

### **Written Evidence submitted by Association of Chief Executives of Voluntary Organisations (ACEVO), Charity Finance Group, Children England, Clinks, Directory of Social Change, Lloyds Bank Foundation for England & Wales, Locality, National Council for Voluntary Organisations (NCVO)**

#### How well the funding has been distributed and is it achieving its objectives?

This evidence is supported by the following organisations. Together we represent the voluntary sector across England and Wales:

- Association of Chief Executives of Voluntary Organisations (ACEVO)
- Charity Finance Group
- Children England
- Clinks
- Directory of Social Change
- Locality
- Lloyds Bank Foundation for England and Wales
- National Council for Voluntary Organisations (NCVO)

#### Summary

- Charities have played a critical role in supporting people and communities during the pandemic. They have seen rising demand at a time when many income sources have diminished or ceased altogether.
- Government has looked for data about charity closures to understand needs, but this fails to recognise why charities exist or how they operate. They are more likely to contract than close, but in doing so, they are less able to meet rising levels of need.
- Grant funding is a critical source of income for charities. No other form of government support is as effective in enabling charities to respond to needs.
- There is inconsistent data available to understand if the funding has reached the most marginalised communities.
- There has been a lack of communication and transparency about the availability of government support for charities.
- Funding was slow to be made available and further hampered by additional layers of bureaucracy.
- Introducing the Community Match Challenge months after the funding was initially announced led to further delays in distribution.
- Following lengthy government delays in making money available, many charities then faced excessively short application windows and smaller periods over which to spend money.
- Where charities only had a small amount of time to spend funding, this reduced the impact and effectiveness of support.
- There are some examples of funding being distributed more effectively, such as through the National Lottery Community Fund.
- Charities face ongoing rising needs and more support is needed to ensure people can access the help they need as the long term impacts of the pandemic continue to be felt.

## Introduction

This response considers Government's support for charities in terms of:

1. The scale of the support made available
2. How the support was made available in terms of the speed and distribution mechanism

The response identifies challenges with the support available to charities during the pandemic. However, this is not to disregard the value of the funding made available to those who have been able to access it. The £750m announced by the Government in April 2020 has been an important source of support for many charities, but the scale of support has fallen short of the needs in communities and the speed at and way in which it has been distributed has limited some of the impact of the funding.

## Understanding the nature and role of the charity sector in responding to the pandemic

There are almost 170,000 charities registered with the Charity Commission for England and Wales, delivering a huge range of services in different ways to different groups and communities, as well as important advocacy and representation work. While no charity has been untouched by the impact of the pandemic, different types and groups of charities have been affected in different ways, due to the different communities they support, their funding sources and the ways in which they deliver support. The government's response to the sector has been hindered by a lack of understanding about this diversity, and so support has not always effectively met the needs of different types of charities.

The majority of charities are small (with an annual income of under £1m), and are often embedded in the communities they serve. This meant that they were uniquely well-positioned to respond in a local way to the effects of the pandemic. Research commissioned by Lloyds Bank Foundation<sup>1</sup> found that many smaller charities 'showed up' and then 'stuck around', using their position of trust within communities experiencing complex social issues to support people when they need it most. This is in contrast to parts of the public sector, who were slower to react early on, and informal support and mutual aid, which has dissipated over time.

Many charities were already supporting those affected by issues such as homelessness, domestic abuse and mental health before the pandemic, who became key groups in need of support when the pandemic hit. The disproportionate impact of coronavirus and lockdown restrictions on these key groups meant that charities had no choice but to step up to respond to increasing needs amongst their communities. Government support packages (alongside support from independent grant funders) recognised charities working in areas such as domestic abuse, mental health and hospices, and the role of small and locally-embedded charities in particular. These funds were welcome in enabling some of these charities to respond to rising demand, though they continue to face longer term pressure in the coming months as lockdowns are eased, and there have been significant impacts on the wellbeing of staff and volunteers at risk of burnout.

Other charities, such as those supporting people affected by cancer or other medical conditions, have also seen the detrimental impacts of the pandemic on the people they support, and an increased need for support, but weren't recognised by government as a priority in the same way. At the same time, these

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<sup>1</sup> Value of Small in a Big Crisis <https://www.lloydsbankfoundation.org.uk/we-influence/the-value-of-small-in-a-big-crisis>

charities have seen income, largely from public fundraising, plummet, leaving many charities with no choice but to reduce their staff numbers and the level of support they can provide, despite clear need for their services.

