



Weston Charity
AWARDS

Small Charity Leaders Insight Report 2020: the Scissors Effect

Conducted by
Pilotlight and
the Garfield Weston Foundation



Garfield Weston
FOUNDATION



Contents

Introduction	p.2
PART I: The Road Ahead for Small Charities	p.4
PART II: Small Charities and their People	p.9
PART III: Collaboration and Capabilities	p.13
More Information	p.15



Hearing directly from charities is invaluable for us as a funder – the messages are important and challenge us to continually improve our approach and processes.

Philippa Charles, Director, Garfield Weston Foundation

Methodology

257 charity leaders in England, Wales and Scotland responded to our survey in September and October 2020. All were leaders of organisations with incomes under £5 million, with 70% having an income below £500,000, and 20% having an income of £500,000-£1m.

Introduction

Small may be beautiful, but it is extraordinarily tough to be running a small charity right now. The value of the frontline charities that we work with through the Weston Charity Awards has never been more compelling - and it is to understand their needs and challenges that we present the 2020 Small Charity Leaders Insight Report. Welcome.



Now in its fourth year, this report is becoming established as an important source of information on small and community-based charities across the UK. It supplements what we learn at Pilotlight through our engagement with over 100 charities every year, providing vital organisational development support. We love to see charities and social enterprises - and the communities which they serve - flourish.

We are grateful for the participation and input of so many small charity leaders, as well as the encouragement of the Small Charities Coalition and a number of other sector bodies - ACEVO, the Association of Chairs, the FSI, NAVCA, the WCVA, and local CVSs across the country. And of course, we are indebted to our partner in the Weston Charity Awards, the Garfield Weston Foundation.

The headline finding from the research is that 2021 will be the toughest year yet for most small charities, characterised by what we are calling the 'Scissors Effect' facing charities - of rising needs and falling income. That 2021 will be similar to 2020 in its impact on society and on charities is only part of the story. What makes the Scissors Effect so concerning is that 2021 comes after a year which has drained income, reserves and capacity across so many small charities. The toll is evident in our other findings, including that mental health is the number one concern at work for small charity leaders.

The charity sector is resilient, more so than it sometimes gets credit for, and we want to pay tribute to the long hours, resourcefulness, tireless service and enduring hope that we see in so many small charity leaders.

The fact that 88% in our research say that they would recommend working for a small charity (higher even than last year's 80%) may reflect the truth that there is power in having a purpose. These charities see the value and the impact of what they are doing.

If you work for a small charity, we hope you will use this report to help think about whether you would benefit from strategic support from Pilotlight, by entering the Weston Charity Awards. You may apply for a Weston Charity Award, with added funding, between now and 8 January, and you can find out more at www.westoncharityawards.org

(The Weston Charity Awards are subject to geographical and other criteria, but wherever you are in the UK, at Pilotlight we have several ways for you to access strategic support for your small charity, and look forward to hearing from you.)

Thank you for reading,

A handwritten signature in black ink, appearing to read 'Ed Mayo', with a stylized flourish at the end.

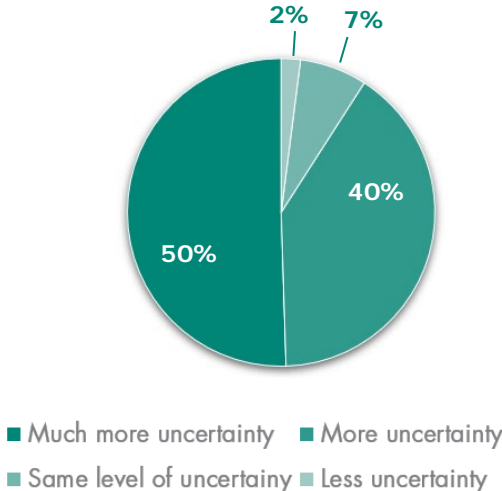
Ed Mayo
Chief Executive, Pilotlight
December 2020

PART I: The Road Ahead for Small Charities

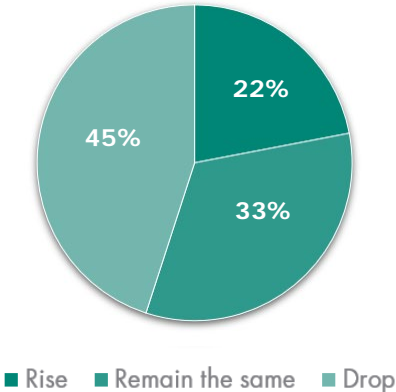
Each year, the Small Charity Leaders Insight Report survey asks charity leaders about the level of uncertainty in their operating environment. It is little surprise that almost all (90%) said the landscape was ever more uncertain - a higher figure than last year's 70%, and 2018's 68% - making it all the more vital that these leaders can access appropriate support and guidance as they navigate this increasingly complex world.

