



Respond, recover, reset: the voluntary sector and COVID-19

March 2021



Funded by





Project partners



The Centre of People, Work and Organisational Practice at Nottingham Trent University

The Centre of People, Work and Organisational Practice is based at Nottingham Trent University and works with organisations and policy-makers to understand and to seek to improve how people are managed within organisations. We are committed to producing theoretically rigorous work that is not only published in top academic journals but also transforms lives and society. Working with collaborators from different parts of the world, CPWOP has conducted research with and for organisations such as the CIPD, Department for Digital, Culture, Media and Sport, the Government Equality Office and the Lloyds Foundation. The centre focuses on the way in which people are managed in the face of critical challenges facing the economy and society, given growing concerns about work quality and a proliferation of insecure and precarious jobs within the UK economy.



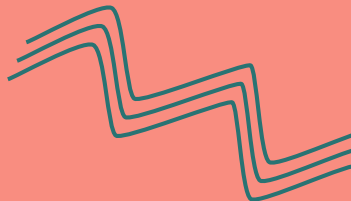
The Voluntary Action Research Group at Sheffield Hallam University

The Voluntary Action Research Group (VARG) brings together researchers from across Sheffield Hallam University. VARG serves as a forum to showcase and build on internationally significant research and evaluation and shaping debates about the past, present and future of voluntary action.

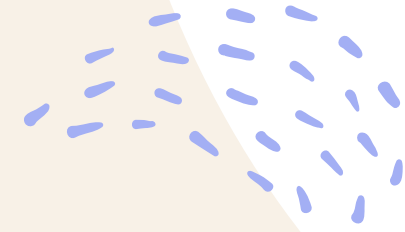


National Council for Voluntary Organisations (NCVO)

With over 15,500 members, NCVO is the largest membership body for the voluntary sector in England. It supports voluntary organisations (as well as social enterprises and community interest companies), from large national bodies to community groups working at a local level. NCVO believes its members, and those with a stake in civil society, need the best quality evidence base to help them inform policy and practice, and plan for the future.



Introduction: Funding during the pandemic



The funding of voluntary, community and social enterprise organisations has been a major issue of concern throughout the COVID-19 pandemic for the VCSE sector. The forced closure of most face to face activities this year has meant that traditional sources of revenue have been dramatically reduced, resulting in drastic reductions in income across the sector.

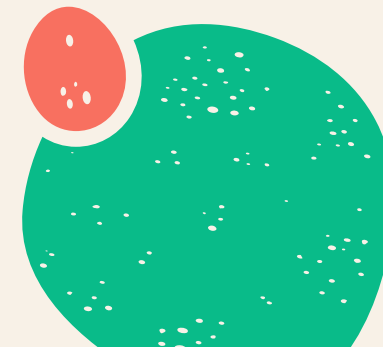
With charity shops closed, fundraising activities like the London Marathon suspended or scaled down and buildings shut, the resources that are available to VCSE organisations have seen remarkable falls. This month's report looks at the impact of changes to VCSE sector finances and how organisations have responded.

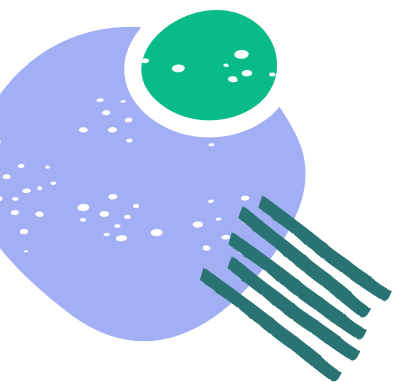
The big headline from across all the waves of this research is that demand for services is up whilst overall income is down and costs have also risen, as organisations develop COVID-19 measures and adapt operations and delivery online. A closer look reveals a more nuanced position. Some organisations have seen an uplift in their finances, with 31% reporting an increase to their income, whilst 47% have seen a decrease. Nearly half of all organisations that completed this survey said they have had to use cash reserves to cope with the impacts of COVID-19. But for many organisations, their reserves are running out. 29% have less than three months cash reserves left and overall 50% of all organisations have six months or less of cash reserves left.

Looking across the different forms of revenue, there are clear areas of income that have been impacted. Whilst, overall across the sector, grants have remained fairly stable, as many funders have created emergency grants to see organisations through COVID-19, trading activities have been particularly badly hit, with investments, public donations and service delivery contracts all significantly reduced.

