acevo
Charity Leaders Network

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The ACEVO Social Sector Tracker
Briefing Paper III: New Social Markets 2013/14

'The Changing Face of Charity: A To-Do List for the New Minister for Civil Society'

Introduction

The Social Sector Tracker features the most current primary data on the charity and social enterprise sector. It comprises several surveys completed by ACEVO members (charity and social enterprise chief executives) and carefully targeted senior charity leaders.

The subject of the third survey in the series is the changing face of charity. This includes charities' engagement with opportunities for social investment, social financing, collaboration within and outside of the sector, and their developing use of social technology. Our aim with this survey, as the others in this series, is to develop a picture of the modern charity and social enterprise sector. Responses were received from July to August 2014 and calls for responses were disseminated by the Charities Aid Foundation, NAVCA, Backing Britain's Charities as well as through ACEVO's channels. The initiative was covered by *Civil Society* and *Third Sector* magazines, and previous surveys in the series have received national newspaper coverage including the *Financial Times*.

The Charity and Social Enterprise Sector is Evolving

Huge demands are being placed upon charities to deliver essential public services, and charities continue to expand their operations to meet rising demand. **75% of the charities we surveyed were aiming to expand in the next year**. Of that number, 44.2% intended to bid for public service contracts; 37.2% intended to set up a social enterprise; 34.9% intended to set up a trading arm of the organisation, and 14% intended to start investing their income.

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Conservatism is a Barrier to Change

Our results indicate that charities and social enterprises have been relatively slow to adapt to new trends and adopt new technologies that might help them with their business. Only 15.8% of those surveyed, for example, had begun using social media as part of the marketing for their organisation more than 4 years. Charities are 'late adopters.'

Even more concerning is the sector's conservatism around commercial risk. There is a lack of risk capital available to the charity sector but there is also a lack of appetite among charity trustees to take on risk. **76.2% of respondents said their organisation had never taken a loan.**

Generally speaking, charities and social enterprises only take on debt for asset acquisition – in particular, buying property. There remains little appetite among charities and social enterprises to take on risk capital to deliver public services – only 16.7% used loans to manage new business activities while nearly half thought charity trustees would be resistant to taking on loans.

Multinationals are particularly poor at working with charities: Much for Business and Government to do

There are no doubt that there are questions to be asked about the desirability of a future in which charities and social enterprises take on more debt and these debates have not yet been adequately aired. It is also true to say however that such 'social investment' is even viewed by charities as an opportunity. Nearly half of the respondents (49.1%) agreed that social investment was relevant to their organisation, despite most loans (60%) currently coming from high street banks. 61.1% viewed social investment as a useful tool for charities.

Nevertheless social investment is but one tool and the Government needs to think about how it can best empower charities outside of this relatively narrow frame. There remain unmet demands for greater collaboration with businesses. Charity collaborations with multinationals are particularly thin on the ground. These organisations need to do more to reach out to charities and there is a question around the extent to which government can play a brokering role here. More organisations are entering voluntary sector consortia even though local relationships remain a concern (nearly a half said their relationships were average to very poor). Charities' late adoption of disruptive technologies is also a concern. These items should be at the top of the new Minister for Civil Society's agenda.

