

DCMS Select Committee Inquiry:

Impact of COVID-19 on the charity sector

Lloyds Bank Foundation for England & Wales supports over 650 small and local charities across England and Wales. All of these charities are supporting people facing complex social issues and face heightened risks around COVID-19, such as supporting homeless people or refugees who are more vulnerable to being infected, those with mental ill health or affected by domestic abuse for whom staying at home or self-isolation will cause heightened risks and harm.

Summary

- Charities, particularly those which are small and local, are **playing a critical role** in responding to COVID-19 and continuing to provide support to the most vulnerable in society
- **Demand for charities' services is going up.** More people need more help, and charities are having to adapt their delivery to continue meeting needs during lockdown. This requires more resource.
- **Access to resources is diminishing.** Fundraising and trading income is disappearing while even contract and some grant income is under threat, while many charities' staff and volunteers are falling sick, are having to self-isolate because they themselves are vulnerable, or are having to take on more caring duties.
- **Government support to businesses and the self-employed will not help most charities.** Most, particularly small and local charities embedded in communities cannot shut down temporarily – they have to keep delivering support to those who need which in turn will help to reduce infections and the pressure on the already overstretched NHS.
- **Government needs to step in with swift, simple and substantial funding for charities.**
 1. **Additional funding should be allocated to bolster and mobilise organisations that are working on the front line** and directly contributing to tackle the impact of the coronavirus, or help those affected through the lockdown as detailed at the top of this submission.
 2. Government should provide a **'Stabilisation Fund' to enable charities to stay afloat** and continue operating during the course of the pandemic.
 3. As employers and service delivery organisations facing business interruption, **charities should be eligible to benefit from the other measures announced by the Chancellor for businesses.**

The role of small and local charities in responding to coronavirus

Small and local charities are providing vital support in communities, reaching those most vulnerable due to underlying health conditions and also helping those most affected by, for example, domestic abuse, homelessness, mental ill health

Critically, the people these charities work with are highly vulnerable but have typically been overlooked in recent definitions of 'vulnerable' which focus on older people and those with physical illnesses. People facing complex social issues such as homelessness, mental ill-health, domestic abuse and modern slavery are particularly vulnerable at this time.

Their specialist knowledge and expertise will help people in need to respond and adapt to the impact of coronavirus. They are playing a vital role in helping to keep people safe and are working around the clock to try and ensure people can continue to access the support they need.

They are able to reach into communities that face some of the highest risks, where Government and other agencies often cannot reach, so it is critical that charities are able to respond to the challenges they face.

Charities are already trying to do more with less. But the challenges they face cannot be overcome without urgent Government support.

Challenges facing small and local charities

Demand is going up:

Charities cannot simply pack up and stop working during the crisis. Their support is needed more than ever.

“Other organisations have closed face-to-face support and we are the only ones still doing this and food deliveries of meals. Funding of the food is also a concern as we have lost income”

(small and local charity in Wales)

There are several groups of people amongst whom demand is rising – people being supported by charities already, those who have previously been supported, as well and those with new emerging needs:

- Those who are already being supported by charities are now more vulnerable and need more support. Charities we fund across many issues have already for years been noting increasing mental health needs among clients; charities are also having to step in to meet immediate basic need (e.g. food parcels) and helping clients to understand what is happening and how to keep themselves safe alongside their normal support too.
- Charities also report that those who have recently ceased accessing support are increasingly getting back in contact as they now need help again due to the effects of coronavirus restrictions.
- There is also increasing needs from new clients too – especially around domestic abuse, mental health etc

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.

“We are concerned as to how the impact of this pandemic will affect our clients. Many are already dealing with anxiety and other mental or physical health conditions which could increase their vulnerability to the psychological or physical impact of this.”

(Mental health charity in North West England)

Charities are already having to prioritise client needs as they don't have the resources to help everyone who they normally would.

“Our mentoring will be delivered via remote communication and we will continue to provide 1-1 support for those who are [who are most in need] in the care of the local authority, involved in the criminal justice system or have mental health needs.”