Wave 6 will explore the relationship between VCSE organisations and Local Authorities. We continue to look at how organisations are coping and also what lessons have been learnt from the pandemic. If you want to get involved, or find out more please email us at CPWOP@ntu.ac.uk or [visit the website](#).

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COVID-19 voluntary sector impact barometer

The monthly barometer survey

The purpose of the monthly barometer survey is to produce timely snapshots of the condition of the voluntary, community and social enterprise sector (VCSE) throughout the life of this project. We have tried to create a survey that is inclusive, quick and easy to complete. As we approach the end of the financial year, this wave of the barometer explored in more detail the impact that Covid-19 has had on the financial position of organisations and the expectations for the next financial year starting from April 2021. We plan to continue observing the changes in the financial position of the voluntary organisations in response to the pandemic in 2021. This information will also be available online via the [data dashboard](#). The dashboard now includes an analysis of trends across the five waves of the survey completed so far.

The fifth wave of the survey was completed between 8th February and 22nd February 2021. This generated responses from 590 organisations across the UK. In this wave, we saw a marked increase in the level of responses from Scotland and Northern Ireland, but we remain keen to extend coverage of the survey in all of the UK nations (particularly Wales) as this will allow us to better understand any geographic differences in the impacts of the pandemic on the sector.



The sample

As we saw in the last four waves of the survey, a wide range of organisation types and a diverse range of activities are represented in the sample. 72% of the organisations identified as registered charities, 23% indicated that they have limited company status, a total of 7% of participants reported being community interest companies or voluntary associations.

26% of organisations (155) identified themselves as a social enterprise

23% (136) described themselves as age-specific

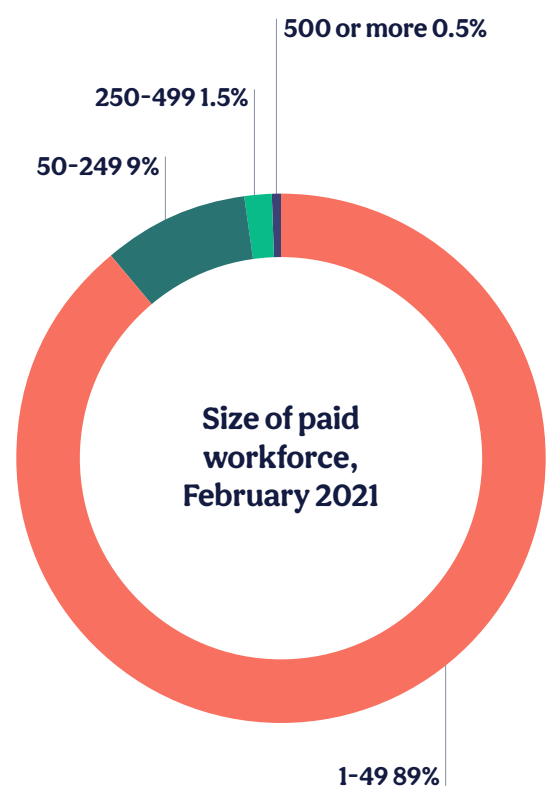
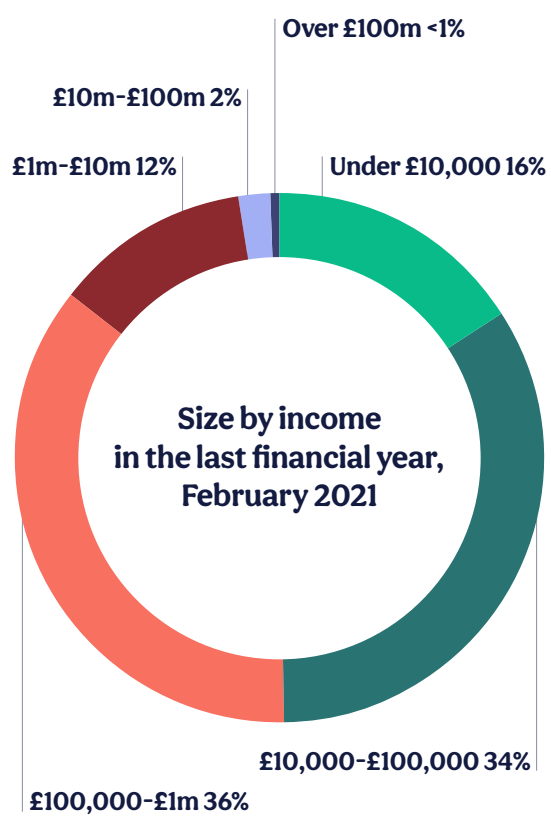
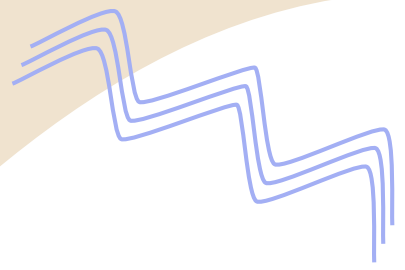
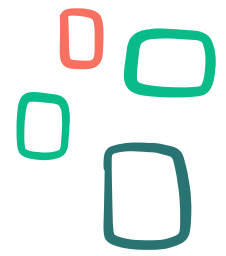
14% (84) described themselves as a deaf and disabled peoples' organisation

