



# State of the Sector 2024

Ready for a reset

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# Executive Summary & Recommendations

Since [the last State of the Sector report in 2020](#), charities have withstood challenging years. The COVID-19 pandemic and the cost-of-living crisis have forced charities to focus on meeting the pressing needs in front of them.

Where has this left them? State of the Sector 2024 explores the views of charity leaders, charity users, and the public on where charities are.

Our findings come from two robust, sampled surveys:

- One of 298 charity leaders.
- One of 2,062 representative members of the public—including 893 people who have used charity services in the last 12 months.

We asked them a series of questions about charities, how charities worked with the state, and what role charities play in local communities.

We hope the results represent a chance for charities to press the ‘reset button’. To rethink strategies and approach. And, in an election year, to reset relationships with government and politicians.

## Key findings

What we heard from charity leaders, users, and the public was:

- **Essential public services are at risk due to underfunded contracts held by charities.**
  - Only one quarter of contracts that charities hold have been uplifted in line with inflation.
  - 62% of charities believe that they do not receive the full value it costs to deliver a public sector contract, with the average charity contributing 35% the value of a contract.
  - **We estimate that charities prop up state services by £2.4bn a year<sup>1</sup>.** This is equivalent to twenty-three times the emergency support package that the Chancellor

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<sup>1</sup> Please see our methodology note in the appendix on how we calculated this estimate.

provided charities with in 2023 to help them cope with the cost-of-living crisis. It is also over half the size of the total contributions to the government's [Levelling Up Fund](#).

- **The majority of the public, particularly those from lower income backgrounds, are not sure that charities are working where they're most needed.**
  - 83% of charity leaders think that they work in the geographic areas where need is greatest 'most' or 'all of the time', compared to only 41% of the public.
  - Small charity leaders are most likely to believe that they are delivering where they are needed. Lower income groups are the most sceptical that charities are where they are needed.
  - The public want the government to tackle this issue: **54% want the government to give more support to charities to work in poorer areas.**
- **Only a small minority of the public (15%) think charities are 'too political'.**
  - 56% of the public overall think that charities get the balance 'about right'.
  - This includes 63% of Conservative voters and 61% of Labour voters.
- **A majority of the public (59%) want government to work in partnership with charities more.**
- **Charity leaders are having fewer strategic conversations** about mission, mergers, and partnerships than they did three years ago.
  - The proportion of leaders rethinking their delivery model has dropped from 69% to 58%.
  - The proportion of leaders who have reviewed their mission has dropped from 72% to 60%.
- **Users are more positive than leaders about the diversity of the charities that they work with.**
  - 73% of users say that charity staff are mostly or fully representative, compared to 51% of charity leaders.
  - But leaders are less likely than users to think that they need to recruit staff from LGBTQ+ backgrounds or different classes.
- **When asked about different services, the public were most likely to think that charities have a unique advantage over businesses and the state at delivering mental health**

**services and supporting children and young people** Charity leaders agreed, and also think that charities have an advantage at delivering mentoring and community engagement.

- **Charities are consulting with their users more, but users are feeding into strategic conversations less.**
  - The proportion of charities who consulted their users rose from 60% in 2020 to 85% in 2023. However, the proportion of charities who say that users have a direct input into their strategy dropped from 71% to 62% over the same period, although this is not a statistically significant change. Charities need to ensure that user involvement does not become tokenistic.
- **Most charity leaders do not see the climate crisis as a priority risk for their organisation.**
  - Only 11% think that the impact of climate change is a top three risk for their organisation, and only 39% discussed it at board level in the past 12 months.
  - The environmental, social, and governance (ESG) agenda is not seen as a key opportunity by many charities, with only 31% discussing it at board level.
- **Charities are more confident using digital technology but face large financial barriers to doing more.**
  - 79% feel fairly or very confident that they are making best use of digital technology, up from 59% in 2020.
  - 65% have identified lack of funding as a barrier to engaging more with the digital and data agenda.

## Recommendations

This research highlights a range of issues that the sector and the people who need its support are facing, including risks to public services and high needs exacerbated by regional inequalities in charity support. However, it also highlights that there is support from both the sector and the general public for greater government action to begin tackling these issues.

### Government

**We recommend capitalising on this support and resetting the relationship with the voluntary sector by taking action on three urgent areas:**

- **A renewed partnership between government and the voluntary sector underpinned by new structures:** [We have suggested a range of ways in the past in which a government could do this](#). However, the central point is a commitment from government to working with the voluntary sector from the start in the design and delivery of policies, programmes, and legislation.
- This could include:
  - A modernised [Civil Society Compact](#)—an agreement between the government and civil society to work together to achieve common goals. These could happen at the local level as well<sup>2</sup>.
  - A council chaired by the Prime Minister to give the voluntary sector a voice within Whitehall, challenging and supporting the government on key issues.
  - Action plans produced annually by each public service, and devolved areas like mayoral combined authorities, which explain how they intend to consult and involve the voluntary sector, so that these plans can be scrutinised.
- **A new approach to working with charities to deliver vital public services and contracts:** The government needs to work with charities to identify potential risks in public service delivery, including cross-subsidisation of contracts. Together, we need to co-develop a new approach to delivery which:
  - Recognises the wider value, including social value, that charities bring into communities.
  - Makes use of charities' unique advantages as a partner in service delivery.
  - Tackles social issues and needs.
  - Supports community infrastructure and social capital around the country.
- **Targeted programmes to ensure that charities can meet needs in poorer areas of the country including:**

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<sup>2</sup> Our CEO Dan Corry explained in a blog how this could work in more detail: <https://www.thinknpc.org/blog/how-should-labour-work-with-the-voluntary-sector-in-government/>



- Targeted ‘social investment zones’, using a combination of government funding and incentives for philanthropic funding to support charity activity ([as we have called for previously](#)).
- New devolved powers and spaces for local leaders to co-develop policies alongside the local voluntary sector in some of the poorest areas of the country over 10 years.

#### **For charities:**

- **Look again at the risks which government contracts pose for your work and those who rely on your services:** contracts can be a very effective way of delivering on your mission, but leaders need to think carefully about the risks that contracts pose to their sustainability.
- **Do not get complacent about diversity:** a majority of charity users believe that the charity staff they work with are representative, but charity users are more concerned than leaders about the lack of staff from LGBTQ+ backgrounds and people from different social backgrounds.
- **Do not shy away from campaigning:** the majority of the public do not think that charities are too political. Campaigning is an indispensable route for charities to achieve their mission, particularly in an election year, and you would be not performing their role if they did not do this.
- **Do not overlook the longer-term risks that environmental crises poses for your organisation:** the climate and nature crises may not be seen as much of an immediate risk as others that charities face, but NPC’s [Everyone’s Environment](#) work shows that the climate crisis will affect the groups that you work with.
- **Ensure that beneficiary involvement does not become tokenistic:** you should work with your users to address power dynamics within your organisation and shape the direction of your mission together.
- **Ensure that you make time for difficult conversations at board level:** leaders need to ensure that immediate needs do not distract them from the important task of stepping back to think about big questions like their mission, their delivery model, or opportunities faced by merging at board level.

