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Tracking the Impact of the Economic Downturn: A View from the Charity Commission

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1. Introduction

The paper brings together some of the findings from two surveys commissioned by the Charity Commission. Together the surveys track the impact of the economic downturn on registered charities from the end of the summer 2008 to early 2009.

The paper shows how the proportion of charities affected rose from 38% to 52% in a six month time period. It also shows the shift in the impacts on different sources of income e.g. the early impact on cash giving from the public to the crash in the banking system and impact on investments. The paper also, in part, draws out how different groups of charities may have been affected e.g. international charities affected by changes in the exchange rates, and impact in the increase for demand for services on charities providing advice to those most affected by the downturn. It also highlights how charities reliant on investment income might also be adversely affected.

The surveys are just two of the pieces of research that the Commission has put in place. Follow up work on the impact on grant making trusts and analysis of accountancy data has also been put in place – these are still in progress.

2. Development of the first survey

2.1. Context to the research

Towards the end of the summer 2008 there were signs that the economic downturn was beginning to affect the charity sector. Concerns appeared to be growing as increasing numbers of people (charities, members of the public and journalists) began to look at what would happen if the income of charities was affected by the reduced spending power of the public. There were also concerns about what increased demands might be placed on charities if more people were put out of work because of the downturn or struggling to manage debt. In other instances, it appeared as though particular types of charities were appearing to fare quite well through the downturn. For example, articles focused on the new opportunities the credit crunch posed to charity shops. This included a growing customer base of people potentially looking for cheaper bargains to buy. One charity fundraiser commented on BBC Humberside on the 15 August 2009 that;

“People we haven’t seen before are coming into charity shops, in general I think for the first time. We’re seeing a steady increase”. The Guardian also reported ‘Charity shops benefit from crisis’ and the BBC news reported ‘Charity shops beating the crunch.’

The Charity Commission was also beginning to hear a range of messages of how charities were beginning to feel the impact of the credit crunch. This was reflected in stories about how charities were facing decreases in monetary donations as the credit crunch hit, and there were reports of charities preparing to make staff cuts. At that point, however, there was little hard evidence about the extent of the impact the credit crunch, and in particular its impact on charities.

As a result, the Charity Commission commissioned Carol Goldstone Associates and Fieldvision to carry out the Commission's first representative survey on the impact of the economic downturn on charities. The survey consisted of 12 questions and was carried out over the telephone. Just over 500 charities responded to the survey. The sample was stratified into four income bands - under £9,999, £10,000 - £999,999, £100,000- £1 million, and £1 million +.

3. Results from the first survey

3.1 Overall impact

The results showed that nearly 4 in 10 (38%) charities were affected by the credit crunch. 16% said they were very significantly or significantly affected. Larger charities were those most likely to report any effect e.g. 59% of the largest charities in the survey reported a significant impact (32% for the smaller charities). Further details are shown in the table below.

Overall impact of credit crunch

Income band:	Total	Under £10k	£10k – £99.9k	£100k – £999.9k	£1 million +
Unwtd Base (all)	514	126	125	138	125
Wtd Base (all)	169657 %	93846 %	50399 %	19814 %	5598 %
Very significant	3	2	2	6	3
Significant	13	11	13	21	25
Not significant	22	18	28	25	31
Not at all	56	65	47	41	34
Don't know/not sure	6	3	10	7	7

Source report prepared by CGA for Charity Commission, September 2008

3.2 Impact on donations

In terms of donations, the survey showed that around two thirds of charities collected monetary donations, and 17% of these had seen a decrease in the money donated. When weighted against the sector this suggested as many as 28,006 charities had seen a decrease in monetary donations. 3% had seen a decrease in the numbers of people signing up to give by direct debit, and 2% had seen a decrease in the numbers of people leaving money through legacies.

At that point (end of summer 2008), the evidence suggested people were giving less through things like fundraising events and street collections. There was less evidence to suggest that that 'longer term giving' e.g. direct debits and legacies were affected to the same extent.

Around 1 in 3 charities collected goods. 12% of these had seen a decrease in the numbers of goods being donated.

3.3 Other impacts

In the first survey, we also asked questions about specific impacts, such as, the need for charities to make redundancies. Yet because of the way in which the survey was structured it was difficult to make global conclusions about the sector as a whole. (This was in part linked to the fact that the questions were centred on charities that had experienced a reduction in income rather than all charities). For example, the data on redundancies and spending of reserves related only to those charities that had seen a reduction in monetary donations. Despite this, however, there was still some useful contextual information. For example, of the charities that experienced a decrease in income, 30% had drawn on reserves, and 1 in 10 charities that had experienced a decrease in monetary donations had made redundancies.

