

NPO FUNDING & SERVICE CUTS

Findings from the 2013 survey



GREATERCAPITAL | GREATERGOOD SA

BACKGROUND

- The **Non Profit Job Losses and Service Cuts Survey in 2012** found that **80%** of non profits had experienced significant funding cuts in the previous year.
- Over **64%** reported having to cut services to their beneficiaries as a result and respondents reported a **21%** loss in jobs.
- Funding cuts had come from all major funding sources with the National Lotteries Board topping the list at **44%**, followed by corporate (39%) and individual (37%) donors.
- These worrying findings provided a solid case for greater support for the sector, particularly within government.
- To find out what, if anything, had changed, GreaterGood SA conducted a **follow-up survey** in October 2013.

EXECUTIVE SUMMARY | 1

- A total of **467** of organisations took the survey (695 in 2012).
- The funding environment appears to be improving: over half reported significant funding cuts in the previous year (**54%**), down from 80% in the 2012 survey.
- Almost half (**46%**) reported that although the funding environment had worsened, they are surviving; 26% said the situation had stayed the same and 13% said it was getting better. An equal amount (13%) say it is much worse.
- Non profits reported an average of **R4 million** in cuts per organisation, forcing **38%** to cut services to beneficiaries as a result (down from 64% in 2012).
- 33% reported retrenching staff (a total of 2,078 people) which equates to an average of 6 permanent staff & 17 volunteers per organisation.



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The sustainability of today is the result of a deliberate strategy over the past 10 years to make our organisation not dependant on donors or government.

EXECUTIVE SUMMARY | 2

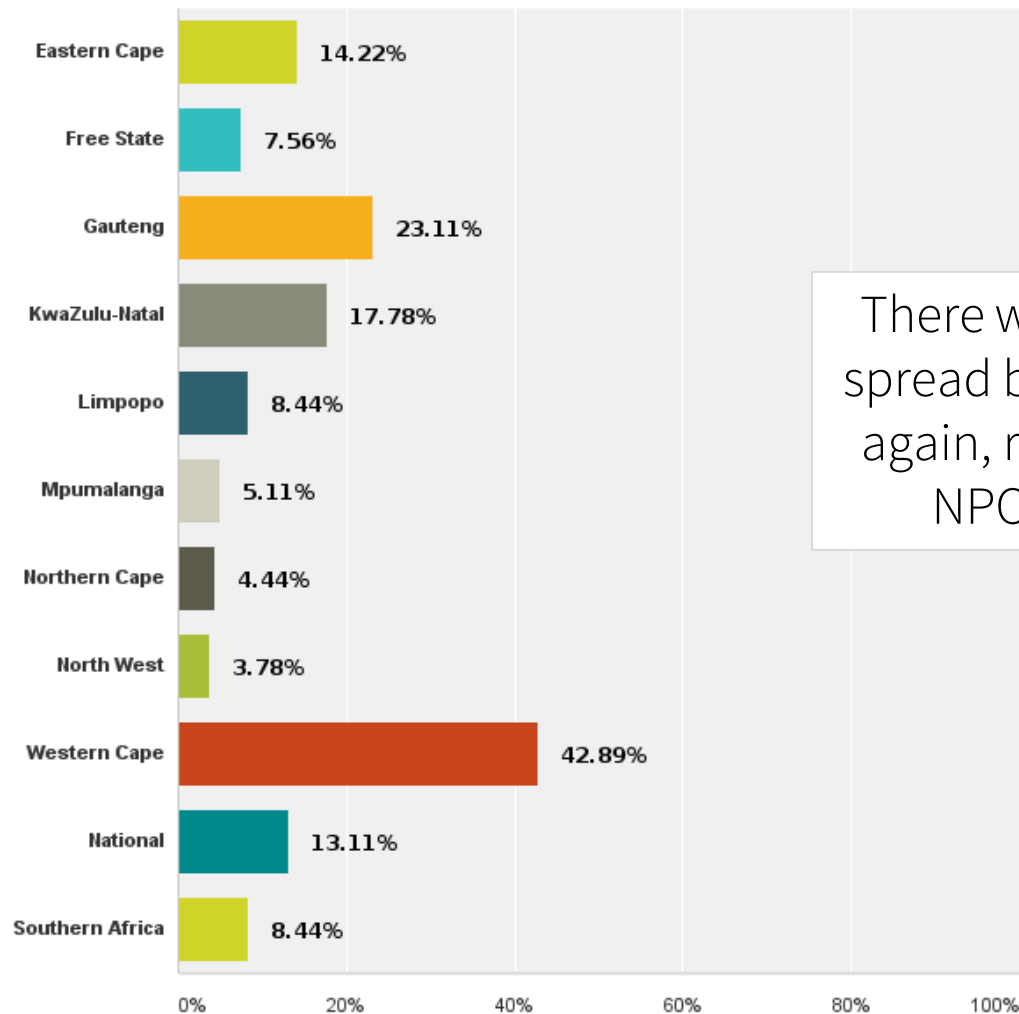
- Funding cuts were reported from all funding sources, with the National Lotteries Board topping the list again (**40%**), followed by CSI Departments (39%) and Individuals (34%). Only 17% said cuts had come from international donors.
- The immediate financial position of organisations has not improved with **34%** having enough cash to cover operating costs for 6 months (36% in 2012) and **16%** reporting no operating cash at all (17% in 2012).
- Organisations are using a wide variety of tools to address funding shortfalls with the majority still submitting proposals (**76%**), 58% using networking and 48% fundraising events.
- Most organisations reported making significant changes to their structure, financial management and staffing to survive in the current funding climate.

LIMITATIONS

- A **33%** reduction in sample size from 2012 may be significant although firm conclusions are not possible, given that the 2013 survey was not as widely distributed.
- It is similarly difficult to draw conclusions about the validity of the sample size since no one is absolutely how many NPOs there are. Although 120,000 organisations are registered, the NPO Directorate reports that **60%** of them are non-compliant and likely to be deregistered. Furthermore, some 80% of registered NPOs are voluntary associations which can be anything from governing bodies, sporting clubs, rate-payers associations and bodies corporate.

