



## Stand and deliver

The future for charities providing public services



The Charity Commission is the independent regulator for charitable activity. This is one of a series of reports that present our case-working experience, supplemented by additional research. Their purpose is to help increase understanding of an issue. They are part of our mission to help charities maximise their impact, comply with their legal obligations, encourage innovation and enhance effectiveness.

This report presents the findings of our survey of registered charities concerning their participation in delivering public services.

## Table of Contents

<b>Introduction</b>	<b>2</b>
<b>Key findings</b>	<b>3</b>
<b>1. Detailed analysis of survey results</b>	<b>5</b>
1.1 Number of charities delivering public services	5
1.2 Income from public service delivery	6
1.3 Types of services delivered	7
1.4 Operational area and public service delivery	8
1.5 Types of funding agreement	9
1.6 Full cost recovery	10
1.7 Number and duration of funding agreements	14
1.8 Impact on independence and governance	15
1.9 Future scope for charities to deliver public services	18
<b>2. Some policy implications</b>	<b>20</b>
2.1 Charities' independence, governance and mission	20
2.2 Funding and sustainability	20
2.3 Shape and nature of the sector	21
<b>3. Conclusions and recommendations</b>	<b>23</b>
<b>Annex 1 – Survey methodology and profile of participating charities</b>	<b>24</b>
<b>Annex 2 – Number of charities delivering public services, by income band</b>	<b>26</b>
<b>Annex 3 – 'Other' public services delivered by charities</b>	<b>27</b>
<b>Annex 4 – 'Other' types of funding arrangement</b>	<b>28</b>
<b>Annex 5 – Full cost recovery</b>	<b>29</b>
<b>Annex 6 – Full cost recovery by type of funding agreement</b>	<b>30</b>

# Introduction

Now, more than ever, charities are being invited to deliver public services. Today they face a range of choices, all of which have implications for future service delivery.

During the summer of 2006 the Charity Commission conducted a survey of all registered charities in order to obtain some basic information about their involvement in public service delivery, its impact on their activities, funding and governance, and future scope for their involvement in this kind of activity.

In total, over 3,800 charities completed the survey, representing a broad cross section of the Commission's Register of charities by income and operational area. This is the largest survey on this subject to date.

We would like to thank the Directory of Social Change who carried out the survey on the Commission's behalf.

## Key findings

Amongst respondents to the survey:

1. Over 60% of charities with an income above £500,000 currently deliver public services.
2. Only 14% of charities that are not currently delivering public services are actively considering doing so in the next year. The survey results also indicate that there are barriers to entering the market for smaller and locally based charities.
3. One third of charities that deliver public services obtain 80% or more of their income from this source. This figure rises to almost 67% for charities with an income above £10 million.
4. Almost one third of all public services delivered by charities are in the fields of health and social care, but the survey also showed a great variety of services provided.
5. The most common funding arrangement is a combination of grants, contracts and service level agreements. 37% of charities delivering public services are funded in this way.
6. Over two thirds of all funding agreements for public service delivery are for one year only.
7. Of the charities responding to our survey:
  - Only 12% of charities delivering public services reported that they obtain full cost recovery in all cases.
  - 37% said they obtain full cost recovery in some or most cases.
  - 43% indicated that they do not obtain full cost recovery for any of the services they deliver.

8. Charities that deliver public services are significantly less likely to agree that:
  - their charitable activities are determined by their mission rather than by funding opportunities;
  - they are free to make decisions without pressure to conform to the wishes of funders;
  - their trustees are always involved in decisions about what activities or projects to undertake.
9. Only 26% of charities that deliver public services agreed that they are free to make decisions without pressure to conform to the wishes of funders.

Our findings raise important questions about charities' future role and engagement in delivering public services. They also raise issues for charities to consider when thinking about their future direction, including their:

- independence, governance and mission;
- funding; and
- sustainability.

At the same time as publishing this report, we are also publishing new guidance *Charities and Public Service Delivery: An introduction and overview* (CC37). This guidance applies to all charities either considering or already engaging in public service delivery.

We will also be taking work forward with charities, umbrella and professional bodies, and government departments. This work includes:

- properly understanding the risks and rewards for charities, their beneficiaries and the sector as a whole;
- increasing understanding of charities' legal duties in relation to public service delivery; and
- promoting and encouraging good practice amongst charities and funders in funding of public service delivery.

# 1. Detailed analysis of survey results

## 1.1 Number of charities delivering public services

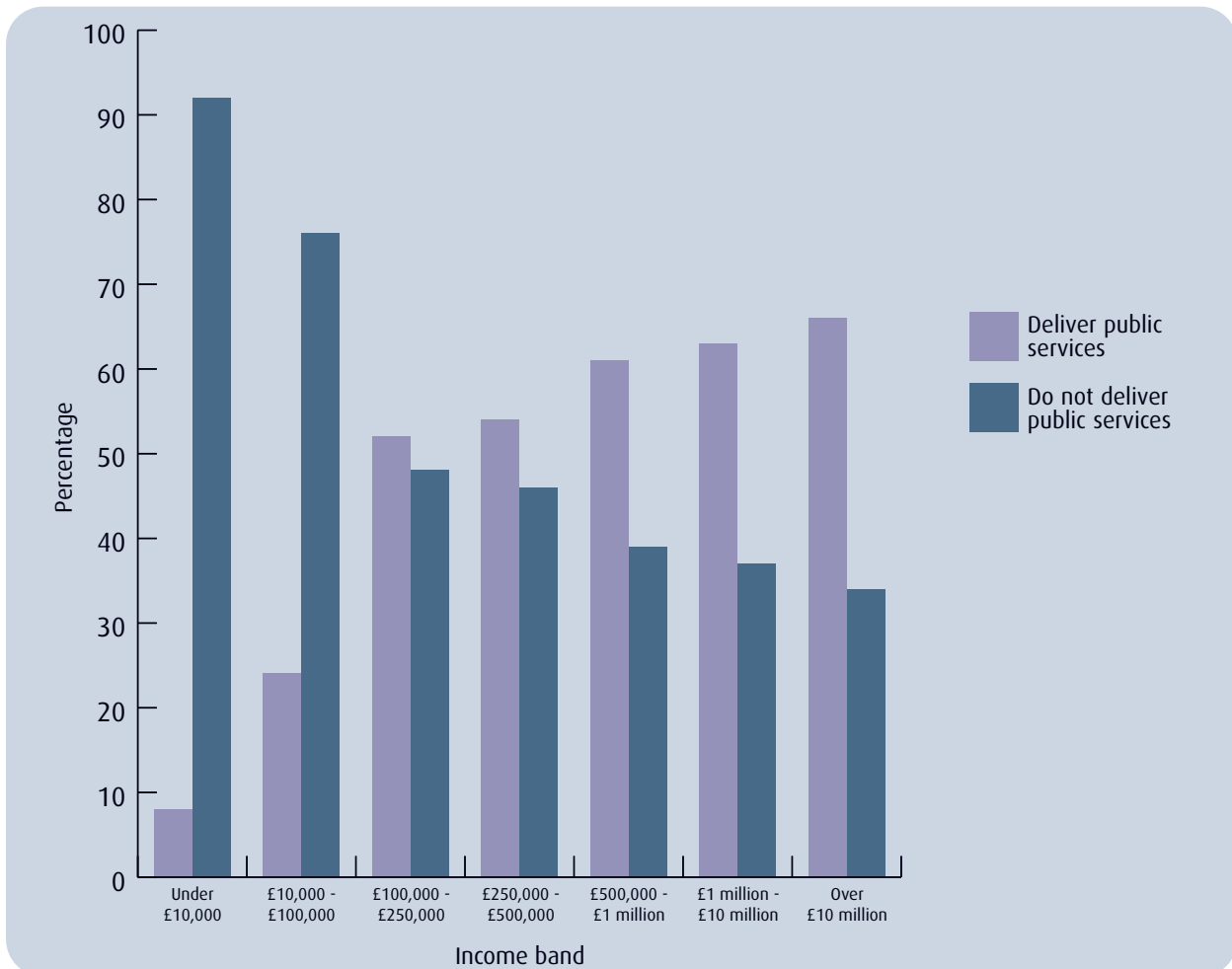
We asked charities whether they currently deliver services to, or on behalf of, a public authority.

Whilst preliminary analysis of the results from the survey indicated that 30% of respondents to the survey were delivering public services, further analysis revealed that there were marked differences in the proportions of respondents reporting that they delivered public services when the figures were broken down by income band. For example, the results showed that only 8% of charities responding to the survey with incomes below £10,000 reported that they delivered public services whilst a much higher proportion, **62% of charities with incomes above £500,000, reported that they delivered public services**. This relationship, ie charities within the higher income bands were more likely to deliver

public services, is reflected in the graph below. It is not a smooth curve; there is a steep increase in the percentage of charities delivering public services between the £10,000 - £100,000 and £100,000 - £250,000 brackets.

If the responses are analysed by income band and the percentage of charities in each of these bands (see annex 1), the figures would suggest that approximately 20% of all charities are delivering public services. So whilst we are unable to directly infer the proportion of charities across the sector delivering public services from these survey findings alone it is possible, given the two approaches that could be used, to suggest that the figure lies between 20% and 30%.

