

Witness Name: Sarah Elliott

Statement No.: 1

Exhibits: SE

Dated:26/09/2025

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF SARAH ELLIOTT

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I, Sarah Elliott, former Chief Executive Officer of the National Council for Voluntary Organisations ('NCVO'), have consulted with relevant team members who were involved during the period in question and remain at NCVO today, as well as colleagues who have since conducted research into the period in question, to inform this statement. I have reviewed documentation from that time to ensure completeness. I have also sought evidence and clarification from colleagues at partner organisations to ensure a thorough submission. This statement reflects NCVO's understanding of the events based upon all the available information. I will say as follows:

#### **Part A: Background and Context**

1. NCVO is the membership community for charities, voluntary organisations and community groups in England. Together we champion voluntary action. We were founded in 1919 and have over 17,000 members, from the largest household name charities to the smallest community groups. The majority of our members are small or micro-organisations; 15,583 organisations are small (with a gross annual income of under £1m) of which 11,685 members are micro (with a gross annual income of under £30k). We offer micro-organisations free membership to support their access to our services.
2. The voluntary, community and social enterprise ('VCSE') sector is very diverse. We have a range of organisations within our membership including charities, community groups, voluntary organisations or social enterprises working for the benefit of others, not financial gain. For ease of reference, we refer to these organisations throughout this statement as charities, voluntary organisations, or civil society.

3. These organisations deliver a wide range of services in communities, with and without government funding, from supporting older people to providing mental health services. Other charities build and develop community through running premises such as village halls or community spaces or bringing people together through community groups and meetings. These organisations are critical for the social capital that underpins economic growth. Charities also campaign on behalf of the people they work with on a range of issues, seeking long-term changes in policy which will improve society.
4. In peacetime, NCVO works to make our members' lives easier so they can focus on creating a positive impact. We provide practical support through a variety of channels such as online advice pages, webinars, a phone and email helpdesk together with offering networking opportunities, training, consultancy and a conference suite. We work to influence government, funders, regulators and other decision makers to ensure voluntary organisations have the conditions they need to thrive.
5. NCVO's role and responsibility in peacetime includes influencing government to ensure charities have the conditions they need to achieve their mission and are financially resilient. This includes working to ensure government understands the significant social and economic role of charities.
6. At the beginning of the pandemic, we influenced on areas of fiscal and public policy including local authority funding; the commissioning and procurement environment; VAT for charities; Gift Aid, including the Gift Aid Small Donations Scheme; business rates relief for charities; and funding schemes such as the UK Shared Prosperity Fund and the Dormant Assets Scheme. NCVO also worked closely with the government on specific policy projects, for example acting as secretariat to the 2017 Independent Charity Tax Commission (exhibit SE/001 [INQ000597580]) and sitting on the Charity Tax Forum, convened by HM Revenue and Customs and the Charity Tax Group. We provided evidence on these topics to government through standard influencing channels over the years, such as Select Committee inquiries and calls for evidence, letters to government ahead of budgets and comprehensive spending reviews, and by making recommendations as part of our work on procurement and public services.
7. The financial context for charities before the pandemic was already challenging. Following years of austerity and escalating need in communities, the financial

resilience of the sector was low, and the relationship between the voluntary sector and government had not been invested in consistently. There was a gap in understanding within the government departments we were working with, such as the Department for Digital, Culture, Media and Sport and HM Treasury, concerning how charities were having to manage their finances in order to stay afloat.

8. Government grants and contracts not covering the full cost of delivery is a long-standing issue, worsened by cuts to public spending and price-based competition. By the time the pandemic hit, the situation was becoming untenable, with charities under immense financial pressure alongside continuously needing to respond to tenders for short-term contracts (which, for many charities, they already delivered). Paragraphs 42-43 provide further information on this issue.
9. The NCVO Almanac 2022 analysed sector data from 2019-20 (exhibit SE/002 [INQ000606565]), which tells us about the nature of the sector when the pandemic started. There were 165,758 voluntary organisations, with the vast majority being micro and small organisations (132,788, or 80.11%). Just under a fifth of the sector carried out 'social services'. This is a broad category drawn from the International Classification of Non-Profit Organisations. It includes youth services, family services including domestic violence support, services for disabled and older people, and support groups.
10. In 2019-20, 19% of the sector worked in social services; 15% of the sector were cultural and recreational organisations; and religion was the third largest subsector, accounting for 10% of the sector (exhibit SE/002 [INQ000606565]). Other categories focus on organisations which provide specific services or activities (for example, scout groups or parent teacher associations).
11. Smaller and specialist organisations working with marginalised communities were especially vulnerable to any economic shocks. These organisations often lacked (and still lack) the capacity to respond to tenders and apply for public funds, while larger charities and private sector organisations had the in-house support to submit applications to deadline.
12. Furthermore, funding from trusts and foundations as well as funding from local authorities often did not organically flow to smaller organisations, or those organisations led 'by-and-for' the communities they work with. Such organisations are

usually led by teams and boards with a majority of individuals from the communities or groups they work with, meaning they provide specialist support or advocacy led, designed and delivered by those communities. The historic problems with access to funding experienced by such charities meant that many of the organisations supporting communities who would become most impacted by the pandemic were not financially resilient when Covid-19 hit.

13. As far back as 2015, research from Voice4Change England indicated (exhibit SE/003 [INQ000597581]) that BAME-led organisations had unequal access to funding. This research highlights problems including a lack of long-term and core grant funding; disproportionately declining government income for BAME-led charities; poor recognition from funders of the specific needs of BAME communities; and a lack of funds for capacity building for these types of organisations.
14. Anecdotal feedback from NCVO members and a 2021 report from Inclusion London (exhibit **SE/003a INQ000656192** )]) indicates that that Deaf and Disabled People's Organisations also face barriers to accessing funding because they are often excluded entirely from discussion about the way funding is structured in the UK, despite specialist ways of working with marginalised communities. Local authorities and decision-makers lack understanding and awareness of these organisations and the ways in which funding packages should be structured to reach them effectively.
15. Against this backdrop of financial difficulties, our peacetime work was adapted during Covid-19 to support voluntary organisations in a variety of ways. In an emergency, our role is to both help the sector to stabilise during turmoil and ensure they have what they need to respond to the emergency where appropriate. We focused on helping organisations manage the impact of the crisis on the day-to-day aspects of running a voluntary organisation (such as the financial impact) as well as maintaining awareness of how the sector was playing a role in the frontline pandemic response.
16. Our member services pivoted to provide a range of additional and more tailored support which responded to the specific conditions of Covid-19. This included:
  - a. Dropping the paywall for online member content to ensure all charities could benefit from access to advice and support materials, from 17 March to mid-August 2020.

- b. Creating a webpage supporting organisations to involve volunteers throughout Covid-19 and regularly updating our member support pages with new information as it emerged.
- c. Running a series of ThinkIns with Tortoise Media supporting charities to look ahead, covering topics such as building organisational resilience and lessons learned throughout the pandemic, which were attended by 484 members (see paragraph 240 for the lessons learned from these ThinkIns).
- d. Running 14 webinars during 2020 providing organisations with support across a range of issues, which were attended by 1050 individuals overall, 46% of whom were NCVO members (see paragraph 240 for the evaluation of these webinars).
- e. Running a webinar in July 2020 with Charity Finance Group and the National Lottery Community Fund on financial management and accessing government funding.

17. A core element of our response to the pandemic was assessing the financial health of the sector; how it was changing in response to Covid-19; and to identify key risk areas arising from such a significant shock, as well as providing advice to our members on the various financial support schemes as they were announced. We worked alongside sector infrastructure partners and our members to form an evidence base for the impact of the pandemic on the financial position of the voluntary sector, and communicated this to the government to secure a package of financial support.

18. This evidence base was shaped both in response to specific requests for information from the Department for Digital, Culture, Media and Sport, and in line with our existing understanding of our members' priorities which enabled us to reasonably assume where the impact of the pandemic was being most deeply felt. The way in which organisations submit data to the Charity Commission (paragraphs 247-255) means that we work with a lag in data on sector finances. For example, our Civil Society Almanac for 2024 analysed data from 2021/2022. Therefore, we gathered evidence of the immediate financial impact on charities when the pandemic started. However, we were also conscious that not all of the impacts of the pandemic on civil society would be immediately evident, and that we expected some issues to emerge later. We therefore included our predictions about potential future challenges in our submissions to government. We expected organisations facing real financial difficulty to 'hibernate' rather than close their doors immediately (paragraphs 202-204). We

also anticipated that charities would continue to face increased demand from their beneficiaries following such a significant national challenge, and that the wider economic environment would leave people struggling financially for years to come, ultimately resulting in additional pressure on organisations which provide support.

19. Nonetheless, the evidence which we gathered showed that the financial impacts of the pandemic on charities were already severe. Significant financial pressure was immediately apparent after the first national lockdown was announced on 23 March 2020. Many charities (unless they were critical to the Covid-19 response) were forced to pause their activity, yet were still liable for regular expenditure such as payroll, mortgage payments, rental payments and tax, at the same time as demand for their services increased and income fell.

20. To provide a summary of the overall impact, NCVO Almanac data from the 2023 edition (exhibit SE/004 [INQ000606575]) demonstrates that income across the sector dropped during 2020-21 (the first full year of the pandemic) by £3.6bn (6%). The decrease in overall income was driven by public donations, which saw a 14% decrease from 2019-20 when inflation is taken into account. There was also a 15% decrease in investment income.

21. We acted quickly in light of our emerging concerns that the impact on the sector looked to be extremely serious. On 10 March 2020, early in the pandemic and before the first national lockdown was announced, we wrote to the Chancellor alongside other infrastructure bodies seeking assurances that charities would be supported financially in the event of the crisis worsening. We asked that charities would be explicitly included in measures targeted at small businesses; that an emergency fund would be introduced to help support organisations at risk of insolvency; and for tax deferrals (exhibit SE/005 [INQ000597582]). While our offer to meet directly with HM Treasury officials in this letter was not taken up, we did provide further insight via officials within the Office for Civil Society throughout the pandemic, which we describe in paragraphs 64 and 69-77. A partner organisation (the Charity Finance Group) received a letter from Kemi Badenoch MP dated 13 May 2020 confirming the £750m support package for charities specifically responding to the Covid-19 crisis (exhibit SE/005a INQ000656191]).

22. Charities require targeted support during national crises not only because they are often at the heart of the nation's response, and need to be enabled to mobilise

quickly, but because their ways of working are distinct from businesses as they do not work to generate profits. Charities deliver essential public services and support which develops the social fabric of communities in person-centred, community focused ways in line with their charitable objectives, delivering inherent social value. This key distinction between charities and businesses is relevant here because the knock-on impacts of charities losing income is on communities, rather than on profits, and the pandemic was creating unprecedented need in communities which urgently required additional resourcing.

23. As set out in paragraphs 9-10, community and voluntary sector organisations provide a wide range of services including health and social care, mental health support, support for older people, youth work, domestic and sexual violence services and employment and educational support. The stability and sustainability of these services is vital in peacetime and during an emergency.
24. Many of the services charities deliver were needed more than ever because of the nature of lockdown (see paragraphs 22 and 32). For example, the mental health of the nation was severely impacted and loneliness increased dramatically; domestic abuse services reported significant increases in demand as a result of victim-survivors being trapped at home in abusive relationships.
25. Many charities therefore could not pause operations. Organisations like this needed to pivot their delivery methods and provide services in new ways which were compliant with lockdown rules at pace (see paragraph 45). Because charities are set up to meet a charitable objective, they are compelled to adapt and deliver services in different ways to meet that objective, rather than stop delivery. From a financial perspective, investing in delivering services in new ways had costs attached which organisations struggled to cover.
26. Some voluntary sector organisations were unable to continue functioning during the pandemic, and they did cease operations, close all premises and services during the national lockdown. However, they still had costs to cover, in the same way that businesses did. We cover in more detail in section D the fact that many charities could not benefit from financial schemes on offer to businesses, because these schemes had not been designed with charities in mind (for example, the Coronavirus Job Retention Scheme). We discuss the specific problems with these schemes in paragraphs 168-210.

27. The fact that the pandemic increased demand for services is widely supported by research. Our initial survey to charities (exhibit SE/006 [INQ000597583]) in partnership with the Charity Finance Group and the Chartered Institute for Fundraising found that 43% of charities predicted an increase in demand for their services (exhibit SE/007 [INQ000597584]).
28. This was borne out by follow-on research. NCVO became a partner in the Charity Covid-19 Impact Barometer Survey project. Alongside Nottingham Trent University and Sheffield Hallam University, and funded by the Economic and Social Research Council, the study began in June 2020 and ran until December 2021. The project culminated in the Respond, Recover, Reset report in 2022 (exhibit SE/008 [INQ000137495]).
29. The barometer research aimed to provide real-time data about how the pandemic was impacting the voluntary sector and make this useful to policymakers and practitioners. It also aimed to understand how the pandemic changed working practices within the sector and contribute to understanding about how to build resilience for voluntary organisations across the UK. The project featured 14 waves of a barometer survey, four waves of a panel survey and over 300 in-depth interviews. Combined, these different datasets provide a clear and consistent picture of what the sector was facing, key impacts and lessons learnt about the way the sector was affected and how it responded. Exhibits SE/009 [INQ000597585], SE/010 [INQ000597586], SE/011 [INQ000597587], SE/012 [INQ000597588], SE/013 [INQ000597589], SE/014 [INQ000597590], SE/015 [INQ000597591], SE/016 [INQ000597592], SE/017 [INQ000597593], SE/018 [INQ000597594], SE/019 [INQ000597595], SE/020 [INQ000597596], and SE/021 [INQ000597597] provide the monthly barometer data reports which we reference throughout this statement.
30. This research found that voluntary organisations experienced significant increases of demand during the pandemic. The first barometer survey in September 2020 – 6 months after the start of the pandemic – still found that over 50% of organisations reported an increase in demand compared to the previous month (exhibit SE/009 [INQ000597585]).
31. This trend continued throughout the duration of the barometer research. At most points between September 2020 and December 2021, over half of organisations

responding reported an increase in demand compared to the previous month. This peaked in September 2021 when two in three organisations said demand had increased from August 2021 (exhibit SE/008 [INQ000137495]).

32. The evidence shows us that charities and volunteers stepped up to help communities deal with the devastating impact of coronavirus. Their expertise and community knowledge was critical to support the response to coronavirus (such as supporting the vaccine roll out or providing guidance relating to certain medical conditions) and mitigate the secondary social and economic impacts (such as loss of educational opportunity or work, and impact of loneliness).
33. However, exactly at the time charities stepped up to help communities cope, income fell. Charities' economic model is deliberately diverse. Many charities had focused during the years immediately preceding Covid-19 to diversify their income streams, in order to ensure their services were not impacted by short-term changes to grant income or fundraising success, for example.
34. Paradoxically this diversity of income left charities even more vulnerable to the shocks of the pandemic, as many income streams were impacted overnight. Furthermore, as support schemes emerged, they were often designed for businesses generating income from one primary stream, which often meant charities were not eligible for support. Ultimately this impacted services which were desperately needed by communities.
35. We have conducted analysis of the sources of the sector's income just prior to the pandemic. The NCVO Almanac 2022 edition analyses data from 2019-20 (the last full financial year preceding the pandemic) (exhibit SE/022 [INQ000597598]) which shows that:
  - a. Just over half (51.09%) of income came from the general public (for example individual donations, Gift Aid, membership fees without significant benefits)
  - b. Just over a quarter (26.25%) of income came from government (for example grants and contracts from the UK or international governments)
  - c. 8.91% of income came from the voluntary sector (for example charities such as trusts and grant-making foundations)
  - d. 8.83% of income came from investment (for example proceeds generated from investments and cash balances)

- e. 4.07% of income came from the private sector (for example corporate donations and sponsorships)
- f. 0.86% of income came from the National Lottery (fund distributed by the National Lottery).