This uncertainty is compounded by a gloomy financial outlook, with just 22% of respondents expecting their charity's income to rise in 2021. In each of the past three years, the figure has been more than a third (41% in 2019).

Do you feel there is more uncertainty in your operating environment than in previous years?



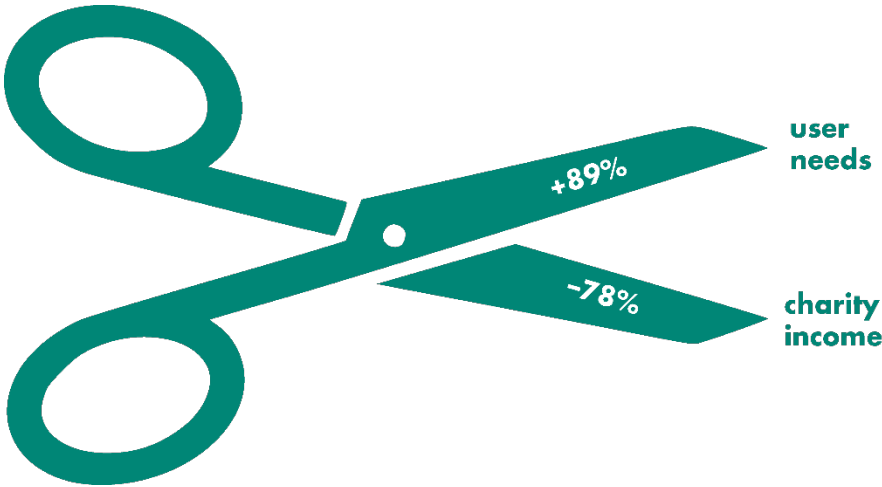
Do you expect your charity's income to rise or fall in 2021, compared to this year?



With 78% of respondents expecting their income to either drop or at best remain stable, one might expect small charities to be predicting a drop in the number of users they can work with next year. Far from it - in fact, the vast majority expect to help more people in 2021, with 67% people expecting to help more, and another 22% expecting beneficiary numbers to remain stable.

This gives rise to what we can call the Scissors Effect; charities working to deliver more, with less. This is always a risk in the charity sector - indeed, in every year of this survey, a majority of respondents have expected to help more people than in previous years. But in 2021, this effect is likely to be particularly sharp. As we will go on to see, charities are expecting to face a number of tricky challenges this year, and so will be forced to make some very tough decisions around demand management, staffing, demands on volunteers, workload management and the like - while also innovating and creating new models of service delivery.

The Scissors Effect



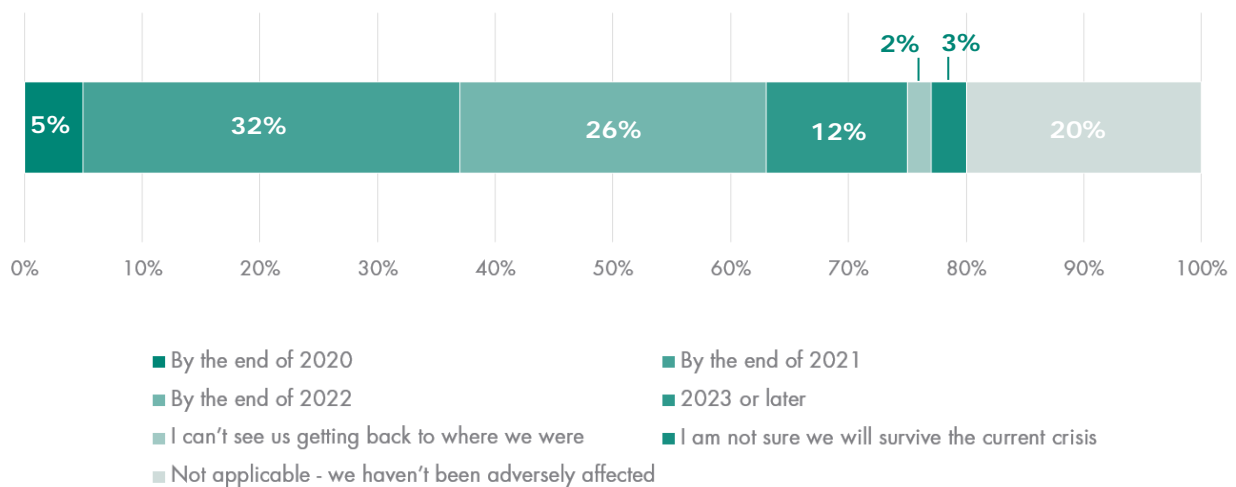
89% of charities predict service user numbers to be stable or rising in 2021... while 78% of charities say their income will either drop or at best remain stable



