

Charities and the economic downturn

4th Economic survey of charities

March 2010



The Charity Commission

The Charity Commission is the independent regulator of charities in England and Wales. Its aim is to provide the best possible regulation of charities in England and Wales in order to increase charities' effectiveness and public confidence and trust. Most charities must register with the Commission, although some special types of charity do not have to register. There are some 180,000 registered charities in England and Wales. In Scotland the framework is different, and the Commission does not regulate Scottish charities.

The Commission provides a wide range of advice and guidance to charities and their trustees, and can often help with problems. Registered charities with a gross annual income or expenditure over £10,000 must provide annual information and accounts to the Commission. The Commission has wide powers to intervene in the affairs of a charity where things have gone wrong.

More information about the Commission together with a range of guidance for charities can be found on our website www.charitycommission.gov.uk, or by contacting Charity Commission Direct:

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All Commission publications referred to in this publication may be viewed on, or downloaded from, our website.

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FOREWORD

A message from the Chair and Chief Executive of the Charity Commission

Dear Reader,

As with most sectors of the economy, the past 18 months have not been easy for charities. Our fourth comprehensive survey of the impact of the economic downturn on the sector shows that the number of charities affected continues to increase.

Unsurprisingly, we're seeing a mixed picture. The incredibly diverse nature of charities means that they are exposed and vulnerable in very different ways. Larger charities, those with income over £100,000, have been hardest hit with 79% feeling the pinch. They face a double challenge as a third are also experiencing an increase in demand for their services. The very smallest charities, whilst facing their own set of challenges, do appear a bit more insulated from changes in the wider economy.

There are some encouraging signs. Most charities say that public support for their work has remained stable or increased and some are making the most of new opportunities. The increased optimism of the sector is particularly striking - an admirable strength that can carry charities through tough times. However, almost half of charities think that the charity sector's recovery will lag behind other sectors of the economy.

We would like to see more trustees channel their formidable energy and optimism into planning for the years ahead and doing all they can to protect the valuable work of their charity. Although the economy may no longer technically be in recession, it is clear that financial challenges will persist and the outlook for charities remains uncertain. The survey shows that a quarter of larger charities say that funding from the public sector is their most important income stream. We have concerns these charities could find themselves at a financial cliff edge in March 2011 when many of their existing three-year funding streams from the public sector come to an end. These charities should ask themselves: can we take steps to increase our chance of winning local contracts? Could we collaborate with another charity to reduce costs? Or are there ways to diversify our income?

As the regulator, our role is to offer the most current, clear and practical advice and guidance to help charities during this very difficult and unsure time. Our *Big Board Talk*, a checklist that poses 15 questions that charities of all shapes and sizes should be asking themselves during a recession, is a practical tool that will help trustees think through these issues in the months ahead and strengthen their charity's position.

Continued clarity about their aims, combined with sound financial planning and management will enable charities not only to face the challenges of the future, but also to anticipate and make the most of the new opportunities that arise.



Dame Suzi Leather
Andrew Hind

Chair
Chief Executive

KEY FINDINGS

- **Overall impact:** 59% of charities report that they are affected by the economic downturn, an increase from 56% in August 2009, and up from 38% eighteen months ago, in September 2008.
- **Impact on income:** 62% of charities affected say that they have experienced a reduction in income.
- **Type of charity affected:** Health, international, economic development and social services charities were the most likely to say they were affected. Small community based charities were least likely to say they had experienced a drop in income related to the downturn and most likely to predict their income would remain stable over the next 12 months.
- **Public sector funding:** A quarter of large charities say that funding from the public sector is their main source of income. Over a quarter (27%) of all charities surveyed expect it to decrease in the next 12 months.
- **Fundraising income:** Income from fundraising is the most important source of income for 30% of the small charities surveyed. 29% of all charities surveyed have seen funding from this source decrease over the past 6 months.
- **Investment income:** Charities' investment income continues to be the most affected source of income. 62% of respondents have seen a decrease and 4% an increase in their investment income in the past 6 months.
- **Demand for services:** 19% of charities surveyed have seen an increase in demand for services over the last 12 months. Of the large and largest charities, approximately a third reported an increase in demand.
- **How charities are responding:** 44% of all charities responding to the survey have taken steps to counteract the effects of the downturn. The largest charities are more likely than the others to have put measures in place. (79%)
 - 22% had looked to reduce the cost of things like stationery, printing, mobile phones and energy costs;
 - 12% had drawn on their reserves; this was particularly the case for the large (22%) and largest (23%) charities;
 - 9% had considered merging, collaborating or forming consortia with other charities; and
 - 8% had increased their fundraising activities.
- **Outlook for the future:** Most charities, 84%, were optimistic for the next 12 months, an increase of 15% from September 2009.
- **Speed of recovery:** Nearly half of charities, 47%, expect the sector to recover from the effects of the economic downturn more slowly than other sectors of the economy.

BACKGROUND AND APPROACH

This report summarises findings from our latest survey to give a comprehensive picture of the impact of the economic downturn on charities and steps they are taking to respond and adapt. Our fourth survey builds on research in September 2008, when the first indications of the downturn were registering within financial markets, and in February and August 2009, when the full global impact was evident.

Aims of the research

The specific aim of this research is to establish and track the extent to which charities have been affected overall by the economic downturn, the measures they are putting in place as a response, and perceptions of the impact of the downturn on income and services in the future.

The findings enable the Charity Commission to better understand the challenges and opportunities faced by charities, raise awareness of the impact of the downturn on charities and help direct appropriate support, advice and guidance to charities.

Approach

The research was conducted by MVA Consultancy, an independent research consultancy, on behalf of the Charity Commission. A total of 1,010 telephone interviews were carried out with a random sample of registered charities in England and Wales in January/February 2010. Full details of the method used in the research are set out in Annex A.

The income bands referred to in the report are

- small (0 - £10,000);
- medium (£10,001 - £99,999);
- large (£100,000 - £999,999);
- largest (£1 million upward).

In this report we have also focused in on how different size and types of charity, for example health charities or international charities, have been affected. We have made direct comparisons with questions in previous surveys where possible.

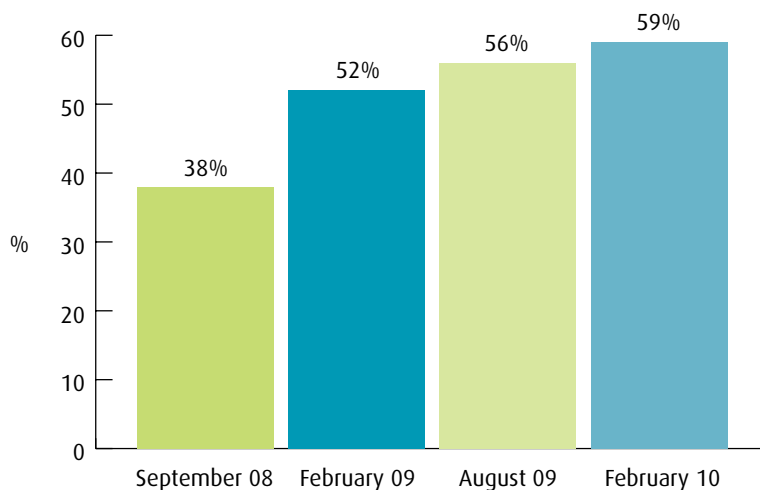
OVERALL IMPACT

59% of charities now say that they have been affected by the economic downturn, a slight increase from 56% in August 2009. The number of charities affected has increased for the fourth consecutive time since the survey was first conducted in September 2008 when 38% reported an impact.

There is a significant relationship between charity size and the extent to which they are affected by the economic downturn. Consistent with previous surveys, charities in the two largest income bands were more likely to report that they had been affected by the downturn than those in the lower income bands (78% and 81% versus 48% and 66% respectively). See Chart 2.

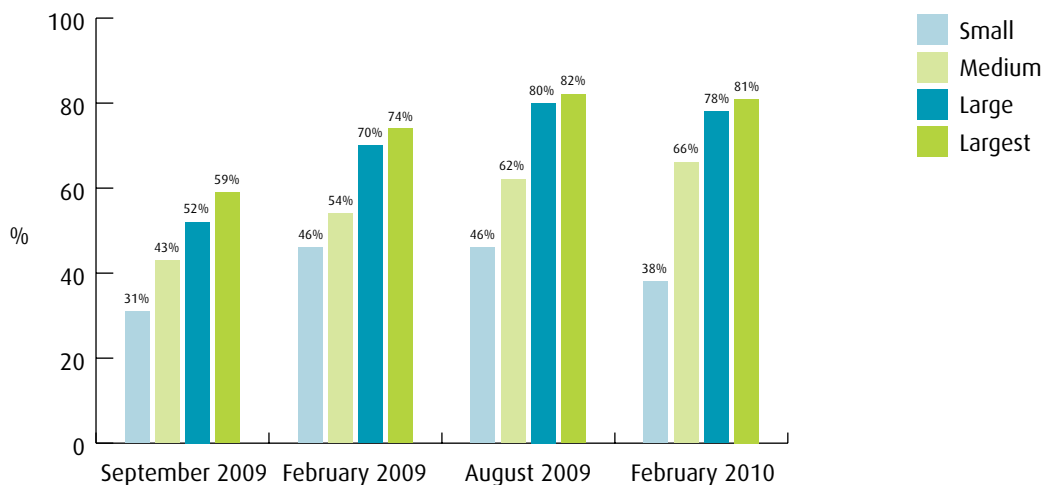
74% of health and international charities, 70% of economic, social and community development charities and 65% of social services charities reported that they had been affected by the downturn. Housing charities, environmental charities and charities carrying out small community based activity were least likely to say they were affected. (44%, 51% and 52% respectively) See Table 1.

