

THE CHARITY BAROMETER



**SURVIVING THE COVID
COCOON: HOW THE
CHARITY SECTOR CAN
EMERGE WITH A NEW
CONFIDENCE**

CHARITIES CAN TAKE A LOT OF HEART FROM THE WAY THEY ADOPTED NEW WAYS OF WORKING OVERNIGHT, AND FOUND SKILLS THEY DIDN'T KNOW THEY HAD

WELCOME

In the introduction to last year's Charity Risk Barometer I wrote that we were living 'in possibly one of the most volatile periods in modern history'. To which I can only add, little did I know...

The problems that I talked about then - ongoing austerity, fake news, political and economic uncertainty - are still around today, of course. But Covid has magnified their impact and created enormous challenges of its own.

With that in mind, it's hard to escape the sense that this is the Risk Barometer's Covid edition. Our qualitative and quantitative research found that, for a large part, charities in 2020 just wanted to get through it (didn't we all). Many faced severe funding cuts (though some became awash with short-term cash), many were overwhelmed with new demands, and all had to cope with fundamental changes to the way they worked.

If there's an upside to 2020, then it's the way charities met these challenges. Necessity is the mother of invention, and charities accelerated their digital transformation, found hitherto untapped skills, and in many cases widened their reach. That's encouraging for the future: many in the third sector are more resilient now than they were in March.

Thanks to the miracles of vaccine science, that future is within reach, even if 'normality' is not. Our charity panellists appreciated that the worst might still be to come, as corporates and councils tighten belts and emergency funds dry up. But they are starting to plan ahead. Many understand that now is the time to move from an emergency response to the considered implementation of a post-Covid strategy.

For that reason, this report is timely and important. We've based it on an in-depth survey of 252 senior charity leaders carried out by YouGov on behalf of Ecclesiastical in August 2020. Key findings were then discussed by sector experts and charity representatives at two virtual panel meetings in September 2020.

As one of the leading insurers of charities in the UK, Ecclesiastical's goal is to be a strategic partner to the charity sector. Our aim is not only to help customers identify and manage their risks but also to work with them to provide solutions for the longer term - something I believe is critical as we emerge from the fog of Covid-19.

**Angus Roy, Charity Director,
Ecclesiastical Insurance**

PUSH THROUGH THE FOG



A fifth of charities think they may not be around in 12 months. That's the stark reality of the year nobody anticipated. The short- and medium-term risk landscape for the third sector is dominated by Covid-19, just as it dominates the risk assessments of businesses, local authorities, universities and just about every other institution you could mention. Thinking beyond Covid is important, but the future is wrapped in a thick fog of uncertainty. Who knows when 'beyond Covid' might be?

And so, inevitably, this year's Charity Risk Barometer feels like the pandemic edition. Survival for the next six months is more important than planning for the next five years. Charities face other risks, but Covid has either magnified their threat or drawn their sting. In 2019 respondents to our survey put the challenges associated with attracting and retaining talent as their third biggest short-term risk. In 2020 it didn't make the top six. Reputational risk was a major issue 12 months ago, but barely warrants a mention today. In 2020, everything is viewed through a Covid-shaped lens.

Having said that, many of the risks identified by our research – and of most concern to our expert panels – are all too familiar. Covid has simply magnified the risk. Worries around funding top the list in 2020 just as they did in 2019, and dominate in terms of both short- and medium-term risk. But in 2020, 71% of respondents are more concerned about loss of funding as a direct result of the pandemic.

Charities also have serious concerns about employee burnout and meeting the needs of service users, according to our survey. They are always worried about these things, but Covid has turned background anxiety into foreground risk. How do charities fulfil their remits when they can't meet clients? How do they operate with staff who are overburdened, furloughed or scared of getting sick?

A large number of respondents (43%) identified political instability as a serious threat, but in this area too the contrast with 2019 is stark. Last year the political landscape was dominated by Brexit. In 2020 the definition of political instability has changed, with

our panels of charity leaders and experts highlighting more immediate concerns around the ever changing response to Covid-19 and the confusion surrounding regulations and lockdown rules.

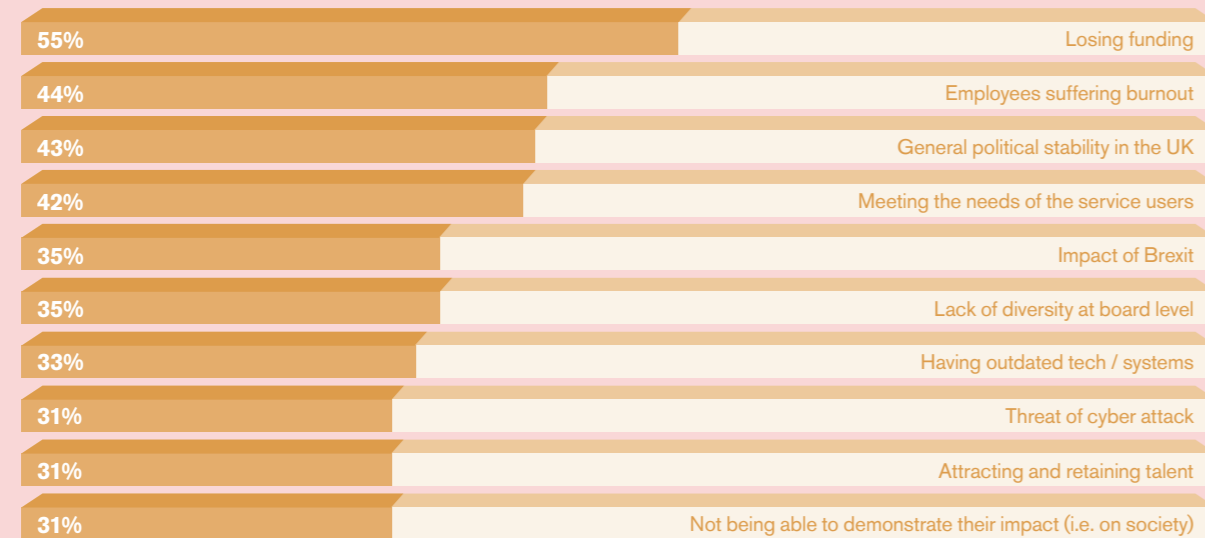
It's almost impossible to get away from Covid, but at least one risk thrown up by the events of 2020 is not directly connected to the pandemic. The Black Lives Matter movement in general and the anti-racism protests of the summer have prompted a degree of soul searching among charity leaders, who increasingly understand that predominantly white, male boards represent a growing reputational risk, and don't reflect the diversity of their beneficiaries.

That aside, Covid was always the elephant in the room in 2020, and it has created crisis conditions for the sector. Encouragingly, it hasn't led to catastrophe, or at least not yet. Our charity panellists spoke of emotions that quickly cycled from despair to resolve to determination.

