

A Realist Evaluation of the State of the **Manchester Voluntary, Community and Social Enterprise Sector 2021**





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The research team would like to thank the State of the Sector steering group for their support in developing the survey and tireless efforts to ensure that this survey reflected the work of the VCSE sector. We would also like to thank all of the VCSE organisations who participated in this survey and the focus groups.




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Foreword

This is a report about the past, but it has to start a conversation about the future.

2020, that paradoxical year in which so much happened and yet there was so much that didn't happen, made some things very clearly visible.

Some of these were positive: we saw Manchester's voluntary, community and social enterprise (VCSE) organisations respond amazingly to the COVID-19 crisis. They remade services so people could stay connected and supported during lockdown and worked to ensure nobody was left without access to food, shelter, care, wellbeing support, mental health support and creative activities and that there was still support around pre-existing matters which had nothing directly to do with COVID-19, such as work with survivors of sexual abuse and domestic violence. The VCSE sector was the first line of support for many people. Manchester's charities, community groups, faith organisations and social enterprises rose magnificently to the challenge and went above and beyond to help people get by: the biggest act of organised kindness in our city's history.

Every time we asked the public to step up and help as volunteers – to support community organising, or get involved in new forms of neighbourhood support, or assist with vaccinations and testing – we were overwhelmed by the response. Every single time. You can be so beautiful, Manchester.

There were also things which were not positive but are uncomfortable truths which we must face up to: the deeply rooted inequalities across our communities. The impacts of the pandemic and the lockdown measures were far more severe on people with the least than on those with the most, as in the 'revelation' (to some) that our welfare benefits system long ago slipped below what many people expect to be able to live on. The murder of George Floyd sparked a new international movement to address the systemic racism in our economy and our institutions (including, it must be said, our VCSE sector) and, as part of that, to think about how Britain tells the story of its colonial history. There is a long list, and at the top of all of it is the lives lost in cruel circumstances where even the grieving process had to be carefully limited and managed.

There is much to learn from. We caught a brief glimpse of a city without traffic, and some people – though not everyone – have been able to experiment with working from home. There is an opportunity to increase our shared understanding of the way the world is experienced by many people who are marginalised and how it could be better, more inclusive and more equitable.

The word I keep coming back to is 'ecosystem'. In recent decades, public awareness of the natural ecosystem has increased, and the demand for action on climate change has grown. In 2020, we saw our human support ecosystem tested like never before. Our public services responded to the challenges, but, without the extra lifting power of VCSE organisations, they would have been overwhelmed: VCSE organisations played their part in this ecosystem, many staying open during the pandemic, adapting to new services and ways of working and making limited use of the option to furlough so they could continue to meet the needs of local people. Our ecosystem was clearly seen to be working, and we saw how it works: we saw that collaboration unlocks a far wider range of potential and resources and, while a command and control approach is an important function in organising the response to an emergency, it is leadership, partnership and strong diverse relationships which have enabled that response to be put into practice.

This report shows you some of the local numbers behind this story, including the wealth of micro and small organisations grown in neighbourhoods across Manchester, rooted deeply in their community, be that a place or a community of identity. Their connections and knowledge have been essential in communicating with and supporting many local people during the crisis.

Following on from our reports in 2013 and 2017, there is one key finding in this new report which is troubling. Although the numbers of volunteers, the breadth of partnerships and the scale of the sector have all increased, one trend stands out: demand is going up and income is going down.

The sector is propping itself up by using its reserves and being as entrepreneurial as it can be, but its abilities to withstand shocks, to take risks and to invest for the future are all being diminished. The impact of the pandemic on fundraising and income generation is precisely the kind of crisis that VCSE organisations have less capacity to cope with.

Over the last year, part of Macc's work has been to capture the insights from the VCSE sector about their involvement in the community response and their thoughts for the future. Alongside this report, I would encourage you to read our series of 'No Going Back' reports: they are the voices of local VCSE leaders telling their own stories, which sit alongside the findings of this report.

So, the conversation for the future is how to strengthen and improve our human support ecosystem. This is not suggesting we need solely to talk about the existence of organisations which have a charity number. In reading this report, I would urge you to drop any notions of 'charity' as the mark of failure of other sectors. What is more visible than ever is that the VCSE sector is not simply a provider of altruistic services with donors on one side and 'beneficiaries' (I've never liked that term) on the other. Local VCSE sector organisations are community-led responses based around mutual support. Local VCSE organisations are the community organising itself to

take action: in the form of a charity, a community group, a social enterprise, a faith organisation's community work or a local mutual aid group. These are organisations that help people to help each other, who encourage people to voice their opinions, who create new organisations when they are needed, who create and maintain communities. During the crisis, many of the volunteers who came forward found that getting involved gave them a sense of purpose and activity when so many other things had to stop.

That is the ecosystem of mutual benefit which is created in communities, to which we have given the broad label 'VCSE sector'. We cannot afford to lose it... but again the trends seem to show that we are unable to afford to keep it. This is the conversation about the future that needs to be had within the VCSE sector and with the private and public sectors. Action is needed. This is not only a local problem, this is a national issue: Government needs to understand the role of local ecosystems, and that applies to the local public sector, as well as the VCSE sector. We have seen billions being spent nationally on initiatives but limited money being made available for local provision and investment. In the Afterword of this report, you will find recommendations from the VCSE sector infrastructure organisations across Greater Manchester, including Macc, about where that conversation needs to start.

I am very grateful to my VCSE infrastructure support colleagues from across Greater Manchester who have once again worked collaboratively to produce this report, alongside colleagues from the University of Salford: an even greater effort during these difficult times.

I would particularly like to thank all of the charities, social enterprises, voluntary organisations, faith groups and community groups who took the time – in the midst of the biggest crisis most of us will ever have experienced – to complete the survey and contribute to the discussions. However, that is as nothing to the effort they put in over the last year to ensure that people were connected, encouraged and supported.

Later this year, it will be 25 years since I started my first paid role in the VCSE sector. Even after all this time, and with first-hand knowledge of many of the organisations represented by the charts and statistics in this report, I am in awe of what they have achieved over the last year. It's an honour to share with you these findings about an amazing bunch of people and organisations across this city.

Mike Wild

Chief Executive

Macc



Executive Summary

The State of the VCSE Sector 2021 Survey included eight key sections, which encouraged respondents in each of the 10 Greater Manchester localities to describe their organisations, workforce, volunteers and impact, the work that the VCSE sector undertook in each of those localities and the impact of the global COVID-19 pandemic on their work and communities.

In total, the survey comprised 104 questions designed to capture accurate and representative data about the state of the VCSE sector. We sought to establish essential findings for each locality and also for Greater Manchester as a whole.



Headlines for

Manchester



3,871

voluntary organisations, community groups and social enterprises making a difference in Manchester



annual income
<10K

66%

are micro organisations



18%

of the sector identify as being a social enterprise

£



£496.9 million

total income of the sector (2019/2020)



85%

of organisations have at least one source of non-public sector funds, bringing significant value



50%

of the organisations have used their reserves in the past 12 months (53% due to COVID)



162,278

volunteers (including committee/board members), giving 480,901 hours each week valued at £242 million per annum (based on the real Living Wage £9.50 per hour)



90%

have had some direct dealings with other VCSE organisations, 87% with Manchester Council and 79% with private organisations

Realist Evaluation Approach

The web-based survey was distributed across Manchester and a total of 126 were returned during July-October 2020 which includes partial completions. The survey was undertaken as part of the wider survey across all 10 localities in Greater Manchester and forms part of the data set for the Greater Manchester State of the Sector report. The questionnaire was based upon that developed by Sheffield Hallam University for the 'Greater Manchester State of the Voluntary, Community and Social Enterprise Sector 2017' research undertaken in 2017 (Damm et al. 2017). The University of Salford's approach has been to build upon this work done by Sheffield, thereby enabling a comparison over time, but by employing a more realist methodology Salford has emphasised a qualitative analysis to describe the particular context within which agencies are working and, in doing so, help illuminate any prescriptive policy intervention.

The survey used an overarching realist evaluation methodology to understand the sector in three dimensions: Context, Mechanisms and Outcomes. This has facilitated rich descriptions of all aspects of the VCSE sector, including what activities take place (Mechanisms), what impacts these have on relationships, funding, communities and individuals (Outcomes) and the contextual factors, including scale and scope that underpin these mechanisms and outcomes (Context). We have triangulated data from focus groups across 15 organisations to ensure that the changing social, political and economic environment is presented. To capture the impact of COVID-19, we included specific questions in both the survey and the focus groups to fully understand the implications of the global health crisis for local organisations. This survey was undertaken during the COVID-19 global pandemic, which led to unprecedented changes in society, employment, education and healthcare systems. It is likely that many organisations who would typically respond to such surveys may not have been able to complete this due to adverse circumstances.

When reading this report, it is important to acknowledge two key points. First, the results reported are based on the survey responses received. Accordingly, it is possible that if a different sample of organisations had participated in the survey different results might have been obtained. It is estimated that the results reported within this report are within 8.6 percentage points of the true values.

Secondly, on a number of occasions the analysis in this report has followed the methodology provided by Sheffield Hallam in their previous research. As such, certain statistics presented here have been extrapolated from the survey responses to provide estimates of totals for all organisations. These include: total income; the number of organisations with at least one source of private sector income; the number of volunteers/committee and board members; the number of hours they contribute; the number of employees and full time equivalents; and the numbers of clients, users and beneficiaries of the sector.

In each case, a four-stage method was applied to calculate the overall totals:

- ▶ Stage one: calculate the Greater Manchester averages for each of the four size bands of organisations, namely, 'micro', 'small', 'medium' and 'large' (column A in Table 1 below)
- ▶ Stage two: estimate the number of organisations in each borough using the distribution provided by Sheffield Hallam (column B)
- ▶ Stage three: multiply the estimated number within each size band by the average income to give the total income for each size band (column C)
- ▶ Stage four: sum the income for each size band to give a sector-wide total (total in column C)

Table 1: Worked Example of Extrapolation (Total Income)

	Average income by size (A)	Estimated no. of organisations (B)	Total income (C)
Micro	£1,199.96	1,444	£1,733,087.70
Small	£35,588.15	341	£12,123,819.46
Medium	£221,123.89	192	£42,391,192.08
Large	£2,269,172.54	45	£102,875,939.08
Total			£159,124,038.31

As well as enabling comparisons, this method also helped quieten the statistical 'noise' caused by a number of large organisations that would, if this method had not been applied, have produced upwardly biased estimates. In other words, a small number of large organisations produce a high mean value, which is not representative of the sector, which is estimated to overwhelmingly consist of 'micro' organisations. So, not taking account of differences by size of organisation would have produced higher estimates for the sector. It has been assumed that estimated averages for Greater Manchester organisations are representative of organisations within Manchester. In the table above, for example, it is assumed that the average income for a small Greater Manchester organisation is representative of a small organisation in Manchester. Using the distribution of organisation size from Sheffield's research enables a better comparison across time.

The report is divided into five key sections, which describe the context, mechanisms and outcomes. Section 1 describes the context, which includes the definition of the VCSE sector, the context for the research, detailing the impact of COVID-19, and a focus on the VCSE sector's contribution to wellbeing. Section 2 describes the work of the VCSE sector, including the number of organisations, geography, organisational maturity, numbers of clients, interventions and income. Section 3 describes the partnership working, workforces, response to COVID-19, communities experiencing racial inequalities and the future. Section 4 describes the future of the VCSE sector in terms of the funding, partnerships and workforce developments needed to sustain the sector. Section 5 provides a call to action based on the report findings.



Section 1: Context

Definitions

This report is about the state of the voluntary and community sector in Manchester. The sector is also often referred to as the 'third sector' whilst the current government often refers to 'civil society'. In this report, we have used the same definition used in the previous State of the Sector report (Damm et al 2017). In this report we refer to and use the term 'voluntary, community and social enterprise sector (VCSE)' which embraces "voluntary organisations, community groups, the community work of faith groups, and those social enterprises and community interest companies where there is a wider accountability to the public via a board of trustees or membership and all profits will be reinvested in their social purpose".

Context for the Research

For over 20 years, the NCVO's Civil Society Almanac has monitored the overall health and shape of the VCSE sector. Over the past decade, it has recorded a consistent growth in the size of the UK's VCSE sector. By 2017/18, the sector had begun to recover from a significant contraction following the financial crash in 2008, with the largest ever workforce (909,088 employees) recorded in the 2020 report. (1)

The 2020 Almanac indicated that, despite a slight drop in the number of organisations, the sector's overall income had increased to its highest ever levels; however, the proportion of that made up by government funding [£15.7 billion in 2017/18] had decreased to its lowest share.(1) Despite ministers declaring austerity over in 2019, the amount of money being provided to local authorities and other major public services has continued to decline, with a drop of nearly £16 billion over the period between 2010 and 2020. As a result, the Local Government Association reported that local authority 'support for the voluntary sector has been reduced'. (2) The Almanac noted that even though the vast majority [81%] of organisations continued to be micro and small, the proportion of larger VCSE organisations [with an income of over £1 million per annum] continued to grow.



It is estimated that the VCSE sector as a whole contributed £18.2 billion to the UK economy, with Children and Young People 'the most common beneficiary group'. (3)

Sources and Further Reading

1. National Council of Voluntary Organisations (2020) The UK's Civil Society Almanac 2020. Data. Trends. Insights.
2. Local Government Association (2018) Local government funding: Moving the conversation on.
3. Maitland et al., The UK Civil Society Almanac 2020. What can the latest data tell us about charities' challenges now and the future? Presentation, 9 June 2020.

At Greater Manchester city-region level, this picture was reflected in two important documents published by the Greater Manchester VCSE Leadership Group in January 2020. The Leadership Group was set up as a 'coalition of the willing', seeking to promote the role and involvement of the VCSE sector and communities in Greater Manchester devolution. Members of the Leadership Group act as 'catalysts and connectors' on behalf of the sector and advocate at a strategic level for the role of the VCSE sector in all ten localities and across the city-region. 'A Greater Manchester VCSE Policy Position Paper' (1) and the 'Greater Manchester Voluntary, Community and Social Enterprise (VCSE) Commissioning Framework and Delivery Plan' (2) were written and published in January 2020 following significant engagement with the breadth of the VCSE sector in Greater Manchester.

The Position Paper noted the impact of the national political context at city-region level: that the VCSE sector was under growing pressure due to cuts in public funding since 2010. This was driven by both reduced investment and increasing demand from communities, leading to many VCSE organisations finding themselves in a cycle of responding to crises while struggling to survive. In 2019 it was estimated that local government spending in Greater Manchester had fallen by £582m. While the majority of this was not spending allocated to VCSE organisations, it has limited the capacity of councils to maintain existing funding and develop new areas of activity. It has also meant that the range of local government services has been under severe restrictions and so individuals and communities have been required to self-fund activities and services previously delivered directly by local authorities – or simply do without services that they would normally have accessed. In some cases this has undermined the attempts to implement early intervention and preventative approaches in order to reduce the costs of more acute services. These pressures, alongside the introduction of greater constraints on welfare benefits, have meant that existing VCSE organisations have had to significantly adapt their operating models, and new organisations have formed in order to address an increasing range of unmet needs.

The Position Paper recognised this challenge as one that was shared across the ecosystem of 'services for the public' (i.e. not only the 'public sector'). The Paper sets out a roadmap for how the VCSE sector would become more recognised and engaged as a partner in the delivery of services for the public, embedded within public service governance, consultation and commissioning as well as delivery. It envisioned an approach to the development of the VCSE sector which aligned with key strategic documents such as the Greater Manchester Strategy. The Position Paper sought to describe a VCSE Ecosystem Model paralleling the 'Unified Public Services' approach outlined in the Greater Manchester Model White Paper, which promoted integrated neighbourhood-based services.

