Navigating the storm

How community organisations adapted and thrived in a pandemic

March 2022

Connect Fund
Building a better social investment market

locality
the power of community

Contents

Map of the organisations

This research explores the Covid-19 pandemic experiences of the following 32 community organisations. For more information about them, see **Box 4** on p24.

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3. Atlee Centre
4. Bradford Trident
5. Bridport Area Development Trust
6. Bromley by Bow Centre
7. Centre West
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9. Community Spaces Northampton
10. East Durham Trust
11. Finsbury Park Trust
12. Hebden Bridge Community Association
13. Highfield Community Association
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27. Shiney Advice and Resource Project (ShARP)
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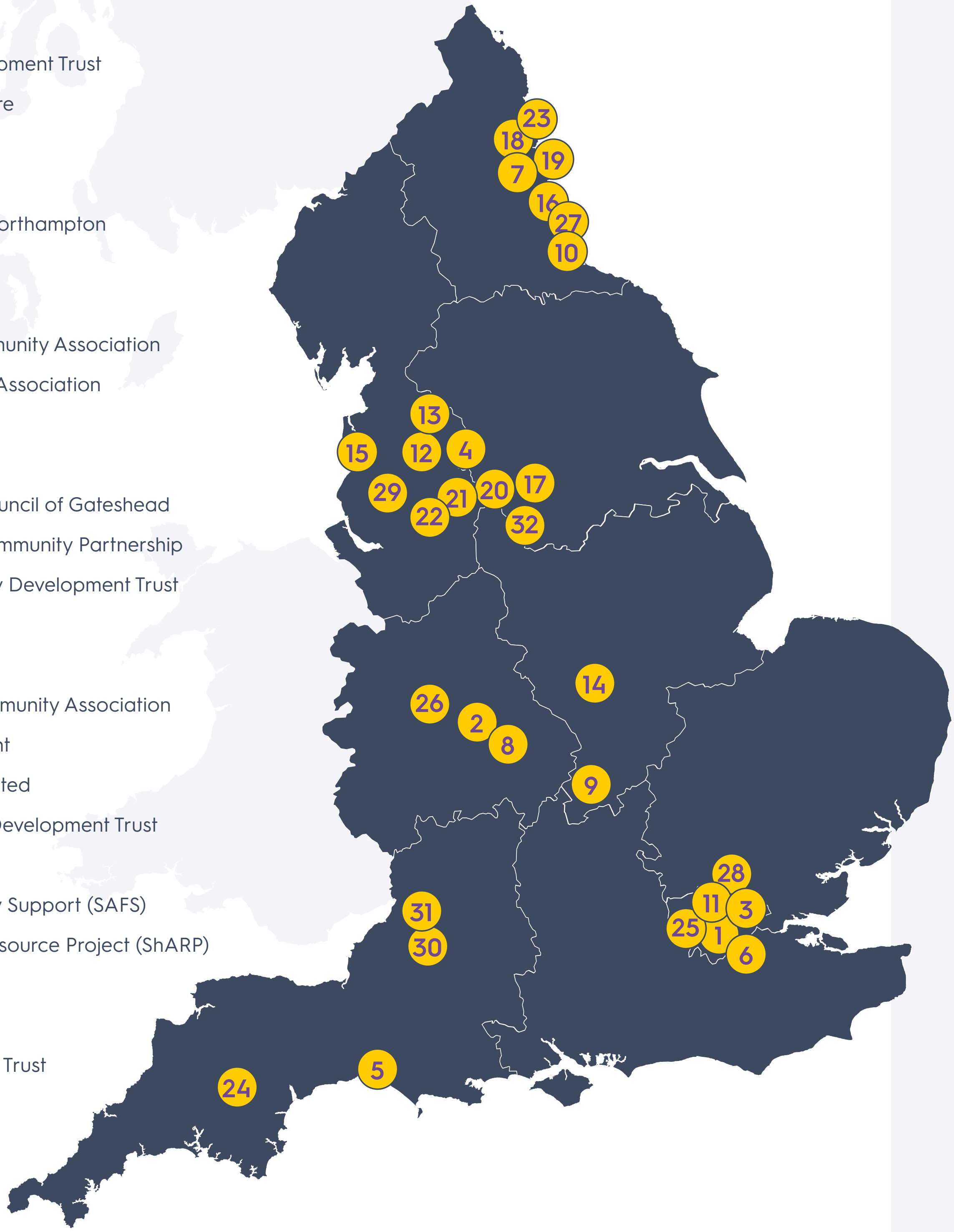


Executive summary

Over the last two years, the power of community has been at the forefront of the national consciousness. Local people have come together to support our places through the extraordinary challenges of the Covid-19 pandemic.

For many community organisations, this powerful response was built on the strong foundations of community ownership. With a physical presence at the heart of communities, they have developed strong relationships, generated income for themselves and wealth for their neighbourhoods. When crisis came, they were quickly able to harness these relationships, repurpose their buildings and transform services.

However, community organisations which earn their own income took a particular hit when we went into national lockdown. Just like the retail or hospitality sectors, community organisations with business models based on bringing people into buildings saw their income disappear overnight.

This sudden shock came on the back of what has felt like a long crisis for community organisations. Our communities have experienced a decade of austerity and underinvestment, with rising demand for services and mounting social pressures.

Despite this, our new research shows community organisations remain resilient. We believe it reaffirms the community enterprise model matters, as the most effective way of sustaining community power in disadvantaged neighbourhoods.

It demonstrates the ways in which community leaders have been innovating their way through the crisis, adapting their business models, and serving ever evolving community need.

It also shows how community organisations need the right support to sustain their incredible work, and continue to thrive in an uncertain future. Furlough and emergency grants from government and funders enabled organisations to stay afloat and pivot their work to respond to the emergency and develop vital new projects. Now this support has come to an end, it's important we learn the right lessons to ensure community organisations remain strong and successful in the long term.

Our new research incorporates the experiences of over 120 community organisations, alongside the insights of funders and policy experts. It explores the experience of community organisations during the pandemic so far, what challenges remain, and what it all means for the future of community assets and enterprise. We place a particular spotlight on organisations led by people experiencing racial inequity. These organisations suffered the heaviest toll of Covid-19 on the back of years of underinvestment and insufficient support.

We have created a matrix to organise our findings. This draws on the “balanced scorecard” approach to strategic business planning,[1] as well as Lighthouse, our online diagnostic tool.[2]

The matrix involves the following categories:

Business model
Things which directly or indirectly relate to the organisation’s main business activities, services, and products.

Organisational development
The core functioning of the organisation including staffing, volunteers, board, systems.

Strategic opportunities
New and emerging relationships, ideas, products, and services. These might be about creating social impact or financial returns – usually both.

Our findings in summary: How community organisations have adapted, innovated and diversified

Finding	Summary	Category
Invested in the fabric of their assets	Used lockdown to make long-term improvements to buildings	Business model
Adapted how their buildings earn	Used community spaces flexibly in response to changing behaviours	Business model
Reshaped, rethought, come out leaner	Made structural or systems changes to become more efficient in the long term	Organisational development
Developed digitally	Using technology to increase efficiency of organisations and quality of services	Organisational development
Innovated services	Changed approach to service delivery to respond to evolving community need	Strategic opportunities
Increased their health and wellbeing response	Reacted to growing need for health and wellbeing services, and related income opportunities	Strategic opportunities
Linked up locally	Local collaboration with VCS to tackle common challenges together	Strategic opportunities
Built partnerships with new sectors	Expanded range of cross sector relationships with new partners like universities and arts organisations	Strategic opportunities
Pivoted services into new areas	Responded to emerging social need and financial opportunities	Strategic opportunities
Told their story	Improved communications to increase profile and community relationships	Strategic opportunities

The big business model challenges for community organisations

Finding	Summary	Category
Ongoing uncertainty over footfall	Long-term impact of behaviour change on in-person activities still unclear	**Business model**
Increased costs	Cost of living crisis and policy changes hitting organisational margins	**Business model**
Limits of digital	Not all services can be provided well digitally	**Organisational development**
Loss of volunteers	More cautious or vulnerable older volunteers not being replaced by new generation	**Organisational development**
Succession planning	Difficulty of replacing retiring community lynchpin board members and CEOs	**Organisational development**
Staff burnout	Impact of pressures of pandemic on wellbeing	**Organisational development**
Recruitment	Hard to fill vacancies	**Organisational development**
Picking up the pieces	Being asked to step in when services or buildings have failed	**Strategic opportunities**

10 key lessons for community organisations

Finding		Summary	Category
1	Stay agile and diversify	Remain flexible to pivot business models	Business model
2	Find strategic space	Ability to focus on longer term time horizon rather than firefighting	Organisational development
3	Have clear financial systems and manage risk	Ensure basics of good financial management	Organisational development
4	Plan for succession	Don't defer addressing emerging board/CEO succession challenges	Organisational development
5	Prioritise staff welfare	Have clear wellbeing offer for staff, and ensure CEOs address own mental health needs	Organisational development
6	Offer good work	Think about broad employment offer to tackle recruitment challenges	Organisational development
7	Collaborate locally	Pool skills and resources with local VCS	Strategic opportunities
8	Build partnerships with new sectors	Seek out new opportunities - e.g. with universities and arts organisations – which serve evolving community need and provide income opportunities	Strategic opportunities
9	Tell your story	Use greater digital skills to promote organisation and develop new audiences	Strategic opportunities
10	Become climate leaders	Develop climate expertise and practical ways to take local action	Strategic opportunities

Key recommendations for funders and policymakers

The way community organisations have responded to the pressures of the pandemic has been remarkable. We have not seen large numbers of community organisations going under; and Locality members have innovated their way through the crisis to ensure they come out stronger the other side. Indeed, 39% of Locality members say their financial position has now improved or significantly improved since March 2020. As such, 78% say they are either fairly or very optimistic about the future.

However, this adaptation has had dual ingredients: the enterprising spirit of community leaders and the emergency grant support provided by government and funders. Now the latter has come to an end, many see a cliff edge coming. Spirit and determination alone will not sustain organised community action indefinitely. It needs the right support – what we call "capacity to innovate".

So, our report makes three key recommendations for how funders and policy makers can provide this. In so doing, they will help give community organisations the strategic space they need to try new things, find new income streams, and continue to drive forward their neighbourhoods for years ahead.

From our findings, we make the following recommendations:

1. For funders: **invest in organisational resilience and innovation,** shifting from restricted, project focussed funding towards unrestricted, flexible grants. In particular, we recommend a new comprehensive support programme: combining unrestricted grants to release key staff from "fire-fighting"; external help designed around the specific needs of the organisation; and access to a peer network to share learning. Such an intervention should be aimed at organisations that are subject to lower resilience, in particular building the capacity of organisations led by people from racialised communities.

2. For central government: **decentralise levelling up,** allowing greater access and control to community organisations over the key funds government has already announced as part of its flagship strategy.

3. For commissioners: **make contracts enabling, not controlling,** learning from the strong and flexible relationships developed with community organisations during the height of the pandemic to deliver services as effectively as possible.

Our commitment

As the national network supporting community organisations to be strong and successful, it is our duty to adapt to the new landscape. Our members have told us what they need from us as we take our next steps together, and we commit to:

1. **Harnessing the power of networking,** connecting community organisations across the country to learn from, inspire, and support each other.
2. **Producing new guidance,** on how to weather the storms and respond to new and emerging issues, including practical guides published alongside this report on diversification, succession, and collaboration.
3. **Being a better ally to organisations working with racialised communities,** including by establishing a resourced Locality membership group for leaders of colour, campaigning for the equitable distribution of assets, conducting major new research on community organisations and the fight for racial justice, and increasing the diversity of our membership.

Chapter 1:

Understanding the community enterprise business model

The case for assets and enterprise

At Locality, we believe that community ownership of assets and community enterprise are crucial to creating strong and successful community organisations. As our strategic framework and theory of change sets out:

> **"The most well-established community organisations are known as community anchor organisations. They tend to be the strongest and most successful community organisations, employing staff, delivering services, and owning or managing community spaces."**
>
> **"They provide both stability and flexibility by doing whatever it takes to support local people. They champion their communities and respond to the evolving nature of local need. They will often own buildings and spaces and use community enterprise to generate an income that keeps them sustainable."**

This is based on long experience of working with community organisations across the country, supporting them to maximise their impact for their local community. The case for assets and enterprise starts in principle. It's about independence, control and pride in place; the idea that if poor communities take ownership of physical assets, this gives them real power. They are less dependent on other people's decisions, whether that's politicians or funders. With a physical presence at the heart of communities, they can earn their own income, generate and retain wealth for their neighbourhood, and invest in the services they know their community wants.

But it's also deeply pragmatic, about the ability to earn a sustainable income in a world where grant funding has become increasingly scarce. Indeed, over the austerity years of the last decade there has been growing emphasis on community business, social enterprise models and trading, to inspire a decisive shift away from "grant dependency" towards long-term financial sustainability and independence.

The immediate impact of Covid-19

However, when the Covid-19 crisis hit, it was the community organisations most reliant on trading who suffered the most severe financial impact. We had many members tell us they felt they'd "done the right the thing" in the years leading up to the crisis and followed the advice of umbrella organisations and funders. They'd worked hard to move their business model away from grants towards earning their own income, only to find themselves in dire straits at the most critical time for their community.

This initial impact led questions to be raised about the long-term viability of the community enterprise model. Was this a blip, a temporary trauma, that would revert to type once the pandemic eased? Or did it reveal a fatal flaw, an existential threat to the assets and enterprise business model?

The new research we have conducted for this report reveals the answer to be none of the above. Preserving business models in aspic and attempting to wait out the pandemic has not been a viable strategy. All the community organisations we spoke to have been under serious pressure and have had to reshape what they do some extent. However, it is also not the case that organisations are seeking to offload their assets and cease trading, hoping to find greater security in grants and contracts. The community enterprise model is still seen as the most sustainable way to continue community organisations' mission of supporting local people in the most disadvantaged places in the country.

In this chapter we outline what we've learnt about the impact of Covid-19 on community organisations and what the future might hold.

Community enterprise before Covid-19

To do that we first need to understand what community enterprise looked like going into the pandemic. Because the dramatic drop in trading income can suggest a narrative whereby we moved from a perfect situation to a disastrous one. However, the truth is that it has never been simple to sustain the community organisation business model. The majority of Locality members are based in areas of multiple deprivation, trading in areas of traditional market failure. Nearly two-thirds (62%) are located in deciles 1-3 of the Indices of Multiple Deprivation (IMD), and a third (33%) are in IMD 1.[3]

Adding to this picture is recent analysis by the Communities in Charge campaign, which combined membership data from Locality and Co-Operatives UK, alongside grant data from Power to Change. This showed that neighbourhoods facing the "double distress" of both existing employment deprivation and a high risk of Covid-related job losses are twice as likely to play host to a community organisation than the average neighbourhood.[4] This is a different story to analysis of the wider charity sector, which suggests that charities are concentrated in more affluent areas.[5]

This clustering of community organisations is not random. It reflects their purpose and the structural social and economic inequalities they were set up to tackle. The story of Goodwin Development Trust - formed on a council estate in Hull in the early nineties - captures the origin story for many community organisations. As Stuart Spandler, the former chair of Goodwin Trust, explains:

> **"What the residents on this estate did was: band together and say this isn't good enough. No one else is going to help us. No one else is bothered. We've got to do it ourselves. Let's not talk about it: let's do it."[6]**

So these community organisations have always been disadvantaged by where they are. The term community "assets" is often used to describe what are in effect, liabilities, which have ended up in community hands because the public or private sector has failed to make them work. There is often very little disposable income in the local community, and so trading activities need to be priced accordingly. Community cafes need to sell 50p cups of tea rather than £3 lattes. This has a knock-on effect on the ability to build reserves when operating on such tight margins, leaving organisations without a buffer when trading stops.

