COVID-19
CHARITIES
FUND

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THE NATIONAL LOTTERY
COMMUNITY FUND

COVID-19 Charities Fund

2021

Introduction

The Voluntary and Community Sector has played a leading role in supporting communities throughout the COVID-19 pandemic.

Reports began to emerge about the pandemic's impact on local charities in early April 2020. COVID-19 threatened the survival of the local charity sector just as many charities began to face additional challenges of helping people impacted by the pandemic.

On 8th April 2020 the UK Chancellor announced a funding package of £750m to support charities and this provided a Barnett consequential of £22m for the NI Executive. Of this, £6.5m was allocated directly to hospices. The NI Executive agreed that the remaining £15.5m would be used to support charities to manage the immediate and severe financial pressures caused by the pandemic and related lockdowns.

The Minister for Communities immediately made a commitment to disburse the funding quickly, fairly and to maximise its impact on alleviating the financial hardship being faced by charities.

The Minister tasked her officials within Department for Communities with developing a policy framework, designing a funding scheme, securing necessary approvals, and commissioning a delivery partner to administer the funding to local charities.

Officials convened a Sectoral Reference Group to gather insight and consider options for providing financial support to those organisations which might otherwise have faced imminent closure and withdrawal of services. Sectoral feedback suggested that the available funding might fall far short of what was needed to prevent the closure of many charities as sectoral survey information found around one third of the approximately 8,800 local charities reported they were in severe financial difficulty.

The Department therefore determined that the primary aims of the COVID-19 Charities Fund would be to support as many charities as possible, to prevent their closure, the loss of key services, and to preserve a balanced sector representative of diverse societal interests and needs remains after the crisis has passed.

£ Total amount awarded **£8.8m**

The COVID-19 Charities Fund was set up by the Department for Communities in Northern Ireland to "meet unavoidable costs for charities which have exhausted all other avenues of support and are facing imminent closure." [1]

The **£15.5 million** funding programme was administered on behalf of the Department for Communities by The National Lottery Community Fund for Northern Ireland.

Eligible charities could apply for up to £75,000 to support them with financial difficulties resulting from the pandemic. The Department for Communities set out eligibility criteria in relation to an organisation's charitable status, their receipt of other departmental funding, their financial stability pre COVID-19 and their current financial position.

1 https://www.communities-ni.gov.uk/covid-19-charities-fund

Eligibility

Charities were eligible[2] if they:

- were formed on or prior to 31 March 2020
- met the definition of a charity set out in the Charities Act (NI) 2008
- submitted an Expression of Intent to register as a charity to the Charity Commission for Northern Ireland (CCNI) on or before 31 March 2020, or are on the list of organisations waiting to be called forward by the CCNI for registration
- have been called forward by CCNI for registration.

The total pool of 8,800 potential applicants included all locally based charities which were operating lawfully as per the Charities Act (NI) 2008 (see eligibility above).

This number was reduced as charities were ineligible if they had received direct COVID-19 support from the following Northern Ireland Executive departments:

- Department for the Economy Small Business Support
- Retail, Hospitality, Tourism and Leisure Grant
- Microbusiness Hardship Fund
- £6.5 million fund from Department of Finance for Hospices & charities[3]
- Department for Communities Creative Support Fund.

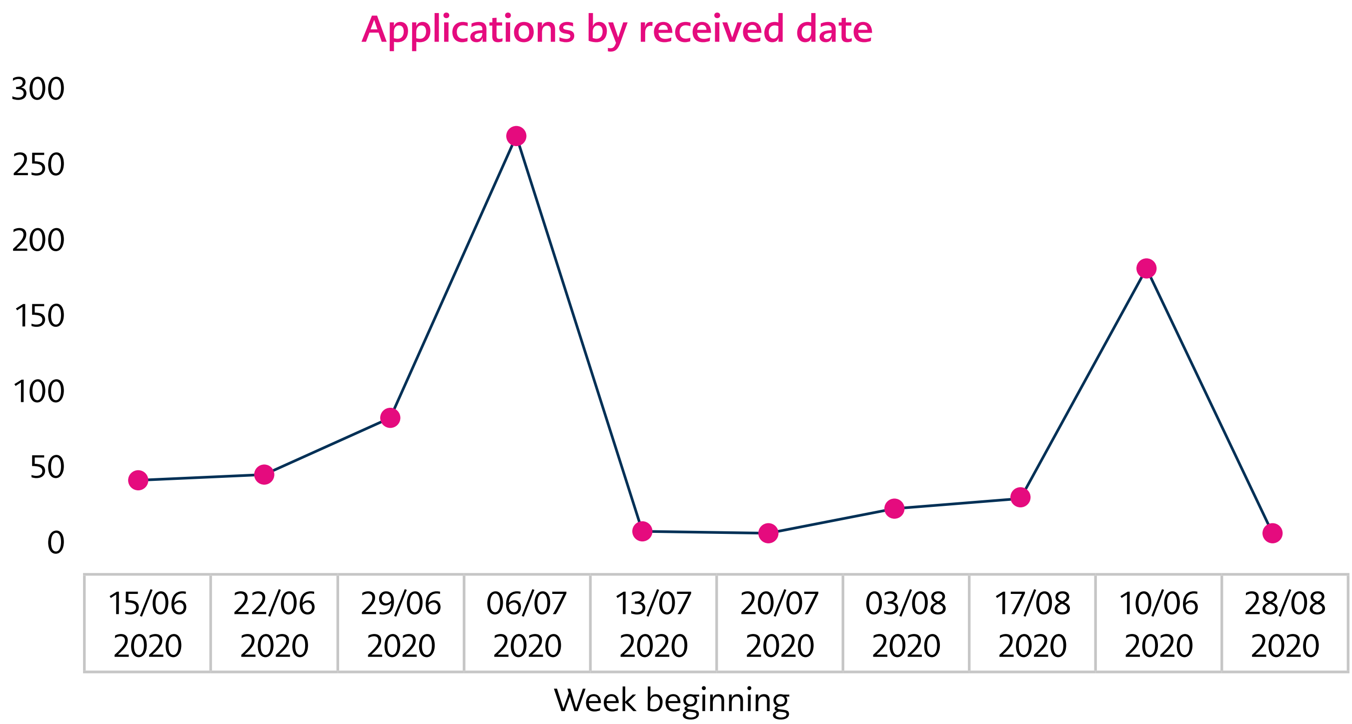
The COVID-19 Charities Fund was for:

- Charities that were financially stable prior to the impact of COVID-19 and where the COVID-19 Charities Fund had no concerns regarding fraud or financial mismanagement.
- Charities that could demonstrate that their fundraising or trading income had reduced due to the impact of COVID-19 and they had unavoidable costs to cover up to 30 September 2020.
- Charities whose unavoidable costs could not be covered by existing grants or public funding.

2 Charities also needed to have at least two unrelated people on its board or committee and a UK bank or building society account in the legal name of the charity with at least two unrelated people who can manage the account.
3 Hospices and charities that have already received funding from the £6.5 million fund for charities released by the Department of Finance were ineligible.

Applications

The funding programme opened on 15 June 2020 for four weeks.



We received **436** applications in the first wave of the programme. **60%** of applications were received in the last week of the first wave. As just over a **third** of available funding was expected to be awarded, the programme reopened on 3 August 2020 for three weeks. **210** applications were received in this second wave. **80%** of these applications were received in the last week of the second run.

Out of **642** organisations requesting **£13.46 million**, **501** were successful and were awarded **£8.8 million**.

The "success"[4] rate for applications was **77.6%**, with **20%** unsuccessful and **2.5%** withdrawn. Disregarding withdrawn applications, the success rate was **79.5%**. The full **£15.5 million** could have supported **878** organisations based on the average award of **£17,658**, but the demand was not as high as originally anticipated due to the eligibility criteria.

Based on the above success rate, **1,131** applications would potentially have been required for the entire budget to be awarded. There was an expectation that there would be high demand for the programme, so criteria were developed to focus on an emergency response to support those charities most in financial need.

The COVID-19 Charities Fund focused on organisations that had lost income and were unable to meet unavoidable costs between 1 April 2020 to 30 September 2020. The financial eligibility set by the Department for Communities ruled out organisations that:

- were able to mitigate income loss with a matched reduction in expenditure during this six-month period
- had revised income that was higher than their revised expenditure during this six-month period
- had a planned negative deficit during this six-month period
- had enough excess free reserves to meet their six-month negative deficit.

4 Organisations that meet all the eligibility criteria were successful in this fund. Organisations that were "unsuccessful" were organisations that did not meet the financial eligibility criteria.

Contents

Administration of COVID-19 Charities Fund

On 8 April 2020 Chancellor Rishi Sunak announced that charities across the UK would receive a £750 million package of support to ensure they could continue their vital work during the coronavirus outbreak. On 9 June 2020 the **£15.5 million** COVID-19 Charities Fund was announced and opened on 15 June 2020 for four weeks. It was relaunched on 3 August 2020 for a further three weeks.

We worked closely with the Department for Communities to develop the application process based on the Department's requirements and criteria. A web portal was developed for applications and a communications strategy was delivered to promote the programme. Despite working remotely our staff were able to provide a professional and effective service assessing the applications quickly and effectively. Applications were assessed as soon as the programme was launched using a rolling assessment process. **Two thirds** of the applications were received in the final week before deadline however we were still able to assess applications on average **within 3 weeks**.

Some applicants provided incomplete financial information and struggled with the application and criteria requirements, so our Funding Officers supported them through the process to submit the correct information and paperwork. The application volumes were not as high as originally anticipated, but this was useful as assessments took longer than initially considered, and this provided the time needed for our colleagues to chase and support applicants.