*“Being able to provide our work digitally has financial implications, we do not have the resources to cover this. We also do not have the resources to keep staff in roles due to our income stream being cut off that support these roles. The demand has risen for support yet our resources in terms of staff have reduced significantly.”*

(health charity)

For all charities, the impact of the pandemic will continue into the longer term. The level of need amongst the people they support remains high, particularly the need for services such as food provision and mental health support, at a time when public services are overstretched and dealing with a backlog. There are also challenges for specific sectors, such as domestic and sexual abuse services, where survivors may have been less able to come forward for support, and many charities anticipate further rises in demand as lockdown restrictions are eased; or charities supporting those in the criminal justice system, who have been less able to engage with those in prison who have been under tight restrictions for the past year, with needs increasing. At the same time, charities’ ability to fundraise remains limited.

## The scale of the support

### There has been a sustained rise in demand for support from charities

The need for support during the pandemic has been unprecedented.

*“This crisis has only exacerbated existing health and social inequalities in our community, leading to a devastating impact of people’s mental health. In November 2020, our crisis support service... received 300 referrals from people experiencing an immediate crisis in their mental health. This is 40% more than the same period in 2019.*

(small and local charity in Yorkshire)

*“We have had a 300% increase in the volume of calls to our organisation over the last 8 months”*

(small and local charity in North Wales)

The growth in demand has continued throughout the pandemic, with research published in March 2021 showing that 48% of charities expect an increase in demand for their services over the next month<sup>2</sup>.

### The capacity crunch of rising demand and fewer resources

By June 2020, it was anticipated that charities faced a £10.1bn funding gap and the loss of 60,000 jobs over the course of the crisis. A net balance of 56% of charities have seen their earned income decrease (earned sources make up £1 in every £4 of charity sector income), with a net balance of 38% of charities having seen their public donations fall. Overall, almost half of charities saw their total income decrease over 2020 – and the amount at which income increased for 26% of charities was far outweighed by the losses experienced by the majority. Nearly a quarter of charities saw their income fall by more than 25%.<sup>3</sup>

While the £750m provided by Government would be a significant sum under any other circumstance, it fell substantially below the funding needed to meet growing needs in communities - needs which in many cases the state was unable to address directly, whether because of the limits on its own resources or ability to reach into communities where charities are embedded. The quantum of funding available also

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<sup>2</sup> Respond, recover, reset: the voluntary sector and COVID-19 [http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021\\_DIGITAL.pdf](http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021_DIGITAL.pdf)

<sup>3</sup> Covid charity tracker survey results: <https://www.probonoeconomics.com/january-11-18-covid-charity-tracker-survey-results>

fell far below that provided for other sectors that were not facing the same demands. For example, £1.57bn was initially provided to the arts and culture sector via DCMS. This is not to deny that other sectors needed support, but it points towards a lack of recognition of the scale of support needed to meet the demands of people and communities at a critical time.

### A lack of understanding of the role and needs of charities

Government has frequently looked for evidence of charities closing as fundamental to the case for support. However, this fails to understand the reality of the sector or why it exists. Charities are expected to contract more than close. Typically grown from voluntary roots, charities contract and grow according to need and resources. With fewer resources they can provide fewer services, but they may still exist.

Charities do not exist for charities' sake. They exist to meet needs that are not met elsewhere. When charities contract, more people go without the support they need - research in the sector consistently demonstrates rising demand and anticipation of further spikes in demand as lockdown eases once more and the long term impact of the pandemic on people's lives continues to unfold.

*"we are anticipating a tsunami of need to start coming through the doors as people who were unable to be evicted during COVID19 start to receive eviction notices."*  
(a small and local charity supporting people facing homelessness)<sup>4</sup>

Conversely, this will drive up costs for government as more people will need more support from public services which themselves are facing further financial pressures. The growth in demand without sufficient support to meet it already meant that 48% of charities had reduced activity in a significant way by September 2020<sup>5</sup>.

