



Regional focus group discussions: A summary

How can the Charity Commission support charities through the recession?

Background

In May 2009, the Charity Commission hosted three regional focus groups, bringing together small and medium-sized charities to better understand how the recession is affecting them and how we can best support them in these challenging times. The events also provided an opportunity to gain their views on a draft of our trustee checklist, *'Big board talk: the conversation all charities need to have'*.

The 3 meetings were held on 6 May in Cardiff, 13 May in Leeds, and 20 May in Oxford. Contributions from these groups have informed the final version of the checklist which was published on 16 June, a copy of which can be found on our website www.charitycommission.gov.uk¹

A summary of the key themes which emerged from these discussions is set out below.

Please note that this is a summary of the discussions held and does not necessarily reflect the opinions of the Charity Commission or the wider charity sector, nor is this an exhaustive list of all of the issues which were raised.

How have charities been affected by the economic downturn?

Many charities reported that they are experiencing an **increase in demand for services, but simultaneously experiencing funding cuts**. One charity reported a 17% increase in demand for services since last year which they felt directly linked to the recession. Another had seen an increase of 366% of calls to their advice line.

The majority of organisations we spoke to had experienced a **downturn in income**.

We heard that **income for trusts and foundations** has dropped as a result of lowering interest rates and volatile investment markets; those charities with investments reported finding it difficult to know how to invest safely. At the same time, there is **more competition from charities for the grants** that are available from grant making trusts and foundations.

The **fall in property prices** has had an adverse effect on some.

Many charities have felt the impact of **decreased legacy income**. It is also taking longer for legacies to come through, because of the volatility in the investment market and the slump in the property market.

The **fall in the value of sterling** against other currencies has had a huge impact on charities which operate internationally. One charity cited the example of a project for which they had obtained funding for £50,000, was now costing them £70,000 to run because of the unfavourable exchange rate.

¹ The direct URL is <http://www.charitycommission.gov.uk/tcc/ccnews29check.asp>

Those charities that regularly use vehicles (for example, driving clients to and from day centres) reported **increased fuel prices**.

But it's not just the recession that affected charity income and services. Other factors have combined to intensify the impact upon the sector.

Some charities have been hit by the **loss of European Structural Funding**. Additionally, while new European funding streams have been announced, some charities are unable to access them. Others are being hit by the time it is taking for these funding streams to become operational and they expect further delays as the sector learns new tendering approaches for contracts.

A number of **local authorities** were reported to have been using the recession and the either **existing or anticipated cutbacks in spending** as a reason for cutting back spending now on the sector. In some cases where local authorities had opted to take services in-house, charities felt it would cost local authorities far more to carry out the services the charities are providing themselves.

Full cost recovery remained an issue. Charities queried whether the concept needed to be redefined to cover the costs of the project commissioned, as well as overheads for the charity. This was echoed by charities at each event who described the challenges of getting funding for core costs.

Contracts often did not include the capacity to build in **reserves**, so it was hard for charities to sustain their reserve levels. Restricted funding cannot be used for free reserves, however charities felt that if you chase unrestricted funding there can be a danger of mission drift. The **fall in interest rates** has also dented charities' reserves level.

Many public bodies are insisting on **increased reporting requirements** as they want assurances that the projects they are funding are secure. However, the reality for many charities is that it is proving very onerous – "accountability costs money".

Some charities told us that **causes which are historically more difficult to fundraise for** are now struggling even more. They suggested that when the public thinks of 'charities' they think of high profile areas such as animals, children or cancer. However, other representatives from traditionally less popular causes said that, as yet, they had not noticed a marked impact on their income. They pointed out that this may be because they have always been in a position where raising funds is a challenge, so they have not experienced a particular change.

On a positive note, some charities were finding new opportunities:

One charity reported that, despite the worsening financial climate, their financial situation was improving. They said the Government has recognised the work that they do is increasingly important at the moment and as demand for their services has increased, they have obtained **more government funding** for the local services they provide.

A number of charities which run charity shops noted that they had seen **increased profits** over recent months.

