A funding cliff edge?
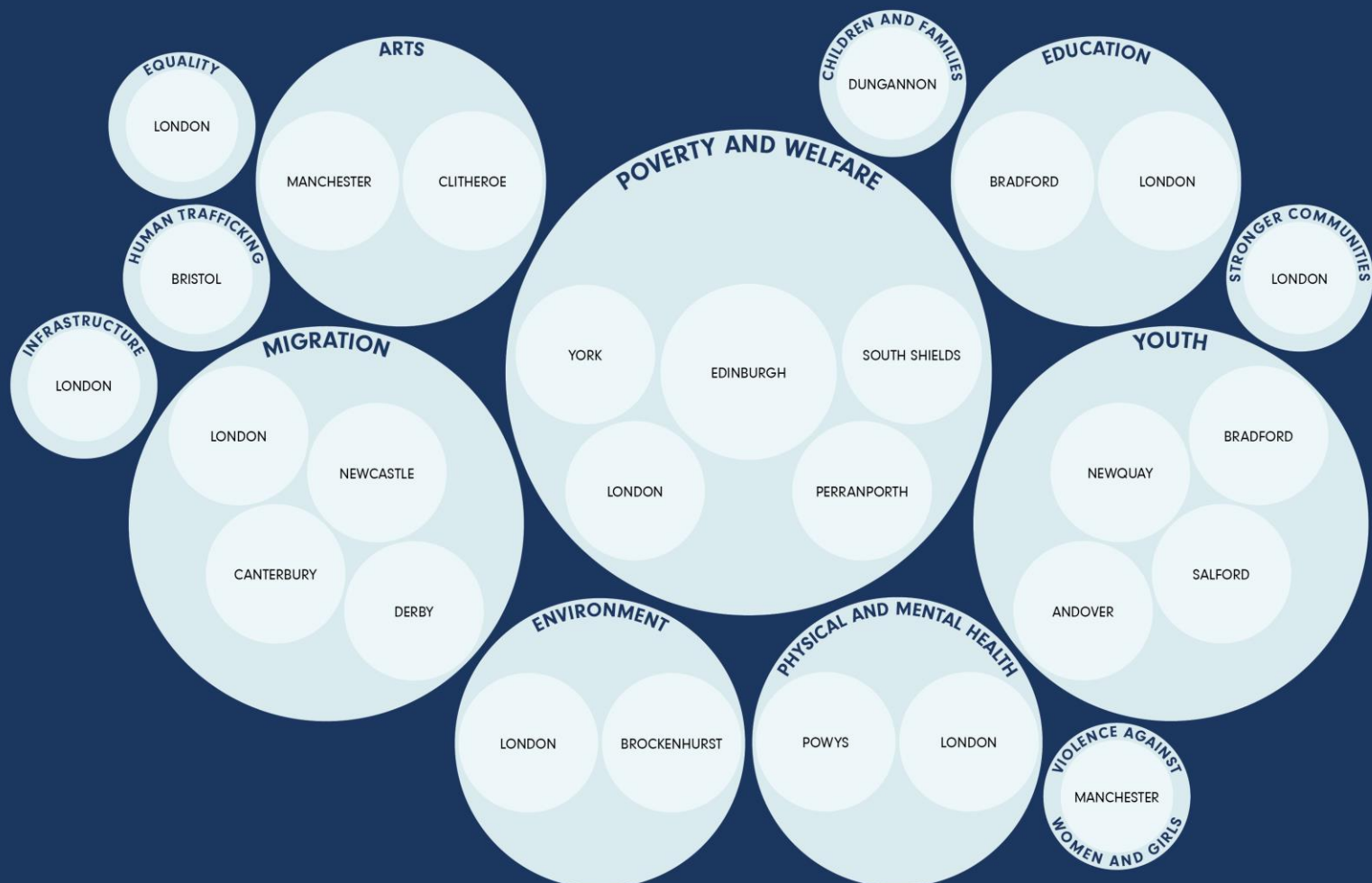
Briefing 4 on the challenges faced