

**Evidence to the Welsh Parliament Equality, Local Government and Communities Committee on behalf of The National Lottery Community Fund regarding the impact of the Covid 19 Pandemic on the Voluntary Sector in Wales**

**1. About the National Lottery Community Fund and our submission**

- 1.1 The National Lottery Community Fund is one of the 12 UK distributors of money raised through the National Lottery for good causes. We support people and communities to thrive and believe that people understand what's needed in their communities better than anyone else. Every time someone purchases a National Lottery ticket, they are helping people to take a lead to improve their lives and communities.
- 1.2 Our work is divided into five portfolios, covering funding across England, Northern Ireland, Wales and Scotland, as well as the UK as a whole. In Wales we have three regional teams covering South Wales & Central, North Wales, and Mid & West Wales. These teams allow us to be flexible and responsive in our support to customers. We have embedded our presence in communities and used our deeper understanding of local context to inform and improve decision making. We distribute approximately £35-£40m million annually to good causes in Wales, of which over 95% goes to the voluntary sector.
- 1.3 Whilst we are governed by a UK Board, which is responsible for setting our long-term strategy and key policies, in each of the devolved nations, strategy relating to funding themes and priorities is delegated to country committees, like our own [Wales Committee](#). This ensures that decisions about our funding in Wales are made in Wales.
- 1.4 As a funder of community-led activity across the UK, we have been at the forefront of supporting communities in Wales to respond to the challenges of the COVID-19 Pandemic. We feel that it is important for us to respond to the Equality, Local Government and Communities Committee's Scrutiny of COVID-19 and its impact on the voluntary sector to highlight the learning that we have gathered and to highlight our ongoing support for the voluntary sector.
- 1.5 We would welcome the opportunity to expand on our submission further at a future meeting of the Committee. If you wish to discuss its contents, or would like further information, please contact our Director, John Rose at [john.rose@tnlcommunityfund.org.uk](mailto:john.rose@tnlcommunityfund.org.uk).

## 2. The National Lottery Community Fund's response to the COVID-19 Pandemic

### 2.1 Our response to date

As one of the largest funders in the UK, and in Wales, we have moved quickly to support organisations and the communities that they serve.

2.2 Within the first three weeks of lockdown, we mobilised our funding to support the COVID-19 response. Our flagship funding programmes in Wales, [National Lottery Awards for All](#) & [People & Places](#), prioritised applications from organisations:

- supporting people who were at high risk from COVID-19
- supporting communities most likely to face increased demand and challenges as a direct result of measures to prevent the result of COVID-19
- connecting communities and supporting communities to work together to respond to COVID-19.

2.3 We also offered considerable support to our existing grant holders by allowing them to use their grants flexibly to address immediate needs resulting from the COVID-19 crisis. We proactively approached them to establish how they had been affected and to offer upward grant variations to meet costs associated with their emergency response, or financial support for those facing lost income or acute financial difficulties.

2.4 Our contribution to helping communities in Wales meet the challenges of COVID-19 has been significant, with over **660 awards** being made through either grant variations or new applications, amounting to nearly **£19 million** since April 2020. These awards have helped to tackle both the emergency and give provide a longer term funding beyond the immediate crisis.

2.5 Through our UK Funding Portfolio, we have also funded organisations to work with communities to consider how things are changing as a result of COVID-19 and to help them move towards recovery and renewal by planning for a better future. Our **Emerging Futures Fund** made 51 awards totalling **£2 million**, five of which were awarded in Wales:

- Disability Wales, *#UnlockedLives*, £23,500
- Ethnic Youth Support Team in partnership with ProMo Cymru & Race Alliance Wales, *We are Wales, stepping up during COVID-19*, £49,500
- Gentle Radical Ltd, *Doorstep Revolution*, £39,852
- Sub-Saharan Africa Panel, *Siku Za Mbele/Days Ahead*, £47,000
- WCVA, Better Future Wales, £45,791

2.6 To help us build our own comprehensive picture of the impact that COVID-19 is having across the UK, we have established our own **Scanning and Sensing Network** to enable colleagues to share what they are hearing and learning. By building up a picture in this way we are better able to identify

good practice, common challenges and possible solutions of the future. We are sharing this insight with our customers and stakeholders, as well as using it to inform our ongoing response to the Pandemic. While a short response such as this does not afford the opportunity to go into every issue in depth, we recommend [visiting the section of our website](#) where we have started to share and highlight some of this learning.

