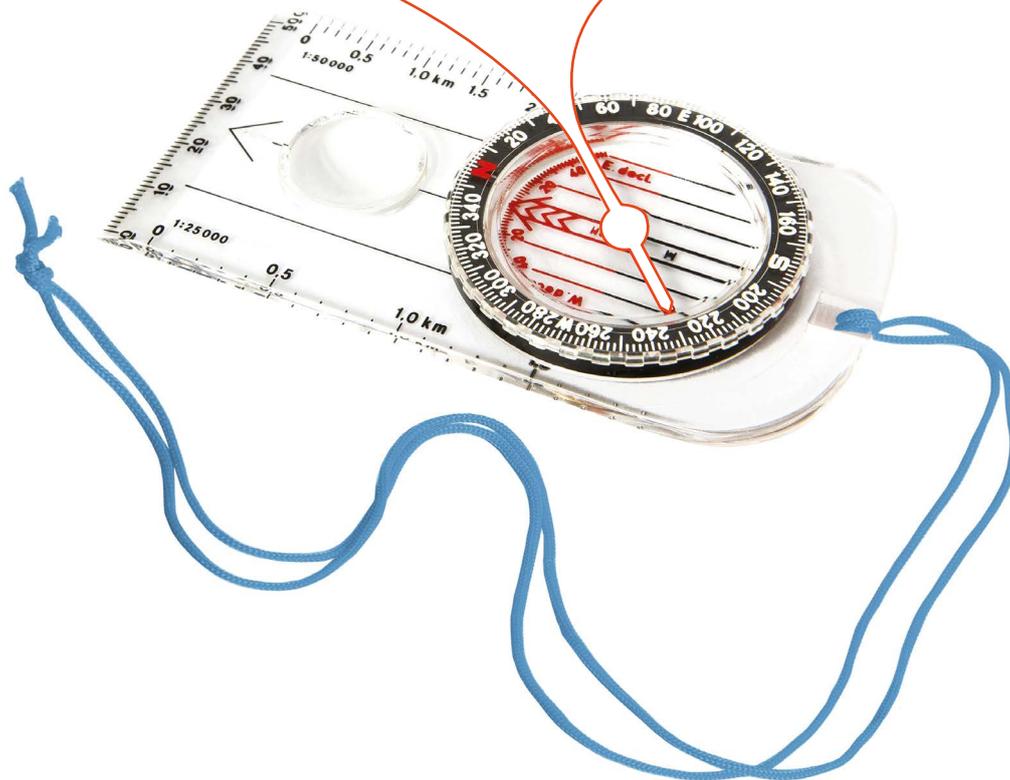


SOCIAL LANDSCAPE 2017

The state of charities and social enterprises going into 2017

February 2017



About CAF

Charities Aid Foundation (CAF) is a leading international charity registered in the United Kingdom, with a presence in nine countries, covering six continents. Its mission is to motivate society to give ever more effectively and help transform lives and communities around the world. We do this by working globally to increase the flow of funds to the charity and non-profit sectors through the provision of philanthropy advice and services.

About ACEVO

ACEVO (Association of Chief Executives of Voluntary Organisations) is the Charity Leaders Network. Membership of ACEVO is open to charity and social enterprise chief executives, senior leaders, chairs and trustees. They provide support and representation for members through a range of networking and learning events; advice and development opportunities tailored to senior leadership roles; bespoke consultancy and solutions; and discounted professional services delivered by their partners.

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Foreword

Charities play a pivotal role in life in Britain. Almost nine in every 10 people say they have benefited from the work of a charity. And the demand for their services and support shows no sign of abating. Whatever someone's age, wherever they live and whatever their social circumstances, it is likely that their lives are being improved in some way by the work of at least one of Britain's charities. And in turn, we are a nation which has a proud, long-standing tradition of being generous in our support for good causes.

The performance and confidence of businesses or those working in the public sector are often taken as a guide to how the wider country is faring. The health of our civil society should be seen no differently. It matters to all of us.

When the Charities Aid Foundation and ACEVO joined together in 2015 to publish the first Social Landscape report, it was the first time such an authoritative overview of the UK's charities had been produced. It revealed a sector which, while resilient and optimistic, was facing some incredibly tough and challenging times. A significant proportion of charity chief executives feared the twin pressures of increased demand and a tougher financial environment risked pushing their organisations to breaking point.

This second Social Landscape report suggests the big challenges facing charities in 2017 are not about to get any easier.

An unpredictable political climate, a challenging economy, public sector funding cuts and ever-growing demand all add up to a heady cocktail of existential threats serious enough to keep charity leaders awake at night.

Generating income and achieving financial sustainability are still top of charities' to-do lists. With demand for services having increased for the overwhelming majority of organisations in the past year, it is a real cause for concern that only one in seven chief executives feel completely confident in their ability to meet this increase.

At this pivotal time in our country's history, charities have a big role to play in helping to shape British society as we prepare to leave the EU. MPs and policymakers will need to acknowledge the pressures charities are under if we are to get the full benefit of charities' experience and expertise.

Another finding of this year's survey is particularly telling. Three out of every four chief executives who took part felt that the public did not understand the importance of charities to Britain today. Trust in charities – along with many other long-established institutions – has suffered recently. And when the sector has been in the headlines it has all too often been for the wrong reasons.

Turning this around may be the most important challenge of all. The great work of our charities would not be possible without voluntary donations of money and time from a generous public. We know how vital the work of charities is to society. We need to keep getting better at making sure our supporters and beneficiaries do too.



Dr John Low
Chief Executive
Charities Aid Foundation

1 Introduction

About this Report

This is the second year that Charities Aid Foundation (CAF) and the Association of Chief Executives of Voluntary Organisations (ACEVO) have produced the *Social Landscape* report. Our aim is to gain a unique insight into the voluntary sector from the perspective of its Chief Executives – to understand any challenges faced, and to assess the impact such challenges have on the sector's ability to meet the needs of its beneficiaries.

Methodology

The data in this report is based on questions that CAF asked charities as part of the ACEVO Pay and Equalities Survey in 2015 and 2016, which collected information from Chief Executive Officers (CEOs) of organisations in the voluntary sector. These organisations consist predominantly of charities, but also include some social enterprises and other voluntary organisations. The latest survey was completed online and launched via email in September 2016, with the last responses received in October 2016.

The CAF questions were asked only of CEOs completing the ACEVO study and so results in this report are based on 472 respondents.

The sample was drawn from CAF Bank customers and individual members of ACEVO, ACOSVO and CO3. Together, these bodies cover a good breadth of organisations from across the different parts of the charity world in England, Scotland, Wales and Northern Ireland, including smaller organisations.

Notes on reporting

For the sake of brevity, respondents are referred to throughout this report as 'voluntary sector organisations', 'organisations' or 'charities'.

In reporting by organisation size, we have adopted the following bands as used within the ACEVO *Pay and Equalities Survey 2016* report:

- Small <£1 million (287 interviews)
- Medium £1 million – £5 million (122 interviews)
- Large >£5 million (63 interviews)

In reporting by region, we have adopted the following groups, due to small bases in individual regions:

- North: North East, North West and Yorkshire & Humber (55 interviews)
- South: South East, London, South West (214 interviews)
- Midlands: East Midlands, West Midlands, Eastern Region (52 interviews)
- Scotland: (112 interviews)

Due to the small base sizes in Wales (n = 8) and Northern Ireland (n = 28) we are unable to report on these as separate groups. It should however be noted that the overall percentage of respondents from outside England is higher than within the previous *Social landscape* report.

Results are based on all responding per question, any 'no answers' having been removed from the data. Percentages may not always add exactly to 100% due to rounding.

2 *Key Findings*

Generating income and achieving financial sustainability is the most pressing challenge for charity CEOs. This is compounded by a reduction in funding from statutory sources, the third most pressing challenge for CEOs this year, as well as an increase in competition within the sector, also seen as a top challenge for more than one in six organisations.

Demand for services has increased for four out of five organisations in the last year, and this is only expected to get worse. A further 85 per cent expect demand for services to increase in the next 12 months but worryingly just one in seven CEOs feel completely confident that they will be able to manage the increase, although a further 60 per cent feel somewhat confident.

Meeting demand for services is a challenge which has risen significantly since 2015, and is now the second most common challenge for organisations. This is up 13 percentage points from being a top challenge for 23 per cent in 2015, to 36 per cent in 2016. Charities which operate locally are more likely to be concerned about meeting demand for services compared to those that operate on a wider basis.

Optimism for the sector as a whole to meet demand is low. Despite some confidence in their own organisation's ability to meet demand, less than half of CEOs are optimistic that the sector as a whole will be able to meet future demand.

Despite the challenges that CEOs face, the majority remain optimistic about the future of their organisation, although this is significantly reduced from 2015. This reduction may well be due to the increase in pessimism about economic conditions, up from 38 per cent in 2015 to 68 per cent this year, as well as financial concerns and worries about meeting demand for services.

