



Executive Summary

State of the Sector Report

Collated findings from research, surveys and engagement exercises, to understand the impacts of the Covid-19 pandemic, in the Voluntary, Community and Social Enterprise (VCSE) Sector in Leicestershire and beyond

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Executive Summary

The impacts of the Covid-19 pandemic across all sections of society cannot be underestimated. The pandemic has had negative consequences for people from across all walks of life, as well as agencies from all sectors, including the public, private and community sector. The impact on 'normal' life has therefore been stark and has demonstrated the importance of all sectors in ensuring a positive quality of life for communities.

This report is specifically focussed on how the pandemic has affected the work of charities, community groups and social enterprises. For the purposes of this exercise, the sector is referred to in this report as the Voluntary, Community and Social Enterprise (VCSE) sector.

Leicestershire has a dynamic and diverse VCSE sector, with over 3,000 different organisations operating across the county, ranging from small grassroots groups, to medium sized organisations, as well as local branches of larger national charities. VCSE organisations are skilled at delivering community-based solutions to address local issues, and the sector has a strong track record of responding to changing priorities and conditions. The sector has a vital role in complementing and supporting the delivery of public sector strategic priorities. It is therefore recognised as an essential component of society, through its ability to improve the lives of many people, including those who are experiencing significant life challenges.

During the pandemic, VCSE organisations have continued to deliver essential services, in many cases, to maintain the health and wellbeing of some of the most vulnerable and disadvantaged members of local communities. VCSE organisations have taken a leading role in ensuring the provision of support for vulnerable people throughout the pandemic, through activities such as food and shopping deliveries; collecting and delivering prescriptions and medication; and providing befriending and 'checking in' support. Much of this support has been delivered, where possible, alongside the adapted delivery of the usual activities of such organisations. However, it is clear that many organisations have had to suspend or cease some core services, in order to focus on the immediate responses required as a result of the pandemic. The financial impact of the pandemic upon VCSE organisations has also been considerable, and this report provides some detail around the extent of this issue, and what could be done, to help ensure the financial health and sustainability of VCSE sector organisations in future.

Ultimately, this report helps to demonstrate the value of a strong, thriving VCSE sector, and how the sector delivers wider benefits around building social capital, delivering social 'good' and also assisting the public sector to deliver its strategic priorities. A healthy and active VCSE sector therefore has significant benefits for society as a whole, providing the social 'glue' that keeps communities together, whilst promoting engagement, empowerment and active participation in civil society.

The report brings together the findings from a range of national and local research, surveys, reports, engagement activities, insights and observations, in relation to how the pandemic has affected the VCSE sector in Leicestershire and beyond.



National 'State of the Sector' Summary

Key Points

Significant financial pressures due to reduced income, costs of making facilities Covid-19 secure and increases in demand (estimated £10bn funding gap across VCSE sector over 6 months up to Dec 2020)

Approximately half of VCSE organisations seem to be reducing their services (c. 50% of those surveyed by Probono Economics and VCSE Barometer), with smaller organisations seemingly more likely to be affected (63% of those with annual incomes of less than £500k surveyed by Probono Economics and 60% of grassroots organisations surveyed by Groundwork UK). This may be due to the high reliance of smaller organisations on volunteer capacity.

Organisations reliant on earned income appear to be particularly vulnerable with many now seeking grant funding instead. Increased demand for this type of funding may necessitate increased cooperation and joint-bids between organisations.

Organisations addressing key topical issues (e.g. domestic abuse, mental health, homelessness) have fared better than others (e.g. arts and heritage projects); as economic impact of pandemic becomes clearer there may be more targeted support for organisations focused on financial hardship and unemployment.

- Key lessons learnt include:
 1. Effectiveness of community hubs in providing a focal point for community social action, promoting physical and mental wellbeing – particularly if green space is a key component of their development and reducing social isolation
 2. VCSE organisations have adapted effectively to remote-working, although concerns remain around digital exclusion and managing teams online
 3. Grant funders having been more flexible by reducing amount of form-filling required when applying for funding has been well-received by VCSE organisations as it has enabled more timely and efficient responses
 4. Organisations need to be prepared to rapidly mobilise large numbers of volunteers during civil emergencies given the surge in prospective volunteers



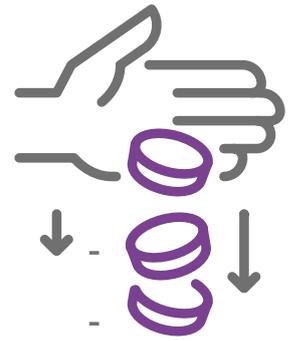
Finance

In a [briefing](#) to MPs (November 2020) the National Council for Voluntary Organisations highlighted that whilst Government's £750m support package, grants and the Coronavirus Job Retention Scheme has helped VCSE organisations', their capacity has nevertheless been severely reduced and in some cases they have had to choose between stepping up their response or securing their ongoing financial viability.

