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LLOYDS BANK FOUNDATION
England & Wales

The Value of Small Big in a crisis

Summary report

February 2021

The distinctive contribution, value and experiences of smaller charities in England and Wales during the first wave of the COVID-19 pandemic

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Key findings

Small and local charities – those with an income under £1 million - were at the heart of the community response to the first wave of the COVID-19 pandemic. They **demonstrated tremendous energy, flexibility and professionalism** to understand the implications of the crisis and continuously adapt their provision in response to the ever-changing needs and circumstances of their local communities.

During the first six months of the COVID-19 pandemic **smaller charities worked flexibly to respond quickly to the implications of the crisis.**

In essence, they **'showed up'** and then **'stuck around'**, using their position of trust within communities experiencing complex social issues to support people when they were needed most. **This is in contrast to parts of the public sector**, who were slower to react, and to informal support and mutual aid, which has dissipated over time.

small charities
showed up & stuck around

they worked
quickly & flexibly

The **service offer of smaller charities** was concentrated on addressing four main areas of need - **access to food, isolation and loneliness, information and mental health/ wellbeing** – and was tailored to different groups experiencing complex social issues. They found **multiple ways to maintain human contact** by checking up on people, keeping in touch with them and connecting them to one another wherever possible.

Who smaller charities worked with was particularly distinctive, as they acted as a channel of support for groups and communities where having a relationship of trust was especially critical and whose **needs tended to be less well served by mainstream provision** even though they were more likely to be adversely affected by impacts of COVID-19, such as ethnicity, poverty and pre-existing health inequalities.

The work of smaller charities during the pandemic has created tangible value. The value created through distinctiveness of their approach, being a **consistent and trusted presence for vulnerable communities for the duration of the pandemic**, was recognised by a range of different stakeholders:

- **Value for public services**, by supporting people most likely to be adversely affected by the coronavirus and the wider effects of lockdown, undoubtedly preventing some people from contracting COVID-19, reducing the demand on the health system at minimal additional cost to the public purse.
- **Economic value** in the face of a severe recession, by continuing to employ local people, utilising local supply chains and accessing funding to support the crisis response that could not have been brought into local areas by other providers.
- **Added value** through their networks and partnerships, by flexibly meeting new needs and complex social issues as they emerged, and by communicating public health messages to communities where these were not getting through.
- **Individual value** through personal outcomes linked to health, mental health and social isolation that have prevented challenges from getting worse.

they were a **consistent** & **trusted** presence

they showed incredible **absorptive** & **adaptive** capacity

Smaller charities demonstrated incredible **resilience** throughout the pandemic. First, in the form of **absorptive capacity** by 'soaking-up' the unprecedented impact of the crisis on their work; and then through **adaptive capacity** by making incremental adjustments and innovations on an ongoing basis.

Smaller charities have the potential to contribute to the change needed if the economy and society are to 'build back better' following the pandemic, but **their transformative capacity is currently constrained** by the local and national public policy environments in which they operate.

A **thriving and resilient population of smaller charities** should be an explicit goal of public policy at a national and local level.

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The purpose of this latest Value of Small research was to test the findings from the 2018 report in the context of the COVID-19 pandemic. It was hoped that by exploring how smaller charities responded during the COVID-19 pandemic and why this mattered to vulnerable individuals and communities, the research would generate an even deeper understanding of the distinctiveness and value of small charities.

Introduction

Prior to the COVID-19 pandemic it was widely recognised that smaller charities were a vital component of the health, wellbeing and social fabric of neighbourhoods and communities across England and Wales. **Most are locally based and focus their activities on people and communities experiencing complex social issues.** In 2018 the original 'Value of Small'[1] research identified three core 'distinctive' features that set smaller charities apart from larger charities and public sector bodies:

1. A distinctive service offer: who smaller charities serve and what they do

This includes through plugging gaps left by other organisations; being the 'first responders' to people in crisis, and creating safe, familiar spaces where people can receive practical support or be quickly linked to other local services because of links to local networks. Examples in the research included the experiences of homeless people and refugees who were not being helped by public services but got the support they needed from small and local charities.

2. A distinctive approach: how smaller charities work

This includes building person-centred relationships with clients for longer; being known for their 'open door approach' and understanding of local issues, for being quick to make decisions because of flatter management structures, and reflecting more closely the diversity of their local communities through their staff and volunteers. Examples in the original research included charities providing mental health services that were more welcoming and engaging for people who were turned away from public services because the issues they were facing were too complex or didn't fit those organisations' statutory obligations.

3. A distinctive position: the role smaller charities play in their communities and how they contribute to public services

This includes using their well-established and far-reaching networks to act as the 'glue' that holds communities together. Examples in the research include charities helping communities cope better with funding cuts and service fragmentation.

The research found that this combination of distinctive features in smaller charities meant they often amount to more than the sum of their parts and create large amounts of social and economic value, including:

a. **Individual value** for people who engage with smaller charities' services, such as building confidence and self-esteem to help them prepare for and secure employment, often preventing upstream costs for acute public services.

b. **Value for the economy** through the income smaller charities generate from multiple sources and buying goods and services locally.

c. **Added value** that cuts across different stakeholders, through recruiting proportionately more volunteers than larger charities, and by bringing in new funding from trusts and other sources which typically can triple the income they receive from the public sector.

[1] Dayson, C., Baker, L. and Rees, J. with Batty, E., Bennett, E., Damm, C., Coule, T., Patmore, B., Garforth, H., Hennessy, C., Turner, K., Jacklin-Jarvis, C. and Terry, V. (2018) *The value of small: In-depth research into the distinctive contribution, value and experiences of small and medium-sized charities in England and Wales*. Sheffield: CRESR, Sheffield Hallam University.