Indeed as "Waving Not Drowning" – lessons from Locality's Lifeboat crisis support service – explained in 2019 "community organisations have often faced challenges in maintaining financial stability".[7] The report identified a range of factors rooted in the external environment which have been contributing to organisations reaching crisis point and in need of expert help:

- The trend of scale and standardisation in public sector commissioning preventing such organisations from bidding for contracts
- Increasingly lean contracts not meeting the cost of service delivery
- Increased competition for grant support
- Property challenges, including higher rents and repayment terms

Particular challenges have been faced by community organisations working with and led by people from racialised communities. As Locality's "No More Blank Pages" research noted, this part of our sector has faced historical underfunding, reduced access to capacity building and has disproportionately felt the negative impact of austerity and changes to grant funding regimes.[8] This had already weakened the sector's position prior to the pandemic. Evidence from Voice4Change shows that most of the organisations led by people of colour in the Voluntary Community and Social Enterprise (VCSE) sector are small or micro-organisations, and there are high levels of volunteerism and volunteer-led organisations within the sector.[9] Prior to the pandemic, racialised community organisations were already facing significant underinvestment and lack of funding. As Locality member, Black South West Network, put it: "Persistent severe underinvestment - and the lack of equity in funding and procurement streams had left the sector in a state of mere survival."

So it is clear that community organisations had been under significant strain long before the arrival of Covid-19. They had been working flat out to make their business models stack up, in conditions of long-term austerity and scarce grant funding. This is reflected in a mixed picture from our interviews when we asked organisations how resilient their business models were pre-pandemic. 77% said they felt theirs were resilient:

> **"We went into lockdown in a good position."**
>
> **"Pretty resilient. Our two big cores of rental income and café income are relatively consistent. We have very high occupancy rate – and a stable customer base."**
>
> **"We are resilient and a service needed by numerous families and users."**
>
> **"I think the Trust was solid."**

Twenty-three percent, however, felt more precarious:

> **"Not really a resilient model. There was some income coming in but it had been clear for a while that something needed to change."**
>
> **"As a model it was probably quite resilient in theory as it was not reliant on grants. However, the organisation is still quite new and was in an extremely vulnerable state before the pandemic hit."**
>
> **"Not very resilient. The organisation was on unsteady ground before pandemic – history of turmoil – very low bank balance when handed over."**

Many of the organisations we spoke to had a mixed business model, with trading activity (most commonly room hire or tenants in community buildings) supplemented by grants and/or contracts for person-centred services. A significant minority (23%) had also accessed repayable finance from a range of social investment providers. For a handful of organisations trading income would make up 75% or more of their annual income, but more commonly trading income sits around the 50% mark or below. This is in line with analysis by MyCake for Power to Change published in 2017, which showed that for community businesses classified as "community hubs", grant income accounted for 52% of annual turnover, with venue-based trading income 38.6% and non-venue based income 23.5%.[10]

The prevailing economic context

As we consider the position of community sector coming out of the Covid-19 pandemic, it is important to look at the prevailing economic conditions affecting the sector.

The pandemic has certainly had a big economic impact on the VCSE sector. And the overarching picture in the economy continues to be one of some uncertainty in 2022.

At the end of 2020, surveys showed that as many as one third of VCSE organisations had seen their financial position deteriorate.[11] This was an impact which extended into 2021 when almost two-thirds of VCSE organisations had discontinued services due to the pandemic.[12] Alongside the losses in income, these organisations noted increased costs related to the pandemic. There have also been worries over the availability and sustainability of public funding from both central and local government even before the pandemic.

In the wider economy, the overarching picture in 2021 was one of continued uncertainty. In August 2021, UK labour market statistics showed that employment was returning to pre-Covid-19 (February 2020) levels.[13] Throughout the pandemic employment rates had been gradually decreasing, shored up by the Coronavirus Job Retention Scheme (furlough). Government data releases have shown that one fifth of all voluntary sector employees were furloughed during the early stages of the pandemic.[14] One study showed that as many as 7,200 charities and 1,500 community interest companies and societies made use of the furlough in December 2020.[15]

Among the increased costs for the sector were things such as enabling digital connectivity for staff and technology set up costs to allow for home working. Costs in other sectors were also rising during the pandemic. For example, in the construction industry, build costs have escalated due to price increases in essential materials and product shortages caused by supply chain issues. This could represent a significant cost increase for those organisations looking to refurbish community assets as well as those community-led housing projects which continued during the pandemic.

The vast majority of the UK's business sectors were impacted during the pandemic. This is particularly true of the hospitality, leisure and tourism sectors. With tourism not predicted to return to pre-pandemic levels until 2025, hesitancy to return to leisure and tourism venues and the impact of lockdown, the sector has been heavily impacted.[16] In coastal areas, which were disproportionately impacted by the pandemic, there were some of the largest drops in local spending and the highest rises in unemployment too.[17] These are notably areas which often experience greater health inequalities. For those community organisations with hospitality and leisure assets, from cafes to swimming pools and theatres, this is of particular concern. The hesitancy of the public to return to such venues, means that trading income for these organisations can fall significantly. This is the same for those organisations who rely on retail income which have seen falling visitor numbers, particularly on the high street.

Looking towards recovery, the picture of public finances looks to be uncertain too. While primarily due to a decrease in Covid-19 support, the Department for Levelling Up, Housing and Communities budget has been cut by almost a fifth (£4bn) in 2021-2022.[18] This will certainly mean that local government budgets are once again constricted and will have hard choices to make about how they best support the VCSE sector in their local areas.

Covid-19 and assets and enterprise

When the UK went into full lockdown on March 23 2020, community organisations with business models based around assets and enterprise faced distinct challenges. Trading income from community cafes and room hire disappeared; and organisations that run buildings and have tenants have faced the uncertainties of changing behaviours. They looked on enviously at organisations with contracts or grants, who were benefiting from relative security and flexibility from commissioners or funders.

Our initial engagement with Locality members in the wake of the first lockdown identified a particular funding gap for medium-sized community organisations, with business models most heavily reliant on trading. These organisations - with mature business models and who provide services to a wider range of client groups - were left particularly exposed. A survey conducted for our "We Were Built For This" report across May 2020 revealed that 59% of Locality members risked losing a quarter of their income due to Covid-19.[19]

Our full member survey published in December 2020 bore out these fears. We found that between March 2020 and July 2020, 46% of our members lost at least a quarter of their income and 26% lost at least half of their income. However, for the 40% of our members who earn over half of their income through trading activities, 62% lost at least a quarter of income, and 37% lost over half of their income.[20]

We saw this across our interviews:

> **"Room hire and café income fell away."**
>
> **"When lockdown happened, we had to close doors and all income fell to zero."**
>
> **"As a leisure centre we had to close. That was really worrying as our cash reserves were limited so we knew we wouldn't be able to sustain things for long if we had no income."**
>
> **"Massive sudden drop in earned income. Cancellations began from 16th March, corporate hires stopped."**

Emergency funding

What changed the game was the influx of emergency support, from government and from funders. All the organisations we spoke to were able to access some kind of funding, which was critical to helping them navigate the immediate crisis.

Furlough was well used – as **Box 2** shows, 83% of the Locality members who responded to our survey in January 2022 accessed it. According to the Resolution Foundation, over its 18-month lifespan, the Coronavirus Job Retention Scheme – to give its official name – "covered the wages of some 11.6 million people, and has provided for 2.3 billion days of furlough at a cost to the Government of almost £70 billion".[21] One organisation we spoke to described it as "an absolute lifesaver; without it the organisation wouldn't have been able to carry on." Some of the organisations most reliant on trading had to furlough almost all staff. As one interviewee reflected: "We had no choice. So our response to Covid-19 was not as strong as other charities, but we were in a unique position". Others made more limited use of the scheme, furloughing staff in some parts of the business, but being able to keep going and broaden out grant funded projects or service contracts. Some managed to secure enough emergency grant support quickly enough to plug trading income gaps and keep staff working.

Other government emergency support was also widely accessed. A frustration for the VCSE sector was that the mainstream support mechanisms announced by government were "business support", explicitly tailored towards the private sector. Eligibility for grants was based around business rates, which on the face of it excluded charities in receipt of charitable rate relief and therefore paying minimal or no business rates. Much was left to local authority discretion – which created large amounts of uncertainty and meant that those with good relationships with their local authorities were at an advantage.

However, when we surveyed Locality members in January-February 2021, we found that 66% said they had been eligible for some kind of business support grant. They received a range of grants - retail and hospitality, small business relief, local restrictions support. Respondents said that it was an "easy and accessible process" and, of the organisations who applied for some kind of business support, over three quarters (77%) were successful.[22]

As one organisation in the South West noted:

> **"Apart from furlough, we applied for the standard Covid-19 grants through the local council - Business Support Grant - which we applied for and duly received. Those went all the way through until such points we were allowed to re-open."**

Another in Yorkshire highlighted the importance of local authority grants, stating that:

> **"Major losses of trading income were offset by grants, which have come along periodically, many of which were managed by the local authority who were pretty speedy at getting them out".**

It is not just the direct impact of community organisations receiving grants that mattered. The fact that their tenants accessed funding enabled them to pay the rent and stay in situ rather than being forced to give notice. Trading losses would have been even greater without the grant support coming into the system.

Alongside government support, community organisations also benefited hugely from emergency grant support from funders. Many of the Locality members we spoke to were able to access a bespoke scheme from Power to Change, the Trading Income Support Scheme. This was co-designed with Locality to recognise the particular hit to community enterprise business models. But there was a huge amount of new emergency grant that entered the system. In April 2020 the government announced a £750 million package of funding to support charities including £370 million for small and medium charities through the National Lottery Community Fund (NLCF). Additionally, many other funders large and small provided grant funding and loans to community organisations and social enterprises. Many of these pots were nationwide, while other organisations put in place geographically specific.

As one organisation told us: "It required capacity to get hold of grants, but it was the difference between survival and going under. We didn't have the reserves to cover the losses and would have had to let staff go en masse." Our survey shows that 80% of organisations accessed some form of emergency grant support from the NLCF or other trusts and foundations.

As well as new emergency grant schemes, what made a difference for many was flexibility shown by funders around existing grants. Some funders allowed grants to become unrestricted to enable them to respond flexibility to unprecedented demand. Some commissioners responded similarly, scrapping KPIs and red tape, to allow community organisations to do what they needed to do. As Steve Sandercock, who was Head of Strategic Procurement at Bristol City Council at the time, said: “The council encourages suppliers to prioritise things that will meet the community’s needs and that it trusts that details will be dealt with in relationships between contract managers and suppliers.”[23]

Social investment has also been important. As set out in **Box 3**, social investors provided significant amounts of emergency loans, grants, and support to the VCSE sector. Most commonly this provided working capital for organisations at a time when income had plummeted, and cash flow was a struggle. As we headed into the crisis, there was a fear across the social investment sector that there would be an increase in organisations defaulting on loans. However, this hasn’t transpired to be the case, and provisions for bad debts have returned to pre-pandemic levels. However, one participant at an expert roundtable held as part of this research described the social investment market as “lumpy”, with deals when they happen tending to be larger, with asset-backed organisations. From our interviews, a handful of organisations had accessed social investment (10%) during the pandemic, some for the first time, where there was a blended grant and loan offer.

January 2022 survey of Locality members

In January 2022, Locality carried out a survey of its membership to understand the impact of the pandemic on their business models. The survey had 84 respondents covering all nine regions of England. It included a mixture of organisations, from those with a turnover below £25,000 year to those earning up to £5 million each year.

Improving financial outlook:

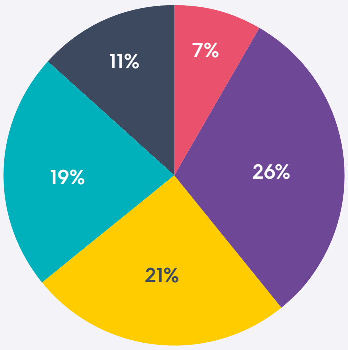
- 39% of respondents said that their financial position had improved or significantly improved since March 2020.
- A similar number (36%) said that it had worsened or significantly worsened over the same period.
- A quarter of respondents said it had stayed the same.
- In a similar survey in March 2021, 56% of respondents said that their financial position had worsened or significantly worsened compared with only 15% who said it had improved. This indicates a positive turnaround in the proceeding 10 months.

A loss of trading income was apparent across most respondents. However, grants from both central and local government, trusts, and foundations had been the saving grace for those whose financial positions had improved.

Increasing demand for services:

- Overall, the majority (61%) of community organisations surveyed said the demand for their services had increased.
- Just under a quarter (24%) said demand had stayed the same
- Only 15% said demand had decreased.
- Among those who said that their financial position had worsened or significantly worsened, the majority (57%) said demand had increased for their services.

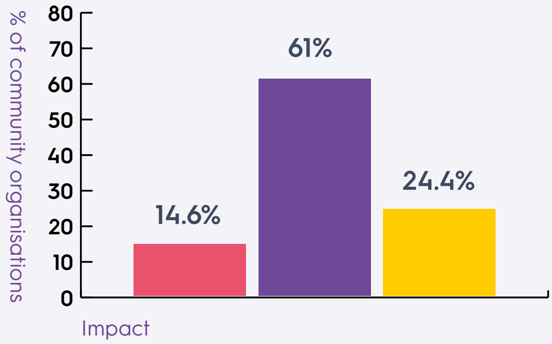
Financial position of community organisations since March 2020



% of community organisations

Significantly improved
Improved
Stayed the same
Worsened
Significantly worsened

Change in demand for services by community organisations since March 2020



Decreased
Increased
Stayed the same

Access to support during the pandemic:

- 95% of respondents stated that they had accessed some form of support during the pandemic.
- 83% accessed the government's furlough scheme and 78% accessed other government support.
- 80% accessed some form of emergency grant support from the National Lottery Community Fund or other trusts and foundations.

Changes in operation, service delivery, and staffing:

- Locality members overwhelmingly changed the way in which they operated and delivered services, with 95% of respondents reporting this.
- 58% said that they had lost volunteers during the pandemic. Two-thirds of organisations had not reduced the size of their paid staff while a third had.

Most organisations surveyed (67%) did not expect to make further reductions in the size of their paid staff. However, just over a quarter (26%) of organisations were not sure whether they would have to make further reductions. This highlights the uncertainty which still persists for community organisations.

While very few (7%) expected to make further reductions, this included one organisation which said it was closing its doors completely.

