



The Charity Sector through Covid

In partnership with Charity Finance Group and the Chartered Institute of Fundraising

January 2020





Pro Bono Economics uses economics to empower the social sector and to increase wellbeing across the UK. We combine project work for individual charities and social enterprises with policy research that can drive systemic change. Working with 400 volunteer economists, we have supported over 500 charities since our inception in 2009.



Charity Finance Group is the charity that inspires a financially confident, dynamic and trustworthy charity sector. We do this by championing best practice, nurturing leadership and influencing policy makers.



The Chartered Institute of Fundraising is the professional membership body for UK fundraising. We support fundraisers through leadership and representation; best practice and compliance; education and networking; and we champion and promote fundraising as a career choice. We have over 6,000 individual members and over 600 organisational members who raise more than £10 billion in income for good causes every year.

Introduction

Since April 2020, PBE has been running the Covid Charity Tracker Survey, in partnership with the Charity Finance Group and the Chartered Institute of Fundraising since August.

This Tracker has provided live insight into the impact of the coronavirus crisis on charities, from client demand for their services to their own financial situation and how they are adapting to the challenge.

In our first report of 2021, we take a look at the Tracker's major findings about how Covid impacted charities, how they responded, and what their expectations are going into this new year. It includes headlines from previous reports as well as previously unpublished data. With over half a year's worth of survey results, this report shows a dynamic picture of how charities' circumstances and expectations have evolved in response to the rapidly changing social and economic environment.

Main findings

We found that:

- Since the start of the Covid pandemic, charities have experienced a substantial growth in demand for their support. At the same time, they have suffered a reduction in income, across many funding sources.
- Charities remain overwhelmingly negative about the financial impact of Covid, with the vast majority expecting their income in 2021 to be less than forecasted pre-crisis.
- Charities have had to adapt their services, including delivering more online, as well as seeking alternate sources of funding. Some have also had to make reductions in their services and make staff redundant. The “enforced digitisation” triggered by lockdown may create longer term opportunities for charities who were not previously making much use of technology or online service delivery.
- Charities remain quite pessimistic about the ongoing impact of the crisis on their ability to meet their objectives. While some have made use of government support, many are concerned that both the scale and the conditions attached to this support are not appropriate.

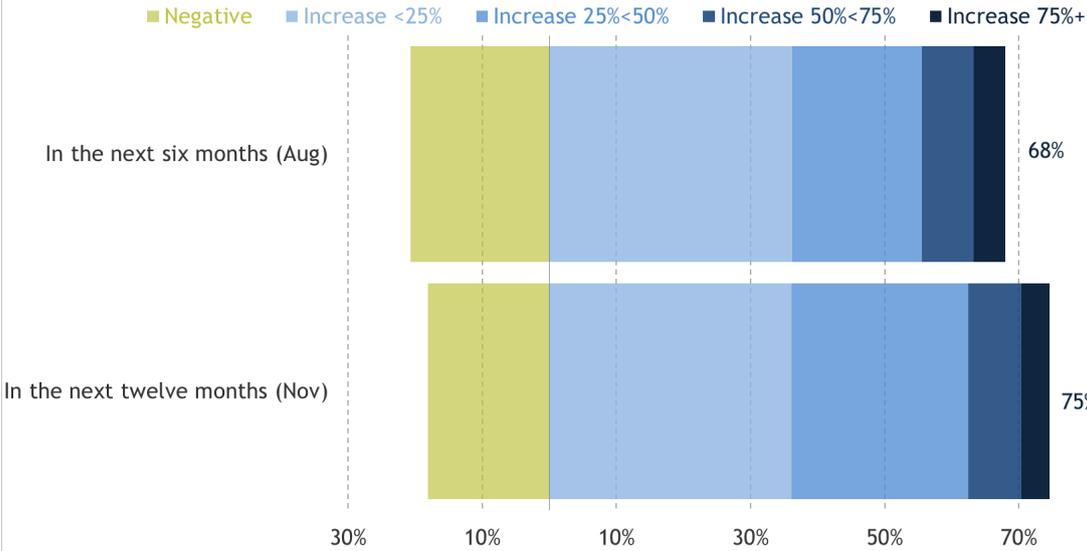
- Charities are expecting demand for their services to continue growing into 2021; in fact, many have revised their expectations upwards over the last few months. This may reflect the unmet demand that has been stored up over months of partial lockdown.
- Nonetheless, charities intend to continue adapting to their difficult circumstances, reporting their intent to seek alternate funding sources (81%), deliver more services online (71%) and make efficiency savings (61%) in 2021.

