



Demand, Survival, Change

The challenges facing charity management
in Scotland



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Contents

	Page
Executive summary	2
Actions charity leaders in Scotland should take now	4
Our message to funders and Government in Scotland	5
Our survey findings and views of charities	7
■ People – and charities – are fearful	7
■ The triple threat to charities	7
■ Staff and volunteers	9
■ Covering gaps in statutory services	10
■ Charities response to threats and pressures	10
Supporting the frontline: how should funders and government respond?	11
■ Funding and financial support	12
■ Funding for staff costs and wages	13
■ Relationships and processes	14
Management skills and capabilities	15
Our survey breakdown	16



Executive Summary

Charities in Scotland's third sector are facing an unprecedented set of challenges. The cost of living crisis is the latest one to confront sector management in a long line going back to the fallout from the financial crisis of 2008.

During December 2022, Cranfield Trust carried out a 'temperature check' survey of 70 charities across the sector in Scotland. Whilst the survey is by no means comprehensive, the results are shocking, and mirror findings from other recent reports and studies.

Whilst we are seeing that charity management in Scotland has responded to the latest challenges by doing what it always does - 'rising to the challenge', however formidable, we are now seeing the emergence of two main problem areas.

First, there are the challenges that are intrinsic to the running of any organisation, and the cost of living crisis has amplified these challenges in the charity sector. The combination of rising demand and falling real-term income has resulted in staff being overstretched and as a result, managerial focus moving to the short term; a volunteer and staff recruitment problem which dents capacity and capability; limited scope and time to develop leadership and innovation and; at a Board level, the exposure of a lack of skills and capacity to successfully manage the strategy of the charity.

Secondly, there are sectoral challenges which have now conspired to heap additional pressure on already stretched charities. Specifically, the 'infrastructure' of the funding system does little to promote efficiency within the sector - for example, charities are effectively forced to 'compete' for funding and invest significant staff time and effort in applications and proposals, where collaboration may generate better outcomes to wider society or groups of beneficiaries, or building relationships of trust between funders and charities could replace some of the bureaucracy. The competitive and short-term nature of funding is driving perverse outcomes which may limit innovation - for example, pursuing project funding at the expense of core funding and, the funding regime favouring 'differences' between similar charities rather than their similarities or synergies. Lastly, there is the unresolved issue of what constitutes productive and meaningful collaboration between the charity sector, the corporate sector and government.

Despite the challenges facing the sector in Scotland, most of the respondents to our study were determined to keep going, although their confidence in the future of their organisations is diminished. To sustain the vital services of charities in Scotland, those of us who support the sector must embrace fundamental change.



The challenges faced by the sector, such as how funding regimes work, and the possibilities that can be secured from better dialogue between the charity sector, corporate sector and government, are long term challenges – they cannot be resolved quickly – but do need to be tackled urgently, and at scale.

There is much that can be done practically to support charity managers and to help them continue to develop their organisations and services to meet the needs of people in our communities. Every year, Cranfield Trust works closely with frontline voluntary organisations, providing management consultancy, mentoring, telephone advice and peer support. We also offer webinars on management topics, plus guidance and information via our website www.cranfieldtrust.org

We are ready and willing to engage with the sector in Scotland to tackle these intrinsic challenges, and support leaders and managers to address their challenges. We will also use our insight and influence to address the long-term issues.



Actions charity leaders can take now, and how Cranfield Trust can help

1. Do not neglect leadership and organisational development

- Having strong operational leadership and a capable board will be key to navigating the current crisis. Doing more of the same or trying to do everything, is unsustainable and of little long-term benefit to any charity leader.
- Leadership support and development will help to unlock possibilities in terms of innovation, collaboration and exchanging knowledge and insights. Investing time and expertise in staff is invariably time well spent.
- Cranfield Trust offers free mentoring, facilitated 'peer to peer' exchanges and on-call support for charity leaders.