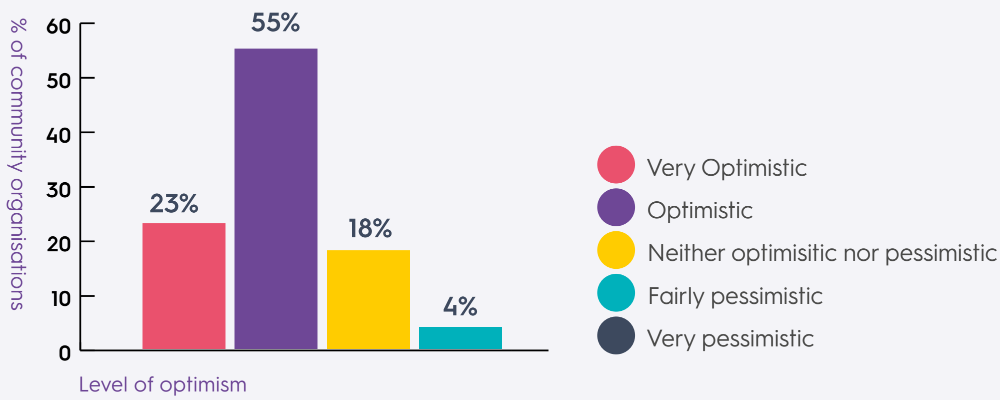
Sound primary income sources but a desire to diversify:

- Almost half of community organisations (49%) believed that their primary source of income was sound at the end of 2021. This compared with 23% who believed it was not sound and 28% who were not sure.
- Almost three quarters (74%) said that they were thinking about diversification their income
- Among those who said that their primary source of income was not sound, 68% were thinking of diversifying, with a further 21% unsure about whether they would diversity or not. Even among those who said their primary source of income was sound, 71% still said that they were thinking about diversifying.

Cautious optimism for the future:

Our survey found that most organisations were "fairly optimistic" about the future (55%). 23% were "very optimistic", while only 4% described themselves as "fairly pessimistic".

Levels of optimism for the future among community organisations



Social investment and community enterprise

Social investment is the use of repayable finance to help an organisation achieve a social purpose. VCSE organisations can use repayable finance to help them increase their social impact. This may be by growing their business, using working capital for contract delivery, or buying assets. Social investment is repayable, often with interest. Organisations may generate a surplus through trading activities, contracts for delivering public services, and grants and donations. This surplus is then used to repay investors.[24]

Prior to the pandemic, social investment in the UK grew six-fold between 2011 and 2019, increasing from £830m to £5.1bn.

During the pandemic, social investors provided emergency loans, grants, and support to the VCSE sector, including to help bridge between the emergency and recovery phases. For example, Key Fund, Social Investment Business, and a fund delivered by a range of social investors in partnership with Access, disbursed over 350 blended grant/loan deals totalling £46.8m.[25] Within these, the average grant amount was £43,394, while the average loan amount was £183,298. The most common purpose of investment was for working capital (45%), usually to cover a cash shortfall. The most common impact areas for this investment were better mental health (23%), training and education (18%), and access to local services and facilities (17%). This demonstrates the valuable role social investment has played in helping to keep organisations afloat during the crisis. However, there were geographic disparities in levels of investment, with organisations in Yorkshire and the Humber (27%), London (15%), and the North West (15%) receiving the most deals, and those in the West Midlands (6%), the East of England (5%), and the South West (4%) the fewest. Disability (7%) and racialised community (6%) led organisations were also underrepresented. This suggests that more needs to be done to make social investment as accessible as possible across the country and in all communities.

In general, the amount of lending dropped significantly in 2020 and investors have described the trend since then as "lumpy". Demand increased when the outlook of the pandemic became more positive and fell when challenges like new variants emerged. However, investors have also reported an uptick in entrepreneurial spirit during the pandemic as organisations looked at how they could diversify trading with consumers. This reflects the innovative and resilient spirit of the VCSE sector that we have seen throughout the Covid-19 crisis, as organisations rebalanced their trading models in response to the emergency. Whether the use of social investment by these organisations now continues into the recovery phase is yet to be seen.

Evidence from investors suggests that although there was a significant increase at the start of the pandemic in the amount of investments deemed on the 'watchlist' for default of repayment, this has now returned to pre-pandemic levels. This has been aided by an extension of Covid-19 related holiday payments into 2021. In a roundtable held as part of this research, one investor noted that the number of organisations in need of repayment support was much lower than expected; closer to 50% rather than 70-80% as predicted.

Ten percent of the organisations we interviewed had accessed social investment during the pandemic, and so for some community organisations repayable finance will continue to be an important part of their business model. Overall, while reduced due to the Covid-19 crisis, the social investment market has proved resilient. However, caution remains as investors wait to see if the end of furlough and emergency grants and lending will lead to delayed pain in 2022.

Impact on racialised communities

The impact of Covid-19 has been particularly severe for organisations led by people from racialised communities.

In April 2020, the Ubele Initiative published the findings of surveys carried out in the first month of the pandemic.[27] The headline finding was that nine in 10 micro and small organisations led by people from racialised communities were at risk of permanent closure if the crisis continued beyond three months. The surveys showed that 87% of these micro and small organisations did not have sufficient resources to last beyond that period.

Ubele notes that these findings pre-dated the first reports that around 35% of the first 2000 patients in intensive care units with Covid-19 at that time were from Black, Asian and minoritised ethnic backgrounds, despite only accounting for 14% of the population.

The story here is one of a group of communities which were experiencing the full force of the Covid-19 pandemic. Racialised communities were being disproportionately impacted by the virus, and organisations led by people from racialised communities were bearing the brunt of the economic impact. As highlighted above, this came on top of long-term underinvestment in the sector meaning they were less likely to have the reserves or resilience to withstand the storm and adapt to it.

Ashiana Community Project told us,

> **"Covid-19 highlighted deprivation and those with health inequalities really struggled. Staff and volunteers saw this through lived experience. Through this, we learned about gaps in services and identified solutions. This, in turn, helped up use available resources in a smarter way".**

And the Jewish Community Council of Gateshead highlighted that,

> **"Social isolation was a significant challenge for the Jewish community in Gateshead. As a very family-centric community featuring large, multi-generational families, festivals and lifecycle events are celebrated with family. People were unable to spend time together with their loved ones and that was a big challenge. We also had to make sure that people on their own were not forgotten."**

In June 2020, the murder of George Floyd reignited the Black Lives Matter Movement in the UK just as in the United States. This brought with it additional burdens, particularly for black community leaders, who were called upon to raise and advise on anti-racism, further impacting their capacity. Our "No More Blank Pages" report described how this, alongside the disproportionate impact of Covid-19 on racialised communities, has had a multiplier effect on organisations led by and serving racialised communities.

> In this research we use the phrase "racialised" communities. As explained by Ishita Ranjan, founder and Director of Spark & Co, this phrase "acknowledges that ethnic minorities are often categorised first and foremost by race because of the white-led systems that we exist in. "Racialised" doesn't define the community or the identity, but rather the phenomenon that has happened to them."[26] We feel that this phrase conveys with greater nuance the complexities of race, particularly for this research which highlights the impact of a pandemic, the effects of which have not been felt equally by all communities.

However, this also brought with it new funding. This, alongside the recognition of the particular challenges faced by community organisations led by and working with people from racialised communities, has meant these communities have been a focus for many funding programmes. The Covid-19 Community-Led Organisations Recovery Scheme (CCLORS) scheme, for example, was led by Power to Change in partnership with Locality, The Ubele Initiative and Social Investment Business. It was part of The National Lottery Community Fund's Coronavirus Community Support Fund, that launched in May 2020. It was aimed at community-led organisations in England that were facing severe financial difficulties as a direct result of the lockdown. 82% of the available funding went to organisations led by people from racialised communities.

This sudden availability of cash has been a huge support to the sector and meant that that the catastrophic collapse we were heading towards has yet to come to pass. However, there is a fear that the Covid-19 and BLM inspired funding will prove to be a moment in time, an important boost but not a concerted and sustained effort to correct historic disinvestment. Phil Tulba, Associate Director for Community Wealth Building at The Ubele Initiative, stated that the recent response continued a trend of "sudden funding to do moments of activism". Many local organisations supporting racialised communities have not seen the funding remain, making it difficult to plan or transform for the long term. This has the potential to compound the fragile state of VCSE organisations led by and supporting racialised communities which was evident before the pandemic.

Historic underfunding, and a lack of reliable, long-term funding means that the resilience of the sector is certainly a cause for concern. While the pandemic brought some core and flexible funding for groups, "funding structures continue to discriminate against black and minoritised community groups".[28] Ubele's 2021 Booska Paper shows that even after the positives seen throughout the pandemic, racialised communities are still seeing inequities persisting through how funding is allocated. Racialised communities are still excluded from most funding programmes as they do not meet requirements. Often they are too small, lacking the robust financial and governance structures required to be eligible for funding.[29]

It is clear that addressing this inequity needs long-term and sustained effort and investment. Otherwise, those organisations led by individuals from racialised communities, which were supported by emergency funding through the pandemic, are likely to return to the same, unsustainable position which many were in when they entered the pandemic.

A post-crisis cliff edge?

Fears around the temporary nature of the grants was a common concern across our interviews. As one organisation we spoke to put it:

> **"The issue with these grants was they finished 31st March 2021 and the need we were addressing didn't stop – the emergency situation was ongoing and we've tried to continue services beyond the life of the emergency grants. This is taxing now, the extent to which these services have become embedded but no one is paying for them."**

Analysis of Locality's Lighthouse service - a web-based tool developed by Locality to support community organisations to look at their viability and sustainability – highlights this. We compared a sample of members who completed Lighthouse in 2021 with a similar sample who completed it just prior to the pandemic, in 2019 and the first two months of 2020. Most of those in the 2021 sample reported that they had not experienced cashflow problems in the last year – only 10% reported a cashflow issue, compared to 20% of the pre-Covid-19 sample. However, around 40% of the 2021 sample reported a crunch point in relation to income within the next 12 months, with a further 30% identifying a crunch point within two years. In comparison, the pre-Covid-19 sample showed 20% with an immediate need for additional income, 10% facing a crunch point in the next year and 40% looking at a crunch point within the next two years. So, while the percentage is the same for both samples, the 2021 sample sees a much more pressing cliff edge now the emergency funding period has come to an end.

It is clear, therefore, that the different strands of funding available have meant that we haven't seen the collapse of community organisations that might perhaps have been expected.[30] We have not yet seen mass bankruptcies. Indeed, analysis of Locality's Lifeboat service for this report shows the number of referrals fell during the pandemic - likely due to the availability of emergency grants and the furlough scheme to shore-up short-term viability. This is reflected when we track changing survey responses from Locality members over the course of the pandemic. In March 2021, 56% of respondents said that their financial position had worsened or significantly worsened compared with only 15% who said it had improved. By the time of our January 2022 survey, more organisations said their financial position had improved (39%) than worsened (36%).

But this does not mean long-term challenges aren't there; some have merely been hidden or deferred. There are several organisations that we define as being "emergency cash rich". Some of these have been successful in accessing emergency support on top of already resilient mixed income business models, and so have found themselves well placed not just to survive the crisis but to lead the recovery. For others, however, who went into the pandemic with more marginal business models, or organisations from racialised communities who have suffered long-term underinvestment, this emergency cash had provided short-term succour rather than long-term salvation. They may be "emergency cash rich" but they are ultimately still financially precarious, and lack the capacity to pivot and adapt for the future.

Our research

In this research we have sought to get under the bonnet of the community organisation business model during the pandemic. Beyond our wider survey to Locality members, we have done this through in-depth interviews with over 30 community organisations. These organisations use assets and enterprise as a key part of their business model. They are therefore drawn from the more established end of the community sector. Our sample was geographically spread, drawn from across the income spectrum, and representative of organisations led by disadvantaged protected characteristic groups. For a full breakdown of our interviewees, see Box 4.

Breakdown of research participants:

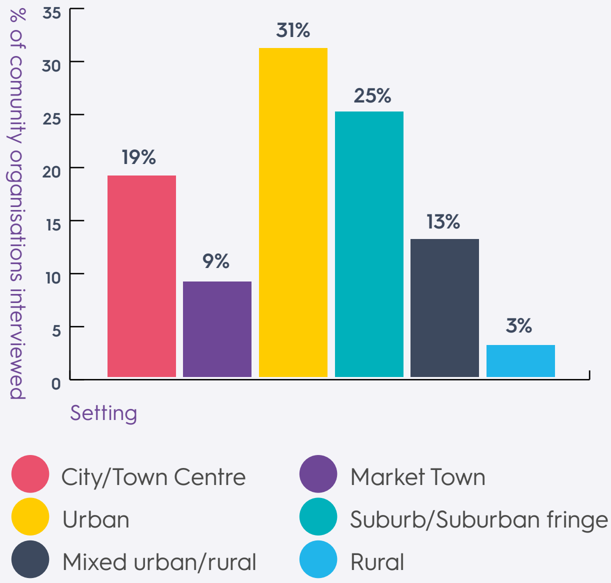
We carried out 32 in-depth research interviews as part of this project. These covered community organisations from seven of the nine English regions, with no interviews held in the South East or East of England regions.

They represented a mix of urban, suburban, and rural communities. The majority (41%) are in the most deprived areas of the country (IMD decile 1).

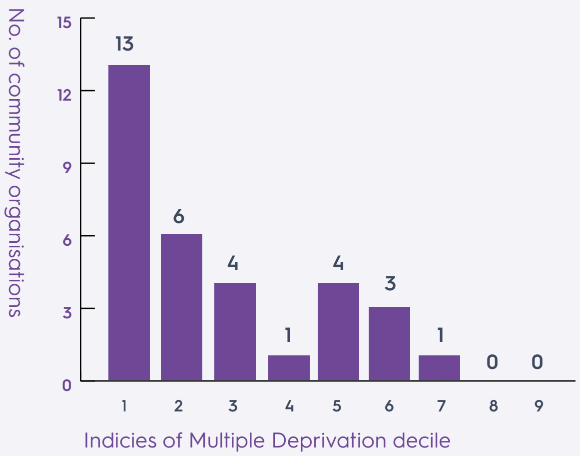
Indeed, all but four of the were in Index of Multiple Deprivation (IMD) deciles 1-5, the most deprived half of areas in the UK.

Just under a third of the organisations interviewed (31%) are led by disadvantaged protected characteristic groups, predominantly those from racialised communities and one user-led disability organisation.

Setting of community organisations interviewed



IMD decile of community organisations interviewed



The table below shows the spread of organisations interviewed by turnover, from £25,000 to £5million.

IMD decile of community organisations interviewed

Turnover	Proportion of all organisations:	Proportion of organisations led by disadvantaged protected characteristic groups:
£25k - £100k	18.8%	30%
£100k - £500k	47.9%	30%
£500k - £1m	21.9%	20%
£1m - £5m	12.5%	20%

But despite being what Locality's strategic framework would consider to be the "strongest and most successful" community organisations, it is clear the pandemic has brought significant new pressures. We wanted to understand more about how they have sought to adapt; what the biggest challenges are and how they might be overcome. The rest of this report shares what we've learnt – and sets out how we can best support the assets and enterprise model to continue to provide a bedrock for community organisations' vital work supporting local people in the years ahead.

