



Sharing what we've  
learnt so far about  
what funders are doing  
to support London's  
communities through  
the cost of living crisis

# THE COST OF LIVING CRISIS: HOW ARE FUNDERS RESPONDING?



## Sharing what we've learnt so far about what funders are doing to support London's communities through the cost of living crisis

**As pressures related to the cost of living crisis continue to bite, more attention is turning to how we can collectively mitigate the impact being felt by communities and civil society, particularly as the increased costs facing organisations 'doing' the work are becoming ever more apparent.**

This short report provides a summary of what our members shared with us. Insights are drawn from the analysis of an online survey, in depth interviews with a representative sample of funders, and feedback gathered from a series of local funder networks.

As we continue to collectively navigate and respond to the pressures of the cost of living crisis over coming months, we will build on these findings, convening members so we can share learning and explore ways we can continue to collaborate to support London's communities.

With the strain intensifying, there is a clear need to step up collective efforts to mitigate the risks to London's communities.

During September 2022, London Funders gathered insights from across our cross-sector network of over 170 funders, to better understand what they are seeing from the cost of living crisis. We wanted to better understand the practical steps being taken as well as explore the longer-term considerations being made about the future funding landscape in London.



# COST OF LIVING: THE IMPACT ON GRANTEES

## WHAT CHANGES HAVE YOUR GRANTEES REPORTED/SHARED WITH YOU AS A RESULT OF THE COST OF LIVING CRISIS?

Increase in demand from beneficiaries



Rising staff costs



Recruitment and retention challenges



Changes to planned activity/delivery



We've not received any intel/feedback



0 10% 20% 30% 40% 50% 60% 70% 80% 90%

% of funders stating that their grantees have reported this impact

## We asked our members about how their grantees have been affected by the crisis so far<sup>1</sup>.

These findings reflect the picture described elsewhere across civil society, one where an increase in demand is going hand in hand with rising costs, particularly around energy and utility bills, with building-based services particularly hard hit. Funders highlighted the financial precarity of some community groups, with concerns some will simply be unable to cope with any further increases to their costs.

**“The VCSE sector always steps up to serve, but what if they cannot keep the lights on?”**

Grantees were highly concerned about the impact on beneficiaries, particularly the most vulnerable, who simply cannot absorb any more financial hardship and are already faced with impossible choices. Some funders reported that grantees are seeing people seeking help for the first time, suggesting a widening profile of those who need help. At the same time, some groups will be disproportionately hit, with a bigger impact on people already living in poverty, minoritised ethnic groups, those in precarious housing and other groups already experiencing disadvantage.

Concerns were also raised about the impact on staff and volunteers, who are struggling with burnout, low morale, and increased workload at a time when they themselves are being hit by the crisis. There was a sense that the cost of living crisis is a continuation of an already ‘battered’ sector which has yet to recover from the impacts of the pandemic, raising new questions about how funders can best support organisations to withstand yet more pressures.

**“Front line organisations are reporting fatigue, not having recovered from the impact of covid. How do we protect the mental health of those on the front line?”**

**“Some of our grantee organisations are reporting that their own staff are struggling with living costs and some are referring their staff as well as beneficiaries to food banks”**

Nearly half of respondents to our survey said that they have seen an increase in volume of applications over recent months. There is a ‘genuine sense of desperation’, as one respondent reported, with organisations being forced to ‘shoe horn’ their ideas into grant criteria. In our interviews, we heard that there was pressure for funders to ‘be more defined in scope of what we are able to offer’ so as not to encourage unlikely applications and try to manage expectations of applicants. Many funders were despondent about how they would be able to match the scale of demand, or make a long term impact given the levels of need.

**“Our applications have gone through the roof and we cannot keep up with demand from our current resources”**

**“[There is] little opportunity to make a sustainable difference to the quality of life but much more a need to provide a short term 'sticking plaster”**

1. The survey was carried out prior to recent energy cap announcements, but feedback since then suggests rising energy costs remain a key concern.

