

This is a summary of our report "The Impact of the Current Economic Challenges Facing Surrey's VCFS" conducted in August 2020 and comprising feedback from over 60 VCFS organisations of diverse size and operations about the cost of living crisis.

Summary

A healthy VCFS is essential to a thriving Surrey, especially in the face of challenges like Covid and the current cost of living crisis. As residents experience greater hardship and challenge, more of them might need to access the support that the VCFS can offer, so the sector needs to be able to cope with increased demand and more complex needs. This report looks at how the VCFS is coping with the latest set of challenges, and their future expectations.

The sector on average remains well placed to meet the developing needs of the County. However, a significant minority are facing massive challenges not of their own making, and others are likely to struggle until things improve.

As with the Covid pandemic, we see that small, local community groups remains well placed to meet immediate local needs such as befriending, volunteers transport, etc, and are confident that they will continue to meet the needs of their communities. Their small size, volunteer management and lower overheads can be to their advantage. Even so, some are concerned about rising costs and the challenges their communities face.

Larger organisations, who are more likely to have salary costs, premises costs and equipment costs) appear to be facing greater challenge, especially around salaries, recruitment, rising prices of energy, goods and services.

The County needs a diverse VCFS to meet equally diverse needs and so the success of both smaller and larger organisations is crucial.

Most organisations expect to weather the storm, but a large proportion may have to reduce their services, a grave concern in the face of rising demand. Few are facing drastic reductions or closure, although this figure might increase as the crisis continues.

Charities and Community Groups are skilled in managing their costs. Even with this prudence, some still expect to have to cut costs further, and many are using their reserves to maintain keep services. Staff costs are often the largest cost that organisations face, and cutting staff is always seen as a last resort, since staff cuts seriously impair an organisation's ability to deliver their services.

Many charities are looking to increase their fundraising efforts and to renegotiate with existing grants and contract funders.

Most organisations have either made changes in response to the current challenges or are planning them. Some may not be, and there may be risks in failing to do so.

Most organisations expect the situation to deteriorate over the next 12-18 months, but most expect to survive, even if they end up smaller than when they started.

There are things that VCFS organisations and funders can do to help the VCFS and therefore their beneficiaries. More are highlighted in the full report but include:

VCFS Organisations

- Ensure trustees are fully aware of the risks their organisations face from an extended period of price rises and uncertainty; make sure they are added to the Risk Register and mitigation is fully considered. Assume things will get worse before they get better.
- As well as managing costs effectively, consider in-kind support to offset some running costs in lieu of cash funding. The Surrey Social Value Marketplace may be a good place to start: <https://socialvalue.supplytosurrey.co.uk/about/>
- Look at salary packages and consider non-salary benefits to encourage recruitment and retention (eg employee assistance programmes).
- Approach funders and ask for more funding with data to evidence increasing costs, demonstration of value for money, and data on the impact on those you support of cuts you might otherwise have to make. Do not be afraid to discuss challenges you are facing.
- Ensure you have a robust cost recovery model that allows you to accurately calculate overheads and build inflationary uplifts into multi-year projects.
- Highlight your challenges and the impact they will have on your beneficiaries with your local Councillors and MPs.

Funders and Commissioners

- For existing funded work, consider automatic cost of living increases across all grants and contracts, reflecting that the cost of contract failure is likely to be significantly greater than the costs of the uplift.
- Where uplifts cannot be offered, redefine outputs and outcomes to allow for reduced service delivery in line with the existing budget.
- Consider offering in-kind support to VCFS organisations, such as office space and access to facilities.
- For Surrey County Council, continue to offer VCFS partners access to the recruitment portal to allow effective recruitment at a lower cost.
- Encourage inflationary uplifts in new contracts and ensure bidders have a robust cost recovery model that includes inflationary pressures as well as the use of comprehensive cost recovery models.
- Consider emergency support to front-line VCFS organisations supporting Surrey's vulnerable communities, recognising that the challenges are being felt more in some sectors (eg care), who may require extra support.

Local and National Government

- Work with VCFS organisations locally to understand their pressures and factor those pressures into action plans and support packages at a local and national level.
- Reflect that the VCFS is a large and important part of the UK economy and so should be considered equally when support to business and vital sectors are discussed.
- Work with the VCFS to design and deliver meaningful support to those in greatest need, directly and with minimal bureaucracy.
- Support implementation of measures to cap or reduce energy costs for VCFS organisations providing front-line services to vulnerable communities.