The report takes in four key sections:

- We begin by showing the ways community organisations who own assets and use community enterprise have adapted, innovated and diversified
- We then detail the huge ongoing challenges community organisations using this model face
- We set out some key lessons for community organisations that have emerged from our work to help community organisations navigate the difficult years ahead
- Finally, we outline policy recommendations that can support the assets and enterprise model to continue to be successful in the future


21
SOHO ROAD
Face Shield

Chapter 2:

How community organisations have adapted, innovated, and diversified

How community organisations have adapted, innovated, and diversified

The pandemic has been a time of huge uncertainty for all. New waves, new variants, new restrictions have meant there has not been a linear path from the time the first lockdown was announced on 23 March 2020 and where we are now. Indeed, adaptability has been a key requirement for community organisations, to navigate their way through the pandemic. We asked community organisations to tell us about the impact of Covid-19 on their business model. Of course, we heard a whole host of challenges, which we outline in chapter 3. But we also heard how the resilient spirit which defines community organisations had led them to innovate and change. Here we set out what we heard.

Business model

Invested in the fabric of their assets.

For organisations which own community assets, lockdowns when they were required to be closed was clearly a hugely worrying time. For many organisations, their building forms their foundation in the community, the roots of their relationship with local people. Crucially, it's also how they earn their own income.

However, rather than remaining static, even behind closed doors, community organisations again have been showing their proactive, can-do spirit. Many of the organisations we spoke to have used the time to invest in their buildings, do the things which can be harder to do in normal times when centres are full of activities and rooms are fully booked.

Linskill Centre, in South Sheilds, accelerated plans to make environmental improvements, increasing the efficiency of their building. In October 2020, when they saw the country would be going back into lockdown, they recognised an opportunity to get work done while the building was shut. So, they secured a blended grant/loan social investment deal to replace the heating system, the lighting system and insulate the building.

Other organisations have used the quiet period to take care of maintenance and fix the things that were never able to get around to before. Meadow Well Connected made repairs and updated their buildings while they were closed. The influx of new volunteers, mainly due to furlough, meant that they could also do work on their garden and maximise its use as an outdoor space where they could safely work face-to-face.

Adapted to how their buildings earn.

Community-owned buildings are at the heart of trading income. According to Locality's most recent full member survey, "community facilities, room hire and managed workspace" is the most common service or activity provided by Locality members (73%).[31]

However, we know it was precisely this work which suffered the greatest and most immediate hit during lockdown, as buildings were forced to close. Over time, the stop-start nature of restrictions coupled with ongoing caution have meant community organisations have had to rethink how they use their buildings, or risk an existential threat to their business model. This is particularly necessary as the people who tend to use community buildings are likely to be some of the most at risk, and therefore least likely to be returning to pre-pandemic habits any time soon.

So a key task for community organisations has been assessing which pandemic effects were short term blip and which were long term behaviour changes. As such, our interviews reveal that recovery of building related trading income has varied by type.

This is still an evolving picture, but we have seen a positive picture on tenancy. Tenants have tended to stay in place - or those that have left have been able to be replaced. However, the situation is not static and across our interviews we heard of varying approaches. One organisation, for example, described how they were making a shift away from what they see as the relative insecurity of short-term hirings, lettings and hot desking, towards a more known quality of solid anchor tenants. Linskill Centre, however, described how, having lost an anchor tenant in the early stages of the pandemic, they had now sought to "de-risk" the organisation. "Now the space is taken by lots of smaller tenants, so we are not now reliant on 15% of income from one tenant, which is a better position to be in".

Whatever approach works for the organisation, it is clear that the shift to working from home has not collapsed the market for office spaces. It's not straightforward, but community organisations are finding tenants to fill their buildings.

However, sessional room hire appears much more unstable. It is still yet to return to pre-pandemic levels - and many are thinking it never will. A particular dilemma was highlighted by Trowbridge Town Hall. In 2021 as the country progressed along the reopening "roadmap", the organisation found high demand from the local community wanting to come back in and use the space. However, this doesn't bring in the same level of income as the corporate hires they had been able to attract pre-covid. For director David Lockwood, this is unlikely to return now businesses have got used to delivering training online, and "even if government doesn't impose any restrictions, people are going to start imposing their ownv restrictions, their own behaviour will be different and more risk averse".

Outdoor space has been important, with organisations adapting what they have to get more people meeting safely outdoors where possible. Café's have moved outside and started doing takeaways. Others have used outdoor space to deliver services.

They are also trying to find new ways to increase footfall. Abbotshall Healthy Lifestyle Centre in London supplemented their income during the pandemic by hosting pop-up restaurants in their building. Weddings and other large celebration events are seen as particularly profitable. Gatherings like these will continue for the foreseeable future to carry a degree of risk. But organisations are recognising them as long-term opportunities to generate unrestricted funding and are seeking to develop them accordingly.

Organisational development

Reshaped, rethought and come out leaner.

Following the global financial crisis, President Obama's then Chief of Staff Rahm Emanuel famously adopted the maxim:

> **"Never allow a good crisis to go to waste".**

Many community organisations we spoke to have approached the pandemic in the same determined way. Despite battling huge and immediate challenges – how to serve their community in their hour of utmost need and sustain their organisations in the face of collapsing income – they have found the bigger picture.

Lockdown provided an impetus to look at their organisations in a root and branch manner, rethink and make changes to both respond to the pressures of the pandemic and that will benefit them in the long term.

As Community Spaces Northampton put it:

> **"While the pandemic could have been catastrophic for us, the Board of Trustees used the opportunity to totally rethink the structure of our charity, leading to a major restructure, change of finance system, commission a new website and change reporting and management systems."**

This was seen across many of the community organisations we spoke to. Sandwell Asian Family Support Service (SAFS) invested in a new system for registering people using their services, which has sped up their processes and reduced administration. Bridport Area Development Trust looked across their business model to bear down on costs which had previously been overlooked.

Community organisations are defined by a can-do, determined spirit. As Highfields Centre put it:

> **"Because of previous experience, we are used to being fleet of foot and quickly responding to new challenges."**

So rather than being caught in the headlines, community organisations have responded to crisis calmly and quickly, taking big strategic decisions not just for the here and now, but to make their organisations stronger for the future. But it is easier for some than others. As a smaller organisation, Finsbury Park Trust did find time for "rethinking and renewal", but this was limited by the time taken to apply for emergency funding and keep their building running.

Sandwell Asian Family Support

Sandwell Asian Family Support (SAFS) is a charity providing social care, health, and wellbeing services to people of all ages with disabilities, complex health needs and/or life-limiting conditions. It works predominantly within the South Asian community in Sandwell and Birmingham, but also supports other racialised communities. SAFS business model includes providing domiciliary care, Personal Assistant (PA) and community-based services for the two local authorities. It also provides commissioned services, funded by either the local authority or the families they support, and receives a carers grant. Finally, SAFS owns the Windmill Community Centre, which it acquired through a community asset transfer in 2016. It provides hireable and tenanted space in the centre to raise unrestricted income.

SAFS entered the pandemic in a resilient position with healthy reserves. Its biggest fear was that the local authorities would cut social care funding because of the crisis, but this did not materialise. It did lose some care packages from families but has begun to turn this loss around. SAFS was able to access several grants to support its work during the pandemic. These included business support grants from the local authority to cover core costs, a workforce capacity grant, infection prevention and control funding to provide Covid-19 information to the community, and other small grants. As such, and combined with an effective risk register, SAFS was able to continue delivering frontline services. While the Centre did have to close at times due to lockdown restrictions, it often stayed open for the delivery of childcare by tenants. SAFS did have to furlough two staff who could not work while the centre was closed, but they used reserves to ensure these staff were paid 100% of their salary.

The pandemic provided time for the senior management and board to tackle issues they wouldn't have otherwise had time for. They invested in new systems, including a "care planning app" to speed up home visits and reduce admin by moving away from paper logs. They also purchased a training platform to allow staff to undertake training remotely, speeding up the process and savings costs. SAFS also took the opportunity to provide food parcels, activity packs, and Mother's Day presents to the community during lockdown. This helped cement its reputation as a supportive organisation and safe space in the community. This, in turn, helped SAFS to provide training and information to its staff and wider community about the vaccine programme and encourage uptake.

Of course, the pandemic also had negative impacts on SAFS's model. As with all organisations, there was a toll on staff who were unable to perform their jobs as freely as before and had to adhere to clear safety procedures. Due to social distancing restrictions, SAFS also had to give up a lease on a minibus for family transport and turn to phone and online support for service users. They've noticed obvious limitations to this type of activity and are keen to continue in-person contact through better use of their community space.

For the future, SAFS sees the need to tackle capacity issues by consolidating its current activity and looking at opportunities for the future. Being perceived as a safe space in the community, it wants to become even more accessible to new communities moving into the area. It's also developing new activities like day care, parties, and faith related activities to generate further income. It's very aware that Covid-19 may continue to impact its ability to operate. But the pandemic saw the community pull together to collaborate and support one another. As such, SAFS knows the best way forward is to work closely with the community to understand how the centre can continue to work best for them.

Developed digitally.

All sectors have learnt new digital skills during the pandemic, and community organisations have been no exception. As one Locality member described it, following the first lockdown

> **"We managed to roll out a new digital strategy in two days that in ordinary times would have taken us a year to implement."**

This digital innovation has continued and has been a feature of our interviews. Many have successfully made use of platforms like Zoom and Teams, initially to keep their organisations communicating during early lockdowns, but then embedding the innovations to increase the flexibility of working and find efficiencies.

Centre West used the move to the digital domain at the start of Covid-19 as an opportunity to invest in new laptops for all the staff on their projects which provide sports coaching and healthy living advice to young people. They got rid of servers and moved to Microsoft 365 and cloud storage. This was accompanied by training on the new IT system and a lot of work to coordinate activities online. This meant that the projects were able to maintain relationships with families and children and organise activities where possible.

Another good example is how Intact adopted a new platform, 'Workplace', to facilitate online groupwork, instant messaging, video conferencing, and news sharing. It was used by Intact to keep staff and volunteers engaged, informed and collaborating during the lockdown.

> **"It's been a fantastic engagement tool and has been invaluable for us during lockdown."**

But the digital revolution has gone beyond the running of community organisations themselves. It has often reshaped the services they provide and the way they engage.

We heard from organisations with no experience of running activities online, who experimented with interactive health and wellbeing classes, which will now become a permanent part of their service offer.

WECIL described how they have gone further and invested in "telepresence robots":

> **"They are essentially an iPad on a tall stick with wheels that I can roll from my computer or my own iPad. And what we do is there are some services that we do need to be in a person's home. It could be that communication is very difficult for that person ... or sometimes we actually need to be in somebody's house ... So we provide the telepresence robot to the member of staff; they would drive around, drop the robot on the doorstep, knock on the door, go back into their car and open up their computer. That iPad is the face that would appear on this robot's and they'd be welcomed in and they could control the robot, move around the house, and see everything around there. But also be able to visualise who you're talking to."**

As well as services, we also heard how digital technology has facilitated new approaches to fundraising. Intact developed both their communications and digital fundraising strategies.

> **"I attended an online conference on digital fundraising during the pandemic and it blew my mind! We've already raised a few thousand but the strategy is also about engaging people in the community."**

The reach of organisations has also been expanded, with online access meaning activities could now be engaged with by people outside the local area. Neighbourhood focus will always be critical to local community organisations. But some reported they were seeing income generating opportunities in holding larger Zoom events, expanding their potential customer base.

Liberdade Community Development Trust, for example, streamed gigs and theatre shows, with viewers from around the world. Linskill Centre's Community Development team got as many users online as possible, including for local education and history sessions. Many were friends and family of those who used the service normally, opening it up to a wider group of people who were interested, including isolated people from other areas.

So the digital revolution is important for community organisations' business models in a range of different ways. It is helping them be more efficient as organisations, but also transforming service provision, helping fundraising and growing audience for products. Recent research by the Institute for Community Studies supports these findings for community businesses, but reiterates the need for further support to expand and maximise the impact of digital.[32]

Strategic opportunities

Innovated services.

In "We Were Built For This", our report into the community response to Covid-19, we showed how community organisations had rapidly recalibrated the way they worked and transformed services following the first lockdown.[33] This spirit of adaptation and innovation has persisted throughout the pandemic. But services are now being reshaped for the long term, rather than simply as short-term emergency measures to respond to immediate need.

For Ashiana Community Project, its wellbeing services almost changed overnight to support local communities. This included making sure people had the most up to date messages in a range of languages and challenging misinformation. This required staff to develop new skills on social media and other mediums to ensure the widest number of people could access the information they needed.

> **"Covid-19 has made us change the way we do things and resulted in new activities. We did not close during Covid-19 but had to deliver in different ways. Part of this was readjusting resources and people to where they were needed most."**

Another great example of service innovation comes from the West of England Centre for Inclusive Living (WECIL). The full case study below details how they set up a new 'Navigators' service in response to new demand. This is a much more open-ended and tailored approach to their support for disabled people and has permanently changed their approach.

Innovations to services created unforeseen benefits for others too. Kimberworth Park Community Partnerships implemented a different model for accessing their community gym. They switched from drop-in to sessional attendance where three people could work out alongside one another. They report this improved attendees' commitment and attendance figures rose. They have now switched to this system permanently.

Highfield Community Association found the emergency grant support they received at the start of the pandemic gave them the space to step back and reassess the needs of the community. As such, they were able to support local people over the phone, via Zoom, on their doorsteps, an in their gardens - helping them to access universal credit and benefits, and delivering hot meals, craft packs, and prescriptions.

So our research shows community organisations have gone through an intensive period of innovation. But rather than a sudden "lightbulb" moment where a brand-new idea appears, it has been a process of adaptation to the challenges of the pandemic, which has then often led to long-term transformation.

The West of England Centre for Inclusive Living

The West of England Centre for Inclusive Living (WECIL) is a user-led disability organisation based in Bristol. It operates across a wide geography covering most of the West of England area. It provides a range of services for disabled people through statutory contracts, advocacy, short breaks, and the management of direct payments. It also provides businesses support services on disability issues. This work is supplemented by several specific granted-funded projects.

In March 2020, WECIL's funding and business model were fairly stable. Its delivery of statutory contracts to make up large parts of its income helped to strengthen its position going into the pandemic. Throughout the crisis, they also received other small Covid-specific emergency grants from the council and local community foundation.

While the majority of WECIL's vital services continued during the pandemic, particularly those services for younger and working aged disabled people, there were parts of the business which did have to adapt. Much of the service delivery had to pivot online and WECIL continued to make innovations in other areas of provision. This included the purchase of "telepresence robots"; a screen attached to a long stick and wheels which could be left at the door of an individual's house and controlled from a computer outside. This enabled staff members' faces to appear in a person's home and provide support as needed without putting anyone at risk.

WECIL also set up a programme called 'Navigators'. Staff members answer phone calls from individuals drawing on support to address any issues they might have that day. The open-ended conversation with staff means they can put together a package of support which could come from WECIL or from other organisations locally. The programme has innovated away from just matching up people to a menu of services which an organisation provides. Rather, staff sit and listen to someone and ask what they would like to be given. The service has also influenced the work which WECIL is doing around Individual Service Funds, giving disabled people greater freedom, choice, and control over the services they access.

> **"Disabled people are being empowered to understand their rights and to say, "this is what I want, and this is what I'm entitled to, and WECIL, please, can you help make that happen?"**
> Dominic Ellison, CEO, WECIL

While some services saw increased demand, other parts of WECIL's business did suffer. The business-to-business services income practically disappeared and staff in this area had to be furloughed.

Over the course of the pandemic, WECIL has built a stronger relationship with the council. It feels that the council is listening more and learning about how to educate their social care teams to understand what services are available.