by VCSE leaders during the Covid-19 crisis
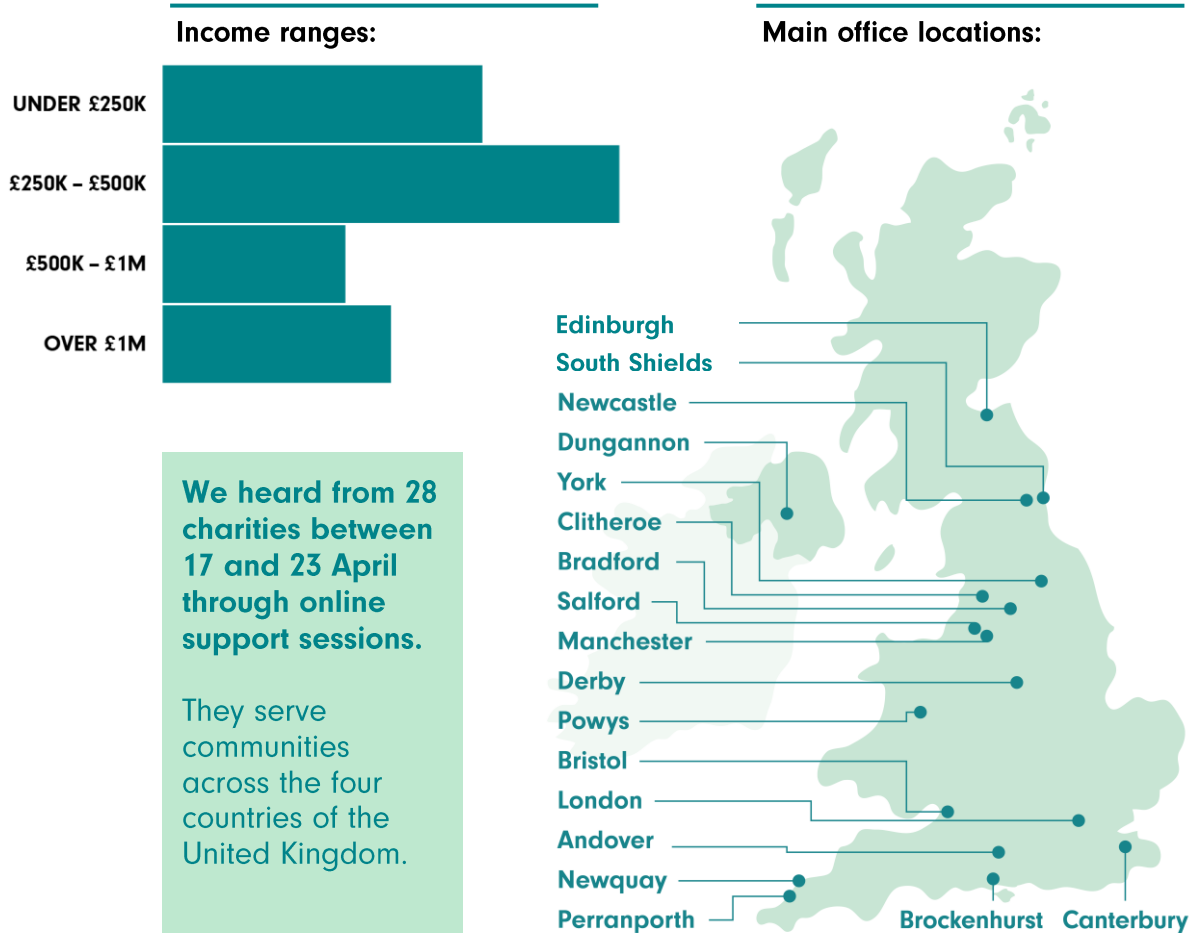
6 May 2020