Covid has led to more demand for charities' help and most charities expect demand to remain high next year

Demand for charities' support increased substantially in 2020, as peoples' lives were seriously impacted by both Covid and the ensuing lockdowns. This impact is also expected to be relatively long-lasting, with three quarters of charities expecting to face higher demand (relative to pre-crisis expectations) over 2021 (see Figure 1).

The proportion of charities expecting an increase in demand has also grown since August 2020, mostly driven by a growth in those expecting a moderate 25-50% impact. These appear to have come from reductions in the proportion of charities expecting reduced demand, as well as those expecting no impact. It chimes with PBE's recent publication which highlighted that difficulties delivering services in 2020 are likely to result in substantial unmet need, exacerbated by lack of early access to support.¹

Figure 1. Relative to pre-crisis expectations, what impact do you expect Covid to have on demand for your organisation's help?

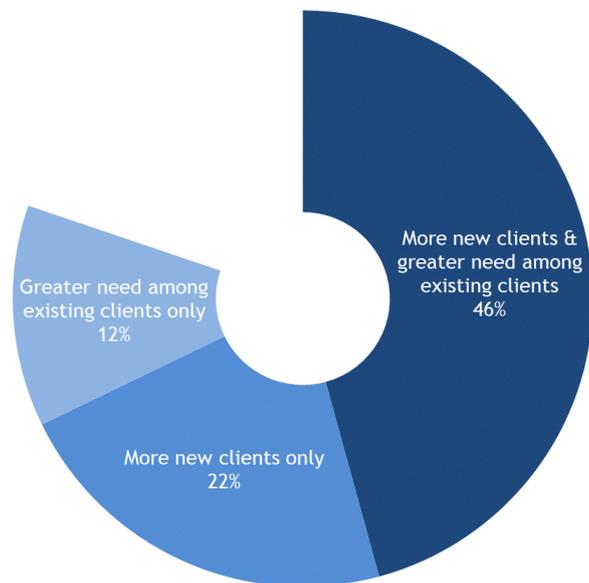


Notes: 9-15 November (n = 216) and 3-7 August (n = 455). Residual is "no impact".
Source: PBE Covid Charity Tracker survey

Looking at only charities delivering frontline services to people within the UK in Figure 2, we find that they are experiencing elevated demand both from new clients and from existing clients in greater need than before. This suggests that the crisis has both widened and deepened the pool of need.

¹A Martin, A Kenley & N Sykes, [PBE Covid Charity Tracker](#), Pro Bono Economics, in partnership with Charity Finance Group and the Chartered Institute of Fundraising, November 2020.

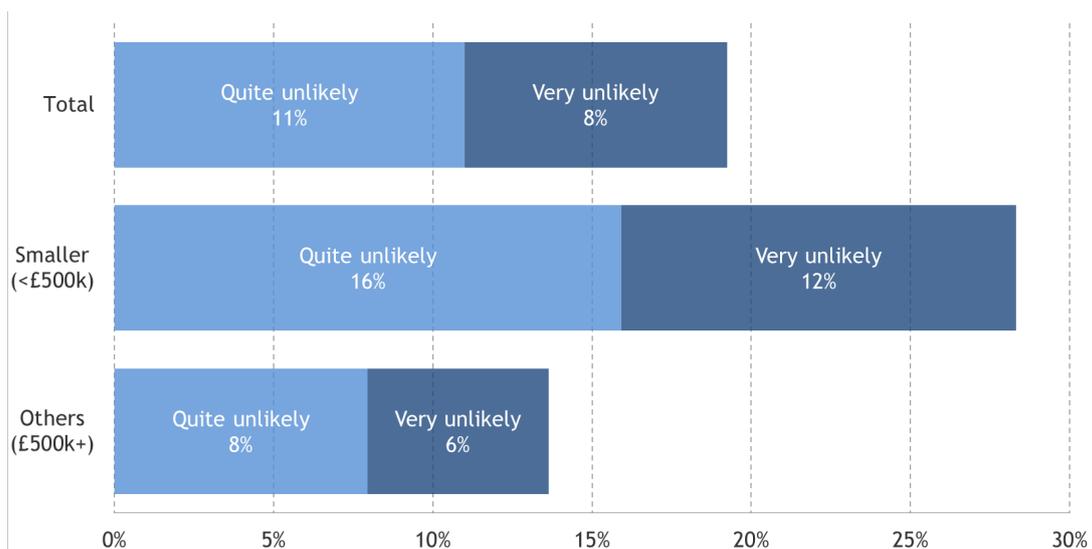
Figure 2. In the last six months, has any increase in demand for your services as a result of the Covid crisis been from...? (November 2020)



