

ANNUAL GENERAL MEETING 5 NOVEMBER 2008

STRATEGIC PLAN 2009-12 AND REVIEW OF 2006-9 PLAN IMPLEMENTATION

1. INTRODUCTION

This is the second strategic plan developed by the Association during its 9 years of existence – the first covered the period 2006-9. During the 9 years since the Association was set up, the charity retail sector has operated under some difficult trading environments and the Association itself has grown significantly in size and range of activities. Membership of the Association has grown from 120 charities in 1999 to the current level of 300 charities. Although this is indicative of a positive evaluation of the value of the Association's work and feedback from members has been supportive, there is now an increasingly diverse sector in terms of activity, size and perceptions of the Association's role and priorities. In addition, the new strategic period will see a change at CEO level and an opportunity therefore to take on new skills and experience to enable the new priorities of the organisation to be effectively tackled.

2. BACKGROUND

The key conclusions which informed the strategic plan for the period 2006–9 are set out below.

- (i) Lobbying is of supreme importance and will become more complex.
- (ii) There is greater strength in being together than being apart.
- (iii) The Association should consider how to redefine its service priorities to take account of larger member needs.
- (iv) The needs of all members should be checked out, irrespective of their size or whether their focus is national or local.
- (v) The Association needs to embrace a diverse range of activities in order to remain relevant to the existing membership's trading interests.
- (vi) The increasing diversity of charity retailing will encourage other charitable traders. The Association should check out potential members as to:
 - o Their worth to the Association
 - o Their needs – and by implication the cost of servicing those needs.
- (vii) The need for public awareness and support still underpins the success of the sector.
- (viii) A proposed name change for the Association may need to be considered, even if only to reflect the diverse activities of current members.

3. PROGRESS AGAINST 2006-9 STRATEGIC PLAN PRIORITIES

The Association is a small organisation focused on delivering support and services to its members. Progress in implementing the current strategic plan has been kept under regular review by the Board with reasonable progress made towards implementing the key priorities as follows:

Short-term priorities

- (i) **Strengthen lobbying capacity**: The creation of a new position and appointment of a Head of Policy and Public Affairs in June 2006 largely implemented this priority and significantly increased our capacity to respond to new issues, ensure that the Association is briefed and responds to all government reviews and consultations of relevance as well as being more proactive and available for press enquiries.

- (ii) Develop further the information services provided to members: This has also been implemented through the extension of our surveys of members to include monthly sales analysis for larger national charities and the commissioning of research into topics of interest by our subscription to nfpSynergy, which began in January 2007. Topics of research that have been covered – with input from the Board and other members are - donating and purchasing behaviour, awareness of Gift Aid, use of specialist charity shops, impact of environmental contributions of charity shops, ethical purchasing and awareness of bogus collections/theft of stock. A new regular networking lunch meeting for large national member charities has been introduced and has been well supported. In addition we have made arrangements to publish to members (through newsletters and on the website) additional market information from the British Retail Consortium of interest to members.
- (iii) Continue to develop income streams: The current plan notes that a stable sector size and potential pressure on profits means we should continue to look for other sources for new income. We have done this by increasing charity membership and also through developing our commercial income which has grown from £150K in 2005/6 to an expected £195K in 2008/9 despite losing £30K grant income at the end of a 3-year grant. The budget for 2008 approved the commitment of the equivalent of a full time member of staff to be devoted to business development and we currently have a part time BDM supported by a part-time assistant.

We have reviewed alternative membership subscription models but have not found any to improve on our current structure which has therefore remained unchanged with simple uplifts of fees year on year. However, we did see the potential benefits of opening membership to all charities regardless of whether or not they already ran shops and do have a small number of members without any shops – some of whom do go on to open their first shop and remain as members.

We have also looked at alternative income sources such as our Conferences and have introduced a Scottish and Northern Ireland event in alternate years – both as increased service provision to regional members but also to raise the profile and some income for the Association.

The publication of the book by John Tough on Setting Up and Running Charity Shops also met a need and is continuing to raise a steady income stream for the Association.

