

Charity Forecast

A quarterly survey of sector leaders

Quarter 4, 2008

Jenny Wilton
David Kane
Jenny Clark

Supported by:

ChantreyVellacottDFK
CharitiesGroup



EXECUTIVE SUMMARY

Charity leaders...

- are concerned about their organisation's income sources, both currently and in the future, and have concerns that this will impact on delivery of services.
- still expect to increase their staff and volunteer numbers over the next three months, and will continue to increase campaigning and advocacy.
- continue to be less confident about the future of their own organisation than in previous quarters however...
- have greater confidence in their own organisation than the voluntary sector's economy overall and
- have more confidence in the voluntary sector's economy than the wider economy overall.

This is the fourth edition of NCVOs 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.

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

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

SPONSOR'S FOREWORD

Chantrey Vellacott DFK has been proud to support the first four quarterly reports of NCVOs Charity Forecast survey.

The survey has charted the confidence of charity leaders throughout 2008, a year which has seen economic turbulence come to the forefront of their minds.

While charity leaders' confidence has understandably reacted to the wider situation, it is important to appreciate the optimism they show for the future, and the vital work their organisations carry out every day.



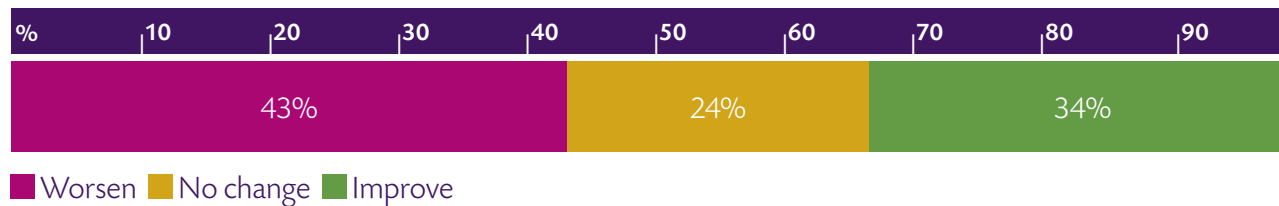
Chantrey Vellacott DFK, which can trace its roots back to 1788, provides accounting, taxation and related advisory services to a wide range of clients. We provide charity accounting and related services through our Charity Group, with specialists who are skilled in working with such organisations.

For more information on our services visit www.cvdfk.co.uk/sectors/charities/ or contact Sally Jayne Bonner on 020 7509 9000.

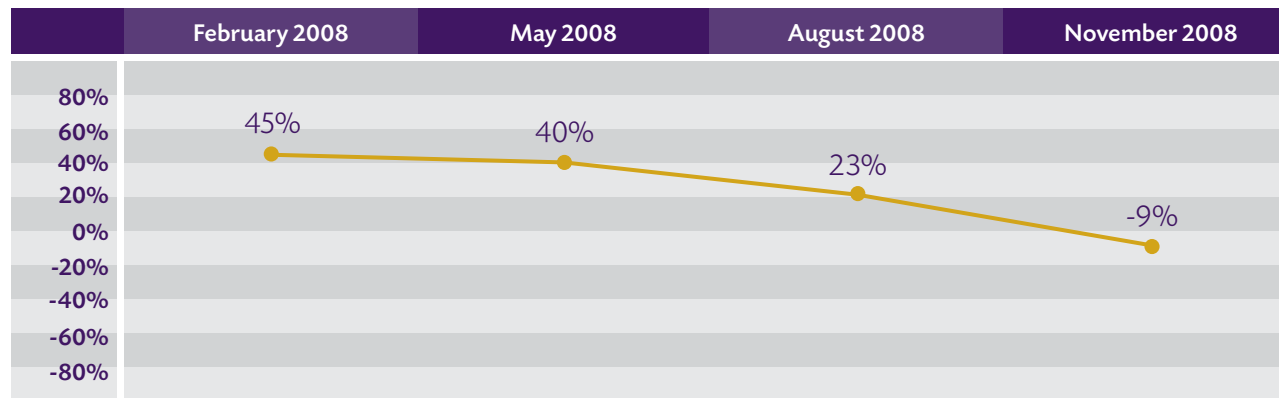
CONFIDENCE

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

Total responses November 2008



Net confidence



Base: 167 respondents

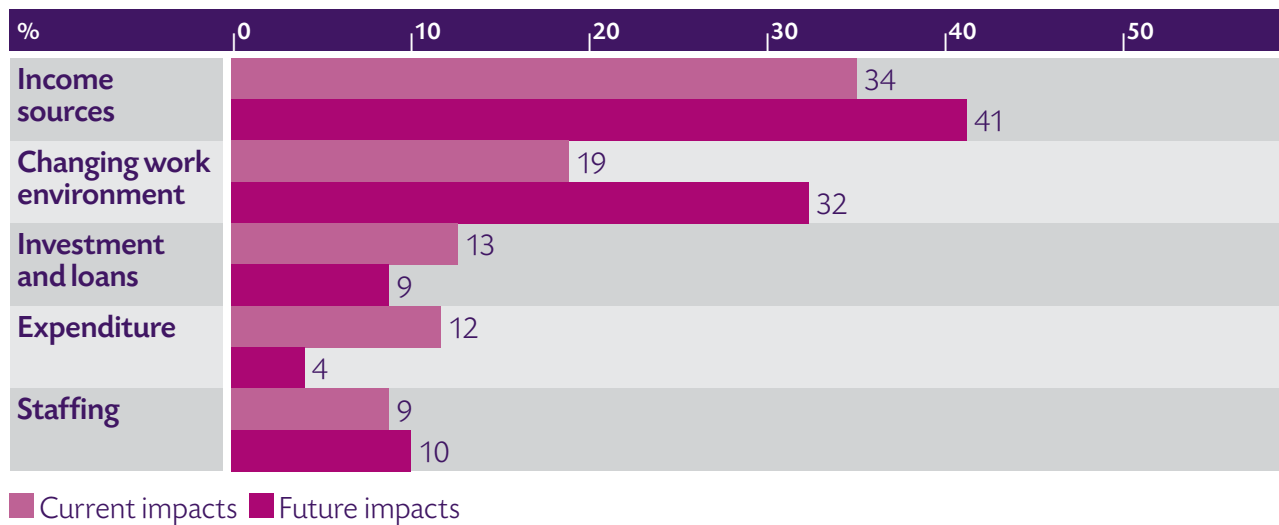
“I personally think this is the time that the voluntary sector will come into its own as we are well equipped to offer innovative solutions which are about value which exceeds mere financial limits.”

Survey respondent

- 43% of charity leaders feel that their organisation’s general situation will worsen over the next 12 months. This is the first time since the survey began in which more charity leaders have predicted a negative change to their organisation rather than a positive change.
- Net confidence has again fallen, the third consecutive fall in confidence. This drop means that net confidence has fallen from 45% at the start of 2008 to -9% at the end.
- While each leader will have their own reasons for their confidence about the future of their organisation, the comments received identify the recession to be a key reason. The remarks show that organisations are experiencing positive and negative impacts now, and are expecting these to continue in the future.
- Respondents do offer some positive views on their organisation’s situation, such as the quote above. Some also warn of the dangers of concentrating too much on the financial situation when there are other concerns.