Notes: Excludes charities that do not deliver frontline services to people in the UK. Residual is those reporting no increase in demand. 9-15 November (n = 216).
Source: PBE Covid Charity Tracker survey

In October 2020, we asked respondents how likely it was they'd be able to deliver their services adequately over the Christmas period. While the majority anticipated being able to manage, Figure 3 shows that a substantial minority were concerned about this. Smaller charities were particularly concerned, with 28% saying it was quite or very unlikely.

Figure 3. How likely is it that you that you will be able to deliver your services adequately over Christmas? (October 2020)



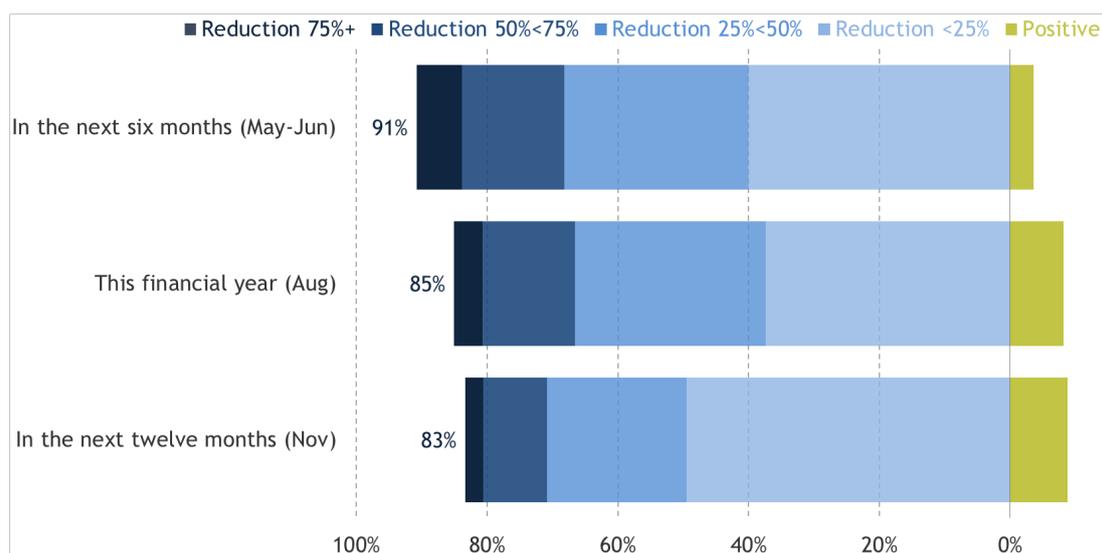
Notes: 9-15 November (n = 216) and 3-7 August (n = 455). Residual is "no impact". Size of charity is based on pre-crisis annual income.
Source: PBE Covid Charity Tracker survey

Charities' finances have also been seriously impacted by the crisis, and the damage is expected to last well into 2021

Increased demand for charities' services has come at the same time as a marked reduction in income. The vast majority of organisations expect Covid to have a negative impact on their income relative to pre-crisis expectations. From May-June, we found an average of 91% of charities expected to have a lower income in the latter half of 2020 than they previously expected. In November we asked about 2021, and found that 83% still expected their income to be down on their pre-crisis forecast.

Figure 4 suggests that Covid's impact on charities' finances is expected to be relatively long-lasting: while it may be unsurprising that many charities expected the latter half of 2020 to be difficult, the vast majority also expect 2021 to remain similarly difficult.