36. In comparison, income data from the NCVO Almanac 2023 edition, analysing data from 2020-21, shows that income from the public had dropped to under half, at 47%. Investment income dropped to 8% (exhibit SE/023 [INQ000606562]).

37. This data shows that a significant income stream for almost every charity is donations and fundraising. The cancellation of fundraising events and community activity (for example, the London Marathon, or local fundraising events for individual charities) left a significant gap in charities finances. Even income which was deferred to when it was possible for fundraising events to be rescheduled left charities facing significant interruption to their cashflow, affecting their ability to deliver existing services, never mind delivering more work in response to the crisis.

38. As well as cash donations, fundraising activity that brings in regular and ongoing support (e.g. direct debits) was severely impacted. Public fundraising (such as door to door and face to face fundraising) is the mainstay for many charities to find new supporters. With the cancellation of much of this activity, charities obtained fewer regular supporters, as well as severely disrupting the fundraising environment with many fundraising agencies and partners not able to stay afloat.

39. The data demonstrates that the second most significant source of charity income is earned income, primarily through being commissioned or granted funds to deliver public services. Charities deliver a wide range of cost-effective and person-centred services from early years support to criminal justice. NCVO Almanac 2022 edition data (exhibit SE/022 [INQ000597598]) covering 2019-20 tells us that subsectors receiving the largest proportion of their income from government included:

- a. Social services charities (34.21% of income received from government)
- b. Health charities (11.99% of income received from government)
- c. International charities (11.05% of income received from government)
- d. Culture and recreation (7.31%).

40. Clearly, social services and health charities would go on to be critical in responding to the impacts of the Covid-19 pandemic; many would have been providing that support

while in receipt of government funds. Below we set out why this funding stream was uncertain for charities in the context of the pandemic.

41. The full context surrounding government funding of charities is important when understanding the nature of the shock Covid-19 caused to charities delivering government-commissioned contracts. As stated in paragraph 8, for years, government grants and contracts have not covered the full cost of delivery and this picture worsened due to cuts to public spending after the financial crash.
42. Our research into the True Cost of Delivering Public Services in 2024 (exhibit SE/024 [INQ000606574]) found that it had been a long time since government funds had covered their true costs. Findings included that:
  - a. 40% said their grants and contracts never covered their true costs.
  - b. 44% said their grants and contracts have not covered their true costs since at least 2020.
  - c. 1 in 10 (10%) said that their grants and contracts have been underfunded for over a decade.
43. New Philanthropy Capital carried out their State of the Sector Research just prior to the pandemic, finding that more than half of the charities they surveyed held a public sector contract; 59% of those said that they were subsidising their public sector contract(s) with income from other areas such as public fundraising (exhibit SE/025 [INQ000606573]).
44. This means many public services run by charities were only delivered effectively because charities provided supplementary income to top up the value of the contract, often raised through fundraising or trading. Covid-19 impacted these funding streams severely, meaning that some charities who were already delivering public service contracts were especially vulnerable, as their delivery model faced income threats from all angles. Anecdotal feedback from our members tells us that for a small number of organisations who were directly funded during the pandemic to provide pandemic-related support, their financial position was relatively stable; however, we do not believe this trend was reflected across the sector as a whole.
45. Furthermore, charities who were already delivering contracts experienced a range of responses from local authorities which impacted their longer-term financial resilience. As a result of the lockdown, many charities had to adapt service delivery to be

primarily remote overnight. Many organisations did this swiftly, shouldering the associated costs of new technology and training to ensure continuity of services without confirmation that these additional costs would be covered. Other services could not be adapted in this way and so had to be suspended. The need for charities to remain agile to reintroduce these services as soon as practical and permitted was paramount, to ensure communities could continue accessing essential services as soon as lockdown conditions allowed.

46. Two Procurement Policy Notes were issued encouraging local authorities to be flexible as part of the Covid-19 response (exhibit SE/026 [INQ000606566] and exhibit SE/027 [INQ000606567]). Policy Procurement Notes and supporting guidance are issued by the Cabinet Office to communicate new policies to be applied to public procurement activities and to support practical implementation. These notes were issued before, during and after the pandemic. They provided positive first steps, but there were a number of gaps, including a lack of clear assurance from the Cabinet Office that the VCSE sector should be covered by these notices; a lack of encouragement to pay non-direct costs; and a lack of clear provision around Payment by Results contracts, amongst other concerns. We set these concerns out in our briefing to Claire Dove, VCSE Crown Representative, on 8 April 2020 (exhibit SE/028 [INQ000597599]).
47. While some charities experienced flexibility and understanding from local authorities and commissioners as they adapted services, many did not. Anecdotal feedback from members to NCVO stated that authorities told them they would not be paid if they continued to deliver the service they were contracted to provide, but in a different way – for example, delivering the service remotely. Commissioners also did not top up contracts to account for the significant additional costs of a swift transition to remote working, PPE for charity staff providing services, and other costs which significantly changed the costs associated with the work.
48. Organisations delivering Payment by Results contracts faced losing huge amounts of income, with serious implications for their cashflow. An inability to deliver against contracted outcomes had disastrous results for the sustainability of these organisations. Payment by Results contracts require a great deal of investment up front, with costs recovered over time as results are met. Charities experiencing cash flow issues as a result of stalled fundraising and contract income (and having to utilise any reserves they did have to stay afloat) were unable to cover these costs.

Agencies contracting charities in these ways said that they could not alter their Payment by Results systems to support these organisations at a time when flexibility was absolutely critical to ensure community support could continue. Exhibit SE/028 [INQ000597599] provides a range of case studies to demonstrate the issues, including lack of flexibility or contract variation where the pandemic made the service model unviable due to social distancing, or the results were no longer realistic due to changing demand or service needs. Organisations experienced delays in communication and decisions from commissioners.

49. Research shows that while income from local authorities did initially increase, some organisations were expecting this income to drop by 2021. The lack of certainty and consistency in approach between local authorities left charities funded through these streams struggling to plan ahead without clarity on the continuation of this income.
50. Barometer data from April 2021 (SE/090 [INQ000597668]) found that since March 2020, 25% of respondents reported an increase in the level of funding they received from local authorities, with 33% of them anticipating the funding to last for more than 12 months. However, compared to the last financial year before Covid-19 (2019-20), only 9% of respondents were expecting an increase in their income from local authorities for the next financial year (from April 2021) and 22% were anticipating a decrease in the funding they received from local authorities (exhibit SE/090 [INQ000597668]).
51. Relationships with local authorities were also impacted by the pandemic, and smaller organisations had more negative experiences. This is in line with pre-pandemic norms where smaller organisations struggled to access funding and support from local authorities.
52. Respond, Recover, Reset barometer data from April 2021 (exhibit SE/090 [INQ000597668]) found that 13% of organisations were contracted to deliver services on behalf of a local authority, and 20% were in receipt of a grant from a local authority. About one in four organisations reported an improvement in the quality of their relationship with local authorities, but 7% of respondents felt the relationship had deteriorated since March 2020. Organisations with an income of under £10,000 reported the highest degree of deterioration (12%) compared to £1m - £10m organisations where only 1% reported deteriorated relationships with authorities.

53. Charities, like businesses, are often also trading organisations. Charities have a diverse range of trading activities including operating shops, leasing premises for events and accommodation, providing training, and running community cafes and spaces. All of this trading income was interrupted, again with significant impacts on cashflow at a time when demand for services was higher than before the pandemic. We understand that the Charity Retail Association has submitted evidence to the inquiry, and recommend that the Chair reviews this submission for further detail in this area.
54. Many charities also hold investments, and like businesses, they experienced a significant drop in investment income as stock markets fluctuated. This was particularly important for charities who provided grants or funding to other voluntary organisations, who often have a greater proportion of investment income than other organisations.
55. Charities supporting marginalised communities were also harder-hit due to existing issues which were already locking them out of certain income streams. As described in paragraphs 11-14, BAME-led organisations and Deaf and Disabled People's Organisations had experienced challenges with the funding environment for many years. Decades of underfunding and structural issues with contracts and grant-making which excluded these charities from accessing funds, these organisations were in a challenging position and struggling to take on extra work.
56. These organisations were supporting people who were likely to be hardest hit by Covid-19. The government did not work closely with this corner of the sector to resource organisations working closely with these communities (in part because of their small and specialist nature, meaning they were not eligible for certain funds). The downstream impact of this was that the marginalised communities that these charities support were not able to access specialist help, and were disproportionately affected by the impacts of Covid-19.
57. The Voluntary Organisations Disability Group Commission on Covid-19, Ableism and Racism explores the specific intersection between racism and ableism in the government's response to Covid-19, and recommends that the Covid Inquiry pays close attention to intersectional inequalities (exhibit SE/029 [INQ000279963]).

58. This research details the impact of the government not working closely with these organisations to ensure information was clear and accessible to them at the earliest stages of the pandemic. For example, public health information was difficult for these communities to understand, and often British Sign Language interpretation and subtitles were not included in public health broadcasts. The Commission explicitly recommends that government work with BAME Deaf and Disabled People's Organisations in the future to advise them on diverse use of language, as well as utilising existing information sharing channels which effectively reach these communities (exhibit SE/029 [INQ000279963]).

59. We understand that Disability Rights UK CEO Kamran Mallick provided evidence to an earlier module of this Inquiry, highlighting that the government relied on Deaf and Disabled People's Organisations to fill gaps in services for disabled people, but did not fund or resource them to respond, or engage them in planning the national response. This left significant gaps in provision for these groups.

60. The Ubele Initiative's follow up report on funding to Black and Minoritised led organisations (exhibit SE/030 [INQ000597601]) found that just 50% of respondents from BAME-led organisations had received emergency support funding from various sources, including government and local authorities. Respondents highlighted that bigger organisations with bid-writing staff were able to come forward for funds when smaller, specialist organisations desperately needed financing to continue supporting the communities who were disproportionately impacted.

61. In summary, the VCSE sector was lacking financial resilience after decades of under-investment in public services from government and a lack of understanding about the inherent social value charities bring to communities when the pandemic hit (paragraphs 7-8 and 41-43). This meant that the combined economic impacts of the pandemic were severe, partly as a result of the sector's diverse income streams (paragraphs 33-34), all of which were seriously and swiftly impacted. This was especially felt by specialist and by-and-for organisations, who were not appropriately engaged in the design and rollout of funding packages and who lacked support from government overall, despite working to support those who were most impacted by Covid-19 (paragraphs 10-13 and 55-60).

62. This was coupled with a well-documented increase in demand for community services at a time of significant national stress, a need which charities stepped up to

meet (paragraph 27). However, many were forced to do so amid acute cashflow problems; a lack of clarity about their government-sourced funds; and without significant reserves to help absorb this shock.

## **PART B: Cooperation and Joint Working**

63. Responding to the significant challenges set out in the previous section of our response required us to work as closely as possible with the government in partnership with sector colleagues.

64. NCVO had existing working relationships with officials at the Department for Digital, Culture, Media and Sport and the Office for Civil Society before the Covid-19 pandemic which supported our wider work to create a supportive policy environment for charities and volunteering. We also regularly submitted evidence in response to government requests, consultations, Select Committee inquiries, and through other channels to continue highlighting the importance of charities in public life.

a. Exhibit SE/031 [INQ000597602] provides email correspondence demonstrating that just before the pandemic started, in February 2020, we had built a relationship with Number 10 in which we agreed to hold quarterly meetings to share sector intelligence. This commitment to working together became especially important for us during Covid-19.

65. We often carried out influencing work in partnership with other charity sector infrastructure bodies (and continue to do so). These bodies include but are not limited to the Association of Chief Executives of Voluntary Organisations, the Charity Finance Group, the Charity Tax Group, the Directory for Social Change, the Small Charities Coalition (closed in 2022), Children England (closed in 2023), Equally Ours, the Association of Charitable Foundations, Voice4Change England, Volunteering Matters, the Chartered Institute for Fundraising, the Charity Retail Association, Locality, and the National Association for Voluntary and Community Action.

66. In March/April 2020, many of these organisations came together to form the #NeverMoreNeeded collective campaign. This campaign also used the name #EveryDayCounts in the earliest days of the pandemic, before any support for charities had been announced, and used the hashtag #RightNow to support a day of action in Autumn 2020. Much of the evidence we submitted to government concerning the impact of the pandemic on charities was collated through this

partnership, and we have sought information from these partners in preparing this witness statement.

67. After working on several joint campaigns in 2020, this infrastructure partnership was formalised in November 2021 as the Civil Society Group (exhibit SE/032 [INQ000146315]) – a collaboration of over 50 voluntary infrastructure organisations. This group communicates and meets frequently to share our insight about challenges across the voluntary sector, and coordinate our efforts to inform the government’s response.

- a. Exhibit SE/033 [INQ000597603] provides email correspondence demonstrating our role in early efforts to convene infrastructure bodies effectively during the pandemic, including attachment exhibit SE/034 [INQ000597605], which fed into lasting infrastructure collaboration and the formation of the Civil Society Group.
- b. Exhibit SE/035 [INQ000597606] provides an example of an agenda and minutes from a Civil Society Group policy group meeting in May 2020.

68. NCVO played a role in the formation of the VCS Emergencies Partnership (exhibit SE/036 [INQ000146302]), which works to support the voluntary sector’s response to emergencies.

69. As the Covid-19 pandemic unfolded, the nature of our relationship with the Department for Digital, Culture, Media and Sport became closer and faster-paced. Members of staff who led this communication have since left NCVO, and so we have been unable to access their email and calendar records. Our organisational policy stipulates that staff inboxes are not retained by NCVO further than 60 days after an individual leaves employment with the charity. However, the evidence that we can access and the memory of staff who did work at NCVO at the time demonstrates that we communicated regularly with government (particularly colleagues at the Department for Digital, Culture, Media and Sport, the Office for Civil Society and Number 10) to try to ensure they understood the impact of the pandemic on our sector. For example:

- a. Exhibit SE/037 [INQ000597607] provides email correspondence indicating that a meeting was scheduled with the Department for Digital, Culture, Media and Sport on 25 March 2020, and that a further meeting was planned on 26 March 2020. Exhibit SE/038 [INQ000597611], exhibit SE/39 [INQ000597612] and exhibit SE/040 [INQ000597613] provide attachments to this email,

including the briefing used for the meeting with the Department for Digital, Culture, Media and Sport (exhibit SE/39 [INQ000597612]).