FINANCIAL CRISIS

Charity leaders were asked to describe any *current* and *future* impacts of the financial crisis on their organisations in two questions.



Base: 135 respondents

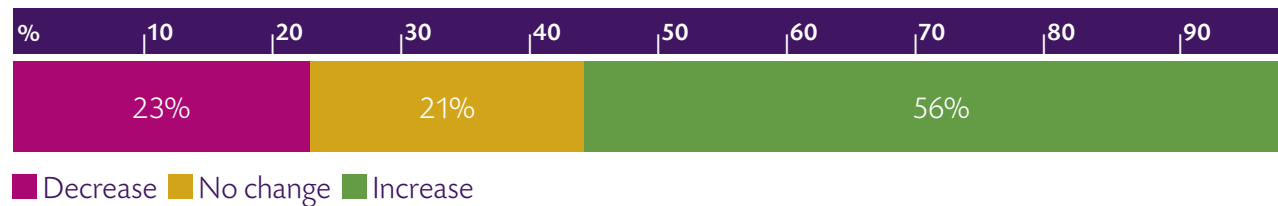
- Over two-thirds of charity leaders reported a negative real/current or future impact of the financial crisis on their organisation.
- Respondents were particularly concerned about their organisation's income, particularly from statutory sources, from donations and from the private sector. Those organisations with investments had also seen the value of these fall.
- When looking at the future impact of the financial crisis, many respondents expect to see an increase in people who need their services, and some were positive about their prospects for meeting that need.
- Some of the comments identified less obvious impacts of the financial crisis. One charity leader was worried that their staff were being affected by the negative mood of the nation. Another said that the changes in currency exchange rates meant that their international work had been affected.
- Just over one in ten respondents identified new opportunities and areas for growth. These included the opportunity to focus their organisation on their mission or to play a vital role in rehabilitating their local areas.

Responses have been coded as positive, neutral or negative impacts; and have been collated into five broad categories of impacts.

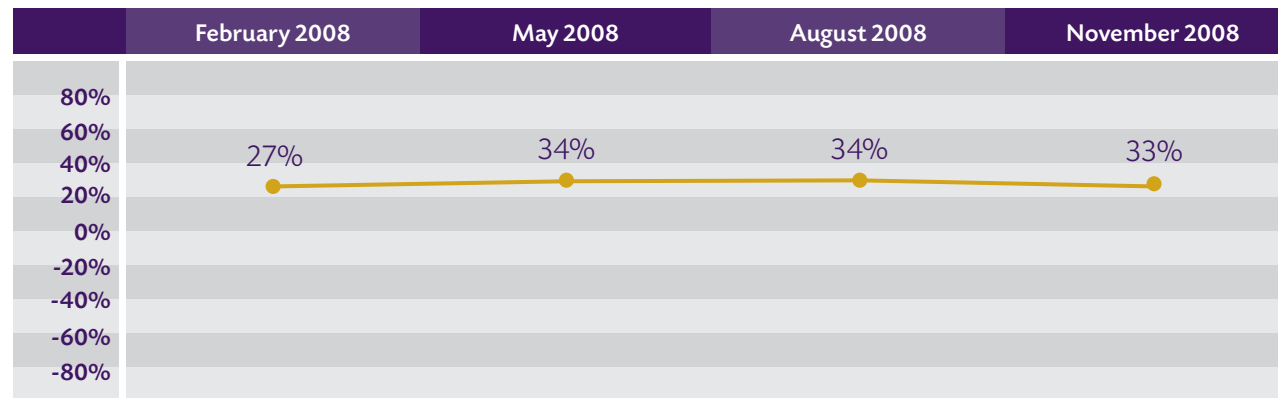
STAFF NUMBERS

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

Total responses November 2008



Net increase



Base: 149 respondents

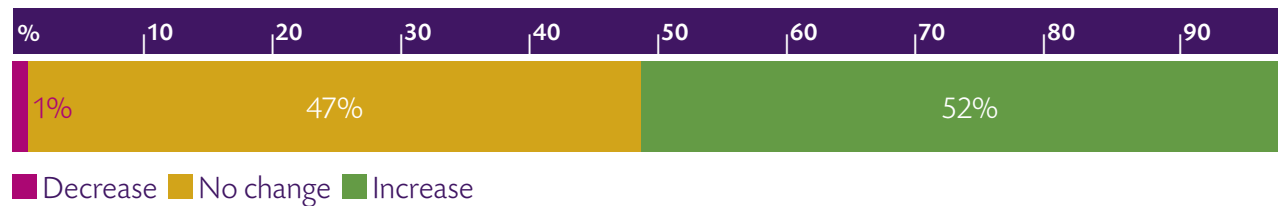
* Office for National Statistics, Labour Market Statistics, December 2008
<http://www.statistics.gov.uk/pfdir/lmsuk1208.pdf>

- The majority of charity leaders still expect to increase the number of staff they employ over the next three months, and the net increase remains similar to the results of previous surveys.
- However, nearly one quarter of respondents plan to decrease staff numbers over the next three months, the largest proportion of respondents so far.
- The three months in question are part of the current financial year, so it may be that expectations of decreasing funding will impact on staff levels in future months as the current year's budgets have been set.
- In the UK economy as a whole, the latest statistics from the Office for National Statistics show that the number of vacancies in all businesses in November 2008 had fallen 17% from a year earlier, while redundancies had risen by 37%.*

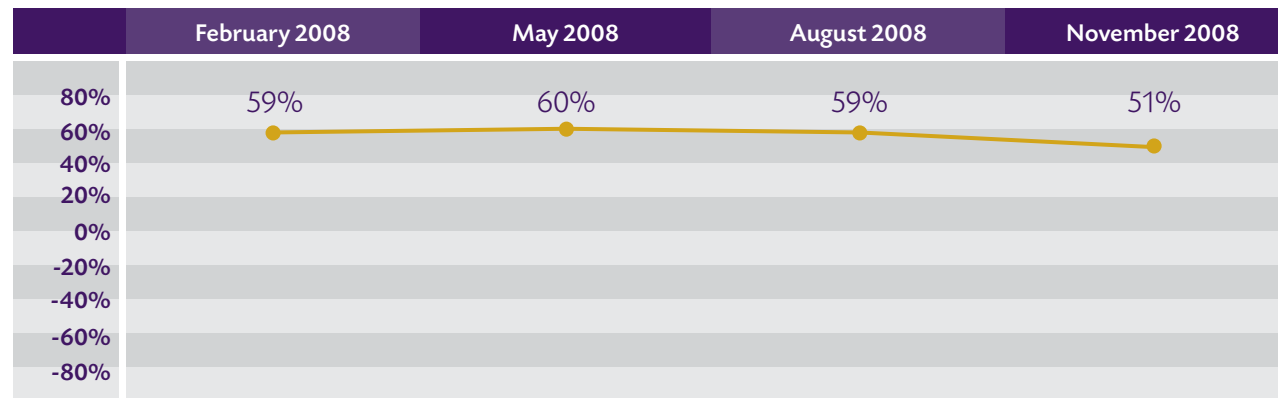
VOLUNTEER NUMBERS

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

Total responses November 2008



Net increase



Base: 152 respondents

“We hope to see more volunteers available to work in the sector as people either take early retirement or look for something to keep themselves occupied.”