Since the onset of the COVID-19 pandemic in March 2020 considerable attention has been paid to how communities responded to the immediate crisis with a focus on the role of informal voluntary action and mutual aid. Local people helped each other to meet basic and essential needs and to attend to everyday tasks outside of formal organisational structures and systems of support. Whilst this has undoubtedly been important to communities during the pandemic, the formal voluntary sector, including many smaller charities, have been at the forefront of the crisis response as well, but there is a risk that these contributions will be overlooked or undervalued.

Smaller charities

definition

Throughout this report we use the term 'smaller charities' to refer to charities who are either small (with an annual income of between £10,000 and £100,000) or medium sized (annual income of between £100,000 and £1 million) to reflect the categories used for the NCVO Almanac and other key sources of information on civil society, charities and the wider voluntary and community sector in England and Wales. Click here for more information.

The purpose of this latest Value of Small research was to test the findings from the 2018 report in the context of the COVID-19 pandemic. It was hoped that by exploring **how smaller charities responded during the COVID-19 pandemic and why this mattered** to vulnerable individuals and communities, the research would generate an even deeper understanding of the distinctiveness and value of small charities and provide further evidence of how their work could be promoted, developed and supported. The study focussed on the initial period of 'lockdown' between March-June 2020, and the subsequent period of 'opening-up' (July-September 2020). The Research Team **revisited the four case study areas** from the original study – Bassetlaw, Ealing, Salford and Wrexham – to capture rich **qualitative insights** about how smaller charities responded to the crisis and how this was experienced by local stakeholders.

The findings presented in this report provide evidence that will help local and national public sector organisations, umbrella bodies and charitable funders to **understand how and why smaller charities should be supported to respond to the ongoing crisis and then contribute to recovery and transition plans** as communities across England and Wales emerge from this crisis.

This summary covers how smaller charities responded during different stages of the pandemic; the distinctiveness of smaller charities' response to the pandemic; the value of smaller charities during the pandemic; the challenges experienced by smaller charities during the pandemic; and presents conclusions and recommendations for action.

Vulnerability

definition

Throughout this report, where we use the terms 'vulnerable' or 'vulnerabilities' in reference to individuals and communities, we mean people or places experiencing complex social issues such as addiction and dependency; asylum seekers and refugees; care leavers; domestic abuse; homeless and vulnerably housed; mental health; crime, offending and rehabilitation; racial equity; sexual abuse and exploitation; trafficking and modern slavery; and young parents.

Smaller charities supporting these groups were the focus of this research. This is important, as these individuals and communities are amongst the most likely to have been adversely affected by the COVID-19 pandemic[2].

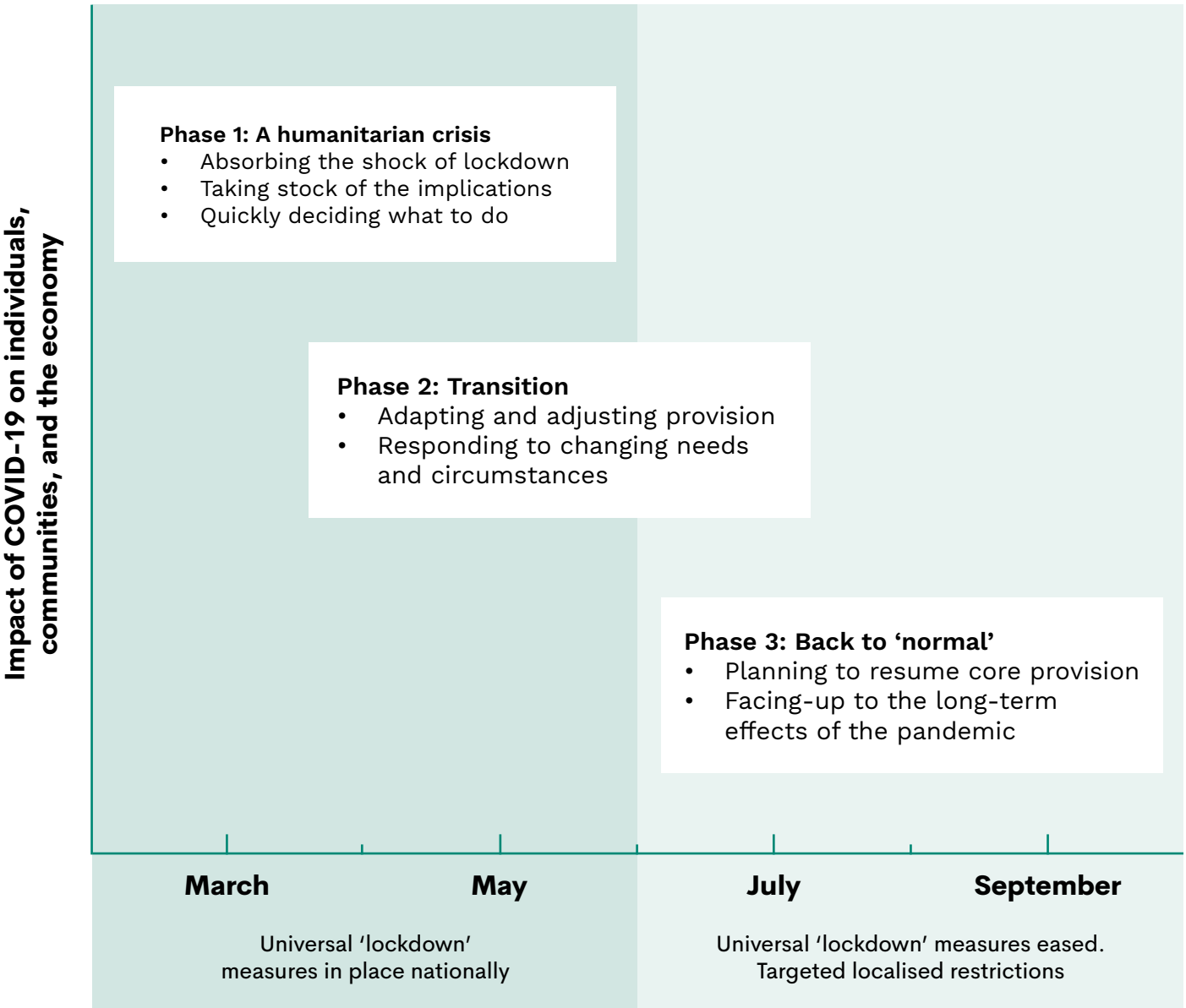
Figure 1: An overview of the case study areas and research undertaken