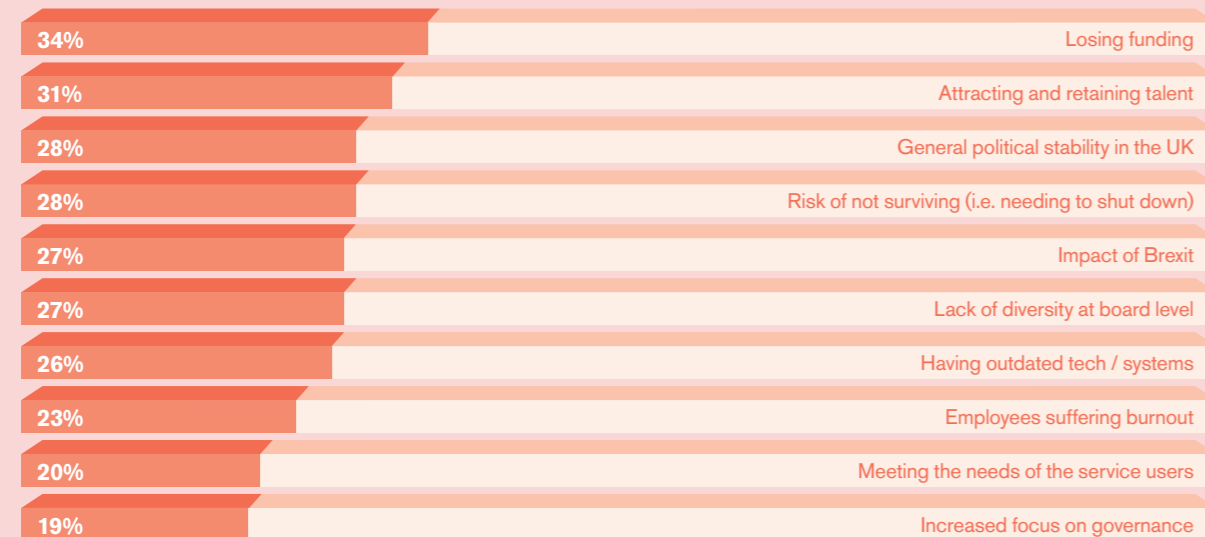
That's why, despite the gloom, our report will show a sector gradually coming to terms with the pandemic, and learning to live with it. Some charity leaders are beginning to look beyond the immediate crisis. There are challenges in that as well, especially around employee wellbeing, the role of boards and access to technology. With the country facing an extended period of Covid restrictions, the digital divide is a widespread concern. While some charities transitioned quickly and effectively to an online model, others were unable to do so.

Nevertheless, charities have proved resilient and resourceful. In many cases they are continuing to meet the needs of beneficiaries, even in the midst of a global pandemic. Covid has turned the world upside down, but it has also highlighted the inherent strength of the sector. Perhaps all this is best summed up by our panellists, who were asked at the start of the discussion to sum up their feelings in a single word. Answers ranged from 'challenging', 'disrupted' and 'endangered' to 'inspiring', 'transforming' and 'agile'. As 2020's Charity Risk Barometer will demonstrate, those one word replies neatly encapsulate the year that nobody saw coming.

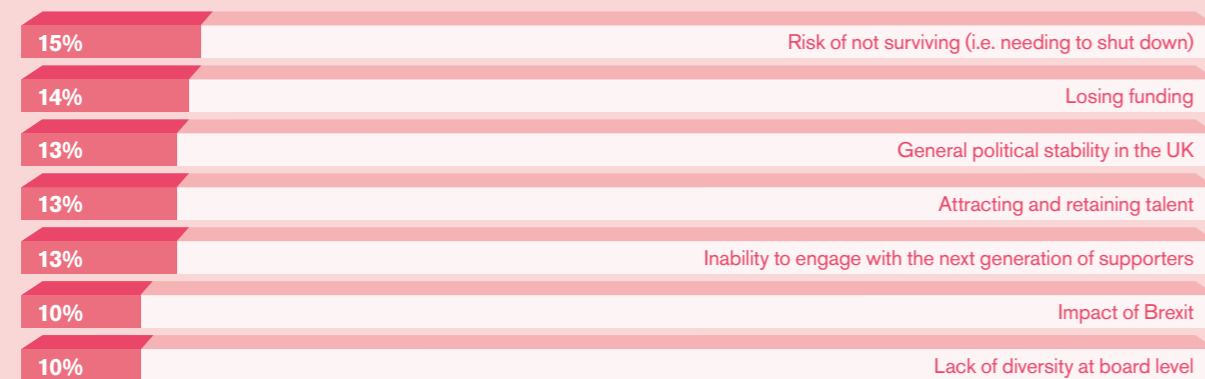
SHORT-TERM CONCERNS: 1 YEAR



MEDIUM-TERM CONCERNS: 3 YEARS



LONG-TERM CONCERNS: 5 YEARS



THE IMMEDIATE IMPACT OF COVID

The pandemic struck and funding fell. Incomes will be hit until the pandemic ends, and possibly long after that. That's a view backed by our research, which puts loss of funding as the top concern of charities for the foreseeable future. Over half (55%) see it as the main threat for the next 12 months, while 34% think it will continue to be a serious risk to their operations for the next three years. Worryingly, almost half (48%) expect their reserves to run out within a year.

None of that comes as a shock. Like all bricks and mortar retail, charity shops were forced to close for much of the spring and early summer. Social distancing made face-to-face fundraising and service provision impossible. Corporate donations tumbled as an entire summer of fundraising days was lost to the pandemic.

But while the funding crisis is clearly real, our panellists painted a more nuanced picture. Joseph Durrant-Riley, Head of Risk and Regulatory Compliance at Alzheimer's Research, said that there had been an impact on income but thankfully not the worst case scenario the charity had planned for. Sharon Spurling, head of Network Support at Carers Trust, said the shortfall so far had been less than the expected 30%.

In addition, some charities with a link to Covid or its consequences became flush with emergency funding, at least at the pandemic's outset. Others made up some of their losses by taking services and fundraising online. And charities that rely to a large

extent on national or local grants, usually awarded well in advance, were largely unaffected.

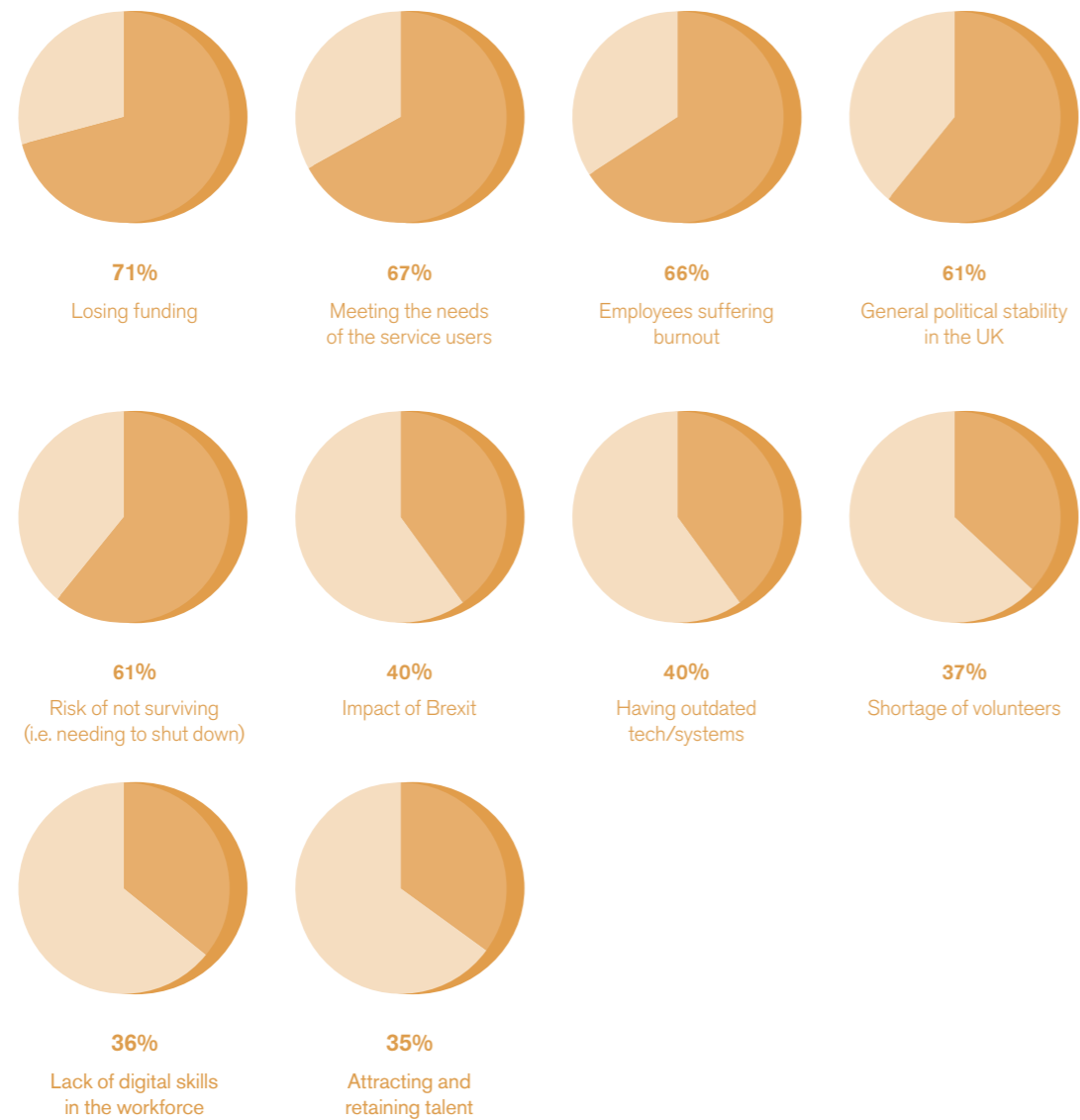
The charity sector is large and diverse, and the funding situation reflects that fact. But while some organisations weathered the first Covid wave better than others, nobody is in any doubt about the pandemic's destructive potential. Even those who had avoided worst case scenarios expressed concern that the real reckoning may yet be to come. What happens when emergency funding stops? How long will it be before individuals and corporations decide that charity donation is one outgoing they can no longer afford?