[Research](#) by Probono Economics (June 2020) based on a survey of 261 civil society organisations estimated there will be a £10bn funding gap across the voluntary, community and social enterprise sector (VCSE) over the 6 months up to December 2020, with incomes expected to drop by £6.7bn and cost pressures associated with a rise in demand of £3.4bn. 88% of respondents expected their income to fall over the 6 months and the majority (59%) stated that they would need to 'significantly' reduce their activity in response.

The findings seem to have also been somewhat reflected in a more recent (October 2020) 'Barometer' survey of 697 organisations by Nottingham Trent and Sheffield Hallam Universities which highlighted that 45% had decreased their range of services over the past 6 months and 39% reported a deterioration in their financial position over the last month.

An updated survey (Sept 2020) by Probono Economics survey found 94% charities stated CV19 had posed a financial challenge due primarily to drops in earned income, public donations, and fundraising activity. However, funding from public sector contracts has broadly held up to date. This, along with the Universities' Barometer survey, seems to highlight the financial vulnerability of VCSE organisations, as the latter found that on average income from service delivery contracts makes up only 18% of a charity's funding, whereas grants and public donations make up 56% combined and trading activity (which in many cases has ceased during the 'lockdown' phases) a further 14%.



88%

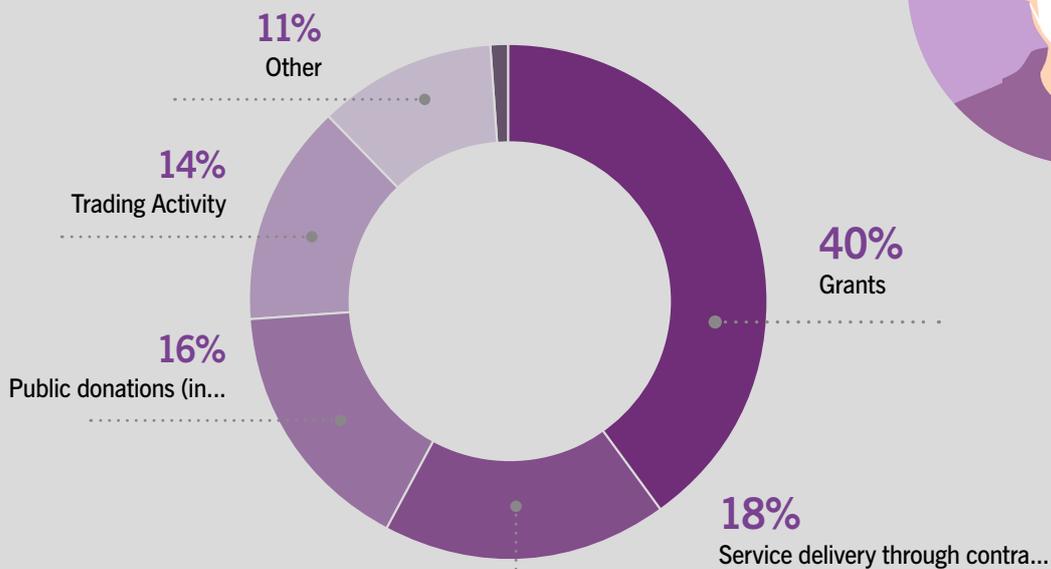
of respondents expected their income to fall over the 6 months

59%

stated that they would need to 'significantly' reduce their activity in response.



Current average budgeted funding mix



Source: CV19 Voluntary Sector Barometer, Sheffield Hallam and Nottingham Trent Universities



A further cost pressure reported by 60% respondents to the Barometer was associated with making their service activities Covid-19 secure. Notably however, although 80% respondents expected a negative impact on delivering their planned objectives in 2021, 71% respondents stated that it is unlikely that they won't be operating this time next year.