We promoted the programme among our grant-holders and the wider sector on social media and worked with a range of helper organisations to share information and co-facilitate virtual sessions. We worked with **Northern Ireland Council for Voluntary Action (NICVA), Chief Officers 3rd Sector (CO3), Sector 3 Solutions, Rural Community Network, Causeway Coast and Glens Borough Council, Northern Area Community Network, North Down Community Network, North West Community Network, Fermanagh Trust and Social Enterprise NI** who shared details on their newsletters and social media and co-facilitated virtual sessions that were attended by over **570** organisations.

Sampled grant-holders who attended the virtual events reflected that the process and pre-application support were vital for their application and were a great success and learning experience. Our internal insight from our Communications and Engagement team on our Virtual Outreach Work highlighted that attendees had been very positive in their feedback and many stated that they found the information given useful. They were also very grateful to have the opportunity to attend an information session without having to travel.

Overall, we were able to award **£8.8 million** to all the organisations who applied and who met the eligibility criteria. We did this within a quick turnaround period and delivered vital funding to organisations who were in real need of urgent cash injections to fill significant financial deficits that threatened their ability to deliver their services and their very existence.

Distribution

This section draws on application information and supporting documents.

Analysis of success rates from our data

Success Rate – Location (Excludes applications that were withdrawn)		
Council Area	**Total**	**% Awarded**
Derry City and Strabane	51	86.3%
Newry, Mourne and Down	70	84.3%
Ards and North Down	37	83.8%
Lisburn and Castlereagh	36	80.6%
Belfast	143	80.4%
Causeway Coast and Glens	40	80.0%
Armagh City, Banbridge & Craigavon	55	78.2%
Fermanagh and Omagh	97	76.3%
Mid and East Antrim	25	76.0%
Mid Ulster	51	72.5%
Antrim and Newtownabbey	25	72.0%
Total	**630**	**79.5%**

Of the **630** applications that were assessed (i.e. not withdrawn) the success rate across council location ranged from **72% to 86.2%** with an average of **79.5%**. As there was more funding than demand we did not have to apply priority categorisations. Applications were assessed solely on financial need.

As the success rate was based on eligibility only, there are two possible conclusions. Either an increased number of applications would see the success rate approach a normal distribution and would narrow the range of **72% to 86.2%**. Alternatively, increased applications would confirm the current findings which indicates that some areas had more organisations who didn't fully understand the eligibility criteria and applied for a fund that they were ineligible for.

Success Rate – Organisational Size
(Excludes applications that were withdrawn)

Council Area	Total	% Awarded
No income provided & Ineligible	2	NA
New organisation	2	50.0%
Micro (£0 to £10,000)	40	65.0%
Small (£10,000 to £100,000)	306	79.7%
Medium (£100,000 to £1 million)	242	82.2%
Large (£1 million to £10 million)	34	85.3%
Major (£10 million to £100 million)	1	100.0%
Supermajor (Over £100 million)	3 (2)[5]	33.3% (50%)

Of the **630** applications that were assessed (i.e. not withdrawn) the success rate across organisational size ranged from **65% to 85.3%** with an average of **79.5%**. It is notable that Micro charities (**65.0%**) were less successful and Large organisations (**85.3%**) were more successful than average (**79.5%**).

Success Rate – Organisational Type
(Excludes withdrawn/ ineligible applications that were not assessed)

Category	Total	% Awarded
Advice Sector	1	0%
Animal Welfare[6]	5	0%
Arts	31	87%
Community Work	145	85%
Education, Employment & Training	108	77%
Environment	4	100%
Faith Based Organisations	150	76%
Health and Wellbeing	135	79%
Heritage	11	82%
Homeless	2	100%
Homeless	18	94%
International Aid	1	100%
Sports	20	75%

Disregarding organisational types who had **5 or less** applications the success rate for organisational types has a wide range of **75% to 94%**. Infrastructure Support, Arts, Heritage and Community Work were **more** successful on average, whilst Health and Wellbeing, Education/Employment & Training, Faith Based organisations and Sports were **less** successful.

[5] Of the supermajor applicants, one was ineligible as they are UK wide organisation.
[6] Some applications did not provide the required information, some were organisations registered in another UK jurisdiction, and some had enough excess / surplus reserves to cover their deficit.

Analysis of requested versus awarded amount from our data

501 awards requesting **£10.65 million** were awarded **£8.85 million**.

111 awarded more (**£580,000**) than originally requested.

261 awarded less (**£2.4 million**) than originally requested.

129 awarded same as originally requested.

Assessment was based on the anticipated deficit for the period April to September 2020. **Three quarters** of awards made were for amounts that were either higher or lower than originally requested which highlights the difficulties some organisations had in understanding and compiling a revised six-month budget during a time of ongoing change and stress. Mistakes were made by applicants such as requests for only the income reduction amount (and not including the reduced expenditure amount) or failing to consider free reserves. Approximately a **quarter** received exactly what they requested, a **quarter** received more, and **half** received less.