3.3 Impact on services

In terms of services, the results showed that 87% of respondents delivered services of some kind. Nearly one quarter (21%) of these had seen an increase in the demand for their services in the 12 months leading up to the first survey (72% had not) and one third of that 21% linked this directly to the credit crunch.

Charities perception of any increase in demand for services provided in last 12 months

	Total	Provide services
Unwtd Base (all)	514	459
Wtd Base (all)	169657	146809
	%	%
Yes	21	24
No	63	73
Don't know/not sure	3	3
Not applicable	13	-

Source report prepared by CGA for Charity Commission, September 2008

25% were putting some measures in place to deal with the impact of the credit crunch (57% at that point did not envisage having to put any measures in place). The larger charities again appeared to be the charities most likely to be putting measures in place.

Whether charity will be putting in new measures to deal with the credit crunch

Income band:	Total	Under £10k	£10k – £99.9k	£100k – £999.9k	£1 million +
Unwtd Base (all)	514	126	125	138	125
Base (all)	169657	93846	50399	19814	5598
	%	%	%	%	%
Yes – already done so	12	10	12	18	25
Yes – will do in future	13	7	18	23	29
No	57	67	47	36	32
Don't know/not sure	19	16	23	23	14

Source report prepared by CGA for Charity Commission, September 2008

3. Results from the second survey

3.1 Context to the second Survey

As the economic situation began to change rapidly, the credit crunch became the economic downturn and a number of umbrella bodies in the charity sector had begun to lobby government about the impact the downturn might have on charities. A summit was organised with the Minister of the Third Sector, and the Charity Commission's CGA first survey was one of a number of pieces of evidence used in the debates and discussions that took place.

The Charity Commission also continued to note signs that charities were struggling in the deepening economic crisis. Case officers were aware that a growing number of charities had been looking to diversify income by doing things like selling assets. With this in mind the Charity Commission commissioned a second survey and made a commitment to begin monitoring internal data sources (this work is still in place, and analysis of charity accounts as they come in

is being carried out – this is very much work in progress) in order to monitor the impact of the downturn on charities.

The sample was boosted in order to secure responses from 1,000 charities. A number of extra questions were also added to the survey that focused on things such as the impact of the downturn on charities with investments, questions about charities working internationally and issues around pension liabilities.

3.2 Overall impact

The results from the second survey showed that the proportion of charities affected by the downturn rose to 52% of all charities (up from 38% in the previous survey). The results again showed that large charities were those most likely to report any impact (70-74% for large charities in the first instance, and 46-54% for the smaller charities).

Of those affected nearly 60% (58%) had reported a reduction in income that was linked to the downturn. When applied across the sector this suggested that as many as 88,501 charities had experienced a drop in income that they had themselves attributed to the economic downturn.

Whether charity has experienced a reduction in income due to the economic downturn, by income band

Income band:	Total	Small Under £10,000	Medium £10,000- £99,999	Large £100,000- £999,999	Largest £1 million +
Unweighted Base (all affected)	614	114	137	177	186
Weighted Base (all affected)	88,501 %	42,966 %	27,509 %	13,862 %	4,165 %
Yes	58	60	55	65	46
No	34	34	36	27	43
Experienced a drop in income not to the economic downturn	1	1	1	3	1
Don't know/not sure	6	5	8	5	11

Source report prepared by CGA for Charity Commission, September 2008

3.3 Impact on different sources of income

In this survey, we particularly wanted to know more about the impact on the different sources of income. As a result, we asked charities about the sources of income they received. Respondents were then asked to rank them in the order of importance. The results showed that 42% of charities had some form of investment income. 30% of those stated that it was their most important source of income, and half said it had been the source most affected by the downturn. This may in part have been linked to the Icelandic banking collapse that occurred as the survey was in the field. Further details about the sources of income affected can be seen in the table below.

Whether charity put in place measures as a result of the economic downturn

Income band:	Total	Small Under £10,000	Medium £10,000- £99,999	Large £100,000- £999,999	Largest £1 million +
Unweighted Base (all)	1,003	249	251	253	250