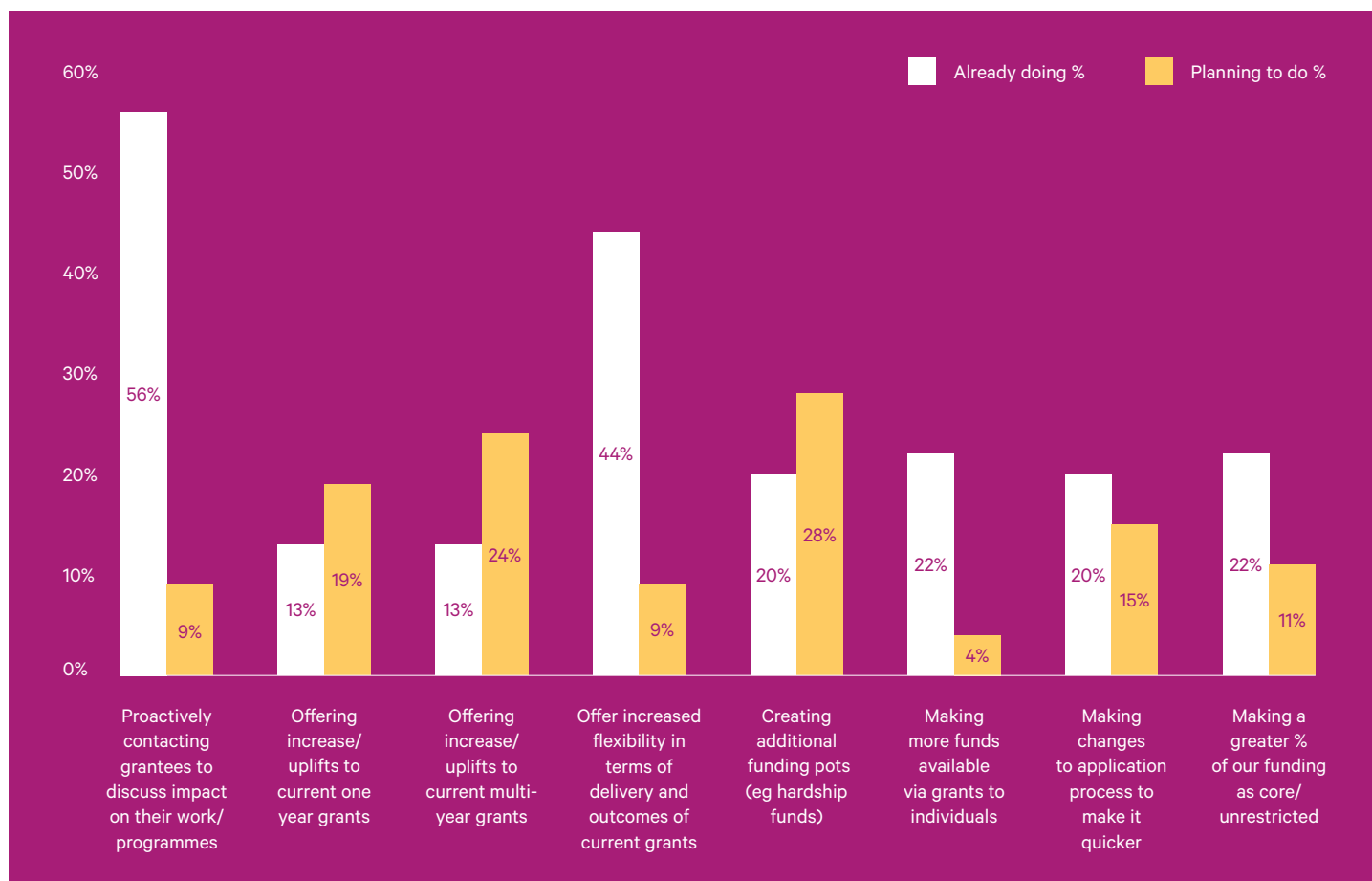
# THE RESPONSE FROM FUNDERS: THE SHORT AND IMMEDIATE TERM

**A key aim of this mapping research was to understand the steps funders are taking so far to respond to the huge challenges presented by the growing crisis. We have seen enormous appetite amongst our members to share practical action which they can take in the short term, to help grantees cope with additional pressures.**

What emerged is that some funders are already putting a number of measures in place. These range from proactively contacting grantees to discuss the impact of the current situation; providing more flexibility around the outcomes and delivery of current grants; and making additional funds available for organisations to access in the short term. Many funders are offering uplifts to existing grants, particularly multi-year arrangements, and working with grantees to re-profile budgets to account for costs they hadn't anticipated. Where possible, this was being done with minimal restrictions, with funders noting that in some cases it was just about getting money out to help organisations survive.

**“We have tried to provide reassurance re security and also looking at what our next grant scheme will look like”**

Other steps we heard about included shifting to cash awards, particularly for individuals. Nearly half of respondents who already provide grants to individuals said they are looking to increase the amount of funding available to distribute via this route, either directly or via trusted third parties.



Many respondents told us that they will be reconsidering aspects of their overall funding approach in the coming months. Some shared how they are re-allocating funding to dedicate to the cost of living response, and others spoke about how they are working with trusted partners (including other local grant makers) to distribute funding at speed to grassroots groups. Others were still reviewing what further steps might be needed, and were waiting to see how the next few months unfolded before making any decisions.