2.7 We currently have insight on the following, with more learning to follow:

- [Helplines & advice lines: practical learning for remote service delivery](#)
- [Domestic abuse](#)
- [Bereavement & end of life](#)
- [BAME Communities](#)
- [Money & Finances](#)
- [Loneliness](#)
- [Supporting Young People](#)
- [Food](#)
- [Community Infrastructure](#)
- [Networks and Peer Support](#)

2.8 Working with other Funders

Throughout the Pandemic, we have worked closely with other funders through the **Wales Funder's Forum (WFF)**. We strongly encouraged the sharing of data between funders and, using our administrative role within WFF, we successfully coordinated this information sharing to share knowledge and avoid duplication. As part of our ongoing commitment, we are funding research work focused on making the WFF more effective, more strategic and better placed to deliver the collective future response that will be required to meet the continuing challenges faced by the voluntary sector.

### **3. The challenges and changes facing the voluntary sector**

3.1 It is important to stress that the voluntary sector is incredibly diverse and varied, covering organisations of many different types and sizes. It has meant that the Pandemic has had impacted on them in varying degrees, particularly in terms of income. While many organisations have had to at least temporarily cease activities to a greater or lesser extent, those that rely on the delivery of those activities to sustain an income have been amongst the hardest hit. To this end, it is medium-sized and larger organisations that have borne the brunt, albeit in different ways. While smaller grassroots organisations may have experienced a hiatus, they tend to rely on modest income and the goodwill of volunteers and members rather than significant funding. The evidence that we offer below mainly reflects the impact of the Pandemic on medium and larger organisations.

- 3.2 During 'lockdown' we noticed that many organisations had to adapt quickly to maintain services and respond to the immediacy of the Pandemic. It is to their credit that they were able to do so in difficult circumstances and with reduced income, particularly those organisations delivering front line services. Paradoxically, organisations that are predominantly reliant on grant funding seem to have been better placed to weather the crisis as funders have worked at pace to top up existing grants and offer maximum flexibility to grant their holders.
- 3.3 Many have turned to digital technology for the first time to deliver services, although some do not have access to the necessary equipment. Even if this move towards digital has been driven by necessity rather than choice, this is likely to make its presence felt on a more permanent basis. However, it has its limitations as many organisations and individuals may still lack the skills to keep up with these developments, pushing them to the margins. Those operating in rural areas have had the added difficulty of poor broadband provision. While some will embrace the changes, others will need ongoing support to keep up and adapt.
- 3.4 Even for larger charities with effective fundraising operations, the drops in income brought about by the cancellation of mass participation events, for example, will be difficult to sustain. Organisations that operate trading arms as a source of revenue have also been particularly hit. A collapse in demand for services during lockdown, or a significantly reduced footfall impacting on retail, has seen income from commercial activity drop significantly.
- 3.5 The experience of the pandemic has also varied by the sector within which an organisation operates, as well as by its size. Environmental charities are amongst the hardest hit and are bracing themselves for long-term financial losses due to reduced membership, the closure of visitor attractions and decreased donations. This may impact on their ability to care for land, protect wildlife, and tackle climate change in the future.
- 3.6 Medium and large organisations are more likely to have reserves that they can utilise, but even this is not as straightforward as it may seem. Many reserves are often tied up as financial investments; with the volatility of the markets and an economy now in recession, cashing in those investments is likely to yield a poor return.
- 3.7 Ultimately, the COVID-19 Pandemic has served to make pre-existing long term and systemic challenges for the voluntary sector even more acute. It means that the existential challenges facing many organisations, at a time when they are expected to play a continuing role in supporting communities through the ongoing Pandemic and beyond, are considerable. Here we summarise the areas where our research has shown that voluntary organisations are struggling:

- **Fundraising and income generation** - the capacity and capability to diversify is still a huge area of concern, and funders like us must consider whether we have a responsibility to help our grantees to become stable and sustainable.
- **Financial management** - there is evidence in some organisations of a basic lack of understanding of budgeting, how to manage cash flow, and reporting effectively, as well as an absence of effective risk management processes. These skills are even more crucial at a time when organisations are facing unprecedented financial challenges exacerbated by the Pandemic.
- **Leadership & governance** - good leadership is important in creating organisational resilience, and in this context, it encompasses the role of trustees, senior management and staff. Deficiencies in experience, expertise and capacity have all have been further exposed by the Pandemic.
- **Business Planning** - there can seem to be low awareness of the importance of planning and a lack of capacity to do the necessary work it requires, especially the vital longer-term strategic planning needed to support communities and organisations to recover from COVID-19.
- **Monitoring, evaluation and use of evidence** - the voluntary sector is only just beginning to appreciate the importance of collecting high quality data as a means of managing performance, persuading boards, donors and other stakeholders of organisational effectiveness, and as a tool for understanding its own impact.
- **Adapting to change and alternative approaches** - the Pandemic has highlighted that some organisations need support to adapt and evolve to meet the changing needs of the communities that they serve, now and in the future. Some lack the capacity and knowledge to work in new ways and need to do more to learn from other organisations to join up understanding and help each other as these new issues emerge.

