

Written evidence submitted by Lloyds Bank Foundation for England & Wales

DCMS Committee: Impact of Covid-19 on DCMS sectors

Introduction

Lloyds Bank Foundation for England & Wales supports over 650 small and local charities across England and Wales. These charities have shifted their delivery to continue supporting people facing complex social issues alongside developing new services to respond to emerging needs. The support announced by Government is a welcome recognition of the role that small and local charities are playing in helping people but this support must reach those on the frontline quickly and it is imperative that Government recognise that the impact of Covid-19 will be long-standing. The sector will need further support to continue to meet people's needs.

Summary

- Charities are playing a critical role during the Covid-19 emergency. Individuals are depending on their support when they often have nowhere else to turn. Government and wider society cannot tackle the crisis without the work charities are doing.
- Most charities are small and local. 97% of charities have an income of less than £1m; 82% have an income of less than £100k. Only 24% of charities hold reserves.
- Charities have revolutionised their service delivery in a matter of days or weeks because their services are never more needed.
- Charities are adapting their approach to continue support as well as developing new services in response to emerging needs, with many embracing digital technology to deliver services online.
- Charities are supporting people who are most at risk, often with underlying health issues that are intensified by the crisis – yet who have not been included in Government definitions of vulnerability around Covid-19. Working with those who other agencies fail to reach, charities are meeting immediate needs alongside addressing complex social issues. In doing so, they are reducing pressures on other public services, particularly the NHS.
- Adapting to deliver services in this way increases costs, with new costs for new modes of delivery and new services alongside existing liabilities to cover overheads. At the same time, income is disappearing – particularly traded and fundraised income.
- The funding announced by Government is welcomed but it is critical that it now reaches charities on the front-line efficiently so they can continue to deliver services. Three weeks after the announcement there is still no information about who can access this funding or how they will.
- The impacts of Covid-19 will continue over an extended time and many charities foresee a spike in demand as lockdown restrictions are eased and the measures introduced to reduce burdens on individuals are reduced.
- The sector will need further support if it is to continue meeting needs over the next 12 months. There are particular concerns about medium- and long-term funding given that many funding streams have pivoted to address the short-term crisis.
- Other government measures to support businesses do not do enough to help small and local charities which need to both ramp up support to their clients and raise funds for their vital work, not mothball.
- For people to access the important support they need, charities will need the resources to respond, and continued flexibility to adapt. Encouraging a shift to statutory grants rather than contracts will enable charities to keep adapting to changing needs.
- Government should make use of other funding opportunities, such as allocating forthcoming dormant assets to a Community Wealth Fund as a means of directing support to those facing complex needs.

- The crisis has emphasised the importance of local charities and their connections in communities. Small and local charities should be placed at the heart of Government's plans for recovery.

What has been the immediate impact of Covid-19 on the sector?

First and foremost, charities have demonstrated why they are never more needed. Charities, particularly those which are small and local **are playing a critical role in supporting those in communities who are most at risk**. Already embedded in communities and working with people that other agencies fail to reach, charities are ensuring that people facing complex social issues receive the support they need, whether that is in response to complex mental health problems, surviving the trauma of abuse, living with a learning disability, being an asylum seeker or refugee, being a young parent or care leaver or rebuilding lives on leaving prison. These charities have built on their trusted relationships and local connections to **understand how needs are changing** in response to Covid-19 and have adapted their services to continue providing support to people whose problems are only amplified by the pandemic.

"The current Coronavirus outbreak has therefore exacerbated an already difficult situation for many of the families they support and is posing significant new challenges"

(learning disability charity, South East)

Other agencies, both statutory and voluntary, are also referring people into local charities, recognising that they have the expertise to support people in the most effective way. A number of charities have highlighted a rise in acute safeguarding concerns around which they need to support people – charities' work here is critical. It is not a 'nice to have'.

Yet they are not only maintaining services to those they already reached. They are **developing new services** in response to new needs. They are **supporting more people**, whether that is as a result of previous clients who now need more help as a result of the pandemic or clients who are facing new complex social issues for the first time.

Charities' continued work is **critical because the issues their clients face have not disappeared, and if anything, have been amplified**. Those with mental health challenges are facing further anxiety, depression and isolation. Those facing domestic abuse are locked up with the perpetrator with no reprieve. And those with a learning disability still need support to live independently and understand what is happening.

