



SCVO briefing to the Scottish Parliament

Voluntary sector resilience in the wake of Covid-19

December 2021

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector. We champion the sector, provide services, and debate big issues. Along with our community of 2,700+ members, we believe that charities, social enterprises, and voluntary groups make Scotland a better place.

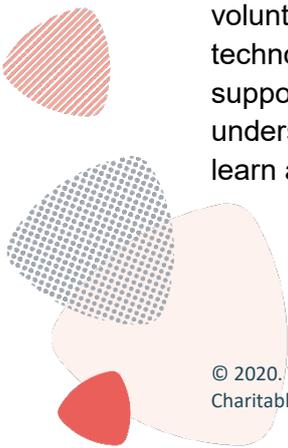
Scotland's voluntary sector

The Scottish voluntary sector encompasses an estimated 40,000+ organisations, from grassroots community groups and village hall committees to more than 6,000 social enterprises, nearly 25,000 registered national charities, and over 100 credit unions. Together, they employ over 100,000 paid staff, work with over 1.4 million volunteers, and have a combined annual turnover that reached £6.06b in 2018.

About this submission

The turbulence of the pandemic has exposed how important it is for Scotland's voluntary sector to be adaptable and remain innovative during times of crisis. Voluntary organisations were amongst the first to act during Covid, and their role in supporting our communities during the pandemic has been widely lauded.

Throughout the pandemic, and with or without additional funding, vast swathes of the voluntary sector changed the services they deliver and how they do so through technology. They self-organised through existing or new structures and networks to get support to where it was needed most, drawing on their unique expertise and understanding of communities. A hallmark of the sector's resilience has been its ability to learn and adapt through the crisis to respond to changing needs.



Arguably, a resilient voluntary sector quickly responded during the first uncertain weeks of the pandemic because uncertainty is a constant feature of its operating environment. To truly build the sector's long-term resilience, we must develop a sustainable operating environment for voluntary organisations, which enables them to deliver in the way that the pandemic showed to be so valuable to Scottish society.

We must not laud the ability of voluntary organisations to deal with the uncertainty of short-term funding or the difficulties caused by the lack of parity of esteem between sectors. Instead, we must seek to remove that uncertainty and those barriers. We very much welcome the committee's interest in these matters.

In this submission, we cover:

- **the resilience of the voluntary sector during the pandemic**
- **the need for the pandemic to be a turning point in voluntary sector resilience**
- **the various aspects of the voluntary sector's operational and financial resilience**

Our submission

Resilience of the voluntary sector during the pandemic

The committee's predecessor has already considered the resilience of Scotland's voluntary sector during the pandemic. It has heard about the struggles many organisations faced in maintaining their financial sustainability, particularly those reliant on trading and fundraising income and those not on the frontline of the emergency response. Many of these organisations have survived the initial crisis through government support or taking painful operational decisions. Still, the real trouble for these organisations may be to come.

SCVO published the first wave of findings from [The Scottish Third Sector Tracker](#) on 25 November. The tracker is a research community comprised of representatives from almost 600 organisations across Scotland who share their experiences and concerns in a quarterly survey. In this wave, research partners asked organisations to reflect on the challenges of continuing to provide services and planned work during the early stages of the pandemic.

The findings highlight just how disruptive the pandemic has been for the voluntary sector. Nearly all organisations (98%) surveyed faced challenges since the start of the pandemic, with 88% experiencing disruption to service delivery and roughly half (47%) experiencing financial issues. 9% of organisations had to make staff redundancies to cope with the impact of the pandemic, and 57% of organisations stated that demand for their services had increased despite almost half facing financial issues.

The sector has responded by adapting and creating new services to meet increased demand and emerging needs. 71% of these organisations that saw an increase in demand said they had met most or all increased demand. 90% of those organisations surveyed adapted or even grew certain existing services, and 37% took on new staff in

the last year. Staff, volunteers, and organisations have gone above and beyond to support people and communities in the most challenging conditions, but this is not sustainable.