Funding was the top concern in our research for good reason. Richard Sagar, policy manager at the Charity Finance Group, said his organisation was predicting a £10bn loss of income across the sector over 2020 as a whole. 'Lots of charities are already cutting staff,' he said. 'Many more will do so after furlough schemes end. For some organisations funding has collapsed.'

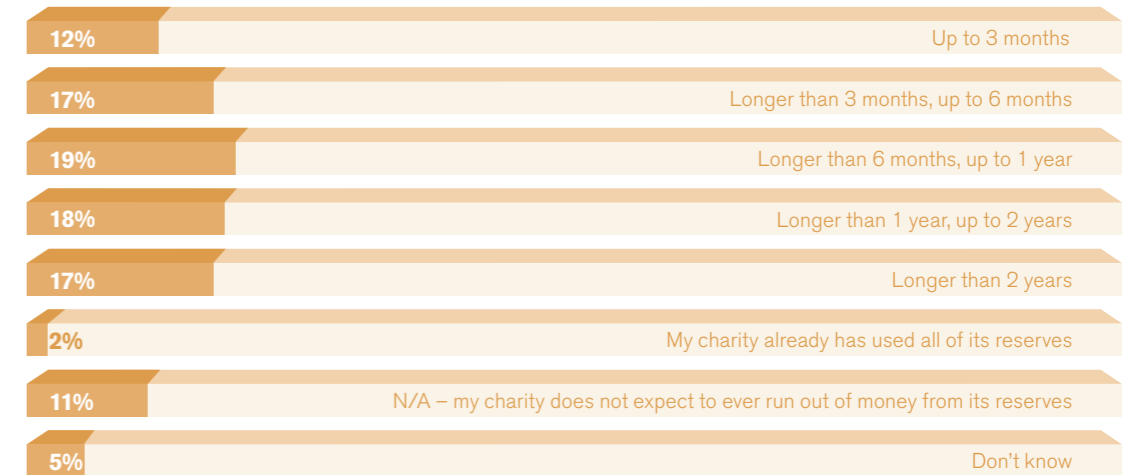
AT THE MOMENT, WE ARE ABLE TO APPLY FOR FUNDS FROM VARIOUS AREAS, INCLUDING EMERGENCY FUNDING, BUT WE KNOW HOW IMPORTANT IT IS TO DIVERSIFY FUNDING AND COVID HAS HIGHLIGHTED THIS.

AMARDEEP GILL
FUNDRAISING MANAGER, DISABILITY SPORTS COACH

WE ASKED OUR RESPONDENTS: IS YOUR CHARITY MORE CONCERNED ABOUT THE FOLLOWING RISKS AS A RESULT OF THE COVID-19 PANDEMIC?



WE ASKED OUR RESPONDENTS: FOR HOW LONG, IF AT ALL, DO YOU EXPECT YOUR CHARITY'S MONEY RESERVES TO LAST?



Employee burnout – doing more with less

With furloughed teams and quarantined employees on one hand, and spiralling demand for services on the other, many charities spent 2020 trying to do more with less. Furloughed staff feared for their jobs, while those who remained at work had to adjust to remote working almost overnight. At the same time, the closure of offices and the switch to online services heaped pressure on HR departments and IT teams. Understandably, charity leaders struggled to make sense of it all.

With that background, it's not surprising that 44% of survey respondents ranked employee burnout as a significant threat to their operations in 2020, nor that 66% were more concerned as a result of Covid-19. Two thirds said there had been an increase in stress since March.

Our panellists described a reality of reduced workforces and increased workloads. They talked about frontline staff with genuine and justifiable fears of infection. There was a sense that in the early part of the pandemic small charities in particular could do little more than 'wing it' in terms of risk management. Rita Chadha, CEO of the Small Charities Coalition, described a summer of discontent for trustees, tasked with helping unpick a patchwork of guidelines, update risk assessment policies, and plan for an almost unknowable future.

WHILE SOME EMPLOYEES WERE FURLOUGHED, SOME OF THOSE STILL WORKING SAW AN INCREASE IN WORKLOAD.

JOSEPH DURRANT-RILEY
HEAD OF RISK AND REGULATORY COMPLIANCE,
ALZHEIMER'S RESEARCH

Meeting the needs of users – doing more with less

When the pandemic arrived many charities faced the double whammy of workforces hollowed out by sickness, fear or furlough, and a rapidly escalating demand for their services. Others faced a different dilemma. The cruel reality of Covid left them unable to deliver services that were badly needed. Covid surged through vulnerable groups, making charities more vital just as it undermined their ability to act.

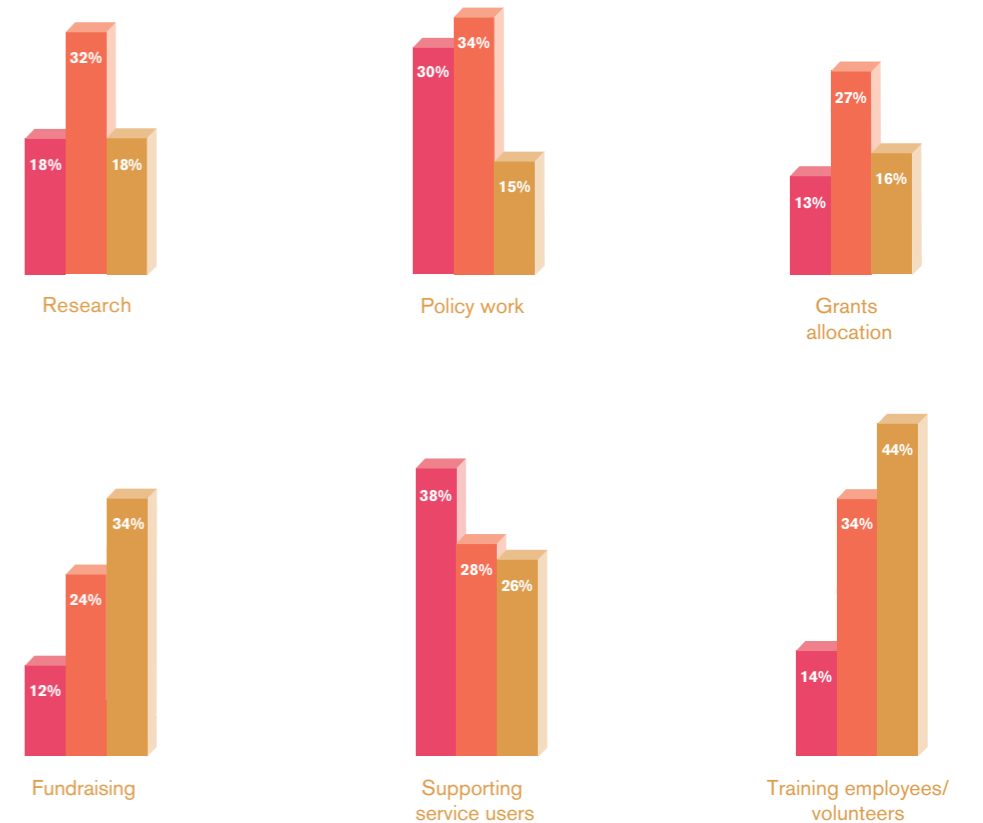
The upshot is that failing to meet the needs of service users dominated the fears of 42% of survey respondents, and 67% said Covid had made it more of a concern. This was an acute, short-term anxiety, fading from relevance when charities were asked about risks beyond the next 12 months. Charities are generally confident about their ability to meet the needs of beneficiaries under normal circumstances.