"Packs are being created by the team, many of which are trained as Special Education Needs Teachers. The packs will contain social stories and information to help the Learning-Disabled people how to cope in this situation"

(learning disability charity in the South East)

Similar scenarios are replicated across all areas of our funding. **This is not a time for charities to furlough staff or step back because their services are needed more than ever.**

"Ceasing services simply isn't an option at a time when people need us most."

(mental health charity in Wales)

This is particularly important because **the people small and local charities are supporting face increased risks**. They are reaching those most vulnerable to infection due to underlying health conditions and also helping those most affected by, for example, domestic abuse, homelessness and mental ill health – but

these people have typically been overlooked in recent definitions of 'vulnerable' which focus on older people and those with physical illnesses.

Charities exist to tackle problems and meet unmet needs. In the current environment, as society faces levels of challenges not seen for generations, there is more need than ever before and **charities are not only the first, but only point of call for hundreds of thousands of people across the country**. Their work is helping to drive down demand for other public services, particularly the NHS, not only directly supporting clients but in doing so, helping to protect the wider population by ensuring their clients understand what is happening and how to stay safe. By proactively checking-in on clients, small and local charities have a clear understanding of when people need further support and can also put in place measures to support people to help themselves.

Small and local charities are recognised for being flexible and able to adapt to changing situations – which is evident in how they are responding by:

1) Adapting services to continue delivery

The charities the Foundation supports have completely revolutionised their operating models in a matter of days or weeks, to enable them to continue delivering services. A high proportion of charities we fund normally operate around a physical space, bringing people together in communities to heal and move forward with their lives. They have **completely shifted their delivery mechanisms so that they can continue to support people as effectively as possible**.

"We established a new 10am to 10pm freephone helpline for young people in the Lancaster and Fylde and Wyre districts as a response to the Corona crisis"

(mental health charity in the North West)

Many small and local charities did not have advanced digital capacity before the crisis. They typically did not have the hardware, software or skills to operate remotely. Small and local charities, embedded in the communities they serve have rapidly sought to support people remotely, typically focussing on providing 1-2-1 support via phone or video and shifting staff to work from home. **More than three quarters of the support requests the Foundation has received from grant holders have been for digital technology**, and we are working with Computer Recyclers UK to provide repurposed hardware and software for charity staff and volunteers to work remotely. This support is also being extended to enable charities' clients to access this support where it will enable them to continue to engage in the charities' services. Yet this still doesn't overcome the challenge that many grant holders are reporting of **clients not having sufficient data to participate in all engagement activities and support**, even where they have the devices. Furthermore, those facing greatest disadvantage are typically those who also have lower digital literacy which makes engaging in remote support even more difficult. This is particularly the case for many refugees and asylum seekers and those leaving prison.

While the Foundation can provide some support, adapting services inevitably comes at a cost to charities, **in terms of buying phones, laptops etc alongside the cost that comes from delivering all services 1-2-1 rather than a combination of individual and group work**.

"Still providing our advice and support service but via telephone 10-4pm, this is challenging as the support needs are growing and it is particularly challenging liaising with other organisations with reduced services. Everything is much slower and involves more work/time. We are now also providing emergency food parcels each week to the most vulnerable."

(homelessness charity in Wales)

Furthermore, as referenced above, they do not have the resources to pay for additional data so that clients can access more support online.

Charities are also having to **shift their ways of working to protect their staff and volunteers' mental health**. Supporting people facing complex social issues places tremendous pressure on staff and volunteers who themselves are now isolated and who often face additional caring responsibilities. For those still delivering face-to-face services, staff and volunteers are often having to do so without PPE.

Charities are having to find new ways to support their staff and volunteers, working to ensure they don't burn out at this critical time – especially as their own staff and volunteers may be less able to support others due to their personal situation. This is particularly the case for small and local charities where volunteers are often former service users and may find themselves at higher risk or in need of additional support.

2) Adapting services to meet new needs

The charities we fund provide holistic support, so it is not surprising that many are **now providing additional services to meet new needs**.

“Our aim is to replicate our service remotely (as much as possible) and respond to new concerns/issues because of COVID 19.”

(mental health charity in Central England)

A key area of growth has been in the **supply of food and toiletries** to those who do not have the resources or ability to get their own. For some charities that previously provided lunch at their centres, they are now delivering food to people's homes or temporary accommodation. For other charities it is a completely new service that has seen staff and volunteers shopping for clients and delivering food to their doors. They do this because **many of the people charities work with have no other means of support** – they often have limited networks or family who could step in. If charities are not able to support people (and support them to stay in their homes) it is highly likely that infection rates among a highly vulnerable group would further increase.

