



# Confronting the cost of living crisis

## How funders can mobilise

Naomi Chapman, Jennifer Shea, Angela Kail, Jasmine Birmingham, Mushfik Khan

July 2022

# The next big challenge

The cost of living crisis is as big a crisis as covid, possibly bigger. More people will need the help charities provide, yet charities will find it harder to support them as inflation increases their own costs and erodes the value of reserves and pre-pledged donations.

We need the kind of mobilisation among funders that we saw at the start of the pandemic, yet right now we're not seeing this. Now is not the time to watch and wait. Destitute people can't wait. So for philanthropists, it's time to get on and give.

When the pandemic first hit, NPC was quick to respond with a [philanthropy guide](#) on how to keep charities serving. Now, as this new cost of living crisis engulfs an already battered sector, we're drawing upon everything we're seeing in the sector and what we're learning from the charities and funders we work with to advise on how needs are changing, and the new complexities facing the charities who seek to meet them. We're also compiling data through our [Local needs databank](#), to help inform your decision-making.

Through the pandemic we saw big changes in funder behaviour. The experience taught us all the importance of a [systemic approach to strategy](#), more [equitable collaboration](#), sharing [data and intelligence](#), more [flexible funding](#), and putting [a social recovery at the heart of policymaking](#). We will need to remember these lessons as this new crisis takes hold. We hope this guide helps you to understand the pressures facing people in poverty in Britain, and how to fund effectively to help charities adapt. For bespoke advice, [contact our consultants](#).

## In this guide:

What is it like to face financial hardship in Britain? .....	3
Why is financial hardship rising? .....	7
Who will be worst affected? .....	9
What are the secondary effects of financial hardship?.....	18
What is the government doing? .....	21
How is inflation making it harder for charities to respond? .....	23
How should charities adapt? .....	28
How can funders help? .....	35
What you can fund to reduce financial hardship .....	38

# What is it like to face financial hardship in Britain?

To live with financial hardship was bleak even before inflation surged. Now, going without food and heating has become a routine part of daily life for many.<sup>1</sup>

Nationally, 10.5 million people live on an absolute low income (defined as income below 60% of the UK median income in 2010/11, adjusted for inflation) before housing costs, and 13.4 million after housing costs.<sup>2</sup> While overall rates of poverty have changed relatively little since the millennium, deep poverty (those living more than 50% below the Minimum Income Standard<sup>3</sup>) has increased in the last two decades, with 4.5 million people (7% of the population) now living in the deepest forms of poverty.<sup>4</sup>

Measuring poverty is complex, with different indicators showing different things. This paper will reference both income poverty, which is defined in relation to median income in the UK, and poverty that is defined by ability to achieve a minimum acceptable standard of living (Minimum Income Standard).<sup>5</sup>

Unemployment is not the main cause, and a job may not provide an escape. In 2019/20, over two thirds of households in poverty contained at least one adult in work, the highest level of in-work poverty since records began.<sup>6</sup> In-work poverty can be caused by low income, poor employment practices, a lack of flexibility around health needs or caring responsibilities, or under employment.

---

<sup>1</sup> [1 million adults 'go entire day without food' in cost of living crisis](#). 7 February 2022. The Guardian.

<sup>2</sup> [Poverty in the UK: Statistics](#). 13 April 2022. House of Commons Library.

<sup>3</sup> [What is poverty?](#) Accessed 5 July 2022. Joseph Rowntree Foundation.

<sup>4</sup> [Measuring Poverty 2020: A report of the Social Metrics Commission](#). July 2020. Social Metrics Commission.

<sup>5</sup> [What is poverty?](#) Accessed 5 July 2022. Joseph Rowntree Foundation.

<sup>6</sup> [UK Poverty Statistics](#). Accessed 5 July 2022. Joseph Rowntree Foundation.

Meanwhile benefits only partially address financial hardship in the UK: 54% of those receiving Universal Credit, 34% of those receiving Pension Credit, 19% of those receiving disability benefits, and 30% of those receiving Carer's Allowance are in poverty.<sup>7</sup>

With both work and welfare failing to solve the problem of poverty, philanthropists must step in to prevent needless hardship.

## How life is getting harder

The cost of living crisis is causing immense damage. In February 2022, the Joseph Rowntree Foundation forecast that 400,000 new people could be pulled into poverty in April 2022 by the benefits uplift failing to keep up with prices. Nine million families who receive benefits due to low incomes are now £500 worse off, on average, due to inflation.<sup>8</sup> The situation is likely to keep getting worse, with the National Institute for Economic and Social Research (NIESR) warning that economic destitution could hit a further 250,000 UK households in 2023.<sup>9</sup>

## Food insecurity is getting worse

Across the UK, over one in ten households worry about their food security and struggle with the cost of food. 4% of households go hungry.<sup>10</sup> That's over a million households. The Trussell Trust, which supports 1,400 food banks, delivered 14% more food parcels between March 2021 and March 2022 than in the year before the pandemic. The pace of increase is also accelerating.<sup>11</sup>

As of April 2022, the cost of food and drink had gone up 6.7% since the previous year. These statistics are worse for low-income families who rely on the cheapest products, some of which have seen the biggest increase,<sup>12</sup> thereby hiking the cost of their grocery shop more than the

---

<sup>7</sup> [UK Poverty Statistics](#). Accessed 5 July 2022. Joseph Rowntree Foundation.

<sup>8</sup> [400,000 people could be pulled into poverty by real-terms cut to benefits in April](#). 24 Feb 2022. Joseph Rowntree Foundation.

<sup>9</sup> [Further 250,000 UK households face destitution in 2023, warns NIESR](#). 11 May 2022. The Guardian.

<sup>10</sup> [UK Local Food Insecurity Estimates](#). January 2021. University of Sheffield.

<sup>11</sup> [U.K. Cost of Living Crisis Boosts Reliance on Food Banks by 14%](#). 27 April 2022. Bloomberg.

<sup>12</sup> [Is Jack Monroe right about food inflation hitting the poorest hardest?](#) 28 January 2022. The Grocer.

official inflation rate. More recent research has shown that food insecurity is worsening as a result of rising costs.<sup>13</sup> 76% of UK consumers in June 2022 were concerned about the cost of food. 22% of those surveyed in March had skipped meals or reduced the size of meals because they could not afford to buy food.

*'This time last year, the cheapest pasta in my local supermarket (one of the Big Four), was 29p for 500g. Today it's 70p. That's a 141% price increase as it hits the poorest and most vulnerable households.'*

**Jack Monroe, food poverty campaigner, via Twitter<sup>14</sup>**

## **Energy price rises are unaffordable**

Low-income families are forecast to spend a fifth of their budget on energy this year, with prices expected to rise by £850. For single adult households on low incomes, this could be as high as 49%. By comparison, middle-income families spend around 7% of their budget on energy.<sup>15</sup>

Data from the British Gas Energy Trust indicates that as of January 2021, over four million households are in fuel poverty.<sup>16</sup>

*'We have put in over £150 to our electric in the space of a month. Gas and electric prices are just killing us ... in the winter it's going to be horrendous and it's only going to get worse.'*

**Anonymous, via Christians Against Poverty<sup>17</sup>**

---

<sup>13</sup> [Food prices are a big worry for three-quarters of Britons, survey finds](#). 7 June 2022. The Guardian.

<sup>14</sup> [Tweet by Jack Monroe](#). 19 January 2022. Twitter.

<sup>15</sup> [New analysis shows Chancellor must act to avoid devastating damage to living standards of poorest families](#). 18 March 2022. Joseph Rowntree Foundation.

<sup>16</sup> [Local needs databank](#). Accessed 5 July 2022. NPC.

<sup>17</sup> [Former Aberdeen oil and gas worker 'crushed' by cost of living crisis](#). 20 June 2022. Money Market Advisor.

## Housing is a major challenge

The cost of housing continues to rise. Social rents (which increase once per year) rose 4.1% in April 2022.<sup>18</sup> Private rents have risen by 6% in a year.<sup>19</sup> 7% of private tenants were in arrears in May 2021, four percentage points more than in 2019.<sup>20</sup> Rising prices will have contributed to homelessness increasing by 7% between 2019/20 and 2020/21. Meanwhile, there are 1.1 million people on the waiting list for social housing.<sup>21</sup>

*'69% of low-income private renters in England will be forced to go without food and heating at least one day per week to meet rising housing and living cost.'*

Crisis<sup>22</sup>

## Inflation hits the poorest the hardest

Households in the lowest decile of disposable income spend more of their income on essentials compared to those in the middle and higher deciles. In 2020, those in the bottom decile spent:

- 14% of their income on food & non-alcoholic drinks, compared to 11% for those in the sixth decile and 8% for those in the top decile.
- 23% of their income on housing, fuel, and power, compared to 15% for those in the sixth decile and 10% for those in the top decile.