“Corporate volunteers are too busy working to offer support.”

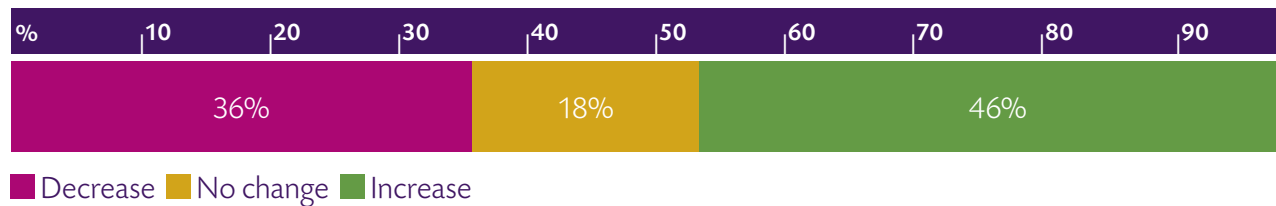
Survey respondents

- Charity leaders continue to plan for increasing volunteer numbers, although the net increase fell slightly to 51%.
- As the quotes demonstrate, the outlook for volunteering is uncertain. Whilst some respondents believe that more people will volunteer to boost their CVs or keep active, others believe that their current volunteers may find it difficult to maintain their commitment.
- For some respondents, the value their volunteers bring is what they believe will enable their organisation to survive.

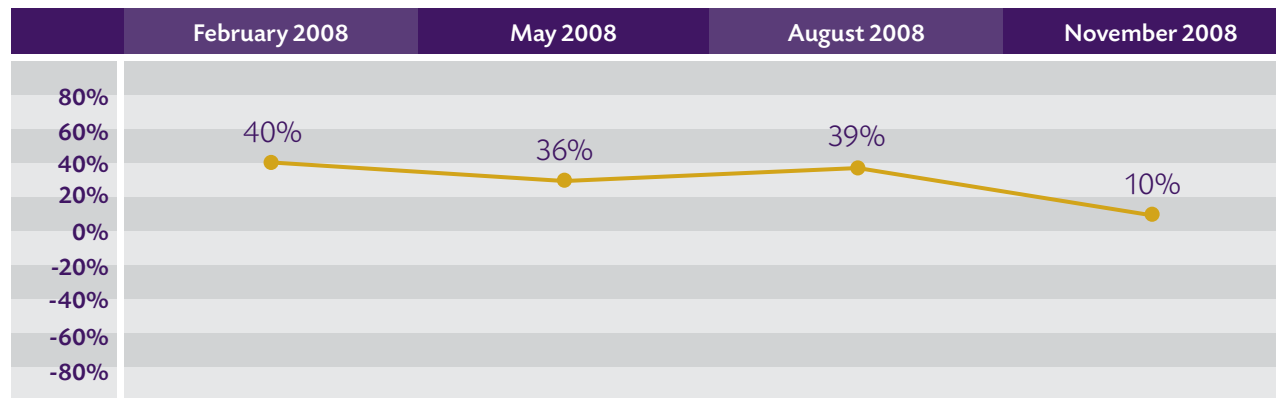
EXPENDITURE

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

Total responses November 2008



Net increase



Base: 167 respondents

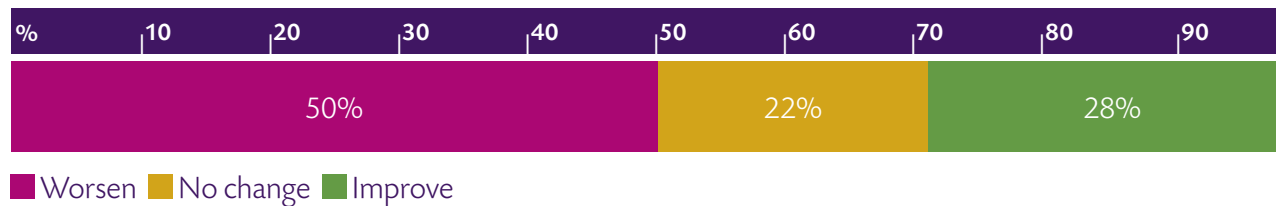
*Bank of England Inflation Report, November 2008. <http://www.bankofengland.co.uk/publications/inflationreport/>

- Just under one half (46%) of the organisations surveyed planned to increase their expenditure in 2008, with just over one-third (36%) planning to decrease their expenditure.
- Charity leaders' plans for expenditure, which had previously remained steady throughout 2008, fell to a net value of 10% this quarter.
- In previous months inflationary pressures may have contributed to continuing rises in expenditure. In November 2008 the Bank of England, and many other forecasters, were predicting that inflation would fall over the next two years*, perhaps even leading to deflation. This would mean that the costs of operating will not be rising as quickly.

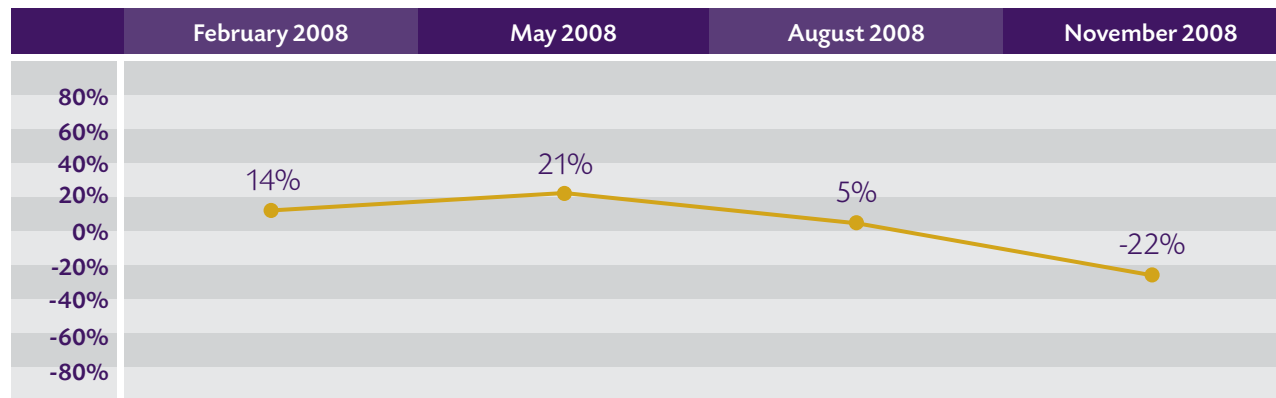
FINANCIAL SITUATION

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

Total responses November 2008



Net confidence



Base: 167 respondents

“This is the most difficult financial period I can recall in the voluntary sector (more than 30 years). I do not recall such a systemic and comprehensive downturn in contributions and support from individuals, corporates and charitable trusts.”