Chart 1: % of charities that have been affected by the economic downturn



Base: All respondents

Chart 2: % of charities by size that have been affected by the economic downturn



Base: All respondents

Table 1: % of charities by type that have been affected by the economic downturn

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	195	254	150	124	40	68	31	37	130	23	29	183	1008
	62%	58%	74%	65%	51%	44%	57%	74%	61%	51%	70%	52%	59%

Base: All respondents – 1008.

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

Charities could choose more than one type, hence the total of the individual base numbers exceeds the total base

THE IMPACT ON CHARITY INCOME

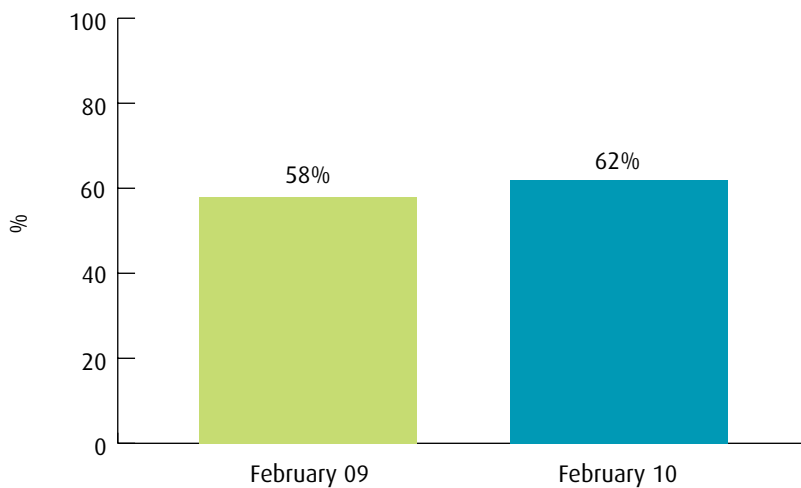
Overall impact on charity income

Nearly two thirds (62%) of those charities that said they were affected by the downturn, also reported a drop in income, an increase of 4% from February 2009.

Small charities were significantly less likely to report a reduction in income compared with the rest of charities. Just over half (52%) of the small charities reported a decline in income compared with 70% of large and 66% of largest charities.

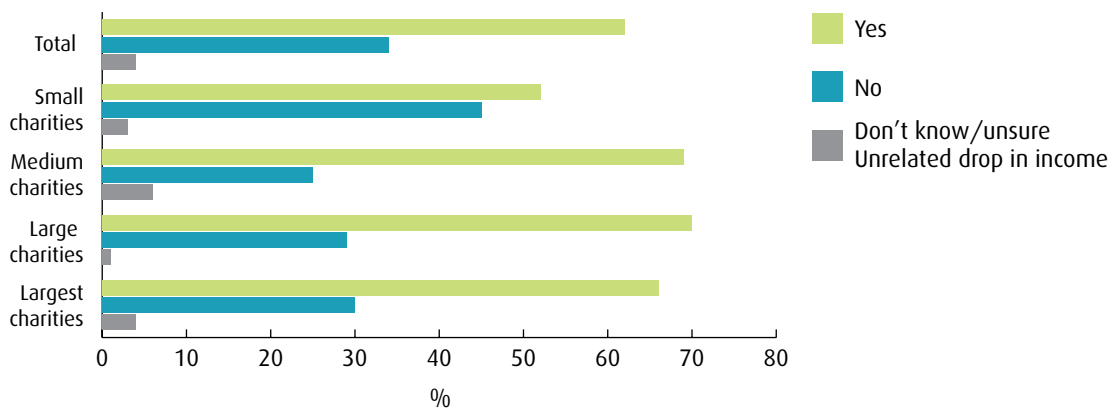
Two thirds or more of housing, health and education charities that said they were affected by the downturn, had experienced a decrease in income. Of those affected by the downturn, small community based charities and environmental charities were least likely to have experienced a reduction in income related to the downturn, 46% and 47% respectively.

Chart 3: % of charities that have experienced a reduction in income relating to the economic downturn



Base: Respondents who were affected by the economic downturn - 687

Chart 4: % of charities by size that have experienced a reduction in income relating to the economic downturn



Base: Respondents who were affected by the economic downturn - 687

Table 2: % of charities by type that have been affected by the economic downturn and experienced a reduction in income

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	133	177	126	91	26	43	23	29	94	14	23	107	687
Yes	59%	66%	66%	64%	47%	67%	63%	58%	61%	55%	52%	46%	62%
No	32%	30%	31%	34%	46%	33%	27%	35%	39%	45%	48%	48%	34%
Unrelated drop/Not sure	8%	4%	3%	2%	7%	0%	10%	7%	0%	0%	0%	6%	4%

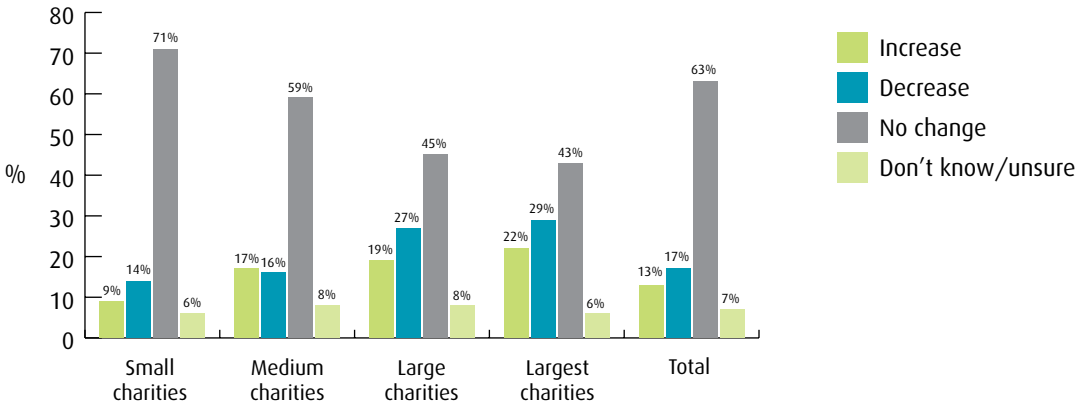
* The sample size for these types of charity is small and therefore the results should be interpreted with caution

When all charities were asked whether they expected overall income to increase, decrease or remain the same over the next 12 months, almost two thirds (63%) said that they expected their overall income to remain the same; 13% expected their income to increase; 17% expected it to decrease, and 7% did not know what to expect. The most notable differences between charities of different sized income bands are:

- charities in the smallest income band were more likely to anticipate no change over the next 12 months compared to the rest of charities and a significantly smaller number anticipated that their income would increase or decrease;
- a higher proportion of charities in the two largest income bands expected their income to decrease over the next 12 months compared to the two lower income bands.

70% of small community based charities and 68% of environmental charities anticipated their income remaining stable. 24% of international charities, 23% of social services charities and 22% of health charities were anticipating a decrease in income in the next 12 months. Charities that work with animals (24%), employment and training (22%) and religion (20%) were most likely to anticipate an increase in income in the next 12 months.

Chart 5: % of charities anticipating a change in income over the next 12 months by size



Base: All charities - 1009

Table 3: % of charities anticipating a change in income over the next 12 months by type

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development**	Small community based activity	Total
Base	195	253	150	124	40	68	31	37	130	23	29	183	1007
Increase in income	15%	14%	15%	16%	12%	19%	22%	7%	20%	24%	22%	10%	13%
Decrease in income	19%	17%	22%	23%	13%	14%	11%	24%	20%	10%	10%	15%	17%
No change	56%	63%	50%	53%	68%	67%	67%	58%	54%	46%	65%	70%	63%
Not sure/ Don't know	9%	6%	13%	8%	7%	0%	0%	11%	6%	20%	3%	5%	7%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

Impact by income stream

Charities were also asked where they received income from, what was their most important source, whether it had increased, decreased or stayed the same over the last 12 months and their future expectations for particular funding streams.

Table 4: % of charities that obtained income from this source by size

Source of income	Small charities	Medium charities	Large charities	Largest charities	Total
	Under £10,000	£10,000 - £99,999	£100,000 - £999,999	£1 million +	
Fundraising from public	46	44	45	36	45%
Investment income	32	41	47	51	38%
Membership fees	27	36	31	25	30%
Grant making trusts/ foundations/ funds	12	16	31	40	16%
Public sector grants/contracts	8	17	36	43	15%
Legacies	8	15	25	23	13%
Trading	8	16	23	30	13%
Rents/property/land rental (Other answers)	5	12	5	4	7%
Hire or hall/room/bar (Other answers)	2	8	3	1	4%
Donations/contributions (members, companies, private, unspecified) (Other answers)	6	10	8	10	7%
Other	6	6	5	2	6%

Base: All charities - 1008.

Table 5 : % of charities that said this was their 'most important' source of income

Most important source of income	Small charities Under £10,000	Medium charities £10,000 - £99,999	Large charities £100,000 - £999,999	Largest charities £1 million +	Total
Fundraising from public	30%	16%	13%	10%	23%
Investment income	23%	19%	16%	13%	21%
Membership fees	17%	19%	12%	13%	17%
Grant making trusts/ foundations/ funds	6%	4%	7%	10%	6%
Public sector grants/contracts	3%	7%	24%	27%	8%
Legacies	3%	2%	4%	3%	3%
Trading	6%	7%	11%	13%	7%
Rents/property/land rental (Other answers)	4%	10%	5%	2%	6%
Hire or hall/room/bar (Other answers)	2%	7%	1%	<1%	3%
Donations/contributions (members, companies, private, unspecified) (Other answers)	4%	5%	6%	5%	4%
Other	2%	2%	2%	5%	3%

Base: All charities - 997.