Small charities are in the business of hope, whether it is providing hope to their beneficiaries, their communities or the world at large. They are driven by optimism and can do attitudes, so it comes as no surprise to find that two out three expect to reach more users in 2021. However, for many to be able to achieve this, we need to also recognise the urgency of their financial situation. Demand is increasing at a time when the funding environment is becoming more competitive, and when the costs of delivery are also escalating.

Rita Chadha, Chief Executive, Small Charities Coalition

Thinking about Covid-19 and the unfolding knock-on effects, how long do you think it will take your charity to get back to the size and strength it was prior to the pandemic?



One challenge ahead for small charities is that the majority (59%) have had to dip into their reserves to keep themselves running during this challenging year - which will have offset some, but not all, of the impact of the ongoing Scissors Effect. While most of those expect to rebuild their reserves in the next few years, a small number say it might take more than a decade. There are also a number of charities (35%) who did not dip into their reserves - perhaps because they never felt the need, or they weren't sure whether such a

move was warranted by the circumstances. Another 6% simply didn't have any reserves to start with.

The survey also asked respondents which strategic opportunities or risks they expected to face in 2021, giving them a list of options to choose from. More competition for funding was highest on the list. The opportunity to better demonstrate impact was the most popular strategic opportunity, followed by the chance to collaborate with other charities.

The most common answers were:

STRATEGIC RISKS

- More competition for funding **84%**
- Addressing increased levels of stress and mental ill health among staff **59%**
- Being forced to chase funding rather than doing what matters most **57%**

STRATEGIC OPPORTUNITIES

- Improving how we demonstrate our impact **78%**
- Collaborating more with other charities **61%**
- Developing closer ties to our local community **60%**
- Continued service innovation around our move to virtual services **58%**



Other issues anticipated included: more interest from funders on issues around equality and inclusion (38%) - a topic addressed later in this report; an increased reliance on volunteers (34%); and closer working with the private sector (32%), an opportunity we will consider in Part III.



It is great to have this research. Small charities play a vital role in creating a more human-scale society in which people can play an active role in their own neighbourhoods.

Danny Kruger, MP for Devizes and author of 'Levelling Up Our Communities: Proposals for a New Social Covenant'

Respondents were also able to write in their own responses to this question, which give granular insights into the pressures faced by the leaders of smaller charities - several mention the need to generate more earned income, including through online sales, while others described changes in the health and care system and the need to work more closely with NHS partners. Others pointed to workforce and skills challenges, something we now turn to, in Part II.

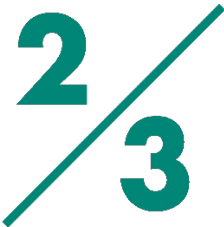
Since 2003, Pilotlight has helped nearly 1,000 charities and social enterprises in the UK to tackle the trickiest questions facing their organisations. Two years on from working with Pilotlight, these charities have on average increased their incomes by 40%. Find out more about how Pilotlight and the Weston Charity Awards could benefit your charity, and ultimately improve the lives of your users.

PART II: Small Charities and their People

As seen in the previous section, staff mental health is one of the biggest challenges on the radar of small charity leaders. It is little surprise, in a year which has brought change and uncertainty, and in many cases illness, bereavement and fear, that this is also the single most pressing workforce issue small charity leaders expect to face in 2021.

When given a list of options, respondents' most commonly-cited personnel issues were:

- Stress and mental ill health **65%**
- Ensuring staff/volunteers maintain and develop their skills **61%**
- Difficulties collaborating among staff/volunteers while working remotely **49%**
- Difficulty in succession planning **46%**
- Ensuring staff take holidays, avoiding presenteeism **45%**
- Empathising with the differing experiences of staff/volunteers through 2020 **45%**
- Involvement of people with lived experience of your cause area **38%**



two out of three
charities say
that stress is
their No 1 concern
at work

With the mental health conversation in the UK having changed fundamentally in recent years and now plunged into a new phase thanks to the uncertainties of lockdown and pandemic, small charity leaders should not be expected to feel confident in tackling this issue alone - even for those lucky enough to have specialist HR or mental health skills in-house.

