

Charity Excellence Crisis Impact Assessment

Charity Sector Assessment

- From the outset of Covid, we used the [Charity Excellence Framework](#) (CEF) data and created Covid Crisis statements (metrics) to support CEF charities, and track and respond to the escalating crisis.
 - The initial toolkits and funder lists were accessed nearly 40,000 times.
- We have created this report for grant makers, sector bodies and anyone else working to support charities through the crisis.
- It uses the latest [CEF Charity Sector Strategic Outlook](#) (August 2022), the CEF Big Data, the system's new Cost of Living (CoL) crisis tracking metrics and the [CEF Covid Lessons Learned](#) report findings and data, and takes into account wider reporting.
- It assesses where we are now, what we think might happen and when.
 - Our ideas on how we might respond are included as an annex, as are the methodologies and assumptions used.
- Our first crisis update has been published online and will be updated monthly – it can be found [here](#).

The Covid Crisis

- The crisis had an immediate and very marked impact on sector resilience.
- Charities recovered quickly - the Covid Crisis Metrics showed charities responding very rapidly and.
- The rapid recovery in fundraising, indicates that the significant Covid funding provided almost certainly played a key part in this.
- Many charities closed temporarily but we cannot find evidence of significant permanent closures.
- We think the funding provided not only enabled charities to continue providing services but also significantly contributed to the rapid recovery of the sector overall and limited number of permanent closures.

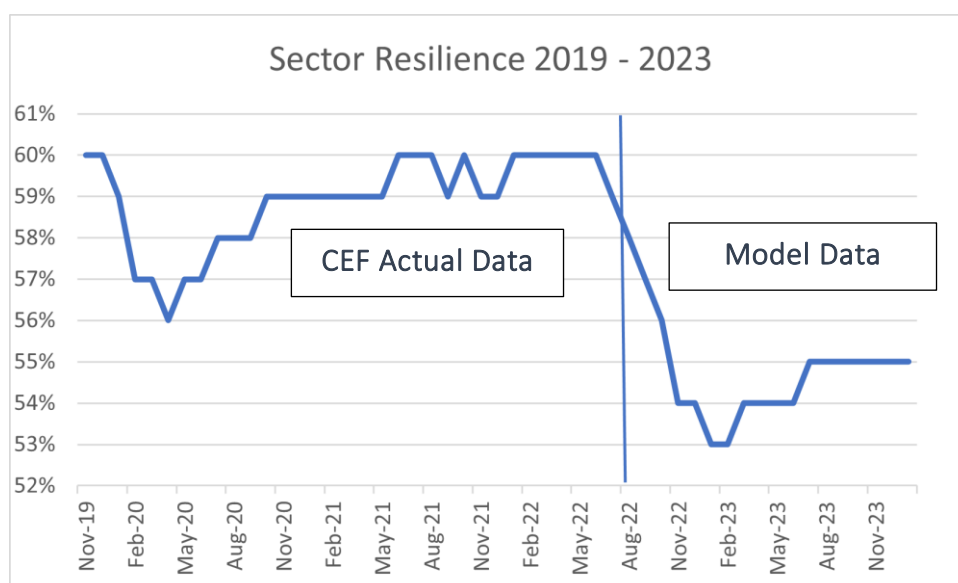
Current Situation

- The sector did not appear to return to the level of resilience it had pre-Covid and.
- Recent data shows sector resilience has been falling further since late 2021.
 - Primarily we believe due to an increasingly difficult funding environment.
- The sector is entering the cost-of-living crisis with significantly less resilience than it had at the outset of the Covid crisis.

Future Assessment

- Whilst nobody knows, the CEF (very crude) [estimate of sector Covid Funding](#) was £5 billion.

