

Sustainable Funding Cymru
Baseline Survey
Summary Report

April 2008



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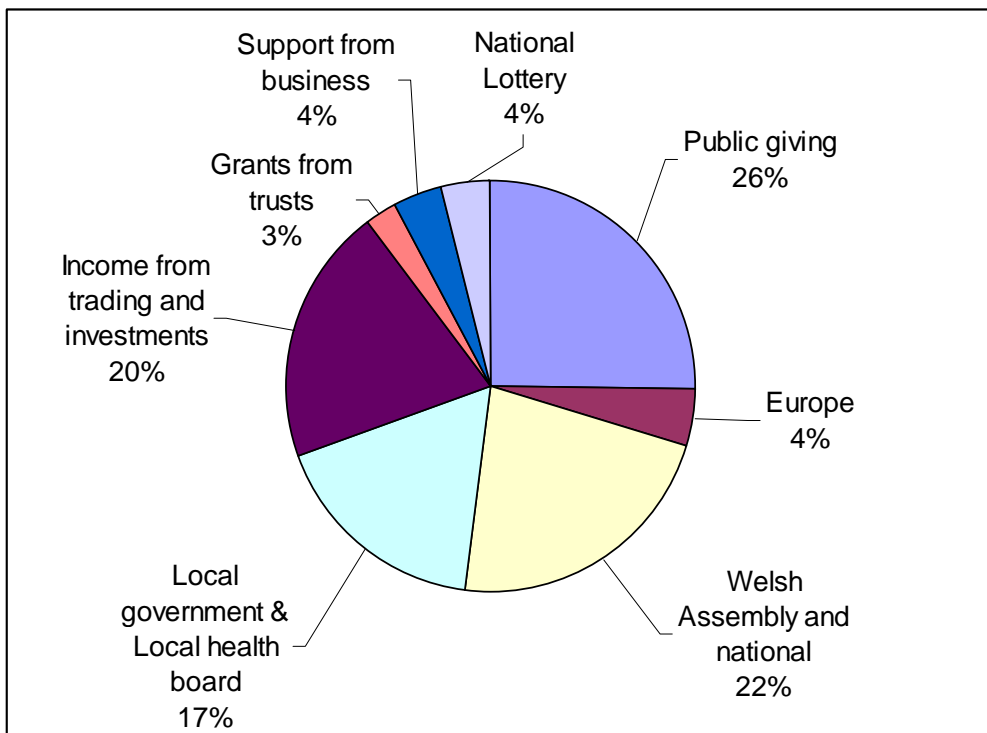


Foreword

The funding environment continues to raise new challenges for the third sector in Wales. There are fewer resources available to voluntary organisations arising from revised European priorities, tighter public expenditure plans and increased competition for funding as the number of registered charities in England and Wales rises.

The major issue facing all voluntary and community groups, therefore, is their long-term financing and sustainability. An increasing number of voluntary organisations of all types and sizes – from household name charities to small community groups – are identifying the need to adopt a more business like approach to managing their affairs, and particularly to acquiring and sustaining the resources they need to achieve their charitable or social objects.

This insecurity has led the sector to diversify its income base. Traditionally giving or donations have been the main source of income for the sector, but this has now changed with the public sector becoming the largest source of income. During the same period, earned income has been steadily increasing in addition to income from trusts and Lottery funding. The chart below shows the distribution between the various funding sources. It is clear that the third sector in Wales is accessing diverse income streams, but this is also something that individual organisations should be addressing.



The Third Sector in Wales 2008 – a statistical resource, WCVA April 2008.



1 Introduction

Sustainable Funding Cymru (SFC), WCVA's initiative, encourages voluntary and community organisations to explore opportunities for income diversification and provides information, training and support to help work towards a financially sustainable future.