(Criminal justice charity in London)

This is likely to see further increases in need in the longer term, as this shift from prevention to crisis support will cause problems to intensify further down the line without earlier intervention.

Alongside rising demand for support, 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.

“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)

Others are bringing together the resources of many local agencies to better coordinate support. This coordination role also requires significant resource.

Charities are desperately trying to respond to this demand.

Many charities normally provide group activities and support but are increasingly having to shift to one-to-one phone/video calls. The foundation of their work is built on strong, trusting relationships with people who are most isolated, and so it is vital that they can get this right. However, this operational shift obviously places a huge drain on resources in terms of staff capacity, and they also need funding to invest in new ways of working, as small charities often don't have the technology or infrastructure to support this remote working in place already.

“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)

Staff are under pressure

Charities are reporting the need to provide more support to staff who are trying to respond to the demand they are seeing whilst also adapting to an environment where they and their families are at risk too.

“Yesterday was very trying indeed ,shopped for over 65 people and delivered 82 meals ,to hopefully secure our service users for a few weeks.”

(Charity supporting older people in Wales)

At the same time, resources to cope with this demand are more scarce

- Charities are losing staff and volunteers to sickness, self-isolation and caring responsibilities
- Many volunteers are in high-risks groups so have to self-isolate, particularly as many volunteers in small and local charities were previously service users
- 91% of charities have already or are expecting to have their cash flow disrupted¹
- Fundraised income is disappearing (from individuals and businesses), with charities projecting almost 50% loss of their voluntary income²
- Traded income is disappearing
- Contract income is uncertain
- Research by NPC suggests that even before this crisis, charities' growth in activities was outstripping income, putting them in a challenging position to weather this downturn³

“The lockdown means we have had to pause some key organisational decisions that relate to our financial situation next year. We were looking to both recruit and restructure some activity but this is now on hold indefinitely, and that puts significant financial strain on the organisation, as well as weakens the organisations corporate capacity by not filling business critical roles. Crisis funding to bridge the gap between now and moving these activities forward could mitigate any risks to the organisation of delay.”

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/>

² As above

³ State of the Sector 2020, NPC <https://www.thinknpc.org/resource-hub/state-of-the-sector-2020/>

(Charity supporting young parents in Wales)

Charities often have mixed sources of income – but even where they have money from grants or contracts, these cannot replace the funds that will disappear from fundraised or traded income.

“Our training income (annual budget £90k) will certainly be affected and our community and events fundraising plans have now been put on hold”

(Dependency charity in South West England)

Charities have been encouraged to diversify their income for years. Now, those that have diversified are most at risk, as these income streams dry up. Charities that are less reliant on grants and contracts and are more susceptible to losses of traded and fundraised income.

There are huge concerns that charities will also face challenges around contract income, with outcomes and delivery methods needing to shift, alongside emerging needs that are not met by existing contracts. There are also questions as to whether/how those contracts due to end will be continued. Furthermore, research by NPC shows that 59% of charities normally subsidise their contracts with other income⁴ – income that is likely now to diminish, making their services undeliverable.

It is vital to not forget that all of this is alongside needing to continue paying the bills and their core costs so that they can return to their premises in future when the virus subsides.

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 – 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.

Costs are rising for small and local charities, as demand for their services increases. They need to access resources to change how they deliver support and meet increasing need. But much of their income is disappearing – so at a time when they need more, they have less.

“We have seen an immediate and significant effect of Coronavirus. Our clients and caller numbers have surged significantly and continue to do so on a daily basis. It is clear that people are extremely anxious and their mental health is affected by. Unfortunately at the same time the impact of Coronavirus on fundraising activities for the Charity has been substantial.

Due to the current uncertainty people have delayed their pledges to the Charity and also we and 3rd parties have had to cancel events for the first quarter of our financial year. We believe this has led to a drop in income of 30k. This is a double whammy for us as most of our events are held in the first and last quarter of each financial year. Whilst we can make economies and save on some of the expenses related to organising events and collecting funds there remains a gap.”

