

SCVO briefing to Scottish Parliament

Scottish Labour Debate: Cost-of-Living

October 2022

Key points

The Problem

- The cost-of-living crisis is increasing, and will continue to increase, demand for the essential services voluntary organisations provide
- At the same time, voluntary organisations are struggling with a running costs crisis as energy and other increase and organisations seek to pay their staff fairly
- Rising inflation, and the resulting cost-of-living crisis, threatens cash flows to the sector, undermining the funds that support essential services
- Without resources and support, organisations will not be able to keep the lights on, meet demand, support volunteers, and uplift wages to protect the living standards of the skilled and experienced voluntary sector workforce.

The Solution

Rising inflation and the resulting cost-of-living crisis is a long-term and deepening crisis. SCVO recognises the uncertain political and economic climate. Within this context there is an urgent need to secure the essential services provided by the sector that people and communities across Scotland increasingly rely on. A mix of short and long-term solutions are urgently needed.

In the short-term the Scottish Government can commit to:

- annual inflationary uplifts for grant funding and contracts to ensure that organisations:
 - can meet rising costs to stay open, including inflationary uplifts for voluntary sector staff
 - can pay the Living Wage, as part of the expansion of the Scottish Government's Fair Work First criteria
 - can meet the new Living Wage rate
- timely communication and prompt payments of funds to prevent funding gaps and uncertainty.

While in the long-term our sector needs:

- a commitment to a longer-term fair, sustainable, multi-year funding model
- transparent monitoring and reporting on public sector funding of voluntary organisations to enable a better understanding of how the sector is funded by government and public bodies
- public sector procurement reformation to ensure that social, environmental, and well-being factors are on an equal footing with cost
- support for the sector to transition to net-zero and reduce the impact of future shocks from the energy market.

Briefing

Inflationary pressures impact both the voluntary sector and the communities the sector works with. Voluntary organisations, like households, are affected by rising costs. Between July and August 2022 93% of organisations reported rising costs. Common price rises reported included material and supplies (76%), transport costs (61%), staffing costs (43%), and energy costs (50%) (Third Sector Tracker). This data was collected before the October jump in energy prices and interest rates, and the number of organisations experiencing difficulties is expected to increase as outgoings continue to soar. The UK Government's Energy Bill Relief Scheme will protect voluntary organisations from volatile and rising energy prices over the winter. Like households, it's unclear what energy bill support will be available from March. We need the Scottish and UK Government to find a sustainable, long-term solution to protect our sector from current and future high prices.

Rising inflation also threatens cash flows to the sector as:

- people have less money available to donate or spend in charity shops
- funding pledges, regular donations, and grants are devalued
- money held in reserve (a legal requirement for charities) is at risk of losing value and being used to prop up public services.

Voluntary organisations are struggling with a running costs crisis while the cost-of-living crisis fuels demand for essential services and undermines funds. Without support the essential support and services our sector provides will be threatened.

Voluntary organisations will struggle to find other resources to fund wage uplifts for the 135,000 people it employs – 5% of the Scottish workforce – and meet additional service demand as the cost-of-living crisis impacts people and communities across Scotland.

To support a sustainable and resilient voluntary sector, organisations need the Scottish Government to commit to:

- fair, flexible, and accessible multi-year funding
- annual inflationary uplifts for public grant funding and contracts
- a Living Wage uplift in public grant funding as part of the expansion of the Fair Work First criteria.

In the Spending Review Framework, the Scottish Government recognised that rising inflation and the resulting cost-of-living crisis will drive higher demand for public services and that the essential work of voluntary sector partners will require an increase in grant funding. We welcome this recognition. The Scottish Government should also recognise that the annual funding cycle causes additional challenges which distract attention and divert valuable resources away from the services people and communities across Scotland rely on. For example, the wasted capacity of navigating funding applications and reporting processes annually. Annual processes and resulting wastage also impact the Scottish Government and other funders who must assess applications and undertake decision-making every year. During this crisis, multi-year funding is even more critical as it gives organisations some predictability to plan their services and reassures staff, volunteers, and the people and communities the sector works with.

