



Doubling down on small charities: time to give differently

The cost of not listening crisis series

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We have a vibrant, spirited, tenacious small charity sector in the UK.

It plays a vital role in communities across the UK, filling the gaps in our social system where the state and private sector choose not to operate.

The pandemic shone a spotlight on the best of this sector – the passion, dedication and drive of staff and volunteers, the strength and depth of its roots in communities, and how quickly it can adapt to survive.

Smaller charities in particular played a vital role in providing emergency support to communities experiencing disadvantage, as well as responding to the hyperlocal, long-term implications of the crisis.

Many smaller charities grew rapidly to respond to the needs of the people they supported during the pandemic. Not only did smaller charities 'show-up' but they also 'stuck around', providing ongoing support where public services and informal support and mutual aid groups dissipated.

Now, a new challenge faces the sector – consolidating and sustaining that growth in the face of a perfect funding storm, a lack of reserves, and a backdrop of concerns about the long-term impact of the emotional strain on leaders, staff and volunteers.

This isn't a challenge for smaller charities to solve alone – only so many costs can be saved, efficiencies created or strategies changed. Nor is it one that can be solved in the long-term through government and funders just giving more – a dangerous precedent.

This is an opportunity for trusts and foundations, public health services and social investors to be bold, listen to what charities need and give and support them differently.

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What we're seeing now

Smaller charities are entering a period where they have little choice other than to do more with less. The triple threat that these charities face is stark.

- Inflation has hit double figures and is predicted to rise further, which has increased everyday operating costs, from more expensive goods, services and running costs, to increased staffing costs to remain competitive and supportive of staff. Higher inflation also means that where charities do have reserves, they won't go as far in providing protection.

- Increased cost of living is leading to increased service demand for charities that support people in crisis. [Citizens Advice report](#) that the number of people who have been unable to top up their prepayment meters this year has already surpassed the 2021 total. The Resolution Foundation found that, without support, a further 1.3 million people on mid to low incomes will be pushed into poverty in 2023.

- Meanwhile, far from have access to further funding to support, the current climate has contributed to a reduced pool of income for charities to draw on.

According to [CAF](#), 4.9m fewer people said they donated to charity or sponsored someone in the previous year, compared to the same months in 2019, and 14% of people plan to reduce charity donations this year to help them manage their finances.

Cultural venues that rely on ticket sales [are also predicted](#) to see reduced footfall as people tighten their belts. More broadly, the October 2021 budget saw no new government investment in the sector.



This perfect storm of increased financial and operational pressures, set against dwindling resources, will almost inevitably increase competition for funds between smaller and larger charities alike.

All at a time where small charities have less of a single, shared voice that extols their value since the closure of the [Small Charities Coalition](#) earlier this year.

So what will this mean for the communities they support? It could mean closures – from singular blows to local communities, to a broader collapse that would be

disastrous for minority communities and others experiencing disadvantage, not least increasing inequality of access to services.

More likely is a more general reduction in services at a time when these organisations are needed most, sacrificing the gains in capacity and expertise that smaller charities made during the pandemic.

During the 2010 downturn, small charities were [significantly less likely to report a reduction in income](#) compared to other charities, suggesting they might be well placed to negotiate some of the challenges we are seeing now, even though big challenges remain.

What can we do?

At this point there are calls for the government to provide comprehensive support to help charities survive in the short-term. However, the crisis also represents a pivotal moment for other funders to double down on small charities in changing how they support charities in the long-term.

The emphasis shouldn't just be about how charities can save more or how funders should give more, but about how funders need to give differently – in ways that many smaller charities have asked for years.

In recent years several leading funders have continued to innovate in the way they fund the smaller organisations they support – [Lloyds Bank Foundation](#), [Co-op Foundation](#) and [City Bridge Trust](#) to name a few. More is needed. We need to pour energy into supporting the wider funding landscape to reimagine its support of smaller organisations that maximises their strengths and assets.

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Trusts & Foundations - make trust-based, flexible grant funding from the pandemic the norm

The pandemic forced many funders to adopt more flexible funding mechanisms that enabled small charities to do what they do best – continuing these principles would have real benefits for the year ahead. We need:

- More core, unrestricted funding allowing charities to choose what they spend their money and when, helping them to maximising their flexibility, adaptability and resilience
- More long-term funding models that values continued support for 'what works' and new approaches alike, supporting longer-term planning, delivery and sustainability

- Simplified reporting practices that move away from funder driven impact, especially around small grants – enabling charities to build up their monitoring practices and ‘measure what *they* treasure’, telling the story that works for them and minimise bureaucracy
- Dedicated tech funding and support for smaller charities, who were less likely than larger charities to have invested in IT, new technology and online solutions during the pandemic.



Public health services - recognise and financially reward VCSE organisations for the roles they play alongside public services, especially the health and care sector

There is an increasing drive from within the health and care system to work in partnership with place-based charities through models such as social prescribing and integrated care. We need:

- An acknowledgement that resources within the charity sector are finite and that clear plans need to be made to deal with new demand
- Clear, suitable financial investment that fairly funds service delivery and strategic involvement among grassroots organisations and larger charities alike.
- Place-based charities need to be supported – financially and in terms of training and development – to have formal, active involvement in local healthcare strategy, service design and commissioning

Social investors - widen access to social investment and other forms of alternative financing

Social impact investing in the UK has grown six-fold over the past eight years. In Traverse's recent survey of charity leaders, over two thirds of charities anticipated that they will need to access external financing in the next five years, yet many charities are still hesitant to engage with it despite the diversification benefits it can offer. We need:

- Traditional funders, social investors and umbrella organisations to improve the way they communicate and work with organisations they support to help them better understand different financing tools, build towards them and develop the confidence to engage with them
- More awareness raising by investors and umbrella organisations around popular, easy routes into understanding social investment, such as purchasing property
- Social investment offers to reflect the challenges that drive many small charities to engage with it – including necessity, stability and development, as well as impact and scalability.

Get in touch

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