- We think it very unlikely that this very high level of funding will be available this time.
 - Government finances are in a far more difficult position and it seems likely that the focus will be on economic recovery.
 - The grant making environment has become significantly more challenging in 2022, possibly because of the very large amounts committed to Covid.
 - Some [CoL crisis funding](#) is being made available and we expect this to grow.
 - However, it seems unlikely that grant makers will be able to provide the level of funding they did during Covid.
- Based on our [Charity Sector Strategic Outlook](#) we expect the situation to deteriorate, potentially very rapidly, through to year end and at to be at its worst first quarter 2023.
 - We think that demand and costs will increase, and staffing will become more challenging.
 - The best-case scenario suggests recovery from mid-2023, the worst case not until 2024 (see below).
- Taking into account the much lower resilience and probably significantly lower additional CoL crisis funding, combined with the expected demand, cost and staffing challenges, indicates that this time there is a far higher risk.
 - Charities will be unable to maintain services during the crisis and.
 - There will be significant permanent charity closures.



If these risks collectively substantially materialise, the bottom of the crisis is likely to be much deeper and it will almost certainly take far longer for the sector to recover.

This is what the resilience graph could look like at this time next year.

The left of the graph is actual data – the dip is the Covid crisis impact. The blue vertical line is where we are now, on the cusp of the crisis, and to the right of this a model of what the future might look like if our modelling assumptions were to turn into reality. These are at Annex A and our data structure and procedures at Annex C. We would welcome critique of either, to help us improve these.

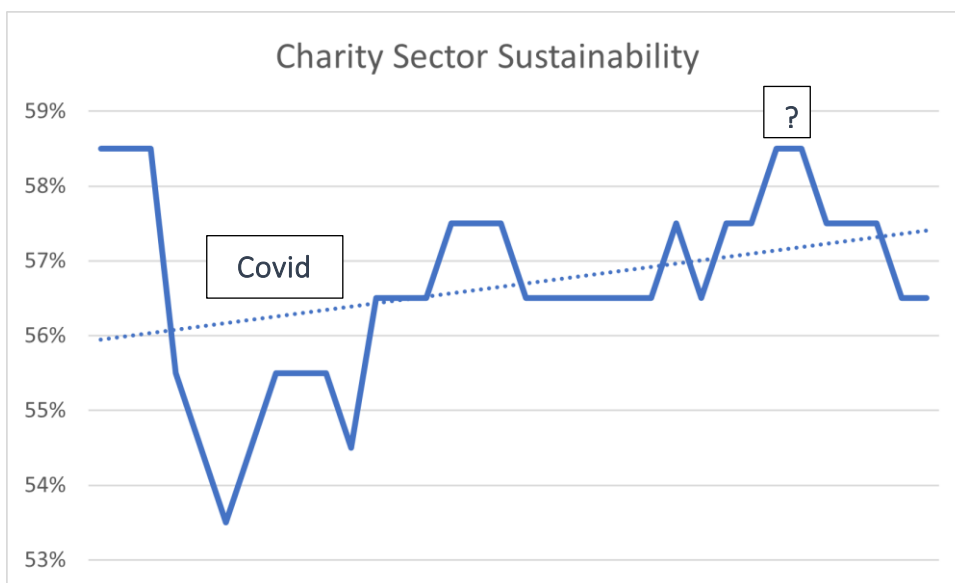
We must stress that no one knows what will happen and the model is only a planning tool to support decision making. We will update it monthly in light of any critique, growing CEF data and what happens.

Annex A below includes our ideas on how charities could begin to protect themselves, and sector bodies and government could act to prevent this happening.

Where We Are in The Context Of Covid

Sector Sustainability Model

Sustainability is the likelihood of sector charities remaining viable in the longer-term (1 year plus). The graphs cover the period 2019 to August 2022.

