



The value of small

In-depth research into the distinctive contribution, value and experiences of small and medium-sized charities in England and Wales



Centre for Voluntary
Sector Leadership



IVAR
Institute for Voluntary
Action Research



This research has been undertaken by a team of researchers led by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, and including Sheffield Business School (SBS), the Centre for Voluntary Sector Leadership (CVSL) at the Open University, and the Institute for Voluntary Action Research (IVAR).

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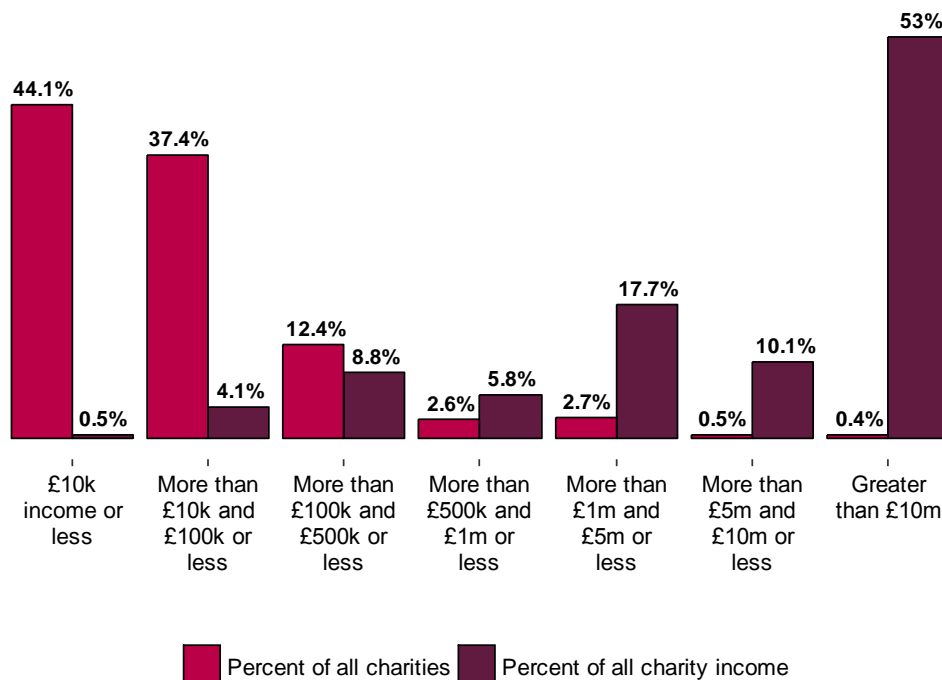
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1. Introduction

Small and medium-sized charities ('smaller charities'¹) – whose annual income falls between £10,000 and £1 million – **are a vital part of everyday life in communities across England and Wales**. Most smaller charities are based and operate at a local level and include a wide range of voluntary, community, social enterprise and civil society organisations. Smaller charities constitute 52 percent (64,000) of all registered charities and 19 percent (£7.2 billion) of charitable income (2014–15). Previous research has provided evidence in favour of sustaining a vibrant and healthy population of small and local charities, but there is **very little robust evidence about what is distinctive and valuable** about them relative to larger charities and public sector bodies. Addressing that gap is important now, more than ever, as **smaller charities are more likely to be adversely affected by cuts to public sector budgets** and approaches to commissioning and procurement that favour economies of scale over more tailored and responsive approaches.

Figure 1: The distribution of charities and charity income by size (2014–15)



Source: Register of Charities (Charity Commission for England and Wales)

This research has focused on identifying **the distinctive contribution and value of smaller charities operating at a local level** in England and Wales and understanding the funding challenges they face. It has involved **four in-depth area level qualitative case studies** – in Bassetlaw, Ealing, Salford and Wrexham – contextualised through original analysis of existing quantitative data. Overall, **more than 150 people participated in the research** through a series of workshops and interviews at an area and organisational level (see Appendix 1 for more detail).

This Executive Summary draws together the **key findings** and makes a number of **recommendations for strategic action** that follow from this research.

¹ For brevity, a number of figures, tables and quotes in this report also use the abbreviation 'SMC' to refer to small and medium-sized charities.