Weighted Base (all)	169,657	93,846	50,399	19,814	5,598
	%	%	%	%	%
<i>Any measures</i>	32	23	35	58	65
Looked to reduce cost of things like stationery, printing, mobile telephone bills, energy costs	14	10	13	32	38
Increased fundraising efforts	11	8	11	20	24
Reviewed risk policies	10	5	10	23	35
Increased the drive to take on volunteers	7	6	6	11	10
Drawn on reserve funds	6	5	5	14	14
Looked to diversify income sources eg trading	5	3	4	13	18
Cut back or held off on delivering new services programmes	5	4	4	10	16
Delayed plans to invest in capital projects	3	2	1	8	14
Considered collaborating with another charity	3	2	3	8	9
Considered merging with another charity	3	2	2	6	6
Considered forming consortium with other charities	2	2	1	2	2
Reduced numbers of staff	2	0	2	9	11
Reduced staff hours	2	0	3	8	7
Looked at collaborating with corporate donors private sector organisations	1	0	2	7	5
Reviewed funding pattern/budget/ monitoring income & expenditure	1	1	1	2	3
Sought external support from bodies such as the local CVS or Capacity builders	1	0	2	5	2
Sold assets	1	0	0	2	2
Advertised/increased awareness (mail shots/letters/phone calls etc.)	1	0	1	1	2
Reviewed investments (finding fixed interest rates/investing in dollars etc.)	1	0	0	1	1
<i>No measures</i>	68	77	65	42	35

Source report prepared by CGA for Charity Commission, September 2008

3.4 Signs that more charities were getting prepared

The number of charities reporting an increase in the demand for their charitable activities was 20%. This was similar to the proportion reporting an increase in the demand for their services in the first survey, and as such this raised some questions, internally, about whether it may have been the same tranche of charities facing an increase in the demand for their services in both the first and second survey. There have been suggestions, for example, that this might include charities that provide advice to people facing unemployment, debt or family crisis.

Interestingly, in this second survey 72% of the charities facing an increase in the demand for their services reported they were able to meet the increase. This was up from 30% in the previous survey.

The numbers of charities putting measures in place to deal with the downturn had also gone up by 7% from 25% to 32% of all charities. This indicated that a higher proportion of charities were beginning to prepare for the downturn. Measures included;

- increasing fundraising efforts (11%)
- recruiting volunteers (7%)
- drawing on reserves (6%)
- selling assets (1%)
- diversifying income (5%)

10% were also reviewing their risk policies and 5% were cutting back or holding off on projects.

There was some evidence to suggest that the larger charities were those more likely to be putting measures in place and as such the Charity Commission's advice and guidance that came out of the survey was directed towards small and medium sized charities.

3.5 Emerging trends

In the second survey, we also wanted to know about the types of other trends or patterns that charities had noticed. For example, this might have included an increase or decrease in the numbers of volunteers, a larger pool of potential trustees willing to take on extra work, increased donations, or more interest from corporate donors (anything extra to a decrease in income and increase in service demand). The results showed that 22% of charities reported some kind of trend. The two trends most frequently noticed were changes in the numbers of volunteers (both decreases and increases) and fall in attendance or membership.

3.6 Looking ahead

In terms of the future 61% of charities at that point (January 2009) reported that they were concerned that the economic downturn would greatly effect their work (11% very, 27% quite, 23% not very and 35% not). Again, the largest charities were the charities most likely to be affected. Only a small proportion – 3% of charities reported that they were facing problems in meeting their pension commitments.

3.7 Charities working internationally

11% of respondents also reported that they delivered services overseas or funded overseas activity. This actually tallied with past research carried out internally that suggested 10% of charities delivered or funded charitable work overseas. Just over half of these reported that the fall in the value of the sterling against other currencies had affected them.

4. Developing The Big Board Talk

In June 2009 the Charity Commission published the Big Board Talk. This was a 15-point plan that charity trustees could use to help them review their situations in light of the economic downturn. The aspects covered in the document i.e. a charities strategy, financial health, governance, and use of resources drew on data and information derived from a series of outreach events and research surveys. Up to July 2009 (one month since the plan was published) the plan had been downloaded nearly 800 times a week.

5. Moving forward – the third survey

We have just commissioned the third survey. The questions for this survey focus on;

- the overall impact of the economic downturn,
- changes in income in previous and coming twelve months,
- measures charities are putting place,
- other actions that may have been taken e.g. drawing on reserves, reducing staff pay,
- question for those that have either merged or considered collaborating in some form,
- increase in demand for services,
- breakdown by type of service they provide (with a particular focus on charities providing advice related to unemployment, stress, debt and health),
- perception about the impact that h the downturn has had on charity beneficiaries; and the
- outlook for the next twelve months.

6. Conclusions

The paper pulls together the results of an evolving research process. Events appeared to change quite quickly and the research developed in line with the changing events. The inclusion of the question on the impact of the high cost of energy etc in the first survey reflects how quickly the situation had changed i.e. by the second survey this question was really no longer relevant. The results have highlighted how more charities had either begun to or had been affected by the downturn. It also highlighted the growing numbers of charities that were beginning to prepare for the adverse effects the downturn might bring.

The results have provided important contextual information for the development of strategy and policy over the last eighteen months, and the follow up survey will continue to inform the work of the Charity Commission.