In the next wave of the tracker, due to be published in early 2022, we will find out more about the longer-term impacts of the pandemic as emergency funding ceases to be available and the workforce implications of 18 months of responding to a crisis start to be felt. We will be happy to share these with the Committee as soon as they are available.

The pandemic as a turning point in sector resilience

The resilience of the voluntary sector must mean more than how able it is to survive a crisis. The sector's resilience is a long-term, permanent issue that must be at the forefront of our minds as we learn from the pandemic and the vital role voluntary organisations have played. We must take this opportunity of an increased understanding of the key role that the sector plays, to tackle longstanding issues to financial sustainability for voluntary organisations; only in this way will we ensure that voluntary organisations are both able to play their ongoing key role and able to respond quickly to future crises.

The pandemic must be a turning point in supporting the voluntary sector rather than an endpoint and a return to business as usual. A resilient voluntary sector benefits from the shared learning of experiences during the pandemic to help us do better and go further than before, from the sector's involvement in public policy and delivery to how the public sector and other funders invest in the voluntary sector's potential.

The voluntary sector's resilience is also vital to that of the public sector and broader society. If we have learned anything from the pandemic, it is that the resilience of public services and communities rely on a strong, vibrant voluntary sector. The Scottish Government's initial support of the sector, a £350m cash injection, was a welcome recognition that public authorities would not have met the needs of people and communities during the initial crisis without the voluntary sector.

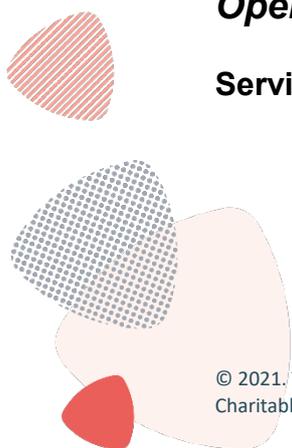
We must learn from this and go further in building the resilience of the whole system, of which the voluntary sector is a crucial part.

Assessing the resilience of the sector

Many interconnected and interdependent conditions contribute to the resilience of Scotland's voluntary sector. For this submission, we briefly consider resilience in terms of operations and finances.

Operational resilience

Service delivery space



The operating environment in which the voluntary sector works has changed significantly over the past 10-years, not least due to austerity and the subsequent shrinking of public sector budgets. New public management approaches have dominated the sector for over a decade, leading to a greater emphasis on outputs over outcomes, competition ahead of partnership, and the transfer of excessive risk to voluntary organisations. Voluntary sector leaders and their organisations feel squeezed, with little room to innovate and to meet growing demand.

Against the backdrop of an extremely tough funding environment, the sector has remained a crucial part of Scotland's fabric. In 2018, voluntary organisations employed over 100,000 staff and had a combined annual turnover of over £6 billion. However, this does not tell the full picture of resilience. The downsizing or complete withdrawal of services as organisations were forced to adjust or close because of austerity left thousands of people unsupported. Organisations now battle competitive funding and tendering, and they are asked to do more for less, often without inflationary uplifts. This is vulnerable resilience at best.

During the pandemic, the focus on people, families, and communities rather than individual organisations, processes, and numbers was liberating. It enabled the people and organisations with the right expertise to focus on what they could offer to make the most difference. That focus on the result enabled better collaborative working, building on strengths and existing relationships. While not a universal experience, it is the most significant shift we have seen. The biggest risk is that we forget how possible everything felt during the pandemic and do not capitalise on that.

Our people

Many organisations in Scotland's voluntary sector are substantial employers, and their resilience and ability to innovate and adapt comes down to the workforce.

In 2019, the Equalities and Human Rights Committee heard a great deal about the impact of short-term, cyclical funding on organisations' ability to retain and develop staff. The committee also heard that the lack of security in the sector significantly affected staff morale. The committee heard of how experienced staff were not always working on the core parts of their roles because the organisation needed them on funding applications.