2. Distinctiveness

When we talk about distinctiveness throughout this report, we are referring to the **key features associated with being a smaller charity**, how and in what ways these are important to people and communities facing disadvantage, and why it is important that they are preserved and protected. Our findings build on previous research about the contribution smaller charities make to people and communities, and provide additional in-depth evidence to highlight the **distinctive and important role they play within an ecosystem of local service provision**. In this vein, we have identified three core features that set smaller charities apart from large charities and public sector bodies.

1. A distinctive service offer – what smaller charities do, and with/for whom: smaller charities play a critical role in addressing social welfare issues in their local communities, both directly and by plugging gaps in public services. We found that they:

- Are *'first responders'* to newly emerging needs at a *'hyper-local'* level.
- Create spaces where people feel safe, respected and useful and can access services *without fear of being stigmatised*.
- Promote *inclusion and belonging* by connecting new and established communities to wider opportunities and support.

2. A distinctive approach – how smaller charities carry out their work: we have identified a number of important features to the way they work, including:

- *Person-centred and responsive* approaches built on relationships of trust that create the conditions for *long-term engagement*.
- Being an *embedded, trusted and long-term presence* within communities.
- *Reaching early and staying longer* in their support for disadvantaged groups without affecting their agility and proximity to the community, including finding ways to work *beyond their locality* when the people they support (migrant communities, those insecure housing) are resettled elsewhere.

"They do things as and when they ... see a need and the beauty of that is they can react to something very quickly, so if they see a particular problem in the streets they can put something together quickly".

(Public sector stakeholder, Wrexham)

"They don't turn away people if they don't fall into certain categories"

(Public sector stakeholder, Ealing)

"I think it's the family-ness of it that makes it nice and I think if it got too big I don't know it would depend how that was managed and how it was organised"

(Volunteer, smaller charity, Wrexham)

"Locally I think it's the glue that holds the community together and I see that more and more especially through statutory service reform."

(Stakeholder, Bassetlaw)

- o Having an *open door approach that means people are not turned away*, and have the opportunity to be *listened to without fear of judgement*.
- o *Quick decision making* based on flat and responsive organisational hierarchies.
- o *Diversity* achieved through recruiting volunteers from the local community.

3. A distinctive position – where smaller charities sit in the wider ecosystem of providers: addressing disadvantage requires a mix of provision at an area level. We found that smaller charities can occupy a distinctive position within this wider ecosystem due to:

- o *The extent and nature of their local networks and relationships*, which facilitate an extended reach within and between communities.
- o Their *stabilising role* at a local level, for which smaller charities are frequently described as the *'glue'* that holds services and communities together.
- o Their *advocacy work*, in particular *at an individual level* for people in need of practical help to navigate their way through a crisis or address specific and pressing issues.

The way smaller charities **exhibit these features in combination means they are able to offer a distinctive set of services and activities** in their communities that are additional to the provision of larger charities and public bodies, and often add up to **more than the sum of their parts**.

“Larger organisations are more rigid in what they offer and maybe the price is the price, that can’t be negotiated ... whereas I know if I was saying to [a smaller charity] ‘there’s a gap here, could you look at doing something?’ ... I know there’d be more chance of that happening”

(Public sector stakeholder, Wrexham)

“Life would get easier without the [voluntary sector] ‘noise’ but that ‘as nice as that would be, you’d kid yourself that everything’s going smoothly, the reality is we’ll be more disconnected from understanding the true needs [without smaller charities playing this role] and, in reality it’s much more challenging when there’s apathy”

(Public sector stakeholder, Case study area)

3. Social value

Social value can be a slippery concept, but the importance of the Public Services (Social Value) Act 2010 in the procurement and commissioning of public services means that **understanding and demonstrating the social value smaller charities bring to an area**, individually and collectively, is essential. Our research sought to capture examples of the social value created by smaller charities and understand how their distinctive service offer, approach and position makes such value possible; and to articulate this in a way that makes sense to commissioners and funders. To that end we have identified **three dimensions to the social value created by smaller charities** that ought to be accounted for through commissioning processes.

1. **Individual value – for people who engage with smaller charities' services:** the support smaller charities provide for people facing disadvantage leads to 'soft' personal, social and emotional outcomes – such as *wellbeing* – as well as hard and more tangible outcomes – such as *employment*.