2. There is a future and it needs to be planned for

- The skills of forecasting, horizon-scanning and effective business planning are a core pillar upon which the future success of charities will depend.
- Making sense of the world and knowing your numbers are vital for every charity leader – board or staff member.
- Cranfield Trust offers free, easy to access' support for charity leaders via its management consultancy projects and extensive webinars, to help build these skills

3. Look for similarities and synergies that could be achieved with other charities, including sharing resources

- Many charities have resources that are underutilised, such as buildings, transport and sometimes even staff. Look closely at your resources and how they are being utilised, and identify other charities where a bigger combined effort could be delivered if you can pool resources
- Collaboration can also unlock potentially greater prizes for charities (access to resources they could not otherwise afford) whilst trimming unnecessary costs (e.g. back office costs).
- Cranfield Trust can help to shape and facilitate collaboration discussions



4. **Make it easier for funders/donors to engage with you**

- Review communications and routes to funders/donors and tailor messages to be make them more engaging.
- Equip your charity with the material you will need to engage funders/donors and then tailor it as suits.
- **Cranfield Trust has material, webinars and skilled volunteers to help charities achieve this**

5. **Focus on managing risk**

- There are risks associated with doing a course of action but there are also risks associated with not doing a course of action. Becoming adept at assessing these risks is another core tool that every charity leader needs to master.
- **Cranfield Trust has a free programme of webinars on demand, our management consultancy services and on-call support to help charity leaders.**



Our message to funders, and local and national government in Scotland

- We accept that funders and government at all tiers have limited funds, their own objectives, and the need to set criteria to access these funds. However, there must be a better way to enable the charity sector to access these funds that is less demanding on the resources of often small organisations. Short term funding has created a 'treadmill' for many charities and we urge an ongoing dialogue to explore better ways of funding the charity sector's activities
- Establish and intensify meaningful relationships which recognise the voluntary sector as a worthy and equal partner. Listening to frontline organisations, valuing their expertise and sharing opportunities and threats builds a stronger and more responsive social fabric to support our communities.
- Funders and government bodies often have a bird's eye view of services, and an opportunity to be a connector between organisations, facilitating collaboration to streamline services.

"Understand our position as a third sector non-profit organisation. That we are continually adapting to the current economic climate. That we are continually striving to do more with less. That we are doing our best. That we have similar concerns That we are working incredibly hard."



Our survey findings and views from charities

People – and charities – are fearful

Reflecting many other reports, and the widespread experience of frontline charities, charity leaders told us that they are seeing people become increasingly fearful for their own futures, doing what they can to prepare and survive, but often unwilling to ask for more help. *“There is not one concern but a combination of inter-related concerns including capabilities around money management, food insecurity and mental health.”*

“The Cost of Living crisis is affecting morale, physical and mental health, fear of eating or paying bills, and the general health of their families as we go into the winter months. They feel their choice is do they heat or eat. We have older people scurrying around to ensure they have candles for possible forthcoming electricity cuts. This is a major problem, there are great fears for their health and safety in light of their mobility, age, vulnerability and general health in going around in the darkness lighting candles.”

“I think we are less concerned for the people already accessing support and more concerned for the people who are going to need support as a direct impact of the cost of living crisis.”

Tragically, charity leaders even went as far to say they are anticipating an increase in mortality rates of their service users. *“They were in dire financial straits even before the cost of living crisis; what will happen to them now? We're expecting deaths from cold weather, malnutrition, and suicide.”* *“Some people we support will suffer significant loss of health (mental and physical). We will see short-term and long-term increases in mortality rates for the people we support.”*

The triple threat to charities

The top three issues of concern were a result of resource issues: meeting rising **demand**, generating **income**, whether from fundraising or other activities, and maintaining an appropriate **workforce**, mainly staff, but also volunteers and trustees.

The combination of strongly rising demand, falling income and/or an extremely challenging fundraising environment, and the ‘workforce crisis’ – difficulty in recruiting and retaining staff, is creating a triple threat for charity leaders.



Meeting demand

Charities are deeply concerned that their organisations will not be able to meet demand, and *“that the services they [beneficiaries] have come to rely on will cease to exist”*, with others saying *“it’s hard to say no”* and *“all services in our area are either having to turn clients away or have weeks of waiting times”*.

Survey respondents were worried about both the immediate and longer-term impact of falling investment in services:

“That we reach capacity and are unable to offer a service to new referrals/accept new referrals. Also that [people] are being forced more and more into poverty, and are unable to manage with the cost of living increase.”

“Increasing competition for funds, with many funders prioritising crisis/emergency support over preventative programmes. This means our service users have less opportunities to learn, gain new skills and benefit from the programmes we offer.”