Insecure employment is not conducive to a resilient sector, nor is the inability to provide staff development and growth opportunities, cost of living increases, and adequate pensions. Despite the cost increases, the committee heard that there was often no change to funding to reflect these costs. Senior leaders reiterated this in interviews with SCVO over the summer. Some organisations have been unable to provide a cost-of-living increase for nearly five years.

SCVO's CEO has recently joined the Scottish Fair Work Convention, and we will be submitting a response to the Scottish Government's consultation on becoming a Fair Work Nation by 2025. With over 100,000 paid staff currently working in Scotland's voluntary sector, the Scottish Government will not meet that target without adequate continued investment in a voluntary sector workforce almost as large as NHS Scotland.

During the pandemic, the sector's workforce often went far beyond their job remits and contracted hours, stepping in to meet the needs they could see in their communities. While this desire to help is to be commended and was incredibly valuable in the early days of the crisis, it is important to note that this is neither sustainable nor desirable. All staff's physical and mental health is critical to the sector's resilience, from those working on the frontline to senior managers.

Not all voluntary organisations have a paid workforce. Nearly three quarters (72%) of Scottish voluntary organisations have no staff and rely on volunteers. Despite the expected increase in informal volunteering during the pandemic, 36% of the organisations surveyed as part of the first wave of the Scottish Third Sector Tracker reported a decrease in the number of volunteers they typically work with during the pandemic. Only 17% had increased the number of volunteers they work with across this time.

It is impossible to deliver effective volunteer involvement without good volunteer management; it ensures effective recruitment, safeguarding, training, and ongoing support and engagement for volunteers to provide a positive experience. Unfortunately, the pandemic has placed significant challenges on volunteering. Economic pressures have resulted in organisations restructuring, and the Scottish Volunteering Forum is aware of the loss of many volunteer management jobs.

The sector's infrastructure

The pandemic has highlighted the importance of fostering the voluntary sector's infrastructure. The Scottish Government worked closely with sector intermediaries at a national and local level to identify needs and get money to people and communities. Funds were designed and managed in partnership with these bodies, and the Scottish Government recognised their vital contribution as community anchors and trusted voluntary sector intermediaries to disseminate funds.

While there is always room for improvement, the pandemic has highlighted the importance of solid infrastructure to the preparedness and resilience of Scotland's voluntary sector. SCVO is only one of these bodies, ranging from the 60 national intermediaries that represent organisations working in the same field to the 32 TSIs – or Third Sector Interfaces – that support voluntary organisations in their local authority areas. This infrastructure has been central to establishing lines of communication and effectively collaborating.

Financial resilience

Pre-pandemic finances

For many of Scotland's charities and community groups, the outlook for 2020 was already 'unsettled' well before the pandemic hit. Respondents to our 2019 Sector Forecast Survey echoed known challenges of increasing demand against a backdrop of shrinking public sector budgets. 34% thought their organisation's financial situation would deteriorate, 75% believed the sector's economic situation would worsen, and 82% were worried about funding cuts.

The sector has diversified its income sources since the financial crash. Still, mixed-income streams were brittle during the pandemic due to reduced income from fundraising, trading, service delivery and increased costs. Research published this December, led by Birmingham University, highlights that most Scottish charities depend on one type of income, which can focus risk during a crisis.

The research also found that many charities entered the pandemic with low reserves, the amount of unrestricted funds available to a charity. While data is limited, the report explains that “between 25 and 30% of charities had less than three months of expenditure in reserves. Most notably, the bottom 10% of the sector had less than 35 days in reserves at the beginning of the pandemic.” This measurement is important, as higher levels of reserves help charities to navigate financial shocks.

Pandemic finances

The first wave of findings from The Scottish Third Sector Tracker, published on 25 November, revealed that 48% of organisations saw decreased turnover compared to pre-pandemic levels. Of these organisations, 71% predict reduced turnover for at least another three months. Reduced income has primarily resulted from reductions in trading turnover (34% of those with decreased income) and fundraising (25%).