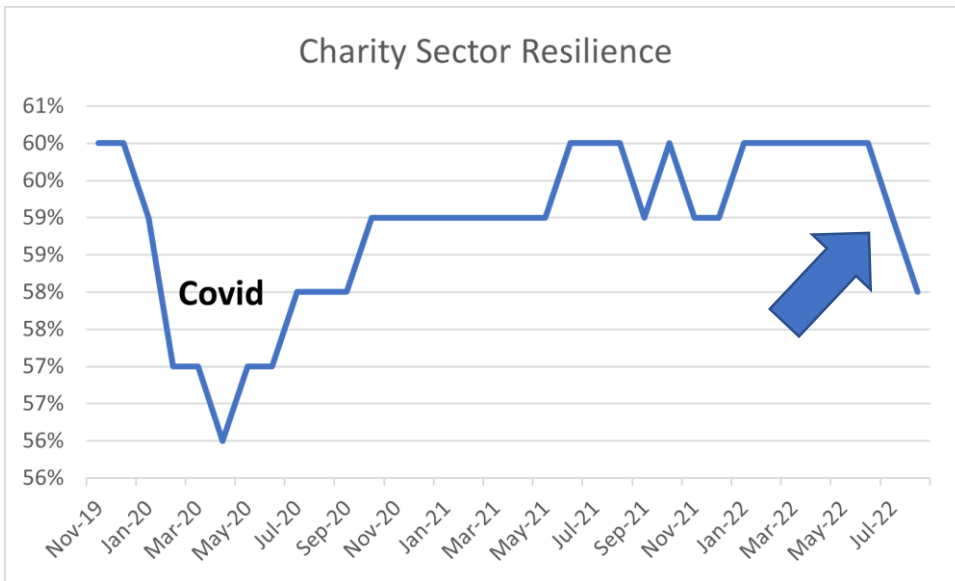


Sustainability dropped sharply during Covid before recovering to an albeit lower level.

We think the small peak in early 2022 could be part of a continuing recovery, followed by a significant decline in 2022. However, potentially, this peak may simply be an unusual fluctuation in the data.

Sector Resilience Model

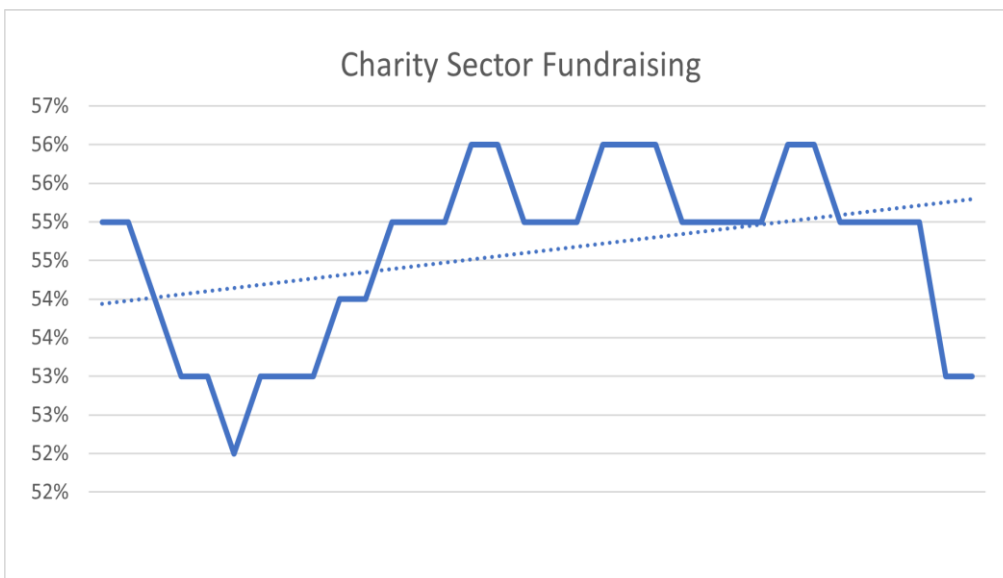
The Resilience model assesses near-term viability – within 1 year. Its tracking metrics are more relevant in crisis planning.



Resilience dropped sharply during Covid before quickly recovering to an albeit somewhat lower level. We think this is due to a very rapid response to developing new ways of working and not least, the outstanding response from funders. As funding began to fade away, there was no fall in resilience.

We think this is because the funding provided, including adaptation funding, enabled charities to get back on their feet quickly. The fall in resilience since late 2021 is statistically significant and pre-dates the latest crisis (see also the Recent Data & Trends section below).

Sector Funding Model



Securing the funding to deliver services has always been a struggle and is a key driver in the sector's resilience.