- (iv) Develop/maintain the capacity to respond to significant new developments and diversity in the sector: We have widened our training workshops to include, on a regular basis, selling on eBay and also selling furniture and electrical goods. These have been well attended thus far but we will need to review whether these should be continued or new topics introduced. Our written guidance to members has widened to include: Gift Aid, new legislation on the smoking ban, implications of the new waste electronic and electrical equipment and hazardous wastes legislation, updates to child protection legislation and Performing Rights Society licenses. In practical terms this has meant working with people with the necessary expertise (eBay and the Furniture Reuse Network) and larger Association members to train/provide information.
- (v) Ensure an appropriate organisation structure is in place that provides for continuity of skills, expertise and knowledge at senior executive level. The appointment of a Head of Policy and Public Affairs has ensured that this key priority area has been given an injection of resource and expertise at senior level, which will provide continuity during the changeover at CEO level.

Mid-term priorities

- (vi) Explore opportunities for widening the scope of the Association's role: This work took place over 2007 and spilled over into early 2008 when the Board considered the report from the Said Business School on potential new markets and the implications of these for

the Association's range of activities, services and expertise. This review did not show any significant new markets or areas of activity for the Association and therefore there are no major impacts on costs and likely new income – or indeed for the Association's name.

- (vii) Review whether there is a need for a name change for the Association: As the review of alternative markets showed little scope for major expansion of our market, the Board agreed this placed less importance on the need for a name change. Consideration is being given to the Association's branding/logo to improve on our ability to use this for marketing and awareness raising purposes. In particular we are reviewing whether the Association can make more use of the Code of Charity Retailing logo.
- (viii) Review the constitution of the Association: This aspect of our existing plan has not yet been considered as it was contingent on the work on possible new markets as well as changes to charity law which are now all in place. The Finance Committee will be considering the financial implications of possible charity registration at their meeting in November. The Board has also agreed that consideration should be given to co-opting one or two additional Directors from outside the charity retail sector, should suitably qualified and interested individuals be identified.
- (ix) Secure financial resources to deliver any new developments arising from (vi) above and looking ahead to the need for possible new office accommodation from July 2009. Our current reserves are strong although looking ahead, 2009 is likely to be a challenging year from the perspective of membership and commercial income as a result of the consumer slowdown and policy changes to the CCR etc. As regards office accommodation, we are hoping to exercise the option of remaining in our current offices for a further 2 year period beyond the end of the current lease in 2009 – thus giving a breathing space and time for the new CEO to take over before any move has to be implemented. We remain on good terms with our current landlords, the Association of Charitable Foundations, with whom we have shared premises since 1999 – and will continue to look at all options for the longer term future of our office base.

Long-term priorities (by the end of strategic plan period)

- (x) Secure the position of the Association as the key provider of representation, support and services to charity retailing. This is where we are now in relation to government and policy makers and needs to be further built on as far as the public profile of the sector is concerned.
- (xi) Review and evaluate the new activities developed, obtain input from members and begin the next strategic planning process – namely the development of the new plan for 2009-12.

We continue to work with policy makers, other charity sector bodies, government and others to raise the profile and awareness of the Association, and have now developed our new strategic plan for 2009-12.

4. NEW PERSPECTIVES FOR 2009-12 PLAN

- (i) There is an increasing diversity in members' needs, largely based on their size of retail operation.
- (ii) The Association's future activities, priorities and membership fees should reflect these differing needs, should reduce the disparity of benefit between smaller and larger members and clearly articulate the financial and non-financial benefits to be derived by smaller, larger and medium sized organizations.
- (iii) Lobbying to promote and protect the sector's interests remains the single most important role the Association plays.
- (iv) The Association should work to position the charity retail sector as being in the lead on the environmental and re-use agenda; building public relations and awareness will be an

important new role for the Association in the new strategic plan period. However, a clear focus on key activities and methods to be used is required in order to ensure we can deliver this new role within the limitations of our existing resources.

- (v) The increasing involvement by members and commercial organisations in stock collection requires a review of the Code of Charity Retailing to clarify and provide more detailed guidance with a view to protecting the long-term interests of the sector.
- (vi) Additional avenues to raise additional funds should be explored recognising that there may be a need to compensate for the loss of income resulting from some members leaving the Association.
- (vii) The unique strengths of the Association should be complemented through collaboration with appropriate other organisations to maximise efficiency and effectiveness.
- (viii) Measurable outcomes against should be identified against which the Association's performance is assessed over, and at the end of, the new strategic plan period.

5. UPDATED VISION, VALUES AND MISSION STATEMENT

The Association of Charity Shops' **vision** is a successful charity retail sector in the UK, actively promoted and supported by the Association.

The Association's **mission** is to provide leadership and support for charity retailing in the UK.