[2] Wider research has described the COVID 19 pandemic as a 'syndemic' that cannot be disentangled from social, economic or health inequalities and that the effects of the pandemic have interacted with and exacerbated existing inequalities. See: Bambra C., Riordan R., Ford J., et al (2020). The COVID-19 pandemic and health inequalities. *Journal of Epidemiology and Community Health*, 74, 964-968.

How smaller charities responded during different stages of the COVID-19 pandemic

We found that during the first six months of the pandemic **smaller charities responded quickly and flexibly by adapting their provision in response to new and emerging needs and circumstances** over time. There were three distinct but overlapping phases to this response (Figure 2).

Figure 2: The three phases of the COVID-19 pandemic for smaller charities (March-September 2020)



Phase one: A humantarian crisis - Absorbing the shock of lockdown; taking stock of the implications for individuals, communities and the organisation; and quickly planning and implementing a response

This phase involved a range of internally and externally focussed activities by smaller charities to ensure that staff could work from home effectively and ensuring key services could be provided remotely wherever possible. Smaller charities went to great lengths to ensure the welfare of their service users was foremost during the period, with most carrying-out regular telephone check-ins, ensuring that food and medicines were distributed, and providing the most isolated people with vital social contact. Flexibility from commissioners and funders and the accompanying reductions in red tape and bureaucracy enabled many small charities to repurpose restricted funds to support their pandemic response.

Phase two: Transition - Adapting and adjusting provision in response to needs and circumstances

Once smaller charities had responded to the initial shock of lockdown and put in place systems and processes for how they operated and for supporting the needs of their service users, they entered a phase of ongoing adaptation and adjustment as needs, circumstances and the wider social and economic context shifted and changed. Key activities were provided online and face-to-face (where guidance allowed this) and included responding to the 'knock-on' or next stage effects of COVID-19 such as rent arrears, problematic debt and mental ill-health; and extending and developing their service offer, such as the widening of digital provision. Smaller charities found that these issues were affecting existing service users, but the crisis also saw an increase in need from other people who had been directly affected by the pandemic (for example due to job losses or additional caring responsibilities).

Phase three: Getting 'back to normal' - putting plans in place to resume core provision under new conditions; and facing-up to the long-term effects of the pandemic

Although smaller charities did not point to a recognisable breakpoint between different phases of the pandemic there came a time when they were operating in what might be described as a 'new normal' approach to provision. This meant smaller charities having to balance service users' needs with a requirement to deliver services in a 'COVID secure' manner, alongside chronic uncertainty about the future and their longer-term sustainability.

Public sector representatives contrasted the speed, agility, flexibility and adaptability of smaller charities – particularly during the early phase of the pandemic - positively with how some public bodies had responded.

As opposed to a public body or larger organisation, I do feel that a smaller organisation, third sector particularly so, can be quite responsive…they may be on the ground, more local level and can identify more quickly to a changing need.

Public Sector Stakeholder, Wrexham

Beyond, Salford

case study

'Beyond' emerged in Salford during the crisis after the 'Living Well' statutory mental health service was paused to enable clinical staff to go and work on hospital wards. Although the 'Spirit of Salford' was set up to support or signpost anyone to support who were struggling with food poverty, existing mental health conditions, housing etc, it was highlighted early on there was no provision for people who were experiencing mental health because of COVID-19. If you weren't already under a mental health service, then very little support was available, but helplines were described as being 'inundated' by calls for help.

In response, a group of local charities and social enterprises who had been working together before the crisis created 'Beyond', a COVID-19 mental health response service through which people in need of support could be referred to online resources and telephone support to help them cope whilst self-isolating/social distancing.

Beyond was hugely valued by local public sector stakeholders, who recognised that public sector providers would not have been able to respond in the same way. These providers' ability to identify gaps in provision, collaborate, and then implement a rapid and flexible response was evidence of the distinctive role smaller charities can play during a crisis.

That was phenomenal. The way that the three (smaller charities/social enterprises) responded to that was phenomenal. They've been absolutely brilliant. So, (they) came together very very quickly to pull together an offer for people who were not known to the mental health trust and who needed that mental health support. And we wouldn't have been able to mobilise something that quickly with a statutory organisation. The flexibility they had to deliver something in a very different way, in a COVID way. But the way in which they responded to do that in such a short space of time, and with the link that they have in the reach that they have into wider (voluntary sector) partners was really well valued… and I suppose the organisations that were involved were anchor organisations… So, that they had that wider sense of what else was out there and what people could be supported to access. That was really beneficial in terms of getting people to the right support as well as offering some kind of short, time-limited interventions for people as well.

NHS Commissioner, Salford

The data for this study was collected prior the second national lockdown during November 2020 and the third even more stringent national lockdown that was put in place in January 2021 and was still in place at the time of publication. Although these restrictions will undoubtedly have adversely affected smaller charities and the people and communities they serve, our findings suggest that on a practical level the learning and adaptations made during the three phases described in figure 1 ought to have helped them to respond during these periods. However, the extent to which many smaller charities have the financial and human resources necessary to withstand another extended period of lockdown remains to be seen.