- *Fundraising income*

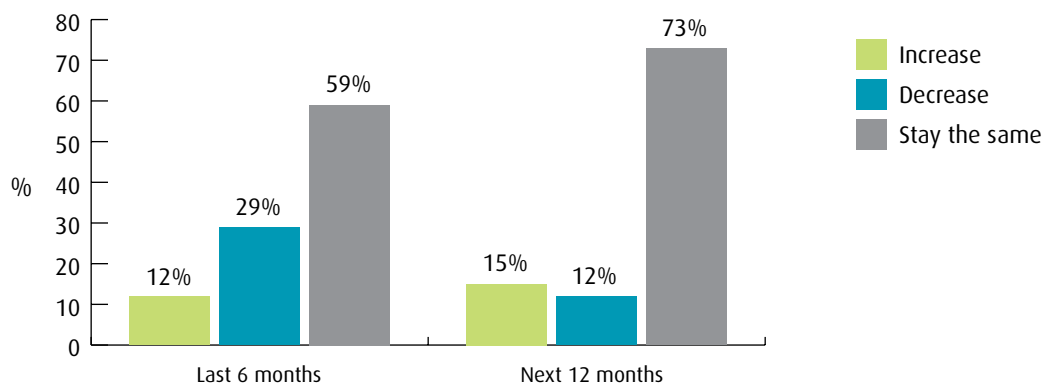
45% of charities surveyed received income through fundraising and for 23%, this was their most important source of income. This has increased from 16% in August 2009, suggesting that charities are placing a greater emphasis on fundraising. Despite drawing income from a wide range of sources, international charities were significantly most likely to say that income from fundraising is their most important source (35%). 32% of charities involved in economic, social and community development and 31% of charities involved in small community based activity said it was their most important source.

29% of charities funded this way reported a decline in their fundraising income over the past 6 months. Of those, 23% reported that they had reviewed their fundraising efforts. Although small and medium sized charities were more likely to say that fundraising was their most important source of income (30% and 16% respectively), charities in the large and largest income bands were more likely to have actually increased their fundraising efforts (23% and 26% respectively as opposed to 8% and 16% of small and medium charities).

12% of all charities had experienced an increase in fundraising income over the past 6 months and 56% reported that it had remained the same.

Looking ahead, charities are relatively optimistic about this income source. 73% expect their fundraising income to remain steady and 15% think it may increase. Some, however, are worried, with 12% predicting a decrease in the next year.

Chart 6: % of charities that have seen a change in fundraising income in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from fundraising - 406

- *Investment income*

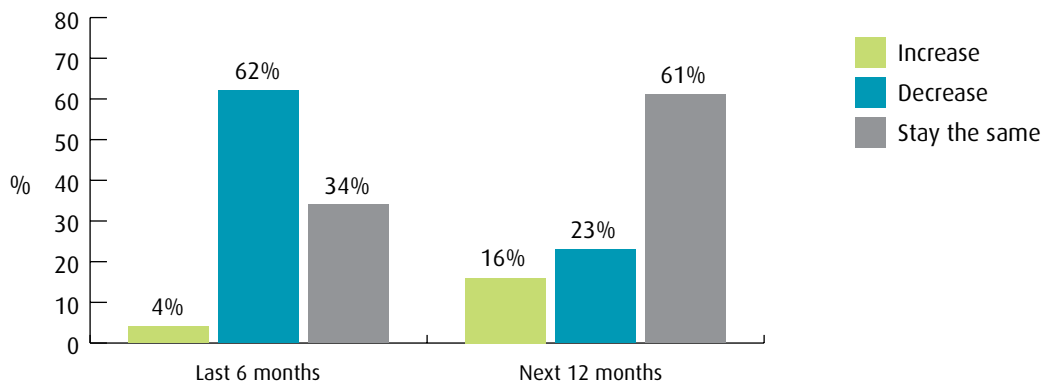
38% of charities said they received income from investments. This was 51% of charities in the largest income band and 32% of charities in the smallest band. Of all charities surveyed, a fifth (20%) said this was their most important income source, or 23% of charities in the smallest income band and 16% of charities in the largest income band.

Close to a quarter or more of religious charities, housing charities and social services charities said this was their most important source of income.

Unsurprisingly given fluctuations in the investment markets, this echoes the findings of previous surveys. 62% of those drawing income from investment had seen it decrease in the last 6 months. A third of charities (34%) said it stayed the same. Interestingly, given the continuing uncertainty of the markets, charities maintain optimistic that investment income may not be quite as heavily affected in the future as over the past year. For example, in this survey, 23% say it would decrease in the next 12 months compared with the 62% who said in the previous survey in August 2009 that it had decreased. Nonetheless of all income streams investment income is one of the sources that charities are least optimistic about.

This survey finds that only one in ten (11%) of those receiving investment income reported they had changed investment strategies or reduced investments and again it appears that charities in the large and largest income bands were most proactive about this.

Chart 7: % of charities that have seen a change in investment income in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from investments - 423

- *Public sector funding*

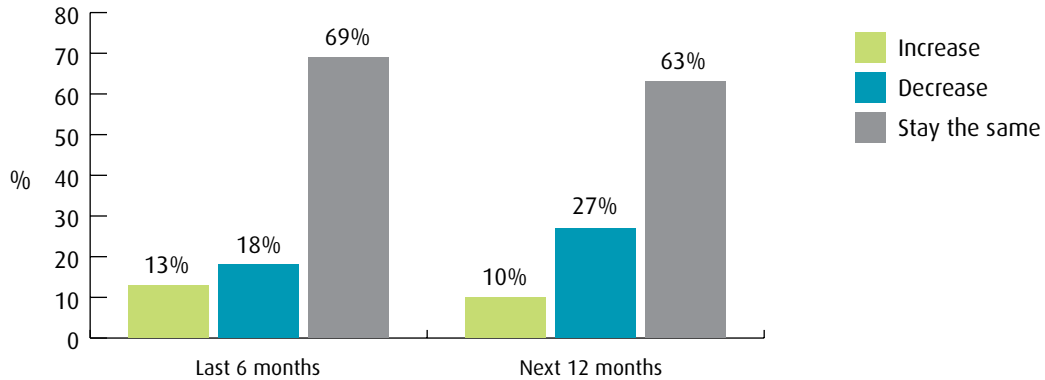
15% of all charities received funding for public sector grants or contracts. Only 8% of charities in the smallest income bands receive funding from this source, but it is significantly more for charities in the large and largest income bands (36% and 43% respectively). Correspondingly, this is the most important source of income for only 3% of small charities. 24% of large charities and 27% of largest charities reported this to be the case. 25% of social services charities, 20% of employment charities, 19% of animal charities and 17% of health charities reported this to be their most important income source.

69% of charities that obtained funding from the public sector reported that this income source had remained stable over the past 6 months, with 18% seeing a decrease and 13% an increase. This stability may be a result of ties to funding contracts that will run until the end of this or the next financial year.

Looking ahead, over a quarter (27%) expect to see a decrease in the next 12 months. This was one of the areas of funding that charities were least likely to expect to increase (10%).

Only 13% of those receiving funding from the public sector said that they had considered diversifying their income streams.

Chart 8: % of charities that have seen a change in income from public sector grants and contracts in the last 6 months and anticipate a change in the next 12 months



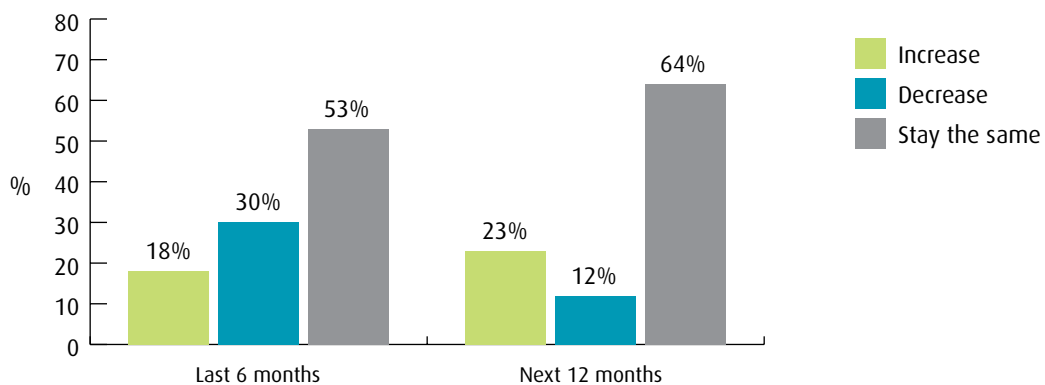
Base: Charities that receive income from public sector grants and contracts - 235

- Trading income**

13% of charities said they obtained funding from trading, 30% of charities in the largest income band and less than a tenth of smaller charities. 7% of all charities said that this was their most important source of income. Employment and training, animal and arts charities were the most likely to have said that this was their most important source of income.

Over half of charities (53%) that rely on trading for income reported that this source had stayed the same over the past 6 months, with 18% seeing an increase and 30% a decrease. Looking ahead, this is one of the areas where charities said they were most likely to expect an increase in income (23%) and only 12% expect a decrease.