“We only support women not able to access services and who are at risk or who have children at risk. This means that if we don’t keep them safe they have nobody else to turn to. Demand in Glasgow has almost quadrupled and almost doubled in Edinburgh. We lost 80% of our funding at the end of March 2020 due to Brexit and various [reasons]. We can’t recruit enough childcare staff to respond to demand.”

Income and expenditure

Charity leaders are concerned they won’t be able to manage financially. One commented that they fear that they *“will not be able to finance it all”*. Some are facing and managing cuts right now, but also have a feeling of *“impending doom of cuts on future funding”*.

“There has been an impact on our financial position and fee income, unrestricted grants to allow us to meet a cost of living rise for staff would be helpful.”

A further issue identified by leaders in relation to income is the difficulty of generating income outside fundraising activities, for example through trading or commercial activities. Having been amongst the hardest-hit income areas during pandemic lockdowns, consumer trading (for example, cafes or shops) is now affected by inflationary pressures on individuals and rising energy costs, and cost-cutting in the corporate sector is affecting commercial activities such as the provision of training or volunteering experiences.



"There has been an impact on our financial position and fee income, unrestricted grant to allow us to meet cost of living rise for staff would be helpful. Where financial resources are not available, it would be helpful to have other support, e.g. facilitation to develop strategies, review business models."

Staff and volunteers

Survey respondents ranked recruiting and retaining staff almost as highly as income challenges in terms of problems.

"The third sector in Scotland has always had low wages, with very few increases over the last ten years. Third sector organisations also require increased core funding to retain staff and recognise the hard work they are doing."

After employed staff, having the right Board members/Board working well was also an area of concern, and in general, respondents were concerned about recruiting and retaining volunteers, but this concern was less extreme.

Staff physical and mental health, and the general happiness and wellbeing of staff was of concern to a large number of respondents, but again, this concern was less extreme than the essentials of recruiting and retaining staff members.

We received many comments concerning fair pay for third sector staff, particularly when the third sector is often supporting or substituting for public sector services. Fair and equitable pay is critical for voluntary organisations in being able to attract and keep staff.

"To consider how the voluntary sector is paid in comparison to the statutory sector and make adjustments accordingly, rather than expect us to perform similarly or more competently for less. By continuing to offer comparably lower wages we are forcing staff out of our market or causing them to be adversely affected by the cost of living crisis."



Covering gaps in statutory services

Many sector leaders spoke about the negative impact of reductions in essential public sector services, such as social care. The knock-on effect on already stretched voluntary sector organisations (many of which do not have statutory funding) is considerable: long waiting times for mental health services, for example, means that many people end up in crisis – with charities stepping in to provide support.

Survey respondents also referred to reduced health and social care provision having a major impact on unpaid carers and the people they care for, again placing more pressure on the voluntary sector to fill in the gaps.

“For many people we are the conduit to other mainstream or statutory services. We also help people survive. If we have to close services there is no-one to fill that gap. People who are already among the most disadvantaged in our communities will be in crisis as a result, with the resulting impact on poverty, health, mental health and wellbeing and homelessness.”

“Our biggest concern is capacity and juggling quantity versus quality, we are unable to assist everyone who contacts us and are frequently having to close our phone lines so staff can cope with workloads. Our Local Authority is funding signposting projects rather than services that are doing actual case work, so referrals increase, but no additional funding to cope with that. Our Local Authority funding has decreased again this year and will decrease again in the future.”

Charities response to threats and pressures

Charities told us that they are increasing fundraising activities, and the number of volunteers they work with, or the amount of volunteer time input, doing everything they can to sustain vital services.

They are developing new services in response to new needs, and, as far as possible, increasing the number of people supported to meet rising demand. To help fundraising, to ensure people are aware of their services, and to make the most of sector resources, they are increasing their marketing, and collaborating more closely with other organisations.

“We need to look at opportunities to partner with our organisation e.g. we have a great facility that has no one or no groups using the facility during the day, during the week.”



Supporting the frontline: how should funders and government respond?

Our survey asked charity leaders what they would like from funders, supporters, local or national government to help their organisations and beneficiaries through the cost of living crisis.

Respondents gave a wide range of answers, largely around funding (especially to support staff pay), communications, and relationships, particularly feeling valued and having an equal relationship with funders and the statutory sector.

"To value the service we deliver."

"At the very least, the government should safeguard vital funding for the third sector in such a way that funding decisions can be made in a timely manner, allowing those unsuccessful in their bids to find funding from other sources without facing insolvency".

