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English voluntary organisations: subjective perceptions and financial realities

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The financial position of English social policy charities has received much attention, with a particular focus on the difficulties that small- and medium-sized organisations are experiencing. However, in this article we show that the evidence base has a number of limitations. We then demonstrate, analysing data from a survey of more than 1,000 charities, that organisational size, per se, is only one dimension of the problem: perceptions that the operating and financial environment is challenging are related to other organisational characteristics. We then add to the survey data indicators of financial vulnerability to investigate whether there is a relationship between perception (responses to questions about the resources available to charities) and financial reality (the recent financial history of these charities). Somewhat reassuringly, however, we demonstrate that there is a degree of consistency between the perceptions that organisations report and we discuss the implications of the findings.

key words charities • resources • financial vulnerability • trends in funding

Introduction

Third sector organisations in England have lived through a period of considerable turbulence in recent years, as a combined consequence of the austerity and deficit-reduction policies of the post-2010 coalition and Conservative governments, and adverse economic conditions since the 2008 financial crisis. As Kendall et al (2018) show, the debate about the effects of political change and economic shocks has been especially pronounced and animated in the case of those organisations that operate in human welfare and related fields of activity, where cuts to public spending have been among the most visible and extensive. It has been especially in such social policy domains that academic commentators have sought to analyse how the third sector's ability to meet needs through both service delivery and advocacy activities has been challenged, sometimes compromised, and in some situations undermined or discontinued as a result of such pressures.

Voluntary sector organisations, their stakeholders and their supporters – and in particular organisations with a social policy orientation – need a clear understanding of which organisations are affected most severely by the pressures. Reliable intelligence could assist funders and policy makers in directing support towards organisations under the greatest strain. It would also inform the understandings that organisations themselves hold of the impact of external circumstances on the constraints that they face. In this article we explore these issues in relation to organisations where these concerns have been shown to be especially acute, focusing on what we refer to as 'social policy charities' in England. While this may be an admittedly inelegant and somewhat unwieldy label, it communicates accurately the extent to which our empirical evidence is limited to those based, within the UK, in England in particular, and relates to a subgroup of all such charities operating in particular fields of activity relating directly to human welfare and wellbeing (the operationalisation of this concept **[[please clarify which concept you are referring to here]]** is discussed in more detail in the section 'concepts, definitions and data sources').

A key challenge is gathering relevant data. Much of the evidence base on the impacts of austerity consists of small-scale, often qualitative studies with an emphasis on perceptions of the operating environment and of the severity of (actual or potential) financial cuts. There is arguably sometimes even an inverse relationship between the quality of some of this work and levels of specialist media attention: narrowly focused and/or crudely designed local surveys frequently gain traction in the trade press (for example, having coverage in *Third Sector* and *Civil Society*). This may promote what Chapman and Robinson (2011, p. 34) characterise as an 'abyss mentality', instilling a sense of perpetual crisis among voluntary organisations.

However unsystematic it may be, such reportage and special pleading can feed into the climate of opinion, shape attitudes and potentially affect decisions. This is not without precedent: consider the historical evidence that organisations have been prone to stressing how badly they have been affected by resource squeezes (for example, the pre-NHS voluntary hospitals making representations to government in the 1930s: Gorsky et al, 2002; Mohan and Wilding, 2009). But to what extent are such reported perceptions accurate? This suggests we need to adopt a cautious approach, acknowledging the impressions and stories that circulate among affected stakeholders, but also looking, wherever possible, to alternative sources to build up a more rounded, and firmly evidence-based, understanding of such situations.

One place to begin is the academic literature that has used regulatory data, and financial information derived from organisations' accounts, to assess organisations' financial vulnerability. That would provide insights into the impacts of economic conditions on the organisations' resources, and into how those impacts have changed over time. However, despite academic and policy concerns about the risks facing voluntary organisations, British studies of financial vulnerability are conspicuous by their absence; Dayson (2013) provides a challenge to researchers to deploy methods pioneered, principally in North American scholarship, to investigate antecedents, patterns and consequences of vulnerability. The work of Tuckman and Chang (1991), Trussel et al (2002), Greenlee et al (2005) **[[missing reference – please supply]]** and others deploys organisation-level financial data to generate indicators of the potential exposure of organisations to financial risk. That work has stimulated a number of studies (reviewed in Chang et al, 2018); a rare British example is Thomas and Trafford (2013). To our knowledge, however, none of these studies has combined their substantial data on financial vulnerability with information on the perceptions that third sector organisations hold of their financial situation. In that regard, this article speaks to a wider international body of scholarship, through its analysis of the relationship between more subjective indicators, embodied in the views that third sector organisations have about their resource situations, and what might be viewed as 'objective' economic indicators. What happens when one confronts survey data regarding perceptions of the operating environment with audited economic data on the financial circumstances of organisations? In this article we explore the relationship between the responses that organisations gave to surveys about their perceptions of the operating environment, on the one hand, and data on the characteristics of the organisations themselves, and on their recent financial history, on the other. A central aim is to assess whether perceptions that organisations report are indeed consistent with what is happening to their finances as shown in their accounts.

Several reports and studies, which we review in this article, have highlighted the increased pressures on financial resources across the voluntary sector, but we are not aware of studies of the relationship between subjective perceptions and objective financial indicators. It would not be surprising if, in the febrile political and policy climate experienced since 2008, organisations were likely to report adversity to a greater extent than objective conditions might merit. But there might also be variability in perceptions of the operating environment, depending on variations in the financial position of organisations – for example, are their resources growing, stable or declining, and are they financially vulnerable?