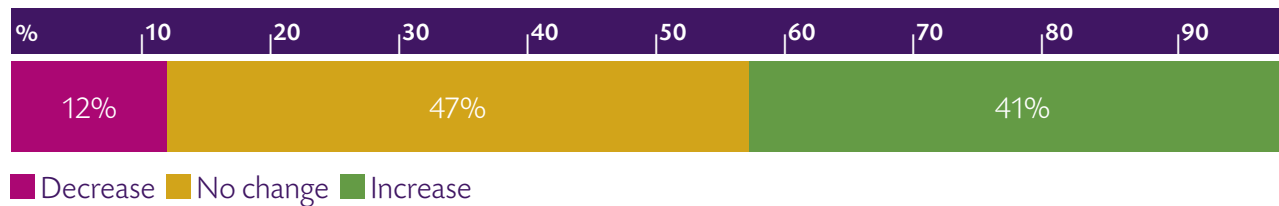
Survey respondent

- As with other indicators, charity leaders are now more negative about their organisations financial situation, with half suggesting that it will worsen over the next 12 months.
- Respondents are worried about a number of income sources including donations from the public, corporate income and contracts and grants from government.
- The falling value of investment and property assets and declining income from these sources was also a cause for concern. Two charities also reported that they could not secure loans to expand their services.
- Expectations have fallen to a net value of – 22%, continuing the decrease identified at the last quarter.

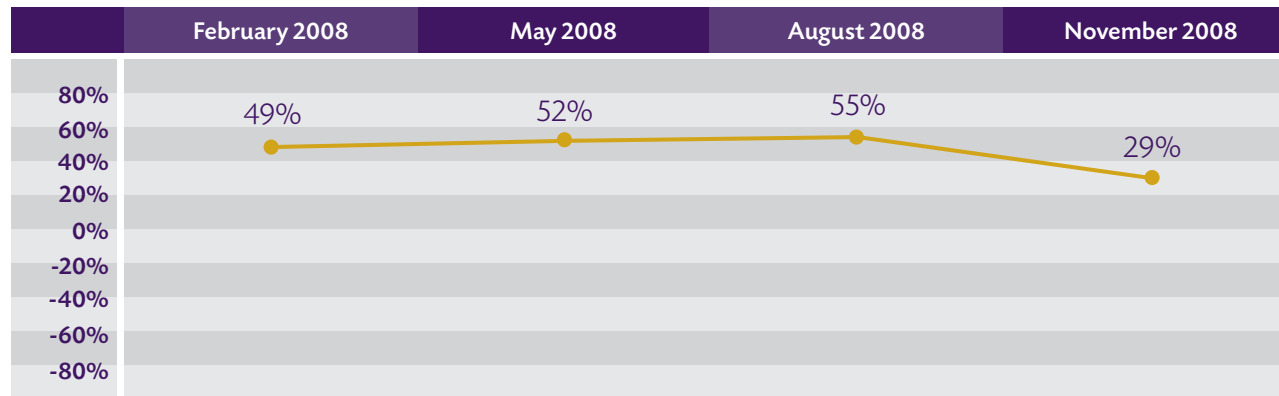
SERVICE DELIVERY

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 November 2008



Net increase



Base: 167 respondents

“I refuse to do anything other than keep on working towards doing what we want for our service users to the best of our ability - and keep a positive focus, tackling any ‘problems’ as they arise and always moving forward.”

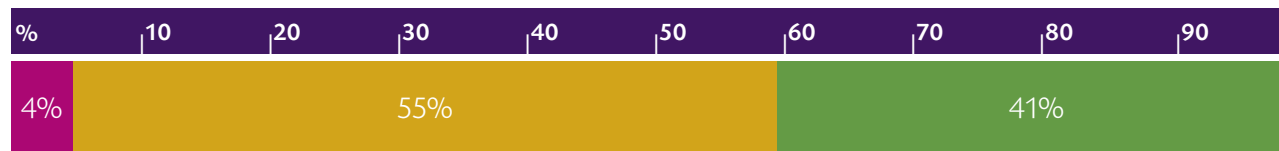
Survey respondent

- For the first time the net number of charity leaders planning to increase services has fallen, to 29%. While only 12% of respondents said that their services would decrease, nearly half (47%) that they have no planned changes over the next 3 months.
- In areas where need is expected to increase, such as debt advice and support for the unemployed, keeping service levels the same may stretch resources.
- Combining the results of this question with those of question four indicate that charitable activity may not rise as rapidly as it has in previous years. With many charity leaders also anticipating an increased need for their services, resources could become more stretched.

CAMPAIGNING AND ADVOCACY

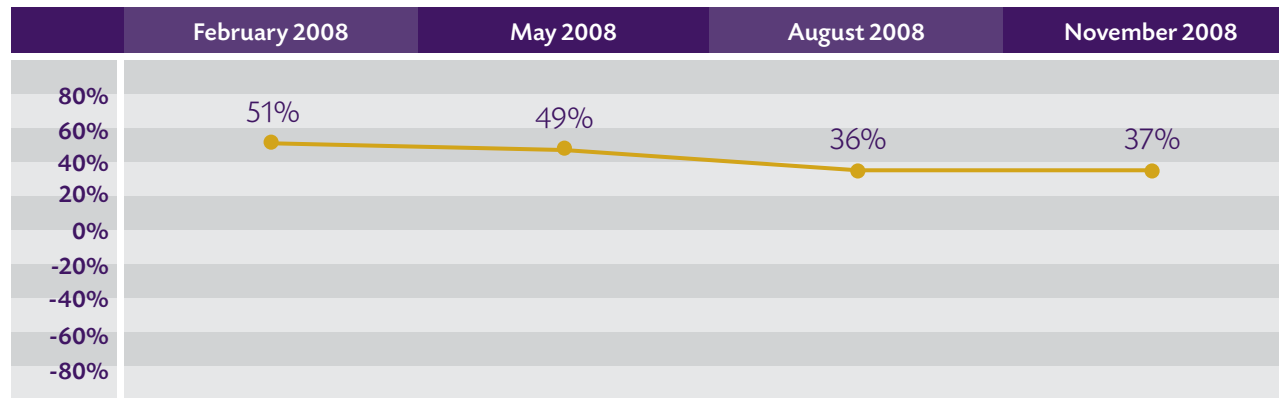
Q.7 During the next 3 months, does your organisation have actual plans to increase or decrease its campaigning and advocacy?

Total responses November 2008



■ Decrease ■ No change ■ Increase

Net increase



Base: 131 respondents

“We have already been warned of a 0% uplift in funding from our County Council for 2009/10, something I find completely unacceptable and will campaign about.”