- b. Exhibit SE/041 [INQ000597614] provides email correspondence following a meeting with Stephen Doughty MP and Vicky Foxcroft MP on 2 April 2020, who had offered support with media contacts.
- c. Exhibit SE/042 [INQ000597615] provides a calendar invite indicating that at 10:45am on 7 April 2020, a debrief meeting took place for internal NCVO colleagues following a meeting with Oliver Dowden (the then Secretary of State for the Department for Digital, Culture, Media and Sport). Exhibit SE/043 [INQ000597618] provides a draft briefing which was updated following the call.
- d. Exhibit SE/044 [INQ000597619] provides an internal email chain co-ordinating NCVO colleagues to provide a response to an extensive request for data and information from the Office for Civil Society.
- e. Exhibit SE/045 [INQ000597620] provides email correspondence updating colleagues within NCVO on a ministerial meeting which took place on 20 May 2020. This chain also references the Civil Society Stakeholder Group, a group which was proposed to maintain contact between government and civil society; the proposed structure of this group from the time is attached to this email and set out in exhibit SE/046 [INQ000597622].

70. At the start of the pandemic, two days before the first lockdown, the then Minister for Civil Society called leaders from NCVO and a number of other infrastructure bodies to a meeting with Jenny Harries, the Deputy Chief Medical Officer. This meeting indicated the seriousness of the public health situation, and the need for the sector to respond. Sector leaders and infrastructure bodies then worked together to bring information to government. Exhibit SE/047 [INQ000597623] provides a briefing which Karl Wilding (NCVO's CEO at the time) used for this meeting and for other early meetings with Office for Civil Society officials.

71. In the coming months we had regular meetings with Special Advisors from Number 10, and when we were part of the VCSE Health and Wellbeing Alliance (exhibit SE/048 [INQ000146314]), we had fortnightly briefing calls with alliance members, NHS England and Department for Health and Social Care about the pandemic response.

72. We were also in communication with the Crown Representative for the VCSE, Claire Dove, and briefed her on the key issues facing charities early in the pandemic relating to procurement and public services (exhibit SSE/028 [INQ000597599]).
73. Overall, while our engagement with the Office for Civil Society was broadly positive (despite some disorganisation and mixed messaging which we view as normal and understandable in the context of a rapidly changing national crisis), the main problem we identified was the Office for Civil Society advice did not seem to be taken especially seriously by other government departments such as HM Treasury and the Department for Business, Energy and Industrial Strategy. It did not appear that the Office for Civil Society was well embedded in wider government decision-making, and therefore it was hard for their voice to be heard and prioritised.
74. Requests for data and information about the sector were not always well-structured or organised. We were asked for data about the impact of the pandemic on the sector. The Office for Civil Society specifically wanted data about the impact for different subsections of the sector (that differed to Charity Commission classifications), in addition to more granular data about the services run by different types of organisations across localities. We often felt this communication was cyclical: we were asked for information, the Office for Civil Society provided this to HM Treasury, and HM Treasury said that the data was not sufficient for their use. The Office for Civil Society would then ask us for different or new information. We describe the issues with data which have been an issue for the voluntary sector for many years in more detail in paragraphs 247 - 255. We felt that while the Office for Civil Society accepted and understood that the data we were providing at pace was the highest quality data we could offer, HM Treasury did not accept it as sufficiently robust. The data was not viewed as robust due the self-reported nature of our data, and the lack of real-time financial data about the health of the sector. Data about charity finances is taken from annual returns and accounts submitted to the Charity Commission in PDF format. The analysis of this data is out of date because of the time it takes to process the data. Our only option was to gather self-reported data and find ways to predict the impact with available data, which was challenging as charities have such variations in their funding models. We were not aware that HM Treasury provided any guidance about the way data needed to be structured to prevent these issues from persisting, but we continued to respond to requests from the Office for Civil Society as they arrived. We asked junior officials at HM Treasury about the data required, and it was not possible for us to meet their data standards.

75. The way information was shared with the Office for Civil Society and the Department for Digital, Culture, Media and Sport was not organised around any particular forum or structure, due to the rapidly changing environment around the economic response to the pandemic and the need for swift action. Rather, NCVO and wider sector infrastructure bodies worked together to identify key priorities for government, and collectively leveraged our existing relationships with key officials to drive action.
76. Meetings with the Department for Digital, Culture, Media and Sport or the Office for Civil Society officials were not formally minuted in line with the fact that all parties were acting at pace. We were also quickly adapting to working entirely remotely and at the early stages of the pandemic (when our contact with the Department for Digital, Culture, Media and Sport was most frequent) these systems were still being embedded, meaning minute-taking was not always prioritised.
77. Throughout the pandemic, we sought clarification from our contacts at the Department for Digital, Culture, Media and Sport and the Office for Civil Society about when announcements could be expected, or what certain new policies meant for charities in terms of eligibility, to keep our members informed. As the sector body, we were aware of the support package days before it was announced and were only aware of the details hours before. Leaders of organisations were eager to understand quickly what would be available as many of their funding streams were impacted overnight, and they had to make rapid decisions about their workforce. We communicated our concerns with the Department for Digital, Culture, Media and Sport. For example:
- a. Exhibit SE/049 [INQ000597624] sets out email correspondence in which we reiterated our concerns to the Minister for Civil Society (Diana Barran) on 19 March 2020, who responded letting us know we would be given notice of any announcement as soon as possible.
  - b. In March 2021, a CEO from another infrastructure body sought clarification from Diana Barran about charities' eligibility for Restart grants (exhibit SE/050 [INQ000597625]). However, the response from the Office for Civil Society indicated that no information would be provided to the sector until the Chancellor had made a press announcement. We therefore sought a further meeting with the Minister to discuss how information could be more effectively shared.

- c. We also asked government officials for updates in our regular meetings with the Department for Digital, Culture, Media and Sport. CEOs and senior leaders at other infrastructure bodies involved in the Never More Needed campaign shared any intelligence from their parallel conversations with officials too. For example, exhibit SE/051 [INQ000597626] shows members of the civil society infrastructure policy WhatsApp group sharing intelligence on about the announcement of the support package (08/04/2020, 15:13:34).
- d. Our former CEO Karl Wilding spoke with the Chancellor at 10:45am on 8 April 2020, the date when the support package for charities was announced. Exhibit SE/052 [INQ000597627] provides the WhatsApp group chat records for our external communications colleagues, which details discussions on a wide range of issues during the pandemic. Our then CEO provided a summary of his conversation with the then Chancellor, Rishi Sunak, in this chat from timestamp 08/04/2020, 10:48:46 - 08/04/2020 11:13:03.
- e. Both exhibit SE/051 [INQ000597626] and exhibit SE/052 [INQ000597627] provide a significant number of messages indicating all parties were sharing intelligence throughout the period concerned; we do not provide all of those examples here but provide the full transcript for the Inquiry's use.

78. Work with other government departments was limited, and we worked mainly with the Department for Digital, Culture, Media and Sport, the Office for Civil Society, and Number 10. We worked through these colleagues to communicate key messages and the case for financial support to HM Treasury, but had limited contact with HM Treasury officials ourselves. It is worth highlighting here that it has often been challenging for the voluntary sector to hold consistent, productive relationships directly with HM Treasury. We think this challenge stems from a focus on engaging with the business sector within HM Treasury, and not seeing charities as a priority. Not having this relationship in advance of the pandemic meant we had no direct point of contact within the department, and nor did other infrastructure bodies.

79. On one occasion, the VCSE Crown Representative forwarded a letter from Gillian Keegan, the then Secretary of State for Education, which related to commissioning issues; however, to our knowledge such occurrences of sharing information from other departments were not commonplace (exhibit SE/053 [INQ000597628]).

80. One key question that arose in March and early April 2020 was why a package for charities seemed to be taking significantly longer to be announced than packages for

businesses. At the time we questioned whether the business sector was required to offer as much evidence as charities in terms of both making the case for funding and demonstrating how it would be used. Following the announcement of the support package, charities waited a long time for funding streams to be opened for applications, and we consistently asked the Department for Digital, Culture, Media and Sport and the Office for Civil Society contacts why this was taking so long when charities were proving so essential to the national response.

81. We found the fact that government could not respond clearly to our questions frustrating at times, but this appears to reflect our overall sense that the recommendations and data coming from the Office for Civil Society to other departments, such as the Ministry of Housing, Communities and Local Government, the Department for Business, Energy and Industrial Strategy and HM Treasury, was not seen as robust enough.

82. At times, we thought that government prioritised providing information to the press or public over providing it to voluntary sector partners, including NCVO. This made it harder for us to prepare our responses when we had such limited advance notice about the structure and content of support measures for the sector.

a. For example, exhibit SE/050 [INQ000597625] states that the Minister for Civil Society could not confirm the sector's eligibility for the Restart grants scheme until the Chancellor had spoken the following day. This supports our overall sense that the Office for Civil Society was not appropriately involved in conversations at the highest levels which had significant implications for the sector, and so did not have the answers to our questions at key points in the development of economic support policies.

83. We attribute this largely to the fact that civil servants were of course also working at pace. However, the lack of advance information even when it was possible to provide it made it challenging for us to provide the sector with up-to-date information at a time when they were under immense pressure and stress.

84. This was compounded by the lack of existing formal forums through which government and HM Treasury specifically meaningfully engaged with the voluntary sector on fiscal issues. As a result of our work during the energy crisis, we formed a relationship with stakeholder engagement colleagues in HM Treasury, but we still do not have a relationship with senior political or official contacts at HM Treasury. In

paragraph 267, we set out ongoing work on a Civil Society Covenant between the sector and government (published in July 2025), which we hope will establish more formal links with the voluntary sector. We cover our recommendations for improving relationships with government in more detail in Section E.

85. We thought that government did not appreciate the vital role our sector was playing in the pandemic response or the importance of our role in post-pandemic recovery. We thought the urgency we were conveying was not heard, despite the government needing the sector more than ever. This was especially frustrating given our concerted efforts to meet every request for information made by government.

a. For example, in April 2020 the government were collating a list of charities which they intended to release to the public, signposting people to specific kinds of support. However, no charities were informed of their inclusion on this list in advance, despite the likely implications on their workload resulting from an increase in support requests, not to mention the fact that charities were furloughing staff to try to manage the financial pressure they were facing so had limited capacity for this additional work. Exhibit SE/054 [INQ000597629] provides email correspondence outlining our concerns.

86. There is a need for government to invest more time in developing trusting partnerships with the voluntary sector where information can flow more freely to prevent, prepare for and respond to future crises.

87. As we have set out above, information sharing between the sector and the Department for Digital, Culture, Media and Sport mainly consisted of NCVO and other infrastructure bodies responding to government requests for information, usually to strengthen the case for a package of support for the voluntary sector.

88. Economic data and information about the sector was needed, and so we conducted surveys and research, as did many sector partners, to gather the necessary evidence. Alongside this, NCVO responded to specific requests for information related to the emergency response. For example, on 17 March 2020 the Office for Civil Society requested information about charities within NCVO's membership who were delivering local services across health and social care, food distribution, housing and homelessness and other areas. This information enabled the Department for Digital, Culture, Media and Sport to map the available provision in each local authority area (exhibit SE/055 [INQ000597630] and exhibit SE/056

[INQ000597631]). The attachments to the email make clear that the contents were in response to the request from the Department for Digital, Culture, Media and Sport for local service information.

89. However, longstanding issues concerning data about the voluntary sector came to the fore during the pandemic, especially in examples such as this. In this context the categorisations of charities which are widely utilised in sector research and also by the Charity Commission did not map clearly onto local authority databases or the categories government were interested in. Social services as a category, for example, includes a wide range of services, but the lack of detail about the specific nature of delivery meant that it was challenging to meet government data requests. We set out in Section E in more detail our clear recommendation that government must invest, as a matter of urgency, in improving data held about the voluntary sector and ensuring it can be shared more effectively.

90. We also submitted evidence to a range of Select Committee inquiries throughout the pandemic, including two Digital, Culture, Media and Sport Select Committee inquiries (April 2020, Impact of the pandemic on charities and June 2020, Impact of the pandemic on the Department for Digital, Culture, Media and Sport Sectors), a Public Accounts Committee inquiry (April 2020, Covid-19 Government support for charities), a Business, Energy and Industrial Strategy Select Committee inquiry (July 2020, Post-pandemic economic growth; substance covered in paragraph 244), and two Treasury Select Committee inquiries (January 2021, Tax after coronavirus and June 2021, Economic impact of coronavirus). The information provided in these submissions was extensive, and further information in respect to our submissions to the above Select Committees can be provided if required.

91. In addition to this, we engaged actively with the House of Lords, submitting a briefing and questions to a debate on the impact of Covid-19 on the voluntary sector in April 2020, both in partnership with the Never More Needed coalition and independently (exhibit SE/057 [INQ000597635], exhibit SE/058 [INQ000597636] and exhibit SE/059 [INQ000597637]).

92. The then Chief Executive of NCVO, Karl Wilding, gave oral evidence to the Digital, Culture, Media and Sport Select Committee on 31 March 2020 and regularly met with the Department for Digital, Culture, Media and Sport officials to brief them on the impact of the pandemic on civil society in meetings, rather than through written

submissions. Exhibit SE/060 [INQ000597638] provides the NCVO briefing which Karl Wilding used to prepare for the session.

93. We worked with a range of colleagues to ensure equitable distribution of funding to charities, including organisations who have not traditionally been as able to access these funding streams. The Department for Digital, Culture, Media and Sport convened an Operational Working Group on funding to charities during the Covid-19 crisis. We co-chaired the Equity and Inclusion Working Group alongside colleagues at Comic Relief, a steering group set up to advise members of the main working group on how to involve communities who were most impacted by coronavirus in decision-making. This included involving those with lived experience (the knowledge and understanding developed by individuals with personal experience of an issue, and often the deeper insight into the impacts and most effective solutions as a result of that experience), and focusing on how funds could be structured to support organisations supporting these individuals and communities.
94. Exhibit SE/061 [INQ000597639] provides evidence of an internal email on 09 April 2020 (the day after the charity support package was announced) raising concerns about how lived experience groups would be engaged to ensure funds reached those most in need. This email exchange included two attachments (exhibit SE/062 [INQ000597642] and exhibit SE/063 [INQ000597643]) setting out what Gypsy and Traveller civil society required financially to deliver effective services, and the health inequalities experienced by LGBT communities.
95. Exhibit SE/064 [INQ000597644] provides an email chain setting out discussions between NCVO and Comic Relief concerning an initial draft paper which was sent to the Department for Digital, Culture, Media and Sport in May 2020 (exhibit SE/065 [INQ000597646]) providing advice to the Operational Working Group on how lived experience could be meaningfully involved and how funds could effectively reach hardest hit communities. This paper made three key recommendations: that expertise from organisations led by those with lived experience was engaged to join the operational working group; that data was gathered with an inequalities lens; and that principles and practical recommendations be developed for funders on equitable distribution.
96. We then continued to work as part of the Equity and Inclusion Steering Group to create these principles for funders, which were eventually hosted by the Association

of Charitable Foundations on their site in August 2020 (exhibit SE/066 [INQ000146339]). Exhibit SE/067 [INQ000597647] sets out the content which partners agreed to publish, including confirmation that the Department for Digital, Culture, Media and Sport was consulting internally about the ways in which they could adopt these principles. Exhibit SE/068 [INQ000597648] sets out an email exchange with the Department for Digital, Culture, Media and Sport confirming their knowledge of the launch of this work. To our knowledge, we did not receive further confirmation from the Department for Digital, Culture, Media and Sport on how these principles were being enacted by them, but they were engaged in the process of designing them.