New technologies and more diverse ways of giving are being used to overcome challenges and reach goals. Almost all CEOs say that they either have increased or will increase their social media presence. The majority have invested in IT or are planning to, and either have diversified income streams or plan to. Furthermore, two-thirds of CEOs say that they have introduced or will introduce new methods and channels of giving.

Collaboration and restructuring are also possibilities for many organisations. Four in five CEOs say that they have collaborated or will collaborate with another not-for-profit. The same proportion say they have restructured, or plan to, highlighting the changes and challenges that the sector is facing.

Negative media stories are seen to have had a damaging impact on the sector, and many feel that government support is lacking. Two thirds think that the negative media stories have had an impact on the charity sector as a whole. Good news stories, effective communication and education, and more transparency within the sector are seen as ways to help rebuild public trust in charities. However, government support is also seen to be lacking, with over 70 per cent pessimistic about the support, significantly more so than in 2015.

Three quarters feel that the public do not understand the importance of charities to Britain today. This comes at a time when trust is seen to be suffering, demand on charity services is increasing and there are concerns over the economic conditions.

3 Detailed Findings

3.1 Key challenges faced

For the second year running, the top challenge highlighted by charity Chief Executives is ‘income generation or achieving financial sustainability’, with well over half selecting this as one of the top three challenges for their organisation.

‘Meeting demand for services’ was the second most commonly selected challenge, and one that has increased significantly since the 2015 survey. In 2016, over a third of CEOs selected ‘meeting demand for services’ as a challenge, compared to less than a quarter doing so in 2015. This finding is not surprising given the recent reports that charities are struggling to meet demand¹, and one consistent with CAF’s 2016 Charity Street II report which found that the proportion of households having used a charity service in the past year had risen since 2014². Combining CEOs who selected ‘insufficient resource’ or ‘meeting demand for services’, it is possible to conclude that almost half (47%) are struggling to keep pace with increasing pressures.

The third most commonly selected challenge was ‘reduction in public or government funding’, which links back to the top two challenges, as a reduction in funding will most likely affect a charity’s income generation and financial security, which in turn can affect their ability to meet demand.

Also of note is the change in those citing ‘increased competition across the sector or within cause’ as a challenge – up from 1 in 10 in 2015 to 1 in 6 in 2016 or to measure and demonstrate their impact (24% and 21% respectively).

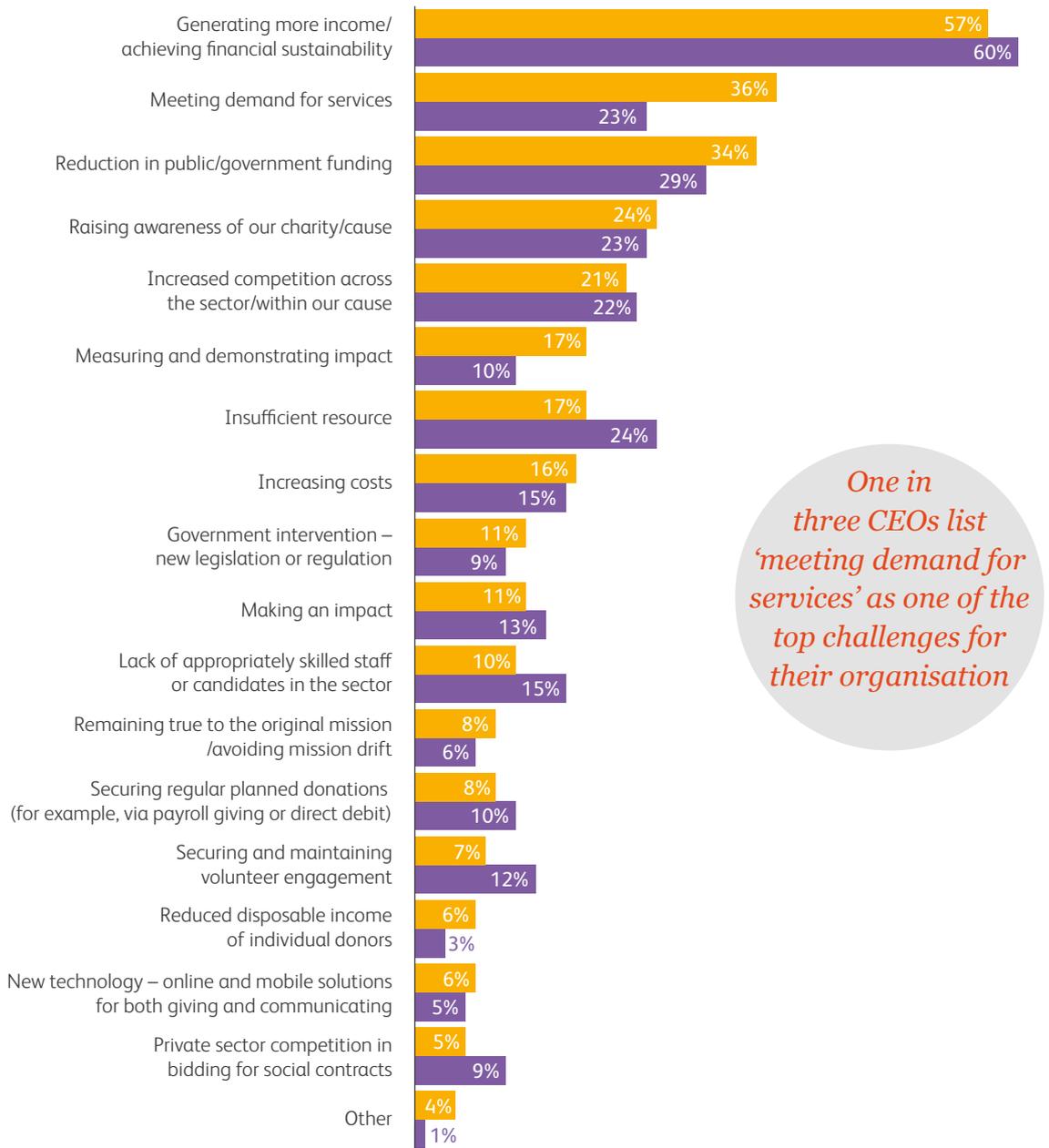
Table 1 Which do you consider to be the three most pressing challenges facing your organisation?

Top three challenges	2016	2015
1 st	57% Generating more income/ achieving financial sustainability	60% Generating more income/ achieving financial sustainability
2 nd	36% Meeting demand for services	29% Reduction in public/ government funding
3 rd	34% Reduction in public/ government funding	24% Insufficient resource

¹ <http://www.thirdsector.co.uk/charities-have-turned-people-away-rising-demand-funding-cuts/policy-and-politics/article/1378710>

² https://www.cafonline.org/docs/default-source/about-us-publications/160704_caf_charity_street_report_web.pdf

Figure 1 Which do you consider to be the three most pressing challenges facing your organisation?



Base: All CEOs who responded: in 2015 (n=427) and 2016 (n=411)

3.1.1 Challenges faced by organisation size

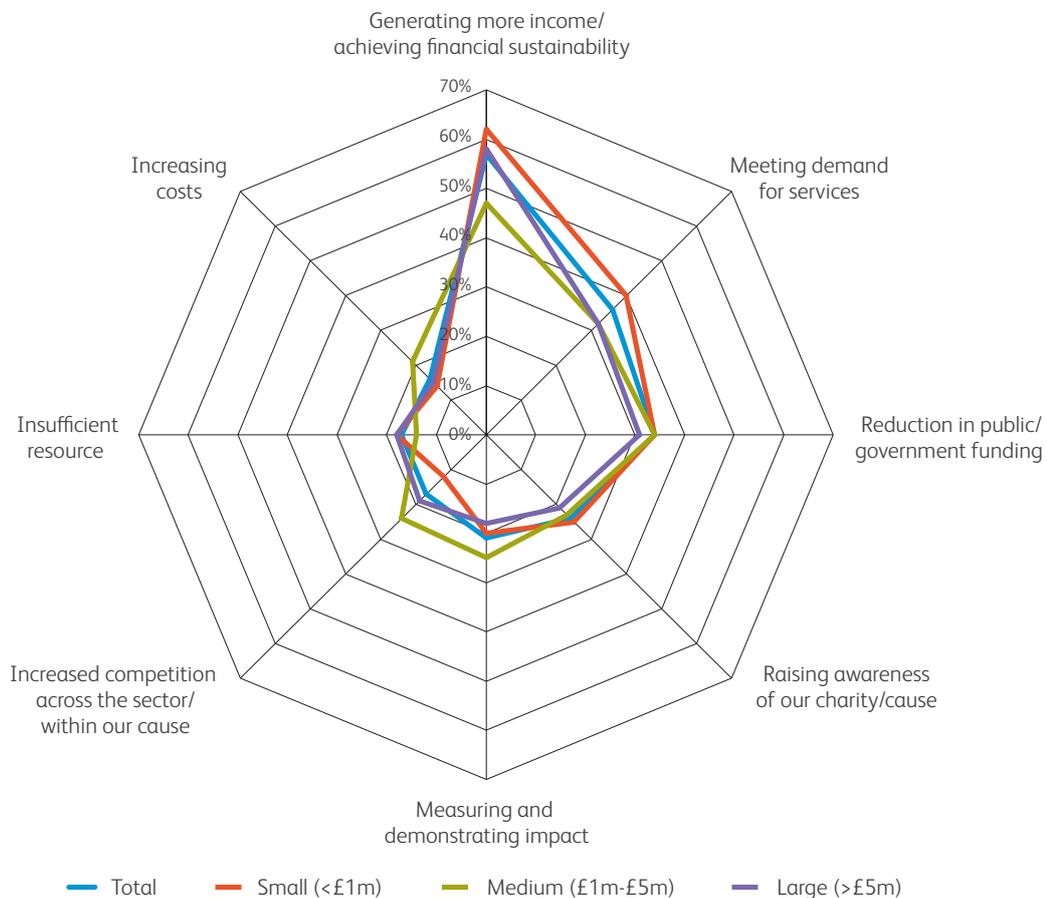
Although there are fewer significant differences between small, medium and large charities this year, there are some to note. Firstly, smaller charities, with an income of less than £1 million, are more likely to highlight income generation and financial sustainability as one of the top three challenges than medium sized charities with an income between £1 million and £5 million (62% vs. 47% respectively).

