely local remit – the FSI maintains that smaller charities are uniquely placed to effectively confront the social issues on their own doorstep and, with some variety across cause type, we can see that the largest portion of respondents list their sphere of activity as local.

\[\text{CAF UK Giving Report, p. 12}\]
Number of Charities by income

The next chart illustrates the spread of annual income for Index respondents. Around 60% of the FSI's 7,000+ total member organisations have an annual income below £250,000 – from the five years' of data, we can see that 70% of charities answering the surveys have an income under £250,000, a figure proportionally higher than the FSI's membership base by 17%. This implies that of the charities asked to engage with the Small Charity Index, the smaller organisations are relatively more willing to contribute to data collection on the sector – this could perhaps indicate that such bodies feel they are more suited to respond on behalf of the small charity sector per se. As 2018 data from NCVO has shown, 81% of total UK charity income goes to the largest 3% of charities – whilst the very smallest, with annual incomes under £100,000, receive less than 5% of the total proceeds, despite representing 82% of all charities\(^3\). The FSI’s aim is to support and champion the work of these small charities, and to highlight how deserving of endorsement they are. The figures gathered through the Index serve to further verify just how many and varied these charities are in the UK.

Demand for Services

In the earliest surveys conducted, the largest proportion of respondents (54%) reported a stable level of demand for their charity's services during the quarter being considered. This proportion has significantly decreased over the five years in question (at 35% for the latest year), with a corresponding increase in the percentage of respondents reporting a higher demand for services. As the accompanying graph illustrates, these respective changes closely mirror one another, with the difference between the two percentages at its most stark in the year 2016/17. An overall assessment of the reasons behind this fluctuation would necessarily be somewhat speculative, but it is perhaps worth noting that the reported increases in demand peak during the December 2016-February 2017 quarter, with a modest decline since then – a decline which does not bring us close to the baseline, however. No doubt there are many contributing factors, but arguably reported demand increases have increased somewhat in line with political and social turbulence. The proportion of charities reporting a decrease in demand has meanwhile remained quite constant over

\(^3\) UK Civil Society Almanac 2018: Introduction; UK Civil Society Almanac 2018: Size and Scope
the five years at 4%. These figures are in line with NCVO’s findings in their 2019 report *The Road Ahead⁴*, which highlights increasing demand, and emphasises ‘ongoing political disruption’, also noting demographic changes that put upward pressure on the need for some charity services as the proportion of elderly citizens increases over time.

Five years ago most charities said demand was stable. Since then there has been a shift towards increasing demand.

'In the last 3 months have you seen the demand for your services increase, decrease or remain unchanged?'

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60% now say they have seen demand increase
35% saw no change

Demand by cause

Most charities reported experiencing increasing demand over the period considered, peaking in 2016/17. This was true across cause types – except for education, which was the only cause where 50% of charities had seen demand stay the same. This could simply indicate a comparatively more consistent demand for educational services due to various external factors, but could also be taken to imply that in general the population’s needs are increasingly concentrated towards what might be seen as the more perilous or acute societal concerns in the short term – the only other cause type with a proportion of respondents who reported a decrease in demand near to that of education being arts and culture. Nonetheless, charities from all but one cause type considered noted a steady overall increase in demand for services.

**Figure:**

Educational services appear to be the most in demand, with a steady increase over the five years. Other causes, such as community welfare and health, also show a significant increase in demand. Arts and culture, on the other hand, report a decrease in demand, while environmental and disability services show a more consistent demand pattern.

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⁴ NCVO *The Road Ahead*
Income generation

For the most part, charities responding to the Small Charity Index surveys indicate their income has been fairly stable from quarter to quarter, with voluntary income more inclined to fluctuate than either statutory or earned. Meanwhile statutory funding is significantly less likely to have increased than either of the other forms of charity revenue, confirming an on-the-ground reality that will certainly be familiar to the sector.

Looking at the most recent year of data, we can see that around a quarter more charities reported that their voluntary income went up compared with the year previous, which is an increase of 8 percentage points (30% in 2016/17 compared to 38% in 2017/18). However, the proportion of charities who saw their statutory income go up fell by a quarter between those years (from 8% in 2016/17 to 6% in 2017/18), seeming to reflect a flatlining of government backing that is hopefully being offset somewhat by improved fundraising from voluntary sources.

Earned income has remained quite stable. The proportion of charities who reported an earned income increase went up from 19% to 20% between 2016/17 and 2017/18, but this figure has generally remained consistent, with 20% reporting an increase for the first year of data also. Funds from earned sources have proven more likely to increase than statutory funding across every year the survey was answered, however. These movements in small charity income sources are reflected in other reports on sector finances, with amounts of voluntary funding generally on an upward trajectory steeper than inflation over several years, and state funding tending to flatline in real terms, and decrease as a proportion of charity income.

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5 Public Service Delivery Charities - Civil Society; CAF UK Giving Report 2018; Charities and the voluntary sector: statistics - Parliament UK; Foundation Giving Trends 2018
6 UK Civil Society Almanac 2018
Likelihood of closure

Between the years 2013/14 and 2016/17, the percentage of small charities reporting their closure in the next 12 months to be likely varied slightly between 11% and 14% – in 2017/18 we can see a dramatic rise in this percentage, with the proportion more than doubling to reach 30%. It is hard to attribute this jump to anything other than the recent uncertainty in the UK surrounding anticipated future political arrangements, affecting also the circumstances that will face civil society overall. Specifically when drawing respondents’ attention to the medium-term prospects of their charitable endeavours, we can see a statistical disquiet emerge. The significant change in these expected prospects reported in 2017/18 should also be understood in a context of consistently increasing demand for charity services over several years, combined with a flatlining of statutory funding, which leaves these organisations more vulnerable to any further changes to the environment in which they attempt to meet the needs of their beneficiaries. Indeed the FSI’s Index data has revealed these challenging trends to be consistent since 2013. It is surely unsurprising, then, that
the data reveals an increased uncertainty about the year ahead across these organisations. Nevertheless, the size of the change reflected in the more recent answers to this question is striking.

Staff morale/motivation

The figures for staff morale are quite heartening, with a relatively high proportion of respondents replying with 10 out of 10 when asked about these levels at their organisation. We can see a slight dip in these more positive reports on morale during the quarters between September 2015 and August 2017, indicating a dwindling optimism perhaps linked with the corresponding increase in demand for services during this period. As we saw above, although still well over half, the proportion of charities reporting quarterly increases in demand came down slightly during the year 2017/18, and, perhaps relatedly, high rates of staff morale saw a slight increase during this period.
Drawing out trends in the Small Charity Index data collected over five years reveals a great deal. Some findings indicate quite a stark reality for those smaller UK organisations working towards philanthropic aims, but other data shows the resilience of these charities, and the continued commitment of those supporting the sector, which together facilitate the contribution to the social good made by more than 160,000 registered UK charities in the income bracket here considered, along with a multitude of others too small to register\(^7\). And this despite that ‘perfect storm’ created by ongoing increases in demand combined with greater existential risks. It goes without saying that the FSI hopes the UK’s small charities are able to weather this storm, and indeed strengthen the sector, in the coming years.

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\(^7\) Small Charities Coalition
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