97. The Equity and Inclusion Steering Group did not explicitly advise the National Lottery Community Fund on the distribution of the Coronavirus Community Support Fund (see paragraph 134) but exhibit SE/071 [INQ000597648] does confirm that the equitable funding principles were sent to contacts at the the National Lottery Community Fund.

98. We worked closely with our counterparts in the devolved nations, including the Scottish Council for Voluntary Organisations, the Wales Council for Voluntary Action and the Northern Ireland Council for Voluntary Action. During the pandemic, leaders from these four organisations met weekly to discuss developments in government policies, in particular how UK-based charities could navigate responding to announcements from both the UK government and devolved administrations. These meetings also served to provide peer support concerning how the national infrastructure organisations themselves were managing during the pandemic. These relationships were positive and supportive, with quarterly meetings continuing post-pandemic and a focus on working effectively together being a key learning from the pandemic.

99. In summary, information was shared between NCVO and government at pace (paragraph 69). At the time, meetings were scheduled at short notice and processes for information sharing were therefore flexible. We were combining findings from colleagues across the sector, as well as working to support our members with practical advice on emerging government guidelines (paragraph 15-16), and as such, our capacity to keep detailed records of our meetings with government was limited. Colleagues who led this correspondence have also since left NCVO and so records of their emails and meetings are not available to us, as explained in paragraph 69.

100. Overall, our dealings with government at the time would have been improved by government as a whole focusing on understanding the specific and unique risks the charity sector was facing; why one-size-fits-all approaches to charities and businesses would not be fit for purpose; and developing this understanding quickly, rather than leaving the sector as an afterthought to businesses. This would have saved significant time later in the pandemic, when financial support measures were announced which failed to meet charities' needs. While the Office for Civil Society worked hard to deliver our evidence to HM Treasury, we felt the lack of understanding about the nature of the sector and specific financial context for charities within HM Treasury meant that they rejected evidence without an understanding of why support was so needed, or an understanding of the type of data the sector was working with.
101. From our perspective, there was also a lack of urgency and transparency in terms of explaining why the financial package was taking so long to organise, when measures for businesses were being announced quickly and regularly. Anecdotally speaking, this impacted the relationship between government and the sector. There was a sense that the government had no idea how much charities were doing to keep communities safe, and that they simply wanted charities to step up and support the national response without additional resource. The lack of prioritisation of the financial support charities desperately needed felt to many that their contributions to the pandemic response were not appreciated.
102. We understand that on the other hand, there was a sense from within government that the sector was not appreciative of the financial support it had been offered. Infrastructure bodies focused on mobilising to seek additional funding in order to provide communities with extra support, rather than focusing on the pandemic response without questioning how this extra work would be funded. Government may have felt that our public communication could have foregrounded our thanks rather than continuing to seek more financial support. This demonstrates the problems with communication at the time, and the fact that relationships pre-pandemic did not set strong enough foundations for such a complex process of negotiations in which recognition from both parties of the contributions made by the other proved paramount, in terms of sustaining positive relationships.
103. Many of these problems were caused by a real lack of understanding within central government of how the charity sector functions, is funded, and works within

communities. Improving this understanding needs to happen beyond the Department for Culture, Media and Sport and include all government departments, as charities are often tackling complex social problems which cut across departmental remits: collaborative working is essential. Moreover, there is a clear need for government to invest in building open channels of communication with the voluntary sector so that relationships are strong before another crisis hits. We cover these recommendations in more detail in Section E.

### **Part C: The VCSE sector in response to the pandemic**

104. The impact of the pandemic on charities was severe, both in terms of the financial impact and the need for them to mobilise and respond incredibly swiftly. Many members of the Never More Needed coalition carried out surveys of their members early in the pandemic, to assess key pressure points and concerns across the sector. We shared this evidence between organisations to ensure all members could contribute to and benefit from a robust evidence base in their influencing.
105. Our initial survey of members, in partnership with Charity Finance Group and the Chartered Institute of Fundraising (exhibit SE/006 [INQ000597583] and exhibit SE/007 [INQ000597584]) in March 2020 found that:
- a. Charities were expecting an average decline in voluntary income of 48%, and an overall decline in income compared to the previous financial year of 31%;
  - b. 91% were expecting disruptions to cashflow;
  - c. 42% of respondents expected an inability or reduced ability to cover their payroll costs;
  - d. 34% of respondents expected an inability or reduced ability to cover mortgage, rent and/or utilities costs;
  - e. 43% predicted an increase in demand for their services;
  - f. 52% were nonetheless forced to reduce existing or previous levels of service to try to cope with the financial pressures.
106. Many charities hold reserves to ensure they can cover outstanding financial liabilities in the event that they need to close. The levels of reserves charities hold differs notably depending on the size of organisation, and its area of activity.
107. The NCVO Almanac 2021 edition found that just before the pandemic (in financial year 2018-19), 29.8% of all charities held no reserves. 32.1% of small and micro

charities did not hold any reserves (exhibit SE/069 [INQ000597649], tab E4). This indicates that many charities entered the pandemic without any kind of financial safety net, but even so as the severity of the impacts of Covid-19 became clearer, charities of all sizes expressed consistent and urgent concern that their reserves were being depleted rapidly as they responded to the unprecedented challenge.

108. Regular conversations with members and responses to this initial survey supported the development of case studies, which Association of Chief Executives of Voluntary Organisations collated (exhibit SE/070 [INQ000597650]). These case studies were utilised in our ongoing conversations with government, and were also submitted to the Digital, Culture, Media and Sport Select Committee inquiry in April 2020.

109. Alongside this information gathering, NCVO also worked to provide an estimate of the overall income loss to charities, which was at first estimated to be approximately £4.3bn worth of income in the first 12 weeks of the crisis. The methodology used to arrive at this estimate is set out in exhibit SE/071 [INQ000597651], a briefing which NCVO senior leaders used in a meeting with the Department for Digital, Culture, Media and Sport on 25 March 2020. For the Inquiry's information, exhibit SSE/071 [INQ000597651] is an updated version of the briefing found at exhibit SE/039 [INQ000597612].

110. We note that this exhibit sets out an estimated income loss of £3.69bn, not £4.3bn. We explain this discrepancy in the following paragraphs.

111. The methodology we utilised was to apply the percentage of predicted income loss to the sector from survey data gathered in March 2020 (see paragraph 105), which estimated that the average income loss for charities would be 48%. For the purposes of arriving at a clear estimate and to account for the likelihood of underestimation and the uncertainty around the continuity of other types of income (such as government contracts), this was rounded up to 50%.

112. This methodology provided an estimated overall income gap the sector was facing, which we thought a Stabilisation Fund should support with filling. To ensure this figure was as accurate as possible, we agreed alongside other infrastructure bodies that the estimate should:

- a. Set out the estimated income loss to the sector for 3 months;

- b. Only include the sources of income deemed to be most at risk as a result of the pandemic, and disregard the sources of income which we predicted would stay in place. At first, the income sources we considered most at risk were public donations, investment, trusts and foundations, and private sector income;
- c. Remove private schools and public bodies from the figures, who we reasonably felt the public would not consider to be charities (as Karl Wilding (former CEO of NCVO) stated in his oral evidence provided to the Digital, Culture, Media and Sport Select Committee on 31 April 2020).

113. Utilising this methodology (and the figures set out in exhibit SE/071 [INQ000597651]), we reached the initial estimate of £4.3bn. The combined value of public (donations), investment, private sector income and trusts and foundations for one year to the sector is £34.3bn. 3 months of income calculated from this figure is £8.575bn. 50% of this figure is £4.28bn.

114. Later in March 2020, as set out in exhibit SE/071 [INQ000597651], the estimated loss of income to the sector to be communicated to government was revised to £3.69bn. The reason for this revision was that it was becoming clear that many trusts and foundations were working to maintain their grant commitments, and in many cases made additional grants, even in the context of their own income rapidly dropping. Income from trusts and foundations was therefore no longer deemed to be at significant risk. Exhibit SE/072 [INQ000597652] (email correspondence updating stakeholders on updates to the campaign) explains that this estimate was lowered on 25 March 2020 when trusts and foundations were removed from the figure.

115. The methodology set out in exhibit SE/071 [INQ000597651] therefore formulated a revised estimate of £3.69bn. The combined value of public (donations), investment and private sector income for one year to the sector was calculated to be £29.5bn. 3 months of income calculated from this figure is £7.38bn, 50% of which is £3.69bn. This provides the estimate of the overall income loss to the sector which was agreed on 25 March 2020.

116. Exhibit SE/072 [INQ000597652] provides email correspondence explaining that the briefing has been amended to reflect this change, and also explains the decision to keep using the £4.3bn figure in the public domain (e.g. in press releases and media appearances). This was to avoid confusion, and to again account for the fact that not

all charities would be in receipt of consistent income from trusts and foundations (who were experiencing their own challenges with cashflow due to significant drops in investment income) or receive consistency in terms of their government income, which we were already hearing was at risk.

117. The email correspondence makes clear that as new information arose about where the impact on charities was most serious, the methodology was adapted to ensure accurate estimates were being provided to government. Exhibit SE/072 [INQ000597652] implies that it was clear to sector leaders working with the Department for Digital, Culture, Media and Sport that they were not expecting to receive support anywhere near this estimate, but that they were continuing to amend it to present the most up-to-date picture possible. We wish to note that members of staff within NCVO who formulated this figure have left the organisation, and we have therefore used documentation from the time to confirm the methodology.

118. Exhibit SE/073 [INQ000597654] provides email correspondence including copy of a letter to be sent to the Prime Minister, with Number 10 and Department for Digital, Culture, Media and Sport staff copied in, on behalf of a number of infrastructure bodies, on 26 March 2020. This letter included reference to a revised estimate of £3.7bn income loss.

119. As explained in paragraph 64-67, NCVO collaborated with several sector infrastructure bodies in the early stages of the pandemic who would eventually become members of the Civil Society Group. This coalition carried out various campaigns between 2020 and 2022, seeking greater financial support from the government for the voluntary sector.

120. The first iteration of this campaigning work was #EveryDayCounts (exhibit SE/074 [INQ000597655]). In this campaign, members of the coalition (including NCVO) sought:

- a. The establishment of a multi-billion-pound Covid-19 Response Fund, to support charities directly working on the pandemic response (e.g. organising volunteers, supporting health and social care).
- b. The establishment of a multi-billion-pound Stabilisation Fund, to help charities of all kinds to stay afloat and continue to provide key services and activities during and beyond the pandemic. Exhibit SE/075 [INQ000597656] provides some context illustrating the type of internal thinking which was happening

within NCVO and between infrastructure organisations to scope the possible ways in which such a fund could work.

- c. The amendment of existing Covid-19 business support schemes to ensure they were useable by charities. At this early stage, this included the Coronavirus Job Retention Scheme and Coronavirus Business Interruption Loan Scheme.

121. The £750m emergency support fund was announced on 8 April 2020 for charities. While this would have been a substantial sum in other circumstances, it did not come close to closing the projected funding gap which charities faced. In March 2020, our revised estimate of the gap was £3.7bn.

122. The Chancellor at the time, Rishi Sunak, stated that not all charities could be prevented from closing, just like not all businesses could be (exhibit SE/076 [INQ000606569]). We viewed this comparison between charities and businesses as misinterpreting the contribution charities make to society, providing essential infrastructure and public services as well as a significant role in strengthening communities, prevention and economic growth. When charities are forced to reduce their service outputs due to reduced income, communities suffer and ultimately the costs of this are passed to government further down the line – often at a time when social issues have escalated and will be more costly to fix.

123. The Pro Bono Economics (now PBE) charity tracker survey (exhibit SE/077 [INQ000597657]) found in June 2020 that it was anticipated that charities faced a £10.1bn funding gap and the loss of 60,000 jobs over the course of the crisis. A summary report from Pro Bono Economics, Charity Finance Group and the Chartered Institute of Fundraising in January 2021 found that a net balance of 56% of charities had seen their earned income decrease (earned sources make up £1 in every £4 of charity sector income), with a net balance of 38% of charities having seen their public donations fall (exhibit SE/078 [INQ000597658]).

124. Respond, Recover, Reset data showed that until April 2021, between 30% and 40% of voluntary organisations said that their financial position had deteriorated over the last month. Even as the situation stabilised over the latter stages of the pandemic, in May 2021 28% of voluntary organisations were still reporting a deteriorating financial position (exhibit SE/008 [INQ000137495]).

125. In line with existing trends, certain organisations were more vulnerable to the economic shock the pandemic caused. The Ubele Initiative (exhibit SE/079 [INQ000597659]) conducted research early in the pandemic which set out the significant and disproportionate financial impact BAME-led community organisations faced. This research found that:

- a. 62% of organisations reported a decrease in financial support since the start of the pandemic;
- b. 90% of respondents had to cut back on starting new work;
- c. 51% had had to cancel fundraising events or initiatives;
- d. 68% of respondents had no reserves. When compared to our initial survey findings that 24% of respondents across the entire sector did not have any reserves (exhibit SE/006 [INQ000597583] and exhibit SE/007 [INQ000597584]), the difference is stark. Although these datasets cannot be directly compared, these figures indicate that these types of organisations entered the pandemic with fewer resources to mitigate significant financial losses.

126. Furthermore, their survey findings indicated that many organisations which are BAME-led are almost exclusively dependent on volunteers or goodwill to keep the organisation going (exhibit SE/079 [INQ000597659]). These organisations were at risk of closure if financial support was not available to them, demonstrating a clear need for funding bodies of all kinds to act to avoid downstream impact on marginalised communities.

127. Further research carried out by Equally Ours on behalf of the Funders for Race Equality Alliance (exhibit SE/080 [INQ000137497]) specifically explored the distribution of emergency funds from foundations and grant funders to the Black and Minority Ethnic voluntary sector during Covid-19. The research found that funders needed to respond outside of traditional methods to ensure funding reached individuals and groups most impacted.

128. The Covid-19 pandemic created an environment in which voluntary organisations were thinking differently about how to address racism across the sector and redress funding imbalances to specialist organisations, as well as improving their own internal processes and understanding of racial justice, equality, diversity and inclusion. The disproportionate impact of Covid-19 on Black and Minoritised communities, the deaths of George Floyd and Breonna Taylor, and the resulting Black Lives Matter protests

around the world in the summer of 2020 meant organisations were working out how to approach this vital work against a backdrop of significant financial strain.