Small charities are also less likely to highlight increased competition as a top challenge compared to medium sized charities (12% vs. 24% respectively).

Skills shortages seem to affect medium and large charities more so than small charities (14% and 19% respectively for medium and large charities, compared to 6% for small charities). This may reflect the difficulty of larger charities with more complex staffing needs to compete for talent against a private sector which often offers higher salaries and better benefits packages.

Finally, large charities are more likely to cite 'new technology' as one of the top three challenges compared to both small and medium sized charities (15% vs. 3% and 5% respectively). Given the advances in technology, this is perhaps not surprising, especially given that many charities are finding funding and income generation a challenge, which may be preventing them from investing in the technologies that they need.

Figure 2 Most pressing challenges by size of organisation (top mentions)³



Base: All CEOs who responded (total = 411, small charities = 232, medium charities = 117, large charities = 62)

³ A full breakdown of all 18 challenges shown by organisation income size can be found in Appendix II

3.1.2 Challenges faced by main geographical focus

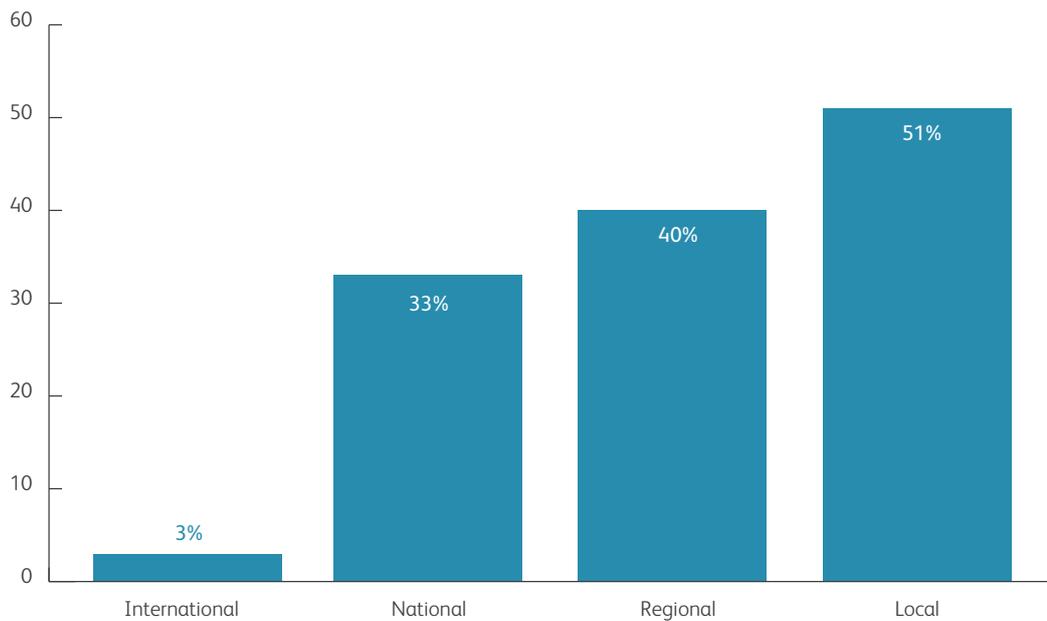
Challenges vary in type and magnitude according to the main geographical focus of charities.

Meeting demand for services is a challenge which decreases the broader the area that the charity covers, with over half of local charities highlighting this one of the top three challenges, compared to just three per cent of internationally operating charities.

International charities are also much less likely to say a reduction in public or government funding is a top challenge (just 10% vs. 34% overall), whilst regionally operating charities are most likely to find this is a top challenge for their organisation (52%).

However, raising awareness of the charity or cause is more likely to be a top challenge for international and national charities (35% and 32% respectively), compared to regional and local charities (16% and 10% respectively). It may be that local and regional charities have less desire to increase their profile, due to the challenge of meeting demand and funding cuts, or it may simply be that it is easier to raise awareness on a smaller scale.

Figure 3 Most pressing challenge: Meeting demand for services by main geographical focus



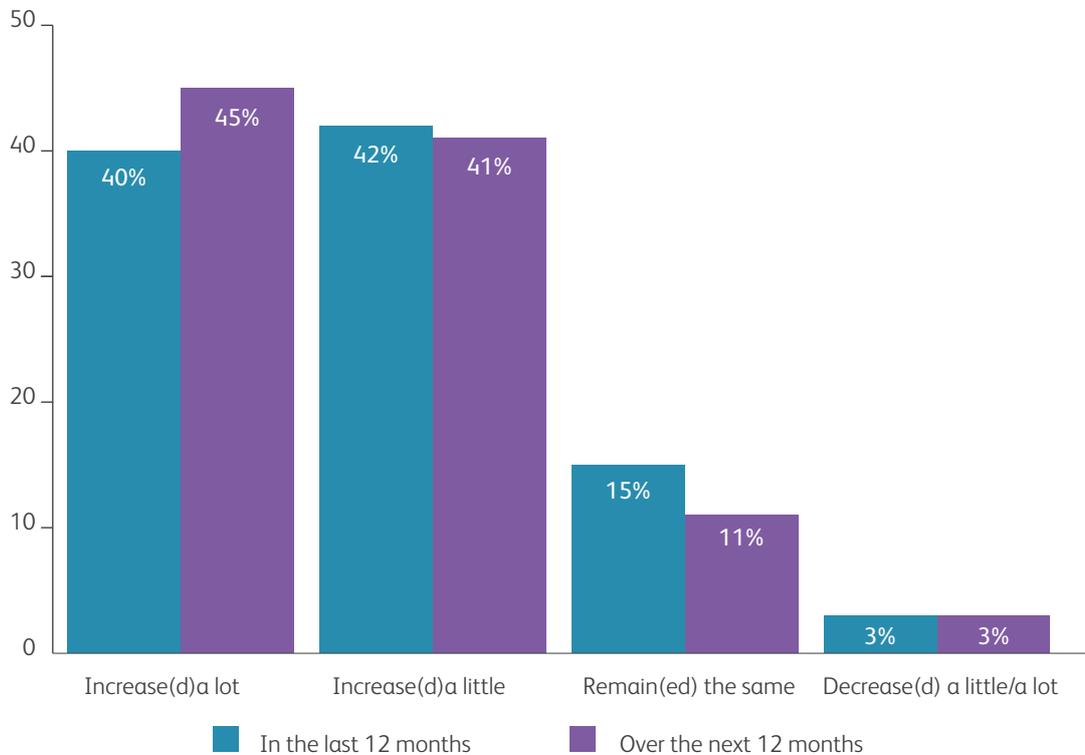
Base: All CEOs who responded (total = 411, international = 31, national = 210, regional = 62, local = 108)

3.1.3 Demand for services

This year meeting demand for services is in the top two challenges faced by CEOs, representing an increase from 2015 of 13 percentage points, and something which is more likely to affect charities that operate locally, rather than over a wider area.

Over the last 12 months, demand for services has increased a lot for two out of five organisations, whilst a further two in five say that demand has increased a little. In total, this represents 82 per cent of organisations indicating that demand for services has increased. This trend is expected to continue with 45 per cent expecting demand to increase a lot in the next 12 months, and a further 41 per cent expecting it to increase a little.