But 2020 felt about as far from normal as it's possible to get. Our survey made the contrast in experiences clear. It found that, while a significant percentage of charities had increased activities since March, a similar number had reduced them. Some charities felt overrun, while others were forced into despairing inactivity.

Our panellist experiences mirrored those findings. Louise Russell is founder and CEO of Give a Dog a Bone, a small charity that brings rescue animals and older people together for mutual benefit. Covid's arrival forced the closure of its community spaces and the suspension of core activities, leading Russell to ask herself if her charity was even relevant anymore. 'How could we be when we couldn't do what we were set up to do,' she said.

WE ASKED OUR RESPONDENTS: THINKING ABOUT THESE ACTIVITIES IN YOUR CHARITY – HAVE YOU CARRIED OUT MORE, ABOUT THE SAME OR LESS OF THEM SINCE MARCH 2020?

More About the same Less



Others were asking similar questions. Disability Sports Coach provides face-to-face services to disabled people – another vulnerable category. Fundraising manager Amardeep Gill said the groups it had to close often provided the only opportunity for service users to interact with anyone outside their immediate families. The young beneficiaries of youth charity Inclusion Ventures may have been less vulnerable to the virus itself, but according to deputy manager Sandra James were especially susceptible to the isolation, poverty and neglect that was exacerbated by lockdown and social distancing.

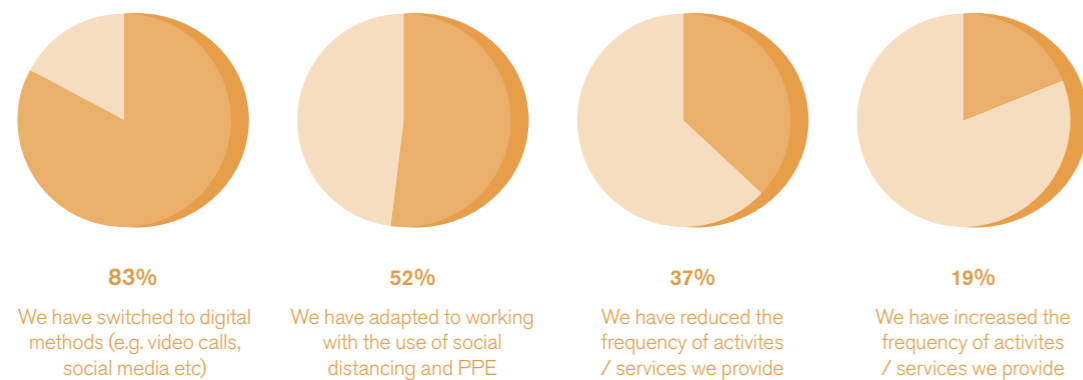
While these charities felt they were unable to offer badly needed services to vulnerable groups, at least initially, others were overwhelmed. The Carers Trust provides support to unpaid carers of ill or frail individuals. Spurling said demand rose exponentially as lockdown began, with many carers struggling to cope. Like others, the wider Carers Trust network had to immediately suspend face-to-face support activities.

IN THE INITIAL PHASE OF THE PANDEMIC, I ASKED IF WE WERE EVEN RELEVANT ANY LONGER. BUT AS TIME WENT ON, WE FOUND NEW WAYS OF WORKING AND NEW WAYS OF PROVIDING SERVICES. IT WASN'T IDEAL, BUT IT WAS SOMETHING. BEING ABLE TO ADAPT IS CRUCIAL.

LOUISE RUSSELL
FOUNDER AND CEO, GIVE A DOG A BONE

In time, many charities found new and innovative ways of meeting service user needs during lockdown, often by moving services online. We'll talk more about that later. But others were unable to exploit digital solutions, either because of the nature of their work or because service users had no access to the internet. This digital divide remains

WE ASKED OUR RESPONDENTS: WHICH OF THE FOLLOWING WAYS HAS YOUR CHARITY CHANGED THE WAY IN WHICH IT CARRIES OUT ACTIVITIES / SERVICES (EXCLUDING FUNDRAISING) SINCE MARCH 2020



a significant obstacle as charities learn to live with the pandemic and prepare for a prolonged period of Covid restrictions.

Political instability – What? Who? When?

According to our research, political instability was the third biggest risk facing the sector in 2020, with 43% of respondents seeing it as a threat in the short term. A significant number (28%) predicted that it would still be a risk over the next one to three years.

At first, this seems a surprising finding. Political instability was high on the agenda in 2019, a year dominated by the travails of a minority Conservative government failing to guide a complex Brexit withdrawal agreement through parliament. Surely a resounding victory for Boris Johnson and his 'Get Brexit Done' message in the December general election put an end to all that?

Not quite. Over a third of charities (35%) are still worried by the consequences of Brexit, with the

end of a relatively calm transition period now moving into view. But as our panellists made clear, anxieties around politics in 2020 were far more centred on the response to Covid-19. Their interpretation of 'instability' focused on vague and confusing Covid guidelines, regional inconsistencies and a government that might have been too focused on the pandemic to properly support the sector. Again and again, our panellists talked about guidelines that were unclear, difficult to access and open to interpretation. The experience of Disability Sports Coach was typical: 'There was lack of clarity from both central government and local authorities,' said Gill. 'When physical groups were allowed to return, local authority leisure centres and private venues applied different rules.'

Spurling said carers were 'completely forgotten' in the first part of the pandemic. When those caring for some of the most at-risk individuals were effectively left to muddle through, it becomes easy to see why political instability remained a priority for charities in our 2020 research.

IN TERMS OF GUIDELINES FOR WORKING WITH THE PANDEMIC, THERE WAS A LOT OF NOISE BUT NOT MUCH CLARITY. WE SPENT DAYS TRYING TO INTERPRET THEM. IT FELT LIKE WE WERE ALWAYS PLAYING CATCH-UP.

SHARON SPURLING
HEAD OF NETWORK SUPPORT, CARERS TRUST

CHANGE TO SURVIVE



Covid dominated the sector's attitude to risk in 2020. The pandemic struck like a hammer blow, forcing charities to draw on deep reserves of energy and creativity. As we approach the end of a Covid-coloured year, our research explores the way charities adapted to meet these unprecedented circumstances, and what implications that has for a sector preparing for difficult months ahead.

New revenue streams

According to our survey, 34% of charities have done less fundraising since March. The fundraising they have done may have been less profitable. Plugging the financial gap has been a huge priority for many in the sector.

As a general rule, the more funding streams you can draw on, the less severely affected you've been. Durrant-Riley said that while Alzheimer's Research had seen falls in funding from some areas, income from legacies and regular givers remained constant.

But Durrant-Riley was not alone in expressing the concern that things could get worse before they get better, and not only because of the squeezed incomes of regular donors. The longer the pandemic continues, the more that money from government, corporations and individuals is likely to be channelled towards charities with a direct link to that fight. Durrant-Riley warned that medical charities without a Covid connection could lose researchers.

Emergency funding has been a lifeline for many charities during the pandemic. Spurling said that, among the wider Carers Trust network, short-term funding was not a major issue, and in some cases income had actually risen. But like other beneficiaries of emergency funding, the fear is for the future. Those who earn fees providing local services, like social care, are particularly anxious about the decisions local authorities will be forced to make when the pandemic's financial reckoning arrives.