129. Our Respond, Recover, Reset barometer research specifically explored equality, diversity and inclusion in July 2021 (exhibit SE/016 [INQ000597592]). This wave of research explored the actionable insights and strategies that voluntary organisations were adapting to target and reduce these inequalities both in their organisational operations and their community services.
130. The negative impact of Covid-19 on these organisations' ability to deliver their annual objectives was clear. 67% of women's organisations and 50% of ethnic minority organisations reported significant or moderate negative impacts on their organisations.
131. Organisations were clearly considering how best to respond to increased focus on equality, diversity and inclusion. 74% of all organisations said that they had plans in place to address equality, diversity, and inclusion to target the under-representation and negative experiences faced by some groups in their organisation. 59% of these had revised their equality, diversity and inclusion plans since March 2020.
132. The barriers that organisations reported in relation to their efforts to be more inclusive were limitation of financial resources (20%), limited staffing capacity (15%), lack of human resources skills, knowledge and capacity (12%), and lack of equality, diversity and inclusion knowledge or skills (11%). This is not surprising given the context we have set out concerning the support which charities were able to access, and the fact that many organisations were financially insecure.
133. We cover the unintended gaps faced by specialist and by-and-for organisations in more detail in paragraphs 11-14, 55-60 and 214-215.
134. NCVO worked alongside others to develop tools which could enable charities to respond effectively to the renewed focus on equality, diversity and inclusion. We were involved in developing equitable funding principles to support funders to distribute in an inclusive way (exhibit SE/066 [INQ000146339]). These principles largely applied to grant funders but the Department for Digital, Culture, Media and Sport consulted internally on how and whether they could adopt these. We cover these principles in more detail in paragraphs 93-97.

## **PART D: Economic Support for the VCSE sector**

135. NCVO (along with other infrastructure bodies) welcomed the announcement of the £750m support package by the government. However, we also identified that this level of support was not sufficient to prevent charities who provided essential community services from closing.
136. Communications from government providing us with advance warning about the fund was not consistent. We received informal updates every few days (as did other CEOs of infrastructure bodies) that the government would not be announcing a package of support in the evening press conference, but this message was not delivered through formal channels; rather, colleagues at partner infrastructure organisations sought clarification from their own contacts and shared intelligence where relevant. Updates of this kind were shared regularly in the civil society infrastructure policy WhatsApp group (exhibit SE/051 [INQ000597626]); for example, on 3 April 2020 at 13:42:02 and 6 April 2020 at 12:24:31.
137. Exhibit SE/041 [INQ000597614], email correspondence from Stephen Doughty and Vicky Foxcroft MPs on 2 April 2020, implies that an announcement was then expected for the following week, as well as making clear our expectation that this funding would not be in the region of the income loss estimates we had provided to government.. Exhibit SE/081 [INQ000597660] (correspondence between our then Head of Policy and Lord Leigh) states that on 8 April 2020 we were expecting an announcement from the Chancellor that evening.
138. Beyond the existing and extensive submissions we had made to the Department for Digital, Culture, Media and Sport in previous weeks about the scale of the funding gap, the increase in demand for services, and the significant cashflow challenges charities were facing as a result, we were not asked to provide specific feedback on the shape of the £750m support package specifically before it was announced. Our sense from our influencing was that the package would fall far short of the level of financial support we knew the sector needed.
139. Our main concerns about the overall structure of this package were well-documented in our submissions to numerous Select Committee inquiries (see paragraph 90). We did not consider this package to be adequate to support the challenges the sector faced, or to be reflective of the unique need to support charities

given the support they were providing to communities. We felt the package displayed a lack of recognition of the scale of support needed to meet the demands of people and communities at this critical time, despite the fact that we had provided the Office for Civil Society and HM Treasury with numerous briefings and case studies demonstrating how serious the sector's economic position was. The eventual size and scope of the charity sector support package was significant in the context of historic government funding for the sector, but it did not address the level of predicted income loss which we had shared with government.

140. The quantum of funding offered fell below that provided for other sectors that were not facing the same demands. For example, £1.57bn was initially provided to the arts and culture sector via the Department for Digital, Culture, Media and Sport. This is not to deny that other sectors needed support, but that the specific role of charities in responding to the crisis (and in doing so, relieving pressure on the NHS) was not understood – again despite our concerted efforts to provide this information to government.

141. Aside from our concerns about the level of funding available, following the announcement of the £750m support package, we quickly shifted our influencing priorities to understanding how these funds would be disbursed and allocated. Our three core principles, which had been underpinning all our requests for funding since the start of the pandemic (exhibit SE/047 [INQ000597623]) and which were repeatedly communicated to the Department for Digital, Culture, Media and Sport throughout our engagement with them, continued to apply: that this should be done simply, substantially and swiftly.

142. A key element of this package was the Coronavirus Community Support Fund. This was a £200m fund to be distributed by the National Lottery Community Fund, directed primarily towards small and medium sized organisations. The fund's priorities were to support communities disproportionately impacted by the pandemic; organisations supporting vulnerable people, including those experiencing domestic abuse or financial hardship; and organisations connecting people to help with the pandemic response.

143. While these priorities do allow for organisations who were not directly responding to the pandemic (e.g. by directly supporting the NHS) but who were nonetheless delivering essential community services to apply for support, the scale of this funding

package made it extremely unlikely that these organisations could all be funded to meet rapidly increasing need. The scale of need at charities' doors as a direct result of Covid-19 was significant (beyond the frontline healthcare response) but the quantum of funding available through the Coronavirus Community Support Fund was never going to be sufficient to ensure these services could continue to be provided.

144. Many charities providing important services and activities were very unlikely to be successful in applying for this crisis funding given the low level of overall funding available and the need to address immediate pandemic response priorities. Organisations such as scout groups, village halls, and community spaces, for example, did not deliver frontline services supporting the pandemic response but still play a vital role in society. In addition to supporting wellbeing and connection, these organisations provide vital social infrastructure to support economic growth. Others provide essential public services, from criminal justice to employability support, that are not specific to pandemic response. These organisations are vital for community and economic recovery. This reflects an overall lack of planning ahead for increased support needs in communities after the Covid-19 pandemic, and the role of our sector in recovery. Organisations providing services which develop and maintain the social fabric and economic strength of communities would be more needed than ever post-pandemic, but any emergency support funds were not available to them, and by the time the immediate threats of the pandemic had largely passed such emergency funding was no longer available.

145. As a result, although the Coronavirus Community Support Fund did provide some charities with support to meet community needs which were arising and increasing as a result of the pandemic, it was not able to support all of the charities providing such services, which ultimately left some communities without the support they needed. The fund was simply too limited in scope to meet the scale of community need, and did not recognise that charities providing essential services outside of the emergency pandemic response required investment now, because they would come to be vital players in community recovery.

146. Furthermore, the Coronavirus Community Support Fund structure lacked the necessary flexibility to be distributed at pace due to additional bureaucracy and procedures implemented by the Department for Digital, Culture, Media and Sport, which appeared to be unique to charities and which hampered the speed with which funding could be disbursed. The Coronavirus Community Support Fund was designed

to fund pandemic response services, rather than support the survival of the sector. This meant that the application process asked for a significant information about the service to be provided and how the funds would be spent, alongside financial information. In contrast, businesses could quickly access a loan to maintain their cashflow. The decision-making process for the Coronavirus Community Support Fund was made more bureaucratic by the involvement of PwC (PricewaterhouseCoopers) to check the decisions made by the National Lottery Community Fund after the launch of the fund. This led to a pause in process and creation duplication, as the National Lottery Community Fund had already started assessing applications. We repeatedly advised government that the funds should be available swiftly and flexibly, but additional processes prevented the funding from reaching communities as quickly as possible. We believe that if the government had responded to our suggestions on how the funding should be distributed, charities would have been able to help more people sooner.

147. Additional funding for businesses was available almost immediately, with scrutiny and bureaucracy rightly significantly reduced to ensure swift support was accessible. Charities did not benefit from this approach within the structure of the £750m support fund, which was especially disappointing given that charities are already regulated by the Charity Commission where significant transparency is required. Instead, the Department for Digital, Culture, Media and Sport contracted PwC to review awards proposed by the National Lottery Community Fund, adding another stage to an already lengthy process. The National Lottery Community Fund is an organisation that has been established over many years to distribute grant funding. It is the largest grant funder in the UK, and has long-standing expertise in distributing large sums of money, yet the government introduced additional processes to oversee the grant making process.

148. Concerns about this approach were raised to the Department for Digital, Culture, Media and Sport by various sector leaders (exhibit SE/082 [INQ000606553]), and we recall that this issue was raised in our meetings with officials at the Department for Digital, Culture, Media and Sport. Eventually, this led to a shift in policy so that PwC only reviewed grants of £10,000 or more, despite National Lottery Community Fund's experience of making grants substantially greater than this. That only two applications were rejected by the PwC panel indicates with hindsight that this additional layer of scrutiny was not necessary, and again rooted in a lack of understanding within government about how the sector functions. The Public Accounts Committee inquiry

into Government Support for Charities (2021) provides further evidence on this matter.

149. Reflecting on the evidence available and the relationship between the sector and government at the time, we believe that government had concerns that they would be losing control of public funds if the National Lottery Community Fund were charged with distributing this money independently, and that PwC were brought on board to provide ministers with assurances that the applications were being robustly assessed. Although we understand that due diligence when distributing public funds is paramount, this decision ultimately reinforces our belief that government did not understand the sector sufficiently in terms of the levels of regulation charities are already subject to; the processes which the National Lottery Community Fund are experienced in utilising to distribute funding; or the essential work that charities were doing in communities. Businesses benefited from swifter funding which was not subjected to additional bureaucracy, and government never explained sufficiently why charities specifically needed to undergo additional vetting.

150. Regardless, our view is that the National Lottery Community Fund worked as best as they could in challenging circumstances to distribute these funds carefully. The frustrations concerning pace of disbursement across the sector are valid, but we understand that the National Lottery Community Fund faced a complex challenge when working with government on distributing this particular funding package. It was already widely felt the package was insufficient to meet the need, and the National Lottery Community Fund were not enabled to roll the funds out without significant involvement from government at various stages. The National Lottery Community Fund consulted with infrastructure bodies and kept us informed in the regular sector meetings which were taking place, in particular on how to reach parts of the sector traditionally not supported by trusts and foundations. There was a particular focus on historically underfunded organisations serving those disproportionately impacted by the pandemic.

151. Taking these concerns together, we think there were significant gaps in the effectiveness of the Coronavirus Community Support Fund, despite hard work from sector partners and the National Lottery Community Fund to distribute this funding. Charities waited months for funding streams to be announced and opened for applications. Whilst continuing to deliver vital services at a time of immense pressure, further burden was placed on charities as they were expected to meet specific criteria

and write lengthy applications (which is already something smaller and specialist organisations struggle to find capacity for). They faced intense competition for funds, with many charities rejected. This constituted further wasted time when time was of the essence to support communities through the pandemic. Ultimately, the Coronavirus Community Support Fund supported a small number of voluntary sector organisations to continue delivering services, but failed to address the widespread structural challenges faced by the sector on the whole.

152. The remainder of the £750m funding package included £360m to be distributed by a range of government departments and external agencies, targeting specific groups (£200m of which was for hospices). These funds were also beset by problems and inefficiencies which sadly meant that significant portions of the funding were simply not available to communities who were in dire need of support.

153. The National Audit Office carried out an investigation into government funding to charities during Covid-19 in 2021, which provides much of the detail concerning the delays in specific funding being released. For example, they found that by 19 February 2021, £0 of the Youth Support Fund had been awarded or disbursed. This was 6 weeks before the spend of the £750m fund overall had to be completed, with the Youth Support Fund only open for applications in January 2021.

154. Our view is that the structure and management of the £750m support fund meant the funds did not mitigate the financial uncertainty and loss the sector faced quickly enough to enable charities to contribute to the national response to the best of their potential. The structure and slow distribution of the package did not demonstrate understanding from government as to why the long-term sustainability of the charity sector was necessary, or how critical the sector was in supporting the country with the health, social and economic impacts of the pandemic.

155. Our campaigning alongside other infrastructure bodies on these issues continued. Following the announcement of the support package, the coalition of charity infrastructure bodies who had shaped the #EveryDayCounts campaign regrouped and formed new recommendations based on the concerns set out above. This strand of the collective campaigning work was titled #NeverMoreNeeded.

156. At the end of April 2020, the #NeverMoreNeeded coalition briefed MPs on the fact that none of the support package announced on the 8 April 2020 had been released

to charities (exhibit SE/083 [INQ000597661]). This briefing also reiterated our existing concerns about wider business support schemes for which charities were ineligible.

157. The Directory for Social Change survey evidence concerning uptake of these business support schemes by charities (exhibit SE/084 [INQ000597662], see paragraph 194) was raised in meetings with the Department for Digital, Culture, Media and Sport and the Office for Civil Society to continue demonstrating the case for change. This survey evidence was also provided in a letter to the Chancellor in May 2020 (exhibit SE/085 [INQ000597663]). Ultimately, no meaningful changes to the shape of the scheme were introduced, despite the worsening financial picture for the voluntary sector.

158. In light of the worsening financial picture for the sector, we continued to influence as part of the #NeverMoreNeeded coalition. In August 2020, ahead of the Comprehensive Spending Review, members of the Never More Needed campaign wrote to the Chancellor asking him to invest in civil society as critical to levelling up the country (exhibit SE/086 [INQ000597664]).

159. The submission set out how the work that charities and wider civil society do, for specific beneficiaries and across our communities, is at the heart of the government's post-Covid recovery agenda and contributes to inclusive economic growth. Civil society organisations play a critical part in addressing shared aims for developing the UK economy, enabling more equal economic growth, developing skills and combatting disadvantage, all crucial to 'levelling up'.

160. The economic proposals set out in this submission were designed to enable civil society to play its part in national recovery and renewal. Our asks set out the urgent need for investment in local authorities; our support for initiatives such as the UK Shared Prosperity Fund and the Community Wealth Fund; and the release of the National Fund to support charities at this critical time. Our asks focused on unlocking existing money which could be a lifeline to the sector, rather than seeking significant new levels of funding, given the obvious economic pressures on the country.

161. We did not receive a direct response from HM Treasury to this submission, although the issues within it continued to be discussed in meetings with the Department for Digital, Culture, Media and Sport and other government contacts by us and infrastructure colleagues. In November 2020 the #NeverMoreNeeded

campaign group wrote a briefing setting out how the announcements within the Comprehensive Spending Review aligned with our original requests (exhibit SE/087 [INQ000597665]).

162. In January 2021, ahead of the Spring Budget, members of the Civil Society Group #NeverMoreNeeded campaign wrote to the Chancellor with a comprehensive five point economic plan (exhibit SE/088 [INQ000597666]). In this plan, we asked specifically for a targeted scheme of support for the charity sector, including targeted support following the end of the Job Retention Scheme; introducing the Gift Aid Emergency Relief package (see exhibit SE/089 [INQ000597667] for FAQs on this scheme); releasing the Shared Prosperity Fund and dormant assets; and investing in local authorities to support public services. The letter specifically sought an Emergency Fund for the sector in response to research from Demos and New Philanthropy Capital (exhibit SE/090 [INQ000597668]) which demonstrated continued increased demand for services and the fact that many organisations had not to date been eligible for previous emergency support packages. Exhibit SE/091 [INQ000597669] provides a briefing explaining the Emergency Support Fund proposal in more detail.

163. Just ahead of the Spring Budget, the #NeverMoreNeeded campaign group coordinated a joint day of action, asking the sector to voice support for our asks using the hashtag #RightNow. We wrote to the Chancellor on 12 January 2021 reiterating our ask for an Emergency Support Fund (exhibit SE/092 [INQ000597670]). On the day of action itself (17 January 2021), we sent an open letter from the sector to the Prime Minister (exhibit SE/093 [INQ000597671]) with these requests.

164. Despite these concerted campaign efforts, we did not receive a direct response from the Chancellor or the Prime Minister to our correspondence, although again these asks were being discussed in meetings with the Department for Digital, Culture, Media and Sport and other government officials at the time. The sector also did not receive any substantial investment within the budget.