Survey respondent

- Planned increases in campaigning and advocacy were steady since the previous survey, while only 4% of organisations plan to decrease their campaigning and advocacy.
- In a time when funding from local authorities and government may become more scarce, organisations may need to present their case to these bodies and keep their funding.*

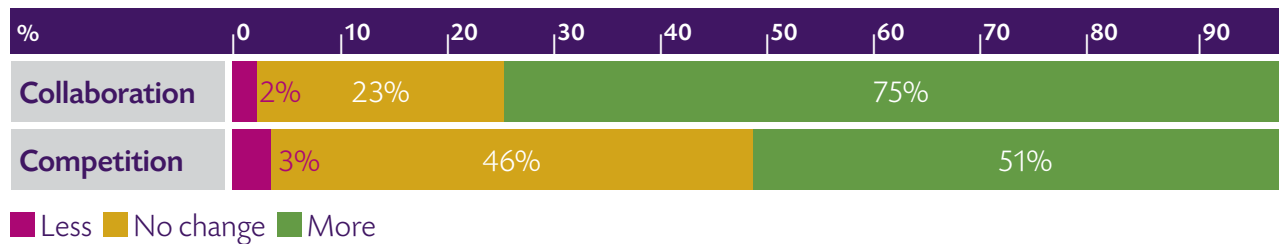
* For more information about effective campaigning see the Campaigning Effectiveness team: www.ncvo-vol.org.uk/ce

COLLABORATION AND COMPETITION

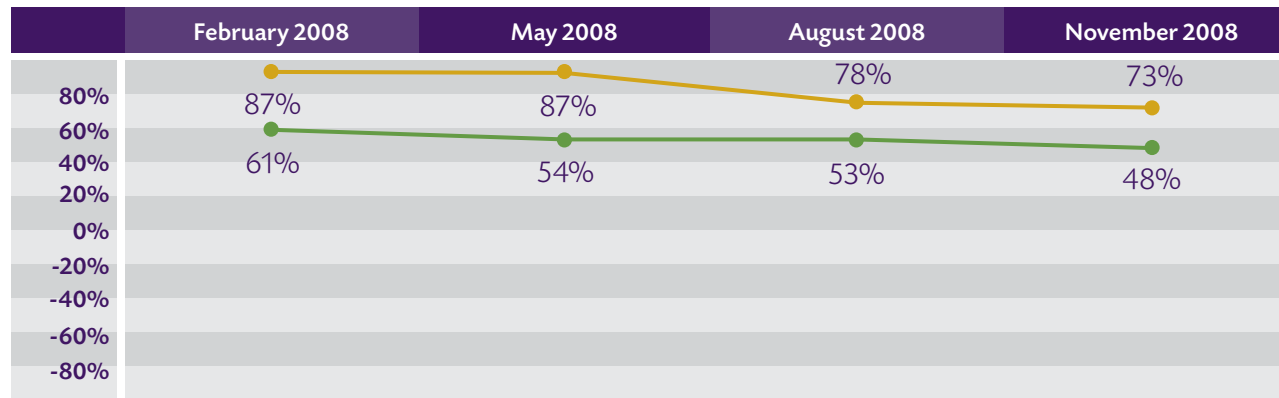
Q.8 Do you expect your organisation to collaborate more or less with other organisations over the next 12 months?

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

Total responses November 2008



Net increase



Legend: Collaboration (Yellow), Competition (Green)

Base: 165 respondents

“Collaboration and doing the right thing for our beneficiaries which could mean merging or closing if this means less money goes on overheads and more direct to the beneficiaries.”

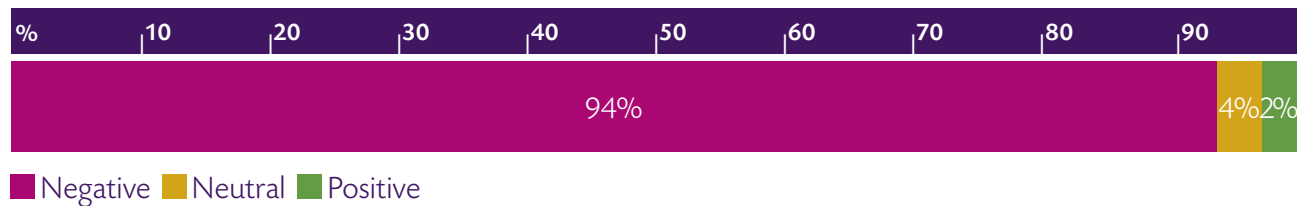
Survey respondent

- Expectations of both collaboration and competition have decreased slightly over the past nine months.
- Three-quarters of charity leaders still expect to collaborate more, with two respondents indicating that merging with a larger charity may be the only way to survive.
- Half of all charity leaders surveyed expect to compete more over the next 12 months, with only 3% expecting to compete less. Respondents particularly mentioned competition for government funding and competition with the private sector.

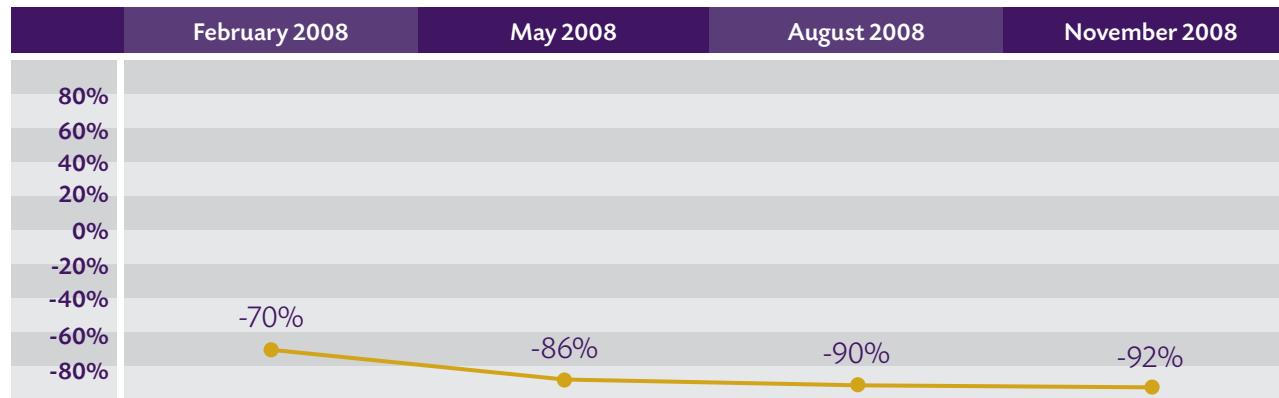
UK ECONOMIC CONDITIONS

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 November 2008



Net confidence



Base: 167 respondents

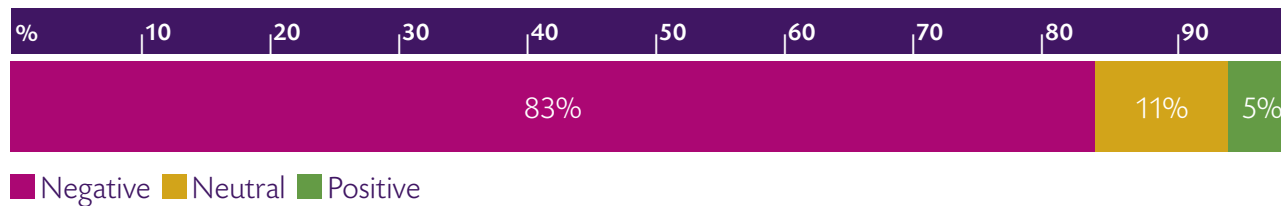
*Source: Office for National Statistics.