The best defence against all of this is to diversify funding, but how do you create new income streams in the midst of lockdown? For many charities one answer lay online. Disability Sports Coach had recently diversified funding by opening a trading arm providing face-to-face training, and was able to claw back some of the Covid shortfall by offering an e-learning course instead.

While many charities can't offer paid-for services digitally, they can raise funds online through campaigns and appeals. Or at least they can in theory. Zoe Amar, founder and CEO of Zoe Amar Digital, a social enterprise and digital agency for charities, warned that online fundraising is no quick fix. 'Many charities are very much at the start of their journey to digital fundraising. Covid shows that charities should be talking about this more,' she said.

New ways of working

Employees in every sector had been demanding more flexible working patterns before the Covid pandemic. Organisations of all kinds had been developing digital strategies. Lockdown threw all caution to the wind, achieving in weeks the kind of wholesale change that in normal circumstances would take years to realise.

Charities were forced into action. In our research, 90% of charities strongly agree or tend to agree that they have moved to a different way of working in response to coronavirus. While 29% of charities had worked remotely either entirely or partially before the pandemic, 66% have moved to remote working since. As a result, most charities (90%) increased their use of digital meeting tools.

It hasn't always been an easy transition. Many charities were not set up for a workplace revolution. Remote working policies were piecemeal or lacking altogether, and technology was not always fit for purpose. In our research, over half (53%) of respondents had found moving to different ways of working challenging, and more than a third (34%) had issues with technology.

WE ASKED OUR RESPONDENTS: HAS YOUR CHARITY SEEN AN INCREASE OR DECREASE IN INCOME FROM EACH OF THE FOLLOWING AREAS AS A RESULT OF THE COVID-19 PANDEMIC?

■ Increase ■ No change ■ Decrease ■ N/A



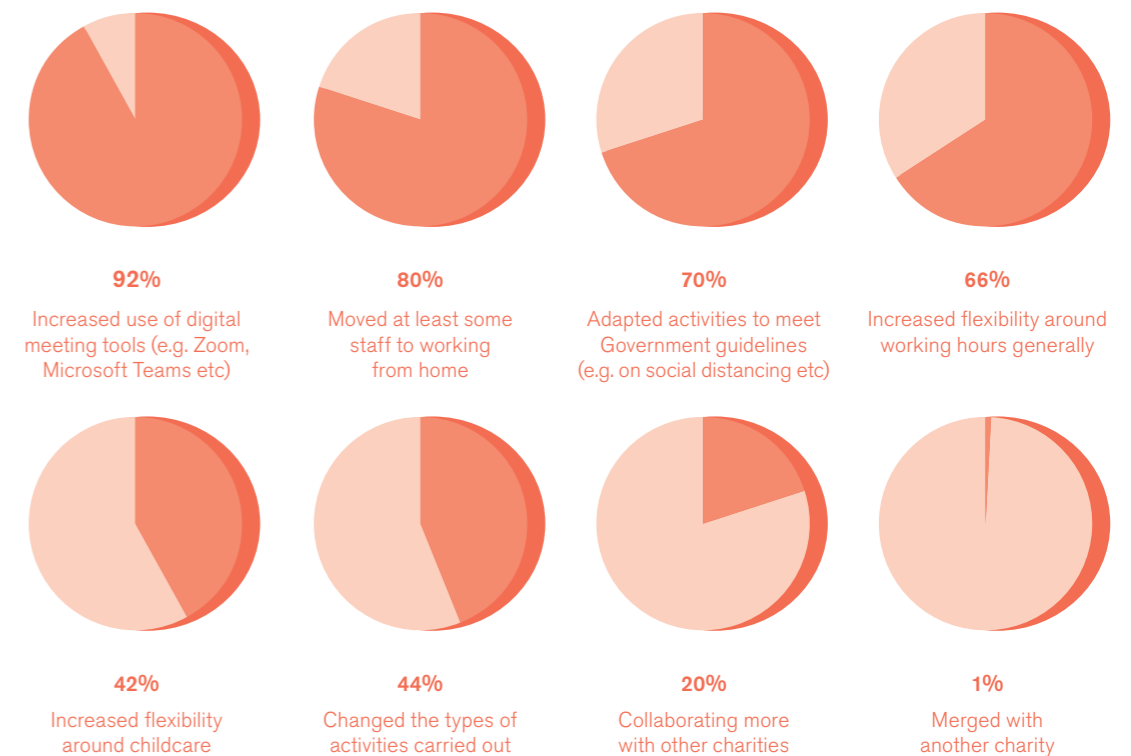
Some were further along the road to remote working than others before Covid struck. Disability Sports Coach had transitioned to a homeworking model before the pandemic, while many organisations in the Carers Trust network had to embrace online working almost overnight. That took a significant amount of effort and money. Grants were given to network members to help them get connected.

For the most part, charities got on with it because they had to. Like many others, Give a Dog a Bone instigated a policy of regular Zoom calls during lockdown to keep staff connected and nurture a sense of togetherness, but Russell admitted that 'our people weren't hired to work from home.'

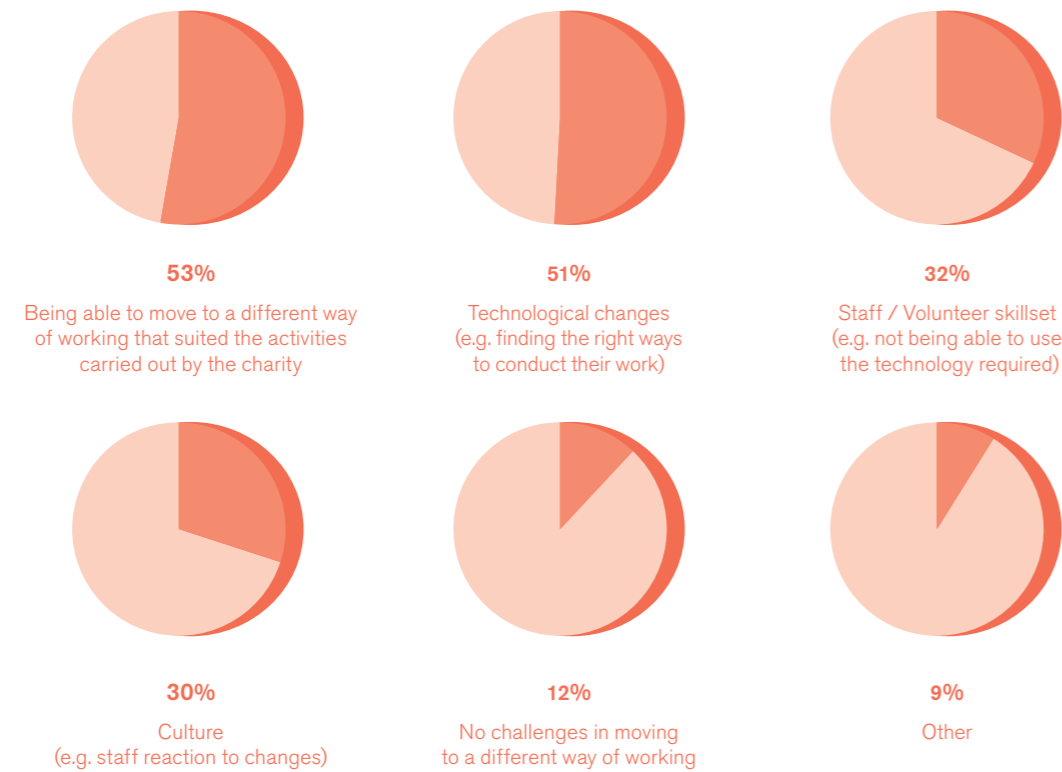
Nevertheless, she wasn't the only panel member to comment on the resourcefulness of staff, many of whom found new strengths and took on new roles to fit new priorities. 'We have skills in house that we didn't know about before,' she said.