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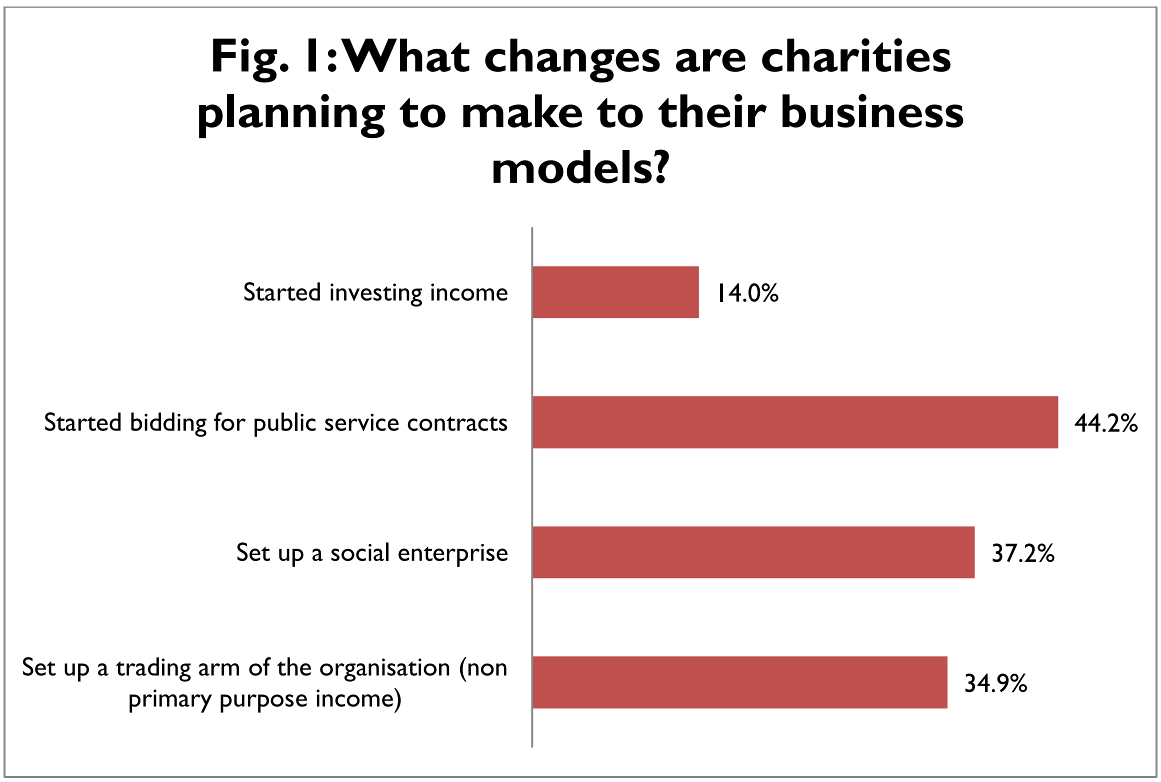
Detailed Results

The Shape of Voluntary Sector Expansion

- 75% of respondents were aiming to expand over the next year
- Just under 60% (59.7%) of respondents in this survey now described the focus of their work as 'Health and Social Care' (and even more gave specific responses which could also fall under this banner, including disability work, work with homelessness, addiction, domestic violence and the elderly)
- 44.2% intended to bid for public service contracts; 37.2% intended to set up a social enterprise; 34.9% intended to set up a trading arm of the organisation (as a non-primary purpose income), and 14% intended to start investing their income (fig. 1)\
- When asked if they felt their organisation was well placed to expand 61.7% said yes



- 81.4% of charities with an annual income of between £1m and £10m were planning to expand in the next year (compared with 75% of respondents generally)
- Smaller charities were as likely as the average to be planning to expand (75% said of charities whose annual income was less than £500k were aiming to expand within the