#### **For Funders:**

- **Offer charities funding packages which allow them to reflect and think strategically.**
  - Funders should offer more core and unrestricted funding to allow leaders more space to take a step back and think about the longer-term questions about where their organisation is going individually. Similarly, funders could also ensure they are funding opportunities for charities to collectively reflect and set future agendas to achieve more impact.
- **Work with your grantees to understand and meet their needs.**
  - 87% of charities wanted funders to offer more core funding.
  - 77% of charities felt that funders should understand the pressures that charities face better.
  - 57% of charities felt that funders should help them do more to adapt, change, and collaborate with other funders.
  - On a more positive note, 59% of charities felt that funders required appropriate levels of impact measurement for grant recipients.
- **Funders should feel comfortable in funding campaigning as a core part of their grants.**
  - The public do not generally think that charities are 'too political' and influencing government is a legitimate and effective way for organisations to achieve their mission.



# About State of the Sector

If we want to maximise the impact of the charity sector in the future, we need to be able to understand how the forces around charities have shaped the opportunities and challenges that they face. State of the Sector aims to do exactly that.

## Methodology

State of the Sector is a robust, sampled, survey of charity leaders, which NPC has run every three years since 2017. This allows us to compare distance travelled on a variety of questions.

This year, for the first time, we have asked a similar set of questions to the public and charity users. This offers us a fresh perspective on the work that civil society does, how communities want charities and government to support them, and how this differs from what charity leaders think.

The field work for these two surveys was carried out by Savanta, and the analysis on the findings was conducted by NPC.

- The leaders' survey was part conducted via phone and part online. It involved 298 charity leaders targeting a balance of major, large, and small/medium charities drawn from a sample from the Charity Commission database. We excluded all organisations other than those in NCVO's "general charity" category. Fieldwork lasted from 12<sup>th</sup> July to 8<sup>th</sup> November 2023.
- The public survey was conducted online and targeted 2062 representative members of the public including 893 people who had used charity services in the past 12 months. This survey ran from the 25<sup>th</sup> September to 4<sup>th</sup> October 2023.

We asked both leaders and users a range of questions about where and how charities deliver services, their relationships with government, their diversity, and their reach across the UK. The leaders' survey was longer and included questions about the internal capacities of charities including their strategies, conversations at board level, and data and digital use. This report summarises their responses and compares to previous years.

# Charities and the state

## Public services at risk

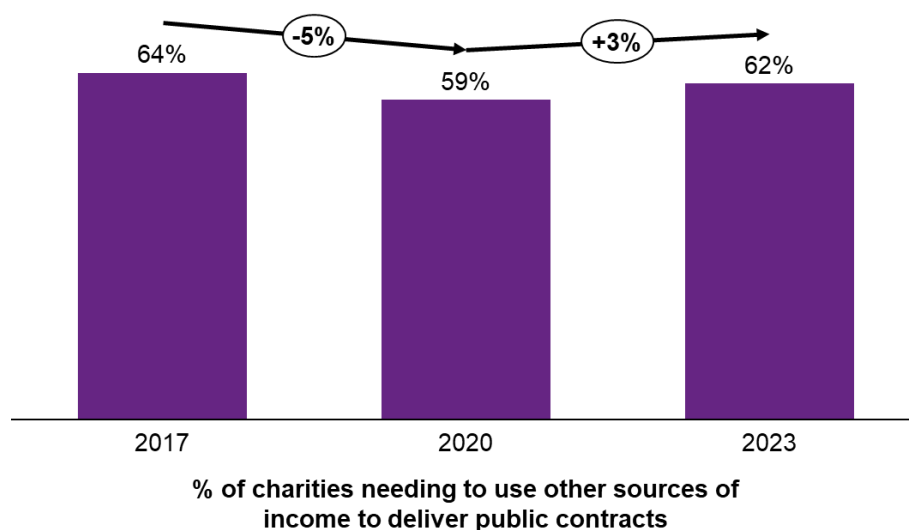
Charities are a key partner in public services, responsible for delivering billions of pounds of vital services. These are services which people around the country rely on, ranging from mental health support and care for those who are unwell or unable to work, to tackling poverty and reducing homelessness. These services are key to supporting the health and wellbeing of people around the country and ultimately, [as we have shown before](#), economic growth.<sup>i</sup>

However, the government contracts which many of these services are commissioned through do not cover the costs of delivering the service.

62% of charity leaders told us that they cross-subsidise these contracts by using other sources of funding, such as money from fundraising, to successfully deliver them. This figure has stayed broadly steady since 2017, demonstrating how this issue has not been addressed.

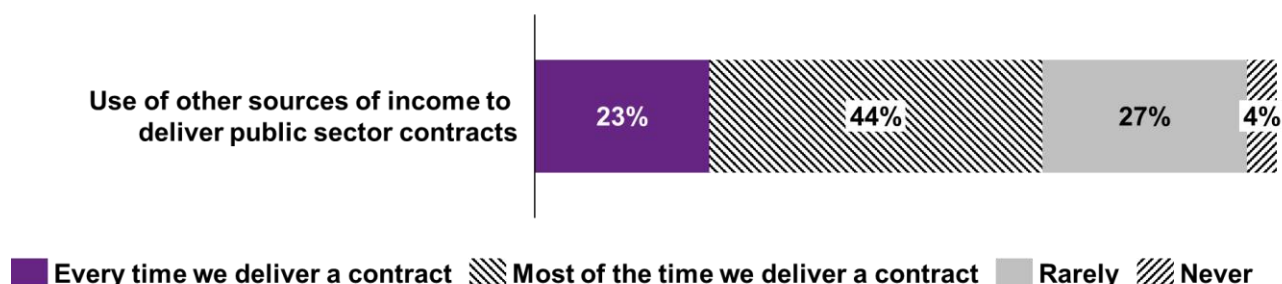
The majority of charities who deliver contracts (67%) cross-subsidise contracts most or every time they deliver a contract. The median amount a charity receives from government for its service is 65% of the value of the contract.