Figure 4. Relative to pre-crisis expectations, what impact do you expect Covid to have on your organisation's income?

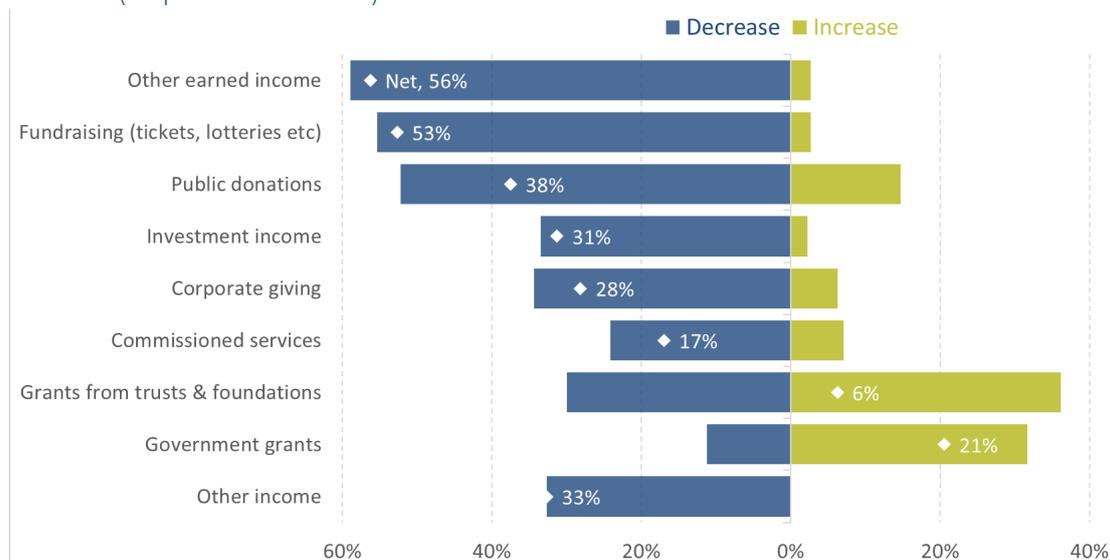


Notes: 9-15 November (n = 216), 3-7 August (n = 455), average of surveys in May/June (cumulative responses 1,727).

Source: PBE Covid Charity Tracker survey

Other than grants, where our survey suggests net increases, charities reported that income from all other funding sources has declined as a result of Covid (see Figure 5). Our results suggest that earned income (including from charity shops) is the most likely type of income to have seen a fall, followed by fundraising. This is likely to be a direct impact of physical distancing restrictions, closing shops and preventing fundraising events from taking place.

Figure 5. How have each of these sources of income been impacted by Covid? (September 2020)



Notes: n = 224. Residual not shown covers "no change" and "don't know".

Source: PBE, Covid Charity Tracker, September 2020

Diversification of income has benefits and drawbacks, but income tied to the fate of the broader economy does mean that economic challenges reduce charities' capacity to respond exactly when their help is most needed. Figure 6 shows that over the 13 years since the financial crisis, earned income has increased from less than a fifth to just under a quarter of sector income.²

² See: J Franklin, M Graham & M Whittaker, [Is this time different? Charity funding in recession and recovery](#), November 2020 for further detail.

Figure 6. Composition of charity income, by source & type (UK)



Notes: 'Public donations' are mainly charitable donations plus legacies given in people's wills. 'Public fees' covers money 'earned' when voluntary organisations provide charitable services (e.g. tuition fees for training). 'Public fund raising' covers money 'earned' from trading activity (e.g. charity shop revenues/bake sales). 'Govt contracts' covers services commissioned by the public sector and therefore 'earned', while 'Govt grants' covers money given 'voluntarily' to charitable organisations by the public sector. In this context, 'government' relates to government and its agencies in the UK, EU and internationally. 'Investment' covers dividends, interest and rent. 'Other' income covers all other forms of charity income.

