

# Small charities responding to COVID-19

## Summer 2021 update

August 2021

LLOYDS BANK  
FOUNDATION  
England & Wales



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The photographs that appear in this report are of our charity partners. Most were not taken during the COVID-19 crisis.



The story that emerges is of charities stepping up to the all-encompassing challenges of COVID-19, adapting rapidly to the changing needs of the communities they serve, their staff and volunteers.

# Executive summary

This is the third of the **Small charities responding to COVID-19 reports** produced by Lloyds Bank Foundation for England and Wales. This report builds on the previous two - published in May and December 2020 respectively - sharing how charities the Foundation supports have fared since the first national lockdown in March 2020. This provides a snapshot of the experiences of small charities throughout the crisis.

These small and local charities showed up and stuck around throughout the pandemic, supporting people facing complex social issues and sustaining communities. This report shares our most recent findings of how charities are emerging from the peak of the winter crisis and third national lockdown. It also shows how they are adapting to meet the acute and complex needs of their communities while facing their own challenges. This is a summary of the monitoring reports completed by small and local charities the Foundation supports between November 2020 and May 2021.

The report is split into five areas:

## 1. Charities showing up for communities

“We saw an increase in referrals of around 30% last year when lockdown eased, and another spike in March 2021, with referrals in that month being 186% of February 2021 and 132% of July last year, our previous highest month.”

Sexual abuse charity in the South West

Throughout the pandemic we saw how charities supported people in ways others couldn't and reached communities where others didn't. While earlier in the pandemic many charities reported an increase in demand for services as well as complexity of need, the latest reports suggest greater fluxes in demand that may align with lockdowns, availability of other support and complexity of issues. The complexity of this demand continues to dominate reports particularly relating to complex mental health.

“Demand for our service continues to be higher than we can manage and we currently have a waiting list in place. We have had to close to referrals in the last week in March. This situation has been exacerbated by funding cuts in, and by, the local authority which has led to them ceasing to fund three local support services. These services, who support people with mental health issues and autism, are due to close at the end of April 2021 and therefore they are looking to refer people elsewhere.”

Mental health charity in the East Midlands

## 2. Funding for small charities

Short-term funding is making it difficult for charities to address the long-term problems made worse by the pandemic. While emergency funding in 2020 ensured that many could keep their doors open, adapt their delivery models to continue to support people and meet the increased demand and complexity in need, many now face an uncertain future.

“There were numerous COVID-19 emergency funds and we were able to successfully secure some additional funding through these sources. However, they were all short-term funding opportunities and whilst we will most likely continue to see the negative impact of COVID-19 in relation to service demand and community fundraising opportunities in the coming years, it’s unclear whether short-term financial support will continue to be available.”

Domestic abuse charity in the East Midlands

Charities have also reported increased competition for grants and contracts in the last year. Commissioning itself continues to be a challenge with small charities reporting that contracts are going to larger, generalist charities.

The need for social distancing, PPE and the shift to hybrid models of working to support people facing complex issues also led to higher costs for charities to deliver their services.

These funding obstacles and the increased demand of the pandemic has presented unique challenges with recruitment and retention of staff. Charities have needed to increase their workforce to cope with rising demand but as short-term funding comes to an end, so do staff contracts, causing great uncertainty on how charities will continue to meet demand.

“Due to extra COVID-19 funding we were able to cut our waiting list from 12 months to 4-5 months, but as this funding expires we may have to lose staff and this would have an immediate impact on the waiting list - something we really don’t want to see.”

Sexual abuse charity in the South West

### 3. Digital as an enabler and barrier

“We have increased our online sales via our social enterprise to diversify and future-proof our income as how people shop changes. We’re increasing the amount of support we give our companions to improve their IT skills and prepare them for the a changing work environment.”

Homelessness charity in the South East

Charities adapted their operations and service delivery to digital models effectively and efficiently. By the winter and the third lockdown, charities built on this early success by expanding and reaching more people and continued to support beneficiaries online in new ways, with many offering blended models of service delivery. This digital transformation proved particularly successful with younger people or those who would otherwise struggle with the time, travel or cost to attend face-to-face meetings. Yet, a number of charities raised concerns over the impact of digital exclusion, particularly among people who could not afford to be digitally connected or those with difficulty in adapting to digital.

“With more services, including statutory, increasingly being accessible online, we have also seen [an] increase in requests for digital/technology support from people facing digital technology barriers, e.g. we helped people access their medical appointments digitally. We will be developing our digital inclusion support service to accommodate the additional needs.”

Small charity in the South East

## 4. Investing in staff and a focus on wellbeing

While many charities commend the resilience and impact of their staff, there were fewer mentions of taking up the Foundation’s capacity building support in the form of longer-term, strategic business planning compared to previous reports. Instead the focus has been on engaging in peer networks, working with consultants to support staff wellbeing or taking up transactional forms of support such as updating IT hardware or customer relationship management software.

This is also reflected in the mental health and emotional wellbeing of staff. Charity leaders expressed concerns over staff burnout as teams continued to sustain the pressure of a prolonged crisis response. This is further intensified by some charities reporting the difficulty of recruiting new staff.