165. Overall, while the sector was immensely grateful for the support government funding packages did offer, that support was ultimately limited. Despite concerted collective campaigning efforts, we did not receive much engagement of note from HM Treasury about our asks, or about our ongoing concerns about the inappropriate nature of the business support packages for so many charities (which we cover in the

next section of this statement).

166. In times of emergency, financial support must be distributed quickly and transparently to ensure it reaches the intended beneficiaries in a timely manner. The support package of £750m for the voluntary sector was welcome, but its distribution was subject to repeated delays and a lack of transparency. Too many organisations providing essential community work were ineligible for support; the application processes were arduous, time-consuming and unnecessarily bureaucratic; and the speed with which funding became available was disappointing.

167. We were particularly concerned about a lack of transparency concerning how government departments were bidding for funds to distribute themselves. These concerns were echoed by the the Digital, Culture, Media and Sport select committee which highlighted the lack of transparency around the allocation of funding and the lack of eligibility criteria announced.

#### **Other Economic Support Schemes**

168. During the pandemic, many charities were able to benefit from a wide range of business support schemes which helped them to survive the pandemic. While many of these schemes were helpful, there were also significant limitations due to these schemes being insufficiently tailored to the voluntary sector. This led to many organisations being locked out of accessing this support.

169. NCVO welcomed the introduction of VAT payment delays and support for organisations to cover sick pay for employees unwell with Covid-19 symptoms. Many charities were providing frontline services leaving staff and volunteers vulnerable to contracting the virus, and so this intervention was welcome.

170. The sector did access a range of other economic support schemes, however they did so with limited success as these schemes were not designed with charities in mind. We set out our key concerns in the next section of this statement.

171. The Coronavirus Job Retention Scheme (furlough scheme) worked well for specific costs for some charities; for example, it enabled them to furlough shop workers, fundraisers, or administrative staff where services had been wound down or paused. The Respond, Recover, Reset barometer survey from October 2020 (exhibit

SE/009 [INQ000597585]) found that 39% of organisations had made use of the furlough scheme since April 2020. (For most charities with shops or trading arms, this does not represent a significant proportion of their fixed costs, however, so the impact of this measure was still somewhat limited.)

172. The main problem with the nature of the Coronavirus Job Retention Scheme was that it enabled employers to receive 80% of an employee's salary from the government, if the employee was sent home and stopped working. The majority of charities and voluntary organisations deliver services and offer support which cannot cease for three months in the way that a bar or cinema can cease operations.

173. As we have stated previously, charities were facing significant increases in demand for services as a result of Covid-19. While some charities could close temporarily, much of the sector needed to continue supporting people and communities as they had done before.

174. One specific barrier for charities trying to utilise the furlough scheme was that while charity employees could not volunteer their time back to the charity they were employed by, they could volunteer for another organisation. However, charities were providing specialist support (for example, domestic abuse services, mental health support, and health and social care). Volunteering time to another charity wasted the significant expertise of employees in areas where there was real community need.

a. There were also concerns that employees who also volunteered for their organisations (for example, taking part in fundraising activities) would need to cease this activity at a time when it was especially critical. Exhibit SE/094 [INQ000597672] sets out a number of case studies intended for provision to the Department for Digital, Culture, Media and Sport setting out this concern.

175. A solution which was raised by several politicians was to introduce a general exemption to furlough for charities, through which charity staff could volunteer their time back to the organisation they were employed by. This would have prevented the loss of key knowledge at a time when it was desperately needed to meet increased demand.

176. We repeatedly advised government of these concerns. On 20 March 2020 a briefing was sent to HM Treasury setting out our concerns and recommendations (exhibit SE/095 [INQ000597673]). We also reiterated in our evidence to the Digital,

Culture, Media and Sport Select Committee, both written and oral, that while we would prefer a stabilisation fund to be set up, a general exemption was worth exploring. We continued to flag these concerns in our responses to two Digital, Culture, Media and Sport Select Committee inquiries (see paragraph 90).

177. Our correspondence with officials at the Department for Digital, Culture, Media and Sport and the Office for Civil Society as part of our #EveryDayCounts and #NeverMoreNeeded collective campaign work continued to flag the problems with the Coronavirus Job Retention Scheme, as early as March and April 2020 (for example, exhibit SE/074 [INQ000597655]). The campaign coalition also wrote to the Chancellor on or around 20 May 2020 (see exhibit SE/085 [INQ000597663]; this draft letter for sign on may have changed slightly, but not substantively, before being sent).

178. Exhibit SE/096 [INQ000597674] also sets out email correspondence to our key contacts at Number 10 providing a briefing (exhibit SE/097 [INQ000597676]) from NCVO, the Charity Finance Group and the Charity Tax Group setting out the key amendments needed to business support schemes on 4 May 2020.

179. Later in the pandemic in November 2020, the Charity Finance Group launched and led a campaign supported by the #NeverMoreNeeded campaign group called 'Mobilise Not Mothball', specifically focused on securing changes to the Coronavirus Job Retention Scheme (exhibit SE/098 [INQ000606556]). A letter was sent from 31 infrastructure body CEOs seeking a job retention scheme which would enable charities to mobilise, rather than mothball services (exhibit SE/099 [INQ000597677]).

180. This letter was then opened up to the sector for wider sign-on and received wide-ranging support. By 23 November 2020, it had received 147 signatories from organisations across the sector and significant support from for-profit businesses who understood and supported the need for a scheme that was fit-for-purpose for charities as well as businesses (exhibit SE/100 [INQ000606555]).

181. Despite all of this influencing activity and significant support from across the sector, changes to the furlough scheme were never enacted. Many charities did make use of the scheme as far as possible, and although we do not have definitive data about the level of take-up within the charity sector and the overall impact the scheme had on saving charities' funds, we know that the scheme did help many charities stay open. However, charities were forced to make the decision to utilise the furlough

scheme for their financial sustainability, in the knowledge that this would limit their capacity to support communities. We are confident the sector could have done more to support the national response if our concerns about the scheme had been acted upon.

182. The Coronavirus Business Interruption Loan Scheme is another example of a scheme which was insufficiently tailored to the voluntary sector. As employers and service delivery organisations facing business interruption, charities should have been eligible without question to benefit from this measure.

183. However, one of the initial eligibility criteria for the Coronavirus Business Interruptions Loans Scheme was that eligible organisations must generate more than 50% of turnover from trading activity. Only a small fraction of charities generate a majority of their income through trading with the public. As we stated in paragraphs 33-34, the diverse income streams particular to the charity sector again meant they were excluded from this support.

184. The announcement on 3 April 2020 (exhibit SE/101 [INQ000593403]) that applications to the Coronavirus Business Interruption Loan Scheme would not be limited to businesses that have been refused a loan on commercial terms was welcome, as was the removal of the requirement for owners to guarantee loans with their own savings or property under the scheme. Similarly, at the end of April 2020 the requirement for organisations to receive at least 50% of their income from trading was waived for charities, which was welcome.

185. However, there were other reasons why loans are not appropriate for charities. Many charities' financial models preclude them from taking on additional debt, especially at such a precarious time. Saddling organisations that do not generate profit like private sector organisations with unsustainable debt risked hugely hampering their financial sustainability and ability to deliver public benefit when the country emerged from the Covid-19 emergency. This was especially concerning given that government would only cover interest payments and fees for the initial 12 months of the loan.

186. The Small Business Grant Fund is yet another example of a scheme which inadvertently sidelined charities. Small business grants of up to £10,000 would have been beneficial to many charities, particularly those that could not access the

Coronavirus Job Retention Scheme, Coronavirus Business Interruption Loan Scheme or those who were not eligible for funding through the government's £750m support package, at a time when a lack of liquidity was their primary concern alongside valid concerns about taking on further debt.

187. However, charities were not eligible for the Small Business Grant Fund because they receive charitable business rates relief, rather than small business or rural rates relief. Following calls from the sector, the government responded in part in May 2020 by announcing a £617m discretionary fund for small businesses – including charities – that previously fell outside the scope of the small business grant fund. The government set out national priorities for the types of organisations who should be given these funds first, leaving it to the discretion of local authorities to identify specific local need (exhibit SE/102 [INQ000597678]). However, while heard from some charities that were able to claim under the discretionary fund, anecdotal feedback from our members at the time told us that many of them missed out on support if they were not deemed a priority organisation in their local area. A lack of government data on take-up has made monitoring the reality of how this fund was awarded difficult.

188. Charities were eligible to make use of some other interventions, such as the deferral of payments of PAYE and National Insurance contributions, if they were encountering difficulties in making payments due to Covid-19. However, deferred payments incurred an interest rate of 2.6% from HM Revenue and Customs, creating additional financial challenges for organisations already struggling with cashflow. Anecdotal feedback from charities at the time suggested that neither the official guidance on the scheme, nor officials on the HM Revenue and Customs helpline, were stating clearly that interest was chargeable. This caused uncertainty and potential for unexpected charges to charities in the future.

189. NCVO worked specifically with government and other sector partners to assess whether we should act as an intermediary as part of the Kickstart Scheme, designed to provide employment opportunities to 16–24-year-olds at risk of long-term unemployment. While we knew there was appetite from within the sector for NCVO to act as an intermediary, we had ongoing questions about the structure of the scheme (including around safeguarding and the upfront financial risk we would need to take on) and we were primarily concerned about the capacity required within NCVO to take on this role. We submitted an expression of interest form to act as an intermediary to government on 16 September 2020 (exhibit SE/103 [INQ000597679]) and between

September and November 2020 continued to try to gather further information about the feasibility of taking this role on, including meeting with ministers (as shown in exhibit SE/104 [INQ000597680]). NCVO decided not to act as an intermediary to the scheme due to continuing concerns about capacity within the organisation to deliver this work.

190. Our capacity was a challenge across a range of issues, and we lacked the necessary resource to provide members with specific, individual guidance if they were ineligible for the business support schemes announced by government, or to investigate specific ways in which the private sector as a whole could support charities more effectively. However, we worked across all our teams to ensure our members were effectively signposted to support. For example:

- a. We worked with our Trusted Supplier Croner, a partner providing expert advice across HR, employment law, health and safety and other areas, to provide support on these issues via a helpline, dropping the member-only wall around this service to open it up to the wider sector. Exhibit SE/105 [INQ000597681] and exhibit SE/106 [INQ000597682] provide reports and email correspondence from 2020 and 2021 setting out how NCVO members and other organisations were utilising this service; for example, in 2020, 398 advice line calls were made in total, with the majority concerning HR issues.
- b. We provided accessible guidance and information on our website designed to help charities and our members navigate through the crisis (see paragraph 16 for further information on how our member services pivoted to support the sector).
- c. We provided information about how to find volunteering opportunities, and traffic to this webpage significantly increased (see paragraph 221).
- d. We also continued to influence government by communicating our concerns about the financial impact on charities (for example, in our response to the Business, Energy and Industrial Strategy Select Committee inquiry into post-pandemic economic growth in July 2020).

191. As details of financial support schemes emerged, and relatedly the issues concerning the eligibility of charities became more and more serious, NCVO continued to influence government on the unsuitability of many of these schemes. Our submission to the Treasury Select Committee inquiry on the economic impact of coronavirus in June 2020 clearly set out under the heading 'How the support measures can work better for charities' details our views on the key problems. We

also continued to raise these issues in our meetings with Department for Digital, Culture, Media and Sport officials and through #NeverMoreNeeded campaign materials.

192. NCVO did not carry out specific research covering uptake of these financial schemes, including covering regional disparity or data concerning the size of the organisations who benefited. However, collaborators and members of the Civil Society Group did carry out this work.

193. The Pro Bono Economics Charity Tracker Survey (exhibit SE/107 [INQ000606563]) found that few charities were making use of these schemes due to eligibility challenges. By October 2020, just 7% of the charities they surveyed had made use of Coronavirus Business Interruption Loan Scheme or the Bounce Back scheme, and among small charities, just 1% had applied.

194. The Directory for Social Change carried out a survey in May 2020 exploring how many charities were taking up these support schemes (exhibit SE/084 [INQ000597662]). This found that:

- a. Just over half of respondent charities received support under the government's Coronavirus Job Retention Scheme.
- b. The Coronavirus Business Interruption Loan Scheme was not seen as a relevant or viable option for the majority of charities; just 6% had applied for a loan, and only 2.3% had received one.
- c. Independent funders were stepping up to help charities.

195. These wide-ranging economic impacts led us to consider how many organisations were at risk of closure due to the pandemic. Infrastructure bodies felt that the full economic impacts of the pandemic could take some years to materialise, especially concerning long-term financial sustainability (see paragraph 18). To support our members to be ready for this eventuality, we did develop help and guidance on the practicalities of closing an organisation in July 2020 (exhibit SE/108 [INQ000606557]).

196. Government frequently looked for evidence of the number of charities closing as fundamental to the case for support. While we understand why this may have been viewed as an important issue, this is another example of ways in which the government did not fully understand the nature of the voluntary sector, impacting the relevance of the support packages offered. Exhibit SE/109 [INQ000597683] provides

an external research paper highlighting that determining the impact of the pandemic on charity registrations and closures is not yet supported by detailed evidence.

197. NCVO Almanac data from the 2023 edition does show us that during the first full year of the pandemic, there was an overall decrease of 1% in the total number of charities (exhibit SE/110 [INQ000606572]). Charity closures during the pandemic years were lower than predicted, though the number of newly registered charities fell below average in 2021. 5,623 charities were removed from the Charity Commission register in 2020 and a slightly lower figure of 4,281 charities in 2021.

198. Follow up research conducted by the Ubele Initiative into the impact of the Covid-19 pandemic on BAME-led organisations in December 2020 found that 10% of responding organisations had closed coming out of the lockdown period. 77% of organisations felt a high degree of uncertainty about the future (exhibit SE/030 [INQ000597601]).

199. During the pandemic period we did not provide an estimate of how many charities would close because of our belief that the long-term impacts would not show up for some time. The cumulative impacts of years of austerity, the Covid-19 pandemic, and the subsequent increases in inflation and the cost of living crisis, all had a role to play in the continuing challenges the voluntary sector faced.

200. This has been borne out in later research; in 2022, when inflation rose to 11%, the number of charity closures went up to 5,542 (exhibit SE/110 [INQ000606572]). The 'long tail' of Covid-19 has significantly impacted the sector, creating an environment of ongoing financial strain and rising costs attached to service delivery. Covid-19 emergency funding has not come close to addressing the long-term impacts on the voluntary sector, and while the support offered at the height of the crisis did go some way to mitigate immediate closures, the period since the pandemic may in many ways have been harder for charities to survive through. Emergency funding has largely ended and charities are having to deliver more work with lower income and increased expenses.

201. The cost of living crisis had a significant impact on communities and as such, demand for community services delivered by charities has continued to increase. Anecdotal feedback from members tells us that the challenges people are facing are becoming more complex and many people are seeking support for interlocking

disadvantage. Research demonstrates that marginalised communities are disproportionately impacted by the cost of living crisis, and it is therefore likely that specialist and 'by-and-for' organisations will have seen a disproportionate and continuing rise in demand for services to these communities who are most impacted. The underfunding of grants and contracts continues to affect charities of all sizes when delivering services, an issue we raised in a letter to the Chancellor in 2023 urging government to address this underfunding, which was leaving many charities at crisis point. Our asks in this letter were supported by 1407 organisations (exhibit SE/111 [INQ000606564]).