Many small and local charities are **seeing their role as a local coordinator increase too**, linking into other initiatives and organisations to reduce duplication, simplify referral pathways, raise awareness of support and link up offers of help with those organisations that can help. In some instances, small and local charities are the lynchpin for local authority-wide initiatives, working closely with a range of partners to find people accommodation for example.

While there has been a tremendous outpouring of support for others at this time, with more people coming forward to help their communities, this is most effective where it is linked into **charities that are already connected to the people who need help** – and importantly, already know how to help them. For example, a grant holder in the South West is working with Wessex Water to coordinate food for vulnerable people. Wessex Water's head office catering team is producing 100 meals a day twice a week for people in the local areas. The charity was already working with other local community organisations so has been able to build on this to make sure that the food reaches those who need it most, with other community groups able to refer people into the charity. **Existing relationships and networks have been critical in enabling more people to access this support**. Small and local charities are used to mobilising volunteers and connecting people in the community – their networks and understanding have never been as important as now, to connect volunteers with those who need support.

“We have identified those most vulnerable and are also working with the Parish Council to support the village who can also use our support line.”

(learning disability charity in the South East)

Yet adapting to support people comes at a cost

While charities have stepped up quickly – to continue existing support and provide additional support – this has not come easily and does not without a cost. To really understand the impact of Covid-19 on the sector, it is important to recognise the pressures charities were already under before the crisis started. The Foundation's grant holders have consistently reported rising demand, both in terms of numbers and complexity, alongside increasing difficulties in securing funding. Charities have attributed much of this rise in demand to welfare reform and the reduced availability of other public services whether through closure or rising thresholds to access support. This has been particularly prevalent around mental health, where non-mental health specialists have had to support people with increasingly complex mental health needs as a result of reduced community mental health support.

Charities, particularly those that are small and local, were already operating under difficult circumstances and were seeing increased waiting lists for services. They were already under pressure, often through no fault of their own but as a result of broader policy and austerity decisions and public funding environments that favoured scale.

Charities are both versatile and precarious. They are used to contracting and growing according to the resources they have available. The key difference in the current scenario is that all charities are seeing intense pressures simultaneously. **There is no one else to pick up the pieces if they collapse**, so they will continue to look for ways to struggle on in whatever way they can – but **as the crisis weakens them, their ability to continue to adapt and meet levels of demand with fewer resources will inevitably diminish unless they can access further support.** No amount of planning could have prepared small and local charities for the impact of a global pandemic that has put the country under lockdown, driven surges in demand, and dried up income streams.

Loss of income

In addition to the loss of staff and volunteers through sickness, increased personal caring responsibilities and the amplification of other challenges, charities are seeing some of their income streams disappear. 91% of charities have already or are expecting to have their cash flow disrupted¹. For years charities have been encouraged to diversify their income and move away from grant dependency. **Some of the most innovative charities have been highly successful but it is these charities that are experiencing the harshest impacts.**

The loss of income from the cafe and room lettings has put us in an even more challenging financial situation to cover staff costs.

(unemployment charity in the South West)

The sums involved are significant for small and local charities. One homelessness charity is losing £5,000 per week now that it can't trade – equating to approximately 10% of its annual income. Another, whose annual income is less than £300,000 had budgeted to secure at least £100,000 from its social enterprise this year, but it now cannot operate. These charities still need to keep their support running while facing huge holes in their funding.

Trading income stopped overnight. This may have come through renting out building space, charging for services or running cafes for example. All of these sources of income have ceased under lockdown.

Fundraised income has been similarly hit. Spring and summer are typically key times for fundraising events which have had to be cancelled. In one example, a grant holder whose total annual income is approximately £200,000 would typically raise £6,000 - £7,000 per month from challenge events, but this

¹ Survey by Institute of Fundraising, Charity Finance Group and NCVO <https://www.institute-of-fundraising.org.uk/news/coronavirus-impact-survey-results-charities-cannot-meet-the/>

income has dried up – that is almost 40% of their monthly income. While there are a limited number of example of charities benefiting from an outpouring of public support at a difficult time, most of the charities we fund work on traditionally ‘unpopular’ causes and have not benefited from new giving. Furthermore, as supporters face their own economic challenges, there is evidence that individuals are cancelling direct debits which can be a valuable source of unrestricted income.