Conversely, those in the lowest decile spent just 6% of their income on hotels and restaurants, compared to 8% for those in the sixth decile and 11% for those in the top decile.

This shows that low-income households spend a larger proportion of their income on items for which prices are rising the fastest, and that they have limited scope for cutting back on luxuries.

---

<sup>18</sup> [The cost of living is rising, so why won't we talk about housing?](#) 7 February 2022. Red Brick.

<sup>19</sup> [Rent increases hit 13-year high as demand in major cities doubles.](#) 16 November 2021. Zoopla.

<sup>20</sup> [Homeless Monitor England.](#) 22 February 2022. Crisis.

<sup>21</sup> [Why we need civil society to stand up and lead.](#) Accessed 5 July 2022. Civil Society Commission.

<sup>22</sup> [Families at risk of eviction as cost-of-living crisis escalates.](#) 9 March 2022. Crisis.

## Why is financial hardship rising?

Financial hardship is rising because incomes are not keeping up with inflation. Life is getting more expensive, but for those on the lowest incomes for whom money was already a challenge, the crisis is existential. It will deepen existing poverty and tip others into poverty, in relation to the Minimum Income Standard, who were just about managing before the crisis hit.

The Consumer Prices Index (the most common measure of inflation) rose 7.8% in the 12 months to April 2022, driven largely by pressure from food, durables, consumer goods and energy.<sup>23</sup> Transport and housing/household costs (which includes petrol and gas) are responsible for more than half of the jump in inflation.<sup>24</sup>

For those in work, earnings are increasing by c4% annually on average, but this is distorted by rapid wage growth in sectors finding it hard to recruit (such as haulage), that mask stagnant wages elsewhere.<sup>25</sup>

Meanwhile, the welfare system has been steadily eroded over the last ten years, with freezes to payment levels, benefits caps, a two-child limit for child benefit, and increases to means testing. Analysis by the New Economics Foundation found that in April 2021, the poorest 20% of households (both in and out of work) were 6% worse off than they were in 2010.<sup>26</sup> For some households, this is as high as 12%. The New Economics Foundation forecasts calculated that under the previous welfare system, 540,000 fewer households would be in absolute poverty today.<sup>27</sup>

---

<sup>23</sup> [Consumer price inflation, UK: April 2022](#). 18 May 2022. Office for National Statistics.

<sup>24</sup> [Cost of living crisis](#). 22 June 2022. Institute for Government.

<sup>25</sup> [What is happening with UK wages?](#) 20 January 2022. Economics Observatory.

<sup>26</sup> [How our benefits system was hollowed out over 10 years](#). 20 February 2021. New Economics Foundation.

<sup>27</sup> [How our benefits system was hollowed out over 10 years](#). 20 February 2021. New Economics Foundation.

## Financial education is not the answer

It's common to suggest that financial education is the solution to the cost of living crisis. Recent comments from MPs include those from George Eustice,<sup>28</sup> Rachel Maclean,<sup>29</sup> and Lee Anderson.<sup>30</sup> Banking giant Santander also recently launched an education programme targeted at young people, fronted by Ant and Dec.<sup>31</sup>

While financial literacy is important, it cannot be a full solution. Financial hardship is caused by low and unpredictable incomes; the economic environment; and inflation.

*'I need to say, as the Money Saving Expert who's been known for this, I am out of tools to help people now. It's not something money management can fix, it's not something that for those on the lowest incomes telling them to cut their belts will work, we need political intervention. I've been the Money Saving Expert since 2000 ... I've been through the financial crash, I've been through Covid. This is the worst, where we are right now.'*

**Martin Lewis, Money Saving Expert<sup>32</sup>**

Even as a longer-term strategy, education will not solve financial hardship. There is little evidence that providing financial education for school children improves adult financial literacy,<sup>33</sup> and there is low demand for voluntary financial education.<sup>34</sup> Perhaps the most compelling argument against financial education as a solution to financial hardship is that there is in fact little difference in financial literacy between those who have a lot of money and those who don't.<sup>35</sup>

---

<sup>28</sup> [Minister's 'patronising' cost of living advice to 'buy value brands' sparks fury](#). 4 May 2022. ITV News.

<sup>29</sup> [No, minister, the answer to rising bills isn't working longer](#). 16 May 2022. New Statesman.

<sup>30</sup> [MP who said poor people need to cook better claimed £220,000 in business expenses](#). 12 May 2022. Metro.

<sup>31</sup> [Two-thirds of young people say a lack of financial education has led them into debt](#). 24 May 2022. Mirror.

<sup>32</sup> [Cost of living crisis: Money Saving Expert Martin Lewis says he's 'out of tools' to help people save money](#). 20 March 2022. The I.

<sup>33</sup> [Finance: when more education isn't the answer](#). 19 May 2016. BEUC.

<sup>34</sup> [Finance: when more education isn't the answer](#). 19 May 2016. BEUC.

<sup>35</sup> [The financial literacy gap doesn't exist](#). 10 November 2021. Fortune.

# Who will be worst affected?

*'We hear of people unable to cook the food they rely on from food banks as they cannot afford to switch on the oven or hob; families limiting themselves to one shower per week; and elderly people riding buses all day to stay warm.'*

Joseph Rowntree Foundation<sup>36</sup>

## People with disabilities

Nearly half of everyone in poverty lives in a household where someone has a disability, and a quarter of unpaid carers live in poverty.<sup>37</sup> A quarter of working age people with a disability are in deep poverty, and two thirds of disabled people who live alone live in poverty.<sup>38</sup>

Research by Scope found that prior to the cost of living crisis, life was already £583 more expensive each month for disabled adults than for non-disabled adults.<sup>39</sup> One in five disabled adults face extra costs of over £1,000 a month, even after welfare payments intended to meet those costs. Families with children with disabilities face extra costs of £581 per month.

A significant proportion of these costs are rising faster than average inflation, such as electricity for running at-home support machines, heating your home to minimise pain, and petrol for when public transport is inaccessible.

---

<sup>36</sup> [Political inaction means inflation is leaving people in desperate situations](#). 13 April 2022. Joseph Rowntree Foundation.

<sup>37</sup> [The financial impact of COVID-19 on disabled people and carers](#). 3 December 2020. Joseph Rowntree Foundation.

<sup>38</sup> [Disability and poverty](#). August 2016. New Policy Institute.

<sup>39</sup> [Disability Price Tag](#). February 2019. Scope.

The ONS found that 39% of adults with disabilities said their household could not afford an unexpected expense compared with around 24% of non-disabled adults.<sup>40</sup> One in ten people with disabilities people now regularly borrow money from friends and family to get by.<sup>41</sup>

*‘Disabled people have no choice but to use more energy to charge vital equipment and keep warm. Many rely on their own vehicles to get around. Disabled people have already been cutting back for months and there’s nothing left to cut back.’*

**James Taylor, Executive Director, Scope<sup>42</sup>**

**Charities supporting people with disabilities during the cost of living crisis include [Scope](#), [Disability Rights UK](#) and a [national network of local disabled peoples’ organisations \(DDPOs\)](#).**

## Children and Young People

4.3 million children in the UK are growing up in poverty (31% of all children).<sup>43</sup> Approximately 40% of parcels distributed by the Trussell Trust’s UK network are for children, with 832,109 food parcels given to children between 1 April 2021 and 31 March 2022.<sup>44</sup>

*‘It’s a stain on our nation that nearly a third of children were living in poverty last year. As the cost-of-living crisis deepens, some families are having to choose between heating or eating.’*

**Mark Russell, CEO of The Children’s Society<sup>45</sup>**

Poverty is highest for families with three or more children (47% of children living in families with three or more children are in poverty).<sup>46</sup> On average, child poverty rose 2.5% between 2015 to 2020. The North East of England saw the greatest increase (11%), demonstrating that children in

---

<sup>40</sup> [The rising cost of living and its impact on individuals in Great Britain](#). 25 April 2022. Office for National Statistics.