Average Requested Amount to Awarded Amount by Council Area

Council Area	Average Requested	Average Awarded	Award to Request %	Record Count
Antrim and Newtownabbey	£24,024	£18,028	75.0%	18
Ards and North Down	£18,091	£15,695	86.8%	31
Armagh City, Banbridge & Craigavon	£13,778	£11,291	82.0%	43
Belfast	£32,121	£25,887	80.6%	115
Causeway Coast and Glens	£21,162	£18,183	85.9%	32
Derry City and Strabane	£19,866	£17,778	89.5%	44
Fermanagh and Omagh	£16,071	£14,220	88.5%	74
Lisburn and Castlereagh	£28,108	£21,368	76.0%	29
Mid and East Antrim	£13,133	£12,314	93.8%	19
Mid Ulster	£15,969	£13,477	84.4%	37
Newry, Mourne and Down	£16,520	£13,632	82.5%	59
Total	**£21,258**	**£17,658**	**83.1%**	**501**

The awarded amount versus requested amount ratio ranges across Council areas from **75% to 93.8%**. Antrim & Newtownabbey, Belfast, Lisburn & Castlereagh received the **lowest** proportion of awarded amount versus requested amount. Derry City & Strabane, Fermanagh & Omagh and Mid & East Antrim have the **highest** proportion of awarded amount versus requested amounts. Like the overall success rate, either increased applications would narrow the range or confirm the current findings, indicating that some areas had more organisations who didn't fully understand the financial spreadsheet, requesting an incorrect amount.

Average Requested Amount to Awarded Amount by Organisation Size				
Organisation Size	Average Requested	Average Awarded	Award to Request %	Record Count
New Organisation	£18,526	£9,801	52.9%	2
Micro (£0 to £10,000)	£3,637	£2,940	80.8%	26
Small (£10,000 to £100,000)	£11,964	£9,081	75.9%	242
Medium (£100,000 to £1 million)	£28,397	£24,266	85.5%	200
Large (£1 million to £10 million)	£61,864	£53,437	86.4%	29
Major (£10 million to £100 million)	£75,000	£75,000	100.0%	1
Supermajor (Over £100 million)	£16,071	£75,000	100.0%	1
Total	**£21,258**	**£17,658**	**83.1%**	**501**

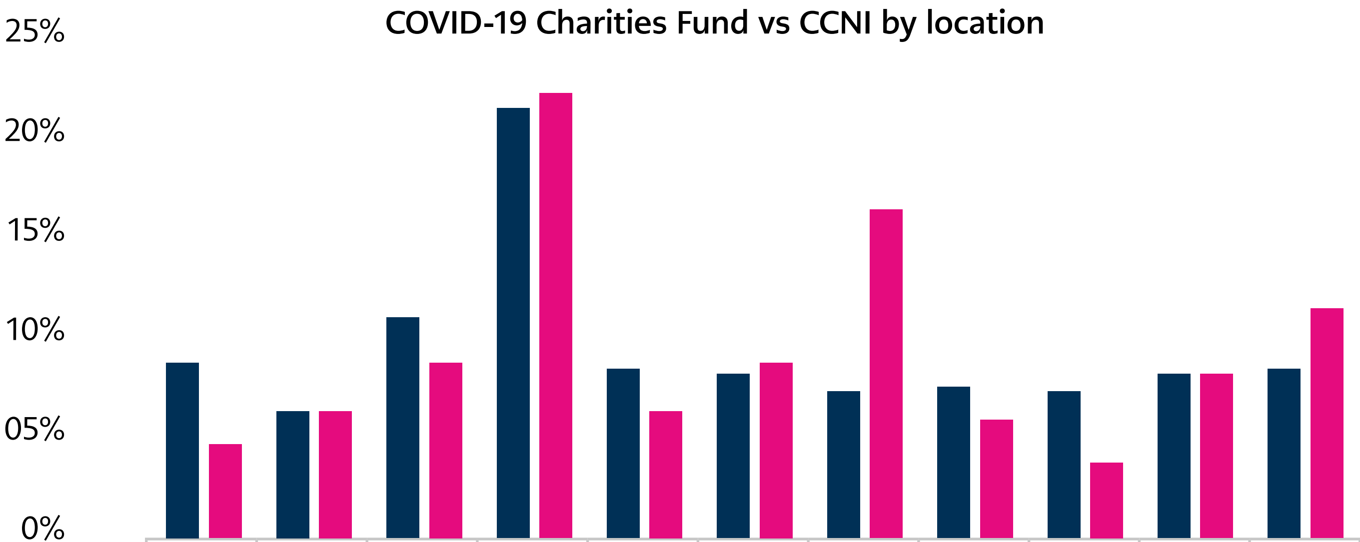
Micro and Small size organisations had a lower awarded amount versus requested amount proportion compared to Medium and Large size organisations. Medium size organisations were able to access an extra **10%** of their requested amount compared to Small size organisations. This trend could support the expectation that larger organisations were more likely to have personnel in their organisation with the financial knowledge to submit an accurate breakdown of their financial need, which resulted in an awarded amount closer to their requested amount.