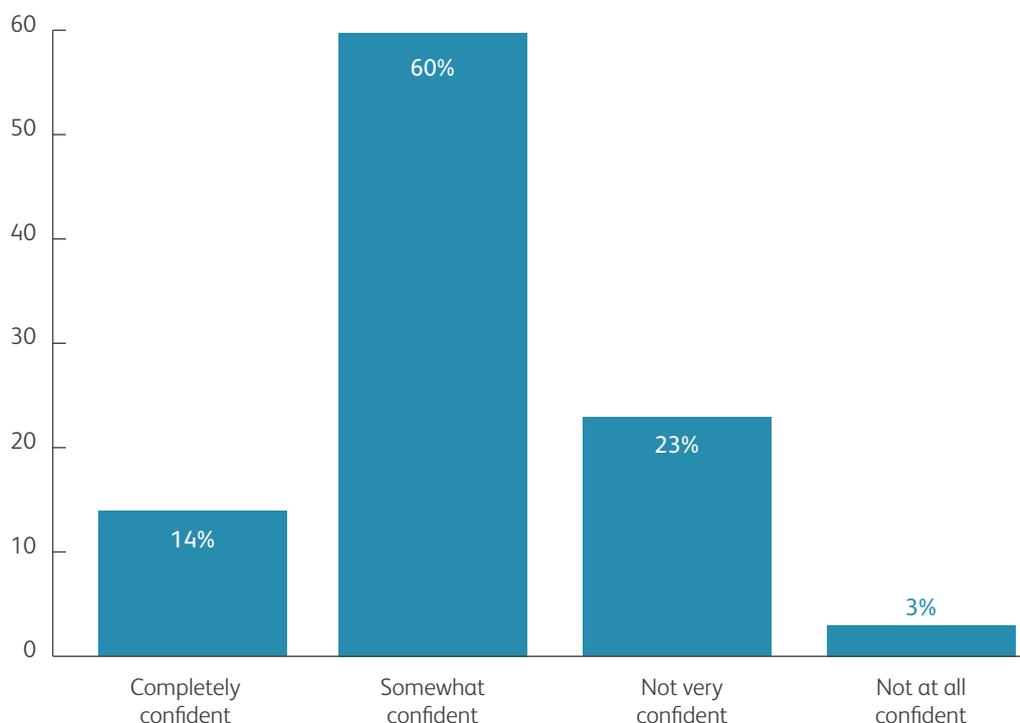
Figure 4 Change in demand for services in the last 12 months and over the next 12 months



Base: All CEOs who responded (n=405)

However, despite expectations that demand for services will increase, just 1 in 7 CEOs are completely confident that they will be able to meet this demand, while over a quarter have little or no confidence that their organisation will be able to do so.

Figure 5 Confidence in meeting increase in demand



Base: All CEOs who thought demand would increase (n=349)

3.1.4 Most pressing challenges as a CEO

Income generation and/or financial sustainability is the most pressing challenge for over half of organisations. In order to explore these challenges further and to understand which are the most demanding, CEOs were asked what their current and most pressing challenges were. Once again, funding and income were the most mentioned. This is particularly concerning, given findings that demand for charities' services is increasing, and the question remains of how they will be able to provide these if they are struggling to generate income.

There have been numerous stories in the media about local, regional and national charities that are warning of reduced services or even closure due to cuts in funding.^{4 5}

A number of factors emerge as pressing challenges for around one in ten CEOs, specifically: future strategy (10%), resourcing (9%) and governance of the organisation and Board (9%).

4 <http://www.sussexexpress.co.uk/news/health/funding-cuts-could-force-sussex-hiv-charity-to-close-1-7734351>
 5 <http://www.bbc.co.uk/news/uk-wales-politics-38210109>

Table 2 Current most pressing challenges and priorities as a CEO

	%	Some typical responses
Funding	22%	<p><i>Achieving sustainability when our Government funding ceases in 2017.</i></p> <p><i>Demonstrating impact of our work to maintain and hopefully increase funding. Challenge to do this while remaining true to the vision of our work, and balance board and staff team views on this.</i></p> <p><i>Funding for infrastructure is becoming increasingly difficult to secure. Our income generating activities (including some payment by results contracts) are likely to yield less returns as contracts get tighter.</i></p> <p><i>Funding situation, and meeting the demand for services with very limited resources.</i></p>
Income/revenue generation	17%	<p><i>Diversifying income and breaking even.</i></p> <p><i>Generating sufficient income.</i></p> <p><i>Financial stability in an uncertain world. General denigration of the charity sector.</i></p>
Future strategy	10%	<p><i>Creating a sustainable future for the organisation with reducing funding and harder access to services for our clients.</i></p> <p><i>Making the necessary change to become more socially entrepreneurial and less dependent on central government funds whilst retaining vision and values. Ensuring we are future proofed re skills set and organisational agility.</i></p> <p><i>Developing a strategy for the future. Developing trustees' competence and knowledge. Funding the living wage securing investment.</i></p>
Resourcing	9%	<p><i>To manage workload effectively and efficiently.</i></p> <p><i>Workload, change management, getting staff to work smarter with technological support.</i></p> <p><i>Like all CEOs I am short of time.</i></p>
Governance of organisation and board	9%	<p><i>Good governance and leadership behaviour at Board level, which is sadly lacking.</i></p> <p><i>Improving governance – specifically trustees who have served on the board for too long.</i></p> <p><i>Inadequate senior management structure due to resource/funding constraints.</i></p>
Recruitment and retention of staff	8%	<p><i>Recruiting and retaining high calibre staff.</i></p> <p><i>Finding the right staff for senior and middle management roles.</i></p> <p><i>Recruiting and retaining trustees and volunteers.</i></p>
Maintenance of current contracts, and assets	7%	<p><i>Maintaining staff morale at a time of uncertainty regarding funding after March 2017.</i></p> <p><i>Maintaining equipment and facilities.</i></p>
Meeting organisational goals	6%	<p><i>Raising the profile of the organisation.</i></p>
Legislation and regulation	5%	<p><i>New fundraising guidelines.</i></p>
Collaboration	3%	<p><i>A potential merger with three other charities, or at least joint working; which is almost another job in itself alongside the day job.</i></p>
Other	5%	

Base: All CEOs who responded (n=316)

3.2 Future optimism

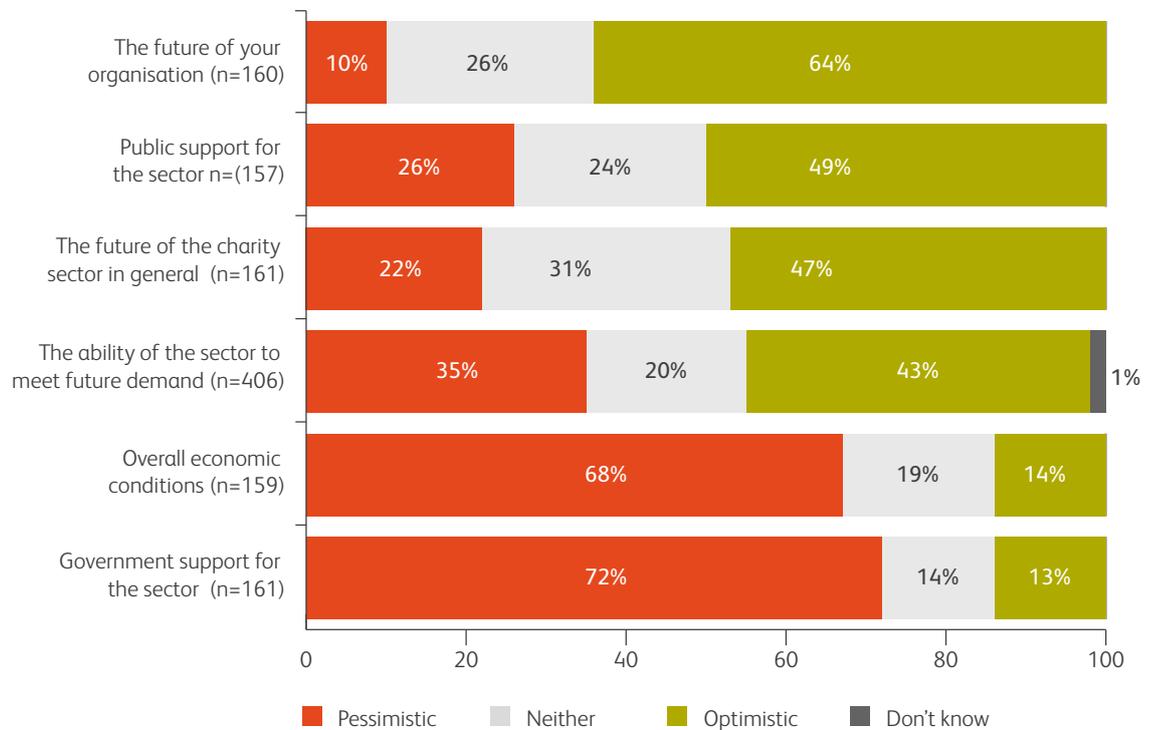
Despite the challenges that CEOs feel they face, the majority are optimistic about the future of their organisation (64%); however this is significantly reduced from 2015 when over 80 per cent were optimistic (82%). Although around half feel positive about public support for the sector (49%) and the future of the charity sector in general (47%), this is less so than the previous year when 53 per cent were optimistic about public support and 57 per cent were positive about the future of the charity sector.