## 5. The year ahead

“As the national vaccination program moved forward and residents as well as case workers were vaccinated, we have increased the number of face-to-face appointments and spaces, always following safety protocols.”

Domestic abuse charity in London

Charities are starting to look ahead as we emerge from lockdown, more and more premises start to open up and the vaccine rolls out - all of which have the ability to bring new challenges. A greater number of charities are starting to think about the need for additional physical spaces, returning to group work and face-to-face provision safely and particularly how to navigate this when not everyone is vaccinated.

## Recommendations

If we are to support our communities to recover from the impact of the pandemic and start to build back better and meet the government’s ‘Levelling Up’ agenda, we need adequate investment in small and local charities. This report sets out five key recommendations for funders, local and national government and organisations that partner with or rely on services delivered by small and local charities. These are:

1. longer-term unrestricted funding rooted in trust
2. investing in organisational resilience and staff wellbeing
3. sustaining and building on partnerships formed during the crisis
4. a robust welfare safety net to meet the needs of people
5. suitable resourcing for public services particularly local government funding



# About this report

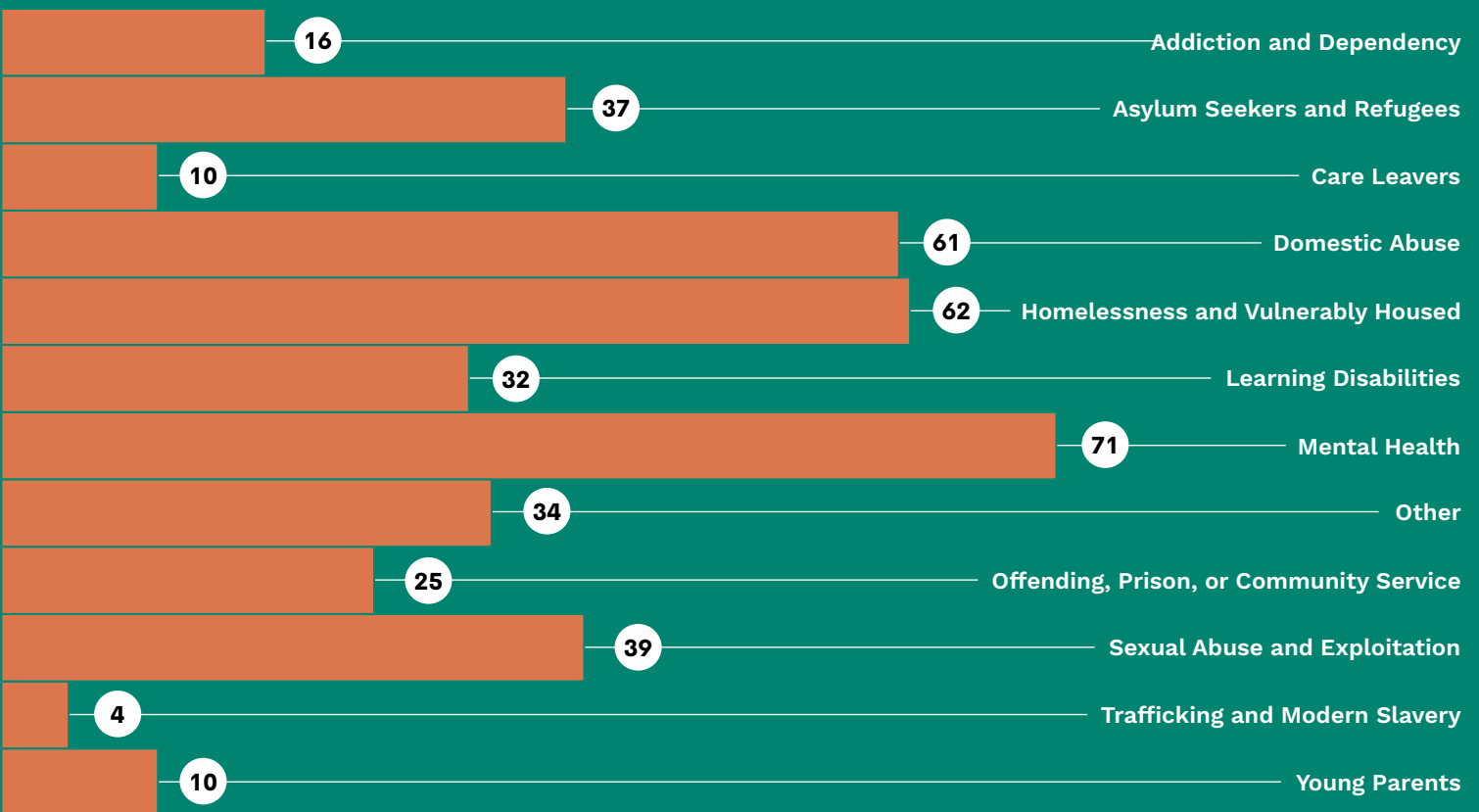
Lloyds Bank Foundation for England and Wales is an independent charitable trust funded by the profits of Lloyds Banking Group. We partner with small and local charities across England and Wales, helping people overcome complex social issues. Through core cost funding, developmental support and influencing policy and practice, we help charities make life-changing impact.