**“[We are looking at] smarter working, changing the types of funding, how they are funded and some more strategic larger grants”**

**“We are redirecting development funds to cost of living needs - we will be considering if we need to increase spending in year”**

Framing all of this was a genuine desire to collaborate more with other funders and partners, and we heard many examples of things already happening across the capital, particularly at a local level. This included cross sector working groups and alliances which have been set up to identify how to coordinate resources and responses locally. There are also efforts to initiate joint appeals and funding proposals, drawing in different funders to see how emergency provision can be more efficiently funded. In our interviews, we heard how some of the partnerships and infrastructure built during covid has been ‘reactivated’ to help coordinate current activity.

# THE IMPACT ON FUNDERS: THE LONGER-TERM HORIZON

While some funders are putting in a range of measures to support grantees in the short term, we are all aware this crisis is yet to reach its peak, and the impacts will be felt for some time to come. Our research highlighted the tension between the need to balance immediate action with longer term strategy, and the implications this will have for funders' own grantmaking.

Through our survey, we asked funders about how the cost of living crisis was expected to affect their overall grantmaking budgets both within the current financial year and as we move into 2023/24.



**1 in 4** said they were increasing their grantmaking activity



**1 in 5** were currently reviewing what changes to make



**1 in 6** said they were looking at changing the types of activity they will fund



**1 in 8** said they were planning to draw down more of their endowments





What emerged was a very uncertain picture, with many worried about the impact inflation will have on investment activity, as well as increased operational costs which will need to be absorbed. While some were temporarily increasing this year's grantmaking, respondents were cautious about their position next year. Some were already anticipating a decrease in funding - usually the result of a reduction of investment values, less income linked to commercial property, inflationary pressures on operational costs, and fundraised income becoming harder to secure.

**“Inflationary pressures mean our operational budget has increased which will impact on our overall grants budget in future years”**

**“Our budgeting process for next year starts in autumn and there is concern about the impact on our endowment which may affect our grants budget next year”**

Looking beyond this period to the next financial year, many were anticipating increased demand across all funding streams. Most respondents were cautious about what this might mean for their overall funding strategy and financial position and were still waiting to see how the situation develops. Others, however, were already reviewing their internal funding strategy and there was a sense that this would require difficult decisions to be made about how to prioritise funds while retaining, where possible, the flexibility to continue to respond as the cost of living crisis unfolds. While funders wanted to be open and accessible, some felt they would need to be more prescriptive in order to limit the number of applications which were unlikely to be successful.

**“Trustees have made a commitment to maintain our current grants budget for the next five years, despite the forecast downturn in our endowment. This means we are eating into capital. It also means (if inflationary pressures remain) that either the real value of our grants will go down, or we will make fewer but larger grants”**