The distinctiveness of smaller charities during the COVID-19 pandemic

We found that smaller charities made a major distinctive contribution to the response to the COVID-19 pandemic in localities across England and Wales between March and September 2020. In essence, the evidence gathered shows that **smaller charities 'showed-up' at the beginning of the pandemic and have then 'stuck around' for its duration**, and that this stands in contrast to other types of responders such as parts of the public sector, who were slower to react early on, and informal support and mutual aid, which has dissipated over time. Re-affirming the framework developed for the 2018 study, our findings suggest the response of smaller charities was distinctive in the following ways.

Their service offer: the services and activities provided by smaller charities during the pandemic

In each of the four case study areas we found that it was **who smaller charities supported that set them apart as distinct from other types of providers** and sources of support. This included:

- **Individuals and communities that have been disproportionately affected by the syndemic[3] nature of COVID-19** due to characteristics such as ethnicity, poverty and pre-existing health inequalities.

  Given their focus on complex social issues many smaller charities were already in touch with these groups and communities and began reaching out to them immediately. Public bodies and larger charities were able to maximise the impact of their own provision by working through these smaller charities.

- **Individuals and groups who struggled to access or understand public health guidance** due to language, literacy and digital exclusion.

  Smaller charities were quick to spot that guidance about COVID-19 was not reaching migrant communities and other groups. They were able to use the knowledge, understanding, trust and reach into these communities to share government and public health information more effectively.

- **People for whom face-to-face or in person services were still needed** due to isolation and lack of support networks.

  Many smaller charities instantly began check-in services for elderly or isolated people; made doorstep or garden visits and phone calls for company and social contact; and hand delivered information, activities, food and medicines.

This meant that overall, the service offer of smaller charities during the pandemic was **focussed on addressing need in areas where public services were less visible or active.** What appears to have been especially important and distinctive about this work, particularly when compared with some public sector organisations, is that it has, wherever possible focussed, on offering people human contact either in person or by remote means.

[3] Bambra C, Riordan R, Ford J, et al (2020). The COVID-19 pandemic and health inequalities. *Journal of Epidemiology and Community Health*, 74, 964-968.

Their approach: how smaller charities delivered their services

Smaller charities' distinctive ethos and values have been to the fore during the pandemic, driving how and why they have responded to the pandemic. When we asked smaller charities about their approach during the pandemic, most of them came back with a version of 'It's what we do' or 'It's how we work'. This values-based approach to supporting people and communities was recognised by local public sector representatives as well.

These values were manifest in an approach to supporting vulnerable people and communities during the pandemic that was epitomised by the fact that smaller charities 'showed up' and then 'stuck around', continuing to provide support when it was needed most:

- **Showing up:** each of the smaller charities we engaged with hadn't stopped working in person with people in their communities, however much of what they did and how they did it had changed due to the COVID-19 restrictions.
- **Sticking around:** supporting vulnerable people and communities through the duration of the pandemic, unlike some of the spontaneous mutual aid type activity that emerged in great volume at the start of the pandemic but dissipated somewhat over the summer as restrictions eased and people returned to work and non-acute statutory services re-opened.

The distinctiveness of this approach, being a **consistent and trusted presence for vulnerable communities for the duration of the pandemic**, was recognised by the public sector representatives who participated in the research.

"The voluntary sector organisations continued to do frontline face to face services whereas the local authority were working from home.

Stakeholder, Bassetlaw

"Well, the word that immediately sprang to mind…was 'values'. What's the reason why they were set up? And that was to keep their communities safe, alive and well, and so they responded immediately. It is that value of small, where if you were cogs in the chain that need to be signed off, they can just do it. And the reduced level of governance, definitely helps.

Public Sector Stakeholder, Bassetlaw

Magdalene Group, a Lloyds Bank Foundation grant holder

Their position relative to other types of provider

Many smaller charities worked closely with public service providers for the duration of the pandemic, both formally, as part of area level response structures, and informally, through pre-existing relationships and networks. The smaller charities we engaged with mainly felt that the public sector recognised and valued their trusted position closer to individuals and communities experiencing complex social issues and how this reach enabled support to get to them much faster than would have otherwise been the case. Smaller charities were therefore seen as trusted conduits for information and communication about the pandemic and their engagement with area level response structures (such as Gold and Silver Command Groups) was often facilitated via the local infrastructure organisation.

Although smaller charities appreciated this recognition for their distinctive position, they were uncertain that this would have an enduring impact on their relationship with the local council or public health bodies. This was particularly the case among Black, Asian and minority ethnic-led charities.

"So you know it is recognising that (smaller charities) were already helping to do a lot of the work with people who probably would not reach the criteria for services and recognising that (they) had probably a much wider reach than our services, which is absolutely right but how do we work that and recognise that in our kind of overall strategy. So I think, I think that really sort of shaped the things we're going to progress forward on for the next five years.

Public Sector Stakeholder, Salford

"The small charities can do what we struggle with – that personal touch, getting to know someone, offering them a consistent face, they speak to the same person and build a relationship. If you're that resident and you've not spoken to someone all week that continuity is really important. The small charities have scaled up, increased their capacity and in a short space of time. As a big organisation – the council call centre – we had 20 people trained on our inquiry line and you speak to a different person each time.

Public Sector Stakeholder, Ealing

The value of smaller charities during the COVID-19 pandemic

Reflecting on the 2018 study, our findings show how smaller charities continued to create individual, economic and added value during the COVID-19 pandemic, but they also draw particular attention to **the value smaller charities created through their absorptive and adaptive capacity** – their preparedness to identify and respond to the changing needs of local people and communities experiencing complex social issues[4].

Value to individuals and communities

We found that during the pandemic, the work of smaller charities to promote and preserve positive wellbeing has been particularly important. This included:

- Keeping people physically safe and well through providing food and access to medicines.
- Mitigating the impact on mental health of social isolation brought about by lockdown, shielding and the emotional effects of being required to maintain physical distancing.
- Providing accurate, appropriate information to people who were confused by government communications about coronavirus or by rumours circulating in their community.