This report follows the two Small charities responding to COVID-19 reports published in the spring and winter of last year which shared how charities have responded to the ongoing challenges of COVID-19.

This report captures the views of 401 small and local charities funded by Lloyds Bank Foundation, compiled from the annual monitoring reports completed between November 2020 and May 2021. These charities have been working in communities across England and Wales delivering frontline specialist services to help people overcome complex social issues like domestic abuse, mental health and homelessness.



## The cohort includes charities addressing the following complex social issues



## ... and regions

North East

North West

Yorkshire and the Humber

East Midlands

West Midlands

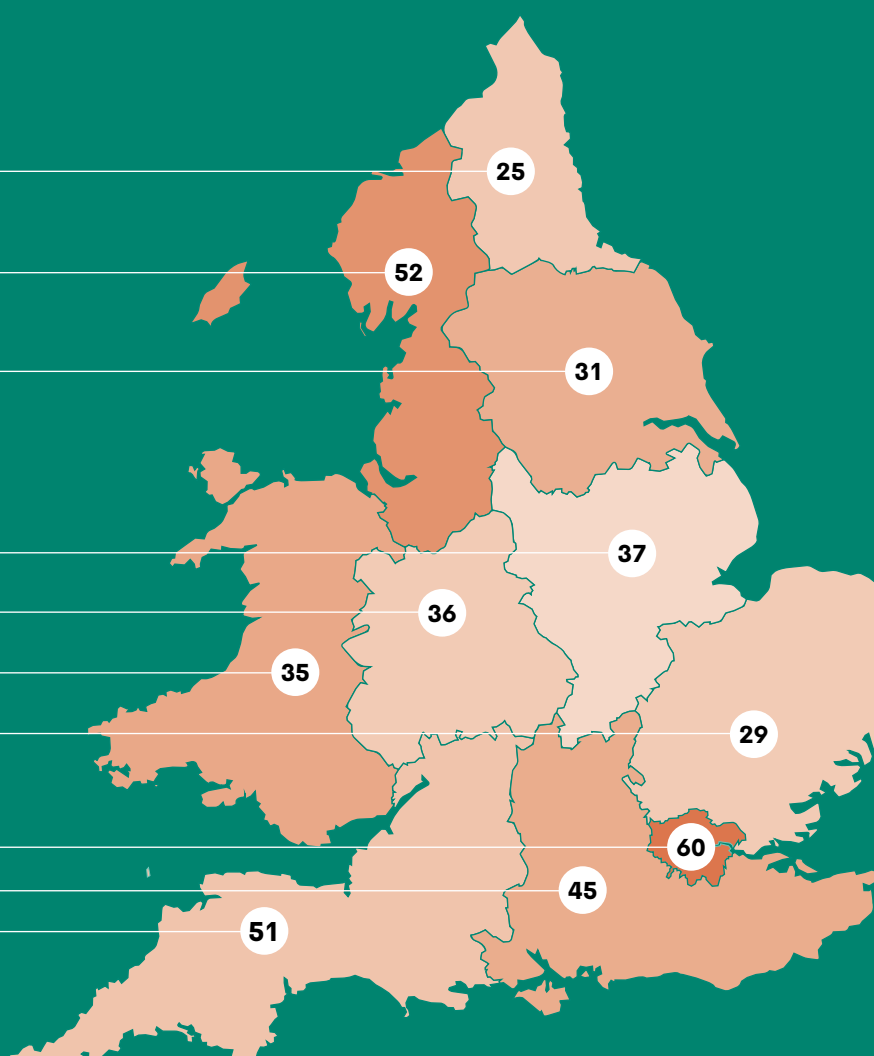
Wales

East of England

London

South East

South West



# Introduction

In 2020 the small and local charities the Foundation partners with continued to work at the front lines of communities to support people to overcome complex social issues. Many of these people have been severely impacted by the pandemic including victims of domestic and sexual abuse, people with learning difficulties or mental ill health, migrants and people without safe and secure accommodation.

The Foundation collates and reviews the monitoring reports completed by the charities it supports to understand the challenges they face and to inform operating practices. In May and December 2020, the Foundation published rapid analyses of the findings of these reports to share an overview of how charities were responding to the impact of the pandemic.

This report is the third in this series and aims to update on the previous two reports to show how charities have sustained their response. Although the charities that submitted the monitoring reports that fed into this analysis are not the same ones that that fed into the first and second analysis, this report provides a snapshot of the experiences of small and local charities throughout the crisis.

A year on from the first lockdown and charities have continued to build on their strengths and not slowed down amidst ongoing challenges. The Foundation is proud to work with these frontline charities who have shown tremendous flexibility and resilience in supporting communities throughout this crisis.



[With] increased demand for support and with funding challenges in mind - and to prepare for the possible further austerity ahead - [we have] made strategic changes within the Organisation to reduce our overhead costs, whilst increasing our income. These included voluntarily reductions in some staff hours, taking part in the government's Job Retention Scheme, sourcing more cost-effective premises, increasing our digital presence, virtual fundraising and increasing working hours of our fundraiser and the number of grant applications made.

**Learning disability charity in London**



# Charities showing up for communities

In 2020 we saw how charities stepped up to the often changing and seemingly insurmountable challenges of the pandemic.