Introduction

Recognising the tremendous pressure that charity leaders are under as a result of the Covid-19 outbreak, IVAR is facilitating online peer support groups for leaders of voluntary, community and social enterprise (VCSE) organisations. The aim is to create a space for them to share challenges, dilemmas and worries, and to learn from each other's experiences. Participation in sessions has primarily been by organisations with a turnover of £1 million or less.
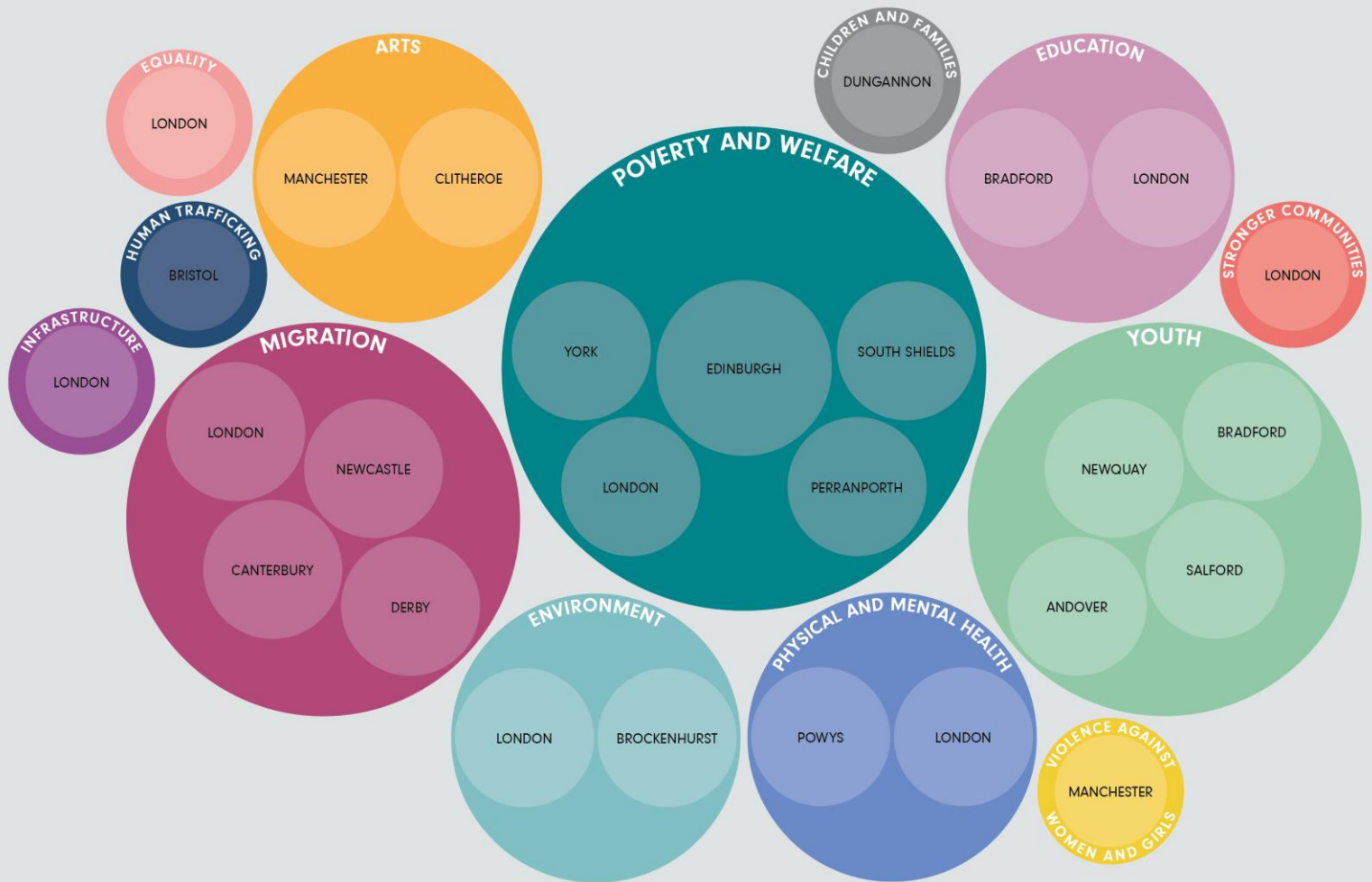
We offer funders feedback on the kinds of challenges these organisations are facing, and the help they need. This fourth briefing shares the experiences of 28 leaders participating in sessions between 17th and 23rd April, and our reflections on the questions and opportunities for funders that they raise. Further briefings will follow as new groups meet.

Who did we hear from?

Income ranges:

UNDER £250K	
£250K – £500K	
£500K – £1M	
OVER £1M	

We heard from 28 charities between 17 and 23 April through online support sessions.

They serve communities across the four countries of the United Kingdom.

