

Charity Property Matters
Survey 2016

RISKY BUSINESS

How property is shaping
the fate of our voluntary sector

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**Paula Sussex CEO
Charity Commission**

“‘Risky Business’ are the first words in the title of this third survey which the Ethical Property Foundation has run in partnership with the Charity Commission. The findings underline the need for trustees and staff, as well as grant making bodies, to understand the risks as well as the rewards which come from property, whether owned or rented. Property queries are among the biggest group of enquiries the Commission receives and with three sets of data, this bi-annual survey is of growing value to the sector. I commend it to you.”

**Carl Evans CEO
JADe/Ethical IT (Lead Sponsor)**

“JADe/Ethical IT is delighted to have had the opportunity to sponsor this original research. Many of our clients were inspired to complete the Survey because today it is new technology services every bit as much as money shaping the UK voluntary sector’s property needs.

With cloud technology accessible from the office or on the go, via laptops or mobile devices, our clients are freed up to look for flexible solutions. JADe/Ethical IT supports them with comprehensive IT services whether they are moving in, moving out or upgrading. We’re looking forward to seeing how this Survey starts a new conversation with landlords, funders and local authorities.”

**Antonia Swinson Chief Executive
Ethical Property Foundation**

“Property knowledge, costs, space and risk: five words that sum up this survey and the key reasons why property is shaping the fate of our sector in ever more challenging social and economic conditions.

This survey has been a team effort. Huge thanks go to my colleagues at the Ethical Property Foundation as well as our partners the Charity Commission who hosted and promoted the Survey, along with those at RICS who updated the questionnaire. Our Lead sponsor JADe/EthicalIT and support sponsor Steeles Law also made it possible for us to run this survey. Biggest thanks of all of course go to the 425 kind and civic minded people who spent time they couldn’t really spare, recording the hopes, fears and realities around the role of property in their organisation. We are in your debt. Thank you.

One should naturally be suspicious of statistics. However there are clear trends and reflected realities which chart the sector’s development, as we wrestle with austerity economics and the uncertainties of Brexit. This survey tells the sector’s brick and mortar story. Grab your hardhats.”

1.0-3.0 Context

1.0 Introduction

Property is the second biggest resource for our sector's social mission delivery and as this survey shows, its management can be the difference between success, bare survival or failure. The Charity Property Matters Survey is the only research of its kind specifically centred on the property needs and challenges facing the voluntary sector in England and Wales. Despite the enduring effects of the economic downturn and austerity, according to the NCVO Civil Society Almanac 2016, the sector comprises 162,965 organisations in size, employing 827,000 people and with net assets of £105 billion of which £21 billion are classed as tangible fixed assets: buildings, land & machinery. In 2012, in partnership with the Charity Commission, the Foundation first commissioned a national property survey concerning the third sector in England and Wales. The survey is now runs bi-annually, providing growing evidence of the property challenges facing the sector.

2.0 Background & Methodology

2.1 The same methodology as our previous surveys has been followed: questionnaire based survey targeted at senior managers, trustees and volunteers. During the period from February 04 to August 31, 2016, the survey was promoted across the sector by the Foundation and a range of sector intermediary bodies. In total, 425 completed responses were received – a 50% increase on the 2014 survey (282 responses) and 80% up on 2012 (236 responses).

2.2 This approach has been continually effective in collecting sufficient data and quality responses, reflecting key issues and trends that the Foundation frequently encounters in its work with the voluntary sector. Though the majority of responses

are from London and the South East (41%), this current survey achieved greater coverage across the regions of England and Wales than in previous years.

2.3 The approach to reach as many senior managers, trustees and volunteers, as possible, provides us with information which we feel is representative of the issues the sector faces in 2016 and the indicative trends.

2.4 This report is a summary of the Survey Result Analysis. The full analysis is downloadable from the Ethical Property Foundation website:
www.ethicalproperty.org.uk

3.0 About the Ethical Property Foundation

3.1 The Ethical Property Foundation is a registered charity, launched in 2004 with the vision that buildings should be managed for the benefit of people and the environment. To date we have supported 3,500+ organisations. Since February 2015, we have worked in collaboration with the Charity Commission taking on referral queries about land and property. Our advice is currently free at the point of access. Website visitors have increased by 300% to 66,000 in 2016 and our individual caseload increased by 39%: from 153 to 213 voluntary organisations, indirectly benefiting 491,900 people and generating £4 in value for charities for every £1 we spend in delivering our service.