Among the other, less common issues were making redundancies and developing BAME staff for leadership roles. Each of those two were cited by 21% of respondents; it is pleasing that the former wasn't more common, but may be of some concern that the latter was so relatively rare.

That said, several write-in answers did focus on diversity, be that ethnic or in other strands of diversity such as disability - whether it was wanting to increase representation on the board and among senior staff, or among volunteers and employees. Another described the financial pressures put on the organisation in moving all its roles onto the Real Living Wage (or higher).

On the point of diversity, respondents were also asked whether they had updated their plans in this area, following this year’s events.

The death of George Floyd in May this year, and resulting Black Lives Matter protests, have been major stories this year. Have they prompted change in your charity’s diversity, equality and inclusion plan?

We already had a plan, it remains unchanged	45%
We have started or will start developing one	21%
We are now reviewing our existing plan	20%
We have no specific plans to start one	10%
We do not need one	5%



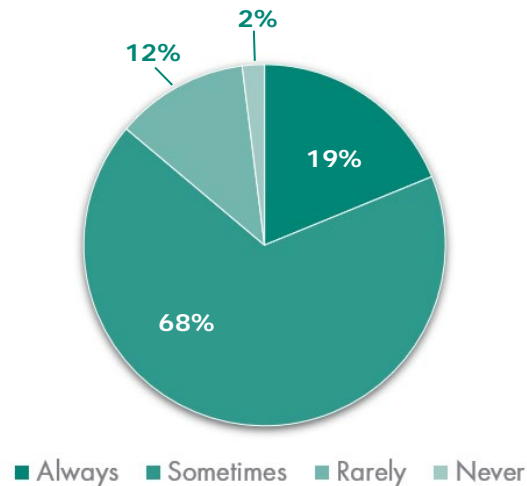
It's concerning that 15% of charities don't have a Diversity, Equity & Inclusion plan, or even worse don't think they need one. Unfortunately, the charity sector is massively overstretched, facing more challenges than ever before, and small charity leaders may well need external support to address the issue. However, diversity is not an optional extra - it needs to sit at the centre of every organisation’s strategy and charities must make it a priority.

Sally Bailey, Chair, Pilotlight

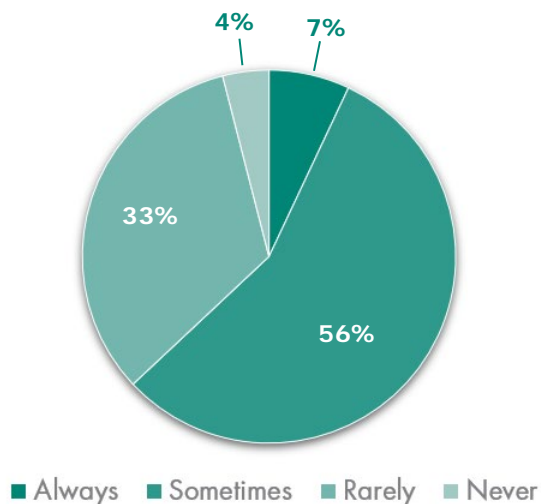
Another issue high on the agenda of small charity leaders, in spite of the pressures of the Scissors Effect, is training and development. While it was cited as respondents’ second biggest people priority, few say they always find enough time to invest in development

opportunities for their staff, let alone themselves as leaders. This corroborates a finding of last year's survey, that while 58% of charities were able to invest in training specific to their cause areas, just 34% could invest in leadership - with financial and time pressures being the biggest barrier.

Do you feel able to give your staff sufficient development opportunities to keep them happy and their skills/knowledge up-to-date?



Do you feel that you give yourself, as a leader, sufficient development opportunities to maintain your happiness and keep your skills/knowledge up-to-date?



Respondents also indicated whether their chair or trustees enquire about their mental health. Only 17% of respondents say this already happens - although a further 59% ask about

leaders' wellbeing, if not specifically mental health. For the remaining 24% of respondents, no such questions are ever asked.

Despite all these challenges, 88% of respondents say that they would recommend working for a small charity to a friend - with just 5% saying a specific 'no', and the rest unsure. This is higher than the figures for the past two years (80% in 2019, 83% in 2018).



Charity leaders are under huge strain - now more than ever. This means it has never been more important that chairs and trustees ask CEOs and charity leaders about their mental health. Nor has it ever been more crucial that charity leaders do not forget about their own development, and seek out relevant opportunities - if they fail to invest in themselves, they fail to invest in their organisations.

