

## **Economic Impact of COVID-19 on the VCSE sector**

### **Introduction**

Measures to tackle COVID-19 and keep people safe are having a significant impact on all sectors of the economy and on society as a whole. Supporting charities is not just about protecting the 870,000 jobs in the voluntary sector, rather, it is about protecting the services many charities provide to the most vulnerable in society (NCVO). It is recognised that charities do not have a right to survive but people have a right to the services they provide. Beneficiaries rely on the safety net that charities provide which is arguably even more significant given the recent trend towards public services being delivered through partnerships with charities and voluntary organisations.

Many charities and voluntary organisations perform essential work that, while not directly tackling Covid-19, underpins the fabric of our society. Losing their services in either the short term or after the country emerges from this crisis will cause untold damage to individuals and communities. Many of the charities which do survive will look very different in a few months' time, with severely reduced capacity to provide support that people rely on at a time when their contribution to recovery will be vital (NCVO).

### **VCSE national picture**

There are more than 160,000 registered charities in the UK, and the majority, 80% are small organisations with an annual income of less than £100,000 and almost half have income of less than £10,000. As stated above, 870,000 are employed in the sector, almost 3% of the total UK workforce (NCVO). The total income of all charities combined is around £48 billion, higher than the UK Higher Education sector. The voluntary sector contributes approximately £15.3bn to UK GVA Gross Value Added i.e. the value of goods and services produced, more than the arts or agriculture sectors. (Facts and Figures: UK Charity Sector 2018, nfpSynergy). Income is mainly from voluntary income such as donations, gifts, legacies and grants, trading incomes such as events, shops and lotteries and charitable activities such as the provision of services.

In the last 15 years fundraising events have become a significant income generator for charities. Whilst larger charities only generate approximately 5% of income from events it is the smaller charities, which can generate as much as 50% of all annual income from events e.g. fetes, coffee mornings, concerts, gala dinners, pub quizzes.

Small organisations tend to be designed to support a very specific cause and need and that cause and need will continue to exist, even if the charity does not which is the difficulty facing organisations who are concerned whether they will be able to survive as a result of the COVID-19 crisis. Whilst the £750 million for the sector is a significant lifeline, it represents less than 2% of income for the sector and whilst many will benefit there will be many who will not.

Government support needs to acknowledge the voluntary sector's wider societal

contributions and should not focus on charities alone, whilst also recognising their significant part in the UK economy. Voluntary organisations work is often preventative and by intervening early in social problems they have a social and economic impact that is not simply in the present but cascades forward into the future. They reach communities and individuals that government agencies struggle to reach and campaign and advocate for the most vulnerable, giving them a voice which is unpriced in economic calculations. They provide the social glue within our society and help build communities and trust (Andy Haldane, Chief Economist, Bank of England)

### **Northumberland VCSE local picture**

There are 1020 charities in Northumberland and 1421 charities that include the geographical area of Northumberland in their coverage (Charity Commission 2018). In addition to this the Northern Rock Foundation, Third Sector Trends Survey 2010 by the National Council for Voluntary Organisations (NCVO) and University of Southampton found that across 46 local authority areas there were an additional 3.66 “below the radar organisations” per 1000 population. Using this calculation would suggest an additional 1000+ plus VCSE organisations serving communities in Northumberland. 64% of charities in Northumberland have an income up to £25,000 and a further quarter have an income of between £25,000 and £100,000 so the majority are micro/small charities. The Third Sector Trends Survey 2016 based on 186 respondents from Northumberland identified that 16 % of organisations in Northumberland had no reserves which had fallen from 20% (193 respondents) in 2014.

### **Impact of COVID-19 on VCSE**

Traditional methods of generating income have dried up for the voluntary sector as a result of measures arising from COVID-19. Social distancing is making delivering services harder and more costly and reserves are running out. NCVO estimates that nearly one quarter of charities do not have any reserves at all.

Smaller charities in particular, are at risk of imminent closure if adequate support is not provided. More than 70% of charities surveyed by the Directory for Social Change reported that without financial support they will “go bust” before the end of 2020. NCVO estimate that over the first three months of the government’s restrictions the VCSE sector could lose £4.3billion as a conservative figure. This is because social distancing measures have resulted in an immediate loss of two key sources of income for many: fundraising and trading. There is limited opportunity to fundraise and many charities face increased demands for their service. At the same time volunteers will be reducing as they tend to be older people who are currently self-isolating.