This Policy Position Paper was accompanied by the GM VCSE Commissioning Framework and Delivery Plan, which set out a series of recommendations with the aim of placing the VCSE sector "as essential partners and providers within the commissioning process" [p. 6], alongside the Greater Manchester Combined Authority (GMCA), and the Greater Manchester Health and Social Care Partnership (GMHSCP), which manages the devolved health and social care budget for the city-region.

These papers built upon other strategies whose scope stretches across all 10 localities of Greater Manchester and that have significant impacts on VCSE organisations. These include the Greater Manchester VCSE Accord, a trilateral arrangement agreed in 2017 by the VCSE sector, the Mayor of Greater Manchester and the Greater Manchester Combined Authority.

Sources & references

1. Greater Manchester VCSE Leadership Group (2020) - Voluntary organisations, Community groups and Social Enterprises (VCSE) in Greater Manchester – the next 10 years. A Greater Manchester VCSE Policy Position Paper, published January 2020.
2. Greater Manchester VCSE Leadership Group (2020) - Greater Manchester Voluntary, Community and Social Enterprise (VCSE) Commissioning Framework and Delivery Plan, published January 2020.

Retrospective: Manchester 2017–19

The 2017 State of the Sector report estimated that a total of 3,394 VCSE organisations were based in the City of Manchester. This far exceeded the total for any other borough, being double the next highest estimate, for Stockport [1,689]. The proportion of organisations categorised as micro or small [an income of <£100,000 per annum] was the lowest in Greater Manchester, reflecting the much higher percentages of agencies classed as medium [£100,000–£1 million p.a.] or large [£1 million+ p.a.], which together represented 20% of the total. The sector employed 11,000 FTE paid staff, dwarfing the second highest estimate, which was 3,500 for Salford. Community Development, Health and Wellbeing, Education, Training and Research (including information, advice and guidance) and Economic Wellbeing represented the most common areas of focus.

Across the sector, expenditure had increased for 57 per cent of organisations, but only 47 per cent had seen their income increase. However, this was not equitably distributed, with income increasing for 'medium' and 'large' organisations but falling for those classed as 'micro' and 'small'. Over half of all organisations received some funding from Manchester City Council and one in ten from NHS Manchester Clinical Commissioning Group.

Perhaps unsurprisingly, given the relatively high number of returns, the analysis for Manchester contained much more extensive detail than the accounts for any of the other boroughs. Manchester also has a greater depth and diversity of demographic and other baseline statistical resources to provide a context to the activity of the City's VCSE sector. A number of these are highlighted in the 'Sources and References' section below.

The most recent 'State of the City' report detailed how, despite ongoing austerity measures, Manchester continued to see strong population growth, more jobs, higher wages and an economic performance outstripping the national average. Nonetheless, it noted that certain long-term challenges remained: for example, the number of residents aged 16–64 with no or low qualifications was high, particularly in the 50+ age group, while over a third of all residents worked in low-skill roles. Unsurprisingly, 'a large proportion of Manchester residents rely on in-work benefits to top up their income'.

For those not in work, long-term health issues continued to be a serious issue for the City. The State of the City report noted that the predominant causes of claims for sickness-related out-of-work benefits included behavioural issues, mental ill health, musculoskeletal conditions and substance misuse. Levels of homelessness, both street and statutory were increasing, as were levels of domestic violence. The introduction of Universal Credit was leading to in-work poverty 'becoming a major issue for Manchester'. (1)

The Manchester Family Poverty Strategy 2017–2022 indicated that over 35% of children in the city under 16 were living in poverty but predicted that this total would rise rapidly by 2020 due to the impact of welfare reform measures. (2) The Local Government Association Research Report [which compares a local authority with its geographical neighbours] for Manchester indicated that the City performed less well on childhood obesity and the percentage of 16/17-year-olds classed as NEETs, as well as the rates of care leavers in suitable accommodation, education and employment. The City recorded much higher levels of looked-after children, as well as more care leavers in unsuitable destinations, than its GM neighbours. Performance on housing indicators was mixed, with notably higher numbers of households in temporary accommodation and on the housing waiting list, but the City outperformed its neighbours on additional affordable homes built, new enterprises and road maintenance. (3)

The 2019 Income Deprivation Affecting Children Index (IDACI) ranked Manchester as the 7th most deprived local authority in the country. An LGA analysis of the 2019 Index of Deprivation presented a stark picture, ranking Manchester as the 6th most deprived local authority in the country, nine places worse than Rochdale (15th), twenty-eight

places lower than Bolton (34th) and one hundred and twenty-four lower than Stockport (130th). Nearly half of all LSOAs were among the 10 per cent most deprived in England. Within that overall performance, Manchester ranked 1st on the Crime domain, 5th for Health Deprivation and 8th for Income Deprivation; its best rank came in Education, Skills and Training Deprivation (67th). (4)

Public Health England's 'Fingertips' profile for the City assessed a range of health determinants, including behavioural risk factors, health protection and general inequalities. Although the trend was decreasing, it confirmed that the percentage of children in low-income families was still far in excess of those in local and national comparators. The under-75 mortality rate from all causes [and also specifically those from cardiovascular diseases and cancers] remained much higher than local and national values. Rates of new STI diagnoses and TB incidence were alarmingly high, and infant mortality remained a concern. The City performed better on road safety and the emergency hospital admission rate for intentional self-harm, as well as diagnosis rates for dementia. (5)

Employment and unemployment data for the period July 2019–June 2020 highlighted how levels of economic inactivity among the working age population were higher than the UK and North West England averages, while the out-of-work benefit claimant count was two percentage points higher. Nonetheless, Manchester performed well in terms of the proportion of the population qualified to NVQ Level 4 and above and recorded above-average levels of workers in the higher occupation bands [managers and other professionals, etc.]. (6)

However, by November 2020 the number of people claiming unemployment benefits across the Manchester parliamentary constituencies had effectively doubled in the previous twelve months, adding another 5% of the City's working age population to the claimant count. (7, 8) HMRC/DWP estimates for the child poverty rate before housing costs were 22% in Manchester Withington, 34% in Manchester Central and 40% in Manchester Gorton. (9)

Sources and References

1. [Manchester City Council, State of the City 2019.](#)
2. [Manchester City Council, Manchester Family Poverty Strategy 2017–2022.](#)
3. [Local Government Association, LGA Research Report. Headline Report for Manchester City Council.](#)
4. [Local Government Association, Indices of Deprivation 2019. Data for Manchester.](#)
5. [Public Health England \(2020\) Manchester Local Authority Health Profile 2019.](#)
6. [NOMIS, Labour Market Profile – Manchester. 17 December 2020.](#)

7. [HMRC/DWP, Claimant data by constituency: people claiming unemployment related benefits, November 2020.](#)
8. [ONS, CC01 – Claimant Count by unitary and local authority](#) (experimental statistics).
9. [Child poverty levels and rates by constituency, HMRC and DWP estimates.](#)

Further Reading

[Manchester Population Health Knowledge and Intelligence Team \(2018\).](#)

[Manchester Population Health Plan Compendium of Population Health Statistics.](#)

[Manchester City Council Joint Strategic Needs Assessment.](#)



Manchester: 2020

Wellbeing of Communities and Influence of the VCSE Sector

In 2010, the Marmot report argued that the ability of the third sector to reach out and work collaboratively across communities provides a unique opportunity to support networks, partnerships and the community infrastructure needed to support resilience. The work through the community infrastructure, predominantly based on unpaid and voluntary endeavour, highlights the major role that the third sector has in supporting communities. Moreover, in the later Marmot (2020) report, Greater Manchester was recognised as a city-region with one of the lowest life expectancies in England. However, the development of the Greater Manchester Health and Social Care Partnership in 2016 has led the strategic direction of the region. In doing so, the GMCA works with a devolved health and care system, using a place-based system to help tackle social determinants of ill-health and reduce inequalities. According to NHS England, the voluntary, community and social enterprise (VCSE) sector 'is an important partner for statutory health and social care agencies and plays a key role in improving health, well-being and care outcomes'. The Department of Health and Social Care have embedded the importance of the VCSE sector in a range of strategy documents to ensure that the work of the sector in improving health and wellbeing and reducing inequalities is promoted. During 2020, the work of the VCSE sector in promoting health and wellbeing was key in supporting communities and individuals. COVID-19 highlighted how the VCSE sector has been impacted and, significantly, the health and wellbeing impact on communities. In the North West, this is particularly relevant as mortality rates are higher than the national average, as are suicide rates. The Local Authority Health Profiles for Manchester suggest that outcomes for all key indicators, apart from suicide rates, are significantly worse than the average in England. In particular, the profile data suggests that mortality rates for under-75s are worsening.

Since the last State of the Sector Survey (2017), the VCSE Health and Wellbeing programme was launched (April 2017). This involved a partnership with the Department of Health and Social Care, NHS England and Public Health England to enable a collaborative approach to improving wellbeing and reduce inequalities through a programme of transformation which influences local level arrangements. Thus, the VCSE sector has an important role to play in the wider region, and the Manchester Locality Plan (2020) states that:



'[we] aim to make sure that many more people are cared for outside of hospital, closer to where they live, and receive services seven days a week. This will mean we increase the funding of GP services, community health and social care teams, and the voluntary sector.'

The VCSE sector has worked as part of the Greater Manchester Population Health Plan, to support a Person and Community Centred Approach (PCCA) which was designed to provide support for individuals to develop resilience, knowledge and confidence to manage their own wellbeing. The PCCA approach enabled people to become more active in their wellbeing and engaged with the VCSE sector to produce social and added value to deliver wider benefits to the community. Social prescribing is a key component of GM Person and Community-Centred Approaches, and the VCSE sector has had a huge part to play in embedding effective social prescribing arrangements into the GM health and social care system. Since 2015, the PCCA Team has been supporting the ten Localities of Greater Manchester to utilise community assets to 'take on, sustain and go further in adopting the core characteristics of person and community centred approaches'. Social Prescribing link workers often support beneficiaries by connecting them into local activity and provision tailored to them. It is also an approach that embeds capacity building elements to support the VCSE ecosystem through volunteering and voluntary action.

It is recognised that, during 2020, COVID-19 had a significant, often negative impact on the VCSE sector in terms of income generation, loss of staff through furlough and reduced functionality as a result of social distancing measures. The impact on the wellbeing of communities and individuals is significant which has subsequently influenced the State of the Sector survey. Findings from this 2020 survey, have therefore, taken into consideration this impact and qualitatively described the effect and VCSE response to the crisis.

Current Context: COVID-19

Coming in the existing context of increased pressures on services and activities, the COVID-19 pandemic emerged as the biggest threat to the VCSE sector across the UK. Much government and charitable funding has been directed towards priorities related to COVID-19 and away from other activities. The lockdowns and restrictions enacted to tackle the spread of the virus have not only meant many organisations have not been able to deliver services in the same way, but the wider economic stress has also significantly reduced the charitable donations and investments flowing to the sector. At the same time, there was a need for the sector to make rapid transformations and respond at a local level in order to support communities during the pandemic. Over the last 13 months, the sector has responded not only to health issues arising as a result of the pandemic but also to the new economic and social pressures arising from lockdown, such as an increase in domestic abuse and mental health conditions such as anxiety and depression. (It should be noted here that, unlike other parts of the country, Greater Manchester has been under the most restrictive measures almost constantly since the first lockdown started in March 2020.)

The surge in unemployment since the pandemic began may be one indication that the demand placed on the sector will rise even after the current roadmap to the lifting of restrictions ends. Between March and October 2020, the UK saw a rise of 1.4 million (112%) in the number of people claiming unemployment-related benefits. (4)

An increased demand for support around health and wellbeing issues, particularly anxiety-related problems, but also the long-term physical effects of the pandemic and the legacy of interrupted care and treatment, is evidenced by a number of early studies (5, 6), including one based on data from Salford. This is likely to mean that many more people will seek help from the VCSE sector.

The impact of the pandemic will have long-term effects on the sector. The boost to funding in key areas for the VCSE sector, such as adult social care, identified in the 2019 Spending Review, may be short-lived due to the huge financial pressures on government budgets. This is all the more important given that nationally over one third of the VCSE workforce are focused on the social work arena. (7)

A number of surveys have been undertaken since March 2020, which provide a range of headline data against which the VCSE sector in GM can be measured. An early report in March 2020 by the Institute of Fundraising and others (1), assessing the initial impact on the charity sector, estimated that charities would see their annual income fall by a third, even though demand was predicted to rise. Revised estimates from the survey in April and May (2) suggested total income would fall by a quarter (or £12.4 billion for the sector as a whole).

Headlines from the September COVID-19 Charity Tracker Survey (3) included:

- ▶ Nearly half of the participating charities indicated their financial prospects were worse than they had previously forecast. This disproportionately affected smaller charities, nearly two thirds of which revised their forecasts downwards, whereas only two fifths of larger organisations did.
- ▶ 25% of respondents had already made staff redundant, with more expecting to do so. Redundancies were concentrated in larger organisations. Overall, 43% of respondents were reducing posts.
- ▶ In the final quarter of 2020, should the pandemic worsen again and more restrictions be implemented, over half of organisations expected they would not be able to meet demand, due to either mounting calls on the service or their own reduced capacity. A greater proportion of small charities expected to be in this position.
- ▶ A third of all organisations surveyed had only 1–3 months of reserves. According to NCVO, 9% of organisations have either no cash reserves or not enough to last them a month.

A report by The Small Charities Coalition (4) suggested a third of respondents had funding for no more than 12 months and that, while one in 10 expected to make redundancies, a quarter planned to reduce staff hours in the near future. Only 37% were already set up for remote working, and many did not have the IT capabilities or resources to do so. The report also noted concerns that digital-only services could potentially exclude a range of clients for a variety of reasons, including digital poverty and exclusion.

Current Context: Brexit

It is acknowledged that Brexit has created huge challenges with regard to immigration, workforce and volunteers. The State of the Sector Survey was undertaken whilst Brexit negotiations were still under way, resulting in much economic uncertainty. In addition, the majority of VCSE organisations did not have access to free or affordable legal advice to help them plan for the impact of Brexit. Though we are yet to understand the full impact of our withdrawal from the EU, partnerships and resources may be negatively impacted for those charities who receive EU funding, resulting in a shortfall in funding. Coupled with the global pandemic, the pressure on VCSE organisations and the sector as a whole to continue supporting communities is heightened. This survey takes account of the political and economic climate and reports, where possible, on the impact on VCSE organisations within each locality.

Current Context: Black Lives Matter

A significant number of VCSE organisations are delivered within and by people from communities experiencing racial inequalities. In June 2020 the death of George Floyd at the hands of police in Minneapolis led to prominent global campaigns and protest and the resurgence of the Black Lives Matter movement. At the same time, many communities experiencing racial inequalities were struggling to cope with the impact of the first wave of COVID-19. In recognising the impact and severity of both COVID-19 and inequalities experienced by these communities in GM, the Greater Manchester VCSE Leadership Group published the following statement in June 2020:

All Black, Asian and minority ethnic (BAME) communities, and BAME-led organisations, are an integral part of the fabric that makes up Greater Manchester (GM)...The GM VCSE Leadership Group welcomes the GMCA proposal to establish a Race Equality Panel (3 June 2020). We also support a GM-specific review of the impact of COVID-19 on BAME communities. We pledge to play our part in ensuring this agenda moves from words to actions. [GM VCSE Leadership Group BAME Statement.](#)

In January 2021, GM=EqAI released a [language guidance toolkit](#) which recommended the disuse of BAME as a term. The language now used in the report includes 'Communities Experiencing Racial Inequalities' rather than 'BAME'. This change in language has been supported by the partners who commissioned this research. However, the survey was undertaken prior to the change in language, which has resulted in the inclusion of BAME as a terminology in relation to the raw data originating from the survey and the focus groups. Where possible, the language has been corrected in core statements in the reports, but direct quotes and raw data have retained the term 'BAME'.

