

# Charity Commission

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## Public sector cuts could create financial black hole for thousands of charities

**59% of charities now affected by downturn, up from 38% in September 2008**

(Immediate Release - 24th March 2010)



Research published today by the Charity Commission gives a new perspective on the extent to which cuts in public sector spending may affect larger charities\* when many public service delivery contracts between charities and public sector bodies end in March 2011. The figures are from the Commission's latest [Economic Survey of Charities](#), the largest representative survey on the effect of the downturn on charities. The independent research shows that almost a quarter (24%) of charities with an income of £100,000 or more consider public sector funding to be their most important source of income.

**Dame Suzi Leather, Chair of the Charity Commission, said:**

“Clearly severe cuts lie ahead in both local and central government resources; many local authorities are already identifying spending on the voluntary sector as being vulnerable\*\*. There is a real concern that charities which receive money from the public purse to fund their valuable work could find themselves at a financial cliff edge in March 2011. This suggests that the high levels of optimism displayed by the charities we spoke to may be misplaced. ”

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“Of course, many charities play a hugely important role in delivering public services and rely heavily on public sector funding. These charities should ask themselves: can we take steps to increase our chance of winning local contracts? Could we collaborate with another charity to reduce costs? Or are there ways to diversify our income? The Commission has produced advice and guidance to help charities during what is a very difficult and unsure time. ”

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Optimism is, of course, very important, but it must be matched by a recognition of the reality of the financial situation. We want trustees to channel their formidable energy into doing all they can to protect the valuable work of their charity. Despite what we may be seeing in other areas of the economy, our research shows that the financial recovery for charities may lag behind that of other sectors.” ”

The Charity Commission's fourth Economic Survey of Charities demonstrates the continuing effect of the recession on charities in England and Wales. The key findings of the survey of 1,010 charities, carried out by MVA Consultancy, include:

- 59% of charities report having been affected by the downturn, up from 38% in September 2008 and 56% in September 2009. Of those affected, 62% have experienced a drop in income.
- Larger\* charities have been hit hardest, with 79% feeling the impact of the downturn and a third seeing an increase in demand for services. These charities are also more likely to predict a decrease in income than small and medium charities, with 28% anticipating a drop in funds compared with 14% of small and 16% of medium charities.
- This disparity is also reflected when looking at the steps that charities have taken in response to the downturn, with 79% of the largest charities putting measures in place, compared to 31% of small charities.
- Yet, 84% of all charities said they were optimistic about the outlook for the next year. This figure has increased from 69% expressing optimism six months ago.
- Almost half of charities (47%) expect the recovery of the charity sector to lag behind that of the rest of the economy.
- International, health and social service charities have been most affected by the downturn. 74%, 74% and 65% respectively of these types of charity report having felt the impact, compared with 59% of all charities.
- 19% of charities have seen an increase in demand for services in the last six months. This compares with 17% reporting an increase in demand in September.
- 45% of the charities surveyed fundraise from the public; this is the most important source of income for almost a quarter of all charities (23%).
- Investment income continues to be the most affected, with 62% of charities with investments having seen a decrease in the past six months.

*End.*

For further information please contact the [press office](#).

## **PR 25/10**

### **Notes to Editors**

1. The Charity Commission is the independent regulator of charities in England and Wales. See [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk) for further information or call our contact centre on 0845 300 0218.
2. The survey of a representative sample of 1,010 charities in England and Wales was carried out by MVA Consultancy between 25 January and 12 February 2010.
3. \*Where the research distinguishes between different sized charities, the categories used are small (incomes under £10,000), medium (incomes between £10,000 and £99,999), large (incomes between £100,000 and £999,999 and largest (£1 million or more). 'Larger' is both large and largest considered together.
4. \*\* A BBC survey sent to 150 chief executives of county and unitary councils and metropolitan and London boroughs was published on 1 March 2010. In answer to the question "Which spending areas do you think are most vulnerable to the squeeze on spending in the next 3-5 years?", of the 62 councils which responded, 32 identified funding of voluntary organisations as being vulnerable.
5. In June 2009, the Charity Commission published its '[Big Board Talk](#)' - 15 questions all charities need to ask.

6. The Charity Commission has compiled the information charities need in order to understand, prepare for and react to the changing financial situation. This information, which includes the previous economic surveys, can be found on the [Commission's website](#).

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