We also make a contribution to the discussion of current British concerns that the position of small- and medium-sized third sector organisations is vulnerable. While definitions of what is meant by the relative size of organisations vary, there is widespread concern that there are particular challenges here (IPPR, 2016 **[[missing reference – please supply]]**; McCabe and Phillimore, 2017; McGovern, 2017; Dayson et al, 2018), which have the potential to limit the allegedly distinctive contribution that such organisations can make to society. **[[the rest of this paragraph is coming across as a little repetitive – do you want to make any changes?]]** In this article we therefore initiate an investigation of the relationship between perception and the actual financial situations of organisations. We draw on a survey of more than 1,000 charities in 2015, which sought data on organisations' own perceptions of resource availability (alongside other dimensions, such as their perceptions of their external relationships). We compared these with financial measures drawn from the same organisations' reported finances. Thus, for the first time – at least in the UK – we can compare subjective indicators of organisations' perceptions of their situation with reported data about their finances, drawn from annual accounts produced according to specific conventions, at around the time at which they were reporting those perceptions.

We begin with a discussion of existing studies of voluntary sector finances, drawing on a range of sources and methods. We then describe our own data, derived respectively from a survey of English charities and from administrative data from the Register of Charities. We explain how our dependent and independent variables were constructed. We seek to model subjective perceptions of financial insecurity – as measured by questions about shortfalls of resources of various kinds – as a function of the characteristics of organisations, their current and recent financial position, and levels of disadvantage in the communities in which they are located. We present the results of an exercise in which, controlling for a number of fixed organisational characteristics, we conclude that financially vulnerable organisations generally feel less secure about their financial positions. However, the organisations' individual characteristics also have a detectable influence on perceptions of shortfalls in financial resources. We explore the reasons for this and draw out reflections on the implications for practitioners and funders.

Existing research findings

Given the strategic significance of third sector organisations in the contemporary policy context, timely data on their finances and activities, and on the challenges they face, would be desirable. The Charity Commission captures financial data as part of the process of regulating the activities of charities in England and Wales. Because this is a legal obligation, the data are very comprehensive, with as many as 160,000 charities reporting in a given financial year. However, the data also have limitations: commentators on accounting practices in charities are sceptical about whether financial data are reported consistently (Morgan, 2010, 2011), although that objection has less force in relation to analyses based on 'top-line' financial data such as expenditure or income. However, such administrative data are typically only available no earlier than one financial year in arrears, because organisations are not required to deposit financial returns with the Charity Commission until nine months after the end of their financial year. By the time the resultant data are processed and made available to researchers, several further months may have elapsed. Researchers interested in timely information therefore often resort to direct inquiries through surveys, interviews and/or focus groups. This brings its own challenges, as a review of relevant recent work on change in the voluntary sector now demonstrates.

First, we find a number of small-scale, local or regional studies. These are typically based on small numbers of interviews with individual organisations, or on open-access surveys set up by voluntary sector infrastructure bodies. For example, one study, based on 49 respondents, claimed that 72% of voluntary organisations in Bristol had received cuts and reductions in their funding, 40% of the total identified themselves as being in financial crisis and 38% said that they had experienced cuts to their services since 2011 (Voscur, 2012). The London Voluntary Services Council (2013) reported that nearly 30% of voluntary organisations in London **[['voluntary' and 'in London' has been added – ok?]]** (out of 240) had less than three months' reserves, while 51% reported a reduction in funding in 2012–13; note, however, that over 25% of respondents described themselves as 'infrastructure bodies'. The National Coalition for Independent Action (2015) has summarised similar reports. Other examples include a study by Newcastle Council for Voluntary Service (2015), in which five-sixths **[[change to 60% for consistency?]]** of the 71 respondents anticipated that they would spend up their reserves in a year and over 45% reported reductions in resources. Nevertheless, with these sample sizes, there are limits to the inferences that can be drawn: an estimate of 72% on a sample size of 49 (in the Bristol survey) implies that the true figure lay somewhere between 60% and 84%. Furthermore, it is difficult to judge whether those responding to the surveys are representative; the studies' authors do not consider this and general conclusions are therefore difficult to draw with confidence.

Some academic accounts provide greater depth through qualitative investigation of small numbers of voluntary organisations (Milbourne and Cushman, 2015; Aiken and Harris, 2017). As an example of the methods used, Jones et al (2016) interviewed a number of organisations on Merseyside and in Bristol. They described an overarching atmosphere of crisis and despair and provided a great deal of insight into the challenges being experienced by, and the responses of, these organisations. However, without further information on the respondents, it is difficult to determine whether axes were being ground or whether the perspectives offered hold true for the broader population of voluntary organisations in the communities in question. The article is replete with quotes such as: 'voluntary organisations have been living off their reserves and they are at the point now where for many they are operating as a shell of their former selves' (Jones et al, 2016, p. 2072). While this implies a generalised crisis, the article reveals the source as a senior staff member of a voluntary sector infrastructure body. On the one hand, such people are likely to be in a position to provide an overview of developments in their community; on the other hand, as their role is to support the development of organisations in their locality, it would not be surprising if they were to make comments that would emphasise the continued need for the services of a body such as their own. This is hardly a disinterested response. We also know that infrastructure bodies are more likely to have connections with the larger organisations, often involved in contracts for delivering services, and in receipt of significant public funding, than with smaller entities relying almost entirely on private funds and volunteers (Mohan, 2012). Furthermore, there is a missed opportunity here to provide a confirmatory quantitative dimension. Indicators of the financial health of at least the charitable component of the relevant organisations interviewed by Jones et al are readily available from Charity Commission records, and this information could have been used to situate the analysis more firmly.