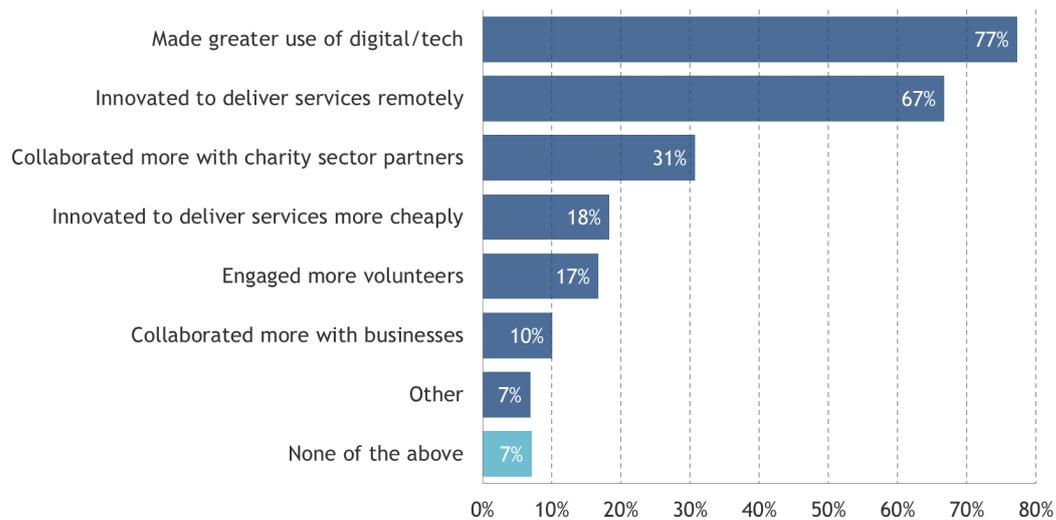
Sources: PBE analysis of NCVO, *NCVO Almanac 2020*

As a result of both higher demand for services and lower levels of income, in June last year we estimated the sector was facing a £10.1bn funding gap over the coming six months as a result of Covid – comprised of a £6.7bn income drop and a £3.4bn increase in demand for services.

Charities have adapted to the challenges of 2020 in various innovative ways – but many have had to reduce services

Despite the challenges of 2020, many charities have found new ways to reach clients, adapting working practices to address new circumstances. Figure 7 shows that 77% of charities had responded to Covid by making greater use of technology – and the vast majority had made changes to their operations to allow them to deliver their services remotely. A third also said that they had collaborated more with charity sector partners.

Figure 7. Which of the following actions have you taken as a result of Covid-19 (tick all that apply)? (August 2020)

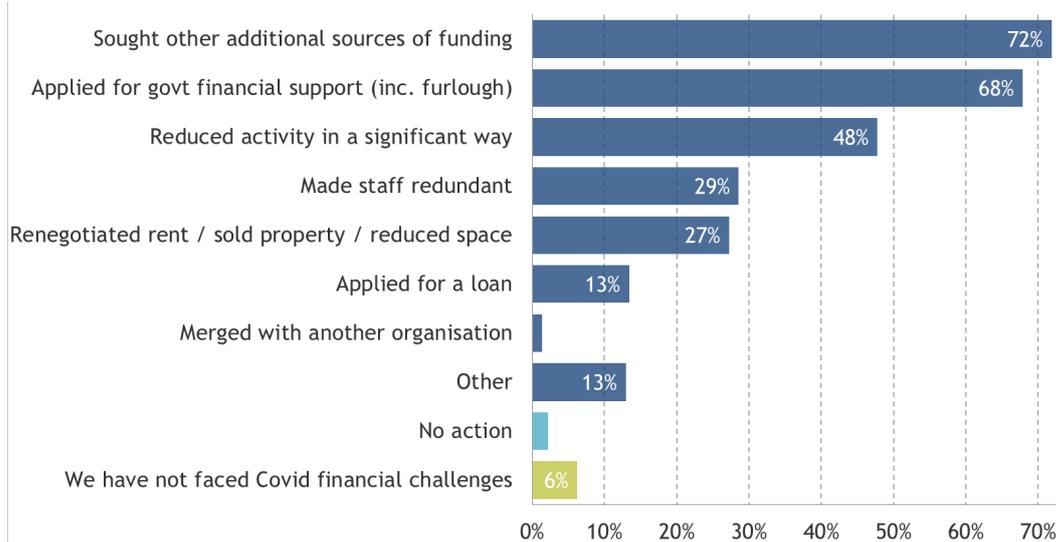


Notes: 3-7 August, (n=455).
Source: PBE Covid Charity Tracker survey

On the financial side, Figure 8 shows that they had also responded by seeking alternative sources of funding (72%) and applying for government financial support (including the furlough scheme).