During the winter and third national lockdown, and continuing to the easing of lockdown in spring, charities continued to show flexibility and resilience in adapting services to meet the immediate basic and humanitarian needs of people during the crisis. Small and local charities supported people experiencing poverty and prevented them from being pushed into deeper hardships. They provided emergency food parcels and toiletries, and supported people's mental health and wellbeing. They did so by addressing isolation and anxiety, by providing data and internet access and laptops, tablets and phones so that people could stay connected and access services. Often, they were the only service to provide continuity and regularity of care, especially the 'human touch'.



Council staff were impressed and thankful that [we] managed to launch our expanded foodbank within only one week of lockdown being announced... the similar statutory service provision of emergency food parcels, reserved for people meeting a narrow criterion, took 6 weeks longer for them to organise.

**Small charity in the South East**



## Changes in demand

Charities continue to report concerns about future rising demand, impacted by factors such as:

- increased evictions (particularly for asylum seekers and refugees and people in the private rented sector)
- increased unemployment
- the ending of furlough
- the forthcoming cut to universal credit

While small and local charities have delivered a phenomenal response to the pandemic in terms of the support they have provided, we continue to hear concerns about not being able to meet rising demand, growing waiting lists and even having to close waiting lists in some cases. This most affects charities who haven't been able to recruit new staff and increase their team size.

“The ability to deliver an identical service with the same staffing levels and over 100% increase in referrals on some weeks simply has not been possible.”

Domestic abuse charity in the North West

Overall, there has been much greater flux in demand than pre-pandemic when increased need was largely constant. Reductions in demand have been mentioned from charities working across a range of issues such as criminal justice, housing and homelessness, domestic abuse, trafficking and sexual exploitation. For many charities, this flux has been about periods of lower demand followed by rises, often following the cycles of lockdowns.



A minority of charities report that the number of people they were working with has reduced. Reasons for this vary but include fewer referrals when other services close or government policies such as ‘Everyone In’ shifting the type of support needed. Services that rely on relationships with GPs and other health workers had to pause as health professionals were redirected to the COVID-19 frontline, meaning it was harder for some people to access support where they might previously have been referred by the GP for example. In most cases, this has not been about people not needing support, but more about people not being able to get the help they need because the usual avenues for accessing charity support through referrals from other agencies was closed.

For some charities, reaching more people continues to be hampered by a lack of move-on accommodation. This is particularly mentioned by domestic abuse charities running refuges.

Some charities have reported changing the way that they work so that they can reach more people.

“We have always incorporated some telephone work, however now our clients are becoming comfortable with using virtual platforms for one-to-one support and group work. We are successfully engaging with a cohort of women who may have had distance and travel as a barrier to accessing. Those women from outlying communities are now able to move seamlessly into services. Due to the success of our virtual offer, we will be maintaining it as we move forward out of lockdown with a fully blended service.”

Small charity in Yorkshire

The difficult employment environment and challenges facing education settings has led to a significant reduction in the number of charities successfully supporting people to find work and, in particular, to access education and achieve qualifications. Charities helping people back into work have reported challenges around accessing taster session/placement opportunities.



## Complexity of need

The rising intensity of challenges people face continues to dominate reports. This continues to be particularly related to more complex mental health challenges, many of which were pre-existing before COVID-19, but which have intensified as a result of lockdowns and as other mental health support has been harder to access.

“We have seen a marked increase in numbers of complex referrals during the last year. We suspect women are staying longer due to the pandemic and as a result have poorer mental health, higher incidents of violence and abuse and increased financial and emotional issues.”

Domestic abuse charity in the West Midlands

“We have seen a significant upsurge both in the number of people requiring and accessing our services, and in the complexity and gravity of the situation that many people are in and how they feel.”

Mental health charity in the East of England

We also see evidence of the growing impact of the pandemic on people where complex social issues and other inequalities collide, such as the intensification of challenges faced by people with disabilities. For those charities working with people with learning disabilities, there were particular challenges in shifting to remote service delivery and support, where non-verbal communication was often critical to the work.

The pandemic has led to more charities reporting rises in safeguarding concerns as it has become harder to implement safeguarding procedures/protocols in complex cases remotely.



## Working in partnership

Earlier in the pandemic charities more frequently pointed towards improved local partnerships and collaborations as an important factor in enabling an effective response.

“Whilst we have been able to have little, if any, access to prisons over the reporting period, we have started working more closely with [our local prison], and are receiving more referrals from there. The number of people we have worked with has remained very much in line with last year, with more referrals from Probation which has compensated for the lower rate of referrals from prisons. In general, we have been working with individuals for longer and the overall rate of engagement has increased.”

Criminal justice charity in the South West

As time has gone on, we have seen less emphasis from charities on the success of improved relationships. An example of where charities have been able to improve relationships during the pandemic comes from a housing and homelessness charity in the North West:

“Our professional relationship with local DWP staff has developed significantly over the past year and we have been able to assist/connect people using our contacts with staff at the Job Centre.”