Main office locations:

Edinburgh
South Shields
Newcastle
Dungannon
York
Clitheroe
Bradford
Salford
Manchester
Derby
Powys
Bristol
London
Andover
Newquay
Perranporth
Brockenhurst   Canterbury

WE HEARD FROM 28 CHARITIES THROUGH ONLINE PEER SUPPORT SESSIONS, BETWEEN 17 AND 23 APRIL 2020

EQUALITY — LONDON

ARTS — MANCHESTER, CLITHEROE

CHILDREN AND FAMILIES — DUNGANNON

EDUCATION — BRADFORD, LONDON

HUMAN TRAFFICKING — BRISTOL

POVERTY AND WELFARE — YORK, EDINBURGH, SOUTH SHIELDS, LONDON, PERRANPORTH

STRONGER COMMUNITIES — LONDON

INFRASTRUCTURE — LONDON

MIGRATION — LONDON, NEWCASTLE, CANTERBURY, DERBY

YOUTH — NEWQUAY, BRADFORD, ANDOVER, SALFORD

ENVIRONMENT — LONDON, BROCKENHURST

PHYSICAL AND MENTAL HEALTH — POWYS, LONDON

VIOLENCE AGAINST WOMEN AND GIRLS — MANCHESTER

ARTS
Venture Arts
The Christian Heritage Centre
at Stonyhurst

CHILDREN AND FAMILIES
Speedwell Trust

EDUCATION
The Linking Network
Solutions Not Sides

ENVIRONMENT
Action For Conservation
Countryside Education Trust

EQUALITY
Micro Rainbow C.I.C.

HUMAN TRAFFICKING
Unseen (UK)

INFRASTRUCTURE
Datakind

MIGRATION
Kent Refugee Action Network
Naccom
Upbeat Communities Ltd
EERC

PHYSICAL AND MENTAL HEALTH
Ponthafren Association
The Coroners' Courts
Support Service

POVERTY AND WELFARE
Nourish (Scotland)
Community First Yorkshire Ltd
Families Outside
Counselling and Benefit
Support Limited
Just Fair
ACTS (Age Concern Tyneside South)

STRONGER COMMUNITIES
Reach Volunteering

**VIOLENCE AGAINST WOMEN
AND GIRLS**
National Ugly Mugs

YOUTH
The Wave Project
Caritas Diocese Of Salford
Yellow Brick Road Projects
St. Christopher's Family Centre

What is it like leading a VCSE organisation through the current crisis?

In our latest sessions, VCSE leaders talked about the pressures and emotional impact of steering their organisations through the current Covid-19 crisis. Entering the fifth week of lockdown, the stress shows no sign of abating.

VCSE leaders are **dealing with complex situations** in which multiple new problems have arisen at once. As described in our third briefing, leaders now have to think across three planning horizons: *'We are trying to juggle too much at one time. Dealing with the immediate response and at the same time thinking what September will look like but also planning for what April next year needs. It is about planning, holding and doing at the same time.'* As solutions are found, new problems present themselves. And there is no real sense of when the Covid-19 crisis will end: *'It's a rollercoaster and sometimes you just want to get off. But you're in it for the ride and we'll see where we end up.'*

This complexity is mirrored in the day-to-day lives of staff and volunteers, many of whom are facing their own challenges, including high demand from service users, isolated home-working, family pressures, caring responsibilities, and home schooling. Leaders are conscious of **the need to protect staff and volunteers against burnout** and deliver services at a sustainable level: *'That's the thing with charity workers, if they see something that needs to be done they'll do it even if it's doing something we don't have budget for. We can't ask for this, it's not sustainable ... our staff want to do more but we have said no.'*

VCSE leaders constantly face **tough decisions with no perfect answers** – about service continuity or termination, retaining or furloughing staff, redesigning services, allocating resources, and more: *'It's hard making these difficult decisions – what can we keep doing, what we can afford, and what's practically viable? Lots of stresses going on.'* Many see even harder decisions looming, including the possibility of making staff redundant when they return from being furloughed.

Leading a small VCSE organisation can be lonely at the best of times and the burden of personal responsibility for making the right call in the face of so much uncertainty can be a heavy one: *'I've always been the person that people have looked to for decisions. As a result, everything can seem very personalised.'* Many feel that they need to *'display positivity'* to keep up morale and hope for the future. But this has its costs: *'Trying to continue being strong as an individual for everybody else has proved quite challenging at times.'* **Having safe spaces to download and offload** is vital: *'It's good to talk'; 'I think its invaluable – and it helps my mental health – to hear about other ways people are responding'.* And some leaders are discovering the power of distributed leadership, especially in a fast-changing environment, with other staff stepping up to help their organisations adapt quickly to new circumstances: *'I've been very impressed with the way in which we've been working together'.*

What is now front of mind for leaders of VCSE organisations?