SFC is a three-year initiative launched in October 2006 and funded by the Big Lottery Fund in Wales, to help organisations achieve long-term financial sustainability. SFC delivers three key elements:

- A website, www.sustainablefundingcymru.org.uk, which encourages the sector to take the first steps in looking at sustainable funding and includes case studies, tips, planning and funding guides.
- Training, which provides an overview of the tools and resources required to achieve financial sustainability, provided nationally by WCVA and locally by CVCs.
- Extended support to help around 30 organisations put their new skills and learning into practice.

The impact of the initiative is evaluated by a number of means including establishing baseline information about the third sector in Wales. Towards the end of 2006, a baseline survey was commissioned to measure the impact of SFC by conducting research into how organisations in Wales are funded, and how they view fundraising. This report provides details of the survey's aims, the research approach adopted, a brief summary of the key findings and the conclusions drawn.

2 Survey aims and purpose

The baseline survey serves as a starting point for Sustainable Funding Cymru and its activities, describing the funding situation at the beginning of the initiative. The survey had two key aims:

- Identify likely indicators of success for the initiative
- Identify funding trends to be addressed by the initiative in a proactive way

A second baseline survey is to be carried out within six months of the initiative's conclusion in autumn 2009.



3 Research approach

A sample of 2,500 was selected from WCVA's All Wales Database of voluntary organisations. A bilingual postal questionnaire was sent in January 2007 to all organisations with an interest in community enterprise. A number of questionnaires were also given out at SFC training courses and WCVA's conferences and events. The sample was stratified further by scope of organisation, focusing on national (all Wales), regional (working in more than one local authority area) and local organisations. In total, 558 replies were received, giving a response rate of 22 per cent. The responses were weighted according to the sampling methodology and corrected for the proportion of charities that responded. Results were then grossed up to be representative of the third sector in Wales.

4 Key findings – indicators and funding trends

4.1 Key indicators

The baseline survey has provided a basis for measuring change in certain indicators during the lifetime of the initiative. Potential indicators to be monitored include:

- Overall income
- Changes in legal form
- Diversity of income type
- Dependency of income type
- Attitudes to earned income
- Planning activity

4.1.1 Overall income

- From the survey, the overall income estimate for the third sector in Wales is £1.29 billion.
- Sixty five per cent of organisations have an income of less than £10,000 and less than 2 per cent have an income of over a million pounds.
- Small organisations make up 1.3 per cent of total income; largest organisations make up 38 per cent of total income.
- Organisations benefited from a number of different sources of income - most common are membership fees, donations, grants and trading.
- Forty-three per cent of organisations rely on one source of income for 90 per cent of their total income.
- Areas of interest and organisation size directly influence patterns of income.



4.1.2 Legal form

- Over 70 percent of all organisations are not incorporated.
- A third of organisations are registered charities, with a further 3 per cent being exempt or excepted charities (all churches).
- The proportion of organisations, which are registered charities, increases greatly for the higher income bands, with over 90 per cent of organisations with an income greater than £500K being registered charities.
- About 13 per cent of organisations are companies limited by guarantee, with a smaller number of friendly societies (3 per cent).
- About 6 per cent are registered for VAT.

4.1.3 Funding diversity

- Almost a quarter of organisations have only one type of funding source.
- Less than one in seven organisations has more than three types of funding sources.
- Most organisations (63 per cent) use two or three types of funding source.
- Organisations with an income of £250,000 to £1,000,000 are more likely to have a greater diversity of income types.
- Over 35 per cent of organisations working with children, or organisations, which give grants (benevolent), have only one funding type.
- Over 80 per cent of organisations working with young people, disabled people or in education and training have two or more funding types.

4.1.4 Funding dependency

- Seventy two per cent of all organisations rely on one type of funding for at least 70 per cent of their income (high dependency).
- Only organisations in the arts, culture and heritage area and those working with disabled people have less than 70 per cent dependency on one type of income.
- Forty three per cent of organisations rely on one type of funding for at least 90 per cent of their income.
- Of the organisations that are wholly dependent on one type of income, 31 per cent are funded from grants, 24 per cent by trading and 23 per cent from membership fees. This illustrates three main models of funding within the sector.
- Only 9 per cent of organisations have funding security of more than one year from grants/contracts.