12% (69) described themselves as a BAME organisation

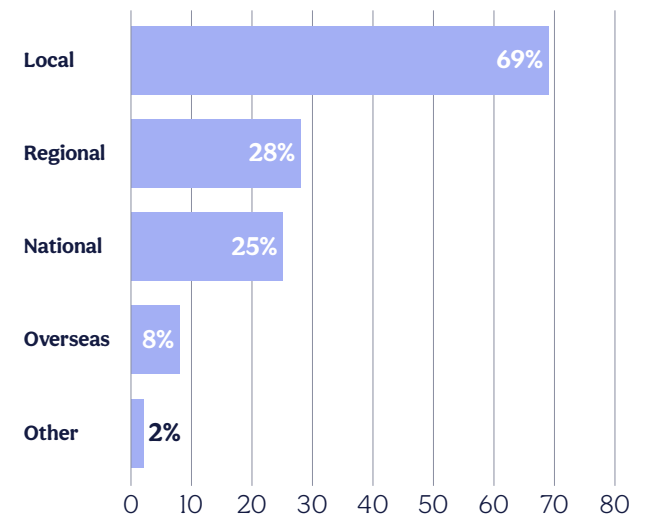
9% (53) described themselves as a women's organisation

7% (31) described themselves as LGBTIQ+ organisations





At what level does your organisation operate, February 2021



The most common activity types reported by survey respondents were in health, hospitals and nursing homes (including mental health) (15%), Community and economic development (9%) and individual and family services (8%).



Headlines

People

590 organisations responded to the survey

68% of the organisations employ paid staff

Finances

33% reported a deteriorating financial position in the last month

18% saw their financial position in the last month improve

48% reported a stable financial position in the last month

58% expect their financial position to remain the same over the next month

30% expect their financial position to deteriorate over the next month

Services

43% indicated that their range of services has decreased since March 2020

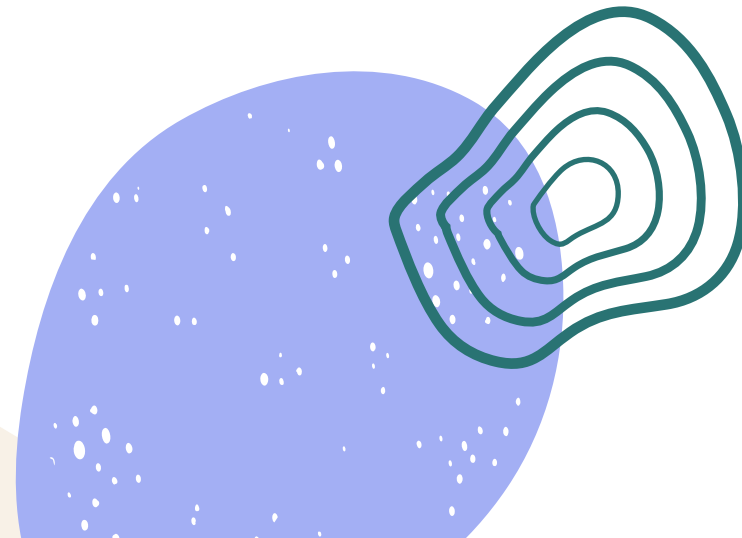
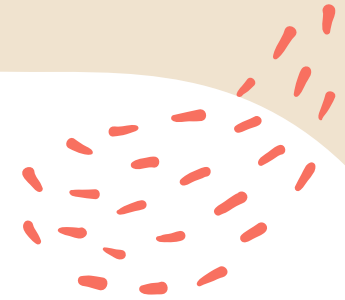
37% reported an increase in their range of services since the beginning of the pandemic

48% expect an increase in demand for their services over the next month

Outlook

74% of respondents expect Covid-19 to have a moderate or significant negative impact on delivering their objectives next year

