



## Impact on the charity sector during coronavirus - research report June 2020

### About the research

This research was conducted by the Institute of Fundraising, NCVO, and Charity Finance Group, with support from PwC.

It draws on the findings of a survey carried out between 30<sup>th</sup> April to the 25<sup>th</sup> May 2020 which was promoted widely across the charity sector.

There were different completion rates for individual questions - these are indicated below. Percentages have been rounded up or down to the nearest number. It should be noted that respondents are more likely to be larger charities, located in London and the south of England, working at a national and international level compared to the whole UK charity population.

This research follows a previous [survey](#) which was conducted in March 2020, just as lockdown was beginning.

### **The impact on income during lockdown so far:**

We asked respondents to tell us about their originally budgeted income and their *actual* income for the period 23 March to 12 May 2020 to help assess the financial impact of lockdown on charities.

Our previous research asked charities to tell us what they believed the impact would be on their finances in the first three months of the pandemic, whereas now charities are in a position to report on actual financial impact, including lost income as well as the results of emergency appeals and individual donations.

- On average charities received **29%** less income than they budgeted for during lockdown (between 23 March – 12 May 2020) (based on 216 responses).

- There are major discrepancies between income sources with charities reporting on average that trading income was **72%** lower than expected (based on 129 responses), voluntary income was **14%** lower (based on 188 responses). However, income from grants from trusts and foundations was **29%** higher than expected (based on 139 responses) and income from government in the form of grants and contracts was **51%** higher than expected (based on 66 responses).
- **84%** of charities reported a decrease or a significant decrease in their total income during lockdown (based on 234 responses).
- Just **15%** of charities reported an increase or a significant increase in their total income during lockdown (based on 234 responses).
- **74%** reported that their voluntary income had seen a decrease or significant decrease during lockdown (based on 188 responses).
- Just **20%** reported that that their voluntary income had increased or significantly increased during lockdown (based on 188 responses).
- **92%** of charities reported a fall in trading income during the lockdown with just **5%** reporting that income from trading had increased (based on 138 responses).

### **Looking forward – predicting income for the year ahead:**

We asked respondents to compare their originally budgeted income with their *revised* budgeted income for the year ahead, to help identify the potential shortfall that some organisations are expecting.

Forecasts will inevitably incorporate assumptions and calculations based on a variety of unknown variables, including the timeline for the relaxation of social distancing rules and the duration of existing government support measures, such the Job Retention Scheme. The likelihood of another wave of Covid-19 adds another layer of uncertainty to accurate forecasting. These figures should therefore be read as indicative of what charities are budgeting for over the next 12 months. It should be noted that while these are estimates, these are the figures that charities will be using to make strategic decisions now - including potential redundancies and reduction of services.

- Overall, charities who responded to the survey expect to see their income significantly reduced in the year ahead with total income on average **24%** lower than previously forecasted (based on 173 responses).
- Some income streams are expected to be impacted more significantly than others:

Ø Trading income on average is expected to fall by **57%** per charity based on revised figures since the pandemic started (based on 110 responses).

Ø Voluntary income on average is expected to fall by **42%** per charity based on revised projections (based on 155 responses).

· In total, **91%** of the charities that responded are forecasting that their budgeted income will fall for the year ahead with **56%** believing it will decrease and **35%** expecting a significant decrease (based on 173 responses).

· Just **6%** of charities who responded to the survey have revised their budgets upwards for the next year and **2%** say there has been no change (based on 173 responses).

### **Use of government schemes and government support:**

We asked respondents to tell us about the government's Covid-19 support schemes their charity has applied for, or plan to access in the future (157 respondents).

· **69%** of charities which have used a government scheme have accessed the Coronavirus Job Retention Scheme with another **8%** saying they are planning to access it.

· **23%** of charities which have used a government scheme have accessed the Retail, Hospitality and Leisure Grant with another **6%** saying they are planning to access it.

· **17%** of charities which have used a government scheme have accessed the Small Business Grant Scheme with another **18%** saying they plan to access it.

*For charities using the Coronavirus Job Retention Scheme (103 responses):*

· On average **50%** of full-time staff are currently on furlough for charities accessing the scheme.

· Charities with an income of between £100,000 and £1 million had the highest proportion of full-time staff on furlough (**52%**)- based upon 47 responses.