"Funders: cost of living increases (some already doing this which is great). Longer term funding arrangements (3 years min) Local government: holds too much power and does not see the sector as a true partner (they are often very insular and come only to the sector at the last moment, looking for free or low cost services they can). They "use" services rather than work in partnership with organisations. National government: Incentivise LAs [Local Authorities] to share power more effectively with the sector. Allow funding to be accessed directly, or from a source other than LA's (who are often slow to act, biased towards some, and often don't have the grant management skills of the sector)."

"We are sure that most organisations will be asking for extra funding to help with the impact of inflation and energy costs. A move to three year funding. The majority of our services are still funded by annually occurring Service Level Agreements. This does not help with planning. The ability to pay decent wages to all our staff not just those in direct care posts. Take action to address the issue of those most in need paying the most for their energy I refer to pre-payment meters. Evaluating the true extent of poverty in rural areas of Scotland and taking direct action to address the underlying issues e.g. affordable childcare, poor public transport, the cost of fuel oil: coal and liquid gas for heating homes. Look at the whole picture and stop looking at problems through silos. Local Authorities should be commissioners of services not delivering services. Look at new ways of commissioning not just competitive tenders. Reduce unnecessary and time consuming monitoring and evaluation.

1. Funding and financial support

Financial support, core rather than project funding, and more stability in funding, in the face of increasing demand, was a key 'ask' of funders and government.

"Government should ensure there is more money available for the third sector who are filling vital gaps."

"If Voluntary organisations are expected to work in collaboration with health and social care and pick up workload/cases regarding vulnerable individuals that they are unable to support due to lack of resources then the sector needs proper funding."

"Government needs to offer more support to charities with energy bills etc. It also needs to acknowledge how much third sector props up NHS and start paying properly for these services."

"More support for core costs and core funding. Flexibility and trust from funders will allow us to best respond to need and crisis."

Offer multi-year core funding to offer security to charities so we can continue to meet the needs of our beneficiaries. Less focus on project-related funding. We would like longer term funding three years minimum but ideally a five year commitment.

"Recognise and respond to the fact that our operational costs are rising significantly. Most third sector organisations are very lean - if there are savings to be made, the chances are we'll already have made them. It's also essential for funders to accept that we have core costs that have to be met, as any organisation has, and be more open to funding these. Almost every funding award we get doesn't cover our full costs as so many funders are not willing to fund things like rent, IT or professional fees."



2. Funding for staff costs and wages

For most organisations, staff costs are their main expenditure. Driven by concerns about recruiting and retaining staff, and supporting staff wellbeing, many respondents' answers focused on staff pay.

"Longer term increased funding to allow us to pay staff an increased salary this would enable us as an organisation to retain staff to ensure that we can provide the right support for people who are in dire need."

"Additional funding to be able to offer a decent pay rise to help with cost of living."

"The third sector in Scotland has always had low wages, with very few increases over the last ten years. More and more public sector workers are striking to demand fair pay increases. Third sector organisations also require increased core funding to retain staff and recognise the hard work they are doing."

"Our organisations need core costs for longer periods to ensure our sustainability. Funding to support our communities and to ensure that we can look after our own staff who will be under greater strain. Funding to ensure we ourselves can meet the demands placed on us to keep our buildings open and ensure we meet the rising costs we are facing."

"They need to commit to providing longer term sustainable funding to the 3rd sector to retain skilled staff in the area of welfare rights and money advice, otherwise they are forced to leave the sector due to job insecurity and when we hit crisis after crisis there are insufficient staff to cope with demand."

"Government recognising the true cost of living and recognising that people need more money during this time. Organisations can only provide so much support when they are unable to give secure employment and worried about the financial security of the organisation. Some funders have given uplifts which has helped."

"They need to recognise that front line services need additional funds, but there is always a crisis, so it is long term funding we need to retain the experienced staff we need to handle this. In Glasgow there is a major shortage of advice staff due to underfunding and lack of career security, people are leaving the sector because of this and there are less volunteers."



A few respondents mentioned the need for funding for the people they support:

"Funding which allows charities to pay participants the Living Wage while participating in their longer-term or more intensive programmes also greatly removes financial barriers and allows those who would most benefit from training to participate."