Probono Economics suggests that small charities with annual incomes of less than £500k are particularly exposed to the income reductions, as in June 2020 63% of organisations in this group had reduced their activity and 13% expected to go out of business within 6 months. This is consistent with research by Groundwork UK [finding](#) that from Spring – Summer 2020, 60% of grassroots community groups were forced to close or decrease their services, with over 84% highlighting the need for more grant funding to sustain their operations.

However, a recent IPPR report suggests that due to the reliance of the smallest organisations on volunteering time, the economic impacts of Covid-19 may be less severe for them compared to larger organisations, which need to secure sufficient funding to pay their staff. Nevertheless, this reliance on volunteer capacity may lead to smaller VCSE organisations reducing their operations if volunteers are unavailable (e.g. due to social distancing). IPPR notes that VCSE organisations reliant on earned income (e.g. via cafes, charity shops etc) have seen particularly significant financial pressures due to social distancing regulations which having forced many facilities to close or implement costly Covid-secure measures.

In a recent (Oct 2020) presentation at Voluntary Action Leicestershire's 'Future Focus' [Event](#) Gary Beharrell, East Midlands Regional Manager of the [Lloyds Bank Foundation](#) suggested that VCSE organisations addressing key topical issues such as homelessness, domestic abuse and mental health have fared better financially than others (e.g. arts and heritage projects). This may suggest that VCSE organisations addressing other causes of increasing importance during recovery, such as financial hardship and debt, will also see increased funding. Further, Beharrell [echoed](#) IPPR findings that organisations reliant on earned income have struggled and as a result may have become more reliant on grant funding. There are also concerns about whether the Covid-19 'funding frenzy' will continue longer-term, particularly given the impact of the pandemic on the economy; even if it does, there will likely be increased competition compared to pre-Covid due to a larger number of organisations seeking this type of funding. A key issue therefore will be whether VCSE organisations cooperate or compete.

80%

respondents expected a negative impact on delivering their planned objectives in 2021

71%

respondents stated that it is unlikely that they won't be operating this time next year.



Demand

In addition to the income reductions, 72% of respondents to Probono Economics expected demand to rise over six months to December 2020. A significant increase in demand appears to have been seen both by a wide range of VCSE services; Richmond Group of Charities (represents major VCSE organisations such as AGE UK and Rethink Mental Illness) [reported](#) calls to helplines and other enquiries having increased by up to 5x their usual levels and Groundwork UK survey of grassroots organisations [found](#) 67% reporting higher levels of need.

Innovations and Lessons Learnt

Whilst continuing to face the pressures described, Barometer also suggests that VCSE organisations have adapted effectively to the pandemic, as 92% increased the proportion of services delivered online. Additionally, as Institute for Voluntary Action Research reports; VCSE leaders have 'embraced a radical shift in the use of technology', enhancing their reach, effectiveness and organisational efficiency. However, there remain concerns about those who may be 'missing out' due to digital exclusion as well as about the challenges in managing teams digitally.

Additionally, Groundwork UK's report on Community Hubs identifies the importance of social infrastructure in supporting community wellbeing and resilience, particularly in the most disadvantaged areas, as the hubs provide a focus for volunteering activity, support community cohesion and mitigate social isolation. They also have further positive impacts on wellbeing if provision of green space is made a key component of their development.

The effective response of VCSE organisations to the pandemic has been facilitated by grant funders having repurposed their funding towards Covid-19 causes, in some cases pooling their funding (e.g. £22m London Community Response Fund) and reduced the amount of formfilling required on behalf of the VCSE applicants. As Lloyds Bank Foundation notes, this is a key lesson which could lead to shorter application forms on an ongoing basis and increased flexibility within grants.

A further key lesson is the need for organisations to rapidly mobilise significant numbers of prospective volunteers during civil emergencies; as of November 2020, 16% organisations responding to the Barometer were reporting an increase in volunteers over the past month. This is reflected in reports of 750,000 prospective volunteers for the NHS Volunteer Responders scheme within four days of its launch in April 2020, as well as by the establishment of over 4,000 mutual aid groups in response to the pandemic.



Local 'State of the Sector' Summary

Findings from a range of surveys from partner organisations across Leicestershire have been included in this section of the report. This includes information from Voluntary Action LeicesterShire; Charnwood Borough Council; Harborough District Council; and Hinckley & Bosworth Borough Council, along with the findings from an engagement exercise conducted by Leicestershire County Council, with 7 locally-based VCSE organisations.