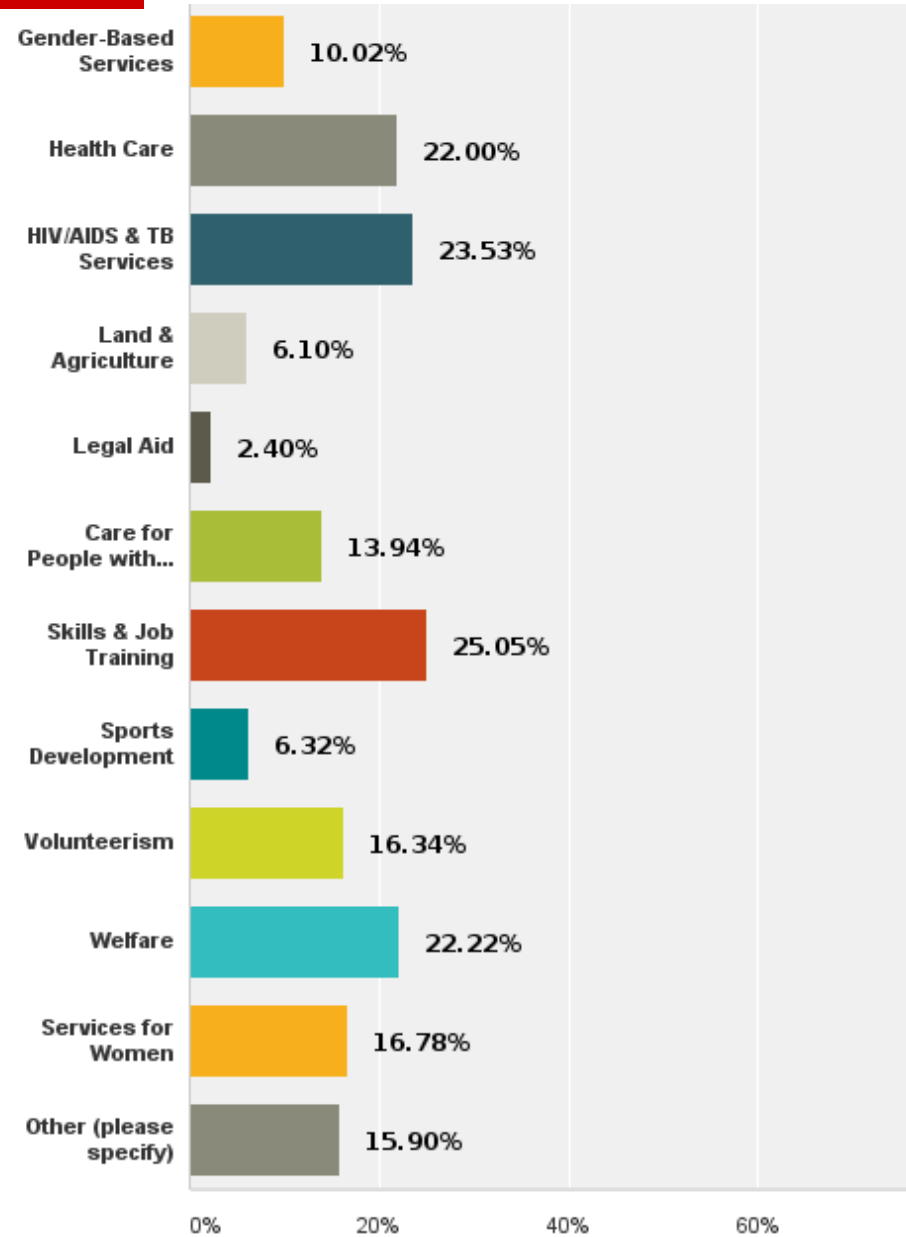
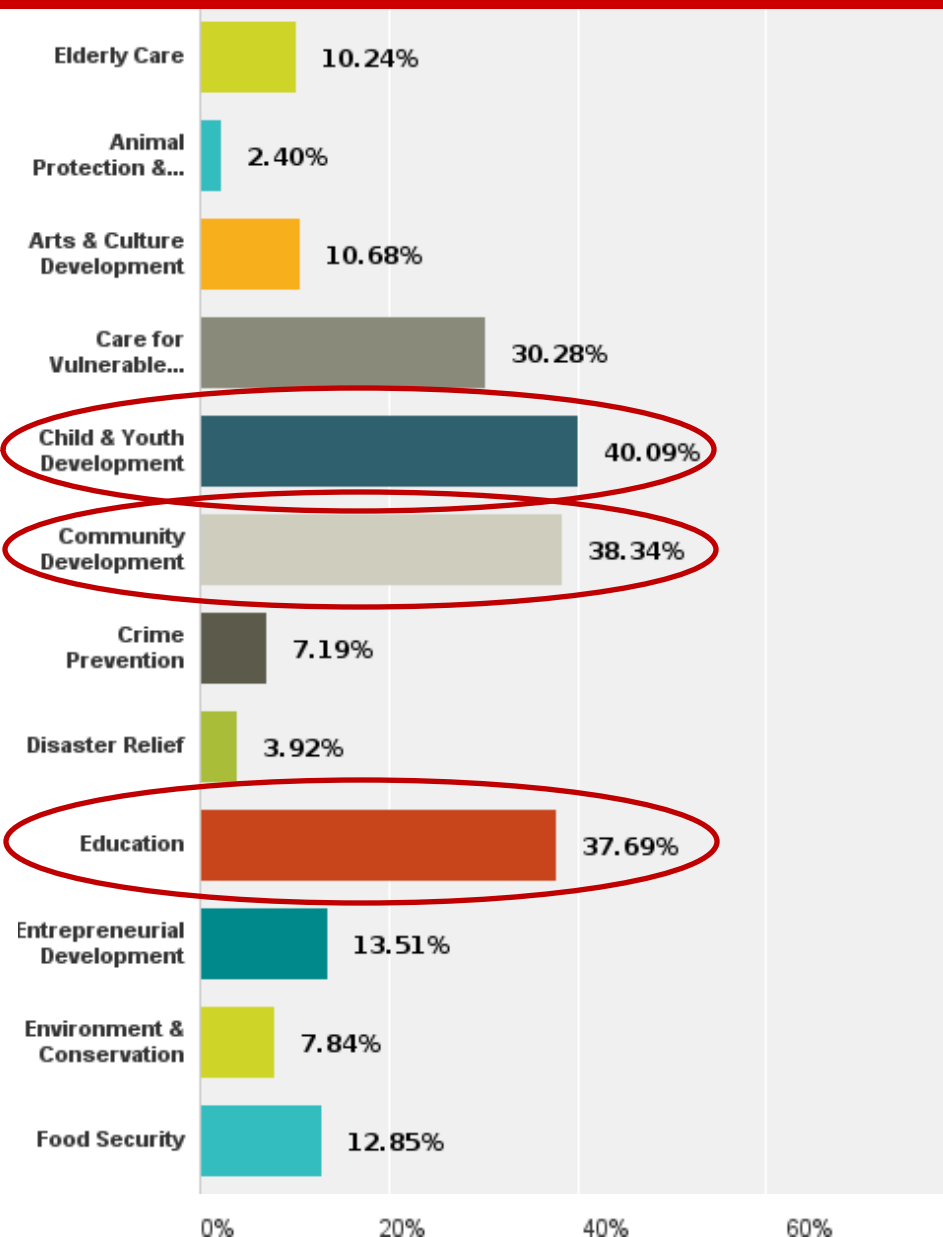
THE ORGANISATIONS

The vast majority describe themselves as non profits or NGOs, with 39% selecting Non Profit Company and 30% Non Profit Trust.