This highlights how a key role for a smaller charity, particularly in the face of a crisis, is contributing to personal outcomes that can prevent someone's life from getting worse in the short term. This can create stability and mean these individuals will be in a better position at the end of the pandemic, and more likely to experience longer term 'harder' outcomes, than would have otherwise been the case.

Golden Opportunity Skills and Development, one of the charities who participated in the research

Value to the economy

The COVID-19 pandemic has had a large negative impact on the economy, which is estimated to have shrunk by around nine per cent since the beginning of the pandemic in March 2020 and there has been a 1.4 million rise in the number of people claiming Jobseeker's Allowance or Universal Credit. In this context, the fact that most smaller charities stayed active and continued to employ people during the pandemic, rather than relying on furlough or making redundancies, was a major positive for the economy. Smaller charities tend to employ local people and utilise local supply chains, so their ability to continue to operate throughout the pandemic will have been of real benefit at a local level. Furthermore, many smaller charities have accessed funding which has helped them with the initial crisis response and could not have been brought into local areas by other types of providers.

A further feature of the economic value of smaller charities highlighted in the 2018 report was how their work leads to 'upstream' benefits for the public purse by, for example, supporting people into sustained employment or reducing the need for acute health and care services. During the pandemic, most smaller charities focussed their work on supporting people and communities most likely to be adversely affected by the novel coronavirus, by doing their best to reduce the risk of people in extremely clinically vulnerable groups contracting the virus, and by mitigating the wider effects of lockdown. These efforts incurred very little additional cost to the public sector and undoubtedly prevented some people from getting unwell with COVID-19, thus minimising the demand on the health system during a period in which acute care was stretched to the limit.

Added value to public, social and community infrastructure

We identified three main ways that they have been able to add value to what was happening locally:

- By using their networks and partnerships to maximise the effectiveness of the initial crisis response for example in food distribution, volunteer utilisation and engaging in public-sector decision-making fora.
- By reassigning staff and volunteers to new roles in order to meet new needs and complex social issues, as they emerged.
- By communicating public health and other government messages to groups and communities where these were not getting through because of language barriers or mistrust of public bodies.

However, many smaller charities and Black, Asian and minority ethnic-led organisations in particular feel that the value they bring remains poorly understood.

[4] For discussion of the importance of adaptive capacity as a source of resilience during humanitarian crises see: Béné, C., Godfrey-Wood, R., Newsham, A., & Davies, M. (2012). *Resilience: New utopia or new tyranny? - Reflection about the potentials and limits of the concept of resilience in relation to vulnerability reduction programmes.* IDS Working Paper 405. Brighton: Institute of Development Studies.

Rethinking the social value of smaller charities

Our findings suggest that the real value of smaller charities during the COVID-19 pandemic has been the fact that they **'showed-up'** to support the people and communities that needed them the most and have then **'stuck around'** as the crisis has persisted. How they work, in particular their **absorptive and adaptive capacity in the face of crisis**, and deep understanding of needs, enabled them to respond quickly and flexibly to needs amongst the people and communities affected by complex social issues. By comparison, the public sector and larger charities and voluntary organisations appeared much less agile and in touch with these communities and some of the mutual aid activities have dissipated over time. By working in this distinctive way smaller charities have been a key part of the wider civil society response that has helped slow the spread of the virus by ensuring that people were supported to stay at home.

Social value legislation is one of the main mechanisms through which public sector bodies are required to take account of the contribution small and locally based organisations make to the social and economic wellbeing of an area, but it needs to be implemented more consistently in ways that recognise the distinctive features of smaller charities. Recent changes to national social value guidance[5] offer some hope by recommending embedding an understanding of how organisations support "COVID-19 recovery, including helping local communities manage and recover from the impact of COVID" in decision making. Similarly, the advice that "evaluation of the social value aspect of bids should be qualitative so all potential suppliers...can successfully bid by describing what they will deliver and how they will deliver it" ought to level the playing field for smaller charities even further. In light of these changes to social value guidance, recognising that small charities' responses to the pandemic is evidence of their social value, and that social value runs through everything smaller charities do, will be important if their **transformative potential is to be realised**. But there remains a challenge for local and national policy makers to ensure that an understanding of the distinctive value of smaller charities becomes embedded in key policies, strategies and investment programmes.

Our findings suggest that the real value of smaller charities during the COVID-19 pandemic has been the fact that they 'showed-up' to support the people and communities that needed them the most, and have then 'stuck around' as the crisis has persisted.

[5] See Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts (Action Note PPN 06/20 September 2020)

Realising the absorptive, adaptive and transformative capacity of smaller charities during and beyond the COVID-19 pandemic

evidence

Research into other humanitarian and environmental crises, such as earthquakes and droughts, demonstrates that three types of capacity provide the foundations for an effective response to, and recovery from, major shocks or crises. These capacities are often referred to as the components of 'resilience'. Applied to smaller charities and the COVID-19 pandemic, they can be described as follows:

- Absorptive capacity is a smaller charity's ability to moderate or buffer the impacts of the COVID-19 pandemic to fulfil their missions or purposes by continuing to support vulnerable people and communities in the way they did prior to the pandemic.
- Adaptive capacity relates to the various incremental changes and adaptations a smaller charity implements in order to continue functioning in response to the pandemic, without making major qualitative changes to operating models, mission or purpose.
- Transformative capacity becomes important for a smaller charity if the scale and/or duration of the pandemic or its effects drain its reserves of absorptive and adaptive capacity, or if its lasting effects mean there is a need for change on a larger scale for the vulnerable communities they support. Transformational change may alter permanently the ways smaller charities work, first to ensure their immediate 'survival', and, ultimately to use the crisis as an opportunity to contribute to lasting change.

The evidence collected through this research have provided numerous examples of the absorptive and adaptive capacity of smaller charities and how this benefited vulnerable people and communities experiencing complex social issues during the COVID-19 pandemic. However, the findings also demonstrate the need for change on a larger scale if society and the economy are to fully recover and prosper following the pandemic. Smaller charities have the potential to contribute to the transformational change needed, but their transformative capacity is currently constrained by the local and national public policy environments in which they operate.