To capture the impact of the current context on the VCSE sector, we included specific questions both in the survey and the focus groups to fully understand the implications of the COVID-19 crisis on local VCSE organisations. We then triangulated qualitative responses from the survey with data from the focus groups. We also held a Greater Manchester focus group specifically for people experiencing racial inequalities to discuss the work of VCSE organisations and the sector as a whole. This next section provides insight into the impact of COVID-19 and the Black Lives Matter on communities experiencing racial inequalities within the VCSE sector.

Findings: Impact of COVID-19, Brexit and Black Lives Matter

Our findings show that COVID-19 has brought much needed attention to the needs and experiences of communities experiencing racial inequalities. The pandemic has further entrenched existing inequalities, with issues such as poor mental health, domestic violence and food poverty being exacerbated in areas that were already experiencing deprivation and poverty. Moreover, it became clear from both the focus groups, and available Government data, that the rates of COVID-19 infections were higher in people from communities experiencing racial inequalities due to various reasons, including health inequalities and socio-economic factors.

We explored the impact of Black Lives Matter within the focus groups across the localities. In one of the focus groups, one of the participants stated that:



'Local authority organisations, public organisations want to talk and they want to get in the room'.

However, it was stressed that it is important that the problems are not only talked about, but also addressed. Participants in the focus groups agreed that more work needs to be done; but that it is a work in progress. One participant stated:



'A focus group is positive in terms of measuring and recording what's happening. But then it's also important to follow up and actually take some sort of action with those in power so that there can be a long-lasting change and move towards transformative social change within society'.

Another issue highlighted in the focus groups was the increase observed in hate crime since COVID-19 emerged. Police data indicated a 300 per cent increase in hate crime reports from British Chinese, East and South East Asians in the first quarter of 2020 compared to the same period in 2018 and 2019. Similarly, the Hate Crime Awareness programme has identified that a lot of the hate crime incidents are not reported, because many of the victims do not know how to report it or have previously had a poor or no response, thereby discouraging people from reporting further incidents. In our focus groups, one participant added that, in her locality, race crime has increased, too.

However, she also stated that when victims report it, there is no feedback to the victim; the victim does not feel valued.

There were significant issues relating to funding – particularly in communities experiencing racial inequalities. Much of the discussion focused on funding security and being able to continue delivering vital services to the community. Issues relating to funding insecurity from with the focus groups highlighted a number of examples, as follows:



'My biggest shout across to commissioners is: whilst there's all of this going on, actually in your contracting, in your grant programmes, how many BAME communities are in there? Actually what does the next six months, approach the end of this financial year and beyond mean?'



'Look funders, look central government, look local authorities, we are providing vital services to your constituents and to your residents and to your voters and to your taxpayers. What are we getting in return? Please, please don't forget us in your policies'



'When you look at the organisation in itself - like * mentioned - it's a massive struggle. Who supports us? But we're supporting hundreds and hundreds of people behind us, with little or no resources.'***



'But there needs to be more of a coordinated effort in terms of health, smaller, medium enterprises and smaller voluntary and not-for-profit organisations - and also other ones as well - come together and be able to bid for and tender for contracts from the government. It seems like a lot of black minority groups are often the ones who are not in those kind of streams because they may not have the financial background. Or they may not have the contract readiness ability or the staffing resources, so they can't actually apply for these type of contracts.'

Around the time of the focus groups, there was significant national discussion taking place regarding funding for communities experiencing inequalities. In April 2020, the campaign group Charity so White called on funders to centre communities experiencing racial inequalities in their COVID-19 response and commit to ring-fencing 20% of funds towards VCSE organisations working with these communities. Following this,

organisations such as Comic Relief, Lloyds Bank Foundation and the National Survivor User Network adjusted their funding portfolios to ring-fence allocations.

There were also suggestions from with the focus groups that the VCSE infrastructure organisations within Greater Manchester could provide more support and assistance around contract readiness; providing training so that organisations can apply for contracts and tenders. Although this comment may actually be symptomatic of bigger challenges faced by the sector including an increasing competitive environment linked to changes in public sector spending and commissioning approaches.

Brexit was also discussed. Although at the time of the focus groups there was still significant uncertainty regarding the Brexit deal and the practical implications on individuals and communities. This combined with the impacts of COVID-19 resulted in limited insight on the topic beyond the concerns surrounding refugees, migrants and asylum seekers from an Eastern European background post Brexit.

These findings suggest that there is a recognition that partnership working is integral to VCSE organisations to enable the sector to function effectively and maximise its impact. There is a need therefore, to ensure that commissioners offer flexible approaches that can support collaboration within VCSE organisations to ensure a sustainable, impactful VCSE sector.

Interestingly, these observations very much dovetail with the work of the GM VCSE Leadership Group and the recommendations of their VCSE Commissioning Framework and Delivery Plan, published in January 2020 (VCSE Commissioning Framework and Delivery Plan | www.gmcvo.org.uk).

Repurposing of VCSE Organisations in Response to COVID-19

We asked the State of the VCSE Sector 2020 Survey respondents to indicate if they had repurposed their services in response to COVID-19, and 41.1% of the respondents indicated that they had fully repurposed their services. A slightly smaller percentage (39.4%) indicated that they had not repurposed their services. Combined with the qualitative data, the responses of VCSE organisations in Manchester to COVID-19 were split, and whilst many organisations had repurposed, the qualitative data indicates that this was predominantly due to the loss of contracts and funding and increased demand. The triangulated findings demonstrate that the VCSE sector in Manchester was responsive to the crisis and was able to adapt (where needed) to ensure that communities and individuals were supported.

We asked participants in the qualitative focus groups about the challenges they were facing during the pandemic and how they had adapted their services. Participants described how they had initially developed digital methods to support people but later also recognised that, for many of the most vulnerable, digital support was either not enough or was inaccessible, as the following extracts illustrate:



'Six months ago, I would have been sceptical that we could organise a board meeting, or a training session, or a team meeting through Zoom. Now we are doing it as second nature. It forced us to make some real rapid learning, and that's been quite helpful for the organisation, and much of that we want to retain. We've gone through the pain, and we can see the gain, so we want to keep it where we can.'

and

'We feel our most vulnerable clients have lost out. There are lots of very vulnerable clients who need assistance to come forward, who need people to prompt them about their problems, who need to be reminded about what the advice was when they get home, who have confidence issues, have low-grade mental health issues that don't feel they can communicate to everyone. All of those clients have lost out by not being able to get face-to-face work, so we were really pleased that over the last month or two we've reintroduced face-to-face work in a limited fashion, in a COVID-secure fashion, but it's still people are back, so that's quite positive.'

As a result of COVID-19, the UK Government implemented the Coronavirus Job Retention Scheme, which enabled all employers (including VCSE organisations) who had paid employees on PAYE to furlough some workers. The Government provided financial support of up to 80% of an employee's salary with the stated purpose of trying to help reduce redundancies. The scheme was introduced in March 2020 and is due to complete at the end of September 2021. We therefore included a survey question that asked respondents to indicate the maximum percentage of employees furloughed at any one time.

Out of 126 organisations who responded:

- ▶ 78% reported that they did not furlough any employees.
- ▶ A smaller percentage (10%) of organisations reported that they had furloughed up to 30% of employees.
- ▶ A total of 4% of respondents had furloughed between 31% and 50% of employees.
- ▶ Only 2% of organisations had furloughed between 51% and 99% of employees. A total of 6% of organisations had furloughed 100% of employees at any one time.

We can therefore conclude that more than three quarters of VCSE employers in Manchester retained their workforce to support their beneficiaries at the height of the pandemic.



Section 2: Mechanisms and Processes

This section discusses the mechanisms and processes used to support the VCSE sector. The section will describe the work of the VCSE sector, the number and size of the organisations, the geography in which organisations operate, the number of clients and beneficiaries and the types and numbers of interventions provided. The final part of this section will provide a descriptive analysis of the sector's income and expenditure.

Estimated Strength of the Survey

The total number of survey responses for Manchester was 126. This response rate allows for an 8.6% margin of error based on a 95% confidence interval. This limits comparability with the previous State of the Sector report, and caution needs to be applied with the findings as, if the survey were repeated, it may yield different results.

What the Voluntary, Community and Social Enterprise Sector in Manchester Does

In estimating the total number of organisations in Manchester, we used the national Register of Charities in England and Wales. To estimate the total population of Manchester, we utilised the ONS estimates of population in England, Wales, Scotland and Northern Ireland (2019) data sets. To estimate the number of social enterprises, we used the Greater Manchester Social Enterprise Survey (2020).

- ▶ The estimated population of Manchester is 552,858
- ▶ According to the UK Register of Charities in England and Wales (in 2020), there are 772 registered charities in Manchester

It is estimated that there are 3.66 below-the-radar (BTR) organisations per 1,000 population (Mohan et al. 2010), which indicates that there are approximately 2,023 BTR organisations in Manchester. This represents an increase of 81 BTR organisations operating in Manchester since the last State of the Sector Survey in 2017. It is possible that these organisations are not represented in the total number of survey responses. According to the Greater Manchester Social Enterprise Survey (2020), there are 1,076 Social Enterprises operating in Manchester

A total of 126 organisations responded to the survey question about organisational size. A total of 38.9% of the organisations who responded to the survey in Manchester considered themselves to be a social enterprise, which represented 18% of the VCSE sector. Social enterprise has grown, both in charities and voluntary organisations undertaking trading activity (including public service delivery) and distinct social enterprise organisations. In their survey of 2019, Social Enterprise UK estimated that 42% of social enterprises were less than five years old, with the vast majority growing their income or covering costs. This creates a very dynamic environment and makes comparisons with previous years more challenging as the sector changes.

Combining the number of registered charities in Manchester (772) with the estimated number of BTR organisations (2,023) and the number of social enterprises (1,076), it is estimated that there are 3,871 organisations operating in Manchester. This figure is higher than the number reported in the 2017 report, which estimated that there were 3,394 organisations operating in the VCSE sector in Manchester.

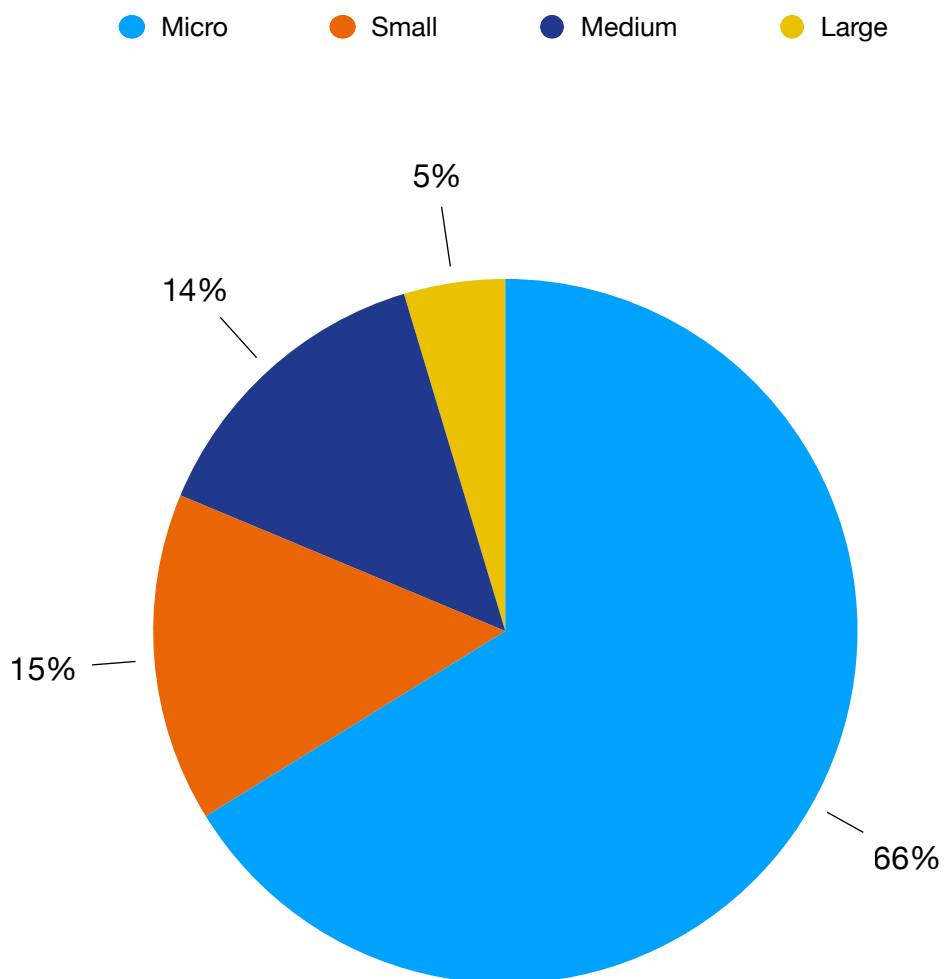
Size, Number and Types of VCSE Organisations in Manchester

We used the NCVO Almanac (2020) categories to calculate the size of the organisations. Classifications were based on the following criteria:

- ▶ Micro – less than £10,000 per annum
- ▶ Small – less than £100,000 per annum
- ▶ Medium – less than £1 million per annum
- ▶ Large – over £1 million but less than £10 million per annum

Our analysis indicates that a total of 2,562 organisations were classified as micro. This represents the majority of organisations and reflects the trend in the 2020 NCVO Almanac. A total of 585 organisations were classified as small, a further 544 organisations were classified as medium, and 180 were classified as large (see Figure 1).



Figure 1: Size of Organisations in Manchester

These figures are the same as those reported in the 2017 survey, which suggests that the organisational categories in the VCSE sector have not changed despite the increase in the number of organisations.