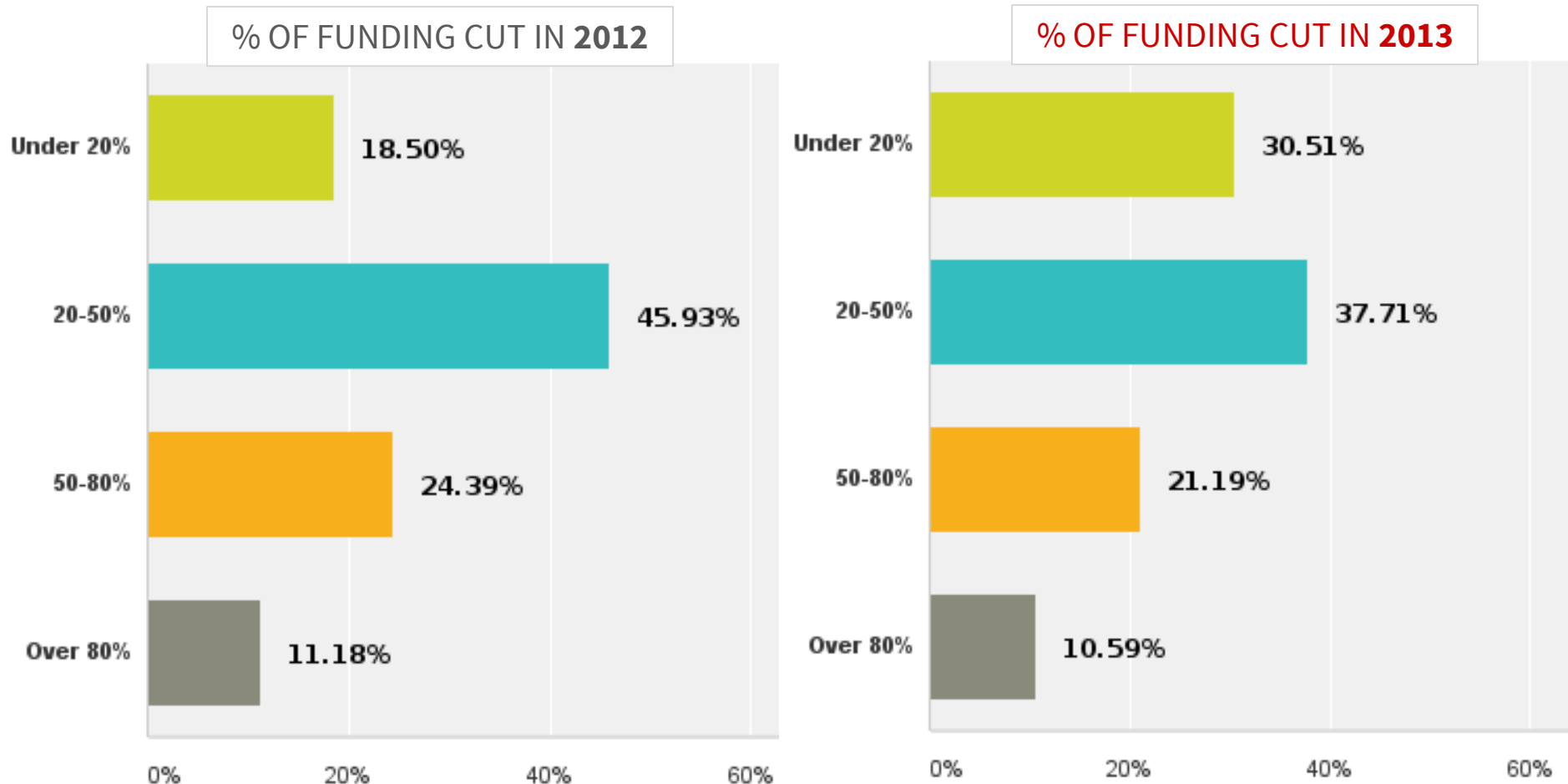
There was a fairly good geographic spread but with a Western Cape bias again, reflecting the location of the NPO Collaboration network.

