

The Credit crunch and us

The economic downturn Trustee checklist for action

Charity Commission
16th June 2009



The impact of the economic downturn the Commission's response

To include:

- the context to the Commission's response
- results of the two surveys undertaken by the Commission on the economic downturn
- checklist for charities
- Charity Commission guidance – what is available?

Key events

- **September 2008:** Icelandic banks collapse, charities with savings in them hit
- **October 2008:** Government announces £37bn rescue package for RBS, Lloyds TSB and HBOS
- **October 2008:** First Welsh Assembly Economic Summit
- **November 2008:** Charity summit in November hosted by NCVO and Minister Kevin Brennan
- **January 2009:** UK officially enters 'Recession'
- **February 2009:** Office of Third Sector launches action plan
- **April 2009:** The Government's budget

First economic survey of Charities September 2008

**Commissioned to explore a number of issues,
including:**

- how charities were being affected, and to what extent
- if voluntary donations had been affected
- if charities were seeing an increase in demand for services
- what measures charities were putting in place to deal with the credit crunch

First economic survey - results




- **38%** affected by the credit crunch
- **27%** of those receiving donations had experienced a decrease (*62% of all charities*)
- **21%** of charities delivering services had seen increase in demand for services
- **14%** thought they would not be able to meet this demand
- **12%** were putting measures in place

Second survey - carried out February 2009

Additional questions added, including:

- pension funds
- sources of funding being affected
- if the fall in the value of the pound was impacting on charities
- same questions to track trends
- specific questions for grant making trusts, charities working internationally, and research charities
- sample size doubled to 1003 charities

Second survey findings

- **52%** affected by economic downturn, compared to **38%** previously 
- One fifth (**20%**) reported increase in demand for services or charitable activities, compared to **21%** previously
- **21%** felt they might not be able to meet that demand, up from **14%** previously 
- **32%** had put measures in place, compared to **12%** previously 

Second survey findings

- **58%** of charities affected said they had experienced fall in overall income. No direct comparison from last survey, but previously of those charities collecting monetary donations, **27%** had seen a decrease
- Investment income was most common source of income, ranked most important source by **30%** of respondents and **22%** claimed it had been the most affected source of income. No figure previously

Second survey findings

Examples of strategies put in place to cope with downturn:

- **14%** - reduced costs of bills
- **11%** - increased fundraising
- **10%** - reviewed risk policies
- **7%** - recruited volunteers
- **6%** - had considered merging, collaborating or forming consortiums
- **6%** - drawn on reserve funds
- **5%** - looked to diversify income sources
- **5%** - cut back or held off delivering new services or programmes

Feedback from the surveys

- has provided informative tracking over last six months which will continue
- focus for the development of Commission resources for charities
- established a baseline for the sector and informed wider debates
- identified issues for further consideration such as collaboration
- focus for monitoring of casework and for reviewing charity accounts to identify trends

The checklist focuses on four key areas:

- strategy - opportunities and risks
- financial health
- how can we ensure that our governance is sound and robust?
- how do we make the best use of our resources?

Opportunities and risks – forward planning

- can we continue our activities?
- are we offering the right services?
- have we mapped out possible future scenarios?
- can we pay our way?
- are there new opportunities that we can take advantage of?
- what risks do we face now and in the future?
- are we prepared to take risks?

Revisiting your strategic plan

- reviewing more frequently
- understanding the environment - external and internal
- collecting information/analysing information
- service users, beneficiaries, funders, purchasers
- how are others doing

Financial Health

- do we have up to date financial information?
- do we have access to the right type of professional advice?
- revisiting funding policy and strategy
- if we have reserves - revisit policy and priorities
- revisit banking arrangements
- what are our contractual commitments?
- do we understand any pension obligations?

Income

- Government grants and contracts
- Public fundraising
- Corporate income
- Foundation grants

Is our governance robust enough?

- how effective are we?
- how are we communicating with each other?
- making those difficult decisions
- your people: staff, volunteers, board members
- trustee liabilities
- avoiding fraud
- your reputation

Making better use of our resources

- what financial benefits are available?
- what UK Government/Welsh Assembly support is available?
- working with other charities
- being efficient with our own resources
- being aware of other sources of information
- networking and conferences

Opportunities

- improved governance
- focusing on core objectives
- strengthening relationships
- reviewing your staff and volunteering needs
- reducing costs
- looking at performance
- working with others

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