Different parts of the sector are being affected differently. During the last recession, the **arts sector** was the last to succumb, and the first to emerge from it. In the current climate, one arts charity had seen ticket income reach higher levels than ever before.

How will the downturn affect charities' future work?

Most charities we spoke to felt that the full impact of the downturn won't be felt by the charity sector until 2010 or 2011. This is because many charities are reliant on **public sector contracts or grants**, which will only come to an end next year or the following year.

There was also a growing acknowledgement that **strategic planning** in the sector needs to improve and it was suggested that the sector needs now more than ever to plan effectively for the future.

It was felt that a lock-down on donations by **corporates** will have a big impact on the sector. Some felt the CSR agenda has evaporated in terms of donations, but other charities said there may still be opportunities for 'in-kind' support, such as staff donating time or expertise.

Are charities taking steps to combat the effects of the downturn?

So far, none of the charities we met with have had to make large-scale redundancies, but some organisations were looking at other ways to make efficiencies, for example, by asking **staff to work shorter hours**. Charities were also seeking to adapt by exploring new working patterns to ensure better cover or, where there was increased demand for services, using **volunteers** more effectively to free up paid staff.

A dilemma common to many small charities was that as demand for their services has increased, they are unable to cut costs as they have to meet unprecedented levels of need. With few luxuries to cut, some have had to make difficult decisions about **cuts in other areas**, for example, staff training. They fear that this will have an impact on the quality of services they are able to provide.

In Leeds, it was noted that 90% of a £19million pot of new local authority funding is going to 10% of organisations in the city, meaning that there are a small number of big contracts. So whilst there is more money available for the sector from some quarters, there are fewer contracts available to fewer organisations.

Those who receive government funding noted a contradiction. While they need to avail of money quickly to alleviate beneficiaries' problems, they face more **red tape** than ever, and so funding can be even harder and slower to access. Many organisations that are almost wholly dependent on central or local government funding are now looking to **diversify their income streams** and considering a partnership approach to negotiating contracts.

The **criteria for Lottery, and other types of grants, have become stricter**, and there is more competition for the diminished pot of money. One charity reported that they had been successful in bidding for Lottery funding for three years to set up a project, but as the Lottery Fund's criteria was to fund new projects, they have been unable to secure ongoing funding from that source.

Several charities said they have seen an increase in **volunteers**, but concern was expressed that local authorities think that charities are able to provide services at a reduced cost as volunteers are unpaid. With each volunteer needing to be trained, supervised, have insurance purchased and, because most are part time, volunteer costs to the charity are multiplied. Some felt that the **demographics of volunteers would change**. During the Leeds event, it was noted that Leeds Council has put together a pack on volunteering for local Job Centre Plus centres, to encourage unemployed people to consider volunteering as a mean to increase their skills and to avoid gaps in their CV.

What are charities' views on collaborative working and mergers?

Many charities recognised that **working jointly** with other organisations can be helpful and some noted that the financial climate has acted as a positive catalyst in improving the level and quality of partnerships and joint-working. However several noted that mergers and collaboration can often appear to government and funders as a quick solution to coping with decreasing resources when in reality it was often challenging and resource-intensive. Sharing back-office functions was the most frequently cited form of joint working, particularly as it can be difficult to get funding for core costs.

A dilemma that some charities faced was whether **to collaborate or compete**. With the number of funding opportunities decreasing, charities felt they had no choice but to compete with one another or work together. There was a worry that forcing collaboration may result in a loss to the "rich diversity" of the sector.

The idea of forming **consortia** for public sector contracts was raised but some suggested that this type of arrangement can get complicated, particularly in terms of who takes the lead. Charities who had explored this route said that it can take years to set a consortium up and even longer to complete a merger, so this was not felt to be an easy solution.

The focus groups themselves were evidence that **building networks** to share information and good practice can be really helpful. Some of the charities we met were able to tell each other about funding opportunities, cheaper computer software and places to go for advice.

Further information

For further information about our work, please visit our website
www.charitycommission.gov.uk

Or contact us Monday to Friday 08.00-20.00 and Saturdays 9.00-13.00 by phoning
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