THE ORGANISATIONS

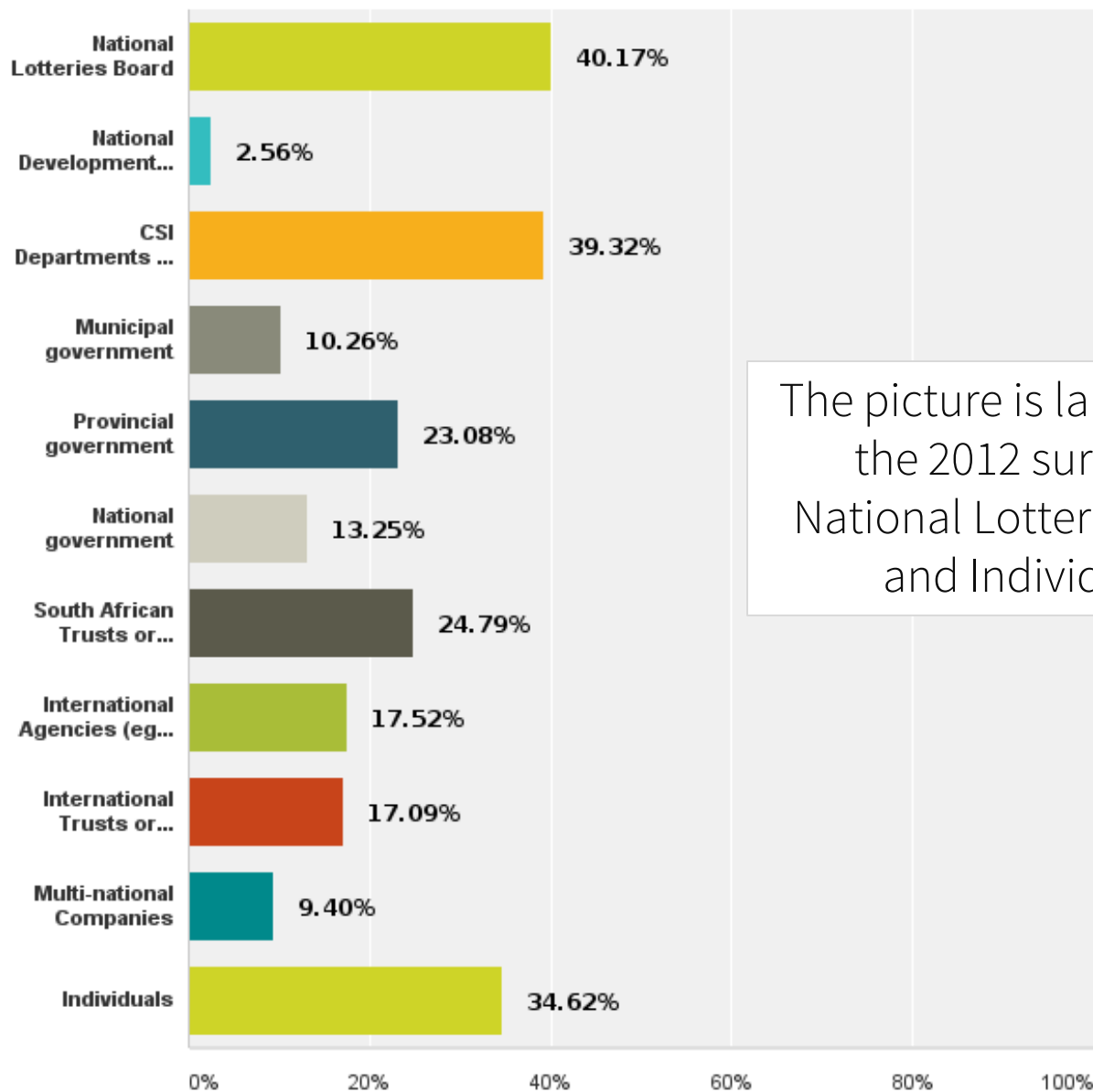


FUNDING CUTS

54% said they had experienced significant funding cuts in the previous year, down from 80% in 2012. In Rand terms this represents an average of **R4million** per organisation.



SOURCE OF FUNDING CUTS



The picture is largely unchanged since the 2012 survey which also put National Lotteries Board, Corporates and Individuals in the top 3.

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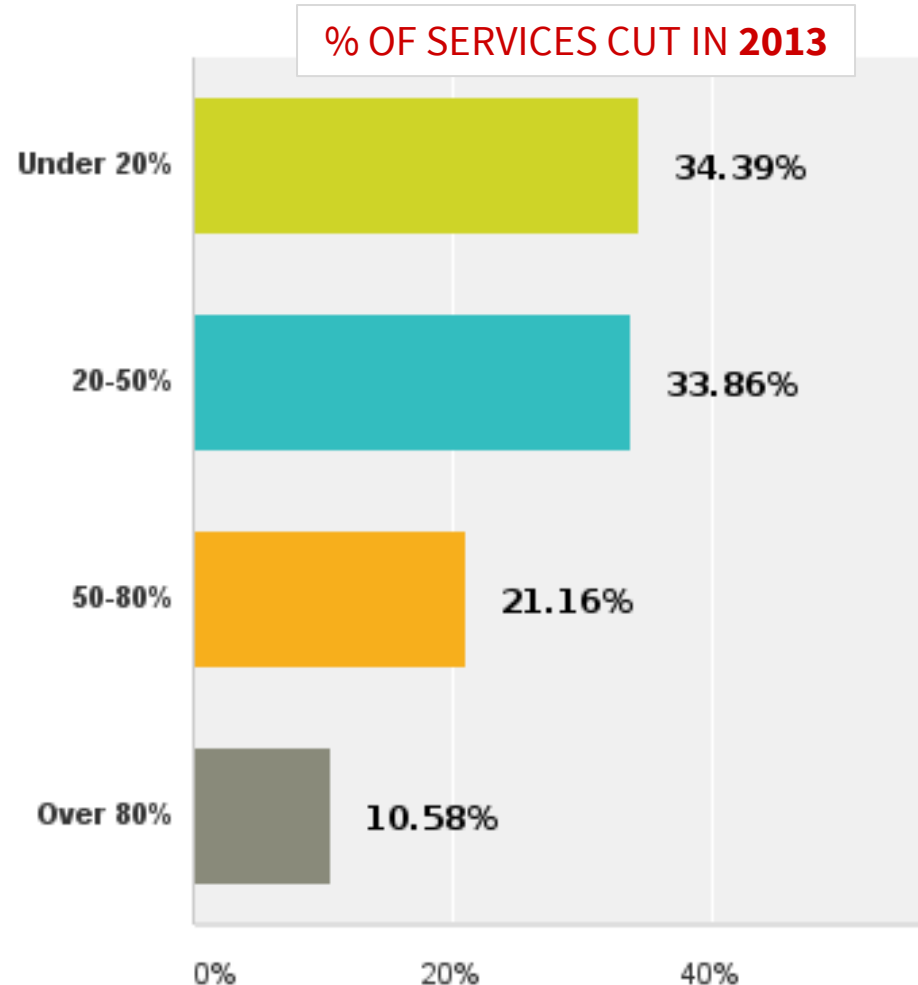
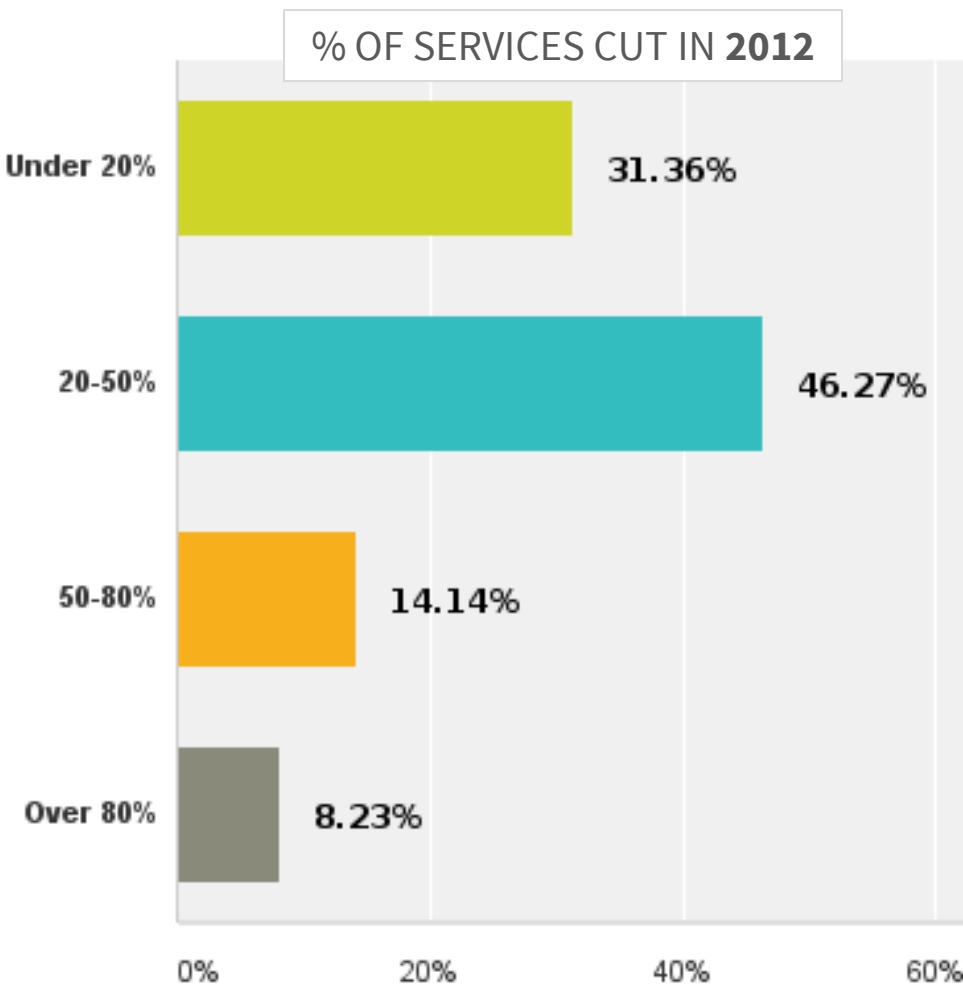
Mainly government departments are causing cash-flow problems.