*Which, if any, of the following statements reflect your organisation when it comes to delivering public sector contracts? Statement: We need to use other sources of income, such as money from fundraising, in order to successfully deliver public sector contracts.*



*n.b. sample size of 2017 (143), 2020 (162), 2023 (157)*

*How regularly do you use other sources of income to successfully deliver public sector contracts?*



*n.b. sample size of 2023 (97)*

From this, we can make a robust estimate about the total amount the charity sector subsidises public services every single year.



**We estimate that charities are subsidising government services by £2.4bn every year.**

This is equivalent to twenty-four times the emergency support package which the Chancellor provided charities with last year to cope with the cost-of-living crisis<sup>ii</sup>. It is also over half the size of the total contributions to the Levelling Up Fund, the government's flagship fund meant to tackle regional inequalities across the country<sup>iii</sup>.

There are many reasons why charities do this. [Our previous research](#) shows that some organisations can afford to do this, doing so intentionally to improve the quality of a service. Others do this without realising, or because the needs they see leave them with no choice.

Nevertheless, charities are facing huge funding pressures alongside rising needs and costs. Many may not be able to indefinitely continue to cross-subsidise with money fundraised from the public in this way.

This represents an ongoing and likely unsustainable risk to vital public services which people rely on. Some organisations may reach crisis point and have to close services or even the whole organisation. At this point, people who rely on these services will go without support and some may have to resort to already stretched emergency services instead. As NCVO have pointed out, this is already beginning to happen for a minority of organisations<sup>iv</sup>. Government needs to take urgent action to address this situation.

Over the past three years the UK has experienced rapid inflation, reaching a 41 year high of 11.1% in October 2022 before dropping to 4% in December 2023<sup>v</sup>. This has increased costs for all charities who deliver public sector contracts, but the respondents to our survey told us that only one in four (27%) have had their contracts uplifted in line with inflation.

*Which, if any, of the following statements reflect your organisation when it comes to delivering public sector contracts?*

*Statement: The contracts that we deliver have been uplifted more or less in line with inflation.*



*n.b. sample size of 2023 (157)*

Interestingly, the number of organisations who have turned down contracts because the operational risk is too high has actually dropped from 54% in 2020 to 44% in 2023, although this is not a statistically significant change.

Similarly, the number of charities who have turned down contracts because they aren't on mission has dropped from 59% in 2020 to 47% in 2023. This could be driven by charities ramping up capacity in all areas in response to rising needs. However, charity leaders should make sure that they're not inadvertently risking the financial stability or impact of their organisations by taking on a series of risky or off-mission contracts.

The government urgently needs to address this issue by working with charities to identify potential risks in public service delivery, including cross-subsidisation of contracts. It needs to co-develop a new approach to delivery which recognises the wider value that charities bring in communities and makes use of charities' unique advantages as a partner in service delivery to tackle needs around the country. For more information on how to do this in a procurement context, see NPC's policy paper on charity procurement: [Recognising Social Value in Public Procurement](#).

## Charities are needed across the UK—but are they always present?

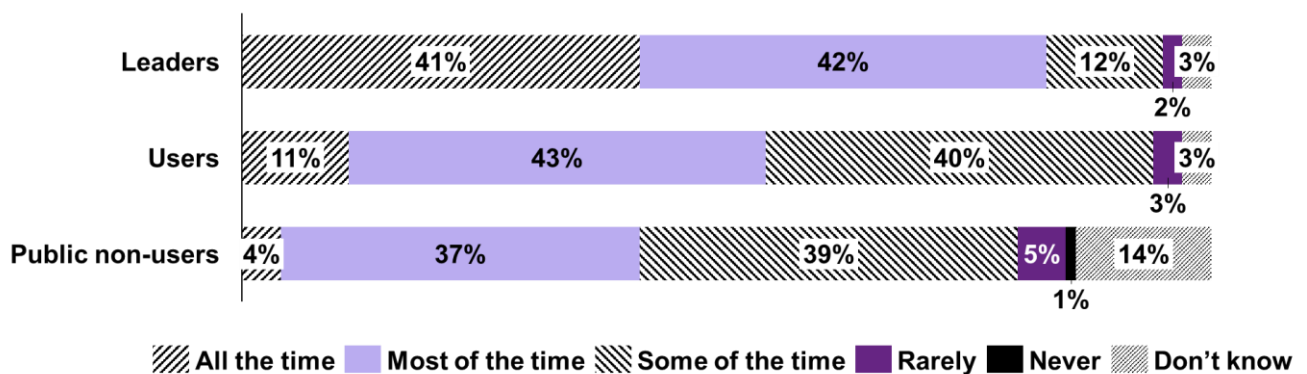
Despite the vital role that charities play in communities, the people who likely need charities' services most are not convinced charities are working where they are most needed. Charity leaders, however, seemed less aware that there may be a problem.

Charity leaders told us that they believed they were delivering where needs were greatest: 83% of them felt that they were delivering in the geographic areas where they were needed all, or most of the time. Smaller charities were most likely to believe they were delivering where need was the highest.

However, the public were not so sure, with only 41% of the public feeling charities were delivering in the geographic areas where needs were all or most of the time.

And people from socio-economic groups which are lower paid were even less likely to think that charities were delivering where the needs are.

*To what extent are you/do you think charities are delivering in the geographic areas where need is greatest?*



*n.b. sample size of leaders (298) sample size of public (2062) sample size of users (900)*

The public of course, may not have a perfect view of where charities deliver. But there is still the perception within the public that charities are not reaching the communities that need help most. This perception is supported by previous analysis of data on charity distribution and spend by NPC which shows that charities are clustered in, and spend more money in, wealthy areas. [Our Levelling Up research from 2023](#) found that charity spend may be up to a third lower in areas

prioritised for 'Levelling Up' in comparison to the wealthiest areas. Furthermore, the gap in charity spending between wealthy and poorer areas seemed to have grown since 2019<sup>vi</sup>.

This indicates an area where charity leaders need to reflect. Larger and national charities in particular need to think about what they can do to redress this balance.

However, tackling this also requires intervention from government. Charity activity is influenced by wider economic forces and inequalities in the country. A thriving civil society across the country is vital for economic growth and wellbeing, and government should support it to address inequalities within communities.

The public are also clear that they want to see government tackle this:



54% of the public wanted the government to provide more support for charities to work in poorer areas.

**The government needs to tackle these inequalities by rolling out new programmes to ensure that charities can meet needs in poorer areas of the country.**

These should include:

- Targeted and co-developed 'social investment zones', using a combination of government funding and incentives for philanthropic funding to support charity activity. ([As we have called for previously](#) in our Levelling Up work.)
- New devolved powers and spaces for local leaders to co-develop policies alongside the local voluntary sector in some of the poorest areas of the country over 10 years.