These dips in optimism are worrying, and may well be explained by the increases in pessimism seen around overall economic conditions (68% in 2016 vs. 38% in 2015) and government support for the sector (72% in 2016 vs. 59% in 2015). Given that meeting demand for services is seen as a top challenge for charity CEOs, it is unsurprising that over a third are pessimistic about the ability of the sector to meet future demand.

However, it should be noted that a larger proportion of charity leaders are optimistic rather than pessimistic about meeting future demand, which is testament to the resilience of the sector and the determination to adapt to meet the needs of beneficiaries.

CEOs are hopeful about the future of their organisation, but pessimistic over the economy and government

Figure 6 How optimistic are you about...?



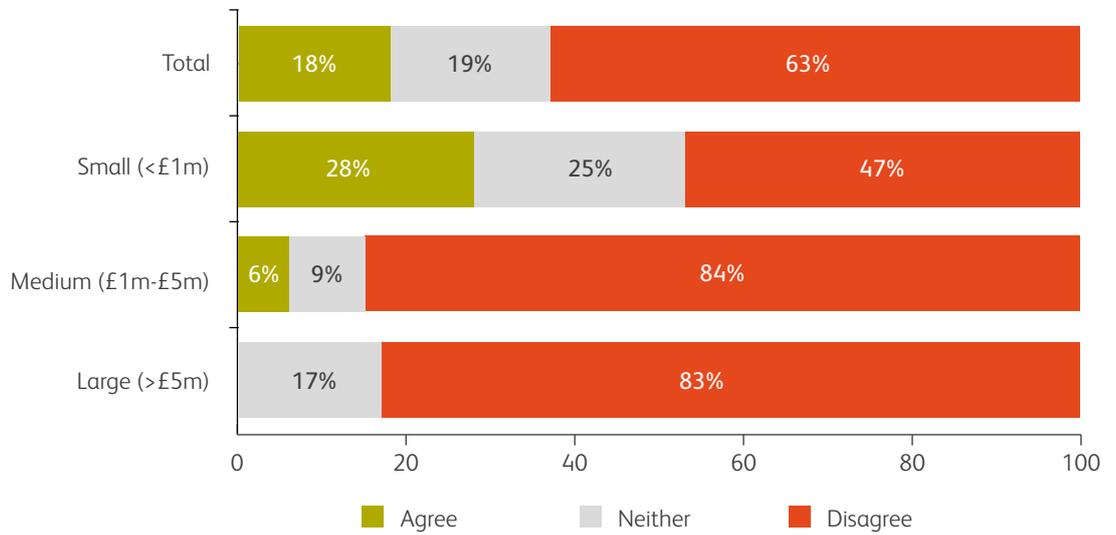
Base: All CEOs who responded (see chart for base numbers)

3.3 Future survival

Reflecting their optimism for the future of their own organisation, only 18% of Chief Executives agree that their charity 'is struggling to survive'. This does however rise to more than one in four amongst the smallest organisations (28%).

This is particularly concerning given that a large proportion of the charity sector is formed of smaller organisations. If this experience is representative across the sector, it could have potentially serious implications for the future support of beneficiaries, particularly given the challenge for some already in meeting demand for their services.

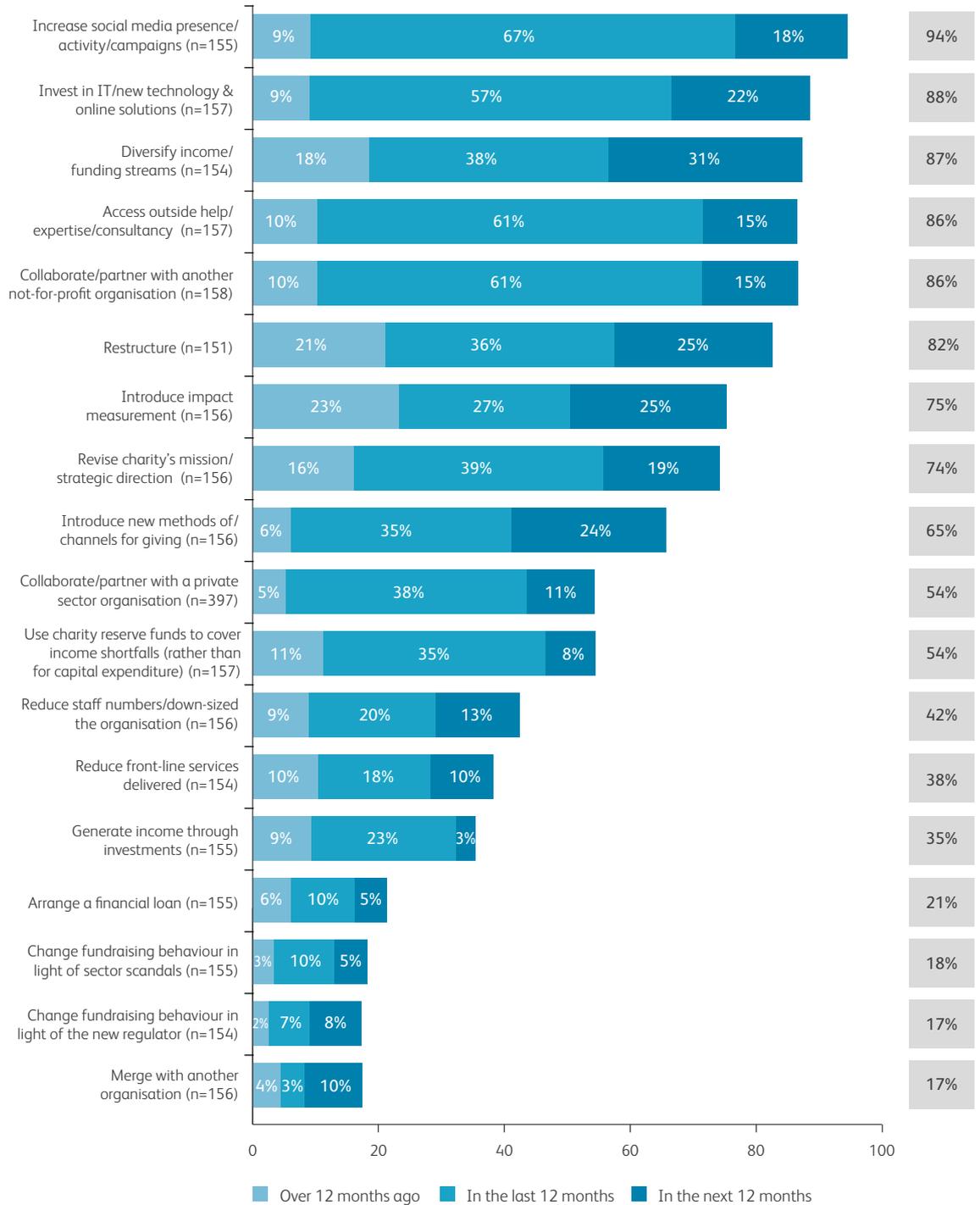
Figure 7 How strongly do you agree or disagree that your organisation/charity is struggling to survive?



3.4 Operational implications

To meet and address the challenges that they face, organisations have undertaken, or will undertake, certain measures and activities. Of the 19 activities listed, more than half of CEOs said that they had or would be engaging in 11 of them, supporting the finding that more than nine out of ten CEOs agree that they are ‘always looking at ways to improve their operations’ (95%).

Figure 8 Which, if any, of the activities listed has your organisation done...?



Base: All CEOs who responded (see chart for individual questions)

NB: It is possible that an organisation may have undertaken an activity in the past, but that it is ongoing or they intend to repeat this in the next 12 months. As the codes are exclusive, with respondents only able to select one option, the sub-total to the right of the chart shows the total proportion of charities which have done or intend to undertake each activity listed

New technologies and channels

Almost all (94%) of CEOs say that they have increased or will increase social media presence, activities and campaigns. This is not surprising in an increasingly social-media focussed society, but it is interesting to note that this is the most commonly undertaken activity in the previous 12 months. Investment in IT is also high on the agenda, with two thirds of CEOs saying that they have already done this in the past and a further 22 per cent planning to do so. This means that just 12 per cent have not done anything or are not planning to do so. Medium and large charities are more likely to have invested, or be planning to invest, than smaller charities (96% for both medium and large, compared to 81% for small). This reflects the finding earlier in this report that larger charities are more likely to highlight 'new technologies' as a top challenge.

Investment and training in new technologies is clearly required, as less than a third (32%) of CEOs agree that charities are using new technology effectively to increase giving, something which is vitally important when so many are finding it a challenge to generate income. Adoption of online fundraising is low (31%), possibly exacerbated by the fact that just 1 in 5 CEOs say that their organisation or charity knows how to fundraise online effectively.

However, 71 per cent feel that their own organisation or charity uses new technologies and social media effectively, significantly more so than last year, when just 50 per cent felt they were achieving this. This is a positive step, and indicates that the investment that organisations have already put in may well be paying off. However, more needs to be done to improve confidence and effectiveness in using technology and online platforms to receive donations and raise funds in particular.

