



Preparing for different futures: Financial resilience session report

CONTEXT

Throughout May and June 2020 WCVA facilitated a programme of on-line discussion forums to gain an understanding of the issues facing the voluntary sector in Wales as a result of Covid-19, the different future possibilities that are emerging and how we can best prepare; by steering towards the future outcomes that the sector wants. This builds on the [initial learning](#) that WCVA published in May 2020.

A series of six sessions each focused on a different topic; ran alongside a wider questionnaire. These were promoted across WCVA's membership and were free to access.

This work focusses on four key questions:

- What has been the impact of Covid-19?
- Where could this lead to long term change - both positive and negative?
- What are the implications for the voluntary sector in Wales?
- What could voluntary organisations, WCVA, government, or other decision-makers do that can help steer us towards a better future?

A summary report was prepared for each session, by [Richard Newton Consulting](#); along with a final report which sought to pull together key themes and actions. These reports seek to establish themes and actions rather than

create a summary of what was said, and will be shared widely with the sector, and others such as funders and policy-makers.

On 14 May 2020 the first discussion forum was held exploring the subject of financial resilience. Over 90 individuals attended representing a breadth of organisations from the not for profit sector, this included registered charities and community interest companies; along with support organisations including WCVA, County Voluntary Councils and local authorities.

The sector is incredibly diverse, and whilst all organisations report facing challenges which affect their financial resilience these vary between organisations. Whilst the sector shares values in terms of delivering public benefits whilst delivering under a not-for-profit business model there are significant variants in terms of size, income generation model and organisational purpose; all of which have impacted upon the way that the organisation has been affected by Covid-19. Certain cohorts within the sector are reporting immediate issues to survival, including the cultural, heritage and childcare sectors.

FINANCIAL RESILIENCE – WHAT HAS BEEN THE IMPACT OF COVID-19?

1. Organisations are reporting challenges in maintaining voluntary income at budgeted levels to avoid having to cut services. In particular:

- Organisations with a strong reliance of grant funding are typically finding themselves the most financially secure at the present time. Those in receipt of grant funding reported on-going support from funders, including the ability to apply discretion to change funded delivery models in order to meet the challenges of Covid-19.
- Organisations with a high reliance on traded income (sale of services, tickets or retail) or voluntary income from individuals (including individual giving, events and community fundraising have seen income fall dramatically.
- Some organisations are involved in the front-line response to Covid-19 and these organisations report additional costs through additional work or adapting established work to safe delivery models (including funding a supply of PPE).

- Other organisations report closing the majority / all operations in response to social distancing requirements and restrictions on trading that were placed on certain sections of the economy.
- There is significant diversity in the governance arrangements of organisations in the sector – ranging from unconstituted groups through to large registered charities with trading subsidiaries. This has had direct impact of the type of state aid that organisations can access. Those organisations with significant trading turnover have been able to access business support funding, whilst unconstituted organisations have failed to access significant support.

2. The voluntary sector has accessed government support, however access to support has not been equitable across the sector.

- There were significant concern in respect of the furlough scheme and the fact that it was likely to expire prior to many organisations being in a position to welcome their staff back to work. Some organisations had concern about cash flow with furlough payments though this should now be addressed given the speed with which the scheme is processing advanced payments.
- Larger charities with significant trading elements had been eligible to apply to the Business Wales Resilience Fund – however payments here did not fully compensate for a drop in net income.
- Charities with a trading history were finding it easier to access loan finance; although there is a clear relationship with longer term ability to finance any lending.
- Given charitable exemption from business rates there was felt to be inequality in the support given through the business rates system when compared to small businesses. In summary many schemes were felt to be orientated at businesses with charities eligible to apply as an add-on.

3. Fundraising has continued throughout the pandemic for most. Grant funders have made significant levels of emergency funding available; and some organisations have successfully maintained engagement with individual donors. Other fundraising linked to retail, events and corporate giving has been adversely affected with many events cancelled or re-positioned as virtual events.

In reflecting on fundraising:

- Smaller organisations felt at times left behind, in that they lacked the capacity to apply for emergency funds at speed. This included a lack of digital capacity.
- Many grant funders have re-prioritised funds to support organisations in their response to Covid-19. Whilst worthy there is genuine concern about longer-term funding (many of the emergency funds are restricted to 6 months); and funding for core charitable causes which have limited roles to play in the frontline response to Covid-19.
- Organisations were challenged in how to communicate with individual donors, particularly if services are suspended; and given the initial emergency response message was being diluted by time.

FINANCIAL RESILIENCE - WHERE COULD THIS LEAD TO LONG TERM CHANGE - BOTH POSITIVE AND NEGATIVE?