Percentage of charities by income band delivering public services



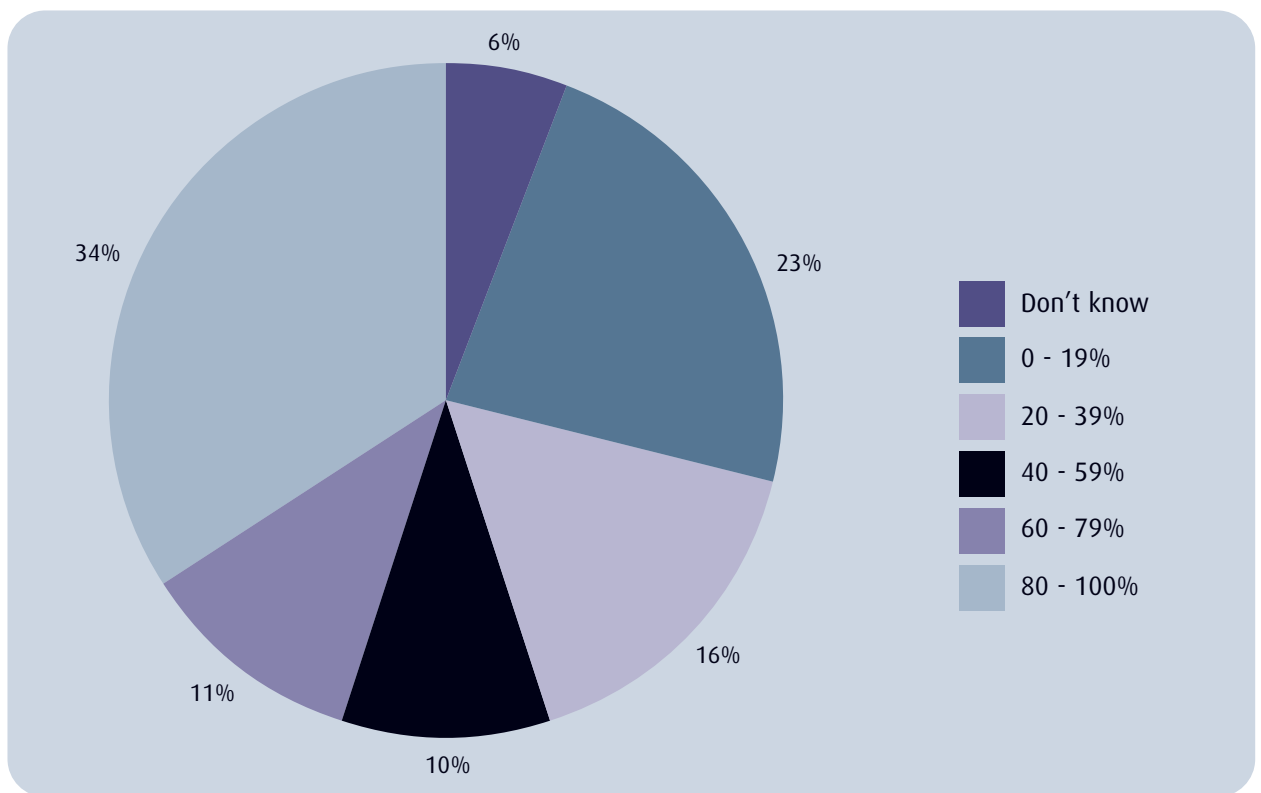
## 1.2 Income from public service delivery

We asked charities that deliver public services what percentage of their income they obtain from delivering these services.

Just over **one third of charities (34%) that deliver public services obtain 80% or more of their income from public service delivery**, suggesting a high level of reliance on this source of funding.

Conversely, almost a quarter (23%) of charities that deliver public services obtain less than 20% of their funding in this way, suggesting a polarisation within the sector between those charities that rely wholly or mainly on public service delivery for their funding and those that rely only partially on this source of funding.

Proportion of annual income that comes from public service delivery



This polarisation becomes more evident when charities' responses are broken down by income. The survey results show that larger charities are more likely to obtain a greater percentage of their income from public service delivery. **Almost 67% of charities with an annual income above £10**

**million delivering public services obtain 80% or more of their income that way.** In contrast, 46% of charities that deliver a public service with an annual income below £10,000 obtain less than 20% of their income that way.

## Proportion of income that comes from public service delivery by income band

	Under £10,000 %	£10,000 - £100,000 %	£100,000 - £250,000 %	£250,000 - £500,000 %	£500,000 - £1 million %	£1 million - £10 million %	Over £10 million %
Don't know	11	8	6	2	3	7	5
0 - 19%	46	32	22	12	17	15	10
20 - 39%	8	15	19	20	13	18	10
40 - 59%	5	8	13	15	10	7	0
60 - 79%	5	7	11	15	16	15	10
80 - 100%	25	30	29	36	41	37	67
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

The fact that larger charities are more likely to be dependent upon income from public service delivery is significant as these charities may be fewer in number but actually have a collective high monetary

value. For example, the survey indicates that £140 million of government funding currently goes to 14 charities that derive 80% or more of their income from public service delivery.

### 1.3 Types of services delivered

We asked charities that deliver public services what kinds of services they deliver<sup>1</sup>. The results show that there are particular service areas in which the numbers of charities delivering them are comparatively high. For example, the pie chart shows that **the provision of health and social care services account for almost one-third (31%) of the total public services delivered by charities.**

The second largest category of services delivered by charities are those related to education<sup>2</sup> (15%). This is followed by children's services (14%).

These clusters of activity are significant as they raise some important regulatory issues. For example, charities delivering health and social services are likely to be regulated by bodies such as the Commission for Social Care Inspection or the Health Care Commission, raising the possibility of regulatory overlap.

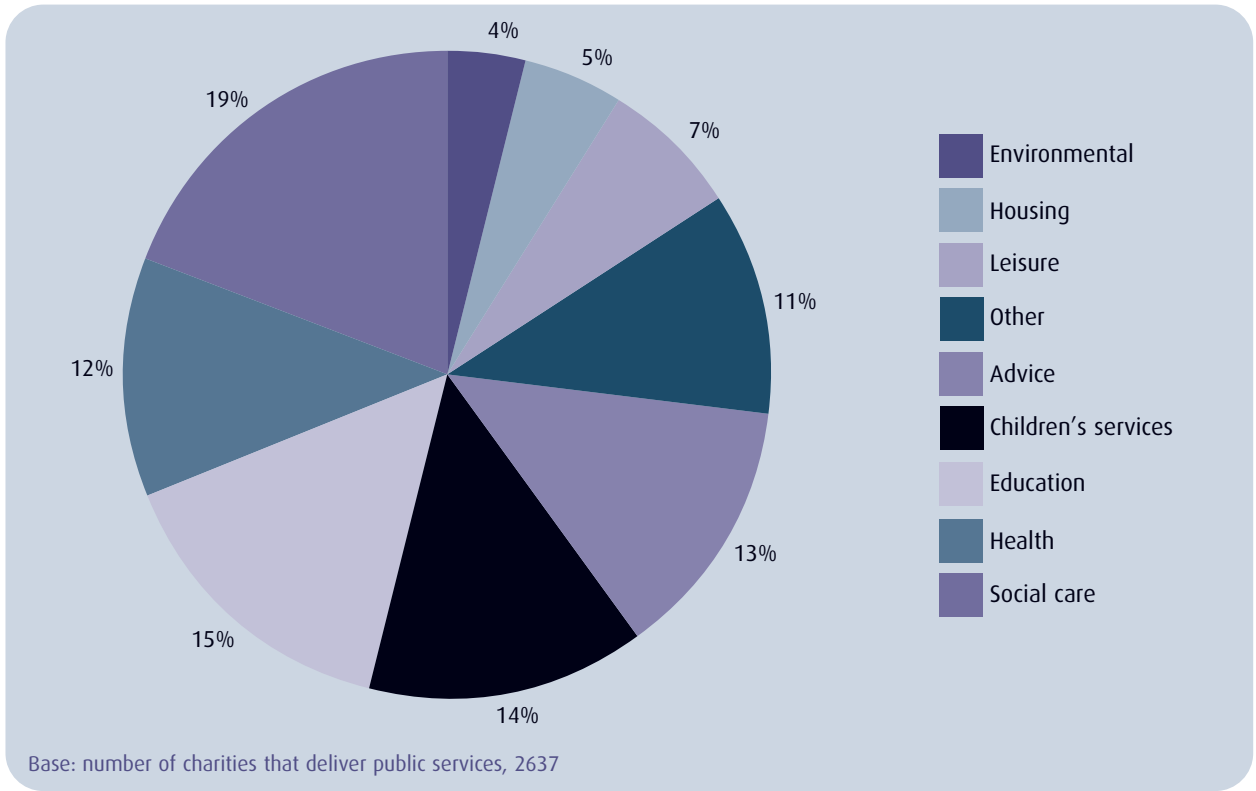
The results also show that just under half (46%) of charities delivering public services deliver services in more than one category. Interestingly it is the charities with incomes between £10,000 and £100,000 that are most likely to deliver services in more than one category. For example, the survey responses show charities that provide combined educational and advice services, housing and environmental services and (as already indicated) health and social care services. An example of such a charity might be a centre providing a "one-stop shop" for a particular beneficiary group or community.

11% of respondents selected the category 'other' under the types of services delivered. The most common responses in this category were transport, museums and heritage, counselling, and supporting the arts. **Responses to the survey demonstrate the diversity of public services delivered by charities** (see Annex 3).