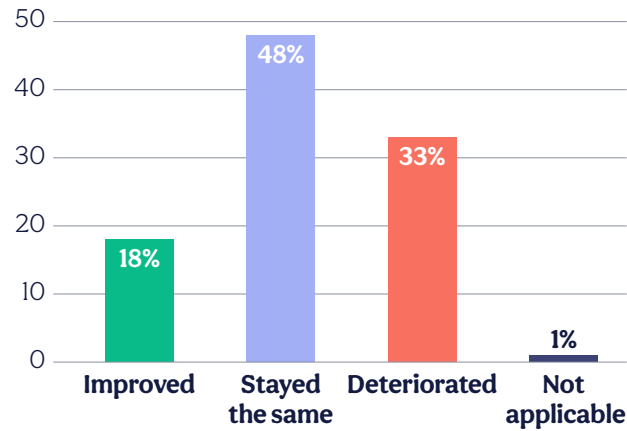
11% reported that it was quite likely or very likely that their organisation would no longer be operating next year (no change compared to 11% which was reported last month)



Finances and operations

In Wave 5, 33% of the organisations reported that their financial position has deteriorated in the last month compared to 18% who reported an improvement in organisation's financial position over the last month. In Wave 4, 40% of the organisations reported that their financial position has deteriorated in January compared to 19% who reported an improvement in organisation's financial position.

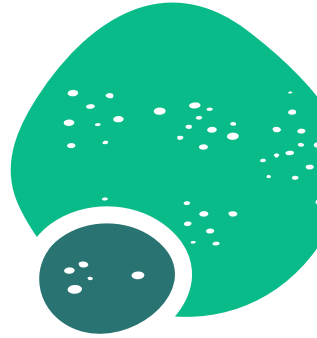
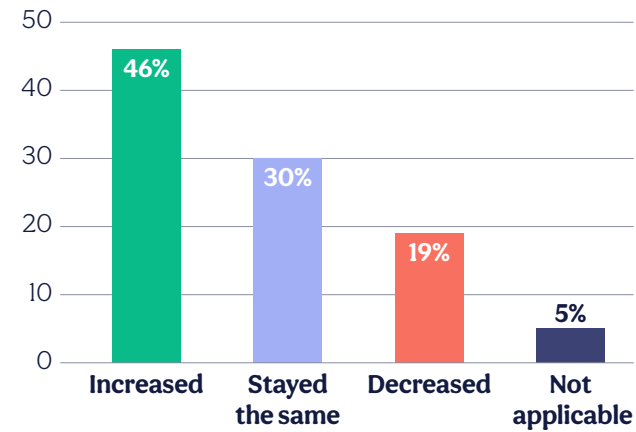
Change of the financial position over the last month, February 2021



The financial changes within the sector is the major theme of this wave of the survey and different aspects of it will be explored in some depth over the next year – both through this barometer survey, the panel survey and in-depth interviews that are being conducted as part of this project.

Over the last month demand for services provided by the voluntary and community sector maintained the upward trajectory revealed in the previous waves – with 46% of organisations reporting an increase in the demands for their services.