Collaboration

The majority of CEOs say that they have collaborated or will collaborate or partner with other not-for-profit organisations and over half with private sector organisations. This may well be to reduce the strain of increased demand for services and lack of resource and funding. A high proportion (71%) have already accessed external advice and consultancy, with a further 15 per cent planning to do so in the next 12 months.

Financial actions

Financial challenges are once again highlighted by the fact that over half (54%) of CEOs say that they have used or will need to use reserve funds to cover income shortfalls. This is similar to 2015, where 51 per cent said the same. Although just a three percentage point increase, it is certainly something to monitor for future years, to understand how charities and their finances continue to fare. Small charities are much more likely than medium or large charities to have had to, or need to, use reserve funds to cover income shortfalls (64% vs. 43% and 35% respectively).

A fifth of charities (21%) have previously arranged a financial loan or intend to do so in the next year. Those in larger organisations with an income of over £5million are more likely to undertake this activity than smaller organisations (48% compared to just 10% amongst those charities with under £1million income). This may reflect the greater level of assets held by larger charities, and so their increased ability to raise financing or secured loans against these.

Given the financial challenges, it is understandable that charities are attempting to diversify their income and funding streams (86%), as well as introducing new methods and channels for giving (65%), and generating income through investment (35%). The proportion of charities diversifying, either in the past or the coming 12 months, is significantly increased on last year, up by seven percentage points from 79 per cent to 86 per cent. This is possibly seen as an option to address waning funding and challenges in generating income.

Cutbacks

More than a quarter of charities have in the past 12 months either reduced staff numbers (29%) or reduced front-line services delivered (28%). The proportion of charities that have reduced staff numbers has decreased since the 2015 Social Landscape report, from 35 per cent to 29 per cent. Although this might look positive on the surface, it is important to bear in mind that some charities may no longer need to reduce staff numbers, having already taken action to try and reduce their outgoing and put their finances onto a sustainable footing.

A higher proportion said they had reduced front line services delivered in 2016 than in the previous study (28%), compared to last year (19%). Perhaps, having reduced staff numbers, charities are now finding that they need to reduce their services. This may also be due to lack of funding and income generation challenges. This is a concerning trend, and one that will need to be monitored in future reports. Demand is increasing, and CAF's Charity Street II⁶ report found that a higher proportion of households have accessed charity services since 2014, which leads to the question of where and how these services will be provided if charities are forced to continue to make cuts.

Restructure and redirection

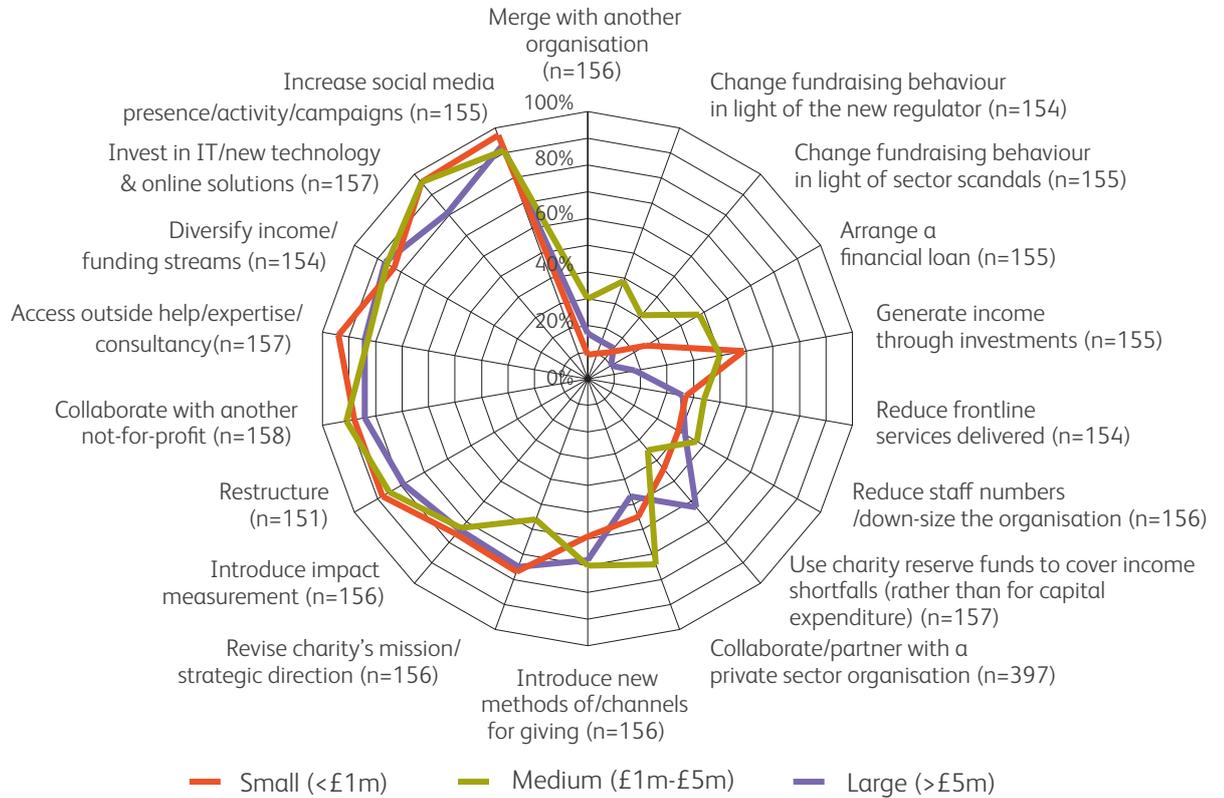
Last year it was a surprise to see the high proportion of charities restructuring (69% in 2015) and/or revising their charity's mission or strategic direction (67% in 2015). This year the proportions have risen again, indicating that charities feel they are having to adapt their aims in the light of changing circumstances. 82 per cent say they have or will restructure and three in four (74%) are revising their mission or strategic direction, either in the past or coming 12 months.

⁶ https://www.cafonline.org/docs/default-source/about-us-publications/160704_caf_charity_street_report_web.pdf

3.4.1 Operational implications by organisation size

As highlighted previously in respect of some specific activities, there is once again a difference between the behaviours of small and medium/large charities.

Figure 9 Which, if any, of the activities listed has your organisation done/is planning to do?



Small charities are less likely than other organisations to collaborate with private sector organisations, arrange a financial loan, generate income through investments and invest in new technology and online solutions. Conversely they are more likely to use their charity reserves to cover income shortfalls. This is, however, not sustainable in the long-term, and raises increased concerns about the financial viability of some smaller organisations.

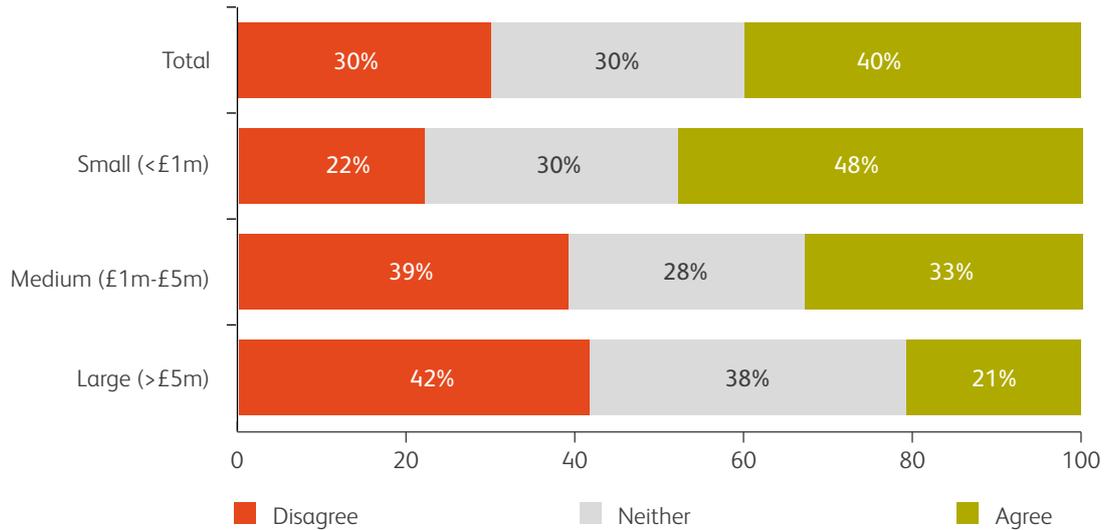
For many of these, collaboration with the private sector might be hampered by a lack of knowledge or confidence in how to approach them. Smaller charities are likely to find it harder to raise a loan or invest to generate income due to lesser funds available. Similarly, due to financial constraints, they are unlikely to have the spare funds to invest in new technology and online solutions.