Chart 9: % of charities that have seen a change in income from trading in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from trading - 188

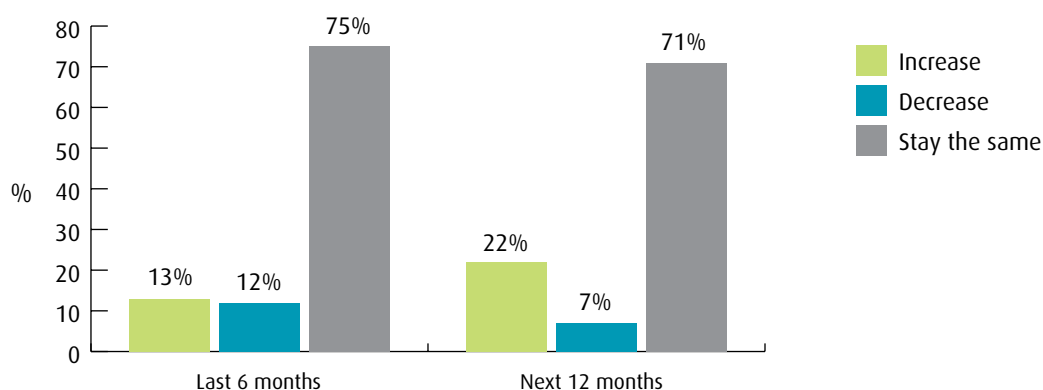
- *Income from membership*

Membership was the third most common and important source of income for charities with nearly a third (30%) receiving funding this way. 17% said it was their most important source of income. Small and medium charities were more likely to say this was their most important source of funding (17% and 19% respectively) than large and largest charities (12% and 13% respectively).

33% of animal charities, 28% of art/culture/sports charities and environmental charities and 21% of charities that carried out small community based activities said it was their most important source.

Three quarters, 75% of all charities funded this way reported that income from membership subscriptions stayed the same, with 13% seeing an increase and 12% reporting a decrease. Consistent with previous surveys, this was the only category in which more charities had seen an increase than a decrease. Furthermore, expectations around membership income were more optimistic than for any other source of income with 22% expecting an increase in the next year. Apart from trading, this is the highest for any income stream with only 7% expecting a decrease, significantly less than for any other income stream.

Chart 10: % of charities that have seen a change in income from membership in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from membership - 288

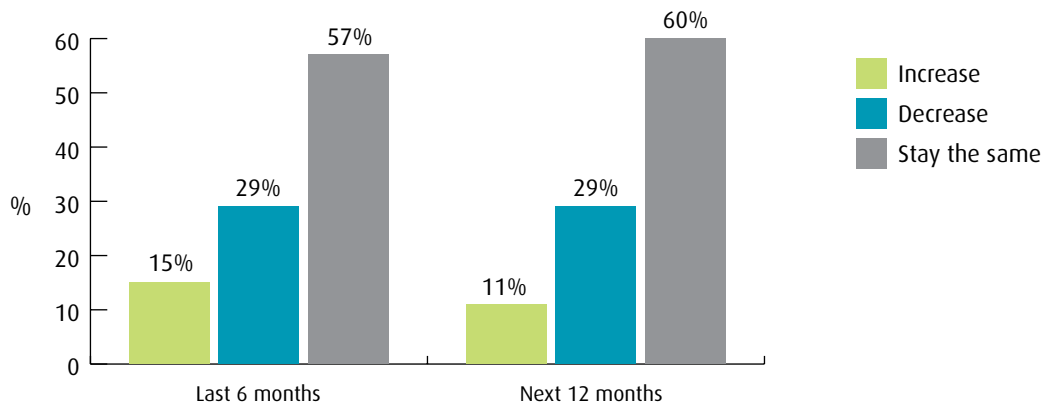
- *Income from grant making trusts and foundations*

40% of charities in the largest income band receive funding from grant making trusts and foundations and 16% of all charities. While income from trusts and foundations is significant for some, only 6% of all charities identified this as their most important income stream. 14% of international charities and 10% of employment and training charities said that this was their most important source.

Our recent report, *'Firm Foundations: A snapshot of how trusts and foundations are responding to the economic downturn in 2009'* found that grant making by the largest grant makers was holding steady for now but that the future was uncertain. This latest survey on the impact of the economic downturn, which includes grant income from both large and small grant makers, paints a slightly different and mixed picture. 29% of those receiving income from grant making trusts, foundations or funds had experienced a decrease in funding in the last 6 months. 15% had seen an increase and 57% reported that it had stayed the same.

Looking ahead, this was the income stream that charities expressed the most concern about, with 29% anticipating a decrease and only 11% an increase.

Chart 11: % of charities that have seen a change in income from grant making trusts and foundations in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from grant making trusts and foundations - 235

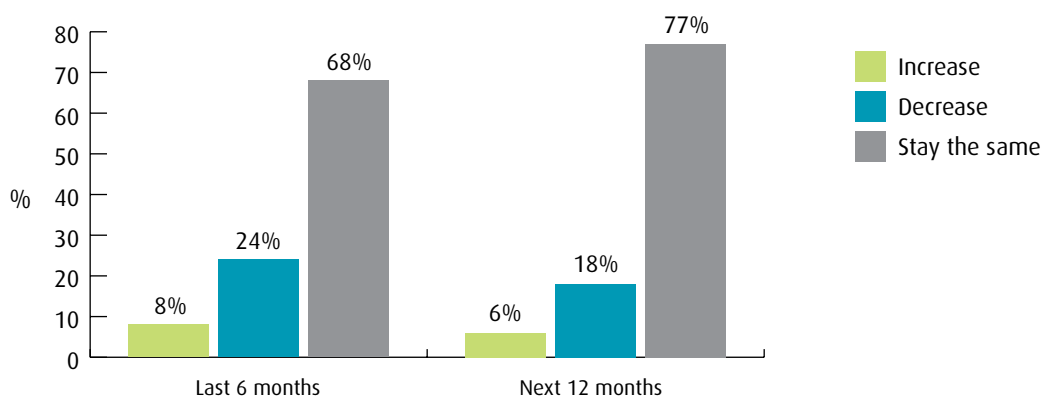
- *Legacies*

Legacies are a source of income for 13% of the charities surveyed, 8% of small charities and 25% of large charities. 3% of all charities said this was their most important source. It was the most important source for 10% of health and employment or training charities.

Nearly a quarter of charities funded this way have experienced a decline in legacy income, with 68% saying it was stable and only 8% seeing an increase. After investment income, this is the income stream where charities were least likely to have seen an increase in the last 6 months.

Looking ahead, this the source of income which charities most expect to stay the same (77%) in the next 12 months and least expect to increase (6%). 24% said it decreased in the past 6 months and nearly a fifth (18%) expect it to decrease in the next 12 months. The anticipated decrease may be due to the combination of a time lag in charities receiving legacies and reduction in their value due to collapse in the property and investments markets.

Chart 12: % of charities that have seen a change in income from legacies in the last 6 months and anticipate a change in the next 12 months



Base: Charities that receive income from legacies -167

- *Other sources*

Other common sources mentioned by charities included 'rents/property/land rental' (7%) and 'hall/room hire and letting fees' (4%). In both cases small and medium charities were significantly more likely to say that these were their most important source of funding. Housing charities, in particular, identified rent/property/land rental as their most important source. Small community based charities identified hall hire as their main source.

Table 6: % of charities that obtained income from this source by type

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals**	Economic, social & community development**	Small community based activity	Total
Base	195	254	150	124	40	68	31	37	130	23	29	183	1008
Fundraising from public	54%	44%	55%	57%	60%	6%	36%	46%	31%	50%	42%	56%	45%
Investment income	32%	47%	42%	48%	24%	53%	61%	34%	47%	62%	47%	22%	38%
Membership fees	56%	38%	22%	17%	67%	4%	23%	35%	15%	72%	40%	35%	30%
Obtain income from-Grant making trusts/foundations/funds	25%	20%	33%	24%	42%	14%	28%	31%	11%	29%	32%	13%	16%
Public sector grants/contracts	25%	18%	24%	40%	27%	13%	27%	9%	3%	20%	22%	15%	16%
Legacies	10%	12%	31%	25%	10%	11%	27%	13%	19%	22%	12%	7%	13%
Trading	23%	20%	14%	17%	18%	6%	28%	10%	8%	18%	16%	15%	13%
Rents/property/land rental	5%	4%	3%	6%	12%	64%	8%	2%	2%	3%	12%	6%	7%
Donations/covenants	7%	5%	12%	8%	0%	1%	3%	7%	19%	3%	5%	5%	7%
Hall hire/room/bar/café	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	10%	4%
Other sources	7%	4%	3%	6%	5%	4%	0%	3%	13%	5%	2%	5%	6%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

Table 7: % of charities that said this was their most important source of income by type

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development**	Small community based activity	Total
Base	193	250	148	122	40	68	31	37	128	23	28	181	997
Fundraising from public	18%	21%	23%	18%	22%	1%	1%	35%	23%	17%	32%	31%	23%
Investment income	12%	22%	18%	24%	10%	25%	23%	16%	29%	9%	13%	10%	21%
Membership fees	28%	20%	7%	7%	28%	2%	4%	15%	4%	33%	18%	21%	17%
Public sector grants	12%	9%	17%	25%	15%	7%	20%	2%	2%	19%	14%	6%	8%
Trading	13%	12%	5%	7%	9%	2%	23%	6%	4%	14%	4%	10%	7%
Rents/property/land rental	3%	3%	3%	6%	8%	52%	8%	2%	2%	3%	12%	4%	6%
Grant making trusts/foundations/funds	7%	7%	9%	4%	6%	4%	10%	14%	4%	1%	2%	4%	6%
Donations/covenants	2%	3%	8%	5%	0%	0%	1%	7%	16%	1%	0%	3%	4%
Hall hire/room/bar/café	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	8%	3%
Legacies	0%	1%	10%	4%	0%	3%	10%	0%	6%	3%	0%	1%	3%
Other	1%	2%	0%	0%	3%	3%	0%	3%	12%	0%	1%	2%	3%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

DEMAND FOR SERVICES

The increase in demand for services has remained fairly constant across all the surveys with, close to a fifth saying they had seen an increase within the timeframe for which the question was asked¹. 19% of charities reported an increased demand in this more recent survey, a 2% increase from the August 2009 survey. 60% of charities said that they did not experience any change; and 16% said that they did not provide services.

Larger charities were significantly more likely to report an increase in demand, with 32% of large charities and 35% of the largest charities reporting an increase, compared to 14% of small charities.