Average Requested Amount to Awarded Amount by Organisation Type				
Category	Average Requested	Average Awarded	Award to Request %	Record Count
Advice Sector	£0	£0	n/a	0
Animal Welfare	£0	£0	n/a	0
Arts	£22,749	£16,542	72.7%	27
Community Work	£17,604	£16,150	91.7%	123
Education, Employment & Training	£17,592	£15,117	85.9%	83
Environment	£17,990	£10,279	57.1%	4
Faith Based Organisations	£20,437	£15,494	75.8%	114
Health and Wellbeing	£28,960	£23,883	82.5%	106
Heritage	£20,907	£15,263	73.0%	9
Homeless	£42,500	£40,588	95.5%	2
Infrastructure Support	£24,009	£24,626	102.6%	17
International Aid	£10,000	£7,422	74.2%	1
Sports	£16,949	£12,302	72.6%	15
Total	**£21,258**	**£17,658**	**83.10%**	**501**

Disregarding any organisational type who had **five or less** awards; Arts, Health & Wellbeing, and Infrastructure requested **more** on average while Community Work, Education, Education & Employment and Sports requested **less** on average. There is a **£12,011** difference between the **highest** amount (Health & Wellbeing **£28,960**) and the **lowest** amount requested (Sports Clubs **£16,949**). Arts, Faith Based Organisations, Heritage and Sports Clubs have the **lowest** awarded amount to requested amount ratio, while Community Work and Infrastructure Support have the **highest**.

Comparison of COVID-19 Charities Fund applicants versus charities registered with CCNI

The graphs and charts in this section cross-reference the location and organisation size of the applicants against the **CCNI** dataset[7]. The below graph examines the spread of applicants by location against the spread of registered charities;



	Antrim and Newtownabbey	Ards and North Down	Armagh City Banbridge and Craigavon	Belfast	Causeway Coast and Glens	Derry City and Strabane	Fermanagh and Omagh	Lisburn and Castlereagh	Mid and East Antrim	Mid Ulster	Newry Mourne and Down
Charity Commission	8.3%	5.8%	10.5%	21.3%	8.2%	7.6%	7.3%	7.0%	7.3%	8.2%	8.4%
COVID-19 Charities Fund	4.0%	5.7%	8.7%	22.3%	6.5%	8.2%	15.7%	5.5%	3.9%	8.2%	11.3%

Charity Commission   COVID-19 Charities Fund

The number of applicants from Antrim & Newtownabbey and Mid & East Antrim are particularly **low**. Armagh City, Banbridge & Craigavon, Causeway Coast & Glens, Lisburn & Castlereagh is **slightly low**. Ards & North Down, Belfast and Mid Ulster is in line with the CCNI. Derry City & Strabane and Newry Mourne & Down is **slightly high**. Fermanagh & Omagh is comparatively **high**.

[7] Downloaded from CCNI website August 2020. The COVID-19 Charities Fund applications in these graphs excludes withdrawn applications, Section 167 organisations (these are not in CCNI dataset) and those with no income (new organisations). Whilst the CCNI list does not cover all eligible charities, the comparison does provide a good barometer for analysis.

The table below examines how many applicants the COVID-19 Charities Fund attracted from each area. The results repeat and reinforce the previous findings.

Council Area	CCNI	COVID-19 Charities Fund	Attraction %
Antrim and Newtownabbey	470	25	5.3%
Mid and East Antrim	412	24	5.8%
Causeway Coast and Glens	464	40	8.6%
Lisburn and Castlereagh	394	34	8.6%
Armagh City, Banbridge & Craigavon	592	54	9.1%
Ards and North Down	328	35	10.7%
Mid Ulster	461	51	11.1%
Belfast	1199	138	11.5%
Derry City and Strabane	426	51	12.0%
Newry, Mourne and Down	475	70	14.7%
Fermanagh and Omagh	413	97	23.5%
Total	**5634**	**619**	**11.0%**

The graph below examines the spread of applicants by income brackets against the spread of registered charities;

COVID-19 Charities Fund vs CCNI by income brackets

	Micro	Small	Medium	Large	Major	Supermajor
Charity Commission	33.5%	38.5%	24.3%	3.3%	0.4%	0.04%
COVID-19 Charities Fund	5.51%	49.92%	39.22%	5.19%	0.16%	0.00%

Charity Commission   COVID-19 Charities Fund

The number of applicants from Micro size organisations is comparatively **very low**. Small size organisations is comparatively **slightly high**. Medium and Large size organisations are comparatively **high**. Major and Supermajor size organisations are comparatively **low**[8].

Council Area	CCNI	COVID-19 Charities Fund	Attraction %
Micro (£0 to £10,000)	1837	34	1.9%
Small (£10,000 to £100,000)	2111	308	14.6%
Medium (£100,000 to £1 million)	1329	242	18.2%
Large (£1 million to £10 million)	180	32	17.8%
Major (£10 million to £100 million)	21	1	4.8%
Supermajor (Over £100 million)	2	0	0.0%

Small and Medium size charities comprised **89%** of the applications. However, they comprise **63%** of the charity sector. When we consider the proportion of each organisation size that applied it is clear that it did not attract Micro organisations.