However, in terms of using investment to generate income, just 13 per cent of small charities (up to £1 million annual income) say they know how to maximise income through investment, compared to 60 per cent of medium and large charities. Given these findings it is therefore unsurprising that just 1 in 5 small charities say that they are likely to use investment as a way to make resources go further in the future, compared to almost 1 in 2 (45%) medium and large charities.

3.4.2 Service focus: quality vs. quantity?

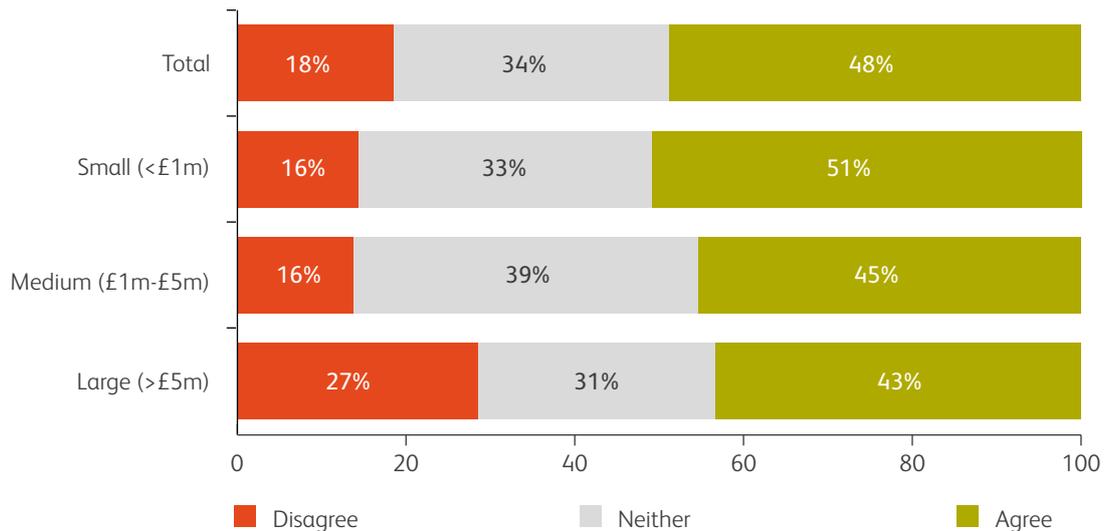
Two in five CEOs say that their organisation would rather do a good job of helping a few than an okay job of helping many. Small charities are much more likely than larger charities to agree with this. This represents a shift from the previous year, where agreement and disagreement was much more aligned between small, medium and large charities.

Figure 10 How much do you agree or disagree that your organisation/charity...Would rather do a good job of helping a few than an okay job of helping many – 2016



Base 2016: All CEOs who responded (total = 158, small charities = 88, medium charities = 46, large charities = 24)

Figure 11 How much do you agree or disagree that your organisation/charity...Would rather do a good job of helping a few than an okay job of helping many – 2015



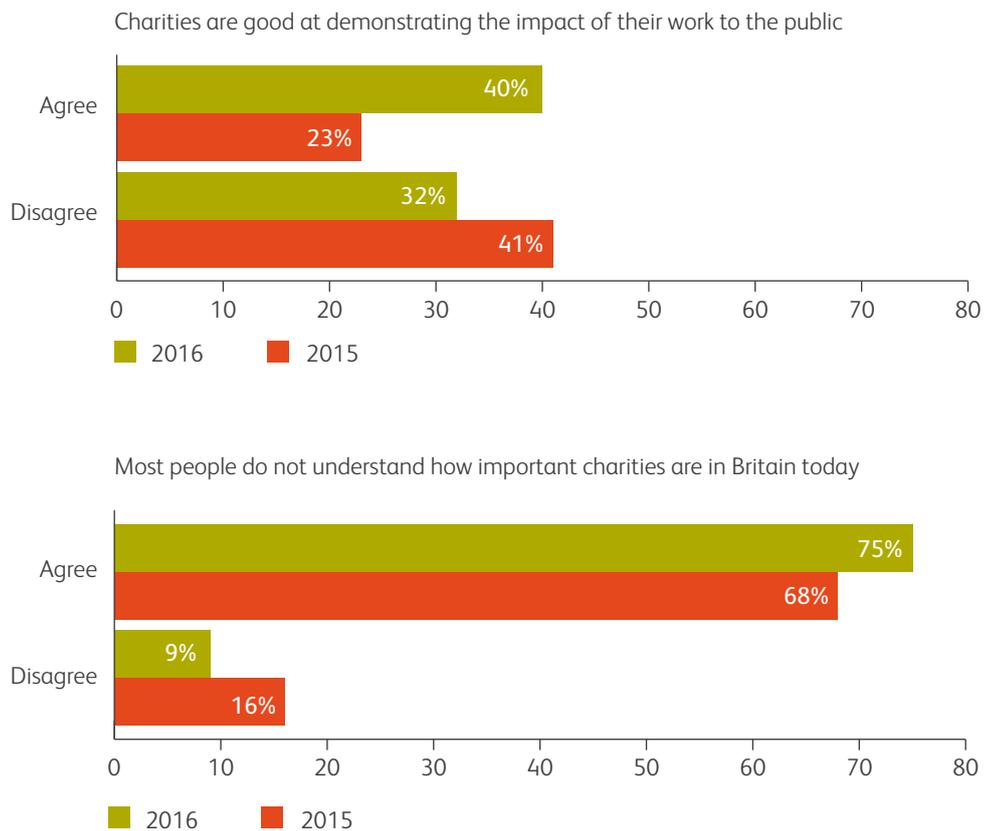
Base 2015: All CEOs who responded (total = 422, small charities = 227, medium charities = 120, large charities = 75)

3.5 Importance of charities and their impact

There has been a pronounced increase in the proportion of charity Chief Executives from 2015 to 2016 who agree that ‘charities are good at demonstrating the impact of their work to the public’, up by 17 percentage points from 23 per cent to 40 per cent. This positive movement reflects the fact that half of CEOs have brought in impact measurement in the past, with a further 25 per cent planning to do so in the next 12 months. Additionally, more than half (55%) say that they already have appropriate metrics in place for measuring success and impact. Nevertheless, there is a way to go before the majority of CEOs feel that charities are good at demonstrating the impact of their work to the public.

Less encouraging is that three quarters feel that ‘most people do not understand how important charities are in Britain today’. This is a significant increase on the 68 per cent that felt the same way last year, demonstrating that charities do not feel that the British public appreciates the increase in demand for their services, or the rise in households that have used a charitable service recently.

Figure 12 How much do you agree or disagree with the following statements...?

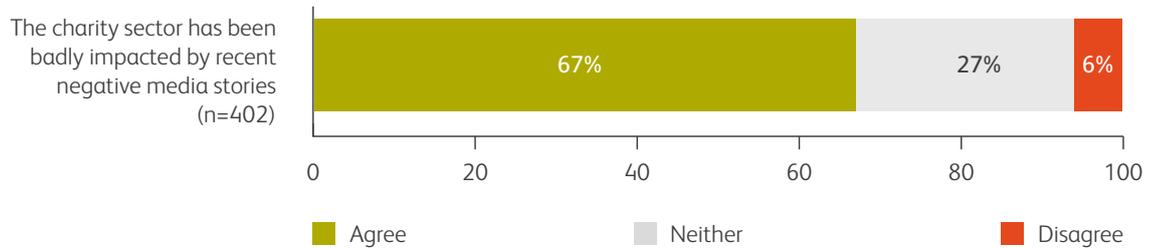


Base: All CEOs who responded; 2016 (n=402), 2015 (n=422)

3.6 Charities, public perceptions and the media

Negative media stories about charities have been rife in the last few years, and it is not a surprise that over two thirds (67%) of CEOs feel that this has badly impacted the charity sector.

Figure 13 How much do you agree or disagree with the following statements...?



Base: All CEOs who responded (see chart)

3.6.1 Regaining public trust

There is widespread agreement that the charity sector has been badly impacted by recent negative media stories, with more than two thirds in agreement. CEOs were asked what they felt could be done to try and rebuild public trust in charities.

Over a quarter (28%) felt that publishing good news stories and the impact that charities have made could have a positive impact on the level of public trust. However, there are questions from some CEOs over whether the media is interested in good news stories. A further 12 per cent also thought that more effective communication and education of the public (often via the media) could help people to gain a better and more complete understanding of charities and the charity sector in general, including how they operate, the impact they have and what they need in order to provide their services.

One in six called for more transparency and information sharing in the sector, which links to 'effective communication and education'; to help charities demonstrate where they spend their funding, and regain some public trust in the sector. Another one in six felt that better regulators/regulation and/or governance was needed to do this.

