Cambridge Centre for Social Innovation
Research Report Summary

FEE OR FREE: SHOULD CHARITIES CHARGE BENEFICIARIES FEES FOR SERVICES?

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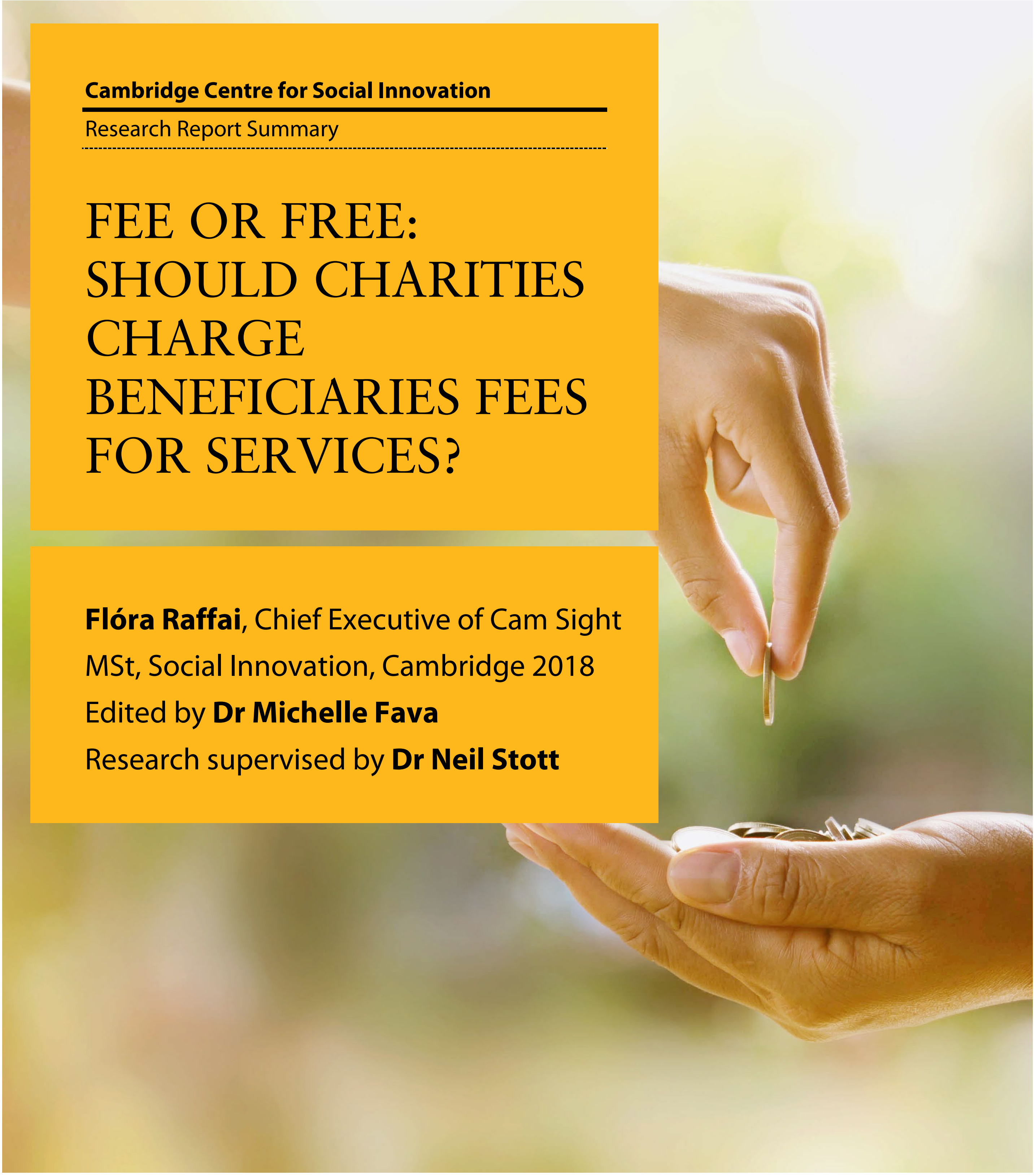

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Key findings

There is no significant difference between charities that charge beneficiaries fees for services and those that do not, in terms of their quality as charities, mission focus, staff morale, volunteer commitment, or relationship with beneficiaries. Expenditure was found to have the most influence on a charity's ability to deliver its social goal. Therefore, charities should explore all options available to increase spending on their social mission, including charging **beneficiaries'** fees for services where appropriate**.**

Background

Following the 2007/08 financial crisis, the charity sector experienced a significant fall in income. One of the few sources of income that bucked the trend was fees for services. Charities' income increased by 45% in real terms during the same time period, from £3.7 billion in 2007 (NCVO, 2015) to £6.7 billion in 2015 (NCVO, 2018). Despite this growing phenomenon of charging charities, there has been little research into the implications of charging beneficiaries' fees for services.