Yet despite adaptations, almost half had to reduce their activities in a significant way – feedback from charities suggested this was often to do with face-to-face service delivery. And many charities have had to make redundancies or leave posts unfilled. In August, we estimated that as many as 60,000 jobs could be lost in the sector due to Covid.

Figure 8. What actions have you taken in response to any financial challenges presented by Covid? (September 2020)

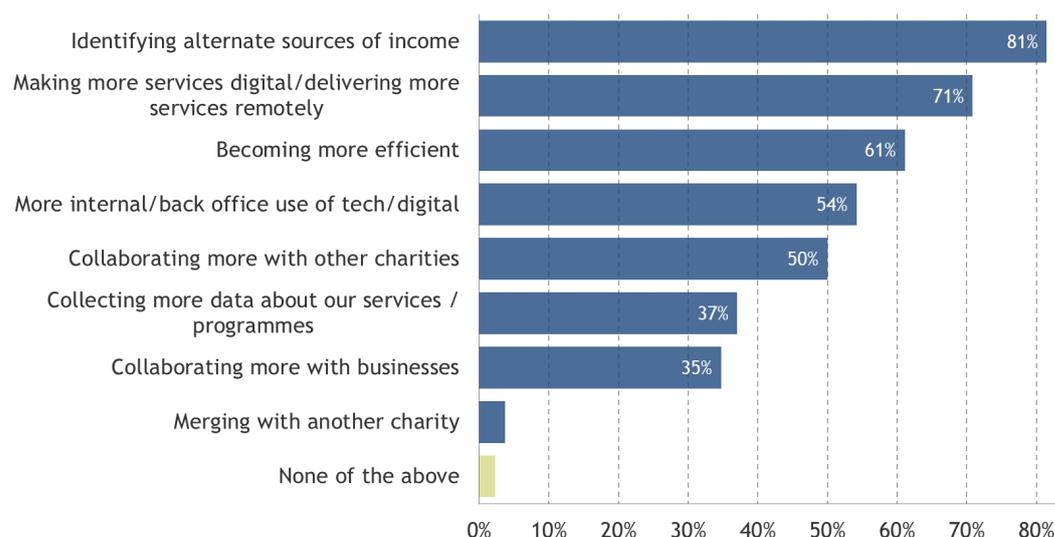


Notes: 15-20 September, (n=224).

Source: PBE Covid Charity Tracker survey.

Looking forward, charities expected to continue to make changes into 2021, including continuing to seek alternate sources of income (81%). 50% of charities reported wanting to collaborate more with other charities. And last year's "enforced digitising" could have real long-term impacts for the sector – 71% charities want to make more of their services online/remote in 2021 (see Figure 9).

Figure 9. Which changes do you want to make to your working practices over the next 12 months (tick all that apply)? (November 2020)