How the VCSE Sector Makes a Difference to People

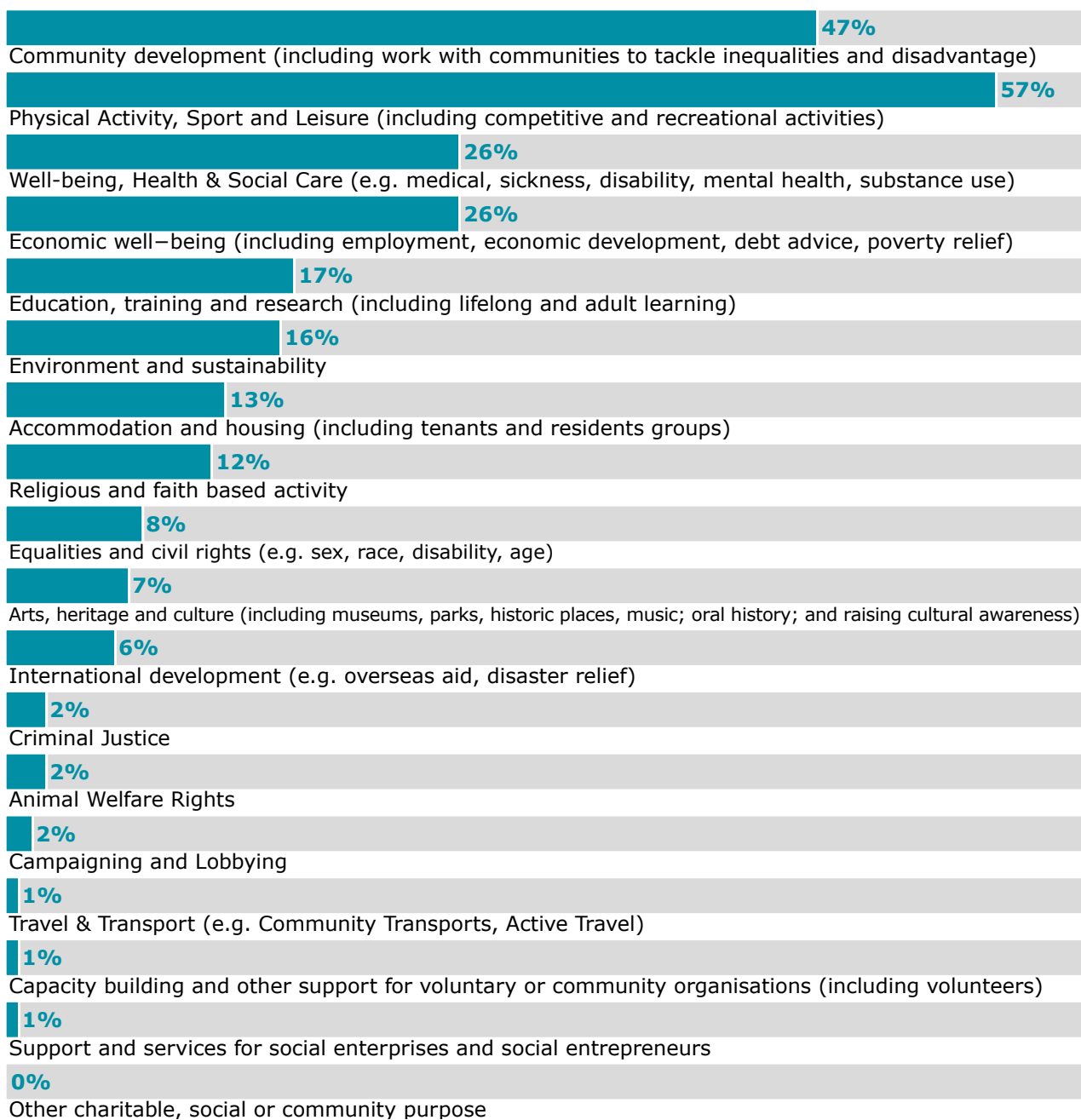
The VCSE sector in Manchester makes a difference to people's lives by helping to improve wellbeing; working with communities to develop resilience; supporting and encouraging physical activity; empowering individuals through education and training; and supporting sustainability through supporting employment opportunities and key skills development.

Through the survey, organisations were asked to identify their three main areas of work. The top three main areas of work identified by survey respondents in Manchester were:

- ▶ Physical Activity, Sport and Leisure (57%)
- ▶ Community Development (47%)
- ▶ Wellbeing, Health and Social Care (also 26%)

Whilst these findings are similar to those reported in 2017, the margin of error limits their comparability. The previous top four areas were Health and Wellbeing (44%), Community Development (49%), Education and Training (33%) and Economic Wellbeing (22%). Figure 2 illustrates the main areas of work.

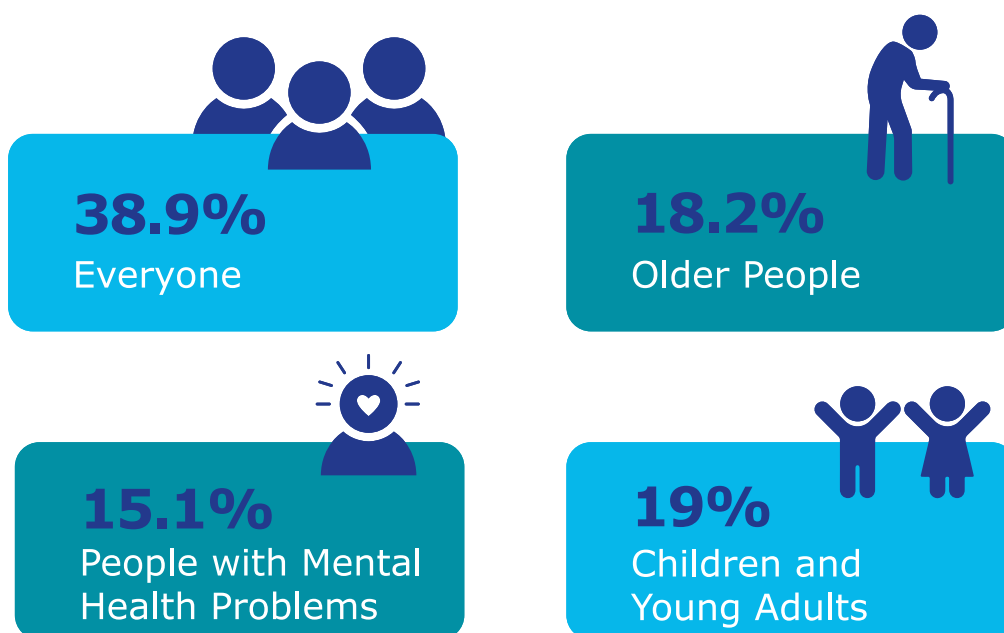
Figure 2: Main Areas of Work in the VCSE Sector



Main Clients/Users/Beneficiaries of VCSE Organisations in Manchester

Respondents were asked to select up to three main beneficiaries/clients that they worked with (Figure 3). For those who responded, the four most common client groups were: 'Everyone', 'Older People', 'People with Mental Health Problems' and 'Children and Young Adults'.

Figure 3: Main Clients/Users/Beneficiaries of the VCSE Sector



These figures are different from those reported in 2017, which indicated that the four main client groups were everyone (27%), children and young adults (26%), Communities Experiencing Racial Inequalities groups (16%) and people with mental health problems (14%). Whilst these findings are similar to those reported in 2017, the margin of error limits their comparability. The data suggests that organisations work with a diverse population, often with mixed groups providing flexible support for a range of people.

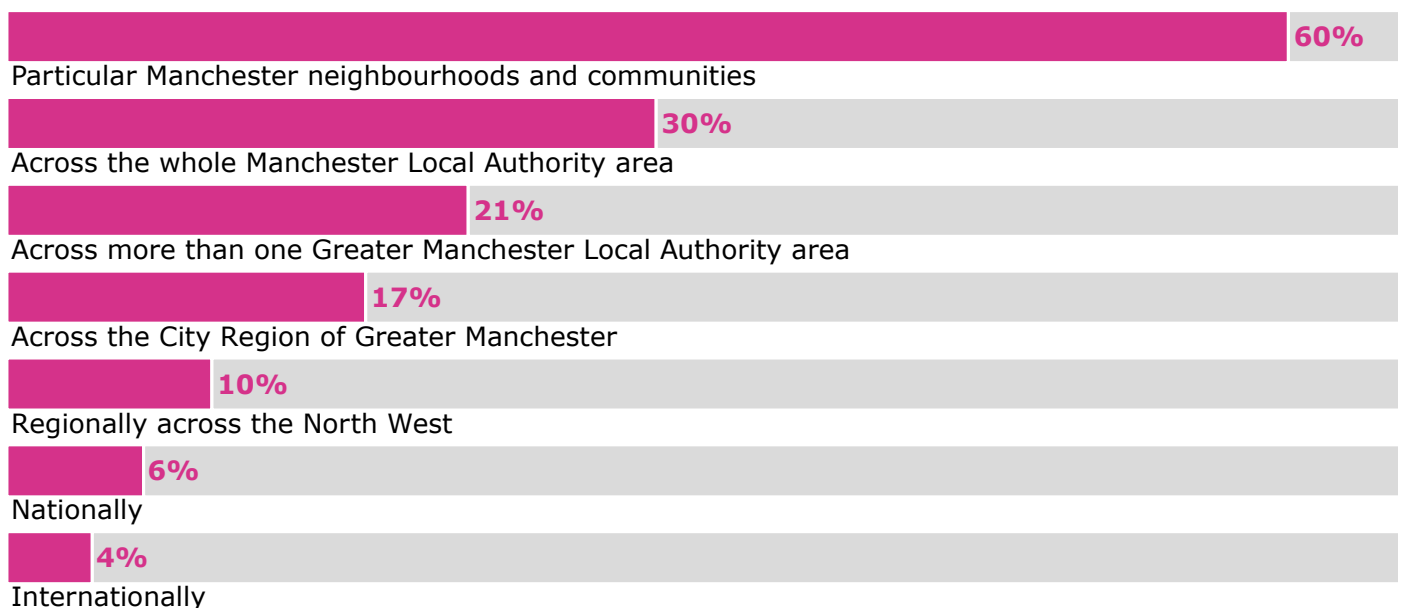
Geographical Area Within Which the VCSE Sector Operates in Manchester

Survey respondents were asked to indicate the main geographical areas in which they operate. The response options provided included particular neighbourhoods, local authority, across more than one GM local area, regionally, nationally and internationally. We asked respondents to select up to three main areas.

- Under half (30%) of the respondents reported that they worked across the whole of the Manchester local authority area, which indicates that the local area is the main focus for a large number of organisations.
- The majority of respondents (60%) indicated that they worked across particular Manchester neighbourhoods and communities.
- A total of 3.9% of respondents indicated that they worked internationally.

See Figure 4 for a full breakdown of these responses

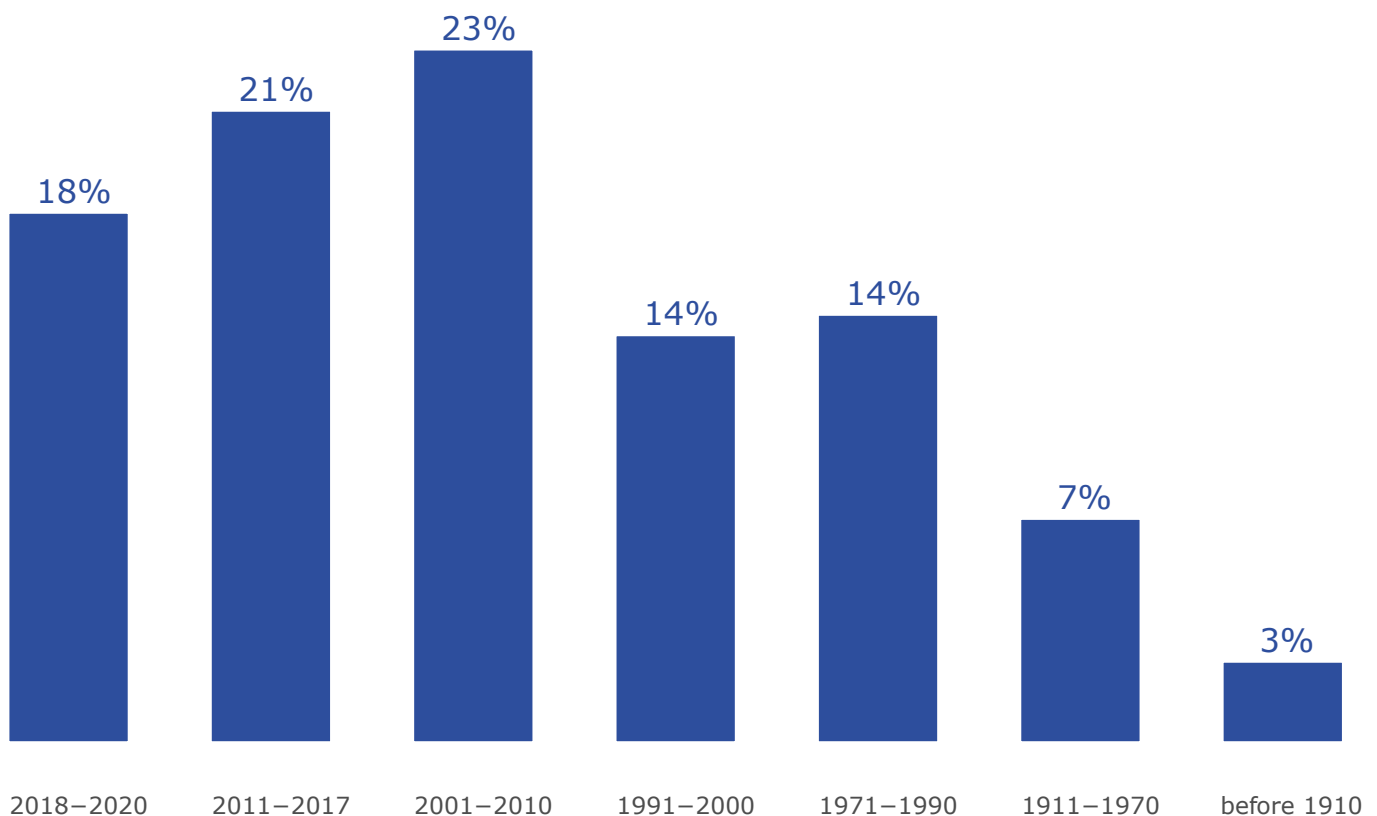
Figure 4: Main Geographical Areas of Work



Organisational Maturity

We asked respondents to indicate in which year their organisation was formed. This was to ascertain the level of organisational maturity as an indication of how established the VCSE sector is in Manchester. A large number of organisations (39%) were formed in Manchester post 2011, whereas 38% were formed prior to 2000; so, during the past 20 years, 62% of organisations were established. Similar developments were reflected in the 2017 survey, and caution should be taken with the interpretation of the estimates, as the survey by its nature only tracks the organisations that are currently operating in the City (see Figure 5). As a result, it does not monitor sector churn, e.g., those organisations that have closed or withdrawn from the City or may have merged with other organisations.

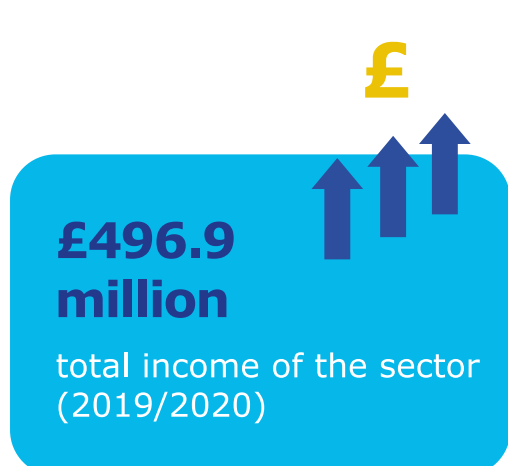
Figure 5: Organisational Maturity



Income and Expenditure

Similarly, to the 2017 report, this section describes organisations' reported income, expenditure and sustainability. However, since the last report in 2017 there have been a number of factors that have affected the level of funding VCSE organisations receive. This is not just in terms of growth or decline but in markets and funders shifting a focus for funding. The interaction between these factors creates a complex and dynamic environment, which creates challenges for the comparison of individual snapshots over time. We based our estimations on the average (mean) income of respondents to the survey across Greater Manchester and used the same assumptions that were used in the previous 2017 report to estimate the total number of organisations in Manchester.

We estimated that the total income for the Manchester VCSE sector in 2019/20 was £496.9 million.



The latest income figures (2016–20) have been estimated on the basis of the distribution by size of organisation and provide a robust estimate, as we were able to draw on the previous report from 2016/17. The breakdown of income by organisational size was not available for 2012/13, 2013/14 and 2014/15, and we are not able to show the estimated figures for 2015/16. So, to demonstrate the estimated trajectory of income over the past eight years, we have included the estimated totals from 2012/13 and 2013/14 and included income by organisational size for 2016 onwards.

The previous 2017 report showed some fluctuations in income between 2012 and 2015 and a steady increase in income in 2014/15. However, there was a significant decrease in income between 2014/15 and 2016/17 of £76 million. There was a recovery from 2017/18 to 2018/19 of £76 million, returning to the 2014/15 figure, but a decrease in income totalling £29 million has been reported for the 2019/20 financial year; however, the margin of error limits comparability. Please refer to table 2 for income representation in percentages.