That can only be positive for the future. In a changing world, stagnation is a significant risk. Staff have discovered skills that will be useful beyond the pandemic, and charities have shown they can adapt. The sometimes difficult transition to homeworking, and the implementation of new digital strategies, can help organisations reduce costs and attract talent in the long term.

WE ASKED OUR RESPONDENTS: IN WHICH, IF ANY, OF THE FOLLOWING WAYS HAS YOUR CHARITY CHANGED HOW IT WORKS?



WE ASKED OUR RESPONDENTS: WHICH, IF ANY, OF THE FOLLOWING WERE THE MAIN CHALLENGES YOUR CHARITY FACED IN MOVING TO A DIFFERENT WAY OF WORKING?



New ways of meeting needs

It's important to make a distinction between taking fundraising, communications and back office functions online and being able to virtually meet the needs of service users. Our panellists were split between those who embraced the opportunity to widen service provision, those for whom virtual services were only ever likely to be a stop gap, and those who were simply unable to operate at a distance.

For example, Gill said Disability Sports Coach had been inspired to create a new range of virtual services, from e-learning courses to online activity sessions, that would help the charity widen its user base in the long term, along with physical activity packs that it sent out to beneficiaries for use at home. At the Carers Trust, online support for carers was crucial during Covid and would continue to be important after the pandemic.

But Covid has also highlighted a stark digital divide. Three quarters of Disability Sport Coach's users are unable to go online independently. James said that Inclusion Ventures quickly had to resume face-to-face work, because most of the marginalised young people it deals with have no regular online access. 'The young people want to be out, and they're out anyway. We're a safe haven. We either work with them or lose them,' she said. According to Chadha, the pressure to innovate had at times been unhelpful. The expectation that charities would pivot to new service models and ways of working was unrealistic for small organisations without the necessary manpower or expertise.

Amar was encouraged by the way charities had innovated with digital services despite limited resources, but added that Covid had underlined the digital divide for both providers and users: 'There are a lot of charities that had to cancel services because either they can't deliver them online or because users can't access them online,' she said.

And Amar identified other risks with the hurried transition to online services. Were charities cyber secure and GDPR compliant? Were they adhering to online safeguarding guidelines? 'The speed with which charities went digital was positive, but some just bolted on solutions to legacy systems. They need to ask if those digital services are sustainable. I worry that some are not thinking it through.'

When lockdown measures were eased, charities that rely on physical presence cautiously returned to work. All our panellists had staff who were initially fearful, whether they were returning to an office, a sports facility or a community space. They admitted to an element of 'making the best of it' when it came to interpreting and implementing Covid guidelines. They understood that a risk to the health of staff and service users was also a risk to reputation.

Again, charities on our panels proved remarkably resilient. In all cases services resumed, albeit in limited or modified ways. Frustrations with confusing guidelines and local lockdowns remain. But they all acquired a better understanding of risk, and have put processes in place to provide services to users in a safe and socially distanced way. It's far from ideal – and far better than nothing.

Wellbeing and mental health

Returning to the work place added a new layer of stress for staff, who were naturally anxious about their own health and the health of their families. In many cases that came on top of the isolation of homeworking, adjusting to new digital ways of working, and the pressure of increased demand for services.

In our research two thirds of charities say they experienced an increase in staff stress levels, and most are offering some form of support. That includes flexible working arrangements (75%), a wellbeing policy (52%) and counselling services (46%).

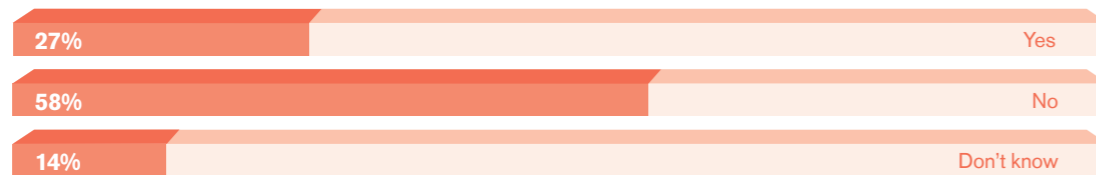
But lockdown hasn't been a negative experience for everyone. Durrant-Riley reported that many employees had adapted successfully to homeworking, and that this is something to be considered in the charity's mid- to long-term plans.

Spurling added that the increased use of digital tools had boosted collaboration and helped create stronger, more supportive relationships.

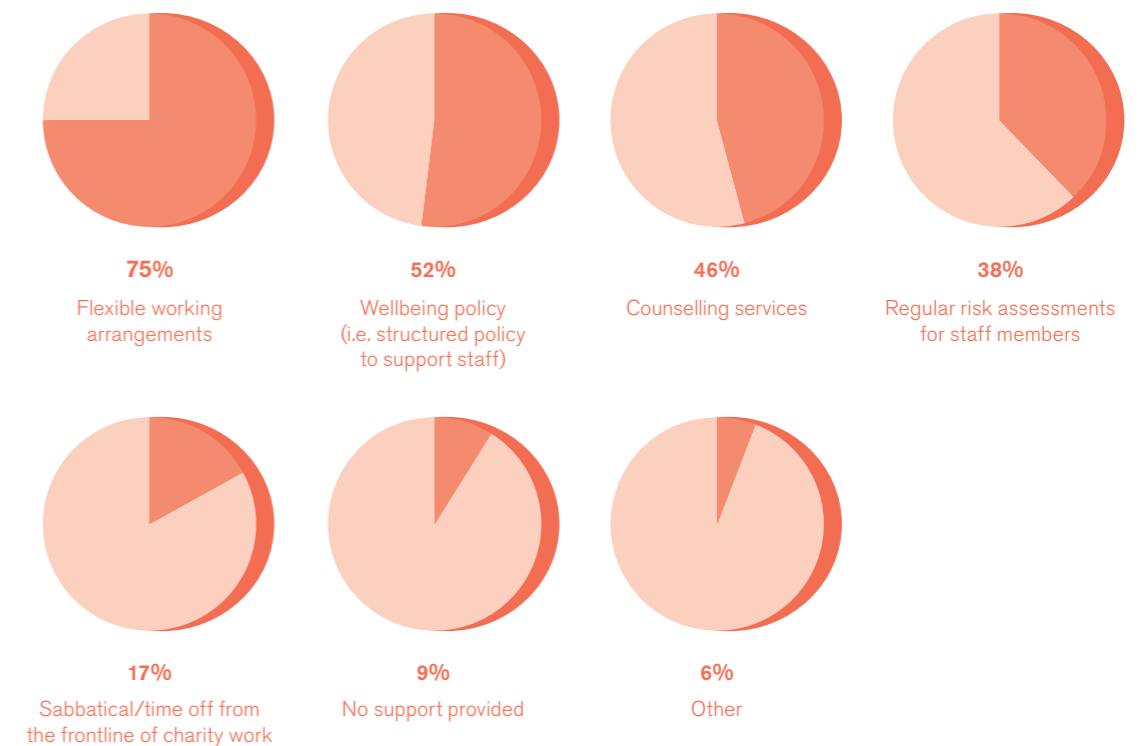
Still, the risk to wellbeing and mental health is clear, with working from home all too easily slipping into 'living at work'. In our panels, responses differed, but where possible all of the charities had attempted to be flexible and sensitive to staff concerns, and some had implemented novel measures. Carers Trust, for example, was hosting a CEO self-care workshop for network members, in the belief that CEOs who look after their own wellbeing will be in a better position to look after the wellbeing of staff.

And it was generally agreed that an increased focus on wellbeing and mental health would be one of the positive outcomes of Covid. The pandemic is far from over, and the resulting economic downturn is likely to be long and deep. Keeping staff happy and healthy will be key to long-term survival.

WE ASKED OUR RESPONDENTS: AS FAR AS YOU ARE AWARE, HAVE ANY MEMBERS OF STAFF TAKEN TIME OFF (EXCLUDING ANNUAL LEAVE) DUE TO STRESS SINCE THE START OF THE COVID-19 PANDEMIC



WE ASKED OUR RESPONDENTS: WHICH OF THESE TYPES OF SUPPORT DOES YOUR CHARITY HAVE TO SUPPORT STAFF WHO MAY BE EXPERIENCING STRESS?