<sup>41</sup> [Disabled people are ‘being hit harder by the cost of living crisis’](#). 13 May 2022. The Big Issue.

<sup>42</sup> [Disabled people facing £1 billion shortfall in support due to spiralling living costs](#). 12 May 2022. Scope.

<sup>43</sup> [Where is child poverty increasing in the UK?](#) 15 November 2021. Action for Children.

<sup>44</sup> [End of Year Stats](#). Accessed 5 July 2022. The Trussell Trust.

<sup>45</sup> [Charities communicating about the cost of living crisis](#). 29 April 2022. Charity Comms.

<sup>46</sup> [Child Poverty Facts and Figures](#). Accessed 5 July 2022. Child Poverty Action Group.

this region are particularly at risk.<sup>47</sup> This is not caused by unemployment. 75% of children growing up in poverty live in a household where at least one person works.<sup>48</sup>

The cost of living crisis is making life more stressful for children, with 47% reporting feeling stressed. Alarming, 9% of parents surveyed by The Childhood Trust said their children had started self-harming due to this pressure and anxiety.<sup>49</sup> Research by the Nuffield Foundation found that the well-being and development of young children is hindered by financial strains on families.<sup>50</sup>

*'When I feel hungry, I ask my mother if we have any food and then she'll tell me if there's enough money or not.'*

Esham, aged 7, via The Childhood Trust<sup>51</sup>

**Charities supporting children and young people experiencing financial hardship include [Save the Children UK](#), [The Children's Society](#) and [Magic Breakfast](#).**

## Older people

Whilst the older you are, the less likely you are to be in poverty,<sup>52</sup> ONS research found that a greater proportion of older adults reported that their cost of living had increased compared with younger adults:<sup>53</sup>

- 78% of 45- to 54-year-olds.
- 82% of 55- to 64-year-olds.

---

<sup>47</sup> [Child poverty in your area 2014/15 – 2019/20](#). Accessed 5 July 2022. End Child Poverty.

<sup>48</sup> [Households Below Average Income: an analysis of the income distribution FYE 1995 to FYE 2020](#). 25 March 2021. Department for Work and Pensions.

<sup>49</sup> [Children 'self-harming due to UK's cost of living crisis'](#). 20 June 2022. The Independent.

<sup>50</sup> [Warning over long term impact of cost of living crisis on parents with under-fives](#). 26 May 2022. Children & Young People Now.

<sup>51</sup> [Children 'self-harming due to UK's cost of living crisis'](#). 20 June 2022. The Independent.

<sup>52</sup> [Measuring Poverty 2020](#). July 2020. The Social Metrics Commission.

<sup>53</sup> [The rising cost of living and its impact on individuals in Great Britain: November 2021 to March 2022](#). 25 April 2022. Office for National Statistics.

- 81% of 65- to 74-year-olds.
- 79% of adults 75 years and older.

By comparison, 42% of adults aged 16 to 24 years and 69% of adults aged 25 to 34 years said that their cost of living had increase. This may be because a greater of proportion of young people live with their parents. 71% of those aged 16-24 lived with their parents in 2021.<sup>54</sup>

For older people who require social care, one in four are in debt. This is likely to rise as care gets more expensive.<sup>55</sup>

*'I cry a lot these days. I can't imagine how I'll pay the bills when the energy price goes up again. I lose sleep over it, and I can't find a solution.'*

Marion, aged 69, via Age UK<sup>56</sup>

**Charities supporting older people affected by the cost of living crisis include [Age UK](#), [Independent Age](#) and [Friends of the Elderly](#).**

## Minority ethnic communities

Given the numerous systemic inequalities already experienced by minority ethnic communities, it is no surprise that people in these groups will be some of the hardest hit as the cost of living crisis compounds existing inequalities.<sup>57</sup>

- 78% of adults from households headed by someone from a Black, African, Caribbean, or Black British background reported having less than £1,500 in savings and investments. 24% reported zero savings.
- 72% of adults in households from Pakistani backgrounds, and 73% from Bangladeshi backgrounds hold less than £1,500 in savings. In both groups, over a quarter don't have any savings. (27% and 28% respectively).

---

<sup>54</sup> [Percentage of young adults living with their parents in the United Kingdom in 2021, by age and gender](#). March 2022. Statista.

<sup>55</sup> [87,000 people can't keep up with care bills as cost of living soars](#). 23 May 2022. Open Democracy.

<sup>56</sup> [Three-quarters of over 65s admit they're worried about rising cost of living](#). 29 January 2022. Age UK.

<sup>57</sup> [Cost of living crisis disproportionately affecting ethnic minorities, research finds](#). 9 June 2022. People Management.

Nationally, almost half (48%) of adults have less than £1,500 in savings and 15% have no savings at all.

More than a third of people from ethnic minority backgrounds are unable to cover their essential costs each month. A poll of 1,639 workers, conducted by People Like Us, found that 34% of professionals from ethnic minority backgrounds said their salary was not enough to cover their mortgage or rent and energy bills, compared to 27% of those from white backgrounds. A similar percentage of professionals from ethnic minority backgrounds were going into debt. Around half (47%) of Black or Black British adults, and one-third (33%) of Asian or Asian British adults said their household could not afford an unexpected expense, whereas 28% of White adults reported this.<sup>58, 59</sup>

The rising cost of living has led to a third of professionals from minority ethnic backgrounds considering downsizing their properties to deal with rising costs, compared to just a quarter of their White counterparts.

The Womens' Resource Centre say that 46% of BAME children are growing up in poverty, compared with 26% of children in White British families.<sup>60</sup> Areas with a greater proportion of ethnic minority populations are more likely to have a higher proportion of households worried about their food security.<sup>61</sup>

**Charities supporting minority ethnic communities in financial hardship are mostly local, such as the [Bristol Somali Resource Centre](#) or [Sangini](#) in South Shields, Tyne and Wear, so you should work with local authorities and community foundations to identify who is meeting needs in the area you fund. National charities include the [National Zakat Foundation](#).**

---

<sup>58</sup> [The rising cost of living and its impact on individuals in Great Britain: November 2021 to March 2022](#). 25 April 2022. Office for National Statistics.

<sup>59</sup> [Impact of increased cost of living on adults across Great Britain: November 2021 to March 2022](#). 30 March 2022. Office for National Statistics.

<sup>60</sup> [Women and Poverty during the pandemic](#). Accessed 5 July 2022. Womens' Resource Centre.

<sup>61</sup> [UK Local Food Insecurity Estimates](#). January 2021. University of Sheffield.

## Refugees and migrants

A fifth of all destitute households are migrants.<sup>62</sup> Immigrants face a higher risk of poverty than people born in Britain. In the latest data (published 2016), the Joseph Rowntree Foundation found a poverty rate of 32% for those born abroad, compared with 19% of people born in Britain.<sup>63</sup>

Most of those in poverty have lived in Britain for more than five years.<sup>64</sup> The situation is worse for people who arrived more recently as many will be barred from welfare through a rule known as ‘No Resource to Public Funds’ (NRPF), which is often applied to work, family, or student visas. The Home Office does not publish how many people this affects, but the Joint Council for the Welfare of Immigrants estimates that c1.4 million people are subject to NRPF.<sup>65</sup> Despite paying the taxes which fund the welfare system, immigrants with NRPF have no access to this safety net and can therefore quickly fall into destitution when the unexpected happens. 48% of families with NRPF are currently behind on their rent, compared to 15% of families generally.

For asylum seekers yet to be granted refugee status, the rates of asylum support allowance are lower now than they were 18 years ago.<sup>66</sup> The cost of living crisis only further embeds the destitution this causes.

*‘Though our welfare system is far from perfect, it’s still a vital lifeline for millions. As the cost-of-living crisis escalates ... it is vital that the “no recourse to public funds” policy is abolished once and for all.’*

Bethan Lant, Praxis for Migrants and Refugees<sup>67</sup>

**Charities supporting refugees and migrants in financial hardship include [Refugees at Home](#), [Refugee Action](#) and [local members of the NACCOM network](#).**

---

<sup>62</sup> [Destitution in the UK: how the No Recourse to Public Funds immigration condition affects poverty](#). 23 March 2022. COMPAS.

<sup>63</sup> [Foreign-born people and poverty in the UK](#). 29 July 2016. Joseph Rowntree Foundation.

<sup>64</sup> [Foreign-born people and poverty in the UK](#). 29 July 2016. Joseph Rowntree Foundation.