Asylum Link Merseyside, a Lloyds Bank Foundation grant holder

Challenges for smaller charities arising from the COVID-19 pandemic

Despite the incredible response of smaller charities in England and Wales to the COVID-19 pandemic described throughout this report, the crisis has also presented them with challenges which should not be underestimated. It seems likely that the effects of the pandemic will be experienced for the foreseeable future and will almost certainly have been exacerbated by the second wave currently being experienced during the winter of 2020-21. Our findings suggest that these challenges fall into three broad categories.

1. **The changing nature of service user and community needs: these have evolved and increased in severity as the pandemic has developed**

Smaller charities emphasised that the number of individuals experiencing issues and requiring support as a result of COVID-19 continues to increase and that the ways in which the crisis is affecting people continues to change and evolve. At the same time, the availability of support for these individuals is very limited which often leaves smaller charities as the only option available to them. Key social issues included unemployment, insecure housing and homelessness, drug and alcohol abuse, domestic violence and mental health. This means that often, smaller charities are facing growing complexity in forms of demand alongside general increase in need, and this can be highly unpredictable and therefore challenging for them to plan for. It was widely reported that complex social issues that existed pre-COVID were worsening, and poverty continues to deepen, in particular within Black, Asian and minority ethnic communities.

2. **Organisational challenges associated with financial and human resources: these existed before the pandemic but have been exacerbated for many smaller charities**

Smaller charities reported that despite being very prudent with their finances, COVID-19 was hitting them hard and there was near unanimous concern across our case study areas about the availability and stability of future longer-term funding. Whilst there was appreciation for funders who had allowed existing funding to be used flexibly and moved quickly to introduce small-scale, responsive grants to support COVID-19 responses, smaller charities expressed concern that some funders had stopped existing programmes, in order to rapidly shift their focus to COVID-19, leaving organisations seeking non-COVID funding in a difficult position.

Several smaller charities expressed the growing concerns about how the intensive ways of working and emotional burden taken on during the pandemic were taking their toll on the wellbeing of staff and volunteers, with 'burnout' considered a real and looming risk. In response, many small charities had made extra efforts to promote self-care and wellbeing, putting in place mutual support systems to ensure staff remained connected and supported, but concerns about the longer-term impacts remained.

3. Sustaining relationships with clients, volunteers and key partnerships: these cover those developed prior to and during the pandemic

In all of our case study areas smaller charities were grappling with the tension between online working from home and service delivery, and the need to continue to meet and deliver face-to-face. The tension was particularly acute for smaller charities because a significant part of their activity is relational and depends on face-to-face human contact and warmth that is not as easy to achieve through remote or digital provision which some groups will always struggle to access.

This presented smaller charities with a moral dilemma about how to respond, and to do so in a way that met their clients' or communities' needs. They had to balance the needs of their beneficiaries for face-to-face provision with the wellbeing and safety of their staff and volunteers. Several smaller charities expressed the growing concerns about how the intensive ways of working and emotional burden taken on during the pandemic were taking their toll on the wellbeing of staff and volunteers, with 'burnout' considered a real and looming risk. In response, many small charities had made extra efforts to promote self-care and wellbeing, putting in place mutual support systems to ensure staff remained connected and supported, but concerns about the longer-term impacts remained.

Warm Hut, one of the charities who participated in the research

Concerns were also expressed across the case study areas about the challenge of retaining members and volunteers, particularly for organisations whose work is mainly based on face-to-face contact. Understandably therefore, there are real concerns about the likelihood of volunteers becoming disengaged in the longer term. Although some smaller charities found innovative ways to keep their volunteers involved – for example providing Zoom or telephone-based counselling or keep in touch session - the tensions remained very real.

Although many smaller charities were generally positive about the spirit of collaboration and partnerships developed or strengthened during the pandemic, some smaller charities also reported a lack of communication from at least some of their partners in the public sector at various stages. They felt that they were 'left to it', which failed to maximise the goodwill and potential contributions of different smaller charities. This may reflect longer-term weakness in sector level collaboration in some places and in some parts of the wider sector that will need to be addressed in the longer term.

Conclusion

The COVID-19 crisis has been described as a 'syndemic', the effects of which have interacted with and exacerbated existing inequalities, affecting the very communities experiencing complex social issues that many smaller charities exist to support. In light of this unprecedented challenge, this report has explored **how smaller charities responded during the first six months of the pandemic**. It builds on and tests the hypotheses from the original Value of Small report (2018) which found that **smaller charities were distinctive from public services and larger providers** because of who they serve and what they do, how they work, and the role they play within their communities and their contribution to public services. This combination of distinctive features, the report argued, meant smaller charities often amount to more than the sum of their parts and create large amounts of social and economic value. These findings led us to believe that smaller charities ought to be ideally placed to **respond to the effects of the crisis in ways that really mattered** to people and communities experiencing complex social issues and economic disadvantage. The findings of this latest research support and expand our original findings in a number of ways.

First, they show how **smaller charities have demonstrated tremendous energy, flexibility and professionalism** to understand the implications of the crisis and to continuously adapt their provision to ever changing needs and circumstances. We found that many **smaller charities 'showed up' and then 'stuck around'**, using their position of trust within communities experiencing complex social issues to support vulnerable people when they were needed most. **This is in contrast to parts of the public sector**, who were slower to react early on, and informal support and mutual aid, which has dissipated over time.