1 Charities could select more than one type of service eg a charity could deliver services in both the housing and environmental fields.

2 This includes both adult and children's education.

### Types of public services being delivered by charities



### 1.4 Operational area and public service delivery

We asked all charities participating in the survey whether they operate within a local area such as a county or city, across more than one county, nationally or internationally?

75% of charities that delivered a public service did so on a local (eg within one county or city) or regional basis (across more than one county). This highlights that the majority of charities delivering public services are likely to be contracting with locally

based public service commissioners such as local authorities and primary care trusts. It is interesting to note that a higher proportion of charities operating at a regional level (across more than one county) deliver public services than of those operating at a local level. This may be linked to economies of scale and risk management (contracting with more than one public authority) and may merit further investigation.

	Does your charity currently deliver public services			
	Yes		No	
	Number	%	Number	%
Within a local area	779	30	1792	70
Across more than one county	205	45	254	55
Nationally or internationally	158	20	615	80
<b>Total</b>	<b>1142</b>		<b>2661</b>	

In contrast 80% of charities working nationally or internationally responded that they were not

involved in any form of public service delivery.

## 1.5 Types of funding agreement

We asked charities that deliver public services what forms of funding agreement they had in place for public service delivery. Possible responses were grants, contracts, service level agreements, a mixture (more than one) of these methods, or 'other'.

Analysis confirmed that there is a relationship between the types of funding agreement and the size of charity, for example, charities with incomes below £100,000 are more likely to be funded by grants whereas charities with an income over

£10 million are more likely to be funded by contracts (see table below).

**The most common funding arrangement for charities delivering public services was a mixture of grants, contracts and service level agreements (37% of charities delivering public services said they are funded in this way).** In contrast, only 17% were funded solely by service level agreements, 15% solely by grants and 15% solely by contracts.

	Type of funding agreement											
	Don't know		Grants		Contracts		*SLAs		A mixture		Other	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Under £10,000	9	9	22	22	6	6	7	7	13	13	43	43
£10,000 - £100,000	18	6	76	25	23	7	59	19	66	21	67	22
£100,000 - £250,000	3	1	25	10	34	14	56	23	101	41	26	11
£250,000 - £500,000	2	1	11	6	29	15	29	15	106	56	12	6
£500,000 - £1 million	0	0	17	9	43	23	27	15	90	49	7	4
£1 million - £10 million	1	1	15	1	21	22	11	12	43	46	3	3
Over £10 million	0	0	1	5	11	52	2	10	6	29	1	5
<b>Total</b>	<b>33</b>	<b>3</b>	<b>167</b>	<b>15</b>	<b>167</b>	<b>15</b>	<b>191</b>	<b>17</b>	<b>425</b>	<b>37</b>	<b>159</b>	<b>14</b>

\*SLAs Service Level Agreements

43% of charities with an income of less than £10,000 said they had some 'other' type of funding arrangement. Further analysis suggests that many of the responses in this category (for example, 'spot purchasing' (5); 'one-off contracts' (3)) are actually contracts or service level agreements, suggesting confusion over the terminology of funding agreements. Other responses suggest some very informal funding arrangements which may not represent good practice on the part of charities or funders ('informal agreement' (6); 'contract has

expired' (4); 'verbal/written agreements/contracts with some organisations').

Over 90 charities answering 'other' to this question (approximately 8% of charities delivering public services) obtain their funding from voluntary sources (such as donations or fundraising) or through payments from beneficiaries, but appear to receive no statutory funding (see Annex 4). This highlights the difficulty of defining the boundaries between public service delivery and charitable activity.

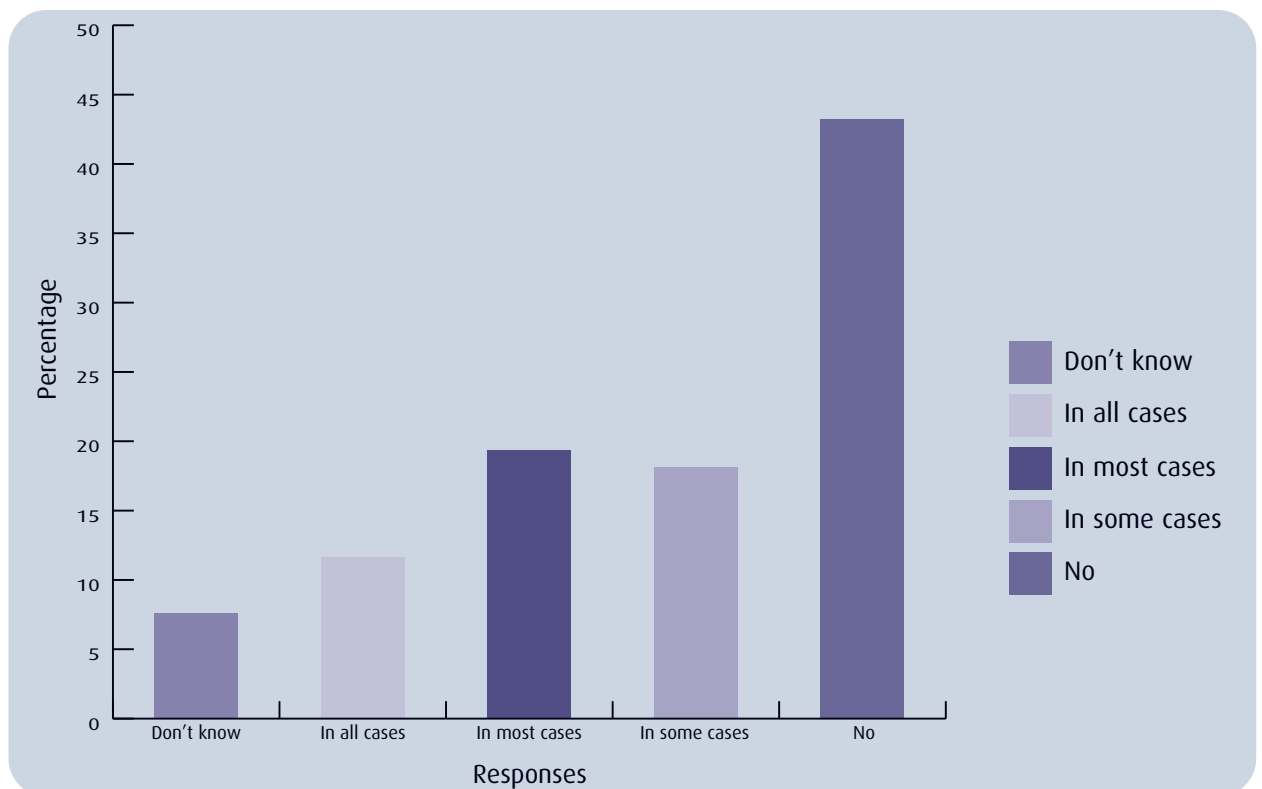
## 1.6 Full cost recovery

We asked charities that deliver public services whether the funding they obtain from their funding agreements covers the full cost of the services they deliver (including overhead or core costs) in all cases, most cases, some cases, or not at all.

### Of the charities responding to our survey:

- **Only 12% of charities delivering public services reported that they obtain full cost recovery in all cases.**
- **37% said they obtain full cost recovery in some or most cases.**
- **43% indicated that they do not obtain full cost recovery for any of the services they deliver.**

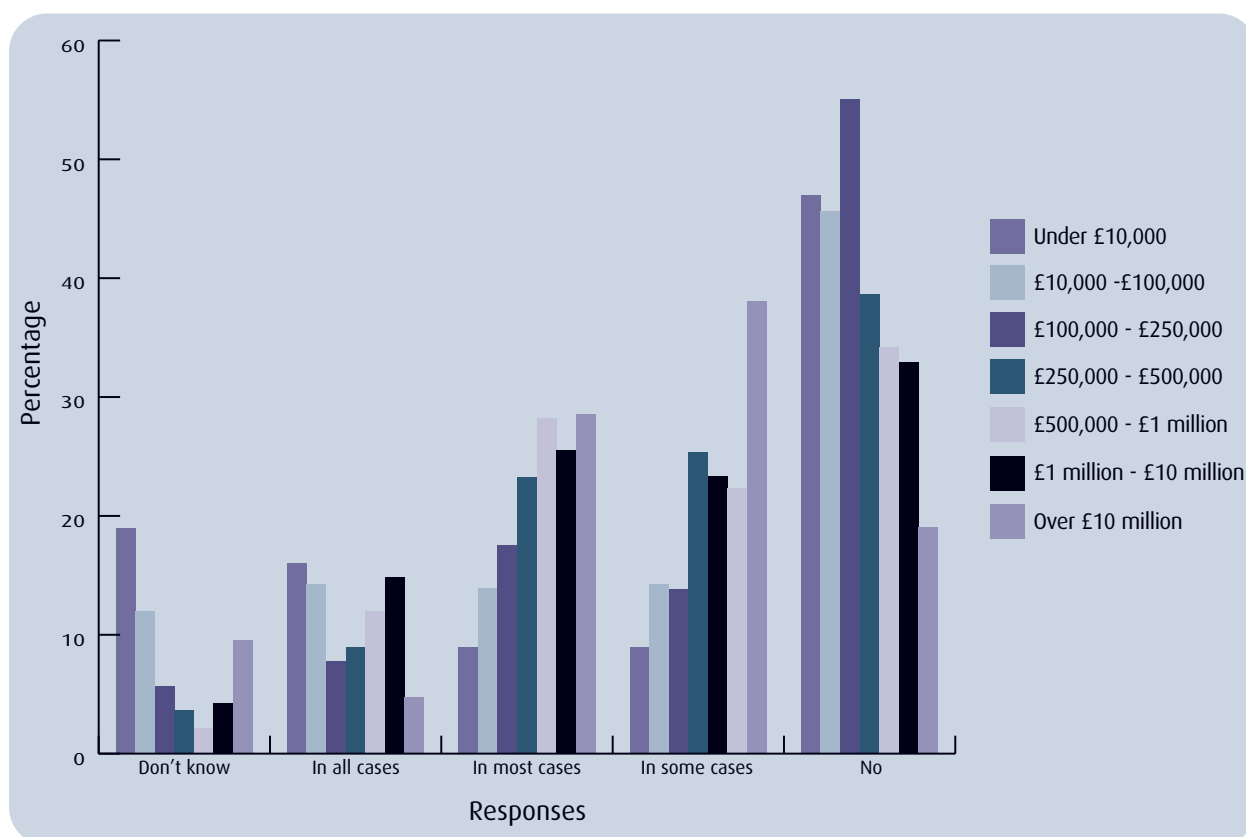
Does the funding cover all the costs?