<sup>65</sup> [No Recourse to Public Funds is a public health risk and causes destitution](#). March 2021. Joint Council for the Welfare of Immigrants.

<sup>66</sup> [Tweet by Refugee Action](#). 30 April 2020. Twitter.

<sup>67</sup> [The hidden victims of the cost of living crisis](#). 20 June 2022. The Guardian.

## Unpaid carers

A quarter of unpaid carers in the UK live in poverty.<sup>68</sup> 25.5% had to increase their caring responsibilities in the pandemic, reducing paid work and further entrenching poverty.<sup>69</sup> On average, weekly household income is £100 a week less for people who are caring than those without caring responsibilities.<sup>70</sup>

In a cost of living crisis, carers face additional rising costs, including equipment, travel, and external care support. Simultaneously, their capacity to work is reduced as 63% of carers spend their own money on external care or products for the person they care for.<sup>71</sup> Carers also often spend a larger proportion of their income on energy costs and have higher food bills due to the nutritional needs of those that they care for.<sup>72</sup>

55% of carers surveyed in March 2022 were worried about how they would manage their bills and 45% said they couldn't afford their monthly expenses.<sup>73</sup> 75% of those who receive Carer's Allowance were worried about significant financial hardship.<sup>74</sup>

*'The cost of living with people who require significant additional care is so high. It's not just a case of turn the heating down or off. Buy less food. Take fewer trips out. These are things that are essential for safety, mental health and all revolve around the additional needs of the cared for. It's so, so expensive and the cost of specialist equipment for them is unbelievable.'*

Anonymous carer, via Carers UK<sup>75</sup>

**Charities supporting unpaid carers include [Carers Trust](#), [Carers Network](#), and [Carers UK](#).**

---

<sup>68</sup> [The financial impact of COVID-19 on disabled people and carers](#). 3 December 2020. Joseph Rowntree Foundation.

<sup>69</sup> [The financial impact of COVID-19 on disabled people and carers](#). 3 December 2020. Joseph Rowntree Foundation.

<sup>70</sup> [Carers UK reacts to Joseph Rowntree report on poverty](#). 7 February 2020. Carers UK.

<sup>71</sup> [Under pressure: caring and the cost of living crisis](#). March 2022. Carers UK.

<sup>72</sup> [Under pressure: caring and the cost of living crisis](#). March 2022. Carers UK.

<sup>73</sup> [Under pressure: caring and the cost of living crisis](#). March 2022. Carers UK.

<sup>74</sup> [Under pressure: caring and the cost of living crisis](#). March 2022. Carers UK.

<sup>75</sup> [Under Pressure: Caring and the cost of living crisis](#). March 2022. Carers UK

## People who are homeless or at risk of homelessness

Homelessness and people living in vulnerable housing is a pervasive problem in Britain. 22% of households at risk of homelessness have at least one person in work.<sup>76</sup> There are 1.1 million people on the waiting list for social housing,<sup>77</sup> and 7% of private tenants were in arrears in May 2021.<sup>78</sup> In March 2022, Crisis warned that 69% of low-income private renters will be forced to go without food and heating at least one day per week to meet rising housing and living costs.<sup>79</sup>

Between 2019/20 and 2020/21, homelessness rose by 7%.<sup>80</sup> The number of people homeless in England is predicted to jump again by a third by 2024, due to the cost of living crisis and the end of a pandemic evictions ban.<sup>81</sup> 80% of councils are worried about increases in child homelessness.<sup>82</sup> These forecasts jeopardise the government's pledge to end rough sleeping by 2024.<sup>83</sup>

*'I've still got my gaff, but what's the point of living there when I can't afford gas, electric and can't get no help. I feel like I'm going to lose it soon, very soon. Since all them bills come in I've been on the streets five, six weeks, just to get used to it again, because I know it's gonna happen again'.*

Jamie, aged 54, Manchester, via the Express<sup>84</sup>

Charities working in homelessness include [Shelter](#), [Crisis](#) and [St Mungos](#). Most local areas will also have a local homelessness charity providing direct support, such as [Jimmy's Cambridge](#), the [Shekinah Mission](#) in South Devon, or the [Booth Centre](#) in Manchester.

---

<sup>76</sup> ['Barely breaking even': the experiences and impact of in-work homelessness across Britain](#). 16 December 2021. Crisis.

<sup>77</sup> [Why we need civil society to stand up and lead](#). Accessed 5 July 2022. Civil Society Commission.

<sup>78</sup> [Homeless Monitor England](#). 22 February 2022. Crisis.

<sup>79</sup> [Families at risk of eviction as cost-of-living crisis escalates](#). 9 March 2022. Crisis.

<sup>80</sup> [Homeless Monitor England](#). 22 February 2022. Crisis.

<sup>81</sup> [Homelessness set to soar in England amid cost of living crisis](#). 22 February 2022. The Guardian.

<sup>82</sup> [Homelessness set to soar in England amid cost of living crisis](#). 22 February 2022. The Guardian.

<sup>83</sup> [Will the cost of living crisis scupper the government's goal of ending rough sleeping?](#) 22 March 2022. Inside Housing.

<sup>84</sup> [Man choosing to sleep rough 'to prepare for homelessness' as bills rise](#). 13 June 2022. Express.

## Other groups

Other groups affected by the rising cost of living include:<sup>85</sup>

- **Single parents.** With 95% worried about the rising cost of essentials, more single parents are skipping meals or cutting back on heating compared to adults generally.<sup>86</sup>
- Adults who are **unemployed** (50%) or **economically inactive** for other reasons (42%) are more likely to report that their household cannot afford an unexpected expense compared with those who are employed or self-employed (30%) or retired (16%).<sup>87</sup>

---

<sup>85</sup> [Impact of increased cost of living on adults across Great Britain: November 2021 to March 2022](#). 30 March 2022. Office for National Statistics.

<sup>86</sup> [New Data Shows Cost-of-living Crisis Has Meant Over a Quarter of Single Parent Families Have Already Gone Without Food](#). 21 March 2022. Gingerbread.

<sup>87</sup> [The rising cost of living and its impact on individuals in Great Britain](#). 25 April 2022. Office for National Statistics.

# What are the secondary effects of financial hardship?

The impacts of the cost of living crisis are likely to be felt long into the future, even when high inflation has eased, due to secondary effects on individuals and the economy.

*'These are very, very scary times, and the worst is yet to be seen.'*

**Chris Green, CEO, Citizens Advice Southwark<sup>88</sup>**

## Financial stress

Financial stress is defined as worry, anxiety, or emotional tension related to money, debt, and upcoming or current expenses. Just like other kinds of stress, financial stress can bring about significant problems.

## Physical health

Health, quality of life and life satisfaction are lower among those experiencing financial stress.<sup>89</sup> Ongoing stress about money has been linked to headaches, stomach aches, migraines, heart disease, diabetes, and sleep problems.<sup>90</sup> In the worst-hit groups, this is made worse by being unable to afford travel to medical appointments, and to fund services that are not free to access through the NHS, such as dentistry and opticians. Poverty can also make it hard to access basic healthcare needs. The charity Bloody Good Period say demand for free period products has risen by 78% during the first quarter of 2022.<sup>91</sup>

---

<sup>88</sup> ['It is so easy to lose everything': tales of poverty, despair and dignity at a Citizens Advice centre](#). 9 June 2022. The Guardian.

<sup>89</sup> [Effect of financial stress on self-reported health and quality of life among older adults in five developing countries: a cross sectional analysis of WHO-SAGE survey](#). 12 August 2020. BMC Geriatrics.

<sup>90</sup> [Over-indebtedness and its association with sleep and sleep medication use](#). 17 July 2019. BMC Public Health.

<sup>91</sup> [Cost of living crisis has exacerbated period poverty, charities say](#). 10 April 2022. The Guardian.

## **Mental health**

Depression is significantly higher for those experiencing financial stress.<sup>92</sup> The Health Survey for England has consistently found that people in the lowest socio-economic class have the highest risk of mental health problems. Poorer children and adolescents are two to three times more likely to develop mental health problems than their more privileged peers.<sup>93</sup> In the worst-hit groups, this is made worse by being unable to afford social activities, thereby increasing social isolation.