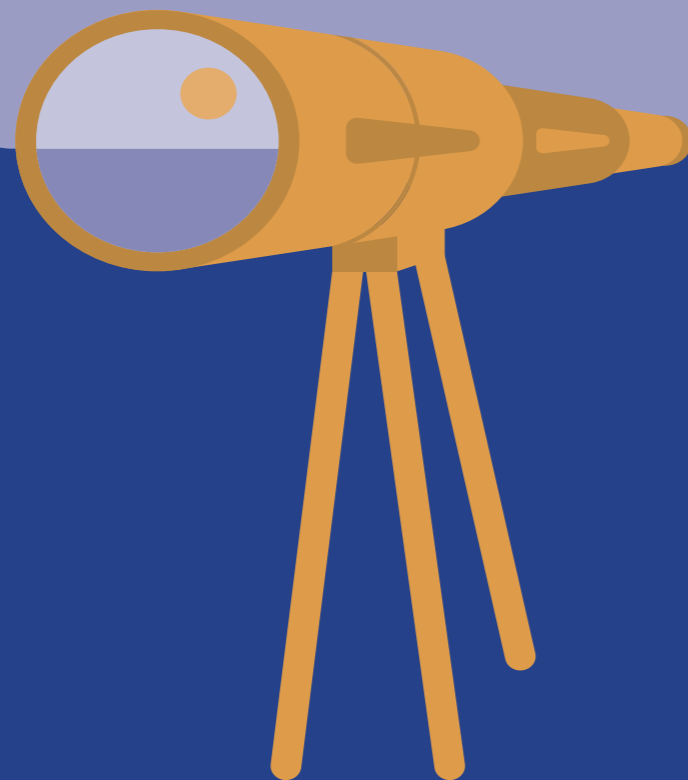
The opportunities of Covid

The onset of the coronavirus pandemic was a huge risk to the sector. It was also a moment for the kind of 'backs to the wall' resourcefulness that leads to greater resilience. Charities quickly transitioned to remote working, implemented new digital services and attempted – where possible – to diversify funding. At the same time, they had to create new risk assessments, keep dispersed teams engaged and consider the mental health of anxious employees.

A lot of this was new and uncomfortable, and sometimes the most important lesson they learnt was how much further they had to go. But at least they were making the journey.

We shouldn't sugarcoat any of this. Many charities will struggle and some won't survive. But those that emerge from Covid will do so armed with new skills, new services, and a new confidence. In the next section we'll discuss how the sector can take the teachings of Covid into a new era of uncertainty.

LOOK AHEAD TO STAY AHEAD



Some charities reacted to Covid with a mix of panic, instinct and inspiration. Some followed a plan. Over half (58%) of the charities that responded to our survey had a business continuity plan in place when Covid struck, and 21% set one up afterwards. Most (82%) of those who had a plan agree that it was effective.

Covid emphasised the value of planning ahead. With the emergency phase of the pandemic over, charities are learning to live with the new reality of remote working, social distancing and virtual services. For the first time since February, some are looking not just to survive the pandemic, but to learn from it.

The role of trustees

Trustees will be central to that effort, and the more faith a charity has in its board, the easier implementing change will be.

In that respect, trustees had a 'good' pandemic. Four out of five of our survey respondents thought boards had performed well when it came to making decisions, and trustees also scored well in measures like working remotely and helping the charity to adapt. They scored less well when it came to communication, with only 59% saying the board had effectively communicated to the wider charity during the crisis.

All our panellists agreed that trustees had generally been effective. Give a Dog a Bone's experience was typical of many small charities. Trustees recognised that staff were better equipped to tackle day-to-day operations, but would provide useful push back on, for example, implementing safety measures.

Trustees had the space to look further ahead than frontline staff, and though looking to a future

beyond Covid isn't easy, it is worthwhile. Gill said the board's longer-term focus had been reassuring. While Disability Sports Coach staff tackled the day-to-day firefighting of Covid, the board's calmer eye on a time beyond the pandemic gave employees confidence in the charity's future. Trustees have certainly been busy, and may have to get used to increased workloads as charities attempt to build back better. A potential risk is boards that are too hands off. Management decisions made in the heat of the moment need to be scrutinised for their long-term impact. That is the role of trustees, who need to be both trusted and involved.

Post-Covid planning

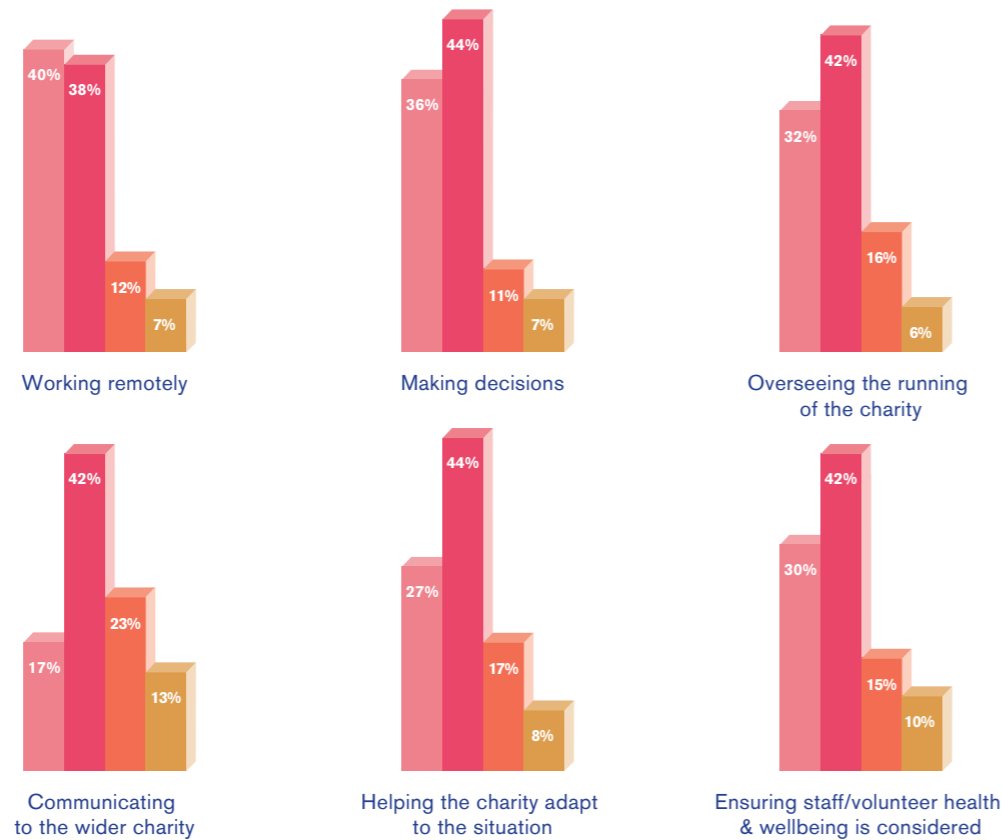
How much can you plan for a future that might start in six months, or might not arrive for three years? All our charities agreed that a longer term view was necessary, though resources determined whether or not they could actually take one. Small charities were too focused on survival to think much beyond the here and now.

The situation was a little different for the larger charities on our panel. Carers Trust had been working on a three-to-five year strategy review – paused by Covid – that was now being reconsidered. Spurling recognised a gradual shift in focus to the longer term, including the inception of an online conference on 'response and recovery' that would tackle innovation, digital transition and so on.

So what should post-Covid plans include? It rather depends on the charity, but 'increasing resilience' is the obvious theme. Covid has revealed systemic weaknesses around digital skills, funding sources and risk management. It has also presented a unique opportunity to address them.