3.2 We also now support not for profit organisations through consultancy, training education, outreach and advocacy. The findings of this Survey will shape our National Programme for Property Education which will see online education and workshop provision across England and Wales 2017-2019.
www.ethicalproperty.org.uk

4.0 The Survey at a Glance

4.1 About the respondents

- Over 60% of respondents are CEOs or trustees, with a rising number of finance directors and property managers. 2016 – 41% of these come from London & the south east.
- 21% of responders run voluntary organisations with turnovers of less than £100K while 27% have turnovers of between £100-500k.

4.2 About their Property

- Close to 30% (26% 2014) own property.
- Rising numbers, 26%, rent from commercial landlords.
- Local authorities are landlords to 23%.
- Renting from another charity is an upward trend at 17% of respondents.

4.3 Property Knowledge

- 83% believe they have the day to day expertise in managing their premises.
- 63% consider themselves effective clients when dealing with property professionals.
- 52% do not have a property strategy.
- 11% do not know whether they have a property strategy or not!
- 17% do not know how much they spend on property per annum.



4.4 Property Costs

- 43% have suffered unforeseen property costs.
- Growing numbers of organisations find difficulty in obtaining property funding – 58%.
- Over 45% avoid seeking professional advice due to costs.
- The average annual property spend recorded by 329 of the respondents is £125,000 with an annual total of £41.1m.

4.5 Space & Service Delivery

- Over one third (34%) believe lack of space is preventing service delivery.
- Over half (52%) are considering sharing space with other charities.
- Organisations increasingly experience difficulty finding premises (42%).
- Over a quarter now rent from commercial landlords (26%).
- Just one quarter believe local authorities understand voluntary sector property issues.
- 43% have plans to buy premises.
- There are growing numbers of asset transfers from local authorities – 19%.

4.6 Understanding Property Risk

- One third (32%) worry about security of tenure.
- 45% believe that property is the biggest risk facing their organisation – no change since 2014.

5.0 Key Themes

5.1 Property Knowledge

Over the last few years the Ethical Property Foundation has seen a growing disconnection between the property knowledge that voluntary sector organisations believe they have and the harsh reality on the ground. This is particularly true of trustees and indeed poor governance around property, represents the biggest proportion of our caseload.

5.1.2 Therefore while it is encouraging that 83% believe they have the day to day expertise in managing their premises and 63% consider themselves effective clients when dealing with property related issues, such as negotiating leases, in keeping with the senior level of the respondents, this is inconsistent with the 43% who have experienced unexpected property costs.

5.1.3 Perhaps the biggest area of concern for everyone – regulators, funders looking to protect investments, service users and staff – is the lack of a strategic approach to property even at a basic level. The Foundation believes that property should be reinforced as a key trustee responsibility.

5.1.4 Over half (52%) do not have a property strategy while over ten percent (11%) do not know if they have one or not. If any of those respondents are trustees, then this is a significant risk to everyone involved in their organisation.

5.2 Costs & Funding

In general, people come into the voluntary sector to change the world, not to worry about the plumbing. Yet property is usually the second biggest element of the budget and key to the delivery of the social mission, after staff. In the context of inflation, spending cuts and the perennial challenges of today's property market, the survey shows it has never been more important to consider property costs and how to fund them.

5.2.1 It is concerning therefore that 17% of our respondents do not know what they spend each year on property.

5.2.2 Close to 60% of respondents experience difficulty obtaining funding towards property costs – this has been a rising trend over six years of the survey.

5.2.3 The increasing emphasis of grant making bodies on project funding is now seeing significant challenges for many groups meeting core costs, adding risk to their viability.

5.2.4 Many services, such as people-based advice services, whether drop in, phone, online, or outreach, are not “project based” and in most cases still require a property base, a place for interaction, which needs to be paid for. The failure to be able to fund these costs places a significant viability and sustainability risk on the services in demand.