## **Domestic violence and abuse**

As financial hardship increases, so will domestic violence and abuse. Women in households with low incomes are 3.5 times more likely to experience domestic violence than households generally. Victims are often financially dependent on partners, and so the abuse is prolonged by an inability to leave.<sup>94</sup> Financial stress arising from poverty also strains relationships, increasing the likelihood of violence or abuse.<sup>95</sup>

## **Education**

Children who have lived in persistent poverty during their first seven years have cognitive development scores on average 20% below those of children who have never experienced poverty. In 2015, 33% of children receiving free school meals obtained five or more good GCSEs, compared with 61% of other children.<sup>96</sup> In the short term, for every day that a child arrives at school

---

<sup>92</sup> [Effect of financial stress on self-reported health and quality of life among older adults in five developing countries: a cross sectional analysis of WHO-SAGE survey](#). 12 August 2020. BMC Geriatrics.

<sup>93</sup> [The Covid-19 pandemic, financial inequality and mental health](#). 6 May 2020. Mental Health Foundation.

<sup>94</sup> [Domestic abuse is an economic issue – for its victims and society](#). 6 December 2019. Child Poverty Action Group.

<sup>95</sup> [Evidence and policy review: Domestic violence and poverty](#). 1 February 2016. University of Bristol.

<sup>96</sup> [The Effects of Poverty](#). Accessed 5 July 2022. Child Poverty Action Group.

hungry an hour of learning time is lost.<sup>97</sup> Hunger impacts sleep, mental well-being, and cognitive development.<sup>98</sup>

## Wider economic impacts

At a societal level, high inflation in essential areas (housing, food, and energy) are likely to force people to cut back in other areas, prompting a recession. The Bank of England forecasts a 0.25% contraction in the British economy in 2023, followed by weak economic performance beyond this for another two years.<sup>99</sup> The National Institute of Economic and Social Research forecasts a recession at the end of 2022, with GDP forecast to fall by 0.2% in the third quarter and 0.4% in the final quarter.<sup>100</sup>

A recession will lead to unemployment, reduction in incomes, and further rises in poverty and inequality—all exacerbating financial hardship for the most vulnerable in society. We can therefore expect the secondary impacts of financial hardship from the cost of living crisis to continue far into the future.

---

<sup>97</sup> [A Lost Education: The reality of hunger in the classroom](#). Accessed 5 July 2022. Kellogg's.

<sup>98</sup> [Teaching hungry children: the impact of food insecurity](#). 22 March 2019. Optimus Education.

<sup>99</sup> [Monetary Policy Report – May 2022](#). 5 May 2022. Bank of England.

<sup>100</sup> [UK to enter recession this year, think-tank NIESR forecasts](#). 11 May 2022. Reuters.

# What is the government doing?

The UK government has made several tax and welfare changes to try to help:

- The National Insurance threshold rose to £12,570 a year.
- The National Living Wage rose to £9.50 from 1 April 2022.
- Fuel duty was cut by 5p a litre.

Most notably, on 26 May 2022, the government announced:

- A £400 discount from energy bills for every household.
- £650 as a direct payment to households on means tested benefits.
- An additional £300 payment to pensioner households and £150 to individuals receiving disability benefits, in recognition of their vulnerability to rising prices.

However, other government actions are likely to have made matters worse:

- The £20 uplift to Universal Credit, introduced and extended during the Covid-19 pandemic, was cut.
- The 1.25 percentage point increase in National Insurance contributions from 2023 will affect both employees and employers, reducing income and potentially leading to job losses.
- Benefits are failing to keep up with prices. While benefits and state pensions increased in April 2022, the increase was set by the 3.1% inflation rate in September of the previous year. The Joseph Rowntree Foundation say this will pull a further 600,000 people into poverty in relation to the Minimum Income Standard.<sup>101</sup>
- Councils have been allowed to increase council tax.

---

<sup>101</sup> [Main out-of-work benefit sees its biggest drop in value in fifty years.](#) 10 April 2022. Joseph Rowntree Foundation.

- Quantitative easing (printing new money), especially during the pandemic, is likely to have contributed to inflation.<sup>102</sup>

## Government support for charities

At the time of writing, little has been said about government support for charities akin to what we saw during the pandemic. The Minister for Communities in Northern Ireland, Deirdre Hargey, has spoken out about the risk of closure for community centres due to utility bill costs, and is advocating for a pandemic-style emergency response,<sup>103</sup> but there appears to be little enthusiasm for this.

NCVO is working with other infrastructure bodies to encourage the government to support the sector by uplifting its grants and contracts and encouraging giving.<sup>104</sup> Specific measures include deferring VAT payments, offering match funding to encourage donations, and helping local governments to uplift existing contracts.<sup>105</sup>

The Federation of Small Businesses has called for tax relief to small businesses as energy bills skyrocket, a move that could also benefit many charities.<sup>106</sup>

---

<sup>102</sup> [Central banks drove inflation by printing money, says former Bank boss King](#). 20 May 2022. Yahoo Finance.

<sup>103</sup> [Energy bills: Community centres at risk of closure, warns minister](#). 15 June 2022. BBC News.

<sup>104</sup> [Government policy and funding round up: June 2022](#). 16 June 2022. NCVO.

<sup>105</sup> [UK charities feel post-Covid squeeze as cost of living crisis bites hard](#). 29 May 2022. Financial Times.

<sup>106</sup> [New analysis shows £10,000 increase in small business utility bills ahead of spring statement](#). 21 March 2022.

Federation of Small Businesses.

# How is inflation making it harder for charities to respond?

The same factors which make life harder for beneficiaries also constrain the charities who exist to help them. A rise in the cost of food, energy, and petrol is a big problem if, for example, your charitable cause is feeding, housing, or transporting people.

## Operating costs are rising

The Charities Aid Foundation found that 82% of charity leaders are concerned about the increased cost of utilities, and 65% are worried about the higher cost of stock, equipment, and supplies.<sup>107</sup>

### Food

Food poverty charity, Magic Breakfast, told us their cost of breakfast supplies have risen by 17% this year so far, having a significant impact on their cost base (as 41% of its costs are ingredients) and reducing the number of meals it can provide, all while demand for their support has doubled.

### Energy

As with businesses, the energy price cap does not apply to charities. Out of contract rates have increased by more than 100% since August 2021.<sup>108</sup> Criminal justice charity Ark Resettlement highlighted to us that across its 80-bed accommodation sites, energy bills are now £40,000 more for 2022 than they were in 2021. While they will try to renegotiate contracts and minimise costs, it still poses a huge problem for sustainability and its ability to offer essential residential support.

---

<sup>107</sup> [Increased demand and falling donations create “perfect storm” for charities in cost of living squeeze](#). 3 May 2022. CAF.

<sup>108</sup> [What is going on with energy prices in the UK?](#) 27 June 2022. Bionic.

## Petrol

Many charities—especially those operating in rural areas—spend a significant amount on petrol, required to deliver services. For example, Berwick and District Cancer Support Group, who provide a transport service for essential journeys by vulnerable cancer patients (predominantly to hospitals in urban centres), say their petrol costs have risen 36% in two years.<sup>109</sup>

## Staff pay and recruitment

Charities cannot compete on salary with other sectors, which means some roles go unfilled. In the care sector, one in ten roles are vacant,<sup>110</sup> and a quarter of care charities have had to reduce the number of people they care for due to understaffing and costs.<sup>111</sup> Meanwhile, Pro Bono Economics found that 76% of sector leaders are worried about burnout among their paid staff.<sup>112</sup>

*‘The dying aren’t dying with dignity because there’s not enough staff to sit with people in their final hours. Residents are being neglected, not having baths, meals are late, and staff are exhausted.’*

Care worker, via Unison<sup>113</sup>

Charities are facing difficult decisions about whether they can afford to pay their staff more. The Living Wage Foundation found in 2022 that one in seven charity sector employees earn less than the [‘Real Living Wage’](#).<sup>114</sup> For a considerable proportion of charity workers, a pay rise is a matter of survival and preventing in-work poverty, rather than maintaining a standard of living.

It is likely that the National Living Wage will significantly increase when new calculations are announced in September 2022. It is not clear whether charities who have signed up to the Living

---

<sup>109</sup> [Rising fuel prices impact on Northumberland transport charities](#). 18 March 2022. Northumberland Gazette.

<sup>110</sup> [Skills for Care’s latest data shows social care vacancy rates continue to rise](#). 11 May 2022. Skills for Care.

<sup>111</sup> [One third of social care providers were forced to shut services last year, report finds](#). 21 April 2022. Civil Society News.

