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How can small charities become more sustainable?

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My motivation for taking on the role of Director of Social Finance at Cass Business School was that I saw so many small civil society organisations, and charities across the UK and in Africa, that weren't sustainable. I wanted to help those organisations to become both sustainable in the long-term and financially vibrant.

Small charities have an energy and innovative spirit which I love. They live at the sharp end of our sector's work and really make a difference to a wide variety of causes.

However, many small charities have to work really hard to bring money in. Funding can be patchy – I have been responsible for two charities both as Trustee and in an operational capacity where I have felt as though I am holding my breath worrying as to where the next money is coming from.

Below are three tips for ensuring sustainability in small charities:

1.Focus and prioritise ruthlessly. Ensure that you have the money as well as the passion to help social issues

When planning, look towards the quality of the work you are doing and ensure that it has a solid income stream behind it. This means you can only do so much and may need to prioritise and look to only starting new things when you have properly established the ongoing work.

I have worked with many small charities who chase the money and experience real mission drift, rather than sticking to their core focus.

Work out what drives your work in terms of cost and how you link to this funding. Finally, be really clear of what happens when core grants go away – you can't rely on them forever in the current funding environment.

2.Ensure that you know what your overheads are and be open and upfront ensuring your work is funded correctly

Last week an article in Civil Society announced that "Small charities risk a crisis because they are too afraid to apply for core costs, the director of funder the Garfield Weston Foundation said."

Small charities often lack the capacity to ensure work is funded appropriately and secondly don't know the level of their overheads.

Typically, I would say that for a small charity it would be possible to gain at least 5% more funding by having robust conversations with funders and being transparent about how your charity accounts for costs.

I predict that building financial capacity is going to become a critical issue for the sector and Finance Directors will need to be upskilled to cope with upcoming pressures. Especially the case as we move more towards a more social investment model where organisations will require both grant, donation and investment type skills.

3.Spend the time building a business model that is scalable and figure out how you are financially going to achieve this

Recent research by Cass Centre for Charity Effectiveness has shown that many charities exist in a survival mind-set. Without sustainability, small charities are less likely to think on impact and certainly won't think on taking work to scale.

Many like to think that we focus on beneficiaries and the impact we have for communities, but the data is clear that we focus on surviving first and foremost.

This is a catch 22 situation in that you often need to think about how you can scale before you can achieve sustainability.

Research has shown that when setting finances and budgets small charities are much less likely to think about their sustainability, and even more unlikely to think about taking their work to scale.

In conclusion, if you are a small charity it’s really important to prioritise and plan. It’s also really important to understand how you are going to take your work to scale and build a sound financial model with a sustainable level of overheads.

When you hit the annual planning cycle or come to setting your strategy, spend some time thinking about this. A little focused thought now will save you hugely in the long run.

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