Whilst more small and medium sized charities (those with incomes below £250,000) said they do not achieve full cost recovery for any of the services they deliver, as the graph below shows, a mixture of the largest and smallest charities said they receive full cost recovery in all cases. This suggests that charities

with an income between £100,000 and £1 million are least likely to achieve full cost recovery. It is difficult to determine reasons for this from this survey alone but it does highlight an area for future research.

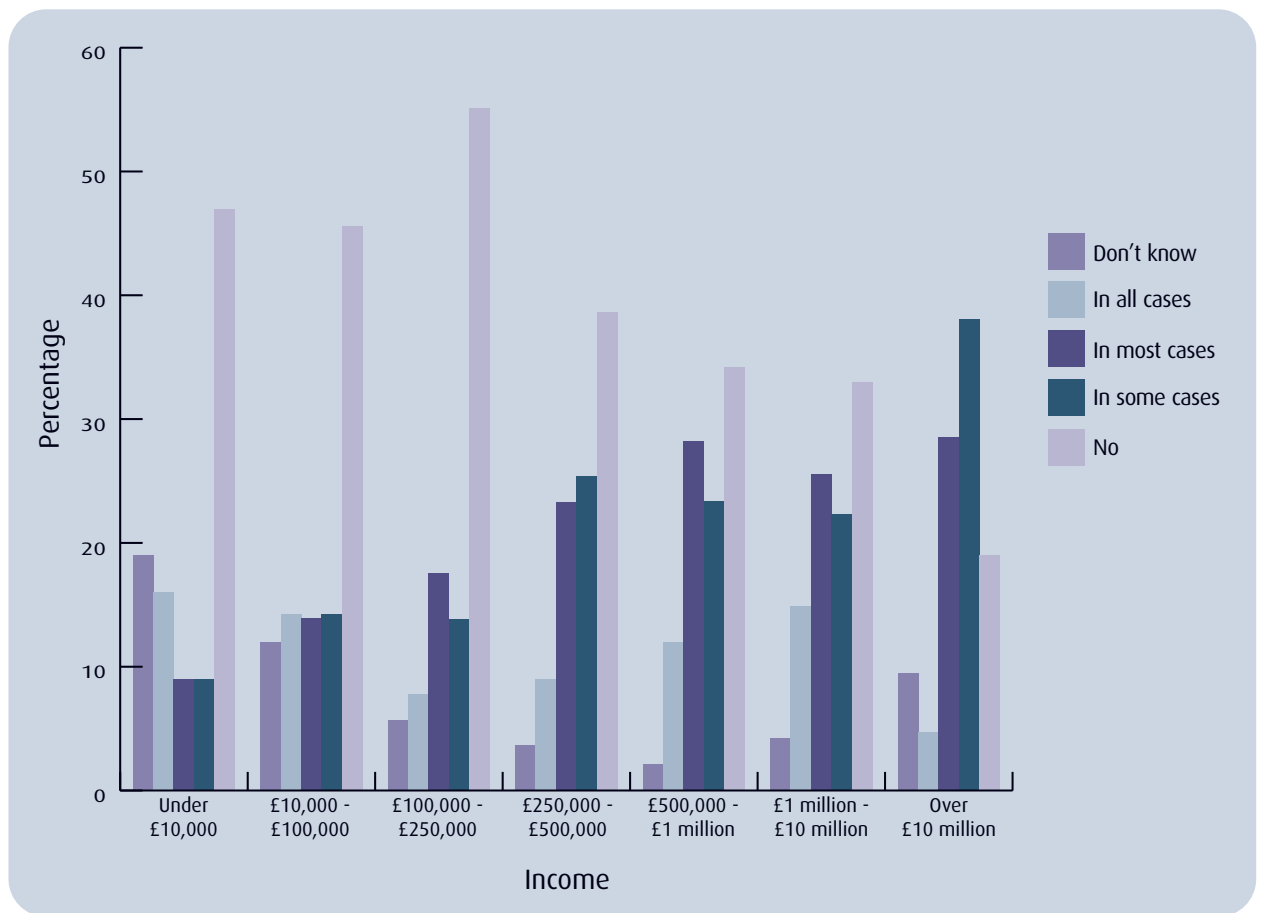
Does the funding cover the full cost of services provided (by income band)?



The graph below illustrates further that smaller charities are more likely not to be achieving full cost recovery for any of the services they deliver, whilst a greater proportion of medium sized charities responded that they obtain full cost recovery in some or most cases. The gap between those charities that

always obtain full cost recovery and those that are not obtaining full cost recovery at all is greatest in charities with incomes between £100,000 and £250,000. This is followed by those in the £10,000-£100,000 and those with incomes below £10,000.

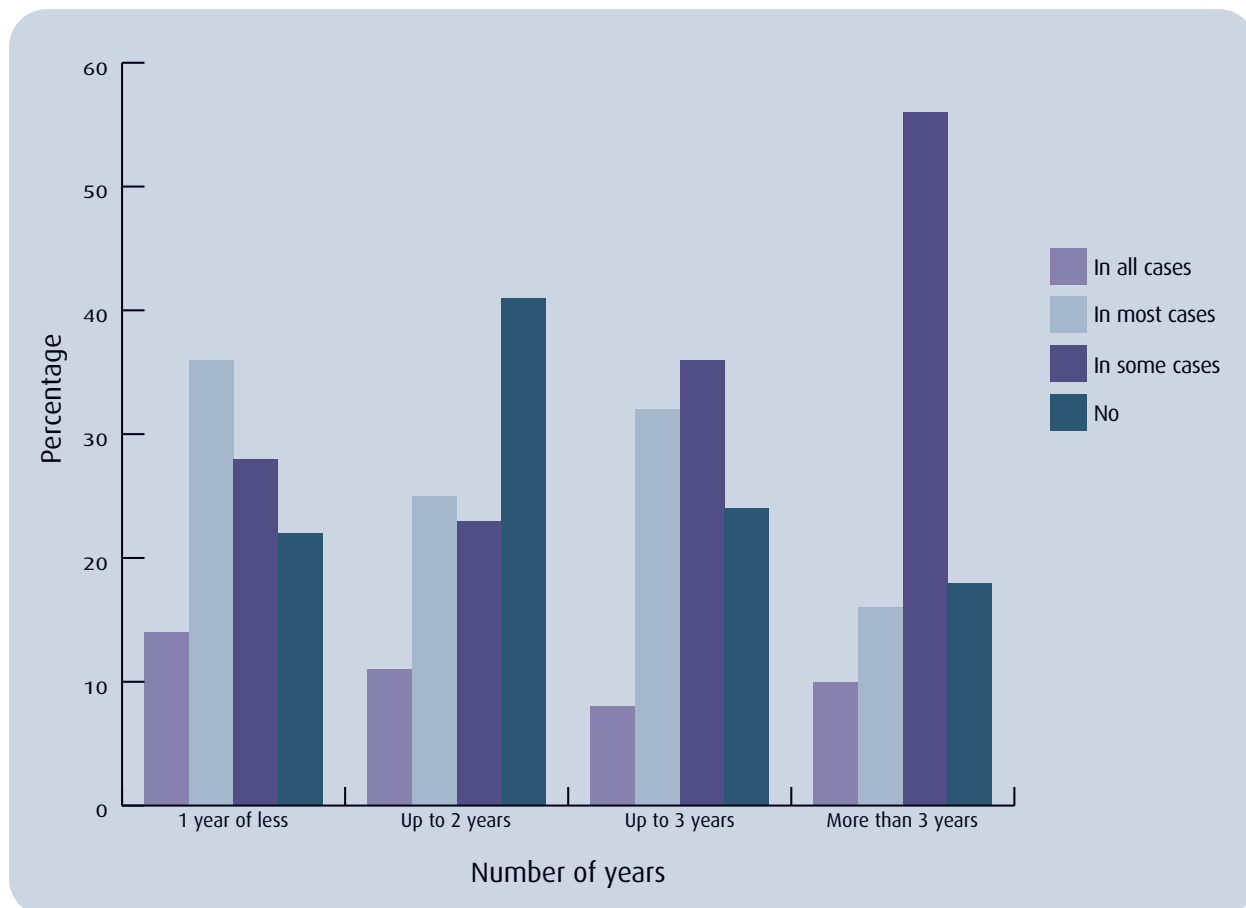
Percentage funding costs covered by income band



The relationship between length of funding agreement and full cost recovery appears complex (see the graph below). Of significance is the high proportion of contracts lasting more than three years

that only achieve full cost recovery some of the time, and the high proportion of contracts lasting between one and two years that do not achieve full cost recovery.