4.1.5 Attitudes to earned income

- About 40 per cent of those surveyed said that they wanted to earn income, and around half who generate earned income wanted it to increase.
- Only 29 organisations replied that they had a separate trading company, extrapolating to 645 companies for the whole of Wales.
- Where organisations trade, it is often not to make money. The most common reason is to raise awareness of the organisation, educate the public or promote the cause of the organisation is working for.

4.1.6 Planning activity

- Nearly 45 per cent of organisations said they did not have plans or written statements.
- Just under half (47.5 per cent) of organisations have some kind of written plan.
- National and regional organisations are more likely to have a plan than local organisations, with 78 per cent of national organisations having a plan compared to 46 per cent of local organisations.
- Organisations, which want to earn additional income, are more likely to have plans (80 per cent) than organisations that do not want to earn income (50 per cent).
- Just over half of the organisations, which have plans, had targets for income generation.
- Seventy nine per cent of organisations with plans reviewed them at least every two years.

4.2 Funding trends

The baseline survey has also identified a number of funding trends, which the initiative could address:

- Perceived skill gaps in organisations who wish to grow and develop
- Exploit the positive attitude to earning by promoting the benefits of sustainable funding
- Promote the benefits of planning
- Persuade funding bodies to review the allocation of funds to the third sector in Wales



5 Conclusion

A critical consideration in designing the research was the great diversity of the third sector in Wales. It was important to include a wide range of organisations that captured at least some of this diversity on important dimensions, such as size, legal form, areas of interest, sources of income and attitudes to earning. The survey has identified with some degree of accuracy, that the third sector in Wales obtains funds from a wide range of sources. The balance of these sources depends on the size of the organisation, the area of activity and the underlying ethos of the organisation.

The development of a high level indicator is therefore complex. However, the calculation of a headline figure for the total income of the sector and its sources is one basis for this comparison, and this has been done. This indicator will be chosen as one of the indicators to be monitored. In addition, at an organisation level, there are three potential measures for comparison with time – earned / unearned income (attitudes to earned income), funding source diversity and dependency on one funding source. In addition, attitudes to earned income and planning provide a good basis for measuring changes in organisational behaviour over the course of the initiative.

6 The way forward

With the indicators mentioned above, the proposal is to monitor all relevant information within the following systems framework:

Inputs:

- a. Legal framework of the sector
- b. Attitudes towards earned income

Process/outputs:

- a. Presence and use of planning tools
- b. Changes in the income source balance

Outcomes:

- a. Attitude toward earned income
- b. Total income of the voluntary sector, and its sources
- c. Diversity of income types
- d. Dependency on one income type

Findings from the survey also identified a number of issues to be addressed by the project in a proactive way.



The skills gaps analysis highlighted areas of training needed for voluntary organisations to achieve their aims. In many ways these were already well known, and have been the subject of other training initiatives over the years. However, with the advent of the Welsh Assembly Government, WCVA, CVC and Volunteer Centre partnership agreement, there is an opportunity to position training within a wider spectrum of interventions offered at different levels of expertise and for people with different levels of experience.

It is suggested that the team consider the training they offer within the broad headings identified, but also looking at progression from 'management for the first time' to NVQ qualifications or other accredited learning where appropriate.

The dependency of organisations on single sources of funding, the occurrence of organisations with an income over £100,000, which are unincorporated, and the attitudes to earned income all indicate that activity to raise awareness on the benefits of earned income is needed. This could include information in newsletters and on the website, sharing of best practice, case studies and attitudes expressed by the team and other WCVA staff when they interact with colleagues and contacts in the sector.

Whether earned income of other income sources is preferred, 43 per cent of organisations do not have any kind of strategic or operational plan. This suggest that the project can provide a useful avenue for highlighting the effectiveness of planning processes to enable organisations to communicate their aims and to build a framework for working towards financial sustainability.

Finally, the large number of organisations which do not have any certainty of funding suggests that the project has a role in working with other parts of WCVA and the sector in promoting the case for better funding mechanisms from funders.