Demand for services over the last month, February 2021



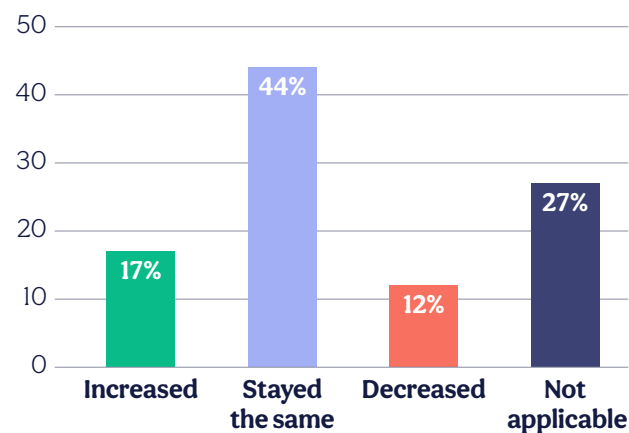


Workforce and volunteers

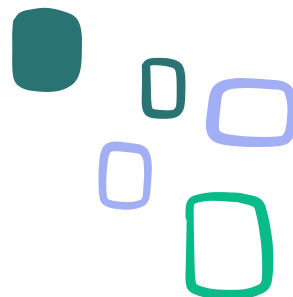
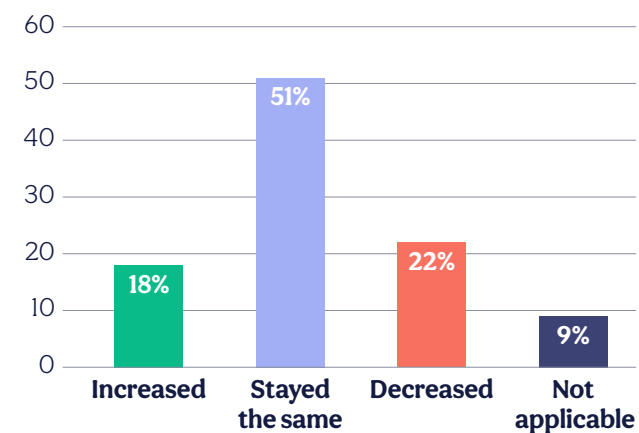
Over the last month, the employment position in the sector is reported as relatively stable, with 44% reporting the same number of paid employees compared to previous months.

In February 2021, the number of organisations who saw a decrease in volunteers was 22% compared to 26% in the previous wave. 18% of the organisations have reported an increase in the number of their volunteers which shows a 2% increase compared to Wave 4.

Paid workforce over the last month, February 2021



Volunteers over the last month, February 2021



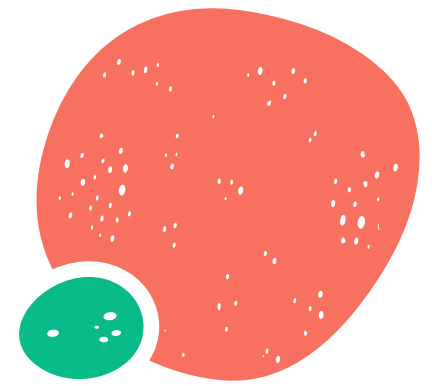
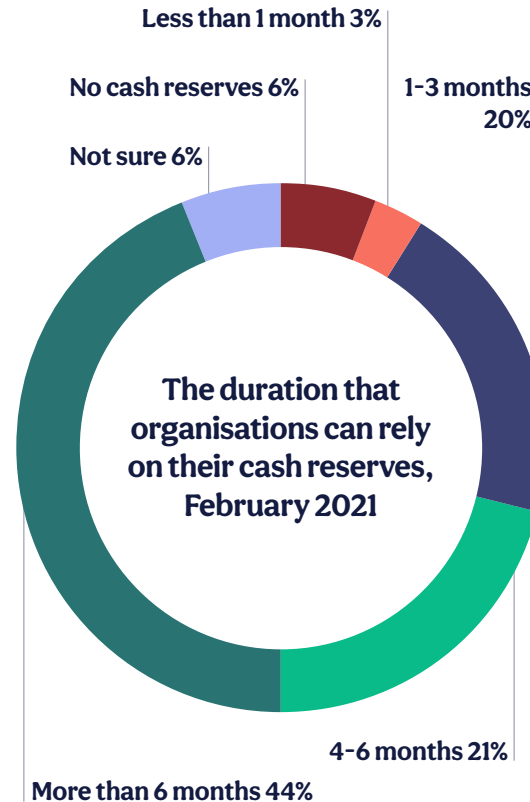
Financial Position of Voluntary Sector

Given the many challenges presented by the Covid-19 pandemic across the UK since March 2020, it is not surprising to see considerable changes in the financial position of the organisations during a time of crisis. The potential impacts are widespread and range from short-term immediate effects such as cancellation of fundraising events to longer term and indirect effects such as changes in the operational structure of the VCSE organisations. In this wave of the barometer, we explored the current financial position and expectations of organisations as we approach the end of the financial year.

Compared to the last financial year before Covid-19 (2019-20), 31% of respondents have reported an increase in their total income while 47% of the organisations have reported a decrease in their total income during the 2020-21 financial year (a negative balance of 16 percentage points). Of those reporting a decrease, the most frequently reported size of the decrease was 20% (mode), the midpoint (median) of the range reported was 30%, the average was 44% (the mean – a figure that is clearly influenced by a small number of outliers at the upper end of the range reported). It is clear from this data that many organisations have experienced significant change to their level of income since March 2020.

In terms of costs, 35% of the respondents have reported an increase and 34% have reported a decrease in their costs compared to the last financial year before Covid-19. The variation in costs experienced can be explained by the diverse situations in which organisations find themselves such as reductions in number of employees and closure of the offices for some organisations in contrast to another group which experienced increased demand for their services and the PPE costs for their staff members. Of those reporting increased costs, the average scale of these increases was 36%.