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We are struggling to access funding from government – the tender system has made it very hard for civil society to access government funds.

SERVICE CUTS

Only **38%** said they were forced to cut services to beneficiaries as a result of funding cuts – significantly down from 64% in 2012.





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Although it might look as if our financial situation became stable, it is because of the retrenchment of 3 staff members, so it looks more stable because of reduced core costs, but the remaining skeleton staff is battling to keep our commitments.

JOB LOSSES

- **33.5%** of organisations reported having to retrench staff in the previous year.
- This worked out at an average per organisation of **6** permanent staff, **6** contract staff, **4** part-time and **18** volunteers.
- This is an improved situation from 2012 for staff but not for volunteers.

TOTAL RETRENCHED 2012 BY 304 ORGANISATIONS

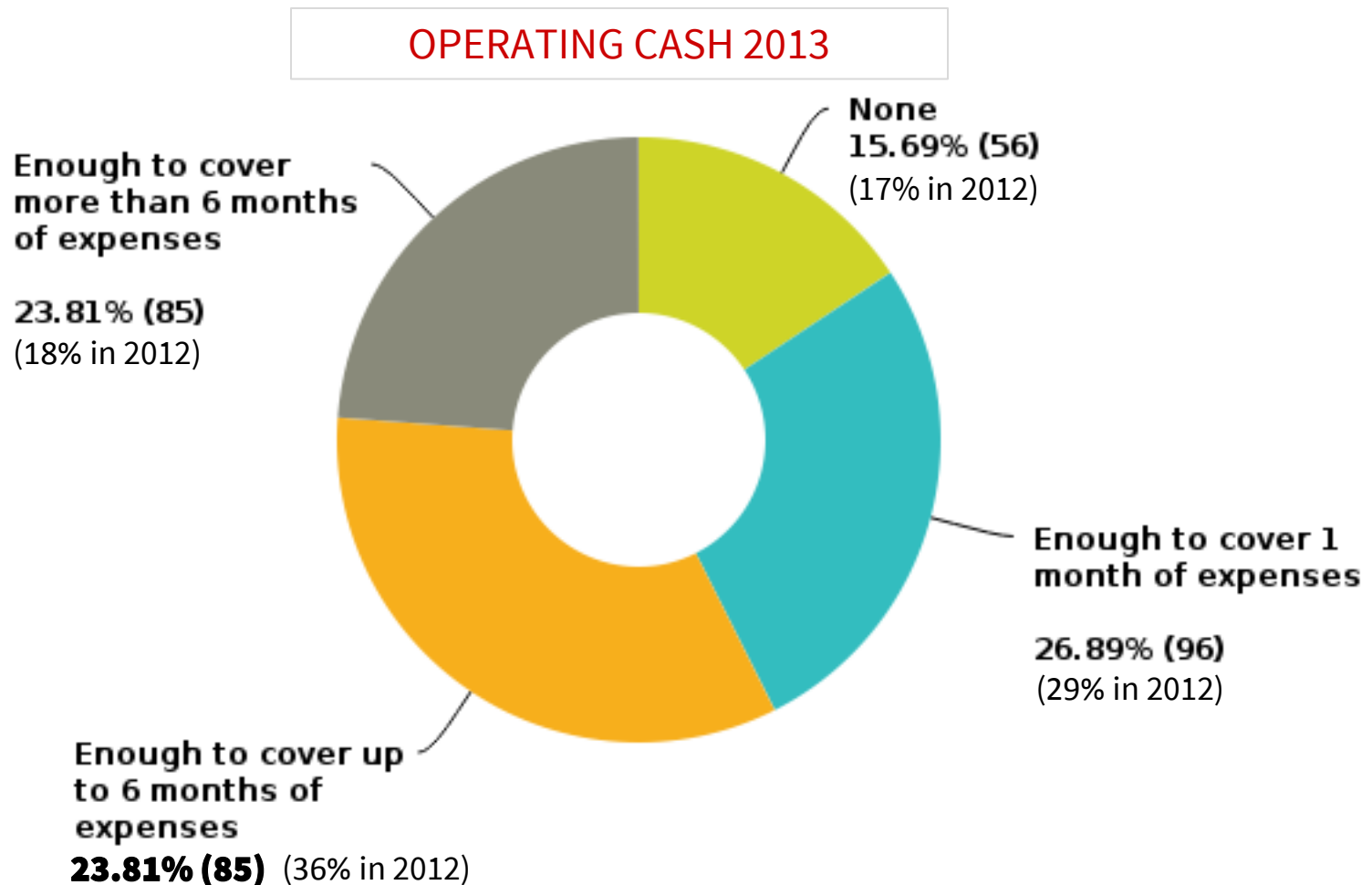
Permanent	3,149
Contract	1,646
Part-time	545
Volunteers	2,272