Second, we found that the service offer of smaller charities during the crisis was concentrated on addressing four main areas of need - access to food, isolation and loneliness, information and mental health/wellbeing - in ways that were tailored to different groups and communities experiencing complex social issues. Smaller charities found **multiple ways to maintain human contact** by checking up on people, keeping in touch with them and connecting them to one another wherever possible. **Who smaller charities worked with was particularly distinctive**, as they acted as a conduit for help and information with five main groups or communities where having a relationship of trust was especially critical: disadvantaged neighbourhoods, communities of faith or ethnicity, people experiencing poor mental health, and people seeking asylum. **The needs of these groups tended to be less well served by mainstream provision**, but they were more likely to be adversely affected by the health, social and economic impacts of COVID-19.

Third, our findings show that the work of smaller charities during the pandemic has created **value for a wide range of different stakeholders**. Value has been created for **individuals and communities** through personal outcomes linked to health, mental health and social isolation that have prevented lives from getting worse and ensured that people will be in a better position at the end of the pandemic than would have otherwise been the case. Value has been created for the **economy** in the face of a severe recession by continuing to employ local people, utilising local supply chains and accessing funding to support the crisis response that could not have been brought into local areas by other types of providers. Further economic value for the public sector has been created by supporting people most likely to be adversely affected by

the coronavirus and mitigating the wider effects of lockdown. The efforts of smaller charities have undoubtedly prevented some people from contracting COVID-19 and reduced demand on the health system at **very minimal additional cost to the public purse**. Smaller charities have created **added value** through their networks and partnerships which have maximised the effectiveness of the public and civil society pandemic response, by being as flexible as possible to meet new needs and complex social issues as they emerged, and by communicating public health messages to groups and communities where these were not getting through.

Finally, and despite the incredible response of smaller charities to the COVID-19 pandemic described throughout this report, and the benefits this has brought, we found that the crisis has also presented smaller charities with three sets of major challenges. First, there is the **changing nature of service user and community needs**, which are increasing in severity and evolving as different types of adverse impacts from the pandemic emerge. Second, there are a series of **organisational challenges associated with financial and human resources**, including reductions, unpredictability and volatility in funding, which is also increasingly short term and COVID-19 specific; and concerns about staff wellbeing and how to guard against 'burnout'. Finally, there are challenges associated with **sustaining relationships with clients, volunteers and key partnerships** developed prior to and during the pandemic.

The data for this study was collected prior to the second wave of the COVID-19 pandemic during autumn and winter 2020-2021 and **the return of lockdown restrictions will undoubtedly have adversely affected smaller charities and the people and communities they serve even further**. However, our findings suggest that the learning and adaptations made by smaller charities during the first six months of the pandemic ought to have helped them to respond during this period even though the extent to which they have the financial and human resources needed to withstand another extended period of lockdown remains to be seen.

Overall, this research demonstrates how, during a period of crisis and rapid change, **many small charities have demonstrated incredible resilience** in responding to an array of challenges. This **resilience** has seen small charities first demonstrate **absorptive capacity** by 'soaking-up' the unprecedented impact of the crisis on their work, operations and the individuals and communities they support; and then show tremendous **adaptive capacity** by responding rapidly and flexibly through incremental adjustments and innovations that have been introduced on ongoing basis.

Smaller charities have the potential to contribute to the transformational change needed if the economy and society is to 'build back better' following the pandemic, but we found that **their transformative capacity is currently constrained** by the local and national public policy environments in which they operate. Crucially, there is a need to recognise **that the real value of smaller charities during the COVID-19 pandemic has been the fact that they continue to be there for the people and communities that need them the most** and in ways that mean they are distinctive from public services and many forms of informal support.

Refugee Women Connect, a Lloyds Bank Foundation grant holder

Recommendations

As the focus moves toward social and economic recovery it will be important to ensure the active involvement of smaller charities in the planning and delivery of efforts to 'build back better'. Funders and policymakers will need to develop effective responses that recognise the distinctiveness and value of smaller charities and emphasise the need to foster local ecosystems of providers capable of absorbing, adapting and contributing to transformational change in the face of ongoing social and economic challenges. The following recommendations - aimed at national and local government, and funders - may provide a useful place to start.

1 Fostering a thriving and resilient population of smaller charities

A thriving and resilient population of smaller charities with the absorptive and adaptive capacity to respond to different types and scale of shock should be an explicit goal of public policy at a national and local level. This can be fostered through action on the recommendations made in this report, but it will not be possible without an enhanced settlement for local government and public services that enables them to work in partnership with smaller charities to make best use of their distinctive knowledge and expertise.

Smaller charities have been feeling the squeeze on public services, particularly local government finances, for a long time. This has been through the reduction of their own direct funding, but also through the impact of reduced services on the people they support. Until local government is properly resourced based on the needs of the people and communities they serve, smaller charities will have their work cut out papering over the cracks and their transformative potential will be severely limited.

2 Long term, flexible, core funding for smaller charities

Prior to the pandemic smaller charities had been calling for long term, flexible, core funding to enable them to work most effectively, and funders had started to respond. During the pandemic, many funders listened to smaller charities and enabled them to re-purpose previously restricted funds to support the crisis response. In many cases this flexible use of funds served to 'release' the absorptive and adaptive capacity of smaller charities to meet the needs of individuals and communities who might otherwise have gone without support.

Whilst it has been necessary for many funders to prioritise COVID-19 activity in the short-term, funding programmes for 'usual activities' should be re-opened as soon as possible. In the future, funding that is flexible and supports the core functions of smaller charities over the longer term should be a model of first resort. This will enable smaller charities to focus on what they do best: identifying and responding to complex social issues and supporting and engaging vulnerable people and communities to achieve the outcomes they desire.

3 Investing in social and community infrastructure

The types of social and community infrastructure provided by smaller charities and put to effective use during the pandemic have been perennially under-resourced. If investment in physical infrastructure is to be the focus of central government intervention during the recovery from the crisis then this should be accompanied by a 'social levy' on major projects, including those invested in by the proposed national infrastructure bank. This will ensure broader community level benefits of these investments can also be realised.