A significant proportion of the Foundation’s grant holders obtain a proportion of their **funding through statutory contracts which is now under threat**. The shift to contracts over grants that we have seen over many years means that services are often paid on a payment by results basis for services delivered in a prescribed way. As charities adapt delivery and shift their focus to meet new needs, they might not be delivering on the contract terms and, while government has issued guidance saying this should not be case, some charities face uncertainty around whether this contract funding will be honoured. Grant holders are already reporting discrepancies in how statutory funders are responding – some with flexibility, while others are reverting to rigid delivery mechanisms from original contract terms which are now irrelevant but mean the charity will lose out on essential funding for work they are still delivering, but in a different way.

Some grant holders are also reporting challenges due to the **closure of grants programmes**. A number of charities had already invested a lot of resources into applying for the Universal Credit Transitions Fund when it was shut down on day one of lockdown. In other cases, charities were mid-way through applications to independent funders like the National Lottery Community Fund which have closed to new applications. There are real concerns that the pivot to emergency funding (more than 500 funds are reportedly available) will have knock-on effects on the availability of funds for the medium- to long-term and fail to provide the stability that charities need at this time.

Even for those charities which have reserves, they cannot rely on them as the impact will continue far longer than their reserves can last them. Reserves are held to allow for the orderly wind-down of services when charities have to close rather than to prop up the charity on an ongoing basis. Charities have typically been encouraged not to have too many months of reserves as a way of demonstrating they are spending as much of their money as possible on the people who need support. More than half of the charities the Foundation funds had fewer than 3 months of reserves at the point of grant application.

The reduction in available resources should not be viewed in isolation, because it is **happening at a time of increased costs for many small and local charities**. Existing liabilities such as rent continue to draw down on their funds despite buildings lying empty, while new costs increase to enable charities to adapt to remote delivery. These financial pressures will inevitably further mount as the country heads into an anticipated recession. Even where short-term measures are offered to help charities, the long-term implications of these mean that they may not offer the support that is needed.

While these are overarching trends, the charity sector is inevitably diverse and there are also differences in impacts between sectors. For example, the rises in demand for domestic abuse charities have been widely reported but many services are bracing themselves for further spikes in demand when lockdown restrictions are eased and people have more opportunities to reach out for help. Mental health charities have seen similar surges, with lockdown leading to increased isolation and anxiety even for those who did not previously face mental health challenges. In some sectors, such as those working with refugees and asylum seekers, charities face particular challenges in delivering support remotely as clients often do not have access to digital technology. Charities in the criminal justice sector are trying to adapt delivery when there is no access to prisons and those that are released face increased challenges when other services are closed. Within each sector charities are facing new issues and are seeking to work within new environments so they can meet needs as effectively as possible.

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector’s needs?

The Foundation welcomes the £750m announced to support charities, and the recognition of the importance of small and local charities. It is too early to truly understand the impact of the funding at this stage but there are already some important factors to consider:

- 1) Much of the **impact of this funding will depend who is able to access it and how quickly they can access it**. It is imperative that the distribution of funding aligns with the following principles:
 - a. Openness in terms of communications and decision-making processes
 - b. Clarity that the funding can support charities responding to Covid-19 and continuing to deliver frontline services
 - c. Consistency between government departments and coordination with other funders
 - d. Simplicity in terms of applications and decision making
 - e. Proportionate and flexible processes with funding agreements that work for different sized organisations – particularly in terms of up-front grant payments
 - f. Reflecting an equality and human rights approach to ensure funding reaches those most at risk.

This funding needs to be distributed speedily and transparently. While the Foundation understands that little notice was given to DCMS in advance of the announcement to be able to plan funding distribution, three weeks on from the announcement, there remains little clarity around the parameters for who is eligible to receive it. The Foundation understands that government departments were required to submit rapid bids to DCMS yet without any clear communication. The lack of communication means that some sectors and charities will inevitably miss out in what looks to be a deeply flawed and opaque process. In addition to the detrimental impact this will have on what the money is ultimately used for, it has also damaged the relationship between the sector and government as charities continue to wait to even hear a timescale for when the process will be announced or the money paid out. No information has been shared on either the funding via government departments or even the National Lottery Community Fund due to delays within government itself. Given the time-critical nature of the work charities are undertaking, government's slow and unclear response is particularly concerning.