<sup>112</sup> [A tunnel at the end of the light: Charities and the cost-of-living crisis](#). March 2022. Pro Bono Economics.

<sup>113</sup> [Staffing levels in care ‘dangerously low’ with dying residents denied dignified end, says UNISON survey](#). 24 November 2021. Unison.

<sup>114</sup> [One in seven voluntary sector employees paid less than the living wage, research finds](#). 23 June 2022. Third Sector.

Wage Foundation's pledge will be able to meet this, or whether the cost of living crisis will see charities withdraw from the pledge.<sup>115</sup>

*'We've had to cut the level of services that we provide below what individuals were assessed as needing, but still within safe levels. Long term, I'm concerned about the viability of voluntary sector social care provision.'*

**Deputy Chief Executive, Social Care Charity, from a conversation with NPC**

Front-line charities are facing tough decisions. These core costs are fundamental to their service delivery, so cutting spending will almost always lead to restricting services at a time when more people need them.

## Donations and volunteering are expected to fall

As ever, fundraising is a concern for charities who anticipate reduced donations from individuals and less income from fundraising events. Polling by the Charities Aid Foundation found that 14% of the UK public plan to cut back on charity donations in the next six months to help manage bills.<sup>116</sup> Plus, inflation is eroding the value of reserves, which may no longer meet agreed reserves policies.

*'For many charities ... resources are stretched after two years supporting their communities throughout the pandemic, and they are also having to find the funds to pay higher costs. With tightening household budgets impacting donations, there is a perfect storm facing the sector, and sadly, there are likely to be some charities unable to survive this year.'*

**Alison Taylor, CEO of CAF Bank<sup>117</sup>**

The crisis is also likely to lead to a drop in volunteering and donations of goods. Home Start Cotswolds says volunteers are increasingly reluctant to drive long distances to home visits due to the cost and uncertain supply of fuel, while the baby bank charity Little Village recently drew attention to the fall in donations of baby supplies it was experiencing.

---

<sup>115</sup> [The Calculation](#). Accessed 6 July 2022. Living Wage Foundation.

<sup>116</sup> [Increased demand and falling donations create "perfect storm" for charities in cost-of-living squeeze](#). 3 May 2022. CAF.

<sup>117</sup> [Increased demand and falling donations create "perfect storm" for charities in cost-of-living squeeze](#). CAF.

*'In recent months we've experienced a drop in families donating to us. With the cost-of-living crisis hitting, we suspect people are having to sell baby kit, rather than give it away. This means we're short of many of the items we need to support families on low incomes who face even tougher times in the coming months.'*

**Sophie Livingstone MBE, CEO of Little Village<sup>118</sup>**

Other front-line charities stressed that the time it takes for funders to make decisions is affecting the decisions they can make. With the crisis affecting access to food, energy and housing, any removal or delay in support leaves already vulnerable people even more at risk. Ark Resettlement highlighted that its service users leave prison and immediately need support with food and accommodation, having no access to Universal Credit for 6-12 weeks. In the context of the cost of living crisis, without immediate intervention by charities such as Ark Resettlement, ex-offenders are at higher risk of falling back into crime to survive.

To meet the increased cost of supporting its clients, Ark Resettlement is dipping into reserves. They know this is not a long-term solution, but waiting for decisions from funders is not practical. This reinforces the findings from the evaluation of the Coronavirus Community Support Fund, which found that simplified application processes and a fast turnaround on decisions were invaluable to charities at the height of the pandemic.<sup>119</sup>

*'Destitute people can't wait'*

**Kingsley Bempah, Ark Resettlement, from a conversation with NPC**

For charities who take on public sector contracts, many are having to decide whether to continue with them, as local authorities' practices on offering uplifts varies greatly. Charities are either choosing to end contracts early and retender with an increased budget, or subsidising work with other income.

For some charities, their supporters have given more, although not enough to match rising demand. For example, the National Zakat Foundation has seen a 30% rise in donations, but this doesn't come close to meeting demand, which has increased at least 65%, with young, single women with children making up the largest proportion of applicants in need.

---

<sup>118</sup> [Kama sutra and umbilical chords amongst 'weirdest donations' received by baby banks](#). 15 March 2022. Little Village.

<sup>119</sup> [Impact Evaluation of the Coronavirus Community Support Fund](#). September 2021. The National Lottery Community Fund.

*'Over the last 12 months, we've seen a 65% increase in the number of people applying to our Hardship Relief Fund for emergency help, compared to the previous 12 months. Young, single women with children now make up the largest proportion of applicants in need. We expect to see another increase ahead of the new school year as new uniforms and shoes are needed for children, and inflation causes more cost-of-living stress for families. Our givers - members of the public - have responded incredibly generously, with the value of donations up 30% over the last 12 months. Unfortunately, though, as the increase in need is greater than the increase in donations, the time applicants are waiting to be helped keeps getting longer'.*

**Robert Hillier, National Zakat Foundation, from a conversation with NPC**

## Leaders are under strain

Charity leaders are already burnt out after two unprecedented years. They need more support as they enter another period of difficult decisions. Almost half of leaders were already considering leaving the sector due to burnout or poor mental health.<sup>120</sup> These pressures are only likely to increase in coming months.

To counter these trends, some prominent sector support organisations are spearheading moves to new working structures such as the four-day week, including Charity Bank (as part of the national pilot) and the Directory of Social Change (as a permanent move).

On the other hand, the sector proved during the pandemic that it can weather a crisis. Trustees and senior leadership teams have established ways of working in crisis situations and empowered rapid decision-making that will be essential in the months ahead.

---

<sup>120</sup> [Half of charity leaders could quit due to mental health crisis](#). 10 May 2021. TFN.

# How should charities adapt?

Charities proved during the pandemic that with the right support they can quickly pivot to meet new challenges. Charities will need to make crucial decisions about their income, expenditure, and strategy if they are to meet the needs of the people they serve. Funders should be prepared to help charities adapt in the following ways:

## Strengthening income

First and foremost, charities should explore how to strengthen their incomes to allow for the greatest flexibility. This includes both managing existing income and considering where there may be new opportunities to secure support.

As with all crises, charities and funders must regularly communicate. Be honest about the impact inflation is having on operations, the decisions you are having to make, and how funders can help charities to keep supporting people.

Charities who fulfil government contracts should be bold in conversations with commissioners. You should both be on the same page so you can negotiate a working solution going forwards. Even if local authorities are unable to uplift grants to strengthen income, being clear about the changing context and its effects will manage expectations and strengthen future tendering conversations.

Beyond strengthening existing income, charities should consider new or innovative ways of bringing in resources. This could include liquidating existing assets; taking out a loan or social investment; or updating strategies for core income streams. Charities may also be eligible for unclaimed Gift Aid. Every year in the UK, approximately £500m of Gift Aid goes unclaimed. Contact supporters and emphasise the importance of this 25% addition to their donation and ask them to opt in if they haven't already. You can claim Gift Aid for any donations in the last four financial years, even if these donors no longer give to you.

There is no one-size-fits-all recommendation for growing income from new and existing sources, so charities should approach their income portfolio with a creative mindset and consider their attitude to risk in pursuing new or non-traditional revenue streams.

*‘Charities have to find even more efficiencies in their operating models, invest in fundraising and look for ways to make their existing resources go even further, including their cash reserves. Building financial resilience, a cornerstone of pandemic survival, will remain a priority, including expanding the ways in which income is generated.’*

**Alison Taylor, CEO of CAF Bank<sup>121</sup>**

## Reviewing expenditure

Charities should thoroughly review their expenditure to see where they should save and where they should spend.

This might include renegotiating core contracts with suppliers, switching to cheaper providers, or exploring the in-kind support that may relieve a key expense. Remember that in-kind support is only valuable if it affects the bottom line; accepting goods and services that would not otherwise have been paid for is likely to do more harm than good.

Looking at the core areas of inflation—energy, fuel, and food—charities should consider how services could achieve the same impact with reduced inputs from these sources, or through investing in new digital tools. For example, could an in-person activity that relies on hiring a building and driving to the venue be done online?

*‘One way in which charities can save money is by reviewing their outgoings, finding cheaper providers or renegotiating existing deals with suppliers’.*

**Sarah Cox, Managing Director of Ansvar<sup>122</sup>**

But charities shouldn’t just look at what to cut. Needs are rising, so consider too where to spend more. Macmillan Cancer Support has made an extra £3.5m in grants available to help people living with cancer face the rising cost of living.