(Mental health charity in the East Midlands)

Insights into charities' experiences

Below are a few examples to highlight the ways that charities are responding and some of the increasing demand that they face. All are already working with vulnerable groups, who have largely become even more vulnerable and in need of support over the last two weeks. These are all from small and local charities working across England and Wales with an income under £1m.

Homelessness:

- Struggling to keep night shelter open despite the challenges of being at 50% staffing capacity and facing daily drop-outs from volunteers.
- Challenges finding accommodation for those who are homeless as a matter of urgency
- Need for emergency food provision for the most vulnerable

⁴ State of the Sector 2020, NPC <https://www.thinknpc.org/resource-hub/state-of-the-sector-2020/>

*“We are looking to set up an emergency food delivery service to our young people and are now **looking for funds to contribute to the cost of the food**. We are hoping to make foods that are easy to be stored, frozen so young people can be self sufficient in these hard times ahead. Due to their low incomes, they are unable to bulk up on food.”*

Sexual exploitation

*We are committed to providing basic support to as many vulnerable women as possible and unfortunately will not be able to continue delivery of outreach services for this period, in addition we will not be able to run activities and programmes of work as these are both supported by volunteers (many of whom are in the high risk groups so have had to self-isolate) and run counter to the advice for social distancing. **Where possible we are keeping in touch with the women we support that do not come to our centre, and those that are in isolation, by phone and email.***

Domestic abuse

- Anticipate spike in abuse as more people are forced to stay home – reports suggest domestic abuse increased by three times in China during the outbreak
- Refuges are having to close / reduce numbers due to need to self-isolate, as well as reduced staff capacity
- Loss of housing benefit income

*We are working out how best to support members remotely: primarily this will be through **one-to-one therapy via 'phone, together with increased casework support by 'phone and home drop offs/ visits** (where necessary and if safe) to meet members' practical needs during this very difficult time.*

*Meanwhile, **a lot of our members are either destitute with no cash support or living on just £35-£37 per week**, living hand to mouth, and we will need to support them in new ways, for example helping them buy food because they won't be able to access our community meals nor access food from other NGOs that are suspending services. So, to help avoid members' physical and mental health deteriorating during this time, our staff may need to travel to visit members in their areas, or to send items by post for example, to **provide them with items such as food, hardship funds and/or basic necessities such as toiletries**. We're also developing new resources to help them locate additional support near their temporary/current accommodation.*

Mental health:

- Huge surge in demand
- Rising challenges of loneliness and isolation alongside existing diagnosed mental health problems

*Already on Monday, the phone was ringing incessantly, each caller in very difficult circumstances and needing [our] support more than ever. Most are isolated, without family and already coping with mental ill-health. Loneliness is a constant feature of mental ill-health and we are deeply concerned about many of our clients. When our support worker sent out a text message to all clients yesterday, within 2 minutes there were 20 replies, from **people needing urgent support**.*

Our absolute priority is to support as many clients as possible through this crisis. We are now working intensively on plans to support each and every one of our service users remotely via telephone contacts. We still offer individualised face-to-face support in our centres when required.

We also know that this emergency will impact the mental health of all of us, and I am certain that when this current crisis ends, many more people will be requiring our support. I urgently want to make sure that we are prepared to give it.

However, we now find ourselves in the situation where **community and events fundraising will not go ahead**. This includes key events for us such as the Ride London event. **Businesses are already cutting back staff and charitable support will be impacted badly**. [The charity] has three months of running costs. **With most, if not all of our planned fundraising plans now being impossible, without further support we will no longer be here to help our very vulnerable clients**.

