

Economic Impact of COVID-19 on the VCSE sector – Summary Report

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. Many charities and voluntary organisations perform essential work that, while not directly tackling Covid-19, underpins the fabric of our society and beneficiaries rely on the safety net that charities provide. 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).

Impact on 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. 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.

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)

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.

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. 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.

Summary of results of local surveys

Survey results from Northumberland CVA and VONNE on the impact of COVID-19 evidence the significant income loss for organisations in the three months April to June 2020, a third of respondents expecting to lose at least 50% of income, 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 adaptability of organisations to respond to the current crisis is evident supported by funders alongside the difficulties of future planning, potential demand for services and whether funding will be available.

- 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 local organisation.

- 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.
- This 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.
- 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.
- 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

Recommendations

- 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.
- Funding needs 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. There will potentially be a greater role for voluntary and community groups supporting care and prevention. Localised employment and training skills will be required to address higher levels of unemployment. Organisations need to be flexible and agile, ready to respond and adaptable to emerging needs.
- 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. We must continue to support the voices of vulnerable and disadvantaged groups in terms of the injustices they face. Many organisations have identified the need to tackle digital exclusion among beneficiaries and urgent solutions are required to deal with this or the digital and inequality divide will widen.
- Opportunities must be available for the voluntary and community sector to share their knowledge and experiences and have a role to play in developing plans for recovery with statutory agencies as valued partners in policy and decision making.
- 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.

- 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.
- 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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