- 2) The £750m announced **does not provide the level of support that is needed** to enable charities to continue delivering services.

As NCVO have indicated, the charity sector is set to lose approximately £4bn over a 12-week period – although we know the impacts will be felt over a much longer timescale. While the funding from Government is a welcome start, much more is needed to ensure that people can access the support they need by enabling charities to continue to deliver services and continue to grow their services to meet new and growing needs at a time when their income continues to be hit. Government should, over the coming months, commit to review the support provided to the sector with a view to stepping in to ensure people can access important services.

Many of the other existing government initiatives to support organisations are less significant for small and local charities. The Foundation supports the amendments to schemes put forward by Charity Finance Group, NCVO and Charity Tax Group, as summarised below:

- **Coronavirus job retention scheme:** this only works where charities can cease activities – but for the small and local charities the Foundation supports, this would mean shutting down vital services for people facing increased risks. Some charities are having to use the scheme due to extreme financial pressures, but they are being forced to do so despite the need for their services rising. The scheme could be amended to make it more accessible to charities by relaxing volunteering rules, opening up the scheme to those facing at least a 30% income hit and allowing furloughed employees to check in one day per week, so they are better placed to continue

support when operations restart. More clarity is also needed on 'public funding' criteria, particularly where staff are partially funded by the public sector.

- **CBILS:** charities report being refused loans even where they are eligible for these loans. Furthermore, many charities' financial models preclude them from taking on additional debt at such a precarious time. To improve this scheme, government should underwrite 100% of loans, as has been done with the Bounce Back loan scheme and interest rates for charities should be capped after the initial 12 months of the interruption loans has ended, with separate guidance to help charities to understand if loan finance is suitable for their organisation.
- **Deferment of PAYE and NICs:** while charities can request a deferral of payments of PAYE and NICs, deferred payments incur an interest rate of 2.6% from HMRC, creating additional financial challenges for charities already struggling with cashflow. Charities would be better supported if this interest was removed, as with VAT deferral.
- **Small Business Grant Scheme:** charities in receipt of charitable rate relief are not eligible. The scheme would be improved by allowing small charities that would otherwise qualify for small business rate relief (if they were not claiming charitable reliefs) but which cannot access other support measures specifically for charities to apply.

Government has also announced specific support for some sectors. For example £2m has been announced for domestic abuse, focused on helpline provision. This funding is welcomed, particularly given the spike in domestic abuse that we are seeing. However, helplines and online support can only go so far to support people. They typically refer people on to **frontline services who do not have the funding to meet such increases in needs.**

The Foundation welcomes the £5m allocated to support mental health charities, and that this is being distributed by Mind which is well placed to understand how local charities are supporting people – but we are already hearing that the process is very detailed so it is difficult for already stretched services to apply. Devolving funding in this way enables those with expertise in specific areas to distribute the funding but it has to be done in as simple a way as possible, especially at this time. It must be recognised that distributing funds in itself requires resource.

More broadly, policy decisions that impact upon the sectors charities work in have a significant impact on charities and the clients they support. Some of these announcements have been positive, introducing policies that the sector has been pushing for, such as:

- increase in Universal Credit payment levels
- reduced conditionality on Universal Credit payments
- increase in discharge grants for those leaving prison
- placing a duty on local authorities to accommodate all those who find themselves homeless.

However, there are many other policy areas that would further support the work of the sector and better meet the needs of the people they support. There is also **a clear need to extend the good provisions that have been introduced beyond the immediate Covid-19 response** so that the needs of those facing complex social issues continue to be met.

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

While it is impossible to predict the exact nature of the long term impacts of Covid-19 on the sector, there are already indications that the sector will continue to need support to ensure people can access the help they need.

- **Levels of need will continue to be high and many charities will see spikes in demand further down the line** – a number of charities have reported how they are having to prioritise supporting those facing the greatest challenges as they shift to remote 1-2-1 support alongside reduced resources. In doing so, they are forced to push the problems people face further down the road. Without support, these needs will intensify and charities will likely see further increases in demand as a result.