46% of the organisations indicated that they had to use cash reserves to cope with the impacts of Covid-19 on their organisation. The respondents were also asked about their estimation of the duration that the organisation's cash reserves will last. The result is demonstrated in the chart below:

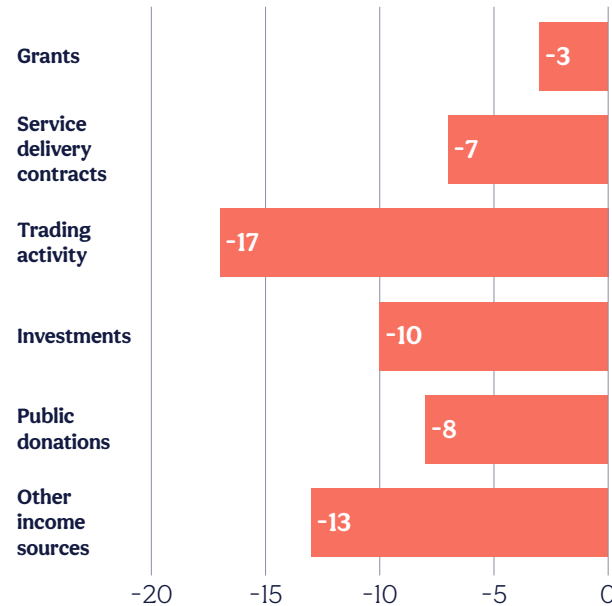




The findings of Respond, Recover, Reset in the last five waves show that, many organisations are now in an extremely precarious position, often having to use reserves in the face of increased demands for support at a time of continuing downward pressure on income and other resources at their disposal. In Wave 5, we explored how different streams of funding are expected to change as we move into the next financial year.

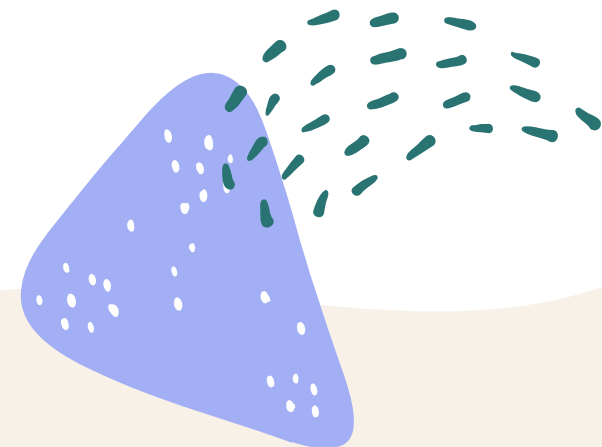
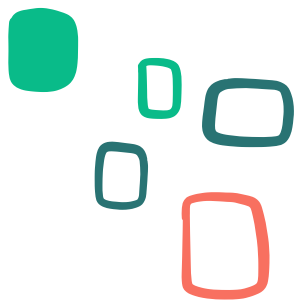
VCSE organisations were asked about their expectations about their level of income in the next financial year (from April 2021) compared to the last financial year before Covid-19 which are summarised in the following graph. These responses are presented as net percentage point balances (the difference between those reporting increases and those reporting decreases) in order to provide an overview of the expected direction of travel for organisations in the sector.

Balance of expected change to main funding sources – next financial year



Organisations report negative balances for expected change to all major funding sources for the 2021/2022 financial year. The most pronounced net change is anticipated in relation to trading activity, other income sources and investment income. These expectations represent a significant concern in light of continuing high demand for services provided by VCSE organisations.

This project will continue to monitor the impacts of the pandemic on the financial position of the VCSE organisations using barometer, panel survey and in-depth qualitative interviews that are now underway.



Behind the headlines: The financial impacts of the pandemic

This project aims to understand what is happening to voluntary, community and social enterprise organisations and explore how they are responding to the pandemic. Funding has been one of the key issues for the sector as a whole.

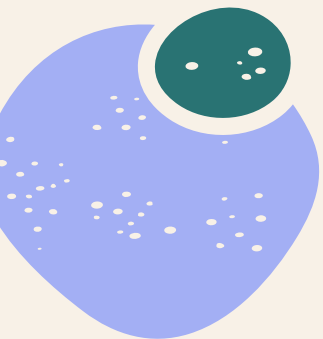
Overall the sector has been badly hit with income reduction, as the barometer survey responses show, but these impacts have been uneven across the sector. Whilst many organisations have been badly impacted, others have managed to access additional support through the pandemic. This section of the report gets behind the headlines, to try to understand what these impacts mean, and how organisations are responding.