Moving forward, WECIL is fundraising for the sustainability of the Navigators with the aim that everyone in the organisation will roll into the programme team. In general, WECIL is looking at diversification of the business, particularly in refining and improving its business-to-business offer. WECIL also wants to continue to be a voice organisation for disabled people, with peer advocacy providing an opportunity for further work.

Increased their health and wellbeing response.

The key area where community organisations have innovated and expanded their activities is health and wellbeing. In an unprecedented public health crisis, this stands to reason. Community organisations have responded to the community need they see in front of them.

However, there have also been sound business model reasons for this direction of travel. During the last decade of public sector austerity, service contracts have often been something community organisations have taken on for mission rather than monetary reasons. Evidence shows rather than being money spinners, community organisations often have to cross subsidise public sector contracts as they don't cover the cost of delivery.[34] However, given the impact on trading we have seen during the pandemic, contracts are now seen as a relatively stable income source and an important part of the income mix. What's more, they can fund organisations to do vital health and wellbeing activity that responds to current community need.

This health and wellbeing focus is also being fuelled by improved relationships between the public sector and community organisations. As we found in our research for "We Were Built For This", the pandemic has brought a step change in councils' understanding of the work community organisations do and trust in their expertise.[35]

This is not to say that the commissioning landscape has been transformed and councils up and down the land are proactively prosecuting a Keep it Local agenda, as advocated by Locality.[36] However, our interviewees repeatedly mentioned improved public sector relationships and the window of opportunity this presented to get more involved in contracting – and crucially to do so on better terms. As WECIL told us:

> **"Everybody involved in statutory contracts ... really had to throw away the usual levels of contract monitoring, and reporting on outputs, and instead focus on discussions about what is needed, and how have we met those needs, in the way that the citizen requires. Basically enabling us to do what's right, rather than what's written in a contract. And as such, that relationship between commissioner and delivery organisation has completely changed for the better and forever in that there's a far more trusting partnership now."**

For other organisations, the big opportunity is to link up better with statutory provision – what we have described as the role community organisations play as "cogs of connection".[37] Community Spaces Northampton described a new partnership with the council, a health funder, social prescribing network and local GP Network, to improve community access to statutory services.

Local Services 2 You is another organisation who have developed a close relationship with their local authority to open up a significant new area of work on community health. This includes operating an asset-based health champions model, building confidence in testing and vaccine programmes, and collaborating with other local health and community organisations.

Linked up locally.

The nature and scale of Covid-19 has made its impact complex and cross cutting. As such, responding effectively has not been in the purview of one sector, let alone one community organisation. And so, our research has highlighted the importance of a collaborative approach, with the community sector coming together to collectively address common challenges.

> **"Covid-19 resulted in the community sector pulling together and saw some good support and collaboration."** (SAFS)

It's fair to say local collaboration is now always one of the community sector's innate strengths. Partly this is driven by the competitive tendering landscape that pits organisations against each other for vital funds. However, sometimes complex personal relationships, organisational histories and lack of trust can stand in the way of effective local VCS partnerships.

However, we have heard lots of examples of how, whether they struggled in the past or not, community organisations have linked up locally. This has been happening in a range of different ways.

Some organisations have assessed each other's services and worked together to add up to more than the sum of their parts. Shiney Advice and Resource Project (ShARP) greatly values partnership working in their local area, particularly with organisations who are different to them but who complement their offer. They currently work with three local organisations around delivery of Covid-19 related health and wellbeing support. The variation between the services provided by the different organisations allows the group to offer a holistic programme. For example, ShARP helps people to tackle financial issues through their advice service, while Washington Mind provides mental health support.

Larger community "anchor" organisations have played a support role for smaller organisations. Local Services 2 You have extended their work as an anchor to now be funded to support other community organisations and activities. They are also working with the local authority to develop a local partnership network to ensure more effective and joined up services for children and families.

Another larger community anchor organisation explained how they have taken on the running of events for smaller community groups who have been forced to wind up by the pandemic. They've been using their reserves to help cover the costs. After various approaches, they are also looking into providing management account and other back-office services for their smaller charity tenants.

Built partnerships with new sectors.

As well as new collaborations with local VCSE organisations, the pandemic has also brought about new cross sector relationships. Community organisations will usually work with the local authority and often the local health service. Our interviews found that community organisations had forged new partnerships during the pandemic that are now seen as a platform to build on. We heard of partnerships with schools, as an avenue for new relationships, with one organisation taking on a family hub building at a local school.

Universities, in particular, are seen as a growth area. They are keen to expand their reach into communities and increase their social engagement with people who don't tend to engage with their work. So community organisations are incredibly well placed to act as research partners for universities, with the opportunity to access research budgets in doing so. Partnering with a wider range of public sector "anchor institutions" provides opportunities to build resilience.

Partnerships with arts organisations was another example that was mentioned in our interviews. There is a growing understanding of the importance of community arts projects for health and wellbeing. So in seeking to respond to the health and wellbeing focus described above, community organisations have been building new links with arts-based organisations. There is reciprocity here, as larger arts institutions seek to increase their reach into communities and not be perceived as distant or remote.

For St. Margaret's House, arts and wellbeing are seen as core social benefit areas and they have been able to bring in around £200,000 towards "theatre-based work" social prescribing - and are seeking planning permission for an arts and wellbeing centre.

Across all these new areas we see community organisations searching out an important mix: finding new ways of serving community need and being entrepreneurial about business development opportunities. This approach has been supported by recent New Local research, which found a need for the local community, public, and private sectors to better collaborate for a shared vision of Covid-19 recovery locally.[38]

Pivoted services into new areas.

At a time when organisations are under huge financial and demand pressure, there is often no space for anything other than firefighting on the front line, and no resource to support innovation.

However, for some of the organisations we spoke to, the pressures of the pandemic had encouraged them to pivot their services into new areas. As seen above when thinking about new partnerships, decisions here have been shaped by dual concerns: responding to emerging community need and finding business development opportunities.

We have already discussed the growing appetite for arts-based activities. Climate emergency response is another key area in which organisations are becoming increasingly active. Whether this is seeking to build zero carbon housing or leading the charge on energy efficiency, community organisations know that this is their next big challenge. They can see the clear need for them to support their community – and the opportunity to raise funds to do it. Bradford Trident, in line with their ambition to decarbonise their delivery and move to net zero, have looked at eco-design for 11 commercial units which they are building. This includes the integration of solar panels, EV charging points and composite laminated timber into the plans.

Several organisations begun new projects responding to the food crisis during the pandemic. Highfields Centre and Community Space Northampton set up new food banks, while the likes of Highfield Community Association, Manchester Settlement and others began delivering hot meals and food parcels to vulnerable members of their communities. Many of these projects have begun long-term funded services.

Intact

Intact is a community trust in Ingol, Preston. From its community centre, it provides support, advice, drop-in, and signposting services to residents of Ingol and Tanterton, and Preston more widely. It provides recreation and leisure facilities for all ages, as well a venue for community meetings, education, and learning.

Over the years, Intact has developed a business model based on 60% grant funding and 40% traded income. Operating in a disadvantaged community means they will always require some grant funding to support those who cannot afford to pay for services. Ahead of the Covid-19 pandemic, Intact's traded income came from its community café, local food pantry, and room hire. It was also delivering projects funded by the National Lottery's Heritage and Community Funds and was seeking new and continued grant funding.

Prior to the pandemic, Intact's management was optimistic about the future. The centre was busy with regular users and volunteers, the staff team were proactive, and the board engaged. When lockdown forced the centre to close, there was concern over the potential significant loss of income. Work on new funding applications had to be shelved and fundraising stopped. Thankfully, Intact was able to access several support schemes to counteract its loss of traded income. These included a £10,000 revenue grant and smaller pots to continue services with increased demand, including the food pantry, meals service, and crisis support. The government furlough scheme saved the jobs in the café, which lost all its income.

Intact innovated to avoid having to mothball any services. Staff used remaining food in the café to start a cooked meals service, which has continued. While maintaining in-person crisis support for some, and appointments for the food pantry, other services were moved online. These included cook-and-eat sessions, employment help, and other crisis support. Intact used digital champions to help people use Zoom, while some individuals previously anxious about visiting the centre benefited from accessing services from their own home. Intact used lockdown as an opportunity to introduce the Workplace platform, an online work collaboration and communication tool free to the charity sector. It served as an 'invaluable' space for socialising and engaging with staff and volunteers. Intact also responded to an inability to fundraise by developing online and social media strategies to attract more support for the centre.

There were, however, significant struggles along the way. Closing the centre's doors to the community at such a challenging time was "heart-breaking", particularly for those in crisis. Reopening also took a huge amount of effort and infrastructure, to maintain social distancing, procure PPE, and continue providing services. Intact also highlighted a lack of understanding from some funders as to how the community sector works, with it not always being possible for staff to work and provide services from home.

Learning from the pandemic, Intact used input gathered online from the community to bolster its previously paused funding bids. It now has funding to continue the food services developed from the needs and opportunities of the crisis. It secured funding for its nature reserve and mental health projects by incorporating online services first used during lockdown. The staff at Intact praised the way local people rallied round to support each other at the height of the pandemic. They've used this as inspiration to come back stronger and find new ways to support their community.


Thank you
1-7
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VOLUNTEERS'
WEEK
#VolunteersWeek
#MonthOfCommunity
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Told their story.

Many organisations we spoke to have made a concerted effort to improve their communications during the pandemic. This has been driven by a number of factors.

The first is opportunity. As described above, lockdown provided some with a reset moment to review operational strategies, so there was an opportunity to revise communications strategies. For example, as a leisure, wellbeing and fitness hub, the Pelican Centre learned of their true value to their community during the pandemic. People were keen to come back and made it clear what the centre meant to them. As such, during the third lockdown, they spent time rebranding and developed a new strapline based on their new understanding of their place in the community.

The second driver has been technology. The greater use of digital during the pandemic has naturally facilitated more effective communications.

Third has been the need to engage better with community at a time of huge need and fast moving events, and a desire to build awareness. Organisations have sought to use social media more effectively to increase their profile, particularly when buildings are closed to make sure local people continue to be aware of their work. As one organisation put it:

> **"improving our social media is necessary to raise awareness and showcase what we do."**

Abbotshall Healthy Lifestyle Centre used the pandemic to refresh their digital presence and create a new website. Other organisations such as Centre West have also looked at how they can adapt their websites to pass on information to the communities they serve and demonstrating what they do.

Highfield Community Association sought to strengthen a previous weak point in marketing, setting up a website and recruiting initially a volunteer to help them with their social media content and engagement. They've been able to develop the reputation of the centre during the pandemic, both with professional partners and the wider community.

Community organisations have recognised that now it is more important than ever to tell their story and are seeking to use digital technology to be more effective in doing so. It's critical not just for their community relationships but also for their business model – to build awareness of their work with funders and commissioners, and also to market their income generating activities to build new audiences.

Chapter 3:

The big business model challenges for community organisations

Our analysis so far has focused on the positive ways we have heard Locality members responding to the intense pressures of the pandemic.

Despite hugely difficult circumstances, community organisations have been proactive, finding ways to reshape what they do to continue to serve their communities. Indeed, our survey shows something that might surprise those unfamiliar with the resilient spirit of Locality members: community organisations are optimistic about the future. 78% of respondents said they were optimistic or very optimistic, compared with just 4% who said they were pessimistic. Nobody said they were very pessimistic.

78% optimistic or very optimistic

0% very pessimistic

4% pessimistic

18% Neither optimistic nor pessimistic

However, it is clear from our interviews there are huge challenges community organisations are grappling with. Many of these are "whole economy" issues, rather than specific factors related to the community enterprise business model. However, these broad effects have particular impacts. Here we outline some of the common issues we heard across our interviews.

Business model

Ongoing uncertainty over footfall.

Room hire is in many ways the bread and butter of trading income for community organisations. But as we have seen, room hire still feels very uncertain as an income stream, with ongoing social distancing and nervousness affecting the number of bookings and the numbers of people who can safely meet in a room. There is a contrast here between community organisations – whose social focus and often vulnerable client base means they are taking a more cautious approach – and private sector organisations who are more comfortable filling spaces to legal limits.

So, getting people through the door remains an issue and is leading to a downturn in business for many. One organisation described how income from their café is down from £11k per week to £7k and seems stubbornly stuck there. For others, relying on the comfort of users to take part in activities run by third parties is risky. Abbotshall Healthy Lifestyle Centre hires space to fitness tutors who can simply walk away if their classes are no longer popular. As outlined above, there is also the challenge of attracting corporate clients who will pay premium rates, rather than local residents using community spaces at reduced rates.

Reduced footfall is not just affecting trading income. Reduced capacity also impacts contract value for services such as day care. Meadow Well Connected have lost clients from their adult day service due to health problems and anxiety. Where they paid their own fees, this has meant a reduction on income. This has been exacerbated by new limits on the number of clients that can use the space due to social distancing.

Increased costs.

The cost of living crisis is set to be perhaps the defining political issue of the year. Inflation has reached its highest levels in a decade, reaching

5.1% in November 2021 and expected to go higher still. Rising energy costs are putting huge pressure on bills, which are expected to double in 2022.

Community organisations have already been feeling the impact of these rising costs, putting increased pressure on already very tight budgets. Energy costs were a big issue raised by interviewees and the complex impact this has:

> **"Recent rise in utility costs is a concern"**
> Centre West

> **"Just to do exactly the same, costs more, and there is a limit to how much we can increase prices to balance this out."**
> Liberdade Community Development Trust

> **"The sting in the tail is rising utility bills and not being eligible for the 5% VAT across the entire building, but only in relation to space used for non-trading, charitable activity. So only about 25% of the utility costs in the building qualify for 5% VAT. Quite a big hit with VAT and the energy price increase."**
> Linskill Centre

Recent increases in the national minimum wage another factor organisations are contending with. As one chief executive we spoke to put it:

> **"Totally agree with it and support it but it has a big effect. Very few of our staff are on minimum wage but there is a knock-on effect. If wages rise for those on low or minimum wage then wages for the rest of the staff need to rise too and this ends up being a significant cost to the business. Not surprised if that raises costs by around £10k per annum next year."**

This is a complex issue. As our interviewee makes clear, raising the wage floor is a hugely positive thing that all organisations committed to social justice and creating a fairer society will wholeheartedly welcome. Increased wages locally also increase disposable income which can be spent with community organisations. But where these organisations are operating marginal businesses – like catering or nurseries – often in sub-prime areas, it puts up wage bills across the organisations and income is not flexing to accommodate the increases.

For organisations which run buildings, the cost of materials is becoming a significant issue which is making capital projects more expensive. Organisations are seeking to adjust plans in response but this is adding to timescales:

> **"Our sports hall is becoming more expensive with costs increasing. We've responded by changing the design from steel and cement to composite laminated timber – which is reported to be cheaper, quicker to build and more eco-friendly. But it comes from France or Switzerland and supply chains are affected."**
> Bradford Trident

Organisational development

The limits of digital.

The digital divide has been a concern throughout the pandemic, with unequal access to broadband and devices. So while community organisations' increased use of digital technology to continue to reach local people and provide services has been a positive, there has been awareness throughout that it will often be those most in need who miss out from such approaches.