The findings of these exercises are highlighted below, in relation to following key themes:

1. Funding, Income and Sustainability
2. Organisational Infrastructure and Resources, including service delivery, staffing and ICT
3. Impact on Beneficiaries
4. Volunteers and Volunteering
5. Priorities for future support as identified by VCSE Organisations



1. Funding, Income and Sustainability

- Not being able to generate income during the pandemic has had a significant impact and has resulted in additional pressure to source funding for core costs or use existing reserves.
- Many organisations capitalised on the range of different grant funding opportunities which became available during the pandemic; which enabled them to generate income through such sources, in many cases, to make up for income lost through (normally income generating) activities and services not operating during the pandemic
- Whilst the sector has done reasonably well in terms of accessing grants and funding during the pandemic, some of the impacts of this funding might only last until the end of the current financial year (2020/21).
- Concerns have been raised about financial sustainability into the next financial year (2021/22) and beyond
- There has been a significant need to focus on short term fundraising through applying for grants to manage the immediate impacts of the pandemic
- Access to longer term funding streams has been mentioned as a priority by a number of organisations
- Significant numbers of organisations expect the pandemic to have a lasting impact on the future financial health and stability of their organisation, with income and sustainability highlighted as one of the key challenges for VCSE sector organisations
- One of the main concerns for many VCSE organisations is the ongoing challenge around ensuring running costs are maintained.
- Some organisations are spending down reserves that represent up to 6 months running costs, which may threaten future sustainability



- A small number of organisations have reported that there is a risk that they will no longer be operating in 6 months' time
- Many organisations have reported there are concerns about permanently closing services/ ceasing service delivery
- In many cases, income generation will be dependent on the re-opening of community centres/ buildings.

2. Organisational Infrastructure and Resources

- Most organisations have had to close or suspend normal service delivery, and have had to adapt their existing service delivery, including stopping and replacing usual activities with new services
- Many organisations moved to delivering services online, using digital technology, which was able to sustain some aspects of service delivery, but also resulted in many new challenges, particularly around access to services for cohorts of service users who do not possess many digital/ICT skills or literacy.
- There are also financial challenges associated with delivering services digitally, for the costs of licenses for video calling software
- Significant numbers of organisations experienced increased demand for their services
- Significant concerns have been expressed around delivering services whilst adhering to social distancing guidelines, along with the costs and challenges associated with reopening of community buildings
- There appears to be some appetite within the sector to develop partnership/ collaborative working arrangements with other VCSE organisations, but this may be affected in future when organisations become more concerned with maintaining the sustainability of their own organisations
- There is a question around whether the sector will become more cooperative or more competitive in future
- Large number of VCSE organisations made use of the government's Furlough scheme, in order to retain staff
- The role of trustees is key to an effectively functioning organisation, in order to enable the organisation to manage and overcome the challenges of the pandemic, provide strategic leadership and vision, and ensure a viable future for the organisation
- There is however an issue around considering succession planning in relation to replacing older trustees



3. Impact on Beneficiaries

- Organisations have expressed concern about whether there will be fewer beneficiaries/service users accessing services in future
- Organisations are significantly concerned about how the pandemic has led to an increase in mental health issues in communities, along with social isolation and loneliness
- There are concerns for service users who are unable to use technology, or do not have adequate or up to date IT equipment.
- Many organisations have continued to have a focus on delivering services for the most vulnerable in communities, during the pandemic
- There is a concern that many people have become more vulnerable and disadvantaged as a result of the pandemic

4. Volunteers and Volunteering

- Many activities run/delivered by VCSE organisations have had to stop due to a lack of volunteers
- Many organisations experienced an increase in requests for volunteering at the beginning of the pandemic, but this eventually tailed off as original core volunteers returned and newer volunteers de-registered or returned to work
- Many organisations stated they have experienced difficulties in retaining or recruiting volunteers due to the pandemic



5. Priorities for future support as identified by VCSE Organisations

- Support with business planning, strategic planning and financial planning
- Volunteer training and recruitment
- Developing a social media presence/communications strategy
- Support with identifying, accessing and applying for funding
- Community and corporate fundraising
- Support with managing core organisational costs
- Opportunities to promote, advertise and signpost people to local services
- Opportunities to connect, network and collaborate with other local groups and organisations
- Support with ensuring services are targeted towards people, families, communities and areas that are most in need
- Support and recognition from funders about the importance of maintaining core organisational and operational costs. Short-term project funding is not always what is needed.
- Support with sharing knowledge, expertise and skills across the sector

