

IVAR

Covid-19: The story told by 72 emergency funding applications

June 2020



Introduction

A Foundation gave us access to 72 funding applications made to their Covid-19 response fund in May 2020. This data provides rich insight into the challenges faced by the voluntary sector¹ as organisations navigate their way through crisis and into recovery and renewal.

The applications were presented to the Foundation Board for approval; a prior sifting process had reduced the number from 445. A total of £2,272,121 was awarded to 71 organisations, with income ranging from £25,000 - £1 million. 14 of the grants related to project costs, with the significant majority being for core costs. The organisations work in a range of fields, including homelessness, criminal justice, mental health and migration. They are largely based in England, with two from Wales:



This summary complements our [Covid-19 briefing series](#) for trusts and foundations, based on peer support sessions we have been running for voluntary sector leaders.

What can we learn from 72 funding applications?

The application data offers a powerful snapshot of the reality faced by charities during the Covid-19 crisis. Six key themes in particular stand out:

1. Charities are seeing a significant increase in demand for services
2. Pressure on finances comes from lots of different directions

¹ The terms 'voluntary organisation/sector' and 'VCSE organisation/sector' are used interchangeably in this document.

3. The funding crisis is both long and short term
4. Being organisationally robust has not protected these organisations
5. The role of CEOs/Directors is critical but vulnerable
6. This is a story of extraordinary resilience and adaptation

1. Charities are seeing a significant increase in demand for services

The complex and challenging issues these organisations are working on are being exacerbated by Covid-19. The applications demonstrate a deep concern for the impact of the pandemic upon vulnerable people, and act as a reminder that these are long-term, systemic issues which will persist after the crisis has passed: *'The demand for our services has increased over the last month with requests from social services and foster parents, and there has been a rise of the numbers of young people involved in risk taking behaviours and a rise in anxiety and depression'*.

Many applicants describe how pressure on services is increasing in step with an increase in need and new referrals:

'[Funding] to be able to deliver this support at this time when we know people's mental health is being impacted by high levels of anxiety, social isolation, bereavement, living in environments where someone's sexual orientation or gender identity is not accepted or perhaps known; and when many usual mechanisms of support are not available [which] means that we are being contacted by more people who are looking for support. Whilst this support was needed before Covid-19, it is more needed now.'

Further increases in demand as lockdown lifts and the longer-term impact of the pandemic become more apparent are inevitable: *'Homelessness can be expected to spike further with an economic downturn coming after lockdown. A rise in unemployment and an increase in subsequent evictions will create new pressures on our service'*. And services will need to be recalibrated again, both in response to increased demand and to the societal changes wrought by Covid-19: *'Post-lockdown support will need to be refocused on re-starting that journey with new conditions which are likely to be more challenging than pre-lockdown e.g. relapse, relationship tensions, poverty'; '[We are] currently experiencing a massive surge in demand from people seeking mental health support. We expect this to rise post-lockdown - potentially discovering people experiencing events similar to those of post-traumatic stress disorder'*.

2. Pressure on finances comes from lots of different directions

Charities are facing unprecedented financial pressure, with even relatively secure organisations beginning to find themselves in deep trouble. A widespread challenge has been sudden changes in the approach trusts and foundations take to funding, with many applicants losing continuation funding they had planned for, and seeing substantial work on funding applications prove to be worthless. The deferral of decisions, alongside the re-purposing of grants programmes towards emergency funding, has left charities with deep holes opening up in their cashflow: *'Our original plan was to carry out a big evaluation and submit our continuation funding bid during April, with the aim of starting a new grant period from 1 October. [Any new] grant would now not realistically arrive before April/May 2021. Meanwhile new needs have arisen in response to Covid-19, increasing our costs now'*.

Public-facing sources of funding have also decreased significantly: events and corporate fundraising largely cannot take place, and individual donations have

dropped as people fear for their own incomes: *'As a direct result of Covid-19 we have seen a sharp decrease in income'*. And core costs are even more of a challenge than usual with the loss of unrestricted funding:

'Fundraising events have been cancelled, donations of clothes and goods have had to be suspended, grant applications that were already submitted to funding bodies have all been put on hold as funders readdress their available monies to cover Covid-19 hit organisations.'

Increased costs relating to Covid-19 are adding to the financial burden faced by charities just as their income is dropping. Unplanned spending relating to the costs of redesigning services include recruiting more staff; laptops for home working; and video call facilities: *'We had to take on two new staff to safely deliver the [new service] with no notice and no budget'; 'We're looking at having to spend an extra £15k for office space in the form of a prefabricated building. We're currently experiencing losses in revenue and goods in kind at approximately £1500 per week'*.

It is not surprising, therefore, that some organisations feel that they may not survive: *'Without this grant there is a very real risk that [we] will have to close either temporarily or permanently'*.

3. The funding crisis is both short and long term

Charities are facing short-term cashflow problems at the same time as longer-term funding shortfalls. Trying to address these simultaneously is further stretching resources: *'A grant to the charity in the current climate will help us face the increased challenge of uncertainty and upheaval in the short term and keep our focus on creating a resilient and sustainable response to the needs of the client group'*.