Length of agreements held by charities achieving full cost recovery - shown by percentage



The results of this survey indicated no clear correlation between the type of funding agreement (grant, contract, service level agreement or a mixture of these funding types) and full cost recovery. 19% of charities funded solely by contract(s) said they obtained full cost recovery in all cases in comparison to 11% of charities funded solely by grants, 17% of charities funded solely by service level agreements, 7% of charities funded by a mixture or more than one type of funding agreement, 11% of charities

funded in some other way and 9% of respondents who didn't know what kind of funding agreement they had. (See Annex 6)

7% of all respondents did not know whether they were achieving full cost recovery. Charities in the middle income brackets (£100,000 to £10 million) seemed more likely to know whether or not they achieve full cost recovery.<sup>3</sup>

<sup>3</sup> These figures may, however, have been affected by the way in which the survey was conducted, as charities' correspondents were asked to complete the survey with information readily to hand.

## 1.7 Number and duration of funding agreements

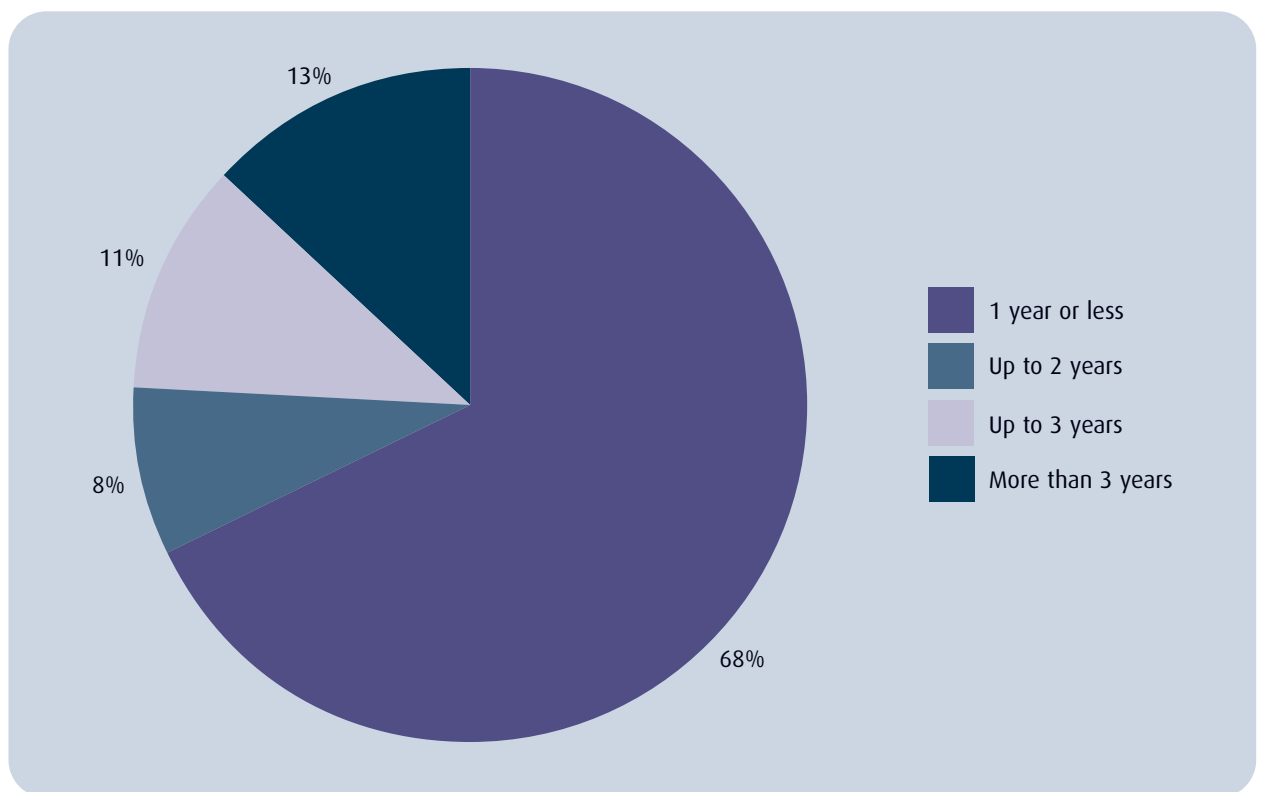
We asked charities that deliver public services about the duration of their funding agreements. Charities were asked to record the number of agreements they had that lasted under one year, up to two years, up to three years and more than three years.

Whilst the majority of charities appear to have between one and five funding agreements, the results showed that some charities had much higher numbers of agreements. Further investigation

showed that this was because some charities have separate agreements for each individual beneficiary. One respondent had 4,000 individual one year contracts.

**Over two thirds of all funding agreements for public service delivery whether it be through grants, contracts or service level agreements last one year or less.** Only 8% last up to 2 years, 11% up to 3 years and 13% more than 3 years.

Duration of funding agreements



## 1.8 Impact on independence and governance

Charities were asked whether they agreed or disagreed with the following three statements:

- A) Our charitable activities are determined by our mission rather than by funding opportunities.
- B) Our charity is free to make decisions without pressure to conform to the wishes of funders.

- C) Our charity trustees are always involved in decisions about what activities or projects the charity will undertake.

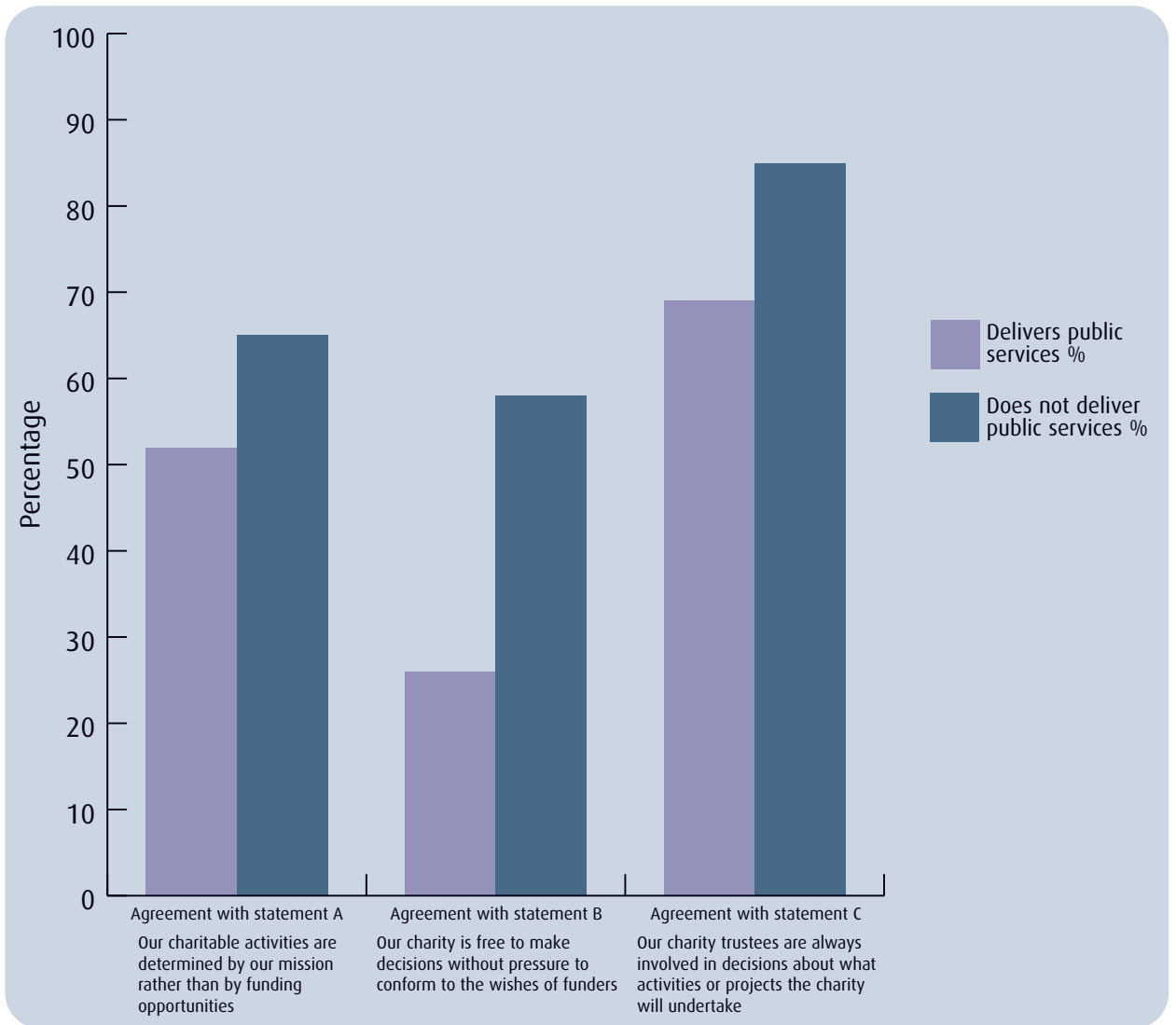
The table below shows the total of all responses:

	Our charitable activities are determined by our mission rather than by funding opportunities		Our charity is free to make decisions without pressure to conform to the wishes of funders		Our charity trustees are always involved in decisions about what activities or projects the charity will undertake	
	Number	%	Number	%	Number	%
Don't know	79	2	91	2	42	1
Agree	2336	61	1833	48	3051	80
Mostly agree	1095	29	1197	31	576	15
Mostly disagree	146	4	330	9	82	2
Disagree	147	4	352	9	52	1
<b>Total</b>	<b>3803</b>	<b>100</b>	<b>3803</b>	<b>100</b>	<b>3803</b>	<b>100</b>

There are significant differences between responses from charities that deliver public services and those that do not. The graph below illustrates the

proportions of charities that agreed with each of the three statements.