There are also some large-scale regional surveys of organisations, exemplified by research supported over a number of years in northern England (Chapman and Robinson, 2015; Chapman and Hunter, 2017). These are informative about many aspects of what third sector organisations think is happening to them, their expectations and their relationships. But are they necessarily a good guide to financial realities? The surveys undertaken as part of this initiative also contain questions about perceptions of financial position, including whether or not this has worsened in recent times. Thus, Chapman and Robinson's studies (for example, 2015) asked third sector organisations whether levels of income had 'risen significantly', 'remained about the same' or 'fallen significantly'. What is meant by 'significantly' is not defined, and so it is difficult to evaluate the severity or otherwise of perceived financial difficulties. In fact, some 70% of organisations stated that income had remained broadly stable (Chapman, 2017). Chapman (2017) also notes that the proportions of organisations whose expectations were that funding would decrease correspond fairly well to respondents' accounts of actual reductions in the levels of their expenditure over time – although again these were based on self-reports, and as far as can be judged from published work, they were not linked back to what had actually happened to charities in the region being studied.

The value of these surveys lies in the interesting data generated about the position of third sector organisations and their operating environment, and also about relationships, expectations and attitudes – but there is arguably a missed opportunity here to compare the reports from surveys with what has actually happened.

Other work has used administrative data from charity accounts, such as Crees et al's (2016) study of small- and medium-sized charities. They demonstrated fluctuation in incomes over time, albeit in ways that were somewhat arbitrary. Relatively subjective methods were used to distinguish 'big' or 'small' changes in incomes – for instance, a big fall was defined as a situation in which income had fallen by at least a half over a defined time period. This has the virtue of using authoritative financial reports, rather than subjective perceptions, but there is subjectivity in the definition of a 'big' fall as calculating it between two individual years will build in a degree of instability if, for example, the observation in the base year was unusually large or small (this might be mitigated by the use of moving averages, but that does not appear to have been done; Clifford, 2016, demonstrates how this can be achieved by restricting his analysis of recessionary impacts to cases in which absolute changes, adjusted for inflation, were £1,000 or more in either direction).

The most authoritative work is that of Clifford (2016, 2018). He used panel data on financial statistics submitted to the Charity Commission, covering tens of thousands of charities reporting over a 10- to 15-year timeframe. He offers a sophisticated and disaggregated demonstration of the impacts of recessionary conditions on the finances of English and Welsh charities, and the relationship between charity characteristics, local socioeconomic characteristics and the probability of charity survival. His key findings undoubtedly add weight to concerns about the difficult circumstances that charities in areas of social deprivation face. They also highlight the need for a disaggregated perspective – with certain types of organisation appearing to be much more resilient financially, or more likely to survive, than others. Clifford's work is exemplary but *total* reliance on administrative data means that it is not leavened by qualitative reports from organisations themselves. It is therefore describing trends in 'inputs', without any grounds for associated claims making about the way such patterns relate to shortfalls in need, and hence the extent to which the situation being mapped is a cause for concern.

These studies approach their subject matter in different ways and each might benefit from greater contextualisation of their findings, whether that be qualitative or quantitative in character. In a nutshell, the studies we have reviewed lack quantitative contextualisation (in the case of small, local reports); lack corroboration of perceptual data with actual administrative reports (the work by Chapman et al does not seem to integrate the findings with reported financial data from organisations); or involve a focus precluding qualitative depth (Clifford's studies could benefit from organisation-level insights about needs-related circumstances, and the extent to which input trends are believed to be consequential).

How might we try to attend to the importance of both the perceptual dimension and the levels of resource inputs confirmed by legally mandated reporting requirements at the same time? A relevant way to capture the latter as a step towards this combination would be to use indicators of the financial vulnerability of third sector organisations as originally developed by Tuckman and Chang (1991). While constructing these indicators is demanding in terms of data requirements, they are based on financial reports prepared to agreed accounting standards and headline income and expenditure data are readily available from the Charity Commission. Next we explore the possible use of some of these indicators and we also add to existing literature by operationalising them where possible and comparing them with organisations' own perceptions of their resource position.

Concepts, definitions and data sources

In this section we describe our data on organisations' perceptions of their financial position, on the characteristics of the organisations themselves, including indicators of their financial situation, and on the characteristics of the local socioeconomic context.

Third sector organisations' perceptions of financial insecurity

Many studies have shown that people's experiences of subjective insecurity can be closely related to objective measures of insecurity (for example, Näswall and De Witte, 2003; Anderson and Pontusson, 2007). However, perceptions of vulnerability can also reflect subjective and cognitive reactions to external context, including personal, organisational, institutional and social context (Chung and Mau, 2014). Translating this to a study of voluntary organisations, perceptions of financial constraints are not solely a function of their objective financial position. Despite widespread concern about financial vulnerability across the sector, there has been limited research (other than the studies discussed above) about perceptions of insecurity. Therefore, we devised a survey that attempted to capture subjective beliefs that English social policy charities had about financial and other constraints on their activities.[1]