Only by committing over the long-term to new partnerships between government and the voluntary sector to tackle local issues will we truly drive change across the country.

## **People think charities have a unique advantage to work alongside the state to deliver certain essential services**

We asked a series of questions, to the public and charity leaders, about where charities have a unique advantage in delivering a service. We also asked people which areas they'd prefer charities to deliver a service, compared to a business or the state.

Charities carry out a vast range of activities, and charity leaders told us in State of the Sector 2020 that they carry out a wider range than they used to. Charity leaders believe this trend will continue. This year, 78% of respondents believe they will in total be carrying out more in three years' time, and only 4% think that they will be doing less.

Some of this broadening may be in response to growing needs or cuts to statutory provision. These types of services are a key part of how charities support people across the country, meeting real needs. However, many charities believe that they shouldn't have to deliver the services that they do<sup>vii</sup>. For the government, it's important to understand where the public believe that charities have a unique advantage in order to plan how best to work alongside the sector in future.

*Which of the following activities would you prefer were delivered by a charity/do charities have a unique advantage delivering compared to another body like a business or the state.*

Charity leaders		Public
1	Community engagement and outreach	Mental health support
2	Support for children and young people	Support for children and young people
3	Mental health support	Food or delivery of essential services
4	Mentoring or coaching	Supporting physical health
5	Supporting physical health	Housing

The public and charity leaders both think that charities may have an advantage over businesses or the state in delivering mental health support and offering support to children and young people. These two areas are worth exploring further to understand exactly what it is about the charities that gives them an advantage here.

Charity leaders also think that charities are very likely to have a unique advantage in carrying out community engagement and offering mentoring services. Interestingly, the public and smaller charities think that charities may have a unique advantage over government and businesses in offering food or essential services—though this would not preclude a prior preference for a welfare net that means no-one would have to provide these services. In fact, one in three charity leaders indicated that welfare and benefit reforms were a top priority for them from the next government.

Across the board, charity leaders were much more likely than the public or charity users to think that charities have a unique advantage in delivering services. This may partly be an effect of the



way the survey was conducted<sup>3</sup>, or may reflect a bias in those who work for charities about the role they play in society.

## The public do not think charities are ‘too political’

Charities have come under some criticism in recent years for trying to lobby and influence the government, particularly those organisations who receive government funding<sup>viii</sup>.

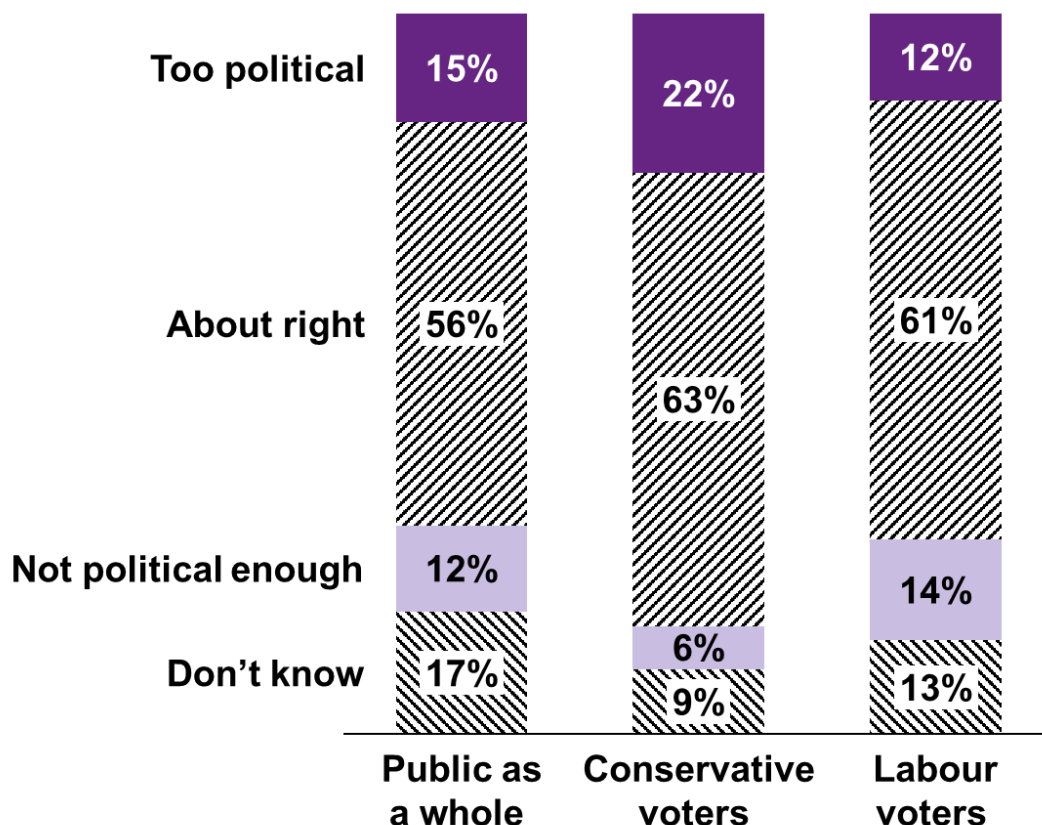


However, a majority of the public do not believe that charities are ‘too political’.

When asked, more than half (56%) think that charities got the balance ‘about right’.

Strikingly, 63% of Conservative voters think that charities got the balance about right, with only 22% thinking charities were ‘too political’. 61% of Labour voters also think charities got the balance about right.

*Which comes closest to your view about charities?*



<sup>3</sup> The public survey was carried out online whilst the charity leaders survey was conducted on the phone with each response read out, which may make it more likely for leaders to agree to responses which are directly put to them.

Charities should remember this in the lead-up to the next election. They are allowed to campaign, and a majority of the public think that they strike a good balance in doing so. In many cases, campaigning and lobbying is the most effective way for charities to achieve their mission, and they would not be fulfilling their charitable objectives if they shy away from doing this.

Politicians should remember that campaigning and lobbying is a legitimate way for charities to achieve their objectives under charity law, and overall, the public support them in their efforts to do so.

## **The public want to see the government work with charities more**

With a general election very likely in 2024, whoever wins has an opportunity to take a new approach to work alongside charities, tackle the issues outlined above, and better support people across the country. There is also clear public support for the government to do so.

We asked both the public and charity leaders a series of questions about what they want to see from the next government. Both the public and charity leaders want to see the government work closer with charities:



59% of the public want the government to work in partnership with charities more, including 54% of Conservative voters and 59% of Labour voters.