3.8 Without a strong and viable voluntary sector, communities across Wales will struggle to recover from the wide-ranging impact of the Pandemic, which is why Funders must step in to maximise the support that they can offer, both financially and ‘in-kind’.

### 3.9 The changing nature of Volunteering

The Pandemic has seen the emergence of a new willingness to volunteer within Wales. An unprecedented number of new volunteers have registered with [Volunteering Wales](#) to help their communities to get through the Pandemic, although the local co-ordination of this surge of volunteers across Wales has been mixed and variable. Our own research has suggested a mix of approaches comprising of:

- areas where the local authority is leading volunteer co-ordination
- areas where the county voluntary council (CVC) is leading volunteer co-ordination
- areas where there is much more of a partnership approach between the two
- a limited number of areas with poor volunteer coordination.

3.10 On the whole, both local authorities and CVCs have signposted volunteers to Volunteering Wales through their own websites. These established channels do not account for the informal volunteering that is now happening in communities ‘off the radar’. This is often coordinated by citizens through social media and has raised some safeguarding concerns. Informal volunteering like this is much more difficult to regulate. Formal volunteering routes are already experiencing a huge demand for DBS checks and safeguarding training as a result of their own volunteer surge. The fact is that this is how more and more people are now choosing to volunteer means the sector may need to adapt to respond.

3.11 Colleagues at WCVA and Building Communities Trust have pointed to a perceived growth in young people volunteering, particularly on the informal side of things. With the older, more traditional volunteer cohort finding themselves increasingly socially isolated and in need of the support themselves, younger people seem to be stepping in. Whether or not this new enthusiasm for volunteering can be harnessed and encouraged in the longer term remains to be seen, but the hallmark of the Pandemic in Wales has been the willingness of people to ‘do their bit’.

## **4. Supporting the voluntary sector and communities to recover**

4.1 While there has been a significant mobilisation of funds from Welsh Government and other funders to support the voluntary sector through the immediacy Pandemic, it is less clear as to what funding will be available to support it in the future. The loss of EU structural funding following Brexit is one such example. Voluntary organisations benefited significantly from this funding, and while the UK Government has announced plans for a UK Shared Prosperity Fund to replace them, it remains unclear as to how this funding will be distributed and spent in Wales. Our conversations have highlighted significant concern about future funding opportunities, particularly the possibility that government funding for the voluntary sector may be reduced as part of future savings to the public finances to cover the costs associated with the Pandemic.

- 4.2 For our part, and as long as income holds up, we will continue to make National Lottery Funding available to the voluntary sector and communities in Wales. Next year, we will conduct a comprehensive review of our Wales funding portfolio to inform future funding priorities. It will consider the impacts of COVID-19 alongside other significant developments like Brexit, as well as our ongoing commitments to tackling climate change and supporting equality, diversity & inclusion.
- 4.3 In the medium-term, we will continue to support communities and the voluntary sector to recover from the Pandemic, while also encouraging them to adapt for the longer-term. Therefore, we are introducing three new funding priorities in Wales:
- Support organisations to adapt or diversify their organisations and services to respond to new and future challenges
  - Support communities adversely affected by COVID-19
  - Support communities and organisations to become more resilient to enable them to respond better to future context.
- 4.4 These will apply across both our main grant programmes; **People & Places** and **National Lottery Awards for All**, with the latter being the main source of support for those seeking help with the short-term implications of the Pandemic. As well as providing grant funding for projects, we are also adapting our funding criteria to include direct support for organisations, proactively encouraging both future applicants and existing grant holders to take advantage of the opportunity to request additional financial support toward their organisational development. We will offer this alongside the advisory support that we have already put in place, like our online 'strengths checker' and third sector directory, equipping our staff with the skills that they need to provide more guidance and support on organisational resilience.
- 4.5 We believe that the Fund's reach, capacity and expertise right across Wales can help to ensure that organisations and communities have the support from us that they need to access National Lottery funding at this crucial time.
- 4.6 The legislation that governs us also permits us to use our grant making expertise to distribute funding on behalf of other organisations where those opportunities closely align with our own priorities. We have previously worked in partnership with both WEFO and The Welsh Government matching funding with our own and distributing these enhanced funding streams through our established programmes. Our extensive knowledge of the voluntary sector in Wales, and our close relationships with organisations at both the national and local levels, makes us ideally placed to provide this service on an "at cost" basis. As such, we are always open to opportunities to distribute other funds to the voluntary sector.