> **"Online provision had given us a different set of beneficiaries, new ones that were tuned into this offer but people we were used to supporting didn't engage – they tend to be digitally excluded."**
> Manchester Settlement

Organisations have sought to mitigate the impact of this – by using the phone to keep in contact with people for whom this is a more accessible means of communicating; or by spearheading drives to improve internet access in their neighbourhoods. Community Spaces Northampton received a grant from Power to Change to provide broadband connection and access to laptops in their centres. This has opened up a range of services and educational opportunities to local people. Jewish Community Council of Gateshead addressed digital exclusion by setting up a community support hotline which responded to 1,200 calls, and a texting service delivering vital health and welfare messages to over 3,000 people. It also provided health and wellbeing events via conference calls.

However, for many community organisations we spoke to, the limits of digital have not just been about equality, but efficacy. We heard how digital just isn't seen to work as means of delivering certain person-centred services:

> **"We have provided some support virtually but there are limits to this and the face to face is important as well as using the community space better."**
> Sandwell Asian Family Support

Zest pivoted to delivering online activities, developing lockdown Facebook groups and a weekly online homework club. While some things worked well, they know other things need to be done in person.

Another organisation stated,

> **"It was difficult to do online learning for SEN people due to lack of privacy, poor broadband, and people having families around so not able to talk and be helped."**

So digital has opened up possibilities and been a lifeline for many. But it has also left some further behind. Furthermore, it is clear that important aspects of face-to-face provision can't be replaced, so organisations are having to think carefully about the right balance.

East Durham Trust

East Durham Trust (EDT) is a charitable social enterprise based in Peterlee, County Durham, operating a "hub and spoke" business model. It serves as the community infrastructure hub and activates community services, supports existing community organisations, helps to seed new ones, and fills gaps in local service provision. EDT provides a range of support services to local communities, most of which are former pit villages. These continue to be hugely affected by deprivation and disadvantage following the closure of the pits. Activities and services include arts, befriending, mental health support, training, and employment support. EDT maintains a variety of income streams, including local, regional, and national grant funding, EU funding, council contracts, other commissioned work, and donations.

EDT went into the Covid-19 pandemic in a good financial position, but since then its earned income has dropped by 50%. The biggest hit was to room hire as people stopped using the spaces for in-person gatherings. Use has picked back up in recent months, but not to the same levels and for different purposes. Donations and project funding helped to cover the shortfall, as the spaces were repurposed as storage and packing rooms for food and wellbeing parcels.

Flexibility from existing funders and the availability of emergency funds was crucial in helping EDT to shore up its financial position and respond to the crisis locally. It was even able to renovate two spaces during lockdown with funding for implementing Covid-19 safety measures. Outwardly, it was able to deliver further food and crisis support, particularly for the isolated and clinically vulnerable. It also managed to avoid mothballing any services or activities, instead transforming them for Covid-safe settings. EDT's community development model has also proved to be strong during the pandemic.

As the go-to organisation for local support, it was inundated with volunteers and donations. The latter allowed them to create a £25k small grants pot to help community organisaitons in East Durham to restart.

While EDT has been able to do more to help its community during the pandemic, the demand for support is growing and always outstrips its resource. Mental health, debt, and poverty are significant issues, as people's working hours are cut and they struggle to get welfare support from central government. While some in the community transitioned well to online services and remote support, others were much harder to engage and digital exclusion remains a real problem. The extent of EDT's pandemic response has also taken its toll on staff and volunteers – working so hard has been very testing and tiring. The initial influx of volunteers has dwindled due to exhaustion and competing commitments as people return to work, while the previous ways of celebrating achievements with staff have not been available due to Covid-19 rules.

EDT are in a strong financial position at this point in the pandemic, but the experience has left them with lots to consider about their model. This includes how to define their community organisation members, how best to engage and support volunteers, how to structure staffing for project delivery, and how to report on impact to their funders and donors. In an ideal world, EDT would also be able to focus on longer-term strategy planning, particularly as EU funds disappear, exploring new opportunities for social enterprise, and improving internal systems and processes.


East Durham Trust

Loss of volunteers.

A surge in volunteers and mutual aid groups was one of the headline stories of the pandemic. Community spirit sprung up everywhere. As Aaron Barbour, chief executive of Katherine Low Settlement told us in our research for our "We Were Built For This" research: "The outpouring of goodwill, solidarity and compassion has been fantastic. Local people want to volunteer and support our work".[39]

However, the volunteering picture is now a more complex one. Contrary to an upswell, the community organisations we interviewed report a loss. This is because the stable, existing volunteer base of community organisations tend to be older people, who have of course been more vulnerable to Covid. They are therefore now less likely to be able to participate in community activities in the same way as before.

This is leaving a huge void – which is not being replaced by new, younger volunteers. The organisations we spoke to do not report that the initial surge of new volunteers has been sustained to create a new generation. Indeed, centralised approaches to volunteering in the pandemic may have diverted energy away from local organisations. Infamously 750,000 people signed up to the government's NHS volunteer drive – often finding themselves with nothing to do.

So there is a real challenge for community organisations around how to build a younger volunteering base to sustain them for the long-term.

Succession planning.

Many community organisations rely heavily on strong community leader, often a charismatic CEO, who has been in post for a long time and tends to be synonymous with the organisation. That individual may well be starting to think of retirement – so succession planning is a key issue facing many of the community organisations we spoke to. Organisations are aware they need to plan for the next generation of community leaders – but finding the time to do so in the middle of a pandemic is a real challenge.

> **"The two senior managers have over 70 years' experience in the organisation. Both are very committed but clearly cannot go on working forever. There needs to be some succession planning which is starting to happen."**
> Highfields Centre

> **"We need to think about legacy for when the CEO leaves in future."**
> Sandwell Asian Family Support Services

The same succession issue goes for boards. These are often made up of older residents who may be looking to step back, but don't know where the younger generation is who will step up.

> **"There is a reliance on board members to fill skills gaps and a number have already left or are likely to retire soon. We've tried to bring in younger board members with different backgrounds but find that they sometimes struggle with their own commitments."**
> Anonymous

> **"We have an issue as an organisation in engaging younger people. We're partly affected by the demographic of the community anyway like all rural areas. It's a very specific aim of ours to engage more widely"**
> Moretonhampstead Development Trust

Staff burnout.

The way community organisations have stepped up in the face of the Covid-19 crisis has rightly been lauded across the board. As we described it in "We Were

Built For This": "Barely missing a beat, local community organisations have completely recalibrated the way they work to respond to the coronavirus crisis. Alongside our NHS and care workers, they have been part of our frontline of defence against this deadly virus."[40]

The impact community organisations have had cannot be overestimated – but has not come without a cost. There has been huge pressure placed on staff to respond the rising demand for services and support the community in what has not been an hour of need, but two years. They have been doing this at time when existing business models have suddenly collapsed, and all the ingenuity and determination we have described in this report has been required to pivot, keep organisations afloat, and apply for emergency funding.

Organisations we have spoken to throughout this research have consistently described staff burnout as one of the biggest risks they face. Organisations providing mental health support for their community are increasingly concerned about the mental health of their own employees.

> **"Lots of other organisations I've talked to have talked a lot about health, particularly mental health ... I've really noticed that basically, staff are working flat out at the moment ... I worry about that."**
> Trowbridge Town Hall

> **"The human side of working was difficult – challenging to keep people connected. As people come back, we have to be kind and gentle as people had different experiences. Many people are still grieving, having lost family and friends, and may now need ongoing support with their own mental health. It's important that we have a caring workplace".**
> ShARP

Smaller organisations have continued to feel the pinch of low staff capacity in times of high demand. For Finsbury Park Trust, "running a busy Community Centre is demanding. At the moment, we have not been able to focus on capacity building and develop new collaborative projects including recruitment of new volunteers and work experience trainee placements, because inducting and supporting them requires time and management resources. With money so tight, we are already at full stretch."

This pressure has been particularly acute for community organisations led by people from racialised communities. "No More Blank Pages" was a project which sought to understand more about what Locality needs to do to support local organisations working with and led by people from racialised communities.[41]

As the report put it:

> **"The disproportionate impact of Covid-19 on racialised communities, coupled with a worldwide movement against racism following the murder of George Floyd in America, has had a multiplier effect on organisations led by and serving communities of colour. Not only did sector organisations see an increase in demand for services, but community leaders were also called upon to raise and advise on antiracism further impacting their capacity."**

Interviewees for "No More Blank Pages" told us:

> **"The concern for me is the onus placed on us as leaders...this is another additional responsibility placed on us and we are still expected to continue to deliver services - much needed services"**

> **"How do we protect ourselves as leaders of colour? We don't have endless reserves of resilience... being mindful of burnout"**

Recruitment

Community organisations are currently finding it hard to fill vacancies. This is an economy-wide problem. Job vacancies are at a record high, with the Recruitment and Employment Confederation reporting in November 2.7 million vacancies.[42]

This recruitment challenge is heightened by an inability to match private sector wages – making it harder to attract and retain employees.

> **"Recruiting is an issue as we cannot pay well enough and people are jumping to private sector."**
> Anonymous

> **"It's a difficult marketplace with real challenges in recruitment."**
> Zest

> **"There are lots of challenges in early years sector in terms of recruitment. It's difficult to get early years staff – we have several vacancies, so use agency staff and that adds to costs."**
> Linskill Centre

> **"We have been expanding our health work and recruitment has been a problem – there is a network of social prescribers employed by VCS organisations and the Primary Care Network have taken on their own mirror network of social prescribers, so it's a bit chaotic and not very efficient – a lot of overlapping roles, and we are often competing with GPs who pay more."**
> Anonymous

As these quotes demonstrate, recruitment challenges span different service areas. Community organisations are having to think creatively about their recruitment strategies, how they can attract the right people to rewarding but often difficult work, when the private sector might be able to offer jobs which are both better paid and less taxing.

Strategic opportunities

Picking up the pieces.

Community organisations often find themselves stepping in when things have failed locally. If a service has collapsed or a building has become a liability rather than an asset, it tends to fall on community organisations to pick up the pieces. This is what they do because of their long-term commitment to their neighbourhood and their community, that they will go the extra mile to try and make it work.

For example, Hebden Bridge Community Association picked up an informal tourist information service to deliver from the Town Hall after the local authority closed the normal hub during the pandemic.

But this means already overstretched organisations are left to solve complex challenges, usually without adequate resources. Sometimes the right answer is to say no. As one organisation we spoke to explained:

> **"We had a few instances when we were being asked by the Council to deliver things for free when other organisations had failed. We would have done it if approach had come from the community but can't do it for organisations who are bigger than us. The Council tried to get us to use our foundation funding to pick up other failed activities but we had to be strong and refuse. I don't think we were alone in getting these approaches."**

Chapter 4:

10 key lessons for community organisations

Our interviews have shown that community organisations have adapted and innovated to combat the pressures of the pandemic but are continuing to battle huge challenges.

Their business models have not faced an existential threat – but they are having to pivot and change to remain viable.

Crucial to this adaptation has been the emergency funding support made available at large volume once the deep impact of Covid-19 became clear. Government support has been crucial, and so too has funding from trusts and foundations, as well as innovative social investment products. We are in no doubt that without this support, many community organisations would have gone under.

Not only did this emergency funding allow organisations to cover immediate costs and plug holes in trading income, it created the space to adapt. As we have shown, many organisations have looked at their overall operations, had strategic rethinks and revised the way they work. This has been both to respond to the immediate challenges of the pandemic but also to be more resilient in the long term.

Here we set out some of the key lessons for community organisations we have drawn out from our research. These are critical steps to take to make sure the community enterprise business model is fit for purpose for the future. However, it is important to stress that community organisations will require the right support to do these things. So they should be read in conjunction with the policy recommendations that follow, which are designed to ensure the external environment creates the right conditions for community organisations to take these steps.

Business model

1. Stay agile and diversify.

One of the great strengths of community organisations is their flexibility and ability to adapt. As multipurpose organisations they are not wedded to a particular form, service or approach. They exist to support the community, whose needs change over time, and so community organisations change with them. Indeed, this is why when the Covid-19 crisis hit, community organisations felt – as one of our members put it:

"We were built for this"

Agility and determination are what have got community organisations through a decade of austerity. It is these qualities that have seen them through the pandemic. And they will continue to be vital across the next few years, as organisations need to adapt and change in line with ongoing uncertainty and evolving community need.

A particular focus will be diversification. This might mean adapting existing services or setting up new ones. As our accompanying guidance published alongside this report says, diversification for the sake of it isn't the goal. The organisations that feature in this report have approached diversification as either an opportunity or a necessity, sometimes both. So, whether the driver is the need to earn more income or the desire to provide better services, it is important to be clear of your motivations and have a well-defined basis for initiating change. But being alive to the potential of diversification is an important way for community organisations to remain flexible and adaptable during this cycle of upheaval.

Organisational development

2. Find strategic space

In our interviews with community organisations we asked organisations if they had a "spare" month, what would be the best use of their time. The following response captured the views of many:

> **"Time to stand back and take a longer view and look, perhaps over a period of three to five years. How are things going to move over that period? I think there's a tendency that we can, particularly with the situation we've been in where things have been quite difficult financially, to a degree, you're firefighting a lot of the time. It's having that ability to stand back, think things over a longer term, possibly have a bit more time to look around and see what other people are doing, (and) pick up on any good practice."**
> Bridport Area Development Trust

This time to reflect, think strategically over a longer time horizon is the holy grail for community organisations. The last decade has been hugely difficult, dealing with the pressures of ongoing austerity and rising demand for services. So community organisations were flat out even before the pandemic, with little scope to do more than exist day to day.

Covid-19 has amplified these pressures and then some. But it has also doubled down on the importance of looking up. Strategic space is more important than ever, to look at diversification, develop multiple income streams to spread risk and be open to new community business ideas. Organisations we spoke to described how they wanted to spend time engaging with and learning from staff, users and local people, as well as networking with other organisations to share and learn. They talked about fixing the internal management issues that always get put off but are vital to a well-run ship that delivers for the community, like refreshing the staff handbook and policies and developing the management team.

Finding this time is clearly much easier said than done. It requires the right support – specifically the "capacity to innovate" that we propose in our recommendations on page 65. There is a particular risk that it is the larger, more established organisations for whom finding this space will be easier, leading to greater inequalities. Small and micro organisations – which we know are disproportionally led by and serving racialised communities – risk falling further behind. So any support must be co-designed with and targeted to strengthen community organisations led by people from racialised communities.

However, it is vital that organisations also do everything in their gift to prioritise a longer-term time horizon and make resourcing strategic space a priority, to enable them to navigate the choppy waters ahead. Tools and guidance can be helpful in giving structure to strategic conversations. Locality has a range of practical methods to help organisations think through these important questions. These include a "visioning" exercise to distil what an organisation wants to achieve; our "balanced scorecard" business planning tool; or developing a theory of change. Involving board members in networking can also be helpful, allowing sharing of ideas and the benefits of making that strategic space.

3. Have clear financial systems and manage risk

We asked our interviewees a series of questions to establish the health of their business continuity planning. Nearly all organisations (92%) were clear about how their income and expenditure had been affected by the financial impacts of the pandemic. Most would also be able to provide a four-week cash flow forecast if asked (88%). The same number were confident that their boards understood their financial position.

These questions represent the essentials of good financial management. Our Waving Not Drowning report identified three key internal reasons for organisations reaching crisis point.[43] The first relates to financial management where unclear financial reporting and/or out of date or incorrectly configured accounting systems can mask cashflow problems and unviable business models. The second is about governance – where boards aren't working effectively and trustees have limited knowledge of their organisation's business model. The third relates to management and staffing, with a lack of key skills in the organisation, or overreliance on a key member of senior staff.