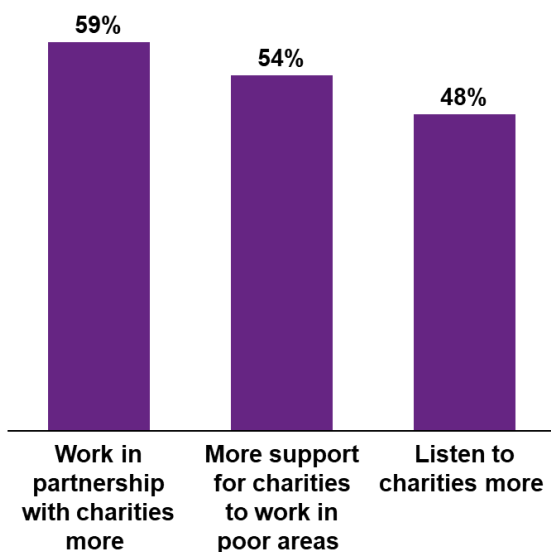
52% of charity leaders want the government to consult with charities more.

As mentioned earlier, there is also support from the majority of the public (54%) for the government to give more support to charities to work in poorer areas.

Despite both major parties committing to further devolution as a key part of their efforts to support economic growth and tackle regional inequalities around the country, the public saw it as lower priority to hand more power to local authorities, with 28% selecting this option.

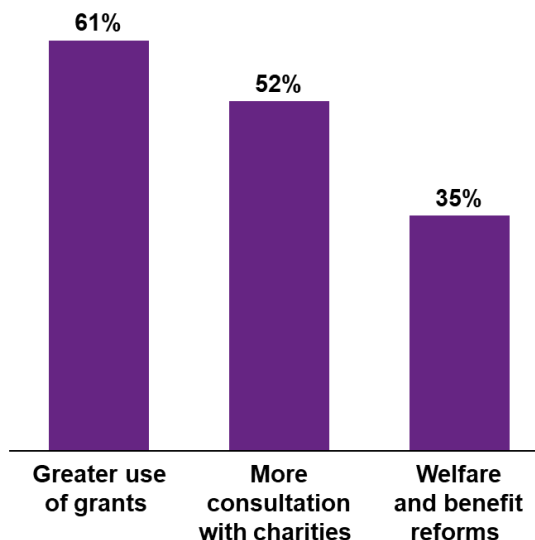
Charity leaders' priorities for government also included a greater use of grants (62%) and welfare and benefit reforms (35%).

*How would you like to see the government helping charities to support communities?*



**Public**

*What would be the top three things you would want to see from the next government to increase your ability to improve the lives of your beneficiaries?*



**Charity leaders**

For government, we recommend capitalising on this support and resetting the relationship with the voluntary sector.

**This requires a renewed partnership between the government and the voluntary sector underpinned by new structures:** We have suggested a range of ways in the past in which a government could do this. But the central point is a commitment from the government to working with the voluntary sector from the start in its design and delivery of policies, programmes, and legislation. This could include:

- A modernised [Civil Society Compact](#)—an agreement between the government, and civil society to work together to achieve common goals. These could happen at local level as well<sup>4</sup>.

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<sup>4</sup> Our CEO Dan Corry explained in our blog how this could work in more detail: <https://www.thinknpc.org/blog/how-should-labour-work-with-the-voluntary-sector-in-government/>

- A council chaired by the Prime Minister to give the voluntary sector a voice within Whitehall, challenging and supporting the government on key issues.
- Action plans produced annually by each public service, and devolved areas like mayoral combined authorities, which explain how they intend to consult and involve the voluntary sector. It's important that these can be scrutinised.

# Looking inwards at the sector

## Diversity, power, and inclusion

Charities support some of the most marginalised people nationally and internationally. Power, diversity, and representation are central to their missions.

This year we asked both charity leaders and charity users a series of questions on how they should be looking to improve diversity and tackle inequalities in organisations.. We found a significant difference:

- Charity leaders were divided about staff diversity in their organisations, with 51% responding that their staff were fully or mostly representative of the people their organisations serve.
- Charity users were more positive, with 73% reporting that the charity staff they interacted with were fully or mostly representative of the people they served.

One explanation for this might be that users are more likely to interact with staff working in service delivery than charity leaders, as data shows that those who lead charities are not generally representative of the groups that charities support<sup>ix</sup>.



51% of leaders think their staff are fully or mostly representative of the people their organisation serves. 73% of charity users think the same.

We asked charity leaders and users about which groups they think are underrepresented, and that charities need to recruit from. When we asked about disability, gender, and lived experience, charity leaders and users held similar views. However, there were several areas where leaders' and users' views differed, including race, age, sexuality, class, and religion. When we looked into the user respondent's identities, we found differences in their responses.

Half of charity leaders say that they need to recruit more people from minority ethnic groups, whilst far fewer users shared the same view (22%). However, of the charity users who identified as Black, 52% say that minority ethnic groups are not represented enough and should be recruited from – in line with the view held by charity leaders. Black users (52%) also felt more strongly than Asian users (38%) that minority ethnic groups are underrepresented.

Charity leaders were less concerned than users about the representation of age in the sector. Only 11% of leaders considered it an underrepresented group, compared to 25% of users.

Similarly, users were more concerned (17%) about the representation of people who identify as LGBTQ+ than leaders (8%). Interestingly, of the users who identified as gay and bisexual, 38% told us that LGBTQ+ groups are underrepresented – significantly more than charity leaders.

Class was another area where leaders were less worried (7%) than users (19%) about representation in the sector. This concern is supported by data, [we know from independent surveys](#) that far more charity leaders were privately educated, for example, than the UK average.

Of all the groups that leaders and users were asked about, leaders were the least concerned about religious diversity—only 4% told us that they think charities should recruit more from religious communities. In contrast, 14% of total users told us religious groups were underrepresented. Whilst 28% of Muslim users and 37% of Jewish users told us that charities needed to recruit more people from religious backgrounds.

It is important to note that when we speak about the views of specific groups, the sample sizes of our survey were relatively small, so absolute conclusions are difficult to draw. However, there are clearly several areas where charity leaders' and charity users' perceptions about representation in the sector differ.

### **Charities need to ensure that user involvement is impactful and meaningful**

The charity sector is increasingly recognising the importance of centring lived experience through engaging beneficiaries and service users. We asked charities several questions about how they do this, a question we also asked in 2017 and 2020.

In 2023, the number of charities who say that they are consulting users has increased. In 2017 54% of charities consulted their users, rising to 60% of charities in 2020, and 85% in 2023. Other activities have stayed the same, such as beneficiaries' engagement in service design, campaign messaging, and positions on the board of trustees. 59% of charity users who we spoke to had been involved in a charity's work in some way.

