Each year CAF surveys charity leaders to understand the challenges they face, and to assess the impact these challenges have on the sector’s ability to meet the needs of its beneficiaries.

It is clear from the findings in this report that this has been a hugely challenging year for charities and civil society organisations (CSOs). Many have seen entire income streams dry up, yet at the same time have found demand for their services greater than ever and have had to adapt to radically different ways of working. This has left organisations facing incredibly hard choices.

However the challenges are far from over. It is likely that the pandemic will continue to shape our lives for the foreseeable future and it is understandable that optimism among charity CEOs is in rather short supply. There is a lot more to be done to ensure that charities are able to adapt to the challenges and opportunities of new technology. However, the imperative is greater than ever as we contemplate a near future in which we are forced to rely on digital tools and platforms. Thus it will be vital that charities get the support they need from funders and from government.

This also highlights a broader point: that one lesson we must take from the current crisis is the unfortunate likelihood of further crises in the future, so it is therefore vital that we understand what makes for resilient organisations and a resilient sector and take the necessary steps to make it happen.

One key element of this resilience is financial sustainability, so it is not a surprise that many charity leaders are planning on looking at diversifying income streams and making better use of their reserves over the next 12 months. These are necessary steps in the short term, but as we look ahead we may need to ask important questions about their longer-term impact. Will the depletion of reserves now, for instance, cause challenges later if organisations once again find themselves in trouble but have less of a financial cushion? Or will we need to challenge our understanding of what financial sustainability looks like, given that charities which have diversified their income to include trading activities have been among the hardest hit by lockdown measures?

Funders also have a big role to play, both in supporting charities to develop the necessary elements of resilience and in ensuring that their own funding practices are conducive to it.

It is vital that grantmakers recognise the importance of the role that they can play in ensuring the resilience and sustainability of the charity sector, and adapt their approaches accordingly. It would be good to see it become the norm for a percentage of all grants to be dedicated to support for resilience-building in grantee organisations. More broadly, funders and those they work with should aim to build upon the positive shifts in funding practice that we have seen during the pandemic – towards longer-term, unrestricted funding – and ensure that these become standard practice in the future.

Research findings show that this has been a very difficult time for charities, and that the year ahead is likely to remain similarly challenging. Yet there are reasons to remain optimistic as a result of the incredible work that so many charities have continued to do in the face of the pandemic crisis. There is also plenty more that can be done by government, grantmakers and others to build upon the strengths of the sector; increasing its resilience and ensuring that it continues to play a vital role supporting people and communities throughout the country and beyond.
INCOME AND SUSTAINABILITY ARE THE BIGGEST CHALLENGES FOR CHARITIES

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Three in 10 charities say they have been affected by grant funders freezing their normal funds to focus on the coronavirus. Amongst these charities, more than half (58%) say that they had made an application for grant funding which was put on hold because of the pandemic and they do not know when/if it will re-open. In addition, half (52%) were unable to identify sufficient grant funding to apply for in order to run their normal operations over the next year.

THE EFFECTS OF COVID ON THE SECTOR GO BEYOND THE FINANCIAL

The practicalities of being able to operate in a Covid secure way (33%) and managing social distancing restrictions (33%) are the next biggest challenges for the sector. For many charities, these concerns will not be easily overcome, as reflected in separate research by CAF which found that two thirds of charities anticipate having to reduce their services in the next three months as a direct or indirect consequence of the lockdown measures.

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RECOMMENDATIONS FOR THE FUTURE

The Government should introduce a Gift Aid Emergency Relief Scheme: including a two-year temporary increase in the rate at which Gift Aid is repaid to charities (from 25% to 33%) and a relaxation of the eligibility criteria for the Gift Aid Small Donations Scheme. This is something CAF is currently campaigning for with others across the sector, with a broad base of support from over 300 charities.

Grantmakers should make resilience a criteria of funding provided: e.g. a certain percentage of funding has to be used to improve IT/digital, implement ‘green’ procurement, and support the recruitment of trustees with diverse skills and backgrounds.

Grantmakers and Government should work together to build necessary digital infrastructure and support civil society organisations to develop digital skills. This could build on the rapid changes many organisations have had to make through necessity, and could complement existing work by the likes of Catalyst Fund, National Lottery Community Fund, 360Giving and others.

Grantmakers and Government should support the development of civil society foresight groups and networks. This could help to ensure that civil society is better prepared for future social and economic shocks, and that civil society organisations are also able to provide valuable insight to inform wider planning for future challenges.

Grantmakers (philanthropic and Government) should make unrestricted, multi-year funding the norm. This would help to support organisational resilience and to shift decision-making power within grantmaking relationships further towards the people and communities that grantmakers are trying to serve.

Charities should invest in key areas for future resilience: e.g. strategic thinking, good governance and leadership, digital transformation, working in partnership, staff development and engagement.

Charities should think strategically: about which changes adopted due to the pandemic should be used as the basis for longer-term transformation, and which have highlighted the benefits of existing ways of working (e.g. in terms of use of digital tools, remote working practices etc).

Charities should reach out and build bridges to newly-emergent digital networks, social movements and mutual aid groups. This would help to understand where there are opportunities to support them or collaborate with them in order to pursue shared goals.

Method:
The survey was undertaken by CAF. It was conducted online from 21 July to 4 August 2020 and received responses from 265 third sector leaders who are customers of CAF Bank. We would like to thank the participants for their time in completing the survey. For more information, please click here.