**“We will continue to struggle with income, and are planning to draw down reserves to maintain grantmaking”**

# WHAT ARE THE OPPORTUNITIES FOR THE FUNDING COMMUNITY TO RESPOND? 8

**“We cannot go on like this. There needs to be a swing back to stabilisation rather than survival”**

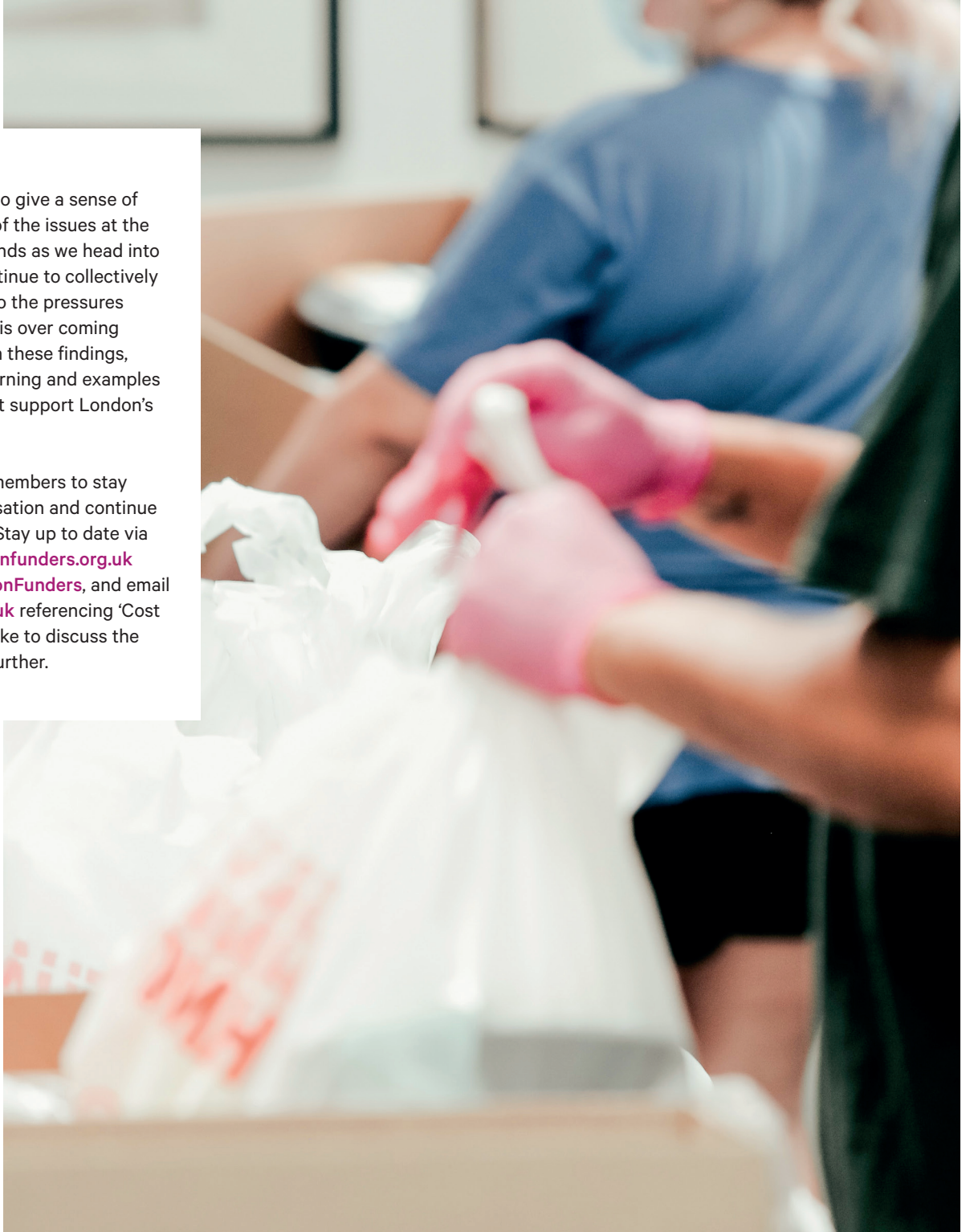
Despite the scale of the challenges, there was significant appetite for collaborative action and a renewed energy to build on the positive changes seen from London’s funding community during the pandemic.

We asked our members what else London’s funders could do, and the ideas shared can be broadly grouped in the following areas:

- 1 Continued collaboration:** both to exchange ideas and practical action, but also to explore joint and aligned responses where appropriate. The role of London Funders to support this was mentioned by several respondents. *“We would very much appreciate the opportunity to come together with other funders (as we did around covid) to share intelligence and identify plans for collaboration”*
- 2 Advocacy and ‘a unified voice for change’:** some respondents were keen to explore the role funders can play in campaigning for the long-term changes that have contributed to the scale of the cost of living crisis and which are now being exacerbated by it. Some of this related to how funders themselves can use their voice to advocate, but also fund organisations who are able to amplify and campaign for change. *“Cost of living needs to be addressed as part of a broader, longer term, anti-poverty strategy working with business, regulators and third sector organisations, alongside the public sector.”*
- 3 Thinking more creatively about future funding models:** there was a sense of exhaustion and despondency that we are still acting in crisis mode, with the damage caused by covid-19 still so prevalent in many communities. To counter this, there were calls from some to think more creatively about future funding approaches or options to financially support the voluntary sector – ideas flagged included micro-finance, enterprise, and even loans. *“[We need to] think creatively – can we create co-funded pots or programmes for organisations to restructure salaries so they are more competitive? How do we more easily get funding into hands of individuals most at risk/in need?”*
- 4 Embedding ‘open and trusting’:** it is encouraging to see so many respondents referencing the need for open and trusting relationships to underpin our approach to funding, through this crisis but also beyond. As part of this, flexibility on the part of funders was seen as fundamental, but alongside this a more concerted effort to put the trust and reassurance back into the relationship between grantee and funder. Some respondents felt we need to encourage more honesty about the real costs of delivering support, and recognise this in the grants we give – for example ensuring all funders are living wage funders. *“Grantees are asking for greater flexibility and for us to reassess existing grants – increasing original proposed salaries, increasing multi-year grants to reflect inflation”*

This short report aims to give a sense of the direction of travel, of the issues at the forefront of funders' minds as we head into the Autumn. As we continue to collectively navigate and respond to the pressures of the cost of living crisis over coming months, we will build on these findings, contributing further learning and examples of how funders can best support London's communities.

We would love for our members to stay engaged in this conversation and continue to share ideas with us. Stay up to date via our website [www.londonfunders.org.uk](http://www.londonfunders.org.uk) and our twitter [@LondonFunders](https://twitter.com/LondonFunders), and email [info@londfunders.org.uk](mailto:info@londfunders.org.uk) referencing 'Cost of Living' if you would like to discuss the findings in this report further.



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