Importantly, we found that the way in which smaller charities **create value** stems from their distinctive service offer, approach and position. In particular, it is the result of **person-centred and holistic support** based on:

- *Meeting needs*, including averting and responding to crisis.
- *Helping people to achieve 'small wins'*, such as building confidence and self-esteem, which provide the necessary basis for longer-term outcomes.
- *Committed staff and volunteers*, who create safe spaces with a family feel that encourage long-term engagement.
- *Creating the conditions, or scaffolding, for long-term engagement* which can lead to more tangible outcomes in the longer term.

"Being here and being part of (the smaller charity) was helping. I could see it helping. I could feel it helping. It was helping."

"I started 10 years ago as a member, on the off chance...that my wellbeing would increase and I would feel better and develop more confidence through artistic processes."

"That allowed me to develop so much that in 6 months I was a volunteer here, within 2 years of that I was in college and then shortly after that I was in university getting an undergraduate degree and a teaching qualification."

(Services user, smaller charity, Salford)

Case study - How individual outcomes lead to economic value

Organisation B in Salford provides creative art-based services to support the emotional wellbeing and recovery of people who are experiencing, or are at risk of experiencing, mental health problems. One of Organisation B's volunteers (a former service user) described how, after coming to the organisation with a severe long-term mental health condition, over the course of 10 years the support provided had enabled them to gain a degree, a teaching qualification and long-term employment.

Based on the economic benefit from a workless JSA claimant entering work, and assuming employment is sustained for at least year, the work Organisation B does to support people into employment has **an annual economic value of almost £500,000**. This means that for every £1 of income received Organisation B created **additional economic value of £0.60 through employment** alone.

2. Economic value – for the economy and for public services: we found that the work of smaller charities creates value directly for the economy as well as value for public services through the individual outcomes achieved:

- The economic footprint (income) of smaller charities was *£7.2 billion in 2014–15*, much of which was reinvested locally through services and activities that employ local people and utilise local supply chains.
- The outcomes achieved by smaller charities *provide direct value for the economy*, for example by supporting people into employment. They also provide *value to the public sector*, by helping to reduce the demand for, or cost of, services in areas such as health and homelessness.

"...the social value's kept in Bassetlaw, all the cars we use is here, all the petrol we buy is here, all the supplies and services we buy are here and that's important cos we add value back to the Bassetlaw economy."

(Staff member, smaller charity, Bassetlaw)

3. Added value – cross-cutting value for different stakeholders: the work of smaller charities provides a range of added value that cuts across individual and economic value, in particular through:

- *Volunteering*, as smaller charities provide many *more volunteers per £1 of funding* than larger charities; and volunteering is also a source of individual and economic value in its own right, *leading to outcomes for individuals* and *providing gross value added (GVA)* to the economy.
- *Funding leverage*, as smaller charities are able to utilise multiple sources of funding and other resources when delivering a service, which means they are often *able to more than double income received from the public sector* with income from elsewhere.
- *Embeddedness in local organisational and social networks*, which gives smaller charities an enhanced understanding of local needs and, crucially, enables people to navigate services and know which providers within the wider ecosystem are able to meet or respond to their needs.

Case study - The added value of volunteering

Organisation A in Ealing runs two centres for individuals experiencing street homelessness and provides a range of food, day respite facilities, and other resources.

Volunteers in Organisation A provide an estimated **250 hours** of time in support of service delivery each week. This time is worth an estimated **£97,500** each year.

This is more than three times the amount of funding Organisation A receives from the local public sector and means that for every **£1** of public sector funding received an **additional £3.25 of volunteering** resource is provided - a gain of 325 percent.

Case study - The added value of funding leverage

Organisation B in Wrexham provides support for children and young people with disabilities and their families. They received **£92,000 from local public sector** sources in 2016–17 but an additional **£259,000 from voluntary sources**, including grants from independent funders, donations and trading.

This means that for every £1 of public funding received Organisation B brought an **extra £2.80 into the local area** from other sources - **almost triple the public sector investment**.

4. Challenges

In researching the distinctive role and value of smaller charities, we have also identified **a number of significant challenges** that are preventing this value from being realised and maximised on a consistent basis, and which are creating a sense of fragility within many organisations operating at a local level.