- As might be expected, charity leaders continued to be pessimistic about the prospects for the UK economy in 2009, with 94% indicating negative economic conditions .
- Economic news for the UK as a whole continued to be bleak at the end of 2008. In the third quarter of 2008 UK GDP fell by 0.6%, the first fall since 1992.* Forecasts of future GDP growth, such as one produced by the Bank of England, suggest that a recession will continue well into 2009.
- Responses to the survey indicate that charity leaders are not only worried about the potential impact of a recession on income streams, but also that the wider impact of a recession on society will increase demand for their services.

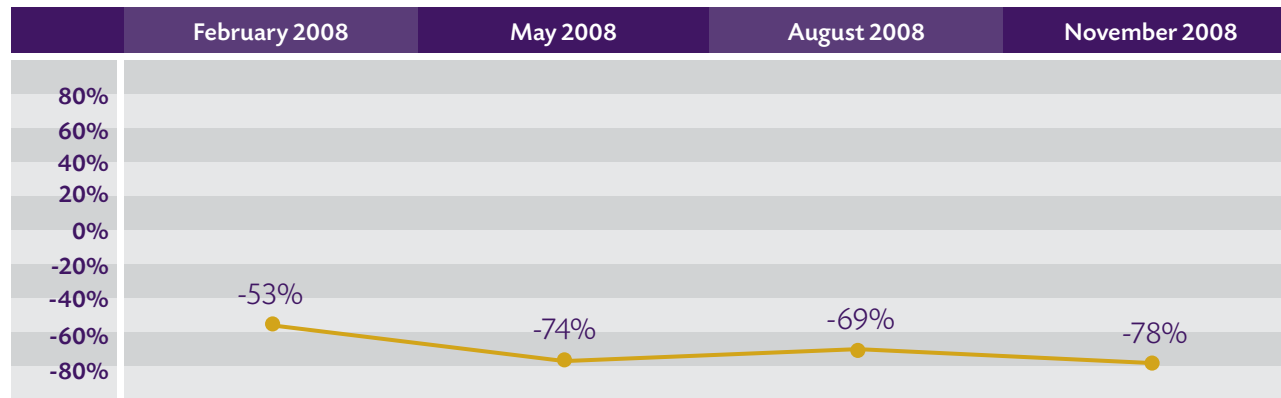
SECTOR ECONOMIC CONDITIONS

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 November 2008



Net confidence



Base: 167 respondents

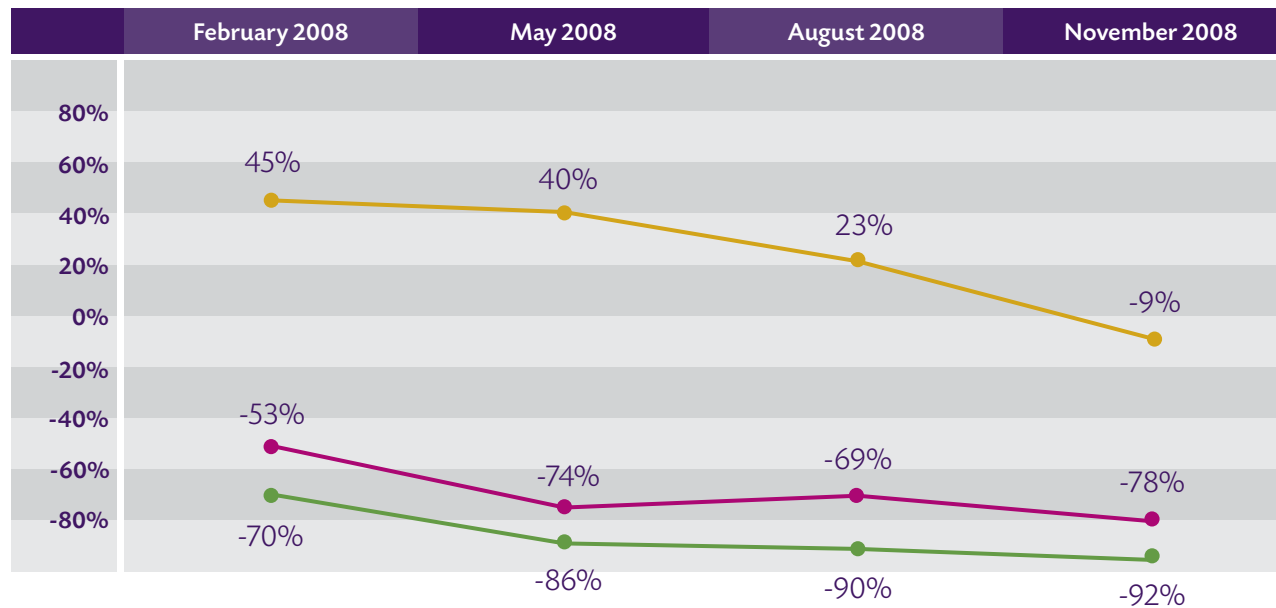
“Those that survive will be those that watch costs but do not cut marketing unduly or good staff but ride it out ready for when the recession bottoms out and things start to pick up. Those who cut too deep in the short term will suffer in the long term.”

Survey respondent

- Charity leaders' bleak outlook for the economy of the voluntary sector continued, with over four out of five respondents (83%) predicting negative conditions over the next 12 months. The net figure decreased to -78%.
- While some respondents expressed a view that the sector is well placed to meet the challenges, it is clear that most charity leaders expect the conditions in the wider economy to impact the sector.

CONFIDENCE IN DIFFERENT PARTS OF THE ECONOMY

A comparison of charity leaders net confidence in their own organisation, the economy of the voluntary sector, and the UK economy.



■ Own organisation ■ Sector economy ■ UK economy

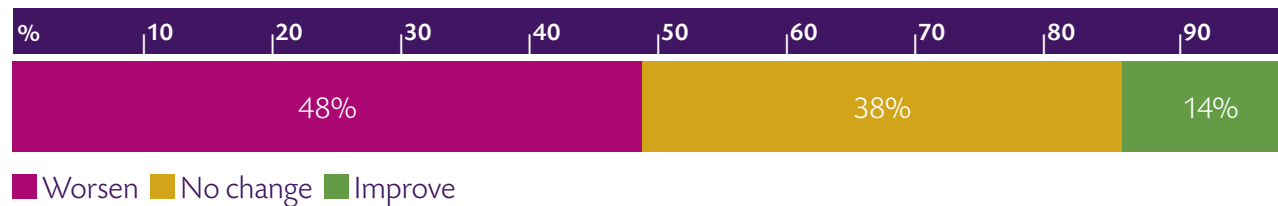
Base: 167 respondents

- Charity leaders are increasingly less confident about the future of their own organisation with their net confidence decreasing further to -9% this quarter.
- However, interestingly, charity leaders have greater confidence in their own organisation than the voluntary sector's economy overall.
- Perceptions of economic conditions within the voluntary sector continue to be pessimistic, with a net confidence of -78% however, charity leaders are still more confident in the voluntary sector's economy than the wider economy.
- The negative perception of the UK economy has worsened since February with a 22% reduction in net confidence.