VCSE leaders are continuing to contend with four main challenges:

1. **Rising and changing demand for services**
    For organisations continuing to provide services, demand is growing, with the largest surges for those working with particularly disadvantaged and vulnerable people. VCSE leaders fear that needs will continue to rise as the Covid-19 lockdown continues; they also worry about the long-term social and economic impact on the individuals they support: *'We are just storing up trouble'.*

2. **People in need remaining 'off-radar'**
    Despite increased demand for services, many hard-to-reach vulnerable people are missing out on much-needed support. Under normal conditions, face-to-face contact is the cornerstone for many services. Organisations have now lost these traditional outreach channels and are struggling to maintain visibility among vulnerable people: *'We help some of the most vulnerable people in society who are normally hard to reach and isolated – but now they are even harder to reach.'* Although many are making efforts to compensate – for example by providing IT equipment and offering Zoom tutorials – they know that their best endeavours have limitations: *'Concern still remains for the groups we and frontline workers do not know about. How do we make sure there isn't a gap?'.*

3. **Declining unrestricted income**
    The loss of vitally important sources of unrestricted income (e.g. membership fees, public fundraising, charity shop trading, venue hire and rental income) continues to weigh heavily on the minds of VCSE leaders. Many organisations are using financial reserves to sustain their work. There is a risk that post-lockdown, when the need for services and support will remain acute, the sector will be drained of funds and unable to respond to the demand.

4. **Planning in uncertainty**
    As they contemplate the future, leaders are speculating about the long-term economic and social damage Covid-19 will create. They see a key role for the VCSE sector in recovery and rebuilding, but are aware that, with fewer resources, many organisations will have to reimagine what they do and how they operate. While there is a desire to plan, enormous uncertainty can make such efforts seem futile: *'Thinking longer term – we can cope right now, but our problem is how do we strategise as an organisation about what to do next when we don't know what the world will look like?'.*

Despite this uncertainty, most VCSE leaders have reached a *'holding space'*, whether this has meant closing down activities and furloughing staff or, more commonly, settling into rapidly adapted organisational practices and regular adjustment of services in response to changing needs. Although this is uncomfortable and unfamiliar, there is a sense of relief in reaching a settled place, where reflection about this rapid period of change is beginning to become possible. There is real pride in their organisations' commitment to helping people, and their ability to adapt rapidly to meet peoples' needs: *'This is week five of the lockdown and we are all feeling like we know what we are doing now. We have redesigned and renamed our service, and we are able to do what we did before and it's been very well received'.*

In looking ahead, many leaders are mindful that **Covid-19 has exposed deep inequalities:** *'Covid-19 has not affected people equally'.* This includes both those at disproportionate risk of becoming ill, as well as those struggling to keep going during lockdown: *'In some vulnerable families, one computer might be shared with five siblings'; 'Not all families have a crafts cupboard to do home schooling activities'.* For some, there is an urgent need for the VCSE sector to *'become far more robust in confronting the structural issues that generate deep-seated disadvantage':*

> *'There's a clear fork in the road. We need a collective influence that speaks globally and to the UK government to say we're not going to pick up the pieces from this. We need a new social contract. We can add our voices to that call. Funders can't compensate for structural inequality. Big and small organisations, and all funders, must together think about their role post-Covid.'*

Funders and fundraising

Concerns over emergency funding

While VCSE leaders welcome extra funding to address urgent needs in a time of crisis, they also have worries and reservations. Many feel the intentions of emergency funding schemes are unclear or ambiguous: *'Are they to support new work in response to Covid-19, or to sustain core activities during the lockdown, or to tackle the long-term consequences?'.*

Some have found they are excluded because their work is not 'new': *'Calls to our centre have more than doubled. There is so much emergency funding that we aren't eligible for, as it is for work that we would be doing anyway.'* Others have found that essential support does not qualify because it has a longer-term horizon: *'I don't want to reshape or articulate my work as being emergency frontline work towards Covid-19, as I am not a foodbank needing to ensure food supplies to the poor. It would not be ethically right to take away a foodbank's emergency funding by doing activities that are not in line with our organisation's vision and mission. But our organisation is working with vulnerable groups to provide resettlement and integration for the long term. This need doesn't change pre or post-Covid'.*

Even where they can apply for emergency funds, leaders often find application criteria and processes unnecessarily burdensome. Particular frustration is reserved for having to *'come up with new ideas'* to fit selection criteria, when their organisations are simply addressing the same issues that they were tackling before, albeit amplified because of Covid-19. Capacity and patience around writing funding bids is stretched to the limit, especially with regular funders: *'Why do we need to prove our worth with new ideas of resilience and making an impact in regards to the Covid-19 situation?'.* The message from many leaders remains: it would be most helpful if more funders were willing to simply provide unrestricted funding to the organisations they already know and support, giving them greater security until the future is clearer.