There are **likely to be particular spikes in demand when lockdown ends**. Those who have been locked up with a perpetrator of abuse may have more opportunities to access local services. While those who are homeless and currently living in hotels risk being forced back onto the streets unless charities can work with local authorities to find suitable alternative accommodation, for example. As the anticipated recession hits, charities will see even greater demands for support as people face rising debts and growing poverty. With more people experiencing redundancy, there will be more people needing to access benefits for the first time and needing help to navigate support options alongside coping with more mental health issues. Increased pressure to respond to needs is a not a short-term issue for those charities supporting people facing complex social issues.

- **Income streams will continue to be impacted** – it is unlikely that social distancing restrictions will be removed for a prolonged period so charities will continue to struggle to generate income from trading and fundraising. The anticipated recession and impact on individuals' disposable income will further compound fundraising challenges at a time when once again, charities' services will be even more needed by more people. Many independent funders are also concerned about their ability to maintain spend as the value of their investments diminish and corporate partners see their own profits fall and ability to donate decrease.
- **Operating costs are likely to increase long term** – charities have invested in new ways of working and many will be reaching new people as a result. Making more use of digital is likely to be an enduring impact of the crisis, but this will inevitably continue alongside more traditional face-to-face support when centres reopen. Charities will subsequently need resource to deliver more services in multiple ways.

"Staff have been resourceful with limited and in some cases out dated portable technology, but with the Covid-19 crisis continuing for an indefinite period we now need to ensure we have sufficient portable computing equipment to see us through the crisis and not only allow our staff to work from home, but to continue to provide services in a digital format for as long as is needed."

(mental health charity in Wales)

Charities are also anticipating increases in costs as support / flexibility offered during the crisis is cut back.

"[Our landlords] have offered 50% rent holiday but still owe at the end ie must pay before March 2021. They have also told us that we will have our rent put up at some point too – but no idea when or how much."

(sexual abuse charity in central England)

The charities that the Foundation supports **typically have 3-6 months reserves** so are in a stronger position than many during this crisis. It is for this reason that they are less likely to close immediately. However, **as they deal with rising costs and reduced income over a prolonged period of time, there is concern that we will see an increased number of charities go to the wall in 12-18 months** – they can only struggle along for so long. This could be compounded by multiple grant cycles coming to an end

simultaneously as all the short-term emergency response funding of up to a year comes to an end. Charities are already raising concerns with the Foundation about the implications on medium- and long-term funding of funders pivoting to provide emergency support. Charities could face a cliff-edge in funding further down the line. It is critical that plans are in place to help charities to become more sustainable.

Key factors to help charities respond include:

- Exploration of how government can continue to support charities and ensure they have the resources to respond. While government will not be able to step in and support all charities indefinitely, **there will be clear need for more support as charities seek to recover and rebuild.** Government could take a number of steps to support this, including:
 - **Making more use of grants than contracts for charities delivering local public services** – grants offer much more flexibility than contracts which will be ever more important as charities continue to adapt their approach to meet changing needs. Support needs will continue to evolve and charities need to have resources that allow for this.
 - **Ensuring new dormant assets are used to support small and local charities, adopting models such as the Community Wealth Fund²** as a means to sustainably investing in the most deprived communities.
- **Placing small and local charities at the heart of the country's recovery.** This is not to say that small charities alone can rebuild society but the crisis has shone a spotlight on the vital role that locally embedded charities play not only in supporting individuals at risk but building communities. The connections that have been made between individual citizens and local charities needs to be nurtured and investing in the infrastructure to support this will be critical. This applies at both a central government and local authority level.
- **Impact assessments of proposed government policies on charities.** The assumption that schemes such as that for job retention would be sufficient to support the charity sector highlighted a core challenge around understanding charities – in terms of what they do and how they operate. The shift in thinking in response to the crisis provides an opportunity to reshape how government considers charities across broader policy decisions. Charities support government to achieve its objectives right across different government departments and shouldn't be seen as only a consideration for DCMS.
- **Making core funding the norm.** More than 300 funders have signed up to a pledge to support charities in response to Covid-19, including by offering more flexibility. More and more funders are lifting grant restrictions to enable funding to be used in the way that makes most sense for that charity at this time. Charities the Foundation supports consistently wish more funders to provide core funding as a matter of course. The response to Covid-19 demonstrates that funders can provide core funding and this commitment to core funding should be retained as charities recover and rebuild.
- **Helping charities to develop.** It is likely that the crisis will prompt all sectors to reassess what they do and how they operate. For the charity sector, alongside service delivery they will need to relook at how they generate income, what sustainability could look like and new working patters for example. Charities will need development support to continue to adapt, with access to consultancy support and opportunities to share learning. The Foundation will continue to expand the way in which it supports charities in this regard.