This research intended to analyse the effects of charging by comparing charging and non-charging charities on a variety of factors. Variation on key factors would address the question of whether charities should charge fees for services.

Members of the umbrella charity Visionary were selected as the research sample, as they are representative of UK charities in terms of geographical spread, range of charity age, range of income and expenditure, and variation in charging status. Data was collected through a survey distributed to Visionary members, and through analysis of their annual accounts. A total of 94 charity accounts were analysed, with those charities having incomes ranging from around £32,000 to £117 million, with an average income of about £2.49 million and average expenditure of £2.66 million. The charities ranged in age from four to 225 years, with an average of 94 years.A list of 41 quality markers, adapted from New Philanthropy Capital's framework for measuring charity quality (Joy & Gripper, 2016), was used in the annual accounts analysis. Statistical tests were run to compare charging and non-charging charities.

Emerging themes

For charities

Many non-charging charity practitioners feared that charging for services would weaken their legitimacy as charitable organisations or compromise their ability to achieve their social mission. Such fears do not appear to be borne out by the results of this study. In fact, charities who charge, generally have more income, more numerous and diverse sources of income, larger staff numbers, and a larger community of beneficiaries.

This could be due to charging charities appearing to conform to the government ideal of social enterprises, which would increase their legitimacy in the eyes of funders. Hopefully this and future research will reassure non-charging charities that charging is not as ruinous an activity to engage in as they fear.

For regulators

Almost half of all charities analysed in this study were charging beneficiaries fees for services. This reality is not reflected in legislative definitions of charities. Regulatory bodies need to reassess their definitions and frameworks to adapt to this rising trend of commercialised charities. Guidance through the Charity Commission and the Fundraising Regulator needs to be introduced to help trustees to understand and follow best practice and prevent potential beneficiary exploitation.

Legal definitions need to be updated and organisations monitored. It must be made clear at what point an organisation transitions from a charity to a social enterprise and from a social enterprise to a company. These must be enforced if legal benefits will continue to be offered to those organisations demarcated as charities.

Implications and future research

Overall, these findings suggest charging can be considered as a legitimate source of income for charities. Fears that charging would destroy relationships with staff, volunteers, and beneficiaries, appear unfounded. Visionary charities that charged did not experience higher levels of mission drift, nor did charging destroy their intrinsic quality. This finding is likely to extend to most charities, although the degree to which it is possible, or ethical to charge will differ. All charities exist as hybrids on a spectrum, and the effect of charging will be down to each organisation's ability to absorb the action into its culture and identity, rather than seeing it as an add-on to the organisation's functions. While the viability of charging as a reliable source of income will depend on each charities' context, it should be considered a viable tool in each charity's arsenal of income generation methods.

This research piloted a framework for researching the effects of charging, which could be applied to a wider sample. For example, charities outside the UK would be worth studying separately, as these results may not transfer to other contexts.

The quality measurement framework employed in this study could be improved and further validated. Currently, it weighted all categories of quality; purpose, impact, people, and finance; equally. This may or may not be appropriate. There is a need for a unified, universally accepted measure of charity quality.

This research could also be extended to further our understanding of the changing landscape of funding for charities for academia, practitioners, and regulators. A longitudinal study would enable us to observe if charities' quality and internal mechanisms altered with time, after charging is introduced, or as charging accounts for a growing percentage of income.

Annual accounts proved to be a rich source of information, which has otherwise been untapped as a data source for research purposes. As reporting regulation becomes more prescriptive for trustees' reports in annual accounts, more information of this kind will become available for analysis. This could represent a significant data source for future researchers.

Finally, this online survey only considered the views of one individual involved with each charity. More in-depth case studies could explore a range of views of staff, volunteers, and beneficiaries themselves. This would enable further consideration of when it is appropriate to charge beneficiaries, and when it is not

References

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About the project

This research is based on the analysis of UK sight loss charities. It was carried out with the support of The Cambridge Centre for Social Innovation and Visionary, a national umbrella charity for sight loss charities.

This research is carried out by the Cambridge Centre for Social Innovation. It was designed and conducted by graduates of the MSt Social Innovation, with the support of faculty and fellows of the programme. The Centre is committed to ensuring wide access to our research findings. We welcome your feedback and ongoing support. The views of the authors do not represent those of their employers or CJBS. If you wish to discuss this research or access the full report, please contact the Centre at: socialinnovation@jbs.cam.ac.uk.

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