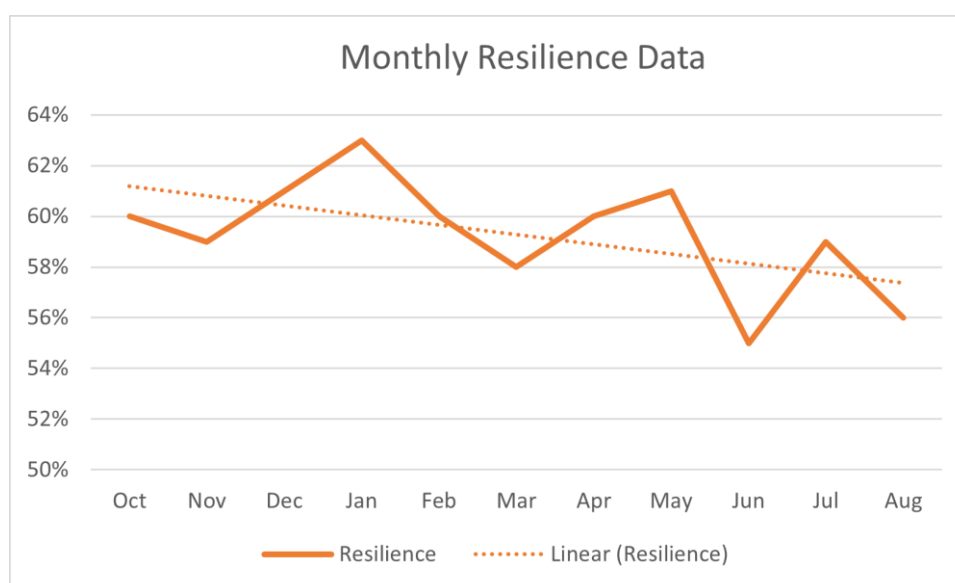
Fundraising is and always has been the weakest performing of the 21 top level models.

As Covid funding faded, it would appear that charities were successful in re-establishing their income streams and fundraising performance returned to the previous level.

However, there has been a significant fall across 2022, which reflects anecdotal and other available evidence. This recent fall is statistically significant.

Recent Data and Trends

Using data for each individual month, rather than a 6-month rolling average creates greater fluctuations month-on-month but highlights changes, more quickly. The graph below tracks resilience from October 2021 to August 2022. Sector resilience appears to have been falling since late 2021.



Crisis Tracking Metrics

The Crisis Metrics created on 21 August will enable us to track its growing impact much more closely and in more detail. Five of the 11 metrics are existing system ones. These have shown a decline over the last 6 months. The remaining 6 are based on the key issues identified in the Sector Strategic Outlook.

We will be able to report this data from end-September. As we did during Covid, it will be used to identify emerging issues and respond with toolkits and resources to support charities in responding to the most critical risks.

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Annexes

- A. Options: Responding To The Crisis.
- B. 2022/2023 Model.
- C. Interpreting CEF Data.
- D. Legal Terms Of Use.

Annex A – Options: Responding to the Emerging Crisis

Although not the only challenge, unquestionably, the combination of the poor fundraising environment, and growing demand and costs makes funding the most critical issue. There is no simple solution in the current economic climate, but there are steps that could be taken by individual charities, sector bodies and government. Our ideas on ways that might be done are detailed below.

Opportunities for Charities

- We fail to claim about £600m a year in [Gift Aid](#) alone.
 - That's just one of [many tax reliefs](#) and all can be claimed up to 4 years retrospectively.
 - That's £ billions we would get if we claimed it.
 - The links above are to CEF resources that give you what you need to do so.
- Data from the Crisis Tracking Metrics has identified charities reporting weaknesses in the following areas.
 - Charities should update their plans and budget forecasts, particularly income, to ensure that the crisis challenges are reflected in these and also:
 - Focus on delivering cost savings.
 - The 10 toolkits in the [Crisis Toolbox](#) provide practical tools to do this.
 - And should also review how they support and promote staff and volunteer wellbeing, because they will (as ever) be our greatest asset in meeting the challenges we face.

#SurviveAndThrive - The CEF Response to the Crisis

[#SurviveAndThrive](#) is our response to the crisis and the biggest ever step change in the free support we deliver to charities. The first phase launched in August 2022, with the crisis statements, [cost of living funding list](#) and the [Crisis Toolbox](#) of 10 toolkits.