Fracture between emergency and ongoing funding

Many organisations are facing an impending *'funding cliff edge'* as existing long-term project grants come to an end. With some funders shutting down non-emergency grant schemes and/or diverting money to new Covid-19 projects, there are big questions over the sources and timing of renewal funding: *'In a few months we have two big funding pots of money coming to an end and I don't*

know if I can get continuation funding for that, or need to go to a new pot of money. It's a mess. The focus is zooming in on "let's save the day", but I need the continuity'.

For some leaders, this points to a lack of joined-up thinking between emergency and ongoing funding – *'a disjoint between "the now" and "the what next"':*

> *'It's great to have money in for emergency funding, but there needs to be balance, as, come December, half the staff will go. Feels like a short-term response – another thing hanging over you.'*

> *'Funders think we don't want the extra pressure of applying for longer-term funding, but we're counting on applying to those other funds. Some applications we made before the crisis have been paused – huge work has gone into this: there has to be something that runs in parallel to Covid.'*

> *'Funders need to be clear what they think funding will look like for charities not working on frontline response work on Covid.'*

Questions and opportunities for funders

In our [third briefing](#), we highlighted **the importance of funders thinking about and communicating their strategies for the short, medium and long term,** and the premium to be placed – in a context of so many unknown unknowns – on candour (about intentions and eligibility) and care (recognising that not all organisations will or can survive). Many funders have responded to the emergency and are seeking to provide assurance to their grantees through the continuing uncertainty and disruption. Powerful tools include converting and committing to unrestricted funding – immediately and at least for the medium term – and offering unrestricted extensions on grants ending in the next 12 months. It is too soon for definitive answers on long-term strategy. But funders can help create an environment that will support a more collaborative approach to rethinking the future – and its implications for strategy, priorities and funding practices.

Drawing on our latest conversations with leaders, we can highlight the importance of **joined up thinking between emergency funding and other funding streams**. There is a risk of treating Covid-19 as an isolated event with its own distinct issues. However, many of the problems thrown up by this crisis are an amplification of pre-existing inequalities and deep-seated social ills. So, the past, the current and the future are inextricably linked, not separate; and funding strategies will need to mirror this.

For now, a more integrated and uninterrupted approach might be characterised by three undertakings:

1. **Provide as much assurance as you can 'beyond the immediate emergency'.** Uncertainty about funding is a fact of life for small VCSE organisations. But most of the mechanisms they use to manage financial risk have suddenly disappeared. Community fundraising and earned income have fallen through the floor, while funding pipelines have frozen and reserves are dwindling fast. Both for those on the frontline of the response to Covid-19, relying on a rolling programme of short-term emergency funds, and for those whose work is focused on longer-term change, the decisions funders make about priorities for the next six, 12 or 18 months are of critical importance. For those

funders who have not yet done so, now is the time to help those organisations whose work you value to weather the continuing storm and come out ready to face whatever the future holds. Without your help, they may not make it to 2021.

2. **Support the voices of VCSE organisations.** The deep structural and material inequalities exposed by Covid-19 have highlighted the importance of the advocacy and campaigning work of VCSE organisations, many of whom will be well-placed and eager to influence post-Covid-19 public policy. Funders are in a position to facilitate and be part of this work, drawing on all the assets at their disposal – not just money, but the power of their networks, and their ability to provide leverage and brokerage.

3. **Recognise and enhance the value of small VCSE organisations,** many of whom possess intimate local knowledge of people and their needs, and are already demonstrating their ability to listen, learn and adapt. Social change is complex and will not get any easier in the aftermath of the profound shock of Covid-19. To be the best that they can be in this 'new normal', small VCSE organisations will need flexibility and autonomy.

Now is the moment for funders to adjust the balance between accountability and trust, and to ease the burden on VCSE organisations. First, by introducing lighter, less onerous expectations; second, by designing processes and encouraging behaviours that genuinely enable funded organisations to do good work, to learn and to do better.

Authorship

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