Monitoring reports submitted to Lloyds Bank Foundation continue to reference growing waiting lists alongside expectation of further spikes in demand as lockdown restrictions end and the long term impacts of the crisis continue to unfold.

*"Our counselling service has a long waiting list (it has doubled since 2020) and we are aware of this unmet need"*  
(small and local charity supporting carers)

### Grant funding has been, and will continue to be, critical

As charities have continued to adapt to the crisis, and maximising the impact of all sources of support (whether government funding, emergency support from independent funders or making use of other schemes such as furlough), the funding gap is now believed to be smaller - but still significant and indicating that needs cannot be met with existing resources. Grant funding (whether from government or independent foundations), while still too low to meet needs, has been critical to ensuring charities can deliver as much support as possible - it is the only area of funding where more charities have reported an increase in funding than decrease, whether because trading had to cease or fundraising cancelled for example.

*"Our income from food sales is down by 75%"*  
(small and local charity in the south east of England)

However, these increases were significantly outweighed by the reductions in funding elsewhere.<sup>6</sup>

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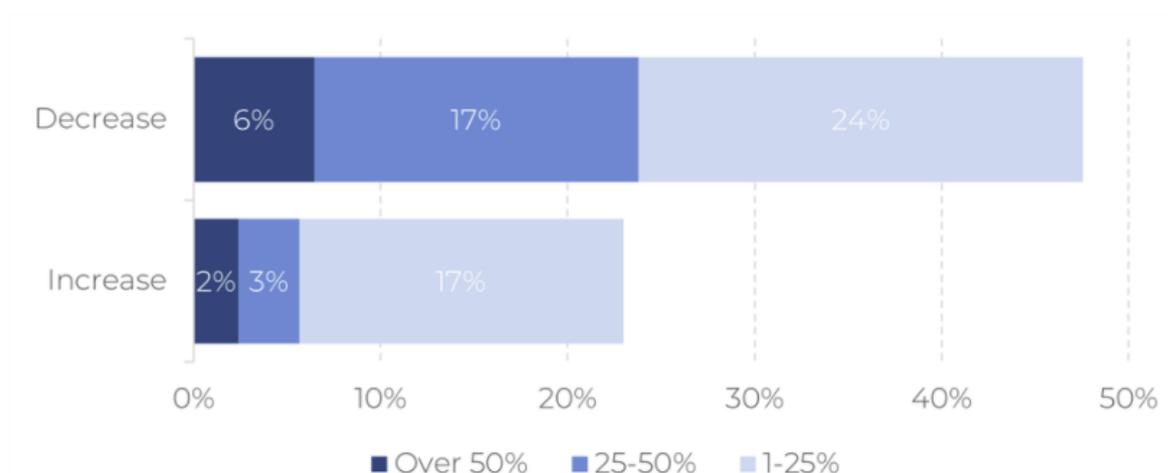
<sup>4</sup> Small charities responding to COVID-19: Winter update

[https://www.lloydsbankfoundation.org.uk/media/dtqlksfd/lbfew-small-charities-responding-to-covid-19\\_winter-update.pdf](https://www.lloydsbankfoundation.org.uk/media/dtqlksfd/lbfew-small-charities-responding-to-covid-19_winter-update.pdf)

<sup>5</sup> The charity sector through covid <https://www.probonoeconomics.com/the-charity-sector-through-covid>

<sup>6</sup> January 11-18 Covid Charity Tracker Survey results <https://www.probonoeconomics.com/january-11-18-covid-charity-tracker-survey-results>

Size of decrease/increases in income between 2019 and 2020, all charities



Note: Residual is "about the same" and "don't know"

Source: PBE survey, 11-18 January 2021. n = 248

Grant funding from Government was particularly important because other government support systems were not well suited to the needs of charities that need to 'mobilise, not mothball'<sup>7</sup> due to the increased demands on their services as people and communities faced greater challenges. While many charities did make use of the furlough scheme when their finances were under extreme pressure, in so doing, charities had fewer people to provide vital support in communities. Many charities have had to make redundancies - yet, unlike in the private sector, this is not due to a decrease in demand for their services; it is because of pressure on their finances at a time when demand for their services is in fact rising.