We distributed our questionnaire by email to approximately 55,000 charities, preselected categorically to capture activities believed to be most relevant to the UK debate on the situation of organisations working in social policy domains, as identifiable using the International Classification of Nonprofit Organizations (ICNPO) system. The classes considered in scope were: health (ICNPO 3000–3999), social care (ICNPO 4000–4999), economic, social and community development (ICNPO 6000–6999), civic and legal services (ICNPO 7000–7999) and philanthropic intermediaries and voluntarism promotion (ICNPO 8200, excluding grant-making foundations; this category was chosen in order to pick up third sector infrastructure bodies). Out of these organisations, we also focused on the smaller end of the charity spectrum to measure the impact of austerity more specifically, targeting organisations with an annual income of £1 million or less. We received 1,089 useable responses, with 797 complete cases being used in the analyses reported here. This is an admittedly limited response rate but the pattern of responses corresponded reasonably closely to the distribution of charities across ICNPO and income bands in the survey data and the broader population of English charities. The data were weighted to adjust for differences between the distribution of responses (in terms of size and subsector of the charity population) and that of the population of charities as a whole. Due to limited numbers of responses from Welsh organisations and from organisations with an income of more than £1 million, we have dropped those cases from the analysis presented here, which refers to England only.

Dependent variables: subjective financial insecurity

The survey[2] was developed as part of a wider project surveying the challenges facing third sector organisations in eight European countries (Zimmer and Pahl, 2016). It included many questions about barriers to the activities of voluntary organisations, including access to financial and non-financial resources, and relationships with government, regulators and stakeholders. As regards financial resources, respondents were asked about their perceptions about three principal types:

- private sources (individual giving, funding from foundations and trusts, and sponsorship from private companies);
- statutory sources (funding from local government, central government and other public bodies);
- income from trading activities (fees for services, or surpluses derived from trading activities, and capital resources).

Respondents could answer on a four-point scale and the response categories were 'not a problem at all', 'not serious', 'somewhat serious' or 'very serious'. Respondents could also respond that the particular issue was 'not applicable' to them. We dichotomised the variables: we classified those who had answered 'somewhat serious' or 'very serious' to the questions as perceiving financial insecurity. The dimensions of financial shortfall are rather specific, and we collapsed them into three categories, reflecting shortfalls in funding from private sources, statutory bodies and trading activities respectively. We assigned organisations to one (or more) of these categories if they had experienced financial shortfalls on one or more of the individual dimensions within them. It might be argued that dichotomising the responses loses valuable information. On the other hand, this is a straightforward way of identifying organisations that are perceiving difficulties of some kind without having to interpret what they mean by the degree of difficulty that they are experiencing.

Independent variables: characteristics of organisations and indicators of their financial position

We used administrative data from the Charity Commission in order to provide indicators of the objective financial circumstances of organisations. Here we consider the utility of various indicators of financial vulnerability. Tuckman and Chang's (1991) work is widely cited. They defined a financially vulnerable organisation as one that was 'likely to cut service offerings immediately when a financial shock occurs' (p. 445) and developed four financial indicators (equity balances, revenue concentration, administrative costs and operating margins). Their model has been subsequently applied and developed by several scholars (for example, Greenlee and Trussel, 2000; Trussel, 2002; Trussel et al, 2002; Cordery et al, 2013; Andres-Alonso et al, 2015). However, the way in which charity accounts are prepared in England and Wales, for small charities, limits the applicability of such indicators. Notably, smaller charities are not obliged to report in a great deal of detail on matters such as equity balances or assets, nor are entities below certain financial thresholds required to follow identical procedures in compiling accounts (Morgan, 2010, 2011). Nevertheless, a commonly used indicator of financial vulnerability – a reduction in total revenue of an organisation over several years – can be calculated from charity account data (Andres-Alonso et al, 2016). Therefore we applied Trussel's (2002) definition – more than a 20% reduction in fund balances over three years – creating a binary variable differentiating between the organisations that had experienced a reduction of more than 20% in their funding over the 2010–14 period and those that had not.

With regard to organisational characteristics, the data derived from the Charity Commission included organisations' geographical scale of operation, age and income as well as charity subsector. We captured organisations' scale of operation with a dichotomous category, which differentiated those charities that say they only operate within one local authority from those operating either over multiple local authorities or on a national or international scale. We derived age of organisation from the date of registration with the Charity Commission (which in practice limits the data to the period from 1961, when work began to compile the modern register). We grouped this into 10-year intervals except the 2010s (1960–69, 1970–79, 1980–89, 1990–99, 2000–09, 2010–14). We restricted consideration to five different subgroups of the charity population, as discussed above. We measured the size of income as the average income between 2010 and 2014, divided into three bands: £10,000 or less, £10,000 to £100,000, and £100,000 to £1 million. The Appendix provides details of the sample's descriptive characteristics, and also compares them with the wider population of charities in these fields of activity, indicating that our respondents can broadly be considered representative. We used these indicators to identify which organisational characteristics were most likely to be associated with perceptions of financial pressures.

Socioeconomic context

A challenging economic environment, combined with reductions in public funding in many charitable organisations, would be expected to affect charitable organisations' perceptions of their financial position. We postulated, following Salamon's (1987) argument, that philanthropic insufficiency is characteristic of disadvantaged communities, that organisations operating in areas experiencing disadvantage would be more likely to have difficulty in attracting resources. This raised the question of how to characterise local socioeconomic context. We used data on the average unemployment rates for individual local authorities between 2010 and 2014 and matched them to our data using charity postcodes. We used this on the grounds that unemployment rates provide a broad indicator of the proportion of households with an income from paid employment, and thus they influence the resources likely to be available in the local community. Since, even in all but the most disadvantaged areas, a clear majority of charities rely principally on private donations or fees for services (Clifford et al, 2013), this is a reasonable assumption to make.