5.0 Key Themes

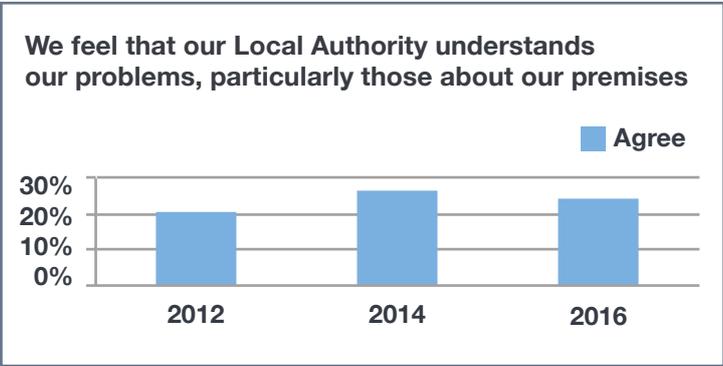
5.2 Costs & Funding *cont.*

5.2.5 Though 40% continue to rent from the public-sector and other charities, in our work at the Foundation we see evidence of rents rising to current commercial, market levels. Increasing numbers of third-sector occupiers now have commercial landlords.

5.2.6 Local authorities remain a significant landlord to a quarter of the respondents yet only 25% of respondents believe that their local authority understand problems about premises. 20% also see engagement with local authorities on planning and premises issues as a significant challenge for their organisation in the last 3 years.

Is there a case for greater engagement by local authorities with the sector's property needs, given the contribution the voluntary sector makes in providing local public services, employment and community regeneration? Perhaps charities also need to understand the new environment that local authorities are inhabiting, with their much reduced funding and materially changing priorities.

“We are presently in a Local Authority building but with no official lease or contract.”



“We know the Local Authority do not want us in the premises long term but have no idea when they will want us out.”

5.2.7 Funding property is very much part of the funding conundrum. The difficulty in sourcing money for property advice, rent and purchase was raised by almost half (45.3%) of our respondents, who have avoided seeking professional property advice due to costs in the last 3 years. This is a continuing trend, in line with our 2014 Survey which revealed that 41% of respondents used friends and family for property advice, and should be of concern to trustees, funders and regulators.

In the last three years have you avoided seeking professional property advice due to cost?
Yes: 45.3%
No: 54.7%

5.2.8 Over a quarter of respondents consider the cost of compliance arising from health & safety, environmental, access and other regulation has been a significant factor in the last 3 years.

5.2.9 Ours is not a Cinderella sector when it comes to spending on property. The average annual spend of the 329 respondents who gave details, is £125,000 with a total annual spend of £41.1m. How will this spending be funded, planned and risk managed in future?

5.0 Key Themes

5.3 Space & Service Delivery

A major challenge for all voluntary organisations is finding suitable space for delivering social mission and services. This is a dominant feature in our survey with growing numbers of organisations, up to 42%, experiencing difficulty finding premises.

5.3.1 It is encouraging that 58% of respondents say that they do not experience a lack of space. However there is a significant upward trend in that one third feel lack of space is the main reason they will not be able to meet their objectives. This has increased since 2012.

From our caseload experience, this could suggest:

- a lack of strategy,
- many premises were not designed for the services being delivered from them,
- many organisations have not explored new ways of working
- complaining about accommodation may be a tenant norm.

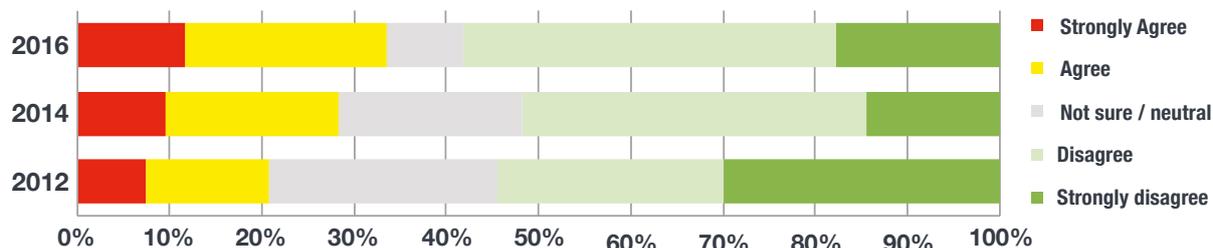
5.3.2 The survey reveals an increasing trend is toward co location, with over half (52%) of our respondents considering sharing space with other charities. Our experience shows this requires careful long term planning, behaviour change and risk management.