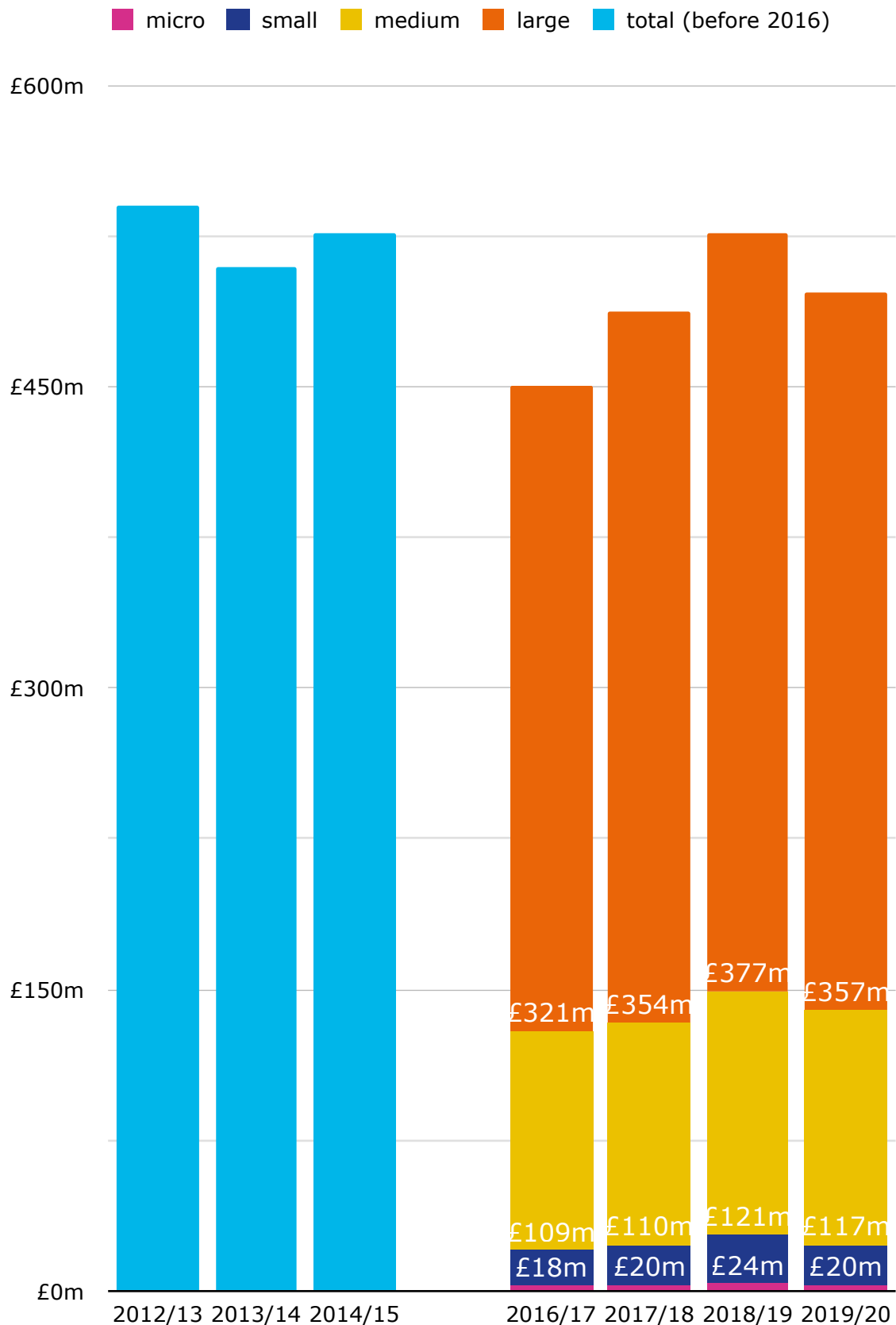
Table 2: Income Representation in Percentages

Manchester Income by Organisation Size

	2016/17	% change	2017/18	% change	2018/19	% change	2019/20
Micro	£2.4m	11%	£2.7m	26%	£3.4m	-13%	£2.9m
Small	£17.6m	15%	£20.3m	21%	£24.5m	-18%	£20.1m
Medium	£109.3m	1%	£110.2m	10%	£121m	-4%	£116.5m
Large	£320.9m	10%	£353.8m	7%	£377.1m	-5%	£357.3m
Total	£450.2m	8%	£486.9m	8%	£526m	-6%	£496.9m

The figures in Table 3 present an analysis of income data from survey respondents across Greater Manchester, and variations were also observed by organisation size. The data demonstrates yearly changes and an estimated percentage reduction in income across the different sized organisations. The downward variation represents a trend across the organisations and sizes.

Table 3: Income 2012–20



The current financial picture reflects some aspects of national research such as the NCVO Almanac (Hornung et al 2020), in that, whilst larger organisations are smaller in number (3% of the sector) and micro organisations represent the majority of the sector in Greater Manchester (71%), the latter have the least income. The larger charities continue to have a significant amount of the income. A potential reason for this may be changes in commission models, an example of which is payment by results (PbR) schemes. These schemes seek to transfer risk from public sector commissioners to the provider market with the expectation that this will drive innovation and efficiency. The ability to engage in such approaches requires an ability to manage risk and cover potential losses. Larger organisations can spread risk across a larger area so that natural variations in demand do not result in significant changes in costs. Smaller organisations are at a greater risk of seeing more significant cost variations if they work with small groups of people with varying demands. As a result, the delivery of public services is becoming increasingly dominated by larger providers.

Estimated Sources of Public Sector Income

In 2019 it was estimated that local government spending in Greater Manchester had fallen by £582 million. The majority of this reduction was not spending allocated to VCSE organisations, but it has limited the capacity of councils to maintain existing funding and develop new areas of activity. In addition, with the range of local government services restricted, this has required individuals and communities to self-fund activities and services previously delivered directly by local authorities. Existing organisations have had to change to adapt, and new organisations have developed in order to address unmet needs.

The survey respondents were asked to indicate which public sector bodies they had received funding from. We asked the respondents to estimate what proportion of their organisation's/group's total income each source represented.

- ▶ Manchester City Council was the most frequently identified source of funding (76.2%).
- ▶ The second most common source of funding was Greater Manchester Mental Health NHS Foundation Trust (60.3%).
- ▶ A smaller number of respondents (59.5%) indicated that national government organisations were the third most common source of funding.
- ▶ Of those receiving funding, it is estimated that 33.3% of organisations received less than 10% of their funding from Manchester City Council.
- ▶ National government departments provided 50.8% of the organisations who responded with 10% or less of their proportion of funding.

- ▶ Manchester City Council provided a consistent proportion of income across the percentage bands. Only Macc and Direct Payments provided 100% of the proportion of income, but this was for just 0.8% of the organisations who responded.
- ▶ 33% of organisations reported funding from the Council was less than 10% of their total income.
- ▶ 15.9% of organisations reported funding from the Council was at least 10% but less than 20% of their income.
- ▶ 11.1% of organisations reported funding from the Council was at least 20% but less than 50% of their income.
- ▶ 10.3% of organisations reported that funding from the Council was at least 50% but less than 75% of their income.

Estimated Other Sources of Income in Most Recent Financial Year

We asked survey respondents to estimate what proportion of their organisation's/group's total income each source represented for each of the sources of other income their organisation/group received in the most recent financial year (i.e., 2018/19 or 2019/20). Our findings suggest that, although a large number of organisations received significant funding from the public sector, at least 85% of organisations were bringing in funding from another source, providing added value to the City and residents.

- ▶ **Fundraising (e.g., crowdfunding events, donations):** 27% of respondents received income through this type of funding, 28% indicated that they received less than 10% of their income in this way, and 7.1% received at least 20% but less than 50%. Only 0.8% indicated that they received 100% of their annual income through fundraising.
- ▶ **Membership fees:** 19% of respondents received income through this type of funding, 13.5% indicated that they received less than 10% of their income in this way, and 2.3% received at least 20% but less than 50%. Only 0.8% indicated that they received 100% of their annual income through membership fees.
- ▶ **Grants from charitable trusts and foundations:** 33.3% of respondents indicated that they received this type of funding, 24.6% indicated that they received less than 10% of their income in this way, and 7.9% indicated that they received at least 20% but less than 50%.
- ▶ **Charging for goods and services:** 23% of respondents indicated that they received this type of funding, 20% indicated that they received less than 10% of their income in this way, and 5.6% received at least 50% but less than 75%. Only 2.4% indicated that they received 100% of their annual income through charging for goods and services.

- Grants from National Lottery distributors (e.g., BIG):** 25% of respondents indicated that they received this type of funding, 15% indicated that they received less than 10% of their income in this way, and 13% received at least 20% but less than 50%.
- Business donations or sponsorships:** 22% of respondents indicated that they received this type of funding, 23% indicated that they received less than 10% of their income in this way, and 1.6% received at least 20% but less than 50%.
- Interest (e.g., bank endowments, investments):** 17% of respondents indicated that they received this type of funding, and 23% indicated that they received less than 10% of their income in this way.

Please refer to Figures 6 and 7 for a full breakdown of the responses.

Figure 6: Other Sources of Funding

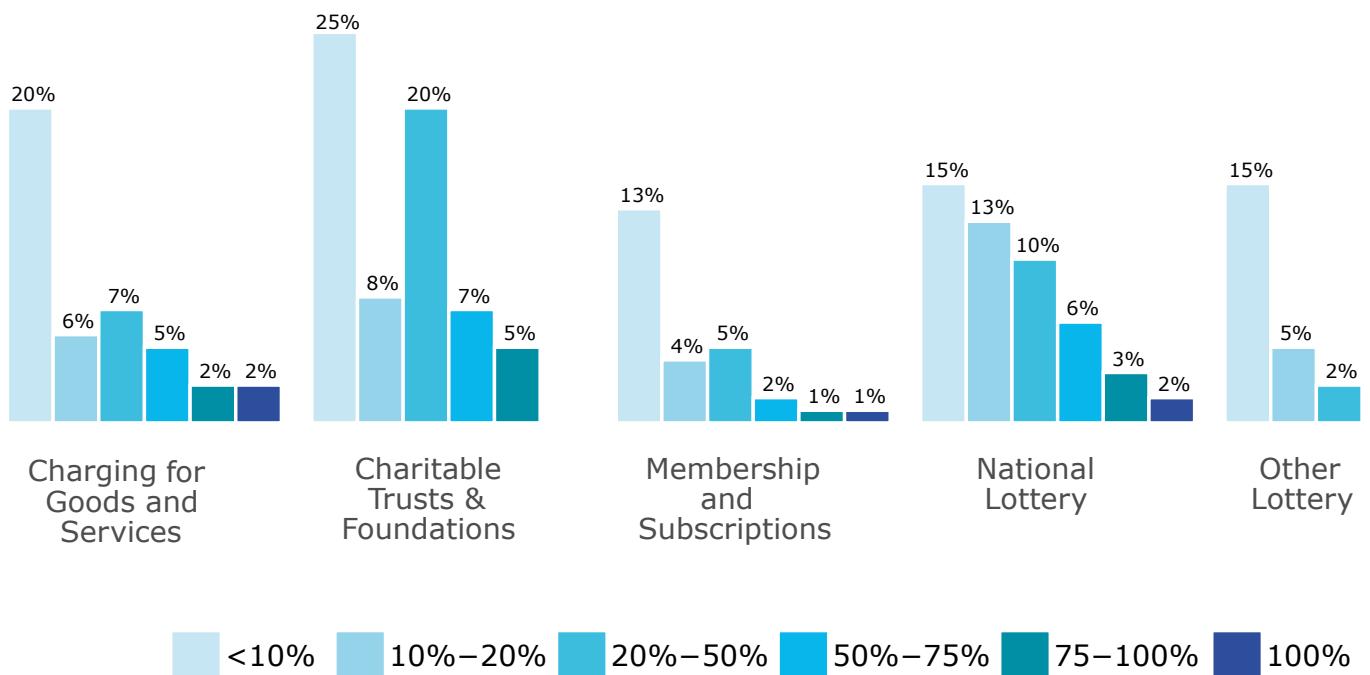
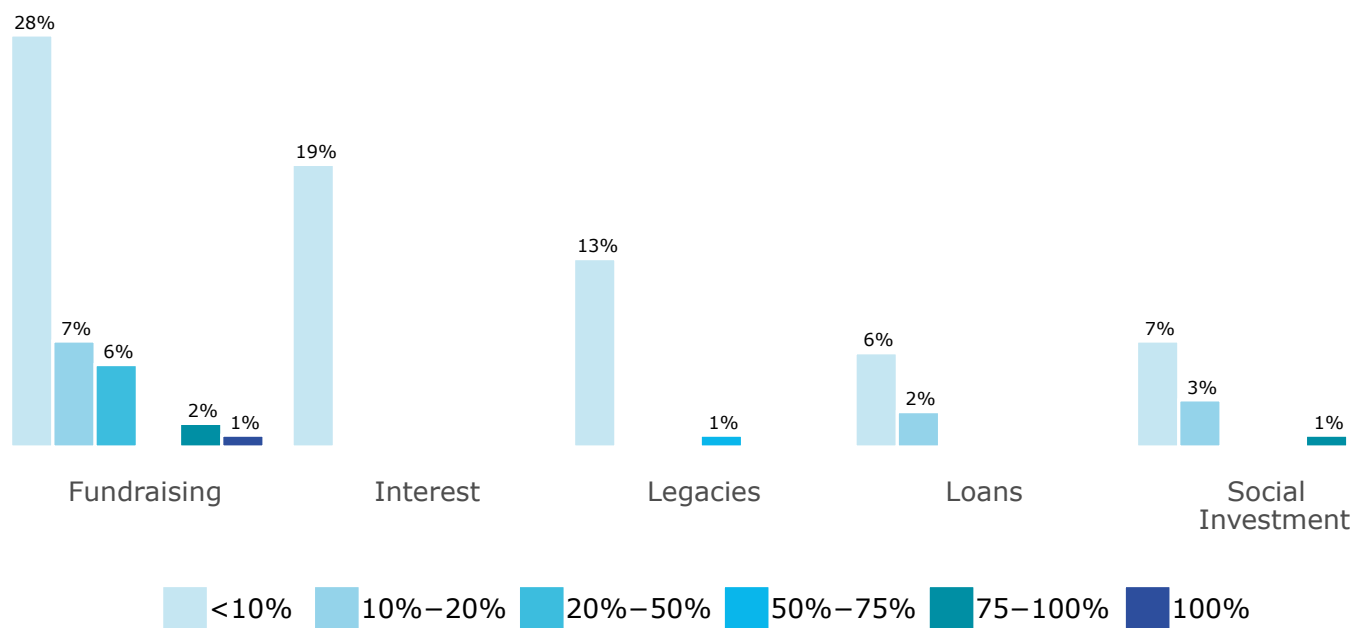


Figure 7: Other Sources of Funding

In recent years, there has been considerable interest in the role that community activity can play in reducing demand on public services. This has seen a shift in some funding from treatment services to more preventative social action. This can be seen in the inclusion of a significant programme of social prescribing in the NHS Long Term Plan of 2019. This has seen much more funding for community-level activity but also investment in public sector activity, such as social prescribing Link Workers in NHS Primary Care Networks.

European Funding

We asked respondents to indicate if they received European funding. Only 17 organisations responded; of these, the majority (71%) received less than 10% of their funds from European sources. Approximately 1% received between 20% and 50% of their funding in this way, and a similar percentage of respondents received between 10-20% of their funding from European sources.