Good financial and HR systems, supported by effective governance, have always been the bedrock of well-run community organisations. Given the uncertainty ahead and the need to pivot business models, they are more important than ever to ensure community organisations are strong and successful.

We believe that a clear approach to assessing and managing risk has also increased in importance. No one saw the pandemic coming. But it has provided a stark reminder that the best laid plans can be upended by unforeseen events. While we cannot predict the future, we can say with certainty that things will remain uncertain. So whether it's the ongoing fallout out of the Covid-19 crisis or the unknown impact of the climate crisis, a more thorough approach to risk management needs to be central to how community organisations plan and adapt for the future.

Abbotshall Healthy Lifestyle Centre

Abbotshall Healthy Lifestyle Centre (AHLC) provides organised sport, classes, outdoor activities, and support groups to the residents of Catford South, south east London. It aims to provide a space where the community can destress and connect with each out through activity and creativity. Previously owned by Lewisham Council, the site was the subject of a community asset transfer in 2014 and a new centre and gardens were constructed in 2015. However, in 2018, the new owners had to give up the lease. A group of local volunteers formed a committee to save the centre. They achieved charity status in 2019 and successfully took ownership of the centre in early 2020.

AHLC's business model is largely based on trading income through hire and hospitality. It hires playing fields to local sports teams and a fitness studio to instructors to run their own classes. It also runs a previously outsourced café which it brought back in-house just prior to the Covid-19 crisis. Despite not being reliant on grants, the organisation was new and vulnerable heading into the pandemic. Finances and staff/board capacity were at a low ebb and lots of work was needed to make the model resilient in practice.

When the first lockdown struck, AHLC's income reduced to around 25-50% of that expected prior to the pandemic. The playing fields were affected by the "rule of six", the café became takeaway only, and fitness instructors walked away. However, this was less of a threat than it may have been due to the centre's already decreased activity. There were no staff on the payroll and there were few ongoing commitments. Lockdowns two and three proved more difficult, as the centre tried to build up activity and hire staff. AHLC were able to access around £22,500 in emergency support from Lewisham Council (including for Covid-19 safety measures), Sport England, and Power to Change's C-19 Bright Ideas Support Fund.

To counteract the drop in footfall, AHLC began offering their space to local "pop-up" restaurants three evenings a week. This was mutually beneficial, bringing £100 to the centre per night and supporting local hospitality businesses during the crisis. AHLC also used the lockdowns to improve internal functions to make income generation more sustainable. It adjusted its prices to be more competitive, introduced new billing and cancellation policies, and renegotiated deals with long-standing hirers.

Looking to the future, AHLC now feels sustainable. They have invested in outdoor play equipment for safer participation, have built a new website to attract more customers, and continue to add new income generation opportunities. These include a deal with a day nursery, a shipping container for new youth activities, and a shed for stay-and-play and a forest school. Its focus is now on better fulfilling its charitable purpose, tackling local food insecurity and homelessness, including through social prescribing. As for many small organisations, fundraising and a lack of capacity remain issues. However, AHLC is now building a strong team with a good mix of skills and knowledge on the board to help it grow into the future.

4. Plan for succession.

We have heard how succession planning is a consistent challenge facing community organisations. Many long-term, organisation-defining CEOs are approaching retirement; and boards typically consist of older people who are looking to step back.

It is vital to have clear plans in place for succession and to do so as early as possible. One way Locality members are approaching replacing CEOs is to recruit early and have long handovers or periods of shadowing. This enables institutional knowledge to be fully captured and ensures a stable and orderly transition.

The same foresight goes for boards. Engaging a new generation to take over from the community stalwarts is well-known problem. But it is in the process of moving from being a long-term problem on the horizon to being a short-term one in front of organisations right now. So it is important to find creative ways to engage with younger people – whether that's through new activities, outreach with schools and colleges to promote community volunteering, using careers fairs to promote the community sector. From our interviews we heard how community organisations were using arts activities as route to building relationships with younger people, as well as seeing opportunities with emerging new partnerships with schools and universities.

Rather than seeing succession planning as a problem for the future, the time to address it is now.

5. Prioritise staff welfare

Community organisations have been at the forefront of the Covid-19 crisis and under huge financial pressure. This has put staff at all levels under huge strain, from CEOs trying to hold everything together to frontline staff responding to surging demand.

Communities are experiencing growing mental health needs, and providing support will be a key part of community organisations' work in the years ahead. However, community organisations must also focus on mental health at their own organisations. Increased pressure at work, coupled with isolation, loneliness and grief, will create huge challenges for community organisations if left unaddressed.

As we suggest in our "Pathways to Good Work" toolkit, senior leaders can provide to flexible working options; understand mental health needs of staff and making sure that employees do not feel the pressure to show the same level of productivity every day; and support employees to continue the health and wellbeing practices, such as exercise, meditation or yoga, which they may have started during the pandemic.[44]

From our research we have heard of particular strain on CEOs, and it is vital that community leaders look out for their own mental health as well as their staffs'. Here we believe accessing available networks is crucial, like Locality's and others. Connecting with other CEOs in safe spaces to share burdens with people who understand can be an important way to build resilience, manage stress and maintain wellbeing. CEO welfare should also be a key concern of an organisation's board.

6. Offer good work

The recruitment crisis is affecting everyone. And community organisations are sanguine about their ability to compete on pay with the private and public sector.

However, Locality has recently published "Pathways to Good Work" a toolkit for community organisations we developed with Middlesex University and supported by Power To Change.[45] Fair pay and benefits are an important part of the concept of "good work". But it is about something much broader, which is a direct contrast to many of the insecure, precarious jobs which have been created in the private sector in recent years.

As mission-driven organisations, community organisations are well placed to provide something different: meaningful and worthwhile work, with secure working conditions, prospects for personal development and the ability of employees and volunteers to participate in decisions.

The toolkit we've produced offers practical examples of how community organisations can offer good work across seven dimensions – from flexible working and wellbeing, to job design and skills development.

The good work agenda provides a distinctive position and competitive advantage in the labour market, where a decent wage can be accompanied by mission-driven fulfilment and broader life benefits. There are particular opportunities to appeal to the young people we know community organisations struggle to reach, whom research has shown are more motivated by job fulfilment than money.[46]

Strategic opportunities

7. Collaborate locally

In response to the scale and the complexity of the challenges wrought by the pandemic, we have seen local VCSE organisations collaborating in new ways. This spirit needs to continue to make the most of the resources we have in our neighbourhoods and amplify the power of community.

This is likely to be particularly critical given the nature of current public sector funding opportunities. Over the last few years, central government has been increasingly wedded to Whitehall-controlled funding pots across different rounds, usually announced at short notice with heroically optimistic application and delivery deadlines. We have seen through recent experience of initiatives like the Community Renewal Fund, to have any chance of accessing vital resources, strong local relationships between organisations that have built up trust over time are critical. Good relationships are required to respond in a coordinated and agile way.

The same is likely to be the case for local authority commissioning opportunities. There is some optimism revealed by our research about improved relationships between councils and communities, and a desire on the part of the public sector to realise the benefits of a "Keep it Local" approach to service provision. Doing this effectively requires local collaboration and good relationships – to either work in close partnership with the local authority co-producing services or developing alliance contracts, or forming consortia to bid for contracts together.

Such approaches are much more likely to succeed if they are strategic and built on shared interests and mutual trust, rather than ad hoc responses to particular funds or tenders. So now is a critical time to build on the momentum of the pandemic to build trust, develop relationships and lay the groundwork for future collaboration.

8. Build partnerships with new sectors

The pandemic has brought a proliferation of new partnerships. Community organisations have been reaching out beyond their traditional allies, finding new ways to support their community and develop their business models.

Arts organisations, universities and schools have all been highlighted as opportunities. Building deeper links with the NHS has also been a key priority for community organisations.

So it is important for community organisations to think where there are opportunities locally to build new partnerships that meet the dual criteria of: serving evolving community need; offering new income generating opportunities.

What's more, the new partnerships we have seen emerge include new approaches to funding and financing. The emergency response to Covid-19 brought multiple different funding programmes and new social investment on stream. Community organisations will have worked with new funders or perhaps taken on social investment for the first time. This greater awareness of the range of funding options available to community organisations – whether that's new grant schemes or an understanding of the potential of repayable finance – and the new relationships developed have created an opportunity to seek out new funding partnerships. This can complement trading and contract income as part of a mixed income business model.

9. Tell your story

It has never been more important – or more possible – for community organisations to communicate what they do. The pandemic brought with it a "community moment", where the value of community was widely recognised as having been crucial to our national response. However, memories are short and as the pandemic has ground on, the everyday heroism of community organisations has become normalised and gone back under the radar for many.

This is something we can change. Many organisations we spoke to talked about the increasing importance they were placing on telling their story: improving their marketing capability and, in particular, use of social media to increase their profile. This is seen as not only beneficial to their community relationships, but crucial to their business models. It's the way to develop the audience for their products, bring people back into their buildings, build relationships with funders, position themselves for council contracts.

Growing confidence with and use of digital technology has accelerated this journey. Marketing is no longer being seen as a nice to have, perhaps the preserve of larger organisations. It's a vital and increasingly accessible means for all of pivoting business models during a time of great uncertainty.

10. Become climate leaders

Locality's strategic framework and theory of change makes the case that local community organisations have distinctive solutions to the big challenges we face in our society.[47] The climate crisis is one of the most urgent. And despite being in the grips of the Covid-19 crisis, community organisations are increasingly looking ahead and putting climate action at the heart of their missions.

Indeed, the organisations we spoke to saw it as important part of reorienting their organisations and their business models. "Opportunity" is the wrong word; but it is certainly the case that community organisations see both mission and business model benefits to stepping up to their activity and becoming more ambitious as climate leaders.

However, turning ambitions into reality is a struggle. It can be difficult when in the grips of a crisis to focus on tackling the next one. But the organisations we spoke to recognised that climate action needs to be a central part of their futures, even if it's not as much of their present as they'd like it to be.

> **"Like everybody, we want to do more on the climate action front, but that's the hard stuff and doing that in a pandemic is even harder – getting people together in the way that you need to"**
> Moretonhampstead Development Trust

Partly this is about making organisations fit for the future – moving towards net-zero, decarbonising delivery, making buildings as energy efficient as possible.

But it is also about engaging with the local community, increasing the urgency of local action, and supporting local people to take part in environmental activities where they can see the difference their contribution can make.

Community organisations may struggle to resource these activities at the moment. But tackling the climate crisis is an increasing priority for funders and social investors. So, developing climate expertise will provide fruitful as community organisations look to pivot their business models and design new products and services.

This was seen as a key area where the networking opportunities described above could be particularly useful – where organisations could gain inspiration from different ways community organisations are going about playing a climate leadership role. Indeed, Locality has recently launched a Climate Crisis Specialist Group for precisely this purpose. We hope this can provide a forum for community organisations to share challenges and approaches, and think through how being climate leaders can be resources and make a positive contribution to business models in the future.

> **"Climate change is massive, and many organisations are struggling. Learning from each other how to tackle that – and learning from each other's mistakes. What could our contribution as a sector be to tackling climate change?"**
> Meadow Well Connected


SPECIALS OF THE DAY
QUICHE
Goat's cheese & caramelised onion tartlet
SOUP
Roast red pepper, tomato, carrot & red lentil (vg)
DRINK
- Sweet potato & mixed bean chilli (vg) with jacket potato, salad & coleslaw £3.95
* Spicy cajun wedges £1.00 *
DONATIONS TO
THANK YOU
Petite

Chapter 5:

Key recommendations for funders and policymakers

Community organisations have been innovating and adapting to the pressures of the pandemic. But they have been doing so under huge stress – from intense and rising community need, and big challenges to their financial sustainability. To maintain their resilience in an uncertain future, they need a more supportive external environment, that's better tailored to the challenges they currently face.

Here we make recommendations for how funders and policymakers can best support community organisations as they pivot their business models, so they can continue to drive forward their neighbourhoods. We have identified three key sources of income for community organisations – trusts and foundations, central government, public sector contracts – where there are lessons to learn from the pandemic.

At heart, these recommendations are about ensuring community organisations have the "capacity to innovate". It has been clear from our research that what organisations need most in a period of huge challenge and uncertainty is firm foundations to drive through change. Space and time are required to develop new ideas that can both respond to evolving community need and generate sustainable income. We have heard how community organisations have been doing this throughout the pandemic. Far from giving up on trading, they are redoubling efforts to find secure income streams. The right support can be critical in helping them do this successfully. So rather than seeing crudely polarised models of "grant dependency" and fully independent trading organisations, we need to see a mixed model, where one supports the other – the right kind of grants and investment support organisations find new ways to trade.

Recommendation for funders: invest in organisational resilience and innovation

The emergency support provided by trusts and foundations during the Covid-19 crisis has been crucial to community organisations. This was widely accessed by the community organisations we spoke to, and all said it had been vital.

This grant funding plugged the huge hole in trading income left by lockdown. In so doing, it gave organisations breathing room to think through how they were going to adapt their business models. As we have shown, many organisations seized the opportunity to take a comprehensive look at their operating models, reshape systems and make efficiencies. It gave them some of the "capacity to innovate" we believe is crucial to future success, enabling them to design new approaches to not just tackle immediate need more effectively, but also make them more efficient as organisations in the long term.

We believe this is a critical lesson for how funders support community-led change in the future. Grants will always be an important part of the income mix for community organisations. The pandemic has highlighted how the strongest and most successful community organisations are those which draw on a range of different income sources, from grants, contracts, and trading. It has always been risky to be too reliant on one source of income, whether that's an earned income stream, a major grant, or a big contract.

The ongoing instability we can expect over the next few years makes diversification more important than ever. Funders can facilitate this with a shift in how grant programmes are designed. There has been a growing understanding over recent years that grant programmes are often too prescriptive, designed in the image of the grant giver rather than the needs of the grantee. Restricted grants to support particular projects still dominate the landscape. However, some funders are recognising that more flexibility is needed - offering unrestricted grants or supporting core costs - so organisations can get on with doing that they do well. This approach recognises the inherent value in supporting organisations to build their infrastructure, assets, and financial strength rather than simply buying outputs. The Enterprise Development Programme, funded by Access, is a good example of this approach.[48]

Covid-19 has now turbocharged this direction of travel. As a recent report from the Institute of Voluntary Action Research (IVAR) outlined:

> **"The Covid-19 emergency has begun to change this picture, with many more foundations offering unrestricted funding to free the organisations they support to respond to unprecedented demand and uncertainty."[49]**

This uncertainty is not going away – and our research has shown just how crucial time and space to think strategically are to navigating it. It is therefore vital that grant making does not return to a pre-pandemic business as usual, now the "emergency" grant period has come to an end. As one organisation we spoke to put it, funding is "still concentrating on acute need today, rather than organisational development for the future". To support community organisations to become fit for the future, funders need to shift this balance to support organisations rather than projects, with less restricted and more unrestricted funding.

We therefore propose a new comprehensive support programme. This could combine unrestricted grants to release key staff from "fire-fighting", external help designed around the specific needs of the organisation, and access to a peer network willing to collaborate and share learning.