The Association's **aims** in achieving its mission and vision are to:

1. Monitor policy and legislative changes affecting charity retailing and lobby governments to achieve and maintain a supportive regulatory environment.
2. Promote all aspects of charity retailing to the public and policy makers including its reuse/recycling/sustainability contributions, as well as its vital role in raising funds for charity.
3. Respond to developments in charity retailing and the differing needs of members through provision of appropriate services and activities.
4. Be a major source of expertise and up to date information on issues affecting the sector.
5. Promote good practice, efficiency and self-regulation in charity retailing through sharing of information and standards.
6. Work closely with other relevant organisations to further support the sector.

The Association's **values** are to be:

- o Independent
- o Enabling
- o Responsive
- o Innovative
- o Fair

6. ENVIRONMENTAL ANALYSIS

A STEEP analysis was carried out during the Strategy Away Day held in July 2008 and attended by members of the Board and Finance Committee. This is attached as Annex 1.

The following are some of the key issues of importance that were identified which will impact on the Association's priorities and activities in the coming strategic plan period.

6.1 External to the charity retail sector

- (i) While unemployment has been steady at 5.3% for a number of months from early in 2008, the recent credit crunch could result in a threat, if spending power declines. Alternatively it could provide an opportunity if more people might want to volunteer, particularly if there is a re-introduction of government related return-to-work schemes for the unemployed.
- (ii) The UK population is ageing. Elders are both the primary source of volunteers and the key customer of the charity retail sector. The effects of the increase in the pensionable age, particularly for women, will take effect during this strategic period. The combination of increase in pensionable age, house prices and credit crunch may impact peoples' confidence in the base of their wealth, prompting them to continue working, rather than be available to volunteer.
- (iii) The charity retail sector sits at the confluence of three macro trends:
 - (a) The increasing importance of environmental issues in the face of climate change
 - (b) The promotion and growth of localism, offering benefit for those charities with a strong local profile
 - (c) The significance of Third Sector Organisations (TSOs) in the delivery of local services
- (iv) Political pressures on the EU and national governments are pushing reuse, recycling and other environmental issues up the agenda. While this could result in major benefits for charities, they too as employers and retailers could face costs as a result of an increased legislative framework
- (v) The growth in multi-channel retailing including the significant growth in online shopping and use of technology, are trends within retailing as a whole which will impact on charity retailing (Gift Aid, Epos).
- (vi) The strength in the export market for rag, and the increase in competition from commercial operators flying under a flag of charitable convenience for stock collected directly from householders, is a threat to the sector.
- (vii) Changes to the political context in which charity retailers operate include the decentralisation of power and regionalisation or local agenda that might favour charities with a strong local identity.
- (viii) In addition the prospect of a general election during the period of the strategic planning period should create opportunities for communicating the charity retail message but may also result in a change in government priorities that could then affect the entire operating framework.

6.2 Within the charity retail sector

- (i) Gift Aid is providing opportunities to increase net profit returned from retailing activity to parent charities. However, there remain issues of costs and risks within the current arrangements.
- (ii) eBay continues to be a significant source of business for charity retail. It is not known whether the recent downturn in the overall number of transactions on eBay has affected, or will affect, those charities making greatest use of this outlet.
- (iii) Charity retail performance is increasingly being measured against a combination of net income and return on investment, compared with similar ratios for other forms of fundraising.
- (iv) The sector is very diverse. The needs of the different sized members are very different. The membership is not one homogenous group but is home to an increasingly divergent set of needs.

- (v) There is a threat of sector division caused by (a) a wider range of activity undertaken by members in relation to stock collection that is viewed by some as potentially undermining the supply of donated stock to shops and public support for charity shops, and (b) differing perspectives of the priority and value of different Association activities.

6.3 The Association

- (i) Despite the different needs and perspectives of member organisations, there remain common interests and support for the role of the Association, specifically for the following in order of importance/priority: (a) lobbying on issues of importance to the sector; (b) promoting the sector widely including raising awareness of its role in reuse and recycling; (c) providing relevant member services and (d) maintaining standards to help ensure public trust and confidence in the sector.
- (ii) There should be clear recognition of the different needs and differing benefits accruing from Association membership to different sizes of charity member these should be reflected in a revised membership fee structure. In particular, there needs to be a re-balancing of the fees paid to reflect the greater membership benefits accruing to smaller charities and a focus on areas of activity of common value to all members.
- (iii) Serious sector division remains a risk to the Association.
- (iv) Greater regionalisation of Association activities could add further value to smaller, locally based members but any such development would have to be cost-effective and self-financing.
- (v) The changeover at CEO level needs to be carefully planned and managed to minimize negative impacts on the Association's membership, priorities and activities.