"Funding to support those on the breadline who are in lower paid jobs and do not fit the criteria for free dinners and financial initiatives. These families who are not on benefits but working long hours on low incomes can be overlooked for some of the funding initiatives that those on benefits are receiving."

3. Relationships and processes

There was strong feedback that the sector is undervalued and that there should be more recognition of the services that are delivered by charities as well as a clearer understanding of their position as third sector non-profit organisations. Survey respondents were keen for government in particular to recognise how flexible and responsive charities are, managing inconsistent funding whilst at the same time adapting services needed by beneficiaries and continually striving to do more, with less.

"I would like there to be more coordinated efforts to ensure the third sector is actually valued at every level and that staff are afforded the same efforts around better pay and working conditions that other sectors and industries are."

"Recognising, understanding and truly valuing the contribution of the Third Sector and reflecting that in sustainable funding."

"Being creative and honest about the cuts we're facing and working more collaboratively to find and deliver a solution/support; treat voluntary sector and charities as "equal and valued" partners, by involving us in difficult decisions about service cuts and discussing impact on service users so we can work together to find a solution to help those most impacted. Listen to the 3rd sector and those on the ground delivering support."



I think that a 'professionalisation' of the third sector would be helpful; for the true cost of the sector to be quantified alongside the socio-economic resources it provides. There is a true cost here that is never measured, meaning that the sector is constantly going cap-in-hand for public funding when in truth, if Council and Government were properly resources services, there would be no need for the third sector to step in and try to fill the provision gap. It feels like the government gets to have its cake and eat it, while the third sector turns itself inside out to meet a need that should be met by funding coming from the government in the first place."

Charity leaders also said they'd like to be able to have honest conversations with funders and local government to build better partnership approaches, *"In a time of such uncertainty we need funders, local government, to be clear on their priorities especially at a time of budget cuts and stretch to allow us to plan for potential changes. We need them to ensure they do not just keep doing (and funding) the same things (including funding organisations that cannot prove their impact and performance against outcomes) otherwise the limited resource gets spread thinner around organisations resulting in reduce real outcomes and impact. As always honest conversations about future service delivery leading to genuine partnership (parity of relationship) is essential."*

Charity leaders told us that funding processes can be burdensome for small charities with funding applications often now falling to already busy CEOs because they do not have specialist fundraising staff.

"Change funding assessment mechanisms, make them more human and person-centred. Small charities struggle to carve out funding for Funding Officer functions, which often become part of the CEO role"

"We need multi-year funding of 3-5 years so that we can properly plan and develop our service. Funding is mostly from short term grants which creates great deal of administrative pressure during already very busy times."

"Take a personal approach, give us the chance to talk though the issues and seek the support needed."

"Honouring what they said they would do - not pulling funding from us overnight! Making funding sustainable and looking at the saving that third sector make for statutory. If everyone we see was seen in statutory services instead, the bill would be astronomical yet we are expected to operate on a shoestring."

"The funding process needs to be accessible for dyslexic, neuro diverse and disabled social entrepreneurs."



Management skills and capabilities

We asked respondents whether there were areas of their own or their teams' skills sets where they needed support. The top five areas identified were (in priority order):

- **Board governance/development:** well over half of respondents highlighted Boards and governance, this was the top choice, ahead of fundraising, which we had anticipated would be the main concern
- **Leadership development:** more than half of the respondents also chose leadership development as a key priority for external support
- **Fundraising:** behind Board and leadership development, but a critical area in need of skills development and support for charities
- **Strategic and business planning / Marketing and communications:** these areas were of equal importance to charities, to develop plans to support them in an uncertain environment, and to develop marketing and communications skills, largely to support fundraising

"Where financial resources are not available, it would be helpful to have other support, e.g. facilitation to develop strategies, review business models."

Financial management and HR skills were also mentioned, although less frequently than those above, and a wide range of other skills were mentioned once or twice.

"Given the problems since Covid, we could be doing with support on most matters."

"We need to look to our own efficiency and to our own sustainability."

Asked specifically about Cranfield Trust's services, and what would be helpful at present, more than half the respondents expressed an interest in one or more types of support:

- Pro bono management consultancy
- Mentoring
- Peer to peer support

Just under half were keen to use 'Cranfield Trust On Call' – the Trust's telephone advice service. Almost three quarters of respondents said that they would use the Trust's webinars (whether live or recorded) and online information resources.