5.3.3 As the Foundation continues to see in all regions of England and Wales, asset transfers are of growing significance in the sector. Levels of support and experience vary greatly across local and other public authority boundaries and an “unwanted” or “surplus” asset quickly becomes a liability if careful assessment and planning, good communications and advisory support are not forthcoming. Perhaps these transfers should no longer be called asset transfers.

5.3.4 Encouragingly 55% of respondents have not been put off by property advice costs and there has been a plethora of property advice both paid and pro bono supplied to the sector. The largest proportion of property advice is given by surveyors followed by solicitors and accountants.

5.3.5 Our survey recorded high levels of understanding around compliance. 81% said that they complied with equality legislation, while 90% agreed they complied with health & safety requirements. However the Foundation’s experience of running workshops on this subject across England & Wales shows far less certainty about legal requirements. It is notable in the survey that accessibility consultants only account for 8.7% of paid-for property advice spend and 6.1% pro bono.

We will not be able to meet demand for our services and lack of space or accommodation is a main reason for this



5.0 Key Themes

5.4 Understanding Risk

Managing property successfully centres on recognising, managing and mitigating risk. With property the second biggest delivery mechanism for mission and service delivery it is the sector's practical understanding of risk which is shaping its fate.

Trustees play a crucial role in risk management – we would argue that it is one of the most valuable contributions that they can make. Strategic planning should not be undertaken without a risk assessment on the organisation's premises; whether structural, operational, legal, reputational.

Each year the Ethical Property Foundation saves between 3-6 organisations from bankruptcy as a consequence of poor property risk management and this appears to us to be the tip of the iceberg. Beyond these figures, the reality is that many more voluntary organisations have been forced to close services, make redundancies and compromise their social mission.

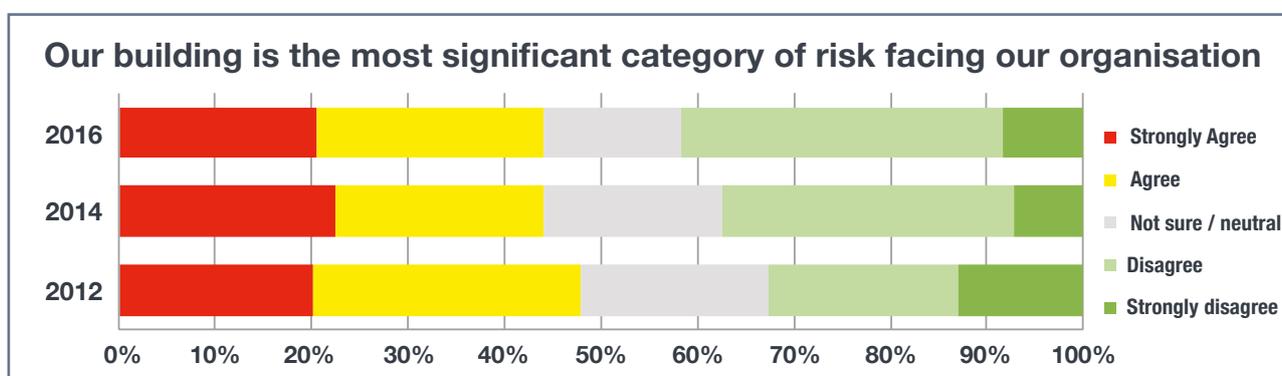
5.4.1 Close to half our respondents consider property represents the biggest threat to long term sustainability. Property is therefore not seen as an asset for most

of our respondents, but as a worry. Sadly this figure is unchanged since 2014.