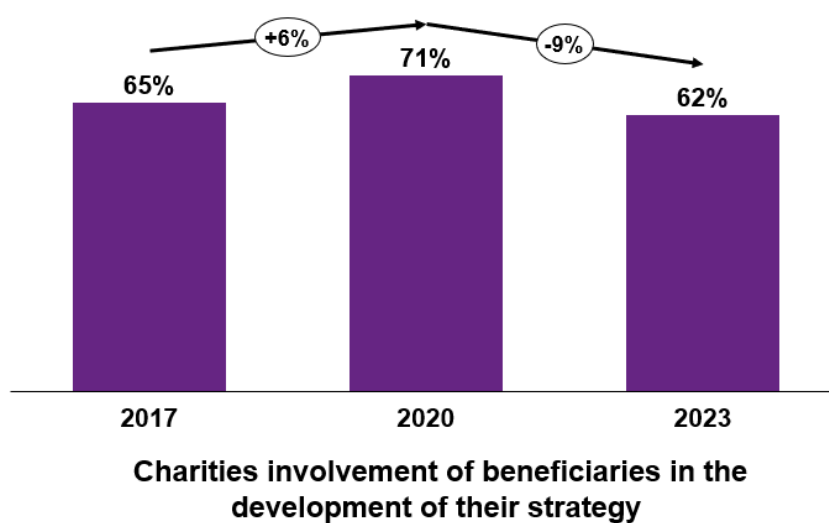
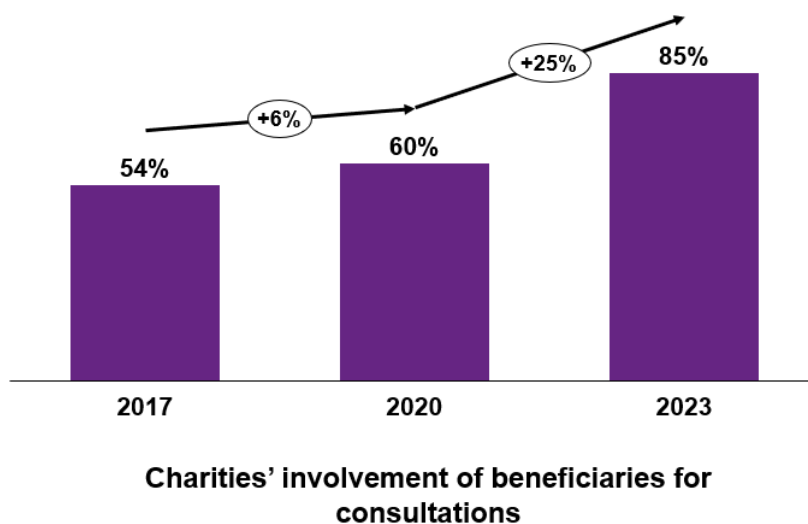
However, while charities may be involving users more in consultations, we saw a decrease in the number of charities involving beneficiaries in the development of their strategy.

In 2017, 65% of charities told us that users had a direct involvement in their strategy's development and in 2020, this rose to 71%. But in 2023 this decreased to 62%.

Small and medium sized charities were more likely than the major and super-major charities to involve service users in the development of their strategy, with 65% of them doing so compared to 42% of the largest organisations.

While users may be involved in consultations, and the development of campaign messages and service design, this does not necessarily result in an impact on the charity's strategy. If charities really want to benefit from user and lived experience they will need to keep making efforts to engage beneficiaries across their work. And they will need to ensure that they don't become tokenistic, resulting in little strategic significance.

*How, if at all, have you tried to engage your beneficiaries or service users in the last three years?*



*n.b. sample size 2017 (300), 2020 (300), 2023 (298)*



## Strategy and decision-making

We asked charity leaders to rank the three top risks facing their organisation which may stop them from achieving their mission.

**The risks which leaders most frequently listed in their top three were:**



Insufficient funding (70%).



Rising costs (54%).



Recruitment and retention of staff (43%).

This aligns with the ongoing findings of the Third Sector Barometer run by Pro-Bono Economics and Nottingham Trent University<sup>x</sup> and the CAF Resilience Index<sup>xi</sup>. All three findings demonstrate the continued pressures on the charity sector from the cost-of-living crisis.

Small charities were slightly more concerned than larger organisations about a reduced number of volunteers: 33% of small charities put this in their top three risks, compared to 29% of other charities.

Far fewer leaders considered the impact of the climate and nature crises (11%) or hacking, IT, and data leaks (6%) to be the predominant risks for their organisations. This may reflect a gap in leaders' consideration of risks for their organisations, but it could also reflect the urgent nature of the other top risks that leaders listed. Either way, charity leaders will want to ensure that these longer-term risks are not neglected as they focus on shorter-term pressures.

We asked charities how they were responding to the cost-of-living crisis. Most charities (75%) say they have responded to the crisis by developing new funding streams and increasing service delivery. Very few charities had considered taking drastic action like closing the organisation (4%) – their most pressing concerns were regarding day-to-day delivery.

This was also reflected in a small but consistent decline in the number of tough conversations happening at board level. Charities are having fewer conversations about strategy, merging with another organisation, rethinking delivery models, and use of data:

- In 2023 75% of charities told us that they had discussed changing their strategy based on evidence or learning, a 15 percentage point reduction from 2020.

- There was a similar decrease in discussions about merging with another organisation, which declined from 25% in 2020 to 15% in 2023.
- 58% of charities had discussed rethinking delivery models, an 11-percentage point drop from 2020. And 60% had discussed reviewing their mission, a 12-percentage point drop.
- This corresponds with the decrease we saw in charities turning down contracts because they aren't on mission, which has dropped from 59% in 2020, to 47% in 2023.

Ultimately, the rising level of need caused by the cost-of-living crisis might be impacting charities' capacity to have more difficult, existential conversations. Other surveys have indicated that this may be a particular issue for smaller organisations<sup>xii</sup>. Charities need the capacity to be able to step back from service delivery and make decisions in the best interest of their mission.

### **Funders can support charities by increasing core funding**

Inevitably, funders have a significant role to play in helping charities to tackle the crises they are facing. We asked charities what they wanted their funders to do more of and how they could support them better.

87% of charities told us that they want funders to offer more core funding, and 77% told us they wanted funders to better understand the pressures they face.

There were several other areas that charities wanted to see funders focussing on:

- 57% told us that they wanted funders to help them adapt and change.
- 57% wanted funders to collaborate more with others.
- 47% say funders should do more on diversity, equity, and inclusion.
- 46% say funders need to be more conscious of the power dynamics in their relationships.
- 59% of charities also say they think their funders require appropriate impact measurement.