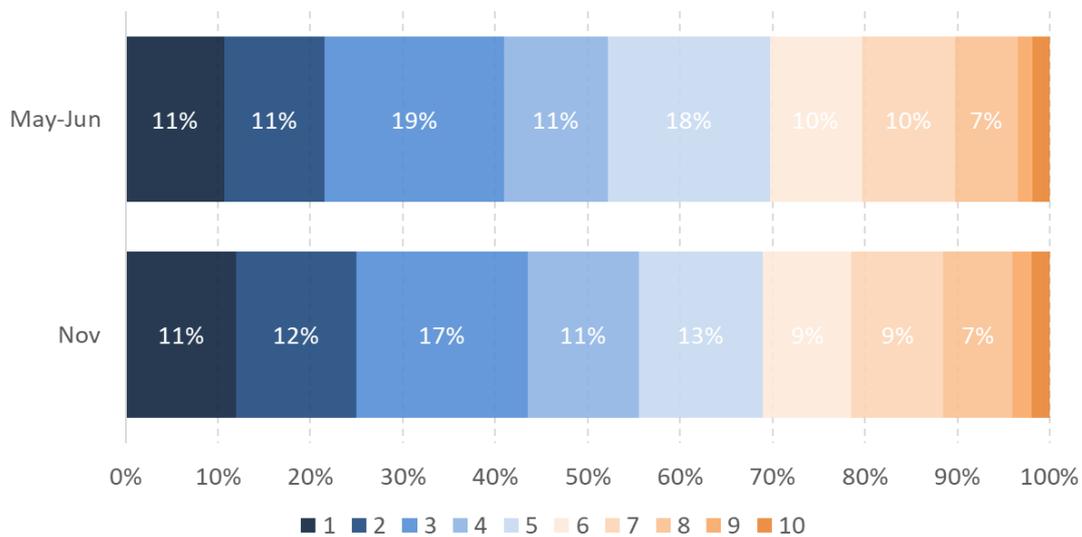


Notes: 9-15 November (n = 216).

Source: PBE Covid Charity Tracker survey

The government has offered a range of support which charities can access, from the furlough scheme to emergency funding for frontline charities and the Kickstart Scheme for job placements. However, charities reported to PBE that they were not always able to access these, for various reasons relating to eligibility or their own capacity, for example to provide placements. Figure 10 shows that most charities reported negative sentiments about the support that was provided. Sentiments remained quite stable between the summer and the end of the year.

Figure 10. On a scale of 1-10 how would you score the Covid financial help provided by government to civil society?



Notes: 9-15 November (n = 216) and average of surveys in May/June (cumulative responses 1,727)
 Source: PBE Covid Charity Tracker survey

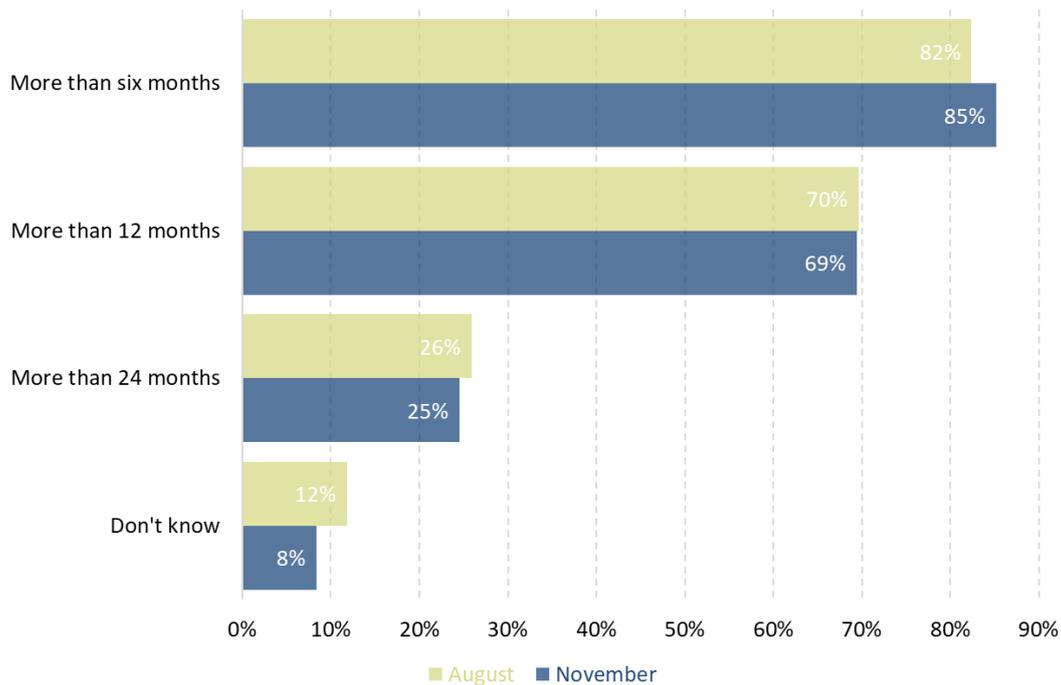
Charities are forecasting a challenging year ahead

The beginning of the UK’s vaccination programme late last year brought new hope that the end of the pandemic is in sight. However, with the timetable for full roll-out of vaccination to all willing adults as yet unclear, the new variant of the virus and stronger lockdowns underway, there remains a great deal of uncertainty about what the next few months will bring. We await updated evidence on business and consumer confidence following the vaccine development announcements, but the most recent data from the end of November suggested there had been another dip in confidence.³

2021 looks set to remain a difficult year for charities. The majority of organisations expected it to take over 12 months to return to their pre-crisis income levels and a quarter expected it to take over two years. There does not appear to be have been very large changes between our surveys in August and November.