As an alternative, wider measure of social conditions, which has strong associations with the level of engagement in volunteering at the community level, we used the Index of Material Deprivation (IMD). This is a composite indicator that has been developed and refined over many years in Britain. It comprises a range of measures of socioeconomic conditions in communities (for example, worklessness and sickness levels). Arguments relating to 'philanthropic insufficiency' (Salamon, 1987) would lead us to anticipate shortfalls of donative resources and volunteer inputs in disadvantaged areas. Note that since charity postcodes provide the basis for this spatial assignment, they do not accurately characterise where organisations operate *within* local authorities, and for this reason we used the IMD for the local authority as a whole. An alternative might have been to ask respondents about the geographical scale at which they operate but this also poses challenges depending on their understanding of questions such as the meaning of terms such as 'neighbourhood' (one of the scale categories used in the national surveys of the voluntary sector undertaken in 2008 and 2010; see Clifford, 2012).

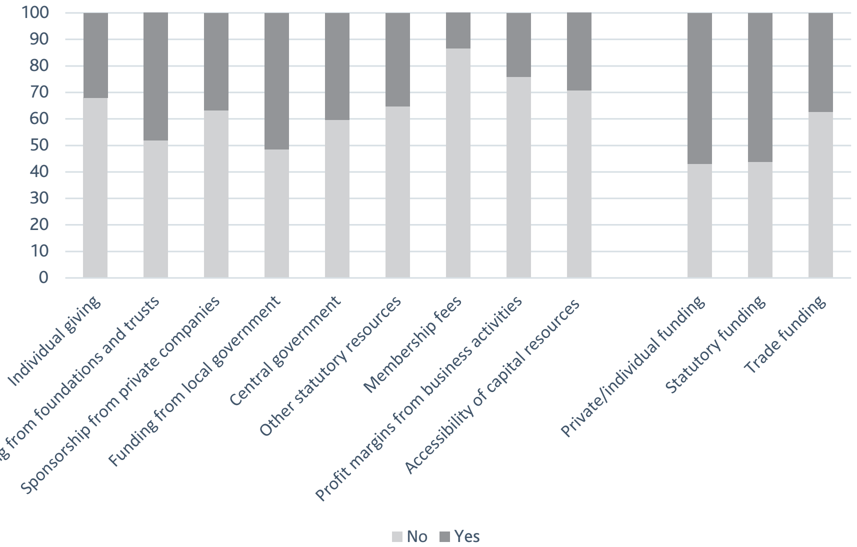
Analysis

In order to examine variations in subjective perceived insecurity of financial resources in third sector organisations and their major determinants, we used logistic regression analysis (Hosmer and Lemeshow, 2000), with a binary dependent variable, recording whether or not organisations perceived financial resource shortfalls of various kinds. We related this outcome variable to the organisational characteristics identified in the previous section.

The extent of subjective financial insecurity in third sector organisations

Figure 1 shows **[[the description of the figure that you give here doesn't tally with the figure that was uploaded onto Editorial Manager?]]** the level of subjective financial insecurity that charities in our survey perceived. The columns on the left-hand side show specific dimensions of financial insecurity while the three columns on the right-hand side group responses to the survey questions into three categories related to private giving in various forms, statutory funding and trading activities. Around a half of charities in the sample had perceived financial shortfalls (to varying degrees) in recent years. This contrasts sharply with what we observed from their objective financial status (see the Appendix), where the proportion experiencing funding reductions of more 20% was more like a fifth. Comparing the financial limitations identified in more specific categories, more than a half of organisations expressed concerns about funding shortfalls from local government (51%). Also, 40% of organisations perceived funding shortfalls from central government. Overall, 56% of organisations were concerned about shortfalls in funding from statutory bodies. These findings seem consistent with the emphasis in previous studies on the effects of reductions in public funding (Kane et al, 2012; Clifford, 2016). The proportion of organisations reporting shortfalls in income from private or individual sources (57%) was broadly similar to the percentage concerned about state funding. This may reflect the difficulties faced by private funders after the financial crash of 2008: for example, in the case of funding from foundations, only in 2016 did total grant making by the largest 300 grant makers recover to pre-2008 levels (Pharoah et al, 2016). Thus, the reduced level of grant income from trusts and foundations in a period of economic downturn seems to have had a substantial impact from the perspective of our respondents, alongside more constrained individual giving and corporate giving. We also saw that, compared with shortfalls in funding from private or statutory sources, many fewer organisations were concerned about income from trading activities, a pattern that seems somewhat out of line with analyses that postulate trends towards heightened dependency on commercial income (Kane et al, 2016). **[[missing reference – please supply – or do you mean 2012 as cited earlier and listed in the References?]]**

Figure 1: Subjective financial insecurity in third sector organisations



Multivariate results

In this subsection, we present a logistic regression analysis to illustrate which organisational characteristics were more likely to be associated with perceptions of financial difficulties. We initially examined whether our key independent variable, perceived financial insecurity, was directly associated with indicators of the financial situation of organisations. The results are presented here as odds ratios to compare the relative odds of the occurrence of subjective financial shortfalls conditional on our key independent variable. Overall, the results in Table 1 show that there was no significant association between subjective financial insecurity and whether or not organisations had experienced significant funding reductions. In other words, if we did not control for other factors, the organisations' actual financial status did not have a statistically significant link to perceived financial shortfall. However, we would expect that other organisation-level variables would also be relevant so we now examine the effect of other covariates.