TOTAL RETRENCHED 2013 BY 135 ORGANISATIONS

Permanent	616
Contract	326
Part-time	207
Volunteers	929

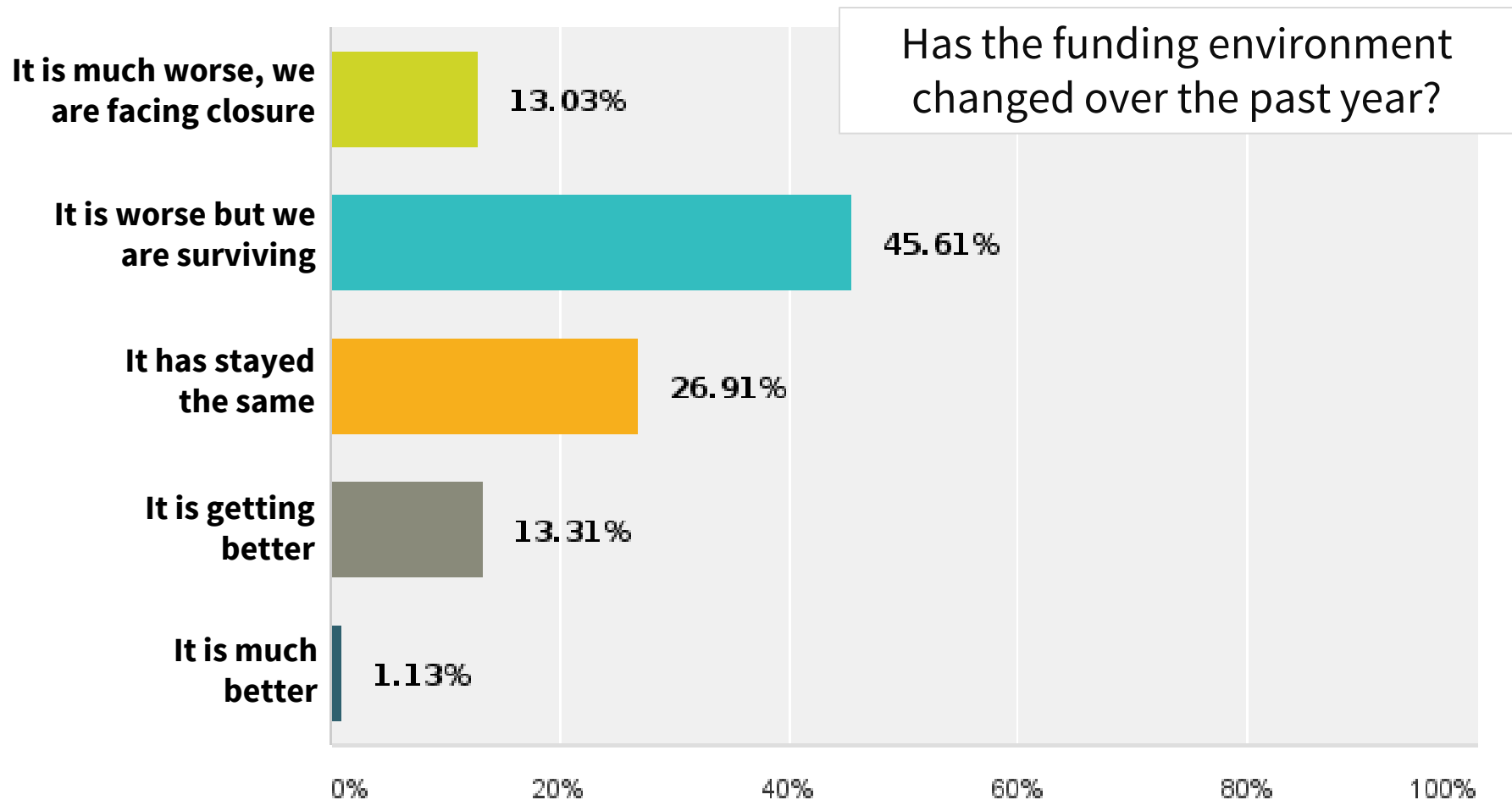
FINANCIAL POSITION

The amount of operating cash organisations have in the bank to cover service-related expenses has not improved significantly since 2012.



FUNDING ENVIRONMENT

For most organisations, the funding environment has not improved with **46%** saying that it is worse, 13% saying it is much worse and 27% saying that it has stayed the same.