202. We maintain that focusing unduly on the risk of closure was not necessarily an effective measure of the overall impact of Covid-19 on the sector. Charities are much more likely to reduce their service delivery and costs as far as possible rather than to close outright. As organisations which are typically developed from voluntary roots, charities grow and evolve according to need and resources. With fewer resources they can provide fewer services, but they may still exist, even while people go without the support they need.

203. Furthermore, falling income does not always mean that charities will close, especially for small and macro charities. Our Almanac research shows a number of micro charities every year (those with annual income of below £10,000) who receive no income but do not close. Almanac data from the 2023 edition (covering 2020-21) showed that just over 15,000 organisations reported zero income; all of these organisations were micro and represent 9% of the sector overall (exhibit SE/112 [INQ000606571]).

204. Similarly, approximately 16,000 organisations reported having zero expenditure in 2020-21, almost all of which were micro-organisations. This accounted for 10% of all voluntary organisations. This demonstrates that many organisations were 'hibernating': not receiving income, but also not delivering services (exhibit SE/112 [INQ000606571]).

205. Overall, there is no single measure which a majority of charities utilised to respond to the increased financial pressures of Covid-19. This reflects the incredibly diverse makeup of the voluntary sector and the fact that voluntary organisations have always responded with agility to community need, adapting their models in response to

external impacts. While we have some information on the specific areas of interest you identify, our data alone does not tell the full picture.

206. The NCVO Almanac breaks down overall sector income data by region. It does not appear that there was significant regional disproportionality in terms of income losses when comparing data from 2019-20 and 2020-21. The East of England did see a drop of approximately two percentage points, from receiving 8.97% of total sector income in 2019-20, to 6.72% in 2020-21, and the East Midlands experienced a marginal reduction from 3.58% of overall income in 2019-20 to 3.44% in 2020-21. Other regions experienced marginal uplifts in the proportion of overall sector income they held (exhibit SE/022 [INQ000597598]).

207. As stated, some specific groups of organisations were impacted disproportionately by the pandemic in terms of income loss. Respond, Recover, Reset barometer data from July 2021 (exhibit SE/016 [INQ000597592]) indicates that BAME, LGBTQIA+ and women's organisations were severely impacted by the pandemic. In terms of total income, 40% of women's organisations reported a decrease in their total income compared to last financial year before Covid-19 (2019-2020).

208. We do not hold data on the number of charities that merged as a result of the pandemic, or the number of charities that intentionally downsized. Barometer data from May 2021 demonstrates that 70% of charity respondents discontinued some services as a result of the pandemic (exhibit SE/015 [INQ000597591]).

209. Barometer data from May 2021 also showed a mixed picture in terms of changes made to services across the sector during the pandemic, which reflects the fact that charities were delivering a range of support: some of which did not change at all, but some of which changed dramatically. 32% of respondents said that they had decreased their range of services; 21% said this had stayed the same; and 47% had increased their range of services. Unsurprisingly, 91% of respondents had increased the proportion of services delivered online (exhibit SE/015 [INQ000597591]).

210. NCVO worked consistently alongside other infrastructure bodies to make the case for change, but progress on charity eligibility for existing schemes was not made. Our influencing reached out to the public, the media and multiple government departments with limited success. While we fully understand the pressure the government was under, it is important to note that the lack of understanding demonstrated about the

sector must be addressed ahead of future crises. It was critical that government supported charities to keep delivering the unprecedented community support they were offering during this time of crisis. Unfortunately, this support was not forthcoming for many organisations across the sector and the voluntary sector was therefore not mobilised to its full potential in meeting need across the country.

### **Unintended gaps**

211. The financial support offered by the government had a number of unintended gaps which left the sector facing lasting uncertainty. Most of these have already been covered in the preceding sections of this statement.

212. Most significantly, almost every additional economic support measure introduced to support businesses included unintended gaps which excluded many charities from accessing support. We set out these concerns in our response to the section on Other Economic Support Schemes. As stated, the issues were related to lack of understanding within government concerning the way in which charities function, resulting in these schemes being unfit for the voluntary sector.

213. We consistently raised with government our concerns surrounding the gaps in economic schemes which excluded charities. Our engagement with government on financial support measures throughout the pandemic is covered in sections C and D of this statement.

214. We raised in paragraphs 11-14 that smaller, specialist charities working with marginalised communities were already financially less stable than the mainstream sector due to disproportionately reduced access to funding. Research from the pandemic consistently demonstrated that these specialist organisations were struggling across a range of outcomes more acutely. Further analysis conducted by researchers on the Respond, Recover, Reset project datasets to inform this witness statement (exhibit SE/113 [INQ000597685] and exhibit SE/114 [INQ000597686]) found that:

- a. Financial challenges were more evident among equality, diversity and inclusion focused organisations, particularly those led by marginalised communities (such as by-and-for organisations). In September 2020, 43% of these organisations reported deteriorating financial positions in the previous month, compared to 38% of non-equality, diversity and inclusion groups. For

equality, diversity and inclusion focused organisations, this disparity widened, with 47% experiencing financial decline versus 38% of others.

- b. This was also reflected in workforce data: 16% of equality, diversity and inclusion focused organisations reduced paid staff (3% higher than non-equality, diversity and inclusion groups at 13%), rising to 26% among Deaf and Disabled People's-led groups (13% higher than non-equality, diversity and inclusion groups at 13%).
- c. Exhibit SE/113 [INQ000597685] and exhibit SE/114 [INQ000597686] provide more detail on which organisations are included in this analysis.

215. While we did not gather quantitative data concerning how well the government support funds specifically supported under-resourced organisations (such as Deaf and Disabled People's Organisations, Black and Minority-led organisations, and other specialist 'by-and-for' organisations) we know from anecdotal feedback that much of the emergency funding they were able to access was provided by grant funders and foundations, or by commissioners changing existing practices, in the context of disproportionately lower government income for these organisations before the pandemic even began. Exhibit SE/113 [INQ000597685] also sets out the findings of some semi-structured interviews carried out in July 2021 as part of the Respond, Recover, Reset project which support this view.

### **Impact on Volunteering**

216. The impacts of the varying restrictions introduced during the Covid-19 pandemic on volunteering were wide-ranging. NCVO has carried out a range of research which provides a picture of how volunteering was impacted by the pandemic, which we outline below. An additional reference of interest may be 'Mobilising Voluntary Action in the UK', a collection of writings exploring the impact of volunteering during the Covid-19 pandemic (exhibit SE/115 [INQ000606570]).

217. The Covid-19 pandemic had some specific impacts on both formal and informal volunteering. A significant number of people volunteer which contributes a huge amount to the economy; NCVO Almanac data from the 2022 edition (exhibit SE/116 [INQ000606576]) estimated that 14.2m people volunteered formally in 2021-22. However, this research also finds that from 2019/20 to 2020/21, rates of formal volunteering in England dropped sharply both for at least once a month (from 23% to 17%) and at least yearly (from 37% to 30%), due to the Covid-19 pandemic.

218. In 2021/22, monthly formal volunteering was maintained at the same level (at 16%) but with a further decline in volunteering at least once a year (to 27%). Formal volunteering levels remained well below pre-pandemic levels in 2021/22 (exhibit SE/116 [INQ000606576]).
219. The Respond, Recover, Reset project (exhibit SE/008 [INQ000137495]) recorded that more organisations reported declining levels of volunteering each month than increased levels from September 2020 until April 2021.
220. In May 2021 the barometer focused specifically on changes to volunteering, finding that 24% of respondents said they had had an increase in volunteers since April 2020 (exhibit SE/015 [INQ000597591]). Many respondents said that demand for volunteer roles outstripped what the organisation had capacity to provide.
221. From our perspective, it certainly appeared that more people than before were seeking volunteering opportunities. In 2019-20 over 200,000 people visited our website (exhibit SE/117 [INQ000606559]) seeking volunteering information, a 25-fold increase on the same figure from 2018-19 (exhibit SE/118 [INQ000597687]).
222. On the other hand, not all organisations experienced this increased interest in volunteering. 36% of respondents to the May 2021 Respond, Recover, Reset barometer survey said that overall, they had seen a decline in the number of volunteers (exhibit SE/015 [INQ000597591]). This was attributed to many volunteer roles being challenging to convert into digital positions, and that many volunteers were shielding and unable to attend face-to-face volunteer roles.
223. We know that during Covid-19, there was a renewed sense among communities of the importance of connection and solidarity. This led to a proliferation of informal mutual aid volunteering opportunities which communities themselves shaped and managed, often without the involvement of charities. Our Almanac data from the 2022 edition shows a corresponding increase in regular informal volunteering (at least once a month), which increased from 28% in 2019/20 to 33% in 2020/21. However, in 2021/22, these figures dropped back to 26%, in line with pre-pandemic levels (exhibit SE/116 [INQ000606576]).
224. NCVO's Time Well Spent research programme tracks volunteering and analyses

trends. In 2022 we released a report setting out the impact of Covid-19 on volunteering, exploring volunteer motivations, reasons for stopping volunteering, and the impact of the pandemic on volunteer experience (exhibit SE/119 [INQ000146290]).

225. Volunteer motivations became very specifically related to the conditions of Covid-19. The primary driver for volunteers during the pandemic was a sense of duty to help respond to the crisis. Another prominent motivating emotion was guilt. Volunteers felt guilty for different things, including being furloughed from work while healthcare professionals were working harder; for not having a job; for contracting Covid-19 themselves and not being able to help. The level of mutual guilt demonstrates the extent of to which people have been affected by the pandemic. That many of the participants still held these feelings two years after the pandemic started indicates the lasting impact of these emotions.

226. Volunteering was secondarily seen as a positive opportunity for social interaction, which was a key motivator for volunteers during the pandemic. As lockdown made it increasingly more difficult to connect with others, digital volunteering offered an opportunity to meet with other people. Young volunteers particularly felt this as their schooling was delivered online.

227. Some existing volunteers also stopped volunteering due to concerns about their health, or changes in their life circumstances which made volunteering more difficult. Not everyone was able to fit volunteering into their daily lives without complication. Having to stop volunteering had a significant emotional impact on people, especially those who had volunteered for many years, again creating feelings of guilt.

228. While we know that much volunteering pivoted to be delivered online, we also know this impacted the volunteering experience. Time Well Spent (exhibit SE/119 [INQ000146290]) found that older volunteers in particular found digital volunteering challenging. Volunteers did not feel as connected to one another, and digital volunteering sometimes failed to alleviate the social disconnect people were feeling.

229. Another thematic Time Well Spent report in December 2020 focused on diversity of volunteering in the United Kingdom (exhibit SE/120 [INQ000606560]). Our original Time Well Spent research (exhibit SE/121 [INQ000606561]) found that in 2019/20, volunteers were more likely to be over 65, in a higher socio-economic group, retired

or working part time, women, and living in a rural area. Those who had never volunteered were more likely to be male, aged 25-54, living in urban areas, unemployed or not working, and from lower socio-economic groups.

230. Our research (exhibit SE/120 [INQ000606560]) found that diversity of volunteers and teams became more of a priority for some respondents as a result of global anti-racism movements. However, Covid-19 created an environment of competing priorities, and many of these were related to significant financial pressures associated with the demands the pandemic created.

231. Respondents to our Respond, Recover, Reset barometer stated that due to people being on furlough from their usual work, the diversity of volunteers approaching them increased (exhibit SE/016 [INQ000597592]).

232. While respondents noted that they were working to do more on diverse and inclusive volunteering, our Time Well Spent research found that respondents felt by late 2020 that despite having taken some action or thinking more about the issues, they still had a long way to go. We found a gap between intention and action, with many respondents noting that with reduced resources as a result of Covid-19, it was harder for some organisations to make diversity and inclusion a financial priority (exhibit SE/120 [INQ000606560]).

233. We know that the precarious financial position charities found themselves in contributed towards lower investment in innovative or new work. Our initial survey in March 2020 (exhibit SE/007 [INQ000597584]) found that 59% of charities had already cut back on implementing new plans, policies, initiatives or programmes of work.

234. The Covid-19 pandemic did offer an opportunity for some organisations to reflect on their inclusion work, particularly around remote and flexible working, and embedding inclusive cultures at senior leadership level and within strategic planning. It was and remains very important that organisations are enabled to take this capacity-building work forward through funding structures, but many charities felt constrained by the need to respond to the continuing day-to-day pressure caused by the pandemic.

235. Enabling volunteering during the pandemic involved both opportunities and challenges for organisations in terms of their own capacity. For many charities, certain

types of volunteer resource would have saved them resource and time (for example, charities who benefited from volunteer bid-writers who brought in much-needed money from foundations).

236. Changing the way volunteering worked also incurred additional costs, and many charities were struggling to find funds for this. The accompanied requirements of the pandemic included investment in digital systems, new types of training, PPE and numerous other costs.

237. Managing volunteers also takes time. Allocating resources to support volunteer retention, recruitment and training was a difficult call for many organisations to take, when they risked having to close their doors altogether. While salary costs are not attached, volunteering requires careful management and so does not always function as a simple way to deliver low-cost services. It therefore does not necessarily follow that additional volunteer numbers took pressure off charities during the pandemic.

238. We do not believe it is necessarily the case that had the government invested more funds in volunteering provision, more charities would have been able to keep running. The true picture is much more complex and we would welcome the opportunity to work with government further, to deepen understanding about how volunteering plays its part within a thriving charity sector alongside well-resourced staffing models.

239. We worked closely with government to inform the development of volunteering schemes which we felt would be most effective in terms of avoiding duplication and drawing on existing volunteer resources within the sector, rather than reinventing the wheel. For example:

- a. Very early in the pandemic, in March 2020, we contacted the Department for Digital, Culture, Media and Sport clearly offering our support and insights on co-ordinating volunteer responses to Covid-19 (exhibit SE/122 [INQ000597688]).
- b. We set up a regular briefing meeting for volunteer managers from across the sector to share key updates on how volunteers were supporting the pandemic response.
- c. Exhibit SE/123 [INQ000597689] provides an internal email chain following a ministerial meeting on 19 March 2020, discussing whether particular kinds of volunteers would be considered as key workers (and therefore be eligible for

childcare and permitted to carry out volunteering duties) and the implications this would have for the definition of volunteering overall. This particularly focused on NHS/healthcare volunteers who would be key to the Covid-19 response, and providing a preliminary list of such roles to NHS England.

- d. We also mobilised our contacts on 15 March 2020 to start developing a collaborative response and to share information on volunteering developments effectively (exhibit SE/124 [INQ000597690]) by bringing together sector and NHS contacts in initial discussions. Throughout the pandemic we continued to sit on a variety of collaborative groups to inform volunteer engagement. This included the Volunteer Task and Finish Group, a group of senior sector leaders meeting twice a week to work together on volunteer mobilisation (exhibit SE/125 [INQ000597691]).
- e. We provided government with information as requested; for example, exhibit SE/126 [INQ000597692] and exhibit SE/127 [INQ000597694] set out email correspondence with and data provided to the Department for Digital, Culture, Media and Sport on numbers of volunteers informally supporting people who were isolating.
- f. We had useful updates from the Office for Civil Society on developments in volunteering policy; exhibit SE/128 [INQ000597695] sets out an email summary from March 2020 concerning changes to existing policy.
- g. When initiatives such as volunteer passporting were proposed in 2021, we worked with Volunteering Matters to contact Number 10 special advisors and offer support (exhibit SE/129 [INQ000597696]). In response to requests for a clear briefing we provided exhibit SE/130 [INQ000597698] on 26 January 2021.