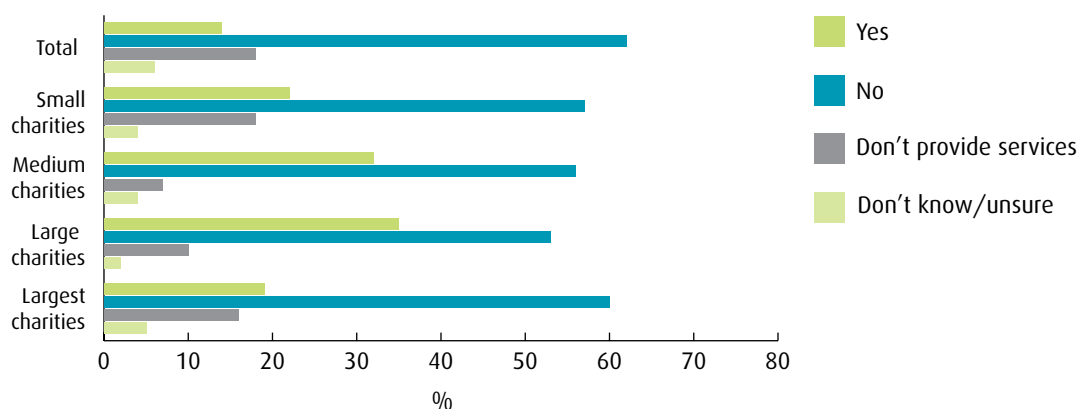
Almost a third or more of social service, health and economic community development charities reported an increase in demand for services in the past 6 months. Charities involved in small community based activity and housing were least likely to have seen an increase in demand for their services.

Table 8: % of charities that have seen an increase in demand for services related to the economic downturn in the last 6 months

Increase in demand for services or charitable activities	September 2008	February 2009	August 2009	February 2010
Yes	21%	20%	17%	19%
No	63%	78%	65%	60%

Baseline: All charities

Chart 13: % of charities that have seen an increase in demand for services related to the economic downturn in the last 6 months by size



Base: All charities - 1003

¹ Note: Questions asked over the 3 surveys were slightly different. Before Survey 3, the question did not specify the time period; in Survey 3, the question asked 'in the last 12 months'.

Table 9: % of charities that have seen an increase in demand for services related to the economic downturn in the last 6 months by type

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	193	253	150	122	40	68	31	37	130	23	29	182	1003
Yes, increased demand	16%	22%	31%	34%	28%	13%	23%	15%	17%	19%	32%	12%	19%
No increase in demand	68%	58%	58%	51%	54%	72%	59%	64%	63%	49%	68%	58%	59%
Don't provide services	14%	13%	7%	7%	12%	11%	6%	18%	15%	23%	0%	26%	16%
Don't know/unsure	3%	7%	4%	8%	6%	4%	12%	2%	6%	9%	0%	3%	5%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

RESPONDING TO THE DOWNTURN

Measures put in place

The number of charities who reported that they had implemented at least some measures in response to the economic downturn has dropped from 52% in August 2009 to 44% in February 2010.

As with previous surveys, larger charities were significantly more likely to implement measures to deal with the economic downturn than medium or small charities. Only 31% of the smallest charities and just over half (51%) of the medium size charities said that they had implemented at least some measures compared to 70% of large and 79% of the largest charities.

- Over half (59%) of the largest charities put in measures to reduce their administrative costs (such as printing, mobile costs, etc) compared to 12% of small charities. Similarly, 26% of the largest charities increased their fundraising efforts; while only 8% of the small charities did so.
- Larger charities were also much more likely to reduce pay, staff hours or leave vacancies unfilled compared to small charities (18%, 15% and 13% versus 2%, 2% and less than 1% respectively).

Charities reported a number of different strategies for dealing with the economic downturn. Those which relate to income are addressed in the previous section. Other measures include:

- *Reducing administrative costs*

Reducing administrative costs has remained the most popular measure to deal with the economic downturn. Slightly more than one fifth of charities (22%) said that they looked to reduce the cost of such things as office supplies, mobile cost, stationary and similar. This proportion is similar to that reported in August 2009 (21%). Larger charities are significantly more likely to have taken this step than smaller charities.

- *Staff pay, numbers or hours*

A minority of all charities said that they had reduced or frozen staff pay (3%), hours (3%), numbers (3%) or left vacancies unfilled (2%). As with previous surveys, the largest charities were more likely to have implemented these measures with 18% saying that they had frozen staff pay, 15% saying they had reduced staff numbers, 8% saying they had reduced staff hours and 13% saying they had left vacancies unfilled.

- *Reviewing risk policies*

8% of all charities had reviewed their risk policies, down 5% from the previous survey. 37% of the largest charities said they had done so but only 3% of the smallest charities.

- *Volunteers*

10% of charities that use volunteers had increased their drive to take on new volunteers. Large charities were more likely to have increased their efforts to take on more volunteers than smaller or medium sized charities.

- *Drawing on reserves*

More charities had drawn on their reserves than in previous surveys, 12% compared with 10% in August 2009 and 6% in February 2009. Large and largest charities, 22% and 23% respectively, were more likely than smaller charities to report this measure.

- *Delaying projects*

There was a slight increase in charities who delayed plans to invest in capital projects from 3% to 5%, since the last survey in August 2009. 12% and 17% of the large and largest charities reported this to be the case, as opposed to 3% for both the small and medium sized charities.

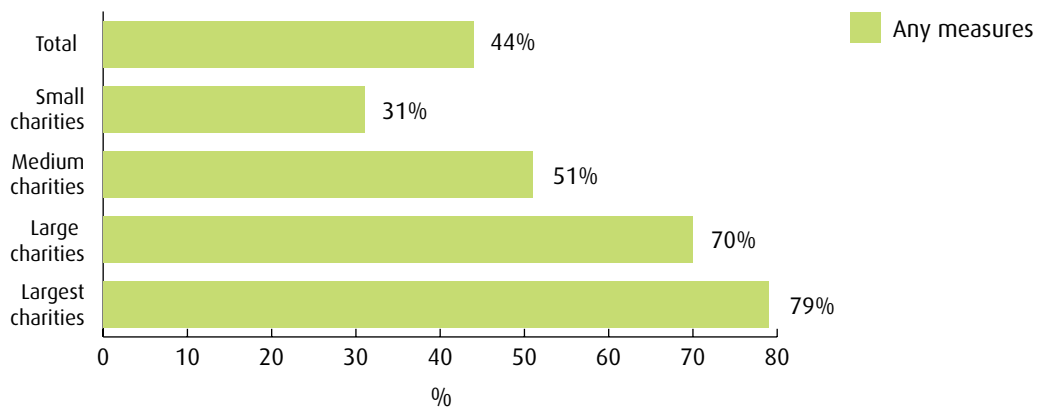
- *Merging and collaborating*

The overall number of charities who considered merging, collaborating or forming consortia with other charities has remained unchanged since August 2009. 9% of charities overall had considered any of these measures in response to the economic downturn.

When asked whether they had actually gone ahead with merging, collaborating or forming consortia with other charities, only 4% of charities said that they had done so. 3% had collaborated with another charity; 1% had collaborated with corporate donors/private sector organisations, and a further 1% had merged with another charity.

Consistent with August 2009 findings, larger charities were more likely to have considered one of these measures with 22% of large charities and 21% of the largest charities reporting to have done so compared to 9% of charities overall.

Chart 14: % of charities that have put any measures in place in response to the economic downturn



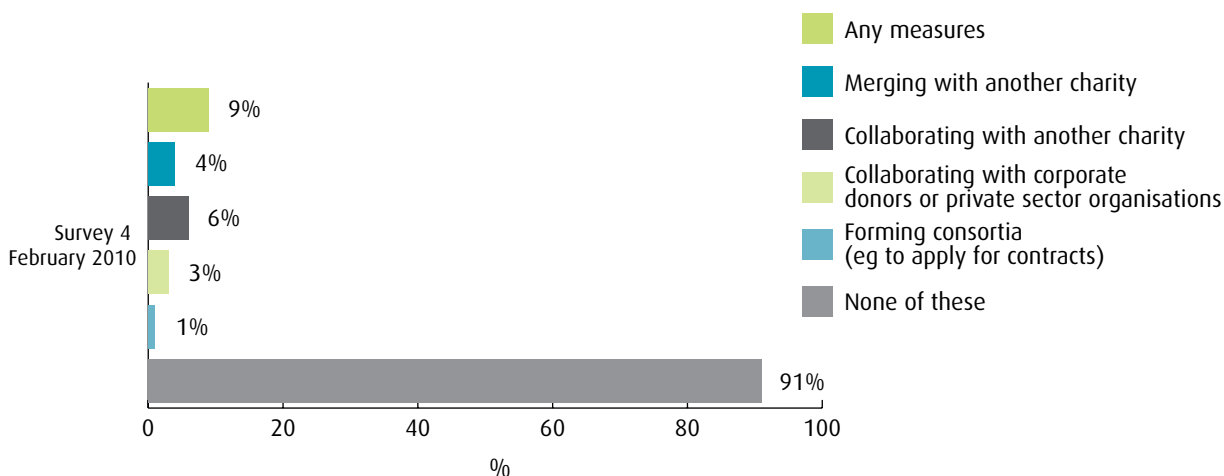
Base: All charities - 1005

Table 10: % of charities that have put any of the following measures in place in response to the economic downturn