Organisations need to use valuable resources to apply for short-term (often relatively small) funding pots, at a time when they are very stretched from increased and changed service delivery. While emergency funding provides welcome stability in the short term, it does not decrease longer-term pressures. And it seems unclear to organisations at what point – and whether – normal service from funders might resume: *'Some of the paid counselling posts are at risk as confirmation of funding for one of our projects may be withdrawn due to Covid-19; widening our funding shortfall'; 'The type of multiple-year funding that is the bedrock in enabling us to plan a long-term service for women at risk is now surrounded by uncertainty. With a funding gap of this size to fill, we know that there is normally a 6-12 month lead time for applications and this has a knock-on effect on our staff as we are unable to offer them certainty about their future employment, which in turn creates uncertainty amongst the women we support'*.

4. Being organisationally robust has not protected these organisations

The charities represented in these applications are assessed as having strong boards; good reserves; and diversified income sources. Yet they are still incredibly vulnerable to the changes described here. In some ways, those with the most diversified income have been most affected, as trading income has dried up. One applicant receives 60% of its income from trading – the shops are no longer operating since lockdown, and it will take a long time to recover when restrictions are lifted. Yet fixed costs remain high – particularly for organisations that derive income from activities, such as room hire, which entail substantial overheads.

5. The role of CEOs/Directors is critical but vulnerable

CEOs are performing a number of vital roles as they guide organisations through the Covid-19 crisis. Providing support and stability for staff is one crucial aspect of this, with increased pressures on staff mental health and wellbeing, especially for people trying to support service users: *'The demands on the staff team are increasing each week as beneficiary levels of distress, relapse and general frustration rise'*.

CEOs are also having to manage the shifting burden of work on staff: in some cases furloughing people, in others recruiting additional members of staff; in all cases having to cope with putting support and management in place remotely. For example, in one domestic abuse charity, five staff have been furloughed for childcare and shielding reasons, leaving seven staff delivering services. While this was adequate for the first week post lockdown, the CEO is having to carry out more and more operational activities to pick up the work of furloughed staff, and is unlikely to extend their furloughing after June due to demand: *'The grant will help contribute to some of our core costs which we find many others are reluctant to support. It will contribute considerably to the salary of our CEO whose funding runs out soon. This will help us to continue to coordinate services, supporting our users during lockdown with both practical and emotional support'*.

At the same time, CEOs are frequently taking on a significant amount of unplanned for fundraising, including for their own roles.

6. This is a story of extraordinary resilience and adaptation

The vast majority of these charities have creatively reimagined and reorganised their services, in a very short space of time. Most have shifted to some form of digital provision; some have had to redesign premises and shelters. Yet in the face of immense pressure on their organisations and their staff, service users have continued to be supported in new and innovative ways, often in greater numbers than before: *'We are adapting and providing essential support to vulnerable people to promote independence, health and wellbeing. Our staff continue to reinvent how they work to provide support to our members, their families and other organisations'*.

New procedures and processes have been adopted to enable this critical work to continue, with leaders facing significant operational, strategic and logistical pressures. One mental health charity described how they adapted their service during the first three weeks of lockdown:

We delivered 801 home cooked meals, took 473 support calls (with 62 of those moving to intense support), sent out 402 care packages and delivered nine free lunch buffets to a local GP practice to support the NHS. To comply with social distancing measures and look after the physical and mental health and wellbeing of our staff, we moved to staggered working and some home working, to complete support plans and make specialised support calls. Two staff members, due to underlying health conditions, are working from home for the duration. This has complemented the new service as the staff concerned are the specialist mental health worker and fundraiser. All one-to-one supervision and staff meetings are done via Zoom. Trustees meet via Zoom once a week together with the Senior Management Team. Two members of the board are also volunteering by making masks or working in the kitchen. The board are much more engaged during this situation and, if not volunteering operationally, they are looking at other funding opportunities that the charity can tap into.

Questions and opportunities for funders

The six themes drawn out here reinforce the significance of the questions and opportunities for funders posed in our [Covid-19 briefings](#), in particular:

1. VCSE leaders urgently need support.

The emotional and physical impact of the Covid-19 pandemic on VCSE leaders is becoming increasingly apparent. They face stark decisions and concerns regarding the future of their organisations; at the same time, they are having to respond to the changing and increasing needs of beneficiaries; manage the risks attached to reopening and reshaping of services in line with unfolding social distancing guidelines; and provide options and reassurance to staff and trustees regarding the future of their organisation.

In this context, VCSE leaders are feeling isolated and need spaces for support. They value the opportunity to hear different perspectives, broaden their thinking, sense check ideas and share experiences, including of how they and their peers are working alongside different funders. Some leaders are drawing on external coaches, who understand the CEO role and can provide a mixture of challenge and support. Resourcing such support, however, is felt to be hard to justify at this time, despite its value. Alongside one-to-one support, leaders are also looking for practical support and guidance to support their immediate and ongoing organisational response and decision making.

Funders need to be thinking carefully and creatively about how they can provide emotional and practical support for VCSE leaders as they begin to navigate their way into recovery and renewal. Such support should be seen as an essential ingredient of responsible funding.

2. VCSE organisations need flexible funding.

Social change is complex and will not get any easier in the aftermath of the profound shock of Covid-19. To be the best that they can be in this 'new normal', small VCSE organisations will need flexibility and autonomy.

Now is the moment for funders to adjust the balance between accountability and trust, and to ease the burden on VCSE organisations. First, by introducing lighter, less onerous expectations. Second, by designing processes and encouraging behaviours that genuinely enable funded organisations to do good work, to learn, and to do better. Third, by communicating clearly and promptly about how they intend to move from a state of emergency to supporting the longer-term needs of the sector, with a premium on unrestricted funding and light touch reporting.

Authorship

This report was written by Miranda Lewis, Ben Cairns and Emily Dyson.