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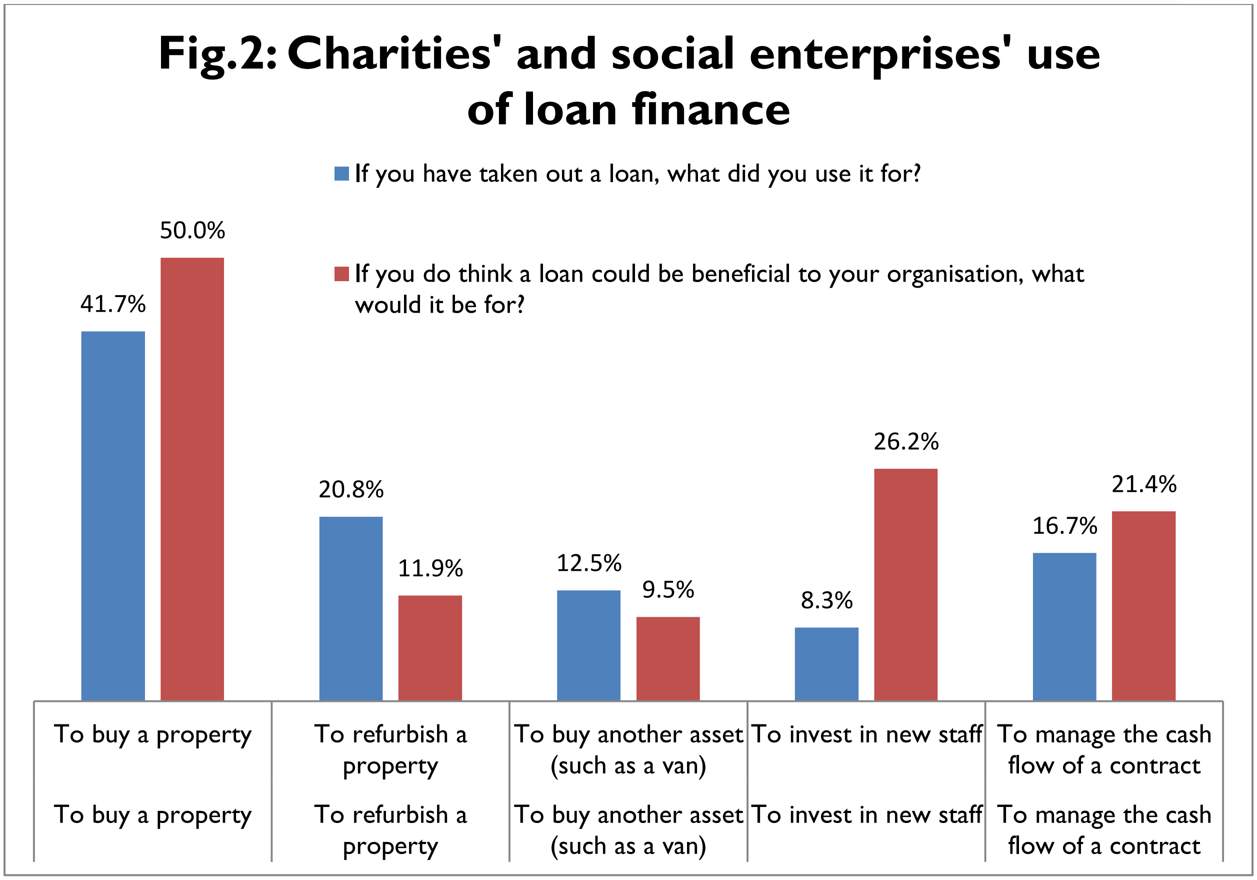
next year), but were less likely to feel well placed to expand: 47.1% said they felt well placed to expand (compared with 61.7% generally)
- The largest charities (with annual incomes of more than £10m) were more likely to feel well-placed to expand, with 93.3% saying they felt well-placed to expand (compared with 61.7% generally)

Shifting attitudes to Charities taking on Debt

- 76.2% of respondents said their organisation had never taken a loan
- 60% of those that had taken the loan did so from a high-street bank (60%)
- Most of those who had taken loans used the loan to buy a property (41.7%) or refurbish a property (20.8%)
- 12..5% of those who took a loan used it to buy a new asset; only 16.7% used it to manage the cash flow of a contract and only 8.3% used it to invest in new staff
- Less than half (44%) of respondents thought that a loan could be beneficial to their organisation
- Respondents' perceptions of the areas where loans could be most useful matched those areas on which loans already taken out were being spent on: again, the area most people thought loans could be helpful for buying (50%) or refurbishing (11.9%,) a property
- A significant number of respondents thought loans could be helpful in areas for which few loans had been taken out: for managing the cash flow of a project (21.4% of those who had previously answered that they thought loans might be beneficial); 26.2% thought a loan could be beneficial for investing in new staff, and 9.5% thought a loan could be useful for buying an asset (like a van)



- Overall, respondents' perceptions of whether or not their trustees would consider taking on a loan was split: 46% responded positively, saying trustees 'definitely' (16%) or 'possibly' (30%) would, and 47% responded negatively, saying they would be 'unlikely' (42%) to consider it or would 'never' consider it (5%). 7% said they did not know whether or not their trustees would ever consider taking a loan.
- 39% expected to need between £50k to £200k if taking a loan for their organisation; 31.7% expected they would need between £200k and £1m, and 26.8% expected to need more than £1m