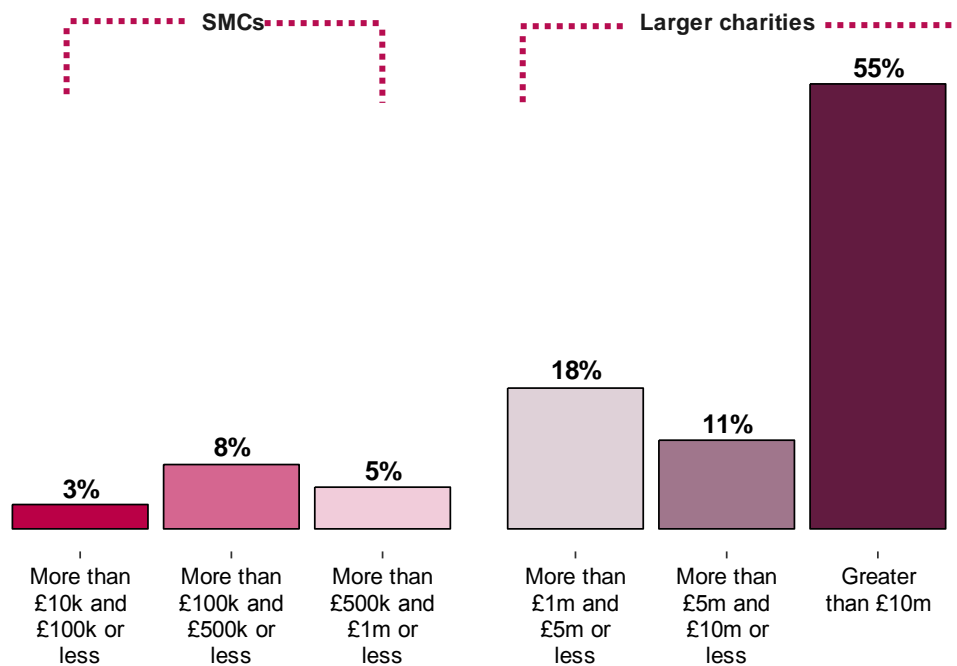
The first set of challenges is associated with **social value and how it is measured and articulated**, as many smaller charities, in particular the very smallest, do not have the capacity to implement formal and sophisticated approaches to monitoring and evaluation that many commissioners require.

What smaller charities are very effective at is capturing case studies and recounting, in compelling terms, how they have helped individual service users, including the types of value that followed from this support. But this type of evidence is not afforded the same weight as formal quantitative output and outcome measures by many commissioners and funders. As a result, **many smaller charities are increasingly struggling to convince commissioners and funders of the need for, and value of, their work**.

The second set of challenges is associated with **the funding environment** affecting smaller charities across our case study areas and is a **direct effect of central government austerity measures**. There is no disguising the fact that the **cuts have been dramatic and that there is now far less money to go around**.

The fact that **the funding environment has not favoured smaller charities** is borne out by our quantitative data analysis (figure 2), which shows that they receive a much smaller proportion of local government funding (16 percent) than larger charities (84 percent), and that the difference is most pronounced in comparison with the very largest charities (income over £10m) – the large majority of which (76 percent) are non-local – who receive 55 percent of all local government funding.

Figure 2: Distribution of local government income to general charities according to organisation size



Source: TSRC/NCVO Charity Accounts Dataset

We have identified a range of public sector and smaller charity-led responses to the effects of austerity: some of these responses are compounding the effects of austerity whilst others are reducing them as well as they can.

The public sector has responded by searching for efficiency and/or economies of scale, through:

- a) **Streamlining and scaling up contracts:** we found that *public sector commissioning was increasingly occurring at scale* – contracts were larger, and more tightly defined, which favoured large charities over smaller charities. As a result, there is often a *mismatch between what many smaller charities do* (their distinctiveness and social value) *and what public bodies seek to fund* (services and outputs/outcomes), even though the distinctive approach of smaller charities leads to positive individual and economic outcomes that should be attractive to public sector bodies.
- b) **Promoting collaboration between providers:** we found that although *collaboration between smaller charities and larger providers was apparent*, it can prove problematic for smaller charities, who are *wary of collaborating with larger organisations* and fear that their knowledge and skills could be appropriated to the benefit of the largest organisation. However, *we did identify some examples of effective collaboration*

“We’ve seen it happen in (this area) where a national organisation will bid for a contract, win it and come in and try and deliver something, but how they deliver it is pick the brains of local voluntary organisations who’ve spent many years getting themselves established and those contacts only to see this big agency come in and be paid hundreds of thousands of pounds.”