Survey respondents were equally divided between those who had used external support in the last twelve months, and those who hadn't. More people had used pro bono support (often from Cranfield Trust) than paid support, although some had used both free and paid support.



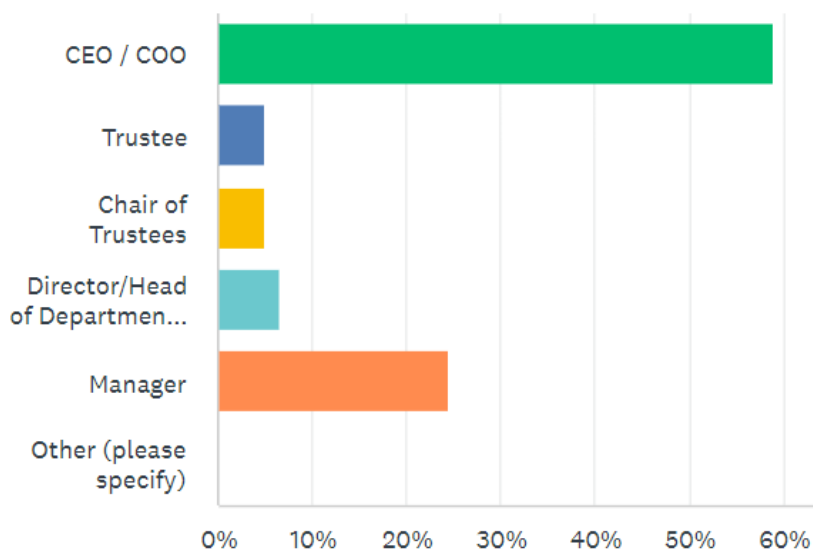
Our survey breakdown

The survey was open between 7 November and 12 December 2022. 71 respondents from voluntary organisations in Scotland completed the survey, their work covered a wide range of areas.

Areas addressed by organisations responding

Addiction	Infrastructure (support for vol sector)
Advocacy and legal services	Learning disability
Carers	LGBTQ+
Culture and the arts	Medical care/health
Domestic violence	Medical research
Economic, social and community support	Mental health
Education and opportunity	Offenders/ex-offenders
Emergency relief	Older people
Environment	Physical disability
Heritage	Refugees and migrants
Housing and homelessness	

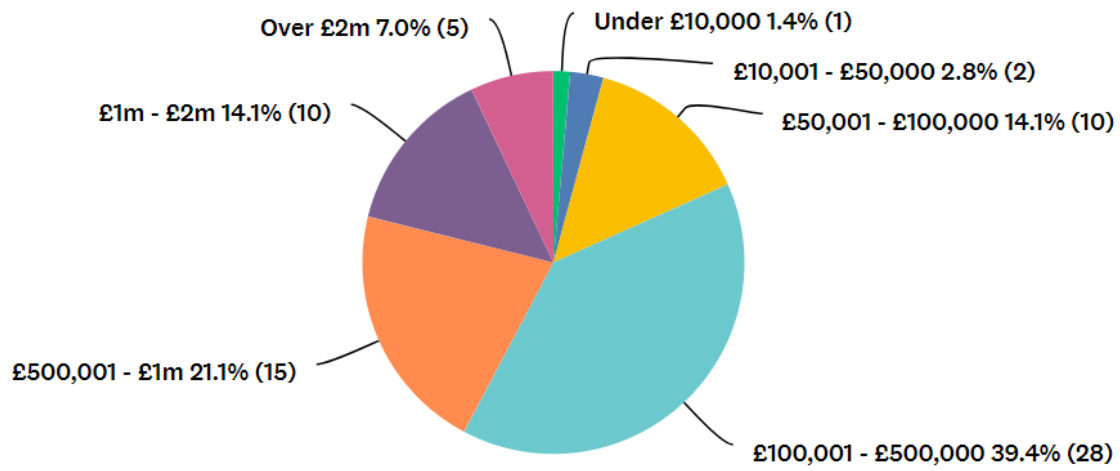
Respondents' roles



Respondents were based across Scotland, and represented 20 council areas. Edinburgh and Glasgow had 12 and 20 respondents respectively, most other areas had 1-5 respondents each.



Respondents' organisation income ranged from under £10,000 a year to over £2m a year.



Cranfield Trust offered a paper 'Prepared, Act and Survive' to respondents participating in the survey, which is included as an Appendix.