Measures in response economic downturn	Small charities	Medium charities	Large charities	Largest charities	Total
	Under £10,000	£10,000 - £99,999	£100,000 - £999,999	£1 million +	
Any measures	31%	51%	70%	79%	44%
Looked to reduce cost of stationery, printing, mobile costs	12%	24%	47%	59%	22%
Increased fundraising efforts	8%	16%	23%	26%	13%
Increased the drive to take on volunteers	6%	10%	12%	12%	8%
Reviewed risk policies	3%	8%	25%	37%	8%
Looked to diversify income sources	3%	7%	17%	27%	7%
Sought external support from local CVS or Capacity Builder	1%	2%	4%	7%	2%
Read/used the Charity Commission's Big Board Talk	< 1%	2%	2%	2%	1%
Drawn on reserve funds	6%	16%	22%	23%	12%
Changed investment strategies or reduced investments	3%	5%	12%	18%	5%
Cut back or held off on delivering new services/projects	2%	3%	17%	20%	5%
Delayed plans to invest in capital projects	3%	3%	12%	17%	5%
Reduced value of the grants given out	2%	6%	7%	6%	4%
Reduced the number of grants made	3%	3%	8%	5%	3%
Frozen/reduced pay to staff	2%	2%	10%	18%	3%
Reduced numbers of staff	2%	1%	11%	15%	3%
Reduced staff hours	2%	1%	7%	8%	3%
Left vacancies unfilled	0%	2%	7%	13%	2%
Reviewed or sold assets	< 1%	1%	3%	5%	1%
Sought funding from new sources or increased funding from existing sources	4%	10%	19%	23%	8%
Not put in any measures	69%	49%	30%	21%	56%

Base: All charities - 1005

Chart 15: % of charities that had considered merger or collaboration in response to the economic downturn



Base: All charities - 994

Table 11: Whether considered or gone ahead with merging, collaborating or forming consortia with other charities in response to economic downturn by charity size

Measures in response economic downturn	Small charities Under £10,000		Medium charities £10,000-£99,999		Large charities £100,000-£999,999		Largest charities £1 million or more		Total	
	Considered	Gone ahead with	Considered	Gone ahead with	Considered	Gone ahead with	Considered	Gone ahead with	Considered	Gone ahead with
Any measures	6%	3%	8%	3%	22%	9%	21%	11%	9%	4%
Collaborating with another charity	4%	2%	5%	2%	17%	6%	17%	7%	6%	3%
Merging with another charity	2%	< 1%	4%	1%	10%	1%	7%	3%	4%	1%
Collaborating with corporate donors or private sector organisations	2%	1%	2%	< 1%	6%	2%	6%	2%	3%	1%
Forming consortia (eg to apply for contracts)	0%	0%	2%	0%	4%	2%	5%	2%	1%	< 1%
None of these	94%	97%	92%	97%	78%	91%	79%	89%	91%	96%

Base: All charities - 994

Changes in public support

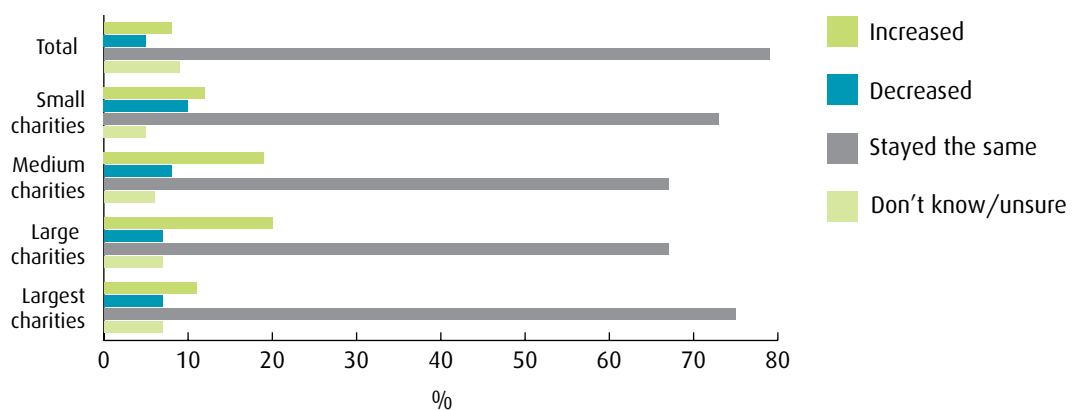
Three quarters (75%) of charities thought that public support for their charity had remained the same; 11% reported an increase; whilst 7% thought that there was less support for their charity now compared to 12 months ago.

Charities in the two largest income bands were significantly more likely to say that public support has increased, with 19% of large and 20% of the largest charities reporting an increase compared to 8% of small charities.

Medium size charities were more likely to report a decrease in public support compared to the rest of charities (10% compared to 7% overall).

A quarter or more of economic, social and community development, animal and environmental charities had seen an increase in public support in the past 12 months. Four fifths of religious charities or those involved in small community based activity said that support remained unchanged. Approximately 10% international, health or arts charities said that they experienced a decrease in public support, although in all cases a higher proportion of these charities had reported an increase in support.

Chart 16: % of charities that have seen a change in public support over the last 12 months by size of charity



Support for charity over past 12 months	Small charities Under £10,000	Medium charities £10,000 - £99,999	Large charities £100,000 - £999,999	Largest charities £1 million +	Total
Increased	8%	12%	19%	20%	11%
Decreased	5%	10%	8%	7%	7%
Stayed the same	79%	73%	67%	67%	75%
Don't know / unsure	9%	5%	6%	7%	7%

Base: All charities - 984

Table 12: % of charities that have seen a change in public support over the last 12 months by type of charity

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	194	249	146	122	40	62	31	37	129	23	29	181	984
Increased	17%	15%	18%	16%	24%	4%	15%	13%	6%	26%	29%	9%	11%
Decreased	10%	8%	11%	3%	4%	1%	2%	12%	5%	1%	6%	7%	7%
Remain the same	70%	69%	65%	72%	64%	78%	73%	61%	81%	64%	54%	79%	75%
Don't know/unsure	4%	8%	6%	9%	7%	18%	11%	14%	9%	9%	11%	5%	7%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

Opportunities that have arisen

Only 6% of charities said that there had been opportunities for their charity as a result of the economic downturn. There is a significant relationship between charity income and opportunities arising, with larger charities much more likely to report opportunities than smaller ones. 19% of the largest charities and 10% of large charities reported new opportunities compared to 4% of small charities and 6% of medium charities.

Some charities reported that the downturn had acted as a catalyst for them to review their operations and effectiveness.

- *“We have to examine how we function generally”*
- *“Opportunity to reduce our costs. Share resources with other organisations”*
- *“Reassessing staff structure”*
- *“To re-examine the effectiveness of what we do as we have scarce resources”*

Related to this, some said that downturn had given access to more funding or allowed for greater funding diversification.

- *“Received funding to support families with financial problems”*

Others said they were now able to reach more beneficiaries.

- *“People seeking to get new skills and training through us”*
- *“A wider range of possible beneficiaries become visible”*

Some of the opportunities which had arisen related to the public's changing habits.

- *"We've had a huge increase in visitors due to people having days out instead of holidays"*
- *"People have been made more aware of allotments and are thinking of growing their own produce"*
- *"We run charity shops and have seen an increase in income. More people are using them"*

A number of respondents referred to the increase in income from people who use their premises or facilities, such as hiring out a hall.

- *"People who previously would have used more expensive venues now hiring village hall."*
- *"People are booking and doing their own parties and gatherings rather than going to restaurants and pubs."*

LOOKING AHEAD

Challenges for the year ahead

Charities were asked to describe the biggest challenge they faced over the next 12 months. While the most common responses broadly related to increasing income or securing funds, concerns ranged from how changes in the wider economy would impact on the charity, for example uncertainty over interest rates, to more localised concerns about infrastructure such as maintaining or restoring buildings. The wide variety of responses reflects the diversity of the sector and the different ways and extent to which charities have been affected by the economic downturn. It also reflects the measures charities are putting in place to counteract the effects of the downturn. Examples of challenges include:

- *“Having sufficient funds to meet needs and judge who/what should be funded”*
- *“Managing changes in public sector funding from commissioning to personalisation and cuts in public sector funding”*
- *“Everywhere is getting less money in and some of our corporate sponsors stopped giving money last year”*
- *“Breaking into one or two new markets and trying to establish two new funding streams”*
- *“Keeping our existing hirers of hall in view of putting up our charges”*
- *“Keep up relationships with private donors”*
- *“Attracting new members to increase our membership”*
- *“Heating and fuel costs are going to be a big challenge in the next 12 months”*
- *“Merging with another charity will be a challenge but stop us from losing money”*
- *“As a rather small charity just to keep plodding on”*