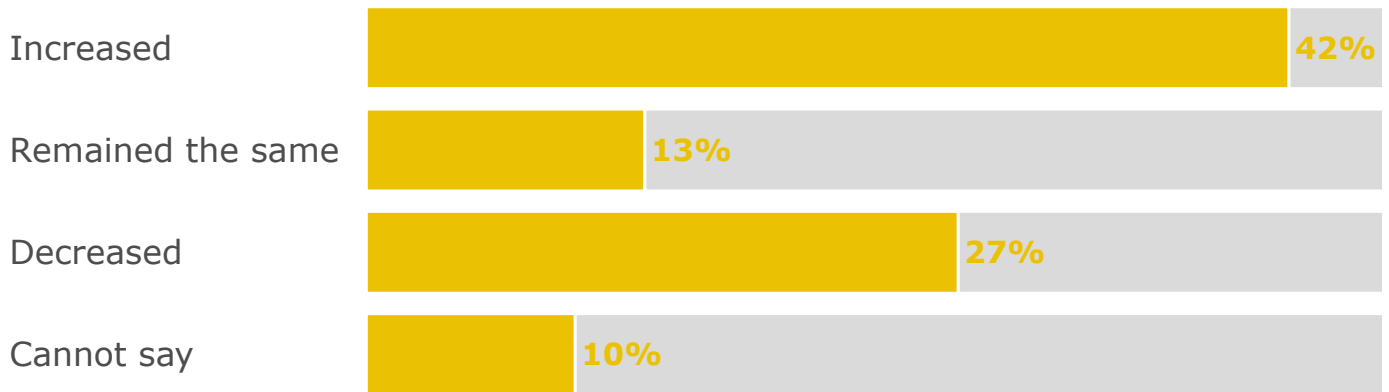
Financial Sustainability

The survey asked respondents about how their organisation's financial situation had changed in the past 12 months (i.e., during the current financial year). The results use the level of reserves, total annual expenditure and total annual income (reported separately below) to provide a picture of financial sustainability.

Changes in Total Annual Income

The respondents were asked about changes in their annual income. A total of 42% of organisations reported an increase in their annual turnover, whilst a further 13% reported no change in their income. The percentage of organisations stating that their income had decreased was 27%, and 10% of organisations were unsure of the change in their income (see Figure 8).

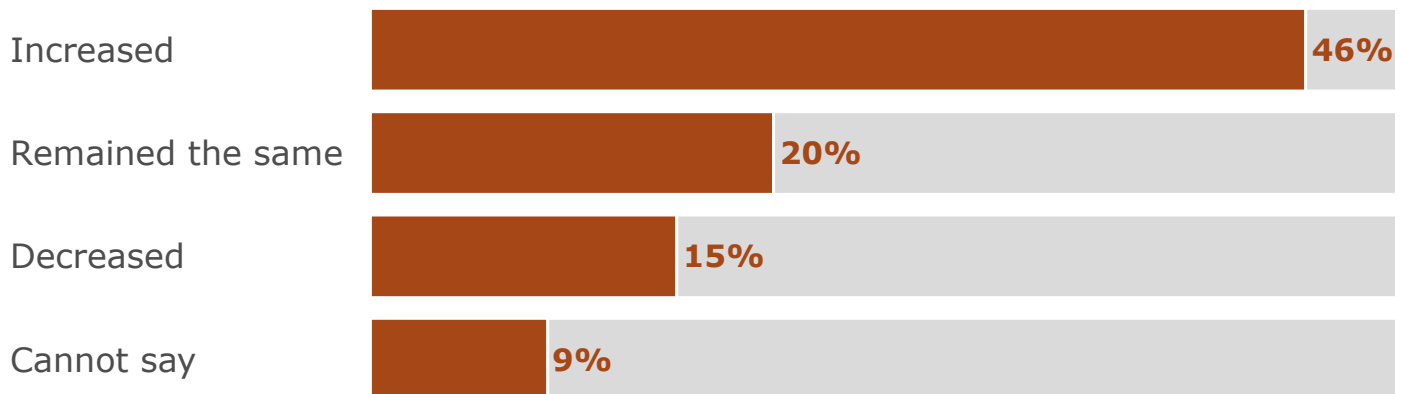
Figure 8: Changes in Total Annual Income



Changes in Total Annual Expenditure

We asked the respondents about their annual expenditure, and nearly half of the organisations (46%) reported an increase in their expenditure, whilst a further 20% reported no change in their expenditure. A total of 15% reported that their expenditure had decreased, and 9% of organisations were unsure (see Figure 9).

Figure 9: Changes in Total Annual Expenditure



Reserves

The data later reports on the use of reserves in the past year and changes noted in overall income across all groups. The majority (66%) of respondents had used their reserves in the past 12 months; however, 34% reported that they had not used reserves. Of those who had used reserves, 33% used reserves to cover a gap in



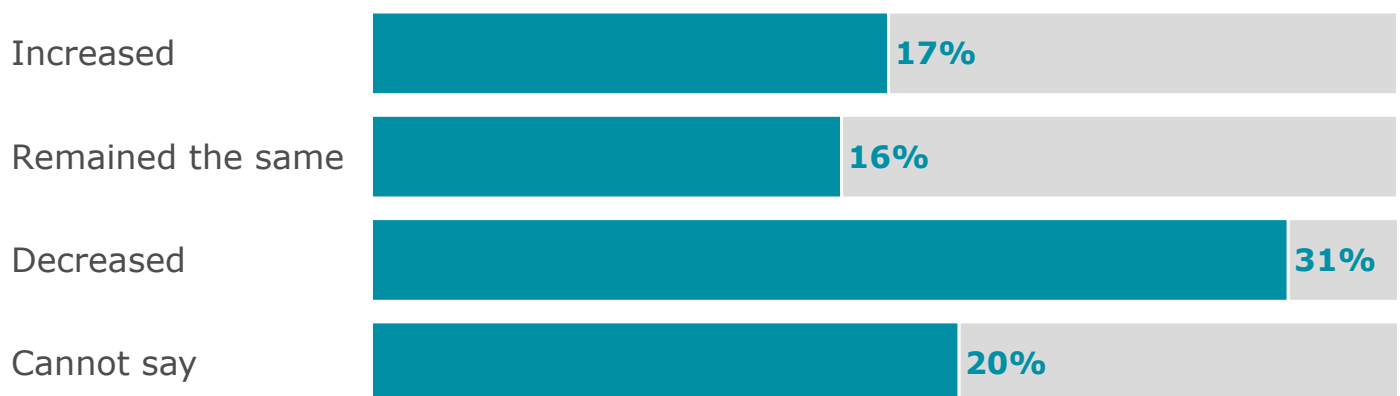
50%

of the organisations have used their reserves in the past 12 months (53% due to COVID)

funding, and 10% used reserves to cater for an increased demand. Others reported that the use of reserves was to cover unplanned costs (9%) and change the way that they work (14%). Of the 58 respondents who had used reserves, just over half (36) reported that this was as a result of COVID-19. A total of 31% of respondents indicated that their reserves had decreased. A smaller percentage (17%) reported an increase in the level of reserves, and 16% reported that their reserves had remained the same.

It should be noted that an organisation not using their reserves is not necessarily an indicator of financial stability. Smaller and newer organisations may not yet have established reserves due to their limited maturity, whilst similarly some larger organisations may not have been able to utilise their reserves due to the requirement of their reserves policy to maintain certain levels to remain solvent (see Figure 10).

Figure 10: Changes in Level of Free Reserves



The respondents were asked about their expectations regarding income for the next 12 months. The highest proportion of organisations (33%) estimated that their income would be reduced, 20% of organisations anticipated an increase in turnover, whilst 19% predicted that it would remain the same. A comparatively high number (21%) of organisations didn't know if their financial situation would improve or not (Figure 11).

Figure 11: Financial Turnover**Summary of Financial Situation**

The findings from the survey respondents indicate that both expenditure and income had increased (for 46% and 42% of respondents, respectively). Income was reported to have decreased by 27% of respondents, but expenditure had decreased for 15% of respondents. When asked about their financial stability, however, 33% of respondents suggested that they expected a decrease in income over the next 12 months. So, whilst the income and expenditure figures for the past 12 months pointed to a stable financial forecast, the unpredictability likely to have been caused by the ongoing impact of COVID-19 and some uncertainty about Brexit may have influenced these findings. Coupled with a 30% decrease in the level of reserves and organisational predictions, this suggests that the financial sustainability of the sector is uncertain. Moreover, our findings do not report on 2020/21 data, which is likely to have significant reductions forecast as a result of the ongoing global pandemic and its negative impact on the wider UK economy.

How organisations have responded to the ongoing pandemic is still somewhat of an unknown and is partly what this research seeks to uncover. Many organisations have seen reductions in funding, especially those unable to trade due to lockdowns. When responding to the crisis, some have taken advantage of support through government loans and furlough schemes to weather the crisis, whilst others have used funding from reserves in order to meet new demands. In addition, public and independent funders have launched a number of funding approaches to support responses and community activity, each with different targets. This has created a set of differential impacts on resource levels, which are not easily understood at this time.



Section 3: Sector Outcomes

This section describes the partnership working that operates in the VCSE sector, which has enabled the provision of a complex range of interventions. The work of paid employees and the number of volunteers is described to provide a picture of the partnerships needed to support the workforce, and the overall estimated size of the VCSE sector workforce.

Partnership Working

The Marmot report (2010: 161) reported that 'Partnership working has played a key role in policymaking to address health inequalities'. Partnership working is also crucial to help manage increasing demand for services when challenged by limited resources. Successful partnerships lead to improved outcomes from the same resources that can support communities. The VCSE sector operates in diverse communities and contexts and as such relies on successful partnerships to underpin high-quality activity. Hence, VCSE organisations work in partnership with a range of organisations, including private, public and others in the VCSE sector. This section reports on the extent of partnership working with the private and public sectors. We also consider the way in which organisations in Manchester have worked with VCSE organisations in Manchester and across Greater Manchester and the influence on organisational success.

Working Relationships with Manchester City Council

It is understood that local authorities support the VCSE sector through flexible and responsive grants that can help empower resilient and thriving communities. The relationship between the VCSE sector and the respective local authority is significant and plays a vital role within the health and social care context. During 2020, this relationship became even more important as our financial data suggests that many organisations struggled due to the constraints created by the global pandemic. Manchester City Council is a key commissioner/funder of the VCSE sector. We asked the survey respondents to estimate, overall, how satisfied or dissatisfied they were with their ability to influence Manchester City Council decisions that are relevant to their organisation/group. The responses indicate a mixed experience of working with the Council.

- ▶ 7.9% of respondents were very satisfied, and 28% were fairly satisfied; however, 25% were neither satisfied nor dissatisfied
- ▶ 13% were fairly dissatisfied, and 12.7% were very dissatisfied

Success of Bidding or Applying for Funding from Manchester City Council

The current uncertain economic climate caused by the global pandemic has had far-reaching negative impacts on the VCSE sector. On the basis of emerging evidence from research that has surveyed the impact of COVID-19, there is a need to ensure that VCSE organisations are supported to bid for funds and that investment should be easy to access, creating a level playing field with other sectors. Respondents were asked to indicate the estimated level of success with applications for funding from Manchester City Council. The findings suggest that organisations had been fairly successful, with 20.6% indicating that they had been very successful and 35.7% indicating that they had been fairly successful. A total of 18.1% of organisations estimated that they had been either not very successful or not at all successful. This data suggests that the majority of applications from the VCSE sector to the Council had been successful.

Relationships with Local Public Sector

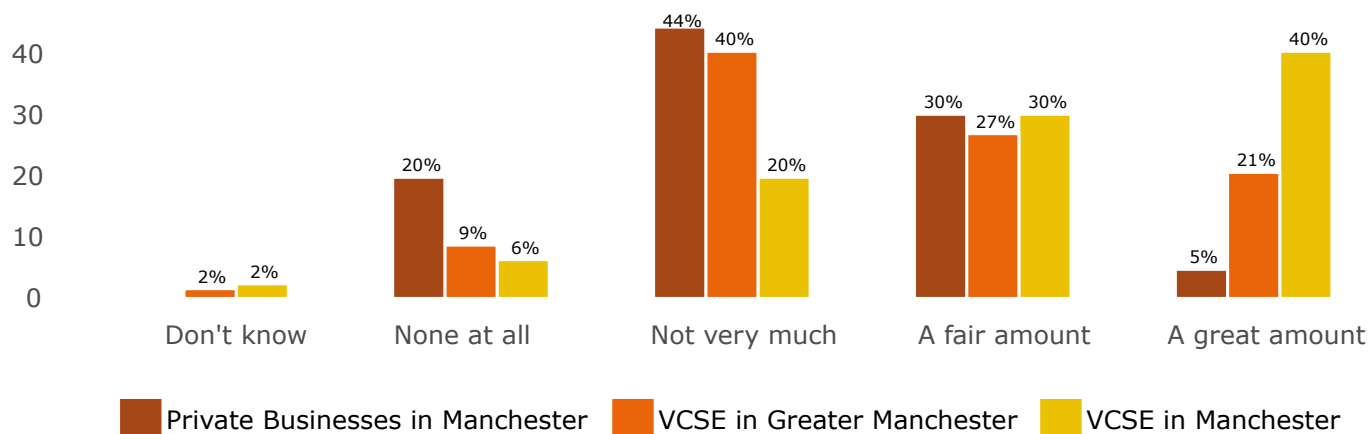
We asked respondents to describe their direct dealings with local public sector bodies. The three most prominent organisations were:

- ▶ **Manchester CCG:** 7.9% of respondents had had a great amount of dealings with Manchester CCG, and 15.1% had had a fair amount of dealings
- ▶ **GM Mental Health NHS Trust:** 10.3% of respondents had had a great amount of dealings, and 22.2% had had a fair amount of dealings
- ▶ **Pennine Acute North Manchester Hospital:** 7.9% of respondents had had a great amount of dealings, and 17.5% had had a fair amount of dealings

Partnerships with Other VCSE, Private and Other Organisations across Greater Manchester

We asked respondents to estimate their relationships with other VCSE organisations in Manchester. We also asked the respondents to identify the organisations that they worked with. Our findings suggest that organisations were diverse and the Manchester VCSE sector collaborated across Greater Manchester well (see Figure 12).

- ▶ **Greater Manchester Working:** 21% of respondents worked with other Greater Manchester VCSE organisations a great amount, and 27% estimated that they worked across Greater Manchester a fair amount
- ▶ **Manchester VCSE Working:** 40% of respondents worked with Manchester VCSE organisations a great amount, and 30% estimated that they worked across Manchester VCSE organisations a fair amount

Figure 12: Direct Dealings with Private and VCSE Organisations

Our findings highlighted a small percentage of relationships with private organisations. This is also highlighted in the qualitative focus group findings in Manchester and across the other localities, which have highlighted some inequity in partnership working with the private sector, particularly in relation to funding opportunities. Qualitative findings from the 2017 report also highlight a need to reduce ambiguity about the role of the VCSE sector, and similar findings are reported from the 2020 survey focus groups.

The VCSE Workforce in Manchester

This section describes the workforce of the VCSE sector. We have calculated the number of paid employees and full time equivalent (FTE). The VCSE workforce is also made up of a large number of volunteers. We have estimated the size of the volunteer workforce based on the survey responses and calculated the estimated economic burden based on the current UK Living Wage.

Paid Employees

We used the ONS data to estimate the number of paid employees (Employment in public, private and non-profit sectors - Office for National Statistics ons.gov.uk). The ONS data suggests that there are 32,246 paid employees in the Manchester VCSE sector, of which 19,607 are FTE. We estimated the economic contribution of the workforce by establishing the number of hours worked and calculating the cost using the UK national Living Wage (£9.50 per hour) as the baseline. Using this calculation, we estimated that the contribution of the paid staff in the VCSE sector equates to £359 million per annum.