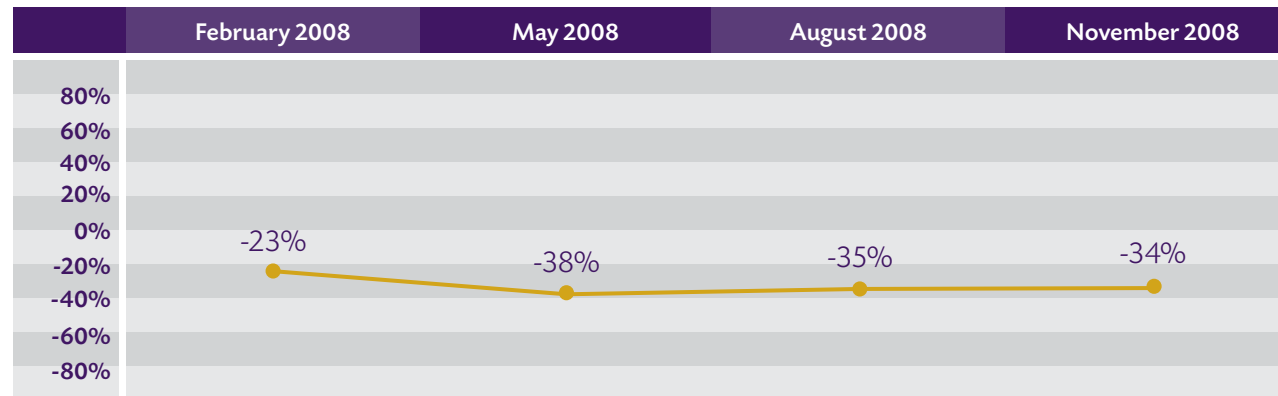
GOVERNMENT POLICIES

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

Total responses November 2008



Net confidence



Base: 167 respondents

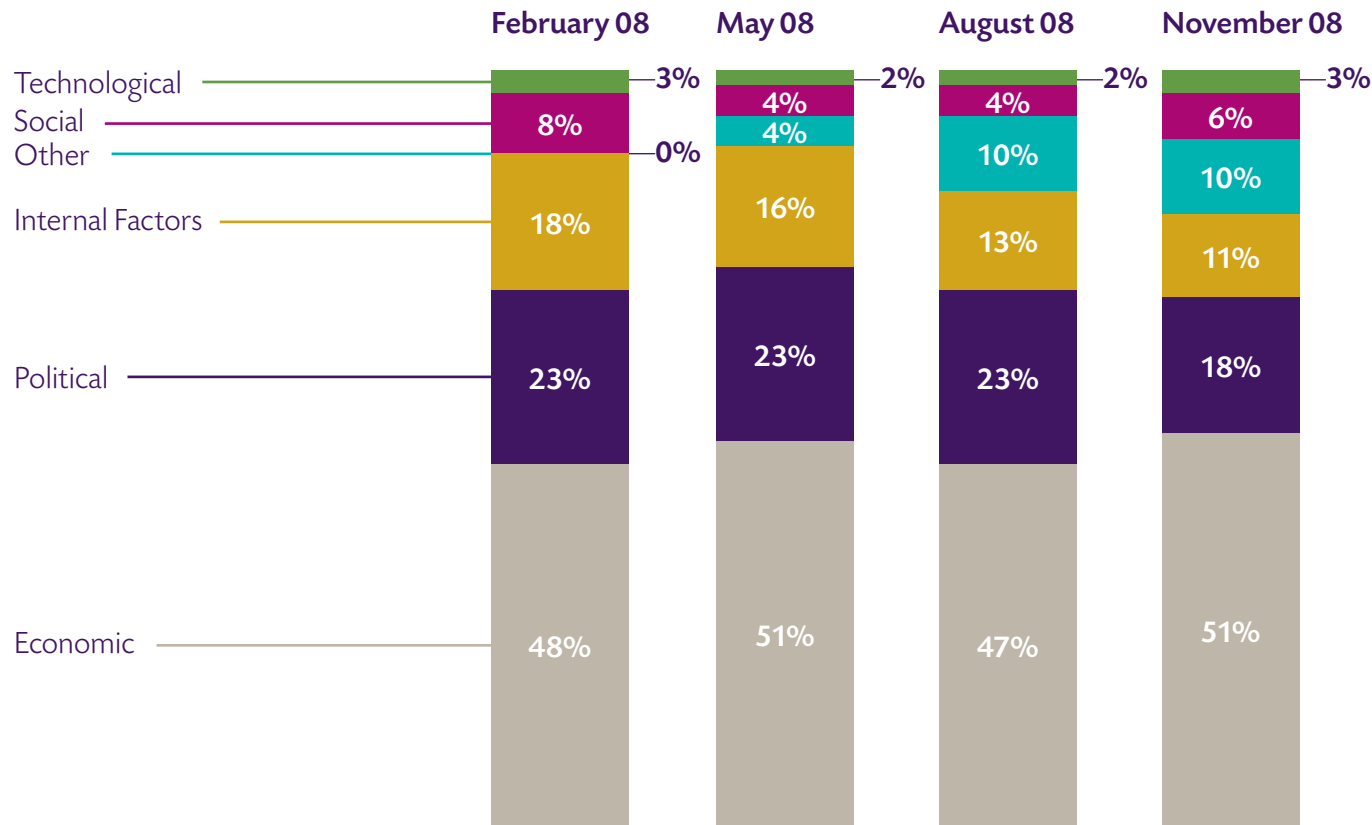
"I am concerned about the potential for lack of local authority funding for issues which are not considered "essential" or statutory - this could hit the VCS hard."

Survey respondent

- Nearly half of all respondents (48%) believe that government policies will worsen the operating environment over the next twelve months, with no significant change from the previous two surveys.
- Many respondents expressed concerns that local and central government funding may not continue at the same level in future years, and that funding of voluntary organisations is an easy target for spending cuts.