³ House of Commons Library (2020) [Business and Consumer Confidence: Key Economic Indicators](#). Research briefing, 30 November.

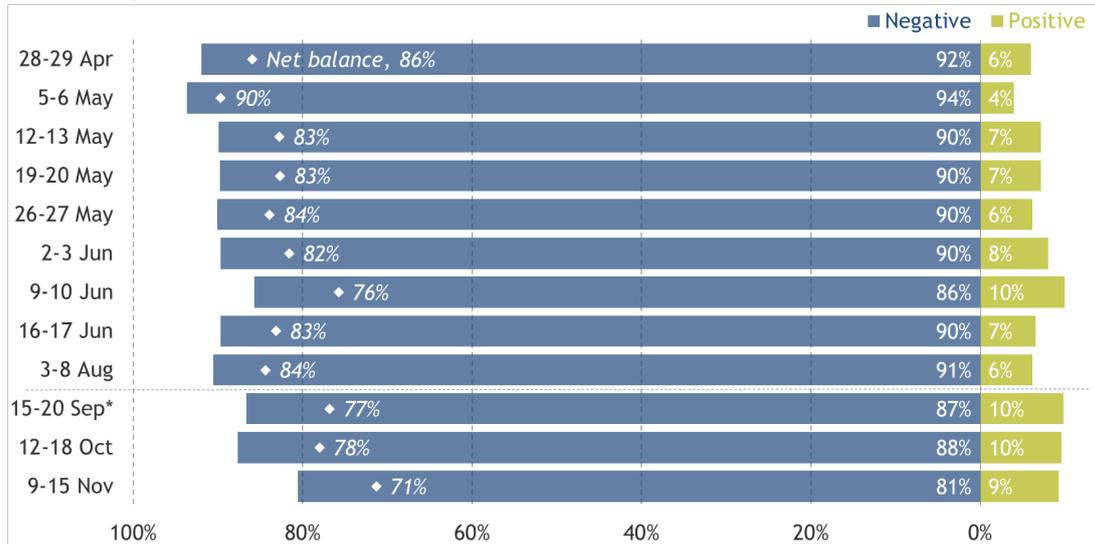
Figure 11. How long do you expect it will take your organisation to return to pre-crisis income levels? (November 2020)



Notes: 03-08 August (n = 455), 9-15 November (n = 216)
Source: PBE Covid Charity Tracker survey

Given these financial difficulties, it is no surprise that charities remain negative about their ability to deliver on their objectives – though there has been an improvement from over 90% during the first lockdown to just over 80% anticipating a negative impact over 2021. A slight increase in the proportion reporting a positive impact means that the “net balance” of negative responses (proportion reporting a negative impact minus proportion reporting positive impact) has fallen from around 90% at the beginning of May to 71% now.

Figure 12. How do you expect Covid to affect your charity's ability to deliver on its objectives in the next six months?



Notes: *From this point on, question refers to next *two*/*ve* months. Sample size ranges from 126 to 455, and averages 279. Residual not shown covers "No impact". Source: PBE Covid Charity Tracker survey

Conclusion

Over 2020, our Covid Charity Tracker surveys suggested most charities have experienced a growth in demand for their support, as people in the UK suffered the dual impacts of Covid itself and the resultant lockdown. This growth in demand has come from both new clients and from existing clients needing more help and has led many charities to worry about their ability to meet demand adequately over the winter. These challenges have been underpinned by severe financial challenges, with impacts likely to be felt into 2021 and beyond.

In this difficult environment, many have transformed and digitised their services to reach more people. But many have had to make difficult decisions on services and staffing as well. Some have taken advantage of government support, but many say it is not sufficient in scale or format to meet their needs. And despite new vaccine optimism, 2021 looks set to bring more challenges and more changes as charities struggle to make up for the financial and social damage society has sustained during the last ten months.



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