We asked survey respondents to indicate whether their organisation paid all staff at least the Living Wage ([as per the Living Wage Foundation | For the real cost of living](#)) at the time of the survey. A total of 67% of respondents indicated that they paid the Living Wage, 21% indicated that this question was not applicable, and a small percentage (8.7%) indicated that they did not pay the Living Wage. Although this is not a representative sample, it reflects the commitment from Manchester VCSE organisations to be good employers and to ensure a quality of living for their employees.

The percentage of paid staff per organisation size was also estimated. Whilst the number of large organisations (n=180) was small in the locality in comparison with those of micro, small and medium organisations, large organisations employed a significant percentage of the total number of staff, equating to over half (67%) of the total number of staff employed in the sector. There were 544 medium organisations in the sector, employing 26% of the total number of staff. Collectively, our findings indicate that, despite only representing 18% of the total number of organisations in the sector, medium and large organisations accounted for 93% of the total number of staff employed and nearly half the total percentage of volunteers (48%).

Volunteers

This section describes the number and work of the volunteers within the VCSE sector in Manchester. We include the total number of volunteers working in the organisations that responded to the survey and volunteers who sit on committees or boards.

We asked respondents to indicate how many volunteers provided time for their organisation. Our findings suggest that there are a total of 162,278 volunteers supporting the VCSE sector in Manchester. We also asked survey respondents to estimate the total number of volunteer hours per week. Our findings suggest that volunteers in Manchester provide over 490,901 hours per week. Micro organisations provide the greater percentage of volunteers, estimated at 40%. The total numbers of hours provided by volunteers per organisation size each week are estimated below:



162,278

volunteers (including committee/board members), giving 480,901 hours each week valued at £242 million per annum (based on the real Living Wage £9.50 per hour)

- ▶ 65,843 volunteers in micro organisations provide 335,530 hours per week, representing 40% of the total hours of volunteers in the VCSE sector
- ▶ 18,489 volunteers in small organisations provide 64,534 hours per week, representing 11% of the total hours of volunteers in the VCSE sector
- ▶ 29,396 volunteers in medium organisations provide 58,395 hours per week, representing 18% of the total hours of volunteers in the VCSE sector
- ▶ 48,550 volunteers in large organisations provide 32,443 hours per week, representing 30% of the total hours of volunteers in the VCSE sector

When calculating the estimated economic contribution based on the total number of hours per week and using the national Living Wage (£9.50 per hour), we determined that the estimated economic burden for volunteer hours and for volunteers working in committees and boards per annum is £242 million.

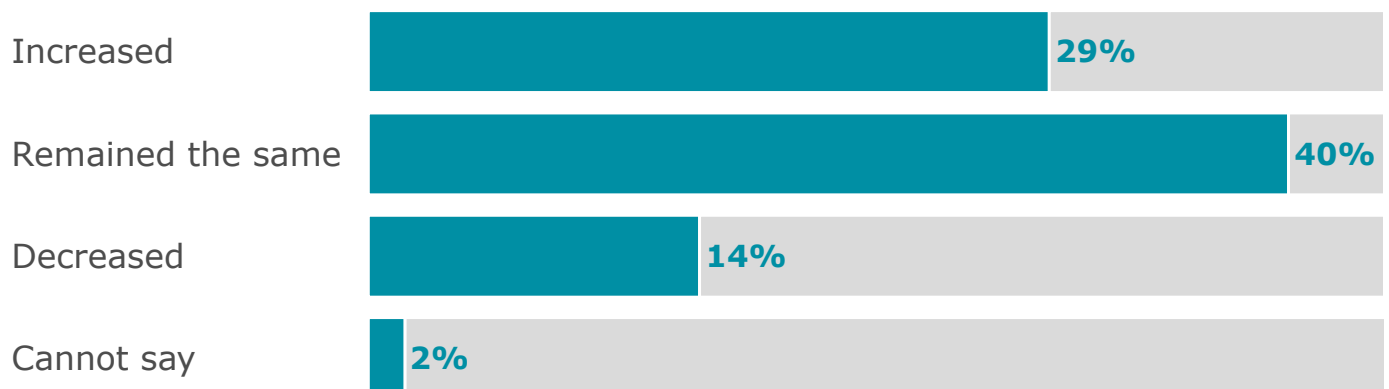
Changes in the VCSE Sector during the Last 12 Months

Respondents were asked to indicate how the VCSE sector had changed in the past 12 months.

Changes in Total Number of Employees

The largest number (39.7%) of respondents indicated that the workforce had remained the same. A total of 14.3% of respondents indicated that the workforce had decreased. A larger percentage (29.4%) reported that the workforce had increased. It was reported that the impact of COVID-19 on the workforce was not applicable by 23.8% of the respondents. Only a small percentage (13.5%) indicated that COVID-19 had had an impact, and a larger percentage (21.4%) indicated that the change in the workforce was not due to COVID-19 (see Figure 13).

Figure 13: Changes in Total Number of Employees



The potential lack of impact of COVID-19 relating to the paid workforce is covered further in some of the qualitative insight in response to COVID-19. During the time of the survey, full job retention (furlough scheme) was in place. However, as the research indicated, this was not utilised by a large number of organisations, partly due to the fact that not all staff were actually eligible due to the criteria behind the scheme but also because ultimately it gave organisations a tough choice between financial income and mothball provisions, which was explained to the charities via an open letter from several national leaders within the sector.

Changes in Total Number of Volunteers

A total of 26.2% of the respondents indicated that the volunteer workforce had remained the same. A total of 30.2% of respondents indicated that the workforce had increased, 2.4% could not say, and a larger percentage (35.7%) of respondents reported a decrease in the number of volunteers. It was reported that the impact of COVID-19 on the volunteer workforce was not applicable by 23.9% of the respondents.

A total of 21.4% of respondents reported that COVID-19 had not had an impact on volunteer numbers; however, a smaller percentage (13.5%) reported that the change in the number of volunteers was as a result of COVID-19.

Interestingly, the majority of organisations (n=70) reported that the volunteer workforce had remained the same. Given the current global COVID-19 epidemic and other VCSE sector reports, the change doesn't seem to reflect other VCSE sector research. These findings are also echoed in the qualitative responses, which suggests that, whilst organisations adapted to change, the actual volunteer workforce remained the same. The qualitative data also highlights the increase in demand as a result of COVID-19.

Impact of COVID-19

Primary Impact of COVID-19 on the VCSE Sector in Manchester

We asked survey respondents to describe the primary impact that COVID-19 had had and also the impact on organisations and individuals. A thematic analysis of the raw qualitative data was undertaken to identify common themes. This section reports the qualitative data obtained. Word clouds have been used to highlight the most frequently reported feedback. We have also triangulated qualitative data from the focus groups to illustrate how COVID-19 has impacted on organisations and individuals and the response of the VCSE sector.

Primary Impact of COVID-19 on VCSE Organisations in Manchester

We asked what the primary impact of COVID-19 had been. Four key themes emerged: 'Suspension of face-to-face delivery', 'Reduced income', 'Increased service demand' and 'Change of practice'. For many, COVID-19 led to a suspension of face-to-face delivery, leading to the need to adapt service provision and delivery. Whilst many organisations had had to close, a significant number continued to operate, but using adapted methods. Services were limited through the reduction in funding, the lack of opportunity to fundraise and the inability to generate income. This was despite an increase in demand caused by the impact of lockdown on mental wellbeing and physical activity and increased social isolation (see Illustration 1).

Illustration 1: Primary Impact of COVID-19 on VCSE Organisations



The qualitative focus groups highlighted the instant impact that COVID-19 had had and, in particular, the uncertain future ahead when coupled with the impact of Brexit, as the following quote illustrates:



'COVID hit us and literally obliterates us out of the water, really, and I think all of us are sort of scrabbling around, and I don't see us being the activities, or the centres, or the structure that we were. I know that our centre, we've had to make changes, we've had to make redundancies, and when I look to the future it's quite daunting because, yes, there's small pots of money around, but the City Council's also in dire straits, and we've got Brexit looming, and to be honest, I think, well, which is going to be the most impacting? Is it going to be COVID, or is it going to be Brexit, or is it going to be a multitude of both of them between us?'

Others suggested that the impact of COVID-19 has hit the VCSE sector with alarming consequences:



'You can't put more and more strain on a – we are now very fragile, very, very fragile, and I would say that the voluntary community sector is almost actually at breaking point, seriously at breaking point, and if we break, it'll take years to recover.'

Primary Response to the Impact of COVID-19 on VCSE Organisations in Manchester

The survey also asked respondents to describe the primary response of their organisation to COVID-19. Four themes emerged from the qualitative responses, namely, 'Adaptation', 'Digital', 'Closure but open' and 'Keeping in touch'. Many organisations were faced with needing to adapt their service provision through implementing remote working and repurposing funds to enable a reimagined organisational focus. Organisations were able to respond quickly and adapt to the pandemic, providing food banks, telephone services and delivery of care packages. Organisations described how digital technology facilitated innovative developments, resulting in classes and activities being held online via Zoom, which enabled organisations and individuals to keep in contact. Whilst organisations 'closed', their work was ongoing, and many used the 'downtime' to develop new strategies for supporting the most vulnerable in their communities. Keeping in touch was integral to ensuring that those who were shielding and others who were at risk of becoming socially isolated and lonely were supported. Organisations described how they set up telephone services and peer support and introduced individuals to digital services to enable them to remain connected.

The qualitative responses from the focus groups highlighted the tenacity and person-centred philosophy of the VCSE sector to 'do what's best for the community', as the following quote illustrates:



'The point that I would like to make is I think that there is something interesting around the different points at which different organisations from statutory to voluntary have felt motivated and able to get back to doing some face-to-face work. I think some of that is dictated by things that are immovable in terms of space and whether you can or you can't work, but we certainly have felt in terms of some of our work supporting vulnerable young people, that we've kind of felt as though we've been left as, well, you can get out there and you can do the face-to-face with some of our statutory partners, and we'll stay inside, if you like.'

Another participant also highlighted the work of the VCSE sector and how a motivated workforce can enable this work to continue:



'I agree... it's laughable to a point that it's all right for us to go out on the street and it's all right for us to keep developing and they'll pay us pittance to do it, but at the end of the day we've still done it because we're motivated to do it. Yes, we do get paid, we do get a salary, but we've had to fight for every penny we get, but it's not just about money, we are personally motivated because we want to make a difference to those young people's lives that we work to.'

Primary Impact of COVID-19 on the People that VCSE Organisations Serve

One of the last survey questions asked respondents to describe the impact that COVID-19 had had on individuals. Three key themes emerged from the qualitative thematic analysis, namely, 'Income reduction/poverty', 'Mental wellbeing' and 'Connections/access'. For many, the main impact of COVID-19 was on income generation. Many faced redundancy, whilst others were furloughed. Food poverty became an issue through a lack of employment, which resulted in a significant rise in food banks and delivery of food parcels by the VCSE sector. The health and wellbeing of individuals and staff were negatively affected, resulting in fatigue, increased stress, higher levels of depression and reductions in physical activity. The increase in mental health issues led to an increased service demand as many people experienced fear, anxiety and increased vulnerability. Loss of connections with others exacerbated levels

of loneliness and increased feelings of social isolation. Individuals were no longer able to meet up in groups, which impacted on general mental and physical wellbeing. The response of the VCSE sector may even have prevented a worst-case scenario through the quick and responsive ways in which organisations adapted to change to ensure that communities and individuals were supported. The word cloud below illustrates the most frequent qualitative responses.

Illustration 3: Primary Impact of COVID-19 on the People that VCSE Organisations Serve



We explored some of the impact of COVID-19 in the qualitative focus groups and, in particular, the impact of COVID-19 on people's lives and how organisations had supported individuals. One participant noted that it was the small changes that made a big difference to people's lives:



'just before masks became compulsory on public transport, and there was concern about how asylum seekers are going to get those messages and be able to buy those masks. And one of the national organisations was sort of saying, yes, we've been having discussions around this, and we were like, "It happens in two days, we sent 200 masks out", and I'm sure our actions are echoed by thousands across the country, communities where these actions take place'

Qualitative Survey Responses Regarding the Impact of COVID-19 on VCSE Organisations

There were a total of 34 unique responses that described the impact of COVID-19 on VCSE organisations in Manchester. Key quotes have been included to reflect the three core themes that emerged from Manchester's qualitative data set.

Financial Hardship

As was the case in other localities, the impact of COVID-19 had led to a significant reduction in funding across a range of sources. This was in part influenced by forced closure of services, buildings and activities. The loss of income from membership fees and 'subs' was highlighted in the qualitative data, coupled with loss of income from service charges and inability to trade.



'Loss of income through fundraising, expecting a drop of 50%. Loss of income through training income. Three months with no income, and now picking up slowly. Loss of income to **, and will be unlikely to be in service again. Increased spend relating to homeworking.'***



'Huge increase on workload of staff not on furlough. New working culture with working from home. Volunteers unable to attend centre as deemed vulnerable. Loss in income for those furloughed. Mental wellbeing of staff operating in uncertain times.'

'Suspension of 'Normal Services' and Move to Digital.'

The enforced social distancing measures, coupled with 'lockdowns', resulted in reduced connectivity with clients/beneficiaries. This had significant implications for some of the most vulnerable. Many organisations responded by replacing face-to-face contact with virtual meetings, activities and support. A similar impact was reported across the 10 Greater Manchester localities.



'Moved all groups for young people online. Closed our cafe and furloughed staff; temp closure of training, then moved it online. Staff welfare; sickness and stress increased.'



'Redesigning our delivery models, virtual delivery. Redesigning the approach and content of most of our services, e.g., Community Connecting. Significant increase in influence and voice work, given the impact on our community: disabled people. Some loss of income and chargeable work. Extreme digital challenges to working with some of our clients.'



'It has affected our ability to run the service as we have in the past. We are no longer able to run drop-ins and workshops, and instead our focus has shifted to doorstep deliveries to B&Bs, providing advice and support over the phone rather than face to face whilst also supporting landlords.'



'Due to ongoing COVID-19 lockdown, our centre the ** has been out of use, and we have been unable to open the building up to the public and run community sessions. Many of our new courses and projects have had to be cancelled due to funding deadlines. Our sessions in other community spaces across Manchester have also been dramatically restricted.'***

Increased Demand

As highlighted in other VCSE sector reports, lockdown, the closure of community centres and meeting places and the inability to meet face to face exacerbated feelings of isolation, anxiety and depression. This was also prevalent in the loss of income and the increasing need for people to access food banks and other sources of support. This resulted in an increased demand on VCSE organisations, many of which responded through supporting food bank services, setting up support shops and implementing innovative ways in which to engage with and support communities in need.



'Digital exclusion. Increased instances of food poverty, debt, anxiety/depression, bereavement, ASB, loneliness and compounded mental health issues. Lack of understanding of ever-changing guidance.'



'Huge increase on workload of staff not on furlough. New working culture with working from home. Volunteers unable to attend centre as deemed vulnerable. Loss in income for those furloughed. Mental wellbeing of staff operating in uncertain times.'



Section 4: The Future

In this section we have drawn on the qualitative responses from the focus groups and triangulated these with responses from the survey questions that asked what factors will assist or constrain future delivery.

Estimated Factors Influencing Future VCSE Work

We asked organisations to estimate the extent to which funding, staff and partnership working will either assist or constrain the future work of their organisation. The findings are reported separately below.

Workforce

To understand how the workforce may be affected in the future, we asked survey respondents to estimate the factors affecting or constraining the VCSE workforce in Manchester. In particular, we asked the survey respondents to estimate the extent to which recruitment and retention of both voluntary and paid staff would constrain or assist the VCSE sector. The largest proportion of respondents (20%) reported that the recruitment of volunteers would 'assist' their organisation. The following responses relate to questions about the impact that retention and recruitment of staff/volunteers would have on organisations.