BARRIERS TO SUCCESS

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

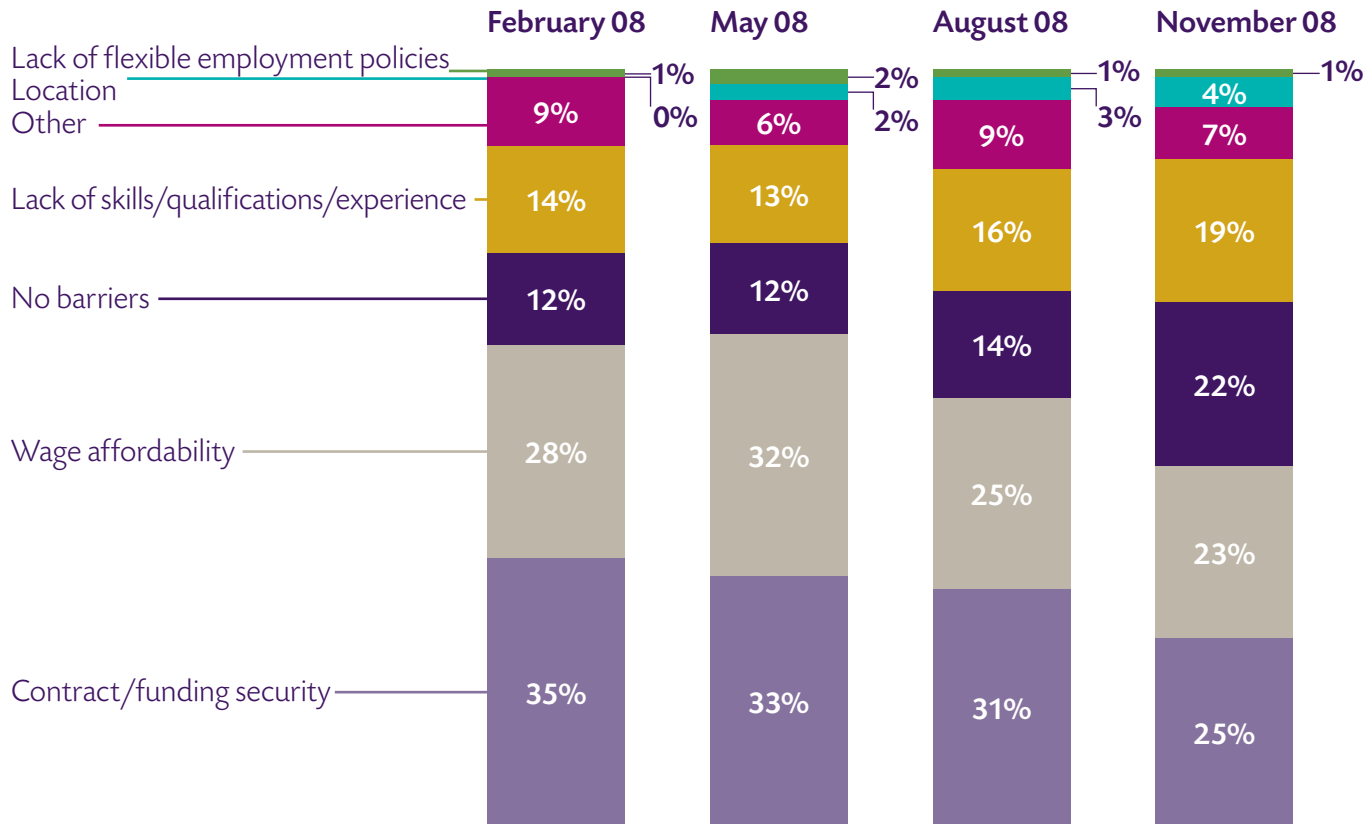


Base: 167 respondents

- Economic drivers continue to be the most important barrier to success for the majority of charity leaders (51%), followed by political and internal factors (18% and 11% respectively).
- The relative importance of these drivers has remained constant over the four quarters covered.
- Comments by those who chose "other" included:
 - "Need for more volunteers"
 - "Move to commissioning based funding"
 - "Being listened to at Local authority level, not being taken for granted, and receiving the grants/credits we are due on time."

STAFFING BARRIERS

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



Base: 167 respondents

- Contract and funding security remains the greatest barrier to organisations attracting appropriate staff over the next twelve months (25%) followed by wage affordability (23%).
- The relative importance of each of the staffing barriers remained roughly the same over the year in which the survey has taken place.
- The number of respondents which responded that there are no barriers to attracting appropriate staff has risen by ten percentage points from the start of 2008 to 22%. This may reflect a larger pool of people looking for work, although lack of skills, qualifications and/or experience remains a problem.

Comments by those who chose "Other" included:

- "Low levels of volunteering"
- "Transfer of Undertakings (Protection of Employment) (TUPE) Regulations and other employment regulations"
- "The type of work we do"

COMMENTS

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

Economic downturn

'I feel that the charities whose turnover [is] less than £150,000 pa and most certainly less than £30,000 pa will struggle, and are the ones that need the help the most. What we are trying to say, the very large charities will always ride the storm, those smaller charities/groups need to expand, but do not always have the help on hand to expand.'

'I believe that charities relying on the public for money may have a worse time than organisations with contracts for services.'

'At the moment... we are seeing a self preservation mentality which will, and in some cases already is, driving poor behaviours.'

'Concerns that the voluntary sector will receive more referrals with no additional funding.'

'It will be increasingly necessary to engage the corporate sector in funding.'

'We believe that even more charities will approach us for help during this period and we may have more volunteers available to help them but lack sufficient core funding to undertake the project management required.'

'The constant blitz of "how bad is the economic situation" in media and surveys such as this will inevitably lead people in all sectors to take a pessimistic view - and thus continue any downward spiral - why not ask about success and the wonderful things that third sector organisations are achieving?'

'Corporate and wealthy donors will be far less willing, or able, to make substantial charitable donations in 2009.'

Government funding

'This is going to be a very difficult year for the sector, all public services and funding is being cut and that for us directly effects our ability to deliver. Trying to get new services of the ground will definitely prove more difficult and I think we will see a number of voluntary organisations close.'

'I am concerned that the statutory sector will hide behind the credit crunch as a reason to not fund the third sector infrastructure but just commission services from the lucky few that are already in a position to win these contracts.'

'Voluntary sector funding is unacceptable when long-term core funding cannot be provided for bodies where financial self-support cannot be forthcoming through the nature of the charity and its activities. Three-years funding merely forces re-branding of core activities to enable services to continue. Too much time is spent chasing funding instead of tackling the problems the body was set up for in the first place.'

'It is important to note that different sectors in the non profit work will be affected differently. Surveys are needed to target organisations that operate in the same sectors. Education, Health, social care, International Aid etc.'

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
43%	24%	34%	-9%

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
11%	20%	19%	50%	33%

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
9%	1%	43%	47%	51%

Question 4

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

Decrease	No change	Increase	Net increase
36%	18%	46%	10%

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
50%	22%	28%	-22%

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%	12%	47%	41%	29%

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
22%	3%	43%	32%	37%

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
1%	2%	23%	74%	73%

All figures are percentages of total respondents (other than net figures).

All questions had 167 respondents (including N/A answers), Net figures are

calculated using the following formula $\frac{(\text{total positive answers} - \text{total negative answers})}{(\text{total respondents} - \text{N/A answers})}$

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
7%	2%	43%	47%	48%

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
94%	4%	2%	-92%

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
83%	11%	5%	-78%

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
48%	38%	14%	-34%

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
6%	18%	51%	3%	11%	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
23%	19%	25%

Lack of flexible employment policies	No barriers	Other	Location
1%	22%	7%	4%

All figures are percentages of total respondents (other than net figures).

All questions had 167 respondents (including N/A answers), Net figures are

calculated using the following formula $\frac{\text{total positive answers} - \text{total negative answers}}{\text{total respondents} - \text{N/A answers}}$

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 270 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 1st November and 12th December 2008 using an internet survey form.
- There were a total of 167 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:
$$\frac{(\text{total positive answers} - \text{total negative answers})}{(\text{total respondents} - \text{N/A answers})}$$
- 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.
- Not applicable (N/A) results are not included within the report.

Future surveys

This is the fourth 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 fifth survey is due to take place in February 2009.

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 2009?

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