(Local authority commissioner, case study area)

involving smaller charities, and found that this takes hard work and is *dependent on considerable levels of trust* between key actors.

Smaller charities in our case studies had responded to the challenges they face:

- a) **Collectively, at an area level:** all of the smaller charities felt that it was critical to continue to *invest time and financial resources in collaborating with other local providers*, even where there was no funding attached to this work. This work was seen as important because it *bridged a gap between communities and the public sector*, and enabled the voices of people facing disadvantage to be heard more effectively.
- b) **Individually, at an organisational level:** a number of smaller charities were focusing on *development and capacity building* to secure their long-term sustainability. Some smaller charities were focusing on *income diversification*, for example through social enterprise, and others were focusing on how to *meet the requirements of commissioning frameworks* and larger contracts in the future.

Importantly, many stakeholders and smaller charities spoke of the crucial role of an **effective local infrastructure organisation in facilitating** these types of area and organisational responses.

Despite the pressures of the funding environment, the majority of public and voluntary sector stakeholders involved in the research regarded **a healthy ecosystem of providers** – encompassing the whole range of organisations from micro, through small and medium-sized, to larger organisations – **as a crucial element of the local service provision** that encouraged quality and plurality of choice for service users.

"A lot is down to the individuals. [Name] at the council He really has encouraged that multi-agency working."

"We're just about to start holding fortnightly meetings next month to discuss a targeted number of that group of rough sleepers and we're really going to focus on those and see if we can get them to move along."

"The ones we're looking at really are the hard core. Don't want to move, can't move. I think joined-up thinking [as] an approach is going to work"

(Smaller charity, Bassetlaw)

5. Recommendations for strategic action

Overall, our research findings suggest there is a **mismatch between the distinctive offer, approach and position of smaller charities; the approach local public sector bodies take to commissioning services; and the way that the value of those services – the outcomes and wider benefits they lead to – is measured and understood**. In turn, this suggests there is a **need for strategic local and national action to protect, promote and develop smaller charities** in the following ways:

1. **Reforming funding:** the financial and wider resource pressures facing smaller charities have been at the forefront of this research and there is clear need for them to retain a *healthy funding mix* if their distinctive service offer, approach and position are to be sustained. So, what does a healthy funding mix look like? Our research suggests it should involve a combination of the following:
 - *Grants, of different sizes and length, and for different purposes:* public sector bodies should be encouraged to award smaller charities with grants over contracts wherever possible. This includes: long-term, large grants that cover core costs and provide smaller charities with stability and enable their provision to be embedded sustainably in the wider ecosystem of services; and short term, sometimes smaller grants that enable smaller charities to prototype and test new types of services and ways of working that could be incorporated into mainstream provision in the longer term. This distinction between different length and size of grants, and the purpose for which they are awarded, applies to independent funders as well as public sector bodies.
 - *Flexible, accessible and proportionate contracts:* when it is necessary to award contracts for public service delivery, public sector bodies should give more consideration to how smaller charities can be involved in procurement and commissioning processes. This means that tender specifications should take account of the distinctive offer, approach and position of smaller charities for meeting the needs of different service user populations. In particular, public sector bodies should learn from, and build upon examples of, effective practice in collaborative commissioning, and recognise that this requires long-term trust-based relationships between providers and commissioners and between providers themselves.
 - *Other sources of funding and resources that complement and add value to public sector funds:* a healthy funding mix should also include a range of non-public sector income streams that maximise the advantages of charitable status. These include: traditional voluntary sources such as fundraising, donations, in-kind support and volunteers; local and national independent grant funders; and social enterprise-style trading and income generation. Of particular importance here is fostering closer and more deeply embedded relationships between smaller charities and the private sector, in particular firms who are rooted in, or have links to, the local area.

2. Reframing and strengthening the role of social value: our findings clearly demonstrate that the Public Services (Social Value) Act 2010 needs to be implemented more consistently and effectively, and in a way that recognises the distinctive features of smaller charities. In practice this would mean:

- *Requiring public sector bodies to formally account for social value* throughout commissioning, procurement and service delivery. This should include explaining both how social value has been incorporated into procurement processes and how it is monitored and reviewed whilst a service is being delivered, and a duty to report on this to the public at regular intervals.
- *Incorporating a broader definition of social value* – such as that applied through this research – that recognises the full range of individual, economic and added value that different types of service providers can create.