5.4.2 A leading indicator of poor risk management is that despite 83% of respondents 'strongly agreeing' or 'agreeing' that they have the expertise to manage premises on a day to day basis, over half of these respondents are running their organisations without a clear property strategy. Unsurprisingly therefore, 43% of respondents suffered unforeseen property costs.

5.4.3 The issue of risk is further demonstrated as, according to the NCVO, one third of the sector that has a turnover of less than £1 million per annum, hold no reserves. These are more likely to be tenants exposed to unforeseen costs.

5.4.4 Our sector's situation is exacerbated by difficulties in sourcing funding for property costs as well as the big shifts in the commercial property market with more short term leases being offered outside the scope of the Landlord & Tenant Act 1954. It is therefore unsurprising that one third (32%) worry about security of tenure whether renting from a commercial landlord or local authority.

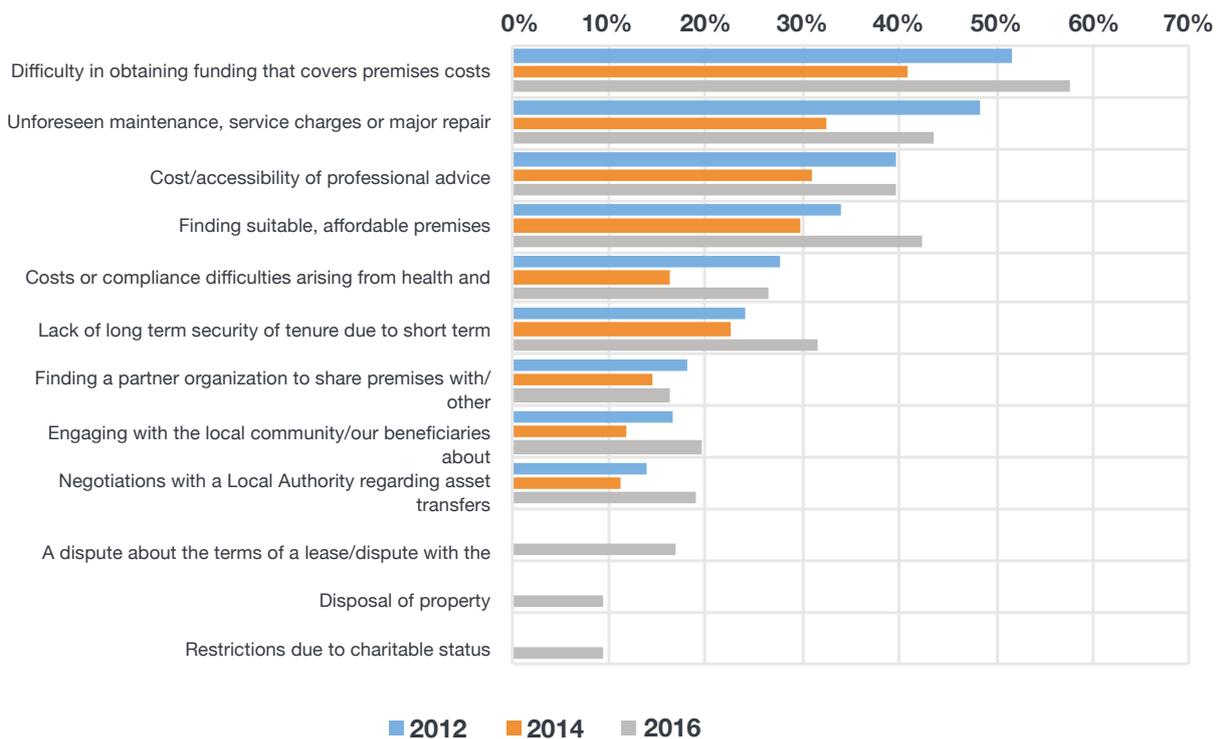


6.0 Survey Recommendations

6.1 To voluntary organisations

- › Property is the second most important delivery mechanism for your social mission, after your people whether staff or volunteers. Your premises are the best advertisement for your organisation’s culture, values and commitment to beneficiaries. Poor property management puts your reputation, your social mission and your beneficiaries’ interests at risk.
- › Trustees seeking good governance should insist on an annually updated property strategy and risk assessment. This should set out all elements of the property spend and key areas of risk. **See Top Ten Tips: Appendix 2**
- › Invest in staff and trustee property training.
- › Take appropriate advice from qualified professionals. Penny pinching costs pounds.