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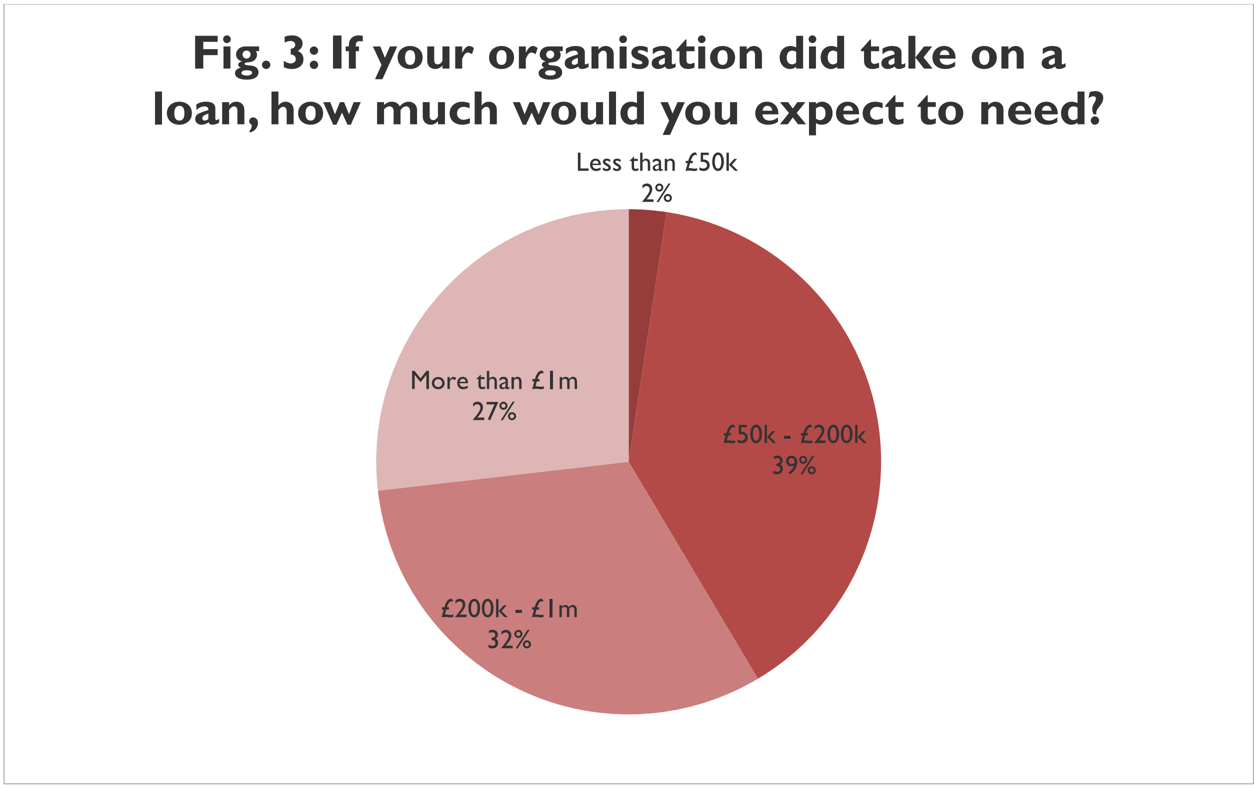

- The largest charities were more likely to have taken on a loan: 47.4% of charities whose annual income was more that £10m had taken on a loan (compared to 23.8% of charities generally
- Smaller charities (with annual income of less than £500k) were less likely to have taken out a loan: just 9.5% said they had (compared with 23.8% of charities generally)

Increasing Awareness of the potential of Charity Investments

- When asked to choose one of four statements describing their attitude to investments, the most popular response said that investments should be consistent with a charity's objectives, and that some loss of financial returns was an acceptable consequence: 47% said 'we should ensure that anything we invest in is consistent with our charities' objectives, even if this might mean some loss of financial returns'.
- Most respondents felt confident that they understood social investment. 14.2% strongly agreed that they felt confident in their understanding of it and 49.1% somewhat agreed. Nearly a quarter (24.5%) did not feel confident that they understood social investment.

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- Nearly half of the respondents (49.1%) agreed that social investment was relevant to their organisation, but just over half thought it was not relevant, were ambivalent, or did not know whether it was relevant.
- The majority (61.1%) of respondents agreed that social investment is a useful tool for charities and social enterprises

Socially responsible investments:

- 26.4% did have deposits or reserves invested in socially responsible funds; 41.8% did not and had never considered it, and 25.3% had considered it but had decided it was not appropriate for their charity. 6.6% did not know whether or not they had socially responsible investments.