---

<sup>121</sup> [Soaring inflation set to hit charities hard, sector bodies warn](#). 18 May 2022. Civil Society.

<sup>122</sup> [How to protect your charity as the cost-of-living crisis escalates](#). 3 May 2022. Third Sector.

## **Prioritising, consulting, and communicating**

Charities should consider their vision and mission and prioritise their activity in line with what makes the biggest impact. While it can be challenging to wind down specific projects or activities, charities need to be committed to delivering where it will have most impact on beneficiaries and society. This may mean deprioritising some activity or leaving some things to other charities that are closer to a particular issue or group of beneficiaries.

When deciding what to prioritise, it is vital that charities are informed by data: both 'traditional' quantitative and qualitative data on need and impact, and user data arising from a meaningful user involvement process. Charities should listen to beneficiaries throughout to understand which services they most value and where they may need more support than usual.

Equally, once decisions have been made, charities should communicate these decisions and the rationale behind them to all stakeholders, including beneficiaries, partners, funders, and staff. Managing these relationships and ensuring people understand the reasoning will mitigate the risk that negative feelings around decisions lead to lasting loss of support.

## **Working with others**

Charities should consider how activity can be streamlined and coordinated. Working with others who share the same vision prevents duplication and can lead to a bigger overall impact. It may be that people who use a charity can be better supported elsewhere, so charities should be comfortable referring to that support and focusing on where they are best placed to provide impactful services.

The collaborative approach extends to fundraising too. Charities should be transparent about whether they are raising funds due to increased costs or for work that directly responds to the cost of living crisis. If a charity is only in the former group, and supporters are looking to support the latter, then they should be honest and signpost to others to make sure the money is allocated as intended and with maximum impact.

## **Being agile and collaborative with data**

There is still significant uncertainty in how the cost of living crisis will play out in the UK, so it is vital to agree clear metrics to track and respond to when required. Indicators may relate to service

demand, costs of key inputs, or fundraising performance—what is important is being clear on what these metrics are, and on the thresholds at which you will make decisions.

As part of this approach, charities may need to again adapt their decision-making processes to allow for greater flexibility. Akin to decision-making at the height of Covid-19, more regular board meetings or check-ins may be valuable as the situation evolves. Staff teams may benefit from agile approaches that allow for priorities to change and highly focussed, efficient service delivery.

Charities should think about where they could share their data to help others who are responding to the crisis to understand specific need. This could mean specifically sharing data with government or local authorities, or with other charities, or it could mean open publication of data through the NPC Local needs databank.

Charities who don't yet use data to its full potential should think about what existing data might empower their decision-making. Analysis of what you do know, along with secondary data from other organisations, might help charities make better decisions.

## Advocating

In a global crisis of this kind, no charity can achieve their mission on their own. Many charities are therefore already investing further into policy and advocacy work, where changes to legislation have the potential to lift thousands of people out of financial hardship.

Most recommendations relate to overhaul of the benefits system, with restoration of the Universal Credit uplift,<sup>123</sup> the unfreezing of Local Housing Allowance rates,<sup>124, 125</sup> and the removal of the benefit cap<sup>126</sup> common across many cause areas. Earlier in the year, 31 charities came together to pressure the government to increase all benefits (including Universal Credit, legacy benefits, and

---

<sup>123</sup> [Homeless Link warns that the Chancellor's Spring Statement will do little to prevent a rise in homelessness](#). 26 April 2022. Homeless Link.

<sup>124</sup> [Homeless Link warns that the Chancellor's Spring Statement will do little to prevent a rise in homelessness](#). 26 April 2022. Homeless Link.

<sup>125</sup> [Alert Briefing: Universal Credit and Housing Benefit](#). May 2022. Shelter.

<sup>126</sup> [Alert Briefing: Universal Credit and Housing Benefit](#). May 2022. Shelter.

Pension Credit) by 6%, in line with rising inflation costs,<sup>127</sup> a move that was not seen in the April 2022 uplift but that many continue to campaign for.

In relation to specific cause areas, charities are advocating for:

- Radically uplifting weekly payments for Asylum Seekers.<sup>128</sup>
- Committing to a 'Food Bill' that reduces food insecurity.<sup>129</sup>
- Extending the Warm Home Discount scheme to include carers on the lowest incomes.<sup>130</sup>
- Raising the earnings limit for Carer's Allowance to 16 hours of work at the National Living Wage, and providing a Carer's Allowance Supplement in line with [Scottish provision](#).<sup>131</sup>

Longer term, some think tanks are calling for more radical overhauls of the welfare system. The Institute for Fiscal Studies is calling for permanent changes in how benefits are updated, using near term forecasts for inflation rather than a historic rate (in line with the approach for excise duties).<sup>132</sup> The New Economics Foundation<sup>133</sup> has backed the introduction of a living income<sup>134</sup> scheme, where everyone is guaranteed a minimum income set by the Minimum Income Standard.

Consider how you can support advocacy work and what opportunities there are to achieve policy change.

---

<sup>127</sup> [Charities call on government to increase benefits amid cost of living crisis](#). 10 February 2022. Civil Society.

<sup>128</sup> [Support payments for asylum seekers living in poverty to increase by all of 17p a day, decides Home Office](#). 28 January 2022. Refugee Council.

<sup>129</sup> [Exclusive: Charities Demand Urgent Government Action On Cost Of Living Crisis](#). 14 May 2022. Huffington Post.

<sup>130</sup> [Cost of living crisis](#). Accessed 6 July 2022. Carers UK.

<sup>131</sup> [Cost of living crisis](#). Accessed 6 July 2022. Carers UK. <https://www.carersuk.org/news-and-campaigns/campaigns/cost-of-living-crisis>

<sup>132</sup> [The Cost of Living Crunch](#). 12 January 2022. Institute for Fiscal Studies.

<sup>133</sup> [Losing the Inflation Race](#). 5 May 2022. New Economics Foundation.

<sup>134</sup> [How It Works](#). Accessed 6 July 2022. Living Income.

## Investing in and valuing charity staff

While charities are unlikely to be able to give all staff pay uplifts in line with inflation, you should consider the impacts that the cost of living crisis may be having on the lowest paid charity employees. Charities may want to prioritise pay increases for those on the lowest salaries, invest in mental health and well-being support, set up a hardship fund to allow for small grants or zero interest loans to staff in need, and update expense policies to prevent low paid staff from having to cashflow charity purchases before being reimbursed.

Recruitment will undoubtedly be a challenge, with charities competing with organisations which are better able to uplift salaries. Charities should consider how else to make roles more appealing, such as focusing on the impact that can be achieved through the role.

Staffing and recruitment decisions should be underpinned by data. For example, with data you can compare the costs of recruiting, onboarding and training a new member of staff, with the cost of giving a pay rise to reduce staff turnover.

High staff turnover is likely to be a common feature for many charities over the next year, so begin planning for it now. Charities should think about the opportunities that staff turnover brings and how to capitalise on them—the chance to restructure and adapt a role, for example, or the chance to make progress against diversity, equity, and inclusion goals (though it should be noted that turnover is likely to be in low paid roles, and progress will not be meaningful if only achieved at this level). Charity leaders should also be mindful of the impact of turnover on remaining staff and plan ahead for how to mitigate the risk of spiralling resignation. High staff turnover may be reducible through policies unrelated to pay, such as increasing flexible working in order to prevent parents from leaving the workforce due to the high cost and low availability of childcare.

Challenges in this area are unlikely to be solvable, so charity leaders should think about how they can manage the impacts of these challenges on individuals and the charity overall.

## Supporting volunteers

At the start of the Covid-19 crisis, many working in the private sector wanted to do their bit to support the front line and mitigate the worst impacts of the pandemic. The same goodwill may be possible again.

Consider where an input from a skilled volunteer may be valuable. This might be as a coach or mentor for members of the team, or to input into a specific piece of work.

While many considerations for supporting staff will also apply to volunteers, charities should ensure they also put in place specific support for volunteers. Charities should communicate with their volunteer base regularly about any changes, and assign a staff member to respond to questions and concerns about the impact of the cost of living crisis on the charity or volunteering responsibilities.

# How can funders help?

## Give more

First and foremost, funders should offer uplifts to new and existing grants to reflect the changes in costs experienced by charities. This is especially crucial for multi-year projects where budgets may have been agreed a long time ago, but also applies to new applications where inflationary changes between application and decision will mean budgets are quickly outdated.