Such an intervention should be aimed at organisations that lack resilience and resources to take stock of their situation and implement new business model innovations. For example, this report has identified particular challenges for community organisations led by and serving people from racialised communities. These organisations have experienced historic underinvestment, and are likely to be smaller, volunteer-led and lacking reserves. A new programme of support must be co-designed with, and targeted to build capacity of, community organisations led by people from racialised communities.

Recommendation for central government: decentralise levelling up

The emergency support provided by government is perhaps the decisive factor that has enabled community organisations to survive the pandemic so far. Furlough was widely used and a lifeline for many. What's more, although framed as "business support", a large proportion of Locality members were able to access government grants distributed via local authorities.

However, the funding now available from government is that associated with the levelling up agenda. Three big funds were announced at the March 2021 budget – the Levelling Up Fund, the Community Renewal Fund, and the Community Ownership Fund. However, each of these have proved hugely challenging for community organisations to access, all for the same basic reason: centralised control. Each fund has had a tightly defined criteria, reflecting particular government priorities and views on how things should be done. Local areas or organisations are forced to competitively bid against each other, with success dependent on demonstrating how closely they can meet this narrow, government-mandated criteria.

The first round of the Community Ownership Fund (COF) has been a particular missed opportunity. The COF offers the fantastic prospect of saving local spaces and enabling community organisations to take on assets that can help them build sustainable business models. But the criteria of the first round has been far too tightly drawn to have been able to support many of the potentially transformative community ownership projects that are out there. Key challenges have been the strict requirement that communities must "match" 50% of any government grant; the tight upper limit of £250,000 for anything other than sports clubs; and the incredibly short timescales.

Similar patterns were evident in the Community Renewal Fund (CRF). This was introduced "to help places across the UK prepare for the introduction of the UK Shared Prosperity Fund". However, some of the CRF's stated ambitions – to be driven by local insight; to avoid bureaucracy; to encourage innovation; and ultimately to support community renewal – have been undermined by the basic structure of the process. Judging from conversations with those who have participated, it has been too short-term, too large scale, too bureaucratic, and too risky to mean community organisations can successfully engage.

This is all hugely frustrating for community organisations. There is significant government money out there which, on the face of it, aligns with the things community organisations do well. Indeed, as we have argued elsewhere, supporting community organisations should be seen by government as a key means of delivering its levelling up ambitions.[50] But the funding in large part has remained out of reach – and community organisations' time is being tied up in lengthy, bureaucratic and ultimately unsuccessful application processes.

In the same way that funders need to trust the organisations they are supporting with unrestricted funding, government needs to learn to let go, decentralise and increase flexibility. The Levelling Up White Paper has provided some encouragement that this message is being heeded. It makes a clear commitment to community as part of its approach, with a new "Community Spaces and Relationships Strategy", along with a promise to strengthen neighbourhood governance and maximise opportunities for community ownership. It states the Community Ownership Fund will learn "lessons from the first bidding round to maximise the impact of the fund". The UK Shared Prosperity Fund will be decentralised, "empowering places to invest in local priorities". As the levelling up process shifts from policy development to detailed delivery, it is vital that the government embeds flexibility and community control across its key funding streams.

It can do this in the following ways:

1. **The Community Ownership Fund**
Future rounds of the Community Ownership Fund should be more patient, more developmental, and more supportive of the places which will benefit most from this investment. There should be greater flexibility in the amount of match funding required and around the upper limit for awards, to make it more accessible to a greater range of projects. This would be of particular benefit to the disadvantaged areas which the levelling up agenda is supposed to be targeting.

2. **The UK Shared Prosperity Fund**
The UK Shared Prosperity Fund (UKSPF) is finally due to come on stream this year, as the replacement for EU funds for economic development. Locality's Communities in Charge campaign – a coalition with Co-operatives UK, Plunkett Foundation and Power to Change - has been calling for at least a quarter of the SPF fund to go directly to local people to invest in their own priorities for the economy. As part of its plans to decentralise, the government has committed to ensuring that "local partnerships" will have a role in administering UKSPF. We believe these partnerships should exist at the very local, neighbourhood level, and that they should have real decision-making powers over a significant portion of the Fund. These "Community Power Partnerships" would bring together all the key players in the local, neighbourhood level economy: the local authority, local community organisations, small businesses, local traders, residents. This would ensure communities and community organisations can bring their expertise on the nuances of local need to bear on important investment decisions.[51]

3. **Levelling Up Fund**
For a fund designed to level-up the country, central government should not control all the levers. The current competitive bidding process is not the way to ensure communities get the resources they need. It sucks up huge capacity from already overstretched local authorities and local partner organisations. Instead, we believe that the Fund would achieve greater impact if it was devolved directly to the local places that need it the most, according to a transparent and accountable distribution formula. Funding should be spent through community partnerships, including local government, community organisations, and businesses.

Recommendation for commissioners: make contracts enabling, not controlling

Our research has shown some examples of improved relationships between councils and community organisations during the pandemic. In many places there is now a greater understanding of and respect for the work community organisations do.

One of the most significant impacts of this shift has been in commissioning. During the first lockdown, red tape was lifted and councils moved from a very KPI focussed approach to something more flexible. Commissioners have now seen the success of this approach; what organisations can achieve without rigid processes and monitoring. This in turn has built greater trust and desire for collaboration in the future.

As one of our interviewees described:

> **"The freedom that was given to us by the council not to adhere to contract restrictions, has given us the opportunity to innovate and show how things would be done if we didn't have those restrictions ... Commissioners fully get the difference that this has made, and long is this going to continue."**

Clearly this positive view is not going be the case with every council and every commissioner in the country. We have equally heard of how pandemic flexibilities segued back to business as usual in short order. However, it demonstrates what's possible, that a different approach is happening and local areas are recognising the benefits of a more flexible, more collaborative, more trusting way of contracting.

We believe this is the most practical way local authorities can provide community organisations with the "capacity to innovate" that is so important. Freed from the burden of complex procurement processes and bureaucratic contract management, community organisations can divert their energy towards quality of delivery and reshaping services to meet evolving need.

Our research suggests a greater appetite among community organisations to get involved in contracting, not just with local authorities but in health too. This is driven by greater desire to provide health and wellbeing services following the impact of the pandemic and a sense that contracts – despite public sector budget pressures - can provide stable source of income to sit alongside trading and grants.

We have a great opportunity where increased trust from commissioners can meet increased appetite from community organisations, to build strong new collaborative partnerships. Commissioners can facilitate this by continuing to learn the lessons from what's worked in the pandemic: taking an enabling and trusting approach to contracting rather than a controlling one.


LOVE & HOPE
CH
Holiday Play Schemes
Play
This year has been unlike any other!
It has brought sadness, fear, loneliness
and isolation, but together we have
found ways to reach out, be strong,
come together and unite as one
These are our children's Christmas
wishes to all
Everyone to be safe and healthy
Spread kindness and love
Help and care for each other
Be thankful
Stay strong
Stand together

Chapter 6:

Locality's commitment

The impact of Covid-19 has amplified what were already difficult and uncertain times for community organisations.

Given the depth of the long-term challenges and the intensity of the pandemic, the quick, committed and caring way we have seen communities respond has been remarkable. But it has not been surprising. At Locality, we know that however daunting the circumstances, we have a huge source of hope at our disposal: the power of community.

It is our mission to enable this power to flourish. We will continue to support community organisations to be strong and successful as we adapt to the ongoing impact of Covid-19. We have set out recommendations for funders, government and commissioners. And there are also lessons for us at Locality to learn from our research about how we can best help our members navigate the challenges ahead.

1. Harnessing the power of networking

The community organisations we spoke to stressed the importance of learning from others. This insight has always been at the heart of the Locality Network. We connect community organisations across the country so they can see what each other are doing, learn lessons and gain inspiration. At our recent Convention – our flagship annual national networking event – we repeatedly heard members explain how the new project they were working on had been inspired by a conversation at a previous member networking event.

This sharing and learning could not be more important as community organisations grapple with how to navigate their way through an ongoing pandemic. Lockdowns and the huge need in front of us could inculcate insularity; certainly we've heard time and again about community organisations focused on firefighting and getting through the day. But the long-term success of our sector requires organisations to find a way to look outside themselves and gain access to the innovation that's happening inside community organisations across the country.

This is something that Locality hopes to be able to facilitate – across a range of regional and national networking events, and our funded peer learning programme. This gives Locality members the resources to visit – face-to-face when possible, digitally when preferable – other organisations to see things that are working well and gain new ideas and practical inspiration, as well as avoid pitfalls.

Our members private Facebook group is a key resource which worked particularly well during lockdown. In the group, members post information and ask questions, gathering practical advice, expertise and support. It is a great way to share information and explore implications of new developments in real time.

As our research has shown, despite hugely difficult circumstances, Locality members are not downtrodden or resting on their laurels, hoping things return to how they were. They are forging positive ways forward, reshaping services and exploring new approaches to income generation. There is a huge resource out there of people in different locations but similar situations, that we can harness as we seek to pivot our way through the Covid-19 crisis and out the other side.

We'll make sure we enable members to access this community power, making networking as accessible as possible for all. This is a key way that we can help members think beyond firefighting and find the capacity to prioritise looking outward. We'll run a range of resourced networking opportunities - from our annual Convention, to regional and thematic networking including practically focussed specialist groups, to more intimate action learning sets, and 1-2-1 mentoring opportunities between carefully paired groups. This will help organisations find the networking they need at the time they need it, sharing in the wealth of support and intelligence that's across Locality.

2. Producing new guidance

Membership of Locality is captured by three letters – ABC. We offer advice – the practical know how community organisations need to be strong and successful. It's about belonging to something bigger by being part of a thriving national network of locally focused organisations. And it's about connection to learn from other organisations facing similar challenges.

During the course of the pandemic, these have all been more crucial than ever. However, alongside networking, we've noticed a particular desire for advice – practical guidance on how to weather the storms and respond to new and emerging issues. We've tried to be as agile as possible in providing this type of support over the past two years – from our national 'All You Need To Know' webinars to regional networking events to bespoke advice from our locally-based, on the ground staff. But we are redoubling our efforts to provide as much new guidance as possible during this period of ongoing uncertainty.

We are publishing three new practical guides for community organisations alongside this report. These are on three key areas highlighted in our research:

- **Diversification** – how to stay agile and pivot business models in this time of upheaval
- **Succession** – how to future proof organisational leadership
- **Collaboration** – how to work better together locally

We hope these new guides will provide useful advice on some of the biggest issues ahead. But we won't stop there – we plan to ensure the members-only section of the Locality website becomes a hub of all the practical guidance community organisations need to stay strong and successful. We will be publishing regular practical guides, on a range of topics across the next 12 months.

3. Being a better ally to organisations working with racialised communities

This report has highlighted the particular challenges faced by community organisations led by people from racialised communities. Research suggests they are likely to be smaller and more precarious, having suffered historic underinvestment, and have faced disproportionate impact during the pandemic. These conditions have given them less capacity to pivot their business models and adapt to the challenges ahead.

They are also less likely to be represented in Locality membership. In the most recent survey of our core paid membership, we found that over half (56%) work with people from racialised communities.[52] However, our survey also showed us that only 11% of the organisations responding were led by people from racialised communities, with 18% of organisations having staff teams where more than half come from racialised communities.

We have sought to ensure that our research has been as representative as possible of a diverse range of voices. As **Box 4** details, our sample of in-depth interviews is geographically spread and drawn from across the income spectrum. 31% are led by protected characteristic groups, predominantly those from racialised communities and including one user-led disability organisation.

However, our research has been focused on the community enterprise model, based around the ownership of community assets. As our strategic framework sets out, the organisations which do this "tend to be the strongest and most successful community organisations, employing staff, delivering services and owning or managing community spaces." Yet we know – from our work with the Ubele Initiative[53] – that there is an inequitable distribution of assets, and small and micro community enterprises are disproportionately led by or serving racialised communities. We have seen this through our recent work on the Greater London Authority's (GLA) Culture and Community Spaces at Risk programme. Here we have supported around 100 community organisations who are at risk of losing community spaces. These risks are clearly heightened for organisations with protected characteristics and we are currently conducting further work with the GLA and Ubele to gain an in-depth understanding of these barriers.

We recognise we need to do more to expand and deepen our reach and provide the right support to organisations led by people from racialised communities, so they can become strong community anchors. This is a key part of our commitment to being a better ally to organisations working with racialised communities.[54]

There are four key things we are doing to address this:

1. **Establishing a resourced Locality membership group for leaders of colour.** This aims to provide a foundation for Locality members from racialised communities to build success, share challenges and raise issues. We are also supporting those organisations not led by people of colour to be better allies in the drive for racial justice. This recognises the current imbalances and seeks to make the most of where power and resources lay in the sector.

2. **Campaigning for the equitable distribution of assets.** The government's "levelling up" strategy has introduced a series of place-based funds, with the Community Ownership Fund specifically targeted on community assets. The design of this fund has been antithetical to equity, with no support for disadvantaged groups and certain measures – such as match funding – actively militating against racial justice. Our campaigning around the Fund has called for it to be co-designed with infrastructure organisations led by people from racialised communities, and support targeted to strengthen community asset ownership in racialised communities. The Levelling Up White Paper has committed to "enhance the offer in the COF, learning lessons from the first bidding round to maximise the impact of the fund across the UK". We are clear that any enhancement must mean more early stage support and more targeting at community groups who have traditionally been excluded, and this will be a key part of our campaigning.

3. **Conducting a major piece of Locality action research** on how local community organisations can lead the fight for racial justice. This will start from our theory of change, which sets out why we think local community organisations have a distinct role in addressing the biggest challenges our society faces. We are working with our members to understand what precisely this role is when it comes to racial justice and what we need to do to embed this in communities across the country. The work aims to set expectations for all community organisations across the country about their role in the fight for racial justice and provide practical guidance for how they can play it to the full.

4. **Increasing the diversity of our membership.** This is a key part of our Diversity, Equity and Inclusion (DEI) Action Plan. Only through having a truly diverse membership can we achieve our vision or a fair society for everyone. Our first step has been to improve our data so we have an accurate understanding of the make-up of our members. We are then committed to a year-on-year increase in the percentage of members led by people from diverse groups, with our priority areas being race and disability. This will involve ensuring such groups receive the support they need to engage fully in the Locality network. from the first bidding round to maximise the impact of the fund across the UK". We are clear that any enhancement must mean more early stage support and more targeting at community groups who have traditionally been excluded, and this will be a key part of our campaigning.

Our commitment

Our members have shown remarkable agility over the past two years to adapt to the challenges of the pandemic. We at Locality need to show the same agility, so we can continue to provide the right support for community organisations to be strong and successful. The three areas outlined above are ways we believe we can do that, which respond to what we've heard in this report. But we know the operating landscape continues to evolve in unforeseen ways. We will continue to engage with our members, and keep listening and learning with them, so we can help create a fairer society where every community thrives.

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Locality

Locality supports local community organisations to be strong and successful. Our national network of over 1,000 members helps hundreds of thousands of people every week. We offer specialist advice, peer learning and campaign with members for a fairer society. Together we unlock the power of community.

Connect Fund

The Connect Fund is a £6 million fund that has been set up to strengthen the social investment market in England to better meet the needs of charities and social enterprises. The fund provides grants and investments to develop resources and support infrastructure to make social investment more accessible. The Barrow Cadbury Trust manages the Connect Fund in partnership with Access – the Foundation for Social Investment.

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