By relieving some of the burden on charities, funders can give them more headspace to think about creating impact.

### **The ESG agenda**

Another area we asked charities about was the environmental, social and governance (ESG) agenda. We asked whether charities had discussed the implications and opportunities of ESG at

Board level, 31% told us they had. Unsurprisingly, smaller organisations were less likely to have spent time considering this at board level.

The ESG agenda may not be relevant for all organisations, but it has significant momentum in the private sector which many charities would be well placed to capitalise on given their experience working on environmental and social issues.

In our 2022 paper [‘Putting the ‘S’ back into ESG’](#) we discussed the steps that charities can take to ensure that the social issues they work on are considered as part of the ESG agenda.

## **The climate and nature crises**

Only 11% of charities included the climate and nature crises in their top three risks which could prevent their organisation from achieving its mission over the next three years.

This could represent a significant oversight by charity leaders. The climate crisis, and the response to it, is exacerbating existing social inequities now. Some of the most disadvantaged and marginalised people are worst affected by our changing environment and related policies. The [Everyone’s Environment](#) programme, coordinated by NPC, focuses on the social impacts of the climate and nature crises.

Through our deliberation groups with 750 younger, older, Disabled people, and people from ethnic minority communities, we found:

- All of the different social groups we spoke to wanted charities to support them to advocate for action on the environmental crises.
- All of the groups wanted charities to extend their existing support to help them respond to the environmental crises, which many felt were already impacting their lives.
- Many of the groups wanted better information about environmental impacts, policy responses, and the actions that individuals can take.

## **Data and digital**

The COVID-19 pandemic has undoubtedly had an impact on how organisations and individuals use digital technology. We asked charities how confident they are that they are making the best use of digital technology.

In 2023, charities felt more confident (79%) using digital technology than in 2020 (59%). However, they are still facing barriers which prevent them from engaging further with the digital and data agenda.

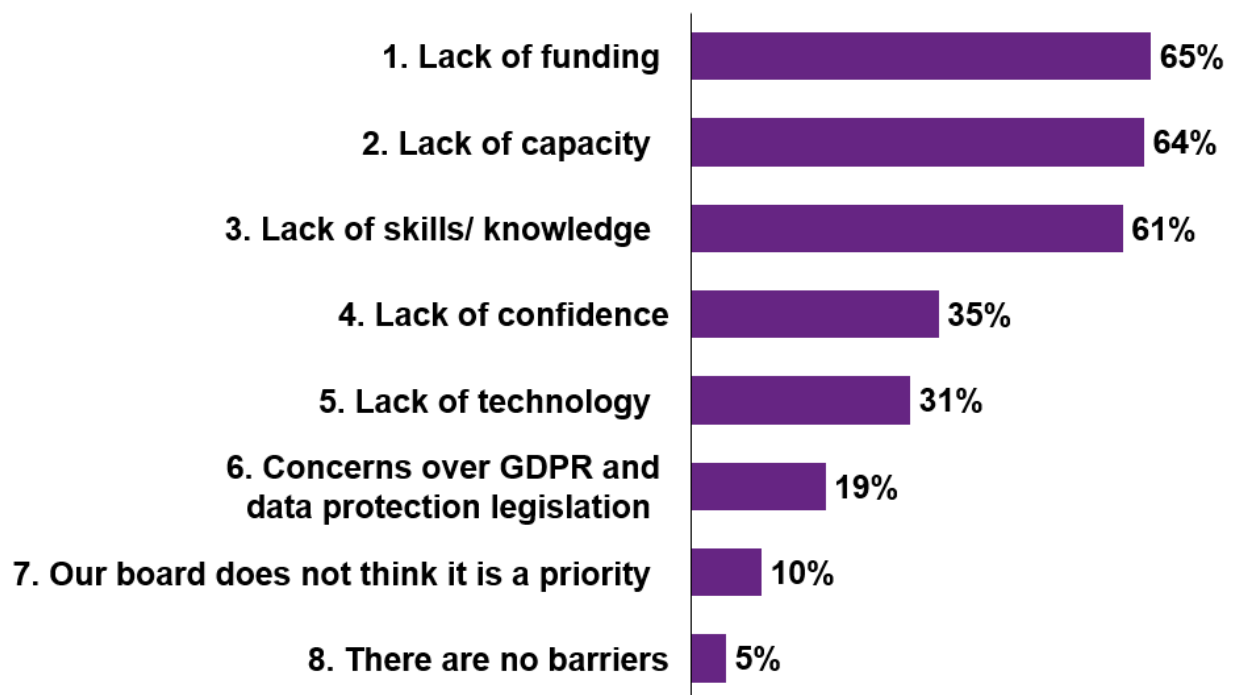
Charities told us the main barriers facing them are lack of skills (61%), lack of capacity (64%), and a lack of funding (65%).

Other significant barriers include a lack of technology (31%) and a lack of confidence (35%).

Some charities (10%) also told us that their boards do not consider data and digital to be a priority, and this prevented them from engaging with data and digital more.

Finally, a notable number of charities (18%) told us that concerns over GDPR and data protection legislation is a barrier for them.

*What, if anything, do you think are the main barriers to your organisation engaging with the digital and data agenda more fully?*



*n.b. sample size 2023 (298)*

# Conclusion

What these findings reveal is a sector that has been working incredibly hard to tackle a range of urgent needs. They paint a picture of a sector grappling with several long-running systemic issues which throw up barriers to organisations achieving their mission: regional inequalities in charity support, contracting and procurement issues, insufficient funding and rising costs, and capacity issues which stop charities from using all of the assets at their disposal.

On a more positive note, this research also shows the support which the public has for the sector and its work. The public think charities have unique advantages over businesses and the state to deliver services in certain areas, and they do not think that the sector is too political in achieving its mission.

The public also see the government as having a key role in reviving this partnership: a majority want the government to work in partnership with charities more and offer more support to charities to work in poorer areas.

In order to do this and build a long-term partnership with the sector which supports communities across the UK, the government must reset its relationship with the voluntary sector. This needs to include looking again at the risks in public services, and new programmes to tackle inequalities. Most importantly, the government needs to set up new structures to bring charities into the rooms where decisions are made. Allowing government and charities to co-develop a new vision for supporting communities around the country.

Charities and funders also have a vital role to play, making space to think long-term about where they are heading, what risks they face, and if they are using everything at their disposal to meet the next challenge.

This research reveals the problems that the sector is grappling with, but it also points to a willingness from charities and the public for fresh start and a new partnership. It is essential that we seize this opportunity.

