Gateshead Council

TITLE OF REPORT: Voluntary Sector Resilience

REPORT OF: Alison Dunn, Service Director for Voluntary and Community Sector Development

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Summary

Update on voluntary sector resilience, focusing on how the voluntary sector is surviving in challenging financial times.

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Background

1. Data from Connected Voice Sector Snapshot 2022 tells us that there are 888 registered charities in Gateshead, 68 community interest companies, 37 mutual and co-operatives and possibly as many as >2,000 community and grassroot groups.

2. Further, it tells us that 36% of voluntary sector activity is described as micro activity with an income of less than £10k per annum, 34% are described as small with an income of between £10,000 and £100,0000, 23% is medium with an income of between £100,000 and £1m, 6% is large with an income of between £1m and £10m and only 1% with an income of £10m to £100m. There are no "super major" income sized organisations in Gateshead £100+m.

3. A recent financial review tells us that in 2022/2023 the Council enabled voluntary sector commissions equating to £7,108,881 and in 2023/2024 the figure rose slightly to £7,414,208. Further analysis is needed to understand the detail of this spend, for example how much is spent with micro and small organisations versus medium and large organisations, and/or what percentage is spent locally, regionally or nationally.

4. This report is informed by the following primary sources:

    - Insight from Connected Voice
    - Insight from the Neighbourhood Management Team
    - Insight from the Warm Spaces and HSF grant programmes

- Community Foundation, Third Sector Trends in England and Wales 2022: finances, assets and organisational wellbeing
- Third Sector report, The Road Ahead 2023
- VONNE Member and Stakeholder Survey 2022: What do the Results show?
- Gateshead Carers Survey 2022
- Research from the ProBono Economics and Nottingham Business School
- CLES, Measuring the Value of the VCSE in Calderdale 2021

Update

5. Intelligence gathered over the last six months from Connected Voice's direct interactions with VCSE organisations in Gateshead indicates the following trends:

   - Organisations are in firefight mode due to increasing needs exacerbated by the cost of living crisis, with little or no time or resource for development work, communications and training.

   - Organisations are stretched and trying to do more with fewer resources and funding, which is having an impact on staff and volunteers' health and wellbeing at all levels.

   - Linked to the above is the pressure of short-term funding in keeping staff and maintaining service levels.

6. The cost of running voluntary sector organisations is on the rise, with increased energy prices, costly consumables, rising fuel costs and more expensive staff. In some cases we have seen increases in utility costs for voluntary sector organisations of 350%; a problem exacerbated when, as many are, the agencies are based in older and less energy efficient buildings.

7. One charity sector think tank NPC estimates that two-thirds of charities delivering public service contracts aren't paid enough to cover their costs.

8. Local insight tells a similar story with regard to grants for example, when Gateshead Council launched a small grant programme earlier this year with the intention of extending the accessibility of the Warm Space Network the majority of applicants said they couldn't increase accessibility, but instead they urgently needed support to maintain the existing activity, requesting instead support to pay their utility bills.

9. The Neighbourhood Management Team hear similar concerns from the Community Centre Network, Asset Transfer Partners and others in the sector. The Council, through the Neighbourhood Management Team, is currently exploring options for the establishment of a working party that would look at energy resilience for the community centres that were asset transferred by the Council.

10. There is funding available for improving the energy resilience of community centres, but it needs a considered approach, ensuring that we are getting the best options for each building which will take time to introduce.

11. Voluntary sector income is at risk with individual giving (linked to depressed wages), legacy income (linked to reducing house prices), grants, trusts and foundations all diminishing due to the cost-of-living crisis, and where there is commissioned or contractual income inflationary rises are often slow to be applied, or missing entirely.

12. Food charities have been particularly hard hit locally, with a notable decrease in food donations combined with increases in food costs. Connected Voice reported that requests for funding to help with food costs was their second highest funding request from their VCSE Cost of Living Crisis Fund, which funded 76 organisations across Gateshead and Newcastle with grants of between £2,000 and £4,000

13. Through the DWP Household Support Fund (HSF) Gateshead Council has provided grant funding to the Food Network for the direct cost of purchasing food, however the HSF does not permit us to give full cost recovery to these agencies (which would include staffing and overhead), it will only cover the cost of their food provision and a small administration fee of 5% of the value of their grant.