## **PART E: Lessons Learned and Reflections**

240. NCVO has not carried out any formal lessons learned exercises internally about the pandemic as a whole organisation. However, a number of smaller pieces of evidence may be of relevance here in terms of how learning was shared across the organisation during and following the pandemic.

- a. Exhibit SE/131 [INQ000597699] provides an evaluation of the 14 webinars which we ran during 2020 to support our members with the impact of the pandemic, learnings from which were embedded in our ongoing approach to running online support events for members.
- b. Exhibits SE/132 [INQ000597701], SE/133 [INQ000597702], SE/134

[INQ000597703], SE/135 [INQ000597704], SE/136 [INQ000597705], SE/137 [INQ000597706] and SE/138 [INQ000597707] provide summaries of the chat discussion during our Tortoise ThinkIns, which were attended by 484 members. These online sessions covered a range of topics in relation to the impacts of Covid-19 on charities, and the lessons learnt across the sector. Topics included the future of fundraising; building organisational resilience; how large and small charities could prepare for a 'new normal' using the lessons learned from the pandemic; collaborating more effectively; and what the future of the sector could look like. These sessions helped inform NCVO's understanding of what our members had learned from the pandemic, how they were approaching the future, and how this should inform our work. For example, exhibit SE/138 [INQ000597707] sets out that our members wanted us to be more assertive and positive in articulating the value of the sector in the future.

241. During the pandemic period, our regular reports to our board highlighted some key areas where we were learning as Covid-19 unfolded. We had our own internal and organisational learnings about our digital processes, finance systems, staff support and wellbeing and other areas which we communicated to our trustees. We have taken these learnings forward to ensure improved readiness within NCVO for future crises, in particular maintaining and improving remote working policy and practice. We also share specific learning with relevance to the Inquiry that our relationship with government needed strengthening as a result of issues surfaced during the pandemic, which we have also focused on in recent years. Exhibit SE/139 [INQ000597708] (in particular section 7) and exhibit SE/140 [INQ000597709] provide examples of the information we were communicating to our trustees as we identified lessons learned. Further papers concerning NCVO's internal financial sustainability and restructure can be provided to the Inquiry if required.

242. Exhibit SE/141 [INQ000597710] provides a Covid-19 risk register/heat map which we provided to our board of trustees in April 2020. This map indicates our awareness that the impact of the pandemic on the sector would be incredibly severe and that we felt many of these risks were very likely to be borne out. In particular, we identified early that risk E3 (that a significant portion of the sector would be unlikely to deliver core services) was 'almost certain' and 'serious', demonstrating the strength of feeling from our members at the time that they were at existential risk.

243. Additionally, risk E7 is worth noting, where we identified that a worsened relationship with government and limited ability to influence was 'probable' and 'very serious'. We were acutely aware that balancing the need to welcome government support packages in order to maintain positive working relationships was in tension with the fact that our members' needs had been left unmet, and considering how we should mitigate these risks from the earliest stages of the pandemic.

244. On the lessons learned around economic support packages specifically, our response to the Business, Energy and Industrial Strategy Select Committee inquiry into post-pandemic economic growth sets out a range of key lessons learnt relating to the government's financial support packages for charities. The substance of this submission included:

- a. The government's one-size-fits-all approach to business support schemes left some organisations and sectors unduly impacted by the economic fallout of the pandemic. Lessons must be learnt from the design features of many of these schemes which inadvertently restricted the ability of charities to access the financial support they desperately needed.
- b. To ensure that policy responses to future economic crises (including future pandemics) support all communities, support schemes should be more tailored to the needs of specific sectors. This should include recognising the unique characteristics of charities which differentiate them from their private sector counterparts.
- c. Furthermore, greater transparency around emergency funding decisions and allocation should be an absolute priority. In times of emergency, financial support must be distributed quickly and transparently to ensure it reaches the intended beneficiaries in a timely manner. However, the government's £750m emergency package for charities was allocated through disparate, time-consuming processes which unfairly placed pressures on charities that small businesses simply did not have to face.
- d. We view this as a particularly important lesson to be learnt. To the sector, it appeared that the essential role charities were playing in the national response to Covid-19 was being overlooked when government insisted on additional bureaucracy within the processes for these funds, despite consistent advice from NCVO and sector partners to reconsider.

245. The Covid-19 pandemic exposed the significant challenges relating to data about the voluntary sector. Real-time financial data about the sector is not available in

government statistics, and the categorisations used by the Charity Commission did not match the type of data which government needed.

246. Poor data continues to cause challenges post-pandemic; for example, in responding to the national energy crisis, government needed granular data which was not available in the way that data on the sector is collected and held. We could not establish, for example, how many charities were delivering services to people most impacted by the energy crisis; how many charities were delivering essential services out of buildings; or any method through which we could accurately model energy costs to charities. The government's response relied on using SIC codes (standard industrial classification of economic activities) which do not align well to charitable activity. While voluntary organisations were included in the initial Energy Bill Relief Scheme and a specific fund was set up to support organisations delivering 'cost of living' services, such as warm hubs, it was challenging to demonstrate the impact on a wider range of organisations delivering essential public services.

247. There is a lack of effectively categorised and regularly collected data by government, and data collection within the sector is fragmented. During the pandemic, numerous surveys, barometers and research programmes were conducted by infrastructure bodies to assess the impact the pandemic was having on the sector in real time, because this data was not already available and voluntary infrastructure bodies all have different membership bases. However, this work was not always joined-up, meaning that some surveys were duplicated and overall reach was impacted.

248. In addition, charities were collecting valuable data from the communities they worked with (as they did in peacetime) on the impact services were having on their lives. A very significant amount of data was collected during the Covid-19 pandemic, and is collected by the voluntary sector every day; however, the relationship with government to make this data easily shareable, applicable in different contexts, and useable by different stakeholders has not been invested in.

249. NCVO and other infrastructure bodies responded to numerous requests for data from the Department for Digital, Culture, Media and Sport in as timely a fashion as we could, but too often this data was not sufficient for government purposes and could not make the case for financial support effectively enough. Government's requests for information duplicated research which the sector had already carried out by asking for

data in different ways, and did not connect existing findings about the range of financial issues which have been impacting charities for decades (and which NCVO and sector partners had been influencing on for many years).

250. When we did provide detailed datasets (for example, data on organisations working in each local authority area on specific services, as detailed in paragraphs 88-89) categorisations did not match and the data needed significant reworking to meet government demands.

251. There is both a need to introduce new, more effective structures for capturing data and a need to build stronger, more trusting relationships between the sector and government so that information can be shared. Government must lead work ensuring that civil society is represented within national statistics, and leverage their capacity to convene and gather data sources from across government departments and industries. This is critical because of the way civil society's work cuts across different industries and sectors.

252. There should also be consideration of how data can be captured in an ongoing way, making use of the wealth of data within the sector (and which continues to be gathered) to understand ongoing pressure points and respond proactively, rather than needing brand new datasets once emergencies occur. A key lesson for government should be to assess the data they felt they needed during the pandemic, and work in partnership with the sector to manage how this can begin to be gathered routinely to improve future crisis readiness.

253. There have been some suggestions from within the sector about options to address the challenges with data. For example, Pro Bono Economics have recommended that a satellite account is formed so that government statistics can accurately demonstrate the contributions of civil society, having conducted a feasibility study for the Department for Digital, Culture, Media and Sport. Because of how data tables are currently structured, this information is currently invisible (exhibit SE/142 [INQ000606552]).

254. The Respond, Recover, Reset barometer survey was conducted on a monthly basis during Covid-19. Since then, it has continued to be run on a quarterly basis to capture up-to-date information on sector finances, workforce, services and volunteering. Engagement levels are high and the survey attracts between 600 and

1000 responses per wave, exceeding many business sector surveys in terms of response rates relative to sector size. More information about this work from the VCSE Observatory is provided in exhibit SE/143 [INQ000597711].

255. There is an opportunity for government to collaborate with infrastructure bodies to develop a stronger understanding of the state of the sector on an ongoing basis. Another resource of potential interest concerning the longstanding problems with charity sector data is 'Better data, bigger impact' from the Law Family Commission (exhibit SE/144 [INQ000597712]).
256. The lack of effective ways of working with data is closely linked to the lack of understanding from within government about the true breadth, depth and reach of the voluntary sector into communities. This was relevant during the pandemic because government had an opportunity to leverage these trusted channels of communication and mitigate disproportionate harm to communities. However, the poor understanding within government of what charities were doing meant that this opportunity was missed, and the sector was not meaningfully engaged in designing effective community responses.
257. During Covid-19, we spent much time explaining to government personnel the role that charities play in society and the importance of maintaining them to ensure communities can live healthy, happy lives with access to appropriate services for them. The shape and size of the sector, the key role it can play in any emergency response, and the distinct differences between charities and businesses (in particular the inherent social value which charities bring) should have already been known by government. The wide range of supporting evidence we have submitted alongside this statement demonstrate that there was a clear need to keep reiterating this.
258. We believe that if the government had understood the true scale of support charities provide in communities, and the role charities play in the economy beyond service delivery (such as being a major employer, or investing in social infrastructure like community centres), they may have been more likely to deliver a financial response package to the voluntary sector which was tailored towards them and matched need. They would also have been able to design business support with charities in mind and avoided the numerous unintended gaps which locked charities out of those schemes.

259. The Civil Society Group considered why the government understanding of the sector seemed to be so poor throughout the pandemic in meetings and discussions. During the pandemic, we worked hard to help government understand charities' role in the national response. Sector leaders also reflected that perhaps a stronger focus on improving government understanding of charities from infrastructure bodies over the decade preceding the pandemic could have laid stronger foundations within government in terms of their sector understanding.

260. We would like to work positively with government to improve the foundational understanding of the role charities play in society, and the intersections between department-specific work and the sector. Improved readiness for a future crisis will depend on stronger relationships with officials across Whitehall, within and beyond the now Department for Culture, Media and Sport, which can endure changes in ministerial oversight or government. Setting up agreed channels and forums through which the relationship between government and charities is deepened will help to shape a charity sector which is effectively resourced and financially resilient, and therefore enabled to adapt quickly to the rapidly changing conditions of crisis and mobilise to work with government as a trusted partner. Our work on the Civil Society Covenant is key to working towards these goals (see paragraph 267).

261. There are a number of clear lessons to be learned concerning the financial picture for the voluntary sector. Data from the panel survey conducted as part of the Respond, Recover, Reset barometer work (a survey of over 250 charities which tracked their position throughout the entire pandemic through detailed monthly interviews) which has been analysed to inform this witness statement explores the type of work which government funding and grant funding must invest more readily in (exhibit SE/145 [INQ000597713]). The panel survey analysis finds that organisations are more likely to be ready for Covid-19-like crises if they have had the opportunity pre-pandemic to invest in organisational capacity; if they have strong leadership; if they have long-term staff on permanent rather than short-term contracts; and if they have strong technological capability. For charities who were largely funded with short-term project grants or contracts, their overall organisational resilience was limited.

262. Government contracts ought to cover full cost recovery so that charities do not need to use their reserves to cover day-to-day delivery costs. These contracts need to be longer-term so that charities can plan their work and deliver innovation in

communities. A stronger commitment from all funding bodies to invest in core work rather than short-term project funds (which often limit or exclude salary costs) is critical. To be more resilient to a future crisis, government must invest in the long-term sustainability of the organisations who deliver vital public services, rather than maintaining constant cycles of funding uncertainty through current structures of funding to the sector.

263. Furthermore, government should consider how the innovative approaches which were funded throughout the pandemic (for example, much more flexible and partnership-style working with local authorities, or significant digital development and new ways of connecting) could be funded through follow-on investment to enable innovation to continue. Exhibit SE/138 [INQ000597707] provides some examples of the type of feedback we received from members sharing their concerns: that the collaboration which had been possible during the pandemic might not continue amid ongoing funding pressure; that the surge in volunteering would not be sustainable post-pandemic; or how they would maintain digital modes of working, for example. In preparing to be ready for future crises, we recommend government considers the very high likelihood that there will be positive developments that should be funded to improve and continue as charities support communities to recover, as well as the need for crisis support funding.

264. Finally, the most important lesson to be learned is that if the government invests meaningfully in the voluntary sector to become financially resilient, agile, and supported by strong shared data, charities are an invaluable resource for government to draw on during times of national crisis, as well as an independent source of community resilience and connection. The Covid-19 pandemic demonstrated this beyond doubt, but if decades of underinvestment and a lack of government understanding of the role charities play continues, the sector cannot be at it's most ready to step up when communities need them more.

265. NCVO, in partnership with the Civil Society Group, has influenced and continues to influence policy on a huge range of financial issues including procurement, public services, economic support for charities such as Gift Aid and VAT, banking for charities and a wide range of other issues.

266. We have recommended the creation of a formal process and forum to support communication between HM Treasury and the voluntary sector. In July 2025, it was

announced that HM Treasury would set up such a forum. Alongside this we recommend a specific unit within HM Treasury and a cross-Whitehall team to ensure consideration of the voluntary sector is embedded in policy-making.

267. In 2024 we recommended the creation of a new agreement to reset the relationship between civil society and government. Drawing on learning from the Compact, this agreement would support partnership working as well as an enabling environment to create a sustainable and independent civil society. In 2024 the government announced the intention to develop a Civil Society Covenant, and worked closely with NCVO and the Association of Chief Executives of Voluntary Organisations to conduct an engagement exercise with civil society organisations. The Civil Society Covenant was published in July 2025. For it to be successfully implemented, there must be senior support across government as well as departmental plans and reporting to understand whether progress has been made. It is essential the Covenant supports partnership working and the sector's freedom to campaign, as well as improve policy making that impacts the operating environment for civil society.

268. We have several recommendations to ensure the stability and sustainability of public service delivery. Lack of full cost recovery is a long-standing issue, exacerbated by cuts to local government and public service funding. Our research shows that some charities report their true costs never being fully covered by contracts (paragraphs 42-43). The majority of charities delivering commissioned services are using their reserves or voluntary income to deliver safely and effectively, with many stepping back from service delivery because it is no longer sustainable. Ensuring the stability of public service providers is important to ensure service providers are resilient in a future crisis.

269. Government should protect and ensure a supportive tax system for charities. We continue to influence on this issue and recommended in February 2025 in our submission to the spending review (exhibit SE/146 [INQ000597714]) that the government should invest in simplifying and streamlining Gift Aid processes, helping to unlock the Gift Aid that goes unclaimed each year and making the system easier to use for charities and the public.

270. Overall, we urge the Chair to consider our existing recommendations across the economic issues which impact charities. Our position is clear: the economic health of

the voluntary sector is imperative for a future national response to a pandemic, or any kind of economic and social shock, to be efficient and well-resourced.

**Statement of Truth**

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Personal Data

**Signed:**

**Dated:** 26/09/2025