² Community Wealth Fund: <https://localtrust.org.uk/policy/community-wealth-fund-alliance/>

What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

DCMS, and OCS in particular have engaged with the sector in making the case for sector support, but there appear to have been particular challenges around helping other departments (primarily the Treasury) to understand charities and the need to support them. As the immediate crisis subsides, there is **a need to strengthen relationships with Treasury and to help the sector to understand what data needs to be generated to ensure Treasury feel they have the evidence to react more quickly in the future.**

There have been criticisms of the delays in distributing the funding announced by Treasury. As referenced above, the lack of clarity or communication about how and when government will release funding means the sector is still in the dark about who will even be eligible for support, let alone when this funding will be available. At times of crisis, clear and regular communications are even more important than ever, yet this has been lacking from DCMS. Even where an existing distribution mechanism exists through the National Lottery Community Fund, delays within Government mean that there have not even been announcements about the money National Lottery will distribute. Charities are eager to understand if they will be eligible for funding and how much they may be able to secure but are being left without any clarity.

Key lessons for Government more broadly can be seen in the positive impact that shifts in policy have led to. For example, some charities are seeing a drop in demand for their services because changes announced in response to Covid-19 mean that people aren't being pushed into destitution.

"Since the restrictions came into force we have seen a significant reduction in people contacting us for help. Speaking to other advice organisations across the country this seems to be a trend within the advice sector. We believe this drop in demand is linked to legislation which has been brought in to protect vulnerable people, including the postponement of eviction action."

(homelessness charity in Wales)

There is a clear need to learn from the benefits these policy changes have had, and to enable them to continue where it means people are not left behind and instead have the resources they need to thrive. Without the continuation of these changes, charities will inevitably face further increases in demand when restrictions are lifted.

We do anticipate however that demand will exponentially increase once restrictions begin to lift and people are once again forced to face the reality of their difficult situations. We are currently thinking about what we need to put in place to respond to this demand but we expect large numbers of people seeking support with debt and housing issues.

(homelessness charity in Wales)

How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

Firstly, it is important that government continues to **monitor the impact of Covid-19 on charities**, and to work with charities to ensure people can access the support they need. Many of the topics highlighted throughout this submission point towards factors which might shape how the charity sector evolves after Covid-19.

Many charities have seen their income expand and contract multiple times. It is likely that a significant number of charities will contract rather than disappear altogether. This suggests that **we must look at how, with time, we help charities to grow again with the resources required to meet people's needs.** It also means we need to consider how people in need will access support if indeed charities do contract. There is an urgent need to look at how public services and the welfare state can best support people so that fewer people are pushed into crisis and are in need of charities' support.

A key learning point for the future is that **being 'innovative' does not necessarily make your organisation stronger in times of crisis.** Some of the most innovative organisations have been those which diversified their income only to find themselves most at risk when the crisis hit. This demonstrates that, while charities can continue to strive to make the best use of resources and innovate, this will never negate the fact that national crises will lead to charities needing Government support, just as with any other sectors across business. It is particularly important because Government needs charities to be able to meet needs because they can reach people which other agencies cannot, while also playing a vital role in stemming demand for other public services.

The crisis has thrown a spotlight on charity reserves. Even for those with reserves, a healthy reserves policy has been to hold funds for 3-6 months of activity. We now know that this is not sufficient when a major crisis hits. Charities need to be able to build up greater reserves which requires funders, whether statutory or independent, to provide sufficient funding to allow for this. Too often, funders have failed to even allow for full cost recovery when paying for services.

Ultimately, since the onset of the crisis charities have demonstrated why they are needed more than ever. Reaching people facing some of the greatest risks yet who fall through the gaps of statutory services, charities are providing vital support whether through continuation of existing services or in rapidly developing new approaches to meet emerging needs. Put simply, with more and more people needing support, government cannot tackle this crisis effectively without charities. People cannot access the support they need without charities. Volunteer efforts cannot be well coordinated without charities. Communities will not be brought together without charities acting as local connectors. And public services could not meet demand without charities stemming the flow. It is essential that Government works closely with the sector and supports the sector to ensure charities, particularly those that are small and local, can continue to support people that need help and pave the way for stronger communities as the country rebuilds.