Table 2 provides further insights into the characteristics of organisations that subjectively perceived financial difficulties. Overall, it appears that several of the newly introduced independent variables did have a significant impact on the perception of financial difficulties. More specifically, relatively younger organisations were more likely to feel insecure about funding. If we consider shortfalls of funding from private and statutory sources, and holding constant other organisational characteristics, the odds ratio for those organisations established in the 1990s was over two, compared with those established in the 1960s or earlier **[[Change 1960s to 1980s? Table 2 doesn't give any data on anything earlier than the 1960s?]]**. The odds ratios for organisations established in the 2000s and 2010s were even higher (around three and five respectively). This might support the argument that there is a 'liability of newness' (Stinchcombe, 1965) in organisational development: recently established entities take time to develop a diverse funding base, and therefore feel more vulnerable. Nevertheless, with regard to funding shortfall from trading activities, there did not

Table 1: Explaining the subjective financial insecurity of third sector organisations with their organisation's financial position

	Finance shortfall in private/individual funding sources		Financial shortfall in statutory funding sources		Financial shortfall from trading funding sources	
	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.
Financial vulnerability indicator						
≥ 20% funding reduction	1.34		0.94		0.90	
< 20% funding reduction	1		1		1	
Model summary						
Max log likelihood	-587.160		-577.438		-615.45	
Pseudo R^2	0.002		0.0001		0.0002	
Number of cases	883		883		883	

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appear to be age-related differences; instead, the larger organisations, with incomes of between £100,000 and £1 million, were more likely to report perceptions of financial insecurity compared with those with smaller incomes, when controlling for other variables. Such results were observed across the three different types of income source. This may reflect the fact that larger organisations have more complex missions than smaller organisations; hence sustaining their missions may require them to pursue a wider range of income sources.

When considering subsectors of the charity population, differences did not attain statistical significance, except in one case. It appears that, controlling for other characteristics, organisations concerned with infrastructure were *less* likely to report shortfalls in private income sources than social services charities (used as the reference category in the model). One supposition here is that since infrastructure organisations rely much more heavily on statutory support rather than on private giving, they are less likely to be concerned about the latter, but if this were so, we might have expected them to be *more* concerned about the availability of statutory funding, and they were not. We found no substantive effect of charity subsector with regard to shortfalls in statutory funding. This is rather unexpected since several studies have reported that a number of charity subsectors, such as social care and legal and advice services, have faced especially challenging financial pressures due to reductions in public funding (Taylor-Gooby, 2012; Clifford, 2016; Crees et al, 2016). As far as we can judge from charity accounts data, these are fields that receive substantial proportions of their income from the state (see Mohan and Breeze, 2016, chapter 2). Analysis of such data in fact shows that there are only small differences in the extent to which the five subfields we used in our analysis receive statutory funding (see Clifford and Mohan, 2016). **[[missing reference – please supply]]** Organisations in the sample of 7,148 charities used in that study all have incomes greater than £500,000 and so are not directly comparable with our respondents. If our respondents' exposure to public funding was similar, we might have expected to find differences in the level of concern about statutory funding between sectors.

A further interesting finding is that the scale of service delivery variable appeared to have a different size and direction of impact depending on the funding sources. The result showed that the locally focused entities – those operating within a single local authority – were significantly more likely (OR 2.28, $p < 0.01$) to associate financial insecurity with the lack of statutory funding sources than those providing services to larger geographical areas. However, in relation to private/individual funding, the local charities were considerably less likely to perceive insecurity than those operating over a larger geographical area. In relation to private sources, operating at the local scale may enable organisations to pursue a more targeted strategy for raising funds, perhaps as a result of being more embedded in their communities, which then leads to established relationships with funders and a wider range of stakeholders rooted in a sense of place. In contrast, statutory funding is likely to be drawn from a smaller range of sources and in the recent funding climate, with drastic reductions in local government funding in particular, organisations could be forgiven for being concerned that they had few alternative options for securing statutory support.

We also considered variables relating to socioeconomic context, including social deprivation and unemployment rates. The IMD, which we introduced to explore the differential effect of material circumstances on perceptions, did not appear to influence subjective perception of financial insecurity. However, variations in local unemployment rates appeared to have a significant influence on perceived insecurity in relation to both statutory sources and income from trading activities. Areas that have experienced the largest funding reductions under austerity conditions are also those that have suffered high levels of unemployment, which, in turn, would be expected to influence organisations' ability to generate income from trading.

The analysis shows that organisation-level and community characteristics had statistically significant associations with perceptions of resource shortfall. We added indicators of financial vulnerability to the model, and we saw that the organisations identifiable objectively as having experienced substantial funding reductions were significantly more likely to perceive shortfalls from private/individual and statutory funding (OR 2.18 and 1.86 respectively). Such results suggested that organisations' subjective financial insecurity, measured through our survey, was in fact aligned with what was evidenced in their objective financial profiles. This is largely consistent with existing research in other areas of social policy, where evidence has affirmed that subjective perceptions that individuals in institutions have, tend to correspond with objective indicators of their institution's status (for example, Erlinghagen, 2007; Chung, 2016).

