

Briefing Note

April 2023



The Cost Of Living Crisis & the VCSE Sector

1. Purpose

To outline the challenges and risks facing the VCSE sector in Greater Manchester and propose short, medium- and long- term solutions.

2. Summary

VCSE organisations are facing challenges that threaten their capacity to provide services. The cost of living crisis and difficulties hiring staff members are affecting the ability of the VCSE sector to deliver work, while beneficiary demand on VCSE organisations is at extremely high levels. Investment from trusts and other funders during COVID has ended. There is a risk that some organisations will struggle to manage these factors, leading to the withdrawal of services or the closure of some organisations.

3. Evidence

Surveys of the sector have highlighted these combined challenges.

- a. The Social Investment Forum (SIF) conducted research following a request by DCMS.ⁱ An evidence gathering exercise of their members, representing the social investment sector at investor/infrastructure level, and a survey of VCSE customers, revealed the following trends over the last 12 months
 - 45% have seen their turnover decrease
 - 93% have experienced an increase in prices for the goods/services they buy
 - 45% have absorbed these costs and kept the prices the same for their beneficiaries
 - 50% expect that they will have to increase their prices
 - 34% will continue to absorb costs and keep prices the same.
- b. The National Lottery Community Fund's Regional North West team are supporting the sector to deal with the cost of living and to keep projects running. In response to requests for evidence of impact on existing Lottery projects, the team have (since July 2022) provided an extra £749,000 to 31 existing grant holders. This includes community centres. This equates to over £24,000 per project in increased costs. See the case study in point 4 below for an example.
- c. The past two years have seen a decline in the number of people wanting to work for VCSE organisations in both paid and voluntary roles, as well as a decline in staff and volunteer retention. According to Third Sector Trends '[o]ver the last two years, 20 per cent of Third Sector employers have found it harder to retain staff and 43 per cent have experienced recruitment problems' and 48% of third sector organisations in the North West have reported problems with recruitment.ⁱⁱ This has particularly affected VCSE organisations delivering public sector contracts. Larger organisations that are more likely to be involved in delivering public sector contracts are facing increased challenges in recruitment, research showed that 'organisations which deliver public services under contract for government departments or local authorities are finding retention problems the most challenging (27%), while TSOs which do not deliver contracts are less affected (15%)'.ⁱⁱⁱ In terms of critical concerns facing charities and community businesses, recruitment is just behind energy bills and cost of goods and services.^{iv}

- d. Nationally, between 2016 and 2020, charities delivered £17 billion worth of public contracts, around five percent of the total.^v Research has also suggested that the costs of public service contracts have been under-priced, with VCSE organisations in effect subsidising the public sector. Combined with the challenges outlined above, there are significant risks to not only the wider VCSE sector but specifically those organisations delivering vital public services.

4. Case study: Warm Hut

An example of an uplift by The National Lottery Community Fund in Greater Manchester is support provided to Warm Hut UK (<http://warmhut.org/about-us>) a grassroots group that supports communities from French speaking African backgrounds living across Greater Manchester. Since August last year, demand for Warm Hut's services has increased six-fold. Staff are projecting that beneficiary numbers will increase by 52% year-on-year, with more people requiring crisis support. Because of increased demand, more volunteers have been recruited and corresponding expenses have increased. Warm Hut had already drawn on their reserves to counter increased costs. A 17% uplift was provided to Warm Hut UK to address the increases in demand and expenses.

5. Recommendations

- a. There needs to be a place-based, sustained and flexible offer of funding that builds on the provision of funds through the UK Shared Prosperity Fund grant scheme.
- b. The longstanding absence of a simple VCSE workforce strategy must be addressed. Research should be commissioned to examine the barriers to both voluntary and paid work within the VCSE sector. This would need to reflect the different environments in which VCSE organisations work throughout the UK.
- c. In Greater Manchester, we are exploring good practice in commissioning and procuring VCSE delivery. This includes mobilising grassroots groups to address key local need.

6. Sources

Cost-of-Living – Rapid Evidence Gathering Exercise (*Social Investment Forum*, September 2022), <https://www.socialinvestmentforum.org.uk/policy-resources>

Cost of Living and Economic Resilience in Greater Manchester, <https://democracy.greatermanchester-ca.gov.uk/mgConvert2PDF.aspx?ID=22697>

FSB Report: Energy Bill Relief Scheme review, <https://www.fsb.org.uk/resources-page/fsb-report---energy-bill-relief-scheme-review--november-2022.html>

Going the distance: how Third Sector organisations work through turbulent times, <https://www.stchads.ac.uk/uncategorised/going-the-distance-how-third-sector-organisations-work-through-turbulent-times/>

Lights Out: An analysis of the VCSE Sector Barometer, in partnership with Nottingham Trent University VCSE Data and Insights Observatory, <https://www.probonoeconomics.com/lights-out>

ONS The cost of living, current and upcoming work: February 2023, <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/thecostoflivingcurrentandupcomingwork/february2023>

Third Sector Trends in England and Wales 2022: employees, volunteers, diversity and investment in people, <https://www.stchads.ac.uk/research/research-news/looming-workforce-challenges-facing-the-third-sector/>

7. References

ⁱ Social Investment Forum, 'Cost-of-Living – Rapid Evidence Gathering Exercise', <https://www.socialinvestmentforum.org.uk/policy-resources>.

ⁱⁱ Introduction, <https://www.stchads.ac.uk/research/research-news/looming-workforce-challenges-facing-the-third-sector/>.

ⁱⁱⁱ Page 22, Ibid.

^{iv} SIF, 'Rapid Evidence Gathering'.

^v Harriet Whitehead, 'Inflation means charities 'cannot go on' subsidising contracts, paper warns', <https://www.civilsociety.co.uk/news/inflation-means-charities-cannot-go-on-subsidising-contracts-paper-warns.html>.



The Greater Manchester VCSE Leadership Group is a collaboration between VCSE leaders in Greater Manchester.

Secretariat: Voluntary Sector North West, 3rd Floor, Swan Buildings, 20 Swan St, Manchester M4 5JW

For more information contact us:

Email: tom.jackson@vsnw.org.uk

Telephone: 0161 276 9300

Find out more about our work

<https://www.vcseleadershipgm.org.uk/>

<https://twitter.com/VCSELeadersGM>