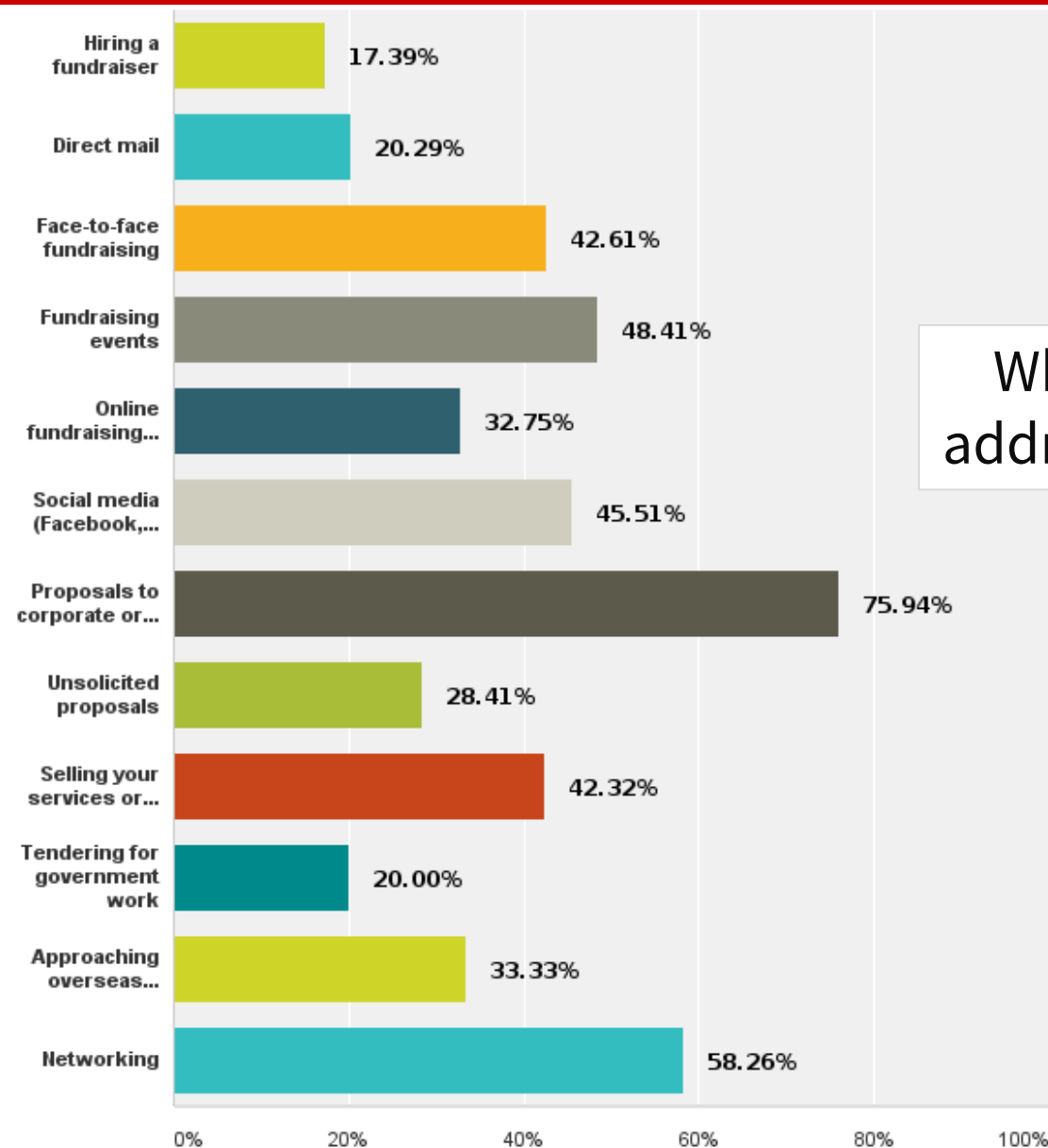
Funding and staffing

” *Funders do not want to give more than 7% for admin costs. This does not cover bank charges, CEO, accountant, assistant and audit fees. Funders expect good governance and controls but do not understand that this comes with good administrative staff.*

” *We are struggling to cope as personnel do not have the time to do fundraising. The subsidy from the government is not enough to pay salaries. The salaries are way less than that of the same posts in Government.*



FUNDRAISING TOOLS



What tools are you using to address any funding shortfalls?

SUCCESS STRATEGIES

Organisations shared a wide range of strategies when asked how they were managing to weather the difficult funding environment. They can be broadly grouped into 6 strategies:

1. Building reputation and trust
2. Strategic planning and restructuring
3. Cutting expenditure and conservative budgeting
4. Reserves and endowments
5. Diversifying the funding base
6. Partnerships and collaborations

STRATEGY 1: Building reputation and trust

- “ *Our only strategy is to ensure that all monies are used for their designated purpose and that we try to be good stewards of what we get in.*
- “ *Marketing, active fund-raising, networking, improved communications about our work and perseverance with donors that fund similar work.*
- “ *To use multiple channels, from social media, face to face, fundraising, using a fundraiser and a charity shop.*
- “ ***Remain excellent in what you do. Reinvent yourself if necessary in order to remain relevant.** Don't be afraid to sell your services – profit is not 'dirty' money. Really strategise around services that government should be offering and have the funds for. Look at integration of services in order to have more impact.*
- “ *Trying to align our programmes/projects with the objectives of potential funders. Using social and traditional media to gain market exposure. Undergoing independent M&E to increase credibility. Talking – wherever possible – at events, conferences, seminars.*

STRATEGY 2: Strategic planning & restructuring

“ *We have a new strategic plan and direction which has opened up potentially new streams of funding.*

“ ***The social enterprise route had helped as we stay true to the mission and vision but built sustainability into the programmes.***

“ *Sound budgeting is imperative. This gives you an indication of where your organization is going, where the financial shortfalls are, plus gives you a measure to determine how well you are matching Income to expenditure. If possible, the organization should be nine months ahead of the curve, as far as cash reserves are concerned*

“ *The sustainability of today is the result of a deliberate strategy over the past 10 years to make our organisation not dependant on donors or government. NPOs must stop complaining and need to think strategically.*

“ *Rather than closing we look at entirely different approaches, associations and inter-actions such as self-sustainable entrepreneurship to fund the work.*

STRATEGY 3: Cutting expenditure & budgeting

- “ *Keep costs to basics. Follow-ups on automatic expenses that are not needed. Savings through devices (heat pumps). Sharing of resources between internal facilities and other organisations. Buying in bulk for the whole organisation.*
- “ *We believe in keeping a very tight reign on our expenses without compromising on our campaign work on the ground.*
- “ *Reduce staff to the absolute minimum, most of our key staff (most expensive) work part time for us and run their own business to fund themselves. We were forced into this by last year's funding crisis and seems like it is likely to stay this way!*
- “ ***Cutting back on less crucial activities and not filling staff vacancies that occur and distributing the workload amongst remaining staff.***
- “ *We adopt a very conservative approach to budgeting, so we do not hire staff unless we have a funded programme; we work with a small staff core to provide basic services.*

STRATEGY 4: Reserves and endowments

” *Presently using reserve funds.*

” *We have a very involved board of trustees who sit on internal committees that ensure our sustainability. Our operational funds are paid from interest earned on an endowment and not a % from project funding/proposals. It can get tight but there is another entity created to ensure our sustainability.*

” *We had reserves which we used to get us through the crisis. We had used money markets to invest our capital before moving it across for expenditure. This was on the advice of our late treasurer, who was a CA.*

” *The formation & growth of an independent Trust Account from bequests and larger donations some 15 years ago has seen us through.*

STRATEGY 5: Diversify the funding base

- “ *Keep talking to people with influence (corporate and government), remain focused on quality delivery, make sure you have DIVERSE income, keep believing ...*
- “ ***It's a low long slog – there are no magic solutions. You have to build a loyal support base of individuals.***
- “ *Nurture your current funders. seek SA corporate support, it takes a long time to gain access but once you have their support (although not overly generous) it is an easy relationship to manage because communication is good and their turn-around time for proposals is reasonable. Become BBE compliant because this offers long-term financial stability.*
- “ *A diverse mix of funding sources and a less than 50% exposure to USAID direct funding has helped us weather the storm.*
- “ *Increase the number of individual donors and treat them as royalty. They must be partners in the organisation and know that their donation is making a difference.*

STRATEGY 6: Partnerships & collaborations

- “ *Developing partnership with government agencies or departments around common areas of service partnerships.*
- “ *Co-operation with like minded NGOs in our sector to improve access to international funding and shared resources.*
- “ ***Working in supportive ways with other complimentary NGOs to grow a wider network.***
- “ *Part of the reason why we survived despite the very real threat of closure last year was the retrenchments, but also our partner organisations who stayed loyal though they know about our challenges.*
- “ *Add overseas funding to sustain service rendering, secure funding from DSD [Department of Social Development], good partnership and render proper services.*