The major upgrade to Funding Finder and 2 new databases (Help Finder and Data Finder) and Crisis Coalition will launch on 3 October 2022.

Charity Sector Body Support for Charities

Could work collaboratively to make:

- Charities aware of the emerging key issues and provide webinars, training and other help to support them in this.
 - The data suggests these are claiming tax reliefs, fundraising, crisis planning and promoting wellbeing and mental health.
- A compelling case to Government for why the sector is uniquely placed to play a key role in responding to the crisis – see below.

Grant Making

Our analysis of the Covid funding and lessons learned from this can be [found here](#).

Government Support for Charities

Tax cuts seem likely and would be welcome and it appears to be generally accepted that more money will have to be made available for the vulnerable. However, there simply isn't enough funding and charities are uniquely placed to support Government in reaching and delivering support to the most vulnerable. Not a handout but a share of the funding to deliver on shared priorities.

We can do so not only highly effectively but also very cost efficiently and, without it, our underpinning support to public sector social care, NHS, education and other bodies will be potentially hugely diminished. Moreover, whilst both charities and businesses face significantly increased costs, charities carry the double burden of funding the cost of increased demand for their free services. If not met, that cost will simply be transferred to the public sector and, as charity delivery is far lower cost than public services, it will be significantly greater. The reason our voice should be heard is that we would reduce both the cost and pressure on our under-funded and desperately hard-pressed public services – a key priority for all of us.

- **Tax System.** With limited funding, Gift Aid tax relief could be used to support the most vulnerable far more effectively than cutting general taxation.
 - By asking HMRC to review the Gift Aid process to relax and/or streamline it (even if only temporarily) and promote it to the many who haven't claimed or don't know how to.
- **Crisis Funding.**
 - Charities have existing networks and delivery systems that makes them uniquely placed to reach and support the most vulnerable.
 - Including the hardest hit excluded groups the public sector struggles to reach.
 - There are 20 million unpaid volunteers and only 1 million (often low paid) staff.

- The vast majority of any organisation's budget is staffing but 90% of charities are volunteer run.
 - They would deliver a far higher proportion of any funding directly to beneficiaries.
- This could be done by allocating a proportion of the available funding to large very capable charities, such as the Trussell Trust, and using them to distribute it to small charity delivery partners.

Doing so would also help to prevent increasing numbers of charities becoming insolvent in the coming months, the impact of which could be felt for years to come.

Annex B – 2022/2023 Modelling

Assumptions

- The sector will enter the crisis significantly weaker than it did the Covid crisis – based on data, not an assumption.
- Crisis funding made available will be substantially less than during Covid – seems very likely but not yet known.
 - CoL grant funding will become available but unlikely to match Covid funding levels.
 - During Covid, Government made available £750m – not known.
 - Tax cuts almost certain - charities would benefit from VAT cuts etc, but not cuts in CT or business rates.
- Demand will significantly increase, driven by economic conditions.
 - Almost certain.
- Staffing challenges will exacerbate charities inability to meet the growing demand.
 - Media reports some charities already experiencing staffing issues.
 - Escalating wage inflation most charities would not be able to match.
 - As cash runs out, charities may well be forced to make redundancies.
- The bottom of the crisis will be in Quarter 1 of 2023.
 - Impact to year end will exhaust cash & any reserves of many.
 - Costs highest in this quarter.
- Significant numbers of charities will close, as they did during Covid, but this time many will close permanently.
 - No closures this time due to the Covid virus, so maybe less overall, but permanent closures seem very likely as (for most) reserves generally low to non-existent.
- The used the crisis profile for Covid as it is 'real world' data.

This crisis will be deeper and recovery will take longer for the reasons above.

Model

- The Covid data was dropped into the future forecast, with the bottom of the Covid crisis in Q1.
- The Covid fall in resilience was 4%
 - From 60% Dec 19 to 56% in Apr 20.
- We have assumed it will be 7% this time.
 - From 60% in Jun 22 to 53% in Jan 23.
 - That may sound very large but that includes the non-crisis related fall of 2% to Aug 22.
- Consequently the Covid fall was 4% and we've assumed 5% for this crisis.
- For the recovery phase from Apr 23, the data was reduced by a further 1% to reflect the assumed much slower recovery.