The Institute for Fundraising survey suggested that 43% of organisations expected demand on their service to rise. More than 900,000 signed up for Universal Credit in the last two weeks of March, at the same time that Citizens Advice had a 50% increase in visits to its website, 2.2million page views. The charity Refuge, which runs the National Domestic Abuse helpline, said there had been a 25% increase in calls and online requests for help since the lockdown began in the UK.

The lockdown will also have a much greater effect on ad hoc cash donations, which remain a popular form of giving. Meanwhile, legacy income, funds from people’s bequests is

predicted to fall by around 9% from its current level of £3.1 billion, having previously been steadily rising.

Government measures such as the Coronavirus Job Retention Scheme should provide some help to the sector enabling staff to be furloughed. Charity Finance Group estimate that the Job Retention Scheme is worth about £400m a month to the sector on the estimated £1.3bn per month, but essential. Whilst charities need to be flexible with their resources and staff could be deployed elsewhere to respond to demands, it does not make sense that whilst furloughed staff are free to volunteer, they are not able to do so with their own charity. If the reason for this is potential fraud it would be possible to put in place safeguards and conditions.

Funding from statutory bodies and funding agencies should be more robust. Some grant makers are starting to step up and relax their rules, e.g. allowing funds to be used for other purposes and there are new funds and fundraising projects being launched and infrastructure organisations are also making their resources available to all. However, the need for local community support, predominately from charities, will be greater than ever.

### **Impact of COVID-19 in Northumberland and North of Tyne**

A brief survey was undertaken by Northumberland VCS Assembly in early April and this was followed by a detailed survey undertaken by VONNE across the North East to get an understanding of the impact of COVID-19 on the voluntary and community sector. Below are key findings from the surveys for Northumberland and North of Tyne in relation to the economic impact on the VCSE.

#### **Northumberland VCS Assembly COVID-19 Impact Survey -April 2020**

- 71% (52) organisations stated that the coronavirus outbreak would have an impact on their total income
- 54% (40) of organisations had less than 6 months reserves
- 81% (60) of organisations have had to cease operating some of their projects as a result of the coronavirus crisis.
- 49% (36) of organisations were unable to play a role in responding to the COVID-19 outbreak

#### **VONNE COVID-19 Impact Survey April 2020 – Northumberland**

- A third (24) of respondents expected to lose at least 50% of their income between April and June 2020.
- Over 50% (34) of respondents to the survey had less than 6 months reserves to cover core costs.
- Over a third of respondents to the survey in Northumberland (25) were unsure whether or not they would close and 4 stated that they expected to close
- 48% (24) of respondents were not able to operate their services at all due to social distancing
- 18 organisations responding to the survey had furloughed staff
- In the next 6 -12 months 6 organisations expected staff losses and 14 were unsure.

- Almost two thirds (32) of organisations responding stated that at least 50% of users/beneficiaries would not have their needs met

### **VONNE COVID-19 Impact Survey April 2020 - North of Tyne**

- Almost a quarter 24% of respondents expected to lose at least 50% of their income between April and June 2020.
- 56% (85) of respondents to the survey had less than 6 months reserves to cover core costs.
- 28% (43) of respondents to the survey in North of Tyne were unsure whether or not they would close and 11% (17) stated that they expected to close.
- 42% (46) of respondents were unable to operate their services at all due to social distancing.
- 57% (45) responding to the survey had furloughed staff and a further 3 expected to within the next month.
- In the next 6 -12 months, 31% (24) of organisations expected staff losses and 41% (32) were unsure.
- 63% of organisations responding stated that at least 50% of users/beneficiaries would not have their needs met

### **Impact of COVID-19 on young people UK Youth Survey March 2020**

- 31% said that staff redundancies were likely, while 17% said permanent closure was likely. Permanent closures will hit small and micro organisations hardest. 22% of respondents from small and 21% from micro organisations said that permanent closures were likely.

The survey results evidence the significant income loss for organisations in the three months April to June 2020 during a time when key fundraising activities would be taking place. Also, that half of organisations responding have only six months of reserves indicates that organisations will be struggling to keep afloat. On this basis respondents could be said to be more positive than expected about their organisation continuing to operate but clearly there is a lot of uncertainty which is understandable given the unknown as to when organisations can get back to 'near normal'. Over 40% have not been able to operate their services at all which will clearly be having an impact on beneficiaries and organisations will need to adapt to emerging needs. In addition, loss of staff and likely increase in demand which organisations may find it difficult to respond to, is going to make it very hard for organisations to manage without additional financial support. Organisations will not be able to immediately replenish their income post lock down when services and support will be in great demand. Organisations will have to rethink what they do and how they operate with fewer resources.