To continue to provide essential services and support the voluntary sector workforce, inflationary uplifts are needed. Without inflationary uplifts, we risk an unsustainable environment with the expectation that voluntary organisations provide the same support with less money. In SCVO's research, many organisations reported having had no increases

in local or national government funding for over ten years. One organisation reported no uplift for 13 years, a 27% cut in real terms. Similarly, voluntary organisations struggle to uplift wages when the public sector and other funders do not uplift grants and contracts to keep pace with inflation. Rising inflation and the resulting cost-of-living crisis are exacerbating this issue, which significantly impacts recruitment and retention.

As the cost-of-living crisis bites, Fair Work for Scotland's voluntary sector workforce must be a priority. SCVO welcomes the Scottish Government's plans to become a Fair Work Nation by 2025 and to extend the Fair Work First criteria to include the Living Wage. Years of underfunding, followed by Covid-19 and the running costs crisis, however, means that these ambitions cannot be achieved without additional resources. To support organisations to pay the Living Wage, public grant funding and procured contracts should build in Living Wage uplifts to ensure organisations delivering public services are able to pay the Living Wage. This will support the voluntary sector workforce, 135,000 people, which includes more women (64.5%), more part-time workers (37%), and more people with a disability (23%) than the public and private sectors. Women and people with a disability are at greater risk of living in poverty, an inequality the Poverty Alliance stressed has deepened during the pandemic. The sector must be resourced and supported to pay our essential workforce the Living Wage and support them through the cost-of-living crisis.

Testimonials

"Rising costs are not matched by increases in contract funding leading to loss making across the board and subsequent pressure on reserves or sustainability."

Large voluntary sector organisation

"[Rising costs] are increasing [the] cost of delivering our services (running costs) to an increasing client base..."

Medium voluntary sector organisation

"We want to look after our staff and provide cost of living increases to their wages to ensure they can continue to work for us and aren't too stressed."

Medium voluntary sector organisation

“Due to annual funding from Scottish Government, which doesn’t cover our core costs, recruitment is often on short-term contracts or is subject to ongoing funding, of which there is no guarantee”.

Voluntary sector intermediary

“Like all voluntary organisations, we have very short-term funding, so while our contracts are on paper secure, everyone knows their job is only as secure as the current piece of short-term funding”.

Registered charity

“Funding issues ensure that no one has security of employment. Sustainability for voluntary sector organisations is fundamental to progressing positive change in our communities and in employment security”.

Social enterprise

“We are a small organisation within an uncertain funding environment. It is just not possible to provide predictable work in the longer term”.

Registered charity

“Everything we do is dependent on funding, and amounts are often not confirmed until very late in the financial year”.

Registered charity

Conclusion

The Scottish voluntary sector is an employer, a partner, and a vital social and economic actor.

The actions we share are urgently needed to create the funding security essential for a sustainable voluntary sector which can survive the running costs crisis, support people through the cost-of-living crisis, offer Fair Work, and deliver quality outcomes.

Together we can create a sustainable voluntary sector.

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the voluntary sector (sometimes referred to as the third sector). We champion our sector's social and economic contribution, provide essential services, and debate big issues.

SCVO and our community of 3,000+ members understand that charities, social enterprises, and voluntary groups work with people and communities across Scotland to make Scotland a better place. Find further details about SCVO at scvo.scot.

Our policy team work closely with the voluntary sector, the Scottish Government, COSLA, and the Scottish Parliament on a wide range of issues relating to the voluntary sector's operating environment, including funding, partnership, and regulations.

Contact

Sheghley Ogilvie, Policy and Public Affairs Officer

Scottish Council for Voluntary Organisations

Mansfield Traquair Centre, 15 Mansfield Place, Edinburgh EH3 6BB

sheghley.ogilvie@scvo.scot Tel: 0131 474 8000 scvo.scot