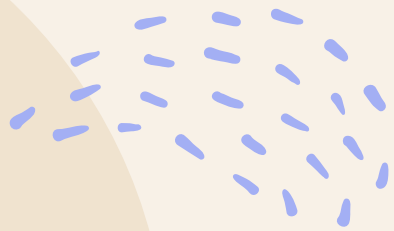
Income Down

As has been well documented overall there has been a major reduction in income across the sector as usual streams of revenue have been either reduced or stopped altogether. As a consequence, finances, and the short to medium term survival of organisations is a major area of concern for many in the sector. Even those organisations whose finances improved during the pandemic experienced periods of uncertainty and doubt, as organisations waited to see what funding streams would be available. For some large organisations the reduction in finances meant scaling back or shrinking their organisation. For small organisations reductions in income especially threaten their survival.

Income has been impacted in many ways including reductions in contracts, fewer donations and a loss of income from trading activities such as venue hire and training provision. The speed and gravity of the change meant that organisations had to change funding strategies very quickly:

“ we have got a fundraising strategy and an annual funding plan that relies upon the availability of certain regular programmes and we know when they're open and we know when their deadlines are and we plan in advance when to apply. I had in my head and on paper all those plans and suddenly those plans were out the window because they just closed ”





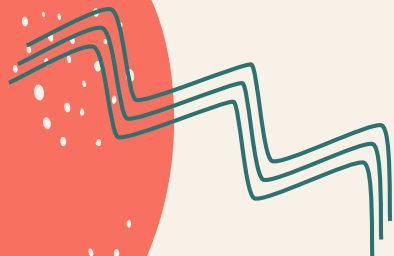
Costs up

Consistent with the barometer findings, interviewees discussed the increased costs that came from having to respond to COVID-19. These costs came from COVID-19 measures such as PPE and cleaning, through to adapting services, particularly remote working and having to boost internet access for staff and volunteers. For VCSE organisations concerns about digital poverty meant that organisations needed to use resources supporting volunteers, trustees and paid staff with equipment and data packages.

Costs also rose for organisations who had staff ill with COVID-19 or who were clinically vulnerable and self-isolating. For small organisations in particular this could have major impacts on their operations where the absence of a few staff would mean the whole organisation would struggle to operate.

Worries about reserves

Many organisations have had to use their reserves to get through the crisis. Using reserves has been challenging not only because many organisations did not have high levels of reserves prior to the pandemic, but also that the reserves were not seen as a resource to be used in this type of crisis. For those organisations with reserves, these were seen as only to be used to close services, and not as a way of getting through a financial crisis like COVID-19.



Impacts on income from trading and public donations

A clear issue that comes from both the barometer and the interviews is that organisations that previously received much of their income public donations and earned income such as trading have been badly impacted in this pandemic.

A few interviewees reflected that they moved to this 'self-sustaining' model as a result of the last crisis to have impacted the sector, the 2008 financial crisis. The 2008 financial crisis and decade of austerity that followed saw reductions in grant income available via central and local government. Being less dependent on grant income, particularly by developing new income streams such as trading was seen as 'the solution' to be able to survive. Yet in the COVID-19 crisis it has been precisely these income streams that have been most impacted.

“ After 2008 we had a really rocky period where obviously the austerity period of central government spending cuts, local government grants went completely, funding for grants from trusts and foundations was way more cutthroat than it ever was. Our response to that was to say okay, we can earn more of our own money and if we do that, we are not dependent on government grants and we're not dependent on the priorities of funders, we can back ourselves on things. ... It felt like it was good for us and it was, and that's the thing. That model worked, all the way up until it didn't, this year. ”



Flexible funders

The responses of funders have been a key feature of the COVID-19 pandemic response for VCSEs. Many organisations recognise the creative and rapid responses funders made by providing emergency grants to help organisations through some of the early stages of the pandemic. Some funders pooled resources together or created or used platforms that streamlined the application process.