14. The Community Foundation Third Sector Trends Report 2022 states that optimism is highest amongst medium sized and larger organisations, and the lowest in the micro-organisations, with more than half this group expecting their grant income to decline. It is worth noting that 70% of voluntary sector organisations within Gateshead are described as micro or small.

15. Growth in the sector has slowed with the gap between income and spending narrowing with more voluntary sector agencies using their reserves to meet operating costs, as demand for their services soars. Connected Voice report that the reserve position of some voluntary

sector members is a cause for concern with reserves as low as one month's running costs.

16. Once an organisations running costs fall below three months running costs Connected Voice say, "it is very difficult for them to secure funding because they are viewed as at risk of closure by funders". This is unlikely to be sustainable in the long term and the associated risks should be noted.

17. This trend toward using reserves and a slowing in growth is exacerbated by a growing trend in the way grant giving organisations distribute their funds.

18. During the pandemic grants, trusts and foundations generally lessened the bureaucracy around their funding, with far less monitoring and demands for new and creative solutions, accepting the need to tackle the crisis with the core service offer.

19. More recently these same funders are returning to strategies that will limit the free flow of unrestricted investment and returning to conditional funding. As VCSE time and resources continue to be under pressure this change in strategy has the potential to deter applications.

20. Networking, sharing information and intelligence to support with fundraising and other key issues is the most important reason why the voluntary sector engages with VONNE (Voluntary Organisations Network NE) and we know advice on funding and organisational resilience is a constant theme in the work of Connected Voice (the Council for Voluntary Service commissioned by Gateshead Council).

21. Linked to the point above, public sector funding is reducing; high inflation doesn't just hit charities and households' costs – it puts national and local government spending under pressure too. Without explicit action by commissioners and funders to off-set inflationary rises for voluntary sector partners we can expect reduced spending (and therefore reduced funding of the voluntary sector) in the short term, to make up for higher costs elsewhere.

22. A report by the Community Foundation Third Sector Trends 2022 states:

    a. Only 1% of micro-organisations have an involvement in public sector contracting, compared to 29% of large organisations and 51% of the biggest.

b. .... "while most large and big organisations are aware of such opportunities, many eschew this option. Others are ambivalent about the prospect of getting involved (due to a lack of information, lack of support or perceptions of barriers in the tendering process)".

c. … "middling medium-sized organisations (with income from about £250,000 to £1m) have become less interested in delivering public sector service delivery contracts, falling from 52% in 2013 to 36% in 2022). This is because the value of the contracts have progressively been squeezed due to constraints in local public sector finances over the years, it is clear that many [medium sized organisations] feel such work is simply not worth their while".

23. Further, public and private sectors are increasing their pay and yet this isn't happening to the same degree in the charitable sector who are paid on average 7% less per hour.

24. Many voluntary organisations benchmark salaries, benefits and pay increases against the public sector therefore we can expect disparities between the public and charitable sector to grow, threatening the ability of the charity sector to attract, recruit and retain sufficient talent to meet the complexity and increased demand coming into their services (see below).

25. Increasing complexity and demand from service users is unprecedented.   Research from ProBono Economics and Nottingham Business School shows 71% of social sector organisations reported a rise in demand for their services over the three months to November 2022. And many expect this to rise further throughout the winter. Nearly half (49%) expect demand to exceed their ability to meet it and 19% expect to fall significantly short.

26. Against this backdrop, National Council Voluntary Organisation members say they're also dealing with more complex needs, something we hear in our local conversations also. For example, Connected Voice HAREF who support ethnically marginalised communities who face specific health issues and health inequalities tell us they are seeing increasing mental health issues in the people who use their services, but also for the staff who are supporting them.

27. Connected Voice HAREF are not alone in experiencing this, Citizens Advice Gateshead report experiencing a 27% year on year rise in

demand, as are many others; this level of increase and the pressure described is a common theme in the conversations the Council has with our voluntary sector partners.

Volunteering

28. Gateshead Council recognises that volunteer's power many of our organisations and communities, and as such the Council has invested in the creation of an Independent Volunteer Centre which is delivered by Connected Voice. Council funding for the Volunteer Centre is scheduled to end on the 31st March 2025.

29. It's impossible to know how many people volunteer in Gateshead, as many do so informally for example picking up a prescription for a neighbour, walking an elderly relative's dog or just calling in to check on someone.