### **Economic impact on individual VCSE organisations in Northumberland**

The following gives a flavour of the current economic impact of COVID-19 on VCSE organisations in the county and future concerns. The adaptability of organisations to respond to the current crisis is evident supported by funders and difficulties in terms of future planning, including potential demand for services and whether funding will be available.

## **Usage of premises**

Organisations which provide services and own their premises depend on the hire out of their rooms for income are losing income during the crisis. Having a diverse income stream has been of help to one organisation.

- **North Northumberland Village Hall Consortium**

The overwhelming majority of the 73 members have closed their community buildings for about 10 weeks. A few are still supplying valuable services (mask making etc) within the restrictions currently imposed and willingly abided by. This of course has meant no income during that period has been earned but costs (energy, licences, water, insurance etc) continue to be incurred. The Government's grant of £10,000 (Retail, Hospitality and Leisure) launched at the start of April and administered by the County Council has been a lifeline for many.

- **Berwick Community Trust**

Berwick Community Trust works exclusively for the benefit of the town through a broad programme of projects and services. At this stage it expects all furloughed staff to return to work and do not anticipate any redundancies. It is however early days and this might change. In terms of lost income, they are currently anticipating a reduction in the region of £15,000 but this is on the basis of a number of assumptions which may not prove to be correct. Not least of these is the assumption that they will be able to secure some room booking income in the Autumn. If this isn't possible losses will be greater.

- **Northumberland CVA**

Northumberland CVA provides support services to the voluntary and community sector as well as projects. They intend to take back two furloughed staff as soon as they practically can, so are not looking at any redundancies. Loss of income will be from conference room hire. The income from here contributes to core income, which supports the salary costs of core staff. It is unlikely they will be open to the public before September 2020, and possibly not opening up the use of our Conference room until December 2020, depending on guidance from the government. This will mean losing 9 months of income, that could impact on core staff hours of work.

- **East Bedlington Community Centre**

The centre has been closed since the end of March. Café staff were furloughed immediately and this will be extended to 30th June. Café staff are paid by their trading arm and are receiving their full pay, although the trading arm has had no income since closure. Community Centre staff have been furloughed from 1<sup>st</sup> May to 30th June. The only income to the Centre is the Parish Council rent. A grant from NCC emergency fund will help ensure that things like insurances, utilities, standing contracts etc can be paid. The Centre returned a small surplus, however this was with a 50% contribution to staff salaries and a footfall of over 25,000. They have had to cancel a full diary of bookings up to 1 July and await to hear what further restrictions will be put in place. It is likely that they will place the staff on a further period of furlough. As most of their activities involve social contact or room capacity numbers wise, it will be difficult to see how they can be up and running in any new

kind of normal and operate in a sustainable fashion for the foreseeable future. Whilst they have reserves they cannot be relied on for the longer term..

- **Wylam Institute Community Association**

The Centre closed on 21<sup>st</sup> March and financially they are in a reasonably comfortable position as had a contingency fund in place to protect against unforeseen events. Staff have been furloughed who will retain their jobs, which hopefully will continue until they open. They applied for and received £10,000 under the Small Business Grant Scheme.

- **Glendale Gateway Trust**

At Glendale Gateway Trust two full time staff have been furloughed and one member of staff is working reduced hours which is effectively a 50% cut in salary. A diverse income stream (no revenue grants) with income from housing, rental of shops, rental of Youth Hostel, rental of rooms at their community hub and office rentals at their community hub has been helpful. The housing income is steady and (surprisingly) the retail property rental income is steady to date. The hit they are taking is the income from room and office rentals at their community hub. They project will be losing around £20,000 over the course of the year and a further £17,000 loss from their Youth Hostel. This represents about 12% of their gross income.

## **Mental health**

Providing support to those with mental health issues has been particularly challenging during this crisis when face to face support is an essential part of the service. Groups have had to adapt providing other means of support e.g. telephone support and grappling with the issue of a lack of internet access for many beneficiaries. The main future concern is that more counselling support will be needed when the crisis is over.