Collaboration within the sector

- Worryingly, half (48%) of the organisations surveyed described their working relationship with local VCS organisations as average, poor or very poor
- Nevertheless, mergers are taking place between charities: 50% of those respondents who had entered a merger since 2010 had done so in 2014
- The most cited reason for entering into a merger was that it allowed the provision of more services to more beneficiaries. 71.4% of respondents said this was a reason, compared with 42.9% who said it would allow service provision to be more innovative and efficient
- More than twice as many charities entered into a consortium to win public service contracts in 2013 or 2014 as in 2010: 68.4% of those who had entered a consortium since 2010 had done so in 2014 (as in 2013); compared with only 26.3% of those who had entered a consortium since 2010 doing so in 2010

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Collaboration with business

- 50% of respondents said they currently had a commercial partnership with a business,
- 34% had never had a commercial partnership with a business
- Charities' collaboration with local businesses was better than their collaboration with national or international businesses (see fig. 5)

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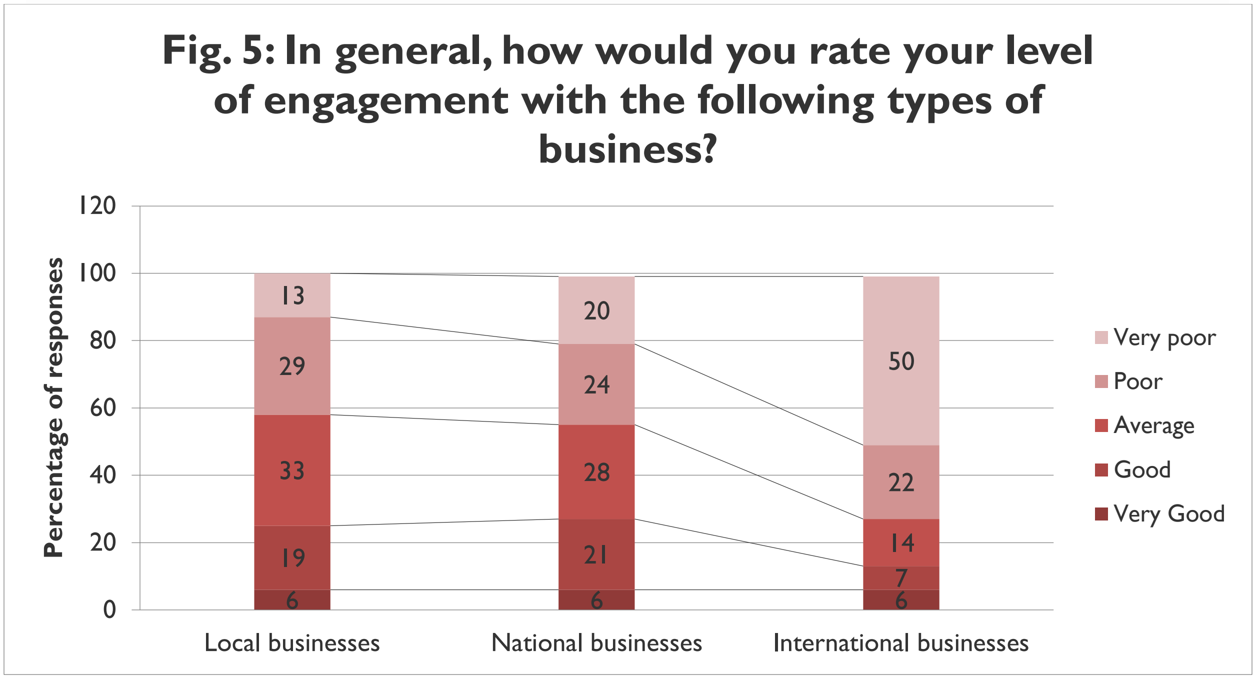

- Most of charities' partnerships with businesses were did not or had not yet lasted longer than 5 years (76.9% of respondents said that their longest partnership with a business was 0-5 years long); and of those most (43.6% of the total compared with 33.3%) were 0-2 years rather than 2-5 years. Some respondents did record longer partnerships with businesses: 9% said they had had a partnership lasting 5-8 years, 5.1% said 8-10 years and 9% had had a partnership of more than 10 years