4 Putting social value and wellbeing at the heart of public commissioning and procurement

Social value legislation is one of the main levers available to national and local government to promote the contribution of smaller charities to public policy goals. The limitations of this legislation were highlighted in the 2018 report, and although recent changes to guidance for the application of the Public Services (Social Value) Act are a step in the right direction, there is still more that can be done at an operational and strategic level to recognise the value of smaller charities and their expertise.

Operationally, training in how to translate and implement the new social value guidance at local level will be essential to ensure a departure from previous practice that disadvantaged smaller charities. This training should promote an understanding of the complex work that small charities do, the value that is inherent in their work, and how this stems from the distinctive features described in this report. Strategically, government, Mayoral Combined Authorities and Local Authorities should focus on the place-shaping role of public commissioning and procurement and put the creation of social value and the promotion of wellbeing at the centre of their purchasing and investment decisions.

5 Enhancing digital inclusion and service delivery

This research has demonstrated how many smaller charities were able to transform the way they deliver support to ensure they continued to reach people from a distance. This was not always easy and further resources are needed to provide and improve digital infrastructure to enable this within smaller charities themselves, and to widen digital inclusion amongst communities and individuals experiencing complex social issues. Although smaller charities have worked hard to increase access and skills for the people they work with, there are still those who are at risk of being excluded from vital services without digital access.

It is important to recognise that although some virtual services have been a success, there are other aspects of smaller charities' work that cannot be done remotely. Smaller charities and their funders will need to consider the effectiveness of new digital services, how these can be integrated with face-to-face services in the longer-term and sharing learning and effective practice about what works across the charity and voluntary sectors. Some smaller charities may also require investment in their buildings and other physical infrastructure, which can be cramped, poorly ventilated and inaccessible, all of which can limit their ability to provide face-to-face services in a COVID secure way.

Appendix: Research methodology

The original Value of Small research was undertaken through a case study methodology. A sampling process was undertaken to identify four local authority areas in England and Wales that were broadly representative of geography, administrative status, deprivation and the local population of charities. The four areas selected were:

Bassetlaw, a second-tier district council in north Nottinghamshire with a population of approximately 115,000. It is predominantly rural in character, but centres on two towns, Worksop, the administrative centre, and Retford, a traditional market town.

Ealing, a London borough with a population of approximately 350,000. In common with most London boroughs, a high percentage (47.4 per cent) of Ealing's resident population was born abroad and it is characterised by high levels of inequality, with parts of the borough experiencing high levels of economic deprivation.

Salford, a city and metropolitan borough with a population of approximately 250,000 in Greater Manchester. Much of the city is highly industrialised and densely populated. The population of Salford is increasingly ethnically diverse and there are high levels of inequality and economic deprivation.

Wrexham, a unitary authority in the north east of Wale with a population of approximately 136,700. It is characterised by high levels of immigration, particularly from EU member states, and has relatively high levels of employment. Although it is relatively affluent there are also pockets of significant deprivation.

Overall, 120 staff, trustees, volunteers and service users of 16 charities (12 smaller, 4 larger); and 31 wider stakeholders; participated in the 2018 research. Table A2 provides an overview of the small charities included in the research. This study built on the original study by revisiting each of the four areas and engaging with as many of the previous participants and organisations as possible. We interviewed 39 people, as outlined in table A1 below.

Table A1: An overview of research participants

Case study area	No. of smaller charity interviews	No. of local stakeholder interviews
Bassetlaw	6	6
Ealing*	6	4
Salford	4	4
Wrexham	5	4
Total	**21**	**18**
	39	

* In Ealing, two studies about the pandemic and the voluntary sector were already underway. To avoid duplication and unnecessarily burden small charities the researchers working in Ealing agreed to carefully review the findings of these studies (shared with us pre-publication) and understand their findings through discussion with the lead charities some of whom we also interviewed. One of the studies was led by a coalition of Black, Asian, and Minority Ethnic-led charities including some micro charities whose voices had been previously left out of local sector conversations.

Table A2: An overview of smaller charities included in the research

Org. ID	Case study area							
	Bassetlaw		Ealing		Salford		Wrexham	
A	Medium	Provides an emergency hostel, move on accommodation, and advice and support in one of the towns in Bassetlaw	Medium	Runs two centres for individuals experiencing street homelessness. Between the two centres they provide food, day respite facilities and other resources	Medium	Supports the integration of asylum seekers, migrants and refugees through support with immigration processes, English language and IT classes, housing, cultural activities, employment and emotional support	Medium	Provides advocacy support for people with mental health problems and works to facilitate discussions between service providers and service users about gaps in service provision
B	Medium	A community resource agency offering help and support to individuals and organisations throughout Bassetlaw, including older and socially isolated people	Small	Community hub that provides support and services for people of all ages focused on: employability, ICT, welfare advice, youth issues, English language courses and advocacy support	Medium	Delivers tailored creative art-based services to support the emotional wellbeing and recovery of people who are, or are at risk of, experiencing mental health difficulties.	Medium	Provides support for children and young people with disabilities, including activities and respite care for people and their families who are isolated or lack a wider support network
C	Small	Church-led organisation providing a range of community projects aimed at tackling deprivation	Small	Community-based mediation service providing alternative approaches to dispute and conflict resolution	Medium	A faith-based charity that delivers emergency accommodation alongside physical, emotional and spiritual support	Small	Provides support for young people who are experiencing, or are at risk of experiencing, some kind of exclusion from society

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This report was produced by a team of researchers from three Universities - Sheffield Hallam University, the University of Wolverhampton, and The Open University – and the Institute for Voluntary Action Research (IVAR), an independent research charity. We previously worked together between 2016-18 on the research project 'The Value of Small' which explored the distinctiveness and value of smaller charities in England and Wales. Collectively, our research activities are focussed on working with charities, voluntary organisations, community groups, social enterprises, and their funders and commissioners to develop practical responses to the challenges they face addressing complex social issues.

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