The sector is working proactively to adapt to the financial challenges it faces, with 57% of those surveyed applying to new funding sources and 37% developing new funding streams. 46% are using reserves. The availability of new funding sources and positive structural changes to how the public sector funds voluntary organisations will be crucial for long-term resilience, with the government’s covid-related funding at an end. The tracker found that 61% of organisations held less than 6 months of reserves at the time of the fieldwork in autumn 2021.

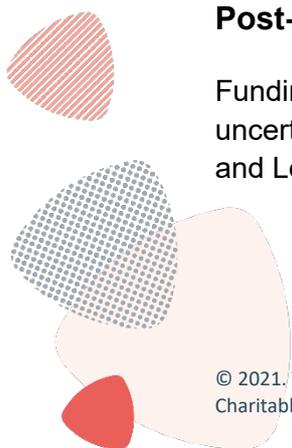
Public-sector funding

The voluntary sector’s role as a major provider of public services, ranging from health and social care to education and housing, means that its funding relationship with the public sector is a significant variable in the sector’s resilience. Two-thirds of sector income is earned rather than donated, and around 25% of income comes from grants and 25% from public sector contracts.

The Scottish voluntary sector receives more than £2bn in income from the public sector annually, including from local authorities (£1bn), the Scottish Government (£500m), NHS & Health and Social Care (£200m), European funding (£60m) and from other public bodies (£300m). Whilst there is no one size fits all approach, voluntary organisations must have as much certainty as possible about future funding.

Post-Brexit funding

Funding in the wake of Brexit is an important condition for sector resilience, and levels of uncertainty around both UKSPF and Levelling Up are of significant concern. Both UKSPF and Levelling Up have been talked about for some time by the UK Government. Yet,



details on how they will interact with Scottish policies and implications for voluntary organisations in Scotland remain sparse.

Scotland's voluntary sector has benefitted hugely from European funding in the past, and our communities have strengthened as a result. Across 2014-20 Scotland has been allocated a maximum of €476 million from the ERDF and €465 million from the ESF1. The National Third Sector Fund (NTSF), for which SCVO has acted as the consortium lead, is currently scheduled to stop in June 2022, and with less than one month left of 2021, it is not clear what replacement funding will be available.

Funding processes

A series of changes to the way funding processes in Scotland are administered could alleviate the pre- and post-pandemic funding challenges voluntary organisations face.

The Scottish Government should pivot to funding the voluntary sector in ways that move beyond the annual cycle. Short-term public funding creates a situation where organisations can struggle to deliver projects and plan their workforces. Not only this, but organisations are also wasting resources by chasing short funding cycles. Where organisations are receiving rolling annual funding, they often do not see any adjustments for inflation, making it challenging to meet cost-of-living increases and rising costs.

Unrestricted core funding for voluntary organisations is a long-standing but critical issue the sector faces, with funding often restricted to specific projects and outcomes. Unrestricted funding enables voluntary organisations to feel more secure and plan for the long term while responding quickly to a changing environment. A willingness to be flexible and do things differently during the pandemic is welcome. The Scottish Government needs to embed the flexible funding arrangements we have seen during the pandemic across its non-covid related funds.

Many voluntary organisations face the annual cycle of uncertainty as they wait to learn whether their funding will be continued next year and are left only to assume it will. Public sector funders can strike a balance between the speed of decision-making necessary during the pandemic but unsustainable in the long term and more straightforward and timely processes that did not exist pre-pandemic. The approach to applications, assessment, monitoring, and due diligence needs to be streamlined and simplified.

Concluding remarks

Our submission sets out the conditions of a resilient voluntary sector where this means more than simply surviving a crisis. The pandemic must be a turning point in how the Scottish voluntary sector is supported to make its way through future crises and uncertain times and be prepared and ready to play its ongoing key role in Scottish society to improve outcomes for people and communities.

What we have covered in this briefing is not an exhaustive list of all the forces at play on the voluntary sector's resilience. Still, we consider these to be priority areas where both

the Scottish Government and the Scottish Parliament have crucial roles in supporting the sector's operational and financial resilience. We look forward to meeting the committee in the coming weeks.

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