Collaborative Technologies

- 94% of respondents said their organisation did use social media
- Most had started developing a social media presence between 1 and 4 years ago (67.4%), and most of those had done so at least two years ago (41.4% of the total had begun using social media 2-4 years ago compared with 26.3% of the total who had begun 1-2 years ago)
- However, some organisations had only begun using social media in the last year (16.9%) and very few (15.8%) had begun using social media for their organisation more than 4 years ago
- The platforms rated most important for charities' work were Twitter (35.7% rated it 5 on a 5-point scale of importance or 'highly important', and another 25.5% rated it 4 out of 5 on importance) and Facebook (28.3% rated it 5 and 27.3% rated it 4 on the 5-point scale of importance)

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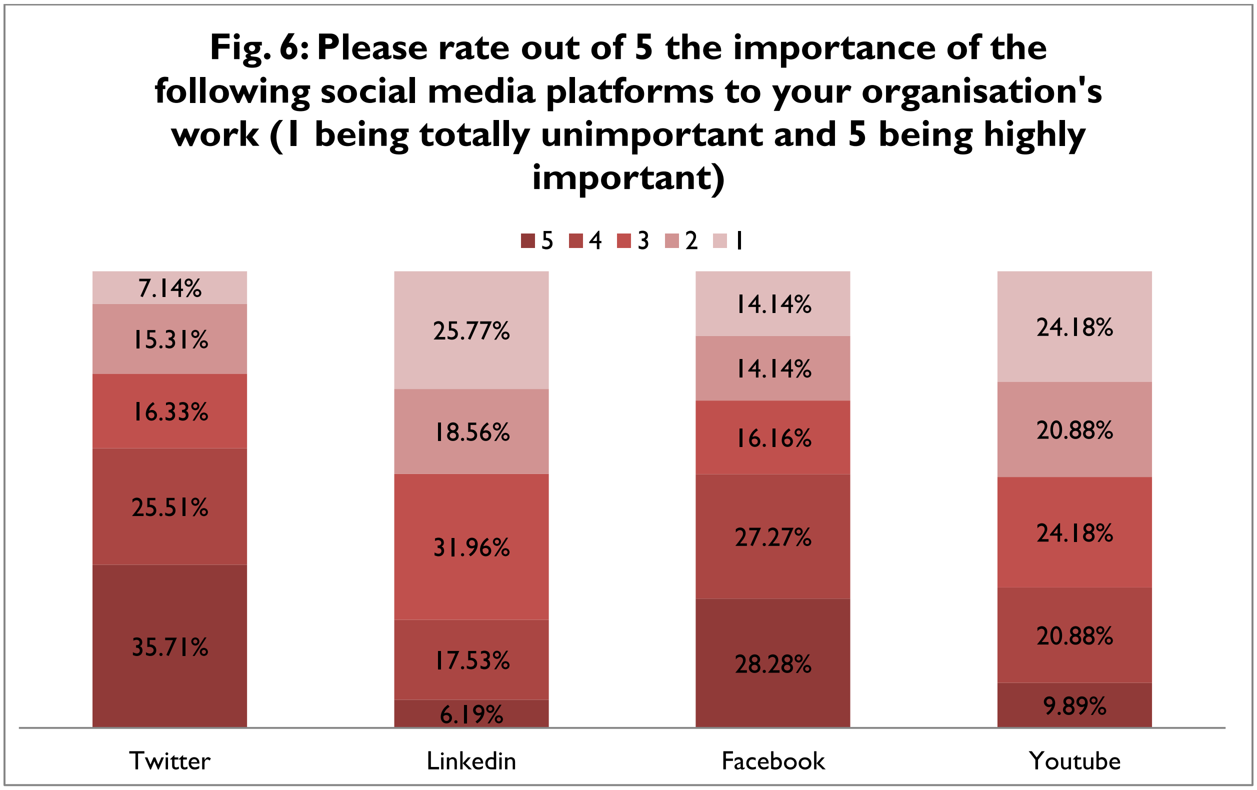
- Linkedin and YouTube were not rated as important: a quarter rated them 'totally unimportant' (25.8% for Linkedin and 24.2% for Youtube)



- 59.2% said they had advertised a position which required social media skills and experience.
- Though almost all respondents' organisations did use social media, fewer agreed that it had increased the profile of their organisation (though a clear majority – 76.8% -- did think this). Very few (4%) disagreed, but some were ambivalent (19.2% were not sure that it had increased their profile).

Sample size: *The survey had a sample size of 127 responses from those in the highest management positions within the voluntary sector*

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