7. PRIORITIES FOR 2009-12

In drawing up priorities for the coming strategic review period, it was agreed progress should be measured against key outcomes identified in the discussions leading to the development of this plan. Those initially identified are:

- Improvements in the Gift Aid regime as it applies to donated goods
- Effective regulation to reduce or eliminate the threat from bogus collectors/bag bandits and a clear public awareness of the benefits of giving directly to charity shops
- Recognition of, or measurable relief on, contributions to reuse/recycling
- No erosion of what has already been won in the way of a supportive regulatory framework for charity retailing
- The Association remains solvent.

Short-term priorities (2009/10)

- (i) Clearly define and communicate to members the differing value and benefits of membership to different sizes of charity and implement a new membership fee structure that reflects this.
- (ii) Implement a revised Code of Charity Retailing which will be an up to date framework for best practice within the sector and which clarifies certain areas of current concern – in particular relating to working with commercial partners to collect donated stock. The CCR will remain the benchmark of best practice for the sector and will be mandatory for all members of the Association. The Association should work with other charity sector bodies to promote awareness and good practice aspects as they apply to charities without shops.
- (iii) Promote a clear public awareness of the benefits of giving directly to charity shops and make efforts to reduce or eliminate the threat from bogus collectors/bag bandits.

- (iv) Continued priority to be given to lobbying on all issues of relevance and concern including Gift Aid arising from donated goods as well as on the broader environmental, reuse, recycling and waste issues.
- (v) In addition, resources and activity levels within the organisation should be shifted to reflect an increasing focus on PR to promote the sector with fewer resources being devoted to member services and standards.
- (vi) Continue to seek new funding streams to add to existing charity subscription and commercial income – e.g. opportunities for bulk buying, additional member services, partnership working with other organisations such as the British Retail Consortium and other umbrella bodies within the charity sector.
- (vii) Appointment of new CEO to take place in order to allow for overlap with LK who will be retiring in December 2009. The incoming CEO should have PR and lobbying expertise/skills to match the Association's strategic priorities.

Mid-term priorities (2010/11)

- (viii) Continuing focus on lobbying and PR activity – Gift Aid, reuse/recycling, stamping out 'bag bandits' and promoting all the added value of the sector including volunteering. Measure progress against key targets.
- (ix) Review delivery of member services, including training and events, and consider regional delivery of member services where feasible and where resource neutral. Review service needs of members and put in place new services, working with appropriate partners.
- (x) Review office accommodation options and find appropriate location for office base from 2011 when current lease will run out.
- (xi) Maintain CCR 'gold standard' for sector and work with other sector bodies to promote public awareness of the benefits of donating directly to charity shops.
- (xii) Maintain a wide range of income generating activities to ensure financial health of the organisation.

End of strategic review period priorities (2011/2012)

- (xiii) Review progress towards achieving key outcomes – namely on Gift Aid; effective regulation to curtail the threat to donated stock; recognition of, or measurable relief on, contributions to reuse/recycling; no erosion of what has already been won and the Association remaining financially solvent.
- (xiv) Begin next strategic planning cycle.

8. MONITORING

The Board will review progress and effectiveness of the strategic plan on a regular basis (twice a year) using appropriate measures to ensure that it remains relevant and does not require any major adjustment in the light of unforeseen development, changes to the operating environment or new threats. There will also be a report to members annually through the AGM and Annual Report.

9. FEASIBILITY, RESOURCES AND RISKS

- (i) There are resource implications arising from the refocusing of the Association's priorities as set out above:
 - o Reducing the financial contribution of larger charity members and seeking to balance this loss of income by increasing smaller charities' fees will potentially have a negative impact on our subscription income.