Housing and homelessness charity in the North West

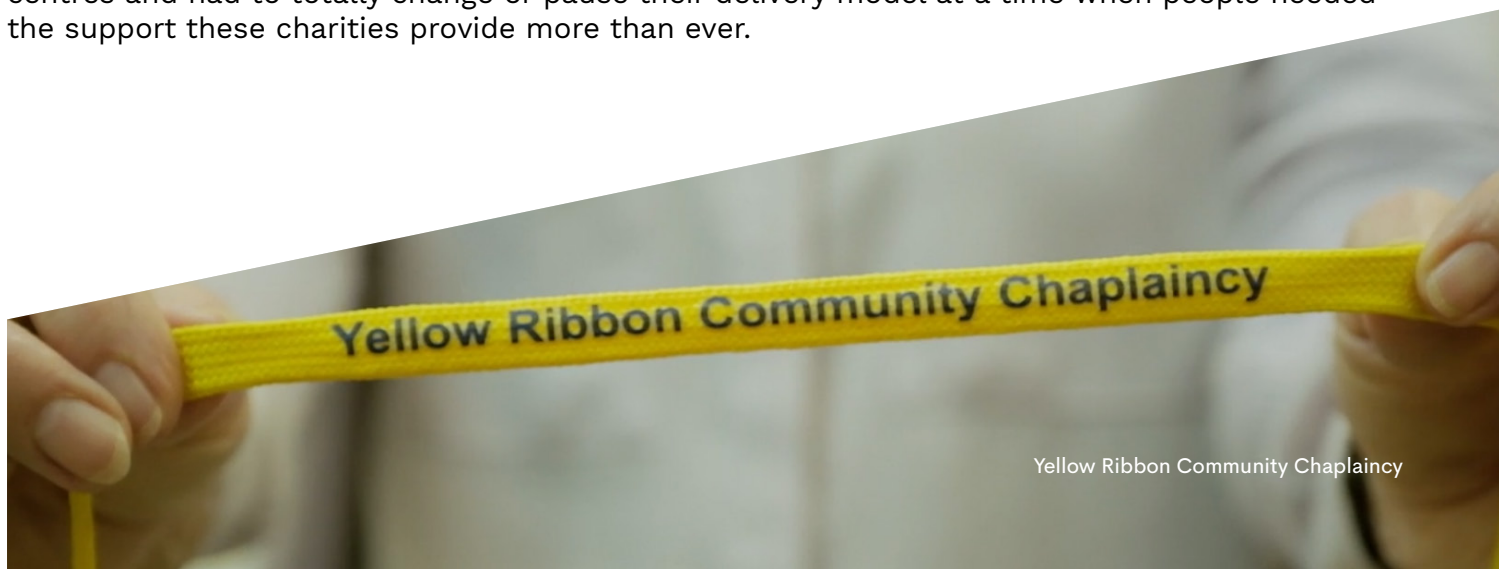
There are some concerns emerging about whether improved collaboration may be increasingly under threat:

“In many ways the pandemic has become a barrier to the community cohesion that already existed within the local third sector. The need to focus on the survival of our own services and the need to adapt has meant that less time has been spent on the nurturing relationships between organisations.”

Housing and homelessness charity in the North West

Some charities have reported further challenges caused by general hold-ups in multi-agency working during the pandemic, particularly related to the Home Office for asylum claims, court services and local authority housing teams. Again, small and local charities were those filling the gaps and supporting people when left in limbo by delays in statutory services.

For some charities working in the criminal justice, mental health and refugee sectors, they had no access to closed settings like secure mental health hospitals, prisons and refugee detention centres and had to totally change or pause their delivery model at a time when people needed the support these charities provide more than ever.



# Funding for small charities

## Emergency funding from 2020

In these reports, funding is the most frequent issue raised by charities. In particular, the need for long-term funding to help charities stabilise and plan, especially after an influx of short-term emergency grants during 2020. This is the key issue that charities agree on. While charities have welcomed the emergency funding, they consistently stress that what they need, especially now, is longer-term funding. Short-term funding is problematic for service development and staff retention as well as financial sustainability. Conversely, charities have commented on how light-touch reporting during the pandemic is something that should be kept.

Many charities refer to a funding uncertainty as emergency funding comes to an end but needs remain high. Many charities refer to having increased staff numbers and services during the pandemic to meet rising needs, making use of emergency funds to do so.

“The demand is high and we are working to capacity, but by taking on extra workers we have been able to cope with the demand.”

Mental health charity in the North West

However, these emergency funds are ending whilst demand remains high (and in many cases expected to increase further), so they face having to cut back services when they can no longer afford higher staff numbers. Some charities indicate they will use their reserves to keep services going but this is not a long-term solution.

“The major challenge is how to maintain the level of service delivery needed. We have been able to recruit, induct and train 3 frontline members of staff and 3 sessional staff at speed but they are all short-term (maximum 12 month contracts).”

Domestic Abuse charity in the North East

“We plan to commit our reserves in an effort to maintain the capacity we have built during the last year, we will be forced to scale back our services if further funding is not secured by the end of June 2021.”

Homelessness charity in Wales

This is accentuated where charities have pushed financial challenges further down the road.



Some of the fixes are short-term (deferring payments until next year) and our relatively low reserves are £40k less than they were at the end of March 2020.

**Homelessness charity in the North East**

## Cost of delivering services

Services continue to be more expensive to run for many who are combining digital delivery with face-to-face support, with social distancing and PPE requirements driving up costs, particularly due to lower levels of group interventions and shifts to more one-to-one support.