### Supporting the most marginalised communities

Much has been written about the disproportionate impact of Covid on different communities. However, as the recent NAO report<sup>8</sup> identified, there is inconsistent data available on the geographical distribution of the government Covid funding for charities. Similarly, there is a lack of clear data about whether funding reached the communities facing the greatest challenges. Many organisations supporting marginalised communities, such as Deaf and Disabled Person Led organisations, were in a more precarious situation before the pandemic hit, due to years of underfunding, and have not been able to access any of the funding made available by government during the pandemic<sup>9</sup>. While individual funders may have targeted or ring-fenced support, such as for Black, Asian or minority ethnic-led charities, the funding announced by government did not set out such ring-fencing - doing so would have helped to ensure funding reached more diverse communities.

### There has been a lack of clarity about the funding

Communication and transparency about distribution of the emergency fund has been poor. Infrastructure charities have consistently sought to understand what funding would be available when and to whom, to help charities prepare to apply. The NAO report<sup>10</sup> shows that £513m has been

<sup>7</sup> [https://cfg.org.uk/mobilise\\_not\\_mothball\\_campaign](https://cfg.org.uk/mobilise_not_mothball_campaign)

<sup>8</sup> NAO: Investigation into government funding to charities during the COVID-19 pandemic  
<https://www.nao.org.uk/report/investigation-into-government-funding-to-charities-during-the-covid-19-pandemic/>

<sup>9</sup> <https://www.disabilitynewsservice.com/government-treats-disabled-people-with-contempt-by-handing-2-4-million-to-charities/>

<sup>10</sup> NAO: as above

distributed through almost 200 partner organisations and 7 separate schemes. Convoluted, complex systems have made it more difficult for charities to know where to apply and also sought to complicate the awarding of funding amid concerns that charities may be 'double funded' by government. Charities would have been better able to meet needs through a much simplified process that allowed for a quicker distribution of vital funds.

The Directory of Social Change has submitted successive FOI requests to subsequently understand how funding has been distributed but the NAO report shows that there is still a patchy understanding of which charities have received funding, for what or where they are. From the information available it appears that the funding provided by government during the pandemic will only have reached a tiny fraction of those in need of support to meet growing needs.

## The distribution of funding: The speed at which funding was available

### Funding was slow to be made available

The £750m announced by the Chancellor on 8 April 2020 recognised that

*“charities have never been more needed than they are now; and they’ve never faced such a sudden fall in their funding”.*<sup>11</sup>

Charities saw some income sources disappear overnight, at the same time as people needed unprecedented levels of support - both for the issues they already faced, as well as the new challenges presented by the pandemic, from access to food and other essentials to tackling the isolation of life under lockdown. Yet, despite the urgent need for support the NAO reports that:

*“By the end of July 2020, more than three months after the announcement, charities had received £103 million, 21% of the £494 million available for disbursement. This rose to £359 million (73%) by the end of October 2020 and £431 million (87%) by the end of January 2021. As at 19 February 2021, just over one month before the Department expects all funding to be disbursed, £454 million (92%) had been disbursed. A further £18 million had been awarded to charities but not yet disbursed. The remaining £23 million had not yet been awarded or disbursed to charities.”*<sup>12</sup>

It is very concerning that the slow speed at which some funding has been allocated could mean that some funding risks being returned to HM Treasury at a time when so many people need support and charities do not have the resources to meet demand:

*“The Department intends to award and disburse funding until 31 March 2021, and any funds remaining undisbursed or unspent by the Department, its partners or recipient charities after this date are expected to be returned to HM Treasury.”*<sup>13</sup>

The Youth Support Fund is at particular risk here, with £0 of the fund having been awarded or disbursed by 19 February 2021, 6 weeks before spend had to be completed, with the fund only launched for applications in January 2021.<sup>14</sup>

## Additional layers of bureaucracy further slowed distribution

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<sup>11</sup> Chancellor's statement on coronavirus (COVID-19): 8 April 2020

<https://www.gov.uk/government/speeches/chancellor-of-the-exchequer-rishi-sunak-on-economic-support-for-the-charity-sector>