The percentages referred to above are not percentage changes but the system's ratings which are the vertical scale in the graphs. For statistical reasons even small changes in these for top level models represent significant change in the real world.

Key Factors

- The most important factor is funding and also the one we are least certain about.
- If significant amounts of CoL funding are made available by charitable funders and Government that would substantially improve the forecast.

Annex C - Interpreting CEF Data

The system can provide data on any aspect of charity performance, including 'soft people' issues using a significant number of dimensions and for any time period back to June 2108. Each statement tests objective aspects of each issue and the system has anti-gaming processes, so its data is much more robust than sentiment surveys.

However, the algorithms are complex, so whilst it will provide a precise answer on almost anything, care must be taken in interpreting data to ensure that answer is what you think it is. Anyone given access to the data is required to comply with the data protocols in the CEF social franchising agreement.

Historical

1. The system holds data from mid-2018 to date – about 6 years.
2. Membership has grown exponentially since Covid, to 31,000 as at August 2022, currently growing at 1500 a month, so later years have far more data.
3. It currently holds an estimated 0.3 million data points, growing by about 10k a month.
4. The percentages reported are generated by system algorithms and have no absolute meaning.
5. These are used by charities to compare their scores to the system's sector benchmarking scores and to monitor changes over time, and also to generate the system's priority for action traffic light ratings.

6. Member in-system ratings (9/10) and longer-term impact tracking indicate that using the CEF is having a significant impact in enabling charities to drive efficiency and effectiveness.
 - a. However, due to the high and increasing rate of members, we believe this has masked this in the data reports, so is not a material factor in this assessment.

Data

7. Mapping the system's membership profile to the charity sector overall shows that it is representative of the sector, excepting CEF membership.
 - a. Is somewhat under-represented at micro-charity level (under £10k pa income) and.
 - b. Does not include the small number of charities over £10m pa income.
8. The system builds a unique framework of questionnaires for each charity, so whilst the majority of statements are scored by most charities, there are some very niche ones, scored by only a few.
9. There are 500+ individual metrics, which track all aspects of charity performance.
10. The number of questionnaires scored varies each month and between the 8 questionnaires – varying from about 35 to 120, with most about 50.
11. That is, most statements (data points) will be scored about 50 times a month.
12. As the system aggregates data, this compresses the data distribution curve.
13. More simply, fluctuations of about 1% in the top level model rolling 6 month average and 2% in the monthly average and up to 5% in monthly Crisis Metric data fall within the normal spectrum of fluctuations that might reasonably be expected.
14. That is, a change in a Crisis Metric of 5% in a month may not be statistically significant.
15. As the distribution curve is compressed, small changes may not appear to be significant, but are.

Top Level & Sub Models

16. The 21 top level models aggregate relevant metrics, from as few as 12 up to 80.
17. The numbers for those above are Sustainability (12), Resilience (46) and Fundraising (79).
18. There are also numerous additional internal models that assess issues such as innovation, wellbeing and diversity.
19. The Top Level models show the impact of the external operating environment, but because they also track internal efficiency and effectiveness, they are not directly measuring this.
20. These models are used to identify opportunities for charities to drive performance and, because many of the metrics are within charities' control, the underpinning reports and downloadable action plans are best for identifying how to improve.

Crisis Metrics

21. These track individual metrics directly related to the crisis, so provide a better measure and much more granularity, but are inevitably less amenable to charity response, because these are primarily driven by external factors.

22. There are 11 Crisis Metrics, of which 5 were already existing, so we can apply rolling averages to create robust data.
23. The 6 new metrics test the key issues identified in the [Charity Sector Strategic Outlook](#) (August 2022) and were created on 21 August 2022.
24. The Crisis Metrics will track the crisis far more effectively than the top level models and will also provide much better data about the key issues emerging.
25. We will have the first full month's data for all 11 metrics at the end of September and 3 month rolling average data by end November.
26. We intend to build out this data and understanding by using online surveys to create a very clear picture of the emerging crisis and how our charities might best respond.

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