“We were successful in applying for emergency grants in the first lockdown but these have been spent and we are still dealing with increased demand, increased costs of running due to the safety requirements and economic uncertainty.”

Sexual Abuse charity in the East Midlands

The funding challenges are a threat to providing services for people seeking help – not only in continuing to meet their needs, but also supporting people if other services are forced to contract or close.

“We are struggling as much as anyone to keep things operating as normally as we can. But I fear that we will see even greater gaps in services as more charities close and organisations streamline to stay within budgets.”

Homelessness charity in the West Midlands

Short-term funding is particularly problematic because most charities are dealing with long-term problems. While charities report an increase in responding to basic needs (food and other essentials), these are often the consequence of longer-term issues.

“Whilst there is a need, for example to react to COVID-19, in general it is exacerbating underlying issues that need long-term solutions.”

Homelessness charity in the West Midlands



# Competition for funding

Charities continue to comment on the increasingly competitive funding environment, and raise concerns that this challenge will intensify further as the economic outlook worsens. There are particular concerns about the future of statutory funding where higher co-operation between local charities and the public sector during the crisis response could be undone by divisive and competitive commissioning practices. This comes on top of statutory contracts not having increased with inflation over many years for many charities, and a decade of cuts which had already put additional strain on services.

“We have recently undertaken a commissioning process for the ISVA [Independent Sexual Violence Adviser] service where the contract value has reduced significantly and our local authority funding is also set to reduce over the same period.”

## Sexual abuse charity in the North East

Some charities, particularly in the domestic and sexual abuse sectors, report that emergency funding has opened up opportunities for less specialist and more generic organisations to enter the sector, especially around refuge and safe accommodation services for people who have experienced abuse. This raises significant concerns for the future of specialist services and the quality of support available. Alongside this, charities working in the domestic abuse sector have identified concerns around the devaluing of specialist women’s services. While support should be available to everyone who needs it, the need to provide gender-informed services to all victims of abuse should not be overlooked. There is potential for funding being directed to generic, non-specialist provision to become a growing problem - as local authorities get new statutory duties for domestic abuse accommodation-based services this year - unless greater focus is attributed to the importance of specialist women’s services.



Latin American Women’s Rights Services



## Other funding challenges

Commissioning challenges continue to be raised, whether about complex processes, the moving in of larger providers or shifts to more generic services. Commissioning challenges are especially prevalent among criminal justice charities who have been trying to navigate with the new Dynamic Framework for work within the renationalised probation service. These concerns are particularly acute given many criminal justice charities have been effectively locked out of providing support within the prison estate during the COVID-19 pandemic.

There has been a significant loss of income for those organisations reliant on direct payment/spot purchase income from service users and their families. This has been particularly highlighted among charities supporting people with learning disabilities and reflects trends we have seen through other forms of trading during the pandemic.

Some charities have seen unprecedented support from local communities during the pandemic but are not confident this can be sustained. The options for charities diversifying income (which many charities talk about the need for) inevitably then becomes even harder.

Even where charities do not hold statutory contracts they see the impact of reductions in statutory provision - for example, receiving referrals from overstretched local agencies without funding to meet this increased demand. Pressure on public finances is expected to impact upon welfare support more broadly. This includes universal credit compliance becoming more intensive, with claimants required to return to intensive job searching and increased attendance at appointments after improving during lockdowns and the planned £20 cut to universal credit. Broader funding cuts are also expected to continue hitting prevention services as focus is placed on crisis support.



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# Digital as an enabler and barrier

The scope, scale and speed of digital transformation and remote service delivery was a huge success of 2020 for small charities. A small number of organisations chose to offer a much-scaled-back face-to-face support for people even during the first lockdown, but otherwise charities have consistently cited their most significant achievement as remote adaptation. Alongside the well-known video platforms for one-to-one services like Zoom and Teams, a number also set up WhatsApp for group support that seem to be growing in popularity.

“Despite the advent of COVID-19 and lockdown in March 2020, a pilot project we had already initiated using online/remote counselling enabled us to transition 75% of all counselling sessions within 1 week, with a minimum of disruption to our clients.”

Mental health charity in London

Digital delivery has enabled charities to meet the needs of new people or to help them in different ways. It has been particularly important for those working with young people, like care leavers and young parents, or those in rural communities.

“Our move to online groups and regular phone calls has increased the numbers we are supporting and in some cases means we can support young people who now live in other parts of the country.”

Small charity

For a small number of charities, the shift to online delivery has enabled geographical expansion, but this does not come without its challenges, not least the importance of local connections and being embedded in their communities as a key distinctive feature of small and local charities.

“In the coming 6-12 months we expect to pilot offering our services in a new region, with remote working having provided us the opportunity to do this at a much lower cost than would previously have been the case. However, replicating our work in a new city with new referral partners, a new corporate landscape, and new employment challenges will be difficult, and we face the task of doing this without impacting our level of service in London.”

Refugee charity in London

Volunteers are finding new ways to participate remotely, even if shielding – retraining/upskilling them to find new ways of reaching and helping people, or do one-to-one home support, face-to-face and food parcels instead of from a physical centre.