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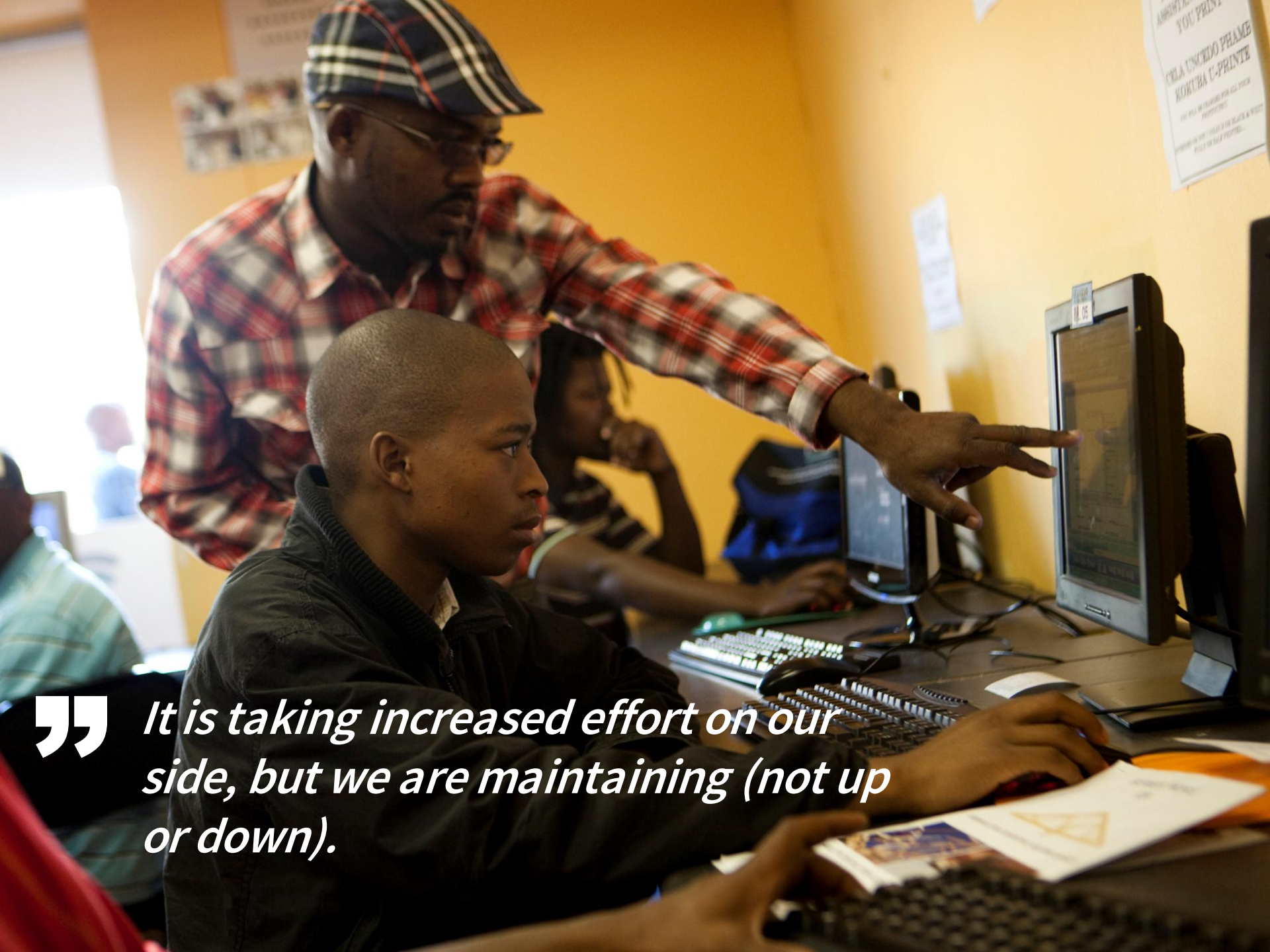
While we did not get funding cuts, we hired in anticipation of growth which did not materialise. This led to retrenching staff we had taken on.

CONCLUSIONS

- Although **fewer organisations report funding cuts** – and the scale of the cuts has reduced, the overall funding environment does not appear to be significantly better for most NPOs.
- Qualitatively, it seems that the cuts reported in the 2012 survey have **forced organisations to become more agile** and better able to adapt their strategies in response. This has resulted in fewer job and services cuts.
- **Job losses are still significant** however, especially amongst volunteers, many of whom rely on stipends. The sector is a major employer and the shedding of jobs is a concern.
- **Accessing Lottery funding is still a problem** for many NPOs, despite efforts by the National Lotteries Board.
- **Collaborative working** and the building of networks and partnerships has gained ground as a strategy to survive the cuts.

OBSERVATION

- A **deeper analysis** of those organisations that are thriving, despite the challenging funding environment, conducted by **Kerryn Krige** of the [Gordon Institute of Business Science](#), found that very few of the ‘successful organisations’ from 2012 were repeated in the 2013 survey.
- This may suggest that even organisations that were doing well during the 2012 funding crisis are **not immune** from the funding challenges still gripping the sector.



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It is taking increased effort on our side, but we are maintaining (not up or down).

RECOMMENDATIONS

- Now that the funding environment is stabilising, NPOs should **invest in building public knowledge** of their specific expertise to increase individual support and create a greater understanding of their funding and operational constraints.
- **Reserves and endowments** are vital for sustainability – more needs to be done to support and encourage organisations and donors to make provision for building reserves.
- Responsible funders should consider **sustainability planning** and **staffing costs** when making grants.
- There is a clear argument for **greater tax incentives** to encourage individual giving and support non profits to build reserves. SARS has a role to play in **educating tax payers** on the benefits of donations of cash and assets.

MORE INFORMATION

- For access to the raw data or for more information on the NPO Funding Cuts and Job Losses surveys, contact:
Sophie Hobbs, GreaterGood SA
sophie@ggsa.co.za | 021 685 9780
- For tools, training, networking and advice on fundraising visit GivenGain at givengain.com and the Southern Africa Institute of Fundraising at saifundraising.org.za
- To comment on the funding environment in South Africa, tweet [@GreaterGoodSA](https://twitter.com/GreaterGoodSA) using the hashtag [#NPOFunding](https://twitter.com/hashtag/NPOFunding)