- **Contact Mental Health**

This charity provides support for people experiencing mental health issues of a medium term or enduring nature, who are often isolated in SE Northumberland. The centre is closed and taking the opportunity to have the centre refurbished with money already in place. Many of its members, the majority aged 50+ are really struggling with the isolation and some have needed food to be obtained for them. The main issue is the amount of elderly people who still have no internet connection, due to lack of interest, lack of funding or a lack of knowledge. Consequently, this has dramatically changed how they provide support to their members. They are currently using other methods of communication including normal post to keep in contact with everyone. There may come a time when they need to see if they can get funding for those on extremely low income, in order to provide an internet service and in some cases phone services too. Members are being rung every two or three days and some telephone counselling has been organised for some members but it is obviously not as good as one to one. They have had to ring health professionals e.g. doctors, CPNs, Crisis for several members with concerns. They will definitely have to increase their counselling provision after the crisis is over, even offer group therapies, but in some cases, it will be house calls to those who now see the world as a very dangerous place to be in. Their administration officer is furloughed and unsure when that will end and what will happen. With no fundraising or income at the moment they may have to wait until things get better before reinstating in role.

- **Cygnus Support**

Cygnus Support provides quality mental health and wellbeing services to people across Northumberland. They are providing online and telephone counselling services and a small cohort are waiting for face to face counselling. There has been a significant fall in referrals that has been picked up nationally as a trend which is clearly storing up problems for the future. There is likely to be worsening mental health for those where it is already an issue and the impact of COVID-19 on mental health will range from a low level to a significant level. They plan to deliver services remotely for the next six months. The impact on mental health of labour market changes is recognised and they are currently undertaking work with the Council and CCG about increasing capacity in the county. In six months, it is estimated that need will outstrip demand. Their concern is that whilst a lot of money is provided for COVID-19 support e.g. domestic abuse in the short term, concerns are for the longer term and pressures that will put on the service. A lot of funding available at the moment is for six months and it is impossible to sort out problems in that short time frame.

### **Priorities for future funding**

The above example raises questions about future funding opportunities and priorities. Whilst some organisations may have adequate funding for the present time, it does raise the question where organisations are providing health and well-being support that assists the statutory sector in delivering their services, how that financial support is provided in future.

- **Escape Family Support**

Escape Family Support work across Northumberland with those affected by a loved ones drugs and alcohol, offering a range of services, courses and activities. Escape has not furloughed any staff and there will be no jobs lost due to coronavirus. All staff are delivering 1-1 support services via telephone and social media working safely from home. For years now their struggle has been to find core funding for the work they do as they are not a commissioned service and only receive a small grant from Northumbria Healthcare Trust. Their annual budget is £184,846 and fortunately they recently secured £248,510 from National Lottery for three years until March 2023 which is a huge help in sustaining their charity. They know they can sustain ESCAPE in its current form for the next three years but without significant statutory funding beyond March 2023 difficult decisions will need to be taken. It is felt that statutory organisations all need to determine which voluntary organisations are helping them meet their duties and targets and fund them appropriately.

### **Arts and Heritage**

The economic impact on arts companies that have building overheads and larger staff overheads is likely to be considerable. Smaller groups are adapting the way they deliver services but nevertheless require funding to ensure their continuing existence and the future is alarming. Concerns are raised about future funding and funders prioritising crisis work. Recognising that people have used arts and culture to keep themselves entertained and of sound mind over the lockdown, it is hoped that people will come out of lockdown valuing arts and creativity more and that the funding will follow.

- **November Club**

This theatre company does not have premises so ensures that its costs are quite low. One member of staff is on furlough at her request due to personal circumstances, but the organisation will have to employ freelancers to cover her work. Being unsure when able to deliver face to face work in future means it is impossible to create funding applications for live work so they will not have the income to deliver when allowed to as it takes 2 -3 months to pull together a live production. Consequently, they have made the decision not to plan any live work in 2020/2021.

They are however experimenting with some digital work. Participation work is central to their plans, but usually it is part of a live project, so this is quite different for them. Two other digital/remote projects are in consideration. They receive around 50% of their funding from Arts Council England (ACE) who have extended their funding for a year as a result of Covid-19. If they lose ACE funding, they are unlikely to survive. They will know that probably in January 2022 and funding is due to end in March 2023. Their ACE funding roughly covers their core costs and they have cut back on their expenditure plans this year so that they can balance their books. However, if they do not receive any further funding, they will either have to cut their new projects budget, put a stop to the outstanding digital/remote work, or look to reduce staff hours.

Audience income from ticket sales has always been a small source of income, so they won't be adversely affected by the loss of this. They may be able to secure income for their digital work through a download fee or a suggested donation to participate. They are still assessing this, however it's unlikely to be a large sum of money. In January 2022 they will potentially be at their riskiest time as they find out about ACE funding.