Vicky Browning, Chief Executive, Association of Chief Executives of Voluntary Organisations (ACEVO)

Two years after working with Pilotlight, 81% of charity leaders report that the Pilotlight Programme has increased the effectiveness of the services they deliver. Thanks to Garfield Weston Foundation's support of the Weston Charity Awards, we can deliver similar impact to even more charities. Whether you're eligible for the awards or not, Pilotlight wants to hear from you.

PART III: Collaboration and Capabilities

Earlier in this report, we saw that collaboration with other charities was seen as a crucial opportunity for small charities. A further third thought closer working with the private sector - an area in which Pilotlight has rich experience - would be a key priority (see Part I). Overall, nearly three-quarters of respondents (72%), selected at least one of these options, with 22% choosing both.

But while most respondents report getting a 'good' or 'excellent' level of support from local people (77%, up from 74% last year), just 44% say the same of local businesses. This is in line with results from previous years - as is the finding that few small charities get the support they need from central government.

When asked what they are looking for, aside from money, from local people, leaders gave the following responses, which are largely unchanged from last year.

- To volunteer for us **70%** (2019: 81%)
- To contribute professional skills pro bono **66%** (2019: 69%)
- To act as fundraisers **66%** (2019: 68%)
- To act as ambassadors **59%** (2019: 54%)
- To work for us **23%** (2019: 29%)

Asked which professional skills their charity could most benefit from, the response again reinforces our findings from previous years. Skills around developing partnerships with the commercial sector and fundraising capabilities come out top, just as in 2019.

- Building partnerships with the commercial sector - **58%**
- Fundraising - **58%**
- IT and digital - **49%**
- Branding and communications - **46%**
- Leadership and strategy development - **31%**
- Legal - **27%**
- Financial - **23%**



Recent research from Pilotlight showed that half of the workforce, more than 15m people across the UK, would love to find a way of putting their skills to use on a voluntary basis. Our new finding that a majority of small charities want to collaborate better with the private sector highlights a vast and mutually beneficial opportunity for businesses and charities to work more closely together.

Bruce McCombie, Deputy Chief Executive, Pilotlight

Employee Volunteering



21% use their work skills to volunteer

50% want to volunteer

79% say the business benefits if they volunteer

Pilotlight Omnibus Survey, August – September 2020

That so many charities are looking to outside sources for new skills, to complement or supplement those they already have in their organisation, is music to the ears of Pilotlight. Having spent two decades bringing the leaders of charity and private sector organisations together to make both more effective, we are enthusiastic about the potential for more charities to embrace corporate volunteering and professional pro bono support.

Through the Weston Charity Awards and other programmes, Pilotlight supported 148 charities in 2019. Of the charity leaders completing the Pilotlight Programme last year, 90% say it increased confidence in their role, 82% say it increased their leadership skills and 74% say it increased personal wellbeing. Find out more about the Weston Charity Awards at westoncharityawards.org, and more about Pilotlight at pilotlight.org.uk

More Information

About the Weston Charity Awards: The [Weston Charity Awards](#) celebrate and support great frontline charities working in the fields of community, welfare and youth. Run by the Garfield Weston Foundation with Pilotlight, charities with incomes under £5m in the North of England, the Midlands and in Wales can apply. Initially launched in the North East of England in 2014, the Weston Charity Awards quickly expanded to the North West, the Midlands and, in 2018, Wales - areas identified by the foundation as having the greatest need.

About the Garfield Weston Foundation: Established over 60 years ago in 1958, the [Garfield Weston Foundation](#) is a family-founded, grant-making charity which supports causes across the UK and gave over £88million last year. It has donated well over £1 billion to charities since it was established.

One of the most respected charitable institutions in the UK, the Weston Family Trustees are descendants of the founder, and they take a highly active and hands-on approach. The Foundation's funding comes from an endowment of shares in the family business which includes Twinings, Primark, Kingsmill (all part of Associated British Foods Plc) and Fortnum & Mason, amongst others – a successful model that still endures today; as the businesses have grown, so too have the charitable donations.

From small community organisations to large national institutions, the Foundation supports a broad range of charities and activities that make a positive impact in the communities in which they work. Around 2,000 charities across the UK benefit each year from the Foundation's grants.

About Pilotlight: [Pilotlight](#) is an award-winning social enterprise that connects Pilotlighters (its business members) with charitable organisations, to unlock solutions that help charities become more effective and sustainable. Since 2003, Pilotlight has supported nearly 1,000 charities and social enterprises tackling social disadvantage in the UK. Pilotlight's impact report 2020 shows that two years after completing the Pilotlight Programme, on average, charities have increased their turnover by 40% and are reaching 36% more people.



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