Percentage of respondents that agree with statements A - C



**Charities that do not deliver public services are more likely to agree with all three statements than charities that are delivering a public service.**

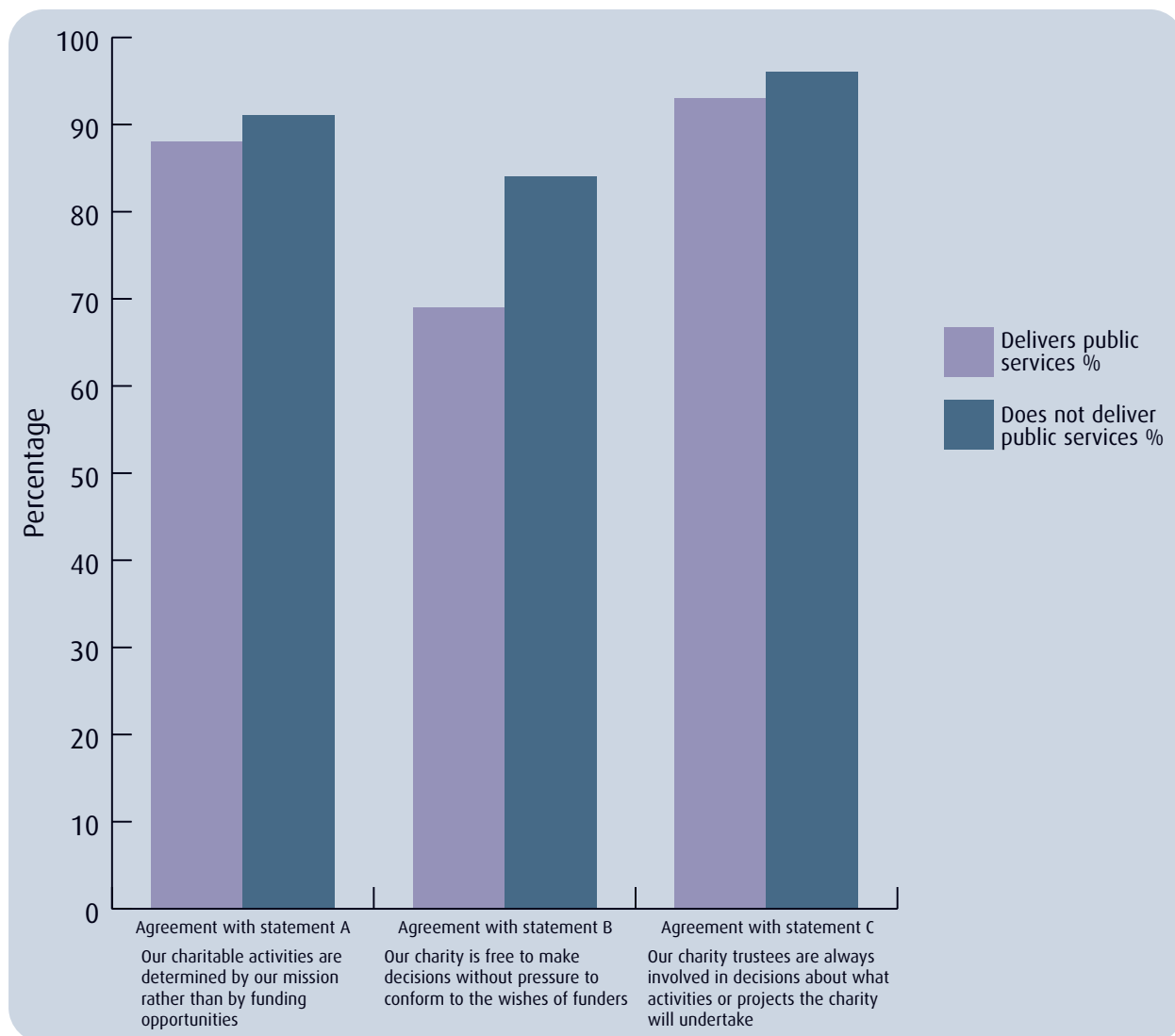
This suggests that charities delivering a public service are more likely to be affected by 'mission drift' or pressure from funders and less likely to involve trustees in decisions about what activities or projects the charity will undertake.

These results suggest that there may be some cause for concern regarding the impact of public service delivery upon the independence and governance of charities. For example, **only 26% of charities that**

**deliver a public service agreed that they are free to make decisions without pressure to conform to the wishes of funders.**

Analysis of the respondents that agreed or mostly agreed with all three statements appears more reassuring in terms of charity independence and governance (see graph below). However, the results still showed that a smaller proportion of charities delivering public services felt free to make decisions without pressure to conform to the wishes of funders than those charities that were not delivering a public service.

Percentage that 'Agreed' or 'Mostly Agreed' with all three statements



## 1.9 Future scope for charities to deliver public services

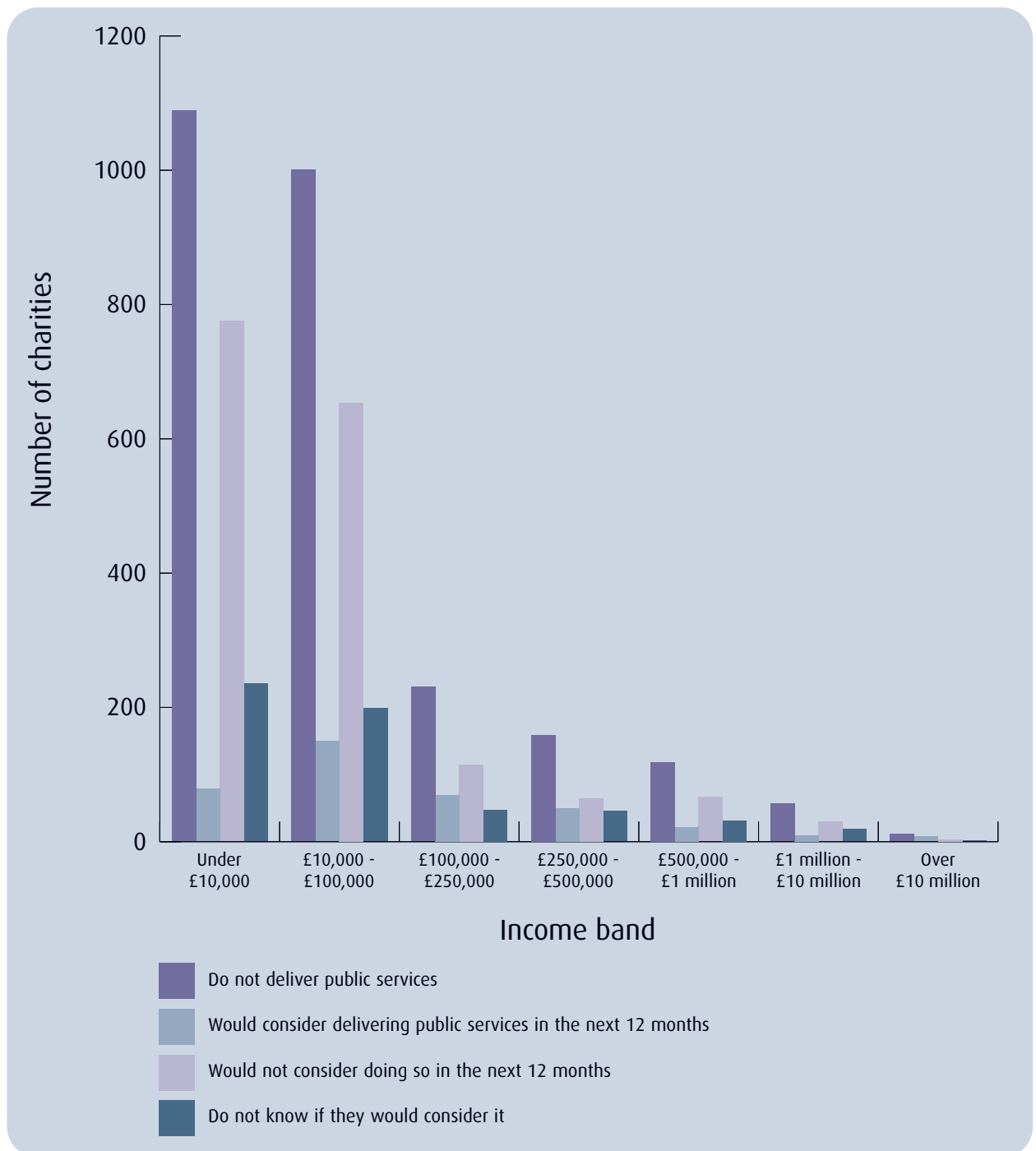
We asked those charities that do not currently deliver public services whether they would consider doing so in the next twelve months.

they did not know. A relatively high proportion (64%) said they would not consider doing so within the next twelve months.

