

Purpose

To inform members about emerging trends in the rapidly changing external funding environment and the impact that Covid is continuing to exert on the sector, CLOA held a virtual roundtable discussion with a selected group of National Funders (Lankelly Chase, Lloyds Bank Foundation, Salix Finance, Sport England, The Good Exchange and ArtsWork) and some of CLOAs Local Authority members. We wanted to understand the new funding landscape and to see how we could work better with national funders.

This short paper provides a summary of the key points covered by the discussion.

Learning keynotes/themes

Strengthen relationships between funders and grantees

Many funders halted ongoing funding programmes to concentrate on supporting emergency response work – through trusted grant-supported 3rd sector partners ([Association of Charitable Foundation Survey Results, April 2021](#)).

Most funders relaxed grant conditions such as monitoring regimes. Lankelly Chase have done away paper monitoring as far as possible; which was a natural progression for them. An alternative was requiring monitoring information to be included in annual reports, rather than regular updates.

Many funders became more flexible about how money could be used. Some awarded those they had relationships with additional funds and support to cope with the emergency – for example, [Lloyds Bank Foundation enhanced support grantees](#).

This lighter touch, more relational way of working demanded by the pandemic seems to have speeded up a trend across the sector; **away from competitive funding and towards longer-term and more learning-oriented engagement** (for examples: see [Lankelly Chase Covid 19 Crisis Response](#) and [Lloyds Bank Foundation – Community Responses](#) on their YouTube Channels).

New respect and collaboration

Rapid mobilisation in response to the emergency was impressive, and all sections of society played their part. Communities and 3rd sector partners were effective at reaching and identifying needs that more remote agencies were not able to. National and local government, together with the full range of strategic partners, have found **new ways to collaborate, cooperate and support each other in creative ways that has significantly improved trust and respect** and the third sector been a crucial part of that emergency response. (See: [Small Charities Responding to Covid-19, Lloyds Bank Foundation, Dec. 2020](#))

Tackling structural inequalities – what role for funders?

As Covid funds begin to run out, partners and funders alike are still responding to growing demands for their services (more information on the sectors under particular strain are included in the same Lloyds Bank Foundation, Dec. 2020 report). **The pandemic has shone a light on entrenched structural inequalities.** For many, there is a recognition that those most impacted by this inequality need to be part of a more holistic understanding of ‘place’ but also to help create locally-rooted solutions (For example, see: [Good Practice Recommendations for Funders in a Covid-19 Context. ACF, August 2020](#); and [Inclusive and sustainable economies: leaving no one behind, Public Health England, March 2021](#)).

To be successful, this requires **participatory grant-giving, which: listens, supports and empowers disadvantaged communities.** The National Lottery Community Fund succinctly explain [participatory grant making or PGM](#) as an approach to funding decisions and strategies that emphasises a ‘nothing about us without us’ approach. Practice is emerging across the sector – for example, see [Practical Guide for Participatory Grant making](#). **Longer-term investment and joined-up partnership relationships at the local level are required** rather than a centrally planned ‘issuing of calls’. It requires trust based giving that encourages a frank dialogue about what has and has not worked, rather than a KPI driven approach. [Approach – Lankelly Chase](#) is driven by a conviction that those living and working closest to social problems are best placed to direct change. **This requires a culture change in national funders and a more open, less control based, less power based relationship and calls for participation as equals, rather than as funder and grantee.**

Investing in leadership and community capital

For some funders, the scale of emergency Covid funds, channelled through them, has allowed new audiences access, which is likely to lead to ever more competition for open funding calls. Sport England estimate that around 80% of their emergency grants have gone to organisations that they have never funded before.

[Initial evaluation work conducted by the National Lottery](#), which distributed £188 million through the Coronavirus Community Support Fund (CCSF), found that 75% of charities said that the funds enabled them to reach people that they had not worked with previously. Covid has exposed inequalities across society, ensuring equity, diversity and access to funding remain crucial to Funders. **Building the capacity and supporting leadership development within under-represented communities affected by Covid will be an ongoing issue.** This is recognised as key to ensuring that Sport England can deliver on the ambitious targets set out in [Uniting the Movement](#) their new 10-year strategy; the [Tackling Inequalities Fund](#) is one approach being piloted.

A sector which played a crucial role during the pandemic facing an uncertain future

Funders have growing concerns: unsustainable levels of emergency funding, together with core funding (often commissioned) from Local Authorities, has also by-and-large been extended to cover the emergency period. This has to some extent allowed 3rd sector organisations to extend essential services and just about take the hit from the loss of income from fundraising. Estimates from the sector itself suggest that the overall loss of income could range from £4.3 billion to £6.7 billion ([Hansard, 9 June 2021](#)).

The funding sector is exhausted by the impact of service innovation, the pandemic's toll on staff and volunteers, and a continuing increase in demand coupled with continual competitive bidding calls from central government. Funders remarked on a lower level of applications that they are receiving on some of their annual funding programmes this year, reflecting anecdotal evidence of a sector exhausted by emergency initiatives. This is true not only for the 3rd sector but reflected across local authorities. The worry is 2022 when on-the-ground partners who have depleted resources, both financially and from their staff (and volunteers), will face **an uncertain post-Covid funding environment**. [Charity sector reactions to Budget 2021](#) suggest that whilst the sector welcomed some measures, they were generally disappointed at a 'missed opportunity'.

Thoughts for the future: better practice reinforced by emergency delivery

Covid has forced a digital revolution – not only in terms of work-practices and the ubiquitous Zoom meetings; there is also a collective awakening of the power of algorithms to help match funders and donors to projects and innovators. The Good Exchange showcased the work of [Sovereign Housing, which levered in additional funding](#). Collaboration between [Crowdfunder and Sports England](#) is driving a new way of establishing community engagement and raising match funding at the same time.

It has been a tough time for the sector, as it has for everyone, but it is driving forward trends that have been emerging over the past few years. To address health and deprivation inequalities effectively and equitably, we need to build long-term local and community leadership capacity through learning led approaches, with certainty about medium to long-term funding commitments, driven by community choices. Funders can act as a resource bridge between community, learning and capacity development. This focus on community and participation is also driving the importance of place as a lens through which to view funding (for example see: [Working in Place: Collaborative funding in practice](#) which reinforces many of the points already raised in this paper).

Just last week at Local Government Association's virtual conference [Robert Jenrick, the communities secretary said there would be fewer competitions in the future](#), giving councils 'more consolidated opportunities to access government funding.' That would be an achievement we would all enjoy.

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