Table 3 What more could be done to rebuild public trust in charities (open response coded into common themes/mentions)

	%	Some typical responses
Good new stories/ impact	28%	<i>Ambassadors - create good news stories - convey the vital nature of charity work - be more visible with the public.</i>
		<i>Attempt to promote more positive media coverage of what charities and volunteers.</i>
		<i>Improve relationships with media and promote good news stories and outcomes.</i>
		<i>Regular positive stories of the work they are doing that has an impact within the UK.</i>
Better regulators/ regulation/ governance	17%	<i>A stronger Charity Commission and greater scrutiny of poor performing trustees.</i>
		<i>Better governance and oversight as well as Charity Commission doing a better job.</i>
		<i>Improve standards, improve governance, improve communications.</i>
Information sharing/ transparency	17%	<i>A more open attitude to information sharing.</i>
		<i>Charities should be more transparent about how they fundraise and not over-state their impact.</i>
		<i>Publicise how much money they spend on delivering services, compared with management costs.</i>
Effective communication/ education	12%	<i>Better and continuous communication with the general public about what charities do, how and why they do it and why engaging with and donating to charities is so important.</i>
		<i>Education about the work of the third sector and the challenges that face the sector.</i>
		<i>More strategic comms - no 'voice' for the sector - lack of 'good news' stories - building trust fundamental for a flourishing voluntary sector.</i>
Charities as a business	4%	<i>A greater understanding by the public that charities are businesses, that they need professional capable people to run them and they don't run on air!</i>
Government recognition and support	4%	<i>Government led support for the principles and values of charity as an integral part of civil society.</i>
Small vs large	4%	<i>Promote the work of smaller, trustworthy charities to the wider public. It is mainly the very large charities who are at fault - smaller, honest charities should not be tarred with the same brush.</i>
Collaboration	2%	<i>More collaborative working and sharing of information between charities - share the glory, not 'hog the limelight'.</i>
Remove chuggers	2%	<i>Charities should stop using chuggers and doing door to door fundraising.</i>
Other	10%	

Base: All CEOs who responded (179)

4 Conclusions

Social Landscape 2017 highlights some important changes that have occurred over the past year. One key change is that demand for services is at the forefront, and has made its way into the top three challenges experienced by CEOs.

In order to relieve the strain on resources, many are taking action in the form of collaboration with other not-for-profits, or restructuring within their own organisation. Additionally, external advice and consultation has been sourced by the majority, highlighting the challenges and changes that charities are experiencing and their limited resources.

Charities also feel that they have been negatively affected by the recent media coverage. Good news stories, education and effective communication are seen as ways to regain the public's trust.

However, despite challenges, many are positive about the future of their organisation, and the majority are undertaking, or have undertaken, activities which may well help to relieve some of their concerns and aid them to overcome these challenges.

Reflecting the fact that organisations are continually looking for ways in which to improve their operations, we see a large proportion investing in IT, increasing social media activities and looking at diversifying their income streams, as well as introducing new methods and channels of giving. This is of particular importance, as income generation and financial sustainability is a key challenge for the majority of Chief Executives, but unfortunately few feel that charities are using technology effectively to increase giving. Adoption of online fundraising is low, likely exacerbated by the fact that very few Chief Executives feel that their organisation or charity knows how to fundraise online effectively.

There appears to be a need amongst charities for a perceived stronger relationship with and support from Government, especially in the current period of uncertainty.

Appendix I: Respondent Profile

What was the total annual income of your organisation in the last tax year?		
	%	n
Less than £50,000	9%	41
£50,000 - £149,999	13%	60
£150,000 - £249,999	9%	44
£250,000 - £499,999	16%	74
£500,000 - £999,999	14%	68
£1m - £2.49m	16%	75
£2.5m - £4.99m	10%	47
£5m - £9.99m	6%	30
£10m - £14.99m	2%	10
£15m - under £24.99m	3%	12
£25m - under £50m	2%	8
£50m - £99m	1%	3

Base: 472

How many of the following does your organisation have?						
	Full time employees		Part time employees		Volunteers	
	%	n	%	n	%	n
None	35%	71	25%	52	40%	83
1 to 9	36%	191	45%	237	20%	104
10 to 19	36%	63	33%	59	31%	55
20 to 49	34%	70	29%	59	37%	75
50 to 99	27%	27	32%	32	41%	41
100 to 199	31%	27	24%	21	45%	39
200 to 499	25%	15	10%	6	64%	38
500 to 999	21%	5	17%	4	63%	15
1,000+	8%	2	4%	1	88%	21

Base: 471

Where is your head office located?		
	%	n
Scotland	24%	112
Wales	2%	8
Northern Ireland	6%	28
East Midlands	2%	11
Eastern Region	5%	21
South East	16%	74
London	23%	108
South West	7%	32
North East	2%	9
North West	5%	25
West Midlands	4%	20
Yorkshire and Humber	5%	21

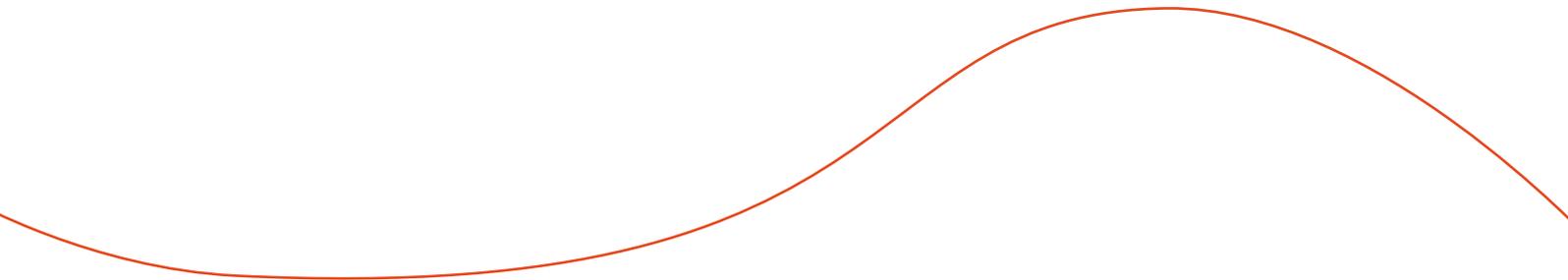
Base: 469

Appendix II: Most Pressing Challenges by Organisation Size (Income)

	Total	Size of organisation by total annual income in the last tax year		
		Small (<£1m)	Medium (£1m-<£5m)	Large (>£5m)
Generating more income/achieving financial sustainability	57%	62%	47%	58%
Meeting demand for services	36%	40%	32%	32%
Reduction in public/government funding	34%	34%	34%	31%
Raising awareness of our charity/cause	24%	25%	23%	21%
Measuring and demonstrating impact	21%	20%	25%	18%
Increased competition across the sector/within our cause	17%	12%	24%	19%
Insufficient resource	17%	18%	14%	18%
Increasing costs	16%	14%	21%	15%
Government intervention – new legislation or regulation	11%	10%	15%	10%
Making an impact	11%	11%	11%	8%
Lack of appropriately skilled staff or candidates in the sector	10%	6%	14%	19%
Securing regular planned donations (for example, via payroll giving or direct debit)	8%	9%	5%	10%
Remaining true to the original mission/avoiding mission drift	8%	8%	8%	6%
Securing and maintaining volunteer engagement	7%	7%	7%	3%
Reduced disposable income of individual donors	6%	6%	4%	5%
New technology – online and mobile solutions for both giving and communicating	6%	3%	5%	15%
Private sector competition in bidding for social contracts	5%	4%	5%	6%
Other	4%	4%	5%	5%
Base:	411	232	117	62

Appendix III: Operational Implications by Organisation Size (Income)

Which, if any, of the activities listed below has your organisation done, or is planning to do (in the past/next 12 months)	Total	Size of organisation by total annual income in the last tax year		
		Small (<£1m)	Medium (£1m-<£5m)	Large (>£5m)
Increase social media presence/activity/campaigns (n=155)	94%	93%	98%	92%
Invest in IT/new technology & online solutions (n=157)	87%	81%	96%	96%
Access outside help/expertise/consultancy (n=157)	87%	84%	93%	83%
Collaborate/partner with another not-for-profit organisation (n=158)	86%	84%	87%	92%
Diversify income/funding streams (n=154)	86%	87%	83%	87%
Restructure (n=151)	83%	79%	89%	85%
Introduce impact measurement (n=156)	75%	75%	76%	73%
Revise charity's mission/strategic direction (n=156)	74%	76%	78%	57%
Introduce new methods of/channels for giving (n=156)	65%	68%	59%	70%
Collaborate/partner with a private sector organisation (n=397)	54%	48%	55%	74%
Use charity reserve funds to cover income shortfalls (rather than for capital expenditure) (n=157)	54%	64%	43%	35%
Reduce staff numbers/downsized the organisation (n=156)	42%	41%	39%	48%
Reduce frontline services delivered (n=154)	37%	35%	37%	43%
Generate income through investments (n=155)	35%	18%	59%	50%
Arrange a financial loan (n=155)	20%	10%	24%	48%
Change fundraising behaviour in light of the new regulator (n=154)	18%	15%	11%	39%
Merge with another organisation (n=156)	17%	18%	9%	30%
Change fundraising behaviour in light of sector scandals (n=155)	17%	15%	13%	30%
Other (n=55)	16%	18%	7%	29%



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