**14% of those charities said they would consider doing so within the next twelve months.** 21% said

The graph below shows the breakdown of responses by income band.

Capacity and willingness to take on public service delivery



	Income band						
	Under £10,000	£10,000 - £100,000	£100,000 - £250,000	£250,000 - £500,000	£500,000 - £1 million	£1 million - £10 million	Over £10 million
Do not deliver public services	1088	1000	230	158	118	56	11
Would consider delivering public services in the next 12 months	78	149	69	49	21	9	7
Would not consider doing so in the next 12 months	775	653	114	64	66	29	3
Do not know if they would consider it	235	198	47	45	31	18	1

The largest number of charities that said they would consider taking up public service delivery in the next twelve months were in the income band £10,000 to

£100,000. Over half of the charities that said they would consider taking up public service delivery in the next year have an income below £100,000.

## 2. Some policy implications

The survey findings have a number of policy implications. Some of these are for charities, some are for the Charity Commission, as their regulator, and others are for public authorities and commissioners of services to consider.

### 2.1 Charities' independence, governance and mission

The survey's findings indicate that public service delivery is having an impact upon the independence and governance of charities. It would be of concern to the Commission if these findings translated into:

- a charity carrying out activities or services outside its objects or powers in order to gain funding;
- a public authority exercising control over a charity's decision-making processes in such a way

that the trustees were prevented from acting solely in the charity's interests; or

- insufficient involvement by a charity's trustees in decisions about what activities the charity should undertake, by making these decisions themselves, or by setting clear parameters for delegation and reporting of such decisions.

### 2.2 Funding and sustainability

The results of this survey do not shed any light on the view expressed by many charities that grant funding is being progressively replaced by contracts (although the survey results do indicate that smaller charities are more likely to be funded by grants and larger charities by contracts, which might affect charities' perception of changes to funding).

However, the responses do suggest a lack of clarity, between funders and funded, concerning the terminology used to describe a range of funding agreements, such as grants, contracts and service level agreements.

Some funding organisations are moving away from using the terms 'grants' and 'contracts' in favour of a description of what the funding organisation intends to achieve: obtaining (or purchasing) a service, or supporting charitable activity. Greater clarity here can only be a good thing. Different funding arrangements place different legal obligations on the use of charitable assets and, because of this, charities, and their funders, need to be clear about the terms on which funding is provided, and any conditions attached.

Appropriate duration is a key element of sustainable funding, so the short-term nature of the majority of current funding agreements (as highlighted by the survey results) is a potential concern. However, 13% of charities already have a funding agreement that is longer than three years, which suggests that there is already some good practice which can be developed and promoted.

Charities entering into multiple individual funding agreements also feature in the survey's results. This raises issues about the time and resources needed to manage these agreements. Conversely, some charities have commented that they find such an arrangement gives them greater flexibility in negotiating and pricing agreements around individual beneficiaries' requirements, enabling them to best meet complex or multiple needs.

Despite government support for the principle of full cost recovery, the survey results show that there is a long way to go before delivery of public services by charities is fully funded. This raises important issues for charity regulation: how are charities funding

deficits on services, how does this affect their wider charitable objectives and what impact is it having on their longer term sustainability? Are charities subsidising public services on the basis of decisions informed by beneficiaries' interests? Or are they doing so accidentally, or because of a lack of negotiating power? It also raises a much wider

question. What might be the impact of these funding issues upon public perception of charity over time?

Unless sustainability issues are properly addressed, the level of reliance on public service delivery as a source of income, particularly amongst larger charities, could become a matter of concern.

### 2.3 Shape and nature of the sector

The survey highlights, for the first time, the predominance of regionally based charities in delivering public services. The causes of this are not clearly identifiable from this survey but they may be a result of several factors, including current procurement practices, and the success of the regional model for larger charities.

This regional model may be replicated by other charities that seek to enter this market, and may have implications for their constitutional structures. It could also herald the development of greater collaboration between smaller, locally-based charities, to form regional consortia.

The survey results indicate that charities with higher incomes are more likely to deliver public services. Many sector observers suggest that smaller charities want to engage more in public service delivery, but face barriers such as lack of capacity or competition from larger charities.

Health and social care are currently the biggest areas of public service delivery by charities. The government has indicated that it would like to see a wider range and more services delivered by charities and other voluntary organisations. A number of government departments are taking this policy forward, initially in a select number of areas, including, for example, work by the National Offenders Management Service, the Department for Work and Pensions, the Department for Education and Skills and the Department of Health<sup>4</sup>. Depending on funding streams this policy could dramatically change the shape of charitable activity in these and other areas. The users of these services will, in future, be clients of charities, rather than of statutory bodies, which will bring more complex issues of accountability. It is critical that charities and local authorities are clear about who is accountable for the

service provision, and that responsibility is clearly set out in funding agreements and communicated to service users as well as the wider public.

It is significant that 8% of charities that said they deliver public services receive no statutory funding for them. The figure may reflect differences of opinion between charities and public bodies over what constitutes a public service. If, however, it reflects a reliance on charities and the wider voluntary sector to provide services that the state needs but cannot afford, that could have a knock-on effect on the public's perception of and trust in charities.

NCVO highlights that 38% of the sector's income comes from statutory sources, but only 2% of government expenditure on public service delivery is paid to the charitable sector. NCVO point out that doubling government spending on the delivery of public services by charities and the voluntary sector would have a major impact on the sector's character<sup>5</sup>. More generally such a shift could affect how the role of charities is perceived by the public. Previous research<sup>6</sup> has shown that public perception of the role of charity is narrower than the role that charities fulfil in practice. An increasing shift towards public service delivery will make public education a more challenging task.

The results of the survey raise more questions about charities' future capacity for, and the sustainability of, public service delivery. It suggests that larger, regionally-based charities predominate in public service delivery. This may be a result of market pressures or barriers to funding opportunities, rather than choice on the part of charities. Whatever the cause, there may be a risk of creating a restricted market where only those charities above a certain size and capacity can successfully compete for future delivery of public services.

<sup>4</sup> *Partnership in Public Services: an action plan for third sector involvement*; Cabinet Office, 2006

<sup>5</sup> Ann Blackmore, Head of Policy, NCVO, speaking at Westminster Briefing "Transforming Public Services Through Better User Engagement: Making the Most of Voluntary Sector Partnerships" (December 2006)

<sup>6</sup> Opinion Leader Research for the Charity Commission: *Report of findings of a survey of public trust and confidence in charities* (2005)

The overall picture that emerges presents a key issue in relation to future public service delivery by charities:

- Roughly two thirds of the sector is made up of very small charities (with an income of £10,000 or less) that are not heavily engaged in public service delivery and, because of their size, seem unlikely to have significant capacity to take on substantial public service agreements.
- The largest charities are already significantly engaged in public service delivery. Over 60% of charities with an income above £500,000 currently deliver public services. It is unclear how many more charities in this income band will want to take on public service delivery.

- The survey results also indicate that medium-sized charities (particularly those with incomes of £10,000 - £250,000) are struggling the most to obtain sustainable funding.

The government has made numerous commitments to increase the capacity of the sector to deliver public services, to open up the market so that a wider range of organisations can participate, and to make sustainable funding the norm. From the findings above, the achievement of government's targets to increase the level of charities' participation in public service delivery will depend heavily on the successful implementation of these commitments.

### 3. Conclusions and recommendations

A significant number of charities are already involved in public service delivery. If an increasing number are likely to turn to public service delivery as a means of carrying out their mission, it is essential that the following issues of concern, often discussed by the sector and government, but further evidenced by this survey, are addressed:

- Charities' focus on delivering their mission and the risk of mission drift.
- The implications of under-funding and short-term funding for charities' sustainability.
- The threat that funders' influence or control over decision making can pose for charities' independence.
- The divergence between smaller and larger charities, and between those charities that deliver public services and those that do not.

There is clearly a need for increased support to locally-based, lower-income charities that want to get involved in delivering public services but which currently lack the capacity to do so. There is government recognition that there is also a need to build the capacity of parts of the public sector to work in true partnership with charities and the wider third sector. The government may also wish to consider what can be done to ensure that smaller and more local organisations have access to appropriate capacity building opportunities. Potential barriers created by current frameworks for commissioning services, procurement and contracting, funding and monitoring need to be fully investigated, understood and addressed.

Finally, it must be reiterated that it is not for the Commission either to encourage or to deter charities undertaking or considering public service delivery. But, the Commission will continue to work with charities, with other government departments and with regulators to ensure that:

- the potential risks and opportunities to charities and the sector are highlighted and understood;

- charities are aware of their legal duties and how these impact upon delivery of public services;
- good practice in funding of public service delivery is promoted and encouraged amongst charities and funders;
- areas of regulatory overlap are minimised.