It can be harder to build trust and pick up on body language/nonverbal cues when working online, and can be particularly challenging for asylum seekers and refugees where language difficulties are more acute.

In other cases, charities have reported suffering a “loss of identity” around their service delivery in moving to remote working, with their work being perceived as more transactional without the social elements of face-to-face provisions. It can be harder to build trust and pick up on body language/nonverbal cues when working online, and can be particularly challenging for asylum seekers and refugees where language difficulties are more acute.

The shift to digital has also made providing support a lot more difficult for charities working in other sectors, such as those working with older people, carers and rough sleepers. A number of charities continue to raise concerns about digital exclusion more broadly. This often centres on the ability of people to pay for digital access (with contracts and sufficient credit prohibitive to many) more so than because of digital capabilities. Digital exclusion is particularly concerning because often it is those facing the greatest disadvantage already who will be unable to seek help this way.

“As other local organisations have had to change their offer - closing down face-to-face services and day centres - it has become increasingly difficult for women to access support, particularly as a high number of the women we support do not have mobile phones or access to digital technology.”

Trafficking and modern slavery charity in the North West

As lockdown restrictions begin to ease, charities are continuing to use blended models of digital and in-person support. This includes using phone calls and online delivery to provide support and with priority given to people most at risk or with the highest needs for face-to-face support. Social distancing continues to reduce the number of people charities can work with in-person, with a number of charities highlighting a need for new premises that will allow them to provide face-to-face support within social distancing guidelines.

“We will be looking to continue and develop online services for those who are housebound or find travel difficult to enable us to extend our reach.”

Mental health charity in the North West



We have had very positive feedback from our clients with some reporting that they prefer counselling, for example, on Zoom rather than in person. We have decided therefore to continue to offer this as a choice for clients in addition to face-to-face counselling. It means that survivors who would otherwise have found it difficult to get to the centre because of caring responsibilities or a disability will be able to access the support they need.

**Domestic abuse charity in the North West**

# Investing in staff and a focus on wellbeing

Many charities have more confidence in their ability (and that of their staff team) to react, adapt and be resilient as a result of their ability to respond during the pandemic. Yet, few charities have identified long-term organisational development support as a particular need in these reports to the Foundation, aside from help with diversifying funding. The types of organisational development support that seemed to be deprioritised during the pandemic was around business planning, governance and evaluation, as opposed to the types of support that revolved around digital transformation and service redesign. While a need for this strategic support is still present, it does not dominate reports as much as before the pandemic. As one charity points out, when the need is so high it is difficult to prioritise organisational development – so the fact that is less frequently mentioned does not automatically mean it is less needed or wanted.

Many charities have undergone transformational organisational development over the last year, however, such as investing in training to improve staff skills and knowledge around technology and completely shifting services to remote delivery. There is some evidence of charities undertaking strategic and governance reviews or developing new fundraising strategies and other longer-term organisational change projects as a result of the pandemic, so it may be that charities are getting on with organisational development rather than identifying it as a future need.

Charities remain concerned about staff welfare and continue to reference additional supervision and wellbeing activities to provide support.

“We have increased the amount of clinical and managerial supervision delivered to ensure the physical and psychological wellbeing of for staff/volunteers.”

Small charity

There may be a particular issue for leaders here, as concerns increase about the cumulative personal pressure of CEOs as they juggle the challenges of keeping charities open and meeting demand:

“After over 25 years I don’t want to be the one that failed the most vulnerable people in society.”

Small charity in the West Midlands

Pressures on staff are also being raised related to recruitment and retention of staff. Some charities report difficulties recruiting for reasons such as:

- people from communities more at risk from the virus may fear exposure to the virus
- more people are dealing with bereavement themselves
- difficulties recruiting and retaining skilled staff with unappealing short-term contracts (due to short-term funding)

While many charities refer to having increased staff teams, this isn’t universal and we are still seeing some charities reference use of furlough, redundancies and not replacing staff who leave. This again raises questions about charities’ ongoing ability to provide the level of support that will be needed over the coming months and years.

# The year ahead

The experiences of the last year have illustrated how adaptive small charities are; working tirelessly and with great flexibility to reach and support communities where others couldn't. They delivered a key humanitarian response in the face of an ongoing crisis. Driven by the experiences of the last year they are now ambitious to achieve more and build on their successes in spite of new challenges.

“Our team has grown over the past year or so in response to increasing demand and this of course means that our annual expenditure has increased significantly. We are concerned about availability of funding after the exceptional year we have just been through - funders have been very supportive offering short-term emergency funding but we worry now about the knock-on effect on future funding availability. Our Board, and particularly the Finance sub-group, keep a close eye on the finances and we still have a healthy balance sheet. We have a Reserves Policy in place and sufficient funds to see us through the next financial year even if we are unable to secure additional funding.”

Domestic abuse charity in Wales

Short-term emergency funding has led to a lot of uncertainty over the year ahead for charities. This is impacting charities' ability to effectively plan for the future or to recruit or retain staff over the long term. This uncertainty risks having a knock-on effect on charities' services and ability to sustain their heightened response over the last year.