Significance of the following issues to charities in the last three years



Analysis of data undertaken by Facilities Analysis Ltd
www.facilitiesanalysis.com

FACILITIES
ANALYSIS

6.0 Survey Recommendations

6.2 To the commercial property sector

- › The voluntary sector offers considerable opportunity. Seek to understand the sector's needs and its governance requirements and financial cycles. Be innovative to create affordable space and shared accommodation.

6.3 To funders

- › In terms of corporate social responsibility, consider the environmental, governance, social, legal and reputational risks of providing project funding where staff, volunteers and service users are operating in poor working conditions.
- › Property is the second biggest delivery mechanism for social mission, after staff. Project funding which is given in isolation from property costs is arguably high risk. We recommend an element of property costs should be included in any grant calculation to ensure the sustainability of the project.
- › Protect your investment and upskill the sector by offering property training to all your grant holders. We would also recommend that funders should insist as a condition of grant, that there is a named trustee with responsibility for property management.

6.4 To local government

- › Local authorities play an important role both as landlords and business partners in transferring public owned property.
- › We recommend local authorities provide property education to their local voluntary sector to build resilience through property knowledge. Given the range of activities which our sector delivers, we urge local authorities to see property education for not for profits as part of its business development agenda. When working on asset transfers local authorities should ensure that they are open about the liabilities that are being transferred with the asset.

6.5 To central government

- › The voluntary sector contributes £12bn to the economy and employs 827,000 people. This is therefore an important sector providing public service as well as social justice. Property is central to the sector's success in delivering social mission and local services. Our recommendation is that the sector should be seen as a vital part of our enterprising small business community with attention to match.



APPENDIX 1



THE NATIONAL PROGRAMME FOR PROPERTY EDUCATION 2017-2019

Based on the results of the Charity Property Matters Survey 2016, our National Programme for Property Education is designed to build a culture of property awareness across the voluntary sector, to create confidence, resilience and an understanding that an organisation can only be as effective for beneficiaries as the management of its bricks and mortar.

Commencing in January 2017 the Programme will run for 36 months with annual impact assessments. It will be constructed to produce a legacy, developing networks of trustees, funders and local bodies working with us, driving forward the acquisition of property knowledge in the sector; working in partnership with local property professionals.

The Programme comprises:

- › 36 workshops and drop-in property advice clinics in major cities across England & Wales.
- › Online education resources.
- › Marketing campaigning at local level to raise awareness of the needs of trustees and staff in voluntary organisations with less than £500K turnover to understand and prioritise property management issues.
- › Practical follow-up property advice.

For more information please email mail@ethicalproperty.org.uk
or check our website for details www.ethicalproperty.org.uk

Supported by:



1 Know who has responsibility for all property issues

- › Choose a named trustee to take responsibility for property matters.
- › Ensure good decision making governance and management structures are in place.
- › Who has ultimate personal liability if things go wrong? E.g. If a charity is unincorporated, individual trustees may be named as tenants carrying all the liability for unpaid rent.

2 Ensure your property strategy aligns with your charity's aims, objectives and strategic direction

- › Understand why you have property: to use as operating premises or as an investment?
- › Understand how the property enables the organisation.
- › Identify the potential property risks/opportunities to your organisation and decide how to manage them.
- › Property risks arrive in many forms: financial, legal, reputational, health & safety, lease disputes etc. understand and document risks in your Risk Register, including mitigating factors. If you don't have a Risk Register this is the opportunity to start one.

3 Know what sort of properties your organisation has an interest in

- › Are your organisation's properties commercial offices, retail, residential, agricultural, built heritage?
- › How does your organisation hold its properties: owned (freehold), leased, occupied under licence?
- › Do you know the market value of each property?
- › Do you have a budget for each property and include dilapidation costs?

4 Know if you have the right property

- › Is the property 'fit for purpose'; location, size, access, configuration, condition?
- › Are there any restrictions on how the property is used? Heritage (listing status), planning conditions, covenants, bequests etc?