The over-riding long term change is in relation to sustaining services. In the immediate term for some a reduction in income will result in a reduction in services. The mid to long term outlook for many is challenging; especially with a need to adjust to the 'new normal' after an intensive focus by funders and commissioners on the emergency response. Organisations are planning to a return to delivering in respect of their primary purpose as society exits lockdown and we start to live in the 'the new normal'.

Organisations are unclear at this stage on timescales and operating criteria than may have to be adhered to. However, in planning for this:

- Whilst society may start to emerge from lockdown in early summer 2020 there is concern around the 'Covid-shadow'; in effect organisation will take time to secure funding and confidence in staff / users / volunteers to be able to deliver at past levels.
- There was concern that commissioners (in particular over funders) would see remote / distanced delivery as a way to save money – but this needs full assessment in terms of impact on quality of delivery.

- Confidence plays a big part in resuming services and this is impossible to gauge at present - how confident will volunteers be for instance to resume volunteering roles?
- The sector needs to realise that there has to be change. Mergers may be needed to sustain services – and support for this should be provided by an organisation such as WCVA.

Participants recognised that there have some been positive changes to operational delivery and these should be evaluated and embedded into future delivery models – these include new partnerships and use of digital technology. New partnerships were often formed to support hyper local delivery models.

FINANCIAL RESILIENCE - WHAT ARE THE IMPLICATIONS FOR THE VOLUNTARY SECTOR IN WALES?

There are implications for the voluntary sector in Wales, in respect of Covid-19. Ultimately this is likely to affect the structure of the sector in Wales. Organisations in sector have to respond to:

- Changes in demand for services – these changes in demand are not constant. For some organisations are facing record levels in demand for services as they deliver front line services. Many are preparing for longer-term high demand levels for services as unemployment and poverty are forecasted to rise; and there remain challenges to the population’s health and wellbeing. Conversely other organisations are facing a drop in demand for services i.e. organisations in the cultural and heritage sector which are presently closed and will have to re-open with limits on the numbers of people that they physically engage with in order to comply with social distancing.
- Changes to supply of services linked to resource restrictions. Organisations have concern about their financial resilience in the longer term; which directly impacts on their financial capacity to deliver services. In particular organisations report a drop in voluntary income, depleting reserves, the need to meet loan financing (with loans accessed as a direct response to Covid-19), and a re-assessment of donor / commissioner priorities. The ability of organisations to respond to the hyper-local partnerships that are emerging.

As such it is inevitable that the structure of the sector will change. Some organisations may close, others may merge. Some cohorts in the sector (i.e. those directly involved in health and social care) may grow whilst others may contract in size as their services are not prioritised for funding in the same way as they may have been to prior to the pandemic.

FINANCIAL RESILIENCE - WHAT COULD VOLUNTARY ORGANISATIONS, WCVA, GOVERNMENT, OR OTHER DECISION-MAKERS DO THAT CAN HELP STEER US TOWARDS A BETTER FUTURE?

There are a number of actions emerging from the session for WCVA and members to consider and taking forward with other stakeholders in order to offer the best possible financial resilience to the voluntary and community sector.

- ▶ When representing the sector to other stakeholders engaged in the Covid-19 response it is essential that the breadth of the sector, and the range of challenges that it faces are understood and shared with third party stakeholders. This should include a mapping of the challenges faced by different sector cohorts which can be shared with wider stakeholders to help inform decisions re service-planning.
- ▶ The sector has a key role to play in Wales' recovery. As such it needs to be represented on the groups advising on recovery - from the Welsh Government's external advisory group in recovery led by the Counsel General, through to sector focused recovery groups. Cross-sector working (public / private / voluntary) needs to be explored and the role that the Voluntary sector plays in respect of the Foundation Economy fully championed.
- ▶ As Government (at a UK and Welsh level) re-appraises support for organisations, it is critical that a case is made for funding that is accessible to the voluntary and community sector. This includes unincorporated organisations.
- ▶ Grant funders, through individual work, and initiatives such as the Wales Funder Forum need to be encouraged to share plans for grant distribution post the emergency fund response.

- ▶ Organisations in Wales need support with developing donor propositions and learning from successful fundraising best practice in other areas post Covid-19.
- ▶ Organisations within the sector need the opportunity to share fears, learning and planning moving forward and these need to be facilitated.
- ▶ There will be structural changes to the sector. For those affected this shouldn't feel a failure, rather a responsible course of action. A culture needs to be established that enables organisations to explore structural changes that results in resilient services. These structural changes include potential mergers and collaborations.

0300 111 0124

wcva.cymru

Published June 2020

Wales Council for Voluntary Action

Registered charity number 218093

Company limited by guarantee 425299

Registered in Wales