Talk to your grantees to understand how costs and demand are changing and where uplifts are most necessary. Even if you are unable to offer uplifts to all grant holders, assess where the impact of not uplifting will be most significant and target resources to this area.

If your own staff are well-paid, and therefore not at high risk of financial insecurity, then you should prioritise uplifts in grants to charities working with at risk groups, over uplifts in pay for your staff. You should also be prepared to see your endowment shrink, as a necessary consequence of supporting people now when they most need it.

Additionally, some funders have not had as great a reduction in investment return as was previously anticipated. If this is true for you then review your budgets and consider spending some of this investment income on additional support for grantees.

## Give differently

As well as increasing grant amounts, there are many ways in which you can give differently to create a bigger impact. These include:

- Award all new grants on an unrestricted basis and remove restrictions on recent grants.
- Using data to inform all grant-making and investing in staff training and expertise in this area where required. The [NPC Local needs databank](#) is a good starting point for ensuring that you direct funding where it's most needed.
- Incentivise best practice in recruitment, staffing and pay, for example by signing up as a [Living Wage Funder](#), and scrutinising the pay structure of new grantees. Also consider how

grants can support charity leaders to manage and reduce stress. This might include simple messaging that incentivises flexible working, or encourages all staff to use leave allocated to them irrespective of demand; or direct funding for counselling and well-being support for staff.

- Update your processes to reduce administrative steps so you can get more out to charities quicker through the height of the crisis. Simplify application forms and have trustees meet more often to make decisions.
- Consider blended finance initiatives, using philanthropic funds to mobilise private or social investment into organisations and programmes.
- Consider whether you are working in a sector where need is increasing, or costs rising—or both—and take this into account in your response to grantees. This might affect which of your grantees you offer grant uplifts to, or may lead to you incorporating new charities into your portfolio as need changes.

## Build capacity

After a period of significant staff burnout, funders could consider funding to increase the leadership capacity of grantees by bringing in new staff. Funders should build capacity among grantees, with a focus on areas of need over the next year. This might include training in budgeting, rebalancing costs, turnover forecasting and cost calculation, or use of data. It might also include providing access to external HR, fundraising or finance support.

## Advocate, convene and collaborate

Where possible, funders should use their power in the sector and beyond to advocate for the importance of the charity sector, amplify the advocacy efforts of grantees, and convene networks of organisations to share challenges and solutions, and foster collaboration.

As well as supporting charities to collaborate through convening networks, funders should themselves seek to collaborate. If you make grants for a specific cause area, coordinate with other funders working in that area to ensure maximum collective impact. Platforms like [360Giving](#) are great for this. If awarding funding in a specific location, work with local authorities, community foundations and public sector stakeholders to reach the communities who need help.

An excellent example of such collaboration was [London Funders' Covid-19 response](#), in which 350 funders pledged to be flexible on activities delivered, timeframes, and budget allocation, and to communicate honestly and openly with grantees. We need this kind of effort again now.

## Local authorities

Local authorities who act as commissioners for charities should prioritise open conversations with charity service providers. Commissioners should be willing to renegotiate and be aware of the challenges that charities are facing.

Specific areas of negotiation should include:

- The possibility of an inflationary uplift to budgets, or of redesign of agreed services in line with new costs.
- The potential for an outcomes rather than outputs focus of work, to allow charities to flexibility adapt their work.

Some services will not be able to be delivered with budgets as they currently stand. The risks of addressing this challenge should be shared with charities in a collaborative partnership approach. As with other funders, this may mean that local authorities need to support contracted charities—particularly smaller ones that are squeezed to capacity—to help them anticipate cost increases and budget accordingly.

Additionally, local authority commissioners and contract managers should be aware that many more charities may choose to end contracts early or decline extension options. Commissioners should plan for the effects of this on the continuity of service delivery.

# What you can fund to reduce financial hardship

## Keep existing work going

While the situation may seem bleak, many charities are already working hard to prevent and reduce the effects of financial hardship.

Key areas of voluntary sector activity include:

### Direct support and advice

- Practical help for people going through acute financial hardship, such as small cash grants, fuel banks and food banks.
- Support and advocacy services helping people speak with statutory bodies such as the Department for Work and Pensions and the Home Office.
- Advice services helping people access the full benefits to which they are entitled, as well as to find work.
- Preventative work to help people at risk of falling into financial hardship.

### Advocacy

- Lobbying for more generous essential benefits, including Universal Credit, Pension Credit and legacy benefits, at least in line with real inflation.
- Working with employers to improve employment practices to end in-work poverty.
- Advocating for changes to employment law, including the adoption of a Real Living Wage or increased minimum wage, and more support for people going through crises that may lead to them leaving their job and entering financial hardship.
- Legal work in which charities adopt “test cases” to prove individual rights in relation to financial hardship, which can then be used by others to advocate for their rights.

### Research

- Data and measurement work to better understand the scope of financial hardship.

- Using data to encourage radical action.

**Funders should give more support to existing grantees working in these areas and consider where they can give new unrestricted grants to charities working in this space.**

## Fill gaps in provision

**Capacity:** As inflation drives up costs, charities are struggling with a lack of capacity that limits their ability to tackle financial hardship. There are also deeper structural issues around funding and provision being geographically unequal. [NPC's research](#) found there are fewer charities in poorer areas, despite these places needing them the most. There is also too little funding for systems change and tackling the root causes of financial hardship.

Use data to inform where to give more and where to award new funding to ensure maximum impact. You could explore how you can move from one to one relationships with grantees to a focus on systems funding, in which you support whole ecologies of charities working to relieve financial hardship through a collective strategy.

**Direct cash grants to individuals:** Very few funders currently give unrestricted money directly to individuals who are themselves in financial hardship, either to alleviate it or to escape the conditions that are causing their hardship such as domestic violence.

You could explore where giving directly to individuals could be incorporated into your grant making portfolio, either directly or through intermediaries such as local Community Foundations or platforms such as [Lightning Reach](#).

## Reduce barriers to accessing existing provision

Where provision does exist, there are often numerous barriers that prevent those experiencing financial hardship from accessing support. Such barriers are highly personal and will often be affected by the intersection of identities, overlapping to create more complex barriers to support. Regrettably, some barriers are an intentional response to not being able to offer enough support to go around.

Common barriers include:

**Awareness barriers:** 60% of people don't know that help is available in the event of a financial struggle, exhibit high levels of worry, and report low levels of agency in relation to finance.<sup>135</sup>

People receiving benefits often do not seek support for fear of having their benefits cut. Meanwhile, many individuals with No Recourse to Public Funds automatically assume they are not eligible for any support, even that provided by charities. Support that is available is often hard to find and only visible if you are already accessing support through related providers. Many in financial hardship often feel a sense of stigma in accessing support.

**Accessibility barriers:** Health conditions and disabilities, a need for chaperones, a lack of support in languages other than English, and support only being offered in urban centres can all form accessibility barriers. Additionally, a lot of support is designed to be generic so that it covers a broad audience. This deters people with specific needs or experiences that should be considered.

**Practical barriers:** Often support requires an internet connection to access or requires someone to fill out complicated forms with a high burden of evidence. Many schemes need an individual to be referred from a support worker, which can be hard for those without an existing relationship; or requires an individual to be on specific benefits, which excludes those outside of the benefits system. People are often in financial hardship because they struggle with systems, so support should minimise these formal barriers. A lot of face to face support still hasn't resumed since the pandemic. It would be a mistake though to only offer an in-person option, as many with limited financial resources won't be able to afford to travel to appointments.

**You can tackle many of these barriers by giving unrestricted funding that grows the capacity of core interventions and reduces the need to ration services. You could also provide targeted support to allow charities to remove specific barriers. For example, you could fund the translation of key resources into other languages, or fund charities to advertise the support they offer in communities that find their services hard to access.**

**For further support:**

NPC's Local needs databank: [thinkNPC.org/resource-hub/local-needs-databank/](https://thinkNPC.org/resource-hub/local-needs-databank/)

NPC's Open Philanthropy Project: [thinkNPC.org/examples-of-our-work/initiatives-were-working-on/open-philanthropy/](https://thinkNPC.org/examples-of-our-work/initiatives-were-working-on/open-philanthropy/)

NPC consulting support: [thinkNPC.org/consulting/](https://thinkNPC.org/consulting/)

<sup>135</sup> [The Cost of Living](#). June 2022. Resident Voice Index.