Yet it is important to note at this juncture that although subjective perceptions of financial insecurity did seem closely related to our measure of financial insecurity drawn from charity accounts, other organisational characteristics, such as organisations' age and size, were the most influential. The geographical scale at which organisations operated, as well as local unemployment rates, also appeared related to perceptions of resource shortfalls. We can conclude that over and above the objective position of organisations as revealed by their financial reports, specific organisational characteristics were associated with perceptions of resource shortfalls.

Table 2: Explaining the subjective financial insecurity of third sector organisations with their financial position and organisational features

	Finance shortfall in private/ individual funding sources		Financial shortfall in statutory funding sources		Financial shortfall from trading funding sources	
	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.
Scale of service delivery						
Operating in only one local authority	0.45	**	2.28	**	1.01	
Operating in more than one local authority	1		1		1	
Year of registration						
1961–69	1		1		1	
1970–79	1.19		0.92		1.16	
1980–89	1.35		1.19		1.12	
1990–99	2.41	**	2.85	***	1.21	
2000–09	3.11	***	3.61	***	1.62	
2010–13	5.20	***	6.16	***	1.64	
Service delivery area						
Health	0.77		0.64		1.15	
Social service	1		1		1	
Economic, social and community development	0.68		0.80		1.39	
Civic/legal	1.35		1.37		0.80	
Infrastructure	0.32	*	0.75		1.40	
Organisation income band						
£10,000 or less	1		1		1	
£10,000 to £100,000	1.36		1.92	**	1.29	
£100,000 to £1 million	2.95	***	4.38	***	2.25	**
Deprivation index	0.99		0.99		0.98	
Unemployment rate by local authority	1.06		1.14	**	1.11	*
Financial vulnerability indicator						
≥ 20% funding reduction	2.18	**	1.86	*	1.23	
< 20% funding reduction	1		1		1	
Model summary						
Max log likelihood	-269.642		-258.233		-268.0	
Pseudo *R2*	0.129		0.163		0.046	
Number of cases	797		797		797	

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, odds ratios from multi-variate logistic regression.

Discussion

The circumstances that third sector organisations in England face have been extremely challenging in recent years: a deep recession followed by a period of austerity, which shows little sign of abating. Researchers have taken a range of approaches to investigating the implications of these circumstances for third sector organisations. We have made a contribution in this article by analysing the perceptions that organisations themselves had about resource shortfalls, in relation to organisational and community characteristics, and linking these features to objective financial measures, as available from legally mandated administrative sources. Our findings suggest that, once we control for relevant contributory factors, perceptions of resource shortfall are indeed consistent with the actual financial position of voluntary organisations. We have seen that various organisational-level characteristics and local contextual factors are important. This indicates that insecurity involves more than a simple reaction to an objective state of affairs; perceptions of insecurity will depend on organisational characteristics and the contexts in which organisations operate, as well as their prior experience of and capabilities in coping with insecurity (Chung and Mau, 2014). Such perceptions may be dismissed for their subjectivity, but they do shape the actions of organisations. The extent to which they should shape policy or funding decisions is another matter. Third sector organisations and their supporters clearly believe they should, and significant resources are being contributed to inquiries of various kinds into the challenges that such organisations face. The argument made here is that any responses to such challenges need to be informed by a firmer evidence base than is provided by many existing studies.

There are some wider implications of these findings as well as some caveats, which we now discuss. First, the aggregate objective financial position, represented by headline income or expenditure figures, only partially captures the challenges that organisations face. While they report shortfalls of particular types of income, we do not systematically have disaggregated objective data on trends in funding sources, especially for smaller organisations, which might enable us to assess the relationship between perceptions of shortfalls of particular income sources and the actual experience of organisations. Second, our questions were not targeted on specifics such as 'core' funding (as opposed to funding to enable organisations to run specific projects) or the balance between grants and contracts (relevant for debates about organisations' levels of operational autonomy). For this reason, we cannot rule out the possibility that there would have been a closer correspondence between organisations' overall financial position and their **perception of shortfalls on core costs or on grant income**, **[[this is a little unclear – please check – perceptions of shortfalls from grant income and the impact of these on core costs?]]** if the underlying data had been more detailed and comprehensive. The challenge, however, is that, for small- and medium-sized charities of the kind studied in this article, we do not have a robust evidence base on their income sources. The major panel datasets captured by the National Council for Voluntary Organisations (NCVO) and the Third Sector Research Centre (TSRC) (which are available for academic research[3]) contain relatively small numbers of organisations with incomes below £500,000). In addition, the ICNPO categories being used are very broad, and may include organisations whose financial position is very divergent. The social services category, for example, includes some 12,000 organisations, or around 7% of the charity population, and is very heterogeneous. These challenges of capturing the characteristics of charities no doubt partly account for the relatively low proportion of variance explained by our models (as indicated by the values for the pseudo R^2 measures, which provide an approximation to the percentage of variance explained by the models, in the tabulation of results, although those values were not out of line with many modelling exercises of this kind).

A further point that should be acknowledged is that there may be systematic biases in the pattern of response to surveys such as ours. We weighted our data to account for variations by size band and ICNPO category, but one possible source of bias would be if the survey had attracted higher numbers of responses from organisations that had been in receipt of public funding, but had lost it or were in the process of doing so at the time of the survey (2015). Since potential loss of the latter has been a fundamental concern of various research projects, it should not be a surprise if those in receipt of public funds were more likely to respond to such surveys. Authoritative national surveys have put the proportion of third sector organisations that receive public funding at no more than 35% even at a time when Labour governments were strongly emphasising the role of the sector in service delivery (Clifford et al, 2013). If two-thirds of charities do not receive such funding, we should not be surprised if they are not concerned about shortfalls of it. Moreover, we also do not know exactly what is in the minds of respondents. Are their perceptions framed by anticipated future reductions or by recent adverse events?