The speed and efficiency of funders has been a key feature of the Covid response. Many organisations recognise the way that some funders have transformed the way that they have worked to help support organisations quicker:

“ we put in a lottery emergency fund bid in the middle of October. Middle to the end of October, actually. And we'd heard that we were successful and the money was in our bank by the end of November. Which is unheard of in the grant sector. And there's lots of funds that they've been turning them around in 10 days, two weeks. So that's been really refreshing and I think some of the funders have carried that through. I think they've realised that actually they can get a feel for the organisation, they can find out where people are without needing to have the novel, even for larger pots of money and those sorts of things ”

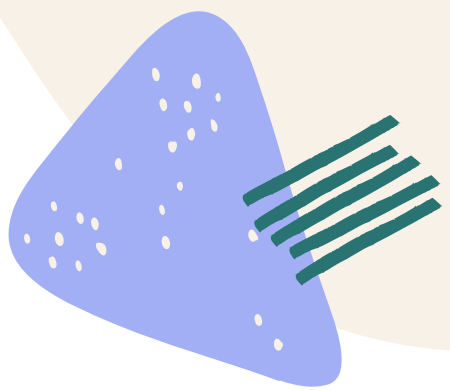
However the speed of this response may have come with a cost, as some are concerned there have been uneven distribution of the money, with support going to organisations that were able to apply quickly.

“ I've heard from other funders that some charities have had a bumper year, ... because they just applied to everything that was going emergency wise and they've got loads of money because there was a quick turnaround of decisions, very little scrutiny of bids and not much asking... We were having to put bids in left, right and centre because we had no idea if they'd be successful or not and we still had a massive shortfall ”

End of the financial year, facing a cliff edge

Whilst there has been emergency funding, many organisations are concerned that this support runs out at the end of the financial year, the 31st March. Many organisations are therefore concerned what will happen in the future when this emergency funding dries up.

“ During 2020 there was a lot of emergency Covid funding available, but we expect this to substantially decrease from April 2021. This will impact on us significantly. ”



Worries about the future

Whilst some have survived the last year of the pandemic many organisations are worried about the future. Not only are they concerned that the emergency funding is drying up, but also that other sources of income, such as trading and public donations might struggle, particularly with many expecting an economic recession looming.

“ My concern for our charity is in 18 months’ time. Next year we’re going to be fine but in 18 months’ time when all of this funding stops, our contracts start to end, will the money be there again because it actually might not be, we might be in a huge recession. So I would say to our charity and for most charities is not now, not next year but 18 months. If you’re looking to 2021/22, I’m like oh I wonder if we’ll have anything ”

With the emergency funding drying up some organisations are worried that their previous sources of income will not return. Concerns about potential recession and the impact on individual finances might mean that individual and corporate giving might reduce as donors may not have the resources to contribute.

“ It’s the unknown and the uncertainties about how the economy will recover, how our donors will respond in the future. With more and more people losing their jobs of course they’d have to prioritise their own food bills. They’re not going to be giving to charity or the third sector ”

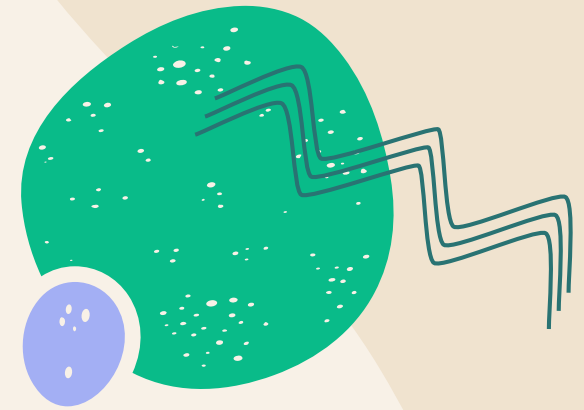
Wider lessons: COVID-19 revealing structural weaknesses in sector finance

Some interviewees reflected that the pandemic has continued to highlight how fragile the sector finances are. With many organisations operating on tight margins, and being dependent on short-term funding, COVID-19 intensified questions about the long-term sustainability of their organisation and the sector as a whole.

“ I guess it’s funding fragility of the sector as a whole, to which we’re not immune really. So that’s really been pointed at. You’ve been very dependent on project to project and it’s a bit of a hand to mouth existence. Yeah, so the fragility of the funding and the resource of this work was really apparent. I mean I’m sure lots of organisations say if it hadn’t been for the various government support I would have gone under. ”

So even for those organisations that have survived in the short-term, to get through the pandemic organisations have had to use reserves and cope with cuts, meaning that they are in a worse situation than 12 months ago. This raises considerable anxiety about their long-term survival.

“ I’m leaving 2020 feeling way more vulnerable of the health of this organisation than I was at the start of it ”





For further information:
CPWOP@ntu.ac.uk



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