<sup>12</sup> NAO: as above

<sup>14</sup> NAO: as above

The speed at which funding was distributed was further hampered by additional layers of bureaucracy that appear to be unique to charities. For example, DCMS contracted PricewaterhouseCoopers (PwC) to review awards proposed by the National Lottery Community Fund. The National Lottery Community Fund is an organisation that has been established over many years to distribute grant funding. It is the largest grant funder in the UK. It has long-standing expertise in distributing large sums of money. Yet Government introduced additional processes to oversee the grant making process. Concerns about this approach did lead to a shift in policy so that DCMS and PwC only reviewed grants of £10,000 or more - despite National Lottery Community Fund's experience of making grants substantially greater than this. That only two applications were rejected by the PwC panel indicates that this additional layer of scrutiny was hardly necessary<sup>15</sup>.

This is just one example of how funding for charities was subject to required more checks and balances than support available for businesses. Grants for businesses were made immediately available in April. Grants for businesses required some businesses to simply provide basic details such as their postcode and bank details. Charities had to wait months to access the first tranches of support and when they did, they had to go through application processes and meet specific criteria to try and access support - and in the National Lottery Community Fund example above, decisions then had to be approved by further panels.

For funding distributed through government departments, departments themselves had to bid for funding to then distribute to partners, with far more levels of decision making than funding provided to businesses :

*"After applications were scored by departmental officials, they were considered by a panel including special advisers from the Department, HM Treasury and Number 10. The panel grouped some applications by theme and ministers were asked to approve 21 projects worth £160 million, including one of the Department's own projects."*<sup>16</sup>

## The distribution of funding: The speed at which charities had to apply and spend money

### Government dealt with their own delays by passing challenges onto charities

While charities faced long waits to access funding initially announced on 8 April 2020, some then faced absurdly tight turnarounds in which to make applications. For example, MHCLG opened a call for applications for refuge funding at 5.49pm on Thursday 7th May, with a deadline of 14th May - seven days, including a weekend and bank holiday. After lobbying from the sector over the bank holiday weekend, the deadline was extended by one week. Charities eligible for this funding were already overstretched. Most do not have bid writing teams - applications are often written in evenings and weekends, with short deadlines making it even more difficult for smaller, specialist services to apply. Lloyds Bank Foundation provided some support to enable charities to access consultancy support with their applications given the conditions under which they were forced to compete.

### Charities had less time to spend money which impacted its effectiveness

Where funding decisions were delayed, the length of time over which funding can be used has also been problematic - not least it has been difficult for charities to plan how to make best use of funding, with little information and very short timescales when funding is eventually confirmed.

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<sup>15</sup> NAO: as above

<sup>16</sup> NAO: as above

In another example, sexual abuse charities were asked to provide, within a three day turnaround at the end of March, a Red-Amber-Green rating for contingency and scenario planning. At this time there was no indication of possible funding. These charities received no more information until June, when rape crisis centres were invited to apply for funding that had to be spent within six months. In having no knowledge of forthcoming funds or timescales, charities could not plan for the best use of funds. In this scenario, had charities known the plans they would have been able to plan for recruiting more counselling staff. Without this information, some charities were unable to increase their counselling capacity because from the point at which they were aware of the funds and before the funding ended, there would be too little time for counsellors to be recruited and given case loads. Instead, too many waiting lists for counselling support continued to rise. The funding could have been used much more effectively if:

- (a) charities had some warning it was coming;
- (b) it had been released more quickly; and
- (c) it could be spent over a longer period of time.

Where government is responsible for delays in allocating funding, the negative impacts of this should not be passed onto the charity. Instead, government should provide flexibility on when the funding has to be spent, so that there is still a reasonable time for the funding to be used to achieve maximum impact.

### Introducing additional players to distribute funds added further delays

As the NAO report sets out, some of the money originally allocated to the National Lottery Community Fund was reallocated to the Community Match Fund. By inviting independent funders to apply to the match fund in July and August, the distribution of funding was further delayed - as successful independent funders would then need to run their own application processes to establish how funding would be awarded.