5 Know the terms of your leases

- › What is the length of the lease, what length remains?
- › Prepare a plan to manage the end of the lease. Will you try to remain and renegotiate the lease or will you relocate?
- › Are there break dates within the lease? Are any of the breaks to the benefit of the landlord? When must you give notice to the landlord?
- › What is the rent and how are any increases calculated?
- › Are there any restrictions on use?
- › Who is responsible for maintaining what?
- › How must you leave the property at the lease end? What will this cost?

6 Plan for the future

- › Your premises are an advertisement for your organisation: they are the physical expression of your culture, management skills and success.
- › It is more cost effective to plan when and what maintenance should be undertaken, rather than just responding to failures and emergencies.
- › Don't rely on long standing maintenance relationships without testing them in the market place for good value.

- › Prepare robust maintenance and property budgets including all aspects of everyday property management: rent, rates, building fabric, mechanical & electrical installations (everything from plugs to chairlifts), utilities (water, heating and lighting), cleaning, waste management, furniture, fittings, equipment and security.
- › Create a robust achievable capital works programme for replacing or refurbishing key elements in your property.
- › Get board agreement to fund property maintenance, putting money aside to fund essential capital or maintenance works.
- › Penny pinching in the short term often results in paying pounds later.

7 Get a condition survey

- › A condition survey is a vital step in the premises management journey. It gives a full picture of the building's condition and whether it is a liability or an asset to your organisation.
- › Ensure that you get an independent survey and legal advice when considering taking over a property under Transfer of Assets.
- › A condition survey undertaken at the start of a lease may protect you from unreasonable claims from the landlord at the end of the occupation.
- › Condition surveys do not follow a standard format, so discuss the contents and agree in writing what will be covered before the survey is carried out.

8 Strive to be sustainable

- › Obtain senior management and board approval for policies covering environmental management, financial prudence and how staff are treated.
- › Prepare tough yet achievable action plans to implement policies.

- › Track and monitor the performance linked to the action plans. (energy, carbon, water consumption for example or checking if contractors paying their staff the National Minimum or National Living Wage).
- › Report success and failures of the action plans to the board, at least annually.

9 Know your Health & Safety

- › Who is responsible for health & safety in your organisation?
- › Do you have fit for purpose policies and procedures in place?
- › Risk assessments – have you done any lately?
- › What are your key health & safety risks? (First aid, fire, gas?)

10 Take advice

- › It is a false economy not to take professional advice when contemplating property transactions: the consequences when things go wrong are too expensive.
- › Know your team's knowledge and expertise and close the gaps, either through training or buying-in professional services.
- › Don't rely on advice from well-meaning friends (a little knowledge can prove costly).
- › The Ethical Property Foundation has a register of property professionals (lawyers, surveyors etc) who provide advice on a pro bono basis or at a discounted fee.

The Ethical Property Foundation works in collaboration with the Charity Commission supplying property advice which is free at the point of access:

www.ethicalproperty.org.uk



Is your workplace a fair place to work?

The founding vision of the Ethical Property Foundation is a world where buildings are managed for the benefit of people and planet. Our new ethical workplace accreditation the fairplace Award recognises ethical best practice in the workplace towards the people working in the office, the community outside the doors as well as the environment in a single comprehensive measure of excellence.

Awards have been made to individual workplaces run by:

RBS
Sodexo UK
EMCOR UK
Kingston University
CAFOD
Foundation Property & Capital
RICS
The Ethical Property Company

All income earned from the Award supports our property advice service to small community and voluntary organisations.

Check out what our award holders have to say:

www.fairplaceaward.com

The Ethical Property Foundation

supports the voluntary sector by offering expert property advice in partnership with the property industry. As a charity ourselves we understand the unique needs of the sector and since we opened our doors in 2004, we have worked with 3500+ clients, offering advice free at the point of access for small voluntary and community groups, and adding value through our consultancy services to larger organisations seeking strategic property support.

- › Delivering property solutions & essential guidance
- › Saving stress and money
- › Helping not-for-profit organisations deliver to their beneficiaries

Call us if you need property advice

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