WE ASKED OUR RESPONDENTS: HOW EFFECTIVE DO YOU THINK THE BOARD OF TRUSTEES HAS BEEN IN EACH OF THE FOLLOWING AREAS SINCE MARCH 2020

Very effective Fairly effective Not very effective Not at all effective



There is an enthusiasm to do so. The Charity Finance Group had to add an extra day to its virtual alternative finance conference to accommodate the sheer number of charities looking for new income streams. At Alzheimer's Research, thoughts have already turned to new and increased use of digital fundraising. Carers Trust network partners are taking action to protect incomes in the longer term by either embracing or backing away from local authority statutory contracts, depending on local circumstances.

There is also a determination to embed the gains made from remote working and online service provision, while tackling the risks created by the spring's digital stampede. For many charities, there is no going back to 'before', especially when attendances at Carers Trust webinars were two or three times higher than for physical pre-Covid equivalents, and Disability Sports Coach is attracting new service users with online groups.

These kinds of gains have to be consolidated and built on. At the same time, over a quarter (26%) of charities had experienced some form of cyber attack, a reminder that long-term digital strategies have to be far more coherent and coordinated than the panicked response to the pandemic's arrival. Cyber security is part of that, and so is data

protection, online safeguarding, and the mundane work of ensuring charities have the right technology and the internet bandwidth to make best use of it.

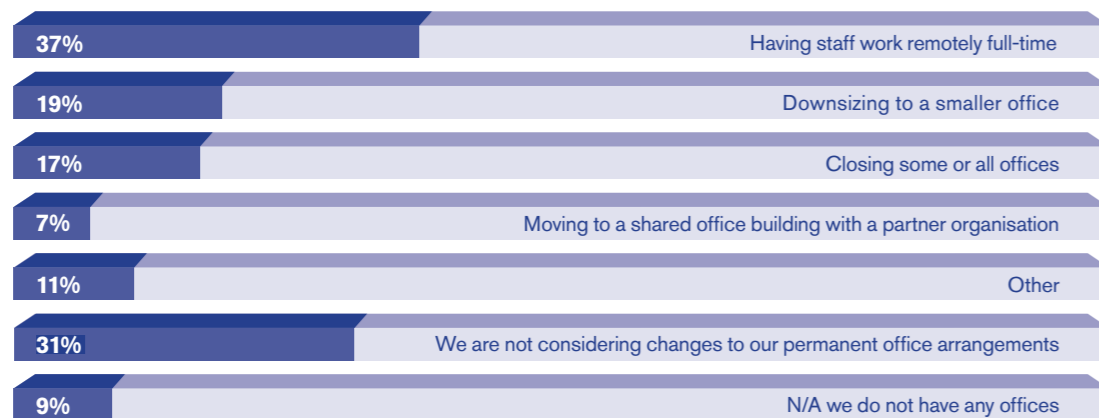
Inevitably, to plan for the longer term is to prepare for adversity. Some charities are already looking at the bigger picture, and a post-Covid world of retrenchment. In our research, 19% were considering downsizing, while the 20% who collaborated with other charities during Covid may continue to do so in the longer term, as a way of cutting costs or spreading risk. Chadha warned that trustees were all too aware of 'cliff edge points' and that a number were already asking if a post-pandemic future was realistic. She added that the Small Charities Coalition had received a steady trickle of enquiries about potential mergers.

It's easy to be pessimistic. Covid hasn't gone away, Brexit remains a threat and the social and economic consequences of climate change are still to come. But encouragingly, charities have gained a better appreciation of risk and a determination to build resilience. Most now have a business continuity plan, and of the few who don't 40% are considering one. Russell echoed the opinion of many: 'My attitude to risk has completely flipped. We're much slicker now and we have more resources focused on it.'

AT THE SMALL CHARITIES COALITION WE HAVE RECEIVED A STEADY TRICKLE OF ENQUIRIES ABOUT POTENTIAL MERGERS.

RITA CHADHA
CEO, SMALL CHARITIES COALITION

WE ASKED OUR RESPONDENTS: HOW IS YOUR CHARITY CONSIDERING CHANGING ITS PERMANENT OFFICE BUILDING ARRANGEMENTS IN THE FUTURE?



Diversity

Beyond Covid, the Black Lives Matter movement and the global protests that erupted in the summer represent a significant long-term risk to the sector. The killing of George Floyd in the US provided the spark, but inequalities highlighted by the pandemic fanned the flames. A spotlight was pointed at the lack of diversity in government, business, culture and the media. It may only be a matter of time before charities are caught in its glare.

Amar certainly thinks so. 'I think diversity is a bigger risk than anyone in the sector currently realises,' she said. 'We've seen campaigns like the social media blackout aimed at companies. It's only a matter of time before people are likely to start pointing out charities and their board members in the same way.'

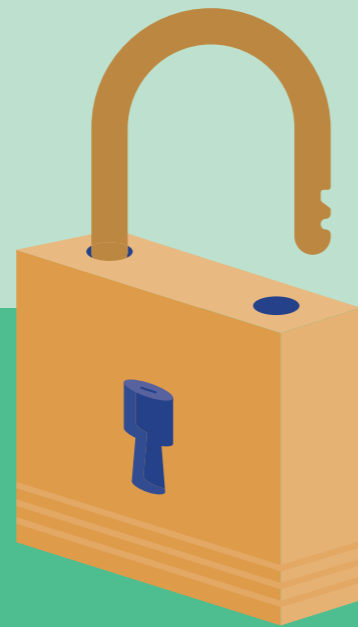
In which case, charities need to start asking difficult questions. Will your all white, all male, all able bodied board put off donors in future? Very possibly. Does it properly represent your service users? Almost certainly not.

I THINK DIVERSITY IS A BIGGER RISK THAN ANYONE IN THE SECTOR CURRENTLY REALISES. WE'VE SEEN CAMPAIGNS LIKE THE SOCIAL MEDIA BLACKOUT AIMED AT COMPANIES. IT'S ONLY A MATTER OF TIME BEFORE PEOPLE ARE LIKELY TO START POINTING OUT CHARITIES AND THEIR BOARD MEMBERS IN THE SAME WAY.

ZOE AMAR
FOUNDER AND CEO, ZOE AMAR DIGITAL

Charities are beginning to recognise the issue, with 35% identifying it as a risk in the next 12 months in our survey. Gill said that many charities will be working harder to ensure the makeup of boards better reflects and represents service users. 'Covid has given a nudge to accelerate this process,' he added. 'It is an issue that has the potential to affect funding.'

UNLOCK A RESILIENT FUTURE



The Covid pandemic undermined the charity sector's ability to organise, fundraise and deliver services in 2020. It will continue to do so in 2021, when the economic impacts of the pandemic may be even more severe. Ultimately it will lead to redundancies, mergers and closures.

Some of this is inevitable, but charities are not helpless in the face of the storm. Our research details a familiar list of threats – loss of funding, growing demand, employee burnout, instability – made vastly more acute by Covid. At the same time, this year's report highlights the ways charities have risen to the challenge, through a mix of innovation, resourcefulness and determination.

There are any number of takeaways, some entirely practical. If you haven't done so, make a business continuity plan. If you can, diversify funding streams, or at least start the journey. Create a digital strategy and review risk management, GDPR and cyber security. Remember that survival beyond six months will require a creative, collaborative and tenacious workforce, so look after it.

There are psychological positives, too. If your organisation has survived Covid, it can probably survive anything. Charities can take a lot of heart from the way they adopted new ways of working overnight, and found skills they didn't know they had.

And what to think of the future? It's tempting not to, but that would be a mistake. We don't know how long Covid will be around, or what the next threat might be. But although we can't predict the future, we can prepare for what it might bring.

After all, nobody knew that a once-in-a-lifetime global pandemic was on the way, but some charities were better prepared for it anyway. Those who have five-year strategy cycles, forward looking leadership teams and robust financial plans are better able to withstand short-term shocks and focus on how they can adapt and evolve to survive. If there's an overarching message from this Charity Risk Barometer it's probably this: planning for uncertainty is no longer optional.

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We would like to thank the following people for participating in our panel discussions and contributing to the report:

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CHARITIES HAVE RISEN TO THE
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