With income of less than £10,000 we can surmise that Micro size organisations had fewer liabilities compared to larger sized organisations (such as staff salaries, rent or utilities) and therefore may have been more able to adapt their services without the need for additional financial support. They may have had less “unavoidable expenditure.” They may have reduced or temporarily stopped their services (hibernated) with little financial penalty. It is likely that they may have been able to reduce or adapt their services in line with reduced income.

It appears that Major and Supermajor size Northern Ireland charities did not qualify for support from the COVID-19 Charities Fund at this time as they did not meet the immediate financial need criteria. From our understanding of the Northern Ireland charity sector we know that larger charities often have multiple streams of revenue, are tied into stable, long-term public contracts or grants[9], and we can surmise that they may have been in a stable financial position (as defined by this programme) during the timeframe (April to September 2020) of this programme. Coupled with a propensity to have reserves policies in place, Major and Super Major were not in need of immediate financial support during the programme timeframe. This does not preclude their expected increased need for financial support in the medium and long term as the pandemic continues.

[8] Note that there were three supermajor applicants but two are Section 167 organisations that are supermajor on a UK-wide basis and one was not registered as a charity in Northern Ireland.

[9] https://almanac.fc.production.ncvocloud.net/about/almanac-data-tables/

Key analysis of sampled applicants

A sample of **69** applications were randomly selected reflecting the spread of location, organisational size and application success (minimum 10% sample of applicants). This analysis is based on financial information that was extracted from their supporting documents and collated including:

- annual income and expenditure
- expected and revised income and expenditure for April to September 2020
- expected and revised deficit for April to September 2020
- income loss (or gain) for each organisation
- expenditure decrease (or increase) for each organisation
- minimum expected free reserves versus actual free reserves amount
- surplus / excess free reserves
- status of current service provision
- detailed breakdown of income changes (grants/contracts, donations, trading income, furlough income etc)
- detailed breakdown of expenditure changes (staff costs, core costs, service provision costs, additional PPE costs).

All the insight in this section derives directly from an analysis of the sampled organisations financial information.

- Prior to the pandemic most sampled organisations had expenditure in line with their income.
- For the six months of 1 April 2020 to 30 September 2020 most had budgeted for a small positive deficit.
- Overall organisations saw their income drop **23.4%** and made **9.1%** expenditure cuts.
- **Four** organisations received the maximum grant but still had large negative deficits.
- **13** organisations had negative deficits but had sufficient excess / surplus free reserves to cover this amount.
- Income would have dropped further than **23.4% to 31.3%** were it not for the furlough scheme and emergency funding.
- **Two thirds** of organisations with **more than one** staff benefitted from the furlough scheme.
- Income losses were largely due to reductions in donations, service provision trading and cuts or suspension of grants and contracts.
- Income losses were also attributable to a drop in shop trading, cancellation of fundraising events, loss of rental income or room hire, and having to refund cancelled events.
- Most common cuts to expenditure were to staffing hours (mostly linked to furlough scheme savings) and cuts to service provision and activities. Organisations made some

savings due to reduced core running costs (usually because the service stopped) and some managed to negotiate cuts or deferments to rent, mortgage or loan payments.

- Only **7.2%** were able to continue their activities, and **5.8%** changed to emergency provision services, with **34.8%** moving to online provision and **over half** closing down with a minority (**5.8%**) reopening on a phased return
- However, any initial expenditure savings made was mitigated by additional expenditure amending their services which reduced the overall expenditure savings to **8.4%**.
- The most common additional expenditure (incurred by **48%** of organisations) was amending services by adapting or sourcing alternative venues, bringing in additional PPE, deep cleaning, moving to online provision. **9%** of organisations had to incur additional staffing costs due to increased demand. **10%** incurred costs spending emergency funding to supply emergency community provision such as food stuffs or activity/resource packs.
- Sample organisations fell into three brackets in terms of expenditure cuts. Just **under a third** (**30.4%**) saw their overall expenditure increase, **5.8%** saw no change, whilst **nearly two thirds** (**63.8%**) were able to cut their overall expenditure.
- **69.6%** of sampled organisations did not have enough free reserves at 1 April 2020 to meet their reserve policy (or if they had no free reserve policy, a minimum of 3 months expenditure).
- **28.9%** of sampled organisations had excess / surplus free reserves at 1 April 2020 that exceeded their free reserve policy and thus were able to contribute to their anticipated deficit. Dependant on the size of their excess / surplus free reserves this could cover their anticipated deficit in full or in part. **Over half** of these organisations were unsuccessful as they had enough excess / surplus free reserves to meet their revised deficits. **Two fifths** had to contribute some of their excess / surplus free reserves to their revised deficit and only received a **third** of their original requested amount.

Key analysis of follow up conversations with grant-holders

25 organisations who received an award were contacted with a small series of follow up questions (5% sample of grant-holders). This sample of **25** was taken from the **69** sampled organisations that informed the previous section of this paper. The sample of **25** reflects the spread of location, organisational size and awarded amount. Conversations took place at the end of October into the first two weeks in November 2020. These conversations inform this section.