*The impact of withdrawing the scheme before social distancing completely ends (114 respondents):*

· **61%** of charities using the scheme say they would not be able to afford to bring back all of their furloughed staff into existing roles.

- **55%** of charities say that it is likely that they would have to make redundancies as a result of losing funds.
- **65%** of charities believe they would have to try to move staff to fewer hours or reduced pay.
- **35%** of charities using the scheme say they would be unable to resume all fundraising operations
- **54%** of charities say they would be unable to continue all of the services they provide.
- Just **7% of** charities using the scheme say there would be no real impact on their staff or their operations.

### **Impact on services:**

We asked respondents whether they have seen a change in demand for their charity's services and activities (202 respondents).

- In total **24%** of charities report a significant increase in demand for their services.
- **23%** report an increase in demand for their services.
- **15%** report no change in demand for their services.
- **14%** report a decrease in demand for their services.
- **24%** report a significant decrease in demand for their services.

*The impact on services over the next year (183 respondents):*

- **34%** of charities said they believe they will still be able to operate but with hugely reduced services.
- **43%** of charities said they believe they will still be able to operate but they will have to reduce some services.
- **5%** of charities said they believe they will have to close.
- **11%** of charities said they will be able to continue operating as normal.
- **5%** of charities said they would be able to increase the number of services they provide.

*Financial security and future activities (195 respondents):*

- **26%** of charities estimate that their reserves will be able to sustain their work and services for 12 months or more.
- **18%** of charities estimate that their reserves will be able to sustain their work and services for up to 12 months.
- **24%** of charities estimate that their reserves will be able to sustain their work and services for up to 6 months.
- **21%** of charities estimate that their reserves will be able to sustain their work and services for up to three months.
- **8%** of charities estimate that their reserves will be able to sustain their work and services for up to a month.
- **3%** of charities estimate that their reserves will be able to sustain their work and services for up to two weeks.

**Note on survey responses**

The survey data is skewed towards larger organisations. 25% of survey respondents have an income of more than £1m while this proportion is far lower for the whole general charity population in 2016/17 (4%). At the same time, survey data on organisations with an income below £100k is weak with only 38% of respondents in that income bracket compared to 82% for the whole sector.

| %   | Survey | NCVO Almanac 2019 |
|---|--------|-------------------|
| <b>Micro and small (below £100k)</b>        | 38     | 82                |
| <b>Medium (£100k - £1m)</b>                 | 38     | 14                |
| <b>Large, Major, Super-major (&gt; £1m)</b> | 25     | 4                 |

Based on matching survey data against the Charity Commission register, we were able to retrieve information on organisations' area of operation for 92% of respondents. Comparing the

profile against the Almanac 2019 data, it seems that the survey respondents have a larger proportion of national and overseas charities than in the total UK charity population.

| %                     | Survey | NCVO Almanac 2019 |
|-----------------------|--------|-------------------|
| Local                 | 66     | 76                |
| National              | 24     | 14                |
| National and overseas | 7      | 4                 |
| Overseas              | 3      | 6                 |

Based on matching survey data against the Charity Commission register, we were able to retrieve information on organisations' registered addresses for 98% of respondents. Comparing the profile against the Almanac 2019 data, the survey is skewed towards organisations registered in London, the South East and the South West. 52% of survey respondents are based in those regions compared to 26% of the total UK charity population (excluding Northern Ireland).

| %               | Survey | NCVO Almanac 2019 |
|-----------------|--------|-------------------|
| East Midlands   | 7      | 6.6               |
| East of England | 8      | 7.1               |
| London          | 21     | 11.0              |
| North East      | 4      | 2.8               |
| North West      | 10     | 15.5              |
| South East      | 12     | 8.3               |

|                          |           |             |
|--------------------------|-----------|-------------|
| South West               | 18        | 6.5         |
| West Midlands            | 5         | 10.2        |
| Yorkshire and The Humber | 8         | 15.4        |
| <b>England</b>           | <b>94</b> | <b>83.3</b> |
| <b>Wales</b>             | <b>3</b>  | <b>4.4</b>  |
| <b>Scotland</b>          | <b>3</b>  | <b>12.3</b> |

**Note on definitions**

'Trading income' includes income from events, training, services, retail not from charity shops, and Charity Shops.

'Voluntary income' includes income from Regular giving by individuals (e.g, direct debits), Individual giving (cash donations across all channels including text, online, public collections etc), Major donors/philanthropy, and Corporate donations.