Charities often cited challenges with their premises before COVID-19 but the pandemic and social distancing in particular has added a new dimension to this. Charities are starting to think about how they can secure the additional physical space needed to help people while social distancing for prolonged periods. Many charities have already made adaptations to offices and drop-in centres to make them COVID-19-secure, or used the forced closure period during lockdowns to renovate or upgrade space more generally.

More broadly, charities will need to continue adapting to change. Charities have grappled with frequently changing government guidance and will need to keep assessing how they can best provide support as lockdown eases alongside rising cases of new variants. They will also need to understand how the vaccine roll-out and take-up may affect their staff, volunteers and people they support, particularly when thinking about returning to group work.

Charities and those they support face significant challenges over the year ahead as the numerous impacts of the pandemic collide alongside the pre-existing issues such as the fall out of Brexit. The closure of the EU Settlement Scheme in June is anticipated to greatly increase the challenges faced by those who are already marginalised. Charities will continue to adapt and expand their services to try and fill the gaps.

“Brexit has had a huge effect on EU citizens who wish to continue living in the UK, and want to make applications for settled status. The challenges that are arising around what benefits can be accessed by people with pre-settled status, and where the obligation lies for support, is increasingly contentious. We expect to see a huge rise in this area of work once the period for making an application for settled status finishes.”

Refugee charity in West Midlands

# Recommendations

## 1 Longer-term unrestricted funding rooted in trust

As we look at the year ahead and begin to rebuild our communities, funders need to maintain the same level of flexibility - which gave charities the space they needed to focus on helping people - while returning to longer-term funding. This would provide the level of stability that charities need right now to be able to sustain their response beyond the immediate crisis.

The forthcoming Procurement Bill presents a significant opportunity to address funding challenges, if it places more emphasis on a proportionate approach and sets out a framework for treating services for people differently to purchasing pencils or missiles.

## 2 Investing in organisational resilience and staff wellbeing

As we emerge from national lockdowns, start to face the aftermath of a long-term pandemic and see a £20 cut to universal credit and the furlough scheme, charities will be never more needed. Yet, they will not be able to continue the same level of intensity without investment in their staff and overall organisational resilience. This investment will allow charities to build and sustain their ability to anticipate, prepare for and respond to change in the future.

Therefore, funders and any organisations who partner with, or rely on, the services that charities deliver, need to think beyond funding alone and invest in the long-term prosperity of charities by helping them to become more resilient.

## 3 Sustaining and building on partnerships formed during the crisis

The key relationships and partnerships formed in the last year meant that charities' knowledge and expertise of their communities could be shared with decision makers and those with influence at a local level to ensure that people could get the best support during the pandemic. Charities' contribution continues to be vital particularly around 'Levelling Up' to support communities who have been most deeply impacted by years of austerity and the effects of the pandemic. To do this, we recommend that government engage with small and local charities to understand and address societal challenges.



Scotswood Community Garden

## 4 A robust welfare safety net to meet the needs of people

Over the years more and more people have been turning to charities to meet their basic needs. This was exacerbated in the last year where more people were affected by the economic crisis caused by the pandemic.

Government implemented a number of stop gap measures at the start of the pandemic such as the temporary increase to universal credit, 'Everyone In', the furlough scheme, and a hold on all evictions.

As these initiatives come to an end the long-term consequences of the pandemic remain and more people risk falling into poverty. This risks leaving charities who are already overstretched and under-funded to pick up the pieces of a broken welfare system.

A robust welfare safety net is needed to meet people's basic needs to reduce the worst impacts of the economic crisis and enable people to further contribute to their communities.

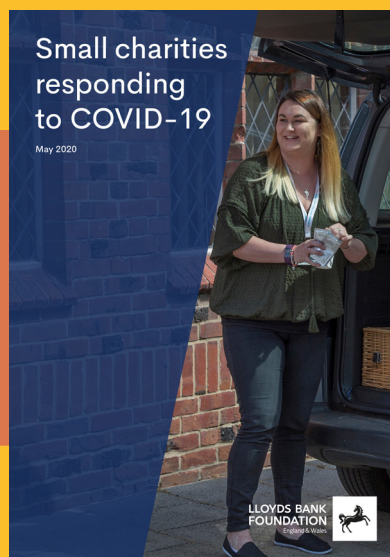
## 5 Suitable resourcing for public services particularly local government funding

The squeeze in local government funding over the years has had a direct impact on small charities and the communities they serve who rely on public services. Small charities have seen a reduction in their own funding when delivering on public sector contracts and the people they support waiting longer and finding fewer services available to them while the shift from prevention to crisis management creates greater need further down the line.

These issues will continue to intensify years on from the pandemic creating a pent-up demand in the future, and further increasing the demand and complexity for charity services. If the government is to achieve its ambitions around 'Levelling Up', it must first ensure that local authorities have sufficient resources to fund and deliver services. A new funding settlement is required which ensures funding is allocated according to levels of need.



Click on the covers to read parts one and two of our COVID-19 research series



**LLOYDS BANK  
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Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through funding for core costs, developmental support and influencing policy and practice, the Foundation helps charities make life-changing impact.

During 2020, the Foundation awarded £24.8m to small and local charities helping people facing disadvantage. With the unprecedented circumstances of coronavirus such charities have been never more needed. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group.

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