Outlook for the future

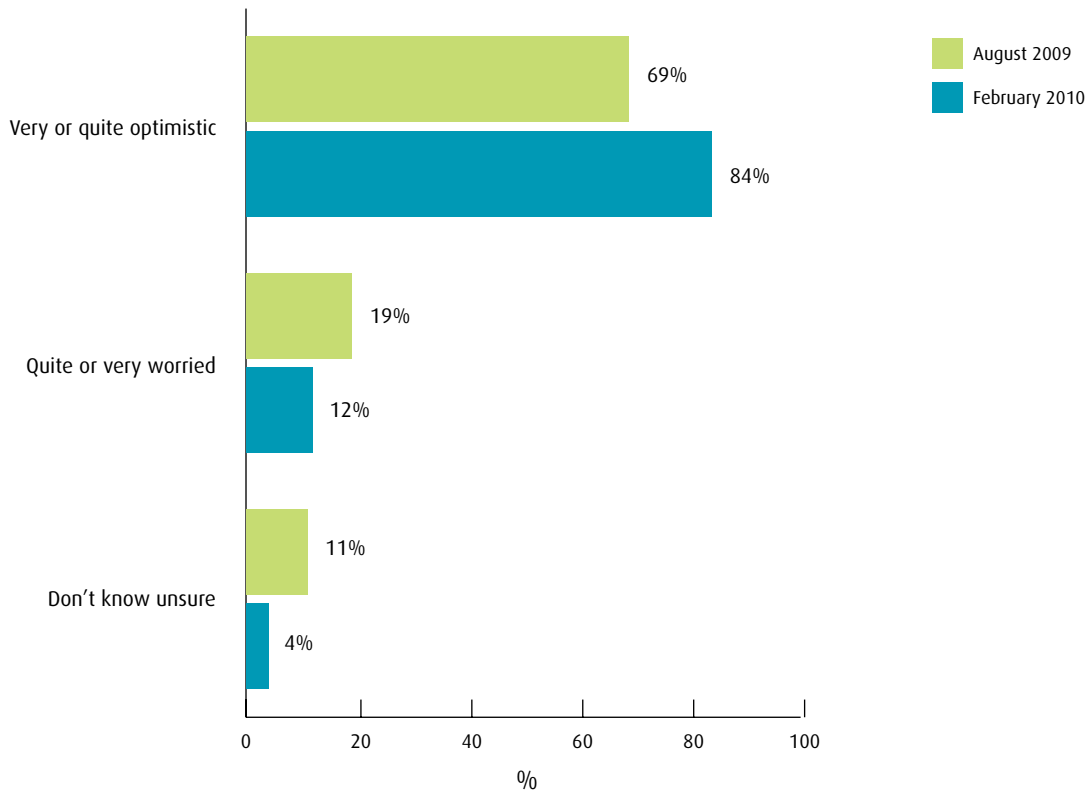
Overall, charities have a positive outlook for the future with more than 80% saying they felt very or quite optimistic about the next 12 months. This is a significant increase of 15% compared to August 2009.

Large charities were more worried about the next 12 months than charities in other income bands with 18% saying that they were quite or very worried compared to 12% of charities overall.

The level of optimism across all income sources was also over 80%. Charities generating income from membership fees and fundraising activities displayed slightly higher levels of optimism for the upcoming 12 months compared to those generating income from other sources. This reflects the findings earlier in the survey where charities were asked how they expected their income sources to perform for the year ahead.

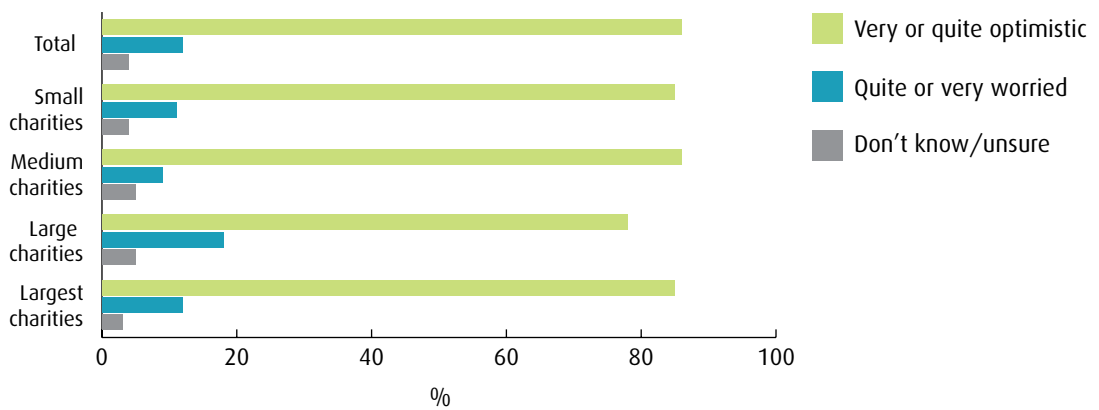
Levels of optimism were also very high across all types of charity, with animal charities most optimistic about the future (97%). International charities (71%) and economic, social and community development charities are least likely to be optimistic (79%). Health charities and economic, social and community development charities are most likely to be worried or very worried.

Chart 17: % of charities that say they are optimistic about the outlook for the next 12 months



Base: All charities - 1006

Chart 18: % of charities that say they are optimistic about the outlook for the next 12 months by size of charity



Base: All charities - 1006

Chart 19: Of the charities that receive each source of income, % that say they are optimistic about the outlook for 12 months

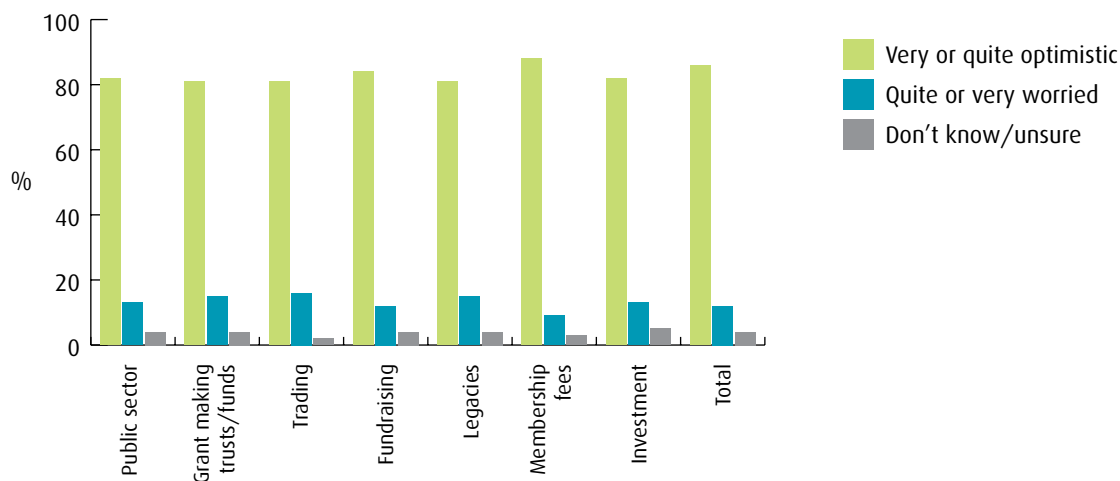


Table 13: % of charities that say they are optimistic about the outlook for the next 12 months by type of charity

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	194	254	149	123	40	68	31	37	129	23	29	182	1004
Very or quite optimistic	86%	86%	80%	85%	84%	82%	89%	71%	85%	97%	79%	84%	84%
Quite or very worried	7%	10%	17%	12%	6%	13%	3%	13%	13%	3%	18%	11%	12%
Don't know/unsure	6%	4%	4%	3%	10%	4%	8%	16%	2%	0%	3%	5%	4%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

Further support

11% of charities said that they would benefit from additional support not related to direct financial support.

Charities in the two largest income bands were significantly more likely to say that they would benefit from additional support compared to medium and small charities (22% and 19% versus 8% and 12% respectively)

The type of support which charities said they would like can be broadly categorised as:

More help, training and advice such as

- Expert financial advice / business advice / support
- Support from Government, government agencies local authority
- Fundraising advice
- Support in marketing and website development
- Training for staff
- Free advice, especially legal
- External consultant or management assistance

More financial help such as

- More grants, loans and speedier decisions
- Reduction in water rates / bills / help from power companies
- More project / contract work / business opportunities
- Exemption from VAT / tax concessions

Other support such as

- More volunteers
- More people involved / public support
- Collaborating with partners / other charities

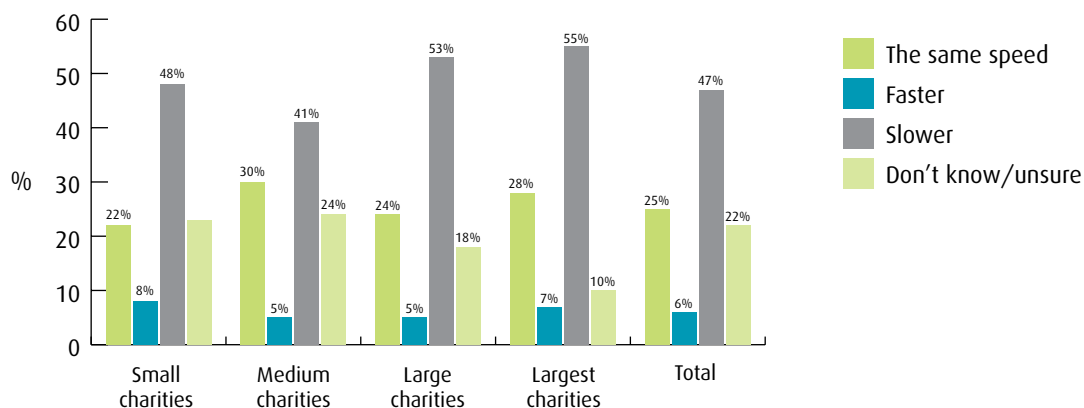
Speed of recovery

Around half (47%) of charities expected a slower recovery for the charity sector than for the economy as a whole; a quarter (25%) expected it to be at the same speed; 6% thought it would recover faster than the economy as a whole; whilst 22% could not comment.

The largest charities were the most likely to think that the economy would recover more slowly.

Employment and training, international and education charities were more likely to think that the economy would recover more slowly than other types of charity.

Chart 20: Expectation of charity sector recovery compared to the economy as a whole by size of charity



Base: All respondents - 1010

Table 14: Expectation of charity sector recovery compared to the economy as a whole by type of charity

	Arts, culture, sport, recreation	Education or Research	Health	Social services	Environment	Housing	Employment and training*	International*	Religion	Animals*	Economic, social & community development*	Small community based activity	Total
Base	195	254	150	124	40	68	31	37	130	23	29	183	1008
The same speed	28%	24%	26%	20%	21%	29%	23%	20%	23%	48%	46%	30%	25%
Faster	5%	3%	7%	4%	15%	0%	6%	3%	9%	4%	13%	9%	6%
Slower	43%	59%	51%	57%	41%	46%	70%	66%	51%	47%	20%	38%	47%
Dont know/unsure	24%	14%	17%	19%	23%	25%	1%	11%	17%	1%	20%	23%	22%

* The sample size for these types of charity is small and therefore the results should be interpreted with caution

APPENDIX 1: METHODOLOGY

The research was conducted by MVA, an independent research consultancy, on behalf of the Charity Commission.