30. Further, a report by Gateshead Carers suggests there are more than 22,000 carers in Gateshead. **75%** of this group (`16,500 people) provide care for over 35 hours per week, **50%** (11,000) provide care for over 100 hours per week. The report also states carers are getting older with **83%** (18,260) aged over 51 years old.

31. What we do know about volunteering through monitoring provided by the Independent Volunteer Centre from April 2022 to March 2023 is as follows:-

   a. Number of volunteer recruited through the Volunteer Centre 326 supported into volunteering

   b. Number of organisations supported to provide/improve volunteering experiences

      i. 31 organisations supported through direct contact

      ii. 32 new organisations listed on the Our Gateshead website

      iii. 76 VCSE members contributing to the Gateshead Volunteer Co-ordinators Network

   c. 60 new volunteer roles created on the OurGateshead website

   d. 100% of the 326 volunteers recruited had additional needs (a priority group for the service)

32. Just like paid staff, volunteers are affected by the cost-of-living crisis and changes in their personal circumstances like rising interest rates and food prices.   So whilst volunteers give their time for free, it still costs voluntary sector organisations to support them with training, insurance, refreshments, travel etc and with many more volunteers (and staff) claiming legitimate expenses they may have donated to the charity in better times.

33. These financial pressures mean the sector is struggling to both develop volunteers to their full potential and in some cases to retain volunteers, particularly older volunteers and those from socio-economic disadvantaged groups, either because they are returning to paid work or they feel unable to absorb the time, energy and ancillary cost of volunteering whilst managing their other responsibilities.

In conclusion

34. The issues, problems and trends outlined above, cannot be resolved by Gateshead Council alone, but there are a number of things we are doing or planning to do which may have an impact.

    a) The Council continues to work on reducing bureaucracy in our commissioning, monitoring and evaluation processes, particularly around small grants.   Feedback from the voluntary sector on the changes we have made to date has been positive.

    b) An officer working group has been established with the voluntary sector to explore how the Council can further support the sector. This group will be Chaired by Colin Huntington, and the work facilitated with the support of Alison Dunn, Service Director for Voluntary and Community Sector Development and Andrea Tickner, Service Director for Corporate Commissioning and Procurement.

    c) Included within this work, but not limited to it, will be a refresh of the Compact which will set out a framework for collaboration between the voluntary sector and commissioners in Gateshead, not just the Council. However, the Committee is to note a public sector/voluntary sector Compact that is impactful and valued relies upon, amongst other things, the presence and involvement of a strong, connected and resilient VCSE sector.

    d) Given those challenges, it is in the interests of the public sector anchor institutions such as the Council and ICB to make some of its

resources available to support the sector to develop and maintain an infrastructure and collaborative approaches both at strategic/borough-wide level but also at locality / neighbourhood levels. Examples of this include the Locality Working in Gateshead Partnership which features community anchor organisations discovering the benefits of networking, shared experience and co-design of learning and service delivery – key traits that will help these organisations grow as enabler/providers of a Gateshead Compact that delivers.

e) We are exploring how we can establish a working group to support buildings that have been subject to a community asset transfer so they may be as energy efficient as possible.

f) We continue to look for opportunities to provide funding for emergency food provision in Gateshead recognising the growing demand for this service.

g) We are currently evaluating the impact of the Warm Space Network and will use the outcome of the evaluation to inform our commissioning of the Network in the future, with the expectation of another grant programme released early Autumn.

h) The Council continues to support the provision of an Independent Volunteer Centre in Gateshead which is funded until March 2025. During this time the Council is working with Connected Voice to identify continuation funding from a third party, and exploring creative ways to bring resource and capacity to the Centre.

Recommendations

1. The views of the OSC are sought on the above update.

2. The Committee may wish to consider :

   i)   A further presentation delivered to the Committee in which we seek to demonstrate through case studies and testimonials the value voluntary sector agencies bring to the Borough and the objectives set out in the Thrive Policy Framework.

   ii)   This can be enhanced by:

          a. an attempt to quantify what would be lost to the local economy if key voluntary sector delivery partners or unique grassroots organisations collapsed (NB: 70% of all voluntary organisations in Gateshead describe themselves as micro or

small, the majority are not part of Council commissioning or procurement frameworks).

b. An in-depth analysis of the Council spend on voluntary sector activity outlined at paragraph 3 above, to include a review of how the Council supports micro and small organistaions in particular, and examples of good practice from other aeras.

iii)   This information can then be used to explore the options for additional support to vulnerable but vital local organizations.

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