# Full methodology

## Charity leader survey

### Sampling

Our sample frame for the survey was drawn from an extract of the [Charity Commission database](#) in July 2023. This is derived from the requirement of all charities in England and Wales to register and supply specific financial and nonfinancial information to the Charity Commission each year.

All organisations except 'general charities' were excluded (hence we excluded independent schools, colleges and universities, academies, NHS administered charities and independent hospitals, religious bodies and places of worship, mutual organisations, masonic lodges, trade associations, professional bodies, central or local government administered and regulated bodies, housing associations, benevolent institutions, and inactive organisations).

We excluded all organisations with an unstated income, or income below £10,000. Our view was that community organisations are significantly different to larger organisations and would require a separate research approach.

The remaining organisations were divided into three groups according to their most recently reported income:

- Major charities with an annual income over £10,000,000 (802 charities within the sample frame).
- Large charities with an annual income between £1,000,000 and £9,999,999 (5,082 charities within the sample frame).
- Medium / small charities with an annual income between £10,000 and £999,999 (70,454 charities within the same frame).

Charities were then sampled randomly so that we could target c.100 interviews in each strata. In practice, this meant that every major charity was in our sample. The medium/small charity strata was further divided into ten sub-strata by annual income. Equal numbers of charities were selected from each sub-strata to avoid any bias towards the smaller end of the overall strata (although no

quotas were set for these sub strata). No other quotas apart from the size of the charity were used.

## **Respondent eligibility**

All respondents were chairs, trustees or Chief Executives, directors or someone 'with responsibility for overall strategic direction of the charity' at charities registered in England & Wales. To be eligible, respondents needed to have been involved with the charity for at least three months.

Fieldwork for the quantitative research was conducted by Savanta between 12 July and 8 November 2023. The responses of n=298 were collected via a mixed methodology. The majority (n=257) answered a telephone survey, the rest (n=41) completed it online via a unique link sent to them.

The final sample consisted of a mix of 38 major charities (over £10,000,000), 130 charities with a high income (between £1,000,000 and £9,999,999), and another 130 charities with medium/low levels of income (between £10,000 and £999,999).

The report makes some comparisons to earlier State of the Sector NPC/Savanta surveys conducted in early 2017 and late 2019. These surveys were conducted using a broadly similar methodology as described here.

As far as we are aware, this is the largest and most robust survey of charity leaders in the UK, but in statistical terms the sample size is still small and therefore a lot of the differences we find in the data are not statistically significant. Consequently, we have opted to report on differences and patterns within the data that are large enough to be interesting but not large enough to meet the threshold of statistical significance, and we have indicated this in the text for transparency.

## **Estimating how much the charity sector subsidises the state**

Our estimate is based on a combination of three survey questions from the charity leader survey.

Firstly, 36% of our sample say that they deliver a 'great deal' or 'fair amount' of public sector contracts.

Amongst this group, 67% reported that *'We need to use other sources of income, such as money from fundraising, in order to successfully deliver public sector contracts.'*

We then asked this group for an estimate of *'What percentage of your costs are covered on average by the state for your public service contract?'* and excluding 'don't knows' the mean response was 65% (the base size for this calculation was 62 respondents).



To estimate the value of public sector contracts for charities we used an estimate produced by [Tussell Limited on behalf of DCMS in 2020](#)<sup>1</sup> which estimates that charities earned at least £27.5 billion from public sector contracts between 2016 and 2020<sup>2</sup>, so £5.5 billion per year. Adjusting this for inflation from 2020, we estimate annual contract earnings of £6.7 billion. This would seem to accord with the [Civil Society Almanac](#) which says that the VCSE sector earns £16.8 billion per year from the government (this includes grants as well as contracts).

We then took the £6.7 billion figure and, using our survey response, estimated that 67% of the charities delivering this work are subsidising it, so therefore, £4.5 billion is subsidised.

Then taking the mean of 65% for how much these contracts cover, we arrived at a figure that suggests that these charities are delivering £6.9 billion of work, but only getting paid £4.5 billion. Meaning that they may be subsidising the state by **£2.4 billion per year**  $((4.5 / 0.65) - 4.5)$ .

There are important caveats to this estimate:

- We are assuming that charities who are subsidising their contracts are delivering precisely the same value of contracts of those that are not. This is an assumption, but we have no basis upon which to modify it.
- We are assuming that the £4.5 billion of subsidised contracts is distributed equally across the charities in our sample who have told us that they subsidise their contracts. As above, this is an assumption, and again we have no basis on which to modify it.

Furthermore, we know that while our sample is much more representative than many surveys that allow people to respond if they want to, it is not fully representative in two main ways:

- We stratified the sample to try to include more major charities, so it is not representative of the sector either by size or income.
- We are likely to have at least some non-response bias.

Finally, it is also worth noting that the estimate on the mean level of subsidy is based on a low sample size of 62 responses, hence our estimate is subject to a margin of error.

We present these calculations and caveats in full to enable the limitations to be clear. Our view is that while the estimate has weaknesses, it is the best available—and also aligns with what we are told anecdotally.

## General public survey

The public survey was conducted online and targeted 2,062 representative members of the public, including 893 people who had used charity services in the past 12 months. This survey ran from 25 September to 4 October 2023.

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<sup>i</sup> NPC (2023) 'Building Blocks of Growth', available [online here](#).

<sup>ii</sup> Civil Society (2023) 'Updated: Jeremy Hunt announced over £100m for charities in spring budget': available [online here](#).

<sup>iii</sup> Department for Levelling Up, Housing and Communities (2023) 'Levelling Up Fund Round 3: explanatory and methodology note on the decision-making process', available [online here](#).

<sup>iv</sup> NCVO (2023) 'What is the true cost of giving support to public services?', available [online here](#).

<sup>v</sup> House of Commons Library (2024) 'Rising Cost of Living in the UK', available [online here](#).

<sup>vi</sup> NPC (2023) 'Building Blocks of Growth', available [online here](#).

<sup>vii</sup> The Trussell Trust (2021) 'The State of Hunger – A foundation for a plan to end the need for food banks', available [online here](#).

<sup>viii</sup> Conservative Way Forward (2023) 'Defunding Politically Motivated Campaigns', available [online here](#).

<sup>ix</sup> ACEVO (2023) 'Diversity in the Charity Sector', available [online here](#).

<sup>x</sup> Pro Bono Economics (2023) 'A tale of two sectors', available [online here](#).

<sup>xi</sup> CAF (2024) "Charities Resilience Index", available [online here](#).

<sup>xii</sup> Pro Bono Economics (2023) 'A tale of two sectors', available [online here](#).