How did you hear about the COVID-19 Charities Fund?[10]

Seven heard of the fund through **Northern Ireland Council for Voluntary Action (NICVA)**; **five** heard through **The National Lottery Community Fund for Northern Ireland** (**two** x our staff, **two** x social media and **one** x email); **four** heard through **Department for Communities** (**three** x social media and **one** x email); **three** were actively searching for a suitable grant and found it via search engines such as **Grant-tracker, Grant-finder and Google**; **three** heard through their local council; and **two** were uncertain, but thought it was probably through a newsletter from a Voluntary, Community and Social Enterprise (VCSE) infrastructure group.

The **remainder** heard through word of mouth (x **two**), through their workplace, social media, **Fermanagh Trust, The Antrim Down and Armagh Rural Support Network (TADA), Co3 Chief Officers 3rd Sector, Arts Council England, Arts Council Northern Ireland** and **NI Tourism** (or a similar website).

Two organisations noted that initially they did not apply as the messaging was that the programme was for organisations on the brink of collapse. They applied when the message focused on organisations with financial deficits that threatened their organisation.

A few noted that it was impossible not to hear about the programme, which is reflected in the range of avenues in which applicants heard about it.

How did you find applying for a grant largely based on financial information?

14 organisations found the application manageable, **three** found it manageable but struggled with the revised budget, and **eight** organisations found it difficult or challenging. The organisations who found it easier were those who could bring in the expertise of treasurers and accountants, or who had income figures to hand to refer to. Organisations found it easier to identify loss of income but found it difficult to gauge additional costs in advance (such as PPE, additional staffing etc).

Did your award meet your financial needs at the time of award?

23 sampled organisations advised that the programme met their financial needs at that time. A few did comment on the six-month period, reflecting that it was too short. Overall, these organisations were very positive about the funding, and that it met their financial needs. They advised that it provided working capital and solved cash flow problems; that it gave them a space to change their services and/or target new funding streams; that it allowed them to continue to deliver their services; that it saved jobs; and that it avoided the organisation closing down.

[10] Note that some applicants heard of fund from multiple sources, so number of sources will be more than 25.

How is your current service provision? How is your current financial position?

No organisation was providing exactly the same services as they did pre-pandemic. Services were reduced. Some groups were in hibernation. Some activities were moved online/remotely. Any face to face work was conducted with reduced numbers due to social distancing. That face to face work was only possible outdoors, and so was no longer possible during the winter period. There was no longer an open-door approach. Services were having to adapt and think of new ways of delivering their services.

All **25** organisations described their current financial position as stable/okay. As grant-holders, organisations were awarded the amount needed to cover a deficit in revised income and revised expenditure, together with available surplus free reserves from April to September 2020. While it should not be unexpected that organisations would describe their position as stable four to six weeks later, it is reassuring that the grant-holders outlined their financial position correctly and received an appropriately sized award to meet their immediate needs.

Whilst organisations described their current position as stable or okay, there were a range of views in relation to this, many viewed their current position with one eye on the immediate future.

What are your concerns over your ability to provide services to your beneficiaries over the next six months?
What are your concerns over your finances over the next six months?

Concerns included:

- Beneficiary's capacity to pay for services due to job security.
- Ability to generate income amidst restrictions.
- Other businesses not surviving, impacting on their organisation.
- Rising PPE costs.
- Inability to fundraise (events etc).
- Availability of grant funding.
- Need to make staff redundant.
- Furlough scheme ending.
- Future reliant on outcome of pending funding applications.
- Charity sector being first to receive cuts and first to be abandoned.
- Pandemic/restrictions lasting beyond March/April 2021.
- Online fatigue.
- Services constantly closing and reopening leading to user disengagement.
- Disengaged users not returning.
- Mental health of older clients.
- Getting older people online.
- Staff sickness impacting ability to deliver services.
- Restrictions impacting larger group activities.
- Staff safety.
- Ability to meet the needs of their clients.
- Ability to continue to provide their services.
- Staff and volunteer morale.
- Inability to plan.

Summary of insights

There were lots of mitigating circumstances impacting on organisations during the first six months of the pandemic. Our knowledge of the Northern Ireland charity sector highlights that some organisations were able to reduce their expenditure and services in line with reduced income. Some benefitted from long-term funding or contracts while others launched successful public appeals. Some organisations had diverse income streams while others benefitted from modern technology to move to providing services online and by telephone. Others benefitted from the range of government, council and funder financial support. Some were able to cut their expenditure, others had sufficient reserves and some charities simply stopped their activities.

Many funders opened emergency funding programmes, including foundations, corporations, government departments and councils[11]. The government opened the furlough scheme. Not all charities were able to avail of these initiatives, but for those that were successful this provided a financial support net in the early stages of the pandemic.

The COVID-19 Charities Fund was designed to support charities who were in need of immediate funding. The funding was not entirely about the loss of income but was about the difference between revised income and revised unavoidable expenditure. This deficit increased as income dropped and expenditure widened. Cutting expenditure (or increasing revenue) reduced this deficit (and ultimately the available awarded amount). So, we can conclude that the COVID-19 Charities Fund encouraged applications from those organisations who were unable to balance their six-month budget.