#### Scope for further analysis and research

There are numerous avenues for further analysis and research arising from the results of this survey, for example:

- Why charities in different income bands may be more or less successful at obtaining full cost recovery.
- Differences between charities that operate locally, regionally and nationally in relation to public service delivery.
- Whether differences in levels of uptake of public service delivery reflect choices made by charities or barriers to entering the market.
- Whether different types of funding agreement do in fact have an impact on full cost recovery.
- Differences in funding between different public services.
- Longer-term trends in funding.
- Longer-term trends in public services delivered by charities.

The Commission will consider what opportunities it may have to conduct such research itself, or do so in partnership with other bodies.

The Commission is aware of other initiatives that may have a role in examining some of these issues, such as the State of the Sector Panel, sponsored by the Office of the Third Sector, and forthcoming research by the Audit Commission. We hope that this survey will help to inform the work of charitable sector umbrella bodies and other government departments that are considering these issues.

# Annex 1

## Survey methodology and profile of participating charities

All registered charities were invited to take part in the survey, which was advertised in the summer 2006 edition of *Charity Commission News* and also by email to registered charities' correspondents. The survey was conducted by Directory of Social Change, who carried out an initial analysis of the results. In total, 3803 charities took part.

The survey comprised ten questions about charities' participation (or not) in delivery of public services, areas of service delivered, its impact on funding and governance, and future plans for public service delivery. It was decided on grounds of cost that the survey would be conducted online only, and comprised mainly of closed questions.

"Public services" are difficult to define exactly, and respondents had to judge for themselves whether any of their activities fall within the suggested definition: *those services that public authorities normally provide, often (but not always) under a*

*legal duty*. We suggested eight main categories as examples (as indicated in the survey results).

By 'public authorities' we mean any organisation that is part of government (including the Welsh Assembly), including government departments, county and district councils, NHS bodies and Local Education Authorities. Such organisations are often referred to as 'commissioners', ie bodies that commission services. The definition of 'public authorities' is not always clear cut, for example some non-departmental public bodies, operating at arms-length from government, also have charitable status because they are established for exclusively charitable purposes.

The charities that took part in the survey represent a broad cross section of the register by income and operational area. A greater proportion of medium-sized and larger charities completed the survey. This might be expected as the survey had to be completed online.

Comparison of charities participating in the survey with all registered main charities, by income

Total annual income	All registered main charities <sup>7</sup>	Percentage of registered main charities	Survey respondents	Percentage of survey respondents
Under £10,000	95,243	56.78%	1,188	31.24%
£10,001 - £100,000	48,859	29.13%	1,309	34.42%
£100,001 - £250,000	10,220	6.09%	475	12.49%
£250,001 - £1 million	8,366	4.99%	649	17.07%
£1 million - £10 million	4,462	2.66%	150	3.94%
£10 million and over	602	0.36%	32	0.84%
<b>Total</b>	<b>167,752</b>	<b>100.00%</b>	<b>3,803</b>	<b>100.00%</b>

<sup>7</sup> There are over 190,000 charities on the register (the exact figure is, of course, constantly changing). Some of these charities are administered and accounted for as part of a group or "main charity". The Commission's published figures for the number of charities in each income band as at 30 June 2006 is based on accounts for main charities.

68% of charities that completed the survey operate within a local area (eg a single county or city), 12% across more than one county and 20% nationally or internationally.

Over half of the charities completing the survey within each income band up to £1 million operate

within a local area. The majority of charities with an income over £10 million operate nationally or internationally. Charities operating across more than one county formed the smallest proportion of charities in all income bands except over £10 million.

#### Charities responding to the survey, by income band and operational area

	Charities operating within a local area (eg one county or city)		Charities operating across more than one county		Charities operating nationally or internationally		Grand total
	Number	%	Number	%	Number	%	
Under £10,000	939	79.04%	93	7.83%	156	13.13%	1188
£10,000 - £100,000	917	70.05%	127	9.70%	265	20.24%	1309
£100,000 - £250,000	292	61.47%	68	14.32%	115	24.21%	475
£250,000 - £500,000	200	57.64%	59	17.00%	88	25.36%	347
£500,000 - £1 million	156	51.66%	62	20.53%	84	27.81%	302
£1 million - £10 million	60	40.00%	43	28.67%	47	31.33%	150
Over £10 million	7	21.88%	7	21.88%	18	56.25%	32
<b>Grand total</b>	<b>2571</b>	<b>67.60%</b>	<b>459</b>	<b>12.07%</b>	<b>773</b>	<b>20.33%</b>	<b>3803</b>

We would like to thank all charities that took part in the survey for their contribution to this research.

## Annex 2

### Number of charities delivering public services, by income band

	Does your charity currently deliver public services?			
	Yes		No	
	Number	%	Number	%
Under £10,000	100	8	1088	92
£10,000 - £100,000	309	24	1000	76
£100,000 - £250,000	245	52	230	48
£250,000 - £500,000	189	54	158	46
£500,000 - £1 million	184	61	118	39
£1 million - £10 million	94	63	56	37
Over £10 million	21	66	11	34
<b>Total</b>	<b>1142</b>		<b>2661</b>	

## Annex 3

### 'Other' public services delivered by charities

1: Responses that could be reclassified within 'main' categories

Type of service	Number of respondents
Leisure	20
Social care	34
Health	36
Environmental	1
Housing	10
Education	20
Children's services	29
Advice	19
<b>Total</b>	<b>169</b>

2. Other responses

Type of service	Number of respondents
Transport	16
Museums/library/heritage	14
Counselling	13
Supporting the Arts	12
Employment services	9
Volunteering/Millennium volunteers	7
Community development	6
Support for victims and witnesses of crime	5
Support for victims of domestic violence	4
Grant making	4
Crime prevention	3
To represent the VCS locally	3
IT support	3
Wildlife consultancy/animal rescue	3
Administration	2
Lifeboat	2
Prisoners' welfare	2
Anti-poverty projects	1
Applied science of freshwater	1
Assistance during a major emergency	1
Burial ground	1
Employer's organisation	1
Fire safety, first aid, fire fighting	1
Interfaith	1
Polling station	1
<b>Total</b>	<b>116</b>

## Annex 4

### 'Other' types of funding arrangement

Answer	Number of respondents
None	46
Donations from members/public	13
Fees	9
Free service	9
Fundraising	8
Charity managed by council	6
Invoice	6
Informal agreement	6
Spot purchasing	5
Membership/personal subscriptions	4
Founder funding it herself/self-funded	4
Contract has expired	4
As and when required	4
Contracts and service level agreements	4
Payments from pupils/students	4
Hall lettings fees/room rental	3
One-off contracts	3
Early years funding	2
Government	2
Individual placement agreements	2
Vouchers/county funding	2
Weekly maintenance contribution	2
Allocation	1
Client contribution	1
Maintenance contribution	1
Match funding and management of budgets	1
Personal banker's orders	1
Provision of facilities	1
Revenue and grants	1
Small annual budget	1
Sponsorship	1
Strategy and action plan	1
Verbal/written agreements/contract with some organisations	1

## Annex 5

### Full cost recovery

	Does funding cover the full cost of services provided?									
	Don't know		In all cases		In most cases		In some cases		No	
	Number	%	Number	%	Number	%	Number	%	Number	%
Under £10,000	19	19	16	16	9	9	9	9	47	47
£10,000 - £100,000	37	11.97	44	14.24	43	13.92	44	14.24	141	45.63
£100,000 - £250,000	14	5.71	19	7.76	43	17.55	34	13.88	135	55.1
£250,000 - £500,000	7	3.7	17	8.99	44	23.28	48	25.4	73	38.62
£500,000 - £1 million	4	2.17	22	11.96	52	28.26	43	23.37	63	34.24
£1 million - £10 million	4	4.26	14	14.89	24	25.53	21	22.34	31	32.98
Over £10 million	2	9.52	1	4.76	6	28.57	8	38.1	4	19.05
<b>Total</b>	<b>87</b>	<b>8</b>	<b>133</b>	<b>12</b>	<b>221</b>	<b>19</b>	<b>207</b>	<b>18</b>	<b>494</b>	<b>43</b>

## Annex 6

### Full cost recovery by type of funding agreement

		Type of funding agreement											
		Don't know		Grant(s)		Contract(s)		Service level agreement(s)		A mixture/ more than one		Other	
		No	%	No	%	No	%	No	%	No	%	No	%
Full cost recovery?	Don't know	17	51.52	13	7.78	5	2.99	10	5.24	12	2.82	30	18.87
	In all cases	3	9.09	19	11.38	32	19.16	33	17.28	28	6.59	18	11.32
	In most cases	3	9.09	23	13.77	37	22.16	37	19.37	110	25.88	11	6.92
	In some cases	2	6.06	21	12.57	28	16.77	23	12.04	114	26.82	19	11.95
	No	8	24.24	91	54.49	65	38.92	88	46.07	161	37.88	81	50.94
	<b>Total</b>	<b>33</b>	<b>100</b>	<b>167</b>	<b>100</b>	<b>167</b>	<b>100</b>	<b>191</b>	<b>100</b>	<b>425</b>	<b>100</b>	<b>159</b>	<b>100</b>

## Notes



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