- **Friends of LV50**

The Royal Northumberland Yacht Club (RNYC) is the custodian of Light Vessel 50, the only remaining wooden lightship included in the National Historic Fleet that is open to the public (berthed at Port of Blyth Northumberland). The Friends of LV50 are a group of local volunteers (no paid staff) who run a number of community involved activities around the vessel. This includes guided visits for the public, helping school children access the vessel as part of the Port of Blyth STEM project and various extensive research projects around the vessel. Clearly this is now all on hold as a result of COVID-19.

Following a survey of the stern by traditional shipbuilders it has become clear that unless some major repair work was undertaken, the structural integrity of LV50 - and therefore her future - was at risk. The yacht club and the friends group had earmarked an April 2020 start for these works and were in the process of raising matched funding for a stern repair project which combined the preservation and recording process with a major expansion of the community involvement aspects of their work particularly around school visits. The Preservation project is currently on hold as the potential funder (Heritage Lottery Fund) is no longer considering funding bids. It is not clear what the funding situation will be in the future. In July 2019 Blyth Town Council recognised the LV50 as an historic asset to the town and the Port of Blyth and resolved to erect two Blue Plaques to signpost LV 50 and the RNYC as being of local and national importance. The unveiling of the plaques is on hold

## **Adapting services to meet needs**

Groups have stated that funders have been positive about making changes to the way they deliver services to ensure continued contact with their users and for many this has meant digital provision and funding concerns are expressed when services do get back to near normal

- **Chrysalis Club**

The club provides activities for people living with dementia and ongoing memory problems. It includes their families, friends and support workers. They have been lucky enough not to have been impacted during lockdown in an economic sense. Wages are separately funded and the funders said they could be creative, so it is paying for an alternative digital service. They do have concerns when they eventually start back. They are anticipating starting back in a socially distanced way and are looking for larger premises and possibly repeating sessions - holding 2 or 3 where they previously had 1. This will increase their costs hugely and they will have to look for funding for this.

- **Alzheimer's Society**

As with many charities they are experiencing a reduction in donations and also unable to run their large fundraising activities – treks, London Marathon, Great North Run, Dementia Action Week etc. They are unable to attend events across the county where they would link with people affected by dementia who do not currently use their services. They are continuing to provide their services remotely. As well as Dementia Adviser and Side by Side Services, anyone registered with them is having a welfare call and they are also providing companion calls to people if they would like these. They are carrying out assessments by telephone and will follow these up with a visit when safe to do so. Their Singing for the Brain groups are now running using 'Ring and Sing'

- **Upper Coquetdale Community Transport**

The service provides a minibus for groups based in Upper Coquetdale and elsewhere in Northumberland. All bookings by community groups for their minibus have been cancelled due to Covid-19. In place of this activity they, in collaboration with Northumberland County Council (NCC) are delivering shopping weekly to socially isolating elderly and vulnerable households, activity which is supported financially by NCC and funding organisations. Their new vehicle (funded by National Lottery Community Fund) is being used for GP and hospital appointments, as originally envisaged, as well as Covid-19 related work. They continue to employ their Transport Manager.

- **The Toby Henderson Trust**

The Toby Henderson Trust is an independently funded charity supporting children and young adults with autism, their families, and carers in the North East. They anticipate a loss of £46,000 in terms of trading income and income from fundraising events / streams. They have furloughed 11 staff and are delivering adapted services with only 4 staff. At this stage, they don't anticipate the loss of any jobs.

## **Calls for financial support**

The Directory of Social Change calls for support for charities to be unrestricted and not confined to only those charities dealing with COVID-19 responses. There are also calls for funding to be targeted to address the needs of marginalised groups and communities. Some poorer areas of the country have populations that are more reliant on charities and will feel the impacts of a reduction in services far more than wealthier parts of the country. Covid-19 has further exposed the deep inequalities that exist in our society and there is a need for joined up thinking around emergency and ongoing funding.

The Chief Executive at NCVO considers a stabilisation fund in the region of £4 billion is needed to secure the future of charities and voluntary organisations whose finances have been impacted by Covid-19.

## **Moving forward**

Going forward, small and local charities will be invaluable in nurturing the community spirit that has been brought to the fore during this crisis; yet these are also the charities likely to face the most immediate financial pressures. It would be a highly regrettable outcome of the Covid-19 crisis if a lack of adequate financial support were to mean that the diverse range of organisations that support individuals and communities in need are lost and yet so valuable to our society.

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