Refugees and Asylum Seekers

- Housing challenges and respecting self-isolation distances
- Risks for those granted status and required to leave accommodation after 28 days
- Increased challenges around accessing health care

*We have suspended all in-person support work sessions with existing young people, and have switched instead to facilitating support work remotely via video conferencing. We **have been in touch, via phone, with every young person supported through our specialist education and wellbeing support programme to update them, and have scheduled additional video-based 1:1s with each this week.***

*We have **put a hold on taking on any new referrals** for the next 3 months, anticipating that the requirement to social distance will likely remain in place until at least mid-June. We will continue to monitor and review this, however, and can be flexible as any changes arise. During this time, we will continue to facilitate a 'helpline' phone and email service to new young people and practitioners who get in contact for specialist education and psychosocial advice. We have decided not to take on new long-term support relationships at present whilst we aim to get fully and confidently established in a remote support working model, and because **at present we have a heightened caseload responding to our existing young people more regularly in this time of crisis. Several recently closed young people have also got in touch with the charity again for emotional support and we are also responding to their needs at present as well.***

We are exploring partnerships with foodbanks and community groups through which to support the 'most at risk' and 'at risk' young people who do not have sufficient funds to purchase food 2 weeks in advance if they have to self-isolate and have limited friends or support networks in the areas they are living.

Criminal justice

- Unable to go into prisons at a time when prison visits are being stopped and there is more urgent need for wellbeing support
- Potential early release of prisoners will need charities to be able to respond to increasing numbers of those in need of support
- Even without early release, prisoners will still be released and will need support to find accommodation, access resources etc., which is difficult for charities to deliver without face-to-face contact

*Expecting an **increase in referrals** as both prisons are moving to early releases and also courts are seeking to avoid custodial prison sentences and are increasing community sentences.*

Addiction and dependency

- Particular concerns around vulnerability of service users (and in some instances, staff/volunteers – many of whom are in recovery) due to low immune systems and wider health issues and therefore high risk of contracting COVID-19.
- Closing services or banning volunteers from home visits also brings challenges due to high risk nature of clients, and risks of relapse. For example, finding meaningful volunteering opportunities at a distance, when this can be a key part of recovery

*“We are now in the process of **setting up systems and services** using technology to stay connected with all the women; looking at how we can run courses and groups using virtual means and exploring various apps. We are designing a continuous arts activity programme*

*that we can engage with the women online, encouraging them to interact and upload their achievements so that we can maintain connection. We will run a **safe outreach service and also are looking at how we can become a donation drop off point and distributor for those who cannot get out and about.***

What small and local charities need to be able to respond to this impact

While the Government has already announced some measures to mitigate the impact on other sectors, small and local charities are yet to benefit from much of this support.

The Government's pledge to pay up to 80% of salary of furloughed workers is not going to help the majority of charities, as they deliver services and offer support which simply cannot cease for three months – now more than ever, they must remain open to support people who need it as demand rises, and therefore expenditure associated with them will continue.

Similarly, other measures announced to support businesses will not reach charities because they are registered for charitable rate relief rather than business rate relief.

Independent funders are already doing what they can to support charities. For example, Lloyds Bank Foundation is providing increased flexibility to grant holders to help them respond, coordinating with other funders around a broader response and working with Lloyds Banking Group to leverage further support. However, independent funders do not have the capacity to step in and fill the gap that the sector faces – especially as investments fall and corporate donors see their own profits diminish.

In order to be able to respond to the challenges highlighted, **the voluntary sector urgently requires support from Government that is substantial, simple and swift** – echoing the calls of NCVO, ACEVO, Charity Finance Group and others:

- 1. Additional funding should be allocated to bolster and mobilise organisations that are working on the front line and directly contributing to tackle the impact of the coronavirus, or help those affected through the lockdown as detailed at the top of this submission.**
- 2. Government should provide a 'Stabilisation Fund' to enable charities to stay afloat and continue operating during the course of the pandemic.**
- 3. As employers and service delivery organisations facing business interruption, charities should be eligible to benefit from the other measures announced by the Chancellor for businesses. The British Business Bank has confirmed that the one of the eligibility criteria for the Coronavirus Business Interruptions Loans announced by the Chancellor is to generate more than 50% of turnover from trading activity. This would mean the majority of voluntary organisations would be excluded from the scheme. We would ask that an exemption to this requirement is made available for voluntary organisations so they can benefit from the scheme.**

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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 long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

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