Turning to wider reflections, this work does raise questions about the emphasis that voluntary organisations place on financial resources – something that is a very strong theme of reports from the field. Chapman (2017) suggests that given the complexity of organisations' funding profiles, a narrow concern about levels of funding may lead to misplaced effort, and he emphasises a broader range of indicators that individual organisations might wish to use, in order to assess their performance. Our findings elsewhere resonate with this (Kendall et al, 2018): we show that shortfalls in attracting volunteers can also be a crucial concern for substantial number of organisations, over and above financial resources, and this is a feature that is not confined to particular areas or types of organisation.

Our conclusions speak to wider debates concerning the position of third sector organisations in England. By combining administrative data with our survey returns, we can present a more rounded picture than that presented by large-scale survey or administrative data or by small-scale case studies alone. The survey results can also inform the vigorous debate at the present time concerning the position of small- and medium-sized organisations (Civil Exchange, 2016; Crees et al, 2016; Hunter and Cox, 2016; House of Lords Select Committee on Charities, 2017). Leaving aside definitional questions, such as the upper and lower thresholds used for measuring what is a small- or medium-sized organisation, it is arguable that such work presents a one-dimensional argument. It is simply asserted that size, *independent of other characteristics*, is associated with income volatility and/or a reduction in particular funding streams (Crees et al, 2016, pp. 19, 30), difficulties in bidding for public service contracts (IPPR North, 2015, pp. 25–8) or enhanced risk of closure (Civil Exchange, 2016, pp. 29ff). The findings reported here suggest that academic analyses, funders and policy makers need to take a more nuanced approach, paying due regard to other organisation-level characteristics. These would certainly include the apparent relative vulnerability of younger organisations, and perhaps the funding situation of organisations located in disadvantaged areas. Our work also suggests that funders and researchers might also consider the benefits of building on the resource-intensive data collection of NCVO and TSRC, using the data on charity accounts captured as a frame for intensive local surveys or for more in-depth investigation of the impact of changes in particular funding streams. For example, while we now have reasonably valid and reliable data about the extent of exposure to public funding in general, we are less well informed about the extent of reliance on individual funding streams (for example, the proportion of funding that comes from a particular programme that, if terminated, could have significant consequences) or the diversity of organisations' funding mix. We hope that this article opens up a debate about approaches to the study of the vulnerability of organisations that is more and more evidence-based and increasingly sensitised to the relevance of both softer, subjective measures and harder, objective indicators in seeking to understand the resource situation of third sector organisations. In short, while not denying the immediacy of local qualitative case studies or the importance of studying perceptions of the operating environment, there is surely an argument for much more extensive use of readily available data not only to provide a robust portrait of the contribution that voluntary organisations make but also to enable funders and policy makers to have a much more informed understanding of the distribution of risk and vulnerability across different types of organisation.

Notes

[1] This research was the quantitative **[[add English here as indicated later in this paragraph?]]** component of a multinational European study of the 'barriers and opportunities' encountered by the third sector in its efforts to make social, political and economic impacts (http://thirdsectorimpact.eu). We considered over 40 potentially inhibiting factors to its realisation **[[please clarify … to the realisation of what?]]** under the thematic headings of finance, human resources, governance, image, facilities, external relations, legal and institutional environment, and infrastructure. In conducting the English component of the study, the generic instrumentation was already well geared towards consideration of financial resource shortfalls, but we tailored it specifically to give us much more explicit traction **[[text is missing here – please supply]]** other barriers to third sector organisations, as explained in Kendall et al (2018).

[2] The survey is available as an online appendix. **[[please supply a link to it for the readers]]**

[3] https://discover.ukdataservice.ac.uk/catalogue/?sn=850933&type=Data%20catalogue

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Conflict of interest statement

The authors declare that there is no conflict of interest.

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Appendix: Sample characteristics and those of charities in selected ICNPO categories [[caption has been added – ok?]]

Independent variables	2015 survey		Charity Commission statistics (2013–14) (referring to selected ICNPO categories only, not the entire charity population)	
Scale of service delivery				
Operating in only one local authority	761	86.18	40,418	83.80
Operating in more than one local authority	122	13.82	7,811	16.20
Registration year				
1961–69	170	19.25	12,088	26.06
1970–79	77	8.72	4,855	10.07
1980–89	101	11.44	5,499	11.40
1990–99	200	22.65	10,855	22.51
2000–09	266	30.12	11,906	24.69
2010–14	69	7.81	3,026	6.27
Service delivery area				
Health	94	10.65	4,608	9.55
Social service except scouts	336	38.05	22,136	45.90
Economic, social and community development	345	39.07	18,011	37.34
Civic/legal	74	8.38	2,638	5.47
Philanthropic intermediaries	34	3.85	836	1.73
Size of organisation income				
£10,000 or less	246	29.18	22,554	46.76
£10,000 to £100,000	388	46.83	17,086	35.43
£100,000 to £1 million	209	23.85	8,589	17.81
Financial vulnerability indicator				
≥ 20% funding reduction	706	20.05	37,086	23.10
< 20% funding reduction	177	79.95	11,143	76.90

[[Author query: what's the significance of the 2 columns headed '2015 survey' and the 2 columns headed 'Charity Commission statistics'? Add further column headings?]]