A total of 1,010 telephone interviews were carried out with a random sample of registered charities in England and Wales in January/February 2010. The interviews were undertaken with chief executives, trustees, senior staff or volunteers, depending on the size of charity, who were aware of the charity's financial standing and how it has been affected by the economic downturn.

Size of charity and weighting

A sample of 10,000 registered charities was drawn from the Charity Commission's database. This comprised a random sample of 2,500 charities from each of four defined income bands. These were:

- Small charities: income under £10,000
- Medium charities: income between £10,000 and £99,999
- Large charities: income between £100,000 and £999,000
- Largest charities: income over £1 million

The sample was split between the four income bands and weighted to reflect the number of charities in each size band on the Charity Commission's Register of Charities. As there are fewer charities in the highest income bands, equal sized quotas were set on the four income bands to ensure significant differences between charity sizes could be identified in the analysis. Within each income band a random sample of charities were selected for interview. The final data was post weighted to reflect the actual number of charities in each band on the Charity Commission's register, thus ensuring the final sample was representative of all registered charities in England and Wales.

Income band	Achieved sample	Number of registrations	Weighting factor
Under £10,000	251	84,190	335.4
£10,000-£99,999	250	50,430	201.7
£100,000-£999,999	259	20,045	77.4
£1 million or more	250	5,850	23.4
Total	1010	160,515	

Type of charity

Charities were also asked about the nature of their activities and given the option to self select one or more categories to describe their work.

The table below sets out the main types of charity, the actual number (unweighted) and the proportion (weighted) of each type of charity. Respondents could select more than one category, hence the total of the actual numbers are greater than the base. Categories where the actual number of respondents was less than 20 were excluded from the report. The sample size for some of these categories is small and therefore the results should be interpreted with caution. Where this is the case in the report, it is denoted with a star *.

Type of charity	Percentage % (Weighted)	Actual number (Unweighted)
Small community based activity	28%	183
Education or Research	20%	254
Arts, Culture, Sport, Recreation	19%	195
Religion	12%	130
Health	11%	150
Social Services	9%	124
Housing	6%	68
Environment	4%	40
International	3%	37
Employment and Training	2%	31
Economic, Social & Community Development	2%	29
Animals	1%	23
Unweighted base (all)		1008

Base: All respondents but some charities are involved in more than one of the above activity

APPENDIX 2: SURVEY QUESTIONNAIRE

Q1 To what extent, if at all, do you think that your charity has been affected so far by the economic downturn?

Very significantly.....1
 Significantly2
 Not significantly3
 Not at all.....4
 Don't know/not sure5

Q2 As a result of the current economic downturn, has your charity experienced a reduction in income?

Yes.....1
 No2
 Experienced a drop in income not linked to the economic downturn.....3
 Not sure / Don't know4

Q3 Over the next 12 months do you anticipate that your charity will experience an increase in overall income; decrease in income; or no change?

Increase in income.....1
 Decrease in income2
 No change3
 Not sure / Don't know4

Q4 From which of these sources does your charity obtain its income or finances?

- a. Public sector grants / contracts (from local authorities, primary care trusts and so on)
- b. Grant making trusts / foundations / funds (e.g. family trusts, corporate foundations)
- c. Trading
- d. Fundraising from public (includes street collections, charitable collections, direct debits, charitable events eg fetes, etc)
- e. Legacies
- f. Membership fees
- g. Investment income
- h. Other

Q5 And which one of these is the single most important source?

.....

Q6 Would you say that income from [source if identified in q4] has increased, decreased or remained the same over the last 6 months?

.....

Q7 And do you think that income from [source if identified in q4] will increase, decrease or remain the same over the next 12 months?

.....

Q8 In light of the economic downturn, have you put any of the following measures in place?

Reviewed risk policies	1
Sought external support from bodies such as the local CVS, or Capacity Builder programmes	2
Increased fundraising efforts	3
Looked to diversify income sources eg looking at trading	4
Increased the drive to take on volunteers	5
Looked to reduce cost of things like stationery, printing, mobile telephone bills, energy costs	6
Read/used the Charity Commission's Big Board Talk	7
Other positive measures (please specify)	8
Not put any positive measures in place	9

Q9 Has the charity had to implement any of the following in response to the economic downturn?

Cut back or held off on delivering new services/projects/ programmes	1
Delayed plans to invest in capital projects	2
Drawn on reserve funds	3
Reduced the number of grants made	4
Reduced value of grants given out	5
Reduced numbers of staff	6
Reduced staff hours	7
Frozen/reduced pay of staff	8
Reviewed or sold assets	9
Left vacancies unfilled	10
Changed investment strategies or reduced investments	11
None of the above	12
Sought funding from new sources or increased funding from existing sources	13
Other (please specify)	14

Q10 In response to the economic downturn, has your charity considered any of the following?

Merging with another charity	
Collaborating with another charity	
Collaborating with corporate donors or private sector organisations	
Forming consortia (eg to apply for contracts)	

Q11 And in response to the economic downturn, has your charity actually gone ahead with any of the measures?

.....

Q12 Which of the following statements apply to your charity:

- We employ at least one member of paid staff.....1
- We use volunteers2
- We give out grants3

Q13 In the last 6 months have you seen any increases in the demand for services or charitable activities that you provide that you would link to the economic downturn?

- Yes – increased demand.....1
- No increase in demand2
- Don’t provide services3
- Don’t know / unsure4

Q14 Do you consider that any opportunities have arisen from the economic downturn for your charity?

- Yes.....1
- No2

What opportunities have arisen:
.....

Q15 Do you think public support for your charity, overall, has increased, decreased or stayed the same over the past 12 months?

- Increased1
- Decreased.....2
- Stayed the same3
- Don’t know / unsure4

Q16 How optimistic are you for the outlook of your charity in the next 12 months?

- Very optimistic1
- Quite optimistic.....2
- Quite worried3
- Very worried.....4
- Don’t know / unsure5

Q17 What do you think will be your biggest challenge over the next 12 months?
.....

Q18 Do you think the charity sector will recover from the economic downturn at the same speed, faster or slower than the economy as a whole?

- The same speed.....1
- Faster2
- Slower3
- Don’t know / unsure4

Q19 Aside from direct financial support, is there any kind of additional support that could help you through the economic downturn?

- Yes.....1
- No2

What kind of additional support would be helpful?
.....

Q20 Which of the following categories describes your type of charity? There may be more than one.

- Arts, Culture, Sport, Recreation (eg arts and music organisations, sports and social clubs).....1
- Education or Research (including child care/education, adult education, culture and language associations).....2
- Health (including health care, health promotion and education)3
- Social Services (eg day care, community or residential care, counselling and mediation, lunch clubs).....4
- Environment (eg natural and build environment, recycling, pollution).....5
- Housing (eg tenants and residents associations, hostels/homelessness, house improvements or repairs).....6
- Housing Associations7
- Employment and Training (health and safety, IT training etc)8
- Information, law, crime, and civil rights (eg law centres and CABx, general financial or debt advice, equal opportunities and racial harmony)9
- International (including disaster relief, promoting overseas development)10
- Religion (including religious organisations or religious culture)11
- Animals (including animal rescue services etc)12
- Transport (eg community transport, shop-mobility).....13
- Economic, Social & Community Development (eg planning & regeneration, rural or urban development business)14
- Small community based activity (eg village hall, PTAs)15
- Other: What category would you describe yourself to be in?.....16

APPENDIX 3: USEFUL SOURCES OF INFORMATION

Big Board Talk

Previous Charity Commission economic surveys of charities

September 2009:

March 2009:

September 2008:

Charity Commission guidance:

The Essential Trustee (CC3)

Internal Financial Controls (CC8)

Hallmarks of an Effective Charity (CC10)

Managing financial difficulties and insolvency in charities (CC12)

Sales, leases, transfers or mortgages: What trustees need to know about disposing of charity land (CC28)

Collaborative Working and Mergers: An introduction (CC34)

Trustees, trading and tax (CC35)

Collaborative working and merger resources

Other useful sources of information:

Association of Chief Executives of Voluntary Organisations (ACEVO)

www.recessionsupport.org.uk/

Charity Finance Directors' Group (CFDG)

www.cfdg.org/cfdg/influencing_recession_watch.asp

National Association for Voluntary and Community Action (NAVCA)

www.navca.org.uk/localvs/recession/

National Council for Voluntary Organisations (NCVO)

www.ncvo-vol.org.uk/recessionresources/

Office of the Third Sector

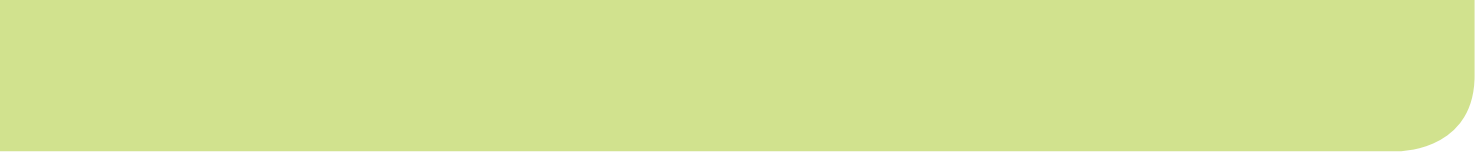
www.cabinetoffice.gov.uk/third_sector/real_help_for_communities.aspx

County Voluntary Councils in Wales

www.sustainablefundingcymru.org.uk/help/cvcs

Wales Council for Voluntary Action (WCVA)

www.wcva.org.uk/



This publication can also be accessed at the Charity Commission's website: www.charitycommission.gov.uk

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