The COVID-19 Charities Fund targeted organisations who had insufficient reserves to meet this deficit. Many sampled applicants had no reserve policy[12] in addition to having insufficient reserves. The lack of sufficient reserves is not limited to a minority of charities but is a common feature of the charity sector[13].

From our understanding of the Northern Ireland charity sector we know that, unlike private businesses, charities are reluctant to build up large levels of free unrestricted reserves as if they are too high funders and the public may decide that they do not need donations. Many charities choose to live on fine margins due to the nature of their charitable purpose. This is not just a feature of smaller sized charities. We can see that the COVID-19 Charities Fund applications came from a wide variety of organisations and there were indicators of low capacity in both the smaller and larger organisations around financial health. Traditional Free Reserve policies did not anticipate the risk of a global pandemic and its ongoing nature, and even the COVID-19 Charities Fund was designed as a short-term emergency response and did not envisage the ongoing nature of the pandemic.

As noted in the financial analysis, the organisations who applied were organisations that relied on face to face donations, service provision trading, regular short-term funding programmes, shop income, rental income or event fundraising and who had insufficient free reserves.

11 https://www.nicva.org/article/new-updated-covid-19-funds

12 A three month free reserve policy was applied by the Funding Officer if the organisation did not have one in place.

13 https://www.civilsociety.co.uk/news/reserves-at-largest-charities-lower-than-2017-levels.html

From our data we can see that Small, Medium and Large size organisations applied to this programme while Micro and Major/Supermajor size organisations were mostly absent. From our knowledge of the Northern Ireland charity sector we have surmised that Micro size organisations may be able to more easily adapt in these times, temporarily reducing their services and activities in line with reduced income, resulting in their absence from this fund. Similarly, we found that Major and Supermajor size organisations did not apply because they benefited from long-term contracts and grant funding from multiple funding streams, which protected the organisation during the first six months of the pandemic.

Almost all of the sample grant-holders who received an award advised that programme met their financial needs at the time. The only exceptions were organisations whose financial deficit was larger than the maximum £75,000 the COVID-19 Charities Fund could award. However, the sample organisations in this situation did advise that the award was vital and greatly welcomed. Crucially for all eligible organisations, their application was processed quickly[14], and payment released swiftly, providing them with vital funds in a timely manner. Sampled grant-holders were keen to praise the swift turnaround of this fund.

The COVID-19 Charities Fund successfully supported **501** charities who were in severe financial difficulties. The sample grant-holders advised that it provided working capital and solved cash flow problems; give them a space to change their services and / or target new funding streams; allowed them to continue to deliver their services; saved jobs; and that it avoided the organisation closing down.

At the time of writing, no organisation was providing exactly the same services as they were pre-pandemic. Services were reduced. Some groups were in hibernation. Some activities were moved online/remotely. Any face to face work was conducted with reduced numbers due to social distancing. That face to face work was only possible outdoors, and so was no longer possible during the winter period. There was no longer an open-door approach. Services had to adapt and think of new ways of delivering their services.

The sample grant-holders advised that they all currently felt financial stable (most regarding financially stable as not being in deficit) but they were concerned about: their organisation's ability to generate income; rising PPE costs; an inability to fundraise; the furlough scheme ending; a large drop in private and corporate donations; the availability of suitable grant funding; the impact of other businesses not surviving; the impact of job losses on their beneficiaries' capacity to pay for services; needing to make staff redundant; possible future cuts to the charity sector; and for some, that their future lay in the outcome of pending funding applications.

Sample grant-holders were worried about the mental health of their clients; online fatigue; the digital divide; restrictions impacting face to face work and impacting larger group activities; services constantly closing and reopening in line with changing restrictions leading to user disengagement; disengaged users not returning; whether they could meet the needs of their users; how they could continue to provide their services; staff safety; staff and volunteer morale; and staff (and user) sickness impacting their ability to deliver services. Most of all they were worried about the pandemic and restrictions lasting beyond March/April 2021, and the inability to plan. The conversations indicated a fear amongst these charities about their futures and what will happen to them in six months' time.

[14] All applications were assessed on average within three weeks.

Conclusion

While it is hoped that many charities will be able to move into the next phase of rebuilding and resilience, it is likely that many areas of the charitable sector will fall into further financial risk. Funders and statutory agencies will need to continue to be flexible in supporting the sector. There needs to be realistic expectations about what can be delivered in the current environment.

Shorter-term funding is still needed to meet the immediate costs of adaptation, re-opening and the financial impact of any further lockdowns..

There also needs to be a continuation of long-term funding to develop sustainable charities. In a period beset by uncertainty the sector needs reassurance that there will be mid to long-term funding strategies that will help protect the sustainability of the VCSE sector in the future as well as funding for these in immediate financial need. The learning on insufficient Free Reserves should be reflected in charities' future risk assessment and management, future financial planning, and funder approaches to supporting the sector in comparable crises in the future.