3. Sustaining healthy local ecosystems: our research has highlighted the value of a healthy and vibrant ecosystem of provision – containing smaller charities, wider voluntary, community and social enterprise organisations, and public sector bodies – at an area level. Sustaining these ecosystems, in particular *preserving and protecting the role of smaller charities* within them, should be a central aim of public policy at national and local levels. This will require a *sustainable and healthy funding mix* and the *reforms to social value* described above, but also recognition of the importance of *long-term and embedded trust-based relationships* between key people and organisations within an ecosystem.

These relationships provide vital linkages between individuals, services and communities, and enable effective, sustainable and collaborative approaches to addressing disadvantage to be developed. **However, these pivotal connections risk being severely eroded, or lost altogether, unless the issues raised by this research are addressed.**

6. Conclusion

Overall, the findings of our research **support and strengthen the existing evidence and arguments** about smaller charities. In addition, the research has added depth and contextual richness to previous claims by **identifying three distinctive features of smaller charities - their service offer, their approach, and their position** - and discussing why these enable them to play a vital role within ecosystems of local service provision. Importantly, we have also, for the first time, **made an explicit link between these distinctive characteristics and the social value smaller charities create** for individuals and the wider economy, including the cross-cutting added value associated with the work they undertake.

However, we have also highlighted some **major challenges that smaller charities face in convincing public sector commissioners and funders of the need for and value of their work**. These challenges are heightened by the pressures of seemingly permanent austerity, which have led to a public sector commissioning environment that increasingly prioritises scale over responsiveness, and which favours larger charities over smaller ones in an increasingly crowded and competitive 'marketplace'. The **recommendations for strategic action that we make at the end of this research provide an important start point for addressing these challenges**, but their implementation will require long-term commitments and financial resources from key stakeholders - in particular the *public sector, independent funders and larger charities* - at a local and national level.

Appendix 1: An overview of the case study organisations

Org ID	Case Study Area							
	Bassetlaw		Ealing		Salford		Wrexham	
A	Medium (£493,000)	Provides an emergency hostel, move on accommodation, and advice and support in one of the towns in Bassetlaw.	Medium (£251,000)	Runs two centres for individuals experiencing street homelessness. Between the two centres they provide food, day respite facilities and other resources.	Medium (£153,000)	Supports the integration of asylum seekers, migrants and refugees through support with immigration processes, English language and IT classes, housing, cultural activities, employment and emotional support.	Medium (£125,000)	Provides advocacy support for people with mental health problems and works to facilitate discussions between service providers and service users about gaps in service provision.
B	Medium (£407,000)	A community resource agency offering help and support to individuals and organisations throughout Bassetlaw, including older and socially isolated people.	Small (£87,000)	Community hub that provides support and services for people of all ages focused on: employability, ICT, welfare advice, youth issues, English language courses and advocacy support.	Medium (£813,000)	Delivers tailored creative art-based services to support the emotional wellbeing and recovery of people who are, or are at risk of, experiencing mental health difficulties.	Medium (£351,000)	Provides support for children and young people with disabilities, including activities and respite care for people and their families who are isolated or lack a wider support network.
C	Small (£41,000)	Church-led organisation providing a range of community projects aimed at tackling deprivation.	Small (£80,000)	Community-based mediation service providing alternative approaches to dispute and conflict resolution.	Medium (£251,000)	A faith-based charity that delivers emergency accommodation alongside physical, emotional and spiritual support.	Small (£66,000)	Provides support for young people who are experiencing, or are at risk of experiencing, some kind of exclusion from society.
D	Super-major (£158m)	A large national charity that delivers a range of health and social care services to individuals, young people and families seeking to overcome issues such as substance misuse, homelessness, deprivation, offending and domestic abuse.	Major (£24m)	A larger provider of domestic abuse refuges for women and children in London. In Ealing they provide domestic violence support and advice to individuals in partnership with three other specialist domestic violence charities.	Super-major (£115m)	A large national health and social care charity providing support for people with learning disabilities, accommodation for older people and people living with dementia, community care, and extra care support for those aged 55+.	Large (£1.9m)	A large charity that supports women experiencing domestic violence. Formed following the merger of a number of locally based SMCs.



Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to **Helping Britain Prosper**.

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