For example, Lloyds Bank Foundation for England & Wales received funding through the Community Match Challenge with charities applying for their Recovery Fund eligible to 'top up' funds with money from the Match Challenge. While the Recovery Fund provided unrestricted funding over two years, any Match Challenge 'top-up' had to be spent by 31 March 2021. Helpfully, DCMS did allow charities to allocate the Match Fund 'top-up' to expenditure from the date upon which the Match Funding for the Foundation was agreed - rather than from the date at which the *charity* was awarded funding. However, this Match Challenge funding was agreed in October, which still only left approximately 5 months for charities to spend the funding. Approximately 30% of charities awarded funding through Lloyds Bank Foundation's programme did not take advantage of this offer, largely due to the time frame in which the funds had to be spent. This is not to say that the funding would not be highly valuable to the charity if it had longer to spend it either by receiving it earlier in the year or having the flexibility to spend it after 31 March 2021. Many charities are anticipating a financial cliff edge from April 2021 when demand for services will still be higher - and often still rising<sup>17</sup>.

### Some funding was allocated in a more accessible and timely manner

Despite the speed at which funding was allocated by Government, there have also been positive examples of the speed at which some funders have then distributed funding. For example, the National Lottery Community Funding had distributed 95% of its emergency funding by the end of October 2020 and charities commented about how quickly they received funding after making an application<sup>18</sup>.

Had government been able to get funding to these distributors more quickly, the funding would have been more impactful in helping charities to respond to demand at the most difficult time, when they

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<sup>17</sup> Small charities responding to COVID-19: Winter update <https://www.lloydsbankfoundation.org.uk/we-influence/charities-responding-to-covid-19-winter-update>

<sup>18</sup> Respond, recover, reset: the voluntary sector and COVID-19 [http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021\\_DIGITAL.pdf](http://cpwop.org.uk/wp-content/uploads/sites/3/2021/03/NTU-Covid-voluntary-sector-report-Mar-2021_DIGITAL.pdf)

were adapting to new ways of working, meeting new needs and faced with the immediate closure of some sources of funding.

## Conclusion

While the £750m funding package provided by government to charities during the pandemic was welcome, there are important lessons about the scale of support, the way in which funding was distributed, and a lack of understanding in government about the nature and role of the charity sector.

Charities are a vital part of the UK's social fabric and have played a crucial role supporting communities through the pandemic in a way that the statutory sector is unable to achieve. However, at a time of rising demand for their services, they have seen resources shrink. The funding that was made available by government was of course welcome but was not always timely or accessible, or was subject to unrealistic timeframes for spending.

While some charities have received much needed funds, others have been completely overlooked, despite high levels of need, and funds have not always reached the communities who need it most. The amount of money provided to the charities has been far outstripped by that provided to other sectors, yet has been subject to disproportionately greater levels of scrutiny and bureaucracy in its distribution. Furthermore, it is the charity sector that has seen demand for services intensify, while other, more supported sectors have received financial packages to maintain dormant industries rather than ensuring people and communities can access the support they desperately need.

The challenges that the pandemic has created are set to continue, with levels of need expected to continue to rise as communities feel the longer-term impacts of the pandemic. Rather than having to cut back their services, charities need to be able to continue to play their vital role in responding to this rising need, at a time when public services are overstretched - but they need further support from government to do so.

Charities are pivotal to overcoming many of the challenges we face as a society, communities and individuals but reaping the full reward of their expertise, commitment and services requires government to fully understand and appreciate charities' central role in this, and in achieving government's own objectives too - both in terms of what charities do and how they operate. Ensuring people can access the support they need to face and recover from the pandemic means government working with the sector to understand how needs can be met.

Critically, a stronger government response to the pandemic should include:

- Funding at a level that reflects the level of need in communities, recognising the disproportionate impacts on some communities
- Greater transparency about the data used to inform how funding allocations will be made
- Quicker allocation and distribution of funding. Where partners are used to increase reach and bring in grant making expertise, these partners should be identified quickly and engaged early
- Greater transparency, simpler processes and clearer communications about funding streams
- Application processes which enable charities to have the time to submit bids, recognising that they are already working over capacity
- Longer funding periods over which funding can be spent.

Importantly, government should recognise that responding to the pandemic is not only about support during the shorter-term immediate health crisis. The impacts will be felt by people and communities for much longer periods and charities will be vital to keep meeting these needs. Government should work with charities to understand how to best ensure people can access vital support in the short, medium and long term.

**April 2021**