- ▶ **Ability to retain staff/staff turnover:** 20% of organisations responded that the ability to retain staff would assist their organisation
- ▶ **Ability to retain volunteers/volunteer turnover:** 20% of organisations responded that the ability to retain volunteers would greatly assist their organisation, and 16.7% indicated that retention of staff could constrain their organisation

The percentage of responses across the survey data was small; however, the workforce was also discussed in the qualitative focus groups. Participants discussed how the ability to support the workforce would enable a more sustainable VCSE sector that could meet future demand. The VCSE sector was perceived to be a strong ally and in time of need had demonstrated how the workforce had supported the most vulnerable. Whilst the VCSE sector was perceived to be a strong ally, there is a need to ensure that organisations think more creatively about how the future of the VCSE sector is directed:



'I think just by actually opening up conversations without people getting precious about what campaign it's leading to or a political thing, and I think if you have an authentic genuine discussion and there's that genuine care and that genuine understanding, to me that goes a hell of a long way, because that's how we actually direct our activities, what we do, our everyday language, your welcoming when you come into the centre'

Another participant talked about the focus of the VCSE sector being fiscally driven, and now there was a need to redress the drivers to understand the equalities agenda:



'But it's felt, perhaps, in the past 20 years that the economic driver has been the most significant thing in and around Manchester, and perhaps it is time politically to rediscover some of those more equalities-driven agendas, because it's only when the politicians begin to recognise those equality agendas as priorities alongside the economic agendas that things will begin to trickle down in terms of how voices are heard and how funding is allocated, etc.'

Partnerships

The unpredictable political, economic and societal environment means that partnerships across a range of sectors will play a key role in the success of the VCSE sector. To understand how relationships may be affected in the future, we asked survey respondents to estimate the factors affecting or constraining the VCSE workforce in Manchester. In particular, we asked the survey respondents to estimate the extent to which relationships with other VCSE, public and private sector organisations would assist or constrain the VCSE sector.

- ▶ **Engagement with other VCSE organisations:** 18% of organisations responded that this would assist their organisation, and a further 37% indicated that this would 'greatly assist' their organisation
- ▶ **Engagement with other public organisations:** 9% of organisations responded that this would assist their organisation, and a further 38% indicated that this would 'greatly assist' their organisation
- ▶ **Engagement with other private organisations:** 3% of organisations responded that this would assist their organisation, and a further 19% indicated that this would 'greatly assist' their organisation

In addition to the survey responses, we also explored the future needs of the VCSE sector through the qualitative focus groups. For some, having a voice in partnerships was key to the success of the VCSE sector:



'I think for me there's something about coming together now I think's really important, because there's that sense of being part of the sector that I don't think we routinely share. I think that's definitely something we could build on in terms of amplifying the voices that we all hear within our networks that don't really kick out far enough beyond that in terms of shouting out about the amazing work that is being done by the people who are close enough to communities to know what's needed and in a position to respond appropriately.'

The need for equal partnerships between organisations, particularly with private organisations and applications for funding, was also highlighted in focus groups in other localities, which suggests that this is a common area of concern.

Funding

Economic uncertainty caused through Brexit and restrictions imposed as a result of COVID-19 have resulted in anxiety about the funding and operation of many VCSE organisations. We asked the survey respondents to estimate to what extent funding from grants, the local economy and other sources would either assist or constrain funding and, in particular, the ability to secure contracts and the impact of the wider economy.

- ▶ **Ability to secure contracts from public sector bodies:** 12% of respondents indicated that this would assist their organisation, with 6% responding that this would 'greatly assist' their organisation, and 15% indicated that it would constrain their organisation

- ▶ **Impact of the local economy:** 28% of respondents anticipated that this factor would constrain their organisation over the next year

The percentage of responses was small, suggesting that grant capture from these sources was not viewed as a significant enabler. However, the qualitative focus groups explored how the local infrastructure could be supported, and partnership was highlighted as opposed to securing contracts; in particular, funding with which trusts and foundations could particularly help support the minority groups in communities:



'I know it's very close to a lot of young people's hearts and minds, and you see that all young people from all backgrounds have come together; people, adults as well. So, it is something that needs to be addressed, and I know also trusts and foundations and organisations, that they are going to support initiatives who work with lots of minority people, and there's funding out there that they want to do more, but I don't know if it's really going to trickle down as much... So I think a lot more could be done and can be done, and I think more organisations, especially around Greater Manchester, need to recognise that and step up, because I'm still hearing that groups from BAME backgrounds and Black organisations are still struggling to get funding.'

The triangulated data suggests that partnerships were key to creating equal funding opportunities, which also involved raising the profile of the work of the VCSE sector. We also asked the survey respondents to estimate to what extent Brexit would assist or constrain funding. The findings below suggest a mixed perspective of the impact of Brexit; most organisations suggested that this wasn't applicable. This also corresponds with earlier survey data that highlighted the small percentage of organisations in receipt of European funding.

- ▶ 1% of respondents anticipated that Brexit would assist their organisation
- ▶ 15% of respondents indicated that the influence of Brexit was not applicable to their organisation
- ▶ 33% of respondents anticipated that Brexit would seriously constrain their organisation

To enable a more in-depth understanding of the impact of Brexit, we encouraged discussion in the qualitative focus groups. Our findings were similar to the quantitative data from the survey, which indicated that Brexit was not a key concern:



'I'm not as concerned, and seeing the impact of Brexit, because that's still not measurable yet, the impact... it is pure speculation for me, the impact on it, even though there's a lot of evidence to say that things could get really bad... Just touching slightly on Brexit, it's very difficult for us to comment on that at this stage, simply because we don't know what it's going to mean.'

These findings suggest that VCSE sector organisations who participated in the survey and qualitative focus groups appeared generally unconcerned about Brexit; however, common concerns about equal partnership working and the impact on funding opportunities were identified. Similar findings are reflected across all 10 Greater Manchester localities.



Section 5: Conclusions, Afterword and Recommendations

Conclusion

The data and evidence in this report are clear: the VCSE sector makes a significant contribution to our city-region – preventing need, reducing hardship, supporting those in crisis, driving social change and enabling recovery.

In Manchester, local VCSE organisations generate over £496.9 million of income, creating a range of services and activities as diverse as our communities. In doing so, VCSE organisations employ 32,246 people (19,607 are full time equivalents) and mobilise 162,278 volunteers. The vast majority of VCSE organisations are neighbourhood based, rooted in local communities and addressing significant inequalities in the day-to-day of what they do. The strong return on investment provided by the VCSE sector is also well evidenced, with preventative and early intervention work reducing the strain on the public purse in the longer term.

In recent years the VCSE sector has become even more enterprising. While more traditional VCSE organisations have generated new trading approaches and are diversifying their income streams to support their long term sustainability, over 11% now define themselves as social enterprises, reinvesting or donating their profits to create positive social change. This is a sector which is evolving and finding new ways to create change and bring additional resources and value into Manchester. As a sector we continue to have strong relationships with our public sector colleagues including the Local Authority but also have a growing connection with businesses (56%). These partnerships are driving wider conversations about what an inclusive economy that works in our communities' interest could look like.

This places the VCSE sector as a key player in revitalising and rekindling social and economic activity following the COVID-19 pandemic. Many organisations have adapted to new forms of work, mobilised increasing numbers of volunteers and developed creative solutions to the challenges of the pandemic. There is a significant opportunity to build on the learning and innovative practice developed over the last year and channel this into the creation of a better, fairer, and greener economy in which citizens are empowered and there is greater social ownership of wealth, land and assets by communities.

However, this report shows that despite this increased entrepreneurialism, VCSE sector income is in decline in Manchester, and many organisations have needed to use their reserves in order to respond to the COVID-19 pandemic, whilst simultaneously weathering uncertainty about the long term future of contracts and grants which enable them to do their vital work. Over time, this will inevitably reduce their ability to bear

risk, to respond to demand and adapt to further change. As has been seen across the country, fundraising has been significantly disrupted and many charitable funders have invested in responses to the pandemic with longer term project funding deprioritised. There are significant opportunities and benefits in supporting a thriving local VCSE sector and equally significant risks of losing much valued and needed activity if no action is taken.

The past year has prompted great reflection on the nature of our society and what we can do collectively to improve health and wellbeing, reduce entrenched inequalities, and create a fairer world. This is why we have created a set of recommendations below which lay out our vision for how we make this happen.

Afterword and Recommendations

As with previous State of the Sector reports, this report once again demonstrates the vital and central role that the VCSE sector occupies within Manchester, not only in the last year through the COVID-19 pandemic, but in the years preceding it. Our sector has long recognised the importance and value of prevention, population health work, and the economic requirements to reduce poverty levels. It has strived to reduce the structural inequalities experienced by marginalised communities. As we slowly enter into the recovery phase of the pandemic, it is essential that we transform learning into action: providing urgent support and intervention where needed, while developing longer term sustainable solutions to social and economic inequities. There is now a time-critical opportunity to support the work of the VCSE sector as a means of increasing that impact within and across communities.

Firstly, it is now clearer than ever that **the VCSE sector should be embedded as a strategic partner as part of all local recovery plans and future emergency planning**. As the report shows, partnership working is a strength of the sector and this was never more evident than during the pandemic, with strong examples across Greater Manchester. We need to build on this as we enter recovery. This should include all recovery areas, from mental health and domestic abuse support, to economy and skills, and interruptions to care. Local decision and policymakers have widely recognised the VCSE sector's response to the COVID-19 pandemic and ability to develop innovative solutions at speed. Now is the time to draw on the knowledge and expertise of our sector to address the other great issues of our time: the climate crisis, poverty and structural inequalities. This may involve places on formal public sector boards and strategic groups but it is much more about building the strategic relationships between sectors. Our sector has repeatedly shown its ability to create broad coalitions from across the public, private and VCSE sectors and commitment to genuine partnership working where we can redress power imbalances, respectfully challenge each other when needed, and come together to achieve our shared ambitions, with the VCSE sector leading on behalf of the system when it is best placed to do this.

Alongside this, **the VCSE sector is a critical part of local economies and should be recognised as such**. As highlighted by the report, our sector is an income generator in its own right, a significant employer, and a demonstrated leader in responding to crises and challenges. While discussions about economic recovery often place emphasis on “anchor institutions”, as organisations rooted in place (literally written into their constitution), the role of VCSE sectors as employers, enterprises and enhancers of the economic potential of places is frequently overlooked, the cultural and play spaces, the leisure, learning and community activities run by VCSE organisations are contributors to the attractiveness of Greater Manchester as a place to live, grow and invest. As part of the ecosystem of place, therefore, the VCSE sector must be supported, along with other aspects of local economies, to recover financially from the COVID-19 pandemic. This means bringing together the VCSE, public and private sectors to facilitate connections, partnerships and innovations. These partnerships should focus on collaborative efforts to address the economic and social challenges during the recovery period while also enabling VCSE organisations to rebuild their reserves, diversify their income streams, and increase their fundraising capacity.

Thirdly, the report shows that sustainable funding is a concern and as we move beyond COVID-19 **there is a need to review commissioning approaches** to enable VCSE organisations – which are led by local communities – to not just continue to run local services but to grow and innovate as part of an inclusive economy. The Greater Manchester VCSE Commissioning Framework, published in 2020, offers a vision for a fundamental shift in culture, investment and process for the benefit of communities. Last year we saw the benefits of a flexible and agile approach to commissioning, as many funders removed restrictions on spending, allowing funding to be channelled to where it was needed. This meant that the VCSE sector could target resource appropriately, mobilise thousands of volunteers, and respond to rapidly changing needs within communities through the different cycles of the pandemic. Going forward, we recommend that commissioners use the framework to embed these approaches as a strategy, incorporating social value and co-design principles. Longer term contracts would also support improved long term planning and address the current funding uncertainties. This would create further opportunities for collaboration not competition amongst VCSE organisations, and maximise the sector’s ability to invest time, effort and resources in increasing their impact.

Furthermore, in line with the recommendations of the Greater Manchester Independent Inequalities Commission, there must be **meaningful mechanisms put into place to make co-design of local services the norm**. As the report highlights, our sector is rooted in place and in the communities it supports. The VCSE sector has a unique ability to gather intelligence at a neighbourhood level and across communities of place, interest and identity. We are powered by passionate local people who are committed to amplifying the voices of the most marginalised. By ensuring people with lived experience have a seat at the table and can meaningfully influence the decisions which affect them, we can begin to address structural inequalities and build services which meet the needs of those they serve. This must be done in a way that recognises inherent power imbalances and uses tested co-production principles to design and review public services.

Within the focus on economic recovery, there should be a **greater focus on community-led enterprise** (including social enterprises, co-operatives and mutuals) as an enabler of economic inclusion. The entrepreneurial capacity in the VCSE sector is clearly shown in this report through the diversification of income approaches which the sector has developed during challenging times. A programme to build on this, equipping more individuals with skills and knowledge around enterprise and a strategic approach to fostering purpose-led enterprises can create new markets, new employment and greater economic inclusion for the city's diverse communities.

There is great potential for **building productive relationships between private business and VCSE organisations** to address inequalities. Businesses in all sectors need to live and breathe as part of the community they inhabit. While good Corporate Social Responsibility policies are welcome, we believe that there is a need to invest in brokerage programmes for business and VCSE organisations to explore joint action and increase adoption of social value approaches, with our GM Social Value Network well positioned to lead on this. There is also an opportunity to focus on **public engagement with the local social economy** as never before: encouraging local people in donating time, donating financially (not just to VCSE organisations but also to community-led funds to support others facing hardship). This would involve collaborative work within the VCSE sector on local fundraising strategies and a "Be Local, Be Social" programme around buying from local purpose-led enterprises.

Finally, we recommend a new approach to supporting and retaining the paid and voluntary VCSE workforce. VCSE sector staff and volunteers have worked tirelessly to respond to a soaring demand for services, often against a backdrop of uncertain funding. Workforce wellbeing and sustainability were highlighted through the focus groups as a growing concern. There is a need to support citizen and system leadership to harness the full potential of this substantial workforce.

We believe there is a unique opportunity to build on the massive appetite shown by the public to engage as active citizens through volunteering and social action: we are committed to continuing to work with those who have developed new community-led approaches to support in neighbourhoods. Our sector, however, while primarily voluntary, is also an employer and must be able to support, develop and nurture its workforce. We urge funders to recognise the value of being able to pay staff a real Living Wage, and to be able to invest in proper training and support for staff and volunteers who dedicate their time to improve people's lives (which in turn delivers additional benefits for wellbeing and personal development). Through our local VCSE infrastructure bodies we also recommend investing in significant organisational development programmes where they don't currently exist, so that the sector can continue to innovate and adapt to emerging community need.

Underpinning all of these recommendations is the principle of collaboration.

Shared effort, shared investment, and insight enable greater collective impact: the response to the pandemic was at its best when it leveraged a wide variety of resources from across sectors to create the support services, the communications networks, the practical organising and the access to care that communities have needed. It has created space for innovations which will change the way all sectors work and collaborate: lowering the cost of starting businesses by supporting innovations like shared workspaces, shared commercial kitchens, community-financed start-ups, and community-owned spaces. There is scope for social and economic innovation to create a more inclusive approach at the heart of which we will need a thriving and sustainable VCSE sector.

We firmly believe that enacting each of the recommendations above will support this aim. We offer our support in enabling you to implement these recommendations - our flexibility, our ability to adapt to reach, and our experience in reaching parts of our local communities who are often untouched and unheard by decision-makers. By working in partnership both in the City of Manchester and across Greater Manchester, we can increase our communities' resilience, begin to deconstruct structural inequalities, reduce demand on public services, increase employment and engagement and build healthier, safer, and more equal communities for all.



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