

Charity Expectations of Recession Worsen

Expectations 50% worse than in December 2008

New research by the Charity Finance Directors' Group (CFDG), the Institute of Fundraising (IoF) and PricewaterhouseCoopers LLP (PwC) has shown that more charities are now feeling the effects of the recession, and that 56% of charities expect a decline in their income going forward.

Overall, 80% of charities are expecting income to remain flat or to decline. The new research was conducted in May 2009 amongst members of CFDG and the IoF, and it provides an update on the first 'Managing in a Downturn' survey, conducted in November 2008.

Charities have seen a greater than expected decline in almost every income stream. The exceptions are statutory income, where 83% of respondents indicated no change, although some 70% expect a decline or no change going forwards.

On the positive side, more charities are now using the recession as a management opportunity, with 78% of respondents taking action as a result of the recession, up from 71% in November 08.

But there has been little change in the number of respondents who felt they had adequate financial planning systems in place. In particular, since 'cash is king' in a recession, we are concerned that only 56% of respondents (a 1% drop from November 08) felt they had adequate cash flow monitoring systems in place.

Lindsay Boswell, Chief Executive of the Institute of Fundraising, comments:

'It's important that all charities pause to take a sense-check of thinking and attitudes to ensure a sound strategy to manage in the current climate. At the same time, fundraisers need to continue to plan for the future - building partnerships with donors and supporters, and continuing to establish meaningful and long-lasting relationships with them.'

Keith Hickey, Chief Executive of the Charity Finance Directors' Group, says:

'Good financial planning, cash flow forecasting and liquidity are essential tools for charities to maximise their position in the current climate. It must be remembered that reserves are there to help manage risks and to fund opportunities and now is the time for charities that have built up reserves to use them to maintain services for beneficiaries.'

'Finance directors need to show leadership, and they need to work closely with fundraising directors to plan for the coming year.'

Ian Oakley-Smith, Director, PricewaterhouseCoopers LLP, adds:

Many boards of trustees of charities will need to demonstrate not only strong leadership skills, but also to think strategically and to challenge perceived wisdom. In particular, they need to think about whether collaboration with other charities or even mergers might provide a more robust environment in which to operate. This may not be popular, but in some cases may help charities to maintain services to beneficiaries.

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