- Increasing PR for the sector and public-facing work needs more staff time and new skills/expertise not necessarily already available in-house. This is likely to have resource implications.
 - The additional requirements of the revised Code of Charity Retailing and the changes to policy relating to some commercial members are also likely to have negative impacts on our income.
 - The appointment of the new CEO will entail additional expenditure in 2009/10 thus further contributing to a lean year from the perspective of the Association's finances.
- (ii) The Association is a small organisation which has up to now been largely member-focused rather than public-focused. Amongst its new priorities is a new public-facing one requiring the promotion of the sector to the public – which could potentially involve a great deal of time and money. We need to guard against the danger of our available resources and expertise being spread too thin both in the short and medium terms so that we become less effective in delivering our key priorities.
- (iii) Our current reserves policy (based on Charity Commission guidance) is for reserves to be held at a minimum of the equivalent of 6 months' of our core expenditure with the aim to build these up to reflect 6 months' of our total expenditure (which would be around £220K based on current expenditure). Our current reserves provide sufficient for 6 months' total expenditure as well as additional funds for development activities during the year. Therefore this will give us a cushion against a potential downturn in income in 2009/10.
- (iv) As most of our expenditure is focused on staff salaries, there are relatively few opportunities to make material savings. We need to continue to focus on a wide range of income streams to avoid the danger of over-reliance on our charity membership income stream in order to maintain the financial health of the Association and its ability to continue to effectively support the charity retailing sector in the UK. This has been a significant focus for the past strategic plan period with a consequent growth in our commercial income. However, although efforts have been made over the past 5 years to identify and exploit new commercial income streams, no suitable or appropriate activity to generate a significant new funding stream has thus far been identified and there is an increasingly competitive funding world for the voluntary sector generally.

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Strategic Plan 2009-12

October 2008

Environmental Analysis

Social

The UK population, particularly England, is growing:

2006 – 60m

2011 – 62.8m

2016 – 65m

The UK population is ageing. Elders are both the primary source of volunteers and the key customer of the charity retail sector.

The effects of the increase in the pensionable age, particularly for women, will take effect during this strategic period. The combination of increase in pensionable age, house prices and credit crunch may impact peoples' confidence in the base of their wealth, prompting them to continue working, rather than be available to volunteer.

Elders still value greatly the social and intellectual stimulation that comes from volunteering.

While unemployment has been steady at 5.3% for many months, the recent credit crunch has resulted in a number of high profile staff layoffs, particularly in the construction and finance industries. This could result in a threat, if spending power declines, or an opportunity if more people might want to volunteer, particularly if there is a re-introduction of government related schemes.

There is an increased expectation from the public that companies will become more involved in corporate social responsibility

The UK is becoming more litigious, as evidenced by the growth in no win no fee lawyers. This has a number of cost and care related implications for the sector.

The charity retail sector sits at the confluence of three macro trends:

- The increasing importance of environmental issues in the face of climate change
- The promotion and growth of localism, offering benefit for those charities with a strong local profile
- The significance of Third Sector Organisations (TSOs) in the delivery of local services

Environmental

- There is increasing awareness amongst general public of the role of charity shops as re-users and recyclers
- Pressure from the EU is pushing recycling and other environmental issues up the agenda
- Increased emphasis on reuse and recycling
- The introduction of the Waste Framework Directive
- DEFRA Roadmap
- The increased costs of disposing of waste
- Increased emphasis on shopping and sourcing locally

While the above could result in major benefits for charities, they too as an employer and retailer could face costs as a result of an increased legislative framework.

Technological

eBay continues to be a significant source of business for charity retail. It is not known whether the recent downturn in the overall number of transactions on eBay has affected, or will affect, those charities making greatest use of this outlet.

We are an increasingly 'plastic society' which involves costs related to banking charges. In addition there are also databases and data protection issues, which might conflict with requests from fundraising colleagues for the data details of goods donors.

Gift Aid

Multi-channel retailing. There is already a gap between the charity and commercial retail sectors and it is likely to increase.

More customers are using the internet to shop etc.

EPoS – Some people perceive EPoS as being a totally positive thing, others perceive an increase in information risk.

The increase in texting.

Economic

Both Gift Aid and the re-invigoration of the high street were seen as positive things for the sector.

However, as noted above, the credit crunch may impact peoples' spending power, and confidence to spend.

Increasing rag values, though there were mixed views about how long this might continue.

The strength in the export market, including Eastern Europe, though again there were mixed views about the strength of the market and how long it may remain so during the period of the strategy.

The increase in competition from commercial operators flying under a flag of charitable convenience.

Similar increase in competition from companies who have previously taken rag from charity shops. They are increasingly cutting out the charity retailer and going straight to the donor.

The increasing cost of fuel – how will it affect donations.

Political

On the up side, there is continuing support for Third Sector Organisations (TSOs)

The decentralisation of power seems to link well with the regionalisation or local agenda that favours charities with a strong local identity.

At the same time, there is an increasing burden of legislation that shops have to comply with, relating to either:

- Property
- Environment
- Goods
- Staff

There will be a general election during the period of the strategic plan. While this creates opportunities for communicating the charity retail message it may also result in a change in government priorities that could then affect the entire operating framework.